

ROUNDUP

LUFKIN

september 1991



ЛАФКИН В СССР

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"...every individual within the company has an effect on our total performance..."

ROUNDUP

LUFKIN

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For active and retired employees and their families

COVER: (l-r) Ulfat Muchametzinov, Cecil Hunt, LUFKIN, and Vladimir Ustinov study the blueprint of gear boxes destined for the Soviet Union.

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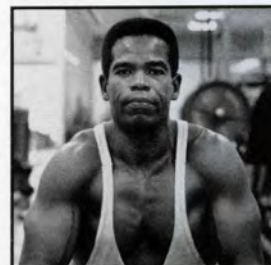
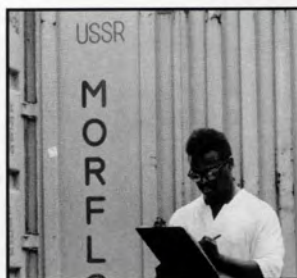
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STATE OF THE COMPANY:

LUFKIN AT MID-YEAR 1991

Lufkin Industries sells products all over the world. In the first six months of the year, approximately 55% of our oil field business and 25% of our industrial gear business were sold in the international market. This is a dramatic change from just a few years ago and is an indication that the international market is becoming increasingly important to the growth of Lufkin Industries.

The international business has come at a particularly important time for us because the domestic oil field business is extremely slow. Because of international sales, the financial performance of the company was significantly stronger in the first half of 1991 than it was in first half of 1990. Earnings for the second half of 1991 should also improve. Through P.A.Y. - Plus, all of us

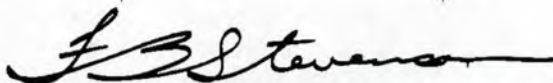
share in these profit increases.

"...the international market is becoming increasingly important to the growth of Lufkin Industries."

It is appropriate that each of you share in the profits, because these improvements have been achieved through your efforts. It is important to realize that every individual within the company has an effect on our total performance. Every job is a vital one

and every link in the chain, from the initial inquiry to the final installation of our product in the customer's facility, is extremely important.

As we continue to progress and grow, we must never forget that the basics will always apply: **Quality, dependability, service and value** are the key ingredients that, in the long run, will determine our success. This is especially true in the international market. LUFKIN has an outstanding reputation around the world, and this reputation enables us to sustain our international growth. So, let's keep up the tradition: Let's build the LUFKIN value into every part of our organization.



BRANCH: SpOtlight

Across the street from the San Antonio trailer branch is one of the jewels of the Texas Spanish missions – the Mission San Jose. In truth, the Mission San Jose has been in San Antonio longer than LUFKIN's trailer branch, but their trailer sales record is much less impressive.

Opened in late 1957, this branch operation has had only three managers in its history. Otis K.

McCauley opened the branch and was followed by Jim Horn, who had come to San Antonio in his first sales assignment. In 1967, when Horn transferred back to Lufkin, Don Butler became the manager and has operated the branch since that time.

A remaining tie to the history of the branch is Edward Lee Johnson, listed



below as Part-time. Johnson was the first employee hired at this branch. Now retired, he still lends his considerable experience to LUFKIN's trailer sales and service operation.

San Antonio Personnel

Don Butler.....Branch Manager
Paul GalowSalesman
Robert PolasekService Manager
Tracy BisangParts Manager
Olga Ramos.....Office Manager

Edward Johnson, Jr.Part-time
Peter KaczmarekMechanic A
Louis PolasekMechanic A
David Reimschissel.....Mechanic B
Anthony Rodriguez.....Mechanic Helper

WE'VE IN THE USSR ЛАФКИН В СССР

Lufkin Industries, once again, is leading the way in the oil field market. This time it is a market created by the opening of the business doors between the United States and the Soviet Union.

Utilizing over 60 years of experience in the oil field and a desire to build a solid working relationship, LUFKIN has negotiated a deal which will send both gear reducers and pumping units to the Soviet Union.

As Frank Stevenson, LUFKIN President, states in his article this month, "The international business has come at a particularly important time for us because the domestic oil field business is extremely low."

As usual, this business did not just jump in LUFKIN's lap. Many people, both in Lufkin and abroad, worked extremely long, hard hours to procure these orders. Several LUFKIN personnel and LUFKIN's outstanding sales representatives have spent, all told, months in the Soviet Union negotiating for our products.

Herb Green, Executive Vice-President, has spent considerable time at the bargaining table with his Soviet counterparts and he has agreed to share his thoughts on the Soviets, their systems and the future of LUFKIN in the Soviet Union with the Roundup.

RUP: Is the Soviet unit much different from LUFKIN's standard pumping unit?

GREEN: Yes. We're unique, in that, we're one of the only companies, that we know, that is manufacturing totally Soviet designed equipment. [Their unit] has evolved differently —



different technologies... different design criteria... different objectives in the field.

RUP: What different

objectives in the field?

GREEN: They don't have the supply chain that we have [in the United States]. If they have a piece of equipment break down they don't have a repair center down the street to fix it; they don't have the spare parts available.

Because they have a different system, they don't have the supply chain which has developed around our oil patch. They have relied on a more centrally planned system. They tend to have more commonality and standardization.

Where U.S. pumping unit customers might buy an array of products and sizes, the Soviets will typically focus on several options and sizes and then keep it pretty consistent and standard.

The Soviet gear box we're making is totally interchangeable with theirs.

RUP: Doesn't our product have features which are better?

GREEN: Even though they can recognize that we have some features which might be superior, they've tried to keep it totally interchangeable, because if they have the need to replace a part they have to be able to rely on the standard parts they have available.

So commonality because of the nature of the system of supply and demand is a lot different from the U.S.

RUP: Since their system is so different from ours, did you find any common ground during your negotiations with them?

GREEN: I find the Soviets remarkably similar to us in many ways — but, yet different. Their technical people tend to be very good; just like we feel ours are. Their purchasing people are good; very tough negotiators — very knowledgeable. They understand pricing, they understand markets, they understand all the economic issues and financial issues that are necessary to conduct international business.

RUP: Was it difficult communicating with them?

A Visit with Мухаметзянов

Today, most Americans recognize that the Soviet people are not our enemies, but our neighbors. Several LUFKIN employees have enjoyed getting to know one of our Soviet neighbors, Muchametzjnov Ulfat, who is working with LUFKIN as a technical advisor.

Muchametzjnov does not speak English, but communicates to LUFKIN employees through Leonid Shteyn, who was born in the Soviet Union and now works for LUFKIN as a design engineer.

Muchametzjnov has been impressed with Lufkin Industries. "Everybody I've met is very friendly," he said through Leonid, "The Company has a strong interest in quality."

How does he like Lufkin? And what is life like in the Soviet Union?

"The forest [that surrounds Lufkin] is beautiful. But Russian people don't like it this hot! It is much cooler in most areas of the Soviet Union."

Muchametzjnov spoke of an area about 1 1/2 hours from Moscow that sounds a lot like East Texas. "I like to go to the forest with friends to talk and relax. There are a lot of lakes and trees around...I like to pick berries or mushrooms."

Muchametzjnov said that many city dwellers enjoy the chance to escape the city's congestion, "like fish who have been on the beach and are trying to go back to the water."

To compare the life of a Soviet worker to that of an American worker, is "like comparing rubles and dollars." He did say there

GREEN: Their language skills, in terms of knowing and understanding multiple languages, far exceed anything in the U.S. Most of the Soviet professional people speak more than one language, [where] typically we don't. We rely heavily on our sales representatives, who have excellent language and negotiating skills.

RUP: You spent a lot of time in the Soviet Union working on these contracts. What took so long?

GREEN: Negotiating contracts is very time consuming, compared to the United States, mainly because their system is far more centralized. So, their buying agencies are dealing with lots of suppliers world-wide.

Of course we tend to think of our dealings as the single most important dealings — the thing we have to recognize is that they're dealing with many, many companies and countries on a scale that we can hardly imagine.

We have to realize that they were negotiating hundreds of contracts — ours just happened to be one of them.

Those guys work lots of hours. It's not unusual to meet late in the evening or on weekends. They're



very serious people and very hard working.

RUP: What, then is the outlook for continued international business?

GREEN: LUFKIN is focused on international opportunities in the oil business; it is a very critical part of our overall business. To survive we must have a world-wide focus. It is not just the way of the future... it is NOW!

We have learned a lot from the Soviet technical representatives we have worked with, both in Moscow and in Lufkin. We have learned from each other.



were advantages and disadvantages to each lifestyle.

Muchametzjnov talked first about the advantages. "Workers get free treatment from doctors and hospitals. Free education is available. After a woman

has a baby, she can take 3 years off work with partial salary. Later, she can return to the same position she had before the baby."

Unfortunately, the Soviet Union is also experiencing some problems. "It is not a secret that we have in the Soviet Union a very difficult economic situation. A Soviet worker, even if he has the money, has a difficult time getting a car, because there are not enough cars available.

This is also true for apartments and other goods. There is not enough food. This is a very important problem."

"A lot of companies have land right now and are starting to produce food and meat for

their workers. This food is sold to the workers at cost. A lot of people who live in villages also have small pieces of land, about 10 acres, and can produce some kind of food for themselves." It is not uncommon for a worker to put in 40 hours of work in a plant, and then come home and till the land.

The Soviet Union may be on the other side of the world from Lufkin, Texas, but as Muchametzjnov describes them, the Soviet people are not so different from us. Their goals, pleasures and struggles are very similar to our own. Hopefully, all of us will benefit from the LUFKIN products that are bought and sold.

lifestyles

"Len" Lockheart doesn't just smile... he beams. And he doesn't just beam with his face, either; his whole being radiates happiness and health.

Today's Len is a Schwarzenegger look-alike, whose finely muscled body exudes health and vitality. The Len we see today is dramatically different from the Len anyone would have seen approximately 12 years ago..

"At one time, I probably weighed over 400 lbs. I really don't know how much I weighed because I stopped getting on the scales when I got over 360.

"I had tried diets, but I couldn't stay on them for over a few weeks at a time. Then I reached a point where I couldn't sleep at night because of my heart 'bumping' all night and keeping me awake. I was so big, and my heart had to work so hard to handle my weight, that it kept me awake.

"I decided then that I was just going to have to get control of myself. I know, now, how to control myself. I'm comfortable with who I am."

In Len's case, getting *control of himself* included not only controlling his diet but also starting on a strict regimen in the gym... **every day**.

Len describes his gym routine as being two days **on** and one day **off**. The *on* days involve two hours of steady lifting followed by approximately a half hour of what Len calls *cardiovascular work* — running, riding, etc. The *off* day consists of several hours of cardiovascular work alone.

And when Len says he works out every day, he means every day! Even when he is on the road for LUFKIN, driving around the country, he finds a gym or "I do my cardiovascular work by running in the road."

Along with the steady diet of strenuous exercise, Len is very precise about his food diet.

"I eat clean; sleep clean; and live clean. I don't eat any fatty foods — zero! I try to eat everything natural. And I eat zero dairy products.

I usually prepare my own food; I'm really particular about how it's prepared."

Although Len is obviously very serious about maintaining a healthy diet, he isn't a fanatic about it.

"My wife and daughter don't eat like I do. They like to get fried chicken some; and that's



okay. If I eat a piece of fried chicken and a roll, number one, I'm not going to overdo it — I'll stop at just that one piece — and number two, I'm not going to let that affect my mental outlook. I just go back to my usual diet and keep on keeping on."

For Len, a healthy diet and regular work outs are necessary components of a satisfying life style.

"My day isn't complete until I've done something good for my body. And by eating right and working out I keep my energy level very high.

"I get tired at work, just like everyone else, but I have energy reserves that I can call on to get me through those hard times. And when I've had one of those hard days I can go to the gym and just wash that stress and tension away in a good, sweaty work out."

Len talks of how deciding to take *control* of himself changed his life. Anyone who is ever inside the force field this healthy Hercules radiates knows that: **Len is in control!**

VANTAGE POINT

VANTAGE POINT is a page dedicated to focusing on the viewpoint of specific individuals in the LUFKIN organization.

There is a revolution today in American industry... TOTAL QUALITY is expected to be **the norm**; and it is time for LUFKIN to enlist. If we don't understand that *quality is survival* for LUFKIN, we might well become a casualty of the revolution. Just recently, some of our established customers have purchased gear equipment from our competition for a reason

If we don't understand that quality is survival for LUFKIN, we might well become a casualty of the revolution.

previously unheard of at LUFKIN — lack of quality!

LUFKIN's concept of quality has to meet the perception of it by our customer. Today the customer assumes that TOTAL QUALITY is in our product. As an example, we all *assume* our new car will be perfect and perform without a problem. Would you buy a new car with a scratch on the door or a small oil leak in the engine? As customers we expect TOTAL QUALITY in what we buy.

How, then, does our customer see a LUFKIN product? The job we do for our customer is a self-portrait of ourselves. Remember... what do you expect when you are the

customer?

We cannot inspect quality into our equipment. There is no *system* or *procedure* that can guarantee total quality; it is up to us as individuals to give complete satisfaction to our customers and this starts in the simplest ways.

Recently a customer from Sweden visited our plant. This person represented the largest turbine/generator builder in the world.

Although he enjoyed his visit he later commented that our housekeeping was poor and he associated this observation with poor quality. *Nothing is unimportant* in the quest for quality!

The good news is that our customers want to help us in our quality goals, because it also helps them sell more of their product.

LUFKIN is known world-wide for giving better service than any other gear supplier and this benefits us in getting orders. However, good service *and* lack of quality will no longer be acceptable to our customer.

The doors of opportunity are still open to us. Let's be perfect in our workmanship by *exceeding* the requirements of our customers. Who knows, we might like it, especially since it assures us of our jobs in the future.

Remember, the *door* analogy is a dangerous one — it can always slam shut.

John Finney General Manager, Industrial Gear Products

A 36-year veteran of gear sales, Finney brings a strong customer oriented perspective to LUFKIN's manufacturing process.

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F.Y.I.

*** CORRECTION:** The August issue of the Roundup featured a story about recycling. Page 5 gave instructions on how to recycle various articles in Angelina County. A typographical error was made concerning the recycling of cardboard. The second statement should have said: **No** wood, plastics or food residues or packing materials can be mixed with the cardboard.

*** LUFKIN** is sponsoring a softball league composed only of LUFKIN employees and teams. Schedules of the games can be found throughout the Company on bulletin boards. Games are played at Kit McConnoco or Winston Parks. Be sure to come out and support your team.

*** Many employees have had questions concerning the options available to Thrift Plan participants. Below are several of these questions and answers:**

QUESTION: Do I have to split my Thrift funds into the different fund options shown on the form I was sent?

ANSWER: No you do not. You can leave all of your Thrift funds in the standard investment fund.

QUESTION: If I lost my option form and didn't send it back in, will I lose my money?

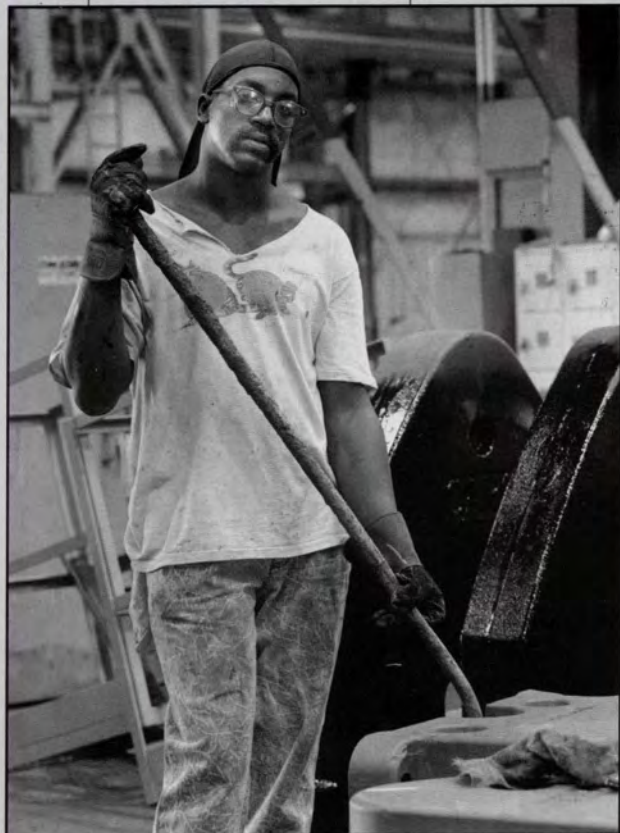
ANSWER: Absolutely not! There will simply be no change in your election.

QUESTION: How often can I make changes?

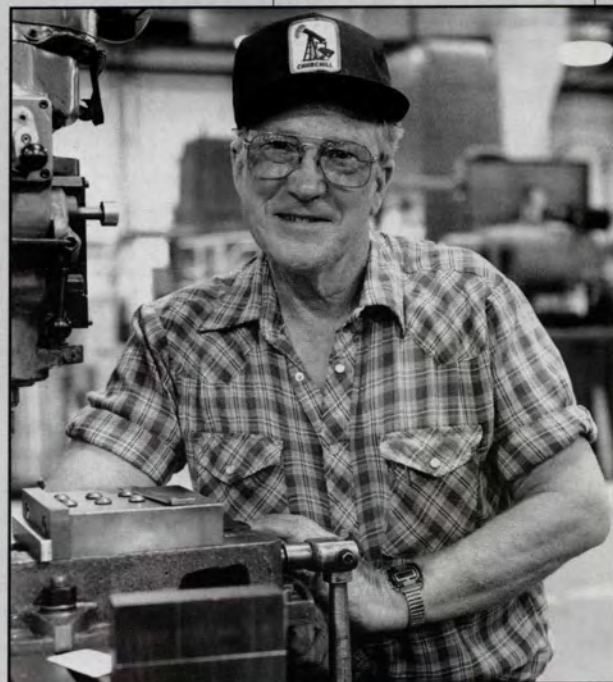
ANSWER: Once per quarter is all that is allowed.

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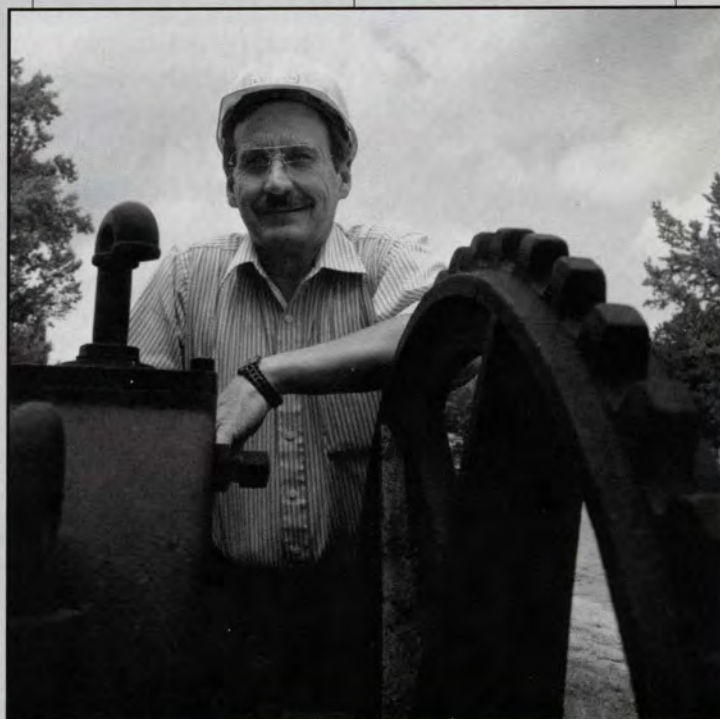
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Lufkin, Texas
Permit No. 10



Michael Jackson, Helper
Fabrication



J.D. Smith, Machinist
Chanute



Willard Chappell, District Manager
Kilgore, P/U Sales

James Horton, Director of Personnel
and Corporate Communications

Michael Mark, Editor

Viron Barbay, Senior Photographer

Diane Baker, Writer