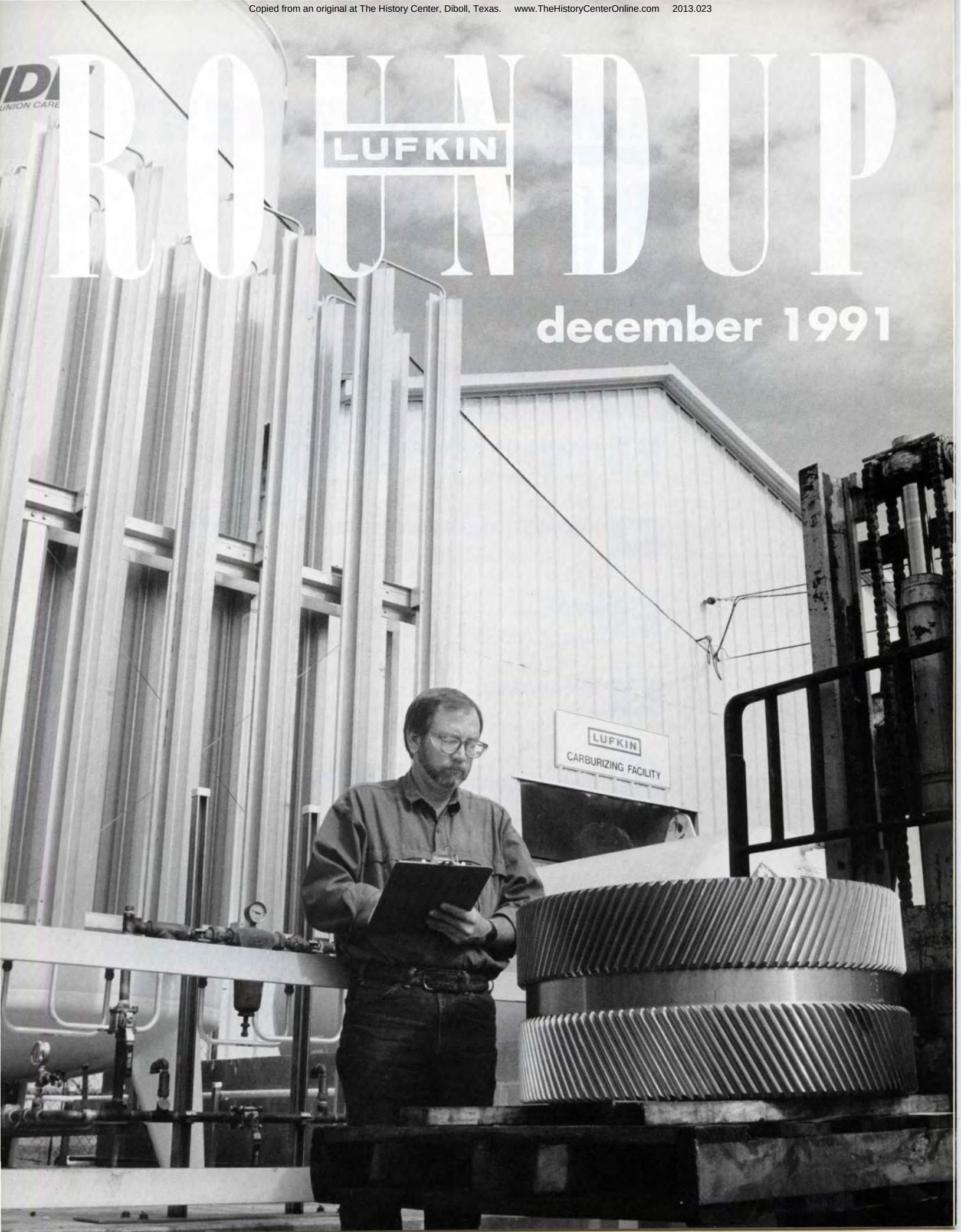
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LUFKIN ROUNDUP

december 1991



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LUFKIN ROUNDUP

3

"Let's be thankful for all of our positive opportunities."

COVER: Bobby Allen looks at a gear in front of the new carburizing building.

3 **PEOPLE OF LUFKIN --** Frank Stevenson

4 **PROMOTIONS ANNOUNCED:**

5 **GRIEF...** Susan McCulley

6 **THE WORLD...** Herb Green

10 **ANNIVERSARIES & F.Y.I.**

6

"Our workforce is equal to or better than any other group of trailer manufacturers in the country."

NEXT ISSUE:

Quality Awareness Week

VOLUME 48, NUMBER 12, 1991

Published monthly by Lufkin Industries, Inc.
P.O. Box 849, Lufkin, Texas 75902-0849
For active and retired employees and their families

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CHRISTMAS TIME:

A Season of Blessings

Christmas is traditionally a time of promise and hope, a time to give thanks for the many blessings we have. Despite some difficulties, there are many reasons to be thankful at Lufkin Industries this year.

The entire LUFKIN family experienced sadness after hearing the Board of Directors' decision to exit the trailer business. The Trailer Division has been a part of LUFKIN for many years, and decisions impacting its future are not easily made. Unfortunately, because of the market's current conditions, it is just not economically feasible to remain in the trailer business.

We are encouraged, however, because the Trailer Division has a large backlog of orders for vans, and, unless there are cancellations, production will continue through the middle of next year.

The hope for a bright future is very real for Lufkin Industries. Business for our other product lines remains strong and profitable. We continue to win orders in the international market. We have invested in modern facilities and equipment that will increase our competiveness in the international gearing industry. The key factor impacting our future and ensuring our success will continue to be the contribution of individual LUFKIN employees.

Let's be thankful for all of our positive opportunities. When difficulties arise, let's study the situation carefully and learn how to improve. Let's truly make the quality process a part of our everyday life in our relations with others, our activities in the work place, and in everything that we do. Let's be thankful for our many blessings, and rededicate ourselves to improving and building a better future for everyone.

"Let's...rededicate ourselves to improving and building a better future for everyone."



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Board of Directors
Announces Promotions



Frank Stevenson
Chairman of the Board
Chief Executive Officer



Herb Green
President
Chief Operating Officer

At their quarterly meeting November 20, 1991, the Board of Directors of Lufkin Industries, Inc. announced a number of top-level management changes.

- **Frank Stevenson**, President and Chief Executive Officer, has been named Chairman of the Board and Chief Executive Officer.
- **Herb Green**, Executive Vice-President, has been named President and Chief Operating Officer.
- **Scott Semlinger**, Vice-President, has been named Senior Vice-President with responsibilities for all manufacturing and engineering activities.
- **John Finney**, General Manager, Industrial Gear Products, has been named Vice-President, responsible for the Industrial Gear - Power Transmission Product Lines.



Scott Semlinger
Senior Vice-President



John Finney
Vice-President

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CHANGE: Understanding It and Living with It

Losing a job means the loss of many things. There is the loss of income, security, identity, self-esteem, plans for the future and friends. There is the loss of certainty — the feeling that comes from knowing what you will be doing each day.

Grieving is the normal response to any loss, including the loss of a job or a co-worker. Every loss must be grieved.

Grief can be so painful that it is frightening and overwhelming, but grieving is necessary to healing. There is no right or wrong way to experience loss, but most people have some reaction in common:

•Physical Response:

Upset Stomach	Muscle Weakness
Shortness of Breath	Confusion
Tightness in Throat	Disorientation
Frequent Sighing	Absentmindedness
Empty Feeling in Stomach	Insomnia

•Emotional Response:

The first emotional response to grief is a feeling of shock and disbelief. During this time we may not be able to believe what is happening or we may feel emotionally numb. This numbness saves us from feeling too much at once. The shock is a temporary state and begins to fade when the loss becomes more real.

When the shock wears off, other feelings begin to emerge. One of these feelings may be anger, which comes with the realization that some things are beyond our control. You may be angry at people, situations or even yourself. Anger is a normal feeling following the loss of something important. The anger will lessen as the hurt begins to heal.

Along with anger may come feelings of guilt. Guilt is the feeling that maybe we could have done something differently to prevent the loss. It is a sense of responsibility for the loss. Some may even feel guilty because they did not experience the loss.

When the loss can no longer be denied, you may experience feelings of deep sadness. This sadness can be a time of low energy accompanied by a sense of worthlessness and indecision about what to do next. This is a time when many find themselves crying for no reason or at the wrong times, but crying can temporarily relieve the depression. Sadness is the beginning of acceptance.

•Acceptance:

Acceptance is knowing that life will be different. This understanding does not happen quickly. It is not a happy decision, but is simply an acceptance of the way things are. The feelings of anger, guilt and sadness are not as intense as in the earlier stages of grief. Acceptance is a time of making plans and ***getting on*** with living.

HINTS FOR HELPING YOURSELF

- ***Treat yourself with the same care you would a friend. Do things you like to do. Take time for yourself. Be patient with yourself and know that it takes time to recover.***
- ***Let yourself express your feelings. Talk things over with friends. Know that your feelings are O.K. and normal. If you can't talk to friends and/or family, talk to a professional.***
- ***Take care of yourself physically. The body's normal immunity system is lowered during times of stress, so get plenty of rest, proper nutrition and exercise. Use alcohol with caution — it may intensify depression.***
- ***Draw strength from your spiritual beliefs and those you love. Loss is a time when relationships can become stronger as people depend on each other.***

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THE WORLD



Following the announcement that Lufkin Industries' Board of Directors had made the decision to exit the trailer business, the Roundup interviewed Herb Green, newly named President and Chief Operating Officer.

RUP: What led up to this decision by the Board?

Green: First, it must be understood that this was not an easy decision for the Board to make. A great deal of thought and analysis went into this decision and I can't stress enough that it had nothing to do with our trailer business from a productivity or quality standpoint.

Our employees have improved our productivity dramatically over a several year period. Our workforce is equal to or better than any other group of trailer manufacturers in the country. There is absolutely no question that we build the best trailer in the country. This is a fact. Our customers say so and so do our competitors. The quality of our product was not in question.

Many factors led up to this decision. The deregulation of the trucking industry several years ago was a leading factor in the decision. Over 80% of the trailer purchases are now being made by about 20% of the firms. We have seen a dramatic decrease in the number of regional trucking lines since the deregulation — the trailer market, instead of being more regional as in the past, is now centered in the East and Northeast. This put us at a distinct disadvantage.

With 70% of the cost of our trailer coming from purchased materials, manufacturers closer to the suppliers have a very large advantage over us, simply because of shipping costs. One of our competitors is, literally, across the street from their rolled aluminum supplier. This is simply something that we cannot control.

Add to this the fact that the recession has lasted so long, which has drastically reduced the overall number of trailer orders industry-wide, we just found ourselves in a no-win situation.

Five other trailer plants in Texas had already closed their doors. We were the only full line manufacturer left in the state.

RUP: What about LUFKIN's other product lines?

GREEN: Our pumping unit business continues in a very mature market. It has been the lifeblood of our Company. At one time we had many domestic competitors, but it's down now to just LUFKIN, American and the Chinese. Unfortunately, there really isn't enough domestic business for even one of us. That's just another reason the international market is so vitally important.

We have the best product in the world. This is recognized by everyone; the Russians, the Chinese, the Indonesians and, of course, everyone in the United States.

I think the single thing I'm most proud of for

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is our MARKET PLACE

the year 1991, is the way we were able to manufacture the Soviet designed Novikov reducer so quickly. It was great to see the pride on the faces of our Russian customer when we delivered the initial reducers with such a high level of quality. They were obviously pleased to have LUFKIN equipment.

This is a great tribute to the LUFKIN people; from engineering all the way through the manufacturing and shipping process, we were able to take this product from thought to production so quickly and with so much quality. This really made the difference in fighting off our European competition, and I don't believe there is anyone else in the world who could have pulled this off. Now this isn't to say that we can't improve. We need to lower the manufacturing cost of this reducer and I believe we're making these improvements.

Our main international competitor is Romania. They are much closer to that market, they have much lower costs and they want the business every bit as badly as we do. We can't be complacent; we must keep getting better.

As we can see, the pumping unit market has changed dramatically. Right now the international market is strong and the domestic market is weak. We feel that this will continue for the foreseeable future.

In 1991, 65% of our pumping unit business was in the international market. This could expand to 80% in 1992.

We are absolutely committed, on a worldwide basis, to lead the industry. We will be in every location where it is legal for a U.S. company to operate. We will continue with very strong efforts in Russian, Venezuela, Argentina, Indonesia, Colombia, Turkey and Great Britain; just to name a few. We will go wherever we have to go to do business. This commitment is absolute and complete.

RUP: What about the gear business?

GREEN: We feel that our Power Transmission business is a viable long-term business for LUFKIN with great opportunity for growth. There is a long-term expanding need for marine and industrial gearing, both internationally and domestically, and we are committed to this market.

We have accomplished great things. Our high speed gear reducers lead the industry. Our engineering and after-market services are well respected.



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Mike Standifird, left, and Bobby Allen check a blueprint on a gear being carburized.

Our sales organization is outstanding. The main constraint to growth is *internal*, not external.

We should be able to build a quality product at a lower cost. We must eliminate errors and do it right the first time.

Our general level of throughput is too low. We have too much scrap, rework and warranty. We can, and will, do much better. We have to do better; the requirements of the market dictate that we have to improve to survive.

Right now we have a tremendous opportunity to improve. If we're good enough, we'll set ourselves apart in this market.

We're continuing to improve our facilities and equipment. We've just opened our new carburizing facility. Our grinding and hobbing capacity is expanding. The equipment is either here already, or it's coming.

Add to this the fact that we have the finest technicians and operators in the world and it is easy to see why we're very optimistic about this market. All we have to do is focus on performance improvement across the board. It is absolutely up to us. If we're not successful we have only ourselves to blame.

RUP: How much emphasis are we putting on the gear repair business?

GREEN: We're separating the gear repair business from our new product manufacturing. This is one of the most exciting opportunities we presently have. There is a tremendous need for after-market service in the gear industry.

This is not a new endeavor for LUFKIN; we've been involved in gear repair for a long time, but we were not focussed on it as an independent enterprise.

Historically we have had a good reputation for the quality of our work. We have been called on to service and repair many of our competitors' gears over the years because of our expertise and willingness to meet our customers' requirements.

We know that for this market to flourish it has to be separate from the rest of our business. We also know that building the customer base for this will be a process which will take some time.

While we are expanding that customer base, we will be building a repair workforce and the scheduling and production systems necessary to operate successfully in this market.

RUP: What other markets are we working on?

GREEN: Our Commercial Products markets are an important part of our business strategy. We're working on improving our markets for both our Foundry and Fabrication products.

The ductile iron research project we are conducting under contract with the U.S. Navy is going very well. This project has been both profitable and beneficial for us.

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Our management of the project has been complimented by the government. We've been told that we're running a very good project with a strong project team. We currently have funding for this work through 1992.

An additional benefit from our outside casting work is that we have dramatically improved our foundry in the process. Our scrap rate has fallen and our quality has improved. Our foundry is more competitive and more market focussed.

Even though the recession has had a dampening effect on our growth in this market, we have continued to grow. And, again, we are commited to this market.

Looking also at our outside fabrication sales, we have had good success working with Vertex. This association will remain strong through '92.

The competition in this area is keen and it tends to be more regional in nature. This has been a more difficult market to build and it too was hurt by the recession, but we plan to continue building our customer base in the future.

RUP: LUFKIN added a new product line this year, when we got into the winch market. How does this business look?

GREEN: We expect our winch product line to do well in the Churchill plant in Chanute, we think we have found a very good marriage of product, facilities and people. We're optimistic about the winch business.

Along with the rest of the markets affected by the recession, the forest products market has been depressed throughout 1991. Fewer skidders were purchased this year than in past years.

On the bright side, we have signed a contract with Caterpillar to supply their skidder product line with winches starting in the second quarter of '92. We fully expect this relationship and our general customer base to expand.

While Chanute has been negatively affected by the continued downturn in domestic pumping unit sales like everyone else in the business, we believe orders for our line of Churchill manufactured oilfield transmissions will increase. Oilfield transmissions are devices used to slow the working speed of the pumping unit. This is often necessary in oilfields where heavy oil is being produced.

RUP: Is there any other portion of our business that we haven't discussed?

GREEN: We certainly can't overlook the contribution the Industrial Supplies Division has made, and will continue to make, to the Company. Industrial Supplies has a growing, independent business and the Division provides key support for our manufacturing plants. They have worked very closely with the Machinery Division on the Russian oilfield business. I continue to be very impressed with the strong desire of this division to succeed.



The main office at the Churchill plant in Chanute, Kansas.

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DECEMBER anniversaries

ACCOUNTING
Jim Massingill.....35
Fern Basey.....32
Elizabeth McDonald..25
Fern Athey 22
Jan Kupec.....11
David Reeves 6
Rebecca Luce 1

CORPORATE
Scott Semlinger.....16
Herb Green 10

ENGINEERING
Jim Mewbourn.....29
Art Nelson 20
Ted Slemmons 13
Tim Stacy.....10
Bobby Rooney.....3
Glen Davis.....2
Jim Ligon 1
Mary Pownall.....1
Mark Thomas Muse.....1

FABRICATION
Morris Hodges 35
Henry Schoubroek 30
Ide Russell.....30
Prentice Coleman.....30
Ervin Reynolds.....28
Tommy Reynolds.....22
Paul Taylor.....18
Eugene King 18
James Dalahite 17
Lottie Williams.....17
Oswell Smith, Jr.....17
Perry Dixon 16
Larry Caples.....15
Jerry Walker 13
Gary Crustner 13
Lupita Lerma.....12
Dale Staten 12
Doug Williams 12
Robin Edwards 10
William Salmons 8

FOUNDRY
Arthur Moye.....30
Ben Sallas.....22
Herman Horace.....21
Leroy Reed.....19
David Allen.....16
Salvador Rodriguez ..13
Curtis Grigsby.....10
Ronald Hopson.....10
James Dean 4
Juan Guerrero 1
Luis Lopez.....1
James Rightmire.....1
Arturo Muniz.....1
Jose Espitita 1
Craig Richardson.....1
Omar Avalos.....1
Jerry Mayberry 1
Santiago Rangel 1
Randy McKelvey.....1
Sigifredo Garza 1
Jesus Garcia 1
Arnoldo Salazar 1
Juan Perez 1
George Cantu 1
Martin Navarro 1
Eduardo Lopez 1
Michael Niosi 1
Jason Roberts 1
Irineo Olvera.....1
Jose Flores 1

F.Y.I.

*

A check totalling $26,890.26 was presented to the 1991 United Way Campaign on behalf of the employees and retirees of Lufkin Industries.

The Company effort was Chaired by Roy Euper. The following employees spearheaded the drive in their individual departments:

Ann Hawkins - Industrial Supplies
James Davis - Machine Shop
Liane Hoff - Heavy Weldment
Gladys Partridge - Gear Sales
Melissa Mitchell - Engineering
Pat Grimes - Corporate
Joyce West - Buck Creek
Martha Roberts - Trailer
Susan Campbell - Personnel
Cathy Cloyd - Ellis Ave.

*

The Personnel Department has staff members available to Trailer employees to answer questions coming from the Board's recent announcement. They are located in the old Timekeeper's office by the Canteen.

Times and specific topics are posted throughout the plant.

Plans are being finalized to offer seminars and training classes covering a variety of relevant topics.

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GEAR SALES
Ken Crawford 15
Shawn Calhoun.....3
Dar Ghara.....3

INDUSTRIAL SUPPLIES
James Curry.....11

MACHINE SHOP
Floyd Jones 30
Bryant Matthews.....30
Darrel Powers.....30
Franklin Kegler 29
Linwood Havard.....27
W. H. Crager 21
John Brittain 21
Jerry McGuire 19
Robert Phillips.....19
Gene Stewart.....19
Ira Jones 18
Bill Pitman.....17
James Stuckey 16
Langston Martines.....16
Gary Underwood 15
Linda Whitten.....15
Johnny Armstrong 15
Vernon Whiteley.....14
Dietrich Schoennagel 13
Jonny Eoff.....13
James Ward.....13
Samuel Hughes 12
Danny Morris 12
Simon Aguilar 12
Pamela Boles-Inman 7
Robert Odstrcil 4
Douglas Alexander 2
Brenda Cable.....2
Mark Winthrop 2
Johnny Freeman.....2
Kelly King 1
Douglas Collins 1
William Yarbrough 1
James Johnson.....1
Hollis Lakey.....1
Gene Dean 1
Steven Massey 1
Bobby Ladd 1

MATERIAL CONTROL
Keith Humbert 15

ORDER DEPARTMENT
Pam White.....13

PERSONNEL
Joyce West 7

PUMPING UNIT SALES
Danny Martin 16
Louis Miceli.....16
Ricky Hughes 15
Richard Schlabach....13
Jon Pennington 12
Ralph Bassett.....3

TRAILER
J. W. Watson.....30
Raymond Redd.....28
Thomas Windham 20
Clevon Harper.....19
Larry Havard.....19
Curley Jenkins 18
Ethel McClendon 18
Garvis Edwards.....18
Essie Jenkins.....18
Cloteal Malone.....18
David Jackson 14
Robert Waddell.....14
Robby Williams.....14
Eguene Huntsman 14
Roland McGee 12
Ronald Meaux.....12
Jessie Brooks 8
Vandy Sowell.....8
Bobby Moore.....8
Jerri Gilbert.....8
Kenneth Rich 8
Daniel Oliver.....8
Kerry White 8
Kenneth Sowell.....7
Vince Minefee 7
Florine Thompson.....7

TRAILER BRANCHES
Martin Lopez.....5
Damon Boudreau.....1
Minerva Delos Reyes...1
Johnny Bernard.....1

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*



The City of Lufkin has established a recycling center which is in operation seven days a week. The following items can be taken to the Recycling Center:

- aluminum - rinse and crush
- corrugated cardboard - flatten and remove plastic or wood
- glass (clear) - rinse and remove lids
- glass (brown) - rinse and remove lids
- glass (green) - rinse and remove lids
- newspapers - remove glossy inserts
- plastics - rinse and remove caps, even plastic tops
- steel cans - rinse and make sure a magnet will stick to the can

The following items are accepted at the Center between 8:00 a.m.-4:30 p.m.:

- automotive batteries
- motor oil
- mixed office paper
- computer paper

The Recycling Center is located at 901 Ellen Trout Drive.

*

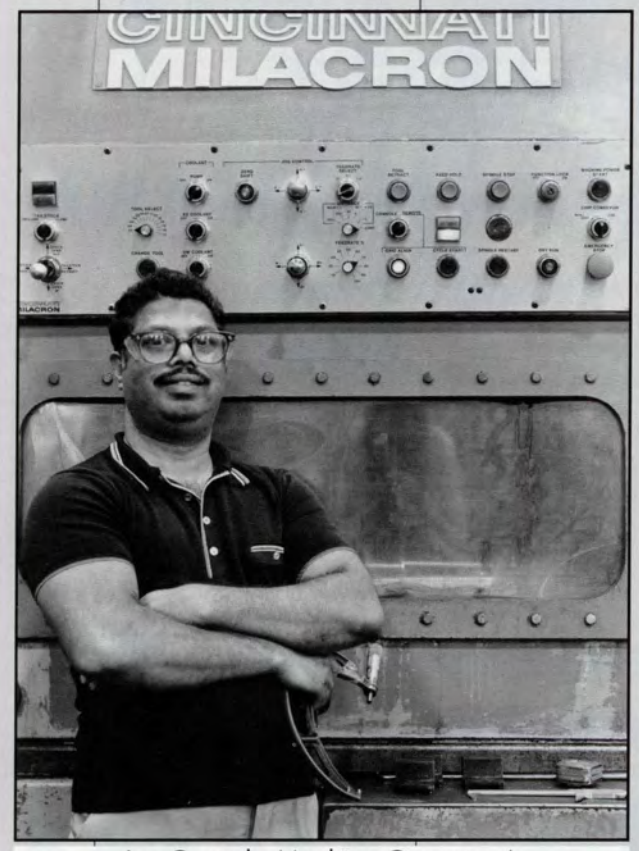
A women's self-defense course, taught by J.D. Alford, 4th degree Black Belt, is being offered Thursday, December 12, 1991, from 6:00 - 8:30 p.m. in the Career Development building in the Ellis Street Office.

The course will cost $20 per person, which will include a course workbook and other materials. Enrollment will be limited to 20 persons. Register by calling Susan McCulley at ext. 3573. The class is open to employees and family members.

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Joy Ouseph, Machine Operator A
Machine Shop



Kenneth Dick, Foreman
Chanute



Alton Bennett, Process Inspector
Foundry

James Horton, Director of Personnel and Corporate Communications

Michael Mark, Editor

Viron Barbay, Senior Photographer

Diane Baker, Writer