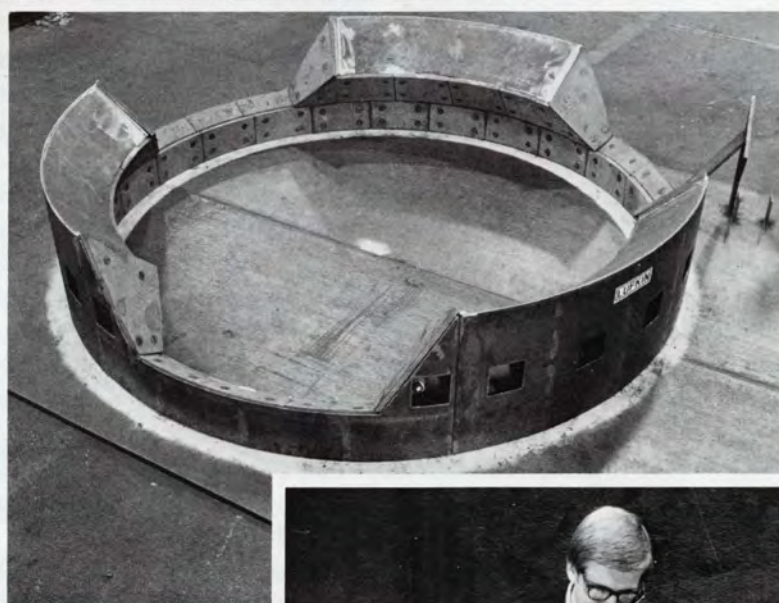


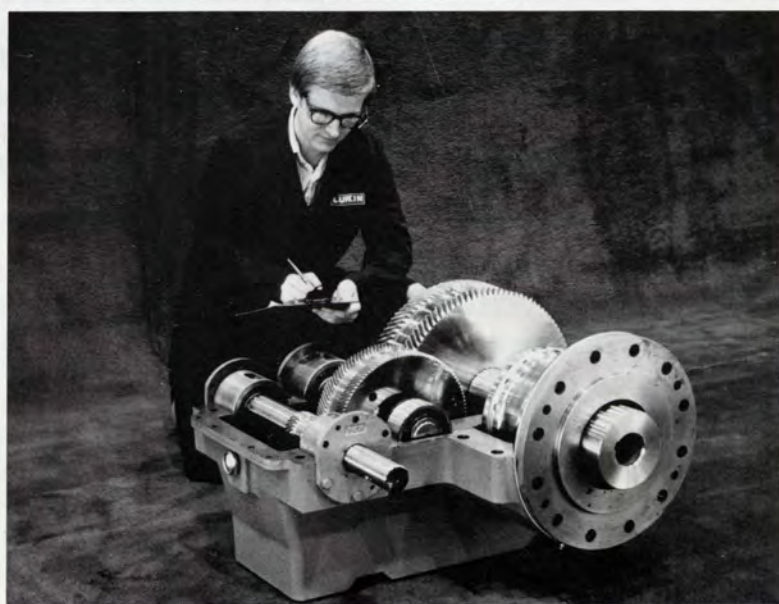
LUFKIN

ROUNDUP

August 1986



**New Products
to Build Sale\$!**



From the President's Desk

Success is a Journey, Not a Destination

This RoundUp is devoted to some of the new innovative products that we have recently introduced. It is important to realize that the introduction of new products is a continuing process for Lufkin Industries. Since the beginning of the company there has been constant improvement and innovation in the products that we produce and in the methods that we use to produce the products. These improvements must continue for us to remain successful.



"The introduction of new products is a continuing process for Lufkin Industries."

The following is a listing of the milestones of product development in the oil field area.

LUFKIN invented the pumping unit.

LUFKIN developed the worm gear drive for pumping unit applications.

LUFKIN invented the rotary adjustable counterbalance pumping unit.

LUFKIN improved the gear reducer by replacing the worm gear drive with herringbone gears.

LUFKIN invented the twin crank counterbalance system.

LUFKIN pioneered and developed the use of ductile iron gears in pumping units.

LUFKIN developed and perfected the air balance pumping unit.

LUFKIN developed improved geometry with the Mark II and has engineered further modifications of geometry.

LUFKIN pioneered and developed the use of modern manufacturing techniques in the foundry, machine shop, and structural shop to bring a more reliable, dependable product to the customer.

LUFKIN has pioneered in the use of computerized design and computerized selection and application of pumping units to particular well conditions.

LUFKIN has by far the largest number of models, sizes, types, for any well application - conventional, Mark II, air balance, beam, slant hole, low profile, portable, trailer-mounted, etc.

LUFKIN has in fact financed the development of sucker rod pumping technology for the entire oil field. We have developed virtually all of the technology and our competitors have only copied and have practically no development expense.

LUFKIN has been on the leading edge of technology both in the development of the product, in the manufacture of the product, and in the application of the product for the customer.

LUFKIN has always been the leader and will continue to be the leader.

Lists of innovative improvements, such as the above, could be prepared for all of our product lines. We all realize that through good times and bad, through ups and downs of the business cycle, we must continue to improve everything that we do, and in the long run, the **LUFKIN** Team will continue to be the leaders in producing quality equipment for our customers which will assure the success of every individual on the **LUFKIN** Team.

Your efforts are needed, now more than ever, to continue the search for excellence and to continue the journey toward success.

Frank B. Stevenson

New Products, New Markets, New Emphasis!

by Kurt Martin

There is a certain futility in trying to say the right thing in a given set of circumstances, such as trying to convince your child that the anti-septic will hurt less than the possible infection of an untreated wound.

We watched another hundred of our co-workers leave last week and that is painful, not wanting anyone to lose their job. It makes writing about brighter days on the horizon somewhat unbelievable when you are having trouble seeing the end of the tunnel.

The most asked question of the year is "what are we doing about the current business conditions"? The answer is "Much", but the result of the efforts to find, penetrate and develop new markets is difficult to see. Another factor we can't turn our backs on is the very industry that brought us years of prosperity. It still exists and will always be there, so we must continue to invest in our dominance and expertise of artificial lift technology in order to capitalize when business improves.

New Extruder Gear

In terms of traditional Lufkin products, our brightest star from the Machinery Division is our new fixed ratio extruder gear line, produced by our industrial gear department. For many years LUFKIN has offered four frame sizes of "change gear" extruders with which we enjoyed consistent sales until the last two years when a competitor began offering a fixed ratio product for this application which was very price competitive. "The challenge facing us was to build a fixed ratio gearbox that was superior in performance yet cost

effective", says James King, chief draftsman. "A great cooperative effort on the part of many people in designing and producing this line of gears provided for a quality product which was evidenced by low noise levels during a full load test." Even at 50% overspeed during the test, the new model outperformed the old line.

"This product is further evidence of LUFKIN's willingness to listen to it's customers. The two major areas of requested improvement, a reduction in noise level and competitive pricing have been accomplished. "We are able to price these units for about a third less than what our old units sold for."

The industry bought an estimated 1500 extruder gears last year, of which we produced almost twelve percent. King believes we can corner 25 to 30 percent of the market with the new product next year. That translates to as many as five hundred gearboxes.

Another opportunity from industrial gears is a possibly large high horsepower standardized line gear order which is still in negotiation. This is in addition to what is already a great year in the gear business.

Utilities Service Group

There is accelerated activity at this time in our newly formed Utilities Service Group. Fred Coulter, utilities group sales, gives a history of the business: "About three years ago we decided that we needed to develop some new markets that we had not participated in before. We looked at various industries, but

when you considered geography and the products required by these industries, the utility business, especially the lignite generating utility business in east Texas seemed to be a natural for us. Not only were they close to us, but they used the products that we were capable of producing such as industrial gearing, castings from our foundry, structural work, machine shop work, and new product design through our engineering department. So we targeted the utility industry."

Vane Mill Kit

One of the first products of this group is the vane mill kit. The vane mill is the last stage of grinding before the lignite is burned. In fact the boll mill is integrated into the bottom of the boiler. The boiler walls are lined with water pipes for generating steam, which in turn drives a turbine generator. The lignite coal is fed into the vane mill where it is crushed into fine particles. A blower fan forces air from under the vane mill, lifting the finer particles into the boiler for combustion. The surfaces opposite the mill rollers represent the vane mill kit that LUFKIN has been building.

Coulter reports that one customer has used twenty of these kits and will install an additional ten kits in their remaining boilers by the end of this year. The features of the LUFKIN kit are: ease of installation resulting in shorter down time; almost doubled lifetime resulting in deferred maintenance; and lower purchase price.

According to Coulter the

Continued on page 4.



A partially assembled vein mill kit is clamped to a welding jig in the old structural shop. Welders Jack Kirkland and Andy Anderson inspect the unit.

development of the kit opens doors to other industries. "Examples are the cement industry, because that industry uses the same type of equipment to grind the raw cement that the lignite power plants use to grind coal."

Sales in 1985 for the Utilities Service Group were \$300,000, but through the first six months of this year they have more than doubled that to \$800,000. Coulter concedes that it isn't enough, "The problem is the speed by which we get this business from the utilities."

The potential for this business is great but breaking into it is like becoming the second doctor in a one-doctor-town. These plants rely on the O.E.M. (original equipment manufacturer) to supply replacement

equipment which causes plant engineers to hesitate when looking at alternate suppliers.

Our Utilities Services Group constantly watches the market place for opportunities. The possibilities that have been bid on are numerous and include castings for fork trucks, military equipment, structural work for saw mills, treatment plants, and prefabricated structural components for buildings.

Structural Products

The Structural plant is presently providing structural products for a mill expansion project at Champion Paper in Lufkin. According to Jim Riggs, vice-president, "It is struc-

tural steel work for an extension on one of their buildings and some log handling equipment. We are real fortunate in that about 80% of the material will come from our own raw material, allowing us to work this inventory down."

Gear Repair Work

The machine shop has been handling a steady flow of repair work. "Lots of the gear repair has been coming from our sales force in the field offices as well as what is generated by our sales office here," according to Jim Mewbourn, engineering. The repair business is so good that the engineering department has put Robert Estes on the road two days a week, calling on customers with repair inquiries.

Mewbourn described the type of work we are getting, "Most of the work is speed increasers and speed reducers, not only LUFKIN gearboxes, but everyone else in the business."

An educated guess to the increase of the repair business over last year is twenty-five percent. Mewbourn says we're going after the customers, "We've got an increase in business because we've been going after that business. It's a good business for LUFKIN to show the customer our responsiveness."

New Product Lines

The Industrial Supplies Division's largest customer is Lufkin Industries. So when one family member hurts so does the rest of the family. But manager Elton Finley discussed two circumstances that will improve sales. "Marathon Electric Motors is a great new product line that we are excited about. These are mainly for industrial applications ranging from fractional motors of 3/4 horsepower or less, to integral mo-

tors of up to one thousand horsepower. The poultry business is just one example of a local industry with a continuous demand for fractional motors. We will also market Marathon motors with pumping units."

"We also have our new plumbing showroom which will open at the end of September. We hope to attract the general public, builders, and plumbing contractors, affording them the opportunity to see superior plumbing hardware in a finished setting."

New Pumping Unit

In the Machinery Division oilfield products, we have ongoing research to improve and reduce manufacturing costs of our standard Conventional, Mark II, and Air Balance models. There is also work toward new designs. Early this year the new beam balanced BP-57D was introduced.

Cecil Hunt, chief engineer of oilfield products, "The beam Balanced project is rolling now. We are showing it at several oil product shows and we are getting a very positive response from our customers. They seem to like our double helical gear design as opposed to the competitions single helical gears. The potential for this type of unit is very good. Naturally we have studied every cost factor to make it attractive to the market place."

New Efforts

It is obvious that there are many projects aimed at bringing us new business. The LUFKIN Team management has been working overtime, finding the best markets and the best products to pursue.

When it comes to reinvestment of profits, it is tough to beat the LUFKIN tradition. Millions of

dollars have been spent in the last five years in order to assure LUFKIN's manufacturing superiority. The money has gone to buildings, tools, machinery, and training. Everything and every person here can be looked on as an investment. It would be wonderful if everyone viewed themselves as an investment. Isn't an investment a resource looking for an opportunity. Are you a resource? The person that hired you believes you are. The management that decided to train you and offer continuing education programs believes you are a resource.

New Ideas

Because you do your job better than anybody else could, you have an advantage, an insight, a superior understanding. There is information stored in your mind that is critical to your success as an investment or a resource. Please share your knowledge. You have ideas, thoughts or suggestions that address all the activities of the company. What may seem insignificant to you could keep another person working or it might save us ten dollars on a particular part. If we build that part 2000 times a year, that is twenty thousand dollars saved. Maybe you have product ideas. This is opportunity staring you in the face. Be the resource that you are and share your ideas.

If you feel like you would have trouble expressing your thoughts, talk it over with your supervisor. Let him or her help you get your point across. When you have your thoughts on paper use your departments' suggestion system.

There are many things happening today in our oilfield products and all of our other product lines, and with your ideas and help we can all do a better job tomorrow.



PROMOTIONS

Effective July 7, 1986, R. David Freeze has been promoted to District Sales Manager in the Machinery Sales Department.



David Freeze

Working out of LUFKIN's Littleton, Colorado office Freeze will be responsible for that portion of the Rocky Mountain Division.

Freeze joined LUFKIN in June, 1978, as a photographer in the Corporate Communications Department. He was promoted to Manager of Photographic Services in 1981 and then transferred to Machinery Sales in 1983.

A Lufkin High School graduate, Freeze received his B.A. from Sam Houston State University in 1973.

David and wife, Dana, now reside in Denver with their two daughters, Desirae and Davida.

Pam Thornton has been promoted to Technical Secretary in the Manufacturing Engineering Department of the Machine Shop.



Pam Thornton

Thornton began work at LUFKIN in December, 1984, as a Timekeeper/Clerk in the Foundry. After moving to a Clerk position in the Personnel Department she signed a Salaried Job Posting and has been promoted to her present position.

A Lufkin native, Thornton graduated from Lufkin High School, Angelina College and Stephen F. Austin State University with a B.S. in education.

AUGUST ANNIVERSARIES

Corporate Office		Personnel Department	
Ruben Hall	24	Jo Ann Tyler	1
Joy Havard	13	Billy Redd	8
Sondra Bennett	7	Patricia Allen	5
Douglas Holland	5	Rebecca Johnson	5
Kennieth Baker	2	William West, Jr.	2
Thomas Buchanan	1	Deward Stanford	1
Canada		Purchasing	
Balnarine Kurkut	4	Roy Davis	19
Stan Berger	3	Diane Farrior	8
Dung Ngo	3	Structural	
Barry Telford	3	Joe Watson	32
Kevin Gove	2	James Thomas	28
James Schuetz	2	David Richard	17
Engineering		Troy Johnson	16
Joseph Varga	25	Willie Washington	15
Charles Teutsch	21	Milton Grimes	12
Michael Stephens	7	Doris Hooper	12
Final Assembly		George Johnson	12
James Thompson	20	John Hodges	11
Armon Thrasher	14	Ronnie Jones	9
Charles Reeves	12	Rick Huckabee	9
Theodore Perez	7	Talmadge Hyde	8
Foundry		Jimmy Jackson	8
Roy Tullos	24	Craig Anglin	7
Billy Bryce	17	Jose Diaz	7
Donna Parish	16	Sherry Meaux	7
Marvin Free	16	Jolyn Neveu	7
R. Ross, Jr.	15	James Carlile	6
Melvin Harris	14	Trailer Plant	
Bobby Allen	13	Donald Butler	30
Thomas Jenkins	13	Floyd Bates	26
John Moore	12	Gene Nelson	24
Alice Thompson	12	Calvert Olds	23
R. Horace	12	Norman Coleman	22
John White, Jr.	11	Charles Skipper	22
John Powell	11	Jesse Landers	22
Industrial Supply		Robert Thigpen	22
Jack Green	30	Welding	
Jesse Morgan	19	James Oates	36
Van Hooker	14	George Branton	32
James Hudiburgh	5	Willie Chatman	20
Jenny King	5	Larry Caddell	19
Jerry Wood	3	William Loche	14
Patrick Sanders	2	Machinery Sales	
Machine Shop		Pat Stanley	20
Dornest Spikes, Jr.	11	Michael Kartye	20
Willie Bryant	10	Terry Orr	10
Alfred Navarro	10	John Skillern	8
William Hollingsworth	9	Amando Ramirez	7
James Malone	9	Patsy McGill	6
Marvin Allen	9	E. Bernard Foster, Jr.	2
Craig Person	9	Gloria Bowen	2
Charles Winthrop, Jr.	9	John Beavers	1
Roger Hurts	8	Jeff Bordelon	1
John McElwee	8	Cary Haenelt	1
James Craven	8	Material Control	
Everardo Luna, Jr.	8	Ray Stephens	20
Jack Haney	7	Rayburn Grimes, Jr.	19
Alton Inman	7	Lonnie Ethridge	8
Marcos Rodriguez	7	Order Entry	
Eleazar Carrillo	7	Bill Williams	10
Mary Stephens	5	Machinery Sales	
Charles King	5	Pat Stanley	20
Kingsley McKay	2	Michael Kartye	20
Robert Harris	1	Terry Orr	10
Thomas Sanders	1	John Skillern	8
Machinery Sales		Amando Ramirez	7
Joe Taylor	1	Patsy McGill	6
Kenneth Lambert	1	E. Bernard Foster, Jr.	2
John Phillips	1	Gloria Bowen	2
Donald Spicer	1	John Beavers	1
Renee Turner	1	Jeff Bordelon	1
Alexander Koshy	1	Cary Haenelt	1
Chris Skelton	1	Machine Shop	
Paul Crawford	1	Dornest Spikes, Jr.	11
J. Matlock	1	Willie Bryant	10
Billy Reynolds	1	Alfred Navarro	10
G. Sisson	1	William Hollingsworth	9
Joe Wilson	1	James Malone	9
Frank Pachicano	1	Marvin Allen	9
Kenneth Robertson	1	Craig Person	9
Carrol Hargis	1	Charles Winthrop, Jr.	9
Larry Walker	1	Roger Hurts	8
Cullen Reynolds	1	John McElwee	8
James Wells	1	James Craven	8
Material Control		Everardo Luna, Jr.	8
Ray Stephens	20	Jack Haney	7
Rayburn Grimes, Jr.	19	Alton Inman	7
Lonnie Ethridge	8	Marcos Rodriguez	7
Order Entry		Eleazar Carrillo	7
Bill Williams	10	Mary Stephens	5
Machinery Sales		Charles King	5
Pat Stanley	20	Kingsley McKay	2
Michael Kartye	20	Robert Harris	1
Terry Orr	10	Thomas Sanders	1
John Skillern	8	Foundry	
Amando Ramirez	7	Roy Tullos	24
Patsy McGill	6	Billy Bryce	17
E. Bernard Foster, Jr.	2	Donna Parish	16
Gloria Bowen	2	Marvin Free	16
John Beavers	1	R. Ross, Jr.	15
Jeff Bordelon	1	Melvin Harris	14
Cary Haenelt	1	Bobby Allen	13
Machine Shop		Thomas Jenkins	13
Dornest Spikes, Jr.	11	John Moore	12
Willie Bryant	10	Alice Thompson	12
Alfred Navarro	10	R. Horace	12
William Hollingsworth	9	John White, Jr.	11
James Malone	9	John Powell	11
Marvin Allen	9	Corporate Office	
Craig Person	9	Ruben Hall	24
Charles Winthrop, Jr.	9	Joy Havard	13
Roger Hurts	8	Sondra Bennett	7
John McElwee	8	Douglas Holland	5
James Craven	8	Kennieth Baker	2
Everardo Luna, Jr.	8	Thomas Buchanan	1
Jack Haney	7	Canada	
Alton Inman	7	Balnarine Kurkut	4
Marcos Rodriguez	7	Stan Berger	3
Eleazar Carrillo	7	Dung Ngo	3
Mary Stephens	5	Barry Telford	3
Charles King	5	Kevin Gove	2
Kingsley McKay	2	James Schuetz	2
Robert Harris	1	Engineering	
Thomas Sanders	1	Joseph Varga	25
Industrial Supply		Charles Teutsch	21
Jack Green	30	Michael Stephens	7
Jesse Morgan	19	Final Assembly	
Van Hooker	14	James Thompson	20
James Hudiburgh	5	Armon Thrasher	14
Jenny King	5	Charles Reeves	12
Jerry Wood	3	Theodore Perez	7
Patrick Sanders	2	Foundry	
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Van Hooker	14	John White, Jr.	11

Guest Column

"Remember, nothing happens until you get an order"



by **John Finney**
Division Manager
Machinery Division Sales
LUFKIN Industries, Inc.
Pittsburg, Pa.

What does a field salesman mean to his company and the employees in LUFKIN? Our job description is probably the most misunderstood since it has more variables than most professions. However, it has only one objective and that is -- get the order. There are no exact formulas, no fixed procedures, and no specific rules to follow for every given situation -- just get the order.

Purchase orders are the heartbeat of our company. They are the beginning of more work and the end of the short work week for all employees. We need orders for many reasons -- the success of our company, our jobs, our families, and our community. Every salesman must accept the responsibility of getting orders for the company and all of its employees. We cannot hide our failures. We definitely get or lose every job.

Someone once said the longest distance between two people is 3 feet -- the width of a desk, where on one side a person is buying, and on the other, someone is selling. The LUFKIN salesman has to win, but he also has to give the buyer a feeling of winning. With this accomplishment, the salesman becomes an investment that no other item can equal if our company is to be successful.

When I left Lufkin to become a field salesman in 1963, I got one sentence of advice from our VP of Sales, Mr. Pete Little -- "Remember, nothing happens until you get an order". I have never forgotten those few simple words -- no catch phrases, no flashy theories; just a brief statement covering the entire spectrum of doing business and succeeding in the marketplace.

There are many books written about selling, and

we are all looking for new ways or methods to improve sales. But, to the disappointment of most "how to sell" authors, the answer is brief; the success of selling lies in the ability of the salesman -- period.

We talk and write about teamwork, quality, and excellence. They are important virtues, but unfortunately, they mean very little unless we get the order. If we scrap a casting, we pour another; if we scrap a gear, we make a new one; but if we lose an order, then it is gone forever. Yes, every order is either won or lost -- there is no middle ground.

Everything we do, both at the factory and in the field, is centered around a market demand for our product. When there is a limited market, our only choices are to get a higher percent of the existing market and expand our product line. Remember, this is a war and our competitors are trying harder than ever to eliminate our jobs.

...there is no middle ground.

A number of our products exist in a mature market with competitors making the same equipment comparable with our own in quality, performance, and price. Under these conditions, only sales effort and ability can make the difference.

In order for us to succeed in the competitive marketplace, we must design, manufacture, and ship quality equipment at a competitive price for we cannot hope to sell without it. As a LUFKIN employee, we must ask ourselves -- "am I doing something today to help to sell LUFKIN equipment". If all of us are not selling, in some capacity, then we are not reaching the maximum output of our ability to keep our company in the forefront.

All field salesmen realize the effect of a short work week on our people at the factory and you can be sure that our objective is to get more orders. This and only this will give us the opportunity to keep our jobs and assure the well being of our family and community.

AUGUST COVER

Top photo: The new beam balanced BP-57D. Middle photo: engineering designer David Jones with the new DH-200D-611 extruder gear. Bottom photo: The vane mill kit developed by the Utilities Service Group.

THE ROUNDUP

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James Horton, Director of Personnel /
Corporate Communications

Michael Mark, writer

Kurt Martin, Mgr. AV/Photographic Services

Viron Barbay, Photographer

LUFKIN INDUSTRIES, INC.
P.O. Box 849, Lufkin, Texas, 75902-0849

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The Lufkin Team



Brent Barge



Theodore Perez



Tommy Dennis