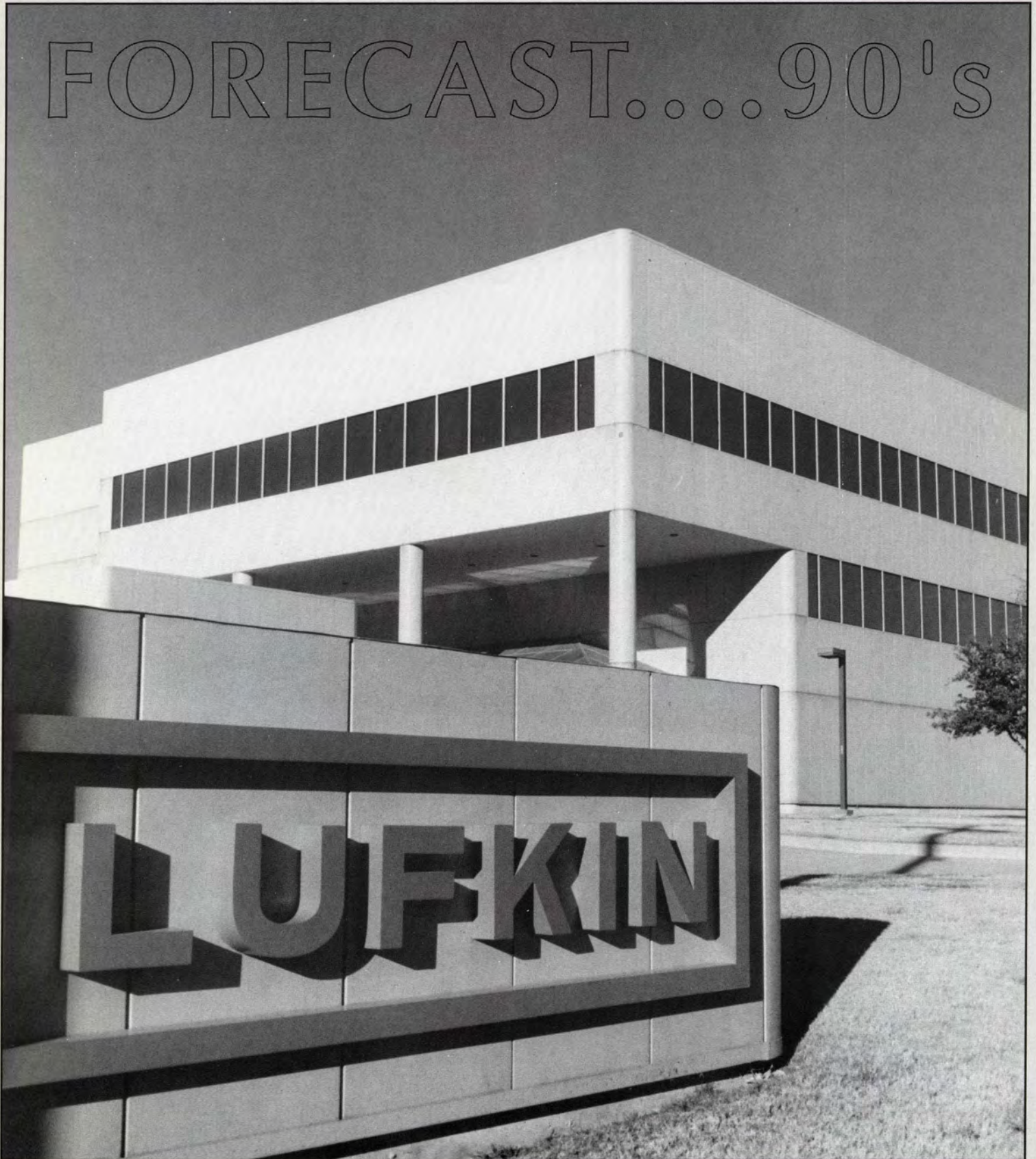


LUFKIN

ROUNDUP

JANUARY 1990

FORECAST....90's



The Legacy of the Past and the Promise of the Future

The decade of the 80's produced dramatic changes within our company. We saw the boom and the bust of the oil business, but also the continued improvement of the gear business, a dramatic improvement in trailer business and the steady, continual growth of the industrial supply business.

We have weathered one storm after another. We are a much smaller company today that we were in the early 80's, but the products that we produce are still recognized around the world for outstanding quality and real value.

Everyday the product that we produce and the equipment on which we produce it gets more complicated. The LUFKIN Team has responded and continued to learn and improve their skills and abilities so that every day we are improving everything that we do.

As we look into the future, we see that the decade of the 90's will have tremendous problems and tremendous opportunities. The world has truly changed during the 80's. This is a wonderful blessing and it also presents opportunities for individual and economic growth around the world.

The basic problems arise because we are facing

competition on a much more global basis. We are competing with the best the world has to offer in every market in which we participate. But competition is good for us and the LUFKIN Team is certainly equal to the challenge.

Opportunities have been created because markets have been opened around the world. We now have the opportunity to sell our products to many places that were once prohibited because of political barriers.

As we compete in markets around the world, we must be truly "world-class competitors." This means that everything we do must truly be of superior value and that we must compete with the high quality, low cost producers in Europe, Asia and around the world.

Let me encourage you to continue to learn about our product, our processes, our people and the markets that we serve so that we can continue to send a world-class LUFKIN product to every customer. Your efforts, determination and spirit to be the best is very much appreciated. Let's all move together to make sure that in the decade of the 90's we will improve ourselves, our company and our community.



Frank B. Stevenson

19th Annual Awards Banquet

For the 19th time LUFKIN honored its employees with a December banquet. The 1989 version was attended by approximately 500.

As Frank Stevenson, President C.E.O., stated, "The real purpose of this meeting is to say thanks to the people who have brought the Company to where it is today."

"And," as he continued, "Although this has been a difficult year, we have survived and are getting stronger every day. Every department has experienced construction, improvements and better equipment to work with... LUFKIN is on the move."

"In the final assessment, what makes a great company? Bricks, mortar and machinery are available to everyone. But just look around... our *people* are what makes LUFKIN a great company and thanks to you we have a bright future and will continue to build an even stronger company."



FORECAST..

A new decade looms ahead and LUFKIN is moving into it full of optimism. Why? What leads LUFKIN to believe that business is on the upswing?

The Roundup wanted to know the answers to these questions also. Since it makes sense to contact the people who know the most about a subject when trying to report on that subject, the sales departments in each of LUFKIN's markets were contacted and asked to "crystal ball" our future. This is their report to the employees of Lufkin Industries.

OIL FIELD MARKET

The name LUFKIN and the "oil business" go hand-in-hand. As a leader in the pumping unit industry for over 60 years, LUFKIN has a strong history on which to build — and it has a future to build for.

Rod Pittman, Vice-President/Manager Oilfield Sales, firmly states, "LUFKIN will be in the oilfield market. There is no question that the number of units declined dramatically in the 80's, but LUFKIN has continued to maintain its share of the available market throughout. We don't know what the rig count or price of oil will be next week or next month, and these are the two major forces affecting our sales, but I know that we will continue to be an aggressive force in the market."

"We aren't resting on our laurels, either: we're working and re-working our designs; we're purchasing state-of-the-art equipment; we're constantly evaluating our techniques and technologies; we've opened offices in Farmington, New Mexico and Tuscaloosa, Alabama to tap the coal seam gas project market — LUFKIN is moving into the 90's at full steam."

steam."

Pittman continued,

"The name LUFKIN is tremendously respected in the oil industry, but our name alone won't get us business. What gets us business is the fact that we build the best unit in the world, we deliver when we say we will and we service what we sell. I guess, when you think about it, that's the reason we have such a respected name in the first place."

TRAILER MARKET

The trucking industry has grown tremendously in the last few years, but according to Jimmy Horn, Trailer Sales Manager, "The trailer industry, as a whole, is forecasting a slower year in sales for 1990. The major thrust of trailer sales this year will be toward 'replacement buying' and not toward expansion the way it has been the last few years."

"The major carriers, like J.B. Hunt, MS Carriers and Werner Enterprises, who experienced great growth recently, are now moving into a period where they will be leveling off their growth rates."

"But," Horn continued, "we definitely think that we will beat the industry average with our sales. If we do experience a downturn it will be much less severe than that felt by many of our competitors."

Horn went on to explain that LUFKIN would manage this with aggressive selling and by targeting a considerable number of smaller and mid-size fleets. These people don't have the vast resources of a J.B. Hunt or MS Carriers and are looking for a good company to back up their product; this is something LUFKIN can definitely do.

"We have to be continually upgrading and innovative," Horn stated. "No idea stays new more than 6 months. For instance, we introduced our 'thin wall' van in June and now five other manufacturers are offering a similar design. We have to continue to be on the leading edge in design and manufacturing."

"We're presently re-introducing an 'extendable' flat bed trailer. This trailer features a totally new design which offers quite a few advantages for carriers specializing in hauling pre-fab concrete beams and steel re-inforcing bar, such as being lighter and capable of a higher carrying capacity since it will extend longer."

LUFKIN is also

redesigning the float line to be more in tune with what buyers want. Such things as a "super hauler" line and the addition of an "air ride" suspension option on dumps is in the works. Also, a second van production line has been added which will allow for more flexibility in custom requests.

This picture isn't being painted with a "pie-in-the-sky" attitude; it is honest, real and it shows a definite positive note for the coming year(s).

GEAR MARKET

As LUFKIN moves into its second half-century in the gear market, this portion of our business continues its steady growth. John Finney, Manager Industrial Gear Products, says "I'm a firm believer in having a lot of different markets available for our product; not just two or three. The more markets we have available for our product, the smoother we can run our company. As the demand for gears in a specific market goes down, then we still have numerous other avenues for selling our product."

"What kind of markets are we talking about in the 90's? I think they will have to do with more highly technical type equipment, more complicated units to be used with gas and steam turbines. I believe that there will be more demand for new designs, also."

Of course, breaking into new markets is not always easy. But, noting LUFKIN strengths, Finney continued, "Since we are vertically integrated, meaning we have our own foundry,

90's

delivery and more complete service to our customers."

"One of our strengths at LUFKIN has always been our determination to have the most modern, state-of-the-art equipment in our shops. And we're continuing to buy new machines to improve our technology: machines such as new gear grinders, which work quicker and put a better surface finish on the gears also carburizing equipment, so we can do our own heat treating."

Finney also put in simple terms what it will take for LUFKIN to continue expanding its gear markets. "Ship quality products on time. We have to always remember the relationship we must maintain with all of our customers — the customer truly is #1."

"If we are no better

in quality, delivery and service than our competitors, then low price is the

determining factor in a sale. This is not a situation we want. Therefore what LUFKIN must continue to do is offer a quality product, good service and respond to the needs of the customer."

COMMERCIAL CASTING SALES MARKET

LUFKIN's original name was the Lufkin Foundry & Machine Company, indicating that foundry work goes back to the very origins of our company. However, it has only been in the last few years that we have aggressively sought an outside market for our castings. According to Dennis Clark, Castings Sales Coordinator, re-entering this market brought some new experiences for LUFKIN. "Being new in the commercial casting business, we had little name recognition. We had to start from scratch with many customers."

Clark continued, saying that "After targeting the lift truck counterweight market only one year ago, we have made ourselves a strong #2. We successfully negotiated a contract with Clark Material Systems Technology Company for 50% of their counterweight requirements. Also, we are a supplier to a number of other major companies in that market, with more growth expected."

While the lift truck weights are relatively new for us, it's only one market for our castings. "We are also supplying castings to the pump and compressor, construction and mining markets — with customers including, York International, Caterpillar, Komatsu Dresser and many others." Clark said.

"We're seeing heavy equipment manufacturers for the construction, mining, farming and concrete handling market. We are also looking to logging equipment and automotive manufacturers for items from skidder wheels to automobile I-beams."

"Fortunately we have a modern, diversified foundry

operation and we can service many different types of casting customers. While some of our competitors have only one specific casting process, we can pour large, medium and small castings, as we desire."

Just as in all our other markets, Clark stated firmly that, "For LUFKIN to prosper in the casting market we have to continually strive for excellence in product quality, customer service and manufacturing processes." For LUFKIN, though, excellence is our common objective company wide.

FABRICATION MARKET

For the majority of this century, East Texas and sawmills have been synonymous — when people think of one, they think of the other. LUFKIN's first customers were sawmills and the Fabrication Department is continuing this relationship into the new decade.

By the end of the first quarter we will have finished our second major sawmill project for Temple. Sam Greenville, General Manager of Fabrication Operations, states that, "We have worked with the engineering firm who designed and built both of these projects for a while now, and we feel confident that we can expect further work from them. We will continue to quote for the sawmill business."

But this is just one of the many markets the Fabrication Department is actively pursuing. Greenville continued, "We are fabricating the base pedestal and performing minor assembly work on an antenna for Vertex right now. They market these things in sizes ranging from 5.4 meters (about 17 feet) up to 26 meters (approximately 84 feet). We will be involved with them throughout '90."

"Also, we're fabricating fixture components for LTV, an aerospace company in Dallas, and we've been asked to do the burning for a company which builds pontoons. We feel confident in projecting a continuous growth for 1990 and into the 90's."

"Our confidence stems from the fact that we can offer a state-of-the-art fabricating center, engineering support — which our competition can't offer — and an accurate, detailed quoting system. The bottom line is that we offer quality work, we deliver on time and we have the capacity to do diverse types of work; all at a good price."

BOTTOM LINE

This isn't pie-in-the-sky. This isn't looking at life through "rose colored" glasses. LUFKIN's future is filled with honest optimism — based on facts.

On The Road To Success

FABRICATION

Sam Greenville.....Plant Superintendent/Trlr to General
Manager Fabrication Operations

MACHINE SHOP

Steven BelroseMachinist Helper to Machine Operator Trainee
William BrownMachine Operator Trainee to Machine Operator A
Oran CalmeseMachine Operator B to Machine Operator A
Edgar DitsworthMachine Operator Trainee to Machine Operator A
David Jinkins, Jr.Machine Operator Trainee to Machine Operator B
Gary Lawrence..... Machine Operator B to Machine Operator A
James Madden..... Machine Operator Trainee to Machine Operator B
Calvin MundyHeat Treat Helper to Truck Trailer Operator
Gregory SteeleLaborer to Heat Treat Helper
Wesley WaltonTruck Operator to Machine Operator Trainee

Linda WhisenantMachinist Helper to Machine Operator Trainee

MATERIAL CONTROL

Mike SanfordHead Cycle Counter to Cycle Count
& Reporting Manager

ENGINEERING

Bobby Rooney Operative P/T to Drafter B
Mikki WaltersMicrofilm Operator to Secretary C

GEAR SALES

John BeaversService Rep Trainee to Service Rep

CORPORATE COMMUNICATIONS

Viron BarbayPhotographer to Senior Photographer

TRAILER

Ronald Pope..... Machine Operator B to Machine Operator A
Frank RaglandSenior Project Engineer to Chief Engineer

Foundation Scholarships: DEADLINE

Each year the Lufkin Industries Foundation awards thousands of dollars worth of scholarships to deserving children of LUFKIN employees and it's time to begin thinking about making application.

Every student wishing to apply must:

- complete an application form

- submit S.A.T. scores
- and submit their high school transcript.

All of this must be turned in to the Personnel Office no later than April 2, 1990 to be considered.

If you have any questions, please call Beverly Selman at Ext. 5400.

Let's Get Acquainted



Antonio (Tony) Perez is a Mechanic A at the Dallas Trailer Branch where he's worked for over 10 years.

Tony's main duties require him to be an accomplished welder since he works extensively on rebuilding wrecked dumps and on all liftgates and hydraulics in the shop.

In his off hours, Tony likes to work on old cars. His wife Lupe, and his daughters Mary, 17, and Victoria, 16, enjoy watching and listening as Tony plays in a band on weekends.

About LUFKIN Tony said, "Having the privilege of working for a stable company and the enjoyment of working with nice people make coming to work each day a joy."



Don Mousseau is the Shop Foreman in the Lufkin Industries, Ltd. manufacturing facility in Nisku, Alberta, Canada.

Don, who has been with LUFKIN for over 7 years, supervises the work of approximately 20 employees in the fabrication of the bases, sub-bases, samson posts, walking beams and horseheads for all Canadian pumping units.

This Fall Don was in Texas taking special instruction on fabrication techniques used by main plant workers.

Although Don liked our East Texas country as a whole, he did think it was a little warm.

JANUARY ANNIVERSARIES

Accounting

Pam Thompson	11
Jerry Hill	10
Brenda Kee	8

Canada

Tony Colangelo	10
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Corporate

LaVan Watts	22
Elton Fenley	17

Engineering

Bobby Spells	25
Cecil Hunt	24
Roy Wright	23
Carolyn Sherrer	22
Don Bridges	14
Frank Myers	9
Craig Cloud	1

Fabrication

Audie Christie	28
James McKinney	25
Marvin Malnar	24
Bias McDaniel	24
Tommy Hollingsworth	23
James Loving	22
James Hamby	20
Tommy Dennis	19
John Goodwin	17
John Cooper	16
William Gann	16
Manuel Luna, Sr.	14
Rayford Barnes	11
Kim Frels	11
Daniel Torres	10
Tomas Fuentes	10
William Haynes	10
Jose Reyes	10
Jimmy Russell	10
Willie Bell	10

Ernest Pleasant	8
Sam Greenville	4

Foundry

Ferdinand Guillory	28
Calvin Cooper	27
Walter Bane	19
Ray McCollister	19
Jessie Wade	17
John Wade	17
Robert Hoosier	16
Eneree Cranford	15
Kenneth Larue	14
Helen Ingram	13
Blake Bordelon	13
Roger Kitchens	12
Trinidad Solis	11
Carlos Riojas, Jr.	11
Herbert Moore	11
Tommy Smotherman	11
Oscar Elijah	11
Tommy Bass	10
Karl Ballenger	10
Frederick Preston	10
Lenneth Sowell	6
Ricky Justus	5
James Jones	3
John Ridgeway	3
Clyde Lowery	2

Gear Sales

Ethel Sunday	21
Jack Anderson	13
Peggy Herbst	10
Don Prendergast	1

Industrial Supplies

Edith Arnold	27
Robert Elliott	11
Richard Huber	1

Little Rock

Bobby Hall	11
David Hall	11

M.I.S.

Bruce Bain	10
Donna Burch	3

Machine Shop

Richard Collmorgen	34
Jimmy Horton	31
John Cole	28
Milton Davis	28
Walter Estes	28
Hollis Clifton	28
Ed Dominey	28
Johnnie Smitherman	27
Laverne Basey	25
William Oldham	24
Clarence Miller	24
Mac Mitchell	23
James Lee	22
Lowell Wicker	18
James White	17
Robert Ray	17
William Tidwell	17
Joe Powell	17
Paul Birdwell	16
Michael May	16
Jerry Hampton	16
W. H. Tullos	15
James Warren	15
Robert Conner, Jr.	15
Kent James	14
Marce Allen	14
Bennett McMullen	14
Alfred Johnson	14
Michael Modisette	14
James Hines	13
Louise Melton	13
Conney Stapleton	13
Von Lowery, Jr.	13
Rickey Stanford	13
Fredrick Berquist	12
William Molandes	12

John Wilson	12
Kenneth Singleton	12
Billy Coutee	11
Felipe Trevino	11
William Cooper	10
Tony Hight	10
Claude McDonald	10
James E. Davis	10
Frank Derkowski	10
Kenneth Spears	10
Bruce Mott	10
Charles Reynolds	10
Beauford Kervin	9
Frank Sanders	8
George McMullen	6
Terry Tullos	3
Michael Standifird	3

Machinery Sales

John Fincher	35
Wanda Ottmers	19
Robert Hail	16
Earl Stuckey	14
Melvin Cox	3
Danny Kizzia	3
Sylvester Crabb	2

Personnel

John Havard	16
Delbert Ray	9
Anna King	6
Beverly Selman	6
Marsha Day	5

Trailer

Otis Alexander	34
Don Block	28
James Masters	26
Calvin Hammer	26
Dawson Howell	24
Kermitt Gammill	23
Jerry Lawson	22
Quinton Edwards	18
Charles Holmes	18
Virgil Reynolds	18

L. G. Dove	17
Leon Berry	12
Maria Boonstra	12
Roy Erwin	11
Reginald Moore	11
James M. Davis	10
Grady Spangler	10
Ray Loving	10
Horace Kendrick	10
Dariet Stripling	6
Bryan Squyres	6
Joel Wier	6
Charles Kilgore	6
Billy Horne	6
David Merritt	6
Johnny Christie	6
Danny Lock	6
Glenn Ellender	5
Keith Collins	5
Rajan Babu	5
Michael Hebert	5
Mary Russell	4
Roy Hilton	3
Gregory Harrison	3
Burtis Boles	2

Trailer Sales

Michael Stringer	19
Joseph Williams	18
David Compton	14
Thomas McLendon	14
Carl Walker	14
James Davidson	6
Henry Sledge	6
David Miles	4
Kenneth Davis	4
Louis Polasek	4
Lovita Abbott	2
Ronald Saint	2
Salvino Gonzalez	2
James Holton	1
Steven Ames	1
Laura Williams	1
Edward Johnson	1
Jerry Boerm	1

COLLEGE SIGN-UP

Along with a new year and new decade, it is also time for a new semester to begin at the colleges and universities near you. When you sign up for the new term don't forget LUFKIN's Tuition Aid Program.

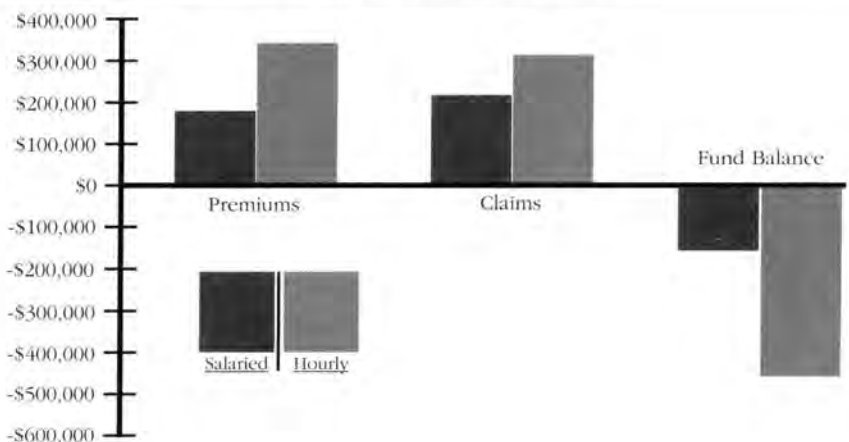
LUFKIN will reimburse you up to \$250.00 per semester, but you have to keep up with, and return:

- tuition/book receipts and
- grade notifications

before reimbursement can be made.

For further information contact your supervisor or the Personnel Department.

OCTOBER INSURANCE



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The LUFKIN Team



Warren J. Steel, Material Handler A, Trailer



Bobby Ward, Storekeeper, Buck Creek



Perry McKnight, Production Technician, Buck Creek

THE ROUNDUP

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P.O. Box 849, Lufkin, Texas 75902-0849.
For active and retired employees and their families.

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