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**EnergyPoint
RESEARCH**

CATERPILLAR [JAN 26, 2009]

Despite record 4th Qtr 2008 revenues, Caterpillar (CAT) announced today that it would cut 20,000 jobs worldwide. As CAT CEO Jim Owens acknowledged, it was a boom year that changed quickly with a fourth quarter that "*whipsawed*" the company. Of course, the upstream oil and gas industry is a relatively small portion of CAT's overall business; nevertheless, the company has recorded considerable overall customer satisfaction ratings improvements in EnergyPoint's independent surveys since 2005. EnergyPoint's data indicate ratings gains in the areas of total satisfaction, pricing, and product availability. In terms of performance and reliability, CAT has consistently fared well. In fact, one survey respondent's comment that CAT has "*some of the best engines on the market today*" seems to be a widespread opinion.

However, there is also an offsetting theme among respondents worth noting: one of nagging frustration with CAT's reliance upon dealers. Simply put, while CAT's products do garner considerable respect, the inconsistent level of service from dealer to dealer is a recurring point of dissatisfaction with end users. One respondent summarized his feelings as follows:

"Distributors [dealers] add little value and possibly harm Caterpillar's overall reputation and image." More specifically, a respondent at an international offshore driller weighed in with the following: *"Caterpillar needs to adapt its business processes to allow companies that operate in numerous areas of the world to establish a single account manager and point of contact within Caterpillar ... rather than relying upon the "local" dealer closest to the rig. Given that drilling rigs move often, maintaining ties with the local dealers is difficult. Likewise, equipment maintenance and repair records are maintained within each dealership and are therefore "lost" when a rig moves."*

These comments suggests to us that CAT's dealer-network business model -- which has served dealers extremely well over the past 80+ years, if not CAT's customers -- could benefit from greater emphasis on meeting the needs of CAT's customers. Improving dealer consistency as customers move CAT products from region to region is just one of the ways both CAT and its dealers can improve customers' overall experiences.

KEY ENERGY SERVICES [MAR 23, 2009]

When EnergyPoint Research published results from its first oilfield customer satisfaction survey back in 2004, Key Energy Services (KEG) was an organization seemingly on the brink -- and EnergyPoint's survey results reflected just that. To be sure, the picture was not a pretty one as the 2004 survey showed the company finishing dead last among the 24 oilfield service companies rated. And here's what one 2004 evaluator of Key shared about the company: *"The worst service company that I have ever worked with in my 14 years of experience. Not responsive to any of our needs, even after three years of doing business and over \$10.0MM of revenue to them. I would NOT recommend them to anyone."* Few companies can prosper with even a small percentage of customers harboring this kind of negative opinion.

In the five years since that first survey, Key has clearly taken steps to move away from the precipice. While grappling with an accounting mess inherited from prior management, current CEO Dick Alario began the process of rebuilding the company from the ground up. And there was a lot to rebuild. Key's troubles were widespread, with its satisfaction ratings especially weak in the influential areas of reliability, technology and job quality. The company scored particularly low (i.e., its ratings were more than 20% below the survey median) in the areas of

applying lessons learned and continual improvement (important in the oilfield) and in the ability to develop in-house, and apply third-party, technologies.

The good news is that we can see signs that the changes implemented by management since those darker days are now reverberating with customers. Results from evaluations collected as part of EnergyPoint's ongoing independent surveys suggest Key is closing a number of gaps with competitors. In particular, we note that Key's scores in the categories of reliability, including the ability to apply lessons and continually improve, are virtually on par with median ratings for peer service companies. Moreover, and in possibly the most encouraging sign yet for the company, survey results now show Key beginning to vie for a top-tier ranking in its mainstay category of workovers and well servicing, outpacing even BJ Services (BJS), Halliburton (HAL) and Schlumberger (SLB).

While Key certainly has a ways to go before it gains the kinds of marks that would allow it to claim any leadership mantle in terms of customer satisfaction, we nonetheless believe in giving credit where credit is due. Apparently, so do an increasing number of its customers. The following comment from a recent survey respondent seems to underscore the progress that appears to be underway at the company: *"Key has been very proactive in providing productive ideas and working both safely and in accordance to environmental regulations. It is a great pleasure to do business with a company that strives to accommodate the customer's needs into their own corporate business plan."* With testimonials like this, Key and its stakeholders certainly have reason to be encouraged.

FRANK'S INTERNATIONAL [MAR 26, 2009]

Followers of EnergyPoint Research's customer satisfaction surveys will recall that Frank's (i.e., Frank's Casing Crew + Frank's International) has rated quite high in our independent reports over the years. In fact, since 2004, the privately owned company has rated in the top quarter of most of the oilfield services and oilfield products surveys we have conducted. In 2006, we went as far as to say that we regarded the company as the *"current standard when it comes to reliably installing casing and production tubing for customers across the globe."* And we were not alone; below are respondent comments regarding that we believe speak to the performance of Frank's in the eyes of many of its customers:

"Franks has been a very proactive company to work with. I have also seen an [improvement] in quality with the permanent crew supervisor assigned to our rig. Various crew members might change, but the crew supervisor remains the same." [Engineer - Supermajor]

"Excellent QC of equipment. Superior field personnel and support staff in the office. I can count on these guys to get it right or have answers if something goes wrong. Frank's is the best example of how an oilfield service company should be run." [Operations Manager - Supermajor]

So, what does EnergyPoint's body of quantitative ratings data suggest is driving Frank's success with customers? Frankly, it's more than just one factor. To start with, the company scores very well in the all-important areas of job quality -- in particular, in its ability to complete jobs on schedule and as specified -- and the quality of its personnel. In fact, the company's field personnel appear to be well-regarded throughout the industry. The Frank's companies also garner strong marks in terms of the degree to which products and services are delivered on-time and as-ordered. Overall, it's our opinion that Frank's fares well with survey respondents for the most fundamental of reasons: it is very good at what it does and it tends to do a better job of keeping its commitments than its competitors.

Admittedly, there are areas in which evaluators rate Frank's below its peers, namely in the development of technology. However, we're not completely sure a company focused on the segments in which Frank's serves will ever rate in the top-tier in our technology ratings. Moreover, we're not sure it really needs to. The key to the company's ability to perform for customers will, from our standpoint, continue to relate more to its people and culture than its technology. And on these counts, the company appears duly up-to-the-task. Of course, should Frank's develop some newfangled technology that allows it to improve its performance and/or efficiency over-and-above its already-strong levels, its certainly stands gain additional goodwill and reputation in the marketplace.

VALLOUREC / V&M TUBES [MAR 31, 2009]

Offering quality products, responsive service and competitive pricing is usually a sound formula for capturing the admiration customers. Yet such performance can also require an elixir of organizational traits, operational acumen and long-term customer commitment that eludes many of today's oilfield suppliers. Vallourec is one company that seems to have achieved a nice mix of these attributes as the supplier of tubular goods has fared quite well among 30+ oilfield product providers in EnergyPoint's independent customer satisfaction surveys since 2005. And the company appears well positioned to continue successfully serving customers, especially those within North America, with an expanding line of premium products.

Vallourec has rated quite well in terms of Total Satisfaction in EnergyPoint's independent surveys since 2005. In addition, the company has rated well in terms of performance and reliability, trailing only Sumitomo Metals & Pipe. Perhaps not by coincidence, Sumitomo Metals is a long-time partner of Vallourec across multiple ventures, and the companies recently announced their intention to further strengthen their partnership in the U.S. While we are usually skeptical of most mergers and combinations, we are struck by the fact these two suppliers appear to be an experienced and compatible match. As such, we find ourselves believing the combination will likely be a good thing for customers -- and possibly trouble for competitors.

Along with Sumitomo Metals, Vallourec has continued to rate high in EnergyPoint's Performance & Reliability Index. This index is comprised of respondent ratings in the following four attributes: i) the ability of products to perform to specifications and expectations, ii) the durability and length of life of products, iii) the adequacy of in-house quality controls and inspection processes, and; iv) health, safety and environmental features and performance. While the company rates well in the performance of its products in high-pressure and high-temperature environments (HPHT), its standing in HPHT has not gone unchallenged by others, including Tenaris. That being said, customers clearly find Vallourec to be both easy to work with and very solutions-oriented.

NOTE -- For the purposes of EnergyPoint's surveys, Vallourec includes subsidiaries and joint ventures under its Vallourec & Mannesmann Tubes group, including V&M Tubes, Vallourec Mannesmann, V&M Star and VAM. It also includes the Atlas Bradford, TCA and Tube Alloy lines of OCTG and connections purchased from Grant Prideco, whose products have also rated well in past EnergyPoint's surveys. The comparison companies we have used for our analysis are Tenaris (which includes Maverick Tubes) and US Steel, both major OCTG suppliers.

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