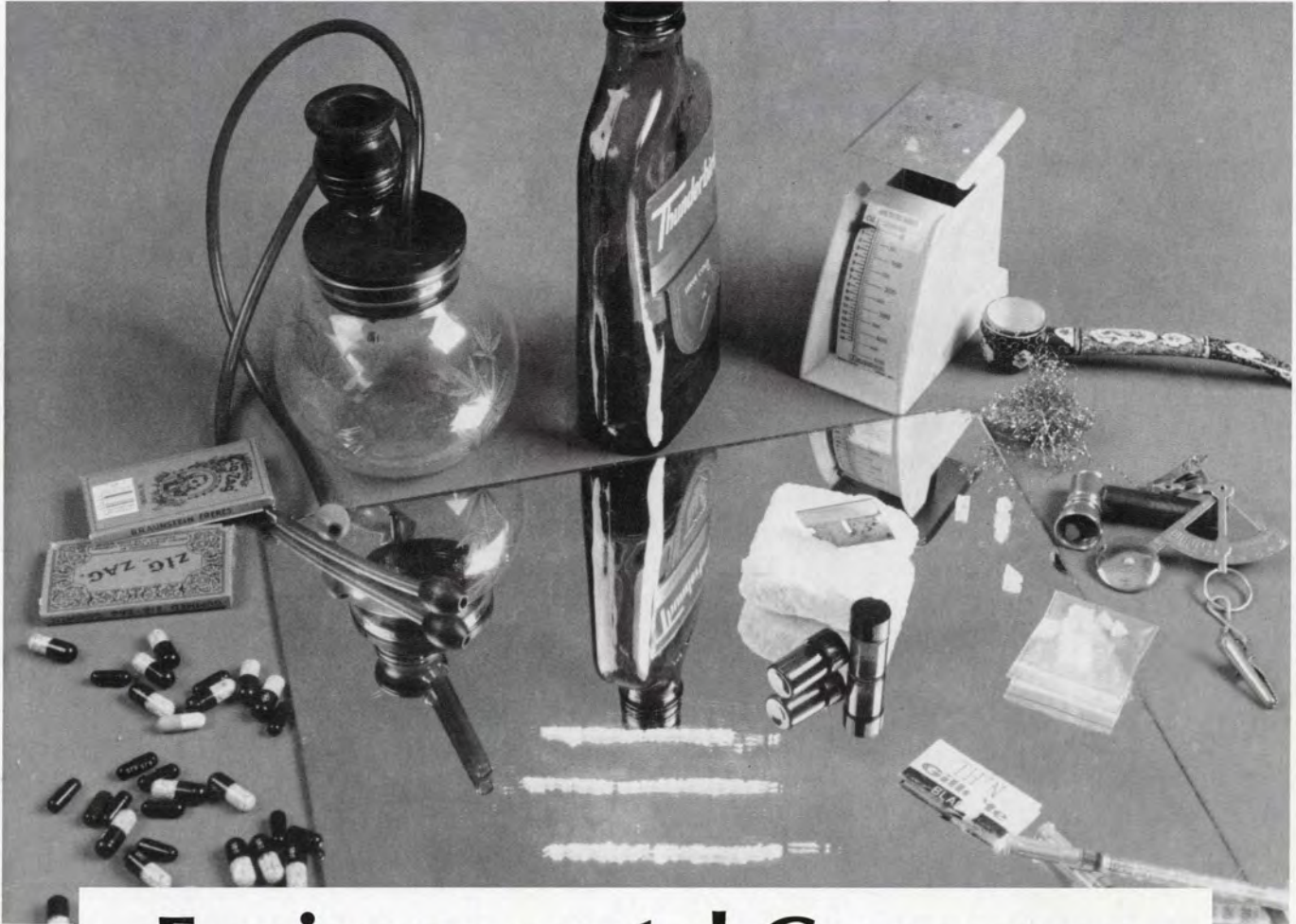


LUFKIN

ROUNDUP

FEBRUARY 1989



Environmental Concerns



SEE FEEDBACK PAGE 6

The Environment: The World We Live In



Environment: Every operation that is performed in Lufkin Industries has an effect on our environment. We receive tons of various types of material into the plant including everything from raw materials (steel, scrap iron, aluminum) to finished components such as roller bearings, hydraulic pumps, oil seals, electric motors, etc. We convert all of this material to finished products -- pumping units, trailers, industrial gears, or industrial supplies. This conversion is extremely complicated in all of our operations, and we have spent millions of dollars to prevent any harm to the environment which might result from any of our manufacturing or conversion processes.

We also receive many waste materials including soft drink cans, packing cartons, crates, and a variety of other waste products in many forms. These must also be disposed of in a way that is not harmful to our environment. Like anything else that we do, all of our conversion processes, pollution control devices, and waste disposal methods are controlled by LUFKIN employees. Mistakes that any of us might make can harm the environment. What may seem like an insignificant amount of waste material can be harmful. Therefore, it is the responsibility of each of us to do our best to protect the environment in any operation within the whole company. Let me encourage you to be alert to any improvement that can be made in this total process. We are very conscious of the environment in which we live and we want to do our best to protect it.

The working environment is another area that is of vital interest to us. Everyone appreciates a clean, orderly workplace and we surely want to strive to do

our best to keep every operation an example of cleanliness and efficiency.

Our work environment also includes the pledge that your company has made to all of its employees that we will have a drug free environment. With the avalanche of drugs that has descended on our society, it is extremely important that each of us do everything we can to assure ourselves that our workplace, as well as our community, is truly free from drugs.

Safety: A safe workplace free from any injury or threat of injury also has an extremely high priority for our company. The Buck Creek Fabrication Department achieved an enviable safety record in 1988, and we want to carry this type program to every part of the company. We want to make sure that every operation we have is maintained and operated in a manner that will ensure the safety of every individual.

In all of our programs, it is critically important that each of us become an active participant. We must ensure a total work environment that is of the highest caliber. We are vitally concerned about the health, safety, and well being of each and every LUFKIN team member. I encourage you to seek out ways that we can improve any of our operations to assure the achievement of these objectives. We have achieved an enviable record in all aspects of our environmental activities. Let's each continue to improve that record and daily make Lufkin Industries a better place to work.

A handwritten signature in black ink, appearing to read "F B Stevenson". The signature is fluid and cursive.

Frank B. Stevenson

Safe Working Environment

The division with the worst accident record three years ago now has the best. In fact, Structural Fabrication went one year (January 1 -December 31, 1988) with no recordable lost time injury. More specifically, the 278 employee division recorded 576,737 safe man hours over the same one year period. No other division in the company has accomplished this record, but it's one for which each is striving .

Gene McGallion, Structural Fabrication Safety & Health Coordinator, says change in management strategy and the employee's hard work toward safety and health are reasons for the improvement. Upgrading the safety program at Structural Fabrication has

also resulted in quality products and work simplification improvements. Productivity, quality, and safety & health performance reflect the efforts put forth. He adds, "Desire alone will not change your safety & health record." Employees understand the effects of not working safely such as hospital stay, pain due to injury, financial hardships, and an inability to return to work. McGallion says, "Working safely has become a way of life for Structural Fabrication employees."

Structural Fabrication holds a safety meeting once a month with various guest speakers. McGallion says he

and other safety committee members have worked to include all employees. He adds, "It takes involvement of all the individuals to have a good program and we work on it everyday."

As a result of an improved safety record, Structural Fabrication can now apply to the OSHA Star Program.

This voluntary protection program is a prestigious honor which currently has only 18 companies as members in a five state region (Texas, Louisiana, Arkansas, Oklahoma, and New Mexico). McGallion says application to this program shows LUFKIN is willing and able to take care of its people and the people are willing to take care of each other.

Some of the changes at Buck Creek include light curtains on press brakes, jigs that support a walking beam for the welders, chain audits and a new entrance way into the shot blast area to avoid scattered debris. McGallion says Utility and Electrical Maintenance have responded well to the needs of the shop area by helping to make a safe working environment. He adds that the hard work, care and attitude of the employees make the safety and health program work and being recognized for that accomplishment makes it all worthwhile. Most of all, fewer employees are getting hurt, and that's the best reward.



Clean Working Environment



To the left, Roy Euper, Corporate Environmentalist, goes over test results with an employee of the Angelina Neches River Authority. ANRA tests chemicals for Lufkin Industries for possible hazardous content.

Below, Euper checks on the waste water treatment plant located behind the Buck Creek facilities.



The environment is important to everyone. The air we breathe, the water we drink, and the cleanliness of our community cannot be taken for granted because, when neglected, the air gets brown, the water turns green and the community becomes a garbage dump. To keep a tidy community, Lufkin's Chamber of Commerce established programs such as Angelina Beautiful Clean. Like the community, Lufkin Industries, Inc. works to improve the working environment for its employees and takes on the responsibility it has to the community.

Lufkin Industries, as its name implies, operates as a manufacturing industry. Due to the nature of LUFKIN's manufacturing practices, various guidelines must be followed to assure a clean working environment. Hazardous chemicals, a common occurrence in industrial plants, are determined by several different steps. The Environmental Protection Agency, EPA, generates a list containing hazardous waste material based on non-mixed, pure chemicals and the process from which the waste is produced. Through the Angelina Neches River Authority, LUFKIN is able to test its chemicals for specific metals, ignitability, corrosivity, and reactivity.

Once it has been determined that an industry generates hazardous waste, the EPA and state water commission are notified. A transporter registered with the EPA carries the hazardous material to an EPA registered hazardous waste land fill or a treatment center. Regardless of proper disposal of the hazardous waste, all industries are responsible for their waste indefinitely.

Disposing of hazardous waste alone does not make an environment clean. Proper solid waste (cups, cans, paper, etc.) containment and waste water treatment are other concerns of LUFKIN. While the city waste water treatment caters to the downtown plant, the Trailer Division and Buck Creek facilities operate their own 77,000 gallon per day capacity waste water treatment plant which is maintained by Buck Creek Maintenance and tested at the Angelina Neches River Authority facilities.

To control air pollution, devices such as the bag houses in the Foundry, have been integrated. Furnace dust, classified as hazardous waste due to the lead content, is collected via the bag house and disposed of properly.

Overall, Lufkin Industries, Inc. operates a clean environment using very few hazardous chemicals. Following EPA regulations and developing methods to improve environmental conditions account for LUFKIN's success.

Drug-Free Working Environment

According to a study by the National Household Survey, conducted for the National Institute on Drug Abuse (NIDA), 19% of all Americans over 12 years of age used illicit drugs sometime during the past year. In the 18 to 25 year old young adult population, representing those entering the work force, 65% have experience with illicit drugs. The Alcohol, Drug Abuse, and Mental Health Administration estimates that alcohol and drug abuse costs nearly \$100 billion dollars in lost productivity each year. Accidents, loss of productivity, absenteeism, loss of trained personnel, theft, treatment costs, and deterrence all contribute to overall corporate costs.

Rule #12 in Lufkin Industries, Inc. Plant Rules and Safety Manual states, "Employees will not enter the Company premises while under the influence of, or while in the possession of, alcoholic beverages or narcotics. Consumption of alcoholic beverages or narcotics during working hours or on Company premises at any time will not be tolerated." LUFKIN has always been committed to providing a safe work place to its employees, visitors, and the general public. With this in mind, LUFKIN's goal is to establish and maintain a drug-free environment for the benefit of all employees, their families, and customers of the company.

Productivity is vital to LUFKIN's operation. Without a product, LUFKIN has nothing to sell. A split second decision can mean the difference between a successful job or an accident. Unclear thinking or a slow response time due to alcohol or drug use can cost an employee more than a job. Is the loss of a finger, the loss of a leg, or the loss of life worth that "high"? Would you want your children working next to those under the influence? Are you aware of, or do you feel comfortable working with, those under the influence? LUFKIN works as a team in every phase of the company; therefore, employees are dependent on the rational actions of others. Alcohol and drug abuse in the workplace is not just a concern to the user alone, but a concern to everyone - because in the end, whatever that may be, each employee, guilty or not, pays the price.

According to the Drug Enforcement Administration, DEA, the drug user, as compared to the non-user, is three times more likely to be involved in an accident. The user also has more than two times as many absences lasting eight days or longer, receives three times the average level of sick benefits, is five times as likely to file a worker's compensation claim, seven times as likely to be the target of legal proceedings, and functions at about 65% of his or her work potential.



The Employment Assistance Program, EAP, at LUFKIN offers an employee the opportunity to get help. This program, which is both confidential and voluntary, is financially aided by the Insurance program. Along with other personal assistance programs, EAP provides counseling to those with alcohol or drug dependencies. Studies show that EAPs reduce medical care utilization by 26%-39%, the number of sick days by 38%-47%, and sickness and accident benefits by 33%-48%.

Lufkin Industries, Inc. wants to continue producing quality products, in a safe, clean, and drug-free environment. It takes hard work from each employee to pull it all together because, win or lose, it affects us all.

On The Road To Success

DATA PROCESSING

Greg Wilson Security Officer to Computer Operator

ENGINEERING

Jeff Bordelon Associate Engineer to Design Engineer

FOUNDRY

Juan Mijares General Foundryman to Core Machine Operator B

Kevin Cauley General Foundryman to Core Machine Operator B

Carl Canino General Foundryman to Core Machine Operator B

Roger Sowell General Foundryman to Core Machine Operator B

MACHINERY SALES

Darren Swartz Salesman A to District Manager

Jack Anderson, Jr. Assist. Gen. Foreman to Salesman B

Ethel Sunday Secretary to Office Manager

Cathy Salagaj Sales Coord. B to Eng. Coordinator A

Beryl Brevell Secretary to Engineering Coordinator A

Lorraine Gregory Secretary to Eng. Coordinator B

MACHINE SHOP

Joe C. Warner Machine Operator A to Machinist

Cecil Primrose Foreman 8 to Foreman 9

STRUCTURAL FABRICATION

Charles Calhoun Machine Operator II to Machine Operator III

Aron L. Garner Machine Operator II to Machine Operator III

James Hambrick Trailer Builder B to Trailer Builder A

Donald Stone Helper to Trailer Builder B

Bobby L. Ward Storekeeper to Fork Lift Operator

Douglas Walters, Jr. Assembler B to Trailer Builder B

TRAILER DIVISION

Raul Castillo Helper to Cleaner and Grinder

Matt Daniel Machine Oper. B to Machine Oper. A

Jeffery Eberlan Maint. Mechanic B to Maint. Mechanic A

Michael Falkner Helper to Welder A

Luis Garcia Painter B to Machine Operator A

Mark Hayes Maint. Mechanic B to Maint. Mechanic A

David Hodges Machine Operator B to Welder A

Gerald King Helper to Machine Operator B

Charles Lambert Helper to Welder A

Don Mayo, Jr. Helper to Welder A

Betty R. Morris Helper to Cleaner and Grinder

Robert Moye Helper to Machine Operator B

Ronald Pope Helper to Machine Operator B

Danny Smith Helper to Machine Operator B

Joe Taylor Helper to Machine Operator B

Wesley Watts Trailer Builder B to Trailer Builder A

FEEDBACK

Lufkin Industries, Inc. announces a new section to the LUFKIN Roundup called FEEDBACK. This survey will give employees the opportunity to express their opinions on issues that affect us all.

Simply answer the questions below, clip out the survey, and either drop in the box provided at the guard gates or send it through inter-office mail to the Personnel Department, attn: FEEDBACK.

This is your opportunity to let your voice be heard. It is not necessary to sign the card, but please include name of department.

Does Lufkin Industries as a company have a drug and/or alcohol problem?

Yes _____ No _____ Don't Know _____

Do you know any LUFKIN employee who uses drugs at work?

Yes _____ No _____

Do you think LUFKIN should be concerned about drug usage by employees?

Yes _____ No _____

Do you consider drugs in the workplace to be a safety hazard?

Yes _____ No _____

Are you in favor of your insurance dollars paying for drug and/or alcohol rehabilitation?

Once _____ More Than Once _____ Not At All _____

Do you support a drug policy for the company which includes drug screening?

Yes _____ No _____

Signature (optional) _____

Department _____

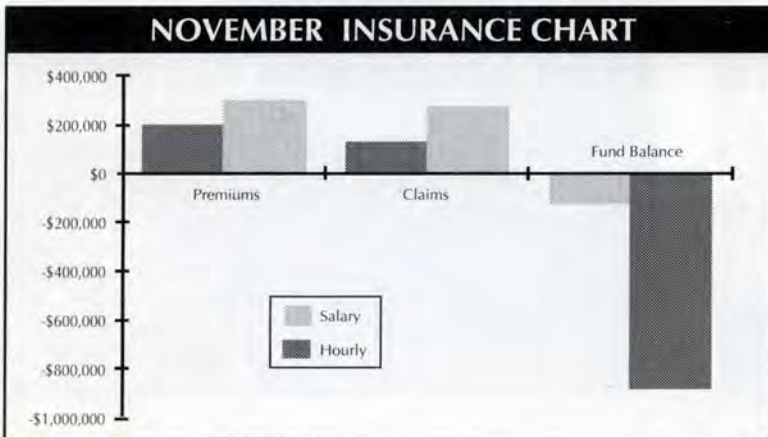
FEBRUARY ANNIVERSARIES

<p>Accounting</p> <p>Doug Hudson 12 Jean Hohimer 10 Ron Sharp 5</p> <p>Assembly & Shipping</p> <p>Ted Hearnberger 21 John Bridges Jr. 13 Joe Foreman 11</p> <p>Corporate Communications</p> <p>Sharon Henderson 2</p> <p>Corporate</p> <p>Rod Pittman 29</p> <p>Engineering</p> <p>Ellen Lightfoot 13 Ragena Thompson 6 Kurt Ulmer 5</p> <p>Foundry</p> <p>Rex Jones 38 Charles Minton 27 Lewis Ferguson 23 Archie Williams 23 Donald Kuehl 22 Everett Rhodes 22 Juan Reyes 19 James Johnson 17 Troy Allen 16 Walter Cummings 14 Rex Whitaker 13 Eddie Wade 13</p>	<p>Jayne Boyett 11 Jose Carrillo 11 Alfred Broussard 10 George Shimer 10 Belinda Martin 9 Javier Horta 9 Mitchell Ware 8 Anler Mullins 8 William Peavy 8 Louis Killingsworth 5 Jerry Jeffery 5 Darrel Plunkett 1</p> <p>Heavy Weldment</p> <p>Earl Burchfield 27 Lawrence Holt 15 Millard Barge 11 Billie Lee 10 Ricardo Ibarra 9 Freddy Hensley 9</p> <p>Industrial Supply</p> <p>Lee Saxon 21 Kendall Moseley 17 Wayne Saucier 13 Dennis Massey 10 Brian Ward 1</p> <p>Machine Shop</p> <p>Jack Landrum 30 Donald Wallace 30 Hulen Warren 27 Delbert Ellison 25 Curtis Thomas 24 James King 24 James Luce 24 Ronnie Parker 23</p>	<p>Raymond Solly 20 Marvin Powell Jr. 20 Kenneth Brashear 18 Robert Gresham 17 Harold Lane 16 Kenneth Burke 16 Steven Langston 16 Marvin Sowell 15 William Barnett 14 Sidney Alvers 14 Victor Reese, Jr. 14 Robert Lewis 14 Thomas Thomas 13 Robert Dunn 12 Joy Ouseph 11 Lacy Ford 11 Gary Ritnour 10 Ladonna Stapleton 10 Fred Sutton 10 William Reneau, Jr. .. 10 Fernando Arredondo .. 9 Albert Stokley 9 Robert Bailey Jr. 9 Michael Cassin 9 Irineo Mendoza 9 James Crain 9 Freddie Baker 9 Joe Hood 8 David Henry 7 Thomas Barringer 2</p> <p>Machinery Sales</p> <p>Howard Trout 21 Robert Estes, Jr. 19 Michael Huff 5 Robert Clark 5 Carla Villareal 2</p> <p>Order Entry</p> <p>Elizabeth Ray 4</p>	<p>Personnel</p> <p>Waldo Oakley 8 Robert Meadows 7</p> <p>Trailer Division</p> <p>Milton Watson 39 Gary Hobson 26 Freddy Williamson ... 25 Charles Kilgore 25 Howard Coleman 25 George Oliver 24 Charlie Jackson, Jr. ... 23 Elmer Lynch 23 James Green 23 Sam Adams 21 Walter Butler 21 Dean Pruitt 19 Robert Brockett 17 Jerry Sudduth 17 Edward Williams 17 Billy Addison 17 Ira Lewis 17 Sylvester McClain 17 Willie Davis 17 Delbert McGuire 17 Carnuto Rios 13 Sam Figueroa 12 Kenneth Modisette 11 Harwellen Corder ... 11 John Duke 11 John Jones 11 Herman Blake 11 Jerry Mericle 9 Rosalio Moreno 9 Tommy Butler 9 Larry Edwards 9 Richard Childress 5 Kenny Kendrick 5 Joe Madden 5</p> <p>James Sanchez 5 Tim Crawford 5 Enrique Dominguez ... 5 Edward Trotty 5 Mark Allen 5 Paul Fenley 5 Gregory Korn 5 Dwight Walter 4 Charles McFarland 4 Truit Dixon, Jr. 4 Donald Crager 2 Gary Anderson 1 Matt Daniel 1 James Mooney 1 Danny Smith 1 Raymond Sheard 1 Frank Hodge 1 Jeffery Kirkland 1 Earnest Riley 1 Dean Woodall 1 Marty Baker 1 Damon Boudreau 1 Grant Fox 1 Walter Stewart 1 Allen Walker 1 Rodolfo Elizondo 1 Patrick Giese 1</p> <p>Welding Shop</p> <p>Malchom Lowery 30 David Merritt 27 Leandro Vasquez 22 J. Womack, Jr. 22 George Waldrep 20 Charles Lee 19 Gregory Dempsey 13 Nelson Reynolds 12 Billy Hoosier 10 Gilberto Dejesus, Jr., .9 Ismael Terrazas 9 Bobby Napier 9</p>
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Scholarship Application Deadline

Deadline for a Lufkin Industries Foundation Scholarship is Monday, April 3, 1989. Four year scholarships will be awarded to the recipients. Applications can be picked up in the Personnel

office. For more information, contact Beverly Selman in the Personnel office at extension 5400.



THE ROUNDUP

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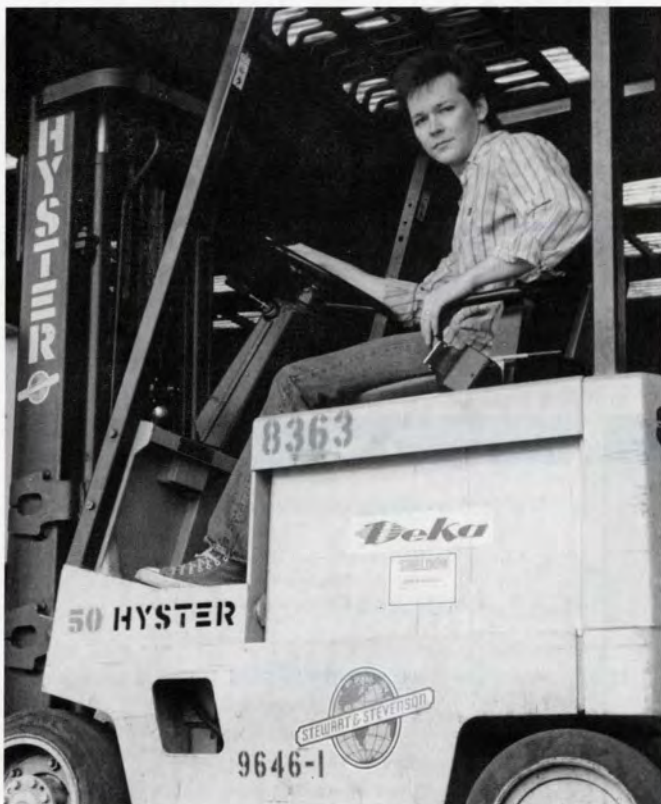
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The LUFKIN Team



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Nick Durham



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