

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

POST-EFFECTIVE AMENDMENT NO. 2
TO
FORM S-4 REGISTRATION STATEMENT
ON
FORM S-8
UNDER
THE SECURITIES ACT OF 1933

NATIONAL-OILWELL, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

76-0475815
(I.R.S. Employer Identification No.)

5555 San Felipe
Houston, Texas
(Address of principal executive offices)

77056
(Zip Code)

DRECO ENERGY SERVICES LTD. AMENDED AND RESTATED 1989 EMPLOYEE INCENTIVE STOCK
OPTION PLAN, AS AMENDED
EMPLOYMENT AND COMPENSATION ARRANGEMENTS PURSUANT TO
PRIVATE STOCK OPTION AGREEMENTS
(Full title of the plans)

PAUL M. NATION
VICE PRESIDENT AND GENERAL COUNSEL
NATIONAL-OILWELL, INC.
5555 SAN FELIPE
HOUSTON, TEXAS 77056
(Name and address of agent for service)

713-960-5100
(Telephone number, including area code, of agent for service)

Copy of all communications to:
DAVID R. KING
MORGAN, LEWIS & BOCKIUS LLP
2000 ONE LOGAN SQUARE
PHILADELPHIA, PA 19103-6993
(215) 963-5000

EXPLANATORY NOTES

This Post-Effective Amendment No. 2 to Registration Statement on Form S-4 on Form S-8 (the "Registration Statement") filed by National-Oilwell, Inc. (the "Company") relates to 893,002 shares (the "Shares") of the Company's

Common Stock, par value \$.01 per share (the "Common Stock"). Of the Shares, 751,040 shares are issuable pursuant to the Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan, as amended, and 141,962 shares are issuable pursuant to employment and compensation arrangements under separate private stock option agreements. All such shares were previously registered on the Company's Registration Statement on Form S-4, as amended (File No. 333-32191), and are being transferred to this Registration Statement.

3

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents filed by the Company with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") are incorporated by reference in this Registration Statement:

1. National-Oilwell's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, as amended by Form 10-K/A filed on August 18, 1997.
2. National-Oilwell's Quarterly Report on Form 10-Q for the period ended March 31, 1997.
3. National-Oilwell's Quarterly Report on Form 10-Q for the period ended June 30, 1997.
4. National-Oilwell's Current Report on Form 8-K filed on May 25, 1997.
5. National-Oilwell's Current Report on Form 8-K filed on October 8, 1997.
6. The description of National-Oilwell's shares of Common Stock contained in the Registration Statement on Form 8-A filed by National-Oilwell with the Commission on October 15, 1996 to register such securities under the Exchange Act.

All reports and other documents subsequently filed by the Company with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act after the date of this Registration Statement, and prior to the filing of a post-effective amendment to this Registration Statement that indicates that all securities offered by this Registration Statement have been sold or which deregisters all such securities then remaining unsold, shall be deemed to be incorporated by reference into this Registration Statement and to be part hereof from the date of filing of such documents. Each document incorporated by reference into this Registration Statement shall be deemed to be a part of this Registration Statement from the date of the filing of such document with the Commission until the information contained therein is superseded or updated by any subsequently filed document which is incorporated by reference into this Registration Statement.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein (or in any other subsequently filed document that is also incorporated by reference herein) modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part hereof.

Experts. The consolidated financial statements of the Company at December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996 have been incorporated by reference herein in reliance upon the report of Ernst & Young LLP, independent auditors, incorporated by reference herein, given upon the authority of said firm as experts in accounting and auditing. To the extent that Ernst & Young LLP audits and reports on financial statements of the Company issued at future dates, and consents to the use of their report thereon, such financial statements also will be incorporated by reference in this Registration Statement in reliance upon their reports given upon said authority.

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the DGCL authorizes, inter alia, a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation), by reason of the fact that such person is or was an officer or director of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. A Delaware corporation may indemnify past or present officers and directors of such corporation or of another corporation or other enterprise at the former corporation's request, in an action by or in the right of the corporation to procure a judgment in its favor under the same conditions, except that no indemnification is permitted without judicial approval if such person is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in defense of any action referred to above, or in defense of any claim, issue or matter therein, the corporation must indemnify him against the expenses (including attorney's fees) which he actually and reasonably incurred in connection therewith. Section 145 further provides that any indemnification shall be made by the corporation only as authorized in each specific case upon a determination by the (i) stockholders, (ii) board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding or (iii) independent counsel if a quorum of disinterested directors so directs. Section 145 provides that indemnification pursuant to its provisions is not exclusive of other rights of indemnification to which a person may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 145 of the DGCL also empowers a corporation to purchase and maintain insurance on behalf of any person who is or was an officer or director of the corporation against liability asserted against or incurred by him in any such capacity, whether or not the corporation would have the power to indemnify such officer or director against such liability under the provisions of Section 145. National-Oilwell maintains a directors' and officers' liability policy for such purposes.

Article Sixth, Part II, Section 1 of National-Oilwell's Amended and Restated Certificate of Incorporation and Article VI of National-Oilwell's Bylaws each provide that directors, officers, employees and agents shall be indemnified to the fullest extent permitted by Section 145 of the DGCL.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

The following exhibits are filed herewith or incorporated by reference as part of this Registration Statement:

Exhibit Number - - - - -	Exhibit -----
4.1	Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan.
4.2	Amendment 1997-1 to the Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-2428)).
4.3	Form of Private Stock Option Agreement.
4.4	Form of Notice of Conversion of (Private) Stock Options and Revised Terms and Conditions.
5.1	Opinion of Morgan, Lewis & Bockius LLP as to the legality of the shares being registered.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1).
ITEM 9.	UNDERTAKINGS.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933.

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment to the Registration Statement) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

II-3

6

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the

registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling persons in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

II-4

7

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Houston, Texas, on this 24th day of October, 1997.

NATIONAL-OILWELL, INC.

By: /s/ Steven W. Krablin

Steven W. Krablin
Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment No. 2 to Registration Statement has been signed below by the following persons in the capacities and on the date indicated.

Signature	Title	Date
- -----	-----	----
/s/ Joel V. Staff*	Chairman of the Board of Directors	
- -----	(Principal Executive Officer)	
Joel V. Staff		
/s/ Steven W. Krablin	Principal Financial and Accounting	October 24, 1997
- -----	Officer	
Steven W. Krablin		
/s/ Howard I. Bull*	Director	
- -----		
Howard I. Bull		
/s/ James C. Comis III*	Director	
- -----		
James C. Comis III		

/s/ James T. Dresher* Director

James T. Dresher

/s/ W. McComb Dunwoody* Director

W. McComb Dunwoody

/s/ William E. Macaulay* Director

William E. Macaulay

----- Director

Frederick W. Pheasey

----- Director

Robert L. Phillips

/s/ Bruce M. Rothstein* Director

Bruce M. Rothstein

*By: /s/ Steven W. Krablin

Steven W. Krablin
Attorney-in-Fact

October 24, 1997

EXHIBIT INDEX

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DRECO ENERGY SERVICES LTD.

AMENDED AND RESTATED
1989 EMPLOYEE INCENTIVE STOCK OPTION PLAN

JANUARY 14, 1997

2

DRECO ENERGY SERVICES LTD.
AMENDED AND RESTATED
1989 EMPLOYEE INCENTIVE STOCK OPTION PLAN

1. PURPOSE

This Plan is intended to advance the best interest of the Corporation by providing those persons who have a substantial responsibility for its management, operations and growth with additional incentive by increasing their proprietary interest in the success of the Corporation. The General Part of the Plan contains provisions applicable to all Options granted under the Plan. Part A of the Plan contains provisions specifically applicable to Options which are not intended to qualify as "incentive stock options" under Section 422A of the United States Internal Revenue Code of 1986, as amended. Part B of the Plan contains provisions applicable to Options which are intended to qualify as "incentive stock options" under Section 422A of the United States Internal Revenue Code of 1986, as amended.

GENERAL

2. INTERPRETATION

In this Plan (including this clause), unless there is something in the subject or context inconsistent therewith, words importing the singular number shall include the plural and vice versa, words importing the masculine gender shall include all genders and the expressions following shall have the following meanings, respectively:

- (a) "BOARD" shall mean Board of Directors of the Corporation;
- (b) "COMMON SHARE" shall mean a Class "A" common share in the capital stock of the Corporation as constituted on November 14, 1988 or as subsequently consolidated or subdivided, and any other share resulting from the redemption, exchange or change of such share or from an amalgamation, consolidation or merger;
- (c) "COMMITTEE" shall mean the committee of directors appointed by the Board in accordance with section 3 hereof;
- (d) "CORPORATION" shall mean Dreco Energy Services Ltd. and any successor or continuing corporation resulting from any form of corporate reorganization;
- (e) "EMPLOYEE" shall mean a key employee of the Corporation or of any of its Subsidiaries and shall include officers and directors who are full time employees of the Corporation or of a Subsidiary;

3

(f) "EXPIRY DATE" shall mean the Normal Expiration Date or the date on which an Option terminates pursuant to the Plan or an Option Agreement, whichever occurs first;

(g) "MARKET PRICE" shall mean (i) the last reported sale price at which Common Shares traded on The Toronto Stock Exchange on the Option Date, or (ii) if there is no reported sale price at which Common Shares traded on such Exchange on the Option Date, then "Market Price" shall mean the last reported sale price at which Common Shares traded on such Exchange prior to the Option Date; in the event the Common Shares are not listed on The Toronto Stock Exchange but are listed on another stock exchange or on an automated quotation system, the foregoing references to The Toronto Stock Exchange shall be deemed to be references to such other stock exchange or automated quotation system, or, if more than one, to such one as shall be designated by the Committee;

(h) "NORMAL EXPIRATION DATE" shall mean, in respect of any Option, the date determined by the Committee on which the Option would normally terminate, which date shall in no event be later than 10 years after the Option Date (except as otherwise provided in clauses (i) and (ii) of paragraph 6.1(g) of the Plan or in section 2 of Part B of the Plan);

(i) "OPTION" shall mean an option to purchase Common Shares pursuant to the Plan;

(j) "OPTION AGREEMENT" shall mean an agreement entered into between the Corporation and an Employee, pursuant to which an Option is granted to an Employee, which agreement shall contain such provisions not inconsistent with the Plan as the Committee may approve;

(k) "OPTION DATE" shall mean the date on which the Board approves the grant of an Option to an Employee;

(l) "OPTION SHARES" shall mean the Common Shares which an Employee is entitled to purchase under an Option;

(m) "OPTIONEE" shall mean an Employee who has entered into an Option Agreement with the Corporation;

(n) "PLAN" shall mean the Corporation's "Amended and Restated 1989 Employee Incentive Stock Option Plan" as embodied herein and as from time to time amended;

4

(o) "PURCHASE PRICE" means the purchase price of Common Shares under an Option Agreement determined as provided in Part A or Part B hereof, as the case may be; and

(p) "SUBSIDIARY" means any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, if at the time an Option is granted, each of the corporations other than the last corporation in the unbroken chain owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain, as the Committee shall determine from time to time.

3. ADMINISTRATION

3.1 The Plan shall be administered by the Committee, and all questions of interpretation and application of the Plan or of Options granted under the Plan shall be subject to the determination of the Committee, which shall be final and binding. The Committee shall be composed of three or more members of the Board, each of whom:

(a) is not an officer or an employee of the Corporation; and

(b) is not eligible to participate and has not been eligible to participate for a one year period prior to his appointment to the Committee, in the Plan.

3.2 A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination in writing and signed by a majority of the members will be as effective as if it had been made by a majority vote at a meeting properly called and held.

3.3 The Committee shall determine from time to time those Employees to whom Options should be granted and the terms and conditions of each Option and Option Agreement (subject only to the provisions of this Plan) including, without limitation, the number of Common Shares which should be optioned from time to time to any Employee, terms relating to the number or percentage of Common Shares that may be purchased in any specified period, the applicable Expiry Date, and the Purchase Price. The Board shall receive the recommendation of the Committee and may in its discretion accept or reject (but not vary) the Committee's recommendations. The Committee shall review the Plan from time to time with a view to making appropriate recommendations to the Board.

3.4 Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board or by the Committee shall constitute an Option hereunder. An Option granted to an Employee pursuant to the Plan is subject to and shall be of no force and effect until the execution and delivery of an Option Agreement by both the Corporation and such Employee. Until such time as the Plan is approved by the shareholders of the Corporation, all Option Agreements entered into between the Corporation and its Employees shall be conditional upon such approval being obtained.

3

5

4. COMMON SHARES RESERVED

The total number of Common Shares which, at any one time, may be subject to issuance or which may be issued pursuant to the Plan, or pursuant to other options or employee stock purchase plans, shall not exceed 975,000 Common Shares, subject only to adjustment in accordance with the provisions of section 18. In the event that any outstanding Option for any reason shall expire or terminate or be surrendered, in whole or in part, the Common Shares allocated to the unexercised Option or portion thereof shall again be available for Options under this Plan, provided that in no event may the number of Common Shares issued under this Plan exceed the maximum described in the first sentence of this Section. So long as any Options are outstanding under the Plan, the Board shall at all times reserve a sufficient number of unissued Common Shares to enable all of such Options to be exercised in accordance with their terms.

5. LIMITATIONS

Notwithstanding any other provisions of the Plan to the contrary:

(a) the maximum number of Common Shares which may be subject to issuance or which may be issued to any one Employee pursuant to the Plan or pursuant to other options or employee stock purchase plans shall not exceed five percent (5%) of the Common Shares outstanding from time to time; and

(b) to the extent that the aggregate fair market value (determined as of the time the Option is granted) of Common Shares for which any Employee has been granted Options which are exercisable by the Employee for the first time in any calendar year (under this Plan and any other plans of the Corporation and any Subsidiary which entitle the Employee to acquire shares, options or stock appreciation rights of the Corporation or any Subsidiary) exceeds \$100,000, such Options shall not be treated as "incentive stock options" under Part B of the Plan. For the purpose of this Section 5, Options shall be taken into account in the order in which they were granted.

6. CERTAIN TERMS OF OPTION AGREEMENTS

6.1 The following provisions of sections 6.1 and 6.2 shall be contained in or addressed (as appropriate) in each Option Agreement:

(a) each Option shall terminate on its Normal Expiration Date but subject always to the provisions of paragraph (g) of this section 6.1;

(b) any Option may specify a number or percentage of Common Shares that the Employee may purchase in any specified period, year or number of years, and may provide that it may be exercised in whole upon the occurrence of specified events;

4

6

(c) an Option under the Plan is not exercisable as to less than 100 Common Shares at any one time and can be exercised only in blocks of 100 Common Shares or a multiple thereof;

(d) the Purchase Price shall be the price per Common Share recommended by the Committee and approved by the Board on the Option Date in accordance with Part A or Part B hereof, whichever is applicable;

(e) Options shall not be transferable by the Optionee otherwise than by will or under the laws of descent and distribution, and shall be exercisable during his lifetime only by him;

(f) subject to section 6.2, Options shall be exercised by the delivery of written notice to the Corporation setting forth the number of Option Shares with respect to which the Option is to be exercised, together with (i) payment of the total Purchase Price therefor by certified cheque or bank draft payable to the order of the Corporation; and (ii) such other documents and agreements as the Option Agreement or the Committee may require, including if required by the Committee, an executed copy of a share purchase agreement which would bind the Optionee and his spouse, if any, and a written notice of the address to which the certificates for such Option Shares are to be mailed upon their release from the share purchase agreement, if any. Such notice shall be delivered in person to the secretary of the Corporation, or shall be sent by registered mail, return receipt requested, to the secretary of the Corporation, in which case delivery shall be deemed made on the date such notice is deposited in the mail. As promptly as practicable after receipt of such written notification and payment, the Corporation shall deliver to the Optionee or (if required under the share purchase agreement) the escrow agent, certificates for the number of Option Shares with respect to which such Option has been so exercised, issued in the Optionee's name, provided that such delivery shall be deemed effected for all purposes when a stock transfer agent of the Corporation shall have deposited such certificates in the mail, addressed to the Optionee, at the address specified pursuant to this paragraph (f) or to the escrow agent if the Committee requires the execution of the share purchase agreement as a condition of exercise;

(g) if subsequent to the Option Date and before the Normal Expiration Date, the Optionee ceases for any reason to be an Employee and his employment terminates:

(i) by reason of death or permanent disability, the Option may be exercised during a period of 12 months after such date of death or date of termination (but only as to such Option Shares in respect of which the Option would have been exercisable on such date of death or date of termination if such employment had not terminated as aforesaid), notwithstanding that such period of twelve months may extend beyond the Normal Expiration Date;

7

(ii) by reason of retirement of the Optionee (other than by reason of permanent disability) under the then established policies of the Corporation, the Option may be exercised during a period of three months after the date of such retirement or up to the Normal Expiration Date, whichever date shall first occur (but only as to such Option Shares in respect of which the Option would have been exercisable on such date if such employment had not terminated as aforesaid);

(iii) for any cause other than death, permanent disability or retirement under the then established policies of the Corporation, the Option may be exercised (but only as to such Option Shares in respect of which the Option would have been exercisable on such date of termination of employment if such employment had not terminated as aforesaid) up to a date three months after termination of employment or up to the Normal Expiration Date, whichever date shall first occur.

With respect to clause (g)(i) of this section 6.1, the rights under the Option exercisable after the death of the Optionee may be exercised by the person or persons to whom the Optionee's right under the Option Agreement shall pass by will or applicable law or, if no such person has such right, by the deceased Optionee's executors or administrators. Also with respect to clause (g)(i) of this section 6.1, an Optionee shall be deemed to be permanently disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months;

(h) an Optionee who takes an authorized leave of absence with the approval of the Board shall not be deemed thereby (but only for the purposes of the Option Agreement) to have ceased to be an Employee, provided that if he shall fail to return to full time service as an Employee within 90 days after the conclusion of such leave of absence, his Option shall terminate (if not theretofore terminated or expired in accordance with the terms hereof) at the earlier of the Normal Expiration Date or the expiration of the said 90 day period;

(i) each Option granted hereunder shall be embodied in an Option Agreement, which shall be subject to the terms and conditions prescribed above and such other terms and conditions as are contemplated by the Plan or as the Committee may prescribe, and shall be signed by the Optionee and by the Corporation by the officer or officers set forth in section 22.2 for and in the name and on behalf of the Corporation.

8

6.2 Notwithstanding paragraph 6.1(f), if at the time of actual receipt by the Committee of a written notice pursuant to paragraph 6.1(f), (i) the Corporation has unrestricted earned or contributed surplus in an amount not less than the Purchase Price of those Option Shares with respect to which the Option is to be exercised, (ii) all accrued cumulative preferential dividends and other current preferential dividends on all outstanding preferred shares of the Corporation have been fully paid, (iii) the reacquisition by the Corporation of its own shares for the purpose of enabling the Optionee to exercise such Option is otherwise permitted by applicable law and without any vote or consent of any shareholder of the Corporation, and (iv) there shall have been adopted, and there is in full force and effect, a resolution of the Board authorizing the reacquisition by the Corporation of its own shares for such purpose, then such Optionee may deliver to the Committee, in payment of the Purchase Price of the Option Shares with respect to which such Option is to be exercised, (a) certificates registered in the name of such Optionee representing a number of Common Shares legally and beneficially owned by such

Optionee, free of all liens, claims and encumbrances of every kind, and having a fair market value on the date of actual receipt by the Committee of such written notice that is not greater than the Purchase Price of the Option Shares with respect to which such Option is to be exercised, such certificates to be accompanied by stock powers duly endorsed in blank by the record holder of shares guaranteed by an institution acceptable to the Committee, and (b) if the Purchase Price of the Option Shares with respect to which such Option is to be exercised exceeds such fair market value, a cheque payable to the order of the Corporation in an amount equal to the amount of such excess. Notwithstanding the foregoing provisions of this section 6.2, the Committee, in its sole discretion, may refuse to accept Common Shares in payment of the Purchase Price of the Option Shares with respect to which such Option is to be exercised and, in that event, any certificates representing Common Shares which were delivered to the Committee with such written notice shall be returned to such Optionee together with notice to such Optionee of the refusal of the Committee to accept such shares. If, within fourteen business days after the receipt by such Optionee of such written notice, such Optionee shall not have delivered to the Committee a cheque in an amount equal to the Purchase Price of the Option Shares with respect to which such Option is to be exercised, such written notice from the Optionee to the Committee shall be ineffective to exercise such Option.

7. CONDITIONS OF GRANT

7.1 Each Employee to whom an Option is granted under the Plan shall, if requested by the Committee at the time of grant, agree in writing as a condition to the granting or exercise of the Option that he will remain associated with the Corporation or one or more of its Subsidiaries in a specified capacity and for a specified period following the date of the grant or exercise of the Option. Such agreement may also specify that the transfer of the Common Shares issued upon exercise of the Option will be prohibited until fulfillment of such condition, and may specify the penalties for violation of such condition, which shall be fixed in the discretion of the Committee and may include forfeiture of the applicable Common Shares.

7.2 In addition, the Committee may, as a condition to the grant of an Option under the Plan, require an Optionee to give the Corporation the right to repurchase Common Shares issued upon

7

9

exercise of such Option either (i) at the Purchase Price thereof for a specified period of time following such exercise, not to exceed six months or (ii) at the fair market value thereof for a specified period of time thereafter, or both. The Committee may determine the amount of such shares subject to such repurchase right or obligation and the conditions under which such right or obligation to repurchase shall come into existence. A grant of an Option under the Plan may also be subject to other conditions, including the termination of other options previously granted to the Optionee. The foregoing enumeration of conditions of grant is not intended in any way to limit the discretion of the Committee in imposing other or different conditions of grant.

8. EMPLOYMENT OBLIGATION

The granting of any Option shall not impose upon the Corporation any obligation to employ or continue to employ any Optionee, and the right of the Corporation to terminate the employment of any person shall not be diminished or affected by reason of the fact that an Option has been granted to him.

9. NO RIGHTS AS SHAREHOLDER

No Optionee shall have rights as a shareholder with respect to his Option Shares until the date of issuance of a certificate for such shares and, except as otherwise provided in section 18 hereof, no adjustment for dividends, or otherwise, shall be made if the record date therefor is prior to the date of issuance of such certificate.

10. SPECIAL CIRCUMSTANCES

Notwithstanding anything contained herein:

(a) if a person provides services to the Corporation, but is not actually an employee of the Corporation, then with the approval of the Committee and of the stock exchanges or automated quotation systems upon which the Common Shares are listed and such other regulatory approvals as may be necessary, an Option may be granted under the Plan to such person, subject to such terms and conditions as may be determined by the Corporation and accepted by such stock exchanges, automated quotation systems and other regulatory authorities but, subject as aforesaid, the terms and conditions of the Plan shall apply mutatis mutandis to such Option; and

(b) if an Optionee is a resident of Canada or the United States and is transferred out of his country of residence after his Option was granted, then the Committee may in its discretion permit such Optionee to exercise the Option to purchase all of the Common Shares as to which the Option was granted to such Optionee under his Option Agreement (and not theretofore purchased by such Optionee under such Option Agreement) notwithstanding the terms of his Option Agreement.

8

10
11. FORFEITURE FOR COMPETITION

Notwithstanding any other provision of the Plan, if at any time during the term of an Option granted hereunder, the Committee, after full consideration of the facts presented on behalf of the Corporation and the Optionee, finds by majority vote that such Optionee, without the written consent of the Corporation, directly or indirectly owns, operates, manages, controls or participates in the ownership, management, operation or control of, or is employed by or is paid as a consultant or as an independent contractor by a business which competes with the Corporation in the trade area served by the Corporation at any time during the term of the Option but prior to its exercise in full and in which area the Optionee had performed services for the Corporation while employed by it, the Committee shall forfeit all unexercised Options and all exercised Options for which the Corporation has not yet delivered share certificates. The decision of the Committee shall be final. The preceding provisions of this section 11 shall not apply to investments in independently managed mutual funds or similar securities, and shall not be deemed to have been violated solely by reason of the Optionee's ownership of stock or securities of any publicly owned corporation, provided that such ownership does not result in effective control of such corporation, and provided further that written notice of such ownership is given to the Committee within 60 days after the later of (i) the date on which the Optionee is notified of the award of an Option, or (ii) the date on which such ownership is acquired.

12. FORFEITURE FOR DISHONESTY

Notwithstanding anything to the contrary in the Plan, if the Committee, after full consideration of the facts presented on behalf of the Corporation and the Optionee, finds by majority vote that the Optionee has been engaged in fraud, embezzlement, theft, commission of a felony, or proven dishonesty in the course of his employment by the Corporation which damaged the Corporation, or that the Optionee has, without authority, disclosed trade secrets of the Corporation or has breached obligations of confidence imposed on him or the Corporation and has thereby damaged the Corporation, the Committee shall forfeit all unexercised Options and all exercised Options for which the Corporation has not yet delivered share certificates. The decision of the Committee shall be final.

13. STOCK APPRECIATION RIGHTS

13.1 In this section 13, the following expressions shall have the following meanings:

(a) "EXERCISABLE SHARES" shall mean the number of Common Shares with respect to which the Employee is entitled to exercise his Option at the Surrender Date;

(b) "OPTION PREMIUM" shall mean the amount, if any, by which the Surrender Date Market Price exceeds the Purchase Price for Surrendered Option Shares;

9

11

(c) "PURCHASE PRICE" shall mean the exercise price per Common Share specified in the Option;

(d) "SETTLEMENT SHARES" shall mean Common Shares issued to an Employee in exchange for Exercisable Shares in accordance with a determination of the Board pursuant to section 13.3;

(e) "SURRENDER DATE" shall mean the date on which the Employee surrenders his right to acquire any Exercisable Shares;

(f) "SURRENDER DATE MARKET PRICE" shall mean the last reported sale price at which the Common Shares of the Corporation traded on The Toronto Stock Exchange on the Surrender Date, or if there is no reported sale price on such Surrender Date, then Surrender Date Market Price shall mean the last reported sale price at which Common Shares traded on The Toronto Stock Exchange prior to the Surrender Date, and if the Common Shares are not listed on The Toronto Stock Exchange but are listed on another stock exchange or on an automated quotation system, the foregoing references to The Toronto Stock Exchange shall be deemed to be references to such other stock exchange or automated quotation system, or, if more than one, to such one as shall be designated by the Committee; and

(g) "SURRENDERED OPTION SHARES" shall mean that number of Exercisable Shares with respect to which the Employee elects to give up his option to acquire under the Option.

13.2 The Committee may, in its discretion and subject to such terms and conditions as it in its sole discretion may prescribe, make recommendations to the Board to grant an Employee the right to surrender all or part of his right to acquire Exercisable Shares and in exchange therefor to receive Settlement Shares. The Board may, in its discretion, accept or reject (but not vary) a recommendation from the Committee.

13.3 If the Board accepts the Committee's recommendation, then the Corporation shall grant to the Employee the right to surrender Surrendered Option Shares and acquire such number of Settlement Shares as is determined by multiplying the number of Surrendered Option Shares by a fraction of which the numerator is the Option Premium and the denominator is the Surrender Date Market Price.

13.4 Any such right shall be granted in writing and shall specify the maximum number of Surrendered Option Shares and the latest permitted Surrender Date. Any such right must be exercised by the Employee giving written notice to the Corporation in the manner contemplated by the Option Agreement.

10

12

13.5 Such rights shall only be extended to Employees (i) in cases where the normal exercise provisions contained in an Option Agreement would defeat the purposes of the Plan, or (ii) for other reasons, if the Committee is satisfied that such action would be in accordance with applicable laws and regulatory requirements.

14. CONDITIONS OF ISSUANCE OF COMMON SHARES

14.1 The Corporation shall not be required to issue any Common Shares on the exercise of any Option if the issuance of such Common Shares would constitute a violation by the Optionee or the Corporation of any provision of any applicable

law or the policies or regulations of any stock or automated quotation system on which the Common Shares are listed or the policies or regulations of any regulatory authority having jurisdiction. If at any time the Committee shall determine, in its discretion, that any one or more of the following is necessary or desirable as a condition of the issuance of any Option Shares, namely:

- (a) The registration or qualification of the Option Shares for distribution under any laws of Canada or any Province thereof or of the United States or any state thereof, or the consent or approval of any regulatory authority thereof;
- (b) the consent or approval of any stock exchange or automated quotation system on which the Common Shares are listed;
- (c) evidence (in form and content satisfactory to the Committee) of the investment intent of the Optionee; or
- (d) an undertaking of the Optionee not to sell or dispose of the Option Shares for a specified period of time;

then the issuance of any Option Shares shall not be made unless and until such registration, qualification, consent, approval, evidence or undertaking shall have been effected or obtained in form and substance acceptable to the Committee.

14.2 Notwithstanding any other provision of this Plan, if, at the time of actual receipt by the Committee of a notice of exercise of an Option pursuant to paragraph 6.1(f), the Corporation is in a position to deliver or cause to be delivered to the Optionee, issued, fully paid and non-assessable Common Shares which are free of all liens, claims and encumbrances of every kind in full or partial satisfaction of the number of Option Shares with respect to which the Option is being exercised, and provided the delivery of such shares to the Optionee (i) is permitted by applicable law and without the vote or consent of any shareholder of the Corporation, (ii) has received all required approvals of any stock exchange or automated quotation system on which the Common Shares are listed and of any regulatory agencies having jurisdiction, and (iii) has been authorized by the Board, then the Corporation may satisfy its obligations in respect of the number of Option Shares with respect to which the Option is being exercised in full or in part by delivering or causing to be delivered to the

11

13

Optionee such issued Common Shares evidenced by a share certificate therefor registered in his name; provided that the terms of this Plan and any Option Agreement shall in all other respects apply, mutatis mutandis.

14.3 Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan and including any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan shall be subject to such regulatory approvals as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.

14.4 The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade in such Common Shares.

14.5 The Corporation shall, if so directed by the Committee, calculate, withhold and remit any United States or Canadian taxes (whether federal, provincial, state or local taxes) payable by an Employee in connection with the grant of an Option, or by an Optionee in connection with the exercise of an Option.

15. COMMON SHARES FULLY PAID AND NON-ASSESSABLE

All Common Shares issued upon the exercise of any Option shall be issued

as fully paid and non-assessable Common Shares.

16. LOANS TO EMPLOYEES

Subject to applicable law and receipt of any required regulatory approvals, the Committee may, with the approval of the Board, at any time authorize the Corporation to loan money to an Optionee on such terms and conditions as the Committee may determine (which terms may include limiting recourse under such loan to the value of the Option Shares) to assist such Employee to exercise his Option.

17. SUBSTITUTION OPTIONS

Options may be granted under this Plan from time to time in substitution for similar stock options held by employees of other corporations who are about to become employees of the Corporation as a result of a merger or consolidation of the Corporation, or the acquisition by the Corporation of the assets of the employing corporation, or the acquisition by the Corporation of stock of the employing corporation as the result of which the employing corporation becomes a Subsidiary. The terms and conditions of the substitute Options so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee at the time of grant may deem

12

14

appropriate to conform, in whole or in part, to the provisions of the similar stock options in substitution for which they are granted.

18. CHANGES IN THE CORPORATION'S CAPITAL STRUCTURE

18.1 The existence of outstanding Options shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Corporation's capital structure or its business, or any merger or consolidation of the Corporation, or any issue of bonds, debentures, preferred shares or other shares having rights ranking in priority to the Common Shares or the rights thereof, or the dissolution or liquidation of the Corporation, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

18.2 If the Corporation shall effect a subdivision or consolidation of Common Shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of the number of Common Shares outstanding, without receiving compensation therefor in money, services or property, then:

(a) the number and Purchase Price of Option Shares subject to outstanding Options hereunder shall be appropriately adjusted in such a manner as to entitle an Optionee to receive upon exercise of an Option, for the same aggregate cash consideration, the number and class of shares (as nearly as may be reasonably possible) that he would have received had he exercised his Option in full immediately prior to the event requiring the adjustment; and

(b) the number of Common Shares then reserved for issuance under the Plan shall be adjusted by substituting for the total number of Common Shares then reserved, that number and class of shares (as nearly as may be reasonably possible) that would have been received by the owner of an equal number of outstanding Common Shares as the result of the event requiring the adjustment.

18.3 After a merger or amalgamation of one or more corporations into the Corporation or after a merger or amalgamation of the Corporation and one or more corporations in which the Corporation shall be the surviving corporation, each Optionee shall, at no additional cost, be entitled upon exercise of such Option to receive in lieu of the number of Option Shares as to which such Option shall then be so exercisable, the number and class of shares or other securities (as nearly as may be reasonably possible) to which such Optionee would have been entitled pursuant to the terms of the agreement of merger or

amalgamation if, immediately prior to such merger or amalgamation, such Optionee had been the holder of record of the number of Common Shares equal to the number of Option Shares.

18.4 If the Corporation is merged into or amalgamated with another corporation under circumstances where the Corporation is not the surviving corporation, or if the Corporation is

13

15

liquidated, or sells or otherwise disposes of substantially all its assets to another corporation while unexercised Options remain outstanding under the Plan, then:

(a) subject to the provisions of clause (c) below, after the effective date of such merger, consolidation or sale, as the case may be, each Optionee shall be entitled, upon exercise of such Option, to receive, in lieu of Common Shares, such shares or other securities (as nearly as may be reasonably possible) as the holders of the Common Shares received pursuant to the terms of the merger, consolidation or sale;

(b) the Committee may waive any limitations set forth in or imposed pursuant to Option Agreements so that all Options, from and after a date prior to the effective date of such merger, consolidation, liquidation or sale, as the case may be, specified by the Board, shall be exercisable in full; and

(c) all outstanding Options may be cancelled by the Committee as of the effective date of any such merger, consolidation, liquidation or sale provided that (i) notice of such cancellation shall be given to each Optionee, and (ii) each Optionee shall have the right to exercise such Option in full (without regard to any limitations set forth in or imposed pursuant to an Option Agreement) during a 30-day period preceding the effective date of such merger, consolidation, liquidation, sale or acquisition.

18.5 Except as hereinbefore expressly provided, the issue by the Corporation of shares of any class, or securities convertible into shares of any class, for cash or property or for labour or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Corporation convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number, class or price of Option Shares then subject to outstanding Options.

19. INTERPRETATION, AMENDMENT AND DISCONTINUANCE

The Committee may interpret the Plan, prescribe, amend and rescind rules and regulations relating to it, and make all other determinations necessary or advisable for its administration. With the approval of the Board, the Committee may from time to time alter, suspend or discontinue the Plan provided that:

(a) such alteration, suspension or discontinuance shall not divest any Optionee of any rights such Optionee may have under any Option Agreement theretofore executed and delivered by the Corporation and such Optionee;

(b) the Committee may not materially increase the benefits accruing to participants under the Plan or change the aggregate number of shares which may be

14

16

issued under the Options pursuant to the Plan or change the class of Employees eligible to receive Options without the further approval of the shareholders; and

(c) any amendments required by applicable law or regulatory authorities having jurisdiction to be approved by shareholders shall not become effective until so approved.

Subject to the foregoing provisions of this section 19, the Committee shall, with the approval of the Board, have the power to make such changes in the Plan and in the regulations and administrative provisions hereunder or in any outstanding Option or Option Agreement as, in the opinion of counsel for the Corporation, may be necessary or appropriate from time to time to ensure that the purpose and intent of the Plan is carried out. Notwithstanding the foregoing provisions of this section 19, the Board may terminate the Plan at any time.

20. INDEMNIFICATION OF THE COMMITTEE AND THE BOARD

With respect to administration of the Plan, the Corporation shall indemnify each present and future member of the Committee and the Board to the extent provided in the Corporation's by-laws and such persons shall have the benefit of all arrangements now or hereafter established by the Corporation in connection with its obligations to indemnify its directors.

21. NOTICES

The manner of giving notices to the Corporation or to an Optionee shall be specified in the Option Agreement with such Optionee.

22. GENERAL

22.1 This Plan and each Option granted under the Plan shall be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to the Plan shall be treated in all respects as an Alberta contract, unless the Committee determines otherwise.

22.2 The following officers of the Corporation are hereby authorized to execute and deliver, under corporate seal or otherwise, all instruments and documents (including, without limitation, Option Agreements) and do all things necessary or desirable for carrying out the provisions of the Plan:

(a) any two of the President, any Vice-President, Treasurer or Secretary; or

(b) such other officer or officers as the Board may from time to time designate.

15

17

22.3 Nothing contained herein shall restrict or limit or be deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.

22.4 The Plan and any Option Agreement entered into pursuant hereto shall enure to the benefit of and be binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement shall not be transferable or alienable by the Optionee either by assignment or in any other manner whatsoever and, during his lifetime, shall be vested only in him, but shall, subject to the terms hereof and of the Option Agreement, enure to the benefit of and be binding upon the legal personal representatives of the Optionee.

23. EFFECTIVE DATE OF PLAN AND RESTATEMENT THEREOF

The Plan shall become effective and shall be deemed to have been adopted on November 16, 1989, subject only to approval by the shareholders of the Corporation within 12 months after such date. The Plan is restated herein as at January 14, 1997 to reflect all amendments thereto as at such date.

PART A

The provisions contained in this Part A of the Plan shall govern all Options other than those granted under Part B of the Plan.

1. PURCHASE PRICE

The Purchase Price at which Option Shares may be purchased pursuant to Options shall not be greater than the Market Price and shall not be less than the applicable discount from the Market Price permitted by The Toronto Stock Exchange or other stock exchanges or automated quotation systems upon which the Common Shares are listed and by such other regulatory authorities having jurisdiction.

PART B

The provisions contained in this Part B of the Plan shall govern all Options which are intended to qualify as "incentive stock options" as described in Section 422A of the Internal Revenue Code of 1986, as amended (the "Code").

1. PURCHASE PRICE

The Purchase Price at which Option Shares may be purchased pursuant to Options shall be not less than the fair market value of the Common Shares on the date the Option is granted, and the Committee in its discretion may provide that the Purchase Price at which such shares may be so purchased shall be more than such fair market value. In the case of any Employee of the Corporation

16

18

who owns shares possessing more than 10 percent of the total combined voting power of all classes of shares of the corporation employing the Employee, or of its parent or subsidiary corporation, the price at which Option Shares may be so purchased shall be not less than 110 percent of the fair market value of the Common Shares on the date the Option is granted. For the purposes of this Part B of the Plan, any reference to a parent or subsidiary of the Corporation shall mean a parent corporation within the meaning of Section 425(e) of the Code or a subsidiary corporation within the meaning of Section 425(f) of the Code.

2. DURATION OF OPTIONS

Notwithstanding the definition of "Normal Expiration Date" in the Plan, in the case of any Employee who owns shares possessing more than 10 percent of the total combined voting power of all classes of shares of the corporation employing the Employee or of its parent or subsidiary corporation (as defined in the Code), no Option shall be exercisable after the expiration of five years from the date such Option is granted.

3. AMENDMENTS

The Committee shall have the power to make such additions or changes to this Part B of the Plan and in the regulations and administrative provisions hereunder or in any outstanding Option or Option Agreement as in the opinion of counsel for the Corporation may be necessary or appropriate from time to time to enable any Option granted pursuant to this Part B of the Plan to qualify as an incentive stock option or such other stock option as may be defined under the Code so as to receive preferential United States Federal income tax treatment.

4. EXPIRY

No Option shall be granted pursuant to this Part B of the Plan after the tenth anniversary of the effective date of the Plan.

17

NATIONAL-OILWELL, INC.
AMENDMENT 1997-1 TO THE
DRECO ENERGY SERVICES LTD.
AMENDED AND RESTATED
1989 EMPLOYEE INCENTIVE STOCK OPTION PLAN

WHEREAS, pursuant to the Combination Agreement dated as of May 14, 1997, as amended, (the "Combination Agreement") by and between National-Oilwell, Inc. (the "Company") and Dreco Energy Services Ltd. ("Dreco"), and the Plan of Arrangement under Section 186 of the Business Corporations Act (Alberta) (the "Plan of Arrangement"), as approved by the Court of Queen's Bench of Alberta, the Company will acquire shares of the capital stock of Dreco;

WHEREAS, Dreco maintains the Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan (the "Dreco Stock Option Plan") for the benefit of its eligible employees;

WHEREAS, pursuant to the Combination Agreement and the Plan of Arrangement, effective as of the Effective Time on the Effective Date (as those terms are defined in the Plan of Arrangement), each of the then outstanding stock options granted under the Dreco Stock Option Plan will be converted into an option to purchase shares of common stock of the Company in accordance with Section 2.1(j) of the Plan of Arrangement (collectively, the "Converted Dreco Stock Options");

WHEREAS, pursuant to the Combination Agreement and the Plan of Arrangement, effective as of the Effective Time on the Effective Date, the Company has agreed to assume the obligations of Dreco under the Converted Dreco Stock Options, and to substitute itself for Dreco as the sponsor of the Dreco Stock Option Plan;

WHEREAS, the Company desires to amend the Dreco Stock Option Plan to reflect the Company's assumption of Dreco's obligations under the Converted Dreco Stock Options, and the substitution of the Company as the sponsor of the Dreco Stock Option Plan.

NOW, THEREFORE, the Dreco Stock Option Plan is hereby amended as follows:

1. Section 2(b) of the Dreco Stock Option Plan is amended by adding the following sentence to the end thereof:

2

"From and after the Effective Time on the Effective Date (as those terms are defined in the Combination Agreement dated as of May 14, 1997, as amended, (the 'Combination Agreement') by and between National-Oilwell, Inc. and Dreco Energy Services Ltd., and the Plan of Arrangement under Section 186 of the Business Corporations Act (Alberta) (the 'Plan of Arrangement'), as approved by the Court of Queen's Bench of Alberta), the term 'Common Share' shall refer to a share of common stock, par value \$.01, of National-Oilwell, Inc.;"

2. Section 2(d) of the Dreco Stock Option Plan is amended by adding the following sentence to the end thereof:

"From and after the Effective Time on the Effective Date (as those terms are defined in the Plan of Arrangement and Combination Agreement), the term 'Corporation' shall refer to National-Oilwell, Inc.;"

3. Section 2(g) of the Dreco Stock Option Plan is amended by adding the following sentence to the end thereof:

"From and after the Effective Time on the Effective Date (as those terms are defined in the Plan of Arrangement and Combination Agreement), all references herein to The Toronto Stock Exchange shall

refer instead to the The New York Stock Exchange."

4. Section 4 of the Dreco Stock Option Plan is amended by deleting the first sentence thereof, in its entirety, and substituting the following therefor:

"The total number of Common Shares which, at any one time, may be subject to issuance or which may be issued pursuant to the Plan (or pursuant to other options issued, or employee stock purchase plans maintained, by Dreco Energy Services Ltd. prior to the Effective Time on the Effective Date, as those terms are defined in the Plan of Arrangement and Combination Agreement), shall not exceed 975,000 Common Shares (893,002 Common Shares from and after the Effective Time on the Effective Date), subject only to adjustment in accordance with the provisions of section 18."

5. Section 5(a) of the Dreco Stock Option Plan is amended, in its entirety, to read as follows:

"the maximum number of Common Shares which may be subject to issuance or which may be issued to any one Employee pursuant to the Plan (or pursuant to other options issued, or employee stock purchase plans maintained by Dreco Energy Services Ltd. prior to the Effective Time on the Effective Date as those terms are defined in the Plan of Arrangement and Combination Agreement) shall not exceed five percent (5%) of the Common Shares outstanding from time to time; and"

2

3

6. Section 13.1(f) of the Dreco Stock Option Plan is amended by adding the following parenthetical phrase at the end thereof:

"(from and after the Effective Time on the Effective Date, as those terms are defined in the Plan of Arrangement and Combination Agreement, all references herein to The Toronto Stock Exchange shall refer instead to The New York Stock Exchange)."

7. A new Section 18.6 is added to the Dreco Stock Option Plan to read, in its entirety, as follows:

"18.6 Notwithstanding anything herein to the contrary, at the Effective Time on the Effective Date (as those terms are defined in the Plan of Arrangement and Combination Agreement), in accordance with Section 2.1(j) of the Plan of Arrangement, each then outstanding Option shall be converted into an Option to purchase shares of common stock, par value \$.01, of National-Oilwell, Inc. as follows: (a) the number of Option Shares subject to each such Option immediately prior to the Effective Time on the Effective Date shall be multiplied by an exchange ratio of .9159, and (b) the Purchase Price of each such Option immediately prior to the Effective Time on the Effective Date shall be divided by the exchange ratio of .9159."

8. Section 1 of Part A of the Plan shall be amended by adding the following sentence at the end thereof:

"From and after the Effective Time on the Effective Date (as those terms are defined in the Plan of Arrangement and Combination Agreement), the reference to The Toronto Stock Exchange shall refer instead to The New York Stock Exchange."

9. This Amendment 1997-1 shall be effective as of the Effective Time on the Effective Date as those terms are defined in the Plan of Arrangement and Combination Agreement.

3

NATIONAL-OILWELL, INC.

NOTICE OF CONVERSION OF STOCK OPTIONS
AND REVISED TERMS AND CONDITIONS

[Date]

PERSONAL & CONFIDENTIAL

TO: [Name of optionee]

From: National-Oilwell, Inc.

RE: DRECO ENERGY SERVICES LTD. STOCK OPTIONS -- NATIONAL-OILWELL, INC.
COMBINATION

In connection with the combination of Dreco Energy Services Ltd. and National-Oilwell, Inc., your outstanding Dreco stock options have been converted into National-Oilwell stock options to purchase shares of common stock of National- Oilwell, Inc. as follows:

Option Date	[Insert original date of grant]
Stock Option Plan	Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan ("Dreco Stock Option Plan")
Number of Option Shares	[Insert number as adjusted by the Exchange Ratio]
Purchase Price	[Insert purchase price as adjusted by the Exchange Ratio]

Your outstanding Dreco stock options have been converted using the formula provided in the Combination Agreement and Plan of Arrangement that governed the combination. The number of Dreco shares subject to your outstanding Dreco stock options has been converted to shares of National-Oilwell common stock by multiplying the number of Dreco shares covered by the option by an exchange ratio of .9159. The purchase price of your Dreco stock options has been adjusted by dividing the purchase price by the same exchange ratio.

The normal expiration date of your Dreco stock options remains the same; however, your options may lapse prior to that date under certain conditions, as specified in the Dreco Stock Option Plan.

2

All other terms and conditions of your original Dreco stock option grant also remain the same, except to the extent modified by Amendment 1997-1 to the Dreco Stock Option Plan to reflect National-Oilwell's assumption of the Plan. A copy of Amendment 1997-1 to the Dreco Stock Option Plan is attached to this notice. This notice also constitutes an amendment of your Dreco stock options referred to herein.

Please acknowledge your receipt of this notice of converted stock option on the terms and conditions as set forth herein where indicated and return a copy of this notice to Paul M. Nation, Vice President, Secretary and General Counsel, 5555 San Felipe, Houston, Texas 77056. If you have any questions about your converted stock options, please call Mr. Nation at (713) 960-5100.

National-Oilwell, Inc.	Date
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Optionee

Date

NATIONAL-OILWELL, INC.

NOTICE OF CONVERSION OF STOCK OPTIONS
AND REVISED TERMS AND CONDITIONS

[Date]

PERSONAL & CONFIDENTIAL

TO: [Name of optionee]

From: National-Oilwell, Inc.

RE: DRECO ENERGY SERVICES LTD. STOCK OPTIONS -- NATIONAL-OILWELL, INC.
COMBINATION

In connection with the combination of Dresco Energy Services Ltd. and National-Oilwell, Inc., your outstanding Dresco stock options have been converted into National-Oilwell stock options to purchase shares of common stock of National-Oilwell, Inc. as follows:

Option Date	[Insert original date of grant]
Stock Option Plan	No. Private Agreement
Number of Option Shares	[Insert number as adjusted by the Exchange Ratio]
Purchase Price	[Insert purchase price as adjusted by the Exchange Ratio]

Your outstanding Dresco stock options have been converted using the formula provided in the Combination Agreement and Plan of Arrangement that governed the combination. The number of Dresco shares subject to your outstanding Dresco stock options has been converted to shares of National-Oilwell common stock by multiplying the number of Dresco shares covered by the option by an exchange ratio of .9159. The purchase price of your Dresco stock options has been adjusted by dividing the purchase price by the same exchange ratio.

The normal expiration date of your Dresco stock options remains the same; however, your options may lapse prior to that date under certain conditions, as specified in your original Dresco stock option. The other terms and conditions of your original Dresco stock option grant, also remain the same. This notice constitutes an amendment of your Dresco stock options referred to herein.

2

Please acknowledge your receipt of this notice of converted stock option on the terms and conditions as set forth herein where indicated and return a copy of this notice to Paul M. Nation, Vice President, Secretary and General Counsel, 5555 San Felipe, Houston, Texas 77056. If you have any questions about your converted stock options, please call Mr. Nation at (713) 960-5100.

National-Oilwell, Inc.	Date
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Optionee	Date
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October 23, 1997

National-Oilwell, Inc.
5555 San Felipe
Houston, Texas 77056

Re: National-Oilwell, Inc. - Form S-8 Registration Statement Relating to
Dreco Energy Services Ltd. Amended and Restated 1989 Employee
Incentive Stock Option Plan, as amended, and Employment and
Compensation Arrangements Pursuant to Private Stock Option Agreements

Ladies and Gentlemen:

As your counsel, we have assisted in the preparation of the above-referenced registration statement (the "Registration Statement") for filing with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Act"), and the rules and regulations promulgated thereunder.

The Registration Statement relates to 893,002 shares of Common Stock, par value \$.01 per share (the "Common Stock"), of National-Oilwell, Inc. (the "Registrant") which may be issued pursuant to the Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan, as amended, and certain employment and compensation arrangements under individual private stock option agreements of the Registrant (collectively, the "Benefit Arrangements"). We have examined the Registrant's Amended and Restated Certificate of Incorporation, Bylaws, minutes and such other documents, and have made such inquiries of the Registrant's officers, as we have deemed appropriate. In our examination, we have assumed the genuineness of all signatures, the authenticity of all items submitted to us as originals, and the conformity with originals of all items submitted to us as copies.

Based upon the foregoing, it is our opinion that the Registrant's Common Stock originally issued by the Registrant to eligible participants through the Benefit Arrangements, when issued and delivered as contemplated by the Benefit Arrangements, will be legally issued, fully paid and non-assessable.

We hereby consent to the use of this opinion as Exhibit 5.1 to the Registration Statement. In giving such consent, we do not thereby admit that we are acting within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

Morgan, Lewis & Bockius LLP

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in Post-Effective Amendment No. 2 to the S- 4 Registration Statement filed on Form S-8 (No. 333-32191) and to the use of our report dated July 25, 1997, with respect to the consolidated financial statements of National-Oilwell, Inc. included in its Annual Report (Form 10-K/A) for the year ended December 31, 1996 filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

Houston, Texas
October 21, 1997