

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM S-3
REGISTRATION STATEMENT 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 77056
(713) 960-5100
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

PAUL M. NATION, ESQUIRE
VICE PRESIDENT AND GENERAL COUNSEL
NATIONAL-OILWELL, INC.
5555 SAN FELIPE
HOUSTON, TEXAS 77056
(713) 960-5100
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. []

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$.01 per share.....	6,152,500 shares	\$72.81	\$447,963,525	\$71,893(3)

- (1) Includes 802,500 shares of Common Stock which may be purchased by the Underwriters to cover over-allotments, if any. Pursuant to Rule 416(a), this Registration Statement shall include an additional 6,152,500 shares of Common Stock to be paid as a stock dividend on November 18, 1997.
- (2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933 based on the average of the high and low prices reported on the New York Stock Exchange on November 13, 1997.
- (3) Pursuant to Rule 429(b), this Registration Statement includes 2,894,074 shares of Common Stock previously registered on Form S-4 Registration Statement (File No. 333-32191), as amended. In connection with the 2,894,074 previously registered shares of Common Stock that are being carried forward onto this Registration Statement, the Registrant paid a fee of \$56,452. In connection with this Registration Statement, the Registrant is paying a fee based solely on the additional 3,258,426 shares of Common Stock being registered herein.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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EXPLANATORY NOTE

The Prospectuses contained in this Registration Statement reflect a one-for-one stock dividend to be paid by the Company on November 18, 1997.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED NOVEMBER , 1997

PROSPECTUS

10,700,000 SHARES

[LOGO]

NATIONAL-OILWELL, INC.
COMMON STOCK

All of the 10,700,000 shares of common stock, par value \$.01 per share (the "Common Stock"), of National-Oilwell, Inc. ("National-Oilwell" or the "Company") offered hereby are being sold by certain stockholders of National-Oilwell (the "Selling Stockholders"). See "Selling Stockholders." National-Oilwell will not receive any of the proceeds from the sale of the Common Stock by the Selling Stockholders.

Of the 10,700,000 shares of Common Stock being offered hereby, 8,560,000 shares are being offered in the United States and Canada (the "U.S. Offering") by the U.S. Underwriters (as defined herein) and 2,140,000 shares are being offered outside the United States and Canada (the "International Offering" and, together with the U.S. Offering, the "Offerings") by the International Managers (as defined herein, together with the U.S. Underwriters, the "Underwriters"). The price to public and the underwriting discount per share are identical for the Offerings and the closings for both Offerings are conditioned upon each other. See "Underwriting."

The Common Stock is traded on the New York Stock Exchange under the symbol "NOI." On November 12, 1997, the last reported sale price of the Common Stock on the New York Stock Exchange was \$38.25 per share.

SEE "RISK FACTORS" BEGINNING ON PAGE 6 FOR A DISCUSSION OF CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO SELLING STOCKHOLDERS(2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

- (1) For information regarding indemnification of the Underwriters, see "Underwriting."
- (2) Expenses estimated at \$430,000 will be paid by the Company.
- (3) The Selling Stockholders have granted to the Underwriters options, exercisable within 30 days after the date of this Prospectus, to purchase up to an additional 1,605,000 shares of Common Stock at the Price to Public, less Underwriting Discount, solely to cover over-allotments, if any. If such options are exercised in full, the Price to Public, Underwriting Discount and Proceeds to Selling Stockholders will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York, on or about , 1997.

THE DATE OF THIS PROSPECTUS IS _____, 1997.

NATIONAL-OILWELL
MANUFACTURED DRILLING MACHINERY & EQUIPMENT

[PICTURE OF POWER SWIVEL]

POWER SWIVEL
[PICTURE OF DRAWWORKS]
DRAWWORKS

[PICTURE OF RIG]

[PICTURE OF MUD PUMPS]

MUD PUMPS

National-Oilwell designs and builds land drilling rigs including the primary machinery components highlighted above.

MERRILL LYNCH SPECIALISTS INC. ("MLSI"), AN AFFILIATE OF MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, ONE OF THE UNDERWRITERS, ACTS AS A SPECIALIST IN THE COMMON STOCK OF THE COMPANY PURSUANT TO THE RULES OF THE NEW YORK STOCK EXCHANGE, INC. UNDER AN EXEMPTION GRANTED BY THE SECURITIES AND EXCHANGE COMMISSION ON JULY 31, 1995, MLSI WILL BE PERMITTED TO CARRY ON ITS ACTIVITIES AS A SPECIALIST IN THE COMMON STOCK FOR THE ENTIRE PERIOD OF THE DISTRIBUTION OF THE COMMON STOCK. THE EXEMPTION IS SUBJECT TO THE SATISFACTION BY MLSI OF THE CONDITIONS SPECIFIED IN THE EXEMPTION. SEE "UNDERWRITING."

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING OVER-ALLOTMENT AND OTHER STABILIZING TRANSACTIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and the financial statements and notes thereto appearing elsewhere or incorporated by reference in this Prospectus. Prospective investors should also review carefully the information set forth under "Risk Factors."

Unless otherwise indicated, all information in this Prospectus (i) assumes the exchange on a one-for-one basis of all exchangeable shares (the "Exchangeable Shares") of Dreco Energy Services Ltd. ("Dreco") into shares of Common Stock, (ii) reflects a one-for-one stock dividend (the "Stock Dividend") paid on November 18, 1997 and (iii) assumes no exercise of the Underwriters' over-allotment option. Unless the context otherwise requires (i) all references to "National-Oilwell" or the "Company" are to National-Oilwell, Inc. and its subsidiaries, and give effect to the September 25, 1997 business combination (the "Combination") with Dreco and (ii) all references to activities of, and financial information with respect to, National-Oilwell are presented on a combined basis, even with respect to periods prior to the consummation of the Combination.

THE COMPANY

National-Oilwell is a worldwide leader in the design, manufacture and sale of machinery, equipment and downhole products used in oil and gas drilling and production, as well as in the distribution to the oil and gas industry of maintenance, repair and operating products. The Company manufactures and assembles drilling machinery, including drawworks, mud pumps and power swivels (also known as "top drives"), which are the major mechanical components of rigs used to drill oil and gas wells, as well as masts, derricks and substructures, which are used to support these mechanical components. Many of these components are designed specifically for applications in offshore, extended reach and deep land drilling. The Company estimates that approximately 65% of the mobile offshore rig fleet and the majority of the world's larger land rigs (2,000 horsepower and greater) manufactured in the last twenty years utilize drawworks, mud pumps and other drilling machinery components manufactured by the Company.

As a result of the Combination, National-Oilwell has added a business segment that designs and manufactures drilling motors and specialized drilling tools for rent and for sale. Drilling motors are essential components of systems for horizontal, directional, extended reach and performance drilling. Drilling tools include drilling jars, shock tools and other specialized products.

The Company also provides distribution services through its network of approximately 120 distribution service centers located near major drilling and production activity worldwide, but principally in the United States and Canada. These distribution service centers stock and sell a variety of expendable items for oilfield applications and spare parts for National-Oilwell equipment. As oil and gas companies and drilling contractors have refocused on their core competencies and emphasized efficiency initiatives to reduce costs and capital requirements, the Company's distribution services have expanded to offer outsourcing and alliance arrangements that include comprehensive procurement, inventory management and logistics support.

National-Oilwell believes that the Combination with Dreco, completed on September 25, 1997, enhances the ability of National-Oilwell to compete in the oilfield products and services industry. Specifically, the combined companies have the ability to provide a more complete rig package to customers through the combination of National-Oilwell's oilfield equipment operations (which had emphasized the major machinery components of a drilling rig) with Dreco's rig fabrication business (which had emphasized the design and construction of derricks, masts and substructures). In addition, the combination of Dreco's engineering expertise with the size, geographical coverage and after-market support of National-Oilwell is attractive to many customers. National-Oilwell also added Dreco's downhole products business as a third business segment and may benefit from the ability of the combined company to market and deliver Dreco's line of downhole products through National-Oilwell's extensive distribution system.

Drilling activity worldwide has increased significantly since early 1996 with demand for oil and gas rising and inventories comparatively low. In addition, increased use of 3-D seismic, directional drilling and other technologies have lowered the cost of finding and developing hydrocarbons, while at the same time oil and gas prices have become more stable. As a result of these industry conditions, drilling contractors are experiencing

significant increases in the prices they can charge for their services and equipment, and the resulting higher cash flows are enabling capital spending to replace and upgrade the aging drilling rig fleet.

Over the last fifteen years, much of the demand for capital equipment has been satisfied from the large surplus of equipment built during the late seventies and early eighties. The Company believes that the surplus has been reduced substantially over this period, especially for higher capacity equipment for which National-Oilwell is a leading supplier. National-Oilwell's backlog for capital equipment has grown to \$240 million at September 30, 1997, up from \$38 million at December 31, 1996. The Company expects to ship substantially all of the current backlog by the end of 1998.

Even with the recent increase in capital equipment orders, National-Oilwell believes that additional industry growth will occur due to annual ongoing requirements for higher capacity equipment that will be needed to replace equipment of this type lost to normal attrition and to satisfy future industry production requirements. National-Oilwell believes that reasonably anticipated demand for the purchase of capital equipment from it in 1998 can be met without significant incremental capital expenditures by the Company's continuing focus on process improvement and through the combined capabilities available after the Combination.

National-Oilwell is incorporated in Delaware, with its principal executive offices located at 5555 San Felipe, Houston, Texas 77056, and its telephone number is (713) 960-5100.

BUSINESS STRATEGY

National-Oilwell's current business strategy is to enhance its market positions and operating performance by:

Leveraging Its Installed Base of Higher Horsepower Drilling Machinery. National-Oilwell believes its market position presents substantial opportunities to capture a significant portion of expenditures for the construction of new, higher capability drilling rigs and equipment as well as the upgrade and refurbishment of existing drilling rigs and equipment. The Company believes the advanced age of the existing fleet of drilling rigs, coupled with increasing drilling activity involving greater depths and extended reach, will increase the demand for the construction of new drilling rigs and the upgrading and capacity enhancement of existing rigs. National-Oilwell's higher horsepower drawworks, mud pumps and power swivels provide, in many cases, the largest capacities currently available in the industry.

Expanding Its Downhole Business. National-Oilwell believes that the strengthened marketing and distribution capabilities resulting from the Combination provide an opportunity for growth in the rental and sale of high-performance drilling motors and downhole tools, especially for use in directional, horizontal, extended reach and other value-added drilling applications.

Building on Distribution Strengths and Alliance/Outsourcing Trends. National-Oilwell has developed and implemented integrated information and process systems that enhance procurement, inventory management and logistics activities. The strategic integration of National-Oilwell's distribution expertise, extensive distribution network and growing base of customer alliances provides an increased opportunity for cost-effective marketing of National-Oilwell's manufactured equipment. As a result of efficiency initiatives, oil and gas companies and drilling contractors are frequently seeking alliances with suppliers, manufacturers and service providers, or outsourcing their procurement, inventory management and logistics requirements for equipment and supplies in order to achieve cost and capital improvements. National-Oilwell believes that it is well-positioned to provide these services as a result of its (i) large and geographically diverse network of distribution service centers in major oil and gas producing areas, (ii) purchasing leverage due to the volume of products sold, (iii) breadth of available product lines and (iv) information systems that offer customers enhanced online and onsite services.

Continuing to Make Acquisitions That Enhance Its Product Line. National-Oilwell believes that the oilfield service and equipment industry will continue to experience consolidation as smaller businesses seek to align themselves with larger market participants in order to gain access to broader markets and become

affiliated with integrated product offerings. National-Oilwell's strategy is to take advantage of this trend, including by acquiring businesses that have operations complementary to its existing product lines. During 1997, the Company made three significant acquisitions: in September, it completed its Combination with Dreco, which enables the Company to provide a more complete rig package to its customers; in May, the Company acquired PEP, Inc., a manufacturer of petroleum expendable pump products that are similar to those manufactured by National-Oilwell; and, in April, it acquired the drilling controls business of Ross Hill Controls, a leader in the manufacture, sale and service of innovative electrical control systems used in conjunction with drilling operations.

THE OFFERINGS

Common Stock Offered by Selling Stockholders(1):	
U.S. Offering.....	8,560,000 shares
International Offering.....	2,140,000 shares
Common Stock to be Outstanding After the Offerings.....	51,292,340 shares(1)(2)
New York Stock Exchange Symbol.....	NOI

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- (1) Includes 320,000 shares of Common Stock that will be sold in the Offerings upon the exercise of options by Selling Stockholders.
- (2) Excludes 971,288 shares of Common Stock issuable at November 3, 1997 upon exercise of outstanding options to purchase Common Stock and 316,264 shares of Common Stock that will be issued in January 1999 pursuant to the Company's Value Appreciation Plans.

RISK FACTORS

PROSPECTIVE PURCHASERS OF THE COMMON STOCK SHOULD CAREFULLY CONSIDER THE FACTORS SET FORTH UNDER THE CAPTION "RISK FACTORS."

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains, or has incorporated by reference, forward-looking statements that address, among other things, statements under "Prospectus Summary" and "Risk Factors" as well as in the Prospectus generally. Although National-Oilwell believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from National-Oilwell's expectations are disclosed under "Risk Factors" and in this Prospectus generally, as well as in the documents incorporated by reference herein.

RECENT DEVELOPMENTS

For October 1997, the first full month following the Combination, National-Oilwell reported consolidated revenues of \$89.0 million and net income of \$5.2 million (\$0.10 per share, assuming the exchange of all Exchangeable Shares and after adjustment for the Stock Dividend).

RISK FACTORS

The following risk factors, as well as the other information contained in this Prospectus, should be considered carefully before purchasing the Common Stock offered hereby.

DEPENDENCE ON OIL AND GAS INDUSTRY

National-Oilwell's businesses are substantially dependent upon the condition of the oil and gas industry and the industry's willingness to explore for and produce oil and gas. The degree of such willingness is generally dependent upon the prevailing view of future product prices, which are influenced by numerous factors affecting the supply and demand for oil and gas, including the level of drilling activity, worldwide economic activity, interest rates and the cost of capital, the development of alternate energy sources, environmental regulation, tax policies, political requirements of national governments, coordination by the Organization of Petroleum Exporting Countries ("OPEC") and the cost of producing oil and gas. Any significant reduction in demand for drilling services, in cash flows of drilling contractors or in rig utilization rates below current levels could result in a drop in demand for products manufactured and sold by National-Oilwell.

VOLATILITY OF OIL AND GAS PRICES

Oil and gas prices and activity have been characterized by significant volatility over the last twenty years. Since 1986, spot oil prices (West Texas Intermediate) have ranged from a low of approximately \$11 per barrel in 1986 to a high of approximately \$40 per barrel in 1991; spot gas prices (Henry Hub) have ranged from lows below \$1.00 per mcf of gas in 1992 to highs above \$3.00 per mcf in 1996 and 1997. These price changes have caused numerous shifts in the strategies and expenditure levels of oil and gas companies and drilling contractors, particularly with respect to decisions to purchase major capital equipment of the type manufactured by National-Oilwell. Moreover, uncertainty with respect to the stability and direction of future prices has often led to deferral of such expenditures. No assurance can be given as to the future price levels of oil and gas or the volatility thereof, or that the future price of oil and gas will be sufficient to support current levels of exploration and production.

HIGHLY COMPETITIVE INDUSTRY

The oilfield products and services industry is highly competitive. The revenues and earnings of National-Oilwell can each be affected by competitive actions such as price changes, introduction of new technologies and products or improved availability and delivery. National-Oilwell competes with a large number of companies, some of which may offer certain more technologically advanced products, possess greater financial resources and have more extensive and diversified operations.

POTENTIAL PRODUCT LIABILITY AND WARRANTY CLAIMS

Certain products of National-Oilwell are used in potentially hazardous drilling, completion and production applications that can cause personal injury or loss of life, damage to property, equipment or the environment and suspension of operations. National-Oilwell maintains insurance coverage in such amounts and against such risks as it believes to be in accordance with normal industry practice. Such insurance does not, however, provide coverage for all liabilities (including liabilities for certain events involving pollution), and there can be no assurance that such insurance will be adequate to cover all losses or liabilities that may be incurred by National-Oilwell in its operations. Moreover, no assurance can be given that National-Oilwell will, in the future, be able to maintain insurance at levels it deems adequate and at rates it considers reasonable or that particular types of coverage will be available. Litigation arising from a catastrophic occurrence at a location where National-Oilwell's equipment and services are used may, in the future, result in National-Oilwell being named as a defendant in product liability or other lawsuits asserting potentially large claims. National-Oilwell is a party to various legal and administrative proceedings which have arisen from its businesses. No assurance can be given with respect to the outcome of these or any other pending legal and administrative proceedings and the effects such outcomes may have on National-Oilwell.

IMPACT OF GOVERNMENTAL REGULATIONS

Many aspects of National-Oilwell's operations are affected by political developments, including restrictions on the ability to do business in various foreign jurisdictions, and are subject to both domestic and foreign governmental regulation, including those relating to oilfield operations, worker safety and the protection of the environment. In addition, National-Oilwell depends on the demand for its services from the oil and gas industry and, therefore, is affected by any changes in taxation, price controls or other laws and regulations that affect the oil and gas industry generally. The adoption of laws and regulations curtailing exploration for or production of oil and gas for economic or other policy reasons could adversely affect National-Oilwell's operations. National-Oilwell cannot determine the extent to which its future operations and earnings may be affected by political developments, new legislation, new regulations or changes in existing regulations.

IMPACT OF ENVIRONMENTAL REGULATIONS

The operations of National-Oilwell and its customers are affected by numerous foreign, federal, state, provincial and local environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly expensive, complex and stringent. These laws may impose penalties or sanctions for damages to natural resources or threats to public health and safety. Such laws and regulations may also expose National-Oilwell to liability for the conduct of or conditions caused by others, or for acts of National-Oilwell that were in compliance with all applicable laws at the time such acts were performed. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for joint and several liability for remediation of spills and releases of hazardous substances. In addition, National-Oilwell may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances, as well as damage to natural resources.

RISK OF CERTAIN FOREIGN MARKETS

Certain of National-Oilwell's revenues result from the sale of products to customers for ultimate destinations in the Middle East, Africa and other international markets and are subject to risks of instability of foreign economies and governments. Furthermore, National-Oilwell's sales can be affected by laws and regulations limiting exports to particular countries. In certain cases, export laws and regulations of one jurisdiction may contradict those of another.

National-Oilwell attempts to limit its exposure to foreign currency fluctuations by limiting the amount of sales denominated in currencies other than United States dollars, Canadian dollars and British pounds. National-Oilwell has not engaged in and does not currently intend to engage in any significant hedging or currency trading transactions designed to compensate for adverse currency fluctuations among those or any other foreign currencies.

INTEGRATION OF ACQUISITIONS AND MANAGEMENT OF GROWTH

National-Oilwell recently consummated the Combination with Dresco and expects to evaluate and, where feasible, make additional strategic acquisitions in the future. There is no guarantee that the Company will not encounter integration difficulties or that it will extract any anticipated cost savings and margin enhancements. In addition, the process of combining the organizations could cause the interruption of, or a loss of momentum in, the activities of some or all of the companies' businesses, which could have an adverse effect on their combined operations. The Combination and recent growth in revenues and backlog have placed significant demands on the Company and its management to improve the combined entity's operational, financial and management information systems, to develop further the management skills of the Company's managers and supervisors, and to continue to train, motivate and effectively manage the Company's employees. The failure of the Company to manage its growth effectively could have a material adverse effect on the Company.

The Company has pursued an aggressive acquisition strategy, acquiring three businesses to date in 1997, and expects to continue to evaluate acquisitions that can provide meaningful benefits by expanding the Company's business and leveraging its existing infrastructure. However, there are various risks associated with pursuing an acquisition strategy of this nature, including problems inherent in integrating new businesses.

There can be no assurance that suitable acquisition candidates will be available, that acquisitions can be completed on reasonable terms, that the Company will successfully integrate the operations of any acquired entities or that the Company will have access to adequate funds to effect any desired acquisitions.

POTENTIAL FUTURE SALE OF SHARES COULD AFFECT MARKET PRICE

At November 3, 1997, the Company had outstanding options to purchase an aggregate of 1,291,288 shares of Common Stock at prices ranging from \$5.63 to \$25.25 per share, of which options to purchase an aggregate of 320,000 shares of Common Stock at an average exercise price of \$5.63 per share will be exercised in connection with the Offerings. Pursuant to the Stockholders Agreement (the "Stockholders Agreement") among the Company and certain of the Company's stockholders, Inverness/Phoenix LLC ("Inverness") and First Reserve Corporation ("First Reserve") have certain demand registration rights and certain other stockholders have certain rights to be included in any resulting registrations and, pursuant to the Company's agreement to acquire PEP, Inc., certain other stockholders have additional demand registration rights. Inverness, First Reserve and certain other stockholders also have piggyback registration rights pursuant to the Stockholders Agreement. Following the Offerings, Inverness, First Reserve and various other stockholders will have registration rights with respect to 6,173,600, 5,070,494, and 5,185,478 shares of Common Stock, respectively. The parties to the Stockholders Agreement are either participating as Selling Stockholders in the Offerings or have waived their registration rights with respect to a Registration Statement filed by the Company with respect to the Offerings. The Company, its executive officers and directors and all Selling Stockholders of the Company have agreed not to offer, pledge, hypothecate, sell, contract to sell, grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of Common Stock, or any securities convertible into, or exchangeable or exercisable for, Common Stock, and not to file any registration statement under the Securities Act of 1933 with respect to the Common Stock, with certain exceptions, for a period of 90 days commencing on the date of this Prospectus without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), as representative of the Underwriters. Future sales of shares of Common Stock by stockholders or option holders could adversely affect the market price of the Common Stock. See "Underwriting."

CERTAIN ANTI-TAKEOVER PROVISIONS COULD DISCOURAGE UNSOLICITED PROPOSALS

The Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and Bylaws (the "Bylaws") contain certain provisions which may have the effect of delaying, deferring or preventing a change in control of the Company, including a classified board of directors, the removal of directors from office only for cause, the prohibition of stockholder action by written consent, advance notice requirements respecting stockholder nominations for director or any other matter, the number of directors being set by the board of directors, super majority voting provisions respecting certain amendments to the Certificate of Incorporation and limitation of persons who may call special stockholders' meetings. The Delaware General Corporation Law requires super majority voting thresholds to approve certain "business combinations" between interested stockholders and the Company which may render more difficult or tend to discourage attempts to acquire the Company. In addition, the Company's board of directors has the authority to issue shares of preferred stock ("Preferred Stock") in one or more series and to fix the rights and preferences of the shares of any such series without stockholder approval. Any series of Preferred Stock is likely to be senior to the Common Stock with respect to dividends, liquidation rights and, possibly, voting rights. The ability to issue Preferred Stock could also have the effect of discouraging unsolicited acquisition proposals, thus affecting the market price of the Common Stock and preventing stockholders from obtaining any premium offered by the potential buyer.

NO ANTICIPATED DIVIDENDS

The Company's board of directors has not previously authorized and does not currently anticipate authorizing in the foreseeable future the payment of cash dividends.

USE OF PROCEEDS

All of the shares of Common Stock are being offered by the Selling Stockholders. National-Oilwell will not receive any of the proceeds from the sale of such shares of Common Stock in the Offerings.

NATIONAL-OILWELL, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected historical consolidated financial data for National-Oilwell. Data for the year ended December 31, 1996 includes the operations of National-Oilwell for the twelve months ended and as of December 31, 1996 combined pursuant to pooling-of-interests accounting with the operations of Dreco for the twelve months ended and as of November 30, 1996. Data for the four years ended August 31, 1995 reflect the operations of Dreco only, as the operations of National-Oilwell were acquired from a predecessor as of January 1, 1996 and, in accordance with generally accepted accounting principles, cannot be combined. Data for the nine months ended September 30, 1997 includes the operations of National-Oilwell for the nine months ended and as of September 30, 1997 combined pursuant to pooling-of-interests accounting with the operations of Dreco for the six months ended May 31, 1997 and the three months ended and as of September 30, 1997. Data for the nine months ended September 30, 1996 includes the operations of National-Oilwell for the nine months ended and as of September 30, 1996 combined pursuant to pooling-of-interests accounting with the operations of Dreco for the nine months ended and as of August 31, 1996. The unaudited consolidated financial statements of National-Oilwell include, in the opinion of National-Oilwell's management, all adjustments necessary to present fairly the results of such periods. Such data should be read in conjunction with "National-Oilwell Management's Discussion and Analysis of Financial Condition and Results of Operations" incorporated by reference herein from the Company's Current Report on Form 8-K dated November 7, 1997 and Current Report on Form 10-Q for the quarter ended September 30, 1997.

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,	YEAR ENDED AUGUST 31, (1)			
	1997(2)	1996	1996(3)	1995	1994	1993	1992
	(IN THOUSANDS OF U.S. DOLLARS, EXCEPT PER SHARE AMOUNTS)						
OPERATING DATA:							
Revenues.....	\$705,719	\$561,023	\$761,816	\$86,875	\$79,663	\$93,981	\$66,397
Operating income (loss) before special items (4).....	63,340	30,668	44,110	10,059	(9,253)	3,133	4,963
Operating income (loss) (4).....	52,680	30,668	27,499	10,059	(9,253)	3,133	4,963
Income (loss) before taxes and extraordinary loss (5).....	48,975	22,301	16,718	12,196	(6,709)	6,061	6,525
Income (loss) before extraordinary loss (5).....	30,211	13,058	10,147	7,789	(6,682)	7,386	5,457
Net income (loss).....	29,588	13,058	6,147	7,789	(6,682)	7,386	5,457
Income per share before extraordinary loss (5).....	0.58	0.33	0.25	0.68	(0.59)	0.65	0.48
Net income per share.....	0.57	0.33	0.15	0.68	(0.59)	0.65	0.48
OTHER DATA:							
Depreciation and amortization.....	10,480	6,342	8,775	4,558	4,926	4,481	3,410
Capital expenditures.....	19,462	10,780	15,166	6,435	5,932	6,167	5,172
BALANCE SHEET DATA:							
Working capital.....	228,484	170,634	168,897	32,992	18,292	27,725	25,594
Total assets.....	498,102	346,650	352,518	72,355	69,323	74,047	54,592
Long-term debt, less current maturities.....	67,596	122,884	39,136	1,987	1,440	2,857	2,579
Stockholders' equity.....	248,800	96,563	169,016	48,957	38,690	46,626	41,170

(1) Data for the four years ended August 31, 1995 reflect the operations of Dreco only, as the operations of National-Oilwell were acquired from a predecessor as of January 1, 1996 and, in accordance with generally accepted accounting principles, cannot be combined.

(2) In order to conform Dreco's fiscal year end to match National-Oilwell's year end, the results of operations for the month of June 1997 have been included directly in stockholders' equity. Dreco's revenues, net income and net income per share were \$13.4 million, \$0.9 million, and \$0.02 for the month.

(3) In order to conform Dreco's August 31 fiscal year end to a period within 93 days of National-Oilwell's December 31 year end, the results of operations for the period from September 1, 1995 through November 30, 1995 have been included directly in stockholders' equity. Dreco's revenues, net income and net income per share were \$33.4 million, \$3.2 million, and \$0.28 for such period.

- (4) In September 1997, National-Oilwell recorded a \$10,660,000 charge related to merger expenses incurred in connection with the Combination with Dreco. In October 1996, National-Oilwell recorded \$16,611,000 in charges related to the cancellation of management agreements and expenses related to special incentive plans that terminated upon the occurrence of its initial public offering of Common Stock.
- (5) National-Oilwell recorded extraordinary losses of \$623,000 net of income tax benefit of \$376,000 in September 1997, and of \$4,000,000 net of income tax benefit of \$2,400,000, in October 1996 due to the write-off of deferred debt issuance costs.

BUSINESS

GENERAL

National-Oilwell is a worldwide leader in the design, manufacture and sale of machinery, equipment and downhole products used in oil and gas drilling and production, as well as in the distribution to the oil and gas industry of maintenance, repair and operating products.

The Company manufactures and assembles drilling machinery, including drawworks, mud pumps and power swivels (also known as "top drives"), which are the major mechanical components of rigs used to drill oil and gas wells, as well as masts, derricks and substructures, which are used to support these mechanical components. Many of these components are designed specifically for applications in offshore, extended reach and deep land drilling. As a result of the Combination, National-Oilwell has added a business segment that designs and manufactures drilling motors and specialized drilling tools for rent and for sale. Drilling motors are essential components of systems for horizontal, directional, extended reach and performance drilling. Drilling tools include drilling jars, shock tools and other specialized products. In addition, National-Oilwell provides distribution services through its network of approximately 120 distribution service centers. The relative revenues, before eliminations, and operating income contribution of the three segments is summarized as follows (in thousands):

	PRODUCTS AND TECHNOLOGY	DOWNHOLE PRODUCTS	DISTRIBUTION SERVICES
	-----	-----	-----
NINE MONTHS ENDED SEPTEMBER 30, 1997			
Total revenues.....	\$248,040	\$48,622	\$456,819
Operating income.....	31,686	18,455	19,466
YEAR ENDED DECEMBER 31, 1996			
Total revenues.....	\$266,534	\$28,604	\$518,685
Operating income.....	25,902	8,858	17,483

In April 1987, National-Oilwell's predecessor was formed as a partnership to consolidate two oilfield equipment manufacturing and distribution operations, each of which had been a leader in the oilfield equipment and distribution businesses since the late 1800s. Certain members of management and an investor group incorporated National-Oilwell, Inc. as a Delaware corporation and purchased the business of the partnership in January 1996. In October 1996, National-Oilwell sold 9,200,000 shares of its Common Stock in an initial public offering and listed its shares on the New York Stock Exchange.

On September 25, 1997, National-Oilwell completed the Combination with Dreco. Pursuant to the Combination Agreement, dated as of May 14, 1997, as amended, by and between National-Oilwell and Dreco, each holder of Dreco Common Shares prior to the transaction received .9159 Dreco Exchangeable Shares in exchange for each of their Dreco Common Shares. Each Exchangeable Share is intended to have substantially identical economic and legal rights as, and will ultimately be exchanged for, a share of National-Oilwell Common Stock.

National-Oilwell believes that the Combination with Dreco enhances the ability of National-Oilwell to compete in the oilfield products and services industry. Specifically, the combined companies have the ability to provide a more complete rig package to customers through the combination of National-Oilwell's oilfield equipment operations (which had emphasized the major machinery components of a drilling rig) and Dreco's oilfield equipment operations (which had emphasized the design and construction of derricks, masts and substructures). In addition, the combination of Dreco's engineering expertise with the size, geographical coverage and after-market support of National-Oilwell is attractive to many customers. National-Oilwell also added Dreco's downhole products business as a business segment and may benefit from the ability of the combined company to market and deliver Dreco's line of downhole products through National-Oilwell's extensive marketing and distribution system.

On May 15, 1997, National-Oilwell acquired by merger 100% of the common stock of PEP, Inc., a manufacturer of petroleum expendable pump products that are similar to those manufactured by National-Oilwell. This acquisition provides a broader line of products as well as additional manufacturing capacity. On

April 25, 1997, National-Oilwell purchased the drilling controls business of Ross Hill Controls, a leader in the manufacture, sale and service of innovative electrical control systems, including silicon controlled rectifier ("SCR") houses, used in conjunction with drilling operations. These products are closely associated with and complementary to other components used in connection with the drilling process and allow National-Oilwell to offer a more complete rig package. On December 2, 1996, Drecto acquired 100% of the issued and outstanding shares of Vector Oil Tool Ltd., which manufactures, sells, rents and services downhole motors and other products.

CURRENT INDUSTRY ENVIRONMENT

Drilling activity worldwide has increased significantly since early 1996 with demand for oil and gas rising and inventories comparatively low. In addition, increased use of 3-D seismic, directional drilling and other technologies have lowered the cost of finding and developing hydrocarbons, while at the same time oil and gas prices have become more stable. As a result of these industry conditions, drilling contractors are experiencing significant increases in the prices they can charge for their services and equipment, and the resulting higher cash flows are enabling capital spending to replace and upgrade the aging drilling rig fleet.

Over the last fifteen years, much of the demand for capital equipment has been satisfied from the large surplus of equipment built during the late seventies and early eighties. The Company believes that the surplus has been reduced substantially over this period, especially for higher capacity equipment for which National-Oilwell is a leading supplier. The Company's orders for new equipment have increased dramatically over the last eight quarters as shown below:

CAPITAL EQUIPMENT BACKLOG (\$ Millions)

[GRAPH]

	Dec-95	Mar-96	Jun-96	Sep-96	Dec-96	Mar-97	Jun-97	Sep-97
	-----	-----	-----	-----	-----	-----	-----	-----
Backlog	38.0	43.4	33.8	39.2	38.2	86.0	140.8	238.6
Revenue	34.0	27.5	41.4	36.0	34.5	32.4	39.5	55.1

Even with the recent increase in capital equipment orders, National-Oilwell believes that additional industry growth will occur due to annual ongoing requirements for higher capacity equipment that will be needed to replace equipment lost to normal attrition and to satisfy future industry production requirements. National-Oilwell believes that reasonably anticipated demand for the purchase of capital equipment from it in 1998 can be met without significant incremental capital expenditures by the Company's continuing focus on process improvement, and through the combined capabilities available after the Combination. Depending on the timing and nature of future orders, future expansion may be required.

BUSINESS STRATEGY

National-Oilwell's current business strategy is to enhance its market positions and operating performance by:

Leveraging Its Installed Base of Higher Horsepower Drilling Machinery. National-Oilwell believes its market position presents substantial opportunities to capture a significant portion of expenditures for the construction of new, higher capability drilling rigs and equipment as well as the upgrade and refurbishment of existing drilling rigs and equipment. The Company believes the advanced age of the existing fleet of drilling rigs, coupled with increasing drilling activity involving greater depths and extended reach, will increase the demand for the construction of new drilling rigs and the upgrading and capacity enhancement of existing rigs. National-Oilwell's higher horsepower drawworks, mud pumps and power swivels provide, in many cases, the largest capacities currently available in the industry.

Expanding Its Downhole Business. National-Oilwell believes that the strengthened marketing and distribution capabilities resulting from the Combination provide an opportunity for growth in the rental and sale of high-performance drilling motors and downhole tools, especially for use in directional, horizontal, extended reach and other value-added drilling applications.

Building on Distribution Strengths and Alliance/Outsourcing Trends. National-Oilwell has developed and implemented integrated information and process systems that enhance procurement, inventory management and logistics activities. The strategic integration of National-Oilwell's distribution expertise, extensive distribution network and growing base of customer alliances provides an increased opportunity for cost-effective marketing of National-Oilwell's manufactured equipment. As a result of efficiency initiatives, oil and gas companies and drilling contractors are frequently seeking alliances with suppliers, manufacturers and service providers, or outsourcing their procurement, inventory management and logistics requirements for equipment and supplies in order to achieve cost and capital improvements. National-Oilwell believes that it is well-positioned to provide these services as a result of the Company's (i) large and geographically diverse network of distribution service centers in major oil and gas producing areas, (ii) purchasing leverage due to the volume of products sold, (iii) breadth of available product lines and (iv) information systems that offer customers enhanced online and onsite services.

Continuing to Make Acquisitions That Enhance its Product Line. National-Oilwell believes that the oilfield service and equipment industry will continue to experience consolidation as smaller businesses seek to align themselves with larger market participants in order to gain access to broader markets and become affiliated with integrated product offerings. National-Oilwell's strategy is to take advantage of this trend, including by acquiring businesses that have operations complementary to its existing product lines. During 1997, the Company made three significant acquisitions: in September, it completed its Combination with Dreco, which enables the Company to provide a more complete rig package to its customers; in May, the Company acquired PEP, Inc., a manufacturer of petroleum expendable pump products that are similar to those manufactured by National-Oilwell; and, in April, it acquired the drilling controls business of Ross Hill Controls, a leader in the manufacture, sale and service of SCR houses used in conjunction with drilling operations.

OPERATIONS

Products and Technology

National-Oilwell designs, manufactures and sells the major mechanical components for both land and offshore rigs used to drill oil and gas wells as well as complete land drilling and well servicing rigs. The mechanical components include drawworks, mud pumps, power swivels, SCR houses, traveling equipment and rotary tables. These are the major components involved in the primary functions of the drilling of oil and gas wells, which consist of pumping fluids and hoisting, supporting and rotating the drill string. Many of these components are designed specifically for applications in offshore, extended reach and deep land drilling. This equipment is installed on new rigs and used in the upgrade, refurbishment and repair of existing rigs. While offering a complete line of conventional rigs, National-Oilwell has extensive experience in providing rig

designs to satisfy requirements for harsh or specialized environments. Such products include North Slope of Alaska and Arctic drilling and well servicing rigs, highly mobile drilling and well servicing rigs for jungle and desert use, modular well servicing rigs for offshore platforms and modular drilling facilities for North Sea platforms. Masts, derricks and substructures are made for use on land rigs and on fixed and mobile offshore platforms and are suitable for drilling to maximum depths ranging up to more than 30,000 feet. Other products include pedestal cranes, reciprocating and centrifugal pumps and fluid end expendables for all major manufacturers' pumps.

National-Oilwell's business includes the sale of replacement parts for its own manufactured machinery and equipment. National-Oilwell estimates that approximately 65% of the mobile offshore rig fleet and the majority of the world's larger land rigs (2,000 horsepower and greater) manufactured in the last twenty years utilize drawworks, mud pumps and other drilling machinery components manufactured by National-Oilwell. In addition, National-Oilwell manufactures and sells centrifugal and reciprocating pumps used in oilfield and industrial applications.

Downhole Products

National-Oilwell designs and manufactures drilling motors and specialized drilling tools for rent and sale. Rentals generally involve products that are not economical for a customer to own or maintain because of the broad range of equipment required for the diverse hole size and depths encountered in drilling for oil and gas. Sales generally involve products that require infrequent service, are disposable or are sold in countries where National-Oilwell does not provide repair and maintenance services.

National-Oilwell's drilling motors are devices placed between the drill string and the drill bit to cause the bit to rotate without necessarily rotating the drill string. Drilling motors are essential components in systems for horizontal, directional, extended reach and performance drilling.

National-Oilwell often rents its drilling motors, retaining control over the servicing and maintenance function so as to preserve their operating reliability. National-Oilwell is continuing to enhance and broaden the range of its drilling motors by, among other things, widening the size range offered, reducing the initial cost and ongoing repair and maintenance cost, and developing alternative designs of motor bearing assembly sealing systems and speed reduction systems.

National-Oilwell manufactures hydraulic-mechanical and mechanical drilling jars and shock tools. Drilling jars are used to assist in releasing a drill string that becomes stuck in a well bore. A shock tool is a downhole shock absorber placed low in the drill string, often directly above the drill bit when rotary drilling in formations that are hard and abrasive. Shock tools are intended to extend bit life, reduce drill string failures and reduce damage to the drilling rig. National-Oilwell also manufactures and rents or sells fishing jars, jar accelerators, bumper subs, reamers, stabilizers, kelly and tubing safety valves and drill string inside blowout preventers.

Distribution Services

National-Oilwell provides distribution services through its network of approximately 120 distribution service centers located near major drilling and production activity worldwide, but principally in the United States and Canada. These distribution service centers stock and sell a variety of expendable items for oilfield applications and spare parts for National-Oilwell equipment. As oil and gas companies and drilling contractors have refocused on their core competencies and emphasized efficiency initiatives to reduce costs and capital requirements, National-Oilwell's distribution services have expanded to offer outsourcing and alliance arrangements that include comprehensive procurement, inventory management and logistics support. In addition, management believes that National-Oilwell has a competitive advantage in the distribution services business by distributing market-leading products manufactured by its Products and Technology business.

The supplies and equipment stocked by National-Oilwell's distribution service centers vary by location. Each distribution point generally offers a large line of oilfield products including valves, fittings, flanges, spare parts for oilfield equipment and miscellaneous expendable items. Most drilling contractors and oil and gas

companies typically buy such supplies and equipment pursuant to non-exclusive contracts, which normally specify a discount from National-Oilwell's list price for each product or product category.

National-Oilwell's tubular business is focused on the procurement, inventory management and delivery of oil country tubular goods manufactured by third parties. Tubular goods primarily consist of well casing and production tubing used in the drilling, completion and production of oil and gas wells. Well casing is used to line the walls of a well bore to provide structural support. Production tubing provides the conduit through which the oil or gas will be brought to the surface upon completion of the well. Historically, sales of tubular goods have been concentrated in North America, although National-Oilwell makes occasional sales for shipment to foreign destinations. Substantially all of National-Oilwell's sales of tubular goods are made through National-Oilwell's direct sales force.

As a result of efficiency initiatives that are taking place in the oil and gas industry, drilling contractors and oil and gas companies are more frequently seeking strategic alliances and outsourcing their procurement and inventory management requirements. These strategic alliances constitute a growing percentage of National-Oilwell's business and differ from standard agreements for supplies and equipment in that National-Oilwell becomes the customer's primary supplier of those items. In certain cases, National-Oilwell has assumed responsibility for procurement, inventory management and product delivery for the customer, occasionally by working directly out of the customer's facilities.

MARKETING

Substantially all of National-Oilwell's drilling machinery, equipment and spare parts sales and a large portion of National-Oilwell's pumps and parts are sold through National-Oilwell's direct sales force and through National-Oilwell's distribution service centers. National-Oilwell also markets its pumps and parts through distribution networks not owned by National-Oilwell. Sales to foreign state-owned oil companies are typically made in conjunction with agent or representative arrangements. National-Oilwell's downhole products are rented in Canada and Venezuela and marketed worldwide through its own sales force and through commission representatives. Customers include drilling contractors, exploration and production companies, supply companies and nationally owned or controlled drilling and production companies.

COMPETITION

The oilfield equipment industry is highly competitive and National-Oilwell's revenues and earnings can be affected by price changes, introduction of new technologies and products and improved availability and delivery. National-Oilwell competes in one or more of its segments with a large number of companies, including Continental Emsco Company (Products and Technology and Distribution Services), IRI International Corporation (Products and Technology) and Wilson Industries, Inc. (Downhole Products and Distribution Services).

MANUFACTURING AND BACKLOG

National-Oilwell's principal manufacturing facilities are located in Houston, Texas, Clearfield, Utah, McAlester, Oklahoma and Edmonton, Alberta, Canada. National-Oilwell also outsources the manufacture of parts or purchases components in finished form from qualified subcontractors. National-Oilwell's manufacturing operations require a variety of components, parts and raw materials which National-Oilwell purchases from multiple commercial sources. National-Oilwell has not experienced and does not expect any significant delays in obtaining deliveries of essential components, parts or raw materials.

Sales of National-Oilwell's products are made on the basis of written orders and oral commitments. The level of backlog at any particular time is not necessarily indicative of the future operating performance of the Company, and orders may be changed at any time. Substantially all of the current backlog will be shipped by the end of 1998. See "-- Current Industry Environment."

ENGINEERING

National-Oilwell maintains a staff of engineers and technicians to (i) design and test new products, components and systems for use in drilling and pumping applications, (ii) enhance the capabilities of existing products and (iii) assist National-Oilwell's sales organization and customers with special projects. National-Oilwell's product engineering efforts focus on developing technology to improve the economics and safety of drilling and pumping processes. National-Oilwell has recently developed a 1,000-ton capacity power swivel to complement its lower capacity models. National-Oilwell has also introduced a 6,000 horsepower heave compensating drawworks and dual derrick systems to increase customer efficiencies on deep water drilling rigs at extended depths and during horizontal drilling.

PATENTS AND TRADEMARKS

National-Oilwell owns or has a license to use a number of patents covering a variety of products. Although in the aggregate these patents are of importance, National-Oilwell does not consider any single patent to be of a critical or essential nature. In general, National-Oilwell depends on technological capabilities, quality products and application of its expertise rather than patented technology in the conduct of its business. National-Oilwell enjoys significant product name-brand recognition, principally through its NATIONAL-OILWELLH, DRECOH, ROSS HILL, TRUDRILH, VECTOR, GRIFFITHH and MISSION-FLUID KING trade names.

DISTRIBUTION SUPPLIERS

National-Oilwell obtains products sold by its Distribution Services business from a number of suppliers, including the Company's Products and Technology segment. National-Oilwell does not believe that any one supplier of products is material to National-Oilwell. For the year ended December 31, 1996, National-Oilwell purchased approximately one third of its tubular requirements pursuant to a distribution agreement with the U.S. Steel Group of USX Corporation, and its remaining requirements from various suppliers. National-Oilwell has not experienced and does not foresee experiencing a shortage in products or tubular goods sold by National-Oilwell, although order lead times for tubular goods have increased over the last six months due to higher demand for these products.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information regarding each of the directors and executive officers of National-Oilwell. The Certificate of Incorporation of National-Oilwell currently classifies the board of directors into three classes having staggered terms of three years each. The periods shown for service as an employee of National-Oilwell include service as an employee of its predecessor partnership and of Dresco.

NAME ----	AGE ---	POSITION WITH THE COMPANY -----	DIRECTOR'S TERM EXPIRING -----
Joel V. Staff(1).....	53	Chairman of the Board, President and Chief Executive Officer	1999
James J. Fasnacht.....	42	Vice President and Group President, Distribution Services	--
W. Douglas Frame.....	55	Vice President and Group President, Downhole Products	--
Jerry N. Gauche.....	49	Vice President -- Organizational Effectiveness	--
Steven W. Krablin.....	47	Vice President and Chief Financial Officer	--
Lynn L. Leigh.....	72	Senior Vice President -- Marketing	--
Gail M. McGee.....	50	Vice President and Chief Information Officer	--
Merrill A. Miller, Jr.....	47	Vice President and Group President, Products and Technology	--
Paul M. Nation.....	43	Vice President, Secretary and General Counsel	--
Frederick W. Pheasey.....	55	Executive Vice President and Director	1998
Howard I. Bull(2)(3).....	57	Director	1998
James C. Comis III.....	33	Director	1998
James T. Dresher(2)(3).....	78	Director	2000
W. McComb Dunwoody(1).....	52	Director	1999
William E. Macaulay(1).....	52	Director	1999
Robert L. Phillips.....	46	Director	2000
Bruce M. Rothstein.....	45	Director	2000

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(1) Member of Executive Committee.

(2) Member of Audit Committee.

(3) Member of Compensation Committee.

Joel V. Staff has served as the President and Chief Executive Officer of National-Oilwell since July 1993 and Chairman of the Board since January 1996. Prior to joining National-Oilwell, Mr. Staff served as a Senior Vice President of Baker Hughes Incorporated, a worldwide diversified oil services company, from October 1983 to May 1993.

James J. Fasnacht has served as Vice President since November 1993, as Group President, Distribution Services since April 1997, as General Manager of Pumping Systems from November 1993 to April 1997, as Human Resources Manager from 1991 to November 1993 and in various other capacities since joining National-Oilwell in 1979.

W. Douglas Frame has served as Vice President and Group President, Downhole Products since September 1997. Prior thereto, Mr. Frame, who joined Dresco in 1978, served in various capacities in both the drilling equipment and downhole products groups.

Jerry N. Gauche has served as Vice President -- Organizational Effectiveness since joining National-Oilwell in January 1994. Prior thereto, Mr. Gauche was employed by BP Exploration, Inc., an oil and gas exploration and production company, where he served as General Manager of Central Services from January 1990 to September 1992 and Director of Public Affairs and Executive Coordination from May 1988 to December 1989. From October 1992 to January 1994, Mr. Gauche was self-employed managing his personal investments.

Steven W. Krablin has served as Vice President and Chief Financial Officer since January 1996. Mr. Krablin served in various capacities including Vice President -- Finance and Chief Financial Officer of Enterra Corporation, an international oilfield service company, from November 1986 to January 1996.

Lynn L. Leigh has served as Senior Vice President -- Marketing since October 1993. Prior to joining National-Oilwell, Mr. Leigh served as the President and Chief Executive Officer of Hydril Company, a manufacturer of oilfield drilling equipment, from January 1992 to July 1993. From July 1993 to October 1993, Mr. Leigh was self-employed managing his personal investments.

Gail M. McGee joined National-Oilwell in June 1997 as Vice President and Chief Information Officer. From May 1996 to March 1997, Ms. McGee was Chief Information Officer of J.D. Power and Associates, a survey firm. From February 1994 to May 1996, she served as Vice President of Wells Fargo Bank. From January 1988 to February 1994, Ms. McGee was Vice President, Department Head of Productivity and Organizational Readiness at Chemical Bank.

Merrill A. Miller, Jr. has served as Vice President since July 1996, as Group President, Products and Technology since April 1997, as General Manager of Drilling Systems from July 1996 to April 1997 and as Vice President of Marketing, Drilling Systems from February 1996 to July 1996. Prior thereto, Mr. Miller was President of Anadarko Drilling Company, a drilling contractor, from January 1995 to February 1996. From May 1980 to January 1995, Mr. Miller served in various capacities including Vice President/U.S. Operations of Helmerich & Payne International Drilling Co., a drilling contractor.

Paul M. Nation has served as Vice President since 1994 and Secretary and General Counsel of National-Oilwell since 1987.

Frederick W. Pheasey has served as Executive Vice President and director of National-Oilwell since September 1997. He was a co-founder of Dreco and served in various executive capacities with Dreco and its predecessors since 1972.

Howard I. Bull has served as a Director of National-Oilwell since January 1996. Mr. Bull was President, Chief Executive Officer and a director of Dal-Tile International, Inc., a manufacturer and distributor of tile, from April 1994 until his retirement in June 1997. Prior thereto, Mr. Bull spent 10 years with Baker Hughes Incorporated, a worldwide diversified oil services company, where he became Chief Executive Officer for Baker Hughes Drilling Equipment Company. Additionally, he served at York International Corporation, a worldwide manufacturer and distributor of air conditioner and refrigeration equipment, as President of its Applied Systems Division and Air Conditioning Business Group. Mr. Bull also serves as a director of Marine Drilling Companies, Inc., an offshore drilling contractor. Mr. Bull has an interest in one of the funds managed by Inverness/Phoenix LLC, a principal stockholder of the Company. See "Selling Stockholders."

James C. Comis III has served as a Director of National-Oilwell since January 1996. He is a Managing Director of Inverness Management LLC. Through Inverness Management LLC and its affiliates, Mr. Comis has been engaged in sponsoring and investing in private equity transactions since 1990. Additionally, Mr. Comis has served as Managing Director of Inverness/Phoenix LLC, a principal stockholder of the Company, since 1994. See "Selling Stockholders."

James T. Dresher has served as a Director of National-Oilwell since January 1996. Mr. Dresher has been Chairman/Chief Executive Officer and principal owner of Unidata, Inc., a Denver-based software company, since December 1991 and has been Chairman and owner of Glenangus, a residential real estate development company, since 1972. In addition, he served as Chairman/CEO of York International Corporation, a worldwide manufacturer and distributor of air conditioner and refrigeration equipment, from 1988 to 1993.

Prior thereto, Mr. Dresher served as a director, Chief Financial Officer and Executive Vice President of Baker International Corporation, a worldwide diversified oil services company. Mr. Dresher has an interest in one of the funds managed by Inverness/Phoenix LLC, a principal stockholder of the Company. See "Selling Stockholders."

W. McComb Dunwoody has served as a Director of National-Oilwell and Chairman of its Executive Committee since January 1996. He is a Managing Director of Inverness Management LLC. Through Inverness Management LLC and its affiliates, Mr. Dunwoody has been engaged in sponsoring and investing in private equity transactions since 1981. Additionally, Mr. Dunwoody has served as President and Chief Executive Officer of Inverness/Phoenix LLC, a principal stockholder of the Company, since 1994 and has been Chief Executive Officer of The Inverness Group Incorporated since 1981. See "Selling Stockholders."

William E. Macaulay has served as a Director of National-Oilwell since January 1996. He has been the President and Chief Executive Officer of First Reserve Corporation, a corporate manager of private investments focusing on the energy and energy-related sectors, since 1983. First Reserve Corporation is a principal stockholder of the Company. See "Selling Stockholders." Mr. Macaulay serves as a director of Weatherford Enterra, Inc., an oilfield service company, Maverick Tube Corporation, a manufacturer of steel pipe and casing, TransMontaigne Oil Company, an oil products distribution and refining company, Hugoton Energy Corporation, an independent oil and gas exploration and production company, Cal Dive International, Inc., a provider of subsea services in the Gulf of Mexico, Phoenix Energy Services, Inc., a diversified energy service company, Anker Coal Group, Inc., a producer and marketer of coal, James River Coal Corporation, a coal producer, Domain Energy Corporation, an oil and gas exploration company, and Entech Industries, Inc., a manufacturer of high-end valves used principally in sub-sea gathering systems.

Robert L. Phillips has served as a director of National-Oilwell since September 1997. From April 1994 until September 1997, Mr. Phillips was President and Chief Executive Officer of Dreco. Prior thereto, Mr. Phillips had been a partner of the law firm of Blake, Cassels & Graydon, in Calgary, Alberta, since February 1990 and Secretary of Dreco from February 1990 to March 1994.

Bruce M. Rothstein has served as a Director of National-Oilwell since May 1996. Mr. Rothstein is a Managing Director of First Reserve Corporation, which he joined in 1991. First Reserve Corporation is a principal stockholder of the Company. See "Selling Stockholders." Mr. Rothstein serves as a director of Anker Coal Group, Inc., a producer and marketer of coal, and Entech Industries, Inc., a manufacturer of high-end valves used principally in sub-sea gathering systems.

SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of the Common Stock as of November 3, 1997 and as adjusted to reflect the sale of the shares offered in the Offerings. This information has been provided by each of the Selling Stockholders as of November 3, 1997, at the request of National-Oilwell. There are no shares subject to stock options granted under the Amended and Restated National-Oilwell, Inc. Stock Award and Long-Term Incentive Plan (the "Stock Incentive Plan") that are exercisable within 60 days of November 3, 1997.

NAME OF SELLING STOCKHOLDER	SHARES BENEFICIALLY OWNED PRIOR TO OFFERINGS(1)		SHARES BEING OFFERED(2)	SHARES BENEFICIALLY OWNED SUBSEQUENT TO OFFERINGS(1)	
	NUMBER	PERCENT		NUMBER	PERCENT
DIRECTORS AND OFFICERS					
James J. Fasnacht.....	377,046	*	150,000	227,046	*
W. Douglas Frame(3)(4).....	33,336	*	20,000	13,336	*
Jerry N. Gauche.....	505,060	*	200,000	305,060	*
Lynn L. Leigh.....	333,880	*	150,000	183,880	*
Frederick W. Pheasey(4).....	730,610	1.4	500,000	230,610	*
Robert L. Phillips(4)(5).....	380,556	*	300,000	80,556	*
Joel V. Staff(6).....	1,808,622	3.5	640,000	1,168,622	2.3
5% HOLDERS					
First Reserve Corporation(7).....	8,370,494	16.3	3,300,000	5,070,494	9.9
General Electric Capital Corporation(8).....	3,187,804	6.2	1,040,000	2,147,804	4.2
Inverness/Phoenix LLC(9).....	10,203,600	19.9	4,060,000	6,143,600	12.0
OTHER STOCKHOLDERS					
B. D. Berryhill.....	274,400	*	110,000	164,400	*
Dean Foote.....	106,310	*	30,000	76,310	*
Billy R. Hext.....	509,600	*	200,000	309,600	*
TOTAL SHARES BEING OFFERED.....			10,700,000		
			=====		

* Less than one percent.

- (1) Based on 51,292,340 shares of Common Stock outstanding at November 3, 1997, including 320,000 shares that will be sold in the Offerings upon the exercise of stock options.
- (2) In addition to these shares, each Selling Stockholder has granted the U.S. Underwriters and the International Managers options, exercisable within 30 days after the date of this Prospectus, to purchase up to a number of additional shares equal to 15 percent of the number of shares offered hereby (an aggregate of 1,605,000 shares), solely to cover over-allotments, if any.
- (3) All the shares offered by Mr. Frame in the Offerings will come from the exercise of options.
- (4) All or part of the shares beneficially owned prior to the Offerings are held as Exchangeable Shares. To the extent necessary, Exchangeable Shares will be exchanged for shares of National-Oilwell Common Stock by the Selling Stockholder immediately prior to closing of the Offerings.
- (5) Shares beneficially owned prior to the Offerings include 366,360 shares subject to exercisable options and 2,288 shares of Common Stock beneficially owned by Mr. Phillips' wife, in respect of which Mr. Phillips has disclaimed any beneficial ownership. All shares offered by Mr. Phillips in the Offerings will come from the exercise of options.
- (6) Shares beneficially owned prior to the Offerings include 1,057,628 shares owned by the trusts created by that certain Trust Agreement dated April 12, 1989 by and among Joel V. Staff and Mary Martha Staff, as Trustors, and Richard Staff, as Trustee. Joel Staff does not vote nor exercise investment power over, and disclaims beneficial ownership of, these shares. The trusts are selling 520,000 shares, and Mr. Staff is selling 120,000 shares.

- (7) Shares beneficially owned prior to the Offerings are as reflected in Schedule 13G filed with the SEC on February 14, 1997. Represents shares beneficially owned as of December 31, 1996 by the following limited partnerships of which, in each case, First Reserve Corporation is the managing general partner: First Reserve Fund V, Limited Partnership -- 334,830; First Reserve Fund VI, Limited Partnership -- 7,700,834; and First Reserve Fund V-2, Limited Partnership -- 334,830. First Reserve Corporation, in its role as managing partner of the partnerships, has the power to cause each partnership to dispose of or to vote shares held by each partnership. William E. Macaulay, a director of National-Oilwell, and John A. Hill, another First Reserve Corporation stockholder, may be deemed to share beneficial ownership of the shares owned by First Reserve Corporation as a result of Messrs. Macaulay's and Hill's ownership of common stock of First Reserve Corporation. In addition, Mr. Macaulay is President of First Reserve Corporation. Both Messrs. Macaulay and Hill disclaim beneficial ownership of all such shares. The partnerships are selling shares on a pro rata basis.
- (8) Shares beneficially owned prior to the Offerings are as reflected in Schedule 13G filed with the SEC on February 13, 1997. General Electric Capital Corporation has sole voting and investment power over the shares.
- (9) Shares beneficially owned prior to the Offerings are as reflected in Schedule 13G filed with the SEC on February 14, 1997. Represents shares beneficially owned as of December 31, 1996 by the following partnerships of which, in each case, Inverness/Phoenix LLC is the managing general partner: DPI Oil Service Partners Limited Partnership -- 9,450,562; and DPI Partners II -- 753,038. Inverness/Phoenix LLC, in its role as managing general partner of the partnerships, has the power to cause each partnership to dispose of or to vote shares held by each partnership. Messrs. Comis and Dunwoody, each of whom is a director of National-Oilwell, serve on the investment committee of Inverness/Phoenix LLC, which committee has sole power to vote and dispose of that company's investments. Howard I. Bull and James T. Dresher, directors of National-Oilwell, each have interests in DPI Partners I, a general partnership which holds a limited partnership interest in DPI Oil Service Partners Limited Partnership, and limited partnership interests in DPI Oil Service Partners Limited Partnership. Messrs. Bull and Dresher each disclaim beneficial ownership of all such shares. Prior to the Offerings, certain of the partnerships' shares to be sold in the Offerings will be transferred to charitable trusts or foundations created on behalf of Messrs. Comis, Dresher and Dunwoody. Such shares will be sold in the Offering by such trusts and foundations. The partnerships will sell shares on a pro rata basis.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a general summary of certain United States federal income and estate tax consequences expected to result under current law from the purchase, ownership and taxable disposition of Common Stock by a person or entity other than (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any state thereof, (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust (a "Non-U.S. Holder"). This summary does not address all of the United States federal income and estate tax considerations that may be relevant to a Non-U.S. Holder in light of its particular circumstances or to Non-U.S. Holders that may be subject to special treatment under United States federal income tax laws (such as insurance companies, tax-exempt organizations, financial institutions, brokers, dealers in securities, and taxpayers that are neither citizens nor residents of the United States, or that are foreign corporations, foreign partnerships or foreign estates or trusts as to the United States). Furthermore, this summary does not discuss any aspects of state, local or foreign taxation. This summary is based on current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, judicial opinions, published positions of the United States Internal Revenue Service (the "IRS") and other applicable authorities, all of which are subject to change, possibly with retroactive effect. Each prospective purchaser of Common Stock is advised to consult its tax advisor with respect to the tax consequences of acquiring, holding and disposing of Common Stock.

DIVIDENDS

Dividends paid to a Non-U.S. Holder of Common Stock generally will be subject to withholding of United States federal income tax at a 30 percent rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with the conduct of a trade or business of the Non-U.S. Holder within the United States, in which case the dividends will be taxed at ordinary United States federal income tax rates and will not be subject to the withholding tax described above. If the Non-U.S. Holder is a corporation, such effectively connected income may also be subject to an additional "branch profits tax."

SALE OR DISPOSITION OF COMMON STOCK

A Non-U.S. Holder generally will not be subject to United States federal income tax in respect of any gain recognized on the sale or other taxable disposition of Common Stock so long as (i) the gain is not effectively connected with a trade or business of the Non-U.S. Holder in the United States; (ii) in the case of a Non-U.S. Holder who is an individual and holds the Common Stock as a capital asset, either (a) such holder is not present in the United States for 183 or more days in the taxable year of the disposition or (b) such holder does not have a "tax home" in the United States for United States federal income tax purposes or does not maintain an office or other fixed place of business in the United States to which such gain is attributable; (iii) the Non-U.S. Holder is not subject to tax pursuant to the provisions of United States federal income tax law applicable to certain United States expatriates or (iv) the Common Stock continues to be "regularly traded on an established securities market" for United States federal income tax purposes and the Non-U.S. Holder has not held, directly or indirectly, at any time during the five-year period ending on the date of disposition (or, if shorter, the Non-U.S. Holder's holding period), more than 5 percent of the outstanding Common Stock.

BACKUP WITHHOLDING AND INFORMATION REPORTING

United States backup withholding tax generally will not apply to dividends paid on Common Stock to a Non-U.S. Holder at an address outside the United States. The Company must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the amount, if any, of tax withheld with respect to such dividends. This information may also be made available to the tax authorities in the Non-U.S. Holder's country of residence.

Upon the sale or other taxable disposition of Common Stock by a Non-U.S. Holder to or through a United States office of a broker, the broker must backup withhold at a rate of 31 percent and report the sale to the IRS, unless the holder certifies its non-U.S. status under penalties of perjury or otherwise establishes exemption. Upon the sale or other taxable disposition of Common Stock by a Non-U.S. Holder to or through the foreign office of a United States broker, or a foreign broker with certain types of relationships to the United States, the broker must report the sale to the IRS (but is not required to backup withhold) unless the broker has documentary evidence in its files that the seller is a Non-U.S. Holder and certain other conditions are met, or the holder otherwise establishes an exemption.

Backup withholding is not an additional U.S. federal income tax. Amounts withheld under the backup withholding rules are generally allowable as a refund or credit against such Non-U.S. Holder's United States federal income tax liability, if any, provided that the required information is furnished to the IRS.

The United States Treasury Department has recently issued regulations generally effective for payments made after December 31, 1998 that will affect the procedures to be followed by a Non-U.S. Holder in establishing such holder's status as a Non-U.S. Holder for purposes of the withholding, backup withholding and information reporting rules discussed herein. Among other things, a Non-U.S. Holder may be required to furnish new certification of foreign status. Prospective investors should consult their advisors concerning the effect of such regulations on an investment in the Common Stock.

FEDERAL ESTATE TAXES

Common Stock owned or treated as owned by an individual who is not a citizen or resident (as specially defined for United States federal estate tax purposes) of the United States at the time of death will be included in such individual's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

UNDERWRITING

Subject to the terms and conditions set forth in the U.S. purchase agreement (the "U.S. Purchase Agreement") among the Company, the Selling Stockholders and each of the underwriters named below (the "U.S. Underwriters"), the Selling Stockholders have agreed to sell to each of the U.S. Underwriters, and each of the U.S. Underwriters has severally agreed to purchase from the Selling Stockholders, the number of shares of Common Stock set forth below opposite their respective names.

U.S. UNDERWRITERS -----	NUMBER OF SHARES -----
Merrill Lynch, Pierce, Fenner & Smith..... Incorporated	
Goldman, Sachs & Co.....	
Morgan Stanley & Co. Incorporated.....	
The Robinson-Humphrey Company, LLC.....	
Simmons & Company International.....	

Total.....	8,560,000 =====

The Company and the Selling Stockholders have also entered into an international purchase agreement (the "International Purchase Agreement" and, together with the U.S. Purchase Agreement, the "Purchase Agreements") with the underwriters outside the United States and Canada (the "International Managers" and, together with the U.S. Underwriters, the "Underwriters"). Subject to the terms and conditions set forth in the International Purchase Agreement, and concurrently with the sale of 8,560,000 shares of Common Stock to the U.S. Underwriters pursuant to the U.S. Purchase Agreement, the Selling Stockholders have agreed to sell to the International Managers, and the International Managers have severally agreed to purchase from the Selling Stockholders, an aggregate of 2,140,000 shares of Common Stock. The public offering price per share and the underwriting discount per share are identical under the International Purchase Agreement and the U.S. Purchase Agreement.

In the Purchase Agreements, the several U.S. Underwriters and the several International Managers have agreed, respectively, subject to the terms and conditions set forth therein, to purchase all of the shares being sold pursuant to the Purchase Agreements if any of such shares of Common Stock are purchased. Under certain circumstances, the commitments of nondefaulting U.S. Underwriters or International Managers (as the case may be) may be increased as set forth in the U.S. Purchase Agreement and the International Purchase Agreement, respectively. The closings with respect to the sale of the shares of Common Stock to be purchased by the International Managers and the U.S. Underwriters are conditioned upon one another.

The U.S. Underwriters and the International Managers have entered into an intersyndicate agreement (the "Intersyndicate Agreement") that provides for the coordination of their activities. Under the terms of the Intersyndicate Agreement, the Underwriters are permitted to sell shares of Common Stock to each other for purposes of resale at the public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are non-United States persons or non-Canadian persons or to persons they believe intend to resell to persons who are non-United States persons or non-Canadian persons, and the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are United States persons and Canadian persons or to persons they believe intend to resell to persons who are United States and Canadian persons, except, in each case, for transactions pursuant to the Intersyndicate Agreement.

The U.S. Underwriters have advised the Selling Stockholders that the U.S. Underwriters propose to offer the shares of Common Stock offered hereby to the public initially at the public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of \$ per share. The U.S. Underwriters may allow, and such dealers may reallow, a discount not in excess of \$ per share on sales to certain other dealers. After the U.S. Offering, the public offering price, concession and discount may be changed.

The Selling Stockholders have granted an option to the U.S. Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to 1,284,000 additional shares of Common Stock at the price to public set forth on the cover page of this Prospectus, less the underwriting discount. The U.S. Underwriters may exercise this option only to cover over-allotments, if any. If the U.S. Underwriters exercise this option, each of the U.S. Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it shown in the foregoing table bears to the 10,700,000 shares of Common Stock offered hereby. The Selling Stockholders have also granted an option to the International Managers, exercisable during the 30-day period after the date of this Prospectus, to purchase up to 321,000 additional shares of Common Stock solely to cover over-allotments, if any, on terms similar to those granted to the U.S. Underwriters.

The Company has agreed to indemnify the Selling Stockholders and the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the Selling Stockholders or Underwriters may be required to make in respect thereof. In addition, the Selling Stockholders have agreed, subject to certain limitations, to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, with respect to information provided by the Selling Stockholders in this Prospectus.

In connection with the Offerings, the Company's directors and executive officers and the Selling Stockholders have agreed that they will not, during a period of 90 days from the date of this Prospectus, without the prior written consent of Merrill Lynch, directly or indirectly (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase any option, or contract to sell or grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into, or exchangeable or exercisable for, Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition, or file any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise; provided, shares of Common Stock may be (i) sold by the Selling Stockholders pursuant to the Purchase Agreements (as defined herein); (ii) transferred pursuant to bona fide gifts to persons who agree prior to the transfer to be bound by a similar lock-up agreement; (iii) transferred in private transactions to affiliates of such stockholders who agree to be bound by a similar agreement; (iv) pledged as collateral for certain loans or (v) transferred to a beneficial owner of such shares who is subject to a similar lock-up agreement pursuant to an event of termination under the Company's Supplemental Savings Plan. In addition, National-Oilwell will not, without the prior written consent of Merrill Lynch, as representative of the Underwriters, directly or indirectly, offer, contract to sell, sell, grant any option, right or warrant with respect to, pledge, hypothecate or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the Securities Act of 1933 with respect to the foregoing except for (i) issuances pursuant to the exercise or exchange of outstanding warrants, stock options and convertible or exchangeable securities, (ii) grants of options or shares of Common Stock pursuant to the Company's Stock Award and Long-Term Incentive Plan and the Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan, and (iii) issuances of capital stock by the Company in connection with acquisitions of businesses, provided such shares issuable pursuant to acquisitions shall not be transferable prior to the end of the 90-day period.

The U.S. Underwriters are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the Offerings, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the U.S. Underwriters may reduce that short position by purchasing Common Stock in the open market. The U.S. Underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

The U.S. Underwriters may also impose a penalty bid on certain Underwriters and selling group members. This means that if the U.S. Underwriters purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offerings.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent it were to discourage resales of the security.

None of the Company, any of the Selling Stockholders or any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, none of the Company, any of the Selling Stockholders or any of the Underwriters makes any representation that the U.S. Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

MLSI, an affiliate of Merrill Lynch, acts as a specialist in the Common Stock of the Company pursuant to the rules of the New York Stock Exchange, Inc. Under an exemption granted by the Securities and Exchange Commission on July 31, 1995, MLSI will be permitted to carry on its activities as a specialist in the Common Stock for the entire period of the distribution of the Common Stock. The exemption is subject to the satisfaction by MLSI of the conditions specified in the exemption.

Merrill Lynch from time to time provides investment banking and financial advisory services to the Company. Merrill Lynch also acted as a representative of various underwriters in connection with the Company's initial public offering of Common Stock in October 1996 and served as advisor, and provided a fairness opinion, to the Company in connection with the Combination, for which it received customary compensation.

LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for National-Oilwell by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Selling Stockholders by Bracewell & Patterson, L.L.P., Houston, Texas and for the Underwriters by Andrews & Kurth L.L.P., Houston, Texas.

EXPERTS

The consolidated financial statements of National-Oilwell at December 31, 1996 and for the year then ended, appearing in National-Oilwell's Current Report on Form 8-K dated November 7, 1997 have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon, included therein, and incorporated by reference elsewhere herein which is based in part on the report of Coopers & Lybrand, independent auditors. The financial statements referred to above are included in reliance upon such reports given upon the authority of such firms as experts in accounting and auditing.

The consolidated financial statements of National-Oilwell at August 31, 1995 and for each of the two years in the period ended August 31, 1995, appearing in National-Oilwell's Current Report on Form 8-K dated November 7, 1997 have been audited by Coopers & Lybrand, independent auditors, as set forth in their report thereon and incorporated by reference elsewhere herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

AVAILABLE INFORMATION

National-Oilwell is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as the following Regional Offices of the Commission: Seven World Trade Center, 13th Floor, New York, New York 10048; and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the Public Reference Section of the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such material also may be accessed electronically by means of the Commission's home page on the Internet (<http://www.sec.gov>). In addition, such reports, proxy statements and other information concerning National-Oilwell can be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a registration statement on Form S-3 (herein, together with all exhibits and schedules thereto, referred to as this "Registration Statement") filed by National-Oilwell with the Commission under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities offered hereby. This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Reference is hereby made to the Registration Statement for further information with respect to National-Oilwell and the securities offered hereby. Copies of the Registration Statement are on file at the offices of the Commission and may be obtained upon payment of the prescribed fee or may be examined without charge at the public reference facilities of the Commission described above. Statements contained herein concerning the provisions of documents are necessarily summaries of such documents, and each statement is qualified in its entirety by reference to the copy of the applicable document filed with the Commission.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission pursuant to the Exchange Act are incorporated by reference in this Prospectus:

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 Quarterly Report on Form 10-Q for the period ended September 30, 1997.
5. National-Oilwell's Current Report on Form 8-K filed on May 25, 1997.
6. National-Oilwell's Current Report on Form 8-K filed on October 8, 1997.
7. National-Oilwell's Current Report on Form 8-K filed on November 7, 1997.
8. 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 documents filed by National-Oilwell 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 which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of filing of such documents. 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 which also is incorporated by reference herein) modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded.

Upon request, National-Oilwell will provide without charge to each person to whom this Prospectus is delivered a copy of any or all of such documents which are incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this Prospectus incorporates). Written or oral requests for copies should be directed to Gay Mather, Manager, Investor Relations, National-Oilwell, Inc., 5555 San Felipe, Houston, Texas 77056 (telephone number (713) 960-5422).

NO DEALER, SALESPERSON, OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED, OR INCORPORATED BY REFERENCE, IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OTHER THAN THOSE SPECIFICALLY OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSONS TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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10,700,000 SHARES

[LOGO]
 NATIONAL-OILWELL, INC.
 COMMON STOCK

 PROSPECTUS

MERRILL LYNCH & CO.

GOLDMAN, SACHS & CO.

MORGAN STANLEY DEAN WITTER

THE ROBINSON-HUMPHREY COMPANY

SIMMONS & COMPANY
 INTERNATIONAL

, 1997

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INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]
SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED NOVEMBER , 1997

PROSPECTUS

10,700,000 SHARES

[LOGO]

NATIONAL-OILWELL, INC.
COMMON STOCK

All of the 10,700,000 shares of common stock, par value \$.01 per share (the "Common Stock"), of National-Oilwell, Inc. ("National-Oilwell" or the "Company") offered hereby are being sold by certain stockholders of National-Oilwell (the "Selling Stockholders"). See "Selling Stockholders." National-Oilwell will not receive any of the proceeds from the sale of the Common Stock by the Selling Stockholders.

Of the 10,700,000 shares of Common Stock being offered hereby, 2,140,000 shares are being offered initially outside the United States and Canada (the "Offering") by the International Managers (as defined herein) and 8,560,000 shares are being offered in the United States and Canada (the "U.S. Offering" and, together with the International Offering, the "Offerings") by the U.S. Underwriters (as defined herein, together with the International Managers, the "Underwriters"). The price to public and the underwriting discount per share are identical for the Offerings and the closings for both Offerings are conditioned upon each other. See "Underwriting."

The Common Stock is traded on the New York Stock Exchange under the symbol "NOI." On November 12, 1997, the last reported sale price of the Common Stock on the New York Stock Exchange was \$38.25 per share.

SEE "RISK FACTORS" BEGINNING ON PAGE 6 FOR A DISCUSSION OF CERTAIN CONSIDERATIONS RELEVANT TO AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNT(1)	PROCEEDS TO SELLING STOCKHOLDERS(2)
Per Share.....	\$	\$	\$
Total(3).....	\$	\$	\$

(1) For information regarding indemnification of the Underwriters, see "Underwriting."

(2) Expenses estimated at \$430,000 will be paid by the Company.

(3) The Selling Stockholders have granted to the Underwriters options, exercisable within 30 days after the date of this Prospectus, to purchase up to an additional 1,605,000 shares of Common Stock at the Price to Public, less Underwriting Discount, solely to cover over-allotments, if any. If such options are exercised in full, the Price to Public, Underwriting Discount and Proceeds to Selling Stockholders will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares of Common Stock will be made in New York, New York, on or about , 1997.

MERRILL LYNCH INTERNATIONAL
GOLDMAN SACHS INTERNATIONAL
MORGAN STANLEY DEAN WITTER
THE ROBINSON-HUMPHREY COMPANY
SIMMONS & COMPANY
INTERNATIONAL

THE DATE OF THIS PROSPECTUS IS

, 1997.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

NATIONAL-OILWELL
MANUFACTURED DRILLING MACHINERY & EQUIPMENT

[PICTURE OF POWER SWIVEL]

POWER SWIVEL
[PICTURE OF DRAWWORKS]
DRAWWORKS

[PICTURE OF RIG]

[PICTURE OF MUD PUMPS]

MUD PUMPS

National-Oilwell designs and builds land drilling rigs including the primary machinery components highlighted above.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK, INCLUDING OVER-ALLOTMENT AND OTHER STABILIZING TRANSACTIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

MERRILL LYNCH SPECIALISTS INC. ("MLSI"), AN AFFILIATE OF MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, ONE OF THE UNDERWRITERS, ACTS AS A SPECIALIST IN THE COMMON STOCK OF THE COMPANY PURSUANT TO THE RULES OF THE NEW YORK STOCK EXCHANGE, INC. UNDER AN EXEMPTION GRANTED BY THE SECURITIES AND EXCHANGE COMMISSION ON JULY 31, 1995, MLSI WILL BE PERMITTED TO CARRY ON ITS ACTIVITIES AS A SPECIALIST IN THE COMMON STOCK FOR THE ENTIRE PERIOD OF THE DISTRIBUTION OF THE COMMON STOCK. THE EXEMPTION IS SUBJECT TO THE SATISFACTION BY MLSI OF THE CONDITIONS SPECIFIED IN THE EXEMPTION. SEE "UNDERWRITING."

For United Kingdom purchasers: The shares of Common Stock may not be offered or sold in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments, whether as principal or agent (except in circumstances that do not constitute an offer to the public within the meaning of the Public Offers of Securities Regulations 1995 or the Financial Services Act 1986), and this Prospectus may only be issued or passed on to any person in the United Kingdom if that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 or is a person to whom the Prospectus may otherwise lawfully be passed on.

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UNDERWRITING

Subject to the terms and conditions set forth in the international purchase agreement (the "Purchase Agreement") among the Company, the Selling Stockholders and each of the underwriters named below (the "International Managers"), the Selling Stockholders have agreed to sell to each of the International Managers, and each of the International Managers has severally agreed to purchase from the Selling Stockholders, the number of shares of Common Stock set forth below opposite their respective names.

INTERNATIONAL MANAGERS -----	NUMBER OF SHARES -----
Merrill Lynch International.....	
Goldman Sachs International.....	
Morgan Stanley & Co. International Limited.....	
The Robinson-Humphrey Company, LLC.....	
Simmons & Company International.....	
Total.....	2,140,000 =====

The Company and the Selling Stockholders have also entered into a U.S. purchase agreement (the "U.S. Purchase Agreement" and, together with the Purchase Agreement, the "Purchase Agreements") with the underwriters in the United States and Canada (the "U.S. Underwriters" and, together with the International Managers, the "Underwriters"). Subject to the terms and conditions set forth in the U.S. Purchase Agreement, and concurrently with the sale of 2,140,000 shares of Common Stock to the International Managers pursuant to the Purchase Agreement, the Selling Stockholders have agreed to sell to the U.S. Underwriters, and the U.S. Underwriters have severally agreed to purchase from the Selling Stockholders, an aggregate of 8,560,000 shares of Common Stock. The public offering price per share and the underwriting discount per share are identical under the Purchase Agreement and the U.S. Purchase Agreement.

In the Purchase Agreements, the several International Managers and the several U.S. Underwriters have agreed, respectively, subject to the terms and conditions set forth therein, to purchase all of the shares being sold pursuant to the Purchase Agreements if any of such shares of Common Stock are purchased. Under certain circumstances, the commitments of nondefaulting International Managers or U.S. Underwriters (as the case may be) may be increased as set forth in the Purchase Agreement and the U.S. Purchase Agreement, respectively. The closings with respect to the sale of the shares of Common Stock to be purchased by the International Managers and the U.S. Underwriters are conditioned upon one another.

The International Managers and the U.S. Underwriters have entered into an intersyndicate agreement (the "Intersyndicate Agreement") that provides for the coordination of their activities. Under the terms of the Intersyndicate Agreement, the Underwriters are permitted to sell shares of Common Stock to each other for purposes of resale at the public offering price, less an amount not greater than the selling concession. Under the terms of the Intersyndicate Agreement, the International Managers and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are United States persons or Canadian persons or to persons they believe intend to resell to persons who are United States persons or Canadian persons, and the U.S. Underwriters and any dealer to whom they sell shares of Common Stock will not offer to sell or sell shares of Common Stock to persons who are non-United States persons and non-Canadian persons or to persons they believe intend to resell to persons who are non-United States and non-Canadian persons, except, in each case, for transactions pursuant to the Intersyndicate Agreement.

The International Managers have advised the Selling Stockholders that the International Managers propose to offer the shares of Common Stock offered hereby to the public initially at the public offering price set forth on the cover page of this Prospectus, and to certain dealers at such price less a concession not in excess of \$ _____ per share. The International Managers may allow, and such dealers may reallow, a discount not in excess of \$ _____ per share on sales to certain other dealers. After the International Offering, the public offering price, concession and discount may be changed.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

The Selling Stockholders have granted an option to the International Managers, exercisable during the 30-day period after the date of this Prospectus, to purchase up to 321,000 additional shares of Common Stock at the price to public set forth on the cover page of this Prospectus, less the underwriting discount. The International Managers may exercise this option only to cover over-allotments, if any. If the International Managers exercise this option, each of the International Managers will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it shown in the foregoing table bears to the 10,700,000 shares of Common Stock offered hereby. The Selling Stockholders have also granted an option to the U.S. Underwriters, exercisable during the 30-day period after the date of this Prospectus, to purchase up to 1,284,000 additional shares of Common Stock solely to cover over-allotments, if any, on terms similar to those granted to the International Managers.

The Company has agreed to indemnify the Selling Stockholders and the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments which the Selling Stockholders or Underwriters may be required to make in respect thereof. In addition, the Selling Stockholders have agreed, subject to certain limitations, to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, with respect to information provided by the Selling Stockholders in this Prospectus.

In connection with the Offerings, the Company's directors and executive officers and the Selling Stockholders have agreed that they will not, during a period of 90 days from the date of this Prospectus, without the prior written consent of Merrill Lynch, directly or indirectly (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase any option, or contract to sell or grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into, or exchangeable or exercisable for, Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition, or file any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise; provided, shares of Common Stock may be (i) sold by the Selling Stockholders pursuant to the Purchase Agreements (as defined herein); (ii) transferred pursuant to bona fide gifts to persons who agree prior to the transfer to be bound by a similar lock-up agreement; (iii) transferred in private transactions to affiliates of such stockholders who agree to be bound by a similar agreement; (iv) pledged as collateral for certain loans or (v) transferred to a beneficial owner of such shares who is subject to a similar lock-up agreement pursuant to an event of termination under the Company's Supplemental Savings Plan. In addition, National-Oilwell will not, without the prior written consent of Merrill Lynch, as representative of the Underwriters, directly or indirectly, offer, contract to sell, sell, grant any option, right or warrant with respect to, pledge, hypothecate or otherwise transfer or dispose of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock or file any registration statement under the Securities Act of 1933 with respect to the foregoing except for (i) issuances pursuant to the exercise or exchange of outstanding warrants, stock options and convertible or exchangeable securities, (ii) grants of options or shares of Common Stock pursuant to the Company's Stock Award and Long-Term Incentive Plan and the Dreco Energy Services Ltd. Amended and Restated 1989 Employee Incentive Stock Option Plan, and (iii) issuances of capital stock by the Company in connection with acquisitions of businesses, provided such shares issuable pursuant to acquisitions shall not be transferable prior to the end of the 90-day period.

The U.S. Underwriters are permitted to engage in certain transactions that stabilize the price of the Common Stock. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Common Stock.

If the Underwriters create a short position in the Common Stock in connection with the Offerings, i.e., if they sell more shares of Common Stock than are set forth on the cover page of this Prospectus, the U.S. Underwriters may reduce that short position by purchasing Common Stock in the open market. The U.S. Underwriters may also elect to reduce any short position by exercising all or part of the over-allotment option described above.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

The U.S. Underwriters may also impose a penalty bid on certain Underwriters and selling group members. This means that if the U.S. Underwriters purchase shares of Common Stock in the open market to reduce the Underwriters' short position or to stabilize the price of the Common Stock, they may reclaim the amount of the selling concession from the Underwriters and selling group members who sold those shares as part of the Offerings.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent it were to discourage resales of the security.

None of the Company, any of the Selling Stockholders or any of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Common Stock. In addition, none of the Company, any of the Selling Stockholders or any of the Underwriters makes any representation that the U.S. Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

MLSI, an affiliate of Merrill Lynch, acts as a specialist in the Common Stock of the Company pursuant to the rules of the New York Stock Exchange, Inc. Under an exemption granted by the Securities and Exchange Commission on July 31, 1995, MLSI will be permitted to carry on its activities as a specialist in the Common Stock for the entire period of the distribution of the Common Stock. The exemption is subject to the satisfaction by MLSI of the conditions specified in the exemption.

Merrill Lynch from time to time provides investment banking and financial advisory services to the Company. Merrill Lynch also acted as a representative of various underwriters in connection with the Company's initial public offering of Common Stock in October 1996 and served as advisor, and provided a fairness opinion, to the Company in connection with the Combination, for which it received customary compensation.

Each International Manager represents and agrees that (a) it has not offered or sold and prior to the expiration of six months from the closing date of the Offerings, will not offer or sell any shares of Common Stock to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, (b) it has complied with and will comply with all applicable provisions of the Financial Services Act of 1986 with respect to anything done by it in relation to the Common Stock in, from or otherwise involving the United Kingdom, and (c) it has only issued or passed on and will only issue or pass on to any person in the United Kingdom any document received by it in connection with the issue or sale of the Common Stock if that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 or is a person to whom such document may otherwise lawfully be issued or passed on.

No action has been or will be taken in any jurisdiction (except in the United States and) that would permit a public offering of the shares of Common Stock or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the shares of Common Stock in any jurisdiction where action for that purpose is required. Accordingly, the shares of Common Stock may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the shares of Common Stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

Purchasers of shares of Common Stock offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase, in addition to the offering price set forth on the cover page of this Prospectus.

[ALTERNATE PAGE FOR INTERNATIONAL PROSPECTUS]

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NO DEALER, SALESPERSON, OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED, OR INCORPORATED BY REFERENCE, IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING STOCKHOLDERS OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OTHER THAN THOSE SPECIFICALLY OFFERED HEREBY IN ANY JURISDICTION TO ANY PERSONS TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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10,700,000 SHARES

[LOGO]
NATIONAL-OILWELL, INC.
COMMON STOCK

PROSPECTUS

MERRILL LYNCH INTERNATIONAL

GOLDMAN SACHS INTERNATIONAL

MORGAN STANLEY DEAN WITTER

THE ROBINSON-HUMPHREY COMPANY

SIMMONS & COMPANY
INTERNATIONAL

, 1997

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The expenses of the Offerings are estimated to be as follows:

Securities and Exchange Commission Registration Fee.....	\$ 71,893
NASD Filing Fee.....	30,500
Printing Expenses.....	100,000
Legal Fees and Expenses.....	150,000
Accounting Fees and Expenses.....	50,000
Transfer Agent Fees and Expenses.....	10,000
Miscellaneous Expenses.....	17,607

Total.....	\$430,000
	=====

15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law (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 National-Oilwell to purchase and maintain insurance on behalf of any person who is or was an officer or director of National-Oilwell against liability asserted against or incurred by him in any such capacity, whether or not National-Oilwell 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.

The Purchase Agreements (Exhibits 1.1 and 1.2 hereto) contain provisions indemnifying National-Oilwell and its directors and officers that sign the Registration Statement against certain liabilities in connection with the Offerings. The Indemnification Agreement (Exhibit 1.4 hereto) provides for indemnification by the Company of the Selling Stockholders against certain liabilities in connection with the Offerings.

16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits. The following exhibits are filed as part of this Registration Statement.

EXHIBIT NUMBER -----	DESCRIPTION -----
1.1*	-- Form of U.S. Purchase Agreement
1.2*	-- Form of International Purchase Agreement
1.3**	-- Form of Indemnification Agreement between the Company and the Selling Stockholders
	5* -- Opinion of Morgan, Lewis & Bockius LLP regarding legality of securities being registered
23.1*	-- Consent of Ernst & Young LLP
23.2*	-- Consent of Coopers & Lybrand
23.3*	-- Consent of Morgan, Lewis & Bockius LLP (included in its opinion filed as Exhibit 5 hereto)
24*	-- Powers of Attorney (included as part of the signature page hereof)

* Filed herewith.

** To be filed by amendment.

17. UNDERTAKINGS

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 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement 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.

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 Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 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 person 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 Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of the Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of the Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus 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.

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-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Houston, state of Texas, on November 14, 1997.

NATIONAL-OILWELL, INC.

By: /s/ JOEL V. STAFF

 Joel V. Staff,
 Chairman, President and Chief
 Executive

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, THAT EACH PERSON WHOSE SIGNATURE APPEARS BELOW IN SO SIGNING ALSO MAKES, CONSTITUTES AND APPOINTS STEVEN W. KRABLIN AND PAUL M. NATION, OR EITHER OF THEM, HIS TRUE AND LAWFUL ATTORNEYS-IN-FACT AND AGENTS, WITH FULL POWER OF SUBSTITUTION AND RESUBSTITUTION, FOR HIM AND IN HIS NAME, PLACE AND STEAD, IN ANY AND ALL CAPACITIES, TO EXECUTE AND CAUSE TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ANY AND ALL AMENDMENTS AND POSTEFFECTIVE AMENDMENTS TO THIS REGISTRATION STATEMENT AND A RELATED REGISTRATION STATEMENT THAT IS TO BE EFFECTIVE UPON FILING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT OF 1933, AND IN EACH CASE TO FILE THE SAME, WITH ALL EXHIBITS THERETO AND OTHER DOCUMENTS IN CONNECTION THEREWITH, AND HEREBY RATIFIES AND CONFIRMS ALL THAT SAID ATTORNEYS-IN-FACT AND AGENTS OR THEIR SUBSTITUTE OR SUBSTITUTES MAY DO OR CAUSE TO BE DONE BY VIRTUE HEREOF.

Pursuant to the requirements of the Securities Act of 1933, this 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 ----- Joel V. Staff	Chairman of the Board of Directors (Principal Executive Officer)	November 14, 1997
/s/ STEVEN W. KRABLIN ----- Steven W. Krablin	Principal Financial and Accounting Officer	November 14, 1997
/s/ HOWARD I. BULL ----- Howard I. Bull	Director	November 14, 1997
/s/ JAMES C. COMIS III ----- James C. Comis III	Director	November 14, 1997
/s/ JAMES T. DRESHER ----- James T. Dresher	Director	November 14, 1997
/s/ W. MCCOMB DUNWOODY ----- W. McComb Dunwoody	Director	November 14, 1997
/s/ WILLIAM E. MACAULAY ----- William E. Macaulay	Director	November 14, 1997

SIGNATURE

TITLE

DATE

/s/ FREDERICK W. PHEASEY

Director

November 14, 1997

Frederick W. Pheasey

/s/ ROBERT L. PHILLIPS

Director

November 14, 1997

Robert L. Phillips

/s/ BRUCE M. ROTHSTEIN

Director

November 14, 1997

Bruce M. Rothstein

EXHIBIT INDEX

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23.2*	-- Consent of Coopers & Lybrand
23.3*	-- Consent of Morgan, Lewis & Bockius LLP (included in its opinion filed as Exhibit 5 hereto)
24*	-- Powers of Attorney (included as part of the signature page hereof)

- -----
* Filed herewith.

** to be filed by amendment.

Draft of November 13, 1997

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NATIONAL-OILWELL, INC.
(a Delaware corporation)

8,560,000 Shares of Common Stock

U.S. PURCHASE AGREEMENT

Dated: November __, 1997

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NATIONAL-OILWELL, INC.

(a Delaware corporation)

8,560,000 Shares of Common Stock

(Par Value \$.01 Per Share)

U.S. PURCHASE AGREEMENT

November __, 1997

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Goldman, Sachs & Co.
Morgan Stanley & Co. Incorporated
The Robinson-Humphrey Company, LLC
Simmons & Company International
as U.S. Representatives of the several U.S. Underwriters
c/o Merrill Lynch & Co.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
North Tower
World Financial Center
New York, New York 10281-1209

Ladies and Gentlemen:

National-Oilwell, Inc., a Delaware corporation (the "Company"), and the persons listed in Schedule B hereto (the "Selling Stockholders") confirm their respective agreements with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and each of the other U.S. Underwriters named in Schedule A hereto (collectively, the "U.S. Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, The Robinson-Humphrey Company, LLC and Simmons & Company International are acting as representatives (in such capacity, the "U.S. Representatives"), with respect to (i) the sale by the Selling Stockholders, acting severally and not jointly, and the purchase by the U.S. Underwriters, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value \$.01 per share, of the Company ("Common Stock") set forth in said Schedule A and B hereto, and

(ii) with respect to the grant by the Selling Stockholders, acting severally and not jointly, to the U.S. Underwriters, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 1,284,000 additional shares of Common Stock to cover over-allotments, if any. The aforesaid 8,560,000 shares of Common Stock (the "Initial U.S. Securities") to be purchased by the U.S. Underwriters and all or any part of the 1,284,000 shares of Common Stock subject to the option described in Section 2(b) hereof (the "U.S. Option Securities") are hereinafter called, collectively, the "U.S. Securities."

It is understood that the Company is concurrently entering into an agreement dated the date hereof (the "International Purchase Agreement") providing for the offering by Selling Stockholders, acting severally and not jointly, of an aggregate of 2,140,000 shares of Common Stock (the "Initial International Securities") through arrangements with certain underwriters outside the United States and Canada (the "International Managers") for which Merrill Lynch International, Goldman Sachs International, Morgan Stanley International Limited, The Robinson-Humphrey Company, LLC and Simmons & Company International acting as lead managers (the "Lead Managers") and the grant by certain Selling Stockholders, acting severally and not jointly, to the International Managers, acting severally and not jointly, of an option to purchase all or any part of the International Managers' pro rata portion of up to 321,000 additional shares of Common Stock solely to cover over-allotments, if any (the "International Option Securities" and, together with the U.S. Option Securities, the "Option Securities"). The Initial International Securities and the International Option Securities are hereinafter called the "International Securities." It is understood that the Selling Stockholders are not obligated to sell and the U.S. Underwriters are not obligated to purchase, any Initial U.S. Securities unless all of the Initial International Securities are contemporaneously purchased by the International Managers.

The U.S. Underwriters and the International Managers are hereinafter collectively called the "Underwriters," the Initial U.S. Securities and the Initial International Securities are hereinafter collectively called the "Initial Securities," and the U.S. Securities, and the International Securities are hereinafter collectively called the "Securities."

The Underwriters will concurrently enter into an Intersyndicate Agreement of even date herewith (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the Underwriters under the direction of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (in such capacity, the "Global Coordinator").

The Selling Stockholders understand that the U.S. Underwriters propose to make a public offering of the U.S. Securities as soon as the U.S. Representatives deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-_____) covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule 430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Securities: one relating to the U.S. Securities (the "Form of U.S. Prospectus") and one relating to the International Securities (the "Form of International Prospectus"). The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting" and the inclusion in the Form of International Prospectus of a section under the caption "Certain United States Tax Considerations for Non-United States Holders." The information included in any such prospectus or in any such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of U.S. Prospectus and Form of International Prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto, schedules thereto, if any, and the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final Form of U.S. Prospectus and the final Form of International Prospectus, including the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, in the forms first furnished to the Underwriters for use in connection with the offering of the Securities are herein called the "U.S. Prospectus" and the "International Prospectus," respectively, and collectively, the "Prospectuses." If Rule 434 is relied on, the terms "U.S. Prospectus" and "International Prospectus" shall refer to the preliminary U.S. Prospectus dated November ____, 1997 and preliminary International Prospectus dated November ____, 1997, respectively, each together with the applicable Term Sheet and all references in this Agreement to the date of such Prospectuses shall mean the date of the applicable Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the U.S. Prospectus, the International Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be

deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement, any preliminary prospectus (including the Form of U.S. Prospectus and Form of International Prospectus) or the Prospectuses (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information as and to the extent incorporated by reference in the Registration Statement, any preliminary prospectus (including the Form of U.S. Prospectus and Form of International Prospectus) or the Prospectuses, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, any preliminary prospectus or the Prospectuses shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934 (the "1934 Act") as and to the extent incorporated by reference in the Registration Statement, such preliminary prospectus or the Prospectuses, as the case may be.

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each U.S. Underwriter as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b), hereof and agrees with each U.S. Underwriter, as follows:

(i) Compliance with Registration Requirements. The Company meets the requirements for use of Form S-3 under the 1933 Act. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither of the Prospectuses nor any amendments or supplements thereto, at the time the Prospectuses or any amendments

or supplements thereto were issued and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements of Rule 434. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the U.S. Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement or the U.S. Prospectus.

Each preliminary prospectus and the prospectuses filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectuses delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Incorporated Documents. The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectuses, when they became effective or at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations or the 1934 Act and the rules and regulations of the Commission thereunder (the "1934 Act Regulations"), as applicable, and, when read together with the other information in the Prospectuses, at the time the Registration Statement became effective, at the time the Prospectuses were issued and at the Closing Time (and, if any U.S. Option Securities are purchased, at the Date of Delivery), did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iii) Independent Accountants. Each of the accountants who certified the financial statements and supporting schedules included or incorporated by reference in the Registration Statement are, to the knowledge of the Company, independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iv) Financial Statements. The financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectuses, present fairly in all material respects the financial position of the Company and its consolidated subsidiaries, or such other entity, as the case may be, at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated

subsidiaries, or such other entity, as the case may be, for the periods specified in conformity with generally accepted accounting principles ("GAAP"), except for the omission of detailed information and footnotes in the case of unaudited interim financial statements included or incorporated by reference therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and have been compiled on a basis consistent with that of the financial statements included or incorporated by reference in the Registration Statement.

(v) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) except for a stock dividend paid on November 18, 1997 to holders of Common Stock and Exchangeable Shares ("Exchangeable Shares") of Dreco Energy Services Ltd. ("Dreco") on the record date therefor as described in the Prospectuses, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(vi) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vii) Good Standing of Subsidiaries. Each of the subsidiaries of the Company identified on Schedule D hereto (each a "Subsidiary" and, collectively, the "Subsidiaries"), which includes each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X), has been duly organized and is validly existing as a corporation or a limited partnership, as the case may be, in good standing under the laws of the jurisdiction of its incorporation or formation, has corporate (or partnership) power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation or limited partnership, as the case may be, to transact business and is in good standing in each jurisdiction in which such qualification is

required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock or partnership interests of each such Subsidiary has been duly authorized and validly issued, to the extent consisting of shares of capital stock of a corporation is fully paid and non-assessable, and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of, and none of the outstanding partnership interests in, any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder or partner of such Subsidiary. The only subsidiaries of the Company are (a) the subsidiaries listed on Schedule D hereto and (b) certain other subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X.

(viii) Capitalization. The authorized capital stock of the Company consists of (i) 75,000,000 shares of Common Stock, of which [51,271,368] shares are issued and outstanding as of [November 18, 1997], (ii) 10,000,000 shares of preferred stock, par value \$.01 per share ("Preferred Stock") of which no shares are outstanding and (iii) Special Voting Stock of which one share is outstanding. As of [November 18, 1997], there were issued and outstanding _____ Exchangeable Shares of Dreco, each of which is exchangeable into an equal number of shares of Common Stock. Since [November 18, 1997], no shares of capital stock of the Company have been issued except (i) upon the exchange of outstanding Exchangeable Shares and (ii) upon the exercise of issued and outstanding options granted under the Company's Stock Award and Long-Term Incentive Plan, the Company's Value Appreciation Plans and the Dreco Amended and Restated 1989 Employee Incentive Stock Option Plan. All the issued and outstanding capital stock of Dreco other than the Exchangeable Shares are owned beneficially and of record by the Company. The outstanding shares of capital stock of the Company (including without limitation the Securities) have been, and the shares of Common Stock issuable upon the exchange of the issued and outstanding Exchangeable Shares will be, duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued, and none of the shares of Common Stock issuable upon the exchange of the issued and outstanding Exchangeable Shares will be issued, in violation of the preemptive or other similar rights of any securityholder of the Company. The Exchangeable Shares of Dreco have been duly authorized and validly issued by Dreco and represent the valid and binding obligations of the Company and Dreco, enforceable in accordance with their terms. The shares of Common Stock to be issued upon the exchange of the Exchangeable Shares have been duly authorized and validly reserved for issuance upon the exercise of the Exchangeable Shares. There are no outstanding options, warrants or similar rights to purchase or otherwise acquire from the Company additional shares of capital stock of the Company or Dreco, except pursuant to options granted under the Company's Stock

Award and Long-Term Incentive Plan, the Company's Value Appreciation Plans and the Dreco Amended and Restated 1989 Employee Incentive Stock Option Plan.

(ix) Authorization of Agreement. This Agreement and the International Purchase Agreement have been duly authorized, executed and delivered by the Company.

(x) Authorization and Description of Securities. The Securities to be purchased by the U.S. Underwriters and the International Managers from the Selling Stockholders are duly authorized, validly issued, fully paid and non-assessable, provided, in respect of the Securities to be sold by the Selling Stockholders after the exchange of the Exchangeable Shares or the exercise of options, such Securities have been duly authorized, and when issued and delivered by the Company prior to the Closing Time, will be validly issued, fully paid and non-assessable. The Common Stock conforms in all material respects to all statements relating thereto contained in the Prospectuses and such description conforms in all material respects to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability solely by reason of being such a holder; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company or its subsidiaries.

(xi) Absence of Defaults and Conflicts. Neither the Company nor any of its subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the International Purchase Agreement and the consummation of the transactions contemplated in this Agreement, the International Purchase Agreement and in the Registration Statement and compliance by the Company with its obligations under this Agreement and the International Purchase Agreement have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their

assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(xii) Absence of Labor Dispute. No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xiii) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which may reasonably be expected to result in a Material Adverse Effect, or which may reasonably be expected to materially and adversely affect the consummation of the transactions contemplated in this Agreement and the International Purchase Agreement or the performance by the Company of its obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xiv) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement, the Prospectuses or the documents incorporated by reference therein or to be filed as exhibits thereto which have not been so described and filed as required.

(xv) Possession of Intellectual Property. Except to the extent it would not result in a Material Adverse Effect, the Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them; and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the

subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xvi) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering or sale of the Securities by the Selling Stockholders under this Agreement and the International Purchase Agreement or the consummation of the transactions contemplated by this Agreement and the International Purchase Agreement (including, without limitation, the exchange of the Exchangeable Shares for and issuance of the Securities prior to the Closing), except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws.

(xvii) Possession of Licenses and Permits. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, and are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to possess or to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xviii) Title to Property. The Company and its subsidiaries have good and marketable title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests (except purchase money security interests), claims, restrictions or encumbrances of any kind except such as (a) are disclosed in the Prospectuses or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the Prospectuses, are in full force and effect, and neither the Company nor any subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the

Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xix) Investment Company Act. The Company is not, and upon the sale of the Securities as herein contemplated will not be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xx) Environmental Laws. Except as disclosed in the Registration Statement or except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that may reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxi) Registration Rights. There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement, except to the extent the Company is in compliance with such rights or such rights have been waived.

(xxii) Insurance. The Company maintains reasonably adequate insurance for the business conducted by the Company and its subsidiaries.

(xxiii) Accounting Controls. The Company and the Subsidiaries maintain a system of accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with the management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in

conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiv) Stockholders Consents and Agreements. The Company has obtained all consents from and provided all requisite notices to, or otherwise secured all requisite waivers from, any other stockholders required in connection with the sale of the Securities.

(b) Representations and Warranties by the Selling Stockholders. Each Selling Stockholder, severally and not jointly, represents and warrants to each Underwriter as of the date hereof, as the Closing Time, and, if the Selling Stockholder is selling Option Securities on a Date of Delivery, as of each such Date of Delivery, and agrees with each Underwriter, as follows:

(i) Accurate Disclosure. To the best knowledge of such Selling Stockholder, the representations and warranties of the Company contained in Section 1(a) hereof are true and correct; such Selling Stockholder has reviewed the Registration Statement and the Prospectuses and, to the knowledge of such Selling Stockholder, neither the Prospectuses nor any amendments or supplements thereto includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; such Selling Stockholder is not prompted to sell the Securities to be sold by such Selling Stockholder hereunder by any information concerning the Company or any subsidiary of the Company which is not set forth in the Prospectuses.

(ii) Authorization of Agreements. Each Selling Stockholder has, and as of the Closing Time or Date of Delivery will have, the full right, power and authority, and all authorization and approval required by law, to enter into this Agreement and an Irrevocable Power of Attorney and a Custody Agreement (collectively, the "Power of Attorney and Custody Agreement") and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder hereunder. The execution and delivery of this Agreement and the Power of Attorney and Custody Agreement by or on behalf of such Selling Stockholder and the sale and delivery of the Securities to be sold by such Selling Stockholder and the consummation of the transactions contemplated herein and compliance by such Selling Stockholder and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Securities to be sold by such Selling Stockholder or any property or assets of such Selling Stockholder pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such

Selling Stockholder may be bound, or to which any of the property or assets of such Selling Stockholder is subject, nor will such action result in any violation of the provisions of the charter or by-laws or other organizational instrument of such Selling Stockholder, if applicable, or any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over such Selling Stockholder or any of its properties.

(iii) Good Title. Such Selling Stockholder has (provided, (i) if such Selling Stockholder currently holds Exchangeable Shares, such Selling Stockholder represents as of the date of this Agreement only with respect to such Exchangeable Shares and (ii) if such Selling Stockholder currently holds options, such Selling Stockholder represents as of the date of this Agreement only with respect to such options and the current exercisability of such options) and in any case will at the Closing Time and, if any Option Securities are purchased, on the Date of Delivery have good title to the Securities to be sold by such Selling Stockholder hereunder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind, other than pursuant to this Agreement and the International Purchase Agreement; provided, the Securities are currently subject to applicable restrictions on transfer under the 1933 Act; and upon delivery of such Securities and payment of the purchase price therefor as herein contemplated assuming each such Underwriter has no notice of any adverse claim, each of the Underwriters will receive good title to the Securities purchased by it from such Selling Stockholder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

(iv) Due Execution of Power of Attorney and Custody Agreement. Such Selling Stockholder has duly executed and delivered, in the forms heretofore furnished to the Representatives, the Power of Attorney and Custody Agreement with W. McComb Dunwoody, William E. MacCaulay and Joel V. Staff or any of them, as attorneys-in-fact (the "Attorneys-in-Fact") and Texas Commerce Bank National Association, as custodian (the "Custodian"); the Custodian is authorized to exchange the Exchangeable Shares or exercise options under designated option agreements, if applicable, and to deliver the Securities to be sold by such Selling Stockholder hereunder and to accept payment therefor; and the requisite Attorneys-in-Fact are authorized to execute and deliver this Agreement and the certificate referred to in Section 5(f) or that may be required pursuant to Section(s) 5(1) and 5(m) on behalf of such Selling Stockholder, to sell, assign and transfer to the Underwriters the Securities to be sold by such Selling Stockholder hereunder, to determine the purchase price to be paid by the Underwriters to such Selling Stockholder, as provided in Section 2(a) hereof, to authorize the delivery of the Securities to be sold by such Selling Stockholder hereunder, to accept payment therefor, and otherwise to act on behalf of such Selling Stockholder in connection with this Agreement.

(v) Absence of Manipulation. Such Selling Stockholder has not taken, and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(vi) Absence of Further Requirements. No filing with, or consent, approval, authorization, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign, is necessary or required for the performance by each Selling Stockholder of its obligations hereunder or in the Power of Attorney and Custody Agreement, or in connection with the sale and delivery of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as may have previously been made or obtained or as may be required under the 1933 Act or the 1933 Act Regulations or under applicable foreign or state securities laws.

(vii) Restriction on Sale of Securities. During a period of 90 days from the date of the Prospectus, such Selling Stockholder will not, without the prior written consent of Merrill Lynch, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including, without limitation, any Exchangeable Shares) or request the Company to file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (i) the Securities to be sold hereunder; (ii) the pledge of shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock that are currently pledged as collateral for a loan made to such person for any loan of an equal or lesser amount in connection with the prepayment and cancellation of such loan by any Selling Stockholder, provided that the pledgee agrees to be bound by a similar lock-up agreement with respect to such securities; (iii) the transfer by a Selling Stockholder of shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock in a private transaction to a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Selling Stockholder (an "Affiliate") if such Affiliate agrees prior to such transfer in writing to be bound by a similar lock-up agreement; (iv) bona fide gifts by such Selling Stockholder of shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock to persons who agree prior to such transfer to be bound by a similar lock-up agreement.

(viii) Certificates Suitable for Transfer. Certificates for all of the Securities to be sold by such Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, have been placed in custody with the Custodian with irrevocable conditional instructions to deliver such Securities to the Underwriters pursuant to this Agreement.

(ix) No Association with NASD. Neither such Selling Stockholder nor any of his, her or its affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(m) of the By-laws of the National Association of Securities Dealers, Inc.), any member firm of the National Association of Securities Dealers, Inc.

(c) Officer's Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Global Coordinator, the U.S. Representatives or to counsel for the U.S. Underwriters shall be deemed a representation and warranty by the Company to each U.S. Underwriter as to the matters covered thereby.

SECTION 2. Sale and Delivery to U.S. Underwriters; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Selling Stockholder, severally and not jointly, agrees to sell to each U.S. Underwriter, severally and not jointly, and each U.S. Underwriter, severally and not jointly, agrees to purchase from each Selling Stockholder, severally and not jointly, at the price per share set forth in Schedule B, the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter, plus any additional number of Initial U.S. Securities which such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof bears to the total number of Initial Securities, subject, in each case, to such adjustments among the Underwriters as the Representatives in their sole discretion shall make to eliminate any sales or purchases of fractional securities.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Selling Stockholder hereby grants an option to the U.S. Underwriters, severally and not jointly, to purchase up to an additional 1,284,000 shares of Common Stock in the respective number of shares set forth opposite their respective names on Schedule B at the price per share set forth in Schedule C, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial U.S. Securities but not payable on the U.S. Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial U.S. Securities upon notice by the Global Coordinator to the Company

setting forth the number of U.S. Option Securities as to which the several U.S. Underwriters are then exercising the option and the time and date of payment and delivery for such U.S. Option Securities. Any such time and date of delivery for the U.S. Option Securities (a "Date of Delivery") shall be determined by the Global Coordinator, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the U.S. Option Securities, each of the U.S. Underwriters, acting severally and not jointly, will purchase that proportion of the total number of U.S. Option Securities then being purchased which the number of Initial U.S. Securities set forth in Schedule A opposite the name of such U.S. Underwriter bears to the total number of Initial U.S. Securities, subject in each case to such adjustments as the Global Coordinator in its discretion shall make to eliminate any sales or purchases of fractional shares.

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis Street, Houston, Texas 77002, or at such other place as shall be agreed upon by the Global Coordinator and the Selling Stockholders, at 10:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Global Coordinator, the Selling Stockholders and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the U.S. Option Securities are purchased by the U.S. Underwriters, payment of the purchase price for, and delivery of certificates for, such U.S. Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Global Coordinator and the Company, on each Date of Delivery as specified in the notice from the Global Coordinator to the Selling Stockholders and Company.

Payment shall be made to the Selling Stockholders by checks or wire transfer of immediately available funds to a bank account designated by the Selling Stockholders, against delivery to the U.S. Representatives for the respective accounts of the U.S. Underwriters of certificates for the U.S. Securities to be purchased by them. It is understood that each U.S. Underwriter has authorized the U.S. Representatives, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial U.S. Securities and the U.S. Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the U.S. Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Initial U.S. Securities or the U.S. Option Securities, if any, to be purchased by any U.S. Underwriter whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such U.S. Underwriter from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, shall be in such denominations and registered in such names as the U.S. Representatives may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial U.S. Securities and the U.S. Option Securities, if any, will be made available for examination and packaging by the U.S. Representatives in the City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. The Company covenants with each U.S. Underwriter and each Selling Stockholder as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify the Global Coordinator immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectuses or any amended Prospectuses shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Global Coordinator notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectuses, whether pursuant to the 1933 Act, the 1934 Act or otherwise; in addition, the Company will use its best efforts to furnish the Global Coordinator with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Global Coordinator or counsel for the U.S. Underwriters shall reasonably object during the period contemplated in Section 3(e) hereto.

(c) Delivery of Registration Statements. The Company has furnished or will deliver to the U.S. Representatives and counsel for the U.S. Underwriters, without charge, signed

copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the U.S. Representatives, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the U.S. Underwriters. The copies of the Registration Statement and each amendment thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectuses. The Company has delivered to each U.S. Underwriter, without charge, as many copies of each preliminary prospectus as such U.S. Underwriter reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each U.S. Underwriter, without charge, during the period when the U.S. Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the U.S. Prospectus (as amended or supplemented) as such U.S. Underwriter may reasonably request. The U.S. Prospectus and any amendments or supplements thereto furnished to the U.S. Underwriters will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations and the 1934 Act and the 1934 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement, the International Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the U.S. Underwriters or for the Company, to amend the Registration Statement or amend or supplement any Prospectus in order that the Prospectuses will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement any Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectuses comply with such requirements, and the Company will furnish to the U.S. Underwriters such number of copies of such amendment or supplement as the U.S. Underwriters may reasonably request; provided, however, that any such amendment or supplement filed after nine months from the date hereof shall be at the expense of the U.S. Underwriters.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the U.S. Underwriters, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Global Coordinator may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Listing. The Securities are listed on the New York Stock Exchange or, in the case of Securities issuable upon the exchange of the Exchangeable Shares, the Company will use its best efforts to effect the listing of such Securities on the New York Stock Exchange.

(i) Restriction on Sale of Securities. During a period of 90 days from the date of the Prospectuses, the Company will not, without the prior written consent of the Global Coordinator, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including, without limitation, any Exchangeable Shares) or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (i) any shares of Common Stock issued by the Company upon the exercise or exchange of an option or warrant or the conversion of a security outstanding on the date hereof and referred to in the Prospectus, (ii) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectus, (iii) any options or shares of Common Stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan of the Company existing on the date hereof or (iv) any shares of Common Stock or any securities convertible or exchangeable into Common Stock issued as payment of any part of the purchase price for businesses which are acquired by the Company (provided,

however, that such shares shall be subject to restrictions that will prohibit the transfer thereof until after the expiration of the 90-day lock-up period described in the preceding sentence).

(j) Reporting Requirements. The Company, during the period when the Prospectuses are required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

SECTION 4. Payment of Expenses. (a) Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the printing and delivery to the Underwriters of this Agreement, any Agreement among Underwriters and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters and the transfer of the Securities between the U.S. Underwriters and the International Managers, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities and (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Securities, and (x) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange.

(b) Expenses of the Selling Stockholders. The Selling Stockholders will pay all expenses incident to the performance of their respective obligations under, and the consummation of the transactions contemplated by this Agreement, including any stamp duties, capital duties and stock transfer taxes, if any, payable upon the sale of the Securities to the U.S. Underwriters, and their transfer between the U.S. Underwriters pursuant to an agreement between such U.S. Underwriters; provided, however, that the Company has advised the U.S. Underwriters that the Company is paying the fees and disbursements of counsel to the Selling Stockholders.

(c) Termination of Agreement. If this Agreement is terminated by the U.S. Representatives in accordance with the provisions of Section 5 (other than subparagraphs (m) and

(n)), or Section 9(a)(i) hereof, the Company shall reimburse the U.S. Underwriters for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the U.S. Underwriters.

(d) Allocation of Expenses. The provisions of this Section shall not affect any agreement that the Company and the Selling Stockholders may make for the sharing of such costs and expenses.

SECTION 5. Conditions of U.S. Underwriters' Obligations. The obligations of the several U.S. Underwriters hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained in Section 1 hereof or in certificates of any officer of the Company or any subsidiary of the Company or on behalf of any Selling Stockholder delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the U.S. Underwriters. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of Counsel for Company. At Closing Time, the Representatives shall have received the opinion, dated as of Closing Time, of Morgan, Lewis & Bockius LLP, counsel for the Company, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters in the form previously agreed upon and to such further effect as counsel to the Underwriters may reasonably request.

(c) Opinions of General Counsel and Other Special Counsel. At Closing Time, the Representatives shall have received the opinion, dated as of Closing Time, of Paul M. Nation, General Counsel of the Company, in form and substance satisfactory to counsel for the Underwriters, together with signed or reproduced copies of such letter for each of the other Underwriters in the form previously agreed upon and to such further effect as counsel to the Underwriters may reasonably request. In addition, the Representatives shall have received the opinion, dated as of Closing Time, of Robert H. Gillard, counsel for Dreco Energy Services Ltd., in the form previously agreed upon.

(d) Opinion of Counsel for Selling Stockholders. At Closing Time, the U.S. Representatives shall have received the opinions, dated as of Closing Time, of Bracewell & Patterson, L.L.P., counsel for the Selling Stockholders, and Stikeman, Elliott, counsel for the Canadian Selling Stockholders, in form and substance satisfactory to counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters in the respective forms previously agreed upon and to such further effect as counsel to the U.S. Underwriters may reasonably request.

(e) Opinion of Counsel for U.S. Underwriters. At Closing Time, the U.S. Representatives shall have received the favorable opinion, dated as of Closing Time, of Andrews & Kurth L.L.P., counsel for the U.S. Underwriters, together with signed or reproduced copies of such letter for each of the other U.S. Underwriters with respect to the matters requested by the U.S. Underwriters.

(f) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the U.S. Representatives shall have received a certificate executed on behalf of the Company by the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(g) Certificate of Selling Stockholders. At Closing Time, the U.S. Representatives shall have received a certificate of an Attorney-in-Fact on behalf of each Selling Stockholder, severally and not jointly, dated as of Closing Time, to the effect that (i) the representations and warranties of each Selling Stockholder contained in Section 1(b) hereof are true and correct in all respects with the same force and effect as though expressly made at and as of Closing Time and (ii) each Selling Stockholder has complied in all material respects with all agreements and all conditions on its part to be performed under this Agreement at or prior to Closing Time.

(h) Accountant's Comfort Letters. At the time of the execution of this Agreement, the U.S. Representatives shall have received from each of Ernst & Young and, with respect to historical financial information concerning Dreco, Coopers & Lybrand a letter dated such date, in form and substance satisfactory to the U.S. Representatives, together with signed or reproduced copies of such

letters for each of the other U.S. Underwriters containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(i) Bring-down Comfort Letters. At Closing Time, the Representatives shall have received from each of Ernst & Young and Coopers & Lybrand a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (h) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(j) Approval of Listing. At Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(k) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(l) Lock-up Agreements. At the date of this Agreement, the U.S. Representatives shall have received an agreement substantially in the form of Exhibit A hereto signed by the persons listed on Schedule E hereto.

(m) Purchase of Initial International Securities. Contemporaneously with the purchase by the U.S. Underwriters of the Initial U.S. Securities under this Agreement, the International Managers shall have purchased the Initial International Securities under the International Purchase Agreement.

(n) Conditions to Purchase of U.S. Option Securities. In the event that the U.S. Underwriters exercise their option provided in Section 2(b) hereof to purchase all or any portion of the U.S. Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company or any subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the U.S. Representatives shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, executed on behalf of the Company by the President or a Vice President of the Company and the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(f) hereof remains true and correct as of such Date of Delivery.

(ii) Certificate of Selling Stockholders. A certificate dated such Date of Delivery, of an Attorney-in-Fact on behalf of each Selling Stockholder, confirming that the certificate

delivered at Closing Time pursuant to Section 5(g) remains true and correct as of such Date of Delivery.

(iii) Opinion of Counsel for Company. The opinion of Morgan, Lewis & Bockius LLP, counsel for the Company, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iv) Opinion of General Counsel and Other Special Counsel. The opinions of Paul M. Nation, General Counsel of the Company, and other counsel to the same effect as the opinions required by Section 5(c) hereof.

(v) Opinion of Counsel for the Selling Stockholders. The opinions of Bracewell & Patterson, L.L.P., counsel for the Selling Stockholders, and Stikeman, Elliott, counsel for the Canadian Selling Stockholders, in form and substance satisfactory to counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required in Section 5(d) hereof.

(vi) Opinion of Counsel for U.S. Underwriters. The opinion of Andrews & Kurth L.L.P., counsel for the U.S. Underwriters, dated such Date of Delivery, relating to the U.S. Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(e) hereof.

(vii) Bring-down Comfort Letters. A letter from each of Ernst & Young and Coopers & Lybrand, in form and substance satisfactory to the U.S. Representatives and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the U.S. Representatives pursuant to Section 5(h) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(o) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the U.S. Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the transfer and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the U.S. Representatives and counsel for the U.S. Underwriters.

(p) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of U.S. Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several U.S. Underwriters to purchase the relevant Option Securities, may be terminated by the U.S. Representatives by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of U.S. Underwriters. The Company agrees to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iii) except as otherwise provided in Section 6(c) below, against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above.

Each Selling Stockholder agrees, severally and not jointly, to indemnify and hold harmless each U.S. Underwriter and each person, if any, who controls any U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act with respect to information furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto). Notwithstanding anything in this Agreement to the contrary, each Selling Stockholder's aggregate liability under this indemnity shall be limited to an amount equal to the net proceeds (after deducting the underwriters' discount but before deducting expenses) received by such Selling Stockholder from the sale of Securities pursuant to this Agreement.

Notwithstanding the foregoing in this Section 6(a), (i) the foregoing indemnity agreements shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any U.S. Underwriter through the U.S. Representatives expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto) and (ii) the foregoing indemnity agreements with respect to any untrue statement contained in or omission from a preliminary prospectus shall not inure to the benefit of any U.S. Underwriter (or any person controlling such U.S. Underwriter) from whom the person asserting any such loss, liability, claim, damage or expense purchased any of the Securities which are the subject thereof if such person was not sent or given a copy of the U.S. Prospectus (as amended or supplemented, if applicable) (in each case exclusive of the documents from which information is incorporated by reference) at or prior to the written confirmation of the sale of such Securities to such person (other than as a result of the failure by the Company to comply with its obligations under Section 3(d) hereof) and the untrue statement contained in or omission from such preliminary prospectus was corrected in the U.S. Prospectus (as amended or supplemented, if applicable).

(b) Indemnification of Company, Directors and Officers and the Selling Stockholders. Each U.S. Underwriter severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, each of the Selling Stockholders, and each person, if any, who controls the Company or such Selling Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary U.S. prospectus or the U.S. Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by such U.S. Underwriter through the U.S.

Representatives expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto).

(c) **Actions against Parties; Notification.** Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided, however, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, the indemnifying party will not be liable to such indemnified party under this Section 6 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdiction arising out of the same general allegations or circumstances, designated by the U.S. Representatives in the case of paragraph (a) of this Section 6, representing the indemnified parties under such paragraph (a) who are parties to such action or actions) or (ii) the indemnifying party does not promptly retain counsel satisfactory to the indemnified party or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party. After such notice from the indemnifying party to such indemnified party, the indemnifying party will not be liable for the costs and expenses of any settlement of such action effected by such indemnified party without the consent of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto),

unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement. Notwithstanding the immediately preceding sentence, if at any time an indemnified party shall have requested in good faith an indemnifying party to reimburse the indemnified party for specified fees and expenses of counsel (the "Requested Expenses"), an indemnifying party shall not be liable for any settlement of the nature contemplated by Section 6(a)(ii) that is effected without its consent (after satisfaction of each of the conditions set forth in the immediately preceding sentence) if, prior to the date of such settlement, such indemnifying party determines in good faith that the Requested Expenses are not reasonable, reimburses such indemnified party in accordance with such request for the portion of the Requested Expenses it considers to be reasonable and provides written notice to the indemnified party substantiating the fact that the unpaid balance of the Requested Expenses is unreasonable.

(e) Cumulative Agreements. With respect to the Company and the Selling Stockholders, the provisions of this Section shall not affect any agreement between the Company and the Selling Stockholder with respect to indemnification; provided, any such agreements shall not affect the rights of the U.S. Underwriters or the obligations or liabilities of the Company and the Selling Stockholders to the U.S. Underwriters under this Agreement.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the U.S. Underwriters on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders on the one hand and of the U.S. Underwriters on

the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Selling Stockholders on the one hand and the U.S. Underwriters on the other hand in connection with the offering of the U.S. Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the U.S. Securities pursuant to this Agreement (before deducting expenses) received by the Selling Stockholders and the total underwriting discount received by the U.S. Underwriters, in each case as set forth on the cover of the U.S. Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the U.S. Securities as set forth on such cover.

The relative fault of the Company and the Selling Stockholders on the one hand and the U.S. Underwriters on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Selling Stockholders or by the U.S. Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the U.S. Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the U.S. Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, (i) no Selling Stockholder shall be required to contribute any amount in excess of the net proceeds (after deducting the underwriters' discount but before deducting expenses) received by such Selling Stockholder from the sale of Securities pursuant to this Agreement and (ii) no Selling Stockholder shall be required to contribute any amount under this Section 7 in excess of the losses, liabilities, claims, damages or expenses resulting from a claim of untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relating to information furnished in writing by such Selling Stockholder expressly for use in the Registration Statement, including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the U.S. Prospectus (or any amendment or supplement thereto).

Notwithstanding the provisions of this Section 7, no U.S. Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the U.S. Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such U.S. Underwriter has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls a U.S. Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such U.S. Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The U.S. Underwriters' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial U.S. Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any U.S. Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the Securities to the U.S. Underwriters.

SECTION 9. Termination of Agreement.

(a) Termination; General. The U.S. Representatives may terminate this Agreement, by notice to the Company and the Selling Stockholders, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the U.S. Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the U.S. Representatives, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or

if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default By One or More of the U.S. Underwriters. If one or more of the U.S. Underwriters shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the U.S. Representatives shall have the right, but not the obligation, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting U.S. Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the U.S. Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting U.S. Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting U.S. Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the U.S. Underwriters to purchase the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting U.S. Underwriter.

No action pursuant to this Section shall relieve any defaulting U.S. Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the U.S. Underwriters to purchase the relevant Option Securities, as the case may be, either the U.S. Representatives or the Selling Stockholders shall have the right to postpone Closing Time or the relevant Date of Delivery, as the case may be, for a period not

exceeding seven days in order to effect any required changes in the Registration Statement or Prospectuses or in any other documents or arrangements. As used herein, the term "U.S. Underwriter" includes any person substituted for a U.S. Underwriter under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the U.S. Underwriters shall be directed to the U.S. Representatives c/o Merrill Lynch & Co. at North Tower, World Financial Center, New York, New York 10281-1201, attention of Cara Londin, Vice President. Notices to the Company shall be directed to it at 5555 San Felipe, Suite 1600, Houston, Texas 77056, attention of Paul M. Nation, Vice President and General Counsel. Notices to the Selling Stockholders shall be directed to Edgar J. Marston, Bracewell & Patterson, L.L.P., South Tower, Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002.

SECTION 12. Parties. This Agreement shall each inure to the benefit of and be binding upon the U.S. Underwriters, the Selling Stockholders and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the U.S. Underwriters, the Selling Stockholders and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the U.S. Underwriters, the Selling Stockholders and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any U.S. Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 14. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Attorney-in-Fact for the Selling Stockholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the U.S. Underwriters, the Company and the Selling Stockholders in accordance with its terms.

Very truly yours,
NATIONAL-OILWELL, INC.

By: -----

Name:
Title:

SELLING STOCKHOLDERS

By: -----

As Attorney-in-Fact acting on behalf
of the Selling Stockholders named in
Schedule B hereto

By: -----

As Attorney-in-Fact acting on behalf
of the Selling Stockholders named in
Schedule B hereto

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH & CO.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
GOLDMAN, SACHS & CO.
MORGAN STANLEY & CO. INCORPORATED
THE ROBINSON-HUMPHREY COMPANY, LLC
SIMMONS & COMPANY INTERNATIONAL

By: MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By: -----
Authorized Signatory

For themselves and the other U.S. Representatives as
the U.S. Underwriters named in Schedule A hereto.

SCHEDULE A

Name of U.S. Underwriter	Number of Initial U.S. Securities
-----	-----
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Goldman, Sachs & Co.	
Morgan Stanley & Co. Incorporated	
The Robinson-Humphrey Company, LLC	
Simmons & Company International	

Total	8,560,000
	=====

SCHEDULE B

Name of Selling Stockholder -----	Number of Initial Securities -----	Number of Option Securities -----
James J. Fasnacht	120,000	18,000
W. Douglas Frame	16,000	2,400
Jerry N. Gauche	160,000	24,000
Lynn L. Leigh.	120,000	18,000
Frederick W. Pheasey	400,000	60,000
Robert L. Phillips	240,000	36,000
Joel V. Staff	96,000	14,400
[Staff Trusts]	416,000	62,400
First Reserve Fund V, Limited Partnership	105,603	15,840
First Reserve Fund VI, Limited Partnership	2,428,800	364,320
First Reserve Fund V-2, Limited Partnership	105,603	15,840
General Electric Capital Corporation	832,000	124,800
DPI Oil Service Partners Limited Partnership	3,008,294	451,244
DPI Partners II	239,706	35,956
B.D. Berryhill	88,000	13,200
Billy R. Hext	160,000	24,000
	-----	-----
Total	8,560,000 =====	1,284,000 =====

SCHEDULE C

NATIONAL-OILWELL, INC.

8,560,000 Shares of Common Stock

(Par Value \$.01 Per Share)

1. The initial public offering price per share for the Securities, determined as provided in said Section 2, shall be \$_____.

2. The purchase price per share for the U.S. Securities to be paid by the several U.S. Underwriters shall be \$_____, being an amount equal to the initial public offering price set forth above less \$_____ per share; provided that the purchase price per share for any U.S. Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial U.S. Securities but not payable on the U.S. Option Securities.

SCHEDULE D

List of Subsidiaries

U.S. Subsidiaries

Natoil, Inc.
NOW Oilfield Services, Inc
National-Oilwell, L.P.
National-Oilwell International, Inc.
Dreco, Inc.

Other Subsidiaries

Dreco Energy Services Ltd.

SCHEDULE E

List of Persons and Entities
Subject to Lock-up

Edgar J. Marston III, on behalf of the Trust created pursuant to the
National-Oilwell
Supplemental Savings Plan
Steven W. Krablin
Paul M. Nation
Gail M. McGee
Merrill A. Miller
Howard I. Bull
James C. Comis III
W. McComb Dunwoody
William E. MacCaulay
Bruce M. Rothstein

LOCK-UP LETTER

November 10, 1997

MERRILL LYNCH & CO. Merrill Lynch, Pierce, Fenner & Smith Incorporated Goldman, Sachs & Co. Morgan Stanley & Co. Incorporated The Robinson-Humphrey Company, LLC Simmons & Company International as U.S. Representatives of the several U.S. Underwriters c/o Merrill Lynch & Co. Merrill Lynch, Pierce, Fenner & Smith Incorporated World Financial Center New York, New York 10281-1209	Merrill Lynch International Goldman Sachs International Morgan Stanley & Co. International Limited The Robinson-Humphrey Company, LLC Simmons & Company International as Lead Managers for the several International Managers c/o Merrill Lynch International Ropemaker Place 25 Ropemaker Street London EC2Y 9LY England
--	---

Re: Proposed Public Offering of National-Oilwell, Inc. Common Stock

Dear Sirs:

The undersigned stockholder and/or officer and/or director of National-Oilwell, Inc., a Delaware corporation (the "COMPANY"), understands that Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MERRILL LYNCH"), Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, The Robinson-Humphrey Company, LLC and Simmons & Company International propose to enter into a U.S. Purchase Agreement and Merrill Lynch International, Goldman Sachs International, Morgan Stanley & Co. International Limited, The Robinson-Humphrey Company, LLC and Simmons & Company International propose to enter into an International Purchase Agreement (collectively, the "PURCHASE AGREEMENTS") with the Company and certain holders of securities of the Company named therein (the "SELLING STOCKHOLDERS") providing for the public offering of shares (the "SECURITIES") of the Company's common stock, par value \$.01 per share (the "COMMON STOCK"), by the Selling Stockholders. In recognition of the benefit that such an offering will confer upon the undersigned as a stockholder and/or officer and/or director of the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each underwriter to be named in the Purchase Agreements that, during a period of 90 days from the date of the Purchase Agreements, the

Exhibit A-1

undersigned will not, without the prior written consent of Merrill Lynch, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase any option, or contract to sell or grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into, or exchangeable or exercisable for, Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition, or file any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise; provided, (i) shares of Common Stock may be sold by any Affiliate (as defined below) of the undersigned pursuant to the Purchase Agreements; (ii) any person with shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock that are currently pledged as collateral for a loan made to such person may pledge such shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock as collateral for any loan of an equal or lesser amount in connection with the prepayment and cancellation of such loan, provided that the pledgee agrees to be bound by a similar lock-up agreement with respect to such securities; (iii) shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock may be transferred by the undersigned in a private transaction to a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned (an "AFFILIATE") if such Affiliate agrees prior to such transfer in writing to be bound by a similar lock-up agreement; (iv) shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock may be transferred as bona fide gifts by stockholders to persons who agree prior to such transfer to be bound by a similar lock-up agreement; and (v) shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock held by the trust pursuant to the Company's Supplemental Savings Plan may be transferred to a beneficial owner of such shares who is subject to a similar lock-up agreement pursuant to an event of termination.

Very truly yours,

Signature: _____

Print Name: _____

Title (if applicable): _____

Exhibit A-2

- - - - -
- - - - -

NATIONAL-OILWELL, INC.
(a Delaware corporation)

2,140,000 Shares of Common Stock

INTERNATIONAL PURCHASE AGREEMENT

Dated: November __, 1997

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NATIONAL-OILWELL, INC.

(a Delaware corporation)

2,140,000 Shares of Common Stock

(Par Value \$.01 Per Share)

INTERNATIONAL PURCHASE AGREEMENT

November __, 1997

MERRILL LYNCH INTERNATIONAL
Goldman Sachs International
Morgan Stanley International Limited
The Robinson-Humphrey Company, LLC
Simmons & Company International
as Lead Managers of the several International Managers
c/o Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
England

Ladies and Gentlemen:

National-Oilwell, Inc., a Delaware corporation (the "Company") and the persons listed in Schedule B hereto (the "Selling Stockholders") confirm their respective agreements with Merrill Lynch International ("Merrill Lynch") and each of the other international underwriters named in Schedule A hereto (collectively, the "International Managers", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom Merrill Lynch, Goldman Sachs International, Morgan Stanley International Limited, The Robinson-Humphrey Company, LLC and Simmons & Company International are acting as representatives (in such capacity, the "Lead Managers"), with respect to (i) the sale by the Selling Stockholders, acting severally and not jointly, and the purchase by the International Managers, acting severally and not jointly, of the respective numbers of shares of Common Stock, par value \$.01 per share, of the Company ("Common Stock") set forth in said Schedule A and B hereto, and (ii) with respect to the grant by the Selling Stockholders, acting severally and not jointly, to the International Managers, acting severally and not jointly, of the option described in Section 2(b) hereof to purchase all or any part of 321,000 additional shares of Common Stock to cover over-allotments, if any. The aforesaid

2,140,000 shares of Common Stock (the "Initial International Securities") to be purchased by the International Managers and all or any part of the 321,000 shares of Common Stock subject to the option described in Section 2(b) hereof (the "International Option Securities") are hereinafter called, collectively, the "International Securities."

It is understood that the Company is concurrently entering into an agreement dated the date hereof (the "U.S. Purchase Agreement") providing for the offering by Selling Stockholders, acting severally and not jointly, of an aggregate of 8,560,000 shares of Common Stock (the "Initial U.S. Securities") through arrangements with certain underwriters in the United States and Canada (the "U.S. Underwriters") for which Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, The Robinson-Humphrey Company, LLC and Simmons & Company International acting as U.S. representatives (the "U.S. Representatives") and the grant by certain Selling Stockholders, acting severally and not jointly, to the U.S. Underwriters, acting severally and not jointly, of an option to purchase all or any part of the U.S. Underwriters' pro rata portion of up to 1,284,000 additional shares of Common Stock solely to cover overallocments, if any (the "U.S. Option Securities" and, together with the International Option Securities, the "Option Securities"). The Initial U.S. Securities and the U.S. Option Securities are hereinafter called the "U.S. Securities." It is understood that the Selling Stockholders are not obligated to sell and the International Managers are not obligated to purchase, any Initial International Securities unless all of the Initial U.S. Securities are contemporaneously purchased by the U.S. Underwriters.

The International Managers and the U.S. Underwriters are hereinafter collectively called the "Underwriters," the Initial International Securities and the Initial U.S. Securities are hereinafter collectively called the "Initial Securities," and the International Securities and the U.S. Securities are hereinafter collectively called the "Securities."

The Underwriters will concurrently enter into an Intersyndicate Agreement of even date herewith (the "Intersyndicate Agreement") providing for the coordination of certain transactions among the Underwriters under the direction of Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (in such capacity, the "Global Coordinator").

The Selling Stockholders understand that the International Managers propose to make a public offering of the International Securities as soon as the Lead Managers deem advisable after this Agreement has been executed and delivered.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 333-_____) covering the registration of the Securities under the Securities Act of 1933, as amended (the "1933 Act"), including the related preliminary prospectus or prospectuses. Promptly after execution and delivery of this Agreement, the Company will either (i) prepare and file a prospectus in accordance with the provisions of Rule 430A ("Rule

430A") of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") and paragraph (b) of Rule 424 ("Rule 424(b)") of the 1933 Act Regulations or (ii) if the Company has elected to rely upon Rule 434 ("Rule 434") of the 1933 Act Regulations, prepare and file a term sheet (a "Term Sheet") in accordance with the provisions of Rule 434 and Rule 424(b). Two forms of prospectus are to be used in connection with the offering and sale of the Securities: one relating to the International Securities (the "Form of International Prospectus") and one relating to the U.S. Securities (the "Form of U.S. Prospectus"). The Form of International Prospectus is identical to the Form of U.S. Prospectus, except for the front cover and back cover pages and the information under the caption "Underwriting" and the inclusion in the Form of International Prospectus of a section under the caption "Certain United States Tax Considerations for Non-United States Holders." The information included in any such prospectus or in any such Term Sheet, as the case may be, that was omitted from such registration statement at the time it became effective but that is deemed to be part of such registration statement at the time it became effective (a) pursuant to paragraph (b) of Rule 430A is referred to as "Rule 430A Information" or (b) pursuant to paragraph (d) of Rule 434 is referred to as "Rule 434 Information." Each Form of International Prospectus and Form of U.S. Prospectus used before such registration statement became effective, and any prospectus that omitted, as applicable, the Rule 430A Information or the Rule 434 Information, that was used after such effectiveness and prior to the execution and delivery of this Agreement, is herein called a "preliminary prospectus." Such registration statement, including the exhibits thereto, schedules thereto, if any, and the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, at the time it became effective and including the Rule 430A Information and the Rule 434 Information, as applicable, is herein called the "Registration Statement." Any registration statement filed pursuant to Rule 462(b) of the 1933 Act Regulations is herein referred to as the "Rule 462(b) Registration Statement," and after such filing the term "Registration Statement" shall include the Rule 462(b) Registration Statement. The final Form of International Prospectus and the final Form of U.S. Prospectus, including the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, in the forms first furnished to the Underwriters for use in connection with the offering of the Securities are herein called the "International Prospectus" and the "U.S. Prospectus," respectively, and collectively, the "Prospectuses." If Rule 434 is relied on, the terms "International Prospectus" and "U.S. Prospectus" shall refer to the preliminary International Prospectus dated November ____, 1997 and preliminary U.S. Prospectus dated November ____, 1997, respectively, each together with the applicable Term Sheet and all references in this Agreement to the date of such Prospectuses shall mean the date of the applicable Term Sheet. For purposes of this Agreement, all references to the Registration Statement, any preliminary prospectus, the International Prospectus, the U.S. Prospectus or any Term Sheet or any amendment or supplement to any of the foregoing shall be deemed to include the copy filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval system ("EDGAR").

All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement, any preliminary

prospectus (including the Form of U.S. Prospectus and Form of International Prospectus) or the Prospectuses (or other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information as and to the extent incorporated by reference in the Registration Statement, any preliminary prospectus (including the Form of U.S. Prospectus and Form of International Prospectus) or the Prospectuses, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement, any preliminary prospectus or the Prospectuses shall be deemed to mean and include the filing of any document under the Securities Exchange Act of 1934 (the "1934 Act") as and to the extent incorporated by reference in the Registration Statement, such preliminary prospectus or the Prospectuses, as the case may be.

SECTION 1. Representations and Warranties.

(a) Representations and Warranties by the Company. The Company represents and warrants to each International Manager as of the date hereof, as of the Closing Time referred to in Section 2(c) hereof, and as of each Date of Delivery (if any) referred to in Section 2(b), hereof and agrees with each International Manager, as follows:

(i) Compliance with Registration Requirements. The Company meets the requirements for use of Form S-3 under the 1933 Act. Each of the Registration Statement and any Rule 462(b) Registration Statement has become effective under the 1933 Act and no stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement has been issued under the 1933 Act and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, are contemplated by the Commission, and any request on the part of the Commission for additional information has been complied with.

At the respective times the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendments thereto became effective and at the Closing Time (and, if any International Option Securities are purchased, at the Date of Delivery), the Registration Statement, the Rule 462(b) Registration Statement and any amendments and supplements thereto complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. Neither of the Prospectuses nor any amendments or supplements thereto, at the time the Prospectuses or any amendments or supplements thereto were issued and at the Closing Time (and, if any International Option Securities are purchased, at the Date of Delivery), included or will include an untrue statement of a material fact or omitted or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. If Rule 434 is used, the Company will comply with the requirements

of Rule 434. The representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or the International Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by any International Manager through the Lead Managers expressly for use in the Registration Statement or the International Prospectus.

Each preliminary prospectus and the prospectuses filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the 1933 Act, complied when so filed in all material respects with the 1933 Act Regulations and each preliminary prospectus and the Prospectuses delivered to the Underwriters for use in connection with this offering was identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(ii) Incorporated Documents. The documents incorporated or deemed to be incorporated by reference in the Registration Statement and the Prospectuses, when they became effective or at the time they were or hereafter are filed with the Commission, complied and will comply in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations or the 1934 Act and the rules and regulations of the Commission thereunder (the "1934 Act Regulations"), as applicable, and, when read together with the other information in the Prospectuses, at the time the Registration Statement became effective, at the time the Prospectuses were issued and at the Closing Time (and, if any International Option Securities are purchased, at the Date of Delivery), did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(iii) Independent Accountants. Each of the accountants who certified the financial statements and supporting schedules included or incorporated by reference in the Registration Statement are, to the knowledge of the Company, independent public accountants as required by the 1933 Act and the 1933 Act Regulations.

(iv) Financial Statements. The financial statements of the Company included or incorporated by reference in the Registration Statement and the Prospectuses present fairly in all material respects the financial position of the Company and its consolidated subsidiaries, or such other entity, as the case may be, at the dates indicated and the statement of operations, stockholders' equity and cash flows of the Company and its consolidated subsidiaries, or such other entity, as the case may be, for the periods specified in conformity with generally accepted accounting principles ("GAAP"), except for the omission of detailed information and footnotes in the case of unaudited interim financial statements included or incorporated by reference therein. The selected financial data and the summary financial information included in the Prospectuses present fairly the information shown therein and

have been compiled on a basis consistent with that of the financial statements included or incorporated by reference in the Registration Statement.

(v) No Material Adverse Change in Business. Since the respective dates as of which information is given in the Registration Statement and the Prospectuses, except as otherwise stated therein, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Effect"), (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise, and (C) except for a stock dividend paid on November 18, 1997 to holders of Common Stock and Exchangeable Shares ("Exchangeable Shares") of Dreco Energy Services Ltd. ("Dreco") on the record date therefor as described in the Prospectuses, there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(vi) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectuses and to enter into and perform its obligations under this Agreement; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect.

(vii) Good Standing of Subsidiaries. Each of the subsidiaries of the Company identified on Schedule D hereto (each a "Subsidiary" and, collectively, the "Subsidiaries"), which includes each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X), has been duly organized and is validly existing as a corporation or a limited partnership, as the case may be, in good standing under the laws of the jurisdiction of its incorporation or formation, has corporate (or partnership) power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation or limited partnership, as the case may be, to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not result in a Material Adverse Effect; except as otherwise disclosed in the Registration Statement, all of the issued and outstanding capital stock or partnership interests of each such Subsidiary has been duly authorized and validly issued, to the extent consisting of shares of capital stock

of a corporation, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity; none of the outstanding shares of capital stock of, and none of the outstanding partnership interests in, any Subsidiary was issued in violation of the preemptive or similar rights of any securityholder or partner of such Subsidiary. The only subsidiaries of the Company are (a) the subsidiaries listed on Schedule D hereto and (b) certain other subsidiaries which, considered in the aggregate as a single Subsidiary, do not constitute a "significant subsidiary" as defined in Rule 1-02 of Regulation S-X.

(viii) Capitalization. The authorized capital stock of the Company consists of (i) 75,000,000 shares of Common Stock, of which [51,271,368] shares are issued and outstanding as of [November 18, 1997], (ii) 10,000,000 shares of preferred stock, par value \$.01 per share ("Preferred Stock") of which no shares are outstanding and (iii) Special Voting Stock of which one share is outstanding. As of [November 18, 1997], there were issued and outstanding _____ Exchangeable Shares of Dreco, each of which is exchangeable into an equal number of shares of Common Stock. Since [November 18, 1997], no shares of capital stock of the Company have been issued except (i) upon the exchange of outstanding Exchangeable Shares and (ii) upon the exercise of issued and outstanding options granted under the Company's Stock Award and Long-Term Incentive Plan, the Company's Value Appreciation Plans and the Dreco Amended and Restated 1989 Employee Incentive Stock Option Plan. All the issued and outstanding capital stock of Dreco other than the Exchangeable Shares are owned beneficially and of record by the Company. The outstanding shares of capital stock of the Company (including without limitation the Securities) have been, and the shares of Common Stock issuable upon the exchange of the issued and outstanding Exchangeable Shares will be, duly authorized and validly issued and are fully paid and non-assessable; none of the outstanding shares of capital stock of the Company was issued, and none of the shares of Common Stock issuable upon the exchange of the issued and outstanding Exchangeable Shares will be issued, in violation of the preemptive or other similar rights of any securityholder of the Company. The Exchangeable Shares of Dreco have been duly authorized and validly issued by Dreco and represent the valid and binding obligations of the Company and Dreco, enforceable in accordance with their terms. The shares of Common Stock to be issued upon the exchange of the Exchangeable Shares have been duly authorized and validly reserved for issuance upon the exercise of the Exchangeable Shares. There are no outstanding options, warrants or similar rights to purchase or otherwise acquire from the Company additional shares of capital stock of the Company or Dreco, except pursuant to options granted under the Company's Stock Award and Long-Term Incentive Plan, the Company's Value Appreciation Plans and the Dreco Amended and Restated 1989 Employee Incentive Stock Option Plan.

(ix) Authorization of Agreement. This Agreement and the U.S. Purchase Agreement have been duly authorized, executed and delivered by the Company.

(x) Authorization and Description of Securities. The Securities to be purchased by the International Managers and the U.S. Underwriters from the Selling Stockholders are duly authorized, validly issued, fully paid and non-assessable, provided, in respect of the Securities to be sold by the Selling Stockholders after the exchange of the Exchangeable Shares or the exercise of options, such Securities have been duly authorized, and when issued and delivered by the Company prior to the Closing Time, will be validly issued, fully paid and non-assessable. The Common Stock conforms in all material respects to all statements relating thereto contained in the Prospectuses and such description conforms in all material respects to the rights set forth in the instruments defining the same; no holder of the Securities will be subject to personal liability solely by reason of being such a holder; and the issuance of the Securities is not subject to the preemptive or other similar rights of any securityholder of the Company or its subsidiaries.

(xi) Absence of Defaults and Conflicts. Neither the Company nor any of its subsidiaries is in violation of its charter or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any subsidiary is subject (collectively, "Agreements and Instruments") except for such defaults that would not result in a Material Adverse Effect; and the execution, delivery and performance of this Agreement and the U.S. Purchase Agreement and the consummation of the transactions contemplated in this Agreement, the U.S. Purchase Agreement and in the Registration Statement and compliance by the Company with its obligations under this Agreement and the U.S. Purchase Agreement have been duly authorized by all necessary corporate action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any subsidiary pursuant to, the Agreements and Instruments (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter or by-laws of the Company or any subsidiary or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any subsidiary or any of their assets, properties or operations. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company or any subsidiary.

(xii) Absence of Labor Dispute. No labor dispute with the employees of the Company or any subsidiary exists or, to the knowledge of the Company, is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or any subsidiary's principal suppliers, manufacturers, customers or contractors, which, in either case, may reasonably be expected to result in a Material Adverse Effect.

(xiii) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any subsidiary, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which may reasonably be expected to result in a Material Adverse Effect, or which may reasonably be expected to materially and adversely affect the consummation of the transactions contemplated in this Agreement and the U.S. Purchase Agreement or the performance by the Company of its obligations hereunder or thereunder; the aggregate of all pending legal or governmental proceedings to which the Company or any subsidiary is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement, including ordinary routine litigation incidental to the business, could not reasonably be expected to result in a Material Adverse Effect.

(xiv) Accuracy of Exhibits. There are no contracts or documents which are required to be described in the Registration Statement, the Prospectuses or the documents incorporated by reference therein or to be filed as exhibits thereto which have not been so described and filed as required.

(xv) Possession of Intellectual Property. Except to the extent it would not result in a Material Adverse Effect, the Company and its subsidiaries own or possess, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by them; and neither the Company nor any of its subsidiaries has received any notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Effect.

(xvi) Absence of Further Requirements. No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental

authority or agency is necessary or required for the performance by the Company of its obligations hereunder, in connection with the offering or sale of the Securities by the Selling Stockholders under this Agreement and the U.S. Purchase Agreement or the consummation of the transactions contemplated by this Agreement and the U.S. Purchase Agreement (including, without limitation, the exchange of the Exchangeable Shares for and issuance of the Securities prior to the Closing), except such as have been already obtained or as may be required under the 1933 Act or the 1933 Act Regulations and foreign or state securities or blue sky laws.

(xvii) Possession of Licenses and Permits. The Company and its subsidiaries possess such permits, licenses, approvals, consents and other authorizations (collectively, "Governmental Licenses") issued by the appropriate federal, state, local or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, and are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to possess or to comply would not, singly or in the aggregate, have a Material Adverse Effect; all of the Governmental Licenses are valid and in full force and effect, except when the invalidity of such Governmental Licenses or the failure of such Governmental Licenses to be in full force and effect would not have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would result in a Material Adverse Effect.

(xviii) Title to Property. The Company and its subsidiaries have good and marketable title to all real property owned by the Company and its subsidiaries and good title to all other properties owned by them, in each case, free and clear of all mortgages, pledges, liens, security interests (except purchase money security interests), claims, restrictions or encumbrances of any kind except such as (a) are disclosed in the Prospectuses or (b) do not, singly or in the aggregate, materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company or any of its subsidiaries; and all of the leases and subleases material to the business of the Company and its subsidiaries, considered as one enterprise, and under which the Company or any of its subsidiaries holds properties described in the Prospectuses, are in full force and effect, and neither the Company nor any subsidiary has any notice of any material claim of any sort that has been asserted by anyone adverse to the rights of the Company or any subsidiary under any of the leases or subleases mentioned above, or affecting or questioning the rights of the Company or such subsidiary to the continued possession of the leased or subleased premises under any such lease or sublease.

(xix) Investment Company Act. The Company is not, and upon the sale of the Securities as herein contemplated will not be, an "investment company" as such term is defined in the Investment Company Act of 1940, as amended (the "1940 Act").

(xx) Environmental Laws. Except as disclosed in the Registration Statement or except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any federal, state, local or foreign statute, law, rule, regulation, ordinance, code, policy or rule of common law or any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products (collectively, "Hazardous Materials") or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws and are each in compliance with their requirements, (C) there are no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that may reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or governmental body or agency, against or affecting the Company or any of its subsidiaries relating to Hazardous Materials or any Environmental Laws.

(xxi) Registration Rights. There are no persons with registration rights or other similar rights to have any securities registered pursuant to the Registration Statement except to the extent the Company is in compliance with such rights or such rights have been waived.

(xxii) Insurance. The Company maintains reasonably adequate insurance for the business conducted by the Company and its subsidiaries.

(xxiii) Accounting Controls. The Company and the Subsidiaries maintain a system of accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with the management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared

with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiv) Stockholders Consents and Agreements. The Company has obtained all consents from and provided all requisite notices to, or otherwise secured all requisite waivers from, any other stockholders required in connection with the sale of the Securities.

(b) Representations and Warranties by the Selling Stockholders. Each Selling Stockholder, severally and not jointly, represents and warrants to each Underwriter as of the date hereof, as the Closing Time, and, if the Selling Stockholder is selling Option Securities on a Date of Delivery, as of each such Date of Delivery, and agrees with each Underwriter, as follows:

(i) Accurate Disclosure. To the best knowledge of such Selling Stockholder, the representations and warranties of the Company contained in Section 1(a) hereof are true and correct; such Selling Stockholder has reviewed the Registration Statement and the Prospectuses and, to the knowledge of such Selling Stockholder, neither the Prospectuses nor any amendments or supplements thereto includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; such Selling Stockholder is not prompted to sell the Securities to be sold by such Selling Stockholder hereunder by any information concerning the Company or any subsidiary of the Company which is not set forth in the Prospectuses.

(ii) Authorization of Agreements. Each Selling Stockholder has, and as of the Closing Time or Date of Delivery will have, the full right, power and authority, and all authorization and approval required by law, to enter into this Agreement and an Irrevocable Power of Attorney and a Custody Agreement (collectively, the "Power of Attorney and Custody Agreement") and to sell, transfer and deliver the Securities to be sold by such Selling Stockholder hereunder. The execution and delivery of this Agreement and the Power of Attorney and Custody Agreement by or on behalf of such Selling Stockholder and the sale and delivery of the Securities to be sold by such Selling Stockholder and the consummation of the transactions contemplated herein and compliance by such Selling Stockholder and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon the Securities to be sold by such Selling Stockholder or any property or assets of such Selling Stockholder pursuant to any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, license, lease or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder may be bound, or to which any of the property or assets of such Selling Stockholder is subject, nor will such action result in any violation of the provisions of the charter or by-laws or other organizational instrument of such Selling Stockholder, if

applicable, or any applicable treaty, law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over such Selling Stockholder or any of its properties.

(iii) Good Title. Such Selling Stockholder has (provided, (i) if such Selling Stockholder currently holds Exchangeable Shares, such Selling Stockholder represents as of the date of this Agreement only with respect to such Exchangeable Shares and (ii) if such Selling Stockholder currently holds options, such Selling Stockholder represents as of the date of this Agreement only with respect to such options and the current exercisability of such options) and in any case will at the Closing Time and, if any Option Securities are purchased, on the Date of Delivery have good title to the Securities to be sold by such Selling Stockholder hereunder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind, other than pursuant to this Agreement and the U.S. Purchase Agreement; provided, the Securities are currently subject to applicable restrictions on transfer under the 1933 Act and upon delivery of such Securities and payment of the purchase price therefor as herein contemplated assuming each such Underwriter has no notice of any adverse claim, each of the Underwriters will receive good title to the Securities purchased by it from such Selling Stockholder, free and clear of any security interest, mortgage, pledge, lien, charge, claim, equity or encumbrance of any kind.

(iv) Due Execution of Power of Attorney and Custody Agreement. Such Selling Stockholder has duly executed and delivered, in the forms heretofore furnished to the Lead Managers, the Power of Attorney and Custody Agreement with W. McComb Dunwoody, William E. MacCaulay and Joel V. Staff or any of them, as attorneys-in-fact (the "Attorneys-in-Fact") and Texas Commerce Bank National Association, as custodian (the "Custodian"); the Custodian is authorized to exchange the Exchangeable Shares or exercise options under designated option agreements, if applicable, and to deliver the Securities to be sold by such Selling Stockholder hereunder and to accept payment therefor; and the requisite Attorneys-in-Fact are authorized to execute and deliver this Agreement and the certificate referred to in Section 5(f) or that may be required pursuant to Section(s) 5(l) and 5(m) on behalf of such Selling Stockholder, to sell, assign and transfer to the Underwriters the Securities to be sold by such Selling Stockholder hereunder, to determine the purchase price to be paid by the Underwriters to such Selling Stockholder, as provided in Section 2(a) hereof, to authorize the delivery of the Securities to be sold by such Selling Stockholder hereunder, to accept payment therefor, and otherwise to act on behalf of such Selling Stockholder in connection with this Agreement.

(v) Absence of Manipulation. Such Selling Stockholder has not taken, and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(vi) Absence of Further Requirements. No filing with, or consent, approval, authorization, order, registration, qualification or decree of, any court or governmental authority or agency, domestic or foreign, is necessary or required for the performance by each Selling Stockholder of its obligations hereunder or in the Power of Attorney and Custody Agreement, or in connection with the sale and delivery of the Securities hereunder or the consummation of the transactions contemplated by this Agreement, except such as may have previously been made or obtained or as may be required under the 1933 Act or the 1933 Act Regulations or under applicable foreign or state securities laws.

(vii) Restriction on Sale of Securities. During a period of 90 days from the date of the Prospectus, such Selling Stockholder will not, without the prior written consent of Merrill Lynch, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including, without limitation, any Exchangeable Shares) or request the Company to file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (i) the Securities to be sold hereunder; (ii) the pledge of shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock that are currently pledged as collateral for a loan made to such person for any loan of an equal or lesser amount in connection with the prepayment and cancellation of such loan by any Selling Stockholder, provided that the pledgee agrees to be bound by a similar lock-up agreement with respect to such securities; (iii) the transfer by a Selling Stockholder of shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock in a private transaction to a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Selling Stockholder (an "Affiliate") if such Affiliate agrees prior to such transfer in writing to be bound by a similar lock-up agreement; (iv) bona fide gifts by such Selling Stockholder of shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock to persons who agree prior to such transfer to be bound by a similar lock-up agreement.

(viii) Certificates Suitable for Transfer. Certificates for all of the Securities to be sold by such Stockholder pursuant to this Agreement, in suitable form for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures guaranteed, have been placed in custody with the Custodian with irrevocable

conditional instructions to deliver such Securities to the Underwriters pursuant to this Agreement.

(ix) No Association with NASD. Neither such Selling Stockholder nor any of his, her or its affiliates directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, or has any other association with (within the meaning of Article I, Section 1(m) of the By-laws of the National Association of Securities Dealers, Inc.), any member firm of the National Association of Securities Dealers, Inc.

(c) Officer's Certificates. Any certificate signed by any officer of the Company or any of its subsidiaries delivered to the Global Coordinator, the Lead Managers or to counsel for the International Managers shall be deemed a representation and warranty by the Company to each International Manager as to the matters covered thereby.

SECTION 2. Sale and Delivery to International Managers; Closing.

(a) Initial Securities. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Selling Stockholder, severally and not jointly, agrees to sell to each International Manager, severally and not jointly, and each International Manager, severally and not jointly, agrees to purchase from each Selling Stockholder, severally and not jointly, at the price per share set forth in Schedule B, the number of Initial International Securities set forth in Schedule A opposite the name of such International Manager, plus any additional number of Initial International Securities which such International Manager may become obligated to purchase pursuant to the provisions of Section 10 hereof bears to the total number of Initial International Securities, subject, in each case, to such adjustments among the International Managers as the Lead Managers in their sole discretion shall make to eliminate any sales or purchases of fractional securities.

(b) Option Securities. In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, each Selling Stockholder hereby grants an option to the International Managers, severally and not jointly, to purchase up to an additional 321,000 shares of Common Stock in the respective number of shares set forth opposite their respective names on Schedule B at the price per share set forth in Schedule C, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial International Securities but not payable on the International Option Securities. The option hereby granted will expire 30 days after the date hereof and may be exercised in whole or in part from time to time only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial International Securities upon notice by the Global Coordinator to the Company setting forth the number of International Option Securities as to which the several International Managers are then exercising the option and the time and date of payment and delivery for such International Option Securities. Any such time and date of delivery for the International

Option Securities (a "Date of Delivery") shall be determined by the Global Coordinator, but shall not be later than seven full business days after the exercise of said option, nor in any event prior to the Closing Time, as hereinafter defined. If the option is exercised as to all or any portion of the International Option Securities, each of the International Managers, acting severally and not jointly, will purchase that proportion of the total number of International Option Securities then being purchased which the number of Initial International Securities set forth in Schedule A opposite the name of such International Manager bears to the total number of Initial International Securities, subject in each case to such adjustments as the Global Coordinator in its discretion shall make to eliminate any sales or purchases of fractional shares.

(c) Payment. Payment of the purchase price for, and delivery of certificates for, the Initial Securities shall be made at the offices of Andrews & Kurth L.L.P., 4200 Texas Commerce Tower, 600 Travis Street, Houston, Texas 77002, or at such other place as shall be agreed upon by the Global Coordinator and the Selling Stockholders, at 10:00 A.M. (Eastern time) on the third (fourth, if the pricing occurs after 4:30 P.M. (Eastern time) on any given day) business day after the date hereof (unless postponed in accordance with the provisions of Section 10), or such other time not later than ten business days after such date as shall be agreed upon by the Global Coordinator, the Selling Stockholders and the Company (such time and date of payment and delivery being herein called "Closing Time").

In addition, in the event that any or all of the International Option Securities are purchased by the International Managers, payment of the purchase price for, and delivery of certificates for, such International Option Securities shall be made at the above-mentioned offices, or at such other place as shall be agreed upon by the Global Coordinator and the Company, on each Date of Delivery as specified in the notice from the Global Coordinator to the Selling Stockholders and Company.

Payment shall be made to the Selling Stockholders by checks or wire transfer of immediately available funds to a bank account designated by the Selling Stockholders, against delivery to the Lead Managers for the respective accounts of the International Managers of certificates for the International Securities to be purchased by them. It is understood that each International Manager has authorized the Lead Managers, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Initial International Securities and the International Option Securities, if any, which it has agreed to purchase. Merrill Lynch, individually and not as representative of the International Managers, may (but shall not be obligated to) make payment of the purchase price for the Initial International Securities or the International Option Securities, if any, to be purchased by any International Manager whose funds have not been received by the Closing Time or the relevant Date of Delivery, as the case may be, but such payment shall not relieve such International Manager from its obligations hereunder.

(d) Denominations; Registration. Certificates for the Initial International Securities and the International Option Securities, if any, shall be in such denominations and registered in such

names as the Lead Managers may request in writing at least one full business day before the Closing Time or the relevant Date of Delivery, as the case may be. The certificates for the Initial International Securities and the International Option Securities, if any, will be made available for examination and packaging by the Lead Managers in the City of New York not later than 10:00 A.M. (Eastern time) on the business day prior to the Closing Time or the relevant Date of Delivery, as the case may be.

SECTION 3. Covenants of the Company. The Company covenants with each International Manager and each Selling Stockholder as follows:

(a) Compliance with Securities Regulations and Commission Requests. The Company, subject to Section 3(b), will comply with the requirements of Rule 430A or Rule 434, as applicable, and will notify the Global Coordinator immediately, and confirm the notice in writing, (i) when any post-effective amendment to the Registration Statement shall become effective, or any supplement to the Prospectuses or any amended Prospectuses shall have been filed, (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectuses or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any preliminary prospectus, or of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, or of the initiation or threatening of any proceedings for any of such purposes. The Company will promptly effect the filings necessary pursuant to Rule 424(b) and will take such steps as it deems necessary to ascertain promptly whether the form of prospectus transmitted for filing under Rule 424(b) was received for filing by the Commission and, in the event that it was not, it will promptly file such prospectus. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) Filing of Amendments. The Company will give the Global Coordinator notice of its intention to file or prepare any amendment to the Registration Statement (including any filing under Rule 462(b)), any Term Sheet or any amendment, supplement or revision to either the prospectus included in the Registration Statement at the time it became effective or to the Prospectuses, whether pursuant to the 1933 Act, the 1934 Act or otherwise; in addition, the Company will use its best efforts to furnish the Global Coordinator with copies of any such documents a reasonable amount of time prior to such proposed filing or use, as the case may be, and will not file or use any such document to which the Global Coordinator or counsel for the International Managers shall reasonably object during the period contemplated in Section 3(e) hereto.

(c) Delivery of Registration Statements. The Company has furnished or will deliver to the Lead Managers and counsel for the International Managers, without charge, signed

copies of the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed to be incorporated by reference therein) and signed copies of all consents and certificates of experts, and will also deliver to the Lead Managers, without charge, a conformed copy of the Registration Statement as originally filed and of each amendment thereto (without exhibits) for each of the International Managers. The copies of the Registration Statement and each amendment thereto furnished to the International Managers will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(d) Delivery of Prospectuses. The Company has delivered to each International Manager without charge, as many copies of each preliminary prospectus as such International Manager reasonably requested, and the Company hereby consents to the use of such copies for purposes permitted by the 1933 Act. The Company will furnish to each International Manager, without charge, during the period when the International Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the International Prospectus (as amended or supplemented) as such International Manager may reasonably request. The International Prospectus and any amendments or supplements thereto furnished to the International Managers will be identical to the electronically transmitted copies thereof filed with the Commission pursuant to EDGAR, except to the extent permitted by Regulation S-T.

(e) Continued Compliance with Securities Laws. The Company will comply with the 1933 Act and the 1933 Act Regulations and the 1934 Act and the 1934 Act Regulations so as to permit the completion of the distribution of the Securities as contemplated in this Agreement, the U.S. Purchase Agreement and in the Prospectuses. If at any time when a prospectus is required by the 1933 Act to be delivered in connection with sales of the Securities, any event shall occur or condition shall exist as a result of which it is necessary, in the opinion of counsel for the International Managers or for the Company, to amend the Registration Statement or amend or supplement any Prospectus in order that the Prospectuses will not include any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, or if it shall be necessary, in the opinion of such counsel, at any such time to amend the Registration Statement or amend or supplement any Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the Commission, subject to Section 3(b), such amendment or supplement as may be necessary to correct such statement or omission or to make the Registration Statement or the Prospectuses comply with such requirements, and the Company will furnish to the International Managers such number of copies of such amendment or supplement as the International Managers may reasonably request; provided, however, that any such amendment or supplement filed after nine months from the date hereof shall be at the expense of the International Managers.

(f) Blue Sky Qualifications. The Company will use its best efforts, in cooperation with the International Managers, to qualify the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions (domestic or foreign) as the Global Coordinator may designate and to maintain such qualifications in effect for a period of not less than one year from the later of the effective date of the Registration Statement and any Rule 462(b) Registration Statement; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject. In each jurisdiction in which the Securities have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for a period of not less than one year from the effective date of the Registration Statement and any Rule 462(b) Registration Statement.

(g) Rule 158. The Company will timely file such reports pursuant to the 1934 Act as are necessary in order to make generally available to its securityholders as soon as practicable an earnings statement for the purposes of, and to provide the benefits contemplated by, the last paragraph of Section 11(a) of the 1933 Act.

(h) Listing. The Securities are listed on the New York Stock Exchange or, in the case of Securities issuable upon the exchange of the Exchangeable Shares, the Company will use its best efforts to effect the listing of such Securities on the New York Stock Exchange.

(i) Restriction on Sale of Securities. During a period of 90 days from the date of the Prospectuses, the Company will not, without the prior written consent of the Global Coordinator, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any share of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock (including, without limitation, any Exchangeable Shares) or file any registration statement under the 1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (i) any shares of Common Stock issued by the Company upon the exercise or exchange of an option or warrant or the conversion of a security outstanding on the date hereof and referred to in the Prospectus, (ii) any shares of Common Stock issued or options to purchase Common Stock granted pursuant to existing employee benefit plans of the Company referred to in the Prospectus, (iii) any options or shares of Common Stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan of the Company existing on the date hereof or (iv) any shares of Common Stock or any securities convertible or exchangeable into Common Stock issued as payment of any part of the purchase price for businesses which are acquired by the Company (provided,

however, that such shares shall be subject to restrictions that will prohibit the transfer thereof until after the expiration of the 90-day lock-up period described in the preceding sentence).

(j) Reporting Requirements. The Company, during the period when the Prospectuses are required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations.

SECTION 4. Payment of Expenses. (a) Expenses. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, printing and filing of the Registration Statement (including financial statements and exhibits) as originally filed and of each amendment thereto, (ii) the printing and delivery to the Underwriters of this Agreement, any Agreement among International Managers and such other documents as may be required in connection with the offering, purchase, sale, issuance or delivery of the Securities, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to the Underwriters and the transfer of the Securities between the U.S. Underwriters and the International Managers, (iv) the fees and disbursements of the Company's counsel, accountants and other advisors, (v) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of the Blue Sky Survey and any supplement thereto, (vi) the printing and delivery to the Underwriters of copies of each preliminary prospectus, any Term Sheets and of the Prospectuses and any amendments or supplements thereto, (vii) the preparation, printing and delivery to the Underwriters of copies of the Blue Sky Survey and any supplement thereto, (viii) the fees and expenses of any transfer agent or registrar for the Securities and (ix) the filing fees incident to, and the reasonable fees and disbursements of counsel to the Underwriters in connection with, the review by the National Association of Securities Dealers, Inc. (the "NASD") of the terms of the sale of the Securities, and (x) the fees and expenses incurred in connection with the listing of the Securities on the New York Stock Exchange.

(b) Expenses of the Selling Stockholders. The Selling Stockholders will pay all expenses incident to the performance of their respective obligations under, and the consummation of the transactions contemplated by this Agreement, including any stamp duties, capital duties and stock transfer taxes, if any, payable upon the sale of the Securities to the International Managers, and their transfer between the International Managers pursuant to an agreement between such International Managers; provided, however, that the Company has advised the International Managers that the Company is paying the fees and disbursements of counsel to the Selling Stockholders.

(c) Termination of Agreement. If this Agreement is terminated by the Lead Managers in accordance with the provisions of Section 5 (except subparagraphs (m) and (n)), or Section 9(a)(i)

hereof, the Company shall reimburse the International Managers for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the International Managers.

(d) Allocation of Expenses. The provisions of this Section shall not affect any agreement that the Company and the Selling Stockholders may make for the sharing of such costs and expenses.

SECTION 5. Conditions of International Managers' Obligations. The obligations of the several International Managers hereunder are subject to the accuracy of the representations and warranties of the Company and the Selling Stockholders contained in Section 1 hereof or in certificates of any officer of the Company or any subsidiary of the Company or on behalf of any Selling Stockholder delivered pursuant to the provisions hereof, to the performance by the Company of its covenants and other obligations hereunder, and to the following further conditions:

(a) Effectiveness of Registration Statement. The Registration Statement, including any Rule 462(b) Registration Statement, has become effective and at Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission, and any request on the part of the Commission for additional information shall have been complied with to the reasonable satisfaction of counsel to the International Managers. A prospectus containing the Rule 430A Information shall have been filed with the Commission in accordance with Rule 424(b) (or a post-effective amendment providing such information shall have been filed and declared effective in accordance with the requirements of Rule 430A) or, if the Company has elected to rely upon Rule 434, a Term Sheet shall have been filed with the Commission in accordance with Rule 424(b).

(b) Opinion of Counsel for Company. At Closing Time, the Lead Managers shall have received the opinion, dated as of Closing Time, of Morgan, Lewis & Bockius LLP, counsel for the Company, in form and substance satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers in the form previously agreed upon and to such further effect as counsel to the International Managers may reasonably request.

(c) Opinions of General Counsel and Other Special Counsel. At Closing Time, the Lead Managers shall have received the opinion, dated as of Closing Time, of Paul M. Nation, General Counsel of the Company, in form and substance satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers in the form previously agreed upon and to such further effect as counsel to the International Managers may reasonably request. In addition, the Lead Managers shall have received the opinion, dated as of Closing Time, of Robert H. Gillard, counsel for Dreco Energy Services Ltd., in the form previously agreed upon.

(d) Opinion of Counsel for Selling Stockholders. At Closing Time, the Lead Managers shall have received the opinions, dated as of Closing Time, of Bracewell & Patterson, L.L.P., counsel for the Selling Stockholders, and Stikeman, Elliott, counsel for the Canadian Selling Stockholders, in form and substance satisfactory to counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers in the respective forms previously agreed upon and to such further effect as counsel to the International Managers may reasonably request.

(e) Opinion of Counsel for International Managers. At Closing Time, the Lead Managers shall have received the favorable opinion, dated as of Closing Time, of Andrews & Kurth L.L.P., counsel for the International Managers, together with signed or reproduced copies of such letter for each of the other International Managers with respect to the matters requested by the International Managers.

(f) Officers' Certificate. At Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Prospectuses, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Lead Managers shall have received a certificate executed on behalf of the Company by the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1(a) hereof are true and correct with the same force and effect as though expressly made at and as of Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to Closing Time, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or are contemplated by the Commission.

(g) Certificate of Selling Stockholders. At Closing Time, the Lead Managers shall have received a certificate of an Attorney-in-Fact on behalf of each Selling Stockholder, severally and not jointly, dated as of Closing Time, to the effect that (i) the representations and warranties of each Selling Stockholder contained in Section 1(b) hereof are true and correct in all respects with the same force and effect as though expressly made at and as of Closing Time and (ii) each Selling Stockholder has complied in all material respects with all agreements and all conditions on its part to be performed under this Agreement at or prior to Closing Time.

(h) Accountant's Comfort Letters. At the time of the execution of this Agreement, the Lead Managers shall have received from each of Ernst & Young and, with respect to historical financial information concerning Dreco, Coopers & Lybrand a letter dated such date, in form and substance satisfactory to the Lead Managers, together with signed or reproduced copies of such

letters for each of the other International Managers containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement and the Prospectuses.

(i) Bring-down Comfort Letters. At Closing Time, the Lead Managers shall have received from each of Ernst & Young and Coopers & Lybrand a letter, dated as of Closing Time, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (h) of this Section, except that the specified date referred to shall be a date not more than three business days prior to Closing Time.

(j) Approval of Listing. At Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange, subject only to official notice of issuance.

(k) No Objection. The NASD has confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and arrangements.

(l) Lock-up Agreements. At the date of this Agreement, the Lead Managers shall have received an agreement substantially in the form of Exhibit A hereto signed by the persons listed on Schedule E hereto.

(m) Purchase of Initial U.S. Securities. Contemporaneously with the purchase by the International Managers of the Initial International Securities under this Agreement, the U.S. Underwriters shall have purchased the Initial U.S. Securities under the U.S. Purchase Agreement.

(n) Conditions to Purchase of International Option Securities. In the event that the International Managers exercise their option provided in Section 2(b) hereof to purchase all or any portion of the International Option Securities, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company or any subsidiary of the Company hereunder shall be true and correct as of each Date of Delivery and, at the relevant Date of Delivery, the Lead Managers shall have received:

(i) Officers' Certificate. A certificate, dated such Date of Delivery, executed on behalf of the Company by the President or a Vice President of the Company and the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(f) hereof remains true and correct as of such Date of Delivery.

(ii) Certificate of Selling Stockholders. A certificate dated such Date of Delivery, of an Attorney-in-Fact on behalf of each Selling Stockholder, confirming that the certificate

delivered at Closing Time pursuant to Section 5(g) remains true and correct as of such Date of Delivery.

(iii) Opinion of Counsel for Company. The opinion of Morgan, Lewis & Bockius LLP, counsel for the Company, in form and substance satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b) hereof.

(iv) Opinion of General Counsel and Other Special Counsel. The opinions of Paul M. Nation, General Counsel of the Company, and other counsel to the same effect as the opinions required by Section 5(c) hereof.

(v) Opinion of Counsel for the Selling Stockholders. The opinions of Bracewell & Patterson, L.L.P., counsel for the Selling Stockholders, and Stikeman, Elliott counsel for the Canadian Selling Stockholders, in form and substance satisfactory to counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required in Section 5(d) hereof.

(vi) Opinion of Counsel for International Managers. The opinion of Andrews & Kurth L.L.P., counsel for the International Managers, dated such Date of Delivery, relating to the International Option Securities to be purchased on such Date of Delivery and otherwise to the same effect as the opinion required by Section 5(e) hereof.

(vii) Bring-down Comfort Letters. A letter from each of Ernst & Young and Coopers & Lybrand, in form and substance satisfactory to the Lead Managers and dated such Date of Delivery, substantially in the same form and substance as the letter furnished to the Lead Managers pursuant to Section 5(h) hereof, except that the "specified date" in the letter furnished pursuant to this paragraph shall be a date not more than five days prior to such Date of Delivery.

(o) Additional Documents. At Closing Time and at each Date of Delivery, counsel for the International Managers shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the transfer and sale of the Securities as herein contemplated shall be reasonably satisfactory in form and substance to the Lead Managers and counsel for the International Managers.

(p) Termination of Agreement. If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement, or, in the case of any condition to the purchase of International Option Securities on a Date of Delivery which is after the Closing Time, the obligations of the several International Managers to purchase the relevant Option Securities, may be terminated by the Lead Managers by notice to the Company at any time at or prior to Closing Time or such Date of Delivery, as the case may be, and such termination shall be without liability of any party to any other party except as provided in Section 4 and except that Sections 1, 6, 7 and 8 shall survive any such termination and remain in full force and effect.

SECTION 6. Indemnification.

(a) Indemnification of International Managers. The Company agrees to indemnify and hold harmless each International Manager and each person, if any, who controls any International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act to the extent and in the manner set forth in clauses (i), (ii) and (iii) below:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact included in any preliminary prospectus or the Prospectuses (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 6(d) below) any such settlement is effected with the written consent of the Company; and

(iii) except as otherwise provided in Section 6(c) below, against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by Merrill Lynch), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above.

Each Selling Stockholder agrees, severally and not jointly, to indemnify and hold harmless each International Manager and each person, if any, who controls any International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act with respect to information furnished in writing by or on behalf of such Selling Stockholder expressly for use in the Registration Statement, including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the International Prospectus (or any amendment or supplement thereto). Notwithstanding anything in this Agreement to the contrary, each Selling Stockholder's aggregate liability under this indemnity, shall be limited to an amount equal to the net proceeds (after deducting the underwriters' discount but before deducting expenses) received by such Selling Stockholder from the sale of Securities pursuant to this Agreement.

Notwithstanding the foregoing in this Section 6(a), (i) the foregoing indemnity agreements shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by any International Manager through the Lead Managers expressly for use in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary prospectus or the International Prospectus (or any amendment or supplement thereto) and (ii) the foregoing indemnity agreements with respect to any untrue statement contained in or omission from a preliminary prospectus shall not inure to the benefit of any International Manager (or any person controlling such International Manager) from whom the person asserting any such loss, liability, claim, damage or expense purchased any of the Securities which are the subject thereof if such person was not sent or given a copy of the International Prospectus (as amended or supplemented, if applicable) (in each case exclusive of the documents from which information is incorporated by reference) at or prior to the written confirmation of the sale of such Securities to such person (other than as a result of the failure by the Company to comply with its obligations under Section 3(d) hereof) and the untrue statement contained in or omission from such preliminary prospectus was corrected in the International Prospectus (as amended or supplemented, if applicable).

(b) Indemnification of Company, Directors and Officers and the Selling Stockholders. Each International Manager severally agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, each of the Selling Stockholders, and each person, if any, who controls the Company or such Selling Stockholder within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto), including the Rule 430A Information and the Rule 434 Information, if applicable, or any preliminary international prospectus or the International Prospectus (or any amendment or supplement thereto)

in reliance upon and in conformity with written information furnished to the Company by such International Manager through the Lead Managers expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the International Prospectus (or any amendment or supplement thereto).

(c) Actions against Parties; Notification. Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; provided, however, that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be one or more legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnifying party shall not have the right to direct the defense of such action on behalf of such indemnified party or parties and such indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, the indemnifying party will not be liable to such indemnified party under this Section 6 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdiction arising out of the same general allegations or circumstances, designated by the Lead Managers in the case of paragraph (a) of this Section 6, representing the indemnified parties under such paragraph (a) who are parties to such action or actions) or (ii) the indemnifying party does not promptly retain counsel satisfactory to the indemnified party or (iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party. After such notice from the indemnifying party to such indemnified party, the indemnifying party will not be liable for the costs and expenses of any settlement of such action effected by such indemnified party without the consent of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim

whatsoever in respect of which indemnification or contribution could be sought under this Section 6 or Section 7 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) Settlement without Consent if Failure to Reimburse. If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 6(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement. Notwithstanding the immediately preceding sentence, if at any time an indemnified party shall have requested in good faith an indemnifying party to reimburse the indemnified party for specified fees and expenses of counsel (the "Requested Expenses"), an indemnifying party shall not be liable for any settlement of the nature contemplated by Section 6(a)(ii) that is effected without its consent (after satisfaction of each of the conditions set forth in the immediately preceding sentence) if, prior to the date of such settlement, such indemnifying party determines in good faith that the Requested Expenses are not reasonable, reimburses such indemnified party in accordance with such request for the portion of the Requested Expenses it considers to be reasonable and provides written notice to the indemnified party substantiating the fact that the unpaid balance of the Requested Expenses is unreasonable.

(e) Cumulative Agreements. With respect to the Company and the Selling Stockholders, the provisions of this Section shall not affect any agreement between the Company and the Selling Stockholder with respect to indemnification; provided, any such agreements shall not affect the rights of the International Managers or the obligations or liabilities of the Company and the Selling Stockholders to the International Managers under this Agreement.

SECTION 7. Contribution. If the indemnification provided for in Section 6 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the International Managers on the other hand from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative

fault of the Company and the Selling Stockholders on the one hand and of the International Managers on the other hand in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company and the Selling Stockholders on the one hand and the International Managers on the other hand in connection with the offering of the International Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the International Securities pursuant to this Agreement (before deducting expenses) received by the Selling Stockholders and the total underwriting discount received by the International Managers, in each case as set forth on the cover of the International Prospectus, or, if Rule 434 is used, the corresponding location on the Term Sheet, bear to the aggregate initial public offering price of the International Securities as set forth on such cover.

The relative fault of the Company and the Selling Stockholders on the one hand and the International Managers on the other hand shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company and the Selling Stockholders or by the International Managers and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the International Managers agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the International Managers were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 7. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 7 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 7, (i) no Selling Stockholder shall be required to contribute any amount in excess of the net proceeds (after deducting the underwriters' discount but before deducting expenses) received by such Selling Stockholder from the sale of Securities pursuant to this Agreement and (ii) no Selling Stockholder shall be required to contribute any amount under this Section 7 in excess of the losses, liabilities, claims, damages or expenses resulting from a claim of untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relating to information furnished in writing by such Selling Stockholder expressly for use in the Registration Statement, including the Rule 430A Information and the Rule

434 Information, if applicable, or any preliminary prospectus or the International Prospectus (or any amendment or supplement thereto).

Notwithstanding the provisions of this Section 7, no International Manager shall be required to contribute any amount in excess of the amount by which the total price at which the International Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such International Manager has otherwise been required to pay by reason of any such untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 7, each person, if any, who controls an International Manager within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as such International Manager, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act shall have the same rights to contribution as the Company. The International Managers' respective obligations to contribute pursuant to this Section 7 are several in proportion to the number of Initial International Securities set forth opposite their respective names in Schedule A hereto and not joint.

SECTION 8. Representations, Warranties and Agreements to Survive Delivery. All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company or any of its subsidiaries submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any International Manager or controlling person, or by or on behalf of the Company, and shall survive delivery of the Securities to the International Managers.

SECTION 9. Termination of Agreement.

(a) **Termination; General.** The Lead Managers may terminate this Agreement, by notice to the Company and the Selling Stockholders, at any time at or prior to Closing Time (i) if there has been, since the time of execution of this Agreement or since the respective dates as of which information is given in the International Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such

as to make it, in the judgment of the Lead Managers, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in any securities of the Company has been suspended or materially limited by the Commission or the New York Stock Exchange, or if trading generally on the American Stock Exchange or the New York Stock Exchange or in the Nasdaq National Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by such system or by order of the Commission, the National Association of Securities Dealers, Inc. or any other governmental authority, or (iv) if a banking moratorium has been declared by either Federal or New York authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 1, 6, 7 and 8 shall survive such termination and remain in full force and effect.

SECTION 10. Default By One or More of the International Managers. If one or more of the International Managers shall fail at Closing Time or a Date of Delivery to purchase the Securities which it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Lead Managers shall have the right, but not the obligation, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting International Managers, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Lead Managers shall not have completed such arrangements within such 24-hour period, then: (a) if the number of Defaulted Securities does not exceed 10% of the number of Securities to be purchased on such date, each of the non-defaulting International Managers shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting International Managers, or (b) if the number of Defaulted Securities exceeds 10% of the number of Securities to be purchased on such date, this Agreement or, with respect to any Date of Delivery which occurs after the Closing Time, the obligation of the Underwriters to purchase the Option Securities to be purchased and sold on such Date of Delivery shall terminate without liability on the part of any non-defaulting International Manager.

No action pursuant to this Section shall relieve any defaulting International Manager from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement or, in the case of a Date of Delivery which is after the Closing Time, which does not result in a termination of the obligation of the International Managers to purchase the relevant Option Securities, as the case may be, either the Lead Managers or the Selling Stockholders shall have the right to postpone the Closing Time or the relevant Date of Delivery, as the case may be, for a period

not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectuses or in any other documents or arrangements. As used herein the term "International Manager" includes any person substituted for an International Manager under this Section 10.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the International Managers shall be directed to the Lead Managers c/o Merrill Lynch & Co. at North Tower, World Financial Center, New York, New York 10281-1201, attention of Cara Londin, Vice President. Notices to the Company shall be directed to it at 5555 San Felipe, Suite 1600, Houston, Texas 77056, attention of Paul M. Nation, Vice President and General Counsel. Notices to the Selling Stockholders shall be directed to Edgar J. Marston, Bracewell & Patterson L.L.P., 2900 South Tower, Pennzoil Place, 711 Louisiana, Suite 2900, Houston, Texas 77002.

SECTION 12. Parties. This Agreement shall each inure to the benefit of and be binding upon the International Managers, the Selling Stockholders and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the International Managers, the Selling Stockholders and the Company and their respective successors and the controlling persons and officers and directors referred to in Sections 6 and 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the International Managers, the Selling Stockholders and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities from any International Manager shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. SPECIFIED TIMES OF DAY REFER TO NEW YORK CITY TIME.

SECTION 14. Effect of Headings. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company and the Attorney-in-Fact for the Selling Stockholders a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the International Managers, the Company and the Selling Stockholders in accordance with its terms.

Very truly yours,

NATIONAL-OILWELL, INC.

By: _____

Name:
Title:

SELLING STOCKHOLDERS

By: _____

As Attorney-in-Fact acting on behalf
of the Selling Stockholders named in
Schedule B hereto

By: _____

As Attorney-in-Fact acting on behalf
of the Selling Stockholders named in
Schedule B hereto

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH INTERNATIONAL
GOLDMAN SACHS INTERNATIONAL
MORGAN STANLEY INTERNATIONAL LIMITED
THE ROBINSON-HUMPHREY COMPANY, LLC
SIMMONS & COMPANY INTERNATIONAL
BY: MERRILL LYNCH INTERNATIONAL

By: -----
Authorized Signatory

For themselves and the other Lead Managers as
the International Managers named in Schedule A hereto.

SCHEDULE A

Name of International Manager	Number of Initial International Securities
-----	-----
Merrill Lynch International	
Goldman Sachs International	
Morgan Stanley International Limited	
The Robinson-Humphrey Company, LLC	
Simmons & Company International	
Total	----- 2,140,000 =====

SCHEDULE B

Name of Selling Stockholder -----	Number of Initial Securities -----	Number of Option Securities -----
James J. Fasnacht	30,000	4,500
W. Douglas Frame	4,000	600
Jerry N. Gauche	40,000	6,000
Lynn L. Leigh	30,000	4,500
Frederick W. Pheasey	100,000	15,000
Robert L. Phillips	60,000	9,000
Joel V. Staff	24,000	3,600
[Staff Trusts]	104,000	15,600
First Reserve Fund V, Limited Partnership	26,401	3,960
First Reserve Fund VI, Limited Partnership	607,200	91,080
First Reserve Fund V-2, Limited Partnership	26,401	3,960
General Electric Capital Corporation	208,000	31,200
DPI Oil Service Partners Limited Partnership	752,073	112,810
DPI Partners II	59,927	8,990
B.D. Berryhill	22,000	3,300
Dean Foot	26,000	900
Billy R. Hext	40,000	6,000
Total	2,140,000 =====	321,000 =====

SCHEDULE C

NATIONAL-OILWELL, INC.

2,140,000 Shares of Common Stock

(Par Value \$.01 Per Share)

1. The initial public offering price per share for the Securities, determined as provided in said Section 2, shall be \$_____.

2. The purchase price per share for the International Securities to be paid by the several International Managers shall be \$_____, being an amount equal to the initial public offering price set forth above less \$_____ per share; provided that the purchase price per share for any International Option Securities purchased upon the exercise of the over-allotment option described in Section 2(b) shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Initial International Securities but not payable on the International Option Securities.

SCHEDULE D

List of Subsidiaries

U.S. Subsidiaries

Natoil, Inc.
NOW Oilfield Services, Inc
National-Oilwell, L.P.
National-Oilwell International, Inc.
Dreco, Inc.

Other Subsidiaries

Dreco Energy Services Ltd.

SCHEDULE E

List of Persons and Entities
Subject to Lock-up

Edgar J. Marston III, on behalf of the Trust created pursuant to the
National-Oilwell
Supplemental Savings Plan
Steven W. Krablin
Paul M. Nation
Gail M. McGee
Merrill A. Miller
Howard I. Bull
James C. Comis III
W. McComb Dunwoody
William E. MacCaulay
Bruce M. Rothstein

LOCK-UP LETTER

November 10, 1997

MERRILL LYNCH & CO. Merrill Lynch, Pierce, Fenner & Smith Incorporated Goldman, Sachs & Co. Morgan Stanley & Co. Incorporated The Robinson-Humphrey Company, LLC Simmons & Company International as U.S. Representatives of the several U.S. Underwriters c/o Merrill Lynch & Co. Merrill Lynch, Pierce, Fenner & Smith Incorporated World Financial Center New York, New York 10281-1209	Merrill Lynch International Goldman Sachs International Morgan Stanley & Co. International Limited The Robinson-Humphrey Company, LLC Simmons & Company International as Lead Managers for the several International Managers c/o Merrill Lynch International Ropemaker Place 25 Ropemaker Street London EC2Y 9LY England
--	---

Re: Proposed Public Offering of National-Oilwell, Inc. Common Stock

Dear Sirs:

The undersigned stockholder and/or officer and/or director of National-Oilwell, Inc., a Delaware corporation (the "COMPANY"), understands that Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MERRILL LYNCH"), Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated, The Robinson-Humphrey Company, LLC and Simmons & Company International propose to enter into a U.S. Purchase Agreement and Merrill Lynch International, Goldman Sachs International, Morgan Stanley & Co. International Limited, The Robinson-Humphrey Company, LLC and Simmons & Company International propose to enter into an International Purchase Agreement (collectively, the "PURCHASE AGREEMENTS") with the Company and certain holders of securities of the Company named therein (the "SELLING STOCKHOLDERS") providing for the public offering of shares (the "SECURITIES") of the Company's common stock, par value \$.01 per share (the "COMMON STOCK"), by the Selling Stockholders. In recognition of the benefit that such an offering will confer upon the undersigned as a stockholder and/or officer and/or director of the Company, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with each underwriter to be named in the Purchase Agreements that, during a period of 90 days from the date of the Purchase Agreements, the

Exhibit A-1

undersigned will not, without the prior written consent of Merrill Lynch, directly or indirectly, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase any option, or contract to sell or grant any option, right or warrant for the sale of, or otherwise dispose of or transfer any shares of the Company's Common Stock or any securities convertible into, or exchangeable or exercisable for, Common Stock, whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition, or file any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Common Stock, whether any such swap or transaction is to be settled by delivery of Common Stock or other securities, in cash or otherwise; provided, (i) shares of Common Stock may be sold by any Affiliate (as defined below) of the undersigned pursuant to the Purchase Agreements; (ii) any person with shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock that are currently pledged as collateral for a loan made to such person may pledge such shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock as collateral for any loan of an equal or lesser amount in connection with the prepayment and cancellation of such loan, provided that the pledgee agrees to be bound by a similar lock-up agreement with respect to such securities; (iii) shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock may be transferred by the undersigned in a private transaction to a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the undersigned (an "AFFILIATE") if such Affiliate agrees prior to such transfer in writing to be bound by a similar lock-up agreement; (iv) shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock may be transferred as bona fide gifts by stockholders to persons who agree prior to such transfer to be bound by a similar lock-up agreement; and (v) shares of Common Stock or securities convertible into, or exchangeable or exercisable for, Common Stock held by the trust pursuant to the Company's Supplemental Savings Plan may be transferred to a beneficial owner of such shares who is subject to a similar lock-up agreement pursuant to an event of termination.

Very truly yours,

Signature: _____

Print Name: _____

Title (if applicable): _____

Morgan, Lewis & Bockius LLP
2000 One Logan Square
Philadelphia, Pennsylvania 19103-6993

November 14, 1997

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

Re: National-Oilwell, Inc.
Registration Statement on Form S-3

Ladies and Gentlemen:

As counsel to National-Oilwell, Inc., a Delaware corporation (the "Company"), we have assisted in the preparation of the subject Registration Statement on Form S-3, as amended (the "Registration Statement"), to be filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), relating to the issuance of up to 6,152,500 shares (12,305,000 shares after giving effect to the Company's one-for-one stock dividend (the "Stock Dividend") to be paid on November 18, 1997) (the "Shares") of the Company's Common Stock, par value \$0.01 per share.

In rendering the opinion set forth below, we have reviewed (a) the Registration Statement; (b) the Company's Amended and Restated Certificate of Incorporation and Bylaws; (c) the Dresco Energy Services 1989 Amended and Restated Employee Incentive Stock Option Plan (the "Plan") and related option agreements between the Company and Robert L. Phillips and W. Douglas Frame, respectively (the "Option Agreements"); (d) certain records of the Company's corporate proceedings as reflected in its minute books; (e) the Combination Agreement, dated as of May 14, 1997 (as amended, the "Combination Agreement"), between the Company and Dresco Energy Services Ltd.; and (f) such records, documents, statutes and decisions as we have deemed relevant. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with the original of all documents submitted to us as copies thereof.

Our opinion set forth below is limited to the Delaware General Corporation Law.

Based upon the foregoing, we are of the opinion that, when and to the extent (i) the Registration Statement has become effective under the Act, (ii) those Shares to be issued pursuant to the Plan and the Option Agreements are issued in accordance with the terms and conditions of the Plan and the Option Agreements, (iii) those Shares to be issued pursuant to the Exchangeable Share Provisions (the "Exchangeable Share Provisions") (attached as Appendix A to the Plan of Arrangement under Section 186 of the Alberta Business Corporations Act filed with the Registrar of Corporations in the Province of Alberta, Canada on September 25, 1997 pursuant to the Combination Agreement) are issued in accordance with the terms and conditions of the Exchangeable Share Provisions and (iv) the Stock Dividend has been paid. The Shares will be validly issued, fully paid and nonassessable.

We hereby consent to the use of this opinion as Exhibit 5 to the Registration Statement and to the reference to our firm under the heading "Legal Matters" in the Registration Statement. In giving such opinion, 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 the Registration Statement (Form S-3) and related Prospectus of National-Oilwell, Inc. for the registration of up to 6,152,500 (12,305,000 after the stock dividend to be paid on November 18, 1997) shares of its common stock and to the incorporation by reference therein of our report dated October 31, 1997, with respect to the consolidated financial statements of National-Oilwell, Inc. included in its Current Report (Form 8-K) dated November 7, 1997, filed with the Securities and Exchange Commission.

ERNST & YOUNG LLP

Houston, Texas
November 13, 1997

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement (Form S-3) and related Prospectus of National-Oilwell, Inc. for the registration of up to 6,152,500 (12,305,000 after the stock dividend to be paid on November 18, 1997) shares of its common stock and to the incorporation by reference therein of our report dated November 3, 1995, except as to Note 1 which is as of September 25, 1997, with respect to the consolidated financial statements of National-Oilwell, Inc. included in its Current Report (Form 8-K) dated November 7, 1997 filed with the Securities and Exchange Commission.

Coopers & Lybrand
Chartered Accountants

Edmonton, Alberta
November 10, 1997