FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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VARCO INTERNATIONAL INC

CIK:**102993**| IRS No.: **950472620** | State of Incorp.:**CA** | Fiscal Year End: **1231**
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SIC: **3533** Oil & gas field machinery & equipment

Mailing Address
743 NO ECKHOFF STREET
ORANGE CA 92668

Business Address
743 N ECKHOFF ST
ORANGE CA 92668
7149781900

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1995

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from___________to________________
Commission File number 1-8158

VARCO INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

California	95-0472620
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

743 North Eckhoff Street, Orange, Ca 92668
(Address of principal executive offices)
(Zip code)

(714) 978-1900
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No____

30,319,350

(Number of shares of Common Stock outstanding at May 5, 1995)

PART I-FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Pursuant to General Instruction D to Form 10-Q, the Condensed Consolidated Statements of Cash Flows, Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income of Varco International, Inc. (the "Company") and its subsidiaries included in the registrant's First Quarter Report to Shareholders for the three months ended March 31, 1995, filed as Exhibit 19 hereto are incorporated herein by reference. Such financial statements should be read in light of the following:

ADJUSTMENTS. The financial statements contained in Exhibit 19 hereto include all adjustments which in the opinion of management are of a normal recurring nature, considered necessary to present fairly the results of operations for the interim periods presented.

NET INCOME PER SHARE. Net income per share is based upon an average of 33,592,000 and 33,528,179 shares outstanding for the three months ended March 31, 1995, and 1994 respectively.

INVENTORIES. The Company estimates the components of inventory at March 31, 1995, and December 31, 1994, to be as follows:
<TABLE>
<CAPTION>

<S>	MARCH 31, 1995 <C>	DECEMBER 31, 1994 <C>
Raw Materials	$ 6,256,000	$ 6,164,000
Work in Process	20,908,000	13,677,000
Finished Goods	41,790,000	40,458,000
	$68,954,000	$60,299,000

</TABLE>

FIXED ASSETS. Fixed assets are stated net of accumulated depreciation of $54,525,000 at March 31, 1995, and $52,333,000 at December 31, 1994.

COMMON STOCK AND ADDITIONAL PAID-IN-CAPITAL. On March 31, 1995, the Company Common Stock account was $23,758,000 and Additional Paid-In-Capital accounts were $102,473,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Pursuant to General Instruction D to Form 10-Q, Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the registrant's First Quarter Report to Shareholders for the three months ended March 31, 1995, filed as Exhibit 19 hereto, is incorporated herein by reference.

PART II-OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

On March 24, 1995, the Company commenced a "Dutch Auction" type tender offer (the "Tender Offer") to purchase up to 5,300,000 shares of its Common Stock at a purchase price not greater than $8.00 per share nor less than $6.75 per share. Pursuant to the Tender Offer, which terminated on April 21, 1995, the Company purchased 3,150,560 shares of its Common Stock at a purchase price of $8.00 per share.

In July 1992 the Company sold $50.0 million aggregate principal amount of its 8.95% Senior Notes Due June 30, 1999 (the "Senior Notes") to a group of ten institutional investors pursuant to a Note Agreement dated as of July 1, 1992 (as amended, the "Note Agreement"). The principal of the Senior Notes is payable in five equal annual installments commencing on June 30, 1995.

The Note Agreement prohibits any "Restricted Payment" subsequent to July 17, 1992 unless after giving effect thereto, (i) the aggregate amount of all Restricted Payments subsequent to such date would not exceed $5,000,000 plus the cumulative sum of 50% of the Company's consolidated net income (or minus 100% in the case of a deficit) subsequent to March 31, 1992 and (ii) the Company could incur at least $1.00 of additional indebtedness under the Note Agreement covenant limiting indebtedness. The term "Restricted Payment" includes (a) any dividend (other than dividends payable in shares of capital stock) or other distributions on any shares of capital stock of the Company; (b) any purchase, redemption or other acquisition of any shares of the capital stock of the Company or any rights or options to purchase or acquire such shares; and (c) any "Restricted Investment", which is generally defined as any investment other than an investment in a subsidiary of the Company or an investment in certain designated government or rated securities. In addition, the Company may purchase, redeem or otherwise acquire shares of its capital

stock or make Restricted Investments from the net cash proceeds of the substantially concurrent sales of shares of capital stock or from the sale of securities convertible into such shares upon conversion.

Pursuant to a wavier and amendment dated as of March 8, 1995, the holders of the Senior Notes (1) waived compliance with the limitations on Restricted

Payments discussed above, (2) agreed that the amount expended in the Tender Offer would not constitute a Restricted Payment, and (3) amended certain covenants to take into account the effect of the consummation of the Tender Offer on certain financial ratios.

On February 25, 1993 the Company entered into an unsecured revolving credit agreement with Citicorp USA, Inc. and Citibank, N.A.(as amended, the "Credit Agreement"). Effective as of March 17, 1995 the Credit Agreement was amended to (1) extend the maturity date from March 31, 1996 to October 31, 1998; (2) increase the total maximum facility from $20.0 to $35.0 million, consisting of a loan facility of $25.0 million and a letter of credit facility of $10.0 million; and (3) to amend certain covenants to permit the Tender Offer and to take into account the effect of the consummation of the Tender Offer on certain financial ratios.

Under the terms of the Credit Agreement,, the amount available for the payment of dividends on, and repurchases of, Common Stock is limited to 25% of the Company's consolidated net income arising after January 1, 1992, computed on a cumulative basis. In addition, pursuant to the March 17, 1995 amendment to the Credit Agreement discussed above, the Company may repurchase at any time prior to December 31, 1995 shares of its Common Stock for an aggregate cost not exceeding $50.0 million, including shares purchased pursuant to the Tender Offer. The Company may also purchase or otherwise acquire shares of Common Stock from the proceeds of the substantially concurrent sale of shares of Common Stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

4.1 Sixth Amendment dated as of March 17, 1995 to Credit Agreement, dated as of February 25, 1993 among Varco International Inc., Citicorp USA, Inc. and Citibank, N.A.

4.2 Waiver and Third Amendment dated as of March 8, 1995 to Note Agreement dated as of July 1, 1992 among Varco International Inc. and the Purchasers named in Schedule 1 thereto.

11 Statement re computation of per share earnings for the three months ended March 31, 1995 and 1994.

19 Varco International, Inc. First Quarter Report to Shareholders, Three Months Ended March 31, 1995.

27 Financial Data Schedule

(b) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter for which this report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VARCO INTERNATIONAL, INC.

DATE: MAY 10, 1995 BY:/S/ RICHARD A. KERTSON

VICE PRESIDENT-FINANCE
AND CHIEF FINANCIAL OFFICER

DATE: MAY 10, 1995 BY:/S/ DONALD L. STICHLER

CONTROLLER-TREASURER

EXHIBIT INDEX

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4.2 Waiver and Third Amendment dated as of March 8, 1995 to Note Agreement dated as of July 1, 1992 among Varco International Inc. and the Purchasers named in Schedule 1 thereto.

11 Statement re computation of per share earnings for the three months ended March 31, 1995 and 1994.

19 Varco International, Inc. First Quarter Report to Shareholders, Three Months Ended March 31, 1995.

27 Financial Data Schedule

EXHIBIT 4.1

SIXTH AMENDMENT
Dated as of March 17, 1995

SIXTH AMENDMENT dated as of March 17, 1995 (this "Amendment") to CREDIT AGREEMENT dated as of February 25, 1993 (as amended by First Amendment dated as of August 3, 1993, Second Amendment dated as of September 23, 1993, Third Amendment dated as of December 1, 1993, Fourth Amendment dated as of May 12, 1994, and Fifth Amendment and Waiver dated as of October 31, 1994, the "Credit Agreement") among VARCO INTERNATIONAL, INC., a California corporation, CITICORP USA, INC. and CITIBANK, N.A.

PRELIMINARY STATEMENTS. The parties to the Credit Agreement wish to amend the Credit Agreement in certain respects as hereinafter set forth. Terms defined in the Credit Agreement are used in this Amendment as defined in the Credit Agreement and, except as otherwise indicated, all references to Sections and Articles refer to the corresponding Sections and Articles of the Credit Agreement.

The parties hereto therefore agree as follows:

SECTION 1. Amendments. Effective as of the Amendment Effective Date (as defined in Section 2 hereof), and subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, the Credit Agreement is hereby amended as follows:

a. The definition of "Borrowing Base" in Section 1.01 is amended by deleting clause (b) and restating it as follows:

(b) seventy percent (70%) of Eligible Inventory

b. The definition of "Change of Control" in Section 1.01 is deleted and restated as follows:

"Change of Control" means the acquisition by any Person (or "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of beneficial ownership of 20% or more of the common stock of the Borrower, or the occurrence of any transaction which has in substance the same effect, except that the term "Change of Control" shall not include the acquisition by Baker Hughes Incorporated of beneficial ownership of 20% or more (but not in excess of 25%) of the common stock of the Company solely as a result of any reduction in the number of outstanding shares of common stock attributable to the Stock Repurchase Program.

c. The definition of "Consolidated Fixed Charges" in Section 1.01 is deleted and restated in full as follows:

"Consolidated Fixed Charges" means, for any period, the sum of (a) Consolidated Interest Expense for such period plus (b) the amount of any principal payments on Debt (excluding the Subordinated Note, the Subordinated Debentures and Debt included in clauses (c) or (d) of the definition of "Debt") required to be paid during such period.

d. The definition of "Loan Maturity Date" in Section 1.01 is deleted and restated in full as follows:

"Loan Maturity Date" means October 31, 1998 or the earlier date of termination in whole of the Commitments pursuant to Section 2.07 or 6.01.

e. The definition of "Note" in Section 1.01 is deleted and restated in full as follows:

"Note" means the Promissory Note substantially in the form of Exhibit A hereto, made by the Borrower in favor of the Lender to evidence the indebtedness resulting from the Advances.

f. The definition of "Stock Repurchase Program" in Section 1.01 is deleted and restated in full as follows:

"Stock Repurchase Program" means the purchase by the Borrower at any time or from time to time during the period commencing May 12, 1994 and ending on December 31, 1995 of its common stock for an aggregate cost not exceeding $50,000.000.

g. The definition of "Termination Date" in Section 1.01 is deleted and restated in full as follows:

"Termination Date" means December 31, 1998 or the earlier date of termination in whole of the Commitments pursuant to Section 2.07 or 6.01.

h. Section 2.01 is deleted and restated as follows:

SECTION 2.01 The Advances. The Lender agrees, on the terms and conditions hereinafter set forth, to make advances (the "Advances") to the Borrower from time to time on any Business Day during the period from the date hereof to, but excluding, the Loan Maturity Date in an amount not to exceed the Availability on such date and in an aggregate amount not to exceed at any time outstanding $25,000,000 as such amount may be reduced pursuant to Section 2.07. Each Advance shall be in an amount not less than $1,000,000 or an integral multiple of $500,000 in excess thereof, except that a Base Rate Advance may be in an amount equal to the maximum Advance available hereunder. Within the limits set forth in this Section 2.01, the Borrower may borrow, repay pursuant to Section 2.11 and reborrow under this Section 2.01.

i. Section 4.09 is deleted and restated as follows:

SECTION 4.09 Not a Purpose Credit. The Borrower and its Subsidiaries are not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation G, U or X issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock (other than purchases of common stock of the Borrower not otherwise prohibited by this Agreement) or to extend credit to others for the purpose of purchasing or carrying any margin stock.

j. Section 5.01(i) is deleted and restated as follows:

(i) Use of Proceeds. The Borrower will use the proceeds of the Advances for the Stock Repurchase Program and for general corporate purposes.

k. Section 5.02(h) is deleted and restated as follows:

(h) Prepayment of Senior Notes. The Borrower will not and will not permit any of its Subsidiaries to prepay, redeem, defease (whether actually or in substance) or purchase in any manner (or deposit or set aside funds for the purpose of any of the foregoing), or make any payment in respect of principal of, the Senior Notes; provided that nothing herein shall prohibit the payment of any scheduled principal installments of the Senior Notes.

l. Section 5.02(a) is deleted and restated as follows:

(o) Capital Expenditures. The Borrower will not and will not permit any of its Subsidiaries to make or incur any Capital Expenditures during any fiscal year if the amount of such Capital Expenditures, when added to the aggregate amount of all other Capital Expenditures made by the Borrower and its Subsidiaries on a Consolidated basis during such fiscal year, would exceed 50%

of the sum of Consolidated net income of the Borrower and its Subsidiaries for such fiscal year, plus any amount which, in the determination of Consolidated net income for such fiscal year, has been deducted for depreciation and amortization.

m. Section 5.02(q) is deleted and restated as follows:

(q) Operating Lease Obligations. The Borrower will not and will not permit any of its Subsidiaries to create or suffer to exist any obligations for the payment of rental for any property under leases or agreements to lease with a term of one year or longer (other than Capital Lease Obligations permitted pursuant to Section 5.02(p)), except for such obligations providing for aggregate rentals payable during any fiscal year by the Borrower and its Subsidiaries on a Consolidated basis not exceeding 3% of Consolidated gross revenues of the Borrower and its Subsidiaries for such fiscal year.

n. Section 5.03(a) is deleted and restated as follows:

(a) Minimum Consolidated Interest Coverage Ratio. At the end of any fiscal quarter the Borrower will not permit the ratio of its Consolidated EBIT to its Consolidated Interest Expense to be less than 3.0 to 1 for the four consecutive fiscal quarter period ending on such date.

o. Section 5.03(b) is deleted and restated as follows:

(b) Minimum Consolidated Fixed Charge Coverage Ratio. At the end of any fiscal quarter the Borrower will not permit the ratio of Consolidated Cash Flow to Consolidated Fixed Charges to be less than 1.0 to 1 for the four consecutive fiscal quarter period ending on such date.

p. Section 5.03(c) is deleted and restated as follows:

(c) Minimum Consolidated Current Ratio. The Borrower will not permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 2.2 to 1 as of the last day of any fiscal quarter.

q. Section 5.03(d) is deleted and restated as follows:

(d) Minimum Consolidated Leverage Ratio. The Borrower will not permit the ratio of Consolidated Total Liabilities to Consolidated Tangible Net Worth to be more than (a) 1.5 to 1 at any time prior to January 1, 1996, (b) 1.1 to 1 at any time from January 1, 1996 to January 1, 1997, and (c) 1.0 to 1 at any time thereafter.

r. Section 5.03(e) is deleted and restated as follows:

(e) Minimum Consolidated Tangible Net Worth. The Borrower will not permit its Consolidated Tangible Net Worth at any time to fall below an amount equal to the sum of (x) $72,000,000 plus (y) 75% of Consolidated net income of the Borrower and its Subsidiaries, on a cumulative basis, for each fiscal quarter of the Borrower in which such Consolidated net income is positive (beginning with the fiscal quarter ending on March 31, 1995 and including each fiscal quarter of the Borrower ending thereafter). The cumulative total in clause (x) above shall not be reduced or affected by any net losses incurred in any fiscal quarter.

s. Exhibit A is deleted and restated in its entirely in the form of Exhibit A hereto.

SECTION 2. Conditions to Effectiveness: Consent. This Amendment shall be effective as of March 17, 1995 (the "Amendment Effective Date"), subject to the Lender's receipt of: (i) a counterpart of this Amendment executed by the Borrower, (ii) a promissory note substantially in the form Exhibit A hereto made by the Borrower in favor of the Lender (the "Replacement Note"), (iii) a certificate of the Secretary or an Assistant Secretary of the Borrower attaching a copy of the resolutions of the Board of Directors of the

Borrower authorizing the execution and delivery of this Amendment and the Replacement Note and certifying the name and true signature of each officer of the Borrower executing this Amendment and the Replacement Note on its behalf, (iv) counterparts of a Consent and Acknowledgment in the form attached as Exhibit B hereto executed by each Guarantor, (v) evidence satisfactory to the Lender of the execution and delivery by the Borrower and the holders of at least 66-2/3% in aggregate principal amount of the Senior Notes of a Waiver and Third Amendment to Note Agreement in the form previously furnished to the Lender (the "Note Agreement Amendment"), (vi) evidence satisfactory to the Lender of the execution and delivery by the Borrower and the holders of at least 66-2/3% in aggregate principal amount of the Senior Notes of the Waiver dated March 8, 1995 in the form previously furnished to the Lender (the "Note Agreement Waiver"), and (vii) evidence satisfactory to the Lender that the execution of this Amendment and performance of the Credit Agreement as hereby amended will not conflict with the Senior Note Agreement and that the covenants of the Senior Note Agreement have been amended so as to be no more restrictive than the covenants set forth in Section 5.03 as hereby amended. The Lender and the Issuing Bank hereby consent to the Note Agreement Amendment and the Note Agreement Waiver, in each case whether the same is executed and delivered before or after the execution and delivery of this Amendment.

SECTION 3. Representations and Warranties. The Borrower represents and warrants as follows as of the date hereof and the Amendment Effective Date: (a) the Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Amendment; (b) the execution, delivery and performance by the Borrower of this Amendment and the Replacement Note are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not contravene the Borrower's charter or by-laws, or any law or any contractual restriction binding on or affecting the Borrower; (c) no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by the Borrower of this Amendment and the Replacement Note or for the performance by the Borrower of the Credit Agreement as hereby amended; (d) this Amendment, the Replacement Note and the Credit Agreement as hereby amended constitute the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms; (e) except as set forth in the Notice of Default from the Company to the Lender and the Issuing Bank dated March 8, 1995 (the "Notice of Default"), all representations and warranties of the Borrower set forth in Article IV are true and correct, as if repeated and restated in full herein (except to the extent that such representations and warranties expressly relate solely to an earlier date and then are correct as of such date); and (f) except as set forth in the Notice of Default, no Default or Event of Default has occurred and is continuing.

SECTION 4. Reference to and Effect on the Credit Agreement. Upon the effectiveness of Section 1 hereof, on and after the Amendment Effective Date, (a) each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference in the Note or the other Loan Documents to "the Credit Agreement," shall mean and be a reference to the Credit Agreement as amended by this Amendment and (b) each reference in the Credit Agreement and the other Loan Documents to the Note shall mean and be a reference to the Replacement Note. Except as specifically amended above, the Credit Agreement shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

SECTION 5. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by any combination of the parties hereto in separate counterparts, each of which counterparts shall be an original and all of which taken together shall constitute one and the same Amendment.

SECTION 6. Governing Law. This Amendment shall be governed by, and construed in accordance with the laws of the State of New York.

SECTION 7. Expenses. Each party hereto shall bear its own costs and expenses (including counsel fees and expenses) in connection with the preparation, execution and delivery of this Amendment.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

VARCO INTERNATIONAL, INC.

By:__________________________________

Title:_______________________________

CITICORP USA, INC.

By:__________________________________
Vice President

CITIBANK, N.A.

By:__________________________________
Vice President

EXHIBIT A

PROMISSORY NOTE

$25,000,000 Dated: February 25, 1993

FOR VALUE RECEIVED, the undersigned, Varco International, Inc., a California corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of Citicorp USA, Inc. (the "Lender") on the Loan Maturity Date (as defined in the Credit Agreement) the principal amount of $25,000,000 or, if less, the aggregate principal amount of all Advances made by the Lender to the Borrower pursuant to the Credit Agreement (as hereinafter defined) outstanding on such date.

The Borrower promises to pay interest on the principal amount of each Advance from the date of such Advance until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement referred to below.

Both principal and interest are payable in lawful money of the United States of America to the Lender at the office of Citibank, N.A. located at 399 Park Avenue, New York, New York 10043 in same day funds. Each Advance made by the Lender to the Borrower, and all payments made on account of the principal amount thereof, shall be recorded by the Lender and, prior to any transfer thereof, endorsed on the grid attached hereto which is a part of this Promissory Note, provided that the failure of the Lender to record or endorse any such matters shall not affect the validity of this Note or the obligations of the Borrower under the Credit Agreement.

This Promissory Note is the Note referred to in, and is entitled to the benefits of, the Credit Agreement dated as of February 25, 1993 (as amended to the date hereof and as it may be further amended from time to time, the "Credit Agreement") among the Borrower, the Lender and Citibank, N.A. as Issuing Bank, and the Guaranties referred to therein and entered into pursuant thereto. The Credit Agreement, among other things (i) provides for the making of advances (the "Advances") by the Lender to the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of the principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

This Promissory Note is delivered in exchange and substitution for the promissory note of the undersigned dated February 25, 1993 in the principal amount of $13,000,000.

VARCO INTERNATIONAL, INC.

By:___________________________________
Name:______________________
Title:_______________________

EXHIBIT B

CONSENT AND ACKNOWLEDGMENT

Each of the undersigned hereby (a) acknowledges receipt of a draft in the form attached as Annex I hereto of the Sixth Amendment dated as of March 17, 1995 (the "Amendment") to the Credit Agreement dated as of February 25, 1993 among Varco International, Inc., Citicorp USA, Inc. and Citibank, N.A. (as amended to the date of the Amendment, the "Credit Agreement"), (b) consents to the terms of the Amendment and (c) confirms and agrees that each Loan Document executed by the undersigned pursuant to and as defined in the Credit Agreement is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that, on and after the effective date of the Amendment, (i) each reference in each such Loan Document to "the Credit Agreement," "thereunder," "thereof," "therein" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended by the Amendment and (ii) each reference to the "Note" shall mean and be a reference to the Replacement Note (as defined in the Amendment). This Consent and Acknowledgment may be executed by the undersigned in two or more counterparts, each of which shall be deemed an original.

BEST INDUSTRIES, INC., a Texas corporation

By:____________________________
Richard A. Kertson
Vice President - Finance

MARTIN-DECKER TOTCO, INC., a Texas corporation

By:____________________________

Richard A. Kertson
Vice President

VARCO INTERNATIONAL INC PTE LTD, a corporation organized under the laws of the Republic of Singapore

By:____________________________

Richard A. Kertson
Director

By:____________________________

George Boyadjieff
Director

VARCO (U.K.) LIMITED, a corporation organized under the Companies Acts in Scotland

By:____________________________

Name:__________________________

Director

By:____________________________

Name:__________________________

Director

304774 ALBERTA LTD., a corporation organized under the laws of the Province of Alberta, Canada

By:____________________________

Richard A. Kertson
Vice President - Finance

VARCO BJ OIL TOOLS B.V., a corporation organized under the laws of the Netherlands

By:____________________________

Name:__________________________

Managing Director

By:____________________________

Name:__________________________

Managing Director

VARCO SHAFFER, INC., a Texas corporation

By:______________________________
Richard A. Kertson
Vice President - Finance

METROX, INC., a California corporation

By:______________________________
Richard A. Kertson
Vice President

RIG TECHNOLOGY LIMITED

By:______________________________
Richard A. Kertson
Director

By:______________________________
George Boyadjieff
Director

EXHIBIT 4.2

VARCO INTERNATIONAL, INC.

WAIVER AND THIRD AMENDMENT

TO

NOTE AGREEMENT

DATED AS OF MARCH 8, 1995

To Each of the Institutions Named
in the Attached Schedule I (the "Holders")

Ladies and Gentlemen:

Reference is made to the Note Agreement dated as of July 1, 1992 (as heretofore amended, modified or supplemented by amendment or waiver, the "Note Agreement") between Varco International, Inc., a California corporation (the "Company"), and each of the Purchasers named in Schedule 1 thereto pursuant to which the Company issued $50,000,000 aggregate principal amount of its 8.95% Senior Notes due June 30, 1999 (the "Notes"). This Waiver and Third Amendment to Note Agreement is hereinafter referred to as this "Waiver." Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Note Agreement.

The Company intends to repurchase shares of its outstanding Common Stock for a purchase price of approximately $40,000,000 in a self-tender offer. It is likely that the Company would use a "Dutch Auction" type tender offer in which the number of shares is specified and the purchase price per share is expressed as a range. Whether the self-tender is a "Dutch Auction" type or a tender for a fixed number of shares at a fixed price, the maximum aggregate purchase price for all shares purchased will not exceed $45,000,000. The self-tender described in this paragraph is hereinafter referred to as the "Self-Tender."

The Company has requested an amendment of Sections 7.1, 7.3 and 7.4(d) of the Note Agreement and certain waivers to avoid violating Section 7.8 of the Note Agreement, and the Holders are willing to agree to such amendments and grant such waivers on the terms and conditions hereinafter set forth.

In consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and the Holders agree as follows:

(S)1 AMENDMENT OF THE NOTE AGREEMENT

1.1 AMENDMENT OF SECTION 7.1. Section 7.1 of the Note Agreement is amended to read in its entirety as follows:

"7.1 Consolidated Tangible Net Worth. The Company will not permit, at any time, its Consolidated Tangible Net Worth to be less than the lesser of (a) $72,000,000 plus the cumulative sum of 50% of Consolidated Net Income (without reduction for any losses) subsequent to December 31, 1994, or (b) $135,000,000."

1.2 AMENDMENT OF SECTION 7.3. Section 7.3 of the Note Agreement is amended to read in its entirety as follows:

"7.3 Current Ratio. The Company will not permit, at any time, the ratio of Consolidated Current Assets to Consolidated Current Liabilities to be less than 2.2 to 1.0."

1.3 AMENDMENT OF SECTION 7.4(d). Section 7.4(d) of the Note Agreement is amended to read in its entirety as follows:

"(d) Additional Indebtedness of the Company or a Restricted Subsidiary, provided that at the time of incurring such additional Indebtedness and after giving effect thereto and to the application of the proceeds therefrom, (i) Consolidated Indebtedness then to be outstanding shall not exceed 60% of Consolidated Net Tangible Assets if such additional Indebtedness is incurred on or before December 31, 1995, or 50% of Consolidated Net Tangible Assets if such additional Indebtedness is incurred after December 31, 1995 and (ii) the pro forma ratio of Consolidated Income Available for Fixed Charges to Fixed Charges for the four consecutive fiscal quarters immediately preceding such date shall not be less than 2.5 to 1.0; and"

(S)2 CONSENT, WAIVER AND AGREEMENT. The Holders hereby (i) consent to the Self-Tender and waive any violation of Section 7.8 of the Note Agreement resulting therefrom, (ii) agree that the amount expended by the Company in connection with the Self-Tender shall not constitute a "Restricted Payment", as such term is defined in the Note Agreement and, accordingly, shall not be included in any calculation of aggregate Restricted Payments for the purposes of Section 7.8 of the Note Agreement and (iii) agree that neither the sale of short term investments by the Company to fund the Self-Tender nor the amount expended by the Company in the Self-Tender shall constitute a "Disposition" as such term is defined in Section 7.11 of the Note Agreement.

(S)3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

As an inducement to the Holders to enter into this Waiver, the Company represents and warrants that:

3.1 EVENT OF DEFAULT. Upon the effectiveness of this Waiver, there will exist no Default or Event of Default under the Note Agreement, as amended hereby.

3.2 AUTHORIZATION. The execution and delivery by the Company of this Waiver have been duly authorized by proper corporate proceedings, and this Waiver and the Note Agreement, as amended hereby, constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

3.3 NO CONFLICT. Neither the execution and delivery by the Company of this Waiver, nor compliance with the provisions hereof or with the Note Agreement as amended hereby, will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company or the articles of incorporation or by-laws of the Company or the provisions of any indenture, instrument or agreement to which the Company is a party or is subject, or by which it or its property is bound, or conflict with or constitute a default thereunder.

3.4 REPRESENTATIONS AND WARRANTIES. The representations and warranties set forth in Section 3.1 of the Note Agreement are true and correct, in all material respects, as of the date of this Waiver.

(S)4. EFFECTIVE DATE OF WAIVER. This Waiver shall be effective as of the date set forth above upon the execution and delivery of this Waiver by the Holders of at least 66-2/3% in aggregate principal amount of the Notes outstanding.

(S)5. MISCELLANEOUS.

5.1 RATIFICATION. The Note Agreement, as amended hereby, shall remain in full force and effect and is ratified, approved and confirmed in all respects.

5.2 REFERENCE TO NOTE AGREEMENT. From and after the effective date of this Waiver, each reference in the Note Agreement to "this Agreement," "hereof," or "hereunder" or words of like import, and all references to the Note Agreement in any and all agreements, instrument, documents, notes, certificates and other writings of every kind and nature shall be deemed to mean the Note Agreement, as modified and amended by this Waiver.

5.3 CHOICE OF LAW. This Waiver shall be governed by and construed in accordance with the laws of the State of Illinois.

5.4 EXECUTION IN COUNTERPARTS. This Waiver may be executed in one or more counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the Company and the Holders have caused this Waiver to be executed and delivered by their respective officer or officers thereunto duly authorized.

VARCO INTERNATIONAL, INC.

By:

Title:

By:

Title:

By:

Title:

FEDERAL KEMPER LIFE ASSURANCE COMPANY

By:

Title:

By:

Title:

FIDELITY LIFE ASSOCIATION

By:

Title:

By:

Title:

AMERICAN MANUFACTURERS MUTUAL INSURANCE COMPANY

By:

Title:

By:

Title:

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By:

Title:

JOHN HANCOCK VARIABLE LIFE
INSURANCE COMPANY

By:

Title:

JOHN HANCOCK LIFE INSURANCE
COMPANY OF AMERICA

By:

Title:

MASSACHUSETTS MUTUAL LIFE
INSURANCE COMPANY

By:

Title:

CENTRAL LIFE ASSURANCE COMPANY

By:

Title:

SCHEDULE I

LIST OF HOLDERS

Kemper Investors Life Insurance Company*

Federal Kemper Life Assurance Company*

Fidelity Life Association*

American Manufacturers Mutual Insurance Company*

John Hancock Mutual Life Insurance Company

John Hancock Variable Life Insurance Company

John Hancock Life Insurance Company of America

Massachusetts Mutual Life Insurance Company

Central Life Assurance Company**

- ------------

* Note registered in the name of KEMCO & CO, as nominee.

** Note registered in the name of Salkeld & Co., as nominee for Bankers Trust Company, as custodian.

EXHIBIT 11

VARCO INTERNATIONAL, INC.

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended March 31, 1995
A. CALCULATION OF ADJUSTED EARNINGS	
Net Income After Tax	$2,913,000

	Number of Days	Total Number of Shares after Weighing	Average Number of Shares Outstanding	Stock Option Equivalent Shares	Shares Used To Calculate EPS
B. CALCULATION OF AVERAGE SHARES OUTSTANDING					
Common Stock Outstanding from time-to-time during:					
Three Months Ended March 31, 1995	90	33,002,305,918	33,358,955	233,045	33,592,000

C. CALCULATION OF EARNINGS PER SHARE

$$\text{Income Per Share} = \frac{\text{Net Income After Tax}}{\text{Total Shares Outstanding}}$$

Income Per Share =

$$\text{Three Months Ended March 31, 1995} \quad \frac{2,913,000}{33,592,000} = \$0.09$$

EXHIBIT 11

VARCO INTERNATIONAL, INC.

STATEMENT RE COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended March 31, 1994
A. CALCULATION OF ADJUSTED EARNINGS	
Net Income After Tax	$2,358,000

	Number of Days	Total Number of Shares after Weighing	Average Number of Shares Outstanding	Stock Option Equivalent Shares	Shares Used To Calculate EPS
B. CALCULATION OF AVERAGE SHARES OUTSTANDING					
Common Stock Outstanding from time-to-time during:					
Three Months Ended March 31, 1994	90	2,999,555,475	33,328,394	199,785	33,528,179

C. CALCULATION OF EARNINGS PER SHARE

$$\text{Income Per Share} = \frac{\text{Net Income After Tax}}{\text{Total Shares Outstanding}}$$

Income Per Share =

$$\text{Three Months Ended March 31, 1994} \quad \frac{2,358,000}{33,528,179} = \$0.07$$

TO OUR SHAREHOLDERS

The year has begun on a positive note for Varco. Net Income for the three months ended March 31 was $2.9 million, $.09 per share, compared to $2.4 million, $.07 per share, for the first quarter of last year. Revenues increased to $57.6 million in the most recent quarter, from $51.3 million in the initial quarter of 1994.

First quarter orders were $76.9 million, the second consecutive quarter in which orders reached an all-time high for Varco. Each Division reflected an increase from the comparable quarter a year ago, when orders totaled $52.4 million. The largest increase is attributable to the Shaffer Division, which booked orders of $22.5 million in the first quarter, $11.6 million above the year-ago period. The Drilling Systems Division demonstrated an increase of $5.9 million, to $23.3 million; and Thule Rigtech, acquired in November of last year, contributed $3.4 million to the first quarter total. With this level of orders, backlog increased to $72.5 million at March 31.

The surge in orders is not the result of an increase in the level of drilling activity, as the worldwide rig count for the first quarter was slightly down as compared to the same quarter a year ago. If there is a common theme behind the improved business, it appears to be a continuing emphasis on the development of offshore oil and gas reserves, particularly in deeper waters and more difficult drilling environments. With this trend comes an increased recognition of the benefits of new technology as well as a need for higher capacity equipment. For example, during the first quarter we received orders totaling approximately $8.4 million to equip two new offshore platform rigs with our newer technology drilling and pipe handling equipment. The substantial increase in orders at the Shaffer Division relates primarily to the upgrading of several offshore rigs with motion compensation and pressure control equipment required to accommodate deeper water and greater well pressures.

On March 24 we commenced a "Dutch Auction" type tender offer to repurchase up to 5.3 million shares of the Company's Common Stock. Before initiating the tender offer, the Company's management and Board of Directors considered the fact that over the past several years the Company has generated substantial excess cash, resulting in cash and cash equivalents and short-term investments of approximately $38.6 million at December 31, 1994. After considering other alternatives, the Board of Directors concluded that it was desirable to return cash to the Company's shareholders, thereby permitting them to invest it according to their preferences and objectives and that the tender offer was the most advantageous means of achieving that objective. At the conclusion of the tender offer on April 21, approximately 3.2 million shares had been tendered at a purchase price of $8.00 per share, or an aggregate price of $25.2 million. The impact of the tender offer on the Company's financial condition and operating results will be reflected beginning in the second quarter.

The industry outlook has improved somewhat in the past three months. Oil prices were generally in the $18-$18.50 per barrel range during this period, and have crept above $20 more recently. This strength in oil prices is expected to have a modestly positive impact over the balance of the year, particularly on international drilling. Natural gas prices, although still relatively weak, have been moderately stronger recently, at approximately $1.60 per million BTU. However, gas drilling in the U.S. has declined year-over-year and remains a concern.

We are pleased with our recent results, and are encouraged by the belief that they reflect the successful execution of our key strategies. With moderately favorable industry conditions, we believe we can continue to generate improved results. Mindful of the unpredictable nature of our industry, we will, however, remain vigilant.

We appreciate your continued support.

(paste-up sig)	(paste-up sig)
Walter B. Reinhold	George I. Boyadjieff
Chairman	President and Chief Executive Officer

May 5, 1995

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL INDUSTRY CONDITIONS

Worldwide drilling activity, as measured by the average number of active drilling rigs, decreased slightly in the first three months of 1995 to an average of approximately 1,786 from an average of approximately 1,807 during the same period in 1994. Both the international and offshore components of drilling activity were relatively flat year over year.

ACQUISITION

On November 30, 1994 the Company acquired all of the outstanding shares of Rig Technology Limited ("Thule Rigtech"), a company incorporated in Scotland, for a cost of approximately $9.0 million. Thule Rigtech provides equipment and systems used in the handling, mixing, transport and conditioning of drilling fluids and operates as the Company's Thule Rigtech Division.

RESULTS OF OPERATIONS

Set forth below are the net orders and revenues for the Company's five operating divisions:

<TABLE>
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Three months ended March 31,	1995	1994

<S> <C> <C>

NET ORDERS		
Varco Drilling Systems	$23,280	$17,390
Varco BJ Oil Tools	12,030	10,907
Martin-Decker/TOTCO Instrumentation	15,653	13,272
Shaffer	22,510	10,862
Thule Rigtech	3,447	
Total	$76,920	$52,431
REVENUES		
Varco Drilling Systems	$19,848	$16,326
Varco BJ Oil Tools	10,323	9,991
Martin-Decker/TOTCO Instrumentation	13,718	12,444
Shaffer	10,370	12,063
Thule Rigtech	2,913	
Total	$57,172	$50,824

</TABLE>

The increase in Drilling Systems' orders was primarily due to the receipt of orders to equip two new offshore platform rigs with our newer technology pipe handling equipment. These orders totaled approximately $8.4 million and each order included a vertical racking system (Pipe Handling Machine) and a horizontal racking device (Pipe Transfer System). This increase was partially offset by a decline in Top Drive units, as orders for 10 units were received in the first quarter of 1994 as compared to 7 such orders in the same period of 1995.

The increase in revenues in 1995 for Drilling Systems is primarily due to sales of Top Drive Drilling Systems, as 10 TDS units were shipped during the first quarter as compared to 7 units in 1994.

The 1995 increase in orders for Varco BJ Oil Tools is primarily due to orders for its new product, the Flush Mounted Spider.

The higher orders and revenues for Martin-Decker/TOTCO Instrumentation in the first quarter of 1995 as compared to the same period in 1994 are primarily due to rental revenue and sales from the TOTAL system, as each increased by approximately $900,000 versus the first quarter 1994.

The increase in orders for Shaffer is primarily due to orders for the upgrading of several offshore rigs with motion compensation and pressure control equipment. The decrease in Shaffer revenue is due to the delayed timing of product shipments.

The Company's total orders were $73.1 million for the fourth quarter of 1994 and $76.9 million for the first quarter of 1995. These rates compare to an average of $56.1 million for the first three quarters of 1994. These order rates are not reflective of increased drilling activity, as the average number of active rigs is slightly down when compared to the comparable period one year ago. Accordingly, the Company does not believe that the recent order rates will necessarily be sustained in succeeding quarters.

At March 31, 1995 the Company's backlog of unshipped orders was approximately $72.5 million as compared to $52.8 million at December 31, 1994. In accordance with industry practice, orders and commitments generally are cancelable by customers at any time. The Company believes that most of the backlog will be shipped by December 31, 1995.

Gross margin (net sales and rental income less costs of sales and rental income) as a percentage of net sales and rental income for the first quarter of 1995 was 41.6%. This compares to a gross margin of 39.9% for the same period in 1994. This improvement is due to increased utilization of the Company's manufacturing facilities. The Company estimates that based upon direct labor hours its manufacturing facilities were approximately 85% utilized in the first quarter of 1995 as compared to 75% utilization during the same period of 1994. The effect of this higher utilization has been to increase the percentage of manufacturing expenses allocated to inventory and decrease expenses charged directly to cost of sales, thereby contributing to an increase in gross margins.

The Company believes that new product development is a significant factor for the future of the Company. During the first three months of 1995 the Company spent $3.2 million or 5.5% of revenues on new product development. This compares to $3.1 million or 6.1% of revenue during the same period in 1994.

Selling, general and administrative expenses in the first quarter of 1995 were higher than the first quarter of 1994. As a percent of revenue, selling, general and administrative expenses were 26.3% and 25.0% for the first quarters of 1995 and 1994, respectively. This increase is primarily due to selling costs associated with the higher incoming order rate.

Overall Company employment at March 31, 1995 was 1,465 (including 220 temporary employees) which compares to 1,316 (including 208 temporary employees) a year ago. This increase is primarily due to an increase in manufacturing employees and to the addition of 37 Thule Rigtech employees.

The effective tax rate for the first quarter of 1995 was 38.3% as compared to 35.4% for the first quarter of 1994. The increased tax rate is due to higher foreign taxes in 1995 than 1994.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 1995 the Company had cash and cash equivalents and short term investments of $38.9 million as compared to $38.6 million at December 31, 1994.

On March 24, 1995, the Company commenced a "Dutch Auction" type tender offer (the "Tender Offer") to purchase up to 5,300,000 shares of its Common Stock at a purchase price not greater than $8.00 per share nor less than $6.75 per share. Pursuant to the Tender Offer, which terminated on April 21, 1995, the

Company purchased 3,150,560 shares of its Common Stock at a purchase price of $8.00 per share. The aggregate cost to the Company of the Tender Offer, including expenses, was approximately $26.6 million, which was funded from cash and cash equivalents and short term investments.

In July 1992 the Company sold $50.0 million aggregate principal amount of its 8.95% Senior Notes Due June 30, 1999 (the "Senior Notes") to a group of 10 institutional investors pursuant to a Note Agreement dated as of July 1, 1992 (the "Note Agreement"). The principal of the Senior Notes is payable in 5 equal annual installments commencing on June 30, 1995. Effective as of March 8, 1995, the holders of the Senior Notes waived compliance with certain covenants contained in the Note Agreement in order to permit the Tender Offer and amended certain financial covenants to take into account the effect of the consummation of the Tender Offer. The Senior Notes include a yield maintenance prepayment penalty if any principal is repaid prior to the installment due date. Had the entire outstanding principal amount been prepaid at March 31, 1995 the prepayment penalty would have been approximately $1.5 million.

On February 25, 1993 the Company entered into an unsecured revolving credit agreement with Citicorp USA, Inc. and Citibank, N.A. (the "Credit Agreement"). Effective as of March 17, 1995 the Credit Agreement was amended to (1) extend the maturity date from March 31, 1996 to October 31, 1998; (2) increase the total maximum facility from $20.0 to $35.0 million, consisting of a loan facility of $25.0 million and a letter of credit facility of $10.0 million; and (3) to amend certain covenants to permit the Tender Offer and to take into account the effect of the consummation of the Tender Offer on certain financial ratios. At March 31, 1995 there were no advances outstanding and $3.5 million in letters of credit outstanding under this facility.

Both the Note Agreement and the Credit Agreement restrict the payment of dividends (other than dividends payable solely in shares of Common Stock) on, and repurchases of, Common Stock. Under the terms of the Credit Agreement, which is generally the more restrictive of these, the amount available for the payment of dividends on, and repurchases of, Common Stock is limited to 25% of the Company's consolidated net income arising after January 1, 1992, computed on a cumulative basis. In addition, pursuant to the March 17, 1995 amendment to the Credit Agreement discussed above, the Company may repurchase at any time prior to December 31, 1995 shares of its Common Stock for an aggregate cost not exceeding $50.0 million including shares purchased pursuant to the Tender Offer. The Company may also purchase or otherwise acquire shares of Common Stock from the proceeds of the substantially concurrent sale of shares of Common Stock.

On May 26, 1994 the Company announced that its Board of Directors had authorized the repurchase of up to one million shares of the Company's Common Stock for an aggregate purchase price not exceeding $6 million (the "Repurchase Program"). Through January 5, 1995, the last date on which the Company purchased shares pursuant to the Repurchase Program, the Company had repurchased on the open market 267,200 shares of its Common Stock at an average price of approximately $6.28 per share. On April 24, 1995, the Company announced its intention to recommence the Repurchase Program.

At March 31, 1995 the Company's working capital was $116.2 million as compared to $112.3 million at December 31, 1994 and its current ratio of 3.1 to 1.0 as compared to 3.4 to 1.0 at December 31, 1994. Long-term debt as a percent of total capitalization was 19% at March 31, 1995 which is the same as it was at December 31, 1994. The increase in working capital is primarily due to an increase in inventory during the first quarter of 1995.

The Company's capital expenditures during the first quarter 1995 were $2.3 million as compared to $2.9 million for the first quarter 1994. The Company's current plans for capital expenditures in 1995 are approximately $10.0 million. The Company believes its revolving credit facility and its cash and cash equivalents and short term investments will be sufficient to meet its capital expenditures and operating cash needs in 1995.

PROFILE

Varco International, Inc. is a leading manufacturer of products used in the oil and gas well drilling industry worldwide. The Company also leads in the development of new technology and equipment to enhance the safety and productivity of the drilling process. Operating through five divisions, the Company's products include: integrated systems for rotating and handling the various sizes and types of pipe used on a drilling rig; conventional pipe handling tools, hoisting equipment and rotary equipment; drilling rig instrumentation; pressure control and motion compensation equipment; and solid control equipment and systems.

INVESTOR CONTACT

Richard A. Kertson
Vice President - Finance
Varco International, Inc.
743 North Eckhoff Street
Orange, California 92668
Tel (714) 978-1900
Fax (714) 937-5029

(logo)

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<TABLE>
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(in thousands)	March 31, 1995	December 31, 1994
<S>	<C>	<C>
CURRENT ASSETS		
Cash and cash equivalents	$ 29,828	$ 8,793
Short term investments	9,097	29,832
Receivables (net)	55,032	52,250
Inventories	68,954	60,299

Other	7,880	7,603
Total Current Assets	170,791	158,777
Property, plant and equipment at cost, less accumulated depreciation	49,684	49,807
Cost in excess of net assets acquired	37,487	37,529
Other assets	11,166	11,528
Total Assets	$269,128	$257,641
CURRENT LIABILITIES		
Accounts payable	$ 18,638	$ 15,345
Other liabilities	25,950	21,090
Current portion of long-term debt	10,000	10,000
Total Current Liabilities	54,588	46,435
Long-term debt	39,408	39,349
Other non-current liabilities	7,559	8,129
Total Liabilities	101,555	93,913
SHAREHOLDERS' EQUITY		
Common Stock and additional paid-in capital	$126,231	$125,897
Retained earnings	41,342	37,831
Total Shareholders' Equity	167,573	163,728
Total Liabilities and Shareholders' Equity	$269,128	$257,641

</TABLE>

VARCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
(in thousands, except per share data)	1995	1994
<S>	<C>	<C>
REVENUES		
Net sales	$50,803	$45,158
Rental income	6,369	5,666
Other income	473	490

	57,645	51,314
COSTS AND EXPENSES		
Cost of sales	31,554	28,868
Cost of rental income	1,831	1,690
Selling, general and administrative expenses	15,145	12,831
Research and development costs	3,190	3,132
Interest expense	1,204	1,143
	52,924	47,664
Income before income taxes	4,721	3,650
Provision for income taxes	1,808	1,292
Net income	$ 2,913	$ 2,358
Net income per share of Common Stock	$ 0.09	$ 0.07
Shares used to calculate earnings per share	33,592	33,528

</TABLE>

NOTE:
These statements are condensed and do not contain disclosures required by generally accepted accounting principles. Reference should be made to the financial statements contained in the Annual Report to Shareholders for the year ended December 31, 1994.

VARCO INTERNATIONAL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
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	Three Months Ended March 31,	
(in thousands)	1995	1994
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net income	$ 2,913	$ 2,358
Depreciation and amortization	3,012	2,615
Increase (decrease) in operating cash flows:		
Receivables	(2,782)	2,816
Inventories	(8,655)	(4,212)

Accounts payable	3,293	1,480
Interest payable	1,120	1,107
Other	3,421	(2,236)
Net cash from operating activities	2,322	3,928
INVESTING ACTIVITIES		
Short term investments	20,735	1,014
Equipment purchases	(2,252)	(2,869)
Proceeds from equipment sales	249	9
Acquisition costs		(264)
Net cash from (used in) investing activities	18,732	(2,110)
FINANCING ACTIVITIES		
Repurchase of Common Stock	(19)	
Net cash (used in) financing activities	(19)	
Net change in cash and cash equivalents	21,035	1,818
Cash and cash equivalents at beginning of year	8,793	22,560
Cash and cash equivalents at end of quarter	$29,828	$24,378

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VARCO INTERNATIONAL, INC. AND SUBSIDIARIES

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF THE REGISTRANT INCLUDED IN ITS FIRST QUARTER REPORT TO SHAREHOLDERS FOR THE THREE MONTHS ENDED MARCH 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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