Drill Pipe and Drill Collars from China

Inv. Nos. 701-TA-474 & 731-TA-1176 (Final)

Petitioners' Hearing Presentation

January 5, 2011

Summary

- Grant Prideco is not acting as part of the U.S. industry and should be excluded from it.
- Intentional import misclassification ought not result in reliance on importer questionnaires.
- Most major U.S. drill pipe customers in fact have bought Chinese drill pipe.
- Hilong by itself constitutes a threat to the U.S. industry – illustrating many others.

RESPONDENTS AND PETITIONERS AGREE! (or used to)

- Respondents' claim at the Staff Conference:

  "It's our understanding that Petitioner VAM has just closed a deal to acquire Longbright, a Chinese producer of the subject merchandise.... So, given this suspect development, we really urge the Commission to look very closely at this acquisition *and to exclude VAM from the industry as a related party*." Tr. 128-29.

- This was false. But if owning one Chinese producer warrants exclusion, Grant Prideco surely should be, because it owns two.

The HTSUS sharply delineates all drill pipe tariff headings

Casing, tubing and **DRILL PIPE**, of a kind used in drilling for oil and gas:

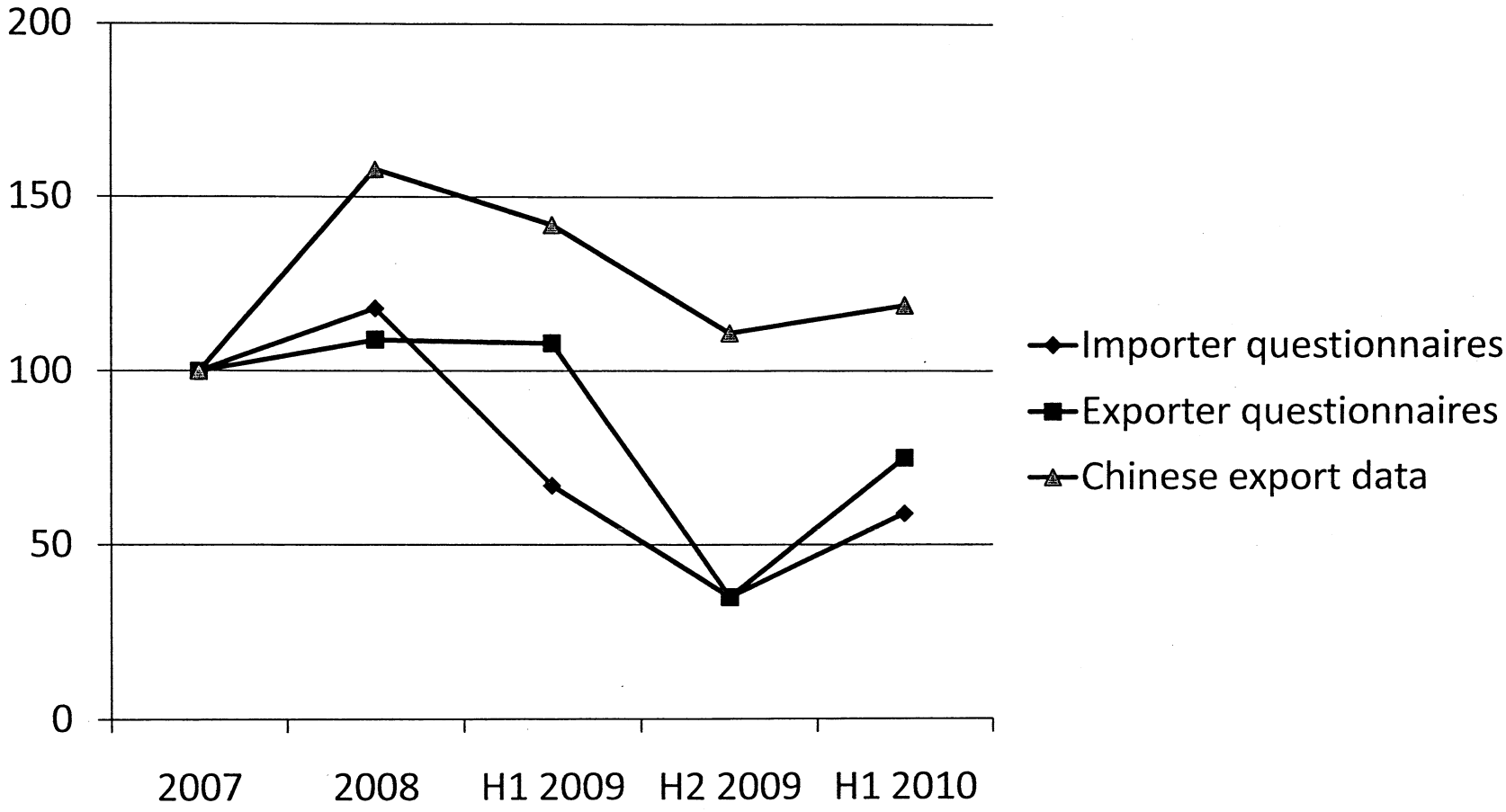
- 7304.22.00 **DRILL PIPE** of stainless steel
- 7304.23 Other **DRILL PIPE**
  - 7304.23.30 Of iron or nonalloy steel
  - 7304.23.60 Of alloy steel

8431.43 Parts for boring or sinking machinery of subheading 8430.41 or 8430.49:

- 8431.43.80 **DRILL PIPE** fitted with tool joints

Finished drill pipe import data trends

(annualized data)



Respondents compete with Petitioners for business at the largest drillers

- Respondents claimed at the Staff conference:

  "Command cannot compete on price with U.S. manufacturers for business on the largest drilling companies. . . . So we focus on that 25 percent of the market made up of smaller drilling contractors who aren't big enough to buy drill pipe at these heavily discounted prices." Conf. Tr. 139 (Mostoway).

Six of the 11 US drillers with 50+ rigs buy Chinese

	Rigs Marketed	[illegible] Suppliers
Nabors Drilling *(Various Locations)*	430	Domestic
Patterson-UTI Drilling Company, LLC *(Various Locations)*	333	Chinese
Helmerich & Payne I.D.C. *(Various Locations)*	222	Domestic
Precision Drilling Oilfield Svcs. Corp. *(Alice)*	149	Domestic/Chinese
Unit Drilling Company *(Various Locations)*	123	Domestic
Nomac Drilling, LLC *(El Reno, Marshall & Mt. Morris)*	97	Domestic
Ensign US Drilling, Inc. *(Various Locations)*	76	Domestic
Union Drilling, Inc. *(Various Locations)*	72	Domestic/Chinese
Trinidad Drilling, LP *(Various Locations)*	58	Domestic/Chinese
Pioneer Drilling Company *(Various Locations)*	54	Chinese
Cactus Drilling Company, LLC *(Oklahoma City)*	50	Domestic/Chinese
Percentage of all land rigs marketed in US	56.8%	
Next 10 largest drilling contractors (20-49 rigs)	296	Seven buy Chinese
Percentage of all land rigs marketed in US	66.90%	

Sources; *Rig Data*; Petitioners' market intelligence.

A majority of responding purchasers already buy Chinese drill pipe

- 17 out of 28 responding purchasers bought subject merchandise
- 13 of those 17 bought both domestic and Chinese products

(Pre-hrg. Staff Report at II-6 to II-7)

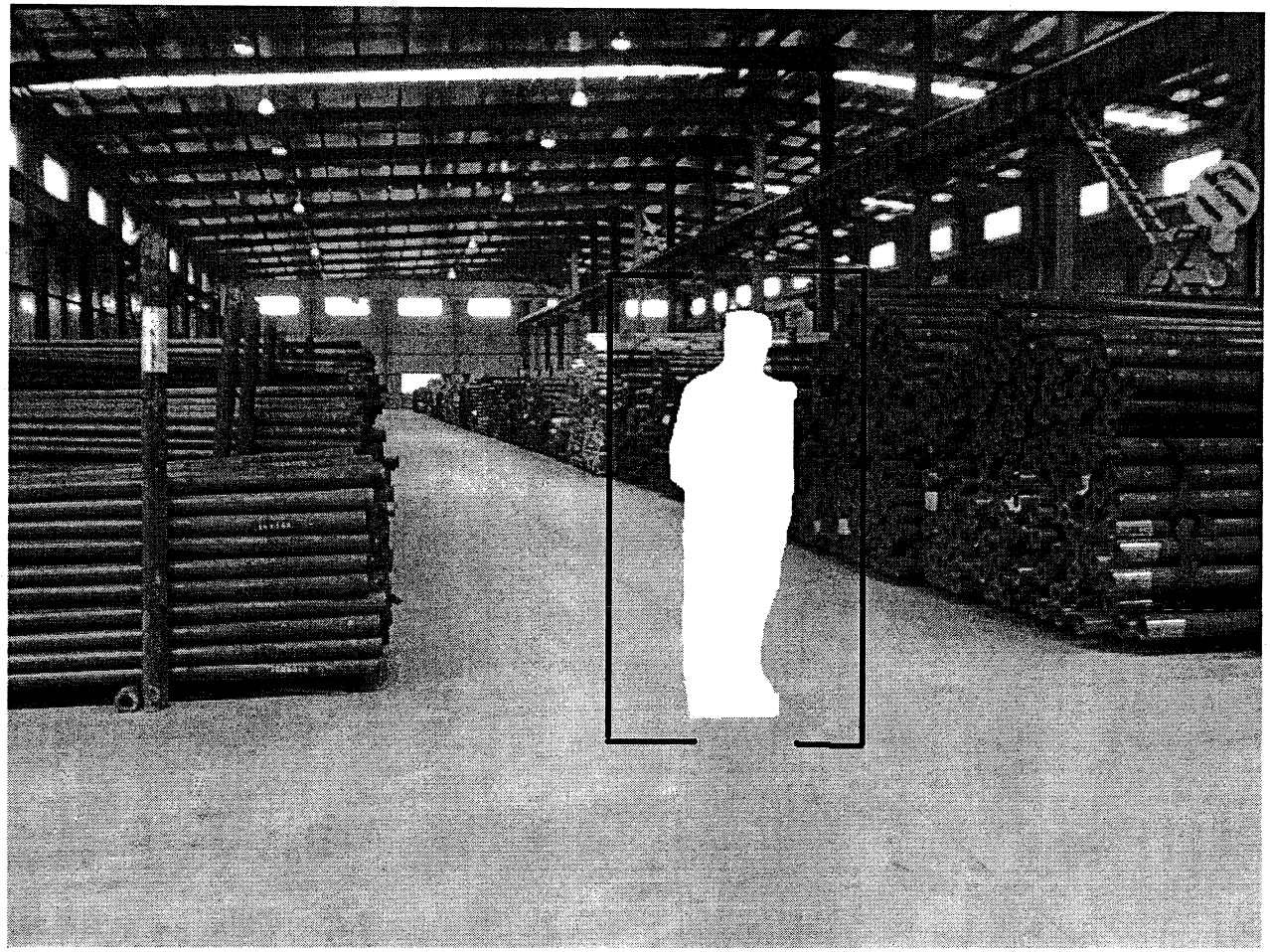
Hilong: a case study in threat

"Our Chinese supplier HILONG is the largest drill pipe manufacturer in China. They produce 70,000mt/annually. We know drill pipe market is completely saturated. However with Hilong/Birkin top management's determination to become one of the major drill pipe suppliers in the US market, we think it is a good time to contact our customers . . . . In order to break into this market, **Hilong/Birkin will offer under the market price with their premium drill pipe.**"

-Petitioners' pre-hearing brief Exhibit 9 (Aug. 2009).

DP Master: A case study in inventory

(Photo of DP-Master's December 2009 inventory in China – estimated at 10,000 tons)



Finished drill pipe and collar makers in the United States today . . .

• NOV Grant Prideco	Amelia, LA; Navasota, TX
• Charles Machine	Perry, OK
• Drill Pipe International	New Hope, MN
• RDT	Beasley, TX
• Reamco	Broussard, LA
• Smith	Houston, TX
• Sunbelt Steel	Houston, TX
• Superior	Houston, TX
• Tejas	Houston, TX
• TSC	Houston, TX
• VAM Drilling	Houston, TX

. . . and in two years with no relief.

- NOV Grant Prideco — Amelia, LA; Navasota, TX
- Charles Machine — Perry, OK