2001 ANNUAL REPORT

Weatherford®

The Forefront of Technology

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FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts and employees)

	2001	2000
Revenues	**$ 2,328,715**	$ 1,814,261
Earnings before Interest, Depreciation, Amortization and Taxes (before Impairment Charges)	**$ 617,603**	$ 375,755
Earnings before Interest, Depreciation, Amortization and Taxes (after Impairment Charges)	**$ 617,603**	$ 319,437
Operating Income	**$ 409,474**	$ 120,328
Net Income (Loss) from Continuing Operations	**$ 214,651**	$ (38,892)
Diluted EPS from Continuing Operations before Impairment Charges and Taxes related to Deconsolidation of Business	**$ 1.76**	$ 0.71
Diluted EPS from Continuing Operations after Impairment Charges and Taxes related to Deconsolidation of Business	**$ 1.76**	$ (0.36)
Diluted Weighted Average Shares	**133,255**	109,457
Total Assets	**$ 4,296,362**	$ 3,461,579
Convertible Debentures	**$ 927,061**	$ 911,672
Other Debt	**762,962**	252,138
Total Debt	**$ 1,690,023**	$ 1,163,810
Stockholders' Equity	**$ 1,838,240**	$ 1,338,458
Depreciation and Amortization	**$ 208,129**	$ 199,109
Capital Expenditures	**$ 339,425**	$ 266,560
Number of Employees	**15,056**	11,863

Weatherford International, Inc. (NYSE: WFT), headquartered in Houston, Texas, is one of the top oilfield service companies in the world, with approximately 15,000 employees and more than 450 locations in 100 countries. Weatherford's purpose is to deliver superior financial performance by providing high performance technologies and superior products and services that facilitate our customers' drilling, completion and production operations.

Drilling & Intervention Services

Competitive Advantages

- Market leadership in the industry's core technologies – drilling products, downhole services, well installation systems and cementing products and services.
- Market leadership in the game-changing technology sector of underbalanced drilling (UBS) and the industry's only full suite of proprietary UBS systems.
- An industry leader in thru-tubing intervention technologies that minimize production disruption.
- Proprietary well construction technologies such as Drilling with Casing (DwC™) products that reduce drilling costs by 15% and industry-leading mechanized rig systems that improve offshore rig safety and efficiency.
- World-record setting project experience in pipeline and specialty services, including complete pipeline asset management programs, patented chemical solutions and proven engineering methodology.

Growth Opportunities

- Substantial growth projected in 2002 for international markets, especially in the Eastern hemisphere.
- Growth rate for UBS is accelerating, particularly in demanding international market environments.
- Increasing worldwide demand for mechanized rig systems due to safety and performance benefits.
- Pull-through opportunities related to benefits of value-added product/service lines.
- Increasing demand for multilateral systems that permit multiple wells to be drilled off a main bore.
- Growing demand for patented DwC™ systems.

Completion Systems

Competitive Advantages

- Only one of two completion companies in the industry that can provide comprehensive integrated completion systems.
- Market leadership in Expandable technologies that was further solidified in 2001 with Weatherford's $160 million, multi-year global supply agreement with Shell. The agreement includes Expandable Sand Screens (ESS™) as well as slotted drilling and completion liners.
- Robust intellectual property position in the fiber optic sensing system market, including numerous patents currently issued and pending that involve game-changing, intelligent completion technologies.
- Increased product offerings for growing deepwater markets, including high performance packers, top drive cementing heads, and subsurface safety valves.
- The industry's largest provider of sand screens – both conventional and Expandable.
- Global access to Expandable technology markets through an agreement with Shell Technology Ventures granting Weatherford worldwide license to all solid and slotted Expandable technology.

Growth Opportunities

- Strong outlook for ESS™ due to the production and cost benefits the technology provides. Also major North American market opportunity.
- Continuing Expandables research and development work, particularly for solid tubulars, which have broad market applications for completion, remediation and well construction.
- Worldwide license from Shell Technology Ventures to all slotted and expandable technologies.
- Developing market for Intelligent Completion systems utilizing optical sensing systems and mechanical controls to monitor and optimize reservoir activity.
- Continued leveraging of Weatherford's worldwide infrastructure.

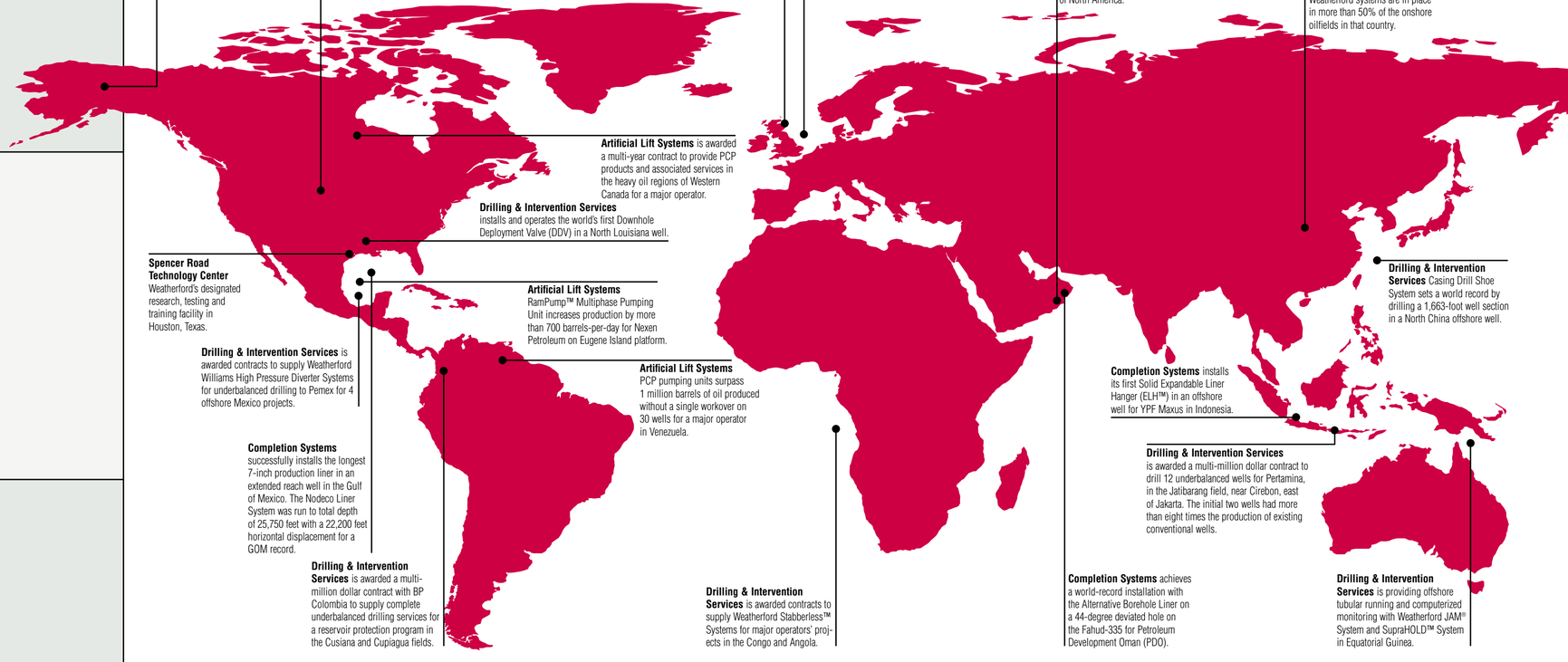
Artificial Lift Systems

Competitive Advantages

- Leading single-source worldwide provider of all types of artificial lift systems and services for the life of the well.
- Only company in the industry offering a systems approach to asset recovery solutions.
- Leading developer of hybrid lift technologies such as Progressing Cavity Pumping/Gas Lift Systems that extend traditional applications.
- Leading developer of remotely operated production optimization systems that allow proactive reservoir management and system performance monitoring and control.
- Proprietary Coalbed Methane – Electric Submersible Pump (CBM-ESP™) that enhances CBM efficiencies and performance.

Growth Opportunities

- The growing number of heavy oil production projects in the Western hemisphere requiring engineered lift solutions.
- The rise of production systems integration or "bundling" projects.
- Combining intelligent lift and completion technologies to offer intelligent well systems and provide cross-divisional pull-through opportunities.
- Rapid growth in coalbed methane production worldwide, creating demand for pumping systems and solutions.
- Further expansion outside mature North American markets.
- Introduction of new ESP product line.



Completion Systems conducts the Arctic qualifications for a six-well fiber optic installation in BP's Northstar-Alaska project. Customer plans an additional 10 systems for 2002.

Artificial Lift Systems installs 100 Plunger Lift Systems ahead of schedule and handles turnkey project management for a major operator in Wyoming.

Eastern Hemisphere Research Center Weatherford is advancing research, development and training at its focused facilities in Aberdeen, Scotland.

Completion Systems installs the world's first Expandable Sand Screen (ESS™) in a complex multi-lateral completion in BP's Harding PS2yx well.

Drilling & Intervention Services begins development of a 15-well underbalanced drilling project for Petroleum Development Oman in the Nimr Field. The project potentially could grow to 40 wells. This will make it the largest implementation of UBS outside of North America.

Drilling & Intervention Services is awarded contracts to supply 25 Weatherford Williams High Pressure Diverter Systems for underbalanced drilling projects in 21 onshore North China oilfields. Weatherford systems are in place in more than 50% of the onshore oilfields in that country.

Artificial Lift Systems is awarded a multi-year contract to provide PCP products and associated services in the heavy oil regions of Western Canada for a major operator.

Drilling & Intervention Services installs and operates the world's first Downhole Deployment Valve (DDV) in a North Louisiana well.

Spencer Road Technology Center Weatherford's designated research, testing and training facility in Houston, Texas.

Artificial Lift Systems RamPump™ Multiphase Pumping Unit increases production by more than 700 barrels-per-day for Nexen Petroleum on Eugene Island platform.

Drilling & Intervention Services is awarded contracts to supply Weatherford Williams High Pressure Diverter Systems for underbalanced drilling to Pemex for 4 offshore Mexico projects.

Artificial Lift Systems PCP pumping units surpass 1 million barrels of oil produced without a single workover on 30 wells for a major operator in Venezuela.

Drilling & Intervention Services Casing Drill Shoe System sets a world record by drilling a 1,663-foot well section in a North China offshore well.

Completion Systems installs its first Solid Expandable Liner Hanger (ELH™) in an offshore well for YPF Maxus in Indonesia.

Drilling & Intervention Services is awarded a multi-million dollar contract to drill 12 underbalanced wells for Pertamina, in the Jatibarang field, near Cirebon, east of Jakarta. The initial two wells had more than eight times the production of existing conventional wells.

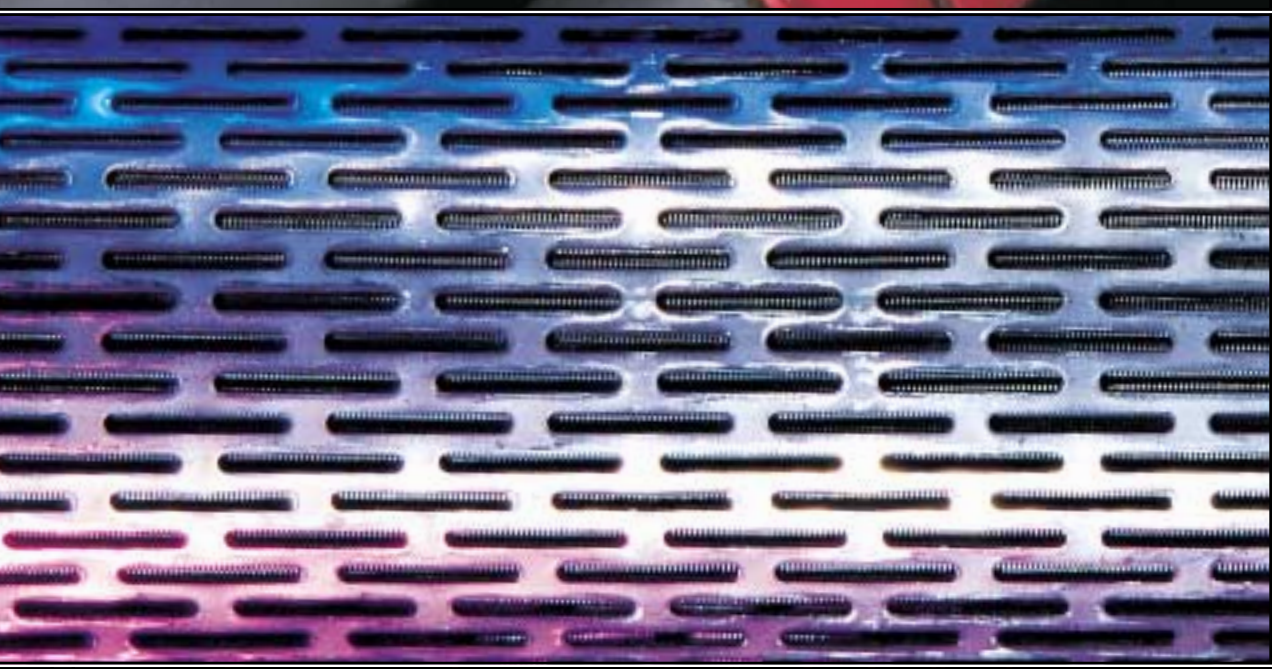
Completion Systems successfully installs the longest 7-inch production liner in an extended reach well in the Gulf of Mexico. The Nodeco Liner System was run to total depth of 25,750 feet with a 22,200 feet horizontal displacement for a GOM record.

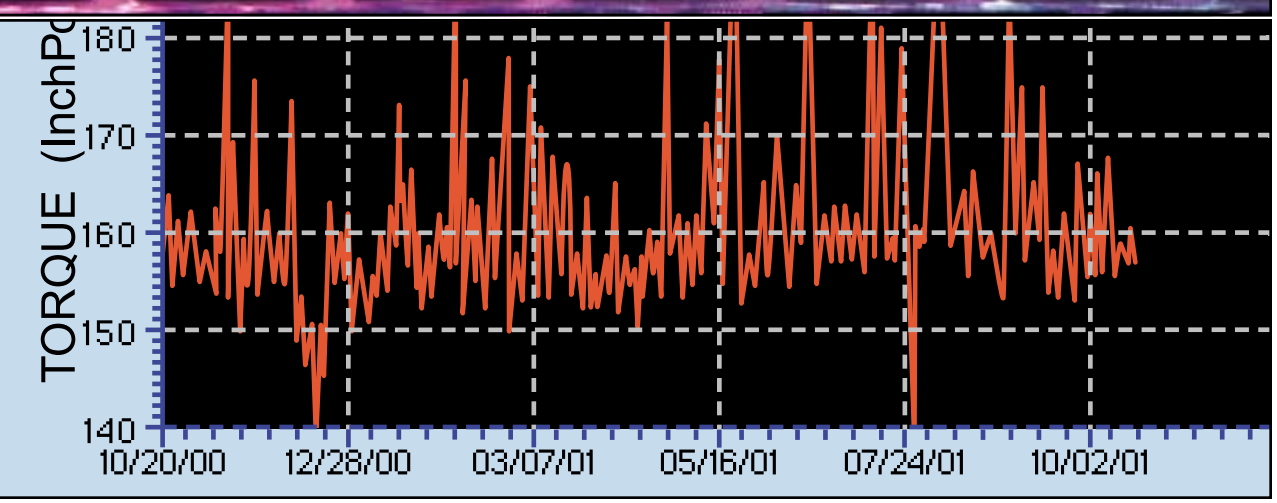
Drilling & Intervention Services is awarded a multi-million dollar contract with BP Colombia to supply complete underbalanced drilling services for a reservoir protection program in the Cusiana and Cupiagua fields.

Drilling & Intervention Services is awarded contracts to supply Weatherford Stabberless™ Systems for major operators' projects in the Congo and Angola.

Completion Systems achieves a world-record installation with the Alternative Borehole Liner on a 44-degree deviated hole on the Fahud-335 for Petroleum Development Oman (PDO).

Drilling & Intervention Services is providing offshore tubular running and computerized monitoring with Weatherford JAM® System and SupraHOLD™ System in Equatorial Guinea.

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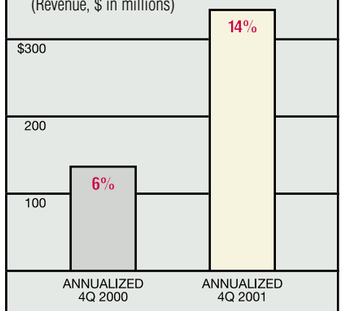
WEATHERFORD RELATIVE STOCK PRICE PERFORMANCE
(as of March 28, 2002)

	WFT	OSX*	S&P 500
Year to Date	**+28%**	+18%	-1%
3 Year	**+156%**	+50%	-11%
10 Year	**+1,444%**	—	+184%
15 Year	**+6,960%**	—	+288%

*Philadelphia Oil Services Sector Index, established 12/96

NEW TECHNOLOGIES CONTRIBUTION ACCELERATES
(Revenue, $ in millions)



INTERNATIONAL GROWTH FASTER THAN NORTH AMERICA
(Revenue, $ in billions)

2001 gave us a glimpse of the strength and potential of Weatherford. Our financial performance set new standards upon which we will judge our future achievements. Our balance sheet is in excellent shape and provides a strong foundation for growth. While our stock price performance last year reflected investor anticipation of cyclical trends, it reached a record high and raised the bar for the future. We made headway in our strategic efforts to leverage Weatherford's global position and commercialize innovative new technologies. These efforts will provide Weatherford with an engine for growth that over time we expect will outperform and reduce some of the turbulence from the inevitable cycles that affect our business.

Principal highlights of 2001 included:

- Strong performances from each of our three operating segments that contributed to a 148% improvement in diluted earnings per share to $1.76 per share. Revenues rose 28%, by more than $500 million, to $2.3 billion and Earnings before Interest, Depreciation, Amortization and Taxes (EBITDA) increased 64%, or $242 million. Such growth was complemented by a 19% year-over-year gain in our return on invested capital as we exited 2001, extending a steady record of improvement over the last three years. This focus on raising returns above and beyond our cost of capital is widespread throughout Weatherford and balances the growth culture of the company.
- We continue to focus on optimizing our financial condition and keeping our cost of capital at attractive levels. Net debt (i.e., total debt less cash and cash equivalents and equity investments) stands at 40% of our net capitalization (net debt plus stockholder equity). Our net debt position consists of an efficient mix of short-term credit facilities, senior notes (augmented by a $350 million 10-year senior note offering during the fourth quarter) and convertible debentures.
- Our stock price hit a new high of $60.375 in the second quarter, more than 20% higher than our previous all-time high, adjusted for the spin-off of Grant Prideco. Overall, the stock price at year-end was lower than it was at the start, reflecting the prevailing cyclical trend in commodity prices and oilfield activity, particularly in North America. However, looking back over most time periods, Weatherford has consistently and significantly outperformed both general and specific market indices (see chart). Results like this continue to be our goal.
- Emerging technologies achieved a significantly higher profile within Weatherford during 2001. The importance of these technologies and the drivers of their growth will be discussed in more detail below. Revenues from Underbalanced Services (UBS), Expandable Technologies and Intelligent Well Systems (both Completion and Artificial Lift) increased 161% to more than $250 million. By the fourth quarter of 2001, these new businesses accounted for nearly 14% of total company revenues (see chart).
- We continued to leverage off one of Weatherford's most valuable resources: our worldwide infrastructure. During 2001, revenue from North America (US and Canada) activities grew 11% to $1.3 billion, while revenue from international activities jumped 60% to more than $1 billion. During 2001, international business accounted for 45% of our total mix, up from 36% in 2000 (see chart).

Each of our divisions distinguished themselves in 2001:

Drilling & Intervention Services revenue rose 52% to $1.3 billion and EBITDA margins rose more than 300 basis points to 34.2% of revenue. All principal regions and product lines contributed to the performance. One particular measure of the strength of this division's performance was the outstanding growth in revenue per rig, particularly in international markets. Revenue per rig is an intensity measurement and a useful indicator of market share momentum. During 2001, revenue per rig increased 14% from the prior year in North America and more than 50% internationally. Better utilization of infrastructure, growth of emerging businesses like UBS, and consolidating acquisitions contributed to these gains. During the year, we acquired Orwell, a major international service company providing drilling, fishing and remediation services, and BBL, Ltd, a provider of important new technology for Drilling with Casing (DwC™) applications. Both Orwell and BBL are based in Aberdeen, Scotland. We added to our UBS fleet with the acquisition of Tesco's underbalanced drilling system assets. We also acquired sole ownership of International Nitrogen Services, the world's largest provider of membrane nitrogen to the drilling industry.

"New technologies that help control costs, raise productivity and, over the long term, improve reservoir recovery are vital."

Completion Systems, the youngest of our divisions, has grown from a start up in 1999 to a major participant today in the market for completion products and services. In the last year revenue increased 61% to $351 million, EBITDA margins nearly doubled to 16% of revenue and market share improved sharply. To accommodate that growth, we doubled headcount, increased manufacturing capacity (particularly for our growing expandables offering) and raised our R&D spend to build out product lines and fast track the development of new technologies, including expandables and Intelligent Well Systems. In addition, we made significant new investments in those new businesses through the acquisition of critical optical sensing systems technologies (CiDRA) and a license agreement with Shell Technology Ventures covering worldwide expandable applications. We entered into a multi-year $160 million expandable supply agreement with Shell. We were also able to consolidate and add scale to our screen product line through the acquisition of Johnson Screens.

Artificial Lift Systems generated solid gains during 2001. In an environment that was dominated by natural gas in North America, Artificial Lift (which is principally driven by oil-related activity) generated 28% growth in revenue and a nearly 400 basis point improvement in EBITDA margins to 18.2%. This division continued to pursue growth abroad and its non-North American revenue stream increased 59%. We also successfully started an intelligent lift business – Production Optimization – through organic internal investment and the acquisition of CAC, Inc., a producer of automation, optimization and control system technologies for onshore and offshore applications. We also acquired Axelson/Guiberson, further broadening the division's product offering.

Additional Initiatives

On February 12, 2001 we successfully completed the merger of our Compression Services division with Universal Compression Holdings, Inc. in exchange for 13.75 million shares, or 45%, of Universal common stock. That investment represents an important potential source of additional future liquidity for Weatherford.

During 2001, we added depth and scope to our global R&D efforts. We supplemented our western hemisphere R&D facility in Houston, TX with a similar facility in Aberdeen, Scotland. From these two centers our experienced engineers are expanding and enhancing our core product and service offerings and developing exciting and potentially game-changing technologies.

We increased our R&D spend to $47 million in 2001 and will increase it substantially again in 2002. Successful R&D is critical to Weatherford's future performance. The products and services it provides are also crucial to our customers. We operate in an environment characterized by volatile commodity prices and increasingly difficult geological realities, including accelerating decline rates and increasing production complexities. New technologies that help control costs, raise productivity and, over the long term, improve reservoir recovery are vital.

Weatherford is at the forefront of game-changing technologies with Underbalanced Drilling Services, Expandable Technologies and Intelligent Well Systems for completion and lift. Technologies like these are challenging conventional approaches. Over time, they will cannibalize some existing products and services, including a few of our own. However, for Weatherford's future growth and prosperity they are absolutely necessary.

Although 2002 will be characterized by weak activity levels in the western hemisphere (North and South America), we expect better fundamentals in the eastern hemisphere (particularly West Africa, the Far East, Russia and the Middle East).

Over the years Weatherford has had a distinguished track record of shareholder value generation, one of the oilfield industry's highest. Weatherford's people, technology footprint and its service culture are the driving factors to shareholder wealth. As we continue to grow, we must never lose sight that our service culture is our organization's greatest asset. Equally important, we will remember that our first and foremost objective is shareholder wealth generation.

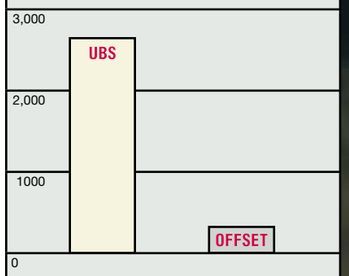
Respectfully,

Bernard J. Duroc-Danner
Chairman, President and Chief Executive Officer

April 2002

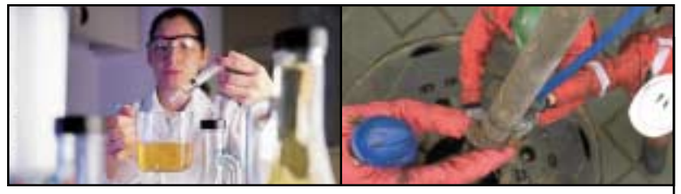
Weatherford's revolutionary **Downhole Deployment Valve** (DDV) isolates the reservoir section from the rest of the hole during tripping and enables completion of the producing zone in an underbalanced condition. The DDV eliminates the need to kill the well or use a snubbing unit to trip the drillstring during underbalanced drilling or completion operations. The DDV increases safety, reduces flare emissions and lowers well costs. ➤

UBS OUTPERFORMS CONVENTIONAL METHODS
Barrels of oil per day



For one European operator, a lateral underbalanced well delivered stable production of 2,750 barrels-of-oil-per-day (bopd). A lateral offset, drilled overbalanced off the same main wellbore, produced 50 bopd – 98% less.

UBS Adoption Spreads Internationally and Offshore



In 2001, Weatherford's Underbalanced Drilling Systems (UBS) revenues more than doubled from the previous year. Our project activity also increased across the board – especially internationally and offshore – as more operators, faced with maturing fields sought new ways to meet projected growth for global hydrocarbon demand.

Three factors have made growth potential in this market strong. First, more customers are realizing the value UBS provides. Documented productivity gains and minimized formation damage are spurring the rapid adoption of UBS, even though it challenges the tradition-bound operating procedures used by the industry for more than half a century.

Underbalanced drilling permits the well to flow while drilling, resulting in little or no formation damage. By avoiding formation damage, well productivity increases exponentially. For instance, UBS increased production for a Northern European operator by 875% on a horizontal well.

"Weatherford Drilling & Intervention Services holds industry leadership in core segments (like drilling equipment, downhole services and well installation) that have made our name synonymous with quality and experience worldwide. New technologies, such as our game-changing Underbalanced Drilling Systems, are growing from this foundation and mark our evolution to meet the changing needs of today's industry."

Gary L. Warren
President, Weatherford Drilling & Intervention Services

Secondly, the offshore market is becoming increasingly viable for UBS technologies. In the past, deepwater offshore reservoirs in regions such as Brazil and the Gulf of Mexico (GOM) were not active regions for UBS. This stemmed from two challenges: technical (reservoirs in these regions required the installation of excessive casing strings, which made costs prohibitive) and regulatory (for instance, UBS was not proven in many areas).

Early this year, several actions reduced these barriers. The U.S. Minerals Management Service (MMS) publically encouraged the submission of Gulf of Mexico UBS project proposals for the coming year. In addition, Weatherford UBS has developed technologies such as the Internal Riser Rotating Control Head (IRRCH™) that makes dual gradient drilling possible for deepwater developments. ▼

Mechanized Rig Systems are Worldwide Leaders in Sales and Service

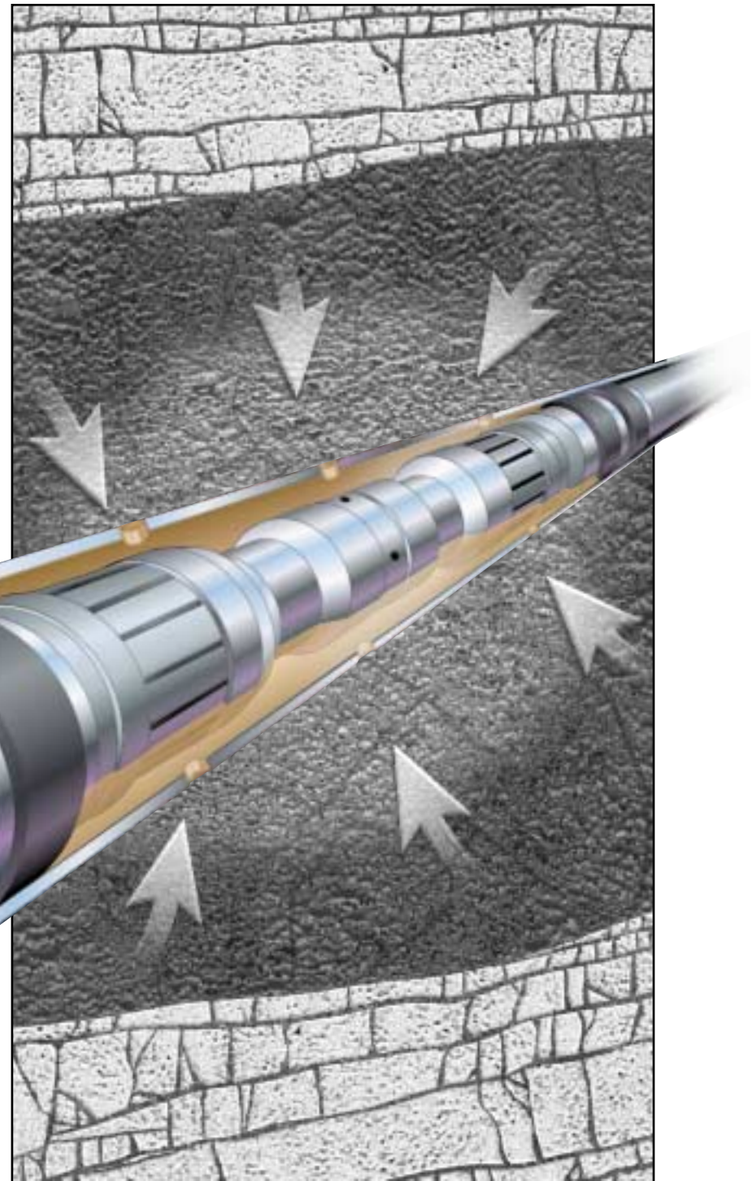
Early in 2002, revenue for Weatherford's Mechanized Rig Systems is projected to be substantially greater than 2001. Early in 2002, associated service revenues have more than doubled. Two prime factors are driving this growth: technology leadership and a strong safety record. Weatherford has been a leader in Mechanized Rig Systems since 1994, when we installed the "first generation" systems that today are regarded as the industry standard. We are the only company offering a total package for mechanized tubular makeup.

Additionally, with an established record of reduced safety incidents and quicker run times, we continue enhancing the system. Most recently, the TorkWinder™ wrenching tong was added. This system, designed to handle the entire drillstring, has a single stroke rotation five times greater than the competition's tong and a smaller footprint than conventional mechanical roughnecks. In 2002, Weatherford plans to introduce the Production Riser Tong. It has 360-degree full rotation capabilities, is capable of applying 300,000 foot-pounds of torque. This addition allows us to run drill pipe, casing, tubing and production riser with a remote-controlled, single positioning device.

➤ Third, Weatherford is the UBS technology leader, successfully integrating project engineering, well control, separation systems, fluid chemistry and data acquisition into one. Weatherford is the only company in the industry that can provide this level of integration. Weatherford's DataPro™ Data Acquisition System utilizes state-of-the-art digital format and the proven simple profibus network for fast, reliable service. Data collection and management are key to conducting safe, efficient UBS operations. Our new Downhole Deployment Valve (highlighted in the photograph on page 8) now allows wells to be drilled and completed in underbalanced mode.

The rapid uptake of UBS has spurred significant research and development. For example, the ECD (Equivalent Circulating Density) Reduction Tool was developed in cooperation with BP to augment UBS, deepwater and extended-reach drilling operations. ECD is the sum of the hydrostatic fluid density plus the circulating frictional forces. Weatherford's unique ECD Reduction Tool is located in the drillstring to reduce this frictional effect by pumping the fluids returning up the annulus back to the surface. This allows drilling at lower downhole pressures thereby avoiding the risk of significant formation damage.

Another key UBS development is drilling media that help prevent formation damage and enhance productivity. Weatherford recently introduced the Weatherford Foam System, a unique recyclable foam system that allows foamed drilling fluid, common in UBS operations, to be defoamed at the surface. There it is cleaned before being refoamed and recycled downhole. The system helps save on drilling fluid costs and is environmentally friendly.



The Jet Pack™ Straddle System is a packer-type straddle tool that sets and releases with pump pressure. It is designed for cost-effective treatment and isolation of producing intervals without pipe manipulation. This results in increased production.

Weatherford's surface equipment is part of a comprehensive offering of Underbalanced Drilling (UBS) technology and services. We offer compression and nitrogen generation systems as well as a broad range of fluid technologies for UBS.

Weatherford Installs World's First Downhole Deployment Valve

Weatherford successfully installed and operated the world's first Downhole Deployment Valve (DDV) in a North Louisiana well in November 2001. The ground-breaking DDV is a component used in underbalanced drilling operations that isolates the underbalanced reservoir section from the rest of the hole during tripping operations and allows for the completion of that zone in an underbalanced condition. The DDV has strong pull-through opportunities with other divisions. For example, the DDV used in unconsolidated formations with Expandable Sand Screen (ESS™) technology acts as a shutoff – holding back pressure and enabling successful deployment of ESS in these formations.

Innovative Drilling with Casing System Boosts Productivity

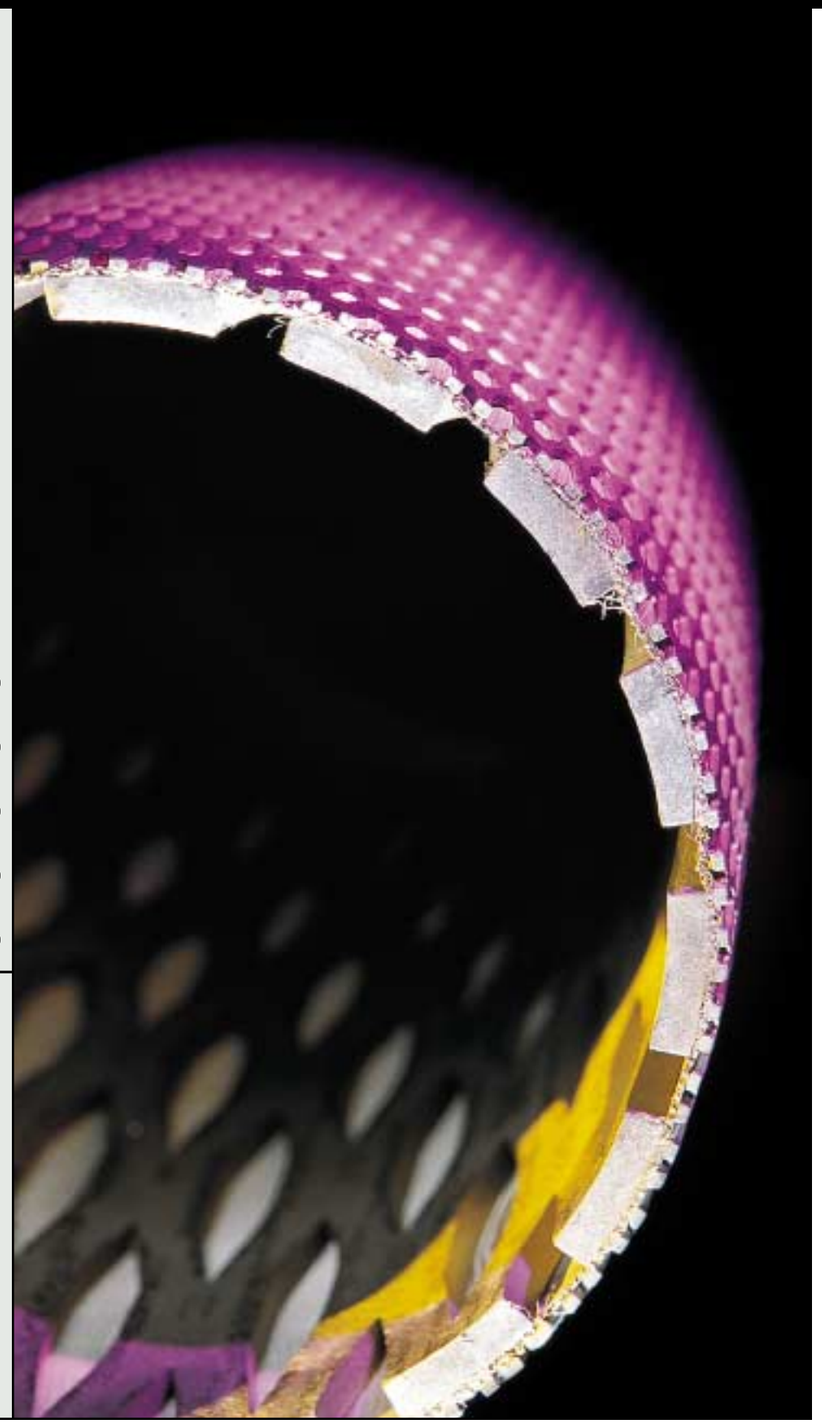
The 2001 acquisition of Brit Bit Limited (BBL™) has excellent marketing compatibility with Weatherford's Expandable, Multilateral, Liner Hanger and Cementation product lines as well as an established market presence in the North Sea, Australia and Canada. We will use our worldwide infrastructure to market the technology globally.

Weatherford BBL™ technologies are widely recognized as innovative and cost effective. Our Drilling with Casing System (DwC™) offers a step change in current well construction techniques, that can reduce drilling costs by 15% or more. This year Weatherford's Casing DrillShoe™ System set a world record by drilling a 1,663-foot well section in an offshore North China well. Weatherford's revolutionary Expandable Bit has the capability to drill under expandable casing sections and to automatically under-ream for the setting of the next casing string. It is a strong fit with our Expandable technologies due to its importance to the drilling and completion of monobore wells.

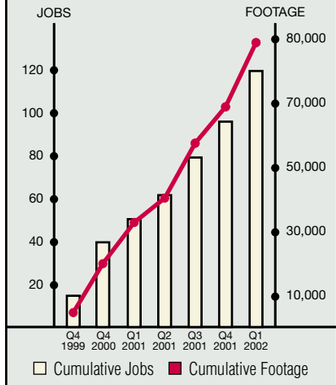
Intervention Technology Designed for Production Challenges

The ability to work from existing wellbores, without requiring costly removal of existing well infrastructure, helps operators hold the line on project costs while enhancing production. Weatherford has drawn on its extensive experience and developed Thru-tubing Intervention products that help meet production goals and perform in challenging environments. Already recognized as a global leader in well intervention, Weatherford has developed proprietary technology such as the MacDrill™ high temperature motor that withstands downhole temperatures as high as 500 degrees Fahrenheit. The MacDrill is adaptable to UBS intervention because, unlike conventional motors, it withstands possible damage from nitrogen or other gases that can be used downhole as compressible drilling media. Another new offering is the Jet Pack™ Straddle System, from Weatherford's line of Thru-tubing Packers. It is a cost-effective method for isolating and treating producing intervals that does not require manipulation to set and retrieve pipe. Yet, it still helps increase production. The system recently distinguished itself by isolating eight intervals in a single run in a Prudhoe Bay horizontal well stimulation job that required selective matrix treatments. The Jet Pack System can be set multiple times, moved to different locations in the well between each setting cycle and then returned to the surface.

In 2001, Weatherford's **Expandable Sand Screen** (ESS™) technology extended its leading market position while setting installation records worldwide. Already the commercial market leader in ESS, Weatherford completed several key industry agreements and also stepped up development of its Solid Expandable Tubular systems that potentially are capable of reducing well construction costs by 30-50%. ➤



ESS INSTALLATION HISTORY



Successfully commercialized in 1999, ESS™ has had more than 115 successful applications. Nearly 80,000 feet, or 15 miles, have been installed.

Examples of Operator Benefits

- Bruneian operator saves $2.5 million over three wells
- UK operator saves $2.3 million on horizontal well (30%)
- UK operator adds $13.3 million net present value to three well field development

Expandable Technology Leadership Position Established in a Growth Market

Expandables – Revenue More Than Triples in 2001

Revenue for Weatherford's Expandable Sand Screen (ESS™) technology, known for its recognized savings and production benefits, increased more than threefold over 2000. By year-end, we had installed nearly 80,000 cumulative feet – more than triple the installation figure at the end of the previous year. This puts the number of ESS installations at more than 115.

Weatherford's ESS continues setting the standard for technological superiority as well. We installed the world's first ESS in a complex multilateral completion in BP's North Sea Harding PS2yx well in November 2001. This topped off a string of successes from 2000 that includes the world's longest ESS installation, the world's longest open-hole horizontal ESS installation and the world's first multi-zone ESS completion.

"Weatherford Completion Systems has grown from start-up to industry force in completion applications within three short years. Strategic acquisitions, an unrelenting focus on developing game-changing technologies, and the breadth of our offering have positioned us as one of only two full service completion providers worldwide."

Mark E. Hopmann
President, Weatherford Completion Systems

Effective in 2002, Weatherford has a multi-year $160 million Global Supply agreement with Shell International for the worldwide supply of its expandable products. Several additions to our ESS systems are also planned for the future, including an instrumented ESS and a two-trip deployable ESS.

Increased Access to Worldwide Expandable Markets in 2002
In March 2002, Weatherford obtained a worldwide license from Shell Technology Ventures to all of Shell's solid and slotted expandable technologies. This agreement grants global coverage and also opens the active Gulf of Mexico market to Weatherford Expandable Technology. The pact will complement Weatherford's inroads in the market for expandable tools for completion, remediation and well construction applications. The attractiveness of these markets directly reflects operators' desire to reduce costs and improve production. ▼

FracGuard Adds to Packer Capabilities in Growing High Pressure/High Temperature Applications

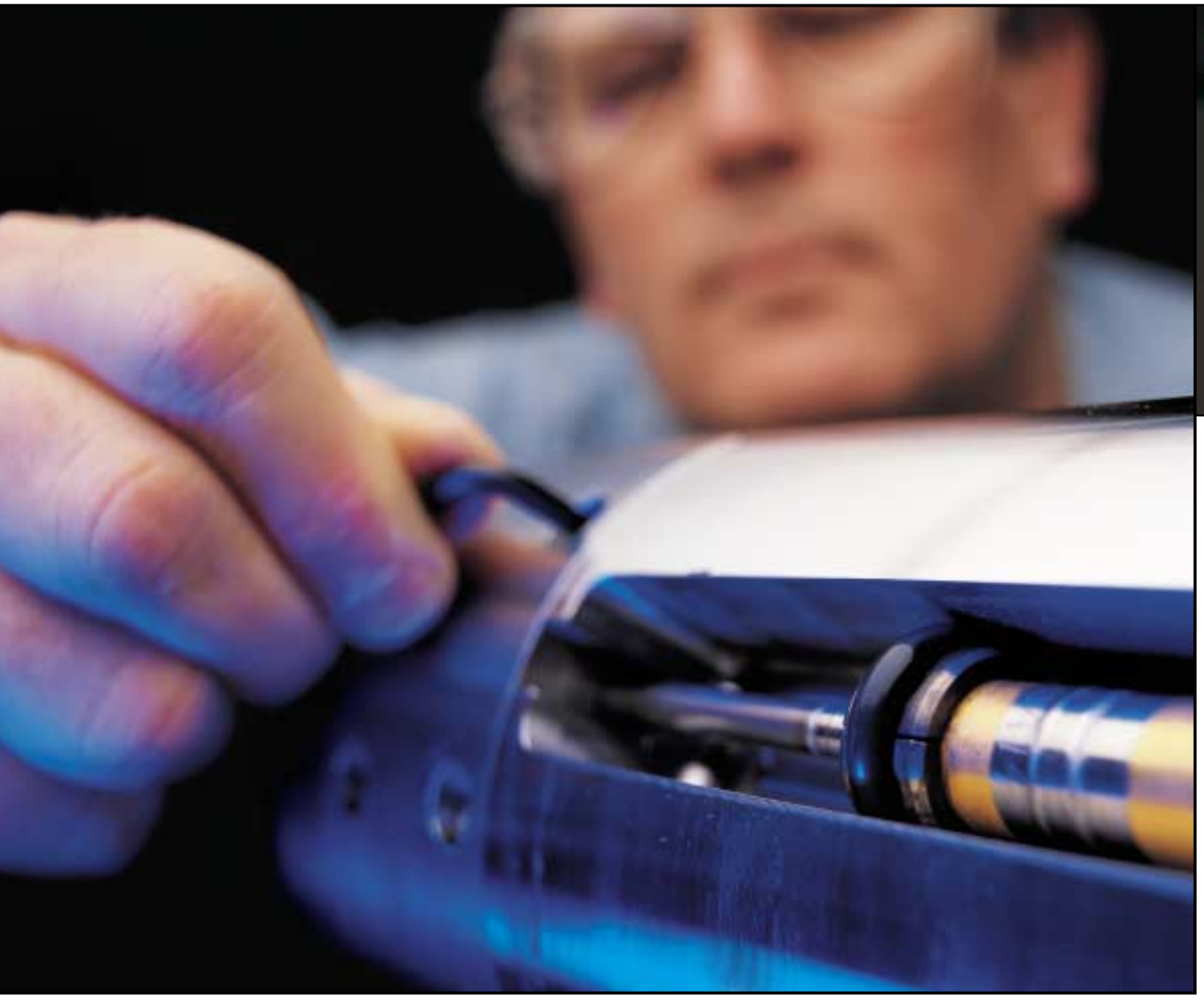
Weatherford has used its global resources to assemble and bring to market a cohesive offering of high-end packer products. Among these is Weatherford's FracGuard™ Composite Frac Plug which isolates zones during high-pressure stimulation. The FracGuard handles pressures up to 12,000 pounds-per-square-inch (psi), 20% higher than competitive systems. The system's unique check ball design holds differential pressure from above while allowing flow back from below the plug. To date, more than 200 FracGuard plugs have been run with an overall success ratio greater than 99%.

➤ Early in 2002, Weatherford began to make inroads into the Solid Expandable Tubular market with the installation of its first Solid Expandable Liner Hanger (ELH™) in an offshore well for YPF Maxus in Indonesia. Weatherford's proprietary Compliant Rotary Expansion System (CRES™) was used for expansion. The CRES, which employs a rotating radial force rather than driving a fixed dimension cone through the tubular, was key to the success.

For the coming year, Weatherford is increasing its Solid Expandable Tubular system capabilities with the planned addition of systems such as the Expandable Drilling Liner for monobore well construction and the MetalSkin™ Well Remediation system.

Intelligent Wells

Real-time Sensing Technology Marks the Next Generation of Intelligent Wells
In 2001, Weatherford acquired CiDRA OSS (Optical Sensing Systems), a commercially successful suite of permanent downhole fiber optic systems. The move positions Weatherford at the forefront of the growing Intelligent Completion market, which is estimated to be a multi-billion dollar market by the end of the decade.



In simple terms, Intelligent Completion combines the ability to monitor and, where required, control the flow of fluids in the wellbore. This removes the need for conventional, and often prohibitively expensive, intervention efforts. What makes Weatherford unique in this market is its proprietary fiber optic sensing systems, which mark a step change in reliability as well as the volume of real-time, downhole data that can be collected and transmitted to the surface. Presently, Weatherford is installing pressure/temperature gauges, flow and phase fraction systems, as well as an all fiber, in-well seismic system.

Late last year, Weatherford was awarded a permanent monitoring contract for BP's Northstar project in Alaska. Despite the harsh environment, the first four installations have been completed successfully, paving the way for the remaining applications. Recently, the customer ordered 10 additional systems.

The addition of optical sensing also complements Weatherford's existing mechanical well control systems based on hydraulically actuated technology. By combining these systems we can offer our customers the ability to understand conditions downhole and remotely adjust the mechanical systems in place to enhance ultimate hydrocarbon recovery.

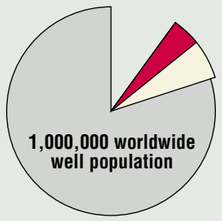
In the coming year, Weatherford will continue installing its Intelligent Completion systems around the world. A broad product range, strong global footprint and unlimited technology headroom create opportunities for Weatherford to redefine the term "Intelligent Completion."

Optimax Surface Controlled Subsurface Safety Valve Enhances Completion Offering

To achieve a comprehensive product offering, Weatherford developed the Optimax™, our surface controlled Subsurface Safety Valve. The Optimax is a fail-safe device that shuts off uncontrolled flow between a producing formation and the surface. We will be developing to the highest specifications more than 20 Subsurface Safety Valve designs in the next three years. Product launch of our first Optimax product is planned for mid-year 2002.

Weatherford's customized **Progressive Cavity Pump** (PCP) solutions are driven by customer input as well as our engineering and manufacturing expertise. In addition, our state-of-the-art facilities are unique in the industry and help us to bring systems to market quickly. Weatherford's global footprint allows project management in real-time on location worldwide. ➤

ARTIFICIAL LIFT AUTOMATION MARKET



- Use some form of artificial lift
- Use automation
- Weatherford's solutions in use

Of the one million wells that exist around the world, 90% use some form of artificial lift. A small number, 10%, are automated today. Weatherford Production Automation Systems are the market leader in this growing segment.

Production Optimization

Turnkey Production Optimization Opens New Markets

In approximately 40,000 of the world's growing population of automated wells, Weatherford's Intelligent Lift solutions are raising productivity and lowering operating costs. In 2001, we expanded our Production Optimization capabilities through cooperative technology developments and partnering agreements. Weatherford responded to the industry challenges of maturing reservoirs and escalating decline rates with a better answer. We incorporated specialized software with targeted forms of artificial lift. The result: turnkey remote production systems administered from a central control station and backed by our global footprint. This new way of utilizing existing technology makes Production Optimization Systems accessible to more customers.

"Weatherford is the only company offering the full range of artificial lift options. Our product range and focus on cutting-edge Production Optimization technologies have established us as the clear market leader in the industry."

E. Lee Colley, III
President, Weatherford Artificial Lift Systems

Weatherford moved into the vanguard of Production Optimization with the introduction of the AIM® System, which compiles wellsite and remote, real-time well performance evaluations. The system makes data available quickly via the Internet, giving the customer proactive reservoir management power and diminishing well costs by limiting interventions.

As the market leader in five of the six forms of artificial lift, we will continue exploiting our core competencies to open new industry opportunities in the coming year. Strategic projects planned for the upcoming year include Rod Pump and PCP automation for a major Latin American customer and Intelligent ESP Systems for 400 wells for a major operator in the Middle East.

Production Optimization Advances

Production Optimization offers operators real-time information on reservoir performance. This allows proactive decision-making and comprehensive planning to maximize asset recovery as well as lower operating and maintenance costs.

As the only company offering all forms of lift, Weatherford's Production Optimization Systems can be customized to meet any requirement. We tailor our systems to help customers develop their fields efficiently and cost-effectively using thorough analysis. Recently, our Production Optimization Systems helped a major operator in the Rocky Mountain region of the United States raise total oil production by 20% while decreasing power costs by 14.1%. In another operator's West Texas field, Weatherford's Production Optimization Systems reduced the number of pumping unit failures by 50% and enabled pay off in less than six months. Weatherford maintains market leadership in artificial lift by developing comprehensive solutions that reduce power and chemical costs as well as repair frequency.

WEATHERFORD ARTIFICIAL LIFT SYSTEMS LEADERSHIP

Reciprocating Rod Lift	**LEADER**
Progressing Cavity Pumping (PCP)	**LEADER**
Hydraulic Lift	**LEADER**
Gas Lift	**LEADER**
Plunger Lift	**LEADER**
Electric Submersible Pumping (ESP)	**NEW ENTRANT**

Weatherford's Global Manufacturing Facilities Speed Development Process

Weatherford's focused facilities allow quick supply of customized pumping units around the world. Weatherford handles the complete production process – R&D, developing elastomers, designing and manufacturing the pump, full scale testing and qualifying the product before sending any prototype out to the field – in-house. The process involves setting a development schedule with the customer's input from conceptual design to testing and helps us bring designs to market quickly. In-house testing can be accomplished three times faster than in comparable facilities.

Recently, Progressive Cavity Pumps (PCP) were delivered by Weatherford's Edmonton facility in only four months from design to prototype testing in the ground in Venezuela for Operadora Cerro Negro (OCN). Weatherford's Model 130 high capacity PCP is now in service in Venezuela's Orinoco heavy crude oil region with strong results. The success of the Model 130 has brought about the Model 175 – a new and larger PC pump – also under development for Venezuela.

Hybrid Lift Technologies

Pushing Existing Technologies Maximizes Recovery Potential

Today, 90% of the world's estimated one million wells use some form of artificial lift. As the only company with all forms of artificial lift, Weatherford can enhance and combine lift technologies that extend the operating envelope of existing methods and open new markets. We are leveraging our experience and product offering across platforms and delivering cost-effective solutions that maximize reservoir productivity.

This cross-pollination of systems and technologies produces systems that can adapt to a multitude of downhole conditions. Weatherford has engineered customized systems that achieve longer run times, operate in high temperature and pressure applications, meet deepwater production challenges and ultimately reduce costs.

Value Added Solutions Expand Division

EARLY 1990s	MID-LATE 1990s	2000 TO THE PRESENT
Reciprocating Rod Lift	All Forms of Lift	Production Automation & Optimization
Indirect Distribution Channels	Applications & Service Excellence	Hybrid Lift Systems
Largely U.S. and Canada	Market Share Leader	Global Supply Chain Management
Limited Service Capability	Leveraged Delivery System	Technology Greenhouse
	Low-cost Manufacturing	Hydrocarbon Transmission
	Technology Focus	Asset Management
	From Western Hemisphere Dominance to Global Scale	Exploit Core Competency Beyond Traditional Markets

Since the early 1990s, Weatherford has put in place a series of key initiatives and strategic acquisitions moving the ALS division into its position as a global leader. The chart above outlines theoretical and technological drivers behind this transformation.

Coalbed Methane

Entry into Coalbed Methane Market Emphasized in 2001

Producing methane gas stored in coalbeds is a specialized process. Weatherford is leveraging core competencies to move into the growing Coalbed Methane (CBM) market. Our cost-effective solutions cover a wide range of CBM conditions and applications. Experienced in lift technologies, we understand solids and gas handling, reservoir dynamics and pumping applications which are inherent in CBM production. Our expertise, coupled with proven products, are paving the way to new and enhanced technologies for pumping and dewatering coalbed methane gas efficiently and effectively.

Today, this form of production is still in its infancy. Currently, Progressing Cavity Pumping Systems, Electric Submersible Pumping Systems, Reciprocating Rod Lift Systems and Plunger Lift Systems have proven successful in CBM operations. With a market leadership position in lift, we continue adapting our specially designed and engineered products to meet the demands of the unfolding CBM industry.

Global Supply Chain Management Ensures Efficiency

Weatherford adopted a Global Supply Chain Management initiative that separates the purchasing process from sales and marketing efforts. The outcome is a streamlined procurement system that is reliable and efficient. By leveraging our global reach, these economies of scale will become visible through achieving improved value from suppliers.

Customized Solution Answers Increasing Coalbed Methane Applications

Weatherford's Coalbed Methane-Electric Submersible (CBM-ESP™) Pump was specifically designed for CBM applications. This patented ESP design has features such as tapered compression pumps and Johnson® intake screens. The CBM-ESP pump offers enhanced efficiencies and performance over traditional ESP designs. Additionally, it incorporates three types of gas shrouding and is easily repaired for reduced operating costs.

Headquarters

Weatherford International, Inc.
515 Post Oak Boulevard
Houston, Texas 77027
713/693-4000

Registrar and Transfer Agent

American Stock Transfer
& Trust Company
40 Wall Street
New York, NY 10005

Auditors

Ernst & Young LLP
1221 McKinney, Suite 2400
Houston, Texas 77010

Legal Counsel

Andrews & Kurth, LLP
600 Travis, Suite 4200
Houston, Texas 77002

Stock Data

New York Stock Exchange
Symbol: WFT

Corporate Officers

Bernard J. Duroc-Danner
President, Chief Executive Officer,
Chairman and Director

E. Lee Colley, III
Senior Vice President and
President, Artificial Lift Systems

Mark E. Hopmann
Senior Vice President and
President, Completion Systems

Gary L. Warren
Senior Vice President and
President, Drilling &
Intervention Services

Donald R. Galletly
Senior Vice President, Communications
and Investor Relations

Burt M. Martin
Senior Vice President,
General Counsel and Secretary

Jon R. Nicholson
Senior Vice President,
Human Resources and
Information Technology

James N. Parmigiano
Vice President,
Operational Controller

Lisa W. Rodriguez
Vice President, Finance
and Accounting

Directors

Philip Burguieres
Chairman Emeritus
Weatherford International, Inc.

David J. Butters
Managing Director
Lehman Brothers, Inc.
(Investment banking company)

Bernard J. Duroc-Danner
Chairman of the Board, President
and Chief Executive Officer
Weatherford International, Inc.

Sheldon B. Lubar
Chairman
Lubar & Co.
(Private investment company)

William E. Macaulay
Chairman and Chief Executive Officer
First Reserve Corporation
(Investment funds manager)

Robert B. Millard
Managing Director
Lehman Brothers, Inc.
(Investment banking company)

Robert K. Moses, Jr.
Private Investor

Robert A. Rayne
Executive Director
London Merchant Securities plc
(Property investment and
development company)

Weatherford International, Inc.
515 Post Oak Boulevard, Suite 600
Houston, Texas 77027