Matador Resources Co
Form 424B3
April 26, 2017
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Registration File No. 333-216549

PROSPECTUS

Matador Resources Company

Offer to Exchange

up to

$175,000,000 of 6.875% Senior Notes due 2023

that have been registered under the Securities Act of 1933

for any and all outstanding

$175,000,000 of 6.875% Senior Notes due 2023

that have not been registered under the Securities Act of 1933

The exchange offer and withdrawal rights will expire at 5:00 p.m., New York City time, on May 23, 2017 unless extended.

We are offering to exchange up to $175,000,000 aggregate principal amount of our outstanding 6.875% Senior Notes due 2023, or the 2016 senior notes, for new notes with substantially identical terms that have been registered under the Securities Act of 1933, as amended, or the Securities Act, and are freely transferable, which we refer to herein as the exchange notes. On April 14, 2015, we issued $400,000,000 aggregate principal amount of 6.875% Senior Notes due 2023, all of which were exchanged in October 2015 for substantially identical notes registered under the Securities Act, which we refer to as the initial notes. We refer to the 2016 senior notes, the exchange notes and the initial notes collectively in this prospectus as the notes. We refer to this exchange as the exchange offer. We are offering you exchange notes in exchange for 2016 senior notes in order to satisfy our registration obligations from the offering of the 2016 senior notes.

The terms of the exchange notes are substantially identical to the 2016 senior notes, except that the transfer restrictions, registration rights and provisions for additional interest applicable to the 2016 senior notes do not apply to the exchange notes. The exchange notes will represent the same principal amount of debt as the 2016 senior notes, and we will issue the exchange notes under the same indenture as the initial notes and 2016 senior notes. The exchange notes will be substantially identical to, and are expected to bear the same CUSIP and ISIN numbers as, the initial notes, but will bear different CUSIP and ISIN numbers from any unexchanged 2016 senior notes. The notes will be treated as a single class under the indenture governing them.

Please read Risk Factors on page 9 of this prospectus for a discussion of factors you should consider before participating in the exchange offer.

We will exchange for an equal principal amount of exchange notes all 2016 senior notes that you validly tender and do not validly withdraw before the exchange offer expires. You may withdraw tenders of 2016 senior notes at any time prior to the expiration of the exchange offer. The exchange procedure is more fully described in The Exchange Offer Procedures for Tendering. If you fail to tender your 2016 senior notes, you will continue to hold unregistered notes that you will not be able to transfer freely.

Please read Description of the Exchange Notes for more details on the terms of the exchange notes. We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer.

Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The Letter of Transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for 2016 senior notes where such 2016 senior notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the consummation of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See Plan of Distribution.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is April 26, 2017.

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This prospectus incorporates by reference business and financial information about us that is not included in or delivered with this prospectus. We will provide to each person, including any beneficial owner to whom a prospectus is delivered, a copy of these filings, other than an exhibit to these filings unless we have specifically incorporated that exhibit by reference into the filing, upon written or oral request and at no cost. Requests should be made by writing or telephoning us at the following address: Matador Resources Company, 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, Attn: Investor Relations, telephone number: (972) 371-5200, Internet website: www.matadorresources.com. To obtain timely delivery, you must request the information no later than May 16, 2017, or the date which is five business days before the expiration date of this offer.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC. We may add, update or change in a prospectus supplement any information contained in this prospectus. You should read this prospectus and any accompanying prospectus supplement, as well as any post-effective amendments to the registration statement of which this prospectus is a part, together with the additional information described under Where You Can Find More Information before you make any investment decision.

We have not authorized any person to provide you with any information or represent anything about us other than what is contained in this prospectus. We do not take any responsibility for, and can provide no assurance as to the reliability of, any information that others may provide to you. You should not assume that the information in this prospectus or any document incorporated by reference is accurate as of any date other than the date on its front cover. Our business, financial condition, results of operations and prospects may have changed since the date indicated on the front cover of such documents. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities offered hereunder, nor does this prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

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PROSPECTUS SUMMARY

This summary highlights information included or incorporated by reference in this prospectus. It may not contain all of the information that is important to you. This prospectus includes information about the exchange offer and the exchange notes and includes or incorporates by reference information about our business and our financial and operating data. Before deciding to participate in the exchange offer, you should read this entire prospectus carefully, including the information incorporated by reference in this prospectus and the Risk Factors section beginning on page 9 of this prospectus. In addition, certain statements include forward-looking information that involves known and unknown risks and uncertainties. See Cautionary Statement Regarding Forward-Looking Statements.

In this prospectus, references to we, our or the Company refer to Matador Resources Company and its subsidiaries as a whole (unless the context indicates otherwise) and references to Matador refer solely to Matador Resources Company.

Our Company

We are an independent energy company engaged in the exploration, development, production and acquisition of oil and natural gas resources in the United States, with an emphasis on oil and natural gas shale and other unconventional plays. Our current operations are focused primarily on the oil and liquids-rich portion of the Wolfcamp and Bone Spring plays in the Delaware Basin in Southeast New Mexico and West Texas. We also operate in the Eagle Ford shale play in South Texas and the Haynesville shale and Cotton Valley plays in Northwest Louisiana and East Texas. Additionally, we conduct midstream operations primarily, as of February 17, 2017, through our midstream joint venture, San Mateo Midstream, LLC (San Mateo or the Joint Venture), in support of our exploration, development and production operations and provide natural gas processing, natural gas, oil and salt water gathering services and salt water disposal services to third parties on a limited basis.

Corporate Information

We were incorporated in 2003 as a Texas corporation. Our corporate headquarters are located at 5400 LBJ Freeway, Suite 1500, Dallas, Texas 75240, and our telephone number is (972) 371-5200. Our website is located at http://www.matadorresources.com. We have not incorporated by reference into this prospectus the information included on, or linked from, our website, and you should not consider it to be part of this prospectus.

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EXCHANGE OFFER

On December 9, 2016, we completed a private offering of $175 million aggregate principal amount of 6.875% Senior Notes due 2023. As part of that offering, we entered into a registration rights agreement with the initial purchasers of the 2016 senior notes in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the 2016 senior notes. Below is a summary of the exchange offer.

2016 Senior Notes	On December 9, 2016, we completed a private placement of $175 million aggregate principal amount of 6.875% Senior Notes due 2023, or the 2016 senior notes. The 2016 senior notes were issued as additional securities under an indenture dated April 14, 2015, among us, our subsidiary guarantors named therein and Wells Fargo Bank, National Association, as the trustee, as supplemented on October 1, 2015, November 4, 2015, June 8, 2016 and February 17, 2017.
	On April 14, 2015, we issued $400 million aggregate principal amount of 6.875% Senior Notes due 2023, or the initial notes, pursuant to the indenture governing the notes, all of which were exchanged for substantially identical notes registered under the Securities Act of 1933, as amended, or the Securities Act, in October 2015.
Exchange Notes	The exchange notes will be notes of the same series as the 2016 senior notes, the issuance of which has been registered under the Securities Act. The terms of the exchange notes are identical in all material respects to those of the 2016 senior notes, except that the transfer restrictions, registration rights and provisions for additional interest applicable to the 2016 senior notes do not apply to the exchange notes. The exchange notes will represent the same principal amount of debt and interest as the 2016 senior notes. The exchange notes will be substantially identical to, and are expected to bear the same CUSIP and ISIN numbers as, the initial notes, but will bear different CUSIP and ISIN numbers from any unexchanged 2016 senior notes.
Terms of the Exchange Offer	We are offering to exchange up to $175 million of exchange notes for a like amount of our 2016 senior notes in denominations of $2,000 and integral multiples of $1,000 in excess thereof. In order to be exchanged, a 2016 senior note must be properly tendered and accepted. All 2016 senior notes that are validly tendered and not withdrawn will be exchanged. As of the date of this prospectus, there is $175 million aggregate principal amount of 2016 senior notes outstanding. We will issue exchange notes promptly after the expiration of the exchange offer.
Expiration Time	The exchange offer will expire at 5:00 p.m., New York City time, on May 23, 2017, unless extended.

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Procedures for Tendering 2016 Senior Notes	All of the 2016 senior notes are held in book-entry form through the facilities of The Depository Trust Company, or DTC. To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by DTC for tendering notes held in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration time of the exchange offer, a computer-generated message known as an agent s message that is transmitted through ATOP and that DTC confirm that: DTC has received instructions to exchange your notes; and you agree to be bound by the terms of the letter of transmittal in Annex A hereto. For more details, please read The Exchange Offer Terms of the Exchange Offer and The Exchange Offer Procedures for Tendering. Letters of transmittal should not be sent to us. Such letters should only be sent to the exchange agent. Questions regarding how to tender 2016 senior notes and requests for information should be directed to the exchange agent. See The Exchange Offer Exchange Agent.
Guaranteed Delivery Procedures	None.
Acceptance of 2016 Senior Notes for Exchange; Issuance of Exchange Notes	Subject to the conditions stated in The Exchange Offer Conditions to the Exchange Offer, we will accept for exchange any and all 2016 senior notes which are properly tendered in the exchange offer before the expiration time. The exchange notes will be delivered promptly after the expiration time.
Interest Payments on the Exchange Notes	The exchange notes will bear interest from April 15, 2017. If your 2016 senior notes are accepted for exchange, then you will receive interest on the exchange notes (including any accrued but unpaid additional interest on the 2016 senior notes) and not on the 2016 senior notes.
Withdrawal of Tenders	You may withdraw your tender of 2016 senior notes at any time prior to the expiration time. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read The Exchange Offer Withdrawal of Tenders.
Conditions to the Exchange Offer	The registration rights agreement does not require us to accept 2016 senior notes for exchange if the exchange offer or the making of any exchange by a holder of the 2016 senior notes would violate any applicable law or SEC policy. A minimum aggregate principal amount of 2016 senior notes being

tendered is not a condition to the exchange offer. Please read The Exchange Offer Conditions to the Exchange Offer for more information about the conditions to the exchange offer.

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Resales of Exchange Notes	Based on interpretations by the staff of the SEC in no-action letters issued to third parties, we believe that you may transfer exchange notes issued under the exchange offer in exchange for the 2016 senior notes if:

you acquire the exchange notes in the ordinary course of your business; and

you are not engaged in, and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of such exchange notes.

You may not participate in the exchange offer if you are:

an affiliate within the meaning of Rule 405 under the Securities Act of Matador Resources Company; or

a broker-dealer that acquired 2016 senior notes directly from us.

If you fail to satisfy any of the foregoing conditions, you will not be permitted to tender your 2016 senior notes in the exchange offer and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or other transfer of your 2016 senior notes unless such sale is made pursuant to an exemption from such requirements.

Each broker or dealer that receives exchange notes for its own account in exchange for 2016 senior notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell, resale or other transfer of the exchange notes issued in the exchange offer, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the exchange notes. See The Exchange Offer Resales of Exchange Notes.

Certain U.S. Federal Income Tax Considerations	The exchange of the 2016 senior notes for the exchange notes will not be a taxable event for U.S. federal income tax purposes. Please read Certain United States Federal Income Tax Considerations.
Exchange Agent	Wells Fargo Bank, National Association is serving as the exchange agent in connection with the exchange offer. The address and telephone and facsimile numbers of the exchange agent are listed under the heading The Exchange Offer Exchange Agent.
Use of Proceeds	We will not receive any proceeds from the issuance of exchange notes in the exchange offer. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement. We will pay all expenses incident to the exchange offer. See Use of Proceeds and The Exchange Offer Fees and Expenses.

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THE EXCHANGE NOTES

The exchange notes will be substantially identical to the 2016 senior notes, except that the exchange notes will be registered under the Securities Act, and the transfer restrictions and registration rights and provisions for additional interest applicable to the 2016 senior notes will not apply to the exchange notes. The exchange notes will represent the same principal amount of debt and interest as the 2016 senior notes, and we will issue the exchange notes under the same indenture used in issuing the initial notes and 2016 senior notes.

The summary below describes the principal terms of the exchange notes. The terms and conditions described below are subject to important limitations and exceptions. The Description of the Exchange Notes section of this prospectus contains a more detailed description of the terms and conditions of the exchange notes.

Issuer	Matador Resources Company.
Notes Offered	$175,000,000 aggregate principal amount of 6.875% Senior Notes due 2023. The terms of the exchange notes are identical in all material respects to those of the 2016 senior notes, except that the transfer restrictions, registration rights and provisions for additional interest applicable to the 2016 senior notes do not apply to the exchange notes.
Maturity Date	April 15, 2023.
Relationship with 6.875% Senior Notes due 2023 issued April 14, 2015	The exchange notes offered hereby will have substantially identical terms, other than with respect to transfer restrictions, registration rights and provisions for additional interest, as our 2016 senior notes, and will have substantially identical terms as our initial notes other than with respect to the date of issuance and issue price. The exchange notes will bear different CUSIP and ISIN numbers than any unexchanged 2016 senior notes. The exchange notes are expected to bear the same CUSIP and ISIN numbers as, and be fungible with, our initial notes. The exchange notes will be treated as a single series of debt securities with our initial notes.
Interest Rate	6.875% per year (calculated using a 360-day year).
Interest Payment Dates	April 15 and October 15 of each year, with the next payment due on October 15, 2017. Interest on the exchange notes will accrue from April 15, 2017.
Ranking	The exchange notes will be our general unsecured senior obligations. Accordingly, they will rank:

- equal in right of payment to all of our existing and future senior indebtedness (including our initial notes and 2016 senior notes);

- effectively subordinate in right of payment to all of our existing and future secured indebtedness, including indebtedness under our revolving credit facility, to the extent of the value of the collateral securing such indebtedness;

structurally subordinate in right of payment to all existing and future indebtedness and other liabilities, including trade payables, of our existing subsidiaries that do not guarantee the notes, consisting of San Mateo and its subsidiaries, and any future subsidiaries that do not guarantee the notes (in each case, other than indebtedness and other liabilities owed to us); and

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senior in right of payment to all of our future subordinated indebtedness.

As of the date of this prospectus, San Mateo and its subsidiaries have no outstanding indebtedness.

Subsidiary Guarantees

The exchange notes will be jointly and severally guaranteed by all of our existing subsidiaries that are the borrower or are guarantors under our revolving credit facility and may be guaranteed by certain of our future restricted subsidiaries. In the future, the guarantees may be released or terminated under certain circumstances. See Description of the Exchange Notes Subsidiary Guarantees and Description of the Exchange Notes Certain Covenants Additional Subsidiary Guarantees.

Each subsidiary guarantee will rank:

equal in right of payment to all existing and future senior indebtedness of the guarantor subsidiary;

effectively subordinate in right of payment to all existing and future secured indebtedness of the guarantor subsidiary, including its guarantee of indebtedness under our revolving credit facility, to the extent of the value of the collateral securing such indebtedness; and

senior in right of payment to any future subordinated indebtedness of the guarantor subsidiary.

Optional Redemption

At any time prior to April 15, 2018, we may, from time to time, redeem up to 35% of the aggregate principal amount of the notes with an amount of cash not greater than the net cash proceeds of certain equity offerings at the redemption price set forth under Description of the Exchange Notes Optional Redemption, if at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding immediately after such redemption and the redemption occurs within 180 days of the closing date of such equity offering.

At any time prior to April 15, 2018, we may, on any one or more occasions, redeem all or part of the notes at a redemption price equal to 100% of the principal amount of the notes redeemed, plus the make whole premium as of, and accrued and unpaid interest, if any, to, the date of redemption. See Description of the Exchange Notes Optional Redemption.

On and after April 15, 2018, we may redeem all or part of the notes at the redemption prices set forth under Description of the Exchange Notes Optional Redemption.

Change of Control If we experience certain kinds of changes of control, each holder of the notes may require us to repurchase all or a portion of its notes for cash at a price equal to 101% of the aggregate principal amount of such notes, plus any accrued and unpaid interest to the date of repurchase. See Description of the Exchange Notes Repurchase at the Option of the Holders Change of Control.

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Certain Covenants

The indenture governing the notes contains covenants that, among other things, limit the ability of our restricted subsidiaries to:

incur or guarantee additional indebtedness or issue certain types of preferred stock;

pay dividends on capital stock or redeem, repurchase or retire our capital stock or subordinated indebtedness;

transfer or sell assets;

make investments;

create certain liens;

enter into agreements that restrict dividends or other payments from our restricted subsidiaries to us;

consolidate, merge or transfer all or substantially all of our assets;

engage in transactions with affiliates; and

create unrestricted subsidiaries.

The covenants set forth in the indenture are subject to important exceptions and qualifications that are described under Description of the Exchange Notes Certain Covenants. If the notes achieve an investment grade rating

	from each of Moody s Investors Service, Inc. and Standard & Poor s Ratings, many of these covenants will terminate.
Trustee	Wells Fargo Bank, National Association.
Governing Law	The notes and the indenture are governed by New York law.
Transfer Restrictions; Absence of a Public Market for the Notes	The exchange notes generally will be freely transferable. However, although a limited market exists for the initial notes, an active trading market for the exchange notes may not develop and, if one develops, it may not be liquid. We do not intend to make a trading market in the exchange notes after the exchange offer. Therefore, we cannot assure you as to the development of an active market for the exchange notes or as to the liquidity of any such market.
Form of Exchange Notes	The exchange notes will be represented initially by one or more global notes. The global exchange notes will be deposited with the trustee, as custodian for DTC.
Risk Factors	You should consider carefully the information set forth in the section entitled Risk Factors and all other information contained in this prospectus before deciding to invest in the exchange notes.

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RISK FACTORS

Before deciding to participate in the exchange offer, you should consider carefully the risks and uncertainties described below and in Item 1A Risk Factors in our annual report on Form 10-K for the year ended December 31, 2016, as updated by annual, quarterly and other reports and documents we file with the SEC after the date of this prospectus, together with all of the other information included or incorporated by reference in this prospectus. If any of the described risks actually were to occur, our business, financial condition, results of operations and cash flows could be materially adversely affected.

The risks described below are not the only ones facing the Company. Additional risks not presently known to us or that we currently deem immaterial individually or in the aggregate may also impair our business operations.

This prospectus and documents incorporated by reference herein also contain forward-looking statements that involve risks and uncertainties, some of which are described in the documents incorporated by reference in this prospectus. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks and uncertainties faced by us described below or incorporated by reference in this prospectus. See Cautionary Statement Regarding Forward-Looking Statements.

Risks Related to the Exchange Offer

If you fail to exchange 2016 senior notes, existing transfer restrictions will remain in effect and the market value of 2016 senior notes may be adversely affected because they may be more difficult to sell.

If you fail to exchange 2016 senior notes for exchange notes under the exchange offer, then you will continue to be subject to the existing transfer restrictions on the 2016 senior notes. In general, the 2016 senior notes may not be offered or sold unless they are sold in transactions that are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with this exchange offer or as required by the registration rights agreement, we do not intend to register resales of the 2016 senior notes.

The tender of 2016 senior notes under the exchange offer will reduce the principal amount of the currently outstanding 2016 senior notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any 2016 senior notes that you continue to hold following completion of the exchange offer.

Risks Related to the Exchange Notes

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under applicable debt instruments, which may not be successful.

Our ability to make scheduled payments on or to refinance our indebtedness obligations, including our revolving credit facility and the notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund debt service obligations, we may be forced to reduce or delay investments and capital expenditures, sell assets, seek additional capital or restructure or refinance indebtedness. Our ability to restructure or refinance indebtedness will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of sufficient cash flows and capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. Our revolving credit facility currently restricts our ability to dispose of assets and our use of the proceeds from such disposition. We may not be able to consummate those dispositions, and the proceeds of any such disposition may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet scheduled debt service obligations.

As of March 23, 2017, the borrowing base under our revolving credit facility was $400.0 million. In the future, we may not be able to access adequate funding under our revolving credit facility as a result of a decrease in the borrowing base due to the issuance of new indebtedness, the outcome of a subsequent borrowing base redetermination or an unwillingness or inability on the part of lending counterparties to meet their funding obligations and the inability of other lenders to provide additional funding to cover the defaulting lender s portion. Declines in commodity prices could result in a determination to lower the borrowing base in the future and, in such a case, we could be required to repay any indebtedness in excess of the redetermined borrowing base. As a result, we may be unable to implement our drilling and development plan, make acquisitions or otherwise carry out our business plans, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness.

Our leverage and debt service obligations may adversely affect our financial condition, results of operations, business prospects and our ability to make payments on the exchange notes.

As of December 31, 2016, we had approximately $575 million of outstanding indebtedness (excluding letters of credit), including no borrowings outstanding under our revolving credit facility, and we had approximately $400 million of borrowing capacity under our revolving credit facility (excluding letters of credit). Our level of indebtedness could affect our operations in several ways, including the following:

- require us to dedicate a substantial portion of our cash flow from operations to service our existing debt, thereby reducing the cash available to finance our operations and other business activities;

- limit management s discretion in operating our business and our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- increase our vulnerability to downturns and adverse developments in our business and the economy generally;

- limit our ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness;

place restrictions on our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations;

make it more likely that a reduction in our borrowing base following a redetermination could require us to repay a portion of our then-outstanding bank borrowings;

make us vulnerable to increases in interest rates as our indebtedness under any revolving credit facility may vary with prevailing interest rates;

place us at a competitive disadvantage relative to competitors with lower levels of indebtedness in relation to their overall size or less restrictive terms governing their indebtedness; and

make it more difficult for us to satisfy our obligations under the notes or other debt and increase the risk that we may default on our debt obligations.

The notes and the guarantees are unsecured obligations and are effectively subordinated to all of our existing and future secured indebtedness and structurally subordinated to liabilities of our non-guarantor subsidiaries.

The notes and the guarantees are general unsecured senior obligations ranking effectively junior to all of our existing and future secured indebtedness (including all borrowings under our revolving credit facility) to the extent of the value of the collateral securing such indebtedness. If we or a guarantor is declared bankrupt, becomes insolvent or is liquidated or reorganized, the holders of our secured indebtedness or the secured indebtedness of such guarantor will be entitled to be paid in full from the proceeds of the assets, if any, securing such indebtedness before any payment may be made with respect to the notes or the affected guarantees. Holders of the notes will participate ratably in any remaining proceeds with all holders of our unsecured indebtedness, including unsecured indebtedness incurred after the notes are issued that does not rank junior to the notes, including trade payables and all of our other general indebtedness, based on the respective amounts owed to each holder or creditor. In any of the foregoing events, there may not be sufficient funds to pay amounts due on the notes. As a result, holders of the notes would likely receive less, ratably, than holders of secured indebtedness.

The notes will also be structurally subordinated to any indebtedness and other liabilities of our subsidiaries that do not guarantee the notes, consisting of San Mateo and its subsidiaries. The indenture governing the notes will permit us to form or acquire additional subsidiaries that are not guarantors of the notes in certain circumstances.

Holders of the notes will have no claim as a creditor against any of our non-guarantor subsidiaries. See Description of the Exchange Notes Brief Description of the Notes and Subsidiary Guarantees The Subsidiary Guarantees.

We and the guarantors may incur substantial additional indebtedness. This could increase the risks associated with the notes.

Subject to the restrictions in the indenture governing the notes and in other instruments governing our other outstanding indebtedness (including our revolving credit facility), we and our subsidiaries may incur substantial additional indebtedness (including secured indebtedness) in the future. Although the indenture governing the notes and our revolving credit facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to waiver and a number of significant qualifications and exceptions, and indebtedness incurred in compliance with these restrictions could be substantial.

If we or a guarantor incurs any additional indebtedness that ranks equally with the notes (or with the guarantees thereof), including additional unsecured indebtedness or trade payables, the holders of that indebtedness will be entitled to share ratably with holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us or a guarantor. This may have the effect of reducing the amount of proceeds paid to holders of the notes in connection with such a distribution.

Any increase in our level of indebtedness will have several important effects on our future operations, including, without limitation:

- whether we will have additional cash requirements in order to support the payment of interest on our outstanding indebtedness;

increases in our outstanding indebtedness and leverage will increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and

depending on the levels of our outstanding indebtedness, our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes may be limited.

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We cannot assure you that we will be able to maintain or improve our leverage position.

An element of our business strategy involves maintaining a disciplined approach to financial management. However, we are also seeking to acquire, exploit and develop additional oil and natural gas reserves and conduct midstream operations, which may require the incurrence of additional indebtedness. Although we will seek to maintain or improve our leverage position, our ability to maintain or reduce our level of indebtedness depends on a variety of factors, including future performance and our future debt financing needs. General economic conditions, oil and natural gas prices and financial, business and other factors will also affect our ability to maintain or improve our leverage position. Many of these factors are beyond our control.

The indenture governing the notes has restrictive covenants that, among other things, could limit our financial flexibility, our ability to engage in activities that may be in our long-term best interests and our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- sell assets;
- pay dividends or make certain investments;
- create liens that secure indebtedness;
- enter into transactions with affiliates; and
- merge or consolidate with another company.

See Description of the Exchange Notes Certain Covenants. Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness. We would not have sufficient working capital to satisfy our debt obligations in the event of an acceleration of all or a significant portion of our outstanding indebtedness.

The borrowing base under our revolving credit facility is subject to periodic redetermination.

The borrowing base under the revolving credit facility is determined semi-annually as of May 1 and November 1 by the lenders based primarily on the estimated value of our proved oil and natural gas reserves at December 31 and June 30 of each year, respectively. Both we and the lenders may request an unscheduled redetermination of the borrowing base once each between scheduled redetermination dates. In addition, our lenders have the flexibility to reduce our borrowing base due to a variety of factors, some of which may be beyond our control. As of March 23, 2017, our borrowing base was $400.0 million. We could be required to repay a portion of any outstanding bank debt to the extent that, after a redetermination, our outstanding borrowings at such time exceeded the redetermined borrowing base. We may not have sufficient funds to make such repayments, which could result in a default under the terms of the facility and an acceleration of the loans thereunder requiring us to negotiate renewals, arrange new financing or sell significant assets, all of which could have a material adverse effect on our business and financial results.

If we are unable to comply with the restrictions and covenants in the agreements governing the notes and our other indebtedness, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that we have borrowed and would affect our ability to make principal and interest payments on the notes.

Any default under the agreements governing our indebtedness that is not cured or waived by the required lenders or holders of the notes, and the remedies sought by the holders of any such indebtedness, could make us unable to pay principal, premium, if any, and interest, or special interest, if any, on the exchange notes and substantially decrease the market value of the exchange notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest, or special interest, if any, on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the agreements governing our indebtedness (including covenants in our revolving credit facility and the indenture governing the exchange notes), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default:

- the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest;

- the lenders under our revolving credit facility could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets; and

- we could be forced into bankruptcy or liquidation.

If our operating performance declines, we may in the future need to obtain waivers under our revolving credit facility to avoid being in default. If we breach our covenants under our revolving credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our revolving credit facility, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

We may not be able to repurchase the notes upon a change of control.

If we experience certain kinds of changes of control, we may be required to offer to repurchase all notes at 101% of their principal amount plus accrued and unpaid interest, if any. We may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the notes that are tendered following a change of control. Our failure to repurchase the notes upon a change of control could cause a default under the indenture governing the notes and could lead to a cross default under our revolving credit facility. Additionally, using cash to fund the potential consequences of a change of control may impair our ability to obtain additional financing in the future, which could negatively impact our ability to conduct our business operations. See Description of the Exchange Notes Repurchase at the Option of Holders Change of Control.

Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received from guarantors.

Federal bankruptcy and state fraudulent transfer laws permit a court to void all or a portion of the obligations of a guarantor pursuant to its guarantee of the notes, or to subordinate any guarantor s obligations under such guarantee to claims of its other creditors, reducing or eliminating the noteholders ability to recover under such guarantee. Although laws differ among these jurisdictions, in general, under applicable fraudulent transfer or conveyance laws, a guarantee could be voided as a fraudulent transfer or conveyance if (i) the guarantee was incurred with the intent of hindering, delaying or defrauding creditors; or (ii) the guarantor received less than reasonably equivalent value or fair consideration in return for incurring the guarantee and either:

- the guarantor was insolvent or rendered insolvent by reason of the incurrence of the guarantee or subsequently became insolvent for other reasons;

- the incurrence of the guarantee left the guarantor with an unreasonably small amount of capital to carry on the business; or

- the guarantor intended to, or believed that it would, incur debts beyond its ability to pay such debts as they mature.

A court would likely find that a guarantor did not receive reasonably equivalent value or fair consideration for its guarantee if the guarantor did not substantially benefit directly or indirectly from the issuance of the notes. If a court were to void a guarantee, you would no longer have a claim against the guarantor. Sufficient funds to

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repay the notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from the guarantor.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law of the applicable jurisdiction. Generally, a guarantor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they became absolute and mature; or
- it could not pay its debts as they became due.

Each guarantee contains a provision intended to limit the guarantor s liability under the guarantee to the maximum amount that the guarantor could incur without causing the incurrence of obligations under its guarantee to be deemed a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law.

Although a limited market currently exists for the initial notes, an active trading market for the exchange notes may not develop and, if one develops, it may not be liquid.

Although the issuance of the exchange notes will be registered under the Securities Act, we do not intend to have the exchange notes listed on a national securities exchange or included in any automated quotation system. If the exchange notes are traded after their initial issuance, they may trade at a discount from the initial offering price of the 2016 senior notes at the time they are exchanged for exchange notes. As a result, we cannot ensure you that you will be able to sell any of the exchange notes at a particular time, at attractive prices or at all.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the exchange notes independent of the operating and financial performance of the issuers of these securities. We cannot assure you that the market, if any, for the exchange notes will be free from similar disruptions. Any such disruption may adversely affect the holders of notes. Future trading prices of the notes will depend on many factors, including prevailing interest rates, our financial condition and results of operations, the then current ratings assigned to the notes and the market for similar securities. Any trading market that develops would be affected by many factors, independent of and in addition to the foregoing, including the:

- time remaining to the maturity of the notes;
- outstanding amount of the notes;
- the number of noteholders;

- the interest of securities dealers in making a market for the notes;
- our operating performance and financial condition;
- terms related to optional redemption of the notes; and
- level, direction and volatility of market interest rates generally.

Although a limited market exists for the initial notes, an active trading market for the exchange notes may not develop and, if one develops, it may not be liquid. To the extent that an active trading market for the exchange notes does not develop, the liquidity and trading prices for the exchange notes may be harmed. Thus, you may not be able to liquidate your investment rapidly or at all, and your lenders may not readily accept the exchange notes as collateral for loans.

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Many of the covenants contained in the indenture will be terminated if the notes are rated investment grade by Standard & Poor s and Moody s and no default has occurred and is continuing.

Many of the covenants in the indenture governing the notes will be suspended if the notes are rated investment grade by Standard & Poor s and Moody s, provided at such time no default or event of default has occurred and is continuing. These covenants include restrictions on our ability to pay dividends, to incur debt and to enter into certain transactions. There can be no assurance that the notes will ever be rated investment grade. However, termination of these covenants would allow us to engage in certain transactions that would not have been permitted while these covenants were in force. The covenant termination will continue even if the notes are subsequently downgraded below investment grade. See Description of the Exchange Notes Covenant Termination.

We face risks related to rating agency downgrades.

Credit rating agencies continually revise their ratings for companies that they follow, including us. In the event of a ratings downgrade, the market price of the notes may be adversely affected, raising capital may become more difficult and borrowing costs under our revolving credit facility and other future borrowings may increase.

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USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the exchange notes in the exchange offer. In consideration for issuing the exchange notes as contemplated by this prospectus, we will receive 2016 senior notes in a like principal amount. The form and terms of the exchange notes are identical in all respects to the form and terms of the 2016 senior notes, except the exchange notes do not include certain transfer restrictions, registration rights or provisions for additional interest. 2016 senior notes surrendered in exchange for the exchange notes will be retired and canceled and will not be reissued. Accordingly, the issuance of the exchange notes will not result in any change in our outstanding indebtedness.

RATIO OF EARNINGS TO FIXED CHARGES

The table below sets forth the Ratios of Earnings to Fixed Charges for us for each of the periods indicated.

	For the Year Ended December 31,				
	2016	2015	2014	2013	2012
Ratio of Earnings to Fixed Charges	(a)	(a)	22.06	8.00	(a)

(a) During the period noted, our coverage ratio was less than 1:1. We would have needed to generate additional earnings of approximately $100.6 million, $830.0 million and $36.1 million during the years ended December 31, 2016, 2015 and 2012, respectively, to achieve a coverage ratio of 1:1.

For purposes of calculating the ratio of earnings to fixed charges:

- earnings consist of income (loss) before income taxes plus fixed charges, amortization of capitalized interest less interest capitalized and (income) loss attributable to non-controlling interest in subsidiaries that have not incurred fixed charges; and

- fixed charges consist of interest expense (gross of interest income), capitalized interest, amortization of deferred loan costs and the estimated interest component of rental expense.

We paid no preferred stock dividends during any period presented, and accordingly, the ratio of earnings to fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges.

THE EXCHANGE OFFER

We sold the 2016 senior notes on December 9, 2016 pursuant to the purchase agreement, dated as of December 6, 2016, by and among us, our subsidiary guarantors and the initial purchasers named therein. The 2016 senior notes were subsequently offered by the initial purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons pursuant to Regulation S under the Securities Act.

Purpose of the Exchange Offer

We sold the 2016 senior notes in transactions that were exempt from or not subject to registration requirements under the Securities Act. Accordingly, the 2016 senior notes are subject to transfer restrictions. In general, you may not offer or sell the 2016 senior notes unless either they are no longer subject to certain restrictions on transfer or the offer or sale is exempt from or not subject to registration under the Securities Act and applicable state securities laws.

In connection with the sale of the 2016 senior notes, we entered into a registration rights agreement with the initial purchasers of the 2016 senior notes. We are making the exchange offer to fulfill our contractual obligations under that agreement. A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus is a part. The exchange offer will be open for at least 20 business days.

Pursuant to the exchange offer, we will issue the exchange notes in exchange for 2016 senior notes. The terms of the exchange notes are identical in all material respects to those of the 2016 senior notes, except that the exchange notes (1) will not be subject to certain restrictions on transfer applicable to the 2016 senior notes and (2) will not have registration rights or provide for any increase in the interest rate related to the obligation to register. See Description of the Exchange Notes for more information on the terms of the exchange notes.

We are not making the exchange offer to, and will not accept tenders for exchange from, holders of the 2016 senior notes in any jurisdiction in which an exchange offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction. Unless the context requires otherwise, the term holder means any person whose 2016 senior notes are held of record by The Depository Trust Company, or DTC, who desires to deliver such 2016 senior notes by book-entry transfer at DTC.

We make no recommendation to the holders of the 2016 senior notes as to whether to tender or refrain from tendering all or any portion of their 2016 senior notes pursuant to the exchange offer. In addition, no one has been authorized to make any such recommendation. Holders of the 2016 senior notes must make their own decision whether to tender pursuant to the exchange offer and, if so, the aggregate amount of 2016 senior notes to tender after reading this prospectus and the letter of transmittal and consulting with their advisers, if any, based on their own financial position and requirements.

The exchange notes issued in exchange for the 2016 senior notes are expected to bear the same CUSIP and ISIN numbers as our initial notes, but will bear different CUSIP and ISIN numbers from any unexchanged 2016 senior notes. The exchange notes will be treated as a single series of debt securities with our initial notes. Holders of the 2016 senior notes, the exchange notes and the initial notes will vote as one series under the indenture governing the notes.

Each broker-dealer that receives exchange notes for its own account in exchange for 2016 senior notes, where such securities were acquired by such broker-dealer as a result of market making activities or other trading activities, must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. See Plan of Distribution.

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Resales of Exchange Notes

Based on interpretations by the staff of the SEC, as described in no-action letters issued to third parties, we believe that exchange notes issued in the exchange offer in exchange for 2016 senior notes may be offered for resale, resold or otherwise transferred by holders of the 2016 senior notes without compliance with the registration and prospectus delivery provisions of the Securities Act, if:

- the exchange notes are acquired in the ordinary course of the holders business;
- the holders have no arrangement or understanding with any person to participate in the distribution of the exchange notes; and
- the holders are not affiliates of Matador Resources Company within the meaning of Rule 405 under the Securities Act.

However, the SEC has not considered the exchange offer described in this prospectus in the context of a no-action letter. We cannot assure you that the staff of the SEC would make a similar determination with respect to the exchange offer as in the other circumstances. Each holder who wishes to exchange 2016 senior notes for exchange notes will be required to represent that it meets the above three requirements.

Any holder who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing exchange notes or any broker-dealer who purchased 2016 senior notes directly from us to resell pursuant to Rule 144A or any other available exemption under the Securities Act:

- may not rely on the applicable interpretations of the staff of the SEC mentioned above;
- will not be permitted or entitled to tender the 2016 senior notes in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Unless an exemption from registration is otherwise available, any securityholder intending to distribute exchange notes should be covered by an effective registration statement under the Securities Act. The registration statement should contain the selling securityholder s information required by Item 507 or 508, as applicable, of Regulation S-K under the Securities Act.

In addition, to comply with state securities laws, the exchange notes may not be offered or sold in any state unless they have been registered or qualified for sale in such state or an exemption from registration or qualification, with which there has been compliance, is available. The offer and sale of the exchange notes to qualified institutional buyers, as defined under Rule 144A of the Securities Act, is generally exempt from registration or qualification under the state securities laws. We currently do not intend to register or qualify the sale of exchange notes in any state where an exemption from registration or qualification is required and not available.

Terms of the Exchange Offer

Upon the terms and conditions described in this prospectus and in the accompanying letter of transmittal, which together constitute the exchange offer, we will accept for exchange 2016 senior notes which are properly tendered at or before the expiration time and not withdrawn as permitted below. 2016 senior notes tendered in the exchange offer must be in denominations of principal amount of $2,000 and any integral multiples of $1,000 in excess thereof.

The exchange offer is not conditioned upon any minimum aggregate principal amount of 2016 senior notes being tendered in the exchange offer.

As of the date of this prospectus, $175.0 million in aggregate principal amount of notes that are 2016 senior notes are outstanding. Also, $400.0 million in aggregate principal amount of notes that are initial notes are outstanding. This prospectus is being sent to DTC, the sole registered holder of the 2016 senior notes. There will be no fixed record date for determining registered holders of 2016 senior notes entitled to participate in the exchange offer. This exchange offer is made only to holders of the $175.0 million principal amount of the notes that were issued in December 2016 and have not been registered under the Securities Act (i.e., 2016 senior notes). This exchange offer is not being made to the holders of initial notes.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Exchange Act, and the rules and regulations of the SEC. 2016 senior notes whose holders do not tender for exchange in the exchange offer will remain outstanding and continue to accrue interest. These 2016 senior notes will be entitled to the rights and benefits such holders have under the indenture relating to the 2016 senior notes and, if applicable, the registration rights agreement.

We will be deemed to have accepted for exchange properly tendered 2016 senior notes when we have given written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the exchange notes from us.

If you tender 2016 senior notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of 2016 senior notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. Please read Fees and Expenses for more details regarding fees and expenses incurred in connection with the exchange offer.

We will return any 2016 senior notes that we do not accept for exchange for any reason without expense to their tendering holders promptly after the expiration or termination of the exchange offer.

Expiration, Extension and Amendment

The expiration time of the exchange offer is 5:00 p.m., New York City time, on May 23, 2017. However, we may, in our sole discretion, at any time or various times, extend the period of time for which the exchange offer is open and set a later expiration date. The term expiration time as used herein means the latest time and date to which we extend the exchange offer. If we decide to extend the exchange offer period, we will then delay acceptance of any 2016 senior notes by giving written notice of an extension to the holders of 2016 senior notes as described below. During any extension period, all 2016 senior notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any 2016 senior notes not accepted for exchange will be returned to the tendering holder after the expiration or termination of the exchange offer.

Our obligation to accept 2016 senior notes for exchange in the exchange offer is subject to the conditions described below under Conditions to the Exchange Offer. We may decide to waive any of the conditions in our discretion. Furthermore, we reserve the right to amend or terminate the exchange offer, and to not accept for exchange any 2016 senior notes not previously accepted for exchange, if the conditions of the exchange offer specified below under the same headings are not fulfilled. We will give written notice of any extension, amendment, non-acceptance or termination to the holders of the 2016 senior notes as promptly as practicable. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose such amendment by means of a prospectus supplement. The prospectus supplement will be distributed to holders of the 2016 senior notes. If the change is made less than five business days before the expiration of the exchange offer, we will extend the offer so that the holders have at least five business days to tender or withdraw. In the event of any increase or decrease in the consideration we are offering for the 2016 senior notes or in the percentage of 2016 senior notes being sought by us, we will extend the exchange offer to remain open for at least

10 business days after the date we provide notice of such increase or decrease to the registered holders of 2016 senior notes. We will notify you of any extension by means of a press release or other public announcement no later than 9:00 a.m., New York City time on the first business day after the previously scheduled expiration time.

Procedures for Tendering

To participate in the exchange offer, you must properly tender your 2016 senior notes to the exchange agent as described below. We will only issue exchange notes in exchange for 2016 senior notes that you timely and properly tender. You should follow carefully the instructions on how to tender your 2016 senior notes. It is your responsibility to properly tender your 2016 senior notes. We have the right to waive any defects. However, we are not required to waive defects, and neither we nor the exchange agent is required to notify you of any defects in your tender.

If you have any questions or need help in exchanging your 2016 senior notes, please call the exchange agent whose address and phone number are described in the letter of transmittal included as Annex A to this prospectus.

All of the 2016 senior notes were issued in book-entry form, and all of the 2016 senior notes are currently represented by global certificates registered in the name of Cede & Co., the nominee of DTC. We have confirmed with DTC that the 2016 senior notes may be tendered using ATOP. The exchange agent will establish an account with DTC for purposes of the exchange offer promptly after the commencement of the exchange offer, and DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer their 2016 senior notes to the exchange agent using the ATOP procedures. In connection with the transfer, DTC will send an agent s message to the exchange agent. The agent s message will state that DTC has received instructions from the participant to tender 2016 senior notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange 2016 senior notes, you will not be required to deliver a letter of transmittal to the exchange agent. However, you will be bound by its terms just as if you had signed it.

There is no procedure for guaranteed late delivery of the 2016 senior notes.

If you beneficially own 2016 senior notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender those notes, you should contact the registered holder as soon as possible and instruct the registered holder to tender on your behalf.

Determinations Under the Exchange Offer. We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered 2016 senior notes and withdrawal of tendered 2016 senior notes. Our determination will be final and binding. We reserve the absolute right to reject any 2016 senior notes not properly tendered or any 2016 senior notes our acceptance of which might, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular 2016 senior notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of 2016 senior notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of 2016 senior notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of 2016 senior notes will not be deemed made until such defects or irregularities have been cured or waived. Any 2016 senior notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder promptly following the expiration time.

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When We Will Issue Exchange Notes. In all cases, we will issue exchange notes for 2016 senior notes that we have accepted for exchange under the exchange offer only after the exchange agent receives, prior to 5:00 p.m., New York City time, on the expiration date,

- a book-entry confirmation of such 2016 senior notes into the exchange agent s account at DTC; and

- a properly transmitted agent s message.

Such notes will be issued promptly following the expiration or termination of the offer.

Return of 2016 Senior Notes Not Accepted or Exchanged. If we do not accept any tendered 2016 senior notes for exchange or if 2016 senior notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged 2016 senior notes will be returned without expense to their tendering holder. Such non-exchanged 2016 senior notes will be credited to an account maintained with DTC. These actions will occur promptly after the expiration or termination of the exchange offer.

Your Representations to Us. By agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

- any exchange notes to be received by you will be acquired in the ordinary course of your business;

- you have no arrangement or understanding with any person or entity to participate in the distribution (within the meaning of the Securities Act) of the exchange notes in violation of the provisions of the Securities Act;

- you are not an affiliate, as defined in Rule 405 under the Securities Act, of us or our subsidiary guarantors; and

- if you are a broker-dealer that will receive exchange notes for your own account in exchange for 2016 senior notes that were acquired as a result of market-making or other trading activities, then you will deliver this prospectus (or, to the extent permitted by law, make this prospectus available to purchasers) in connection with any resale of the exchange notes.

Each broker-dealer that receives exchange notes for its own account in exchange for 2016 senior notes, where such securities were acquired by such broker-dealer as a result of market making activities or other trading activities, must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the exchange notes. See Plan of Distribution.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw your tender at any time prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. For a withdrawal to be effective you must comply with the appropriate ATOP procedures. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn 2016 senior notes and otherwise comply with the ATOP procedures.

We will determine in our sole discretion all questions as to the validity, form, eligibility and time of receipt of a notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any 2016 senior notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any 2016 senior notes that have been tendered for exchange but that are not exchanged for any reason will be credited to an account maintained with DTC for the 2016 senior notes. This return or crediting will take place promptly after withdrawal, rejection of tender, expiration or termination of the exchange offer. You may retender properly withdrawn 2016 senior notes by following the procedures described under Procedures for Tendering above at any time on or prior to the expiration time.

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Conditions to the Exchange Offer

We will not be required to accept for exchange, or exchange any exchange notes for, any 2016 senior notes if the exchange offer, or the making of any exchange by a holder of 2016 senior notes, would violate applicable law or SEC policy. Similarly, we may terminate the exchange offer as provided in this prospectus before accepting 2016 senior notes for exchange in the event of such a potential violation.

We will not be obligated to accept for exchange the 2016 senior notes of any holder that has not made to us the representations described under Procedures for Tendering and Plan of Distribution and such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to allow us to use an appropriate form to register the exchange notes under the Securities Act.

Additionally, we will not accept for exchange any 2016 senior notes tendered, and will not issue exchange notes in exchange for any such 2016 senior notes, if at such time any stop order has been threatened or is in effect with respect to the exchange offer registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939.

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any 2016 senior notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will promptly give written notice of any extension, amendment, non-acceptance or termination to the holders of the 2016 senior notes.

These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times prior to the expiration of the exchange offer in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each such right will be deemed an ongoing right that we may assert at any time or at various times prior to the expiration of the exchange offer.

Exchange Agent

Wells Fargo Bank, National Association has been appointed as the exchange agent for the exchange offer. All executed letters of transmittal and any other required documents should be directed to the exchange agent at the address or facsimile number set forth below. Questions and requests for assistance and requests for additional copies of this prospectus or of the letter of transmittal should be directed to the exchange agent addressed as follows:

Registered or Certified Mail:	**Air Courier Service:**	**By Facsimile Transmission:**
Wells Fargo Bank, N.A.	Wells Fargo Bank , N.A.	(612) 667-6282
Corporate Trust Operations	Corporate Trust Operations	
MAC N9300-070	MAC N9300-070	*Confirm by Telephone:*
P.O. Box 1517	600 Fourth Street South,	1-800-344-5128
	7th Floor	
Minneapolis, MN 55480	Minneapolis, MN 55479	

Delivery of the letter of transmittal to an address other than as set forth above or transmission of the letter of transmittal via a facsimile transmission to a number other than as set forth above will not constitute a valid delivery of the letter of transmittal. Delivery of documents to The Depository Trust Company does not constitute delivery to the exchange agent.

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Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by e-mail; however, we may make additional solicitation by mail, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of 2016 senior notes under the exchange offer. Each tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if a transfer tax is imposed for any reason other than the exchange of 2016 senior notes under the exchange offer.

Consequences of Failure to Exchange

If you do not exchange your 2016 senior notes for exchange notes under the exchange offer, the 2016 senior notes you hold will continue to be subject to the existing restrictions on transfer. In general, you may not offer or sell the 2016 senior notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not intend to register 2016 senior notes under the Securities Act unless the registration rights agreement requires us to do so.

Accounting Treatment

We will record the exchange notes at the same carrying value as the 2016 senior notes, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes. The expenses of the exchange offer will be amortized over the term of the exchange notes.

Other

Participation in the exchange offer is voluntary, and you should consider carefully whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered 2016 senior notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any 2016 senior notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered 2016 senior notes.

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DESCRIPTION OF THE EXCHANGE NOTES

The Company issued the initial notes and 2016 senior notes and will issue the exchange notes (collectively with the initial notes and 2016 senior notes, the ***Notes***) under an indenture (the ***Indenture***) dated as of April 14, 2015, as amended, by and among itself, the Guarantors and Wells Fargo Bank, National Association, as trustee (the ***Trustee***). The terms of the exchange notes will include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the ***Trust Indenture Act***). The exchange notes will have substantially identical terms as the initial notes other than with respect to the date of issuance and issue price. The exchange notes are expected to bear the same CUSIP and ISIN numbers as our initial notes and different CUSIP and ISIN numbers than any unexchanged 2016 senior notes.

The following description is a summary of the material provisions of the Indenture. It does not restate this agreement in its entirety. The Company urges you to read the Indenture because it, and not this description, defines your rights as Holders of the Notes. You may request copies of the Indenture at the Company s address set forth under the headings Additional Information and Where You Can Find More Information.

You can find the definitions of certain terms used in this description under the subheadings Certain Definitions and Principal, Maturity and Interest. In this description, the word Company refers only to Matador Resources Company and not to any of its subsidiaries. The term 2016 senior notes refers to the $175.0 million aggregate principal amount outstanding of our Notes that were issued in a private offering on December 9, 2016, the term initial notes refers to the $400.0 million aggregate principal amount outstanding of our Notes that were issued in October 2015 and previously registered under the Securities Act and the term exchange notes refers to the registered notes offered hereby in exchange for the 2016 senior notes.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders of Notes will have rights under the Indenture, and all references to Holders in this description are to registered holders of Notes.

If the exchange offer is consummated, Holders of 2016 senior notes who do not exchange their notes for exchange notes will vote together with the Holders of the exchange notes and the initial notes for all relevant purposes under the Indenture. In that regard, the Indenture requires that certain actions by the Holders under the Indenture (including acceleration after an Event of Default) must be taken, and certain rights must be exercised, by specified minimum percentages of the aggregate principal amount of all Notes issued under the Indenture. In determining whether Holders of the requisite percentage in principal amount have given any notice, consent or waiver or taken any other action permitted under the Indenture, any 2016 senior notes that remain outstanding after the exchange offer will be aggregated with the exchange notes and the initial notes, and the Holders of any 2016 senior notes and the exchange notes and the initial notes will vote together as a single series for all such purposes.

Brief Description of the Notes and Subsidiary Guarantees

The Notes

Like the 2016 senior notes, the exchange notes:

- will be general unsecured senior obligations of the Company;

will be equal in right of payment to all existing and future senior Indebtedness of the Company;

will be effectively subordinate in right of payment to any secured Indebtedness of the Company to the extent of the collateral securing such Indebtedness, including Indebtedness under the Credit Agreement;

will be senior in right of payment to any future Subordinated Indebtedness of the Company;

will be effectively subordinated to the Indebtedness of our subsidiaries that do not guarantee the Notes; and

will be guaranteed by the Guarantors.

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The Subsidiary Guarantees

Like the 2016 senior notes, the exchange notes will be jointly and severally guaranteed by each of the Company s present Restricted Subsidiaries other than San Mateo and its subsidiaries (which entities do not guarantee any Indebtedness of the Company), and by any of its future Restricted Subsidiaries that guarantee Indebtedness of the Company or another Guarantor under a Credit Facility.

The Subsidiary Guarantees of the Notes:

- will be general unsecured senior obligations of each Guarantor;
- will be equal in right of payment to all existing and future senior Indebtedness of each Guarantor;
- will be effectively subordinate in right of payment to any secured Indebtedness of each Guarantor to the extent of the collateral securing such Indebtedness, including Indebtedness of the Guarantors under the Credit Agreement; and
- will be senior in right of payment to any future Subordinated Indebtedness of each Guarantor.

As of the date of the Indenture, all of the Company s Subsidiaries (other than the Joint Venture Subsidiary) were Restricted Subsidiaries. Under the circumstances described below under the subheading Certain Definitions Unrestricted Subsidiary, the Company will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries are not subject to many of the restrictive covenants in the Indenture and do not guarantee the Notes.

As of the date of this prospectus, San Mateo and its subsidiaries, which are Restricted Subsidiaries other than the Joint Venture Subsidiary, have no outstanding Indebtedness.

Principal, Maturity and Interest

The Company has issued $175,000,000 in aggregate principal amount of 2016 senior notes and previously issued the initial notes in an aggregate principal amount of $400,000,000. The Company may issue Additional Notes (*Additional Notes*) from time to time after this offering in an unlimited amount, without the consent of the Holders but subject to the provisions of the Indenture described below under the caption Certain Covenants Incurrence of Indebtedness. The 2016 senior notes, the initial notes and any Additional Notes subsequently issued under the Indenture, together with the exchange notes, will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. Unless otherwise provided or the context requires, for all purposes of the Indenture and this Description of the Exchange Notes, references to the Notes include any Additional Notes and Exchange Notes actually issued. The Company will issue Notes in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. The Notes will mature on April 15, 2023.

Interest on the Notes accrues at the rate of 6.875% per year and is payable semiannually in arrears on April 15 and October 15. The Company will make each interest payment to the Holders of record of the Notes on the immediately preceding April 1 and October 1.

Interest on the 2016 senior notes and the exchange notes will accrue from April 15, 2017. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

If a Holder of not less than $5.0 million aggregate principal amount of any Notes held in definitive form has given wire transfer instructions to the Company for an account in the U.S., the Company will make all principal, premium and interest payments on those Notes in accordance with those instructions. All other payments on the Notes will be made at the office or agency of the Paying Agent unless the Company elects to make interest payments by check mailed to the Holders at their addresses set forth in the register of Holders.

The Company will make all principal, premium and interest payments on each Note in global form registered in the name of The Depository Trust Company (***DTC***) or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the Holder of such Global Note (as defined below).

Paying Agent and Registrar for the Notes

The Trustee is acting as Paying Agent and Registrar. The Company may change the Paying Agent or Registrar without prior notice to the Holders of the Notes, and the Company or any of its Subsidiaries may act as Paying Agent or Registrar.

Transfer and Exchange

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents, and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

Subsidiary Guarantees

The Guarantors jointly and severally guarantee the Company s obligations under the Notes on a senior unsecured basis. The obligations of each Guarantor under its Subsidiary Guarantee is limited in a manner intended to prevent that Subsidiary Guarantee from constituting a fraudulent conveyance under applicable laws, although no assurance can be given that a court would give the Holders the benefit of such a provision. Please read Risk Factors Risks Related to the Exchange Notes Federal and state statutes allow courts, under specific circumstances, to void guarantees and require noteholders to return payments received from guarantors.

Except in a transaction resulting in the release of a Subsidiary Guarantee of a Guarantor, the Company will not permit a Guarantor to consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person (other than the Company or another Guarantor) unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default shall have occurred and be continuing; and

(2) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) assumes all the obligations of that Guarantor under its Subsidiary Guarantee pursuant to a supplemental indenture satisfactory to the Trustee.

The Subsidiary Guarantee of a Guarantor will be released in accordance with the applicable provisions of the Indenture:

(1) in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) other than to the Company or another Guarantor, if such transaction as of the time of such disposition does not violate the provisions of the Indenture described under the caption Repurchase at the Option of Holders Asset Sales ;

(2) in connection with any sale or other disposition of the Capital Stock of a Guarantor (including by way of merger or consolidation) other than to the Company or another Guarantor, if such transaction at the time of such disposition does not violate the provisions of the Indenture described under the caption Repurchase at the Option of Holders Asset Sales and the Guarantor ceases to be a Restricted Subsidiary of the Company as a result of such transaction;

(3) if the Company designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with the provisions of the Indenture;

(4) if the Company effects a Legal Defeasance or Covenant Defeasance as described under Legal Defeasance and Covenant Defeasance or if it satisfies and discharges the Indenture as described under Satisfaction and Discharge ; or

(5) at such time as such Guarantor ceases to guarantee any other Indebtedness of the Company or any other Guarantor under a Credit Facility.

Optional Redemption

Prior to April 15, 2018, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of Notes (including any Additional Notes) originally issued prior to the redemption date under the Indenture in an amount not greater than the Net Cash Proceeds of one or more Equity Offerings, at a redemption price of 106.875% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date); *provided* that

(1) at least 65% in aggregate principal amount of Notes (including any Additional Notes) originally issued under the Indenture remain outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company and its Subsidiaries); and

(2) each such redemption must occur within 180 days of the date of the closing of the related Equity Offering.

In addition, at any time prior to April 15, 2018, the Company may redeem all or part of the Notes at a redemption price equal to the sum of:

(i) the principal amount thereof, plus

(ii) the Make Whole Premium at the redemption date,

plus accrued and unpaid interest, if any, to the redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date).

On or after April 15, 2018, the Company may redeem all or a part of the Notes at any time or from time to time at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, to the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the redemption date), if redeemed during the twelve-month period beginning on April 15 of the years indicated below:

Year	**Percentage**
2018	105.156%
2019	103.438%
2020	101.719%

2021 and thereafter	100.000%

Except pursuant to the preceding paragraphs, or as described below in the last paragraph under Repurchase at the Option of Holders Change of Control, the Notes will not be redeemable at the Company s option prior to maturity.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed, in compliance with the requirements of the principal national securities exchange on which the Notes are listed; or

(2) if the Notes are not so listed, on a pro rata basis (or, in the case of Notes in global form, the Notes represented thereby will be selected in accordance with DTC s prescribed method).

Notes or portions of Notes the Trustee selects for redemption shall be in minimum amounts of $2,000 or a whole multiple of $1,000 in excess thereof. Notices of redemption shall be given in the manner prescribed in the Indenture at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address, except that notices of redemption may be given more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notices of redemption may be subject to one or more conditions precedent specified in the notice of redemption, including completion of an Equity Offering or other corporate transaction.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption, subject to satisfaction of any conditions to the redemption. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Company is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Company may be required to offer to purchase Notes as described under the captions Repurchase at the Option of Holders Change of Control and Asset Sales. The Company may at any time and from time to time purchase Notes in the open market or otherwise.

Repurchase at the Option of Holders

Change of Control

If a Change of Control occurs, unless the Company has previously or concurrently exercised its right to redeem all of the Notes as described under Optional Redemption, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to $2,000 or an integral multiple of $1,000 in excess thereof) of that Holder s Notes pursuant to the offer described below (the ***Change of Control Offer***). In the Change of Control Offer, the Company will offer a payment (the ***Change of Control Payment***) in cash equal to 101% of the aggregate principal amount of Notes to be repurchased plus accrued and unpaid interest thereon, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of purchase).

No later than 30 days following any Change of Control, the Company will send a notice to each Holder (with a copy to the Trustee) describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in such notice, which date will be no earlier than 30 days nor later than 60 days from the date such notice is mailed, pursuant to the procedures required by the

Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of

Control. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described herein, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of the Company s compliance with such securities laws or regulations.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an officers certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

The Paying Agent will promptly mail to each Holder of Notes so tendered and not withdrawn the Change of Control Payment for such tendered Notes, with such payments to be made through the facilities of DTC for all Notes in global form, and the Trustee will promptly authenticate and send (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any, by such Holder; provided that each such new Note will be in a principal amount of $2,000 or an integral multiple of $1,000 in excess thereof.

The Company will announce to the Holders of Notes the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control are applicable regardless of whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Credit Agreement currently treats certain change of control events with respect to the Company as an event of default entitling the lenders to terminate all further lending commitments, to accelerate all loans then outstanding and to exercise other remedies. The occurrence of a Change of Control may result in a default under future Indebtedness of the Company and its Subsidiaries, and give the lenders thereunder the right to require the Company to repay obligations outstanding thereunder. Moreover, the exercise by Holders of their right to require the Company to repurchase the Notes could cause a default under such future Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Company. The Company s ability to repurchase Notes following a Change of Control also may be limited by the Company s then existing financial resources.

The Company will not be required to make a Change of Control Offer upon a Change of Control if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, (2) a notice of redemption for all outstanding Notes has been given, unless and until there is a default in payment of the applicable redemption price or (3) in connection with or in contemplation of any publicly announced Change of Control, the Company has made an offer to purchase (an ***Alternate Offer***) any and all Notes validly tendered at a cash price equal to or higher than the Change of Control Payment and has purchased all Notes properly tendered in accordance with the terms of the Alternate Offer.

A Change of Control Offer or Alternate Offer may be made in advance of a Change of Control, and conditioned upon the occurrence of a Change of Control, if a definitive agreement is in place for the Change of Control at the time of making the Change of Control Offer or Alternate Offer.

The definition of Change of Control includes a phrase relating to the sale, lease, transfer, conveyance or other disposition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole may be uncertain.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer or Alternate Offer and the Company, or any other Person making a Change of Control Offer or Alternate Offer in lieu of the Company as described above, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Company will have the right, upon not less than 30 nor more than 60 days prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer or Alternate Offer described above, to redeem all Notes that remain outstanding following such purchase at a redemption price in cash equal to the applicable Change of Control Payment or Alternate Offering price, as applicable, plus, to the extent not included in the Change of Control Payment or Alternate Offer price, as applicable, accrued and unpaid interest, if any, to the date of redemption (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of purchase).

Asset Sales

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the Equity Interests or other assets issued or sold or otherwise disposed of (which may be determined at the time of entering into any agreement with respect to such Asset Sale); and

(2) (A) at least 75% of the aggregate consideration therefor received by the Company or such Restricted Subsidiary, as the case may be, from such Asset Sale and all other Asset Sales since the Issue Date, on a cumulative basis, is in the form of cash, Cash Equivalents or assets of the type referred to in clauses (2) or (3) of the next succeeding paragraph, or any combination of the foregoing (together, Permitted Consideration) or (B) the Fair Market Value of all forms of consideration other than Permitted Consideration since the Issue Date does not exceed in the aggregate 10% of the ACNTA of the Company (determined at the time of receipt of such consideration), with the Fair Market Value of each item of consideration measured at the time received and without giving effect to subsequent changes in value. For purposes of this provision, each of the following shall be deemed to be cash:

(a) any liabilities (as shown on the Company s or such Restricted Subsidiary s most recent balance sheet) of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a novation agreement or similar agreement that releases the Company or such Restricted Subsidiary from further liability;

(b) with respect to any Asset Sale of properties used or useful in the Oil and Gas Business by the Company or any of its Restricted Subsidiaries where the Company or such Restricted Subsidiary retains an interest in such property, the amount of the costs and expenses of the Company or such Restricted Subsidiary related to the exploration, development, completion or production of such properties and activities related thereto which the transferee (or an Affiliate thereof) agrees to pay;

(c) Indebtedness (other than contingent liabilities and liabilities that are by their terms subordinated to the notes or a Guarantee) of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale; provided that the Company and each other Restricted Subsidiary are released from any Guarantee of such Indebtedness in connection with such Asset Sale;

(d) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted within 180 days by the Company or such Restricted Subsidiary into cash (to the extent of the cash received in that conversion); and

(e) solely in the case of any Asset Sale of Midstream Assets, Permitted MLP Securities.

Notwithstanding the foregoing, in the case of any Asset Sale pursuant to a condemnation, appropriation or similar taking, including by deed in lieu of condemnation, such Asset Sale shall not be required to satisfy the requirements of clauses (1) and (2) above.

Within the later of (x) one year after the date of receipt of any Net Proceeds from an Asset Sale and (y) six months after the date of an agreement entered into within such one-year period committing the Company or Restricted Subsidiary to make an acquisition or expenditure referred to in clauses (2) or (3) below, the Company or a Restricted Subsidiary may apply such Net Proceeds at its option, in any one or more of the following:

(1) to repay, prepay, redeem or repurchase any Indebtedness of the Company or any Restricted Subsidiary (other than Subordinated Indebtedness);

(2) to acquire all or substantially all of the assets of, or a majority of the Voting Stock of, a company principally engaged in the Oil and Gas Business that will, upon such acquisition, become a Restricted Subsidiary or acquire any minority interest in a Restricted Subsidiary; or

(3) to make capital expenditures or to acquire properties or assets, in each case that are used or useful in the Oil and Gas Business.

Pending the final application of any such Net Proceeds, the Company may invest such Net Proceeds in any manner not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute Excess Proceeds. When the aggregate amount of Excess Proceeds exceeds $25.0 million, the Company will make an offer (the ***Asset Sale Offer***) to all Holders of Notes and, to the extent required by the terms thereof, all holders of other Indebtedness that is pari passu in right of payment with the Notes containing provisions similar to those set forth in the Indenture with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other pari passu Indebtedness that may be purchased out of the Excess Proceeds. The offer price with respect to the Notes in any Asset Sale Offer will be equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on an interest payment date that is on or prior to the date of purchase), and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and such other pari passu Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Trustee shall select the Notes and such other pari passu Indebtedness to be purchased on a pro rata basis, on the basis of the aggregate principal amounts tendered in round denominations (which in the case of the Notes will be minimum denominations of $2,000 principal amount or multiples of $1,000 in excess thereof). Upon completion of each Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described herein, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this covenant by virtue of the Company s compliance with such securities laws or regulations.

Certain Covenants

Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any other payment or distribution on account of the Company s or any of its Restricted Subsidiaries Equity Interests (including, without limitation, any payment by the Company or any Restricted Subsidiary in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company s or any of its Restricted Subsidiaries Equity Interests in their capacity as such (other than dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company or payable to the Company or a Restricted Subsidiary of the Company);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any direct or indirect parent of the Company (other than any such Equity Interests owned by the Company or any Restricted Subsidiary of the Company);

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity or scheduled sinking fund payment, any Subordinated Indebtedness of the Company or any Guarantor, except (a) a payment of interest or principal on or after the date when due or within three Business Days prior thereto, (b) in anticipation of satisfying a sinking fund obligation, principal installment payment or payment due at final maturity, in each case due within one year of the date of such payment, purchase or other acquisition or retirement or (c) payments on Indebtedness owed to the Company or a Restricted Subsidiary; or

(4) make any Investment other than a Permitted Investment (all such payments and other actions set forth in clauses (1) through (3) above and this clause (4) being collectively referred to as ***Restricted Payments***),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default (except a Reporting Default) or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption Incurrence of Indebtedness ; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5), (6), (7), (8), (9), (10), (11), (12) or (13) of the next succeeding paragraph), is less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from April 1, 2015 to the end of the Company s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); plus

(b) 100% of the aggregate Net Cash Proceeds and 100% of the Fair Market Value of securities or other property other than cash (including Capital Stock of Persons engaged in the Oil and Gas Business or assets used in the Oil and Gas Business) received by the Company or a Restricted Subsidiary since the Issue Date from the issue or sale of Equity Interests of the Company (other than Disqualified Stock), other than Equity Interests sold to a Subsidiary of the Company or to an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees; plus

(c) the amount by which Indebtedness is reduced on the Company s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Issue Date of any Indebtedness convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (plus the amount of any accrued interest then outstanding on such Indebtedness to the extent the obligation to pay such interest is extinguished less the amount of any cash, or the Fair Market Value of any property (as determined in good faith by an officer of the Company), distributed by the Company upon such conversion or exchange), together with the net proceeds, if any, received by the Company or its Restricted Subsidiaries upon such conversion or exchange; plus

(d) an amount equal to the sum of (i) the net reduction in the Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in any Person resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds realized on the sale of such Investments and proceeds representing the return of capital (excluding dividends and distributions to the extent included in Consolidated Net Income), in each case received by the Company or any Restricted Subsidiary since the Issue Date, and (ii) to the extent such Person is an Unrestricted Subsidiary, the portion (proportionate to the Company s equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; provided, however, that to the extent the foregoing sum exceeds, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person or Unrestricted Subsidiary since the Issue Date, such excess shall not be included in this clause (d) unless the amount represented by such excess has not been and will not be taken into account in one of the foregoing clauses (a)-(c).

The preceding provisions will not prohibit:

(1) the payment of any dividend or the consummation of any redemption within 60 days after the date of declaration or giving of redemption notice, as the case may be, thereof, if at said date of declaration or notice such payment would have complied with the provisions of the Indenture (and such payment shall be deemed to be paid on the date of payment for purposes of any calculation required by this covenant);

(2) any Restricted Payment made in exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company (other than Disqualified Stock), with any such payment being deemed to be substantially concurrent if made within 180 days of the sale of the Equity Interests in question; provided that the amount of any such Net Cash Proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition shall be excluded from clause (3)(b) of the preceding paragraph;

(3) the defeasance, redemption, repurchase, retirement or other acquisition of any Subordinated Indebtedness of the Company or any Guarantor with the Net Cash Proceeds from an incurrence of any Permitted Refinancing Indebtedness permitted to be incurred under the caption Incurrence of Indebtedness ;

(4) the payment of any dividend or other distribution by a Restricted Subsidiary of the Company to the holders of its common Equity Interests on a pro rata basis or on a basis more favorable to the Company or any Restricted

Subsidiary;

(5) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any employees, former employees, directors or former directors of the Company or any of its Restricted Subsidiaries (or heirs, estates or other permitted

transferees of such employees or directors) pursuant to any agreements (including employment agreements), management equity subscription agreements or stock option agreements or plans (or amendments thereto), approved by the Board of Directors, under which such individuals purchase or sell or are granted the right to purchase or sell shares of Capital Stock; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $15.0 million in any calendar year, with unused amounts in any calendar year being permitted to be carried over to succeeding calendar years subject to a maximum of $30.0 million in any calendar year; provided, further, however, that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds received by the Company or any of the Restricted Subsidiaries from the sale of Equity Interests (other than Disqualified Stock) of the Company or any direct or indirect parent of the Company (to the extent contributed to the Company) to members of management, directors, managers or consultants of the Company and the Restricted Subsidiaries or any direct or indirect parent of the Company that occurs after the Issue Date (provided that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (3)(b) of the preceding paragraph), plus

(b) the cash proceeds of key man life insurance policies received by the Company or any direct or indirect parent of the Company (to the extent contributed to the Company) or the Restricted Subsidiaries after the Issue Date; provided that the Company may elect to apply all or any portion of the aggregate increase contemplated by clauses (a) and (b) above in any calendar year; and provided, further, that cancellation of Indebtedness owing to the Company or any Restricted Subsidiary from any present or former employees, directors, managers, officers or consultants of the Company, any Restricted Subsidiary or the direct or indirect parents of the Company in connection with a repurchase of Equity Interests of the Company or any of its direct or indirect parents will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(6) loans or advances to employees of the Company or employees or directors of any Subsidiary of the Company, in each case as permitted by Section 402 of the Sarbanes-Oxley Act of 2002, the proceeds of which are used to purchase Capital Stock of the Company, or to refinance loans or advances made pursuant to this clause (6), in an aggregate amount not in excess of $2.0 million at any one time outstanding;

(7) repurchases or other acquisitions for value of Capital Stock deemed to occur upon the exercise or exchange of stock options, warrants or other convertible securities if such Capital Stock represents a portion of the exercise or exchange price thereof or made in lieu of withholding taxes in connection with any such exercise or exchange;

(8) upon the occurrence of a Change of Control or an Asset Sale and within 60 days after the completion of the offer to repurchase the Notes under the covenants described under Repurchase at the Option of Holders Change of Control or Asset Sales above (including the purchase of all Notes tendered and required to be purchased), any purchase, repurchase, redemption, defeasance, acquisition or other retirement for value of Subordinated Indebtedness required under the terms thereof as a result of such Change of Control or Asset Sale at a purchase or redemption price not to exceed 101% of the outstanding principal amount thereof, plus accrued and unpaid interest thereon, if any, provided that, in the notice to Holders relating to a Change of Control or Asset Sale hereunder, the Company shall describe this clause (8);

(9) the purchase by the Company of fractional shares arising out of stock dividends, splits or business combinations or conversion of convertible or exchangeable securities of debt or equity issued by the Company;

(10) payments to dissenting stockholders (x) pursuant to applicable law or (y) in connection with the settlement or other satisfaction of legal claims made pursuant to or in connection with a consolidation, merger or transfer of assets in connection with a transaction that is not prohibited by the Indenture;

(11) dividends on Disqualified Stock of the Company or preferred stock of any Restricted Subsidiary if such dividends are included in the calculation of Fixed Charges;

(12) payments made by any Person other than the Company or any Restricted Subsidiary to the stockholders of the Company in connection with or as part of (a) a merger or consolidation of the Company with or into such Person or a subsidiary of such Person, or (b) a merger of a subsidiary of such Person into the Company; or

(13) other Restricted Payments not to exceed $25.0 million in the aggregate since the Issue Date.

The amount of all Restricted Payments (other than cash) shall be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities other than cash that are required to be valued by this covenant will be determined, in the case of amounts in excess of $20.0 million, by an officer of the Company and, in the case of amounts in excess of $50.0 million, by the Board of Directors of the Company whose resolution with respect thereto will be delivered to the Trustee.

For purposes of determining compliance with this covenant, if a Restricted Payment meets the criteria of more than one of the types of Restricted Payments described in clauses (1)-(13) above or pursuant to the first paragraph of this covenant, the Company, in its sole discretion, may order and classify, and subsequently reorder and reclassify, such Restricted Payment in any manner in compliance with this covenant.

Incurrence of Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, Guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, incur) any Indebtedness (including Acquired Debt); provided, however, that the Company and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt), if the Fixed Charge Coverage Ratio for the Company s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been at least 2.0 to 1.0, determined on a pro forma basis (including a pro forma application of the Net Cash Proceeds therefrom), as if the additional Indebtedness had been incurred at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the incurrence of any of the following items of Indebtedness (collectively, ***Permitted Indebtedness***):

(1) the incurrence by the Company and any Restricted Subsidiary of Indebtedness under one or more Credit Facilities; provided that the aggregate principal amount of all Indebtedness incurred under this clause (1) and outstanding at any time does not exceed an amount equal to the greater of (a) $400.0 million and (b) the sum of (x) $150.0 million and (y) 35.0% of ACNTA at the time of incurrence;

(2) the incurrence by the Company and its Restricted Subsidiaries of Existing Indebtedness (other than Indebtedness described under clauses (1), (3) or (6) of this paragraph);

(3) the incurrence by the Company and the Guarantors of Indebtedness represented by (a) the Notes and related Subsidiary Guarantees issued on the date of the Indenture and (b) any Notes and related Subsidiary Guarantees issued pursuant to a registration rights agreement in exchange for the Notes issued on the date of the Indenture.

(4) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings, industrial revenue bonds, purchase money obligations or other Indebtedness or preferred stock, or synthetic lease obligations, in each case, incurred for the purpose of financing all or any part of the purchase price or cost of design, development, construction, installation or improvement of property (real or personal

and including Capital Stock), plant or equipment used in the business of the Company or any of its Restricted Subsidiaries (in each case, whether through the direct purchase of such assets or the Equity Interests of any Person owning such assets), in an aggregate principal amount, taken together with Permitted Refinancing Indebtedness in respect thereof, that does not exceed the greater of $50.0 million and 5.0% of ACNTA at the time of incurrence;

(5) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the Net Cash Proceeds of which are used to refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clauses (2), (3), (4), (12) or (15) or this clause (5) of this paragraph;

(6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries; provided, however, that:

(a) (i) if the Company is the obligor on such Indebtedness and the obligee is not a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, and (ii) if a Guarantor is the obligor of such Indebtedness and the obligee is neither the Company nor a Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all obligations of such Guarantor with respect to its Subsidiary Guarantee; and

(b) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary thereof and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary thereof, shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause;

(7) in-kind obligations relating to net oil and natural gas balancing positions arising in the ordinary course of business;

(8) self-insurance obligations and any obligations in respect of completion bonds, performance bonds, bid bonds, plugging and abandonment bonds, appeal bonds, surety bonds, bankers acceptances, letters of credit, insurance obligations or bonds and other similar bonds and obligations incurred by the Company or any Restricted Subsidiary in the ordinary course of business and any Guarantees or letters of credit functioning as or supporting any of the foregoing bonds or obligations;

(9) any obligation (including deferred premiums) under Interest Rate Agreements, Currency Agreements and Commodity Agreements; provided, that such Interest Rate Agreements, Currency Agreements and Commodity Agreements are entered into for bona fide hedging purposes of the Company or its Restricted Subsidiaries (as determined in good faith by the Board of Directors or senior management of the Company);

(10) any obligation arising from agreements of the Company or a Restricted Subsidiary providing for indemnification, Guarantee, adjustment of purchase price, holdback, contingency payment obligation based on the performance of the acquired or disposed asset or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, asset or Capital Stock;

(11) any obligation arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, provided, however, that such Indebtedness is extinguished within five Business Days of incurrence;

(12) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Acquisition Indebtedness;

(13) any Guarantee of Indebtedness of the Company or a Restricted Subsidiary to the extent that the guaranteed Indebtedness was permitted to be incurred by another provision of this covenant; provided that if the Indebtedness being guaranteed is subordinated or pari passu with the Notes, the Guarantee must be subordinated or pari passu, as applicable, to the same extent as the Indebtedness guaranteed;

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(14) Indebtedness incurred on behalf of, or representing guarantees of Indebtedness of, Persons other than the Company or any Restricted Subsidiaries in which the Company or a Restricted Subsidiary has an Investment; provided, however, that the aggregate principal amount of Indebtedness incurred under this clause (14), when aggregated with the principal amount of all other Indebtedness then outstanding and incurred pursuant to this clause (14), does not exceed the greater of $35.0 million and 5.0% of ACNTA at the time of incurrence; and

(15) the incurrence by the Company or any of its Restricted Subsidiaries of Indebtedness in addition to Indebtedness permitted by clauses (1) through (14) above or the first paragraph above in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (15), not to exceed the greater of (a) $75.0 million and (b) 5.0% of the Company s ACNTA, determined as of the date of incurrence of such Indebtedness after giving effect to such incurrence and the application of the proceeds therefrom.

For purposes of determining compliance with this Indebtedness covenant:

(1) in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (15) above, or is entitled to be incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify such item of Indebtedness (or any portion thereof) on the date of its incurrence and, subject to clause (2) below, may later reclassify such items of Indebtedness (or any portion thereof), in any manner that complies with this covenant, and only be required to include the amount and type of such Indebtedness in one of such clauses or may include the amount and type of such Indebtedness partially in one such clause and partially in one or more other such clauses;

(2) all Indebtedness outstanding on the Issue Date under the Credit Agreement after giving effect to this offering and the use of proceeds described herein shall be deemed initially incurred on the Issue Date under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (2) of the second paragraph of this covenant;

(3) Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(4) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with GAAP;

(5) Indebtedness of any Person existing at the time such Person becomes a Restricted Subsidiary shall be deemed to have been incurred by the Company and the Restricted Subsidiary at the time such Person becomes a Restricted Subsidiary; and

(6) the accrual of interest or dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of preferred equity as Indebtedness due to a change in accounting principles, the payment of dividends on Disqualified Stock or preferred equity in the form of additional shares of the same class of Disqualified Stock or preferred equity will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Stock or preferred equity for purposes of this covenant.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such

Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Company may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Permitted Refinancing Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to create, incur, assume or suffer to exist any Lien on any property or asset now owned or hereafter acquired, except Permitted Liens, to secure (a) any Indebtedness of the Company unless prior to, or contemporaneously therewith, the Notes are equally and ratably secured for so long as such other Indebtedness is so secured, or (b) any Indebtedness of any Guarantor, unless prior to, or contemporaneously therewith, the Subsidiary Guarantee of such Guarantor is equally and ratably secured for so long as such other Indebtedness is so secured; *provided, however*, that if such Indebtedness is expressly subordinated to the Notes or a Subsidiary Guarantee, the Lien securing such Indebtedness will be subordinated and junior to the Lien securing the Notes or such Subsidiary Guarantee, as the case may be, with the same relative priority as such Indebtedness has with respect to the Notes or such Subsidiary Guarantee.

Dividend and Other Payment Restrictions Affecting Subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on its Capital Stock to the Company or any of the Company s Restricted Subsidiaries, or pay any Indebtedness owed to the Company or any of the Company s Restricted Subsidiaries (it being understood that the priority of any preferred stock in receiving dividends, distributions or liquidating distributions prior to dividends, distributions or liquidating distributions being paid on Capital Stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);

(b) make loans or advances to the Company or any of the Company s Restricted Subsidiaries (it being understood that the subordination of loans or advances made to the Company or any of its Restricted Subsidiaries to other Indebtedness incurred by the Company or any of its Restricted Subsidiaries shall not be deemed a restriction on the ability to make loans or advances); or

(c) transfer any of its properties or assets to the Company or any of the Company s Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:

(1) agreements existing on the Issue Date, including the Credit Agreement as in effect on the Issue Date and the Indenture, the Notes and the Subsidiary Guarantees;

(2) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired, provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to

be incurred;

(3) any agreement for the sale or other disposition of Capital Stock or assets of a Restricted Subsidiary that restricts distributions by such Restricted Subsidiary pending such sale or other disposition;

(4) any amendment, restatement, modification, supplement, extension, renewal, refunding, replacement or refinancing of Indebtedness referred to in clauses (1) or (2), provided that the encumbrances or restrictions contained in the agreements governing the foregoing are not materially more restrictive, taken as a whole, than those contained in the agreements governing such Indebtedness as determined in good faith by the Company;

(5) cash or other deposits, or net worth requirements or similar requirements, imposed by suppliers, or other deposits by parties under agreements entered into in the ordinary course of the Oil and Gas Business of the types described in the definition of Permitted Business Investments;

(6) any applicable law, rule, regulation, order, approval, license, permit or similar restriction;

(7) provisions limiting the disposition or distribution of assets or property or transfer of Capital Stock in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements, limited liability company organizational documents, and other similar agreements entered into in the ordinary course of business, consistent with past practice or with the approval of the Company s Board of Directors or any of its officers, which limitation is applicable only to the assets, property or Capital Stock that are the subject of such agreements;

(8) any encumbrance or restriction contained in the terms of any Indebtedness or Capital Stock permitted to be incurred under the Indenture or any agreement pursuant to which such Indebtedness was incurred if either (x) in the case of Indebtedness, the encumbrance or restriction applies only in the event of a payment default or a default with respect to a financial covenant in such Indebtedness or agreement or (y) the Company determines that any such encumbrance or restriction either (i) will not materially affect the Company s ability to make principal or interest payments on the Notes and such restrictions are not materially less favorable to Holders of Notes than is customary in comparable financings or (ii) are not materially more restrictive, taken as a whole, with respect to any Restricted Subsidiary than those in effect on the Issue Date with respect to that Restricted Subsidiary pursuant to agreements in effect on the Issue Date or those contained in the Indenture or the Credit Agreement, in each case as determined in good faith by the Boalign="left" style="font-size: 10pt"> In early November 2003, J. A. Dilley, Corporate Controller, and P. David Reed, Chief Information Officer, attended a Sarbanes-Oxley compliance seminar presented by SAP, our enterprise software provider. Messrs. Dilley and Reed reported on the seminar to Ms. Weber and Messrs. Weber, Howard and Boyer on November 24, 2003. Mr. Reed stated that it would be necessary for Webco to hire two additional skilled programmers in order to comply with Section 404 of Sarbanes-Oxley. Mr. Reed further stated that it was too early to know Webco s exact requirements, but he believed that on-going system demands to continue supporting Section 404 would require the continued support of these two programmers after the initial implementation.

In early November 2003, Webco received an unsolicited invitation to participate in a conference call sponsored by an investment bank discussing going private transactions. While this was not something we were considering at the time, we believed it would be a good opportunity to learn about this type of transaction. Webco management (Ms. Weber and Messrs. Weber, Howard and Boyer) participated in the conference call on November 20, 2003.

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At the request of Webco s outside directors, Mr. Howard asked our independent registered public accounting firm, PricewaterhouseCoopers LLP, to prepare and present a formal report to the Board, in conjunction with Messrs. Dilley and Reed, outlining the issues, our concerns and our best estimate as to the time and cost required to implement and maintain compliance with Section 404. This report was presented to the board at the December 3, 2003 Board meeting by a representative from of PricewaterhouseCoopers and Mr. Dilley and Mr. Reed of Webco. Messrs. Vetal and McCarthy stated that their experiences with the respective companies of which they were officers supported our findings and concerns.

Following the Board meeting, Ms. Weber and Messrs. Weber, Howard, Boyer and Kowalski met to review matters concerning the implementation of internal controls under Sarbanes-Oxley, the concepts discussed during the November 2003 conference call, the results and feedback from the investor research firm, and Webco s growing knowledge of the costs and risks associated with the Sarbanes-Oxley Act and related regulations, including internal control certifications. As a result of this discussion, these officers decided that it would be prudent to investigate further the strategic alternatives available to Webco. In mid-December 2003, management met with Webco s legal counsel, Proskauer Rose LLP, to discuss the process required to formally explore strategic alternatives. The following week, Messrs. Howard and Dilley attended the AICPA s National Conference on current SEC developments covering a wide array of topics, including Sarbanes-Oxley and the internal controls section of the Sarbanes-Oxley Act. During the next two months, management continued preliminary research into our strategic alternatives in preparation for the February board meeting.

At a meeting of Webco s Board of Directors on February 26, 2004, Ms. Weber and Messrs. Weber, Howard and Boyer expressed their concerns about the requirements and costs of compliance with the Sarbanes-Oxley Act. Management presented a brief overview of the information obtained from the conference call in November and from the preliminary research. Management then proposed and the Board authorized management to research the strategic alternatives available to Webco, including the possibility of a going private transaction. The Board also authorized the retention of a financial adviser to assist with this research and to prepare a report for the Board. In making this decision, the Board considered our inability to generate significant investor or analyst interest in our Common Stock, the December 2003 presentation by our accountants outlining the substantial new internal and external accounting requirements and procedures imposed by recent legislation and regulations that would be expected to have a direct impact on the 2005 audit, and numerous communications from third parties, including corporate legal counsel and independent auditors about the increased burdens, time and expense that new legislation and related regulations are expected to impose on public companies, including Webco.

During March and April 2004, Webco management, including Ms. Weber and Messrs. Weber, Howard, Boyer and Dilley further explored the alternatives available. Mr. Howard researched and interviewed potential financial advisers and received proposals from four of them. Selection considerations included comparable experience, availability, references and cost. Webco wanted to retain an adviser with extensive experience in many different types of transactions so that it could help us research and determine the advisability of pursuing each alternative. Mr. Howard recommended the retention of Benedetto, Gartland & Company, Inc. over the other potential advisers based on the breadth of its experience in varying types of strategic transactions, financing transactions and valuations, and based on his comfort with the team that would be assigned to assist Webco, the stated approach of Benedetto Garland and the overall cost of the engagement. Mr. Howard presented his findings to Ms. Weber and Messrs. Weber, Boyer and Kowalski. On April 21, 2004, Benedetto Gartland was retained as a financial adviser to assist management in that investigation. (A partner of Proskauer Rose, Webco s legal counsel, is a director of Benedetto Gartland and he and his family own less than five percent of the equity of Benedetto Gartland. Other than this relationship with Webco s legal counsel, Webco had not had any relationship with Benedetto Gartland or any of its personnel and had never paid any fees to them.) On a number of occasions during April 2004, members of management conferred with representatives of Benedetto Gartland and Proskauer Rose with respect to the feasibility of various transactions, including a proposed reverse stock split. Based in part on discussions with its financial and legal advisers, management came to believe that the reverse stock split alternative was the best strategy, given our size and resources and the concentrated ownership of our Common Stock.

At a meeting of the Board of Directors on April 30, 2004, representatives of Benedetto Gartland made a presentation to the Board. They stated that they had been retained initially to assist Webco in its evaluation of its strategic alternatives as a public company and then to identify and analyze alternative going private transactions that Webco might pursue. Benedetto Gartland s report identified a number of possible going private transactions and their underlying rationale. Benedetto Gartland outlined the results of its research in assessing Webco s business and its industry, the market for the Common Stock and an estimate of the range of prices at which a going private transaction could be completed, using a number of the valuation methodologies. The presentation of Benedetto Gartland as to the valuation of Webco was not discussed by the Board at this meeting and the discussion of the Board focused on the advisability of engaging in any going private transaction. A representative of Proskauer Rose also made a presentation on the process, procedures and responsibilities of the Board relating to going private transactions. The Board determined that further research was required before the Board could decide whether to proceed with a going private transaction. The Board instructed management, along with Benedetto Gartland and Proskauer Rose, to do further research and to make a further presentation of the business case for such a transaction including an analysis of similar transactions by comparable companies to Webco. This presentation was to be made during the regular quarterly board meeting scheduled for May 28, 2004.

On May 3 through 4, 2004, the Board held further telephonic meetings to outline the issues that should be addressed at the Board meeting to be held on May 28. The independent directors hired their own legal counsel to assist them. Over the course of the next few weeks, there were numerous informal telephonic discussions between the Board members and management as Webco and its advisers continued their research.

On May 28, 2004, at the regular quarterly board meeting, Webco management (Ms. Weber and Messrs. Weber, Howard and Boyer) presented the results of its research along with a formal proposal. This proposal contemplated a reverse stock split, a cash payment to the holders of less than one share of Common Stock (post-split) of $4.00 per pre-reverse split share and discussed the source of funds for the buyout. The $4.00 per share price was based on the financial evaluation of Webco prepared by Benedetto Gartland which gave a value range of $3.00 to $4.00 per share. Management expressed its view that the required funds could be provided from available cash and an expanded credit facility that was currently being refinanced because of the maturity of the existing loans in May 2005. After extensive discussions, the Board concluded that it was in the best interests of Webco to continue to consider a reverse stock split transaction for the purpose of going private, but, given the then-current price of the Common Stock, it was likely that the price to be paid to holders of one share of Common Stock (post-split) would be between $4.00 and $5.00 per pre-split share. Due to the potential conflicts involved in such a transaction and for the protection of the minority stockholders, the Board concluded that a special committee should be established, consisting of independent directors, to approve or disapprove any such transaction, including the negotiation of the amount of the cash payment to holders of less than one share of Common Stock after the reverse split.

Accordingly, the Special Committee was established on May 28, 2004, and Kenneth E. Case, Jack D. McCarthy and Bradley S. Vetal, Webco s three outside directors, were appointed members of the Special Committee, after confirming that none of them had any significant past or current relationship with Webco s management. The Special Committee elected Mr. McCarthy as its Chairman. The Board of Directors delegated to the Special Committee the exclusive power and authority to (1) review, evaluate and negotiate the terms and provisions, and determine the advisability of the Transaction with respect to the interests of minority stockholders; (2) determine, in its sole discretion, whether the Transaction was fair to the unaffiliated stockholders; (3) approve or disapprove (in its sole discretion) the reverse stock split and the form, terms and provisions thereof, subject to the approval of the full Board of Directors; (4) make a recommendation to the full Board of Directors to approve or disapprove the reverse stock split; and (5) if the Special Committee and the full Board of Directors approved the reverse stock split, to take any other action necessary or advisable to consummate the transaction. In view of the controlling stockholders opposition to the sale of Webco, the Special Committee was not authorized to solicit offers to purchase Webco or its assets. The Special Committee retained Conner & Winters, P.C. to advise the Special Committee as to legal matters and began evaluating financial advisers.

On June 1, 2004, Webco issued a press release and subsequently filed a Current Report on Form 8-K advising that Webco was considering a reverse stock split and deregistration of the Common Stock under the 1934 Act, and that a

Special Committee had been formed for the purposes of evaluating whether to go forward with such a transaction and to negotiate the terms thereof.

After discussions with five investment bankers and considering proposals from two of them, on June 1, 2004, the Special Committee selected Hoak Breedlove Wesneski & Co. as its financial adviser to assist with the transaction and to prepare an opinion as to the fairness, from a financial point of view, of the Transaction to the stockholders who would receive cash in the Transaction. The Special Committee considered experience in these types of transactions, availability, references and cost in making the selection. The Special Committee determined that Hoak Breedlove had had extensive experience in providing valuations and fairness opinions in these types of transactions and that Hoak Breedlove s proposal was the most cost-effective among comparable firms for a transaction of this size. Other than this retention by the Special Committee, Webco has not had any relationship with, or paid fees to, Hoak Breedlove or its personnel.

During the next few weeks, the Special Committee had a number of discussions with Hoak Breedlove concerning the reverse stock split and the cash price payable to stockholders in lieu of fractional shares. In addition, management provided information to, and had a number of discussions with, Hoak Breedlove regarding certain historical business results and financial information, including internal forecasts prepared by Webco in March 2004, necessary for the adviser s analysis.

During the next few weeks, management continued researching how to structure the transaction to increase the possibility of liquidity after a reverse split, including conversations with companies already trading on the Pink Sheets.

On June 17, 2004, the Special Committee met with Hoak Breedlove to discuss its preliminary report, methodology and preliminary opinion as to fairness, from a financial point of view, of the Transaction to the stockholders who would receive cash in the Transaction. As a result of these discussions, Mr. McCarthy, on behalf of the Special Committee, contacted management of Webco to discuss Webco s $4.00 per share offer for fractional shares. Mr. McCarthy indicated that Webco s price proposal was at the low end of the Special Committee s financial adviser s range, and, accordingly, the $4.00 price was not acceptable to the Special Committee. After detailed discussions of the Hoak Breedlove valuation, Webco management raised the offer to $4.50 per share. Mr. McCarthy expressed the belief of the Special Committee that the current market dynamics and earnings level of Webco, including expected fourth quarter results, while not necessarily sustainable, dictated that the cash price for the fractional shares be at a level that was near the top of the range of value determined by Hoak Breedlove. After a review of current comparable company valuations and further consultation with Benedetto Gartland, Webco increased its offer to $4.75 per share. After consultation with the other members of the Special Committee, Mr. McCarthy accepted that proposal on behalf of the Special Committee. Webco and the Special Committee also determined that the specific reverse stock split ratio should be selected by the Board from a set of five pre-selected ratios immediately after the stockholders meeting to approve the transaction, based on the dual criteria of reducing the number of stockholders of record to fewer than 300 and staying within Webco s financial capabilities. They also discussed the need for a forward stock split to occur immediately following the reverse stock split in order to keep the market price of the Common Stock in a reasonable trading range. Management had been researching the best forward stock split alternatives from a future liquidity perspective, so it was agreed that management would present these findings and recommendations at a special Board meeting on June 24, 2004.

On June 24, 2004, the Special Committee and the Board met with Hoak Breedlove. At the meeting, Hoak Breedlove gave its oral opinion relating to the Transaction and responded to questions from directors. Members of management also presented their research and findings as to the appropriate forward split ratio. The Special Committee unanimously approved the Transaction and recommended that the Board vote in favor of the Transaction. After discussion, the full Board unanimously approved the Transaction. (See Summary Term Sheet Summary of the Transaction beginning on page 1.)

On June 25, 2004, Webco issued a press release and filed a Current Report on Form 8-K advising that Webco s Board had voted in favor of the Transaction and that a cash payment of $4.75 per pre-reverse split share had been agreed upon for all shares cashed out in the Transaction.

By early July, Webco management (Ms. Weber and Messrs. Weber, Howard and Boyer) realized that the rise in steel prices to a level beyond our March 2004 projections would have a more beneficial effect than previously thought on Webco s financial results for the fourth quarter of fiscal 2004. Steel prices had increased by over 50% in three months, and we believed that fourth quarter net income could increase by approximately $1.8 million over the projections previously provided to Hoak Breedlove, primarily as a result of inventory profits (lower priced inventories being applied to customer orders based on higher current steel prices). While this price increase and management s belief that this price increase is a short-term phenomenon had been discussed with Hoak Breedlove and the Special Committee, we believed that the magnitude of the increase justified revising our projections and the

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financial analysis upon which the fairness opinion was based. Management notified the Special Committee, which in turn notified Hoak Breedlove, of our plans to revise our projections. At that time Hoak Breedlove had not submitted its written opinion in final form to the Special Committee and Board. Once Hoak Breedlove was notified that Webco intended to update its projections, Hoak Breedlove stopped work on its written opinion letter and focused on the revised valuation. The updated projections were provided to the Special Committee and Hoak Breedlove on July 16, 2004. (See Key Assumptions Underlying Webco s Financial Projections, page 30.)

On July 11, 2004, the Special Committee met to discuss the updated internal financial projections being prepared by Webco s management for fiscal 2004 and 2005. The Special Committee asked Hoak Breedlove to review the updated projections and, in light of that review, to determine whether Hoak Breedlove s view had changed as to the range of values of the Common Stock or as to the fairness of the consideration to be paid in respect of fractional shares. On July 21, Hoak Breedlove presented to the Special Committee its updated valuation range for fractional shares, which increased from a range of $3.63 to $4.86 per pre-reverse split share to $3.93 to $5.09 per pre-reverse split share. Hoak Breedlove s second report, dated July 23, 2004, superseded the first report. Hoak Breedlove changed its analysis to take into consideration the high current earnings due to market conditions (selling lower average cost inventories at sales prices based on current higher steel costs) by changing to a three-year average calculation for the metrics used. The Special Committee agreed with Hoak Breedlove s judgment to change the calculation method. The Special Committee noted that the agreed-upon price was within the range of each of the three valuation methodologies used by Hoak Breedlove; however, the Special Committee believed that no single methodology is appropriate for valuing Webco. The Special Committee agreed with Hoak Breedlove that an average of all three methodologies provides an appropriate measure of Webco value. Hoak Breedlove confirmed to the Special Committee that its opinion that the payment of $4.75 per pre-reverse split share is fair from a financial point of view to the stockholders receiving such payments (subject to the assumptions made, matters considered and limitations on Hoak Breedlove s opinion, as described therein). Based on the foregoing and the fact that the Special Committee had already considered that Webco s fiscal fourth quarter 2004 results would likely show a significant improvement over the fiscal third quarter and the fiscal fourth quarter 2003 results when it originally agreed to the payment of $4.75 per pre-reverse split share, the Special Committee believed that the agreed-upon Transaction providing for the payment of $4.75 per pre-reverse split share was still fair and decided not to re-open negotiations with Webco management.

On July 23, 2004, Hoak Breedlove presented its final report relating to the Transaction, reiterated its fairness opinion and valuation methodologies referred to above and responded to questions from directors. The Special Committee presented its recommendation that the payment of $4.75 per pre-reverse split share was still fair and should not be changed. After discussion, the Board unanimously agreed.

By mid-October 2004, steel prices had increased significantly to record levels, which had not been anticipated in those projections prepared for and supplied to Hoak Breedlove in July 2004. In addition, as a result of rising oil prices, demand had significantly increased in certain sectors of our business, also resulting in improved performance over that projected in July 2004. As a result of these improved market conditions and the additional benefit from lower priced inventories being applied to customer orders based on higher current steel prices, we believed first quarter net income could increase by approximately $2.5 million over the projections previously provided to Hoak Breedlove. Webco determined that the projections should be updated to reflect the anticipated substantial near term benefit to Webco s net income and the corresponding demands on Webco s working capital.

In mid-October 2004, Webco management notified the Special Committee that the projections were being revised. Prior to that time, Hoak Breedlove had ceased business operations and, as a result, could not update its fairness opinion. Accordingly, the Special Committee contacted the former Managing Director of Hoak Breedlove in charge of the Webco engagement, who was now a Managing Director for Southwest Securities, Inc. Based on the Special Committee s positive experience with the Managing Director while he was with Hoak Breedlove, the experience, expertise and reputation of Southwest Securities in these types of transactions, the time and cost savings expected to result from the continuity of personnel, and the favorable time and cost quote received from Southwest Securities, the Special Committee decided to retain Southwest Securities for the new valuation. Another positive factor supporting their retention was that the former vice president for Hoak Breedlove would be engaged by Southwest Securities to assist it in the valuation project in order to provide continuity. On October 18, 2004, the Special Committee retained Southwest Securities as its financial adviser to assist with its consideration of the third set of financial projections and to render its opinion as to the fairness, from a financial point of view, of the

Transaction to unaffiliated stockholders who will receive cash in the Transaction. Southwest Securities is a nationally recognized investment banking firm that, as a customary part of its business, evaluates businesses and their securities in mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

The updated projections were provided to the Special Committee and Southwest Securities on October 21, 2004. (See Key Assumptions Underlying Webco s Financial Projections, page 30.) On October 22, 2004, Webco filed with the Securities and Exchange Commission a Current Report on Form 8-K relating to the dissolution of Hoak Breedlove, updating of the projections contained in the preliminary proxy material, and the review by the Special Committee of these projections to determine whether or not the Transaction continues to be fair to unaffiliated stockholders in view of the significantly improved expected near-term results for Webco contained in the new projections.

On November 2, 2004, Southwest Securities orally presented to the Special Committee its valuation range for fractional shares, which reflected a higher range ($4.29 to $5.54 per pre-reverse split share as compared to $3.93 to $5.09 per pre-reverse split share) than that reflected in Hoak Breedlove s second report. The written report prepared by Southwest Securities, dated November 3, 2004, confirmed Southwest Securities oral presentation and superseded the second Hoak Breedlove report. Southwest Securities utilized the same approach in its analysis that was utilized in the second Hoak Breedlove report. The Special Committee agreed with Southwest Securities that no single methodology is appropriate for valuing Webco, and that an average of all three methodologies provides the most appropriate measure of Webco s value. In its discussions, the Special Committee noted that the agreed-upon price was now below the mid-point of the updated valuation range. The Special Committee also discussed the recent trading activity in the Common Stock following our announcement on October 22, 2004, concerning the review of the cash-out price and that we expected first quarter 2005 earnings to exceed fourth quarter 2004 earnings. The Special Committee noted the volatility of the Common Stock and the fact that a relatively small number of shares traded generated large swings in the stock price. The Special Committee expressed its view that the recent trading prices of the Common Stock was not necessarily indicative of its value, but the Special Committee nonetheless believed that the trading price must be considered. The Special Committee also discussed its concerns about the remaining unaffiliated stockholders because paying too high a price in the Transaction for fractional shares might unduly burden them. The Special Committee believed this concern should be balanced against the low number of shares expected to be purchased in the Transaction and the expected on-going benefits of the Transaction to Webco. The Special Committee ultimately determined that Mr. McCarthy should contact management to propose increasing the price based on the updated valuation and recent trading activity.

Mr. McCarthy contacted Ms. Weber on November 2, 2004 and briefly reviewed the findings of Southwest Securities along with some of the matters discussed by the Special Committee. Ms. Weber concurred that it would be appropriate to revise the price, and requested time to review the Southwest Securities valuation and the concerns of the Special Committee with Messrs. Weber, Howard, Boyer and Kowalski before discussing a higher offer. On Wednesday, November 3, 2004, Mr. McCarthy proposed a price of $6.50 per pre-reverse split share to Ms. Weber. While slightly below the Common Stock closing price of $6.65 per share on November 3, 2004, the Special Committee noted that it is a premium above the recent volume-weighted average trading price, it is a significant premium over historical prices, and it is a significant premium over the valuation range presented by Southwest Securities. Ms. Weber stated that she and the other members of management believed that Webco is currently at the peak of what is typically a five-to-seven-year economic cycle for our industry, and that this peak is even more exaggerated by the steel environment and rapidly rising raw material costs. She also expressed that Webco management believed that the recent trading prices were based primarily on recent results and ignored the cyclicality and other dynamics of Webco s business. However, Ms. Weber stated that she and the other members of management also recognized that these events and factors must be considered in the Transaction. Webco management also expressed its concerns as to the impact of the higher price on those stockholders who remain after the Transaction.

After weighing all of these factors and after further discussions, Webco management agreed with the Special Committee and accepted its proposed cash-out price of $6.50 per pre-reverse split share.

On November 3, 2004, the Special Committee and the Board met with Southwest Securities. At the meeting, Southwest Securities gave its oral opinion relating to the Transaction and responded to questions from directors. The Special Committee unanimously approved the increased cash-out offer of $6.50 per pre-reverse split share and recommended that the Board vote in favor of the revised price also. The Board noted that the previously proposed one-for-2000 and one-for-1500 reverse-split ratios were no longer feasible due to Webco s financial constraints.

After discussion, the full Board unanimously approved the revised Transaction, including the revised cash-out price and changing from five proposals to four, consisting of split ratios of one-for-200, one-for-500, one-for-800 and one-for-1000. (See Summary Term Sheet Summary of the Transaction beginning on page 1.)

On November 4, 2004, Webco issued a press release and filed a Current Report on Form 8-K advising that Webco s Board had voted in favor of the revised Transaction, that a cash payment of $6.50 per pre-reverse split share had been agreed upon for all shares cashed out in the Transaction, and that the Transaction now consisted of four proposed split ratios as described above. On November 3, 2004, Southwest Securities issued its written fairness opinion related to the Transaction, a copy of which is attached in Appendix A.

Key Assumptions Underlying Webco s Financial Projections

The following table summarizes the key assumptions underlying the March forecast provided to Benedetto Gartland and Hoak Breedlove that were revised in preparing the updated projections prepared in July and October. The March forecast was utilized by Benedetto Gartland in preparing its presentation to Webco and the Board and by Hoak Breedlove in preparing its first report for the Special Committee and the Board. (See Presentation of Benedetto Gartland beginning on page 62 and First Report of Hoak Breedlove beginning on page 56 for the related forecast.) The July forecast was provided to and utilized by Hoak Breedlove in preparing its opinion and second report for the Special Committee and the Board. (See Opinion and Second Report of Hoak Breedlove beginning on page 49 for the related forecast.) The October forecast was provided to and utilized by Southwest Securities in preparing its fairness opinion and report for the Special Committee and the Board. (See Opinion and Report of Southwest Securities beginning on page 41 for the related forecast.)

Forecast Period	Assumptions in March Forecast	Assumptions in July Forecast	Assumptions in October Forecast
Fourth Fiscal Quarter 2004	The lack of availability of steel creates pricing environment that permits sales price increases to rise commensurate with the cost of steel, which would rise 50% to 80%. Over July 31, 2003 levels. Volumes remain relatively constant with the previous quarter. Margins are enhanced because our average cost inventories lag in their increase to current replacement costs. Labor and overhead costs remain stable to recent experience. Interest rates begin to increase because of Federal Reserve actions.	The pricing environment for tubular products appears stronger than expected due to lack of steel availability and based upon information from the then almost completed quarter, price increases have more than kept pace with increases in cost of steel in most non-OEM product groups. Volumes remain relatively constant with the previous quarter. The increase in the cost of steel over July 31, 2003 levels will approach 100% to 130%. Labor and overhead costs remain stable to recent experience. Interest rates hold at current levels to prior quarter s experience because of the impending refinancing of the	Not applicable, actual quarter completed at time of forecast preparation. Actual net income was $93 better than the July 2004 forecast.

		senior credit facility.	
Fiscal 2005	Increases in the availability of steel in the second quarter of fiscal 2005 create downward pressure on the price of tubular products and declining steel cost, which declines to a point that is 40% above the cost at July 31, 2003. Volume increases 5% because of continued production improvements and limited equipment additions. Margins decline from 4th quarter of 2004 because the average cost of steel rises toward replacement cost. Margins starting in the 2nd quarter decline further because we are selling at decreasing prices against high average cost inventories.	Increases in the availability of steel in the third quarter of 2005 create downward pressure on the price of tubular products and declining steel costs, which declines to a point that is 40% above the cost at July 31, 2003. Additional production improvements and equipment additions increase volumes 9%. Margins decline from 4th quarter of 2004 because the average cost of steel rises toward replacement cost. Margins starting in the 3rd quarter 2005 decline further because we are selling at decreasing prices against high average cost inventories.	Increases in the availability of steel in the fourth quarter of 2005 create downward pressure on the price of tubular products and declining steel costs, which gradually decline to a point that is 40% above the cost at July 31, 2003. Additional production improvements and equipment additions, increase volumes 7.5%. Margins decline from 4th quarter of 2004 because the average cost of steel rises toward replacement cost. Margins starting in the 3rd quarter 2005 decline further because we are selling at decreasing prices against high average cost inventories.

Forecast Period	Assumptions in March Forecast	Assumptions in July Forecast	Assumptions in October Forecast
Fiscal 2005 (cont'd)	Labor and overhead costs increase 1.4% over the course of the year. Interest rates increase 1% over the course of the year as a result of Federal Reserve actions.	Labor and overhead costs increase 3.3% over the course of the year based on higher volume. Interest rates increase 1.25% over the course of the year as a result of Federal Reserve actions.	Labor and overhead costs are flat from 2004 based on efficiencies and savings. Interest rates increase 1.25% over the course of the year as a result of Federal Reserve actions.
Fiscal 2006	The average cost of steel has begun to approximate replacement cost by the 2nd quarter of 2006, normalizing sales prices and gross profit at a level that is closer to, but still above historical averages. Volume increases 2.1% because of continued production improvements and limited equipment additions. Labor and overhead costs increase 2.0% over the course of the year. Interest rates stabilize at the levels that were in place at July 31, 2005.	The average cost of steel has begun to approximate replacement cost by the 3rd quarter of 2006, normalizing sales prices and gross profit at a level that is closer to, but still above historical averages. Volumes are flat over 2005 because of the offsetting effects of continuing production improvements/limited equipment additions and increased competition due to over-capacity. Labor and overhead costs increase 1.3% over the course of the year. Interest rates rise 0.75% over the course of 2006 due to Federal Reserve actions.	The average cost of steel has begun to approximate replacement cost by the 4th quarter of 2006, normalizing sales prices and gross profit by the end of the year at a level that is closer to, but still above historical averages. Volumes decline 1.3% from 2005 because of the offsetting effects of continuing production improvements/limited equipment additions and increased competition due to over-capacity. Labor and overhead costs increase 3.1% over the course of the year. Interest rates rise 1.0% over the course of 2006 due to Federal Reserve actions.
Fiscal 2007	Selling prices are stable, increasing approximately 1.6% over 2006. Volume increases 1.7% because of continued production improvements and limited equipment additions. Margins continue to reflect levels that are slightly above historical averages. Labor and overhead costs increase 2.0% over the course of the year. Interest rates stabilize at the levels that were in place at July 31, 2006.	Selling prices are stable over 2006. Volume increases 1.7% because of continued production improvements and limited equipment additions. Margins continue to reflect levels that are slightly above historical averages. Labor and overhead costs increase 2.6% over the course of the year. Interest rates stabilize at the levels that were in place at July 31, 2006	Selling prices are stable over where they are at the end of fiscal 2006. Volume increases 2.2% because of continued production improvements and limited equipment additions. Margins continue to reflect levels that are slightly above historical averages. Labor and overhead costs increase 2.6% over the course of the year. Interest rates stabilize at the levels that were in place at July 31, 2006.

Fiscal 2008	Selling prices are stable, increasing approximately 1.6% over 2007. Volume increases 1.8% because of continued production improvements and limited equipment additions. Margins continue to reflect levels that are slightly above historical averages. Labor and overhead costs increase 2.6% over the course of the year. Interest rates continue to be stable over the course of fiscal year 2008.	Selling prices are stable, increasing approximately 2.1% over 2007. Volume increases 1.8% because of continued production improvements and limited equipment additions. Margins continue to reflect levels that are slightly above historical averages. Labor and overhead costs increase 2.6% over the course of the year. Interest rates continue to be stable over the course of fiscal year 2008.	Selling prices are stable over 2007. Volume increases 2.3% because of continued production improvements and limited equipment additions. Margins continue to reflect levels that are slightly above historical averages. Labor and overhead costs increase 2.9% over the course of the year. Interest rates continue to be stable over the course of fiscal year 2008.

Recommendation of the Board; Fairness of the Transaction

The Board and the Transaction Affiliates unanimously determined that the Transaction is in the best interests of Webco and that the Transaction is fair to its unaffiliated stockholders who will receive cash in the Transaction and to those unaffiliated stockholders who will remain stockholders after the Transaction. The Board and the Transaction Affiliates also believe, based on discussions with Webco s legal counsel, that the process for approving the Transaction was procedurally fair. See Determination of Fairness of the Transaction by the Transaction Affiliates beginning on page 37.

The Board recommends that stockholders vote **FOR** approval and adoption of each of the four proposals to amend Webco s Certificate of Incorporation to effect the Transaction. In considering the recommendation of the Board of Directors with respect to the Transaction, stockholders should be aware that Webco s executive officers and directors have interests in the Transaction that are in addition to, or different from, our stockholders generally and that these interests may create potential conflicts of interest. See Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 39.

The Board has retained for itself the absolute authority to reject (and not implement) any or all of the alternative reverse/forward stock split combinations (even after stockholder approval of the amendments). The Board believes that it is prudent to recognize that, between the date of this proxy statement and the date that the Reverse/Forward Split Amendment is filed, circumstances could change such that it might not be appropriate, economic or desirable to effect the Transaction at that time. While the Board has not set any specific criteria for determining whether the Transaction will be effected, the two primary considerations will be to reduce the number of stockholders of record to fewer than 300 and select the proposal that best fits the covenants of our senior credit facility. The senior credit facility permits us to purchase up to 300,000 shares. If the Board believes that the cost of the Transaction that will result in reducing the numbers of stockholders of record to below 300 exceeds our perceived financial capacity, the Board will not proceed with the Transaction. The Board will make its decision based on its business judgment at a time deemed appropriate and based on then existing facts and circumstances, including the number of record stockholders and the number of shares owned by them at that time. If for any reason the Transaction is not approved, or, if approved, not implemented, the Common Stock will not be deregistered under the 1934 Act or delisted from the American Stock Exchange unless and until such time as Webco otherwise is eligible and our Board decides to do so.

As discussed above, the Board considered several alternatives to the Transaction, but ultimately approved the reverse split/forward split structure. See Alternatives Considered beginning on page 22.

During the two months preceding the original approval of the Transaction by the Board and subsequently in connection with determining whether the Transaction is fair to the unaffiliated stockholders being cashed out and the unaffiliated stockholders that will remain after the Transaction and whether the Transaction is in the best interests of Webco, the Board and the Transaction Affiliates considered a number of factors and various information presented by management, Benedetto Gartland, Proskauer Rose, Hoak Breedlove and Southwest Securities. The Board did not assign any specific weights to the factors below, and individual directors may have given differing weights to different factors. Factors presented to the Board and considered by them included:

Current and Historical Market Prices and Trading Volumes of the Common Stock. The Common Stock is quoted on the American Stock Exchange but is thinly traded. During the 12 months prior to the public announcement of the proposed Transaction, the average trading volume was approximately 6,745 shares per day, with less than 1,000 shares trading on 27% of those days. During the 36 months prior to the public announcement of the proposed Transaction, the average trading volume was approximately 4,593 shares per day, with less than 1,000 shares trading on 51% of those days. High and low sales prices for the Common Stock from January 1, 2003, to May 28, 2004, ranged from $2.61 to $5.24 per share. Average sales prices for the three months, six months, 12 months and 24 months prior to May 28, 2004, were approximately $4.50, $4.04, $3.65 and $3.54 per share, respectively. See Financial Information Market Prices of the Common Stock on page 82 for more information about the Common Stock prices. The last sale price of the Common Stock on May 28, 2004, the day before Webco announced its consideration of a going-private transaction, was $4.86. Immediately following the announcement of Webco s record fiscal fourth quarter 2004 results and of our intention to update our projections and valuation, the Common Stock traded in a range of between $5.49 per share and $6.90 per share, with most shares trading between $6.30 and $6.50 per share. The closing price of the Common Stock was $6.65 on November 3, 2004, the day before Webco announced its revised cash-out price of $6.50 per share for the Transaction. Webco believes that its recent stock price has been positively impacted by cyclical factors relating to the basic steel industry. Webco is experiencing shortages and very high margins (resulting from selling against lower average cost inventories), which it believes are not sustainable. Notwithstanding the recent strength of Webco s business and its improved margins, Webco believes that the tubing industry continues to face overcapacity and a very competitive environment, which are likely to have a negative effect on its margins when the availability of steel increases. The Special Committee s financial adviser believes the longer-term market price analysis should be weighted more heavily than short-term prices.

Book Value. The $6.50 per pre-reverse split share is 71% of the $9.21 book value per share as of October 31, 2004. Each of Southwest Securities, Hoak Breedlove and Benedetto Gartland expressed the view that the value of a going concern business is most commonly based on the present value of its expected cash flow and that valuation methods based on recent or forecasted earnings are significantly better indicators of expected cash flow than Webco s book value per share. The volatile and highly cyclical nature of the cash flows and earnings of our business, the continuing over capacity within the tubing industry, the lack of demand relative to availability of equipment for sale, and the consistent and significant divergence between book value and market value of our Common Stock support the views of Southwest Securities, Hoak Breedlove and Benedetto Gartland that book value is not a reliable or the best indicator of Webco s value. According to Southwest Securities, Hoak Breedlove and Benedetto Gartland, book value is rarely used to determine what buyers will pay for a going concern business because it is not a predictive measure of the present value of future cash flows and thus not a strong indicator of value in a trading or control transaction. In further support of this statement, the market price of the Common Stock over the past five years prior to announcing this Transaction has not reached 80% of its then current book value, and approximately 75% of the transactions in the Common Stock during that period have been at prices that are less than 50% of book value. Because of (1) the limited relevance of book value in predicting future cash flows, (2) the existence of more generally accepted valuation methodologies that are based on or comparable to the present value of cash flows and (3) the lack of effect book value appears to have had on historical trading prices of the Common Stock, Southwest Securities, Hoak Breedlove and Benedetto Gartland each determined that book value was of limited relevance as a measure of value.

Liquidation Value. Since the late 1990 s, the productive manufacturing capacity of the domestic steel tubing industry has exceeded current product demand. This excess capacity continues in spite of bankruptcies, financial difficulties and discontinued operations because those assets have either been put back into productive service or they are currently being held for sale. The lack of demand for secondary market equipment relative to availability of equipment for sale has depressed the liquidation value of assets that are in productive use. In connection with the refinancing of Webco s senior credit facility, our lender obtained appraisals of the liquidation value of Webco s equipment and fair market valuations of the land and buildings at Webco s owned facilities. These appraisals listed a liquidation value for Webco s fixed assets, net of the ordinary cost of disposal, and fair market value for Webco s land and buildings that totaled approximately $31 million less than the book value of these assets. These appraisals were commissioned by a financial institution with a view to determining the collateral value of Webco s property, plant and equipment in the event of a loan default and liquidation. These appraisals do not attempt to value Webco s property, plant and equipment in relation to Webco s ongoing business and do not value Webco s other assets, including its inventory. Under the terms of these appraisals, Webco is prohibited from disclosing specific information about these appraisals or providing them to third parties, and the appraisers have not waived these confidentiality and nondisclosure provisions. Subtracting this $31 million difference from Webco s $65.2 million book value as of October 31, 2004 would result in a value of $34.2 million, or $4.84 per share for all Webco s assets, including inventory. This is not a true liquidation value for Webco because Webco s other assets, primarily inventory, were not appraised in these appraisals. A true liquidation value for Webco would be less than $34.2 million since the liquidation value of our inventories would likely be less than book value because: (1) our finished goods and work in process inventories are generally designed for specific customer applications and are not readily marketable except to those customers or where they can be further processed for an alternate application; (2) our raw material inventories are generally purchased for specific applications that require particular dimensions and chemistry; and (3) as a result, the population of potential customers tends to be limited to the specific customer or a similar application Therefore, on a liquidation basis, these inventories would likely be less marketable and thus we believe that we would receive less than book value for our inventories. Because the market dynamics of Webco s industry inherently lead to a depressed liquidation value for our assets, Southwest Securities, Hoak Breedlove and Benedetto Gartland each decided that liquidation value as a measure of our valuation was of limited relevance.

Going Concern Value. In determining the cash amount to be paid to cashed-out stockholders in the Transaction, the value of the Common Stock on the basis of a going concern was presented in Southwest Securities report, without giving effect to any anticipated effects of the Transaction. Also, the financial adviser did not consider the amount per share that might be realized in a sale of all or substantially all of the stock or assets of Webco, believing that consideration of such an amount was inappropriate in the context of a Transaction that would not result in a change of control of Webco and having no reason to believe that the sum of the values of the parts would exceed the value of the whole. In considering the going concern value of Webco, the analyses and conclusions of Southwest Securities indicated a share price range of $4.29 to $5.54, described below under Opinion and Report of Southwest Securities beginning on page 41.

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Earnings. Webco s markets have historically been highly cyclical. Historical earnings of Webco for the previous five fiscal years and the relevance of historical earnings to future prospects were factored into the going concern analysis. For the five years ended July 31, 2000, 2001, 2002, 2003 and 2004, Webco reported income (loss) from continuing operations of $536,000, $(1,494,000), $2,996,000, $1,918,000 and $7,218,000, respectively. Historical earnings volatility is caused by a number of factors, including excess capacity in the tubing industry, volatility in the cost and availability of steel, effects of imports and tariffs on the steel industry, general market conditions and the dollar exchange rate, among others. Like most participants in steel-related industries, Webco is currently experiencing record levels of earnings due to the lack of availability of steel and selling from lower cost inventory, which have temporarily mitigated the normal condition of overcapacity within the tubing industry. Although it is difficult to predict, we believe that we are at or near the peak of this business cycle, although there can be no assurances with respect thereto. Short-term earnings can deviate significantly, negatively or positively, from average results, and periods of higher earnings are typically followed by periods of below-average results. Management believes that average earnings over time, because of the excess capacity in the tubing industry, will trend toward historical averages.

Opinion of Southwest Securities. Southwest Securities rendered its opinion to the Board on November 3, 2004, to the effect that, as of the date of such opinion and based upon and subject to the matters stated therein, the cash price to be paid for certain fractional shares in the Transaction is fair, from a financial point of view, to Webco s unaffiliated stockholders who will receive cash. For more information about the opinion, see Opinion and Report of Southwest Securities beginning on page 41 and a copy of the opinion of Southwest Securities attached as Appendix A to this proxy statement. The Transaction price is a 17% premium over the top end of the range of prices referenced in Southwest Securities analysis.

Opportunity to Liquidate Shares of Common Stock. Stockholders owning fewer shares than the Minimum Number will liquidate their holdings without incurring brokerage costs, particularly given the relatively illiquid market for shares of Common Stock, at a price that represents a premium over most historical and recent trading prices. Management (Ms. Weber and Messrs. Weber, Howard and Boyer) presented its belief to the Board that this opportunity is a benefit to stockholders.

At the Board s meeting on November 3, 2004, Southwest Securities presented a report supporting its fairness opinion. This report was identical in all material respects to the report given by Southwest Securities to the Special Committee on the preceding day. The Chairman of the Special Committee stated that the Special Committee had considered the Southwest Securities report and had determined that the Transaction is fair to the unaffiliated stockholders who will be cashed out in the Transaction and to the unaffiliated stockholders who will remain after the Transaction. The Board was also advised that the Special Committee had determined that the cash price of $6.50 per pre-reverse split share to be paid to the holders of less than one share of Common Stock (post-reverse split) and to the holders of fractional shares (post-forward split) is fair, and that the Special Committee recommended the Transaction to the Board. The Board had an opportunity to ask questions and discuss each of Southwest Securities analyses individually. While the Board reviewed and considered each item of the report by Southwest Securities, the Board concurred with Southwest Securities that no single method of value analysis is controlling. The Board noted that the $6.50 per pre-reverse split share price is a premium above all three valuation methodologies, and that it is even a premium over each item within the three valuation methodologies presented. The Board concurred with Southwest Securities that the comparable companies and transactions are the best available in the public record, but that none of these companies or transactions is directly comparable to the Transaction. Therefore, the Board agreed with Southwest Securities that these comparable companies and transactions should be used as a reference guide, and that the best estimate of value is the compilation of value based on the extensive experience of Southwest Securities in valuing these types of transactions. The Board noted that the $6.50 per pre-reverse split share price is 71% of the book value as of October 31, 2004, which is at the high end of the historical relationship between the price per share of the Common Stock and the book value per share. Because of these factors and because each of Southwest Securities, Hoak Breedlove and Benedetto Gartland have stated their belief that book value is not a good measure of value because of its lack of correlation to future cash flow, the Board believes that the cash out price is fair in relation to book value.

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The Board believed, based on the liquidation appraisals in connection with our bank financing as described above under Liquidation Value and based on the characteristics of our inventories that were not appraised, as described above under Liquidation Value , that the $6.50 per pre-reverse split share price would be significantly more than the price per share that Webco would expect to achieve in a liquidation. The Board decided not to pursue a full liquidation valuation because they believed a full valuation would be less than the liquidation estimate of $4.84 calculated above and therefore it would be neither relevant nor worth the cost. Finally, the Board recognized that the Transaction is occurring at a time when market conditions are enabling Webco to achieve record earnings, and that these near-term conditions are likely resulting in a higher cash out price than the valuation analysis suggests. The Board was concerned about the effect that paying in excess of the valuation range might have on the unaffiliated stockholders who will remain stockholders after the Transaction. Based on the small number of shares proposed to be bought out in the Transaction, the Board agreed that the effect of the amounts paid in excess of the valuation range would be more than offset by the savings resulting from the Transaction. After careful consideration of all of these factors, the Board concluded that the Transaction is fair to unaffiliated stockholders being cashed out, and to unaffiliated stockholders remaining stockholders after the Transaction.

The Board also considered the fact that, in addition to the deregistration of the Common Stock under the 1934 Act as a result of the Transaction, the Common Stock would cease to be listed on the American Stock Exchange. The Board was concerned about liquidity for remaining unaffiliated stockholders, recognizing that the current limited market for shares of Common Stock provides relatively little benefit to Webco s stockholders. The forward split (the purpose of which is to return the stock price to a reasonable trading range to enhance the possibility of its trading on the Pink Sheets after the Transaction) and other efforts of Webco management to enhance the possibility of stockholder liquidity after the Transaction, including supporting potential quotation on the Pink Sheets, were important to the Board s determination that the Transaction is fair to the remaining unaffiliated stockholders. (See Reasons for and Benefits of the Transaction beginning on page 12 and Background of the Transaction beginning on page 23.) See Proposals to Amend Webco s Certificate of Incorporation Proposed Language Amending Webco s Certificate of Incorporation Reverse/Forward Split Amendment (page 73), for a further explanation of the reason for the forward stock split.

The Board did not seek, and is not aware of, any proposals in the last two years from any unaffiliated persons for the merger or consolidation of Webco, or for the sale or other transfer of all or substantially all of Webco s assets, or for the sale or other transfer of securities of Webco that would enable the holder to exercise control of Webco. The Board does not presently intend to seek any such proposal.

The Board also took into consideration the following additional factors:

Although holders of shares that are cashed out in lieu of issuance of fractional shares will receive cash consideration for their shares, the remaining stockholders will bear the burden of the expenses of the Transaction, possible reduced liquidity and greater uncertainty regarding the price they may receive for their shares if they attempt to sell them.

Although stockholders who are not cashed out in the Transaction will indirectly bear the Transaction costs associated with taking Webco private, the Board believes that such expenses will be offset by the anticipated savings of approximately $900,000 on an annual basis once Webco is private.

Affiliated and unaffiliated stockholders are treated identically in the Transaction, the Transaction will not result in a change of control of Webco and only a relatively small number of shares will be cashed out in the Transaction.

As of the effective date of the Transaction, record and beneficial stockholders who own fewer shares than the Minimum Number are expected to account for approximately one to two percent of Webco s outstanding shares of Common Stock, depending on the Minimum Number selected.

The Transaction is not structured so that approval of at least a majority of unaffiliated stockholders is required. The Board determined that any such voting requirement is not required under Oklahoma law or Webco s Certificate of Incorporation and would usurp the power of the holders of the majority of Webco s outstanding shares of Common Stock. The Board also considered Ms. Weber s report that in her review of 70 similar transactions occurring since September 1, 2003 , most other companies engaging in similar transactions during that period did not require approval of a majority of the unaffiliated stockholders.

Webco has not made any special provision in connection with the Transaction to grant stockholders access to our corporate files or to obtain counsel or appraisal services at our expense. The Board did not consider these steps necessary to ensure the fairness of the Transaction. The Board determined that such steps would be costly and time consuming and would not provide any meaningful additional benefits. With respect to stockholders access to our corporate files, the Board determined that this proxy statement, together with our other filings with the Securities and Exchange Commission, provide adequate information for stockholders to make an informed decision with respect to the Transaction. The Board also considered the fact that under Oklahoma corporate law, and subject to certain conditions set forth under Oklahoma law, stockholders have the right to review Webco s relevant books and records of account for any appropriate purpose.

The Board did not believe that it was necessary to appoint an independent third party to represent and negotiate the Transaction on behalf of unaffiliated stockholders. The Board believed that other procedural safeguards in place in the Transaction, specifically the appointment of the Special Committee and the Special Committee s retention of an independent financial adviser and separate legal counsel, provided sufficient procedural safeguards to ensure that the unaffiliated stockholders were fairly represented.

Notwithstanding the absence of an unaffiliated stockholder approval requirement, an independent third party to represent and negotiate the Transaction on behalf of unaffiliated stockholders or special provisions for access to corporate files, the Board and Transaction Affiliates determined that the Transaction is procedurally fair to unaffiliated stockholders because, in addition to the reasons described in the preceding three paragraphs, there were sufficient procedural safeguards in place, including the following:

- The Special Committee was formed, consisting of all the outside directors, to represent the interests of the unaffiliated stockholders and has reviewed and determined the fairness of the Transaction.
- All members of the Special Committee hold options that will remain outstanding after the Transaction. In addition, Dr. Case currently owns 1,700 shares of Common Stock. Therefore, the members of the Special Committee are in a similar position as the unaffiliated stockholders who will remain stockholders after the Transaction.
- The Special Committee retained its own counsel and investment adviser to represent it and assist the Special Committee with its deliberations and negotiations.
- The Transaction is being effected in accordance with all applicable requirements of Oklahoma law and Webco s organizational documents.
- The proposed amendment implementing the Transaction is being submitted to a vote of Webco s stockholders and is subject to the approval of holders of a majority of Webco s outstanding shares of Common Stock, recognizing that stockholders to be cashed out in the Transaction hold a nominal percentage of the vote and that Webco s directors and executive officers and members of the Weber family (owning an aggregate of 57% of the outstanding Common Stock) intend to vote their shares of Common Stock for the Transaction.
- Between the date of this proxy statement and the effective date of the Transaction, Webco s stockholders will have an opportunity to adjust the number of shares of Common Stock they will own as of the effective date. In this way, holders who would otherwise be cashed out can become continuing holders and holders of more shares than the Minimum Number (1,000 shares at a maximum) or they can divide or otherwise adjust their holdings into amounts of fewer shares than the Minimum Number (200 shares at a minimum). For more information about the Transaction, see Effect of the Transaction on Stockholders beginning on page 21.
- The Special Committee negotiated with Webco and thoroughly deliberated and evaluated the net one-for-10 reverse/forward stock split combinations, with the result that the payment to Webco s cashed-out holders was increased from $4.00 to $4.75 and ultimately to $6.50 per pre-split share.

Although the continuing unaffiliated stockholders will have less public information about Webco available to them and it is possible that the liquidity of the Common Stock will be reduced, continuing unaffiliated stockholders will experience less than a two percent decrease in book value per share (on a pre-Transaction per share basis) and a one to two percent increase in beneficial ownership, depending on the Minimum Number.

In reaching a conclusion on the financial, procedural and substantive fairness of the transaction, the Board and the Transaction Affiliates did not assign any specific weights to the foregoing factors. These factors were considered as a whole, and each of the parties may have put different weights on different factors. In selecting a valuation method, the Board and the Transaction Affiliates considered historical market prices, book value, liquidation value, and the various measures of going concern value presented by Southwest Securities. All parties concluded that no single valuation method should be utilized, but that all should be taken into consideration.

The Board, the Transaction Affiliates and the Special Committee considered all the material factors discussed in the above section and each found the Transaction is procedurally and substantively fair to each of Webco, the unaffiliated stockholders being cashed out in the Transaction and the unaffiliated stockholders remaining after the Transaction.

Determination of Fairness of the Transaction by the Transaction Affiliates

The Transaction Affiliates are members of the Board of Directors. In connection therewith, they attended all meetings of the Board of Directors in which the Transaction was discussed, they received all the same information and reports as the Board and, together with the other members of the Board, the Transaction Affiliates, in their capacities as Board members, voted in favor of the Transaction.

The Transaction Affiliates agreed with the Board and separately determined that the Transaction is fair to unaffiliated stockholders who will be cashed out in the Transaction and who will remain after the Transaction, and that the cash price of $6.50 per pre-reverse split share to be paid to holders of less than one share of Common Stock (post-reverse split) and to holders of fractional shares (post-forward split) is fair. In reaching this determination, the Transaction Affiliates considered the same procedural and substantive factors as the Special Committee and the Board. For a full description of the matters considered by the Special Committee, the Board and the Transaction Affiliates, see Recommendation of the Board; Fairness of the Transaction beginning on page 31.

The procedural factors considered by the Transaction Affiliates included the following:

The Special Committee was established with sole power to make the decision to recommend the Transaction; and the Special Committee s membership consists entirely of independent directors to represent the interests of Webco s minority stockholders.

The Special Committee retained its own independent financial adviser and legal counsel.

Webco retained its own financial adviser and legal counsel.

The stockholders will have an opportunity to make changes to their ownership before the effective date of the Transaction so that they can increase, decrease, divide or otherwise adjust their existing holdings prior to the effective date, in order to retain some, none or all of their shares or to receive cash for some or all of their shares or to sell on the open market if such price would be higher than that offered in the Transaction.

The Special Committee negotiated with Webco and thoroughly deliberated and evaluated the net one-for-10 reverse/forward stock split combinations, with the result that the payment to Webco s cashed-out holders was increased from $4.00 to $4.75 and ultimately to $6.50 per pre-split share.

The Transaction will be effected in accordance with applicable requirements under Oklahoma law.

The substantive factors considered by the Transaction Affiliates included the following:

The Transaction Affiliates considered the determination of the Special Committee that the Transaction is fair to the unaffiliated stockholders who will be cashed out in the Transaction and to the unaffiliated stockholders who will remain after the Transaction, and that the cash price of $6.50 per pre-reverse split share to be paid to holders of less than one share of Common Stock (post-reverse split) and to holders of fractional shares (post-forward split) is fair and the recommendation of the Special Committee of the Transaction.

The terms of the Transaction, including the cash payment to holders of less than one share of Common Stock (post-reverse split) and to holders of fractional shares (post-forward split) in the amount of $6.50 per pre-reverse split share, resulted from arms -length negotiations between Webco and the Special Committee.

The Transaction Affiliates believe that the Transaction is the superior transaction for Webco, its unaffiliated stockholders who will be cashed out and the unaffiliated stockholders who will remain after the Transaction as compared to the feasible alternatives considered.

The Special Committee s financial adviser, Southwest Securities, Inc. has rendered its opinion that the cash price of $6.50 per pre-reverse split share is fair to Webco s cashed-out stockholders from a financial point of view.

The Transaction Affiliates considered management s intention after the Transaction to provide quarterly financial information and the expected impact of the forward split to create a per-share price immediately after the Transaction of approximately 10 times the market price of the Common Stock immediately preceding the Transaction in order to return the price of the Common Stock to a reasonable trading range and to enhance the possibility for the Common Stock to trade on the Pink Sheets.

Based on the recommendation by the Special Committee, the fairness opinion of Southwest Securities, the fact that the $6.50 per share price is above the range of each of the three valuation methods used by Southwest Securities as well as its overall valuation, that it is at the high end of the trading range of the Common Stock over the past five years prior to the announcement of the $6.50 per share price, that no commissions will be paid by those receiving cash and the expected cost savings from no longer being a public company, the Transaction Affiliates concurred with the Special Committee and the Board that the Transaction is fair to unaffiliated stockholders who will be cashed out in the Transaction and to those unaffiliated stockholders who will remain stockholders after the Transaction.

The Transaction Affiliates also took into consideration additional factors, including the following:

Although holders of shares that are cashed out in lieu of issuance of fractional shares will receive cash consideration for their shares, the remaining stockholders will bear the burden of the expenses of the Transaction, possible reduced liquidity and greater uncertainty regarding the price they may receive for their shares if they attempt to sell them.

Although stockholders who are not cashed out in the Transaction will indirectly bear the Transaction costs associated with taking Webco private, the Transaction Affiliates believe that such expenses will be offset by the anticipated savings of approximately $900,000 on an annual basis once Webco is private.

Affiliated and unaffiliated stockholders are treated identically in the Transaction, the Transaction will not result in a change of control of Webco and only a relatively small number of shares will be cashed out in the Transaction.

As of the effective date of the Transaction, record and beneficial stockholders who own fewer shares than the Minimum Number are expected to account for approximately one to two percent of Webco s outstanding shares of Common Stock, depending on the Minimum Number selected.

The Transaction is not structured so that approval of at least a majority of unaffiliated stockholders is required.

Webco has not made any special provision in connection with the Transaction to grant stockholders access to our corporate files or to obtain counsel or appraisal services at our expense.

No independent third party was retained to represent and negotiate the Transaction on behalf of unaffiliated stockholders.

Notwithstanding the absence of an unaffiliated stockholder approval requirement, an independent third party to represent and negotiate the Transaction on behalf of unaffiliated stockholders or special provisions for access to corporate files, the Transaction Affiliates determined that the Transaction is procedurally fair to unaffiliated stockholders, because there were other sufficient procedural safeguards in place.

In reaching a conclusion on the financial, procedural and substantive fairness of the Transaction, the Transaction Affiliates did not assign any specific weights to the foregoing factors. These factors were considered as a whole, and each of the parties may have put different weights on different factors. In selecting a valuation method, the Transaction Affiliates considered historical market prices, book value, liquidation value, and the various measures of going concern value presented by Southwest Securities. The Transaction Affiliates concluded that no single valuation method should be utilized, but that all should be taken into consideration.

The Transaction Affiliates considered all the material factors discussed above and determined that the Transaction is procedurally and substantively fair to each of Webco, the unaffiliated stockholders being cashed out in the Transaction and the unaffiliated stockholders remaining after the Transaction.

Interests of Webco s Directors and Executive Officers in the Transaction

In considering the recommendation of the Board of Directors with respect to the Transaction, stockholders should be aware that Webco s executive officers and directors have interests in the Transaction that are in addition to, or different from, the stockholders generally. These interests may create potential conflicts of interest and include the following:

Each executive officer and each member of the Board of Directors holds shares or vested options in excess of 1,000 shares and will, therefore, retain shares of Common Stock or options to purchase Common Stock after the Transaction.

As a result of the Transaction, the stockholders who own of record on the record date, more shares than the Minimum Number, including Webco s executive officers and directors, will increase their percentage ownership interest in Webco as a result of the Transaction. For example, assuming the Transaction is implemented and based on information and estimates of record ownership and shares outstanding and other ownership information and assumptions as of October 1, 2004: (1) Webco s officers and directors, who currently own 59% of the Common Stock (including options currently exercisable) will increase their percentage ownership in Webco by 1.3%, 1.1%, 0.9% or 0.6%, based on a Minimum Number of 1,000, 800, 500 or 200, respectively; and (2) the Weber family, which currently owns 48% of the Common Stock (including options currently exercisable), will increase its percentage ownership in Webco by 1.1%, 1.0%, 0.8% or 0.5%, based on a Minimum Number of 1,000, 800, 500 or 200, respectively.

After the deregistration of the Common Stock under the 1934 Act becomes effective, Webco intends to lend $2,000,000 to certain officers and employees of Webco. Webco s loans to these officers and employees will be used by them solely to repay currently outstanding loans with various financial institutions that are secured by shares of our Common Stock owned by such persons. These financial institutions have advised these persons that, following deregistration of our Common Stock, these shares will no longer be allowed as collateral. The

Board and these officers have agreed that these loans will not be forgiven, that they will be personal obligations of these individuals and that they will be collateralized by Common Stock owned by them. The making of these loans by Webco is not a reason for engaging in the Transaction, but will be the result of, and be necessitated by, the current financial institutions unwillingness to continue to accept Webco

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Common Stock as collateral for loans after the Common Stock is deregistered. The terms of these loans are described in the table below.

Name	Title	Loan Amount	Terms of Loan Being Replaced	Terms of New Loan
F. William Weber	Chairman and Chief Executive Officer	$1,495,000	Matures March 2005; principal payable at the rate of $12,000 per month over the term of the loan, with remaining principal due at maturity; bears interest at the prime rate plus 1%, payable when principal payments are due, secured by assets of C-Cam plus Webco stock with a market value equal to twice the outstanding balance.	Same as loan being replaced.
Dana S. Weber	Vice Chairman, President and Chief Operation Officer	$ 105,000	Matures March 2005, interest paid monthly at prime; secured by Webco stock with a market value equal to twice the outstanding balance.	Same as loan being replaced.
David E. Boyer	Senior Vice President of Tubular Operations and Corporate Secretary	$ 280,000	Matures April 30, 2005, principal due at maturity; interest paid monthly at prime plus 1%, secured by Webco stock with a market value equal to twice the outstanding balance.	Same as loan being replaced.
H. Lee Beard	Senior Project Engineer	$ 120,000	Matures December 30, 2004; principal due at maturity; interest paid monthly at 5.75%, secured by Webco stock with a market value equal to twice the outstanding balance.	Same as loan being replaced.

Kenneth E. Case, Jack D. McCarthy and Bradley S. Vetal, members of the Special Committee, will each receive compensation for serving on the Special Committee. In the case of Mr. McCarthy, Chairman of the Special Committee, such compensation will aggregate approximately $32,000 and, in the case of Messrs. Case and Vetal, will aggregate approximately $10,500 each.

Dr. Case, the owner of 1,700 shares of Common Stock, is the only member of the Special Committee who is a stockholder. Dr. Case, Mr. McCarthy and Mr. Vetal hold options to purchase 27,000, 15,000 and 19,500 shares of Common Stock, respectively. These options are currently exercisable and will remain outstanding after the

Transaction.

According to a Schedule 13G dated February 16, 2004, Strong Capital Management, a principal stockholder of Webco, owned 1,976,998 shares, or 11.7%, of the outstanding common stock of Matrix Services Company. Bradley S. Vetal is Chairman and Chief Executive Officer of Matrix Services Company.

While there are still significant controls, regulations and liabilities for directors and executive officers of private companies, the additional legal exposure for Webco s directors and executive officers from securities laws relating to public companies will be eliminated.

The table below sets forth information with respect to shares of Common Stock owned by our directors and executive officers and members of the Weber family that may be cashed out, depending on the Reverse Split selected and whether or not they combine, or (as described in footnote (1) below) are permitted to combine, these shares with other shares held.

Name	**Shares Owned**
Michael P. Howard (1)	300
William F. Obermark	140
Thomas M. Willey (2)	184
Yong Joo Kim (2)	177

(1) Shares owned by this individual or his spouse are held in an account that cannot be combined with other shares, because under applicable regulations governing this type of IRA, withdrawals or deposits are not permitted without penalty. Accordingly, these shares will be cashed out in the Transaction unless the number of shares set forth exceeds the Minimum Number.

(2) Represents all shares owned by these individuals other than through an IRA or Webco s 401(k) Plan. Accordingly, these shares will be cashed out in the Transaction unless more shares are purchased by the individuals and combined with these shares.

In addition, directors, executive officers and members of the Weber family, like other stockholders, may receive cash in lieu of fractional shares to which they otherwise would be entitled following the forward split. See Effect of the Transaction on Certain Affiliates beginning on page 20, for an estimate of the shares to be cashed out by the Weber family.

The Transaction will not trigger any change of control provisions in any of our executive officers employment agreements.

Opinion and Report of Southwest Securities

As described above under Background of the Transaction (beginning on page 23), Hoak Breedlove, which had previously acted as the Special Committee s financial adviser, has ceased business operations. As a result, on October 18, 2004, the Special Committee retained Southwest Securities as its financial adviser to assist with the Special Committee s consideration of the third set of projections and to render an opinion as to the fairness, from a financial point of view, of the proposed cash payment to be paid to unaffiliated stockholders receiving cash in lieu of fractional shares following the reverse split and the subsequent forward split. On November 3, 2004, at a meeting of the Special Committee and of the Board, Southwest Securities delivered a report and oral opinion to the effect that, as of the date of the opinion and based upon and subject to the matters discussed at the meeting and to be stated in the written opinion, the fractional share consideration of $6.50 per pre-reverse split share would be fair, from a financial point of view, to the unaffiliated stockholders of Webco receiving such consideration. This opinion was confirmed by delivery of a written opinion dated November 3, 2004.

In arriving at its opinion, Southwest Securities:

reviewed a draft of this proxy statement;

reviewed and analyzed certain financial and other data with respect to Webco obtained from published sources and from the internal records of Webco;

conducted discussions with members of the senior management of Webco with respect to the business prospects and financial outlook of Webco;

visited certain facilities and the business offices of Webco;

reviewed current and historical market prices and trading activity of the Common Stock;

compared certain financial information for Webco with similar information for certain other companies, the securities of which are publicly traded; and

reviewed the financial terms, to the extent publicly available, of selected precedent transactions which Southwest Securities deemed generally comparable to Webco and the Transaction.

In rendering its opinion, Southwest Securities considered such other information and conducted such other financial studies, analyses and investigations as it deemed appropriate under the circumstances. In connection with the review, Southwest Securities relied upon and assumed the accuracy and completeness of the financial and other information publicly available or furnished to it by Webco or otherwise reviewed. Southwest Securities did not independently verify the accuracy or completeness of such information. It did not make or obtain any independent evaluations or appraisals of any of the properties, assets or liabilities of Webco. In addition, neither Webco nor the Special Committee authorized Southwest Securities to solicit any indications of interest from any third party with respect to the purchase of all or a part of Webco s business. With respect to financial projections, Southwest Securities assumed that they were reasonably prepared on a basis reflecting the best then currently available estimates and judgments of Webco s management as to future financial performance of Webco, and Southwest Securities expressed no opinion with respect to such forecasts or the assumptions on which they were based. The opinion was necessarily based upon financial, economic, market and other conditions as they existed and could be evaluated on the date of the opinion.

Southwest Securities expressed no view as to, and its opinion does not address, the relative merits of the Transaction as compared to any alternative business strategies that might exist for Webco or the effect of any other transaction in which Webco might engage. Southwest Securities did not express any opinion as to the prices or price ranges at which the Common Stock has traded or may trade in the future. Although Southwest Securities evaluated the fractional share consideration from a financial point of view, it was not asked to and did not recommend the specific consideration payable in the Transaction. No other instructions or limitations were imposed by Webco on Southwest Securities with respect to the investigations made or procedures followed by it in rendering its opinion.

THE FULL TEXT OF THE WRITTEN OPINION OF SOUTHWEST SECURITIES, DATED NOVEMBER 3, 2004, WHICH DESCRIBES THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS ON THE REVIEW UNDERTAKEN, IS ATTACHED TO THIS DOCUMENT AS APPENDIX A AND SHOULD BE READ CAREFULLY IN ITS ENTIRETY. THE OPINION IS DIRECTED TO THE SPECIAL COMMITTEE AND THE BOARD OF DIRECTORS AND RELATES ONLY TO THE FAIRNESS OF THE TRANSACTION FROM A FINANCIAL POINT OF VIEW TO THE UNAFFILIATED STOCKHOLDERS RECEIVING CASH IN THE TRANSACTION, DOES NOT ADDRESS ANY OTHER ASPECT OF THE TRANSACTION OR ANY RELATED TRANSACTION AND DOES NOT CONSTITUTE A RECOMMENDATION TO ANY STOCKHOLDER WITH RESPECT TO ANY MATTER RELATING TO THE PROPOSED TRANSACTION OR ANY OTHER MATTER BEING VOTED UPON BY WEBCO S STOCKHOLDERS. THE SUMMARY OF THE OPINION INCLUDED IN THIS PROXY STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE OPINION.

In preparing its opinion, Southwest Securities performed a variety of financial and comparative analyses, including those described below. The summary of these analyses is not a complete description of these analyses. The preparation of a fairness opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is difficult to summarize. Accordingly, Southwest Securities believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Southwest Securities considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion. Many of these factors are beyond the control of Webco. No company, transaction or business used in those analyses as a comparison is identical to Webco or the proposed Transaction, nor is an evaluation of those analyses entirely mathematical; rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions being analyzed.

The estimates contained in these analyses and the valuation ranges resulting from any particular analysis do not necessarily reflect actual values or future results or values. Those values may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty.

The opinion and analyses of Southwest Securities were only one of many factors considered by the Special Committee in its evaluation of the Transaction and should not be viewed as determinative of the views of the Special Committee, Board of Directors, or management with respect to the fractional share consideration or the proposed Transaction.

The following is a summary of the material financial analyses that Southwest Securities performed in connection with the rendering of its opinion dated November 3, 2004. THE FINANCIAL ANALYSES SUMMARIZED BELOW INCLUDE INFORMATION PRESENTED IN TABULAR FORMAT. IN ORDER TO FULLY UNDERSTAND THESE FINANCIAL ANALYSES, THE TABLES MUST BE READ TOGETHER WITH THE TEXT OF EACH SUMMARY. THE TABLES ALONE DO NOT CONSTITUTE A COMPLETE DESCRIPTION

OF THE FINANCIAL ANALYSES. CONSIDERING THE DATA SET FORTH BELOW WITHOUT CONSIDERING THE FULL NARRATIVE DESCRIPTION OF THE FINANCIAL ANALYSES, INCLUDING THE METHODOLOGIES AND ASSUMPTIONS UNDERLYING THE ANALYSES, COULD CREATE A MISLEADING OR INCOMPLETE VIEW OF THE FINANCIAL ANALYSES.

The report of Southwest Securities will be made available for inspection and copying at Webco s principal executive offices during regular business hours by any interested stockholder of Webco or any representative of the stockholder designated by the stockholder in writing. Upon written request, Webco will furnish a copy of the report to any interested stockholder of Webco, or any representative designated by the stockholder in writing, at the expense of the requesting stockholder. The report has also been filed with the Securities and Exchange Commission as an exhibit to Webco s Transaction Statement on Schedule 13E-3. Southwest Securities consented to the filing of its report with the Schedule 13E-3 and to the inclusion of its opinion in this proxy statement.

Southwest Securities elected to determine the fairness of the consideration to be paid for fractional shares by performing: Comparable Company Analysis, Comparable Transaction Analysis, and Discounted Cash Flow Analysis. Southwest Securities considered other valuation methodologies such as liquidation/book value analysis, premiums paid analysis, and leveraged buyout analysis. Southwest Securities determined that these alternative valuation methodologies had little or no analytical value in the context of the proposed Transaction because, among other things, Webco would remain a going concern, no assets of Webco would be disposed of or used for an alternative purpose, the proposed Transaction would not effect a change of control of Webco, and Southwest Securities was not asked to consider alternative investments or investment return expectations for stockholders. In addition, Southwest Securities did not believe Webco s accounting book value necessarily corresponded to Webco s economic value.

Comparable Company Analysis

The comparable company analysis compares the trading multiples of Webco with those of other publicly traded companies that are similar to Webco. Using publicly available information, Southwest Securities identified 12 publicly traded companies in the steel and tubular steel industry that Southwest Securities deemed comparable to Webco, because these companies were similar to Webco with respect to their business models, operating sectors, size and target customer base. Southwest Securities then analyzed the market values and trading multiples of Webco and of these comparable companies.

The comparable companies identified by Southwest Securities were:

Friedman Industries Incorporated
IPSCO Inc.
Lone Star Technologies, Inc.
Maverick Tube Corporation
Niagara Corporation
Northwest Pipe Company
NS Group, Inc.
Oregon Steel Mills, Inc.
Synalloy Corporation
Tenaris S.A.
The Timken Company
Wolverine Tube, Inc.

As of October 28, 2004, the total enterprise value (TEV) (market value of equity, plus preferred stock, minority interest, and net debt) for the comparable companies ranged from approximately $44 million to approximately

$6.1 billion and last twelve months (LTM) revenue ranged from approximately $121 million to approximately $4.3 billion. In comparison, Webco had a TEV (based on the closing price of Webco s outstanding shares on such date) and LTM revenue as of July 31, 2004, of approximately $96.4 million and approximately $212.5 million, respectively. Based on size, Webco is in the lower range of the comparable companies.

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For comparison purposes, operating profits including EBITDA for the comparable companies and Webco were normalized to exclude unusual and extraordinary expenses and income. Using information provided by Webco, Southwest Securities calculated three-year (fiscal 2002, 2003 and 2004) average EBITDA, EBIT and net income.

Based on the market values of the companies listed above, Southwest Securities determined various multiples of their latest 12 months earnings before interest, taxes, depreciation and amortization (EBITDA); earnings before interest and taxes (EBIT); and earnings per share. Southwest Securities believed that the entire market range generated from this analysis would not be the most relevant basis to determine value because of the extremely broad range of values implied. Southwest Securities noted that it believes that Webco s valuation multiples should be below those of the comparable companies due to the smaller size of Webco, its capitalization, low trading volume and relative lack of liquidity, and the concentration of ownership in the Weber family. Based on the foregoing criteria and using its valuation expertise, Southwest Securities chose selected multiples for Webco that it believed were appropriate. Southwest Securities then applied these selected multiples to three-year average, EBITDA, EBIT and earnings per share for Webco.

Southwest Securities noted that none of the companies used in the market analysis of selected public companies was identical to Webco and that, accordingly, the analysis of comparable public companies necessarily involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies reviewed and other factors that would affect the market values of comparable companies.

Southwest Securities calculated a TEV range between approximately $77 million and approximately $87 million for Webco, which, after subtracting debt (net of cash) of approximately $48 million, results in a range of indicated stock prices as follows:

		Selected Multiple (1)		Indicated Common Stock Price	
	Webco	Low	High	Low	High
Equity Value as multiple of:					
3-Year Average Net Income (2)	$3.7 million	10.0x	11.0x	$5.25	$5.78
Total Enterprise Value as multiple of:					
3-Year Average EBITDA (3)	$15.6 million	5.0x	6.0x	$4.24	$6.44
3-Year Average EBIT (4)	$8.7 million	8.0x	9.0x	$3.07	$4.30
Indicated Reference Range				**$4.19**	**$5.50**

(1) The range of multiples selected by Southwest Securities, based on its analysis of data concerning the comparable companies, to apply to Webco s financial results. As used in the text of the Southwest Securities report, Relevant Range has the same meaning as Selected Multiple above. Market Range, as used in the report, means the full range of multiples from the comparable company trading analysis.

(2) The three-year average for net income was calculated by taking the average income from operations for fiscal 2002 (net of a $1.58 million pre-tax litigation award), 2003 and 2004.

(3) The three-year average for EBIT was calculated by taking the average income from operations for fiscal 2002 (net of a $1.58 million litigation award), 2003 and 2004.

(4)

The three-year average for EBITDA was derived by taking the three-year average of EBIT and adding the average depreciation and amortization (exclusive of deferred financing cost amortization) for fiscal 2002, 2003 and 2004.

Notwithstanding that Southwest Securities believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors without considering all analyses and factors could create a misleading or incomplete view of the processes underlying its analyses and opinion, Southwest Securities believes that the Comparable Company Analysis supports its finding of fairness of the consideration being offered to fractional stockholders since the $6.50 price being offered for the shares being cashed out in the Transaction is 18% above the upper end of the range determined utilizing the Comparable Company Analysis and is even above the ranges calculated for each of the line items utilized in the Comparable Company Analysis.

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Comparable Transaction Analysis

Using publicly available information, Southwest Securities reviewed the purchase prices and implied transaction value multiples paid or proposed to be paid in the following five selected transactions in the tubular products industry for which detailed financial information was available:

ACQUIROR	TARGET
Lone Star Technologies, Inc.	Fintube Technologies, Inc.
Lone Star Technologies, Inc.	Bellville Tube Corporation
Maverick Tube Corporation	Prudential Steel, Ltd.
Lone Star Technologies, Inc.	Wheeling Machine Products, Inc.
Maverick Tube Corporation	LTU Steel Tubular Business

Information is typically not disclosed for transactions involving a private seller, even when the buyer is a public company, unless the acquisition is deemed to be material for the acquirer. As a result, the Comparable Transaction Analysis is limited to transactions involving the acquisition of a public company, or substantially all of its assets, or the acquisition of a large private company, or substantially all of its assets, by a public company.

Southwest Securities noted that no company utilized in the analysis of selected transactions is identical to Webco. All multiples for the selected transactions were based on public information available at the time of announcement of such transaction, without taking into account differing market and other conditions during the period during which the selected transaction occurred. Additionally, each of the above referenced precedent transactions represented a change of control transaction.

Southwest Securities compared the transaction values implied by the purchase prices in the selected transactions as multiples of latest 12 months EBITDA and EBIT. All multiples were based on financial information available at the announcement date of the relevant transaction. Southwest Securities believed that the entire market range generated from this analysis would not be the most relevant basis to determine value because of the extremely broad range of values implied. Southwest Securities noted that it believes that Webco s valuation multiples should be below those of the comparable transactions due to the smaller size of Webco, its capitalization, low trading volume and relative lack of liquidity, and the concentration of ownership in the Weber family. Based on the foregoing criteria and using its valuation expertise, Southwest Securities chose selected multiples for Webco that it believed were appropriate. Southwest Securities then applied these selected multiples to the three-year average EBITDA and EBIT of Webco.

Based on the selected multiple ranges, Southwest Securities calculated a TEV range of between approximately $74 million and approximately $86 million for Webco, which, after subtracting debt (net of cash) of approximately $48 million, results in a price per share of between $3.66 and $5.37.

		Selected Multiple (1)		Indicated Common Stock Price	
	Webco	**Low**	**High**	**Low**	**High**
Total Enterprise Value as multiple of:					
3-Year Average EBITDA (3)	$15.6 million	5.0x	6.0x	$4.24	$6.44

3-Year Average EBIT (2)	$8.7 million	8.0x	9.0x	$3.07	$4.30
Indicated Reference Range				**$3.66**	**$5.37**

(1) The range of multiples selected by Southwest Securities, based on its analysis of data concerning the comparable transactions, to apply to Webco s financial results. As used in the text of the Southwest Securities report, Relevant Range has the same meaning as Selected Multiple above. Market Range, as used in the report, means the full range of multiples from the comparable transaction analysis.

(2) The three-year average for EBIT was calculated by taking the average income from operations for fiscal 2002 (net of a $1.58 million litigation award), 2003 and 2004.

(3) The three-year average for EBITDA was derived by taking the three-year average of EBIT and adding the average depreciation and amortization (exclusive of deferred financing cost amortization) for fiscal 2002, 2003 and 2004.

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Notwithstanding that Southwest Securities believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors without considering all analyses and factors could create a misleading or incomplete view of the processes underlying its analyses and opinion, Southwest Securities believes that the Comparable Transaction Analysis supports its finding of fairness of the consideration being offered to fractional stockholders since the $6.50 price being offered for the shares being cashed out in the Transaction is 21% above the upper end of the range determined utilizing the Comparable Transaction Analysis and is even above the ranges calculated for each of the line items utilized in the Comparable Transaction Analysis.

Discounted Cash Flow Analysis

Southwest Securities derived an implied equity reference range for Webco by performing a four-year discounted cash flow analysis on the unlevered free cash flows of Webco for the fiscal years 2005 through 2008, based on financial projections prepared by the management of Webco. The estimated terminal values for Webco were calculated by using two methods: (i) a terminal value multiple of six times fiscal 2008 EBITDA and (ii) capitalizing fiscal 2008 operating income assuming a 3% perpetual growth rate. The cash flows and terminal values were discounted to present value using a discount rate of 12%. This discount rate was based on a calculation by Southwest Securities, Inc. of Webco s estimated weighted average cost of capital.

Utilizing the assumptions in the preceding paragraph, Southwest Securities calculated a TEV range between approximately $83 million and approximately $89 million for Webco, which, after subtracting debt (net of cash) of approximately $48 million, results in a price per share of between $5.03 and $5.76 per pre-reverse split share.

Notwithstanding that Southwest Securities believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors without considering all analyses and factors could create a misleading or incomplete view of the processes underlying its analyses and opinion, Southwest Securities believes that the Discounted Cash Flow Analysis supports its finding of fairness of the consideration being offered to fractional stockholders since the $6.50 price being offered for the shares being cashed out in the Transaction is 13% above the upper end of the range determined utilizing the Discounted Cash Flow Analysis.

In connection with the Transaction, Webco s management provided Southwest Securities with information about Webco that is not publicly available, including financial projections. The projections provided to Southwest Securities were prepared in October 2004 based on expected market conditions at that time and are included in the financial information set forth below. These projections were an update of projections provided to Hoak Breedlove in early July 2004 that were utilized in its July 23, 2004 valuation and fairness opinion described below. The update was based on an unprecedented rise in the price of steel beyond that projected in July 2004 and the resulting short-term effect on Webco s income. Webco does not, as a matter of course, except as it periodically provides current earnings guidance to its stockholders, publicly disclose forward-looking information as to future revenues, earnings or other financial information. Projections of this type are based on estimates and assumptions that are inherently subject to significant economic, industry and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond Webco s control. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not be significantly higher or lower than projected. In addition, these projections were prepared solely for internal use and not for publication or with a view of complying with the published guidelines of the Securities and Exchange Commission regarding projections or with guidelines established by the American Institute of Certified Public Accountants for prospective financial statements. The financial information below, which was derived from the projections provided to Southwest Securities, is included in this proxy statement only because it was furnished by Webco s management to Southwest Securities in connection with the Transaction. Therefore, the projections should be used by the reader solely for deciding how much weight to give to the analysis and opinion of Southwest Securities and for no other purpose.

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Unaudited Financial Projections
Prepared in October 2004
(Dollars in Thousands, except per share amounts)

	As of and for the year ended July, 31,			
	2005	**2006**	**2007**	**2008**
Income Statement Data:				
Net sales	$265,900	$228,500	$221,200	$226,600
Cost of goods sold	217,800	208,300	197,200	202,100
Gross margin	48,100	20,200	24,000	24,500
S, G& A	18,200	14,800	15,200	15,500
Income from operations	29,900	5,400	8,800	9,000
Interest expense	2,800	2,800	2,300	2,000
Pretax income	27,100	2,600	6,500	7,000
Provision for income taxes	10,800	1,000	2,600	2,800
Net income	$ 16,300	$ 1,600	$ 3,900	$ 4,200
Earnings per share, diluted	$ 2.27	$ 0.22	$ 0.54	$ 0.58
Balance Sheet Data:				
Current assets	$ 94,500	$ 84,700	$ 85,200	$ 87,500
Fixed assets, net	58,400	56,500	54,400	51,800
Other assets	4,000	4,000	4,000	4,000
Total assets	$156,900	$145,200	$143,600	$143,300
Current liabilities, including current portion of debt	$ 54,600	$ 46,200	$ 45,500	$ 46,000
Long-term debt	14,000	9,900	5,900	2,100
Other liabilities	13,600	12,800	12,000	10,900
Total stockholders equity	74,700	76,300	80,200	84,300

Total liabilities and stockholders equity	$156,900	$145,200	$143,600	$143,300
Cash Flow Statement Data:				
Cash from operations	$ 8,300	$ 15,100	$ 9,200	$ 8,400
Cash from investing activities	(5,300)	(4,500)	(4,400)	(4,200)
Cash from financing activities	(2,400)	(10,200)	(5,000)	(3,900)
Net change in cash	$ 600	$ 400	$ (200)	$ 300

Significant assumptions made by Webco in connection with these forecasts include the following:

A gradual decline, commencing in the third quarter of fiscal 2005, in the cost of steel raw materials, which increased by 150 to 180 percent from July 31, 2003 to October 2004, to a level equal to 40 percent greater than the prevailing price level at July 31, 2003;

As raw material becomes more readily available, beginning in the fourth quarter of fiscal 2005 and continuing through fiscal 2006, a decrease in product sales prices and margins due to increasing competitive pressures and the continuing over capacity in the steel tube industry;

A return to average market conditions (neither a recession nor a strong market) in fiscal 2007 and 2008;

A return of gross margin percentages to approximately 11 percent, which is slightly above historical levels based on assuming a continuing benefit from internal operating improvements, after the detrimental effects of averaging down raw material costs in inventory through fiscal year 2006 have abated;

A two to three percent annual increase in general and administrative costs, excluding costs related to compliance with Sarbanes-Oxley, which would increase by $735,000 in fiscal 2005 and $570,000 in subsequent years (which are expected to be avoided if the Transaction is completed);

An increase in our effective interest rate based on a quarter per cent rise each quarter, beginning in the first quarter of fiscal 2005 and through the fourth quarter of fiscal 2006 (for a total increase of 2.25%), then moderating downward one-quarter percent in the third quarter of fiscal 2007;

Capital spending by Webco of between $4.2 and $5.3 million in each fiscal year, with incremental depreciation calculated accordingly; and

An effective tax rate of 40 percent, which is consistent with Webco s current tax rate.

The projections included in this proxy statement have been prepared by, and are the responsibility of, Webco s management. PricewaterhouseCoopers LLP has neither examined nor compiled these projections and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report incorporated by reference in this proxy statement relates to Webco s historical financial information. It does not extend to the projections and should not be read to do so.

Fee Arrangements

Under the terms of its engagement, Webco has paid Southwest Securities a fee of $50,000. Webco has also agreed to reimburse Southwest Securities for its travel and other reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel, and to indemnify Southwest Securities and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

In the ordinary course of business, Southwest Securities and its affiliates may actively trade or hold the securities of Webco for its own account or for the account of customers and, accordingly, may at any time hold a long or short position in those securities.

The Company selected Southwest Securities based on its experience, expertise and reputation. Southwest Securities is a nationally recognized investment banking firm that, as a customary part of its business, evaluates businesses and their securities in mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

Conclusion

The following table summarizes the results of the three valuation methodologies Southwest Securities used in arriving at its opinion:

	Indicated Common Stock Price	
Methodology	**Low**	**High**
Comparable Company Analysis		
Equity Value as multiple of:		
3-Year Average Net Income	$5.25	$5.78
Total Enterprise Value as multiple of:		
3-Year Average EBITDA	$4.24	$6.44
3-Year Average EBIT	$3.07	$4.30
Indicated Reference Range	**$4.19**	**$5.50**
Comparable Transaction Analysis		
Total Enterprise Value as multiple of:		

3-Year Average EBITDA	$4.24	$6.44
3-Year Average EBIT	$3.07	$4.30
Indicated Reference Range	**$3.66**	**$5.37**
Discounted Cash Flow Analysis		
Indicated Reference Range	**$5.03**	**$5.76**

The average TEV of the ranges from these methodologies is approximately $78 million to $87 million, for an implied price range of $4.29 per share to $5.54 per share, based on approximately 7.1 million shares of Webco Common Stock outstanding. Southwest Securities did not recommend any specific price within the range to the Special Committee. The Special Committee and Webco negotiated a price of $6.50, which was above Southwest Securities valuation range of $4.29 and $5.54 per share. Based upon and subject to the foregoing, it is the opinion of Southwest Securities that, as of the date of its opinion, the $6.50 per pre-reverse split share to be paid in respect of fractional shares of Common Stock to the unaffiliated holders of less than one share immediately following the reverse split and in respect of fractional shares to all unaffiliated holders thereof following the forward split is fair, from a financial point of view, to those unaffiliated stockholders.

Opinion and Second Report of Hoak Breedlove

In connection with the proposed Transaction, the Special Committee engaged Hoak Breedlove (which ceased business operations in September 2004) to render an opinion as to the fairness, from a financial point of view, of the cash payment in the amount of $4.75 per pre-reverse split share to be paid to stockholders receiving cash in lieu of fractional shares following the reverse split and the subsequent forward split. On June 24, 2004, at a meeting of the Special Committee and of the Board, Hoak Breedlove delivered its oral opinion that, as of such date, based upon and subject to the assumptions made, matters considered, and limitations on its review discussed at the meeting and to be set forth in its written opinion, the payment is fair from a financial point of view to those stockholders. At a Board meeting held July 23, 2004, Hoak Breedlove reconfirmed its oral opinion. Subsequently, Hoak Breedlove delivered its written fairness opinion.

The opinion of Hoak Breedlove has been superseded by the opinion and report of Southwest Securities (see Opinion and Report of Southwest Securities beginning on page 38). Hoak Breedlove also prepared and discussed with the Special Committee and Board two reports dated, respectively, June 24, 2004, and July 23, 2004. The first report considered historical financial information of Webco through April 30, 2004, and forecasts prepared by Webco s management in March, 2004. This report is discussed below in First Report of Hoak Breedlove beginning on page 53. The second report, which superseded the first report, took into account Webco s estimated financial results for its fiscal quarter ending July 31, 2004, as well as updated forecasts prepared by Webco s management after the first report. The reports of Hoak Breedlove will be made available for inspection and copying at Webco s principal executive offices during its regular business hours by any interested stockholder of Webco or any representative of the stockholder designated by the stockholder in writing. Upon written request, Webco will furnish a copy of the reports to any interested stockholder of Webco, or any representative designated by the stockholder in writing, at the expense of the requesting stockholder. The reports have also been filed with the Securities and Exchange Commission as an exhibit to Webco s Transaction Statement on Schedule 13E-3. Hoak Breedlove consented to the filing of its reports with the Schedule 13E-3 and to the inclusion of its opinion in this proxy statement.

No limitations were imposed by Webco on the scope of Hoak Breedlove s investigation or the procedures to be followed by Hoak Breedlove in rendering its opinion or either report. The Hoak Breedlove opinion and these reports were for the use and benefit of the Special Committee and the Board in connection with their consideration of the Transaction and were not intended to be and do not constitute a recommendation to any stockholder of Webco as to how such stockholder should vote with respect to the Transaction. Hoak Breedlove s opinion does not address Webco s underlying decision to effect the Transaction. Hoak Breedlove does not perform tax, accounting, legal or appraisal services, or render such advice. In undertaking its analysis and arriving at its opinion, Hoak Breedlove took into account its assessment of general economic, market and financial conditions as well as its experience in connection with similar transactions and securities valuations generally, and, among other things: (1) reviewed documents related to the Transaction; (2) reviewed publicly available financial information and other data with respect to Webco, including its Annual Reports on Form 10-K and 10-K/A for the fiscal years ended July 31, 2002 and 2003 (as amended), certain Quarterly Reports on Form 10-Q (as amended, if applicable), certain Current Reports on Forms 8-K relating to material events, and certain other relevant financial and operating data relating to Webco made available to Hoak Breedlove; (3) reviewed and analyzed Webco s financial forecasts; (4) reviewed and analyzed certain financial characteristics of companies that were deemed to be comparable to Webco; (5) reviewed and analyzed certain financial characteristics of transactions that involved the acquisition of companies that were deemed to have characteristics comparable to those of Webco; (6) reviewed and discussed with representatives of management of Webco certain financial and operating information furnished by them, including financial analyses, and related assumptions with respect to the business, operations and prospects of Webco; and (7) performed such other analyses and examinations as were deemed appropriate.

In undertaking the analysis and arriving at its opinion, Hoak Breedlove relied upon and assumed the accuracy and completeness of all of the financial and other information that was used, without assuming any responsibility for any independent verification of any such information, and further relied upon the assurances of management that it is not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial projections utilized, Hoak Breedlove assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments, and that such projections provide a reasonable basis upon which it could form an opinion. In arriving at its opinion, Hoak Breedlove did not make or obtain any evaluations or appraisals of the assets and liabilities (contingent or otherwise) of Webco. Hoak Breedlove assumed that the Transaction will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, the 1934 Act and all other applicable federal and state statues, rules and regulations. In addition, based upon discussions with Webco, Hoak Breedlove assumed that the receipt of fractional share consideration will be a taxable event to Webco s stockholders who receive such consideration. The Hoak Breedlove opinion is based upon market, economic and other conditions as they existed on, and could be evaluated as of, July 23, 2004. Accordingly, although subsequent developments may affect its opinion, Hoak Breedlove has not assumed any obligation to update, review or reaffirm its opinion.

The estimates contained in Hoak Breedlove s analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Hoak Breedlove s analyses and estimates are inherently subject to substantial uncertainty.

Each of the analyses conducted by Hoak Breedlove was carried out in order to provide a different perspective on the Transaction and to enhance the total mix of information available. Hoak Breedlove did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to the fairness, from a financial point of view, of the consideration to be paid for fractional shares. Hoak Breedlove did not place any particular reliance or weight on any individual analysis, but instead concluded that its analyses, taken as a whole, supported its determination. Accordingly, Hoak Breedlove believes that its analyses must be considered as a whole and that selecting portions of its analyses or the factors it considered, without considering all analyses and factors collectively, could create an incomplete and misleading view of the process underlying the analyses performed by Hoak Breedlove in connection with the preparation of its opinion.

The financial reviews and analyses include information presented in tabular format. In order to fully understand Hoak Breedlove s financial review and analyses, the tables must be read together with the text presented. The tables alone are not a complete description of the financial review and analyses and considering the tables alone could create a misleading or incomplete view of Hoak Breedlove s financial review and analyses.

The summary of Hoak Breedlove s analysis described below is not a complete description of the analysis underlying Hoak Breedlove s opinion. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Hoak Breedlove made qualitative judgments as to the relevance of each analysis and factor that it considered. Accordingly, Hoak Breedlove believes that its analysis must be considered as a whole and that selecting portions of its analysis and factors, or focusing on information presented in tabular format, without considering all of the analysis and factors contained in the narrative description that follows, could result in an incomplete and misleading view of the processes underlying its analysis and opinion.

Hoak Breedlove elected to determine the fairness of the consideration to be paid for fractional shares by performing: Comparable Company Analysis, Comparable Transaction Analysis, and Discounted Cash Flow Analysis. Hoak Breedlove considered other valuation methodologies such as liquidation/book value analysis, premiums paid analysis, and leveraged buyout analysis. Hoak Breedlove determined that these alternative valuation methodologies had little or no analytical value in the context of the proposed Transaction because, among other things, Webco would remain a going concern, no assets of Webco would be disposed of or used for an alternative purpose, the proposed Transaction would not effect a change of control of Webco, and Hoak Breedlove was not asked to consider alternative investments or investment return expectations for stockholders. In addition, Hoak Breedlove did not believe Webco s accounting book value necessarily corresponded to Webco s economic value.

Comparable Company Analysis

The comparable company analysis compares the trading multiples of Webco with those of other publicly traded companies that are similar with respect to business model, operating sector, size and target customer base. Hoak

Breedlove identified 12 companies that it deemed comparable to Webco with respect to their industry sector and operating model. All of the comparable companies are participants in the steel and tubular steel markets.

The comparable companies utilized were: Friedman Industries Inc., IPSCO Inc., Lone Star Technologies Inc., Maverick Tube Corp., Niagara Corp., Northwest Pipe Co., NS Group Inc., Oregon Steel Mills Inc., Synalloy Corp., Tenaris SA, Timken Co., Wolverine Tube Inc. As of July 19, 2004, the TEV for the comparable companies ranged from approximately $47 million to approximately $4.9 billion and LTM revenue ranged from approximately $112 million to approximately $4.0 billion. In comparison, Webco had a TEV (based on the closing price of Webco s outstanding shares on such date) and LTM revenue as of April 30, 2004 of approximately $73 million and approximately $195 million, respectively. Based on size, Webco is in the lower range of the comparable companies.

Based on publicly available information, Hoak Breedlove reviewed financial information for each of the comparable companies that included among other things: market value, TEV, revenue, EBITDA, EBIT, EPS, total assets, common equity, net tangible common equity, and selected financial ratios. Hoak Breedlove compared the financial operating data and ratios to Webco. For comparison purposes, operating profits including EBITDA for the comparable companies and Webco were normalized to exclude unusual and extraordinary expenses and income. Using estimates provided by Webco, Hoak Breedlove calculated three-year (actual fiscal 2002 and 2003 and estimated fiscal 2004) average EBITDA, EBIT and net income.

Hoak Breedlove expects Webco s valuation multiples to be below the comparable companies due to the smaller size of Webco, its capitalization, low trading volume and relative lack of liquidity, and the high degree of Webco s ownership by stockholders of the Weber family.

Hoak Breedlove calculated a TEV range between approximately $77 million and approximately $86 million for Webco, which, after subtracting debt (net of cash) of approximately $46 million, results in a range of indicated stock share prices as follows:

		Selected Multiple(1)		Indicated Common Stock Price	
	Webco	Low	High	Low	High
Equity Value as multiple of:					
3-Year Average Net Income (2)	$3.7 million	10.0x	11.0x	$5.21	$5.73
Total Enterprise Value as multiple of:					
3-Year Average EBITDA (3)	$15.6 million	5.0x	6.0x	$4.58	$6.78
3-Year Average EBIT (4)	$8.7 million	8.0x	9.0x	$3.39	$4.62
Indicated Reference Range				**$4.39**	**$5.71**

(1) The range of multiples selected by Hoak Breedlove, utilizing its valuation expertise, based on its analysis of data concerning the comparable companies, to apply to Webco s financial results. As used in the text of the Hoak Breedlove report, Relevant Range has the same meaning as Selected Multiple above. Market Range, as used in the report, means the full range of multiples from the comparable company trading analysis.

(2) The three-year average for net income was calculated by taking the average income from operations for fiscal 2002 (net of a $1.58 million pre-tax litigation award), 2003 and 2004. Fiscal 2004 net income was derived by taking actual net income for the nine-month period ended April 30, 2004, and an estimate of $4.0 million for the fourth fiscal quarter ending July 31, 2004.

(3) The three-year average for EBIT was calculated by taking the average income from operations for fiscal 2002 (net of a $1.58 million litigation award), 2003 and 2004. Fiscal 2004 EBIT was derived by taking actual income from operations for the nine-month period ended April 30, 2004, and an estimate of $7.24 million for the fourth fiscal quarter ending July 31, 2004.

(4) The three-year average for EBITDA was derived by taking the three-year average of EBIT and adding the average depreciation and amortization (exclusive of deferred financing cost amortization) for fiscal 2002, 2003 and 2004.

As noted above, none of the comparable companies is identical or directly comparable to Webco. Accordingly, Hoak Breedlove considered the multiples for such companies, taken as a whole, to be more relevant than the multiples of any single company. Further, an analysis of publicly traded comparable companies is not mathematical;

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rather it involves complex consideration and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading of the comparable companies.

Comparable Transaction Analysis

Hoak Breedlove utilized the comparable transaction analysis, a market valuation approach that is based on an examination of transactions involving companies that are in related industries to Webco, for the purpose of compiling guidelines and statistics based on the pricing in such transactions.

Information is typically not disclosed for transactions involving a private seller, even when the buyer is a public company, unless the acquisition is deemed to be material for the acquirer. As a result, the comparable transaction analysis is limited to transactions involving the acquisition of a public company, or substantially all of its assets, or the acquisition of a large private company, or substantially all of its assets, by a public company.

Hoak Breedlove identified five transactions completed since January 2000 involving target companies in related industries to Webco and for which detailed financial information was available. Hoak Breedlove selected these comparable transactions because of the similarities of the targets products and markets to those of Webco. Target companies were involved in manufacturing and selling metal tubular products and were classified under SIC codes 3317, 3324, and 3312 with sales between $10 million and $500 million.

Acquirer	Acquiree
Maverick Tube Corp.	LTV Steel Tubular Business
Lone Star Technologies, Inc.	Wheeling Machine Products, Inc.
Maverick Tube Corp.	Prudential Steel, Ltd.
Lone Star Technologies, Inc.	Bellville Tube Corporation
Lone Star Technologies, Inc.	Fintube Technologies, Inc.

Based on the information disclosed with respect to the targets in each of the comparable transactions, Hoak Breedlove calculated and compared total price paid as a multiple of EBITDA and EBIT.

As with the comparable company analysis, Webco s smaller size, suggests that Webco would be valued below the average of the comparable transaction multiples. Based on the selected multiple ranges, Hoak Breedlove calculated a TEV range between approximately $74 million and approximately $86 million for Webco, which, after subtracting debt (net of cash) of approximately $46 million, results in a price per share of between $3.98 and $5.70.

		Selected Multiple(1)		Indicated Common Stock Price	
	Webco	**Low**	**High**	**Low**	**High**
Total Enterprise Value as multiple of:					
3-Year Average EBITDA(3)	$15.6 million	5.0x	6.0x	$4.58	$6.78
3-Year Average EBIT(2)	$8.7 million	8.0x	9.0x	$3.39	$4.62

Indicated Reference Range	**$3.98**	**$5.70**

(1) The range of multiples selected by Hoak Breedlove, utilizing its valuation expertise, based on its analysis of data concerning the comparable transactions, to apply to Webco s financial results. As used in the text of the Hoak Breedlove report, Relevant Range has the same meaning as Selected Multiple above. Market Range, as used in the report, means the full range of multiples from the comparable transaction analysis.

(2) The three-year average for EBIT was calculated by taking the average income from operations for fiscal 2002 (net of a $1.58 million litigation award), 2003 and 2004. Fiscal 2004 EBIT was derived by taking actual income from operations for the nine-month period ended April 30, 2004, and an estimate of $7.24 million for the fourth fiscal quarter ending July 31, 2004.

(3) The three-year average for EBITDA was derived by taking the three-year average of EBIT and adding the average depreciation and amortization (exclusive of deferred financing cost amortization) for fiscal 2002, 2003 and 2004.

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None of the comparable transactions is identical to the Transaction. Accordingly, an analysis of comparable business combinations is not mathematical; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the target companies in the comparable transactions and other factors that could affect the acquisition values.

Discounted Cash Flow Analysis

Hoak Breedlove performed discounted cash flow analyses, aggregating the present value of projected unlevered free cash flows over a forecast period, with the present value of the terminal value at the end of such period. Free cash flow represents the amount of cash generated and available for principal, interest and dividend payments after providing for ongoing business operations. The forecast period of the four fiscal years ending July 31, 2008, and such projections were derived from financial information and operating data provided by Webco. Using data furnished by management, and making certain assumptions regarding business growth rates, the need for additional capital expenditures, and projecting the weighted average cost of capital to Webco at 14.5%, Hoak Breedlove calculated a terminal value of Webco s business utilizing two methods: (i) an exit multiple of 5.5 times EBITDA and (ii) capitalizing fiscal year ending July 31, 2008, operating income assuming a 3% perpetual growth rate. Based on those assumptions, Hoak Breedlove calculated a TEV range between approximately $70 million and approximately $73 million for Webco, which, after subtracting debt (net of cash) of approximately $46 million, results in a price per share of between $3.41 and $3.86 per pre-reverse split share.

In connection with the Transaction, Webco s management provided Hoak Breedlove with information about Webco that is not publicly available, including financial projections. The first projections provided to Hoak Breedlove were prepared in March 2004 based on expected market conditions at that time and were utilized in its June 24, 2004, valuation and fairness opinion. By early July, an unprecedented rise in the price of steel and the short-term effect on Webco s income led Webco management to believe that these projections should be updated and provided to the Special Committee and its financial advisers. The second projections provided to Hoak Breedlove were utilized in its July 23, 2004, valuation and fairness opinion. The second set of projections are included in the financial information set forth below. Webco does not, as a matter of course, except as it periodically provides current earnings guidance to its stockholders, publicly disclose forward-looking information as to future revenues, earnings or other financial information. Projections of this type are based on estimates and assumptions that are inherently subject to significant economic, industry and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond Webco s control. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not be significantly higher or lower than projected. In addition, these projections were prepared solely for internal use and not for publication or with a view of complying with the published guidelines of the Securities and Exchange Commission regarding projections or with guidelines established by the American Institute of Certified Public Accountants for prospective financial statements. The financial information below, which was derived from the second set of projections provided to Hoak Breedlove, is included in this proxy statement only because it was furnished by Webco s management to Hoak Breedlove in connection with the Transaction. Therefore, the projections should be used by the reader solely for deciding how much weight to give to the analysis and opinion of Hoak Breedlove and for no other purpose.

Unaudited Financial Projections
Prepared in July 2004
(Dollars in Thousands, except per share amounts)

	As of and for the year ended July 31,			
	2005	**2006**	**2007**	**2008**

Income Statement Data:				
Net sales	$245,200	$216,700	$222,700	$231,300
Cost of goods sold	222,000	193,200	198,100	205,600
Gross margin	23,200	23,500	24,600	25,700
S, G& A	15,300	15,100	15,600	16,200
Income from operations	7,900	8,400	9,000	9,500
Interest expense	3,100	3,300	3,100	2,800
Pretax income	4,800	5,100	5,900	6,700
Provision for income taxes	1,900	2,100	2,400	2,700
Net income	$ 2,900	$ 3,000	$ 3,500	$ 4,000
Earnings per share, diluted	$ 0.40	$ 0.42	$ 0.49	$ 0.56

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Unaudited Financial Projections
Prepared in July 2004
(Dollars in Thousands, except per share amounts)

	As of and for the year ended July 31,			
Balance Sheet Data:				
Current assets	$ 90,100	$ 82,400	$ 85,300	$ 88,100
Fixed assets, net	57,800	55,700	53,300	50,500
Other assets	4,400	4,400	4,400	4,400
Total assets	$152,300	$142,500	$143,000	$143,000
Current liabilities, including current portion of debt	$ 70,700	$ 62,300	$ 63,600	$ 64,200
Long-term debt	11,200	7,600	4,100	700
Other liabilities	9,300	8,500	7,700	6,500
Total stockholders equity	61,100	64,100	67,600	71,600
Total liabilities and stockholders equity	$152,300	$142,500	$143,000	$143,000
Cash Flow Statement Data:				
Cash from operations	$ 6,200	$ 16,200	$ 7,600	$ 7,500
Cash from investing activities	(4,200)	(4,400)	(4,400)	(4,100)
Cash from financing activities	(500)	(9,100)	(3,000)	(3,900)
Net change in cash	$ 1,500	$ 2,700	$ 200	$ (500)

The financial projections necessarily make many assumptions that are inherently subject to significant uncertainties and contingencies and many of which are beyond Webco s control. Factors such as industry performance and general business, economic, regulatory, market and financial conditions, all of which are difficult to predict, may cause Webco s forecasts or the underlying assumptions to be inaccurate. Accordingly, it is expected that there will be differences between actual and forecasted results, and actual results may be materially different from those contained in Webco s forecasts.

Significant assumptions made by Webco in connection with these forecasts include the following:

A decline, commencing in the third quarter of fiscal 2005, in the cost of steel raw materials, which increased from 100 to 130 percent from July 31, 2003, to July 31, 2004, to a level equal to 40 percent greater than the prevailing price level at July 31, 2003;

As the cost of steel raw materials declines, a decrease in product sales prices resulting from the general over capacity in the steel tube industry;

A return of gross margin percentages to historical levels of between nine to 11 percent after the effects of averaging down raw material costs in inventory through fiscal year 2005 have abated;

A two to three percent annual increase in general and administrative costs, excluding costs related to compliance with Sarbanes-Oxley, which would increase by $735,000 in fiscal 2005 and $570,000 in subsequent years (which are expected to be avoided if the Transaction is completed);

An increase in interest expense resulting from a two and one-half percent increase in the rate of interest on debt ratably over the next five fiscal quarters;

Capital spending of between $4.0 and $4.5 million in each fiscal year, with incremental depreciation calculated accordingly; and

An effective tax rate of 41 percent, which is consistent with Webco s then current tax rate.

The projections included in this proxy statement have been prepared by, and are the responsibility of, Webco s management. PricewaterhouseCoopers LLP has neither examined nor compiled these projections and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report incorporated by reference in this proxy statement relates to Webco s historical financial information. It does not extend to the projections and should not be read to do so.

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Conclusion

The following table summarizes the results of the three valuation methodologies Hoak Breedlove used in arriving at its opinion:

Methodology	Indicated Common Stock Price Low	Indicated Common Stock Price High
Comparable Company Analysis		
Equity Value as multiple of:		
3-Year Average Net Income	$5.21	$5.73
Total Enterprise Value as multiple of:		
3-Year Average EBITDA	$4.58	$6.78
3-Year Average EBIT	$3.39	$4.62
Indicated Reference Range	**$4.39**	**$5.71**
Comparable Transaction Analysis		
Total Enterprise Value as multiple of:		
3-Year Average EBITDA	$4.58	$6.78
3-Year Average EBIT	$3.39	$4.62
Indicated Reference Range	**$3.98**	**$5.70**
Discounted Cash Flow Analysis		
Indicated Reference Range	**$3.41**	**$3.86**

The average TEV of the ranges from these methodologies is approximately $73 million to $82 million, which, after subtracting debt (net of cash) of approximately $46 million, results in an implied price range of $3.93 per share to $5.09 per share, based on a share count of approximately 7.1 million shares outstanding. Hoak Breedlove did not recommend any specific price within the range to the Special Committee. The Special Committee and Webco negotiated a price of $4.75, which was at the upper end of Hoak Breedlove s valuation range of $3.93 and $5.09 per share. Based upon and subject to the foregoing, it is the opinion of Hoak Breedlove that, as of the date of its opinion, the $4.75 per pre-reverse split share to be paid in respect of fractional shares of Common Stock to the holders of less than one share immediately following the reverse split and in respect of fractional shares to all holders thereof following the forward split is fair, from a financial point of view, to those stockholders.

Hoak Breedlove performed a variety of financial and comparative analyses for the purpose of rendering its opinion. While the foregoing summary describes all material analyses and factors reviewed by Hoak Breedlove with the Board, it does not purport to be a complete description of the presentations by Hoak Breedlove to the Board or the analyses performed by Hoak Breedlove in arriving at its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Hoak Breedlove believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading view of the processes underlying the opinion. In addition, Hoak Breedlove may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should not be taken to be Hoak Breedlove s view of the actual value of Webco. In performing its analyses, Hoak Breedlove made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Webco. The analyses performed by Hoak Breedlove are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets do not purport to be appraisals or necessarily to reflect the prices at which businesses or assets may actually be sold. The analyses performed were prepared solely as part of Hoak Breedlove s analysis of the fairness of the Transaction, from a financial point of view, and were provided to the Board and the Special Committee solely in connection with the delivery of the fairness opinion.

Hoak Breedlove is an investment banking firm that, as part of its investment banking business, regularly engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, private placements, and for other purposes. In connection with advisory services related to the issuance of the fairness opinion, Hoak Breedlove has received a fee of $112,500. Webco has also agreed to reimburse Hoak Breedlove for its reasonable expenses incurred in connection with its engagement and to indemnify Hoak Breedlove and its affiliates against certain liabilities that may arise out of the rendering of the opinion.

First Report of Hoak Breedlove

In connection with the proposed Transaction, the Special Committee engaged Hoak Breedlove to render an opinion as to the fairness, from a financial point of view, of the cash payment in the amount of $4.75 per pre-reverse split share to be paid to stockholders receiving cash in lieu of fractional shares following the reverse split and the subsequent forward split. On June 24, 2004, at a meeting of the Special Committee and of the Board, Hoak Breedlove delivered its oral opinion that, as of such date, based upon and subject to the assumptions made, matters considered, and limitations on its review discussed at the meeting and to be set forth in its written opinion, the payment is fair from a financial point of view to those stockholders. This opinion has been superceded by the opinion and report of Hoak Breedlove as of July 23, 2004 (see section above).

Hoak Breedlove also prepared and discussed with the Special Committee and Board its report dated June 24, 2004. This report considered historical financial information of Webco through April 30, 2004, and forecasts prepared by Webco s management in March 2004.

In undertaking its analysis, Hoak Breedlove took into account its assessment of general economic, market and financial conditions as well as its experience in connection with similar transactions and securities valuations generally, and, among other things: (1) reviewed documents related to the Transaction; (2) reviewed publicly available financial information and other data with respect to Webco, including its Annual Reports on Form 10-K for the fiscal years ended July 31, 2002 and 2003 (as amended), certain Quarterly Reports on Form 10-Q, certain Current Reports on material events on Forms 8-K, and certain other relevant financial and operating data relating to Webco made available to Hoak Breedlove; (3) reviewed and analyzed Webco s financial forecasts; (4) reviewed and analyzed certain financial characteristics of companies that were deemed to be comparable to Webco; (5) reviewed and analyzed certain financial characteristics of comparable transactions that involved the acquisition of companies that were deemed to have characteristics comparable to those of Webco; (6) reviewed and discussed with representatives of management of Webco certain financial and operating information furnished by them, including financial analyses, and related assumptions with respect to the business, operations and prospects of Webco; (7) performed such other analyses and examinations as were deemed appropriate.

In undertaking the analysis, Hoak Breedlove relied upon and assumed the accuracy and completeness of all of the financial and other information that was used without assuming any responsibility for any independent verification of any such information, and further relied upon the assurances of management that it is not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial projections utilized, Hoak Breedlove assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments, and that such projections provide a reasonable basis upon which it could form an opinion. Hoak Breedlove did not make or obtain any evaluations or appraisals of the assets and liabilities (contingent or otherwise) of Webco. Hoak Breedlove assumed that the Transaction will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, as amended, the 1934 Act, and all other applicable federal and state statues, rules and regulations. In addition, based upon discussions with Webco, Hoak Breedlove assumed that the receipt of fractional share consideration will be a taxable event to Webco s stockholders who receive such consideration. Hoak Breedlove assumed that the transaction will be consummated substantially in accordance with the terms set forth, without any further amendments thereto, and without waiver by Webco of any of the conditions to any obligations or, in the alternative, that any such amendments, revisions or waivers thereto will not be detrimental to the Webco or its stockholders.

The estimates contained in Hoak Breedlove s analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than those suggested by such analyses. In addition, analyses relating to the value of businesses or securities do not necessarily purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, Hoak Breedlove s analyses and estimates are inherently subject to substantial uncertainty.

Each of the analyses conducted by Hoak Breedlove was carried out in order to provide a different perspective on the Transaction, and to enhance the total mix of information available. Hoak Breedlove did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to the fairness, from a financial point of view, of the consideration to be paid for fractional shares. Hoak Breedlove did not place any particular reliance or weight on any individual analysis, but instead concluded that its analyses, taken as a whole, supported its determination. Accordingly, Hoak Breedlove believes that its analyses must be considered as a whole and that selecting portions of its analyses or the factors it considered, without considering all analyses and

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factors collectively, could create an incomplete and misleading view of the process underlying the analyses performed by Hoak Breedlove in connection with the preparation of its presentation.

The financial reviews and analyses include information presented in tabular format. In order to fully understand Hoak Breedlove s financial review and analyses, the tables must be read together with the text presented. The tables alone are not a complete description of the financial review and analyses and considering the tables alone could create a misleading or incomplete view of Hoak Breedlove s financial review and analyses.

The summary of Hoak Breedlove s analysis described below is not a complete description of the analysis underlying Hoak Breedlove s valuation. The preparation of a valuation is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial valuation is not readily susceptible to partial analysis or summary description. In arriving at its valuation, Hoak Breedlove made qualitative judgments as to the relevance of each analysis and factor that it considered. Accordingly, Hoak Breedlove believes that its analysis must be considered as a whole and that selecting portions of its analysis and factors, or focusing on information presented in tabular format, without considering all of the analysis and factors contained in the narrative description that follows, could result in an incomplete and misleading view of the processes underlying its analysis and valuation.

Hoak Breedlove elected to determine the valuation range of Webco by performing: Comparable Company Analysis, Comparable Transaction Analysis, and Discounted Cash Flow Analysis. Hoak Breedlove considered other valuation methodologies such as liquidation/book value analysis, premiums paid analysis, and leveraged buyout analysis. Hoak Breedlove determined that these alternative valuation methodologies had little or no analytical value in the context of the proposed Transaction because, among other things, Webco would remain a going concern, no assets of Webco would be disposed of or used for an alternative purpose, the proposed Transaction would not effect a change of control of Webco, and Hoak Breedlove was not asked to consider alternative investments or investment return expectations for stockholders. In addition, Hoak Breedlove did not believe Webco s accounting book value necessarily corresponded to Webco s economic value.

Comparable Company Analysis

The comparable company analysis compares the trading multiples of Webco with those of other publicly traded companies that are similar with respect to business model, operating sector, size and target customer base. Hoak Breedlove identified 12 companies that it deemed comparable to Webco with respect to their industry sector and operating model. All of the comparable companies are participants in the steel and tubular steel markets.

The comparable companies utilized were: Friedman Industries Inc., IPSCO Inc., Lone Star Technologies Inc., Maverick Tube Corp., Niagara Corp., Northwest Pipe Co., NS Group Inc., Oregon Steel Mills Inc., Synalloy Corp., Tenaris SA, Timken Co., Wolverine Tube Inc. Based on size, Webco is in the lower range of the comparable companies. As of June 21, 2004, the TEV for the comparable companies ranged from approximately $31 million to approximately $4.6 billion and LTM revenue ranged from approximately $103 million to approximately $4.0 billion. In comparison, Webco had a TEV and LTM revenue as of April 30, 2004 of approximately $73 million and approximately $195 million, respectively.

Based on publicly available information, Hoak Breedlove reviewed financial information for each of the comparable companies that included among other things: market value, TEV, revenue, EBITDA, EBIT, EPS, total assets, common equity, net tangible common equity, and selected financial ratios. Hoak Breedlove compared the financial operating data and ratios to Webco. For comparison purposes, operating profits including EBITDA for the comparable companies and Webco were normalized to exclude unusual and extraordinary expenses and income. Using the information provided by Webco, Hoak Breedlove calculated twelve-month average EBITDA, EBIT and net income.

Hoak Breedlove expects Webco s valuation multiples to be below the comparable companies due to the smaller size of Webco, its capitalization, low trading volume and relative lack of liquidity, and the high degree of Webco s ownership by stockholders of the Weber family.

Hoak Breedlove calculated a TEV range between approximately $75 million and approximately $89 million for Webco, which, after subtracting debt (net of cash) of approximately $45 million, results in a range of indicated stock share prices as follows:

		Selected Multiple (1)		Indicated Common Stock Price	
	Webco	Low	High	Low	High
Equity Value as multiple of:					
LTM Net Income (2)	$3.2 million	10.0x	11.0x	$4.45	$ 4.90
Total Enterprise Value as multiple of:					
LTM EBITDA (4)	$14.7 million	5.5x	6.5x	$5.14	$ 7.22
LTM EBIT (3)	$7.6 million	8.0x	9.0x	$2.24	$ 3.31
CY2004E EBITDA (5)	$19.9 million	5.0x	6.0x	$7.70	$10.50
CY2005E EBITDA (6)	$13.4 million	4.5x	5.5x	$2.17	$ 4.05
Indicated Reference Range				**$4.34**	**$ 6.00**

(1) The range of multiples selected by Hoak Breedlove, utilizing its valuation expertise, based on its analysis of data concerning the comparable companies, to apply to Webco s financial results. As used in the text of the Hoak Breedlove report, Relevant Range has the same meaning as Selected Multiple above. Market Range, as used in the report, means the full range of multiples from the comparable company trading analysis.

(2) The last twelve months net income was calculated by adding the actual net income for the fourth quarter of fiscal 2003 and the first nine months of fiscal 2004.

(3) The last twelve months EBIT was calculated by adding the actual EBIT for the fourth quarter of fiscal 2003 and the first nine months of fiscal 2004.

(4) The last twelve months EBITDA was derived by taking the last twelve months EBIT and adding the depreciation and amortization (exclusive of deferred financing cost amortization) for the fourth quarter of fiscal 2003 and the first nine months of fiscal 2004.

(5) The calendar year 2004 estimated EBITDA was derived by adding the actual EBITDA for the period January through April 30, 2004 to the projected EBITDA provided by Webco for the fourth quarter of fiscal 2004, the 1st quarter of fiscal 2005 and two-thirds of the projected 2nd quarter of fiscal 2005.

(6) The calendar year 2005 estimated EBITDA was derived by adding the projected EBITDA for the 3rd and 4th quarters of fiscal 2005 and the 1st and 2nd quarters of fiscal 2006 provided by Webco.

As noted above, none of the comparable companies is identical or directly comparable to Webco. Accordingly, Hoak Breedlove considered the multiples for such companies, taken as a whole, to be more relevant than the multiples of any single company. Further, an analysis of publicly traded comparable companies is not mathematical; rather it involves complex consideration and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading of the comparable companies.

Comparable Transaction Analysis

Hoak Breedlove utilized the comparable transaction analysis, a market valuation approach that is based on an examination of transactions involving companies that are in related industries to Webco, for the purpose of compiling guidelines and statistics based on the pricing in such transactions.

Information is typically not disclosed for transactions involving a private seller, even when the buyer is a public company, unless the acquisition is deemed to be material for the acquiror. As a result, the comparable transaction analysis is limited to transactions involving the acquisition of a public company, or substantially all of its assets, or the acquisition of a large private company, or substantially all of its assets, by a public company.

Hoak Breedlove identified five transactions completed since January 2000 involving target companies in related industries to Webco and for which detailed financial information was available. Hoak Breedlove selected these comparable transactions because of the similarities of the targets products and markets to those of Webco. Target companies were involved in manufacturing and selling metal tubular products and were classified under SIC codes 3317, 3324, and 3312 with sales between $10 million and $500 million.

Acquirer	Acquiree
Maverick Tube Corp.	LTV Steel Tubular Business
Lone Star Technologies, Inc.	Wheeling Machine Products, Inc.
Maverick Tube Corp.	Prudential Steel, Ltd.
Lone Star Technologies, Inc.	Bellville Tube Corporation
Lone Star Technologies, Inc.	Fintube Technologies, Inc.

Based on the information disclosed with respect to the targets in each of the comparable transactions, Hoak Breedlove calculated and compared total price paid as a multiple of EBITDA and EBIT.

As with the comparable company analysis, Webco s unique characteristics, suggest Webco be valued below the average of the comparable transaction multiples. Based on the selected multiple ranges, Hoak Breedlove calculated a TEV range between approximately $67 million and approximately $78 million for Webco, which, after subtracting debt (net of cash) of approximately $45 million, results in a price per share of between $3.17 and $4.74.

		Selected Multiple (1)		Indicated Common Stock Price	
	Webco	**Low**	**High**	**Low**	**High**
Total Enterprise Value as multiple of:					
LTM EBITDA (3)	$14.7 million	5.0x	6.0x	$4.09	$6.18
LTM EBIT (2)	$7.6 million	8.0x	9.0x	$2.24	$3.31
Indicated Reference Range				**$3.17**	**$4.74**

(1) The range of multiples selected by Hoak Breedlove, utilizing its valuation expertise, based on its analysis of data concerning the comparable transactions, to apply to Webco s financial results. As used in the text of the Hoak Breedlove report, Relevant Range has the same meaning as Selected Multiple above. Market Range, as used in the report, means the full range of multiples from the comparable transaction analysis.

(2) The last twelve months EBIT was calculated by adding the actual EBIT for the fourth quarter of fiscal 2003 and the first nine months of fiscal 2004.

(3) The last twelve months EBITDA was derived by taking the last twelve months EBIT and adding the depreciation and amortization (exclusive of deferred financing cost amortization) for the fourth quarter of fiscal 2003 and the first nine months of fiscal 2004.

None of the comparable transactions is identical to the Transaction. Accordingly, an analysis of comparable business combinations is not mathematical; rather it involves complex considerations and judgments concerning differences in financial and operating characteristics of the target companies in the comparable transactions and other factors that could affect the acquisition values.

Discounted Cash Flow Analysis

Hoak Breedlove performed discounted cash flow analyses, aggregating the present value of projected unlevered free cash flows over a forecast period, with the present value of the terminal value at the end of such period. Free cash flow represents the amount of cash generated and available for principal, interest and dividend payments after providing for ongoing business operations. The forecast period of the five fiscal years ending July 31, 2008, and such projections were derived from financial information and operating data provided by Webco. Using data furnished by management, and making certain assumptions regarding business growth rates, the need for additional capital expenditures, and projecting the weighted average cost of capital to Webco at 13.5%, Hoak Breedlove calculated a terminal value of Webco s business utilizing two methods: (i) an exit multiple of 5.5 times EBITDA and (ii) capitalizing fiscal year ending July 31, 2008, operating income assuming a 3% perpetual growth rate. Based on those assumptions, Hoak Breedlove calculated a TEV range between approximately $69 million and approximately $72 million for Webco, which, after subtracting debt (net of cash) of approximately $45 million, results in a price per share of between $3.37 and $3.83 per pre-reverse split share.

In connection with the Transaction, Webco s management provided Hoak Breedlove with information about Webco that is not publicly available, including financial projections. These projections provided to Hoak Breedlove were prepared in March 2004 based on expected market conditions at that time and are included in the financial information set forth below. Webco does not, as a matter of course, except as it periodically provides current earnings guidance to its stockholders, publicly disclose forward-looking information as to future revenues, earnings or other financial information. Projections of this type are based on estimates and assumptions that are inherently subject to significant economic, industry and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond Webco s control. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not be significantly higher or lower than projected. In addition, these projections were prepared solely for internal use and not for publication or with a view of complying with the published guidelines of the Securities and Exchange Commission regarding projections or with guidelines established by the American Institute of Certified Public Accountants for prospective financial statements. The financial information below, which was derived from the projections provided to Hoak Breedlove, is included in this proxy statement only because they were furnished by Webco s management to Hoak Breedlove in connection with the Transaction. Therefore, the projections should be used by the reader solely for deciding how much weight to give to the analysis and opinion of Hoak Breedlove and for no other purpose.

Unaudited Financial Projections
Prepared in March 2004
(Dollars in Thousands, except per share amounts)

	Quarter End July 31, 2004	As of and for the year ended July, 31, 2005	2006	2007	2008
Income Statement Data:					
Net sales	$ 56,100	$213,400	$214,200	$221,300	$229,000
Cost of goods sold	46,700	191,000	191,100	222,000	222,000
Gross margin	9,400	22,400	23,200	24,500	25,700
S, G& A	5,200	15,200	14,600	15,000	15,500
Income from operations	4,200	7,200	8,600	9,500	10,200
Interest expense	700	3,100	3,100	3,000	2,600
Pretax income	3,500	4,100	5,500	6,500	7,600
Provision for income taxes	1,400	1,700	2,300	2,700	3,100
Net income	$ 2,100	$ 2,400	$ 3,200	$ 3,800	$ 4,500
Earnings per share, diluted	$ 0.29	$ 0.34	$ 0.45	$ 0.54	$ 0.63
Balance Sheet Data:					
Current assets	$ 92,300	$ 88,500	$ 87,100	$ 88,100	$ 89,400
Fixed assets, net	59,900	57,300	55,000	52,400	49,400
Other assets	4,100	3,900	4,000	4,100	4,100

Total assets	$156,300	$149,700	$146,100	$144,600	$142,900
Current liabilities, including current portion of debt	$ 73,400	$ 68,600	$ 66,100	$ 65,000	$ 63,400
Long-term debt	14,700	11,100	7,500	4,100	700
Other liabilities	12,600	11,900	11,200	10,400	9,200
Total stockholders equity	55,600	58,100	61,300	65,100	69,600
Total liabilities and stockholders equity	$156,300	$149,700	$146,100	$144,600	$142,900
Cash Flow Statement Data:					
Cash from operations	$ (4,800)	$ 7,600	$ 11,700	$ 7,900	$ 8,400
Cash from investing activities	(1,500)	(3,800)	(4,100)	(4,100)	(3,800)
Cash from financing activities	10,000	(6,000)	(6,100)	(5,500)	(5,900)
Net change in cash	$ 3,700	$ (2,200)	$ 1,500	$ (1,600)	$ (1,300)

The financial projections necessarily make many assumptions that are inherently subject to significant uncertainties and contingencies and many of which are beyond Webco s control. Factors such as industry performance and general business, economic, regulatory, market and financial conditions, all of which are difficult to predict, may cause Webco s forecasts or the underlying assumptions to be inaccurate. Accordingly, it is expected that there will be differences between actual and forecasted results, and actual results may be materially different from those contained in Webco s forecasts.

Significant assumptions made by Webco in connection with these forecasts include the following:

A decline, commencing in the first quarter of fiscal 2005, in the cost of steel raw materials, which increased from 50 to 80 percent from July 31, 2003, to March, 2004, to a level equal to 40 percent greater than the prevailing price level at July 31, 2003;

As the cost of steel raw materials declines, a decrease in product sales prices resulting from the general over capacity in the steel tube industry;

A return of gross margin percentages to historical levels of between nine to 11 percent after the effects of averaging down raw material costs in inventory through fiscal year 2005 have abated;

A two to three percent annual increase in general and administrative costs, excluding costs related to compliance with Sarbanes-Oxley, which would increase by $735,000 in fiscal 2005 and $570,000 in subsequent years (which are expected to be avoided if the Transaction is completed);

An increase in interest expense resulting from a two and one-half percent increase in the rate of interest on debt beginning in the third quarter of fiscal 2005 and increasing ratably over the next five fiscal quarters;

Capital spending of between $4.0 and $4.5 million in each fiscal year, with incremental depreciation calculated accordingly; and

An effective tax rate of 41 percent, which was consistent with Webco s then current tax rate.

The projections included in this proxy statement have been prepared by, and are the responsibility of, Webco s management. PricewaterhouseCoopers LLP has neither examined nor compiled these projections and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report incorporated by reference in this proxy statement relates to Webco s historical financial information. It does not extend to the projections and should not be read to do so.

Conclusion

The following table summarizes the results of the three valuation methodologies Hoak Breedlove used in arriving at its opinion:

	Indicated Common Stock Price	
Methodology	**Low**	**High**
Comparable Company Analysis		
Equity Value as multiple of:		
LTM Net Income	$4.45	$ 4.90
Total Enterprise Value as multiple of:		
LTM EBITDA	$5.14	$ 7.22
LTM EBIT	$2.24	$ 3.31
CY2004E EBITDA	$7.70	$10.50
CY2005E EBITDA	$2.17	$ 4.05
Indicated Reference Range	**$4.34**	**$ 6.00**
Comparable Transaction Analysis		
Total Enterprise Value as multiple of:		
LTM EBITDA	$4.09	$ 6.18
LTM EBIT	$2.24	$ 3.31

Indicated Reference Range	**$3.17**	**$ 4.74**
Discounted Cash Flow Analysis Indicated Reference Range	**$3.37**	**$ 3.83**

The average TEV of the ranges from these methodologies is approximately $70 million to $80 million, which, after subtracting debt (net of cash) of approximately $45 million, results in an implied price range of $3.63 per share to $4.86 per share, based on a share count of approximately 7.1 million shares outstanding. Hoak Breedlove did not recommend any specific price within the range to the Special Committee. The Special Committee and Webco negotiated a price of $4.75, which was at the upper end of Hoak Breedlove s valuation range of $3.63 and $4.86 per share.

Hoak Breedlove performed a variety of financial and comparative analyses for the purpose of rendering its valuation. While the foregoing summary describes all material analyses and factors reviewed by Hoak Breedlove with the Board, it does not purport to be a complete description of the presentations by Hoak Breedlove to the Board or the analyses performed by Hoak Breedlove in arriving at its valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Hoak Breedlove believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create a misleading view of the processes underlying the valuation. In addition, Hoak Breedlove may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should not be taken to be Hoak Breedlove s view of the actual value of Webco. In performing its analyses, Hoak Breedlove made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Webco. The analyses performed by Hoak Breedlove are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets do not purport to be appraisals or necessarily to reflect the prices at which businesses or assets may actually be sold. The analyses performed were prepared solely as part of Hoak Breedlove s analysis of the fairness of the transaction, from a financial point of view, and were provided to the Board and the Special Committee solely in preparation for the fairness opinion.

Presentation of Benedetto Gartland

In connection with the proposed Transaction, Webco retained Benedetto Gartland in order to assist management in its evaluation of strategic alternatives, including the possibility of a going private transaction. As part of this retention, Benedetto Gartland presented a report to management and the Board on April 30, 2004. (See Background of the Transaction beginning on page 23.)

The report of Benedetto Gartland will be made available for inspection and copying at Webco s principal executive offices during its regular business hours by any interested stockholder of Webco or any representative of a stockholder designated by the stockholder in writing. Upon written request, Webco will furnish a copy of the report to any interested stockholder of Webco, or any representative designated by the stockholder in writing, at the expense of the requesting stockholder. The report has also been filed with the Securities and Exchange Commission as an exhibit to Webco s Transaction Statement on Schedule 13E-3. Benedetto Gartland consented to the filing of its report with the Schedule 13E-3.

No limitations were imposed by Webco on the scope of Benedetto Gartland s investigation or the procedures to be followed by Benedetto Gartland in preparing its presentation. The Benedetto Gartland presentation was for the use and benefit of Webco s Board and management in connection with their consideration of the Transaction and was not intended to be and does not constitute a recommendation to any stockholder of Webco as to how such stockholder should vote with respect to the Transaction.

As part of its advisory work and in the preparation of its presentation, Benedetto Gartland, among other things:

met with certain members of management of Webco to discuss the operations, financial condition, future prospects and projected operations and performance of Webco, and certain matters relating to the proposed Transaction;

visited the corporate headquarters, business offices and the principal manufacturing facilities of Webco;

reviewed, among other public information, Webco s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and related financial information for the 2002, 2003 and 2004 fiscal years;

reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets and prospects of Webco as provided by senior management of Webco;

reviewed the historical market prices and trading activity for Webco s Common Stock through April 29, 2004, and compared such prices and trading activity with those of certain publicly traded companies;

compared the financial position and results of operations of Webco with those of certain publicly traded companies;

analyzed certain business combinations involving companies similar to Webco, to the extent publicly available;

prepared a discounted cash flow analysis of Webco based upon the financial projections prepared by Webco s management; and reviewed such other financial studies and analyses and performed such other investigations and took into account such other matters considered necessary, including, an assessment of regulatory, economic, market and monetary conditions.

Benedetto Gartland assumed and relied upon, without independent verification, the accuracy and completeness of all financial and other information that was publicly available or provided to it by Webco and further relied upon the assurances of management that it is not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial projections, Benedetto Gartland was advised by Webco that the projections were prepared on a basis reflecting the best currently available estimates and judgments of management as to the future financial performance of Webco. Benedetto Gartland expressed no opinion with respect to the projections or the assumptions, estimates or judgments on which such projections were based. Benedetto Gartland took into account economic, financial, market and other conditions as those conditions existed and could be evaluated as of the date of its work, as well as its experience in preparing business valuations in general. In preparing its analysis, Benedetto Gartland did not make or obtain any evaluations or appraisals of the assets and liabilities (contingent or otherwise) of Webco.

Benedetto Gartland developed this valuation of Webco by analyzing comparable companies, comparable transactions and preparing a discounted cash flow analysis. Benedetto Gartland considered utilizing other valuation methodologies, such as a liquidation calculation, a premiums paid analysis and a leveraged buyout analysis. However, Benedetto Gartland determined that these valuation methodologies were not realistic alternatives because the Weber family did not contemplate a change in its ownership of Common Stock. Finally, employing book value as a valuation benchmark was eliminated because Webco s fixed assets have material value only if Webco remains in operation (i.e., as part of a going concern). Based on third party appraisals, if sold as individual components, Webco s property, plant and equipment are worth about 43% of their accounting valuation. If this discount were applied to Webco, its book value would be less than $2.50 per share. As a result, Benedetto Gartland concluded the fixed assets are best considered part of the physical engine driving Webco s financial forecast the key ingredient to the valuation methods used by Benedetto Gartland.

Comparable Company Analysis

The comparable company analysis compared the trading multiples of Webco with those of other publicly traded companies that are similar with respect to business model, operating sector, size and target customer base. Benedetto Gartland identified companies that it deemed comparable to Webco with respect to their industry sector and operating models. All of the comparable companies are participants in the steel and tubular steel markets.

The comparable companies utilized were: IPSCO Inc., Lone Star Technologies Inc., Maverick Tube Corp., NS Group Inc., Oregon Steel Mills and Synalloy Corp. Based on financial size, Webco was in the lower range of the comparable companies. As of April 19, 2004, the total enterprise value, or TEV (market value of equity, plus preferred stock, minority interest and net debt), for the comparable companies ranged from approximately $59 million to approximately $1.3 billion. For the most recently available trailing twelve months (LTM), revenue ranged from approximately $99 million to approximately $1.3 billion. In comparison, Webco had TEV and LTM revenue as of April 19, 2004, of approximately $81 million and approximately $184 million, respectively.

Based on publicly available information, Benedetto Gartland reviewed financial information for each of the comparable companies that included, among other things: market value, TEV, revenue, earnings before interest, taxes, depreciation and amortization, or EBITDA, earnings before interest and taxes, or EBIT, earnings per share, or EPS, total assets, common equity and selected financial ratios. Benedetto Gartland compared this financial operating data and ratios to Webco. EBITDA and EPS were reviewed on both a trailing and forecasted basis when available. Forecasted five-year EPS growth rates were also reviewed. For comparison purposes, financial measures of profitability (including EBITDA) for the comparable companies and Webco were normalized to exclude unusual and extraordinary expenses and income, as well as differences in fiscal year ends.

Benedetto Gartland expected Webco s valuation multiples to be below the comparable companies due to the smaller financial size of Webco, its small market capitalization, low trading volume, low expected growth rate, the Common Stock s relative lack of liquidity, and the controlling ownership position of the Weber family.

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Using selected financial ratios (*e.g.*, TEV/EBITDA ratios) and its judgment, Benedetto Gartland calculated a TEV range of between approximately $54 million and approximately $114 million for Webco and a range of indicated stock prices as follows:

	Webco Financial Result	Selected Multiple			Indicated Common Stock Price	
		Low	High	Less Debt, Net of Cash	Low	High
Equity Value as multiple of:						
2005 EPS	$ 0.31	12.0x	14.0x	$46.0 million	$ 3.77	$ 4.40
Total Enterprise Value as multiple of:						
LTM EBITDA	$10.7 million	6.0x	8.0x	$46.0 million	$ 2.57	$ 5.60
2004 EBITDA	$19.0 million	5.0x	6.0x	$46.0 million	$ 6.91	$ 9.59
2005 EBITDA	$13.6 million	4.0x	5.0x	$46.0 million	$ 1.13	$ 3.05
Column Average					**$ 3.59**	**$ 5.66**

None of the comparable companies is identical or directly comparable to Webco. Accordingly, Benedetto Gartland considered the multiples for such companies, taken as a whole, to be more relevant than the multiples of any single company. Further, the selection of a valuation multiple based on publicly traded comparable companies is not strictly numerical, but involves judgment concerning differences in financial and operating characteristics of the comparable companies as contrasted to Webco.

Comparable Transaction Analysis

Using publicly available information, Benedetto Gartland analyzed transactions involving manufacturing and selling metal tubular products and were classified under SIC codes 3317, 3324, and 3312 with sales between $10 million and $500 million.

The selected transactions used in the analysis were (acquiror/acquiree):

Maverick Tube Corp./ LTV Pipe and Conduit;

Lone Star Technologies, Inc./ Wheeling Machine Products, Inc.;

Maverick Tube Corp./ Prudential Steel, Ltd.;

Lone Star Technologies, Inc./ Bellville Tube Corporation; and

Lone Star Technologies, Inc./ Fintube Limited.

Based on the information disclosed with respect to the targets in each of the comparable transactions, Benedetto Gartland calculated and compared total price paid as a multiple of LTM EBITDA and EBIT. Using multiple ranges selected by Benedetto Gartland, Webco s TEV was between $54 million and $83 million and its equity value was between $8 million and $37 million.

($ in millions except per share amounts)	Webco Financial Result	Selected Multiple Low	Selected Multiple High	Less Debt, Net of Cash	Implied Equity Value Low	Implied Equity Value High	Implied Equity Value Per Share Low	Implied Equity Value Per Share High
Total Enterprise Value as multiple of:								
LTM EBITDA	$ 13.8	5.0x	6.0x	$ 46.0	$ 23	$ 37	$3.24	$5.20
LTM EBIT	$ 6.7	8.0x	9.0x	$ 46.0	$ 8	$ 14	$1.07	$2.02
Average					**$ 15**	**$ 26**	$2.16	$3.61

With respect to the comparable transactions analysis, Benedetto Gartland noted that the market conditions, rationales for and circumstances surrounding each transaction were unique. These comparable transactions ranged in size from $15 million to $537 million and the multiples of EBITDA and EBIT paid for the acquired companies varied significantly. As a result, Benedetto Gartland selected valuation multiples based on the average multiples paid for these companies as well as its experience generally valuing companies that are being sold.

Discounted Cash Flow Analysis

Benedetto Gartland performed discounted cash flow analyses, aggregating the present value of Webco s projected cash flows over a forecast period, with the present value of the terminal value at the end of such period.

These cash flows represent the amount of cash generated and available for principal, interest and dividend payments after providing for the expenditures and capital required by business operations. The financial projections below were prepared by Webco management during March 2004. Webco does not, as a matter of course, except as it periodically provides current earnings guidance to its stockholders, publicly disclose forward-looking information as to future revenues, earnings or other financial information. Projections of this type are based on estimates and assumptions that are inherently subject to significant economic, industry and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond Webco s control. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not be significantly higher or lower than projected. In addition, these projections were prepared solely for internal use and not for publication or with a view of complying with the published guidelines of the Securities and Exchange Commission regarding projections or with guidelines established by the American Institute of Certified Public Accountants for prospective financial statements. The financial information below, which was derived from the projections provided to Benedetto Gartland, is included in this proxy statement only because it was furnished to Benedetto Gartland in connection with the Transaction. Therefore, the projections should be used by the reader solely for deciding how much weight to give to the analysis of Benedetto Gartland and for no other purpose. Benedetto Gartland did not express any opinion as to the ability of Webco to achieve the financial results set forth in the projections.

Unaudited Financial Projections
Prepared in March 2004
(Dollars in Thousands, except per share amounts)

	Quarter End July31, 2004	As of and for the year ended July, 31, 2005	2006	2007	2008
Income Statement Data:					
Net sales	$ 56,100	$213,400	$214,200	$221,300	$229,000
Cost of goods sold	46,700	191,000	191,100	222,000	222,000
Gross margin	9,400	22,400	23,200	24,500	25,700
S, G& A	5,200	15,200	14,600	15,000	15,500
Income from operations	4,200	7,200	8,600	9,500	10,200
Interest expense	700	3,100	3,100	3,000	2,600
Pretax income	3,500	4,100	5,500	6,500	7,600
Provision for income taxes	1,400	1,700	2,300	2,700	3,100
Net income	$ 2,100	$ 2,400	$ 3,200	$ 3,800	$ 4,500
Earnings per share, diluted	$ 0.29	$ 0.34	$ 0.45	$ 0.54	$ 0.63

Balance Sheet Data:					
Current assets	$ 92,300	$ 88,500	$ 87,100	$ 88,100	$ 89,400
Fixed assets, net	59,900	57,300	55,000	52,400	49,400
Other assets	4,100	3,900	4,000	4,100	4,100
Total assets	$156,300	$149,700	$146,100	$144,600	$142,900
Current liabilities, including current portion of debt	$ 73,400	$ 68,600	$ 66,100	$ 65,000	$ 63,400
Long-term debt	14,700	11,100	7,500	4,100	700
Other liabilities	12,600	11,900	11,200	10,400	9,200
Total stockholders equity	55,600	58,100	61,300	65,100	69,600
Total liabilities and stockholders equity	$156,300	$149,700	$146,100	$144,600	$142,900
Cash Flow Statement Data:					
Cash from operations	$ (4,800)	$ 7,600	$ 11,700	$ 7,900	$ 8,400
Cash from investing activities	(1,500)	(3,800)	(4,100)	(4,100)	(3,800)
Cash from financing activities	10,000	(6,000)	(6,100)	(5,500)	(5,900)
Net change in cash	$ 3,700	$ (2,200)	$ 1,500	$ (1,600)	$ (1,300)

See Opinion and Second Report of Hoak Breedlove Discounted Cash Flow Analysis beginning on page 49 for the significant assumptions made by Webco in connection with this forecast.

The forecast period included the fourth quarter of Webco s 2004 fiscal year as well as the four fiscal years ending July 31, 2008. The projections were derived from financial information and operating data provided by Webco. Using data furnished by management, including certain assumptions regarding business growth rates, the need for additional capital expenditures, and projecting the weighted average cost of capital to Webco at 10% to

12%, Benedetto Gartland calculated a terminal value of Webco s business utilizing two methods: (i) an exit multiple of 5.0 times EBITDA and (ii) capitalizing fiscal year ending July 31, 2008, operating income assuming a 2% perpetual growth rate. Based on those assumptions, Benedetto Gartland calculated a TEV range between $63 million and $80 million for Webco or a price per share of between $2.30 and $4.67 per pre-reverse split share.

The projections included in this proxy statement have been prepared by, and are the responsibility of, Webco s management. PricewaterhouseCoopers LLP has neither examined nor compiled these projections and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP report incorporated by reference in this proxy statement relates to Webco s historical financial information. It does not extend to the projections and should not be read to do so.

Conclusion

The following table summarizes the results of the three valuation methodologies Benedetto Gartland used in preparing its presentation:

	Indicated Common Stock Price	
Methodology	**Low**	**High**
Comparable Company Analysis	$3.59	$5.66
Comparable Transaction Analysis	2.16	3.61
Discounted Cash Flow Analysis	2.30	4.67
Column Average	$2.68	$4.65

The foregoing summary is not a comprehensive description of all analyses and examinations actually conducted by Benedetto Gartland and selection of any one portion of its presentation, without considering all analyses and factors, would create an incomplete view of Benedetto Gartland s advisory to the Board of Directors on April 30, 2004. In particular, a valuation is more than a numerical summation of the individual analyses performed and requires professional judgment, based on experience and expertise in considering a wide variety of analyses taken as a whole. Accordingly, the ranges of valuations resulting from any particular analysis described above should not be taken to be Benedetto Gartland s view of the actual value of Webco.

Benedetto Gartland is an investment banking firm that, as part of its investment banking business, is regularly engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, private placements, and for other purposes. Benedetto Gartland does not perform tax, accounting, appraised or legal services or render such advice. Pursuant to the engagement letter, Webco agreed to pay Benedetto Gartland a fee for its services. Webco has also agreed to indemnify Benedetto Gartland against specified liabilities, including liabilities under the federal securities laws, related to, and arising out of or in connection with the engagement of Benedetto Gartland by Webco.

Source of Funds; Financing of the Transaction

Based on estimates of record ownership of shares of Common Stock, the number of shares outstanding and other information as of October 1, 2004, and assuming that the Minimum Number is 1,000, 800, 500 or 200 and, as a result of the foregoing, that 160,000, 140,000, 120,000 or 72,000, respectively, fractional shares and options to purchase 177,000, 153,000, 73,000 or 1,000, respectively, shares are cashed out, we estimate that the total funds required to consummate the Transaction will be approximately $4,382,000, $4,240,000, $4,033,000 or $3,646,000, respectively, of which $1,040,000, $910,000, $780,000 or $468,000, respectively, will be used to pay the consideration to stockholders entitled to receive cash for their shares, $167,000, $155,000, $78,000 or $3,000, respectively, will be used to cash out options, $2,000,000 will be used to make loans to certain of our executive officers and employees to replace existing loans that they have with third party lenders and $1,175,000 will be used to pay the costs of the Transaction, as follows:

Legal fees and expenses	$510,000
Financial consulting	140,000
Postage and printing	100,000
Miscellaneous	100,000

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Special committee fees and expenses:	
Legal fees and expenses	50,000
Financial advisor and fairness opinion fees and expenses	175,000
Special Committee fees and expenses	55,000
Transfer agent	20,000
Board fees and expenses	15,000
Filing fees	10,000
Total	$1,175,000

We intend to fund these costs using available cash and amounts available under our existing credit facility. Webco entered into a new senior credit facility on October 15, 2004, to refinance its then existing senior debt with our primary lender. The credit facility provides for a term loan of $18 million and a revolving line of credit of $50 million. The maturity date of the credit facility is October 15, 2009, and it is collateralized by substantially all of our assets. Principal payments on the term loan of $214,300, plus interest, are due each month until maturity. In addition to the scheduled principal payments, we are required to make additional principal payments on the term loan based on 50 percent of our excess cash flow per quarter, not to exceed $257,100 per quarter, or $1,800,000 on a cumulative basis over the term of the credit facility, beginning with the quarter ending October 31, 2004. Like Webco s prior facility, this credit facility contains covenants regarding debt coverage, capital expenditures and dividends and requires us to maintain a minimum excess borrowing base availability. The increased borrowing capacity of the revolving credit facility is intended to enable us to fund the higher levels of working capital required in the current high-cost steel environment and to fund the Transaction. This credit facility increased our revolving credit facility from $38 million to $50 million and increased our term loan from $9.1 million (as of July 31, 2004) to $18.0 million.

The payment of loans outstanding under the credit facility may be accelerated prior to maturity upon the occurrence of events of default, which include customary events such as failure to pay principal and interest when due, bankruptcy, the failure to perform covenants contained in the agreement (some of which allow for notice of breach and an opportunity to cure), breaches of representations and warranties, cross-default to other indebtedness, default by Webco of other material agreements, certain ERISA events, the occurrence of a material adverse change in the business or financial condition of Webco which materially impairs our ability to perform our obligations under the credit facility and a change of control. A change of control is essentially defined to mean that F. William Weber and his daughter, Dana S. Weber, the Chairman and President, respectively, of Webco fail to possess the power to direct or cause the direction of the management policies of Webco or that they, together with other members of the Weber family, cease to own at least 40% of the combined voting power of all classes of securities of Webco having the power to vote for the election of directors.

Conduct of Webco s Business after the Transaction

Webco s executive officers and board of directors will remain the same immediately following the Transaction. Webco expects to conduct its business and operations after the effective date of the Transaction in substantially the same manner as they are currently being conducted and, except as described in this proxy statement with respect to: (1) the use of funds to finance the Transaction and related costs and (2) Webco s plans to deregister its Common Stock under the 1934 Act and delist it from the American Stock Exchange, the Transaction is not anticipated to have a material effect upon the conduct of Webco s business.

Neither Webco nor its management has any current plans or proposals to effect any extraordinary corporate transaction, such as a merger, reorganization or liquidation; a sale or transfer of any material amount of its assets; a change in its Board or management (except as described in this proxy statement); a material change in its indebtedness or capitalization (except as described in this proxy statement); or any other material change in its corporate structure or business. However, we may engage in such a transaction in the future to the extent that management and the Board determines it to be in the interest of Webco and our stockholders.

Material Federal Income Tax Consequences

We have summarized below the material federal income tax consequences to Webco and generally to its stockholders resulting from the Transaction. This summary is based on current U.S. federal income tax law, which is subject to change, possibly retroactively. This summary does not discuss all aspects of federal income taxation that may be important to you in light of your individual circumstances. You may wish to consult your tax advisor as to the particular federal, state, local, foreign and other tax consequences, in light of your specific circumstances.

We believe that the Transaction will be treated as a recapitalization for federal income tax purposes and will result in no material federal income tax consequences to Webco.

Federal Income Tax Consequences to Stockholders who are Not Cashed Out by the Transaction

If you (1) continue to hold Common Stock immediately after the Transaction and (2) receive no cash as a result of the Transaction, you will not recognize any gain or loss in the Transaction and you will have the same adjusted tax basis and holding period in your Common Stock as you had in such stock immediately prior to the Transaction.

Federal Income Tax Consequences to Cashed-Out Stockholders

If you receive cash as a result of the Transaction, your tax consequences will depend on whether, in addition to receiving cash, you or a person or entity related to you continues to hold Common Stock immediately after the Transaction, as explained below.

Stockholders who Exchange all of their Common Stock for Cash as a Result of the Transaction.

If you:

- receive cash in exchange for a fractional share as a result of the Transaction, and
- do not continue to hold any Common Stock immediately after the Transaction, and
- are not related under the relevant tax attribution rules to any person or entity that holds Common Stock immediately after the Transaction,

you will recognize capital gain or loss in an amount equal to the difference between the amount of cash you receive for your cashed-out stock and your aggregate adjusted tax basis in that stock.

If:

- you do not actually own shares of Common Stock immediately after the Transaction, or
- the only shares of Common Stock attributed to you are from a family member, and
- you properly waive family attribution on your federal income tax return for the year of the Transaction,

you will recognize capital gain or loss in an amount equal to the difference between the amount of cash you receive for your cashed-out stock and your aggregate adjusted tax basis in that stock.

Stockholders who both Receive Cash and Continue to Hold Common Stock Immediately after the Transaction.

If you both receive cash as a result of the Transaction and continue to hold Common Stock immediately after the Transaction, you generally will recognize gain, but not loss, in an amount equal to the lesser of:

- the excess of the sum of the aggregate fair market value of the shares of Common Stock held by you immediately after the Transaction plus the amount of cash received over your adjusted tax basis in the shares, and

the amount of cash received in the Transaction.

In determining whether you continue to hold Common Stock immediately after the Transaction, you will be treated as owning shares actually or constructively owned by certain individuals and entities related to you (except to the extent a waiver of family attribution is applicable).

Your aggregate adjusted tax basis in your shares of Common Stock held immediately after the Transaction will be equal to your aggregate adjusted tax basis in your shares of Common Stock held immediately prior to the Transaction, increased by the amount of any gain recognized in the Transaction, and decreased by the amount of cash received in the Transaction.

Any gain recognized in the Transaction will be treated, for federal income tax purposes, as capital gain, provided that your receipt of cash either (1) is not essentially equivalent to a dividend with respect to you or (2) is a substantially disproportionate redemption of stock with respect to you. In applying these tests, you may possibly be able to take into account sales of shares of Common Stock that occur substantially contemporaneously with the Transaction. If your gain is not treated as capital gain under either of these tests, the gain will be treated as ordinary dividend income to you to the extent of your ratable share of Webco s undistributed earnings and profits, then as a tax-free return of capital to the extent of your aggregate adjusted tax basis in your Common Stock, and any remaining gain will be treated as capital gain.

If you, or a person or entity whose ownership of Common Stock shares would be attributed to you, will continue to hold Common Stock immediately after the Transaction, you are particularly urged to consult your tax advisor as to the particular federal, state, local, foreign and other tax consequences of the Transaction, in light of your specific circumstances.

Capital Gain and Loss

For individuals, net capital gain (defined generally as your total capital gains in excess of capital losses for the year) recognized upon the sale of capital assets that have been held for more than 12 months generally will be subject to tax at a rate not to exceed 15%. Net capital gain recognized from the sale of capital assets that have been held for 12 months or less will continue to be subject to tax at ordinary income tax rates. Capital gains recognized by a corporate taxpayer will be subject to tax at the ordinary income tax rates applicable to corporations. There are limitations on the deductibility of capital losses.

Special Rate for Certain Dividends

In general, dividends are taxed at ordinary income tax rates. However, you may qualify for a 15% rate of tax on any cash received in the Transaction that is treated as a dividend as described above, if (1) you are an individual or other non-corporate stockholder and (2) you satisfy certain holding period requirements with respect to your Common Stock. You are urged to consult with your tax advisor regarding your applicability for, and the appropriate federal, state, local, foreign or other tax treatment of, any such dividend income.

Backup Withholding

Stockholders will be required to provide their social security or other taxpayer identification numbers (or, in some instances, additional information) in connection with the Transaction to avoid backup withholding requirements that might otherwise apply. The letter of transmittal will require each stockholder to deliver such information when the Common Stock certificates are surrendered following the effective time of the Transaction. Failure to provide such information may result in backup withholding.

THE PRECEDING DISCUSSION OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS NOT TAX ADVICE AND EACH STOCKHOLDER MAY WISH TO CONSULT ITS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO IT AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

No Dissenters Rights; Escheat Laws

Under the Oklahoma General Corporation Act and Webco s Certificate of Incorporation and Bylaws, stockholders do not have the right to dissent with respect to the reverse split or forward split and to receive the fair value of their shares in cash.

The unclaimed property and escheat laws of each state provide that under circumstances defined in that state s statutes, holders of unclaimed or abandoned property must surrender that property to the state. Persons whose shares are eliminated and whose addresses are unknown to Webco, or who do not return their Common Stock certificate(s) and request payment therefor, generally will have a period of years (depending on applicable state law) from the effective date of the Transaction in which to claim the cash payment payable to them. Following the expiration of that period, the escheat laws of states of residence of stockholders, as shown by the records of Webco, generally provide for such state to obtain either (i) custodial possession of property that has been unclaimed until the owner reclaims it or (ii) escheat of such property to the state. If Webco does not have an address for the holder of record of the shares, then unclaimed cash-out payments, without interest, would be turned over to Webco s state of incorporation, the state of Oklahoma, in accordance with its escheat laws.

Recommendation of the Board

The Board recommends that the stockholders vote FOR each of the four proposals to approve the Reverse/Forward Split Amendment. Unless a contrary choice is specified, proxies solicited by the Board will be voted FOR approval of each of the proposals. See Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 39.

THE SPECIAL MEETING

General

We are providing this proxy statement to our stockholders of record as of , 2004, along with a proxy card that our Board of Directors is soliciting for use at the Special Meeting of our stockholders to be held on , 2004, at 11:00 a.m., central time, at our offices at 9101 West 21st Street, Sand Springs, Oklahoma. At the Meeting, stockholders will vote upon four proposals to approve an amendment to our Certificate of Incorporation, one of which will be selected by our Board to implement the Transaction, subject to the right of the Board to abandon the Transaction if it so determines.

Who Can Vote at the Meeting

Stockholders are entitled to vote their Common Stock if Webco s records show that such stockholders held their shares as of the record date, which is , 2004. On the record date, there were shares of Common Stock outstanding, held by approximately holders of record. Each share of Common Stock is entitled to one vote on each matter submitted at the Meeting.

Attending the Meeting

Holders whose shares of Common Stock are held by a broker, bank or other nominee (i.e., in street name or nominee name), will need proof of ownership to be admitted to the Meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. Stockholders wishing to vote their shares of Common Stock held in street name in person at the Meeting must get a written proxy in their name from the broker, bank or other nominee that holds such stockholders shares.

Vote Required

Approval of each of the proposals requires the affirmative vote of the holders of at least a majority of the outstanding shares of Common Stock entitled to vote. The proposals to amend Webco s Certificate of Incorporation are non-discretionary items, meaning that brokerage firms cannot vote shares in their discretion on behalf of a client if the client has not given voting instructions. Accordingly, shares held in street name that have been designated by brokers on proxy cards as not voted with respect to a proposal (broker non-vote shares) and shares with respect to which a proxy has been marked as an abstention with respect to a proposal will not be counted as votes cast on that proposal. Failures to vote shares, abstentions and broker non-vote shares will have the same effect as votes against a proposal. Proxies will be provided to individual participants in Webco s 401(k) Stock Fund based on their allocation of shares in the plan. The trustee will vote shares on behalf of a 401(k) Plan participant who has invested in the Webco Common Stock fund if the participant has given voting instructions to the trustee. All participant directions will be kept confidential from Webco by the trustee. Unvoted shares will be voted according to the terms of the trust agreement for the 401(k) Plan, which provides that unvoted shares will be voted as directed by a designated fiduciary of the plan. **Accordingly, the Board of Directors urges you to complete, date and sign the accompanying proxy appointment form and return it promptly in the enclosed postage-prepaid envelope.**

A quorum will be present at the Meeting if a majority of the outstanding shares of Common Stock entitled to vote is represented at the Meeting in person or by proxy. Shares with respect to which a proxy have been marked as abstentions and broker non-vote shares will be treated as shares present for purposes of determining whether a quorum is present. In accordance with Oklahoma law and Webco s Bylaws relating to special meetings of stockholders, no other business may be presented at the Special Meeting other than matters incidental to the conduct of the Meeting.

Our directors and executive officers and members of the Weber family, all of whom have indicated to us that they intend to vote their shares for all four of the proposals, owned an aggregate of 4,048,553 shares of Common Stock, representing 57% of our outstanding shares as of October 1, 2004. These directors and executive officers also have options that are presently exercisable that, if exercised prior to the record date, would result in these directors and executive officers owning an additional 340,900 shares of Common Stock, which would increase the directors and executive officers share of the Common Stock entitled to vote at the Meeting to 59%, assuming no other options are exercised. See Security Ownership of Certain Beneficial Owners beginning on page 93, and Special Factors Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 39. Accordingly, it is likely that the Transaction will be approved by stockholders at the Meeting. Other than the expressed intent of directors and executive officers and the Weber family to vote their shares for the Transaction, we have not obtained any assurances or agreements from any of our stockholders as to how they will vote on the proposals.

Voting and Revocation of Proxies

The shares of Common Stock represented by properly completed proxies received at or before the time for the Meeting (or any adjournment) will be voted as directed by the respective stockholders unless the proxy appointments are revoked as described below. If no instructions are given, executed proxy cards will be voted **FOR** approval of each of the four proposals.

Stockholders may revoke their proxies at any time before the vote is taken at the Meeting. To revoke a proxy, a stockholder must either: notify Webco s Corporate Secretary in writing at Webco s principal executive offices; submit a later dated proxy to Webco s Corporate Secretary; or attend the Meeting and vote his or her shares in person. A stockholder s attendance at the Meeting will not automatically revoke his proxy. A stockholder who holds his or her shares in street name should refer to the voting form provided by his or her broker for additional information regarding the voting of his or her shares.

Solicitation of Proxies

Webco will pay the costs of soliciting proxies for the Special Meeting. Directors, officers and other employees of Webco or its subsidiaries may solicit proxies personally, by telephone or facsimile or otherwise. None of these people will receive any special compensation for solicitation activities. We will arrange with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held of record by such brokerage firms and other custodians, nominees and fiduciaries, and we will reimburse these record holders for their reasonable out-of-pocket expenses. We may consider retaining a proxy solicitation firm. If we do, we will bear all of the fees, costs and expenses.

Recommendation of the Board of Directors

The Board of Directors of Webco has approved all four proposals to amend Webco s Certificate of Incorporation to effect, as determined by the Board of Directors in its discretion, one (and only one) of the alternative reverse/forward stock split combinations. The Board of Directors unanimously recommends that Webco s stockholders vote **FOR** approval of each of the four proposals to amend Webco s Certificate of Incorporation. See Special Factors Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 39.

PROPOSALS TO AMEND WEBCO S CERTIFICATE OF INCORPORATION

The following is a description of the material terms and effects of the Transaction. The text of the amendment is set forth below under Proposed Language Amending Webco s Certificate of Incorporation Reverse/Forward Split Amendment beginning on page 73, and is referred to in this proxy statement as the Reverse/Forward Split Amendment.

Subject to the Board s right to abandon the Transaction, as described below, the Board has unanimously adopted resolutions declaring the advisability of, and is herewith submitting to the stockholders for approval, four alternative proposals to amend Webco s Certificate of Incorporation, each effecting a reverse/forward stock split of all shares of Common Stock issued as of 11:59 p.m. (central time) on the date the Reverse/Forward Split Amendment is filed with the Oklahoma Secretary of State. Pursuant to the Reverse/Forward Split Amendment, all shares of Common Stock, whether or not issued, will be divided on the effective date by the Minimum Number associated with the reverse/forward stock split combination approved by the stockholders and selected by the Board and converted into the resulting number of shares of Common Stock. Webco will make a cash payment in the amount of $6.50 (without interest) per pre-reverse split share in lieu of issuing less than one share that will result from the reverse split to stockholders of record. No cash will be paid for fractional shares resulting from the reverse split if the stockholder of record will hold more than one share after the reverse split except to the extent of fractional shares to which they would be entitled following the forward split. For more information about the Minimum Number, see Summary Term Sheet Summary of the Transaction beginning on page 1.

Immediately following the reverse split, all remaining shares will be multiplied by the Forward Number associated with the reverse/forward stock split combination approved by the stockholders and selected by the Board and converted into the resulting number of shares of Common Stock. Webco will make a cash payment in the amount of $6.50 (without interest) per pre-reverse split share in lieu of issuing fractional shares that would result from the reverse/forward split to our remaining stockholders of record.

The Board will have the discretion to determine which of the four alternative reverse/forward stock split proposals will be selected from those approved by stockholders and when to effect the Transaction. The Board reserves the right to abandon the Transaction even if one or more of the proposals are approved by the stockholders. (See Reservation of Rights beginning on page 74.) Webco expects that, if stockholders approve one or more of the proposals and the Board elects to implement the Transaction, the Transaction would be consummated within 30 days after the date of the Special Meeting. If the Board determines to implement the Transaction, as soon as practicable after the effectiveness of the reverse/forward stock split, we will publicly announce in a press release and post on our website at http://www.webcoindustries.com which of the four alternative reverse/forward stock split combinations was selected and that the Transaction was consummated.

Webco intends for the Transaction to treat beneficial stockholders holding Common Stock in street name through a nominee (such as a bank or broker) in the same manner as record stockholders whose shares are registered in their names. Nominees will be instructed to effect the Transaction for their beneficial holders. However, nominees will decide how to respond to this offer and they are not obligated to follow these procedures. Stockholders holding their shares in street name should contact their nominees if they have questions about how their nominee intends to respond to this offer or about their procedures.

Any holder of record who desires to retain an equity interest in Webco after the effective date may ensure that he or she will do so by purchasing, prior to the effective date, a sufficient number of shares of Common Stock in the open market such that the total number of shares held by him or her in one record account immediately prior to the reverse split is equal to or greater than 1,000, the maximum reverse split ratio that our stockholders may approve and our Board of Directors may select.

Conversely, any holder of record who wishes to be cashed out in the reverse split could, prior to the effective date, dispose of a sufficient number of shares to cause the number of shares held of record by such holder on the effective date to be less than 200 shares, the minimum reverse split ratio that our stockholders may approve and our Board of Directors may select. A holder of record could also achieve this result by dividing shares beneficially owned by the holder among several record accounts such that fewer than 200 shares are held of record in each account. For example, a beneficial holder who holds 300 shares in street name with a broker could have the broker transfer 150 of the shares into the beneficial holder s own name so that, on the effective date, 150 shares are held by the beneficial holder directly of record and 150 shares are held of record in street name. Since the record holders would be different, both lots of 150 shares would be cashed out in the reverse split.

Similarly, if a stockholder beneficially owns a total of 1,500 shares or more, but holds them in different accounts of record so that each record account holds fewer than 1,000 shares, but the holder wishes to remain a stockholder after the reverse split, the stockholder could transfer all of the shares into one record account prior to the effective date.

Exchange of Stock Certificates

Stockholders should not send their stock certificates now. Stockholders should send them only after they have received a letter of transmittal from Webco. Letters of transmittal will be mailed as soon as practicable after the Transaction is complete.

Promptly following the consummation of the reverse/forward stock split, Webco will send letters of transmittal to all stockholders of record. The letter of transmittal is for use in transmitting Common Stock certificates to Webco s transfer agent. Upon proper completion and execution of a letter of transmittal and return thereof to the transfer agent, together with stock certificates, the stockholder will receive a new stock certificate and/or cash in the amount to which the holder is entitled as a result of the Transaction. After the Transaction and until surrendered, each outstanding certificate held by a stockholder of record who held shares in any increment of less than the Minimum Number immediately prior to the Transaction will be deemed for all purposes to represent only the right to receive the amount of cash to which the holder is entitled pursuant to the Transaction. Webco is requiring continuing stockholders to turn in their old share certificates for new share certificates so that Webco and its transfer agent can distinguish between pre-Transaction and post-Transaction shares. Webco will make payment of such amounts upon submission of a proper claim, subject to applicable escheat laws. See Special Factors No Dissenters Rights; Escheat Laws beginning on page 69.

In connection with the Transaction, the Common Stock will be identified by a new CUSIP number, which will appear on all certificates representing shares of Common Stock issued after the effective date. After the effective date, each certificate representing shares of Common Stock that were outstanding prior to the effective date and that were held by a stockholder of record of more shares than the Minimum Number immediately prior to the Transaction, until surrendered and exchanged for a new certificate, will be deemed for all corporate purposes to evidence ownership of 1/10th of the number of shares set forth on the face of the certificate, rounded down to the nearest whole share, plus the right to receive the amount of cash to which the holder is entitled pursuant to the Transaction. Any stockholder desiring to receive a new certificate bearing the new CUSIP number can do so at any time after the effective date in accordance with instructions set forth in the transmittal letter or otherwise by contacting the transfer agent as set forth in the transmittal letter for surrendering his or her old certificates. After the effective date, an old certificate presented to the exchange agent in settlement of a trade will be exchanged for a new certificate bearing the new CUSIP number.

All amounts payable to stockholders will be subject to applicable state laws relating to abandoned property. No service charges or brokerage commissions will be payable by stockholders in connection with the Transaction. Webco will not pay any interest on any cash amounts payable to its stockholders as a result of the Transaction.

The shares reacquired by Webco in the Transaction will be adjusted in proportion to the one-for-10 net reverse split, and the adjusted shares will be cancelled and thereafter be authorized but unissued shares of Common Stock.

Proposed Language Amending Webco s Certificate of Incorporation Reverse/Forward Split Amendment

The following is the text of a new paragraph in Article 3 of Webco s Certificate of Incorporation, substantially as it is proposed to be amended by each of the Reverse/Forward Split Amendment proposals*:*

Effective at 11:59 p.m. (the Effective Time) on the date of filing of Articles of Amendment with the Secretary of State of the State of Oklahoma setting forth this Amendment (the Effective Date), each [Two Hundred (200), Five Hundred (500), Eight Hundred (800), or One Thousand (1,000)] shares of authorized Common Stock of Webco, whether or not issued, immediately prior to the Effective Time shall automatically be reclassified and changed into one share of Common Stock (a New Reverse Split Share). Each holder of record of shares of Common Stock so reclassified and changed shall at the Effective Time automatically become the record owner of the number of New Reverse Split Shares as shall result from such reclassification and change. Each such record holder shall be entitled to receive, upon the surrender of the certificate or certificates representing the shares of Common Stock so reclassified and changed, at the office of the transfer agent of Webco in such form and accompanied by such documents, if any, as may be prescribed by the transfer agent of Webco, a new certificate or certificates representing the number of New Reverse Split Shares of which he or she is the record owner after giving effect to the provisions of this Article 3. Webco shall not issue fractional New Reverse Split Shares unless the holder thereof is entitled to receive at least one full share. Stockholders entitled to receive fractional New Reverse Split Shares but who are not also entitled to receive at least one full share shall receive cash in lieu of the fractional shares equal to the product of (a) the number of shares of the Common Stock held by such holder immediately prior to the Effective Time which have not been classified into a whole New Reverse Split Share, multiplied by (b) $6.50.

Effective immediately after the Effective Time, on the Effective Date, each share of authorized Common Stock of Webco, whether or not issued, at the Effective Time (giving effect to the prior paragraph) shall automatically be reclassified and changed into **[**Twenty (20), Fifty (50), Eighty (80), or One Hundred (100)**]** shares of Common Stock (New Forward Split Shares). Each holder of record of shares of Common Stock so reclassified and changed shall immediately after the Effective Time automatically become the record owner of the number of New Forward Split Shares as shall result from such reclassification and change. Each such record holder shall be entitled to receive, upon the surrender of the certificate or certificates representing the shares of Common Stock so reclassified and changed, at the office of the transfer agent of Webco in such form and accompanied by such documents, if any, as may be prescribed by the transfer agent of Webco, a new certificate or certificates representing the number of New Forward Split Shares of which he or she is the record owner after giving effect to the provisions of this Article 3. Webco shall not issue fractional New Forward Split Shares. Stockholders entitled to receive fractional New Forward Split Shares shall receive cash in lieu of the fractional shares equal to the product of (a) the number of fractional shares that would be received as a result of the forward split contemplated by this paragraph, multiplied by (b) $65.00.

The first paragraph above will give effect to the reverse split by changing, reclassifying and dividing old shares of authorized Common Stock by the Minimum Number selected on the terms described above into resulting new shares of Common Stock. The second paragraph above will give effect to the forward split by changing, reclassifying and multiplying each new share of authorized Common Stock following the reverse split by the Forward Number selected on the terms described above into resulting final shares of Common Stock.

Whichever of the four alternative reverse/forward stock split combinations is selected by the Board will have the net effect for the remaining stockholders of a one-for-10 reverse split. The Board determined to engage in the forward stock split in order to keep the market price of the Common Stock in a reasonable trading range immediately after the Transaction of approximately 10 times the market price of the Common Stock immediately preceding the Transaction. The Board believed that this forward split would enhance the possibility for the Common Stock to trade on the Pink Sheets. In order to eliminate fractional shares after the forward split, stockholders who would otherwise own fractional shares after the forward split will receive cash in lieu of fractional shares. Since the net effect of the Transaction is a one-for-10 reverse stock split, such stockholders will receive cash in an amount equal to such fractional amount multiplied by $65.00, which is the equivalent of $6.50 per pre-reverse split share.

Reservation of Rights

The Board reserves the right to decide, in its discretion, which one of the alternative reverse/forward stock split combinations approved by stockholders will be adopted or to abandon the Transaction after a stockholder vote and before the Reverse/Forward Split Amendment is filed even if the proposals are approved by stockholders. The Board believes that it is prudent to recognize that, between the date of this proxy statement and the date that the Reverse/Forward Split Amendment is filed, circumstances could change such that it might not be appropriate, economic or desirable to effect the amendment at that time. While the Board has not set any specific criteria for determining whether the Transaction will be effected, the two primary considerations will be to reduce the number

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of stockholders of record to fewer than 300 and to select the proposal that best fits the covenants of our new senior credit facility, which is currently being negotiated. We expect that the new senior credit facility will permit us to purchase up to 300,000 shares of Common Stock. If the cost of a Transaction, which will result in reducing the number of stockholders of record to fewer than 300 exceeds our financial capacity, the Board will not proceed with the Transaction. The Board will make its decision based on its business judgment at a time deemed appropriate and based on then existing facts and circumstances, including the number of record stockholders and the number of shares owned by them at that time. If Webco is unable to obtain the financing required to complete the Transaction and, therefore, determines to abandon the Transaction, or if the Board otherwise decides to abandon the Transaction after the Special Meeting and before the date that the Reverse/Forward Split Amendment is filed, Webco will notify its stockholders of such decision promptly by issuing a press release and posting the decision on its website at http://www.webcoindustries.com.

FINANCIAL INFORMATION

Selected Historical Financial Information

The following summary of historical consolidated financial data was derived from Webco s audited consolidated financial statements as of and for each of the fiscal years ended July 31, 2004, 2003, 2002, 2001 and 2000, and from unaudited interim consolidated financial statements as of and for the three months ended October 31, 2004 and 2003. The statement of operations data for the three months ended October 31, 2004 is not necessarily indicative of results to be expected for the full fiscal year. This financial information is only a summary and should be read in conjunction with the consolidated financial statements of Webco and other financial information, including the notes thereto, contained in Webco s Annual Report on Form 10-K for the fiscal year ended July 31, 2004 and Webco s Quarterly Report on Form 10-Q for the quarter ended October 31, 2004, which information is incorporated by reference in this proxy statement. See Other Information Incorporation by Reference and Other Information Where You Can Find More Information, both on page 94.

	As of and for the Three Months Ended October 31, (Unaudited)		As of and for the Fiscal Year Ended July 31,				
	2004	2003	2004	2003	2002	2001	2000
	(Dollars in thousands, except per share data)						
Balance Sheet Data:							
Working capital	$ 31,442	$ 44,965	$ 16,835	$ 11,650	$ 7,218	$ 9,949	$ 12,456
Total assets	169,550	136,260	145,431	130,527	123,928	128,347	130,123
Long-term debt (net of current portion)	16,999	45,879	8,310	12,100	15,222	25,740	26,306
Stockholders equity	65,263	51,413	58,456	51,064	49,146	47,046	48,648
Book value per common share	$ 9.21	$ 7.26	$ 8.25	$ 7.21	$ 6.94	$ 6.65	$ 6.88
Income Statement Data:							
Net sales	$ 71,727	$ 49,090	$212,527	$175,769	$156,294	$148,279	$142,293

Gross profit	16,842	4,594	31,380	17,794	18,815	14,932	19,105
Income from operations (1)	11,110	1,260	14,344	5,468	7,849	2,314	4,822
Income (loss) from continuing operations	6,614	414	7,218	1,918	2,996	(1,494)	536
Loss from discontinued operation (2)					(908)	(108)	(1,561)
Net income (loss)	$ 6,614	$ 414	$ 7,218	$ 1,918	$ 2,088	$ (1,602)	$ (1,025)
Diluted earnings(loss) per share:							
Income (loss) from continuing operations	$ 0.92	$ 0.06	$ 1.01	$ 0.27	$ 0.42	$ (0.21)	$ 0.08
Loss from discontinued operation (2)					(0.13)	(0.02)	(0.22)
Net income (loss)per share	$ 0.92	$ 0.06	$ 1.01	$ 0.27	$ 0.29	$ (0.23)	$ (0.14)

(1) Fiscal 2002 includes a $1.58 million litigation award from an equipment vendor.

(2) The loss from the discontinued operation for all years relates to the operations of QuikWater and the sale of that separate business segment in 2002.

Recent Developments

On December 7, 2004, we issued a press release, reporting record revenues and earnings for our fiscal 2005 first quarter ended October 31, 2004. This press release is contained in our Current Report on Form 8-K, which is attached to this proxy statement as Appendix B and which is incorporated by reference in this proxy statement.

For the fiscal 2005 first quarter ended October 31, 2004, Webco reported net income of $6,614,000, or $0.92 per diluted share. For the same quarter in fiscal 2004, earnings were $414,000, or $0.06 per diluted share. Net sales for the first quarter of fiscal 2005 were $71.7 million, a 46 percent increase over the $49.1 million for the same quarter last year.

At October 31, 2004, our sales order backlog was approximately $56 million, as compared to approximately $53 million at July 31, 2004.

Webco s business during the last nine months has been largely impacted by two separate business conditions. First, selling prices for finished products were based on the higher replacement costs of coiled steel and were matched against Webco s lower average-cost inventories. Second, the lack of availability of carbon steel coils in the domestic marketplace limited the ability of customers to purchase products from Webco s competitors, resulting in tubing industry excess capacity being largely mitigated.

The conditions driving the steel industry during the last nine months have resulted in substantial increases in sales and income. Webco does not believe these results are sustainable. The level of operating profitability achieved during the third and fourth quarters enabled Webco to afford the higher working capital requirements caused by increasing steel costs, despite borrowing limitations in Webco s revolving line of credit. At such time as steel prices begin to decline, Webco believes it will have the opposite challenge of matching decreasing sales prices with higher average-cost inventories.

Pro Forma Consolidated Financial Statements (Unaudited)

The following unaudited pro forma consolidated balance sheet as of October 31, 2004, and the unaudited pro forma consolidated statements of operations for the three months ended October 31, 2004 and for the fiscal year ended July 31, 2004, show the pro forma effect of the Transaction and related events as required by Rule 11-02 of Regulation S-X. The historical figures for the fiscal year ended July 31, 2004, were derived from Webco s audited consolidated financial statements that were included in Webco s Quarterly Report on Form 10-Q for the three months ended October 31, 2004 and in Webco s Annual Report on Form 10-K for the fiscal year ended July 31, 2004. The historical figures as of and for the period ended October 31, 2004 were derived from Webco s unaudited consolidated financial statements that were included in Webco s Quarterly Report on Form 10-Q for the three months ended October 31, 2004.

The pro forma information below in this section giving effect to the Transaction is based on estimates of record ownership of shares of Common Stock, the number of shares outstanding and other information as of October 1, 2004 and assumes that the Minimum Number is 1,000, 800, 500 or 200 and, as a result of the foregoing, that 160,000, 140,000, 120,000 or 72,000, respectively, fractional shares and options to purchase 177,000, 153,000, 73,000 or 1,000, respectively, shares are cancelled or cashed out at a price of $6.50 per pre-Transaction share (net of the exercise price in the case of the options). In addition, Webco will make loans to certain executive officers and employees in the amount of $2.0 million. Pro forma adjustments to the pro forma balance sheets are computed as if the Transaction had occurred at October 31, 2004, while the pro forma income statements are computed as if the Transaction had occurred at the beginning of the period.

The pro forma information is not necessarily indicative of what our financial position or results of operations actually would have been if the Transaction had occurred on August 1, 2003 or August 1, 2004, or of our financial position or results of operations in the future. Webco s public reporting costs for the periods presented include only the historical public costs and do not include the additional expenses that will be required to comply with current and future federal securities laws.

The unaudited pro forma financial statements should be read in conjunction with the historical financial statements and accompanying footnotes included in our Annual Report on Form 10-K for the year ended July 31, 2004, and in our Quarterly Report on Form 10-Q for the quarter ended October 31, 2004, which are incorporated by reference in this proxy statement.

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
As of October 31, 2004 Assuming Minimum Number is 1,000
As if the Transaction Occurred October 31, 2004
(Dollars in thousands, except par value)
(Unaudited)

	Historical	Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash	$ 846	$	$ 846
Accounts receivable, net	36,638		36,638
Inventories	64,099		64,099
Prepaid expenses	836		836
Deferred income tax asset	2,697		2,697
Total current assets	105,116		105,116
Property, plant and equipment, net	59,715		59,715
Notes receivable from related parties	2,626	2,000 (1)	4,626
Other assets, net	2,093		2,093
Total assets	$169,550	$ 2,000	$171,550
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 18,677	$	$ 18,677
Accrued liabilities	12,735	(67) (2)	12,668
Current portion of long-term debt	42,262	4,382 (3)	46,644
Total current liabilities	73,674	4,315	77,989
Long-term debt	16,999		16,999
Deferred income tax liability	13,614		13,614
Commitments and contingencies			
Stockholders equity:			
Common stock, $.01 par value, 12,000,000 shares authorized, 7,082,623 shares issued and outstanding for historical; 1,200,000 shares authorized, 692,262 shares issued and outstanding for pro-forma	71	(2) (4)	69
Additional paid-in capital	35,748	(807) (4)	34,941
Accumulated other comprehensive income, net of tax	363		363
Retained earnings	29,081	(1,506) (5)	27,575

Total stockholders equity	65,263	(2,315)	62,948
Total liabilities and stockholders equity	$169,550	$ 2,000	$171,550
Book Value per Basic Share	$ 9.21		$ 90.97

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended October 31, 2004 Assuming Minimum Number is 1,000
As if the Transaction Occurred August 1, 2004
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$71,727	$	$71,727
Cost of Sales	54,885		54,885
Gross Profit	16,842		16,842
Selling, general and administrative expenses	5,732	56 (6)	5,788
Income from operations	11,110	(56)	11,054
Interest expense	533	52 (7)	585
Income before income taxes	10,577	(108)	10,469
Provision for income taxes	3,963	(43) (8)	3,920
Net income	$ 6,614	$ (65)	$ 6,549
Net income per share:			
Basic	$ 0.93		$ 9.46
Diluted	$ 0.92		$ 9.33
Weighted average common shares outstanding (in thousands):			
Basic	7,083	(6,391) (9)	692
Diluted	7,192	(6,490) (9)	702

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended July 31, 2004 Assuming Minimum Number is 1,000

As if the Transaction Occurred August 1, 2003
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$212,527	$	$212,527
Cost of Sales	181,147		181,147
Gross Profit	31,380		31,380
Selling, general and administrative expenses	17,036	(278) (6)	16,758
Income from operations	14,344	278	14,622
Interest expense	2,318	208 (7)	2,526
Income before income taxes	12,026	70	12,096
Provision for income taxes	4,808	28 (8)	4,836
Net income	$ 7,218	$ 42	$ 7,260
Net income per share:			
Basic	$ 1.02		$ 10.49
Diluted	$ 1.01		$ 10.37
Weighted average common shares outstanding (in thousands):			
Basic	7,082	(6,390) (9)	692
Diluted	7,162	(6,462) (9)	700

Footnotes to Pro Forma Financial Statements Assuming Minimum Number is 1,000

(1) Represents loans to officers and employees of Webco to replace loans secured by Common Stock currently held by financial institutions, as follows: $1,495 to F. William Weber, Chairman of the Board and Chief Executive Officer; $105 to Dana S. Weber, Vice Chairman, President and Chief Operating Officer; $280 to David E. Boyer, Senior Vice President of Tubing Operations and Corporate Secretary; and $120 to other employees. See Special Factors Interests of Webco s Directors and Officers in the Transaction, beginning on page 39, for additional information with respect to these loans.

(2) Represents a reduction in current taxes of $67 for $167 in expense related to the retirement of in-the-money employee stock options to purchase fewer than the Minimum Number of shares. The after-tax expense of $100 reduced Retained Earnings in the pro forma balance sheet.

(3) Represents funds borrowed under Webco s senior credit facility to effect the Transaction, including loans referenced in (1) above.

(4) Represents payments in respect of fractional shares that are estimated to be approximately $1,040. Common Stock and Additional Paid-in-Capital were reduced based on the pre-split per share basis in each account and Retained Earnings was reduced for the excess per share amounts. $.01 per share, or $2, was allocated to Common Stock; $5.05 per share, or $807, was allocated to Additional Paid-in-Capital; and $1.44 per share, or $231, was allocated to Retained Earnings.

(5) Retained earnings are reduced for expenses related to the Transaction of $1,175; see (2) and (4) above.

(6) Reduction to General and Administrative expenses for estimated savings from not being a public reporting company and interest income on loans to officers of $82 and $29, respectively, for the three months ended October 31, 2004, and $330 and $115, respectively, for the year ended July 31, 2004. These amounts were offset by $167 in expense related to the retirement of in-the-money employee stock options discussed in (2) above.

(7) Increased interest costs at an assumed interest rate of 4.75% on the approximately $4,382 of revolving line of credit funds used to effect the Transaction. A 1/8% change in the assumed rate would result in a change in interest expense of approximately $5 per annum.

(8) Taxes are based upon Webco s estimated annual combined effective federal and state income tax rate of 40 percent.

(9) Pro forma basic and diluted weighted outstanding shares are adjusted based on the assumed redemption of 160,000 pre-split shares and the one-for-10 net reverse split, resulting in 692, 262 shares issued and outstanding upon completion of the Transaction.

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
As of October 31, 2004 Assuming Minimum Number is 800
As if the Transaction Occurred October 31, 2004
(Dollars in thousands, except par value)
(Unaudited)

	Historical	Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash	$ 846	$	$ 846
Accounts receivable, net	36,638		36,638
Inventories	64,099		64,099
Prepaid expenses	836		836
Deferred income tax asset	2,697		2,697
Total current assets	105,116		105,116
Property, plant and equipment, net	59,715		59,715
Notes receivable from related parties	2,626	2,000 (1)	4,626
Other assets, net	2,093		2,093
Total assets	$169,550	$ 2,000	$171,550
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 18,677	$	$ 18,677
Accrued liabilities	12,735	(62) (2)	12,673
Current portion of long-term debt	42,262	4,240 (3)	46,502
Total current liabilities	73,674	4,178	77,852
Long-term debt	16,999		16,999
Deferred income tax liability	13,614		13,614
Commitments and contingencies			
Stockholders equity:			
Common stock, $.01 par value, 12,000,000 shares authorized, 7,082, 623 shares issued and outstanding for historical; 1,200,000 shares authorized, 694,262 shares issued and outstanding for pro-forma	71	(1) (4)	70
Additional paid-in capital	35,748	(707) (4)	35,041
Accumulated other comprehensive income, net of tax	363		363
Retained earnings	29,081	(1,470) (5)	27,611

Total stockholders equity	65,263	(2,178)	63,085
Total liabilities and stockholders equity	$169,550	$ 2,000	$171,550
Book Value per Basic Share	$ 9.21		$ 90.90

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended October 31, 2004 Assuming Minimum Number is 800
As if the Transaction Occurred August 1, 2004
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$71,727	$	$71,727
Cost of Sales	54,885		54,885
Gross Profit	16,842		16,842
Selling, general and administrative expenses	5,732	44 (6)	5,776
Income from operations	11,110	(44)	11,066
Interest expense	533	50 (7)	583
Income before income taxes	10,577	(94)	10,483
Provision for income taxes	3,963	(37) (8)	3,926
Net income	$ 6,614	$ (57)	$ 6,557
Net income per share:			
Basic	$ 0.93		$ 9.45
Diluted	$ 0.92		$ 9.31
Weighted average common shares outstanding (in thousands):			
Basic	7,083	(6,389) (9)	694
Diluted	7,192	(6,488) (9)	704

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended July 31, 2004 Assuming Minimum Number is 800

As if the Transaction Occurred August 1, 2003
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$212,527	$	$212,527
Cost of Sales	181,147		181,147
Gross Profit	31,380		31,380
Selling, general and administrative expenses	17,036	(290) (6)	16,746
Income from operations	14,344	290	14,634
Interest expense	2,318	201 (7)	2,519
Income before income taxes	12,026	89	12,115
Provision for income taxes	4,808	36 (8)	4,844
Net income	$ 7,218	$ 53	$ 7,271
Net income per share:			
Basic	$ 1.02		$ 10.48
Diluted	$ 1.01		$ 10.36
Weighted average common shares outstanding (in thousands):			
Basic	7,082	(6,388) (9)	694
Diluted	7,162	(6,460) (9)	702

Footnotes to Pro Forma Financial Statements Assuming Minimum Number is 800

(1) Represents loans to officers and employees of Webco to replace loans secured by Common Stock currently held by financial institutions, as follows: $1,495 to F. William Weber, Chairman of the Board and Chief Executive Officer; $105 to Dana S. Weber, Vice Chairman, President and Chief Operating Officer; $280 to David E. Boyer, Senior Vice President of Tubing Operations and Corporate Secretary; and $120 to other employees. See Special Factors Interests of Webco s Directors and Officers in the Transaction, beginning on page 39, for additional information with respect to these loans.

(2) Represents a reduction in current taxes of $62 for $155 in expense related to the retirement of in-the-money employee stock options to purchase fewer than the Minimum Number of shares. The after-tax expense of $93 reduced Retained Earnings in the pro forma balance sheet.

(3) Represents funds borrowed under Webco s senior credit facility to effect the Transaction, including loans referenced in (1) above.

(4) Represents payments in respect of fractional shares that are estimated to be approximately $910. Common Stock and Additional Paid-in-Capital were reduced based on the pre-split per share basis in each account and Retained Earnings was reduced for the excess per share amounts. $.01 per share, or $1, was allocated to Common Stock; $5.05 per share, or $707, was allocated to Additional Paid-in-Capital; and $1.44 per share, or $202, was allocated to Retained Earnings.

(5) Retained earnings are reduced for expenses related to the Transaction of $1,175; see (2) and (4) above.

(6) Reduction to General and Administrative expenses for estimated savings from not being a public reporting company and interest income on loans to officers of $82 and $29, respectively, for the three months ended October 31, 2004, and $330 and $115, respectively, for the year ended July 31, 2004. These amounts were offset by $155 in expense related to the retirement of in-the-money employee stock options discussed in (2) above.

(7) Increased interest costs at an assumed interest rate of 4.75% on the approximately $4,240 of revolving line of credit funds used to effect the Transaction. A 1/8% change in the assumed rate would result in a change in interest expense of approximately $5 per annum.

(8) Taxes are based upon Webco s estimated annual combined effective federal and state income tax rate of 40 percent.

(9) Pro forma basic and diluted weighted outstanding shares are adjusted based on the assumed redemption of 140,000 pre-split shares and the one-for-10 net reverse split, resulting in 694,262 shares issued and outstanding upon completion of the Transaction.

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
As of October 31, 2004 Assuming Minimum Number is 500
As if the Transaction Occurred October 31, 2004
(Dollars in thousands, except par value)
(Unaudited)

	Historical	Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash	$ 846	$	$ 846
Accounts receivable, net	36,638		36,638
Inventories	64,099		64,099
Prepaid expenses	836		836
Deferred income tax asset	2,697		2,697
Total current assets	105,116		105,116
Property, plant and equipment, net	59,715		59,715
Notes receivable from related parties	2,626	2,000 (1)	4,626
Other assets, net	2,093		2,093
Total assets	$169,550	$ 2,000	$171,550
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 18,677	$	$ 18,677
Accrued liabilities	12,735	(31) (2)	12,704
Current portion of long-term debt	42,262	4,033 (3)	46,295
Total current liabilities	73,674	4,002	77,676
Long-term debt	16,999		16,999
Deferred income tax liability	13,614		13,614
Commitments and contingencies			
Stockholders equity:			
Common stock, $.01 par value, 12,000,000 shares authorized, 7,082,623 shares issued and outstanding for historical; 1,200,000 shares authorized, 696,262 shares issued and outstanding for pro-forma	71	(1) (4)	70
Additional paid-in capital	35,748	(606) (4)	35,142
Accumulated other comprehensive income, net of tax	363		363
Retained earnings	29,081	(1,395) (5)	27,686

Total stockholders equity	65,263	(2,002)	63,261
Total liabilities and stockholders equity	$169,550	$ 2,000	$171,550
Book Value per Basic Share	$ 9.21		$ 90.89

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended October 31, 2004 Assuming Minimum Number is 500
As if the Transaction Occurred August 1, 2004
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$71,727	$	$71,727
Cost of Sales	54,885		54,885
Gross Profit	16,842		16,842
Selling, general and administrative expenses	5,732	(33) (6)	5,699
Income from operations	11,110	33	11,143
Interest expense	533	48 (7)	581
Income before income taxes	10,577	(15)	10,562
Provision for income taxes	3,963	(6) (8)	3,957
Net income	$ 6,614	$ (9)	$ 6,605
Net income per share:			
Basic	$ 0.93		$ 9.49
Diluted	$ 0.92		$ 9.34
Weighted average common shares outstanding (in thousands):			
Basic	7,083	(6,387) (9)	696
Diluted	7,192	(6,485) (9)	707

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended July 31, 2004 Assuming Minimum Number is 500

As if the Transaction Occurred August 1, 2003
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$212,527	$	$212,527
Cost of Sales	181,147		181,147
Gross Profit	31,380		31,380
Selling, general and administrative expenses	17,036	(367) (6)	16,669
Income from operations	14,344	367	14,711
Interest expense	2,318	192 (7)	2,510
Income before income taxes	12,026	175	12,201
Provision for income taxes	4,808	70 (8)	4,878
Net income	$ 7,218	$ 105	$ 7,323
Net income per share:			
Basic	$ 1.02		$ 10.52
Diluted	$ 1.01		$ 10.40
Weighted average common shares outstanding (in thousands):			
Basic	7,082	(6,386) (9)	696
Diluted	7,162	(6,458) (9)	704

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Footnotes to Pro Forma Financial Statements Assuming Minimum Number is 500

(1) Represents loans to officers and employees of Webco to replace loans secured by Common Stock currently held by financial institutions, as follows: $1,495 to F. William Weber, Chairman of the Board and Chief Executive Officer; $105 to Dana S. Weber, Vice Chairman, President and Chief Operating Officer; $280 to David E. Boyer, Senior Vice President of Tubing Operations and Corporate Secretary; and $120 to other employees. See Special Factors Interests of Webco s Directors and Officers in the Transaction, beginning on page 39, for additional information with respect to these loans.

(2) Represents a reduction in current taxes of $31 for $78 in expense related to the retirement of in-the-money employee stock options to purchase fewer than the Minimum Number of shares. The after-tax expense of $47 reduced Retained Earnings in the pro forma balance sheet.

(3) Represents funds borrowed under Webco s senior credit facility to effect the Transaction, including loans referenced in (1) above.

(4) Represents payments in respect of fractional shares that are estimated to be approximately $780. Common Stock and Additional Paid-in-Capital were reduced based on the pre-split per share basis in each account and Retained Earnings was reduced for the excess per share amounts. $.01 per share, or $1, was allocated to Common Stock; $5.05 per share, or $606, was allocated to Additional Paid-in-Capital; and $1.44 per share, or $173, was allocated to Retained Earnings.

(5) Retained earnings are reduced for expenses related to the Transaction of $1,175; see (2) and (4) above.

(6) Reduction to General and Administrative expenses for estimated savings from not being a public reporting company and interest income on loans to officers of $82 and $29, respectively, for the three months ended October 31, 2004, and $330 and $115, respectively, for the year ended July 31, 2004. These amounts were offset by $78 in expense related to the retirement of in-the-money employee stock options discussed in (2) above.

(7) Increased interest costs at an assumed interest rate of 4.75% on the approximately $4,033 of revolving line of credit funds used to effect the Transaction. A 1/8% change in the assumed rate would result in a change in interest expense of approximately $5 per annum.

(8) Taxes are based upon Webco s estimated annual combined effective federal and state income tax rate of 40 percent.

(9) Pro forma basic and diluted weighted outstanding shares are adjusted based on the assumed redemption of 120,000 pre-split shares and the one-for-10 net reverse split, resulting in 696,262 shares issued and outstanding upon completion of the Transaction.

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
As of October 31, 2004 Assuming Minimum Number is 200
As if the Transaction Occurred October 31, 2004
(Dollars in thousands, except par value)
(Unaudited)

	Historical	Adjustments	Pro Forma
ASSETS			
Current assets:			
Cash	$ 846	$	$ 846
Accounts receivable, net	36,638		36,638
Inventories	64,099		64,099
Prepaid expenses	836		836
Deferred income tax asset	2,697		2,697
Total current assets	105,116		105,116
Property, plant and equipment, net	59,715		59,715
Notes receivable from related parties	2,626	2,000 (1)	4,626
Other assets, net	2,093		2,093
Total assets	$169,550	$ 2,000	$171,550
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 18,677	$	$ 18,677
Accrued liabilities	12,735	(1) (2)	12,734
Current portion of long-term debt	42,262	3,646 (3)	45,908
Total current liabilities	73,674	3,645	77,319
Long-term debt	16,999		16,999
Deferred income tax liability	13,614		13,614
Commitments and contingencies			
Stockholders equity:			
Common stock, $.01 par value, 12,000,000 shares authorized, 7,082,623 shares issued and outstanding for historical; 1,200,000 shares authorized, 701,062 shares issued and outstanding for pro-forma	71	(1) (4)	70
Additional paid-in capital	35,748	(363) (4)	35,385
Accumulated other comprehensive income, net of tax	363		363
Retained earnings	29,081	(1,281) (5)	27,800

Total stockholders equity	65,263	(1,645)	63,618
Total liabilities and stockholders equity	$169,550	$ 2,000	$171,550
Book Value per Basic Share	$ 9.21		$ 90.75

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WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Three Months Ended October 31, 2004 Assuming Minimum Number is 200
As if the Transaction Occurred August 1, 2004
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$71,727	$	$71,727
Cost of Sales	54,885		54,885
Gross Profit	16,842		16,842
Selling, general and administrative expenses	5,732	(108) (6)	5,624
Income from operations	11,110	108	11,218
Interest expense	533	43 (7)	576
Income before income taxes	10,577	65	10,642
Provision for income taxes	3,963	27 (8)	3,990
Net income	$ 6,614	$ 38	$ 6,652
Net income per share:			
Basic	$ 0.93		$ 9.49
Diluted	$ 0.92		$ 9.34
Weighted average common shares outstanding (in thousands):			
Basic	7,083	(6,382) (9)	701
Diluted	7,192	(6,480) (9)	712

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended July 31, 2004 Assuming Minimum Number is 200

As if the Transaction Occurred August 1, 2003
(Dollars in thousands, except per share amounts)
(Unaudited)

	Historical	Adjustments	Pro Forma
Net Sales	$212,527	$	$212,527
Cost of Sales	181,147		181,147
Gross Profit	31,380		31,380
Selling, general and administrative expenses	17,036	(442) (6)	16,594
Income from operations	14,344	442	14,786
Interest expense	2,318	173 (7)	2,491
Income before income taxes	12,026	269	12,295
Provision for income taxes	4,808	108 (8)	4,916
Net income	$ 7,218	$ 161	$ 7,379
Net income per share:			
Basic	$ 1.02		$ 10.53
Diluted	$ 1.01		$ 10.41
Weighted average common shares outstanding (in thousands):			
Basic	7,082	(6,381) (9)	701
Diluted	7,162	(6,453) (9)	709

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Footnotes to Pro Forma Financial Statements Assuming Minimum Number is 200

(1) Represents loans to officers and employees of Webco to replace loans secured by Common Stock currently held by financial institutions, as follows: $1,495 to F. William Weber, Chairman of the Board and Chief Executive Officer; $105 to Dana S. Weber, Vice Chairman, President and Chief Operating Officer; $280 to David E. Boyer, Senior Vice President of Tubing Operations and Corporate Secretary; and $120 to other employees. See Special Factors Interests of Webco s Directors and Officers in the Transaction, beginning on page 39, for additional information with respect to these loans.

(2) Represents a reduction in current taxes of $1 for $3 in expense related to the retirement of in-the-money employee stock options to purchase fewer than the Minimum Number of shares. The after-tax expense of $2 reduced Retained Earnings in the pro forma balance sheet.

(3) Represents funds borrowed under Webco s senior credit facility to effect the Transaction, including loans referenced in (1) above.

(4) Represents payments in respect of fractional shares that are estimated to be approximately $468. Common Stock and Additional Paid-in-Capital were reduced based on the pre-split per share basis in each account and Retained Earnings was reduced for the excess per share amounts. $.01 per share, or $1, was allocated to Common Stock; $5.05 per share, or $363, was allocated to Additional Paid-in-Capital; and $1.44 per share, or $104, was allocated to Retained Earnings.

(5) Retained earnings are reduced for expenses related to the Transaction of $1,175; see (2) and (4) above.

(6) Reduction to General and Administrative expenses for estimated savings from not being a public reporting company and interest income on loans to officers of $82 and $29, respectively, for the three months ended October 31, 2004, and $330 and $115, respectively, for the year ended July 31, 2004. These amounts were offset by $3 in expense related to the retirement of in-the-money employee stock options discussed in (2) above.

(7) Increased interest costs at an assumed interest rate of 4.75% on the approximately $3,646 of revolving line of credit funds used to effect the Transaction. A 1/8% change in the assumed rate would result in a change in interest expense of approximately $5 per annum.

(8) Taxes are based upon Webco s estimated annual combined effective federal and state income tax rate of 40 percent.

(9) Pro forma basic and diluted weighted outstanding shares are adjusted based on the assumed redemption of 72,000 pre-split shares and the one-for-10 net reverse split, resulting in 701, 062 shares issued and outstanding upon completion of the Transaction.

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Market Prices of the Common Stock

The Common Stock is listed on the American Stock Exchange under the symbol WEB. The following table sets forth the range of high and low closing prices as reported on the American Stock Exchange for the calendar periods set forth below. On May 28, 2004, the day before the initial public announcement that Webco was considering a reverse split transaction, the closing price of the Common Stock on the American Stock Exchange was $4.86 per share. On June 25, 2004, the day before Webco s announcement that a reverse split/forward split transaction had been approved, the closing price of the Common Stock on the American Stock Exchange was $4.08 per share. On October 22, the day before the announcement that Webco was updating its projections and that the Special Committee would be reevaluating the cash-out price based on the updated projections, the closing price of the Common Stock on the American Stock Exchange was $5.05 per share. On November 3, 2004, the day before Webco announced that the Transaction price was being increased to $6.50 per pre-reverse split share, the closing price of the Common Stock on the American Stock Exchange was $6.65 per share. On , 2005 (the most recent practicable date prior to the printing of this proxy statement), the closing price of the Common Stock was $ per share.

	HIGH	LOW
Calendar 2004		
First quarter	$4.10	$3.42
Second quarter	5.08	3.70
Third quarter	4.73	3.88
Fourth quarter (through December 16, 2004)	9.90	4.32
Calendar 2003		
First quarter	$3.75	$3.05
Second quarter	3.25	2.64
Third quarter	3.30	2.61
Fourth quarter	4.10	3.00
Calendar 2002		
First quarter	$5.25	$3.00
Second quarter	5.24	4.00
Third quarter	4.10	3.25
Fourth quarter	3.40	2.67

There were approximately 345 stockholders of record as of October 1, 2004.

Dividends

Webco has not declared any dividends on the Common Stock during the past five years, and the Board of Directors does not currently intend to pay any cash dividends on the Common Stock in the foreseeable future. Payment of cash dividends by Webco is at the discretion of its Board of Directors and is dependent on its earnings, financial condition, capital requirements and other relevant factors. Webco s current credit facility also contains limitations on Webco s ability to pay dividends. Webco expects that the new senior credit facility that it is currently negotiating will also contain restrictions on Webco s ability to pay dividends.

MANAGEMENT OF WEBCO

Set forth below is information about the directors and executive officers of Webco:

Directors

Name	Age	Positions with Webco	Director Since
F. William Weber	78	Chairman of the Board and Chief Executive Officer	1969
Dana S. Weber	47	Vice Chairman of the Board, President and Chief Operating Officer	1990
Christopher L. Kowalski	51	Director and President of Phillips & Johnston, Inc.	1998
Bradley S. Vetal	48	Director	2000
Dr. Kenneth E. Case	60	Director	1995
Jack D. McCarthy	61	Director	2001

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Executive Officers who are not Directors

Name	Age	Positions with Webco	Officer Since
David E. Boyer	44	Senior Vice President Tubing Operations, and Secretary	1992
Michael P. Howard	40	Chief Financial Officer, Senior Vice President Finance and Administration, Treasurer and Assistant Secretary	1997
Stuart D. Keeton	46	Vice President, General Manager Stainless Products Division	1995
Yong J. Kim	52	Vice President Strategic Business Development and Improvement	2003
William F. Obermark	63	Senior Vice President Corporate Development and Manufacturing Technology	1984
Randyl D. Watson	38	Vice President, General Manager Carbon Operations	2000
Thomas M. Willey	62	Vice President Materials Management	1995
Jeffrey W. Williams	47	Commercial Vice President OEM Sales	2003

F. William Weber is Chairman of the Board and Chief Executive Officer of Webco, positions he has held with Webco, or its predecessors, since founding the company in 1969. Mr. Weber s term as a Director of Webco expires in December 2005. Mr. Weber is Chairman of the Board and owner of Custom Containers of America, Inc. (C-CAM), which manufactures inter-modal tank containers and fabricates other metal products. Mr. Weber also serves on the Board of Directors of Diversified Plastics, Inc. (Diversified), a company owned by Mr. Weber until its sale in September 2002. Diversified primarily manufactures plastic access panels and performs some packaging services. Mr. Weber is not actively involved in the day-to-day operations of C-CAM or Diversified. Mr. Weber is the father of Dana S. Weber.

Dana S. Weber became President of Webco in June 1995 and is also its Vice Chairman of the Board and Chief Operating Officer, positions she has held since June 1990. Ms. Weber s term as a Director of Webco expires in December 2005. Ms. Weber was the acting Chief Financial Officer of Webco from August 1994 to July 1995. Ms. Weber served as Chief Financial Officer and Treasurer of Webco from 1986 to June 1990. Ms. Weber has been with Webco, or its predecessors, in various positions since 1977. Ms. Weber served on the Board of C-CAM prior to October 2002. Since October 2002, Ms. Weber is no longer involved with C-CAM in any official capacity. Ms. Weber is the daughter of F. William Weber.

Christopher L. Kowalski has been a Director of Webco since June 1998. Mr. Kowalski s term as a Director of Webco expires in December 2006. Mr. Kowalski is president of Phillips & Johnston, Inc. (P&J), a wholly owned subsidiary of Webco. Mr. Kowalski joined P&J in 1979 and has served as its President since 1987. Prior to his employment with P&J, Mr. Kowalski worked for Central Steel & Wire, Inc.

Bradley S. Vetal has been a Director of Webco since December 2000. Mr. Vetal s term as a Director of Webco expires in December 2006. Mr. Vetal has served as Chairman and Chief Executive Officer, President, and Director of Matrix Service Company since March 1999. Mr. Vetal has been with Matrix Service Company since January 1987 and has served as President of Matrix Service, Inc. since June 1, 1992. From June 1996 to March 1999, Mr. Vetal was Vice President Tank Division of Matrix Service Company and from June 1991 through May 1992, Mr. Vetal served as Vice President of Eastern Operations of Matrix Service Mid-Continent, Inc. Mr. Vetal graduated Cum Laude from the University of Michigan with a degree in Mechanical Engineering. Matrix is publicly traded on the Nasdaq National Market System.

Dr. Kenneth E. Case has been a Director of Webco since July 1995. Dr. Case s term as a Director of Webco expires in December 2004. Dr. Case is a Regents Professor of Industrial Engineering and Management and has been at

Oklahoma State University since August 1975. He is a licensed professional engineer and was named the Outstanding Engineer in Oklahoma in 1987. His primary specialties are in the fields of quality and reliability. Dr. Case was a Senior Examiner on the Malcolm Baldrige National Quality Award from 1988 to 1990, and on the Panel of Judges from 1991 to 1993. He is a member of the National Academy of Engineering and the International Academy for Quality. He is a Fellow and currently Chairman of the Board of the 100,000-member American Society for Quality. He is a Fellow and 1986-7 president of the Institute of Industrial Engineers. In 2002, Dr. Case became the 29th recipient of the Frank and Lillian Gilbreth Industrial Engineering Award, the IIE s highest honor.

Jack D. McCarthy has been a Director of Webco since December 2001. Mr. McCarthy s term as a Director of Webco expires in December 2004. From 1992 and until his retirement in 2003, Mr. McCarthy served as Senior Vice President and Chief Financial Officer of The Williams Companies, Inc. Mr. McCarthy joined The Williams

Companies in 1986, serving as Executive Director of Taxation and Vice President and Treasurer. Mr. McCarthy also held various executive and director positions in taxation and finance for Tenneco, Inc., El Paso Natural Gas, Inc., and Phillips Petroleum Company. Prior to those employments, Mr. McCarthy worked for the independent accounting firm, Ernst & Young, and a law firm. Mr. McCarthy holds a Juris Doctorate from Wayne State University, and a MBA and BBA from the University of Michigan. The Williams Companies, Inc. is publicly traded on the New York Stock Exchange.

David E. Boyer is Senior Vice President Tubing Operations of Webco since May 2001. Mr. Boyer has been the Secretary of Webco since November 1993. Mr. Boyer previously served as Webco s Vice President of Sales and Marketing from July 1992 to May 2001; General Manager-Stainless Products Division from June 1991 to July 1992; Product Manager, Stainless Products, from February 1989 to June 1991; and in various other positions with Webco since 1984.

Michael P. Howard is Chief Financial Officer, Senior Vice President Finance and Administration, Treasurer and Assistant Secretary, responsibilities he assumed when joining Webco in January 1997. Mr. Howard was Vice President of Finance and Administration and Chief Financial Officer for Multimedia Games, Inc. from January 1996 to January 1997. From May 1985 to January 1996 Mr. Howard was with the international accounting firm of Coopers & Lybrand LLP, where he worked in the Business Assurance Group and served as the audit manager on Webco s audit during five years of that period. Mr. Howard is a Certified Public Accountant.

Stuart D. Keeton has been Vice President and General Manager Stainless Products Division of Webco in Mannford, Oklahoma, since November 1995. Mr. Keeton was previously the General Manager of Stainless Operations of Webco from July 1992 to November 1995, and has been with Webco in various positions since December 1980.

Yong J. Kim is Vice President Strategic Business Development and Improvement of Webco since July 2003. Mr. Kim previously served as Director of OEM Products from January 2000 to July 2003, Director of Technical Services from November 1996 to January 2000, and Director of Corporate Quality Management from June 1992 to November 1996, and in various other positions with Webco since 1983.

William F. Obermark is Senior Vice President Corporate Development and Manufacturing Technology of Webco since December 1998. From November 1995 until 1998, he was the Vice President and General Manager Southwest Tube Division. Mr. Obermark previously was Vice President of Engineering, a position he had held with Webco since June 1984. Mr. Obermark has been with Webco in various positions since 1980, and has been in the specialty tubing industry since 1969. Mr. Obermark is a licensed professional engineer.

Randyl D. Watson has been Vice President and General Manager Carbon Operations since August 2004. From January 2000 to August 2004, Mr. Watson was the Vice President and General Manager Southwest Tube Division of Webco in Sand Springs, Oklahoma, since January 2000. From 1998 to January 2000, Mr. Watson was the General Business Manager of Weld Mill Operations and then all Operations at Southwest Tube. From 1993 to 1997, Mr. Watson was the Chief Engineer and Plant Manager for Southwestern Pipe in Houston Texas. In addition to his current tenure, Mr. Watson was employed by Webco as its Production Engineering Manager in Sand Springs from 1989 to 1993 when he left to join Southwestern Pipe.

Thomas M. Willey has been Vice President Materials Management of Webco since March 1995. Mr. Willey has been with Webco in various purchasing and materials acquisition and management positions since May 1980.

Jeffrey W. Williams is Commercial Vice President OEM Sales of Webco since August, 2003. A 24-year industry veteran, Mr. Williams previously served as Vice President Strategic Sales for P&J from August 1999 to July 2003;

Vice President of Sales for P&J from January 1997 to August 1999; and Regional Sales Manager for P&J from August 1992 to December 1996. Prior to joining Webco and P&J, Mr. Williams had a 13-year career with LTV Steel Tubular Products Company holding various sales and marketing positions.

Except as set forth above, there are no family relationships among any of the directors or principal officers. The business address and telephone number of each director and executive officer is c/o Webco Industries, Inc., 9101 West 21st Street, Sand Springs, Oklahoma 74063, (918) 241-1000.

Certain Transactions

C-Cam International, LLC

Webco charged C-CAM, an entity owned by F. William Weber, for certain shared benefits and services, including telephones and technical assistance prior to fiscal 2004. The outstanding receivable balance was $881,000 at October 31, 2004. As of the end of fiscal year 2003, Webco had discontinued all sharing of such benefits and services with C-CAM.

Diversified Plastics, Inc.

Webco purchases certain specialty packaging and shipping material from Diversified, an entity formerly owned by F. William Weber. Payments made by Webco totaled $80,000 during the three months ended October 31, 2004. Mr. Weber sold Diversified in September 2002; however he continues to serve on the board of directors and holds a note receivable for the purchase price, with full recourse, from the new owners.

Advances to Officers

F. William Weber had an outstanding advance from Webco during the three months ended October 31, 2004, in the amount of $1,200,000. The advance is evidenced by a promissory note from Mr. Weber and is collateralized by Common Stock and is also a personal obligation. The note bears interest at 3.97%, which is payable upon the note s maturity, June 30, 2007. Accrued interest on this note was $772,000 at October 31, 2004, of which $12,000 accrued during the three months ended October 31, 2004. Webco received no payments on the note during fiscal 2004.

Webco has made advances to certain other executives. As of October 31, 2004, such advances included $168,000 to William F. Obermark, $175,000 to David E. Boyer and $175,000 to Michael P. Howard. The advances are evidenced by promissory notes and are collateralized by company stock and are also personal obligations of the respective officers. Interest on the advances is charged at the rate of 3.97%. At October 31, 2004, accrued interest on Mr. Boyer s note was $33,000. The notes are due on December 31, 2006.

If the Transaction is completed, it is contemplated that Webco will lend F. William Weber $1,495,000, Dana S. Weber $105,000 and David E. Boyer $280,000 in order to repay loans to third parties secured by the Common Stock. See Special Factors Interests of Webco s Directors and Executive Officers in the Transaction, beginning on page 39.

Lease of Facility

Webco leases a warehouse in Nederland, Texas, that is owned by a partnership, the principals of which include Messrs. Howard, Keeton, Boyer and Obermark, each a vice president of Webco and H. Lee Beard, an employee of Webco. During the three months ended October 31, 2004, Webco paid $16,500 to the partnership in rentals. The rental payments were established based on an independent evaluation.

Webco s subsidiary, Phillips & Johnston, Inc., leases a warehouse in Lyndon, Illinois from an entity in which Mr. Kowalski is a 34 percent owner. During the three months ended October 31, 2004, P&J paid $24,000 to this entity in rentals.

See also Special Factors Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 39.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The table below sets forth the beneficial ownership of the Common Stock as of October 1, 2004, by (i) each person known by Webco to own beneficially more than five percent of the outstanding shares of Common Stock, (ii) each director, (iii) each of the executive officers of Webco, and (iv) all directors and executive officers of Webco as a group.

		Amount and Nature of Beneficial	Percent of Class				
				Minimum Number Assumed			
Name	Position	Ownership	Before	1,000	800	500	200
F. William Weber	Chairman of the Board and Chief Executive Officer	3,365,466 (1)	47.5%	48.6%	48.4%	48.3%	47.9%
Dana S. Weber	Vice Chairman of the Board, President and Chief Operating Officer	3,365,466 (1)	47.5	48.6	48.4	48.3	47.9
Kimberly A.W. Frank	Stockholder	3,365,466 (1)(3)	47.5	48.6	48.4	48.3	47.9
Christopher L. Kowalski	Director and President of Phillips & Johnston, Inc.	419,000 (2)(3)	5.9	6.0	6.0	6.0	6.0
Dr. Kenneth E. Case	Director	28,700 (3)	*	*	*	*	*
Jack D. McCarthy	Director	15,000 (3)	*	*	*	*	*
Bradley S. Vetal	Director	19,500 (3)	*	*	*	*	*
David E. Boyer	Vice President - Tubing Operations and Secretary	154,371 (3)	2.2	2.2	2.2	2.2	2.2
Michael P. Howard	Chief Financial Officer, Senior Vice President Finance and Administration, Treasurer and Assistant Secretary	108,268 (3)	1.5	1.6	1.5	1.5	1.5
Stuart D. Keeton	Vice President, General Manager - Stainless Products Division	63,867 (3)	*	*	*	*	*
Yong J. Kim	Vice President - Strategic Business Development and Improvement	10,677 (3)	*	*	*	*	*
William F. Obermark	Senior Vice President Corporate Development and Manufacturing Technology	84,801	1.2	1.2	1.2	1.2	1.2

Strong Capital Management, Inc	Institutional Investor	737,783 (4)	10.4	10.7	10.6	10.6	10.5
Randy D. Watson	Vice President, General Manager - Carbon Operations	31,400 (3)	*	*	*	*	*
Thomas M. Willey	Vice President - Materials Management	60,072 (3)	*	*	*	*	*
Jeffrey W. Williams	Commercial Vice President - OEM Sales	12,800 (3)	*	*	*	*	*
P. David Reed	Vice President - Information Technology	19,000 (3)	*	*	*	*	*
All directors and executive officers of Webco as a group (15 persons)		4,389,453	59.1%	60.4%	60.2%	60.1%	59.7%

* Less than 1%

(1) Each of F. William Weber, Martha A. Weber, Dana S. Weber and Kimberly A.W. Frank (the Weber Family) holds his or her shares in a revocable living trust. F. William Weber and Martha A. Weber are husband and wife and are co-trustees of the trusts established by each other. Certain members of the Weber Family (F. William Weber, Martha A. Weber, Dana S. Weber, Ashley R. Weber and Kimberly A.W. Frank) may be deemed to be a group, as such term is used in Section 13(d) of the 1934 Act, and the rules promulgated thereunder, and to share beneficial ownership of the shares owned by each other member of the Weber Family. Each member of the Weber Family disclaims beneficial ownership of the shares owned by each other member of the Weber Family, except Mr. and Mrs. F. William Weber as to the shares owned by the other (shares shown in the table for each member of the Weber Family include shares as to which beneficial ownership is disclaimed as aforesaid). Members of the Weber Family disclaim beneficial ownership of certain shares included in the table as being owned by them, as follows: (a) Mr. and Mrs. F. William Weber disclaim beneficial ownership of 271,641 shares held in trust for the benefit of Ashley R. Weber, 812,146 shares held in trust for the benefit of Dana S. Weber, 398,186 shares held in trust for the benefit of Kimberly A. W. Frank, 12,000 shares held in trust for the benefit of their minor grandchildren and 2,000 shares that Kimberly A. W. Frank had the right to acquire as of October 1, 2004; (b) Dana S. Weber disclaims beneficial ownership of 1,869,493 shares held in trust for the benefit of Mr. and Mrs. F. William Weber, 398,186 shares held in trust for the benefit of Kimberly A. W. Frank, 271,641 shares held in trust for the benefit of Ashley R. Weber, 4,600 shares held in trust for the benefit of her daughter, 7,400 shares held in trust for the benefit of the children of Kimberly A.W. Frank and 2,000 shares that Kimberly A. W. Frank had the right to acquire as of October 1, 2004; and (c) Kimberly A.W. Frank

disclaims beneficial ownership of 1,869,493 shares held in trust for the benefit of Mr. and Mrs. F. William Weber, 812,146 shares held in trust for the benefit of Dana S. Weber, 271,641 shares held in trust for the benefit of Ashley R. Weber, 7,400 shares held in trust for the benefit of her children, and 4,600 shares held in trust for the benefit of the child of Dana S. Weber. The address of each such stockholder is c/o Webco Industries, Inc., 9101 West 21st Street, Sand Springs, Oklahoma 74063.

(2) The address of Christopher L. Kowalski is c/o Webco Industries, Inc., 9101 West 21st Street, Sand Springs, Oklahoma 74063. See also Footnote (3) below.

(3) Includes shares of Common Stock that directors and executive officers had the right to acquire within 60 days after October 1, 2004, as follows: Christopher L. Kowalski, 4,000; Dr. Kenneth E. Case, 27,000; Jack D. McCarthy, 15,000; Bradley S. Vetal, 19,500; Kimberly A.W. Frank, 2,000; David E. Boyer, 56,000; Michael P. Howard, 56,000; Stuart D. Keeton, 48,400; Yong J. Kim, 10,500; Randyl D. Watson 31,400; Thomas M. Willey, 41,100; Jeffrey W. Williams, 11,000 and P. David Reed, 19,000.

(4) According to a Schedule 13G dated April 7, 2004. The address of Strong Capital Management, Inc. is 100 Heritage Reserve, Menomonee Falls, Wisconsin 53051.

OTHER INFORMATION

Incorporation by Reference

Webco s Current Report on Form 8-K, dated October 19, 2004, is attached as Appendix B to this proxy statement and is incorporated by reference in this proxy statement. Webco s audited consolidated financial statements as of July 31, 2003 and 2004, and for each of the three fiscal years ended July 31, 2004, the report of the independent registered public accounting firm thereon and the accompanying footnotes on pages 33 to 46 of Webco s Annual Report on Form 10-K are attached as Appendix C to this proxy statement. Such Annual Report on Form 10-K is incorporated by reference in this proxy statement. Webco s Quarterly Report on Form 10-Q for the quarter ended October 31, 2004 is attached as Appendix D to this proxy statement and is incorporated by reference in this proxy statement. The information incorporated by reference should be considered part of this proxy statement, except for any information superseded by information contained directly in this proxy statement.

Where You Can Find More Information

The Transaction will result in a going private transaction subject to Rule 13e-3 of the 1934 Act. Webco has filed a Rule 13e-3 Transaction Statement on Schedule 13E-3 under the 1934 Act with respect to the Transaction. The Schedule 13E-3 contains additional information about Webco. Copies of the Schedule 13E-3 are available for inspection and copying at the principal executive offices of Webco during regular business hours by any interested stockholder of Webco, or a representative who has been so designated in writing, and may be inspected and copied, or obtained by mail, by written request directed to Michael P. Howard, Webco s Chief Financial Officer and Senior Vice President, at the following address: Webco Industries, Inc., P. O. Box 100, Sand Springs, Oklahoma 74063.

Webco is currently subject to the information requirements of the 1934 Act and files periodic reports, proxy statements and other information with the Securities and Exchange Commission relating to its business, financial and other matters.

Copies of such reports, proxy statements and other information, as well as the Schedule 13E-3, may be copied (at prescribed rates) at the public reference facilities maintained by the SEC at Room 1024, 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. For further information concerning the SEC s public reference rooms, you may call the SEC at 1-800-SEC-0330. Some of this information may also be accessed on the World Wide Web through the SEC s Internet address at http://www.sec.gov. The Common Stock is listed on the American Stock Exchange under the symbol WEB.

MULTIPLE STOCKHOLDERS SHARING THE SAME ADDRESS

To reduce the expenses of delivering duplicate proxy materials, Webco is taking advantage of the SEC s householding rules that permit it to deliver only one set of proxy materials to stockholders who share an address unless otherwise requested. Any record stockholder who shares an address with another record stockholder and has received only one set of proxy materials, may receive a separate copy of these materials without charge upon written request addressed to Investor Relations, Webco Industries, Inc., P. O. Box 100, Sand Springs, Oklahoma 74063. If a record stockholder who shares an address with another record stockholder and currently receives only one set of proxy materials and/or one annual report wishes in the future to receive separate copies, please notify Investor Relations at the above address or by calling (918) 241-1000 and asking for Investor Relations. If record stockholders who share an address currently receive multiple copies of proxy materials and/or annual reports, they can request only one copy by notifying the Corporate Secretary at the above address or telephone number.

STOCKHOLDER PROPOSALS

If the Transaction is not consummated and Webco remains a public reporting company, proposals of stockholders intended to be presented at the next annual meeting must be received by Webco at its principal executive offices not later than , in order to be included in the proxy statement for the next annual meeting. Any such proposal should be addressed to Webco s Corporate Secretary and delivered to Webco s principal executive offices at 9101 West 21st Street, Sand Springs, Oklahoma 74063, or mailed to P. O. Box 100, Sand Springs, Oklahoma 74063. Any stockholder proposal to be considered at next year s annual meeting but not included in this proxy statement must be submitted in writing by or the persons appointed as proxies may exercise their discretionary voting authority if the proposal is considered at the meeting.

OTHER MATTERS

In accordance with Oklahoma law and Webco s Bylaws relating to special meetings of stockholders, no other business may be presented at the Special Meeting other than matters set forth herein which will be presented for consideration at the Meeting or which are incidental to the conduct of the Meeting.

By Order of the Board of Directors, F. William Weber

CHAIRMAN OF THE BOARD OF DIRECTORS

Sand Springs, Oklahoma

, 2004

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APPENDIX A

November 3, 2004

Board of Directors
Special Committee
Webco Industries, Inc.
9001 West 21st Street
Sand Springs, Oklahoma 74063

Dear Board and Committee Members:

Webco Industries, Inc. (the Company) proposes to effect a reverse stock split (the Reverse Split) of its common stock in which the holders of less than one share following the Reverse Split will receive cash in lieu of their fractional shares to be followed immediately by a forward split in which all holders of fractional shares after the forward split will receive cash in lieu thereof (the Transaction). You have requested our opinion as to the fairness from a financial point of view to stockholders other than directors and officers of the Company and other members of the Weber family (Unaffiliated Stockholders) of the $6.50 per pre-Reverse Split share they will receive in lieu of their fractional shares.

Southwest Securities, Inc. (SWS), as part of its investment banking services, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

We are acting as financial advisor to the Special Committee of the Board of Directors of the Company in connection with the Transaction and will receive a fee for our services. The opinion fee is not contingent upon the consummation of the Transaction. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. In the ordinary course of business, SWS may, for its own account and the accounts of its customers, trade the securities of the Company and, accordingly, may hold a long or short position in such securities.

In the course of performing our review and analysis for rendering this opinion, we have: (i) reviewed drafts of the Company s proxy statement pertaining to the Transaction (the Proxy Statement); (ii) reviewed and analyzed certain publicly available financial and other data with respect to the Company and certain other relevant historical operating data relating to the Company made available to us from published sources and from the internal records of the Company; (iii) conducted discussions with members of the senior management of the Company with respect to the business prospects and financial outlook of the Company; (iv) visited certain facilities and the business offices of the Company; (v) reviewed current and historical market prices and trading activity of the common stock of the Company; (vi) compared certain financial information for the Company with similar information for certain other companies, the securities of which are publicly traded; (vii) reviewed the financial terms, to the extent publicly available, of selected precedent transactions that we deemed generally comparable to the Company and the Transaction; and (viii) conducted such other financial studies, analyses and investigations and considered such other information as we deemed appropriate.

With respect to the data and discussions relating to the business prospects and financial outlook of the Company, we have assumed that such data have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of the Company and that the Company will perform substantially in accordance with such financial data and estimates. We have further relied on the assurances of senior management of the Company that they are unaware of any facts that would make such business prospects and financial outlook incomplete or misleading. The business prospects and financial outlook are based upon numerous variables and assumptions that are inherently uncertain, including factors relating to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the business prospects and financial outlook reviewed by us.

In rendering our opinion, we have assumed and relied upon the accuracy and completeness of the financial, legal, tax, operating and other information provided to us by the Company (including the financial statements and related notes thereto of the Company), and have not assumed responsibility for independently verifying and have not independently verified such information. We have not assumed any responsibility to perform, and have not performed, an independent evaluation or appraisal of any of the assets or liabilities of the Company, and we have not been furnished with any such valuations or appraisals. Additionally, we have not been asked and did not consider the possible effects of any litigation or other legal claims. We have also assumed that the Transaction will be consummated in a timely manner and in accordance with the terms of the Proxy Statement without any regulatory restrictions, conditions, amendments or modifications.

Our opinion is subject to the assumptions and conditions set forth herein, speaks only as of the date hereof, is based on the conditions as they exist and information which we have been supplied as of the date hereof, and is without regard to any market, economic, financial, legal or other circumstances or events of any kind or nature that may exist or occur after such date. We have not undertaken to reaffirm or revise this opinion or otherwise comment upon any events occurring after the date hereof and do not have any obligation to update, revise or reaffirm this opinion.

Our advisory services and the opinion expressed herein are provided for the information and assistance of the Special Committee and the Board of Directors of the Company in connection with their consideration of the Transaction. Copies of this opinion may be included in

Board of Directors
Special Committee
Webco Industries, Inc.
November 3, 2004
Page 3

the Proxy Statement and shown or provided to stockholders of the Company and any properly interested regulatory agencies (such as the Securities and Exchange Commission) in connection with the Transaction; however, copies may not be shown or provided to any other person (except attorneys and accountants for the Company) without the prior written approval of SWS. Further, this opinion may not be quoted in part, paraphrased, summarized or described in any writing, including the foregoing Proxy Statement, provided to any person who is not an employee or director of the Company or an attorney or accountant for the Company without the prior written approval of that portion of such writing by SWS.

Our opinion does not address the merits of the underlying decision by the Company to engage in the Transaction or the relative merits of the Transaction compared to any alternative business strategy in which the Company might engage. Our opinion addresses solely the fairness of the Transaction. We are not expressing any opinion herein as to the prices or price ranges at which the Company s common stock has traded or may trade in the future. This opinion does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote on the proposed Transaction or any other matter being voted upon by the Company s stockholders.

Based on our experience as investment bankers and subject to the foregoing, including the various assumptions and limitations set forth herein, it is our opinion that, as of the date hereof, the $6.50 per pre-Reverse Split share to be paid in the Transaction for fractional shares is fair from a financial point of view to the Unaffiliated Stockholders receiving cash in the Transaction.

Very truly yours,

Southwest Securities, Inc.

By: /s/ Michael D. Craig
Michael D. Craig
Managing Director

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[FRONT OF FORM]

WEBCO INDUSTRIES, INC.
9101 West 21st Street
(Post Office Box One)
Sand Springs, Oklahoma 74063(2)

Proxy Solicitation for common stock on Behalf of the Board of Directors of Webco for the Special Meeting of Stockholders on , 2005

The undersigned hereby appoints Mr. Jack D. McCarthy and Dr. Kenneth E. Case and each or either of them, as proxies, with full power of substitution and resubstitution, to vote all shares of the common stock of Webco Industries, Inc. which the undersigned is entitled to vote at the Special Meeting of Stockholders to be held on , 2004, and at any adjournment thereof, upon the items described in the Notice of Special Meeting of Stockholders and Proxy Statement mailed to Stockholders on or about , 2005, and upon any other business that may properly come before the Special Meeting of Stockholders or any adjournment thereof. The undersigned hereby acknowledges prior receipt of the Notice of Special Meeting of Stockholders and of the Proxy Statement.

The shares of common stock represented by this proxy will be voted as directed, or if directions are not indicated, will be voted FOR the Amendment to Webco s Certificate of Incorporation in the manner described in the proxy statement accompanying this proxy card. This proxy is revocable any time prior to its use. **The Board of Directors recommends a vote FOR the proposal.**

(continued and to be signed on other side)

[REVERSE SIDE OF FORM]

1. Amendment to Webco Industries, Inc. Certificate of Incorporation to effect a one-for-200 reverse stock split and a 20-for-1 forward stock split of the Common Stock.

   o FOR   o AGAINST   o ABSTAIN

2. Amendment to Webco Industries, Inc. Certificate of Incorporation to effect a one-for-500 reverse stock split followed immediately by a 50-for-one forward stock split of the Common Stock.

   o FOR   o AGAINST   o ABSTAIN

3. Amendment to Webco Industries, Inc. Certificate of Incorporation to effect a one-for-800 reverse stock split followed immediately by a 80-for-one forward stock split of the Common Stock.

   o FOR   o AGAINST   o ABSTAIN

4. Amendment to Webco Industries, Inc. Certificate of Incorporation to effect a one-for-1000 reverse stock split followed immediately by a 100-for-one forward stock split of the Common Stock.

   o FOR   o AGAINST   o ABSTAIN

Signature ______________________________ Date ______________________________
Signature ______________________________ Date ______________________________

Please complete, date and sign this proxy and return it promptly in the enclosed envelope, whether or not you plan to attend the Special Meeting on , 2004. If you attend the Special Meeting, you may vote in person if you wish, even if you have previously returned your proxy.

NOTE: Please sign exactly as your name or names appear on this proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.