Department of Justice

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JUSTICE DEPARTMENT PROTECTS COMPETITION IN MERGER INVOLVING HOUSTON OIL WELL EQUIPMENT MAKERS

WASHINGTON, D.C. -- The Department of Justice today said that it would allow two Houston-based oil well equipment makers--Cooper Cameron Corp. and Ingram Cactus Co.--to go forward with their $98 million merger deal following the agreement by Cooper Cameron to license and supply certain oil well equipment and technology to a third company, Daniel Valve Co., to alleviate anticompetitive concerns.

The Department's action was in response to concerns that Cooper Cameron's acquisition of Ingram Cactus would lessen competition in the U.S. market for geothermal wellheads and valves. Wellheads are used to cap new oil wells, and are used to regulate the pressure of oil, natural gas, or geothermal steam as it emerges from the well.

The Department's Antitrust Division said that the license and supply agreement will eliminate the transaction's potential harm to competition in this market. The Department said that without this fix, the merger would have combined the largest and second largest suppliers of geothermal wellheads and valves and would have lessened competition to customers in the United States, causing higher prices or lower levels of quality and service.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, said, "This transaction as originally structured would have significantly reduced competition by combining the only two major competitors in the manufacture and sale of geothermal wellheads and valves."

The license and supply agreement between Cooper Cameron and Daniel Valve Company will preserve competition in this industry which will benefit purchasers and users of this equipment, Bingaman added.

Bingaman cited this case as another example of the Department's willingness to work with parties to remedy competitive problems that arise in the context of larger merger deals so that those transactions can proceed once the competitive problems are resolved.

"Here the parties' willingness to 'fix-it-first' ensures that the transaction's potentially anticompetitive features have been satisfactorily eliminated before it is allowed to proceed, protecting consumers from possible economic harm," Bingaman added.

Cooper Cameron Corporation and Ingram Cactus Company compete world-wide as well as in the United States in the markets for wellhead equipment and valves for use in the oil, gas, and geothermal drilling industries. In 1995, total sales for Cooper Cameron was $1.1 billion and total sales for Ingram Cactus was $73 million. In 1995, the two companies accounted for a substantial percentage of sales of geothermal wellheads and valves in the United States.

To remedy the Department's competitive concern, Cooper Cameron entered into an exclusive agreement to license its technology, including its know-how and trade secrets, used in connection with the design, manufacture, and sale of geothermal wellheads and valves, to Daniel Valve Company, a subsidiary of Daniel Industries Inc., also headquartered in Houston. Daniel Industries is a major manufacturer of fluid measurement and fluid control products and systems. In 1995, Daniel Valve had sales of more than $168 million.

In addition, Cooper Cameron will provide Daniel with technical assistance for one year, and will supply Daniel with the same components covered by the license for a period of three years at its distributors' prices.

Together, the license and supply agreement resolved the Department's competitive concerns by providing Daniel with the assets, information, and products to become a long-term, viable competitor in this industry.

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