OMNI ENERGY SERVICES CORP
Form 10-K
March 31, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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

COMMISSION FILE NUMBER 0-23383

OMNI ENERGY SERVICES CORP.
(Exact name of registrant as specified in our charter)

LOUISIANA	72-1395273
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4500 N.E. EVANGELINE THRUWAY CARENCRO, LOUISIANA	70520
(Address of principal executive offices)	(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(337) 896-6664

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, $0.01 PAR VALUE PER SHARE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 28, 2002 was $9,070,909.

The number of shares of the Registrant's common stock, $0.01 par value per share, outstanding at March 26, 2003 was 9,101,778.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for our 2003 annual meeting of shareholders have been incorporated by reference into Part III of this Form 10-K.

OMNI ENERGY SERVICES CORP.
ANNUAL REPORT ON FORM 10-K FOR
THE FISCAL YEAR ENDED DECEMBER 31, 2002

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PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

GENERAL

OMNI Energy Services Corp. is an oilfield service company specializing in providing an integrated range of onshore seismic drilling, permitting, survey and helicopter support services to geophysical companies operating in logistically difficult and environmentally sensitive terrain in the United States. Our principal market is the marsh, swamp, shallow water and contiguous dry land areas along the U.S. Gulf Coast (the "Transition Zone"), primarily in Louisiana and Texas, where we are the leading provider of seismic drilling support services. During the latter part of 1997, we commenced operations in the mountainous regions of the Western United States. We previously operated in Canada and South America but in 1999 we ceased these international operations pending improvements in the international marketplace.

We own and operate a fleet of specialized seismic drilling and transportation equipment for use in the Transition Zone. We believe we are the only company that currently can both provide an integrated range of seismic drilling, permitting, survey and helicopter support services in all of the varied terrain of the Transition Zone and simultaneously support operations for multiple, large-scale seismic projects. In February 2002, we acquired all of the assets of AirJac Drilling, a division of Veritas Land DGC. This acquisition created the largest domestic provider of seismic drilling services to geophysical companies. We also maintain a fleet of helicopters, including an inventory of aviation parts, turbine engines and other miscellaneous flight equipment used in providing aviation services to our customers.

We were founded in 1987, as OMNI Drilling Corporation, to provide drilling services to the geophysical industry. In July 1996, OMNI Geophysical, L.L.C. acquired substantially all of the assets of OMNI Geophysical Corporation, the successor to the business of OMNI Drilling Corporation. OMNI Energy Services Corp. ("OMNI") was formed as a Louisiana corporation on September 11, 1997. On December 4, 1997, we completed a share exchange, pursuant to which the holders of common units in OMNI Geophysical, L.L.C. exchanged all of the outstanding common units of OMNI Geophysical, L.L.C. for 4,000,000 shares of OMNI's common stock, $0.01 par value per share (the "Common Stock"), and completed an initial public offering of 1,150,000 shares of Common Stock.

INDUSTRY OVERVIEW

Seismic data generally consists of computer-generated three-dimensional ("3-D") images or two-dimensional ("2-D") cross sections of subsurface geologic formations and is used in the exploration for new hydrocarbon reserves and as a tool for enhancing production from existing reservoirs. Onshore seismic data is acquired by recording subsurface seismic waves produced by an energy source, usually dynamite, at various points ("source points") at a project site. Historically, 2-D surveys were the primary technique used to acquire seismic data. However, advances in computer technology have made 3-D seismic data, which provides a more comprehensive geophysical image, a practical and capable oil and gas exploration and development tool. 3-D seismic data has proven to be more accurate and effective than 2-D data at identifying potential hydrocarbon-bearing geological formations. The use of 3-D seismic data to identify locations to drill both exploration and development wells has improved the economics of finding and producing oil and gas reserves, which in turn has created increased demand for 3-D seismic surveys and seismic support services.

Oil and gas companies generally contract with independent geophysical companies to acquire seismic data. Once an area is chosen for seismic analysis, we obtain permits and landowner consents, either by us, by the geophysical company or by special permitting agents. The geophysical company then determines the layout of the source and receiving points. For 2-D data, the typical configuration of source and receiving points is a straight line with a source point and small groups of specialized sensors ("geophones") or geophone stations placed evenly every few hundred feet along the line. For 3-D data, the configuration is generally a grid of perpendicular lines spaced a few hundred to a few thousand feet apart, with geophone stations spaced evenly every few hundred feet along one set of parallel lines, and source points spaced evenly every few hundred feet along the perpendicular lines. This configuration is designed by the geophysical company to provide the best

imaging of the targeted geological structures while taking into account surface obstructions such as water wells, oil and gas wells, pipelines and areas where landowner consents cannot be obtained. A survey team then marks the source points and geophone locations, and the source points are drilled and loaded with dynamite.

After the source points have been drilled and loaded and the network of geophones and field recording boxes deployed over a portion of the project area, the dynamite is detonated at a source point. Seismic waves generated by the blast move through the geological formations under the project area and is reflected by various subsurface strata back to the surface where they are detected by geophones. The signals from the geophones are collected and digitized by recording boxes and transmitted to a central recording system. In the case of 2-D data, the geophones and recording devices from one end of the line are then shuttled, or "rolled forward," to the other end of the line and the process is repeated. In the case of 3-D data, numerous source points, typically located between the first two lines of a set of three or four parallel lines of geophone stations, are activated in sequence. The geophone stations and recording boxes from the first of those lines are then rolled forward to form the next line of geophone stations. The process is repeated, moving a few hundred feet at a time, until the entire area to be analyzed has been covered.

After the raw seismic data has been acquired, it is sent to a data processing facility. The processed data can then be manipulated and viewed on computer workstations by geoscientists to map the subsurface structures to identify formations where hydrocarbons are likely to have accumulated and to monitor the movement of hydrocarbons in known reservoirs. Domestically, seismic drilling and survey services are typically contracted to companies such as OMNI as geophysical companies have found it more economical to outsource these services and focus their efforts and capital on the acquisition and interpretation of seismic data.

DESCRIPTION OF OPERATIONS

We provide an integrated range of onshore services including seismic drilling, operational support, permitting, and surveying and helicopter support to geophysical companies operating in logistically difficult and environmentally sensitive terrain in the United States.

Seismic Drilling. Our primary activity is the drilling and loading of source points for seismic analysis. Once the geophysical company has plotted the various source points and a survey crew has marked their locations, our drill crews are deployed to drill and load the source points.

In the Transition Zone, we use water pressure rotary drills mounted on various types of vehicles to drill the source holes. The nature, accessibility and environmental sensitivity of the terrain surrounding the source point determine the type of vehicle used. Transition Zone source holes are generally drilled to depths of 40 to 180 feet depending on the nature of the terrain and the needs of the geophysical company, using ten-foot sections of drill pipe, which are carried with the drilling unit. Our Transition Zone vehicles are typically manned with a driver and one or two helpers. The driver is responsible for maneuvering the vehicle into position and operating the drilling unit, while the helper sets and guides the drill into position, attaches the drilling unit's water source, if drilling in dry areas, and loads the drill pipe sections used in the drilling process. Once the hole has been drilled to the desired depth, it is loaded with dynamite, which is carried onboard our vehicles in special containers. The explosive charge is set at the bottom of the drill hole and then tested to ensure that the connection has remained intact. Once the charge has been tested, the hole is plugged in accordance with local, state and federal regulations and marked so that the geophysical company can identify it for detonation at a later date. This process is repeated throughout the survey area until all source points have been drilled and loaded.

In seismic rock drilling, we use compressed air rotary/hammer drills to drill holes that are typically shallower than Transition Zone holes. Rock drills are manned by a two-man or three-man crew and are transported to and from locations by hand, surface vehicle or helicopter. Once the hole has been drilled to the desired depth, it is loaded with explosives, which are delivered to the job site in an explosive magazine carried by hand, vehicle or helicopter.

Operational Support. We are able to coordinate a variety of related services to customers performing 3-D seismic data acquisition projects that produce significant economies and value. Our substantial base of experience gained from years of work supporting 3-D seismic projects enables us to provide significant pre-job planning information to the customer during job design analysis. Typical 3-D seismic data acquisition projects in the field involve large amounts of equipment, personnel and logistics coordination. Coordination of movements between permitting, drilling, survey and recording crews is of critical importance to timely, safe and cost effective execution of the job. We have a pool of senior field supervisors, who have broad seismic industry experience and are able to coordinate the activities of drill crews, permit agents and survey teams with the recording crews to achieve improved results. These personnel also have the ability to recommend changes to the customer field representatives in the manner of executing the job in the field to improve performance and reduce costs. By having the ability to perform significant field coordination, we are able to streamline field decision making and information flow and reduce customer overhead costs that otherwise would be required to perform these supervisory tasks. We also have one of the industry's leading Health, Safety and Environmental ("HSE") programs. The involvement of our experienced personnel monitoring HSE field practices greatly reduces customer involvement in this area. By offering the only integrated combination of seismic drilling, permit acquisition, seismic survey and operational support, in addition to an equipment fleet that is one of the largest in terms of number of units and most diverse in the industry, we provide significant operational advantages to the customer.

Permitting. In November 2000, we created a "Geophysical Permit Acquisition Division." Our staff of contract permit agents first conducts research in public land title records to determine ownership of the lands located in the seismic projects. The permit agents then contact, negotiate and acquire permits and landowner consents for the survey, drilling and recording crews to conduct their operations. Throughout the seismic data acquisition process, the permit agents assist the crews in the field with landowner relations and permit restrictions in order to reduce field-crew downtime for noncompliance with landowner requests. Our permit services are enhanced with the assistance of a proprietary database software program specifically designed for efficient management of seismic projects.

Currently we have 21 permit agents under contract conducting services throughout the Gulf Coast States. These agents have significant experience in the permit acquisition and management process.

Survey. Once all permits and landowner consents for a seismic project have been obtained and the geophysical company has determined the placement of source and receiving points, survey crews are sent into the field to plot each source and receiving point prior to drilling. We employ both GPS (global positioning satellite) equipment, which is more efficient for surveying in open areas, and conventional survey equipment, which is generally used to survey wooded areas. We have successfully integrated both types of equipment in order to complete projects throughout the varied terrain of the Transition Zone and elsewhere. In addition, the survey crews have access to our extensive fleet of specialized transportation equipment, as opposed to most other survey companies, which must rent this equipment.

Helicopter Support. Through our Aviation Division, created with the acquisition of substantially all of the assets of American Aviation Incorporated ("American Aviation") in July 1997, we provide helicopter support services to geophysical companies throughout the continental United States. Also, we have ongoing offshore contracts with service companies operating in the Gulf of Mexico, and we provide helicopter support to certain federal and state governmental agencies when needed. We use long-line helicopters to shuttle geophones and recorders used to collect seismic data between receiving points. Once seismic data has been acquired from a portion of the project site, the geophones and recorders must be moved into position to collect data from the next area to be analyzed. By using helicopters, we are able to reduce delays in completing stages of a seismic project by transporting the geophones and recording boxes to the next receiving points in the survey area in an efficient manner and with minimal environmental impact. Our helicopters are also used to transport heli-portable drilling units into remote or otherwise inaccessible terrain in an efficient and environmentally sensitive manner.

Currently we own and operate 9 helicopters. In order to improve the utilization of our fleet, we have decided to reduce the number of aircraft used solely in our seismic support services. We are currently

considering plans to sell 2 aircraft used solely to support our seismic operations. Our pilots have an average of approximately 13,000 flight hours. We perform all routine maintenance and repairs on our aircraft at our facilities in Carencro, Louisiana.

International Operations. We commenced line cutting and survey services in South America in July 1998, in conjunction with the formation of our joint venture, OMNI International Energy Services -- South America, Ltd. During 1999, we removed a portion of our equipment from South America and reduced operating levels to a minimum pending improvements in market conditions. We are currently trying to sell our remaining assets in South America.

Fabrication and Maintenance. At our Carencro facilities, we perform all routine repairs and maintenance for our Transition Zone and highland drilling equipment. We design and fabricate aluminum marsh all terrain vehicles (ATV's), a number of our support boats and pontoon boats, and the drilling units we use on all of our Transition Zone equipment. We purchase airboats directly from the manufacturer and then modify the airboats to install the drilling equipment. We have also designed and built a limited number of highland drilling units by installing our drilling equipment on tractors bought directly from the manufacturer. We also fabricate rock-drilling equipment and have the capability of fabricating other key equipment, such as swamp ATV's. Because of our ability to fabricate and maintain much of our equipment, we do not believe that we are dependent on any one supplier for our drilling equipment or parts.

FACILITIES AND EQUIPMENT

Facilities. In early 1998, we completed the construction of two new buildings, which house our corporate headquarters, fabrication facility and primary maintenance facility. The buildings are located on approximately 34 acres of land in Carencro, Louisiana. The buildings provide approximately 20,000 square feet of office space and 32,000 square feet of covered maintenance and fabrication space. From 1999 to 2001, we leased from an affiliate two additional buildings adjacent to our main headquarters. The buildings provided approximately 2,500 square feet of office space and 19,000 square feet of covered maintenance, fabrication and warehouse space. We used these buildings for the storage and maintenance of a portion of our survey and aviation assets. The lease on these facilities expired in 2001, at which point we moved the remaining assets and personnel into our primary maintenance facility.

During part of 2002, we leased an operations base in Loveland, Colorado to support our rock-drilling operations. The lease expired in 2002 at which point we decided to consolidate our equipment into our primary maintenance facility in Carencro, Louisiana. We own an office and warehouse facility in Santa Cruz, Bolivia, which is currently being sold.

Transition Zone Transportation and Drilling Equipment. Because of the varied terrain throughout the Transition Zone and the prevalence of environmentally sensitive areas, we employ a wide variety of drilling vehicles. We believe that we are the only company currently operating in the Transition Zone that owns and operates all of the following types of equipment:

TYPES OF EQUIPMENT	NUMBER OF UNITS AS OF DECEMBER 31, 2002
Highland Drilling Units(1)	79
Water Buggies	55
Aluminum Marsh ATV's	23
Steel Marsh ATV's(2)	8
Airboat Drilling Units	40
Swamp ATV's	30
Pullboats	21
Pontoon Boats	18
Skid-Mounted Drilling Units	20

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(1) Twenty-four of these drilling units are currently dedicated to seismic rock drilling operations outside of the Transition Zone.

(2) These drilling units are currently held for sale (see Note 5 to the Consolidated Financial Statements).

Because of our extensive fleet of Transition Zone transportation and seismic drilling equipment, much of which we fabricated, we believe that we are the only company that currently can provide an integrated range of seismic drilling and survey services in all of the varied terrain of the Transition Zone and simultaneously support operations for multiple, large-scale seismic projects.

Highland Drilling Units and Water Buggies. We currently own and operate 72 highland drilling units for seismic drilling in dry land areas, 17 of which are currently dedicated to our seismic rock drilling operations outside of the Transition Zone. These units generally consist of a tractor-like vehicle with a drilling unit mounted on the rear of the vehicle. This highland drilling unit can be driven over land from point to point and is accompanied by a unit referred to as a "water buggy" that carries water required for water pressure rotary drills. This type of vehicle is used around the world for this type of terrain.

Marsh ATV's. The environmentally sensitive wetlands along the U.S. Gulf Coast containing water grasses on dry land and in shallow water and areas mixed with open water are referred to as marsh areas. When there is a minimum amount of water in these areas, marsh ATV's, which are amphibious vehicles supported by pontoons that are surrounded by tracks, are used to provide seismic drilling services. The pontoons enable the marsh ATV to float while the tracks propel the vehicle through the water and over dry marsh areas. Each marsh ATV is equipped with a drilling unit and a small backhoe for digging and a small hole to collect water necessary for drilling.

Some marsh areas have sufficient surrounding water to support drilling without an external water source, but often water must be pumped into the area from a remote water source or a portable supply must be carried by the marsh ATV.

We own and operate 23 marsh ATV's, of which 8 are made of stainless steel and 15 are made of aluminum. All of the stainless steel marsh ATV's are currently held for sale. The aluminum ATV's are lighter than steel vehicles and are specifically designed for the environmentally sensitive areas typically found in marsh terrain. Landowner consents will often require the use of aluminum ATV's in an effort to reduce the environmental impact of seismic drilling. The aluminum marsh ATV is the most widely accepted marsh vehicle for drilling operations in all Louisiana, state and federal refuges. We fabricated our own aluminum marsh ATV's at our facilities in Carencro, Louisiana.

Airboat Drilling Units. We own and operate 40 airboat drilling units. An airboat-drilling unit consists of a drilling unit fabricated and installed on a large, three-engine airboat. Because of their better mobility, airboat-drilling units are used in shallow waters and all marsh areas where sufficient water is present.

Swamp ATV's and Pullboats. Wooded lowlands typically covered with water are referred to as the "swamp areas" of the Transition Zone. Our swamp ATV's are used to provide drilling services in these areas. Swamp ATV's are smaller, narrower versions of the marsh ATV's. The smaller unit is needed in swamp areas due to the dense vegetation typical in the terrain. Because of its smaller size, the swamp ATV uses a skid-mounted drilling unit installed in a pullboat, a non-motorized craft towed behind the swamp ATV. We own and operate 30 swamp ATV's and 18 pullboats. Swamp ATV's are also used in connection with survey operations in swamp areas.

Pontoon Boats. We own and operate 18 pontoon boats that are used in shallow or protected inland bays and lakes and shallow coastal waters. Each pontoon boat uses a skid-mounted drilling unit installed on board.

Jack-Up Rigs. When a seismic survey requires source points to be drilled in deeper inland bays or lakes or in deeper coastal waters, we use jack-up rigs equipped with one of our skid-mounted drilling units. Seismic activity in water deeper than approximately 20 feet is generally conducted by using offshore seismic techniques that do not include the drilling and loading of source points.

Skid-Mounted Drilling Units. A skid-mounted drilling unit is a drilling unit mounted on I-beam supports, which allows the drilling unit to be moved easily between pullboats, pontoon boats, jack-up rigs and other equipment we operate based on customer needs. We manufacture our skid-mounted drilling units at our facilities in Carencro, Louisiana and we own 18 of these units, one of which is located outside of the Transition Zone.

Miscellaneous. We own and operate 88 single engine airboats and 21 outboard powered boats, which we use to ferry personnel and supplies to locations throughout the Transition Zone. We also maintain a fleet of 5 tractor-trailer trucks and numerous other trucks, trailers and vehicles to move our equipment and personnel to projects throughout the Transition Zone.

Heli-portable and Seismic Rock Drilling Equipment. We had 37 heli-portable and man-portable drilling units and 36 highland drilling units dedicated to seismic rock drilling. We also have the ability to manufacture our own heli-portable and man-portable seismic rock-drilling units, and often export and provide servicing of heli-portable and man-portable drilling units. Seven heli-portable drilling units were sold subsequent to December 31, 2002.

Aviation Equipment. The following table sets forth the type and number of helicopters that are operated by our Aviation division:

HELICOPTERS	NUMBER OF AIRCRAFT
Bell Long Ranger 206L-III..................................	2
Bell Jet Ranger 206B-III...................................	3
Bell 407...	2(1)
Hughes MD 500 E..	2

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(1) Includes one Bell 407 acquired after December 31, 2002.

MATERIALS AND EQUIPMENT

The principal materials and equipment we use in our operations, which include drills, heli-portable and man-portable drills, drill casings, drill bits, engines, gasoline and diesel fuel, dynamite, aluminum and steel plate, welding gasses, trucks and other vehicles, are currently in adequate supply from many sources. We do not depend upon any single supplier or source for such materials.

SAFETY AND QUALITY ASSURANCE

We maintain a stringent safety assurance program to reduce the possibility of costly accidents. Our HSE department establishes guidelines to ensure compliance with all applicable state and federal safety regulations and provides training and safety education through orientations for new employees, which include first aid and CPR training. Our HSE manager reports directly to our Chief Executive Officer and supervises two HSE field advisors and one instructor who provides Occupational Safety and Health Act ("OSHA") mandated training. We believe that our safety program and commitment to quality are vital to attracting and retaining customers and employees.

Each drilling crew is supervised at the project site by a field supervisor and, depending on the project's requirements, an assistant supervisor and powderman who is in charge of all explosives. For large projects or when required by a customer, a separate advisor from our HSE department is also located at the project site. Management is provided with daily updates for each project and believes that our daily review of field performance together with the on-site presence of supervisory personnel helps ensure high quality performance for all of our projects.

Our pilots are trained to the Federal Aviation Administration ("FAA") Federal Aviation Regulation ("FAR") 135 (non-scheduled commercial passenger) or 133 (external load) standards and must satisfy annual FAA check-rides. Licensed maintenance personnel are deployed to each project site at which aircraft are used.

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CUSTOMERS; MARKETING; CONTRACTING

Customers. Our customers are primarily geophysical companies, although in many cases the oil and gas company participates in determining which drilling, permitting, survey or aviation company will be used on our seismic projects. A few customers have historically generated a large portion of our revenue. For example, our largest customers (those which individually accounted for more than 10% of revenue in a given year, listed alphabetically) collectively accounted for 34% (Western Geophysical), 71% (Grant Geophysical, Quantum Geophysical and Western Geophysical) and 84% (Veritas DGC and Western Geophysical) of revenue for fiscal 2000, 2001 and 2002, respectively.

Marketing. Our services traditionally have been marketed by our principal executive officers. We believe that this marketing approach helps us preserve long-term relationships established by our executive officers. As our geographical and service capabilities expand, we intend to continue implementing our marketing efforts in the Transition Zone and in the Rocky Mountain region from our principal offices in Carencro, Louisiana.

Contracting -- Seismic Drilling. We generally contract with our customers for seismic drilling services on a unit-price basis, either on a "per hole" or "per foot" basis. These contracts are often awarded after a competitive bidding process. We price our contracts based on detailed project specifications provided by the customer, including the number, location and depth of source holes and the project's completion schedule. As a result, we are generally able to make a relatively accurate determination prior to pricing a contract of the type and amount of equipment required to complete the contract on schedule.

Because of unit-price contracting, we sometimes bear a portion of the risk of production delays that are beyond our control, such as those caused by adverse weather. We often bill the customer standby charges if our operations are delayed due to delays in permitting or surveying or for other reasons within the geophysical company's control.

Contracting -- Permitting Services. We contract with our customers for permitting services on a day rate or per project basis. Under the per project basis, revenue is recognized when certain percentages of the permitting process are completed. Contracts are often awarded to us only after competitive bidding. In the case of the per project basis, we determine the price after we have taken into account such factors as the number of permit agents, the number of permits and the detailed project specification provided by the customer.

Contracting -- Survey Services. We contract with our customers for seismic survey services on a day rate or per mile basis. Under the per mile basis, revenue is recognized when the source or receiving point is marked by one of our survey crews. Contracts are often awarded to us only after competitive bidding. In each case, the price is determined after we have taken into account such factors as the number of surveyors and other personnel, the type of terrain and transportation equipment, and the precision required for the project based on detailed project specifications provided by the customer.

COMPETITION

Seismic Drilling Services. The principal competitive factors for seismic drilling services are price and the ability to meet customer schedules, although other factors including safety, capability, reputation and environmental sensitivity are also considered by customers when deciding upon a provider of seismic drilling services. We have numerous competitors in the Transition Zone and, in particular, in the highland areas in which we operate. We believe that no other company operating in the Transition Zone owns a fleet of Transition Zone seismic drilling equipment as varied or as large as ours. Our extensive and diverse equipment base allows us to provide drilling services to our customers throughout the Transition Zone with the most efficient and environmentally appropriate equipment. We believe there are numerous competitors offering rock and heli-portable drilling in the Rocky Mountain region and internationally.

Permitting Services. Our competitors include a number of larger, well-established companies with a number of permit agents comparable to us.

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Survey Services. Our competitors include a number of larger, well-established companies with a number of crews comparable to us.

Helicopter Support Services. We have numerous competitors that provide helicopter support services to geophysical companies operating in the Transition Zone and service companies operating offshore in the Gulf of Mexico. We believe that we are the only company offering both seismic drilling and long-line support services in the Transition Zone. We believe that there are numerous companies offering helicopter services in rock drilling and other mountain areas, as well as internationally. Some of these companies have greater experience in these areas and several operate more aircraft than we do in these areas.

SEASONALITY AND WEATHER RISKS

Our operations are subject to seasonal variations in weather conditions and daylight hours. Since our activities take place outdoors, the average number of hours worked per day, and therefore the number of holes drilled or surveyed per day, generally is less in winter months than in summer months, due to an increase in rainy, foggy and cold conditions and a decrease in daylight hours. Furthermore, demand for seismic data acquisition activity by oil and gas companies at the end of the fourth quarter and in the first quarter is generally lower than at other times of the year. As a result, our revenue and gross profit during the fourth quarter and the first quarter of each year are typically low as compared to the other quarters. Operations may also be affected by the rainy weather, lightning, hurricanes and other storms prevalent along the Gulf Coast throughout the year and by seasonal climatic conditions in the Rocky Mountain area. In addition, prolonged periods of dry weather result in slower drill rates in marsh and swamp areas as water in the quantities needed to drill is more difficult to obtain and equipment movement is impeded. Adverse weather conditions and dry weather can also increase maintenance costs for our equipment and decrease the number of vehicles available for operations.

BACKLOG

Our backlog represents those seismic drilling and survey projects for which a customer has hired us and has scheduled a start date for the project. Projects currently included in our backlog are subject to termination or delay without penalty at the option of the customer, which could substantially reduce the amount of backlog currently reported.

As of December 31, 2002, our backlog was approximately $33.3 million compared to $29.3 million at December 31, 2001. Backlog at December 31, 2002 includes seismic drilling and survey projects in the Transition Zone in addition to seismic rock drilling projects. Our aviation and permitting divisions historically have not measured backlog due to the nature of our business and our contracts which are generally cancelable by either party with thirty days written notice.

GOVERNMENTAL REGULATION

Our operations and properties are subject to and affected by various types of governmental regulation, including laws and regulations governing the entry into and restoration of wetlands, the handling of explosives and numerous other federal, state and local laws and regulations. To date our cost of complying with such laws and regulations has not been material, but because such laws and regulations are changed frequently, it is not possible for us to accurately predict the cost or impact of such laws and regulations on our future operations.

Furthermore, we depend on the demand for our services by the oil and gas industry and are affected by tax legislation, price controls and other laws and regulations relating to the oil and gas industry generally. The adoption of laws and regulations curtailing exploration and development drilling for oil and gas in our areas of operations for economic, environmental or other policy reasons would adversely affect our operations by limiting demand for our services. We cannot determine to what extent our future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

Aviation. As a commercial operator of small aircraft, we are subject to regulations pursuant to the Federal Aviation Administration Authorization Act of 1994, as amended (the "Federal Aviation Act"), and

other statutes. The FAA regulates our flight operations, and in this respect, exercises jurisdiction over personnel, aircraft, ground facilities and other aspects of our operations.

We carry persons and property in our aircraft pursuant to authority granted by the FAA. Under the Federal Aviation Act it is unlawful to operate certain aircraft for hire within the United States unless such aircraft are registered with the FAA and the FAA has issued the operator of such aircraft an operating certificate. We have all FAA certificates required to conduct our helicopter and aviation operations, and all of our aircraft are registered with the FAA.

Generally, aircraft may be registered under the Federal Aviation Act only if the aircraft is owned or controlled by one or more citizens of the United States and operated pursuant to an operating certificate, which may be granted only to a citizen of the Untied States. For purposes of these requirements, a corporation is deemed to be a citizen of the United States only if, among other things, at least 75% of the voting interest therein is owned or controlled by United States citizens. In the event that persons other than United States citizens should come to own or control more than 25% of the voting interest in us, we have been advised that our aircraft may be subject to deregistration under the Federal Aviation Act and loss of the privilege of operating within the United States. None of our aircraft are currently owned, in whole or in part, by a foreign entity. Our Articles of Incorporation and bylaws include provisions that are designed to ensure compliance with this requirement.

Explosives. Because we load the holes that are drilled with dynamite, we are subject to various local, state and federal laws and regulations concerning the handling and storage of explosives and are specifically regulated by the Bureau of Alcohol, Tobacco and Firearms of the U.S. Department of Justice. We must take daily inventories of the dynamite and blasting caps that we keep for our seismic drilling and are subject to random checks by state and federal officials. We are licensed by the Louisiana State Police as an explosives handler. Any loss or suspension of these licenses would result in a material adverse effect on our results of operations and financial condition. We believe that we are in compliance with all material laws and regulations with respect to our handling and storage of explosives.

Environmental. Our operations and properties are subject to a wide variety of increasingly complex and stringent federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. In addition, certain areas where we operate are federally protected or state-protected wetlands or refuges where environmental regulation is particularly strict. These laws may provide for "strict liability" for damages to natural resources and threats to public health and safety, rendering a party liable for environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose us to liability for the conduct of, or conditions caused by, others, or for our acts that were in compliance with all applicable laws at the time such acts were performed.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and similar laws provide for responses to and liability for releases of hazardous substances into the environment. Additionally, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, each as amended, and similar state or local counterparts to these federal laws, regulate air emissions, water discharges, hazardous substances and wastes, and require public disclosure related to the use of various hazardous substances. Compliance with such environmental laws and regulations may require the acquisition of permits or other authorizations for certain activities and compliance with various standards or procedural requirements. We believe that our facilities are in substantial compliance with current regulatory standards.

Worker Safety. Laws and regulations relating to workplace safety and worker health, primarily OSHA and regulations promulgated thereunder, govern our operations. In addition, various other governmental and quasi-governmental agencies require us to obtain certain permits, licenses and certificates with respect to our operations. The kind of permits, licenses and certificates required in our operations depend upon a number of factors. We believe that we have all permits, licenses and certificates necessary to the conduct of our existing business.

INSURANCE

Our operations are subject to the inherent risks of inland marine activity, heavy equipment operations and the transporting and handling of explosives, including accidents resulting in personal injury, the loss of life or property, environmental mishaps, mechanical failures and collisions. We maintain insurance coverage against certain of these risks, which we believe are reasonable and customary in the industry. We also maintain insurance coverage against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to our equipment or facilities. All policies are subject to deductibles and other coverage limitations. We believe our insurance coverage is adequate. Historically, we have not experienced an insured loss in excess of our policy limits; however, there can be no assurance that we will be able to maintain adequate insurance at rates which we consider commercially reasonable, nor can there be any assurance such coverage will be adequate to cover all claims that may arise.

EMPLOYEES

As of December 31, 2002, we had approximately 185 employees, including approximately 161 operating personnel and 24 corporate, administrative and management personnel. These employees are not unionized or employed pursuant to any collective bargaining agreement or any similar agreement. We believe our relations with our employees are generally good.

EXECUTIVE OFFICERS OF THE REGISTRANT

The name, age and offices held by each of the executive officers as of March 28, 2003 are as follows:

NAME	AGE	POSITION
James C. Eckert..........................	53	President and Chief Executive Officer
Burton T. Zaunbrecher....................	42	Executive Vice-President, Chief Operating Officer
G. Darcy Klug............................	51	Chief Financial Officer

James C. Eckert was appointed our President and Chief Executive Officer in March 2001. He served as Vice-President for Business Development of Veritas DGC Land Inc. from 1998 to 2000. Prior to 1998, Mr. Eckert supervised the highland and transition seismic acquisitions of Veritas DGC Land Inc. Prior to 1992, he served as President of GFS Company, a company that he co-founded in 1985, until its acquisition in 1992 by Digicon, Inc., a predecessor by merger to Veritas, Inc. Mr. Eckert graduated from University of Southern Mississippi in 1971.

Burton T. Zaunbrecher is currently serving as our Company's Executive Vice-President and Chief Operating Officer. Mr. Zaunbrecher joined us in November 2000. He served as president of Burton T. Zaunbrecher, Inc., an oil, gas and mineral lease, and geophysical permit acquisition company, which he founded in 1990. Prior to 1990, Mr. Zaunbrecher conducted independent abstracting and land services. Mr. Zaunbrecher graduated from the University of Southwestern Louisiana in 1984.

G. Darcy Klug is our Chief Financial Officer. He joined us in May 2001 after being involved in private investments since 1987. Between 1983 and 1987, Mr. Klug held various positions with a private oil and gas fabrication company including the position of Chief Operating Officer and Chief Financial Officer. Prior to 1983 he held various financial positions with Galveston-Houston Company, a manufacturer of oil and gas equipment listed for trading on the New York Stock Exchange. Between 1973 and 1979, he was a member of the audit staff of Pricewaterhouse Coopers. Mr. Klug is a graduate of Louisiana State University and is a member of the Louisiana State Board of Certified Public Accountants.

ITEM 3. LEGAL PROCEEDINGS

Several of our former Board members and one current Board member, as well as our directors and officers insurance companies, have been named as defendants in a lawsuit filed by certain shareholders in connection with our private sale of securities in October 2000 (See Note 1). The lawsuit alleges, among other things, federal and state securities violations and misrepresentations. We are not named as defendants in this lawsuit; however, we may have indemnification obligations to the named individuals for actions in their capacity as members of our Board of Directors. We maintain directors and officers insurance for these types of matters, and we do not currently believe that these obligations will have a material adverse effect on our financial position.

One of our current directors has been named as a defendant in a lawsuit filed by an officer and director of the Company in connection with our private sale of securities in October 2000 (See Note 1). The lawsuit alleges, among other things, negligent misrepresentation, omission of material facts, and state securities violations. We are not named as a defendant in this lawsuit; however, we may have indemnification obligations to the named individual for actions in his capacity as a member of our Board of Directors. We maintain directors and officers insurance for these types of matters, and we do not currently believe that this obligation will have a material adverse effect on our financial position.

In connection with our private sale of securities in October 2000 (See Note 1), we have also received two shareholder derivative demands requesting that we take legal action against all of our former Board members and officers for breaches of their duties and obligations to us and our shareholders. We have appointed a committee of our Board consisting of independent members to investigate and evaluate the allegations in these demands and make recommendations to the Board of Directors as they deem advisable.

We are involved in various legal and other proceedings that are incidental to the conduct of our business. We believe that none of these proceedings, if adversely determined, would have a material effect on our financial condition, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Our Common Stock is listed for quotation on the Nasdaq National Market under the symbol "OMNI". At March 26, 2003 we had 2,029 shareholders of record of Common Stock. The following table sets forth the range of high and low sales prices of our Common Stock as reported by the Nasdaq National Market for the periods indicated, giving retroactive effect to the one for three reverse stock split effective July, 3 2002.

	HIGH	LOW
2001		
First quarter	$5.34	$1.14
Second quarter	$4.77	$3.18
Third quarter	$3.81	$1.50
Fourth quarter	$2.85	$1.50
2002		
First quarter	$3.63	$1.80
Second quarter	$2.64	$1.00
Third quarter	$2.38	$1.29
Fourth quarter	$1.37	$0.74

We have never paid cash dividends on our Common Stock. We intend to retain future earnings, if any, to meet our working capital requirements and to finance the future operations of our business. Therefore, we do not plan to declare or pay cash dividends to holders of our Common Stock in the foreseeable future. In addition, certain of our credit arrangements contain provisions that limit our ability to pay cash dividends on our Common Stock.

EQUITY COMPENSATION PLAN INFORMATION

The following table gives information about our Common Stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2002:

PLAN CATEGORY	(a) NUMBER OF SECURITIES TO BE ISSUED UPON THE EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	(b) WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	(c) NO. OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMNS (a) & (b)	TO C
Equity Compensation Plans Approved by Stockholders...	801,486	$2.94	198,514	
Equity Compensation Plans Not Approved by Stockholder....	53,006	$4.32	46,994	
Total..................	854,492	$3.03	245,508	

PLAN NOT APPROVED BY STOCKHOLDERS

In January 1999, we approved the Stock Option Plan (the "Option Plan") to provide for the grant of options to purchase shares of our Common Stock to non-officer employees of our company and our subsidiaries in lieu of year-end cash bonuses. The Option Plan is intended to increase shareholder value and advance our interests by providing an incentive to employees and by increasing employee awareness of us in the marketplace. Under the Option Plan, we may grant options to any of our employees with the exception of our officers. The options become exercisable immediately with respect to one-half of the shares, and the remaining one-half shall be exercisable one year following the date of the grant. The exercise price of any stock option granted may not be less than the fair market value of the Common Stock on the effective date of the grant. A total of 100,000 shares of Common Stock are authorized, of which 46,994 remain available for issuance at December 31, 2002.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data as of and for the five years ended December 31, 2002 are derived from our audited consolidated financial statements. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included elsewhere in this Annual Report. The per share data gives retroactive effect to the one for three reverse stock split effective July 3, 2002.

The financial statements for the years ended December 31, 1998, through 2001, were audited by Arthur Andersen LLP ("Andersen"), who has ceased operations. A copy of the report previously issued by Andersen on our financial statements as of December 31, 2001 and 2000, and for each of the three years in

the period ended December 31, 2001, is included elsewhere in this Form 10-K. Such report has not been reissued by Andersen.

	YEAR ENDED DECEMBER 31,			
	1998	1999	2000	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA			
Income Statement Data:				
Operating revenue	$73,207	$ 32,687	$ 16,563	$23,686
Operating expense	57,724	35,443	20,212	20,893
Gross profit	15,483	(2,756)	(3,649)	2,793
General and administrative expense	13,226	12,344	5,999	3,126
Asset impairment and other charges	3,379	10,336	11,284	632
Operating income (loss)	(1,122)	(25,436)	(20,932)	(965)
Interest expense	1,683	2,989	3,012	1,300
Other expense (income), net	(281)	150	1,846	(7,929)
Income (loss) before income taxes	(2,524)	(28,575)	(25,790)	5,664
Income tax expense (benefit)	(706)	(1,275)	--	--

Income (loss) before minority interest	(1,818)	(27,300)	(25,790)	5,664
Minority interest and income (loss) of subsidiaries	(18)	(362)	(17)	--
Net income (loss)	$(1,800)	$(26,938)	$(25,773)	$ 5,664
Accretion of preferred stock	--	--	--	(726)
Net earnings (loss) applicable to common and common equivalent shares	$(1,800)	$(26,938)	$(25,773)	$ 4,938
Earnings (loss) per common share:				
Basic	$ (0.33)	$ (5.07)	$ (4.43)	$ 0.55
Diluted	$ (0.33)	$ (5.07)	$ (4.43)	$ 0.50
Number of Weighted Average Shares				
Basic	5,283	5,323	5,819	9,015
Diluted	5,283	5,323	5,819	9,844

	AS OF DECEMBER 31,			
	1998	1999	2000	2001
Balance Sheet Data:				
Total assets	$85,346	$51,021	$34,624	$38,448
Long-term debt, less current maturities	14,371	1,186	8,500	9,289

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect management's best judgment based on factors currently known. Actual results could differ materially from those anticipated in these "forward looking statements" as a result of a number of factors, including but not limited to those discussed under the heading "Cautionary Statements." "Forward looking statements" provided by us pursuant to the safe harbor established by the federal securities laws should be evaluated in the context of these factors.

This discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto.

RECENT DEVELOPMENTS

In January 2002, we acquired the assets of AirJac Drilling, a division of Veritas DGC Land, Inc., a seismic drilling support company headquartered in New Iberia, Louisiana. The aggregate purchase price was $2.0 million cash plus certain other consideration (See Note 12 to the Consolidated Financial Statements). In this acquisition we acquired the following types of equipment:

NUMBER OF

TYPES OF EQUIPMENT	UNITS ACQUIRED
Highland Drilling Units	20
Water Buggies	22
Aluminum Marsh ATVs	4
Airboat Drilling Units	5
Swamp ATVs	5
Pullboats	5
Pontoon Boats	2
Skid-Mounted Drilling Units	3

GENERAL

Demand. We receive our revenues from customers in the energy industry. Demand for our services is principally impacted by conditions affecting geophysical companies engaged in the acquisition of 3-D seismic data. The level of activity among geophysical companies is primarily influenced by the level of capital expenditures by oil and gas companies for seismic data acquisition activities. A number of factors affect the decision of oil and gas companies to pursue the acquisition of seismic data, including (i) prevailing and expected oil and gas demand and prices; (ii) the cost of exploring for, producing and developing oil and gas reserves; (iii) the discovery rate of new oil and gas reserves; (iv) the availability and cost of permits and consents from landowners to conduct seismic activity; (v) local and international political and economic conditions; (vi) governmental regulations; and (vii) the availability and cost of capital. The ability to finance the acquisition of seismic data in the absence of oil and gas companies' interest in obtaining the information is also a factor, as some geophysical companies will acquire seismic data on a speculative basis.

During 1999, with the reduction in the price of oil and gas, we began to experience a decrease in demand for our services. In 2001, the market experienced a rebound. For the years ended December 31, 2000, 2001 and 2002, our operating revenues were $16.6 million, $23.7 million, and $27.8 million, respectively.

Seasonality and Weather Risks. Our operations are subject to seasonal variations in weather conditions and daylight hours. Since our activities take place outdoors, on average, fewer hours are worked per day and fewer holes are generally drilled or surveyed per day in winter months than in summer months due to an increase in rainy, foggy, and cold conditions and a decrease in daylight hours.

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RESULTS OF OPERATIONS

The following discussion provides information related to the results of our operations.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO THE YEAR ENDED DECEMBER 31, 2002

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2002

Operating revenue	$23,686	$27,796
Operating expense	20,893	22,142
Gross profit	2,793	5,654
General and administrative expenses	3,126	3,771
Asset impairment and other charges	632	--
Operating income (loss)	(965)	1,883
Interest expense	1,300	1,079
Other (income) expense	(7,929)	(4)
Income before taxes	5,664	808
Income tax benefit (expense)	--	(400)
Income before minority interest	5,664	1,208
Minority interest in loss of subsidiaries	--	--
Net income	5,664	1,208
Accretion of preferred stock	(726)	(484)
Net income applicable to common and common equivalent shares	$ 4,938	$ 724

Operating revenues increased 17%, or $4.1 million, from $23.7 million to $27.8 million for the years ended December 31, 2001 and 2002, respectively. This increase was due primarily to the aforementioned acquisition of the assets of AirJac Drilling and improved market conditions in the geophysical industry in 2002. As a result, drilling revenues increased from $18.0 million for the year ended December 31, 2001 to $24.5 million for the year ended December 31, 2002. The increase in drilling revenues was partially offset by a decline in revenues in our other divisions. Our newly formed permitting division reported revenues of $0.2 million for the year ended December 31, 2002 as compared to $1.5 million for the same period of 2001. Survey revenues decreased from $0.6 million for the year ended December 31, 2001 to zero for the year ended December 31, 2002. This decline is attributable to our decision to concentrate our personnel, equipment and available working capital on the more profitable segments of the seismic industry. Aviation revenues decreased from $3.7 million for the year ended December 31, 2001 to $3.1 million for the year ended December 31, 2002 as we continued to reduce our seismic aviation fleet in order to concentrate on the more profitable offshore market. Operating revenues are expected to increase in 2003 as demand for our services continues to improve.

Operating expenses increased 6%, or $1.2 million, from $20.9 million in 2001 to $22.1 million in 2002. Operating payroll expense increased $0.8 million from $8.4 million to $9.2 million for the years ended December 31, 2001 and 2002, respectively. The increase in seismic activity resulted in a corresponding increase in the amount of personnel employed. The average number of field employees was 185 in 2002 and 172 in 2001. Also, as a result of the increased activity levels in 2002 as compared to 2001, explosives expenses and repairs and maintenance expenses increased $0.5 million and $0.9 million, respectively. These increases were partially offset by a $1.2 million decrease in rental expense and related insurance expense on leased aviation equipment from 2001 to 2002. The decrease in rental expense resulted from the refinancing of our aviation fleet in December 2001. Our aviation fleet was previously operated under an operating lease. Insurance expense declined as we reduced the size of our aviation fleet dedicated solely to support our seismic drilling operations. While operating expenses are expected to continue to increase in 2003 as operating revenues increase, we expect these expenses to remain in line with revenues.

Gross profit increased 104%, or $2.9 million, from $2.8 million to $5.7 million, for the years ended December 31, 2001 and 2002, respectively. Further, our gross profit margin improved from 11.8% in 2001 to 20.9% in 2002. The increase in gross profit margin is a result of increased business activity in our more profitable business segments, improved utilization of our equipment and personnel for the services provided and more stringent controls over operating expenses.

General and administrative expenses increased $0.7 million, or 23%, from $3.1 million for 2001 compared to $3.8 million for 2002. Payroll expenses accounted for $0.4 million of this increase as administrative payroll costs increased from $1.2 million for the year ended December 31, 2001 to $1.6 million for the year ended December 31, 2002. This increase is principally attributable to an increase in the average number of administrative employees between the periods. During 2001 we realized savings in certain general and administrative costs by renegotiating lease and vendor agreements with more favorable terms than those in preceding years. General and administrative expenses are expected to increase slightly in 2003 due to increased business activity.

During 2001, we recorded asset impairment charges of $0.6 million (See Note 5) compared to $0.0 million in 2002.

Interest expense was $1.1 million for the year ended December 31, 2002 compared to $1.3 million for the year ended December 31, 2001. The increase was principally attributable to increased debt levels resulting from our decision to acquire our aviation fleet in December 2001 that was previously operated through an operating lease.

Other income decreased $7.9 million between the year ended December 31, 2001 and the year ended December 31, 2002. The decrease was primarily attributable to the receipt of $7.5 million in proceeds from a key-man life insurance policy in 2001 procured on the life of our founder and former CEO. He was killed in a private aircraft accident in February 2001.

For the year ended December 31, 2001, losses incurred by us generated an additional net operating loss carryforward for which a reserve has been provided (see Note 10), resulting in income tax expense of $0. In 2002 the Company reversed $0.4 million of this related reserve due to the Company's expectation of generating income in fiscal 2003.

Accretion of preferred stock decreased $0.2 million from $0.7 million for the year ended December 31, 2001 to $0.5 million for the year ended December 31, 2002. The decrease is due to the accretion of dividends at 8% during the free dividend period from April 2001 through June 30, 2002.

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YEAR ENDED DECEMBER 31, 2000 COMPARED TO THE YEAR ENDED DECEMBER 31, 2001

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 2001
Operating revenue..	$ 16,563	$23,686
Operating expense..	20,212	20,893

Gross profit (loss)	(3,649)	2,793
General and administrative expenses	5,999	3,126
Asset impairment and other charges	11,284	632
Operating loss	(20,932)	(965)
Interest expense	3,012	1,300
Other (income) expense	1,846	(7,929)
Income (loss) before taxes	(25,790)	5,664
Income tax benefit (expense)	--	--
Income (loss) before minority interest	(25,790)	5,664
Minority interest in loss of subsidiaries	(17)	--
Net income (loss)	(25,773)	5,664
Accretion of preferred stock	--	(726)
Net income (loss) applicable to common and common equivalent shares	$(25,733)	$ 4,938

Operating revenues increased 43%, or $7.1 million, from $16.6 million to $23.7 million for the years ended December 31, 2000 and 2001, respectively. This increase was due primarily to an upswing in the seismic market in 2001. As a result, drilling revenues doubled from $8.9 million for the year ended December 31, 2000 to $18.0 million for the year ended December 31, 2001. Our newly formed permitting division reported revenues of $1.5 million for the year ended December 31, 2001 with no revenues reported for the corresponding period of 2000. Survey revenues decreased from $1.4 million for the year ended December 31, 2000 to $0.6 million for the year ended December 31, 2001, primarily due to our decision to concentrate our personnel, equipment and available working capital on the more profitable segments of the seismic industry. Aviation revenues decreased from $6.3 million for the year ended December 31, 2000 to $3.7 million for the year ended December 31, 2001 as we continue to reduce our seismic aviation fleet to concentrate on the more profitable offshore market. Operating revenues in 2002 are expected to continue to increase due to an increased demand for our services.

Operating expenses increased 3%, or $0.7 million, from $20.2 million in 2000 to $20.9 million in 2001. Operating payroll expense increased $0.4 million from $8.0 million to $8.4 million for the years ended December 31, 2000 and 2001, respectively. The significant increase in seismic activity has resulted in a corresponding increase in the amount of personnel employed, as the average number of field employees has increased to 172 in 2001 compared to 155 in 2000. Also, as a result of the increased activity levels in 2001 as compared to 2000, explosives expenses increased $1.1 million from $0.9 million for the year ended December 31, 2000 to $2.0 million for the year ended December 31, 2001. Contracting services increased $2.2 million from $0.2 million for the year ended December 31, 2000 to $2.4 million for the year ended December 31, 2001 principally as a result of the commencement of our newly formed permitting division. These increases were partially offset by a $2.5 million decrease in the repairs and maintenance expense, rental expense and related insurance expense on leased aviation equipment. The decreases resulted from fewer helicopters being leased from third parties during 2001 compared to 2000. Depreciation expense and property and casualty insurance expense decreased $0.5 million from the year ended December 31, 2000 to the year ended December 31, 2001 because of an overall reduction in our operating equipment. Operating expenses are expected to continue to increase in 2002 as operating revenues increase.

Gross profit increased $6.4 million, or 178%, from a gross loss of $3.6 million to a gross profit of $2.8 million for the years ended December 31, 2000 and 2001, respectively. This increase is a result of increased business activity in our more profitable business segments, increased prices received for the services provided and more stringent controls over operating expenses.

General and administrative expenses decreased $2.9 million, or 48%, from $6.0 million for 2000 compared to $3.1 million for 2001. Payroll expenses accounted for 45% of this decrease as they decreased $1.3 million from $2.5 million for the year ended December 31, 2000 to $1.2 million for the year ended December 31, 2001. This decrease is due to a 30% reduction in the average number of administrative employees between the periods, as well as significantly reduced base compensation levels of our management. We realized approximately $1.2 million in savings during 2001 by renegotiating certain lease and vendor agreements with terms more favorable to us than those agreements in 2000. We experienced a $0.1 million reduction in each of entertainment and communications expenses from the year ended December 31, 2000 to the year ended December 31, 2001. Amortization expense decreased $0.2 million from $0.4 million to $0.2 million for the years ended December 31, 2000 and 2001, respectively, due to the asset impairment charges realized in the latter part of 2000 (See Note 5). General and administrative expenses are expected to increase slightly in 2002 due to increased business activity.

During 2001, we realized asset impairment charges of $0.6 million (See Note 5) compared to $11.3 million in 2000.

Interest expense was $1.3 million for the year ended December 31, 2001 compared to $3.0 million for the year ended December 31, 2000.

Other income increased $9.8 million from a loss of $1.8 million for the year ended December 31, 2000 to $7.9 million for the year ended December 31, 2001. The increase is primarily from the receipt of $7.5 million in proceeds from a key-man life insurance policy procured on the life our CEO, who was killed in a private aircraft accident in February 2001. The increase was also due to $1.8 million of net losses on the sale of assets in 2000 offset by $0.1 million in interest income in 2001.

For the year ended December 31, 2000 and 2001, losses incurred by us generated additional net operating loss carryforwards for which a reserve has been provided (see Note 10), resulting in income tax benefit/expense of $0 in each year.

Accretion of preferred stock increased $0.7 million from $0 for the year ended December 31, 2000 to $0.7 million for the year ended December 31, 2001. The increase is due to the accretion of dividends at 8% during the free dividend period from April 2001 through June 2002 for our preferred stock.

LIQUIDITY AND CAPITAL RESOURCES

To meet the capital requirements of the increasing market demand for our services, during the second half of fiscal 2000 and the first half of fiscal 2001, we significantly improved our capital structure and available liquidity. In late 2000, we successfully raised $5.1 million in new private equity. In early 2001 we received $7.5 million in key man life insurance proceeds. With the new equity and the life insurance proceeds, we initiated a program to restructure our senior and subordinated credit facilities.

During 1999, 2000 and 2001, we privately placed a total of $7.5 million,

$3.4 million and $1.5 million, respectively, in subordinated debentures with an affiliate. The debentures accrued interest at 12% per annum or a rate commencing at 12% per annum and escalating over the life of the note to a maximum of 20% per annum. The debentures matured five years from the date of their issuance with interest payable quarterly. Detachable from these debentures, were warrants to purchase 1,912,833 shares of our common stock. The warrants vested over four years and with exercise prices from ranging from $2.25 to $15.00. We recorded each warrant at its relative fair value at date of issuance.

In July 2000, we factored with an affiliate and with recourse to us, approximately $1.0 million of trade receivables of a major customer. The receivable had become ineligible under the terms of our revolving credit facility. In exchange for transferring ownership rights and title in the trade receivable of this customer, the

affiliate forgave approximately $1.0 million of the subordinated debt. The amount was factored at a discount charge of 1.5% of the amount advanced against the trade receivables transferred. As of December 2002, we have received $0.8 of the $1.0 million factored amount due. The remaining $0.2 million is classified as amounts due to affiliate. In addition, we borrowed $0.5 million from this affiliate during 2002. As of December 31, 2002, $0.1 million remained outstanding. We are currently finalizing repayment terms with the affiliate of all of the remaining outstanding balances. The loan is secured by the amounts due from certain customers.

As more fully described below, during the fourth quarter of 2000 and the first quarter of 2001, we dramatically improved our financial position with the successful raise of $5.1 million of new equity and the receipt of $7.5 million in proceeds from a key-man life insurance policy. With the proceeds we repaid approximately $2.0 million of senior secured indebtedness. Further, we reached an agreement to eliminate all of the remaining subordinated debt to an affiliate by the payment of approximately $1.0 million to satisfy $2.0 million of the indebtedness and the issuance of shares of Series B Preferred Stock for the remaining outstanding balance. We extended the maturity dates for all of our senior secured indebtedness; and negotiated a 1.5% fixed interest rate reduction on approximately $6.9 million of our senior secured debt.

On October 31, 2000, we completed the private placement of approximately 2.3 million shares of our common stock for approximately $4.3 million. In addition, the purchasers of the common stock received options to purchase approximately 0.9 million shares of our common stock at an exercise price of $2.25 per share. Further, in the event of the death of our founder and then CEO, the terms of the private placement permitted the private equity shareholders to "put" their stock back to us for the amount of their investment. To secure the private equity shareholders' right to "put" the acquire common stock, we purchased a $7.5 million key-man life insurance policy on the life of our founder and then CEO. In addition, we issued to an affiliate 800 shares of Series A Preferred Stock for $0.8 million in cash and converted approximately $4.6 million of subordinated debt into 4,550 shares of Series A Preferred Stock. This conversion reduced the amount of subordinated debentures outstanding at December 31, 2000 to $5.5 million. With the completion of these capital transactions, we reached agreements to extend the maturity dates of approximately $13.0 million senior secured debt.

The proceeds of the October 2000 private placement of stock were used to repay $1.3 million of secured indebtedness, complete the acquisition of Gulf Coast Resources, Inc. and provide working capital.

On February 10, 2001, our founder and then CEO, was killed in a private aircraft accident. As a result, we received $7.5 million in insurance proceeds from the key man insurance policy purchased in connection with the aforementioned private placement. The private placement shareholders waived their right to "put" their stock back to us. In connection with the receipt of these waivers, we also obtained commitments from our senior secured lenders to modify the then existing credit agreements. Under the terms of these revised commitments, the maturity dates were extended and interest rates were reduced from prime plus 3% to prime plus 1.5%. With the proceeds we paid $2.0 million of our senior secured term indebtedness and we reached an agreement with an affiliate, the holder of our outstanding subordinated debt to convert our remaining outstanding subordinated debt into $4.6 million of Series B Preferred Stock. Under the terms of this agreement, we paid the holder of our outstanding subordinated debt, $1.0 million in satisfaction of $2.0 million of indebtedness and issued 4,600 shares of Series B Preferred Stock in full satisfaction of the remaining unpaid subordinated debentures.

In September 2002, we entered into a $10.5 million senior credit facility with a bank including a $7.0 million working capital revolving line of credit (the "Line") and a $3.5 million term loan. The proceeds were used to repay term debt, refinance our revolving line of credit and provide working capital.

At December 31, 2002, we had approximately $0.7 million in cash on hand as compared to approximately $1.2 million at December 31, 2001. At December 31, 2002, we had working capital of approximately $2.9 million as compared to approximately $2.3 million at December 31, 2001. The increase in working capital is due to increased profitability, improved cash flow generated by our operations and the impact of our debt restructuring efforts.

Cash provided by operating activities was $5.0 million and $6.4 million in the years ended December 31, 2002 and 2001, respectively. Income provided from our operations was the single largest contributing factor in both years.

Availability under the Line is the lower of: (i) $7.0 million or (ii) the sum of 85% of eligible accounts receivable, plus the lessor of: 50% of the cost of eligible inventory or 80% of the appraised orderly liquidation value of eligible inventory of parts and supplies. The Line accrues interest at the prime interest rate plus 1.5% (5.75% at December 31, 2002) and matures on August 31, 2004. The Line is collateralized by accounts receivable and inventory and is subject to certain customer concentration limitations. As of December 31, 2002 we had $3.0 million outstanding under the Line and additional borrowing availability of $0.8 million. The weighted-average interest rate on borrowings under our revolving lines of credit was 9.2% and 6.2% for the years ended December 31, 2001 and 2002, respectively.

At December 31, 2002, we also had outstanding approximately $10.6 million in other senior secured debt including approximately $1.5 million with an equipment finance company. This loan amortizes over seven years bears interest at LIBOR plus 5.0%, is secured by seismic drilling equipment and matures in July 2006. Further, at December 31, 2002 we had approximately $3.3 million outstanding to an aviation equipment finance company. This loan is secured by the aviation fleet, amortizes over ten years, accrues interest at 8% per annum and matures January 2007. Our real estate is financed with a bank with payments amortized ten years, bearing interest at prime plus 1.5% and matures in August 2004. At December 31, 2002, the balance outstanding under our real estate loan was $1.8 million.

Historically, our capital requirements have primarily related to the purchase or fabrication of new seismic drilling equipment and related support equipment, additions to our aviation fleet and new business acquisitions. In

2002, we acquired the assets of AirJac Drilling (See Notes 12 and 14) and approximately $0.4 million of new vehicles accounted for as a capital lease. In 2003 we expect to continue renewing our rolling stock, expanding our aviation fleet and continuing to pursue various strategic acquisitions. At this time, we have no material commitments outstanding for expenditures nor do we anticipate acquiring a significant amount of capital assets in 2003.

CONTRACTUAL COMMITMENTS

We have the following contractual obligations as of December 31, 2002:

	PAYMENTS DUE BY PERIOD			
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	AFTER 4 YEARS
Long-term debt	$ 9,878	$1,852	$6,610	$1,416
Capital lease obligations	697	383	314	--
Total Contractual Cash	$10,575	$2,235	$6,924	$1,416

In addition to the obligations described above, we also have a revolving line of credit, which is secured by our accounts receivable and inventory. The line of credit matures on August 31, 2004. The balance outstanding on the line of credit was $3.0 million at December 31, 2002.

We periodically finance insurance policies on a short-term basis. As of December 31, 2002, $1.6 million was outstanding for various polices financed with maturity dates ranging from June 2003 to September 2003.

We believe that cash flow generated from operations in 2003 will be sufficient to fund our working capital needs, satisfy our debt service requirements and fulfill our capital expenditure requirements for at least the next twelve months.

CAUTIONARY STATEMENTS

This Annual Report contains "forward-looking statements." Such statements include, without limitation, statements regarding our expectations regarding revenue levels, profitability and costs, the expected results of our business strategy, and other plans and objectives of management for future operations and activities.

Important factors that could cause actual results to differ materially from our expectations include, without limitation, our dependence on activity in the oil and gas industry, risks associated with our rapid growth, dependence on a relatively small number of significant customers, seasonality and weather risks, the hazardous conditions and difficult terrain in which we operate, and risks associated with our international expansion. Many of these factors are beyond our control.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2001, we leased a facility from an affiliate. Lease payments totaled approximately $0.1 million which approximated market value. The lease was terminated in July 2001 (See Notes 4, 8 and 9 for transactions with our affiliates).

In July 2000, we entered into a series of transactions with the same affiliate that enabled us to factor, with recourse, approximately $1.0 million of the trade receivable of a major customer. This receivable had become ineligible under the terms of our revolving line of credit. As of December 31, 2002 we were liable to the affiliate for approximately $0.2 million. In addition, we borrowed $0.5 million from this affiliate during 2002. As of December 31, 2002, $0.1 million remained outstanding. We are currently finalizing repayment terms with the affiliate of all of the remaining outstanding balances. The loan is secured by the amounts due from certain customers.

During the years ended December 31, 2000 and 2001, we privately placed with an affiliate subordinated debentures totaling $3.4 million and $1.5 million, respectively. The debentures matured five years from their date of issue and accrued interest at various rates ranging from a fixed rate of 12% per annum to a variable rate of interest starting at 12% per annum and escalating to 20% per annum. In October 2000, we agreed to convert $4.6 million of the subordinated debentures into our Series A Preferred Stock. In May 2001, we agreed to pay the affiliate $3.0 million cash plus issue to the affiliate $4.6 million of the Company's Series B Preferred Stock in satisfaction of all of the remaining outstanding subordinated debentures including accrued interest of $1.8 million. This transaction resulted in the affiliate agreeing to forgive $1.0 million of indebtedness, which has been reflected as a capital contribution from the affiliate rather than as income in the accompanying financial statements (See Note 9 regarding the accounting for preferred stock).

In connection with the original issuance of the subordinated debentures, we issued to the affiliate detachable warrants to purchase 1,912,833 shares of our common stock, of which 967,000 have been cancelled as of December 31, 2002. The remaining 945,833 warrants outstanding are all exercisable with exercise prices ranging from $2.25 to $6.00 per share.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of financial condition and results of operation are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis, based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation on our consolidated financial statements.

We extend credit to customers and other parties in the normal course of business. We regularly review outstanding receivables, and provide for estimated losses through an allowance for doubtful accounts. In evaluating the level of established reserves, we make judgments regarding the parties' ability to make required payments, economic events and other factors. As the financial condition of these parties change, circumstances develop or additional information becomes available, adjustments to the allowance for doubtful account may be required. Due to the nature of our industry, we have a concentration of credit risks. As a result, adjustments to the allowance for doubtful accounts may be significant.

We have made significant investments in inventory to service our equipment. On a routine basis, we use judgments in determining the level of reserves required to state inventory at the lower of cost or market. Technological innovations, market activity levels and the physical condition of products primarily influence our estimates. Changes in these or other factors may result in adjustments to the carrying value of inventory.

Deferred tax assets and liabilities are recognized for differences between the book basis and tax basis of our net assets. In providing for deferred taxes, we consider current tax regulations, estimates of future taxable income and available tax planning strategies. We have established reserves to reduce our net deferred tax assets to estimated realizable value. If tax regulations change, operating results or the ability to implement tax planning strategies vary, adjustments to the carrying value of our net deferred tax assets and liabilities may be required. In making this determination we have considered future income in assessing the ultimate recoverability of the recognized net deferred tax asset.

We record liabilities for environmental obligations when remedial efforts are probable and the costs can be reasonably estimated. Our estimates are based on currently enacted laws and regulations. As more information becomes available or environmental laws and regulations change, such liabilities may be required to be adjusted. Additionally, in connection with acquisitions, we obtain indemnifications from the seller related to environmental matters. If the indemnifying parties do not fulfill their obligations, adjustments of recorded amounts may be required.

We maintain insurance coverage for various aspects of our business and operations. We retain a portion of losses that occur through the use of deductibles and self-funded insurance programs. We regularly review estimates of reported and unreported claims and provide for losses through insurance reserves. As claims develop and additional information becomes available, adjustments to loss reserves may be required.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142 "Goodwill and Other Intangible Assets." Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. For goodwill and indefinite-lived intangible assets acquired prior to July 1, 2001, goodwill continued to be amortized through 2001 at which time amortization ceased and a transitional goodwill impairment test was performed. Any impairment charges resulting from the initial application of the new rules were classified as a cumulative change in accounting principle. The initial transition evaluation was completed by June 30, 2002, which is within the six-month transition period allowed by the new standard. Our goodwill balances were determined not to be impaired. Goodwill amortization for each of the years ended December 31, 2002, 2001 and 2000 was $0, $103,000, and $21,000, respectively. The following table presents our net income as reported in our consolidated financial statements compared to what would have been reported had the SFAS No. 142 been in effect as of January 1, 2000.

	DECEMBER 31,

	2000	2001
Net income (loss), as reported	$(25,773)	$4,938
Amortization of goodwill	21	103
Net income (loss), as adjusted	$(25,752)	$5,041
Earnings (loss) per common share:		
Basic	$ (4.43)	$ 0.56
Diluted	$ (4.43)	$ 0.51
Number of weighted average shares		
Basic	5,819	9,015
Diluted	5,819	9,844

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In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS 145 requires that gains or losses recorded from the extinguishment of debt that do not meet the criteria of Accounting Principles Board ("APB") Opinion No. 30 should not be presented as extraordinary items. This statement is effective for fiscal years beginning after May 15, 2002 as it relates to the reissued FASB Statement No. 4, with earlier application permitted. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB No. 30 for classification as an extraordinary item should be reclassified. We have elected not to adopt this statement early.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. SFAS 146 has no impact on the financial statements for the year ended December 31, 2002.

In November 2002, the FASB issued FASB Interpretation ("FIN") 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of these recognition provisions will result in recording liabilities associated with certain guarantees provided by us. The disclosure requirements of this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. Management does not expect this Interpretation to have a material impact to the Consolidated Financial Statements.

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- An Amendment of FASB Statement No. 123," was issued by the FASB and amends FASB Statement No. 123, "Accounting for Stock-Based Compensation." This Statement provides alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Additionally, this Statement amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. The transition method provisions of this Statement are effective for fiscal years ending after December 15, 2002. The interim financial reporting requirements of this Statement are effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. We will continue to account for this compensation in accordance with APB No. 25. We will adopt the interim reporting requirements in the first fiscal period of the year ending 2003. In January 2003, the FASB issued FIN 46 "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin ("ARB") 51, Consolidated Financial Statements, to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of this Interpretation are effective for all financial statements issued after January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after June 15, 2003. Management is currently assessing the impact of FIN 46, and does not expect this Interpretation to have a material impact to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

We are exposed to interest rate risk due to changes in interest rates, primarily in the United States. Our policy is to manage interest rates through the use of a combination of fixed and floating rate debt. We currently do not use any derivative financial instruments to manage our exposure to interest rate risk. The table below provides information about the future maturities of principal for outstanding debt instruments at December 31, 2002. All instruments described are non-traded instruments and approximated fair value.

	2003	2004	2005	2006	2007
	(DOLLARS IN THOUSANDS)				
Long-term debt					
Fixed Rate	437	473	512	507	1,416
Average interest rate	8.0%	8.0%	8.0%	8.0%	8.0%
Variable Rate	1,414	2,807	2,312	--	--
Average interest rate	6.2%	6.0%	6.0%	--	--
Short-term debt					
Fixed Rate	1,581	--	--	--	--
Average interest rate	5.8%	--	--	--	--
Variable Rate	--	--	--	--	--
Average interest rate	--	--	--	--	--

FOREIGN CURRENCY RISKS

Our transactions are in U.S. dollars. Previously, we had one subsidiary, which conducted our operations in Canadian dollars. However, those operations were closed in July 1999. Currently, the South American joint venture transacts all of its activity in U.S. dollars. Operations in South America have been curtailed pending future developments in that market.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
OMNI Energy Services Corp.

We have audited the accompanying consolidated balance sheet of OMNI Energy Services Corp. as of December 31, 2002, and the related consolidated statements of operations, changes in equity and comprehensive loss, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of OMNI Energy Services Corp. as of December 31, 2001 and for each of the two years in the period ended December 31, 2001, were audited by other auditors who have ceased operations and whose report dated March 14, 2002, expressed an unqualified opinion on those statements before the restatement adjustments and transitional disclosures described in Note 1.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of OMNI Energy Services Corp. at December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS 142").

As discussed above, the financial statements of OMNI Energy Services Corp. as of December 31, 2001, and for each of the two years in the period ended December 31, 2001, were audited by other auditors who have ceased operations. As described in Note 1, these financial statements have been revised. The Company's board of directors approved a one-for-three reverse stock split, and all references to number of shares and per-share information in the financial statements have been adjusted to reflect the reverse stock split on a retroactive basis. We audited the adjustments that were applied to restate the number of shares and per-share information reflected in the 2001 and 2000 financial statements. Our procedures included (a) agreeing the authorization for the one-for-three reverse stock split to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the restated number of shares, basic and diluted earnings per-share, and other applicable disclosures such as stock options. We also applied audit procedures with respect to the disclosures in Note 1 pertaining to financial statement revisions to include the transitional disclosures required by FAS 142. In our opinion, the restatement adjustments for the reverse stock split for 2001 and 2000 described in Note 1 are appropriate and have been properly applied and the FAS 142 transitional disclosures for 2001 and 2000 in Note 1 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such restatement adjustments and transitional disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

Ernst & Young LLP

New Orleans, Louisiana
March 27, 2003

THIS IS A COPY OF THE AUDIT REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP IN CONNECTION WITH OMNI'S FILING ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001. THIS AUDIT REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP IN CONNECTION WITH THIS FILING ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002. FOR FURTHER DISCUSSION, SEE EXHIBIT 23.2 WHICH IS FILED HEREWITH AND HEREBY INCORPORATED BY REFERENCE INTO THE FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002 OF WHICH THIS REPORT FORMS A PART.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of OMNI Energy Services Corp.:

We have audited the accompanying consolidated balance sheets of OMNI Energy Services Corp. and subsidiaries, a Louisiana corporation, as of December 31, 2000 and 2001, and the related consolidated statements of operations, changes in equity and comprehensive loss and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMNI Energy Services Corp. and subsidiaries as of December 31, 2000 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

New Orleans, Louisiana
March 14, 2002

OMNI ENERGY SERVICES CORP.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2002

	2001	2002
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,233	$ 704
Trade receivables, net	3,303	4,485
Other receivables	1,947	1,440
Parts and supplies inventory	2,723	2,711
Prepaid expenses	857	2,228
Deferred tax asset	--	400
Assets held for sale	630	413
Total current assets	10,693	12,381
PROPERTY AND EQUIPMENT:		
Land	359	359
Building and improvements	4,505	4,530
Drilling, field and support equipment	24,834	27,354
Aviation equipment	5,109	4,189
Shop equipment	392	425
Office equipment	1,500	1,535
Vehicles	2,526	2,590
Construction in progress	50	--
	39,275	40,982
Less: accumulated depreciation	13,707	16,559

Total property and equipment, net	25,568	24,423
OTHER ASSETS:		
Goodwill, net	2,006	1,886
Intangible asset, net	--	1,820
Other	181	815
	2,187	4,521
Total assets	$ 38,448	$ 41,325
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 2,125	$ 2,235
Insurance notes	625	1,581
Accounts payable	2,598	4,216
Accrued expenses	2,240	1,239
Sales taxes payable	707	67
Accrued interest	71	29
Total current liabilities	8,366	9,367
LONG-TERM LIABILITIES:		
Line of credit	2,012	2,978
Other long-term liabilities	--	638
Long-term debt, less current maturities	9,289	8,340
Total long-term liabilities	11,301	11,956
	19,667	21,323
MINORITY INTEREST	221	221
COMMITMENTS AND CONTINGENCIES	--	--
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, 5,000,000 shares authorized; 12,100 shares issued and outstanding, liquidation preference of $1,000 per share	11,616	12,100
Common stock, $.01 par value, 45,000,000 shares authorized; 9,098,491 and 9,101,778 issued at December 31, 2001 and 2002, respectively	91	91
Treasury stock, 361,800 shares acquired at cost	(706)	(706)
Additional paid-in capital	56,825	56,831
Accumulated other comprehensive loss	(83)	(78)
Accumulated deficit	(49,183)	(48,457)
Total stockholders' equity	18,560	19,781
Total liabilities and stockholders' equity	$ 38,448	$ 41,325

The accompanying notes are an integral part of these consolidated financial statements.

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	2000	2001	2002
	(IN THOUSANDS, EXCEPT PER SHARE DATA		
Operating revenue	$ 16,563	$23,686	$27,796
Operating expense	20,212	20,893	22,142
Gross profit (loss)	(3,649)	2,793	5,654
General and administrative expense	5,999	3,126	3,771
Asset impairment and other charges	11,284	632	--
Operating income (loss)	(20,932)	(965)	1,883
Interest expense	3,012	1,300	1,079
Other (income) expense	1,846	(7,929)	(4
Income (loss) before taxes	(25,790)	5,664	808
Income tax benefit	--	--	(400
Income (loss) before minority interest	(25,790)	5,664	1,208
Minority interest in loss of subsidiaries	(17)	--	--
Net income (loss)	(25,773)	5,664	1,208
Accretion of preferred stock	--	(726)	(484
Net earnings (loss) applicable to common and common equivalent shares	$(25,773)	$ 4,938	$ 724
Basic income (loss) per common share:	$ (4.43)	$ 0.55	$ 0.08
Diluted income (loss) per common share:	$ (4.43)	$ 0.50	$ 0.08
Number of shares used in calculating earnings (loss) per share:			
Basic	5,819	9,015	8,739
Diluted	5,819	9,844	8,745

The accompanying notes are an integral part of these consolidated financial statements.

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	PREFERRED STOCK		COMMON STOCK		TREASURY STOCK	ADDIT PAID
	SHARES	AMOUNT	SHARES	AMOUNT	AMOUNT	CAPI
			(DOLLARS IN THOUSANDS)			
BALANCE, January 1, 2000	1,000	1,000	5,326,502	53	--	47,
Deferred Compensation Expense	--	--	--	--	--	
-- issuance of common shares for acquisitions	--	--	1,302,490	13	--	2,

-- issuance of common shares..........	--	--	2,320,000	23	--	4,
-- stock option exercise..............	--	--	21,583	--	--	
-- preferred stock..................	6,500	6,500	--	--	--	
Comprehensive income:						
-- net loss.........................	--	--	--	--	--	
-- foreign currency translation adjustments......................	--	--	--	--	--	
Total comprehensive loss..............	--	--	--	--	--	
BALANCE, December 31, 2000............	7,500	7,500	8,970,575	89	--	54,
-- issuance of common shares..........			8,333	--	--	
-- stock option exercise..............	--	--	119,583	1	--	
-- offering costs.....................	--	--	--	--	--	(
-- conversion of subordinated debt to preferred stock.....................	--	3,390	--	--	--	2,
-- accretion of preferred stock........	--	726	--	--	--	
-- treasury stock.....................	--	--	--	--	(706)	
Comprehensive income:						
-- net income.......................	--	--	--	--	--	
-- foreign currency translation adjustments......................	--	--	--	--	--	
Total comprehensive income............	--	--	--	--	--	
BALANCE, December 31, 2001............	7,500	$11,616	9,098,491	$90	$(706)	$56,
-- issuance of common shares..........		--	--	--	--	
-- stock option exercise..............	--	--	3,333	1	--	
-- conversion of subordinated debt to preferred stock.....................	4,600	--	--	--	--	
-- accretion of preferred stock........	--	484	--	--	--	
Comprehensive income:						
-- net income.......................	--	--	--	--	--	
-- foreign currency translation adjustments......................	--	--	--	--	--	
Total comprehensive income............	--	484	--	--	--	
BALANCE, December 31, 2002............	12,100	$12,100	9,101,824	$91	$(706)	$56,

	ACCUMULATED OTHER COMPREHENSIVE LOSS	ACCUMULATED DEFICIT	TOTAL
	(DOLLARS IN THOUSANDS)		
BALANCE, January 1, 2000..............	(13)	(28,348)	20,396
Deferred Compensation Expense..........	--	--	62
-- issuance of common shares for acquisitions.......................	--	--	2,443
-- issuance of common shares..........	--	--	4,349
-- stock option exercise..............	--	--	64
-- preferred stock..................	--	--	6,500
Comprehensive income:			
-- net loss.........................	--	(25,773)	(25,773)
-- foreign currency translation adjustments......................	(23)	--	(23)

Total comprehensive loss	(23)	(25,773)	(25,796)
BALANCE, December 31, 2000	(36)	(54,121)	8,018
-- issuance of common shares			15
-- stock option exercise	--	--	218
-- offering costs	--	--	(168)
-- conversion of subordinated debt to preferred stock	--	--	5,566
-- accretion of preferred stock	--	(726)	--
-- treasury stock	--	--	(706)
Comprehensive income:			
-- net income	--	5,664	5,664
-- foreign currency translation adjustments	(47)	--	(47)
Total comprehensive income	(47)	5,664	5,617
BALANCE, December 31, 2001	$(83)	$(49,183)	$ 18,560
-- issuance of common shares	--	--	--
-- stock option exercise	--	--	6
-- conversion of subordinated debt to preferred stock	--	--	--
-- accretion of preferred stock	--	(484)	--
Comprehensive income:			
-- net income	--	1,210	1,210
-- foreign currency translation adjustments	5	--	5
Total comprehensive income	5	726	1,321
BALANCE, December 31, 2002	$(78)	$(48,457)	$ 19,781

The accompanying notes are an integral part of these consolidated financial statements.

OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 2001 AND 2002

	2000	2001	2002
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(25,773)	$ 5,664	$ 1,208
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities --			
Depreciation	3,627	3,197	3,584
Amortization	416	169	200
(Gain) loss on fixed asset dispositions	1,852	(71)	(13)
Deferred compensation	62	--	--
Provision for bad debts	46	134	(134)

Minority interest	(17)	--	--
Interest expense on detachable warrants	--	--	--
Asset impairment and other charges	11,284	632	--
Deferred taxes	--	--	--
Changes in operating assets and liabilities --			
Decrease (increase) in assets --			
Receivables -- Trade	1,997	(1,498)	(1,047)
Receivables -- Other	(320)	(606)	514
Inventory	1,789	(74)	166
Prepaid expenses	(163)	(152)	2,296
Other	(2,273)	228	(1,933)
Increase (decrease) in liabilities --			
Accounts payable and accrued expenses	1,858	(1,443)	31
Due to affiliates and stockholders/members	--	175	143
Net cash provided by (used in) operating activities	(5,615)	6,355	5,014
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash received	811	--	(2,076)
Proceeds from disposal of fixed assets	866	179	1,067
Purchase of fixed assets	(735)	(334)	(890)
Net cash provided by (used in) investing activities	942	(155)	(1,899)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	918	1,521	3,500
Principal payments on long-term debt	(3,294)	(4,779)	(7,731)
Loan closing costs	--	--	(384)
Net borrowings/(payments) on line of credit	(1,746)	324	966
Purchase of treasury stock	--	(706)	--
Proceeds from issuance of subordinated debt	2,812	1,500	--
Repayment of subordinated debt	--	(3,209)	--
Proceeds from issuance of common stock	4,250	65	6
Proceeds from issuance of preferred stock	1,950	--	--
Net cash provided by (used in) financing activities	4,890	(5,284)	(3,643)
Effect of exchange rate changes on cash	(4)	--	--
NET INCREASE (DECREASE) IN CASH FROM OPERATIONS	213	916	(528)
CASH, at beginning of period	104	317	1,233
CASH, at end of period	$ 317	$ 1,233	$ 704
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
CASH PAID FOR INTEREST	$ 3,012	$ 1,300	$ 1,079
CASH PAID FOR TAXES	$ --	$ 50	$ --
AVIATION EQUIPMENT PURCHASE FINANCED BY NOTE PAYABLE	$ --	$ 5,108	$ --
EQUIPMENT ACQUIRED UNDER CAPITAL LEASE	$ --	$ --	$ 688
PREMIUM FINANCED WITH INSURANCE CARRIER	$ --	$ --	$ 3,619

The accompanying notes are an integral part of these consolidated financial statements.

OMNI ENERGY SERVICES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of OMNI Energy Services Corp., a Louisiana corporation, and subsidiaries in which we have a greater than 50% ownership. All material intercompany accounts and transactions have been eliminated in these financial statements. Certain prior year amounts have been reclassified to be consistent with current year financial statement presentation.

The consolidated financial statements and related notes thereto include the retroactive effect of a one-for-three reverse stock split which was effective July 3, 2002.

NATURE OF BUSINESS AND CURRENT OPERATING ENVIRONMENT

We are an oilfield service company specializing in providing an integrated range of onshore seismic drilling and survey services to geophysical companies operating in logistically difficult and environmentally sensitive terrain in the continental United States. Our primary market is the marsh, swamp, shallow water and contiguous dry land areas along the U.S. Gulf Coast (the "Transition Zone"), primarily Louisiana and Texas, where we are the leading provider of seismic drilling services.

We receive our revenues from customers in the energy industry. The seismic market has remained depressed due primarily to the excess capacity of available seismic data in the market. This volatile market has impacted our ability, as well as that of our customers and others in the industry, to change their forecasts and budgets in response to future uncertainties of commodity pricing. These fluctuations can rapidly impact our cash flows as supply and demand factors impact the number and size of seismic projects available.

We continue to adjust our operations to current market conditions by downsizing our operations through closure of certain operating locations, disposing of excess equipment and reducing our corporate overhead structure (see Note 5).

During the later half of 2000, we began to experience an increase in bidding activity. During this same time we continued our efforts to renegotiate our loan agreements with our senior lenders and raise additional equity capital. During the fourth quarter of 2000, we completed the raising of additional equity capital which facilitated the restructuring of our senior secured credit facilities.

On October 31, 2000 we completed a $4.3 million private equity offering in exchange for 2,320,000 shares of common stock and the option to acquire an additional 942,500 shares of common stock at an exercise price of $2.25 per share. The private equity shareholders received the right to "put" their shares back to us in the event of the death of our founder and then CEO. To secure the "put" we acquired a $7.5 million key man life insurance policy. A portion of the insurance policy was assigned to the private equity shareholders to secure their "put." In addition, we sold to an affiliate 800 shares of Series A preferred stock for $0.8 million cash and also converted $4.6 million in subordinated debt into 4,550 shares of Series A preferred stock. In connection with the completion of these capital transactions, we reached agreements with our secured lenders to extend the maturity dates of approximately $13 million in senior secured indebtedness. The proceeds from the sale of stock were used to repay debt, acquire Gulf Coast Resources, Inc. (see Note 12) and provide working capital.

On February 10, 2001, our founder and then CEO was killed in a private plane accident. As a result of this accident, we received $7.5 million of proceeds from the aforementioned key man life insurance policy. The receipt of the insurance proceeds is included as "other income" in the Statement of Operations. The private equity shareholders waived their right to "put" their common shares back to us. In connection with obtaining these waivers, we also obtained from our senior secured lenders commitments to modify the existing loan agreements. Under these revised agreements, the maturity dates were extended with principal amortization remaining substantially the same. Additionally, the interest rate on $6.9 million of the indebtedness was reduced from prime plus 3% to prime plus 1.5%. In connection with the revised agreements, we repaid

$2.0 million of the then existing senior secured term indebtedness and restructured all of the outstanding subordinated debt.

In May 2001 we reached an agreement with our affiliate, the holders of our outstanding subordinated debt, to pay $1.0 million in full satisfaction of $2.0 million of indebtedness. We further agreed to issue shares of Series B Preferred Stock in satisfaction of the remaining outstanding subordinated debt, including accrued interest (See Note 4).

In November 2001 we renegotiated with our senior secured lenders the amortization of certain senior secured term indebtedness, the maturity dates of all senior secured debt and a reduction in the interest rates of certain senior secured debt from the prime interest rate plus 3% to the current rate of LIBOR plus 5%.

In September 2002, we refinanced our working capital revolving line of credit and certain equipment term indebtedness with a $10.5 million senior credit facility including a $7.0 million revolving line of credit and a $3.5 million equipment term loan.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include asset impairment reserves, useful lives for depreciation and amortization, receivables reserve requirements and the realizability of deferred tax assets. Actual results could differ from those estimates.

RECENT PRONOUNCEMENTS

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The adoption did not have an impact on the Company's financial position as it has not entered into any derivative instruments.

In July 2001, the FASB issued SFAS No. 142 "Goodwill and Other Intangible

Assets." Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed for impairment annually, or more frequently if circumstances indicate potential impairment. Separable intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives. For goodwill and indefinite-lived intangible assets acquired prior to July 1, 2001, goodwill continued to be amortized through 2001 at which time amortization ceased and a transitional goodwill impairment test was performed. Any impairment charges resulting from the initial application of the new rules were classified as a cumulative change in accounting principle. The initial transition evaluation was completed by June 30, 2002, which is within the six-month transition period allowed by the new standard. The Company's goodwill balances were determined not to be impaired. Goodwill amortization for each of the years ended December 31, 2001 and 2000 was $103,000, and $21,000, respectively. The following table presents the Company's

net income as reported in the Company's consolidated financial statements compared to what would have been reported had the SFAS No. 142 been in effect as of January 1, 2000.

	DECEMBER 31,	
	2000	2001
Net income (loss) applicable to common and common equivalent shares, as reported	$(25,773)	$4,938
Amortization of goodwill	21	103
Net income (loss) applicable to common and common equivalent shares, as adjusted	$(25,752)	$5,041
Income (loss) per common share:		
Basic	$ (4.43)	$ 0.56
Diluted	$ (4.43)	$ 0.51
Number of weighted average shares		
Basic	5,819	9,015
Diluted	5,819	9,844

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 requires that gains or losses recorded from the extinguishment of debt that do not meet the criteria of Accounting Principles Board (APB) Opinion No. 30 should not be presented as extraordinary items. This statement is effective for fiscal years beginning after May 15, 2002 as it relates to the reissued FASB Statement No. 4, with earlier application permitted. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in APB 30 for classification as an extraordinary item should be reclassified. The Company has elected not to adopt this statement early.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain

Employee Termination Benefits and Other Costs to Exit an Activity," under which a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized at fair value when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. SFAS 146 has no impact on the financial statements for the year ended December 31, 2002.

In November 2002, the FASB issued FASB Interpretation ("FIN") 45 "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of the guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this Interpretation are applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of these recognition provisions will result in recording liabilities associated with certain guarantees provided by the Company. The disclosure requirements of this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. Management does not expect this Interpretation to have a material impact to the Consolidated Financial Statements.

In December 2002, SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure -- An Amendment of FASB Statement No. 123," was issued by the FASB and amends FASB Statement No. 123, "Accounting for Stock-Based Compensation." This Statement provides alternative

methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation and amends the disclosure provisions of SFAS 123 to require prominent

disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Additionally, this Statement amends APB Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information. The transition method provisions of this Statement are effective for fiscal years ending after December 15, 2002. The interim financial reporting requirements of this Statement are effective for financial reports containing condensed financial statements for interim periods beginning after December 15, 2002. In January 2003, the FASB issued FIN 46 "Consolidation of Variable Interest Entities," which clarifies the application of Accounting Research Bulletin ("ARB") 51, Consolidated Financial Statements, to certain entities (called variable interest entities) in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The disclosure requirements of this Interpretation are effective for all financial statements issued after

January 31, 2003. The consolidation requirements apply to all variable interest entities created after January 31, 2003. In addition, public companies must apply the consolidation requirements to variable interest entities that existed prior to February 1, 2003 and remain in existence as of the beginning of annual or interim periods beginning after June 15, 2003. Management is currently assessing the impact of FIN 46, and does not expect this Interpretation to have a material impact to the Consolidated Financial Statements.

IMPAIRMENT OF LONG-LIVED ASSETS

Through December 31, 2001, we evaluated our long-lived assets for financial impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We evaluated the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. At the time such evaluations indicated that the future undiscounted cash flows of certain long-lived assets were not sufficient to cover the carrying value of such assets, the assets were adjusted to their estimated fair values. Effective January 1, 2002 we adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". These new rules on asset impairment supersede SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The adoption of SFAS No. 144 did not have a material effect on our financial statements for the year ended December 31, 2002.

REVENUE RECOGNITION

We recognize revenue as service is rendered. Revenue from our drilling operations is recognized on a per hole basis. Once we have drilled and loaded a source point, revenue from the drilling of such source point is recognized. Similarly, revenue is recognized from our seismic survey operations either on a day rate or per mile basis. Under the per mile basis, revenue is recognized when the source or receiving point is marked by one of our survey crews. Permitting is recognized on a per day basis as services are incurred. Our aircraft, which are usually either chartered with a monthly guaranteed rate or for a guaranteed minimum number of hours per day, generate revenue pursuant to a fixed hourly rate.

CASH AND CASH EQUIVALENTS

We consider investments with an original maturity of 90 days or less to be cash equivalents. Due to its short-term nature the fair value of cash and cash equivalents approximates book value.

ACCOUNTS RECEIVABLE

Trade and other receivables are stated at net realizable value. We grant short-term credit to our customers, primarily geophysical companies. We regularly review outstanding receivables and provide for estimated losses through our allowance for doubtful accounts.

INVENTORIES

Inventories consist of parts and supplies used for our drilling and aviation operations. All inventories are valued at lower of average cost or market.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. We provide for depreciation by charging operations in amounts estimated to allocate the cost of the assets over their estimated useful lives and salvage values as follows:

ASSET CLASSIFICATION	USEFUL LIFE	SALVAGE VALUE
Buildings and improvements	25 years	--
Drilling, field and support equipment	5-10 years	10%
Aviation equipment	10 years	10%
Shop equipment	10 years	--
Office equipment	5 years	--
Vehicles	4-5 years	--

Additions to property and equipment and major replacements are capitalized. Gains and losses on dispositions, maintenance, repairs and minor replacements are reflected in the Statement of Operations. Drilling equipment, which is fabricated, is comprised of direct and indirect costs incurred during fabrication. Costs include materials and labor consumed during fabrication. Interest is also capitalized during the fabrication period. Included in property and equipment at December 31, 2002 is approximately $750,000, which is net of accumulated depreciation of approximately $225,000 for vehicles purchased under capital lease obligations and $125,000, net of accumulated depreciation of $5,000, for compressors purchased under capital lease obligations.

GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. Such excess costs were being amortized on a straight-line basis over a twenty-five year period. Through December 31, 2001, we periodically assessed the recoverability of the unamortized balance based on expected future profitability and undiscounted future cash flows of the acquisitions and their contribution to our overall operation. Effective January 1, 2002 we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. As of December 31, 2001 and 2002, accumulated goodwill amortization totaled approximately $123,811 and $123,811 respectively. (See Note 5 for impairment charges related to goodwill.) As of December 31, 2001 and 2002, we have goodwill of $2.0 million. We recognized approximately $21,000 and $103,000 in goodwill amortization expense for the year ended December 31, 2000 and 2001, respectively. No goodwill amortization expense was recorded in the year ended December 31, 2002. There were no changes to goodwill balances during the years ended December 31, 2001 and 2002 other than amortization expense for 2001. We also recognized $100,000 in amortization expense related to the customer intangible asset for the year ended December 31, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

INCOME TAXES

We provide for deferred taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for measuring deferred taxes and liabilities due to temporary differences existing at year-end using currently enacted rates.

FOREIGN CURRENCY TRANSLATION

Our Canadian subsidiary maintained its accounting records in the local currency (Canadian Dollar) before this operation was closed in July 1999. The currency was converted to United States Dollars with the effect of the foreign currency translation reflected as a component of shareholders' equity in accordance with SFAS No. 52, and SFAS No. 130, "Reporting Comprehensive Income." Currently, all other international activity is transacted in United States Dollars. Foreign currency transaction gains or losses are credited or charged to income, and such amounts are insignificant for the periods presented.

OVERHAUL AND REPAIR COSTS

Major overhaul of component parts for our owned aircraft are capitalized as prepaid items as incurred and amortized over service hours flown. Major overhauls to bring leased aircraft to specifications required at the termination of our operating leases are accrued on the basis of hours flown. Routine repairs and maintenance are expensed as incurred.

2. VALUATION ALLOWANCE ACCOUNTS

The allowance for uncollectible accounts consists of the following (in thousands):

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	WRITE-OFF OF UNCOLLECTIBLE AMOUNTS	BALANCE AT END OF PERIOD
December 31, 2002				
Allowance for uncollectible accounts	$1,174	$ 27	$(1,156)	$ 45
December 31, 2001				
Allowance for uncollectible accounts	$1,238	$134	$ (198)	$1,174
December 31, 2000				
Allowance for uncollectible accounts	$3,148	$178	$(2,088)	$1,238

The accrual to bring leased aircraft back to repair specifications at the termination of the operating lease is as follows (in thousands):

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	REPAIR CHARGES	BALANCE AT END OF PERIOD

December 31, 2002				
Operating lease repair accrual........	$ 117	$ --	$ (117)	$ --
December 31, 2001				
Operating lease repair accrual........	$1,633	$1,247	$(2,763)	$ 117
December 31, 2000				
Operating lease repair accrual........	$ 456	$1,275	$ (98)	$1,633

3. LONG-TERM DEBT AND LINE OF CREDIT

Long-term debt consists of the following (dollars in thousands):

	DECEMBER 31,	
	2001	2002
Notes payable to a finance company, variable interest rate at LIBOR plus 5.0% (6.38% at December 31, 2002) maturing July 31, 2006, secured by various property and equipment..	$2,402	$1,454
Notes payable to a bank with interest payable at Prime plus 1.5% (5.75% at December 31, 2002) maturing August 31, 2004, secured by various property and equipment...........	3,973	1,767
Notes payable to a bank with interest payable at Prime plus 1.75% (6.00% at December 31, 2002) maturing August 31, 2004, secured by various property and equipment...........	--	3,312
Notes payable to a finance company with interest at 8% maturing January 1, 2007, secured by aviation fleet.......	4,729	3,345
Capital lease payable to a leasing company secured by vehicles...	290	596
Capital lease payable to a vendor secured by equipment......	--	101
Various unsecured notes payable............................	20	--
Total...	11,414	10,575
Less: Current maturities..................................	2,125	2,235
Long-term debt, less current maturities....................	$9,289	$8,340

Annual maturities of long-term debt during each of the following years ended December 31, are as follows (in thousands):

2003..	$ 2,235
2004..	3,502
2005..	2,907

2006	515
2007	1,416
	$10,575

The estimated fair value of long-term debt, based on borrowing rates currently available to us for notes with similar terms and average maturities, approximated the carrying value as of December 31, 2001 and 2002.

We have a working capital revolving line of credit agreement (the "Line") with a bank. Availability under the Line is the lower of: (i) $7.0 million or, (ii) the sum of 85% of eligible accounts receivable, plus the lessor of: 50% of the cost of eligible inventory or 80% of the appraised orderly liquidation value of eligible inventory of parts and supplies. The Line accrues interest at the prime interest rate plus 1.5% (5.75% at December 31, 2002) and matures on August 31, 2004. The Line is collateralized by accounts receivable and inventory and is subject to certain customer concentration limitations. As of December 31, 2002 we had $3.0 million outstanding under the Line and additional borrowing availability of $0.8 million. The weighted-average interest rate on borrowings under our revolving lines of credit was 9.2% and 6.2% for the years ended December 31, 2001 and 2002,

The senior secured credit agreements contain customary financial covenants requiring, among other things, minimum levels of EBITDA, working capital, tangible net worth and debt to EBITDA ratios. As of December 31, 2002 we were in compliance with all of these covenants.

Subsequent to December 31, 2002, we agreed to renegotiated maturity dates of certain credit facilities and entered into an agreement to extend the amortization of the principal balance on one of our senior credit facilities. The revised maturity dates have been reflected in the consolidated financial statement and the related notes thereto. The extended amortization of the principal balance of the one senior credit facility will be reflected in our financial statements for the first quarter of the year ending 2003.

4. SUBORDINATED DEBT

During the years ended December 31, 1999, 2000 and 2001, we privately placed with an affiliate subordinated debentures totaling $7.5 million, $3.4 million and $1.5 million, respectively. The debentures matured five years from their date of issue and accrued interest at various rates ranging from a fixed rate of 12% per annum to a variable rate of interest starting at 12% per annum and escalating to 20% per annum. In October 2000, we agreed to convert $4.6 million of the subordinated debentures into our Series A Preferred Stock. In May 2001, we agreed to pay the affiliate $3.0 million cash plus issue to the affiliate $4.6 million of the Company's Series B Preferred Stock in full satisfaction of all of the remaining outstanding subordinated debentures including accrued interest of $1.8 million. This transaction resulted in the affiliate agreeing to forgive $1.0 million of indebtedness, which has been reflected as a capital contribution from the affiliate rather than as income in the accompanying financial statements (See Note 9 regarding the accounting for preferred stock).

In connection with the original issuance of the subordinated debentures, we issued to the affiliate detachable warrants to purchase 1,912,833 shares of our common stock, of which 967,000 have been cancelled. The remaining 945,833 warrants outstanding are all exercisable with exercise prices ranging from $2.25 to $6.00 per share.

The following table summarizes the exercise prices of outstanding warrants as of December 31, 2002:

EXERCISE PRICE	WARRANTS
$6.00	12,500
$4.50	172,223
$2.25	761,110
	945,833

5. ASSET IMPAIRMENT AND OTHER NON-RECURRING CHARGES

During 1997 and the first half of 1998, we experienced significant growth through a series of strategic acquisitions, and increasing demand for our services. Due to a significant decrease in the price of oil and gas and the resultant impact on drilling activity, we experienced a sharp decline in the demand for our services during the second half of 1998 through 2000. This decline in customer demand materialized quickly from the previous growth period and caused us to reassess our overall operations. This change in our market and

reassessment of operations resulted in our recording of the following charges to asset impairment during 2000, 2001, and 2002 (in thousands):

	2000	2001	2002
Impairment of drilling, field equipment and inventory	$ 3,428	$632	$ --
Write-down of other assets	330	--	--
Write-down of goodwill (net)	7,526	--	--
	$11,284	$632	$ --

As a result of the continuing market decline during 2000, we recorded an asset impairment of $11.3 million. The principal component of this charge was a net $7.5 million writeoff of goodwill, which consisted of $4.9 million related primarily to the international drilling and line cutting segments and $2.6 million related to the survey segment. Based on historical and projected undiscounted revenue and expense trends, we do not believe that these segments will generate sufficient activity to realize the carrying value of the goodwill. The $3.4 million of impairment of drilling, aviation and field equipment represents the writedown to estimated fair value of excess equipment that we have identified that is no longer needed to support future operations. The assets include leasehold improvements for an aviation hanger no longer used by the aviation division, estimated losses on the return of aircraft under an operating lease and certain domestic and international seismic drill units and related field equipment. The $0.3 million of other assets represents loan closing costs written off that are related to loans that have been renegotiated with various lenders during 2000.

In 2001 we revalued the tractors being held for sale to prices that more closely approximated their fair market values. In doing so, we recognized asset impairment charges of $0.2 million for the year ended December 31, 2001, by the end of 2001 all of the tractors were sold at prices that approximated their newly assigned values. We also revalued the steel marsh buggies being held for sale to their appraised fair market values as of December 31, 2001. This revaluation resulted in an additional $0.4 million charge to asset impairment for the year ended December 31, 2001.

In 2002 we collected $0.1 million of rent on facilities located in South America, which have been applied as a reduction of the value of these assets in held for sale.

At December 31, 2001 and 2002, we had $0.6 million and $0.5 million in assets held for sale of which $0.1 million is included in "Other Assets" and $0.4 million is included in "Assets Held for Sale" in the accompanying balance sheet as of December 31, 2002. As of December 31, 2002, assets held for sale include 8 steel marsh buggies as well as the remaining assets of our South American operation, for which we have specific agreements to sell. We expect to dispose of the remaining assets held for sale during 2003. The carrying values, which we believe approximate fair market value of our assets held for sale at December 31, 2002, are is as follows (in thousands):

ASSET TYPE	DECEMBER 31, 2002
Steel marsh buggies	$108
South American facility and other	413
Total assets held for sale	$521

6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2001 we leased a facility from a major shareholder at a total lease expense of $0.1 million, which approximated market values. We were under a lease contract for a portion of 2001 (See Note 8). See also Notes 4 and 9 for other transactions with our affiliates.

In July 2000, we entered into a series of transactions with the same affiliate that enabled us to factor, with recourse, approximately $1.0 million of the trade receivable of a major customer. This receivable had become ineligible under the terms of our Line. As of December 31, 2002 we were liable to the affiliate for approximately $0.2 million related to this agreement. In addition, we borrowed $0.5 million from this affiliate during 2002. As of

December 31, 2002, $0.1 million remained outstanding. We are currently finalizing repayment terms with the affiliate of all of the remaining outstanding balances. The loan is secured by the amounts due from certain customers.

We also placed subordinated debt with our major shareholder, which was subsequently converted to preferred stock (See Notes 4 and 9).

7. CUSTOMER AND CREDIT CONCENTRATION

During the year ended December 31, 2000, three customers accounted for 49% (34%, 8% and 7%, respectively) of our total revenues. Included in accounts receivable as of December 31, 2000, are amounts owed from these customers totaling approximately 39% (27%, 12% and 0%, respectively) of total accounts receivable.

During the year ended December 31, 2001, three customers accounted for 71% (43%, 16% and 12%, respectively) of our total revenues. Included in accounts receivable as of December 31, 2001, are amounts owed from these customers totaling approximately 74% (7%, 34% and 33%, respectively) of total accounts receivable.

During the year ended December 31, 2002, two customers accounted for 84% (58% and 26%, respectively) of our total revenues. Included in accounts receivable as of December 31, 2002, are amounts owed from these customers totaling approximately 68% (67% and 1%, respectively) of total accounts receivable.

Included in "Other Receivables" at December 31, 2002 is $0.5 million related to the work performed in Bolivia. We are pursuing collection from the related customer, however, the final amount to be collected depends on a number of factors and the ultimate resolution may be less than the recorded receivable.

8. COMMITMENTS AND CONTINGENCIES

LEASES

During 1999, we entered into a sale-leaseback transaction with our aviation fleet. We received $8.0 million upon sale of the aircraft and entered into an operating lease for a period of 10 years. Monthly rental payments under the lease were approximately $80,000. In December 2001, we exercised our option to acquire the aviation fleet previously under this lease obligation resulting in a $4.7 million note payable at December 31, 2001 (See Note 3). Future payments under this agreement will be recorded as a reduction in principal of the debt.

In connection with our new senior secured credit facility (See Note XX), in September 2002, we negotiated with a financing institution for the acquisition of certain drilling equipment and the early termination of the lease of certain seismic aviation equipment previously accounted for as non-cancelable operating leases.

Total rental expense was $2,612,840, $1,558,767 and $489,517 for the years ended December 31, 2000, 2001 and 2002, respectively. At December 31, 2002 there were no material non-cancelable operating leases in effect.

INSURANCE

We carried workers compensation insurance coverage with a deductible amount of $250,000 per incident for claims incurred in 1997. In 1999, we changed insurance carriers and had no deductible. Management is not aware of any significant workers compensation claims or any significant claims incurred but not reported as of December 31, 2002.

LITIGATION

Several of our former Board members and one current Board member, as well as our directors' and officers' insurance companies, have been named as defendants in a lawsuit filed by certain shareholders in connection with our private sale of securities in October 2000 (See Note 1). The lawsuit alleges, among other things, federal and state securities violations and misrepresentations. We are not named as defendants in this lawsuit; however, we may have indemnification obligations to the named individuals for actions in their capacity as members of our Board of Directors. We maintain directors' and officers' insurance for these types of matters, and we do not currently believe that these obligations will have a material adverse effect on our financial position.

One of our current directors has been named as a defendant in a lawsuit filed by an officer and director of the company in connection with our private sale of securities in October 2000 (See Note 1). The lawsuit alleges, among other things, negligent misrepresentation, omission of material facts, and state securities violations. We are not named as a defendant in this lawsuit; however, we may have indemnification obligations to the named individual for actions in his capacity as a member of our Board of Directors. We maintain directors and officers insurance for these types of matters, and we do not currently believe that this obligation will have a material adverse effect on our financial position.

In connection with our private sale of securities in October 2000 (See Note 1), we have also received two shareholder derivative demands requesting that we take legal action against all of our former Board members and officers for breaches of their duties and obligations to us and our shareholders. We have appointed a committee of our Board consisting of independent members to investigate and evaluate the allegations in these demands and make recommendations to the Board of Directors as they deem advisable.

In the normal course of our business, we become involved in various litigation matters including, among other things, claims by third parties for alleged property damages, personal injuries and other matters. While we believe we have meritorious defenses against these claims, management has used estimates in determining our potential exposure and has recorded reserves in our financial statements related thereto where appropriate. It is possible that a change in our estimates of that exposure could occur, but we do not expect such changes in estimate costs will have a material effect on our financial position or results of operations.

EMPLOYMENT AGREEMENTS

We have entered into employment agreements with certain key executive officers which include base salaries and terms of employment.

9. STOCKHOLDERS' EQUITY

PREFERRED STOCK

At December 31, 2002 we had a total of 7,500 shares of Series A Preferred Stock and 4,600 shares of Series B Preferred Stock, at a total liquidation value of $12.1 million.

The Series A Preferred Stock has an 8% cumulative dividend rate, is convertible into our common stock with a conversion rate of $2.25, is redeemable at our option at $1,000 per share plus accrued dividends, contains a liquidation preference of $1,000 per share, has voting rights on all matters submitted to a vote of our

shareholders, has separate voting rights with respect to matters that would affect the rights of the holders of the Preferred Stock, and has aggregate voting rights of the affiliate limited to 49% of our total outstanding common and preferred shares with voting rights. In respect to the Series A Preferred Stock, the affiliate has agreed to waive its conversion rights until our EBITDA (as defined) reaches a mutually agreed upon level. The preferred shareholders also agreed that dividends would not accrue on the outstanding stock from April 2001 through June 2002. Dividends were accreted at 8% during the free dividend period. As of April 2001 there were approximately $0.3 million of dividends in arrears relating to these outstanding shares of Series A Preferred Stock. The affiliate has also agreed that dividends will not accrue after June 30, 2002 until our earning reach a mutually agreed upon level.

In March 2002, we issued 4,600 shares of Series B Preferred Stock to an affiliate of ours in satisfaction of all outstanding principal and interest owed under the subordinated debt agreements (See Note 4). The Series B Preferred Stock has an 8% cumulative dividend rate, is convertible into our common stock with an initial conversion rate of $3.75, is redeemable at our option at $1,000 per share plus accrued dividends, contains a liquidation preference of $1,000 per share and has no voting rights until such time as it becomes convertible. The Series B Preferred Stock does not have conversion rights until our EBITDA (as defined) reaches a mutually agreed upon level, and until all shares of Series A Preferred Stock become convertible. We also agreed that dividends would not accrue on the outstanding stock from May 2001 through June 2002. Dividends were accreted at 8% during the free dividend period. As of May 2001 there were no dividends in arrears relating to the outstanding shares of Series B Preferred Stock. The affiliate has also agreed that dividends will not accrue after June 30, 2002 until our earning reach a mutually agreed upon level.

STOCK OPTIONS

In September 1997, we adopted and our sole shareholder approved the Stock Incentive Plan (the "Incentive Plan") to provide long-term incentives to our key employees, officers, directors who are our employees, and our consultants and advisors and non-employee directors ("Eligible Persons"). Under the incentive plan, we may grant incentive stock options, non-qualified stock options, restricted stock, other stock-based awards, or any combination thereof to Eligible Persons. Options generally vest over a four-year period and expire if unused after ten years. The exercise price of any stock option granted may not be less than the fair market value of the common stock on the date of grant. A total of 1,000,000 shares of common stock have been authorized under the Incentive Plan, of which 198,514 remain available for issuance at December 31, 2002.

In January 1999, we approved the Stock Option Plan (the "Option Plan") to provide for the grant of options to purchase shares of our common stock to non-officer employees of our company and our subsidiaries in lieu of year-end cash bonuses. The Option Plan is intended to increase shareholder value and advance our interests by providing an incentive to employees and by increasing employee awareness of us in the marketplace. Under the Option Plan, we may grant options to any of our employees with the exception of our officers. The options become exercisable immediately with respect to one-half of the shares, and the remaining one-half shall be exercisable one year following the date of the grant. The exercise price of any stock option granted may not be less than the fair market value of the common stock on the effective date of the grant. A total of 100,000 shares of common stock are authorized, of which 46,994 remain available for issuance at December 31, 2002.

We account for employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," do not affect our reported results of operations. Pro forma disclosures as if we had adopted the provisions of SFAS No. 123 are presented below.

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OMNI ENERGY SERVICES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Had compensation cost been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, our net income and earnings per common share would have approximated the pro forma amounts below:

	FOR THE YEARS ENDED					
	DECEMBER 31, 2000			DECEMBER 31, 2001		
	AS REPORTED	COMPEN- SATION(1)	PRO FORMA	AS REPORTED	COMPEN- SATION(1)	PRO FORMA
			(DOLLARS IN THOUSANDS EXCEPT PER SHARE			
Net income (loss) available to common and common equivalent shares	$(25,773)	(567)	$(26,340)	$4,938	(369)	$4,569
Basic income (loss) per share	$ (4.43)	--	$ (1.51)	$ 0.55	--	$ 0.17
Diluted income (loss) per share	$ (4.43)	--	$ (1.51)	$ 0.50	--	$ 0.15

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(1) Represents stock based employee compensation expense determined under fair value based method for all awards, net of tax.

A summary of our stock options as of December 31, 2000, 2001 and 2002, and changes during the years then ended, which give retroactive effect to the one for three reverse stock split effective July 3, 2002, are presented below:

	WEIGHTED AVERAGE EXERCISE PRICE	INCENTIVE PLAN OPTIONS	OTHER OPTIONS
Balance at December 31, 1999	$24.81	473,446	15,615
Granted	1.95	451,760	--

Exercised	2.16	(16,916)	--
Forfeited	25.74	(372,640)	(12,282)
Balance at December 31, 2000	10.38	535,650	3,333
Granted	2.67	723,000	--
Exercised	1.89	122,901	--
Forfeited	3.75	(473,216)	--
Balance at December 31, 2001	3.40	908,335	3,333
Granted	1.94	75,000	--
Exercised	1.87	(3,333)	--
Forfeited	5.05	(125,510)	(3,333)
Balance at December 31, 2002	$ 3.03	854,492	--

The weighted average fair value at date of grant for options granted during 2000 was $1.62 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility 111%; (c) average risk-free interest rate of 5.86%; and (d) expected life of 6.5 years.

The weighted average fair value at date of grant for options granted during 2001 was $1.98 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility 94%; (c) average risk-free interest rate of 4.17%; and (d) expected life of 6.5 years.

The weighted average fair value at date of grant for options granted during 2002 was $1.94 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing

model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility of 150%; (c) average risk-free interest rate of 3.11%; and (d) expected life of 6.5 years.

The following table summarizes information about stock options outstanding as of December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICES	NUMBER OUTSTANDING	WGTD. AVG. REMAINING CONTR. LIFE	WGTD. AVG. EXERCISE PRICE	NUMBER EXERCISABLE	WGTD. AV EXERCISE P
$1.30 - $5.21	835,926	7.9	$ 2.40	413,833	$ 2.37
$5.22 - $10.42	2,165	4.2	$ 9.00	2,165	$ 9.00
$10.43 - $15.64	2,238	0.8	$15.00	2,238	$15.00
$15.65 - $36.48	10,831	4.2	$33.00	10,831	$33.00
$36.49 - $52.12	3,332	5.4	$52.12	3,333	$52.12

854,492	7.8	$ 3.03	432,399	$ 3.61

COMMON STOCK

The consolidated financial statements and related notes thereto include the retroactive effect of a one for three reverse stock split effective July 3, 2002. We currently have 15,000,000 shares of our $0.01 par value common stock authorized; of these authorized shares, there were 9,098,491 and 9,101,778 issued at December 31, 2001 and 2002, respectively. In November 2000, 1,302,489 new shares were issued in conjunction with the acquisition of Gulf Coast Resources, Inc. (See Note 12) and 2,320,000 were issued in conjunction with the private placement (See Note 1). In 2001 we repurchased 361,800 shares, which are classified as treasury shares.

EARNINGS PER SHARE

Basic EPS excludes dilution and is determined by dividing income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if options and other contracts to issue shares of common stock were exercised or converted into common stock. Giving retroactive effect the one for three reverse stock split effective July 3, 2002, we had 538,983, 371,698 and 985,615 options outstanding in the years ended December 31, 2000, 2001 and 2002, respectively, that were excluded from the calculation of diluted EPS as antidilutive. In addition, warrants to purchase up to 1,912,833, 184,722 and 2,121,662 shares of common stock were also excluded for the years ended December 31, 2000, 2001 and 2002, respectively.

The following table sets forth the computation of basic and diluted weighted average shares for the years ended December 31, 2000, 2001 and 2002 (in thousands):

	2000	2001	2002
Shares:			
Basic shares outstanding	5,819	9,015	8,739
Effect of dilutive securities:			
Stock options	--	225	6
Warrants	--	604	--
Dilutive shares outstanding	5,819	9,844	8,745

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OMNI ENERGY SERVICES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. INCOME TAXES

The components of deferred tax assets and liabilities as of December 31, 2001 and 2002 are as follows (in thousands):

	2001	2002
Deferred Tax Assets:		
Allowance for doubtful accounts	$ 434	$ 17
Foreign taxes	147	147
Goodwill	1,827	1,812
Net operating loss carryforward	12,915	13,799
Accrued liabilities	66	--
Total deferred tax assets	15,389	15,775
Deferred Tax Liabilities:		
Property and equipment	(4,796)	(5,337)
Customer intangible	--	(674)
Less: Valuation Allowance	(10,593)	(9,364)
Net Deferred Tax Asset/(Liability)	$ --	$ 400

The income tax expense (benefit) for the years ended December 31, 2000, 2001 and 2002 consisted of the following (in thousands):

	2000	2001	2002
Current benefit	$(4,942)	$(928)	$ (884)
Deferred (benefit) expense	(1,828)	285	1,713
Less: change in valuation allowance	6,770	643	(1,229)
Total tax benefit	$ --	$ --	$ 400

The reconciliation of Federal statutory and effective income tax rates for the years ended December 31, 2000, 2001 and 2002 is shown below:

	2000	2001	2002
Statutory federal rate	(34)%	34%	34%
State taxes	(3)	3	3
Goodwill	(10)	--	--
Life insurance proceeds	--	(49)	--
Valuation allowance	47	16	(87)
Other	--	(4)	--
Total	0%	0%	50%

As of December 31, 2001, for tax purposes, we had net operating loss carryforwards (NOLs) of approximately $37.3 million. The NOLs will expire commencing 2019. We account for income taxes under the provision of SFAS No. 109 which requires recognition of future tax benefits (NOLs and other temporary differences), subject to a valuation allowance based on the likelihood of a concept of "more-likely-than-not" of realizing such benefit. In determining whether it is "more-likely-than-not" that we will realize such benefits, SFAS No. 109 requires that all negative and positive evidence be considered (with more weight given

to evidence that is "objective and verifiable") in making the determination. SFAS No. 109 indicated that "forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such

as cumulative losses in recent years"; therefore we determined that it was required by the provision of SFAS No. 109 to maintain a valuation allowance of $9.4 million for all of the recorded net deferred tax assets. In 2002 the Company reversed $0.4 million of this related reserve due to the Company's expectation of generating income in fiscal 2003. Future favorable adjustments to the valuation allowance may be required if and when circumstances change.

11. SEGMENT INFORMATION

SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. Currently, we operate principally in four segments, which operate in North America. As of December 31, 2002, approximately $0.5 million of our assets are located in South America. All remaining assets are located in North America.

Drilling revenue is derived primarily from drilling and loading of the source points for seismic analysis. Aviation revenue is derived through transport of geophones and recorders used to collect the seismic data between receiving points. Helicopters are also used to transport heli-portable drilling units into remote or otherwise inaccessible terrain, as well as to transport people and equipment to offshore oil rigs. Survey revenue is recorded after the customer has determined the placement of source and receiving points, and after survey crews are sent into the field to plot each source and receiving point prior to drilling. Permitting revenue is derived from services provided in conjunction with obtaining permits from landowners. In 1998, we expanded internationally into South America. In 2000 we ceased providing services in South America.

The following shows industry segment information for the years ended December 31, 2000, 2001 and 2002:

	2000	2001	2002
	(THOUSANDS OF DOLLARS)		
OPERATING REVENUES:			
Drilling..	$ 8,878	$17,971	$24,477

Aviation	6,308	3,644	3,066
Survey	1,377	611	--
Permitting	--	1,460	253
Total	$ 16,563	$23,686	$27,796
GROSS PROFIT (LOSS):			
Drilling	$ (2,567)	$ 2,121	$ 4,990
Aviation	(223)	1,084	1,273
Survey	(477)	(177)	(111)
Permitting	--	177	30
Other	(382)	(412)	(528)
Total	(3,649)	2,793	5,654
General and administrative expenses	5,999	3,126	3,771
Asset impairment and other charges	11,284	632	--
Other (income) expense, net	4,858	(6,629)	1,075
Income (loss) before taxes	$(25,790)	$ 5,664	$ 808

OMNI ENERGY SERVICES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	2000	2001	2002
	(THOUSANDS OF DOLLARS)		
IDENTIFIABLE ASSETS:			
Drilling(1)	$ 24,684	$21,045	$24,309
Aviation(2)	1,371	6,993	6,096
Survey	1,744	1,516	1,050
Other	6,925	8,894	9,870
Total	$ 34,624	$38,448	$41,325
CAPITAL EXPENDITURES:			
Drilling (1)(3)	$ 64	$ 271	$ 625
Aviation(2)	--	--	25
Survey	--	--	--
Other	--	63	35
Total	$ 64	$ 334	$ 685

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(1) In September 2002, we acquired certain drilling equipment previously under lease obligation.

(2) In December 2001, we exercised our purchase option to acquire the aviation fleet previously under lease obligation.

(3) Net of assets obtained in acquisitions (See Note 12).

12. ACQUISITION

Effective October 31, 2000, we acquired Gulf Coast Resources, a seismic drilling support company headquartered in Broussard, Louisiana. The aggregate purchase price was $3.7 million consisting of $0.8 million in cash and 1,302,489 shares of common stock valued at $2.4 million. The excess cost over the estimated fair value of the net assets resulted in goodwill of approximately $2.1 million, which is being amortized on a straight-line basis over 20 years. Our pro forma results as though Gulf Coast Resources transaction had taken place on January 1, 2000 would have resulted in revenues, net loss and basic loss per share of $20 million, $(25.7) million and $(1.24), respectively. The operating results of Gulf Coast Resources have been included in consolidated statements of income from the effective date of acquisition.

On January 18, 2002 we acquired the assets of AirJac Drilling (AirJac), a division of Veritas DGC Land, Inc., a seismic drilling support company headquartered in New Iberia, Louisiana (Veritas). The aggregate acquisition cost was $4.2 million, including $2.0 million cash, acquisition costs, assumption of a capital lease and a commitment valued at $1.9 million to discount future work to be performed for Veritas over a four year period. In this acquisition we acquired inventory, vehicles, shop equipment and drilling, field and support equipment. The acquisition resulted in the recognition of a $1.9 million customer relationship intangible asset. We established a liability for these future minimum discounts which will be recognized as work is performed. The results of AirJac's operations have been included in our consolidated financial statements since the acquisition

date. The following summarized unaudited data reflects our consolidated pro forma results of operations as if the AirJac transaction had taken place on January 1, 2001 (in thousands):

UNAUDITED PRO FORMA RESULTS

	TWELVE MONTHS ENDED DECEMBER 31, 2001
Revenue	$35,712
Gross Profit	3,498
Net income	5,475
Basic earnings per share	$ 0.61
Diluted earnings per share	$ 0.56

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (amounts in thousands):

Current assets	$ 154
Property, plant, and equipment	2,101
Customer relationship	1,920
Capital lease obligation assumed	(179)

Obligation for future discounts	(1,920)
Cash purchase price	$ 2,076

The amount assigned to the customer relationship intangible will be amortized over a twenty year period and will not result in any residual value. The amortization expense related to this amount is expected to be $0.5 million over the next five years.

13. SUMMARIZED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	QUARTER ENDED			
2002	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER
Operating revenues	$4,614	$9,059	$7,732	$6,391
Gross profit (loss)	809	2,214	1,952	678
Net operating income (loss)	301	1,416	948	(782)
Net income (loss)	65	1,142	630	(629)
Accretion of preferred stock	(242)	(242)	--	--
Net earnings (loss) applicable to common and common equivalent shares	$ (177)	$ 900	$ 630	$ (629)
Net income (loss) per common share:				
Basic income (loss) per common share	$(0.02)	$ 0.10	$ 0.07	$(0.07)
Diluted income (loss) per common share	$(0.02)	$ 0.10	$ 0.07	$(0.07)

	QUARTER ENDED			
2001	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER
Operating revenues	$ 4,212	$5,985	$9,180	$ 4,309
Gross profit (loss)(2)	(585)	760	1,568	1,050
Net operating income (loss)	(1,620)	302	1,003	(650
Net income (loss)	5,254	196	994	(780
Accretion of preferred stock(3)	--	(242)	(242)	(242
Net earnings (loss) applicable to common and common equivalent shares(3)	$ 5,254	$ (46)	$ 752	$(1,022
Net income (loss) per common share:				
Basic income (loss) per common share(3)	$ 0.59	$(0.01)	$ 0.08	$ (0.11

Diluted income (loss) per common share(3)	$ 0.43	$(0.00)	$ 0.08	$ (0.11

2000	QUARTER ENDED MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31(
Operating revenues	$ 5,810	$ 3,238	$ 4,296	$ 3,219
Gross loss	(1,043)	(1,310)	(391)	(905)
Net operating loss	(2,792)	(2,594)	(13,214)	(2,332)
Net loss	$(3,509)	$(3,311)	$(14,010)	$(4,943)
Net loss per common share:				
Basic loss per common share	$ (0.66)	$ (0.62)	$ (2.63)	$ (0.54)
Diluted loss per common share	$ (0.66)	$ (0.62)	$ (2.63)	$ (0.54)

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(1) The fourth quarter of 2000 includes a provision for valuation allowance of $10.9 million. (See Note 10).

(2) The fourth quarter of 2001 includes an insurance premium receivable recorded of approximately $0.3 million and an inventory book to physical adjustment of approximately $0.4 million.

(3) The second and third quarters of 2001 have been restated to record accretion of preferred stock (See Note 9).

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On August 8, 2002, we dismissed Arthur Andersen LLP ("Arthur Andersen") as our independent public accountants and on August 9, 2002 engaged Ernst & Young LLP ("E & Y") as our independent public accountants for the fiscal year ending December 31, 2002. These actions were approved by the Board of Directors.

Arthur Andersen's reports on our Financial Statements for each of the fiscal years ended December 31, 2001 and 2000 did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During fiscal year ended December 31, 2001 and 2000, and through August 8, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused Arthur Andersen to make reference to the subject matter in connection with its report on our Financial Statements for such years. There were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

We provided Arthur Andersen with a copy of the foregoing disclosures. Arthur Andersen informed us that due to then current difficulties it was unable to respond to the Company's filing stating its agreement with such statements.

During the fiscal years ended December 31, 2001 and 2000, and through August 8, 2002, we did not consult with E & Y with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our Financial Statements, or any matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning our directors and officers called for by this item will be included in our definitive Proxy Statement prepared in connection with the 2003 Annual Meeting of shareholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning the compensation of our executives called for by this item will be included in our definitive Proxy Statement prepared in connection with the 2003 Annual Meeting of shareholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management called for by this item will be included in our definitive Proxy Statement prepared in connection with the 2003 Annual Meeting of shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions called for by this item will be included in our definitive Proxy Statement prepared in connection with the 2003 Annual Meeting of shareholders and is incorporated herein by reference.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures

Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934) as of a date within 90 days of the filing of this annual report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and are operating in an effective manner.

(b) Changes in internal controls

There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following financial statements, schedules and exhibits are filed as part of this Report:

(1) Financial Statements. Reference is made to Item 8 hereof.

(2) Financial Statement Schedules: None.

(3) Exhibits. See Index to Exhibits on page E-1. We will furnish to any eligible shareholder, upon written request of such shareholder, a copy of any exhibit listed upon the payment of a reasonable fee equal to our expenses in furnishing such exhibit.

(b) Reports on Form 8-K:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on our behalf by the undersigned, thereunto duly authorized.

OMNI ENERGY SERVICES CORP.
(Registrant)

By: /s/ JAMES C. ECKERT
James C. Eckert
President and Chief Executive Officer
(Principal Executive Officer)

Date: March 31, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DA
/s/ JAMES C. ECKERT James C. Eckert	President, Chief Executive Officer, Chairman of the Board	March 3
/s/ BURTON T. ZAUNBRECHER Burton T. Zaunbrecher	Executive Vice President, Chief Operating Officer, Secretary, Treasurer	March 3
/s/ G. DARCY KLUG G. Darcy Klug	Chief Financial Officer (Principal Financial Officer)	March 3

/s/ CRICHTON W. BROWN -- Crichton W. Brown	Director	March 3
/s/ STEVEN T. STULL -- Steven T. Stull	Director	March 3
/s/ MICHAEL G. DEHART -- Michael G. DeHart	Director	March 3
/s/ RICHARD C. WHITE -- Richard C. White	Director	March 3

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OMNI ENERGY SERVICES CORP.
A LOUISIANA CORPORATION
CERTIFICATION OF CHIEF EXECUTIVE OFFICER
SECTION 302 CERTIFICATION

I, James C. Eckert, certify that:

1. I have reviewed this annual report on Form 10-K of OMNI Energy Services Corp., a Louisiana corporation (the "registrant");

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ JAMES C. ECKERT

James C. Eckert
Chief Executive Officer

Date: March 31, 2003

OMNI ENERGY SERVICES CORP.
A LOUISIANA CORPORATION
CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
SECTION 302 CERTIFICATION

I, G. Darcy Klug, certify that:

1. I have reviewed this annual report on Form 10-K of OMNI Energy Services Corp., a Louisiana corporation (the "registrant");

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ G. DARCY KLUG

G. Darcy Klug
Chief Financial Officer

Date: March 31, 2003

OMNI ENERGY SERVICES CORP.
EXHIBIT INDEX

EXHIBIT NUMBER	
2.1	Exchange Agreement between the members of OMNI Geophysical, L.L.C. and OMNI Energy Services Corp. (the "Company")(1)
2.2	Exchange Agreement by and among American Aviation Incorporated, American Aviation L.L.C. and OMNI Geophysical, L.L.C., dated as of July 1, 1997.(2)
2.3	Agreement and Plan of Merger dated as of November 16, 2000 among us, Gulf Coast Acquisition Company, Inc., Gulf Coast Resources, Inc. and the shareholders listed therein.(7)
3.1	Composite Articles of Incorporation of OMNI Energy Services Corp.(as of November 7, 2000).(7)
3.2	Form of Articles of Amendment -- Articles of Incorporation(8)
3.3	Bylaws of OMNI, as amended.(5)
4.1	See Exhibit 3.1 and 3.2 for provisions of our Articles of

	Incorporation and By-laws defining the rights of holders of Common Stock.
4.2	Specimen Common Stock Certificate.(2)
4.3	Form of Stock Purchase Agreement effective October 31, 2000 between us and each of Dixie Chris OMNI LLC, Advantage Capital Partners X Limited Partnership, RJP Investment Company, LLC, Charles Chatelain, Adrian M. Vega, Jr., William W. Rucks, IV, Burton T. Zaunbrecher and Gerald Hanchey.(7)
4.4	Agreement by and among us and the holders of Series A 8% convertible Preferred Stock dated May 8, 2001.(8)
*10.1	Form of Indemnity Agreement by and between us and each of our directors and executive officers.(2)
*10.2	Stock Incentive Plan.(2)
*10.3	Form of Stock Option Agreements under our Stock Incentive Plan.(2)
10.4	Intangible Asset Purchase Agreement by and among American Aviation Incorporated, American Aviation L.L.C. and OMNI Geophysical, L.L.C., dated as of July 1, 1997.(2)
10.5	Joint Venture Agreement among us, OMNI International Energy Services, Ltd. and Edwin Waldman Attie effective July 1, 1999.(3)
10.6	Third Amended and Restated Loan Agreement by and among us, certain of our subsidiaries and Hibernia National Bank, dated October 30, 2001.(6)
21.1	Subsidiaries of OMNI Energy Services Corp.
23.1	Consent of Ernst & Young LLP
23.2	Notification regarding consent of Arthur Andersen LLP.
99.1	Certification of Chief Executive Officer.
99.2	Certification of Chief Financial Officer.

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* Management contract or compensation plan or arrangement

(1) Incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 1997

(2) Incorporated by reference to our Registration Statement on Form S-1 (Registration Statement No. 333-36561).

(3) Incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

(4) Incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1999.

(5) Incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.

(6) Incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

(7) Incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

(8) Incorporated by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.