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OMNI ENERGY SERVICES CORP  
Form 10-Q  
May 15, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly period ended March 31, 2002

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER 0-23383

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

LOUISIANA 72-1395273  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

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

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  No

As of May 9, 2002 there were 27,305,474 shares of the Registrant's common stock, \$0.01 par value per share, outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

OMNI ENERGY SERVICES CORP.  
CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2002 AND DECEMBER 31, 2001  
(Thousands of dollars)

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| ASSETS                                | March 31,<br>2002 | December 31,<br>2001 |
|---------------------------------------|-------------------|----------------------|
|                                       | -----             | -----                |
|                                       | (unaudited)       |                      |
| CURRENT ASSETS:                       |                   |                      |
| Cash and cash equivalents             | \$ 178            | \$ 1,233             |
| Accounts receivable, net              | 5,453             | 5,250                |
| Parts and supplies inventory          | 2,946             | 2,723                |
| Prepaid expenses                      | 1,712             | 857                  |
| Assets held for sale                  | 621               | 630                  |
|                                       | -----             | -----                |
| Total current assets                  | 10,910            | 10,693               |
|                                       | -----             | -----                |
| PROPERTY AND EQUIPMENT:               |                   |                      |
| Land                                  | 359               | 359                  |
| Buildings and improvements            | 4,505             | 4,505                |
| Drilling, field and support equipment | 26,450            | 24,834               |
| Aviation equipment                    | 4,526             | 5,109                |
| Shop equipment                        | 425               | 392                  |
| Office equipment                      | 1,501             | 1,500                |
| Vehicles                              | 2,389             | 2,526                |
| Construction in progress              | 138               | 50                   |
|                                       | -----             | -----                |
|                                       | 40,293            | 39,275               |
| Less: accumulated depreciation        | 14,133            | 13,707               |
|                                       | -----             | -----                |
| Total property and equipment          | 26,160            | 25,568               |
|                                       | -----             | -----                |
| OTHER ASSETS:                         |                   |                      |
| Goodwill                              | 2,006             | 2,006                |
| Other                                 | 158               | 181                  |
|                                       | -----             | -----                |
| Total other assets                    | 2,164             | 2,187                |
|                                       | -----             | -----                |
| Total assets                          | \$39,234          | \$38,448             |
|                                       | =====             | =====                |

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

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OMNI ENERGY SERVICES CORP.  
CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2002 AND DECEMBER 31, 2001  
(Thousands of dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY

March 31,  
2002

December  
2001

-----

-----

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(unaudited)

|   |           |         |
|---|-----------|---------|
| CURRENT LIABILITIES:  |           |         |
| Current maturities of long-term debt  | \$ 3,292  | \$ 2,7  |
| Accounts payable  | 3,515     | 2,5     |
| Accrued expenses  | 1,851     | 2,8     |
| Due to affiliates   | 1,395     | 1       |
|   | -----     | -----   |
| Total current liabilities   | 10,053    | 8,3     |
|   | =====     | =====   |
| LONG-TERM LIABILITIES:  |           |         |
| Line of credit  | 2,074     | 2,0     |
| Long-term debt, less current maturities   | 8,263     | 9,2     |
|   | -----     | -----   |
| Total long-term liabilities   | 10,337    | 11,3    |
|   | -----     | -----   |
| Total liabilities   | 20,390    | 19,6    |
|   | -----     | -----   |
| MINORITY INTEREST   | 221       | 2       |
|   | -----     | -----   |
| STOCKHOLDERS' EQUITY:   |           |         |
| Preferred Stock, Series A, 7,500 shares issued and outstanding; Series B, 4,600 shares issued and outstanding | 11,858    | 11,6    |
| Common Stock, \$.01 par value, 45,000,000 shares authorized; 27,295,474 issued and outstanding                |           |         |
|   | 273       | 2       |
| Treasury Stock, 1,085,400 shares acquired at cost   | (706)     | (7      |
| Additional paid-in capital  | 56,643    | 56,6    |
| Accumulated deficit   | (49,360)  | (49,1   |
| Cumulative translation adjustment   | (85)      | (       |
|   | -----     | -----   |
| Total equity  | 18,623    | 18,5    |
|   | -----     | -----   |
| Total liabilities and stockholders' equity  | \$ 39,234 | \$ 38,4 |
|   | =====     | =====   |

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

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OMNI ENERGY SERVICES CORP.  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001  
(THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

|                     | Three Months Ended March 31, |          |
|---------------------|------------------------------|----------|
|                     | 2002                         | 2001     |
|                     | -----                        | -----    |
|                     | (Unaudited)                  |          |
| Operating revenue   | \$ 4,614                     | \$ 4,212 |
| Operating expenses  | 3,805                        | 4,797    |
|                     | -----                        | -----    |
| Gross profit (loss) | 809                          | (585)    |

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|   |           |          |
|---|-----------|----------|
| General and administrative expenses                                   | 508       | 855      |
| Asset impairment and other charges                                    | --        | 180      |
|   | -----     | -----    |
| Operating income (loss)   | 301       | (1,620)  |
| Interest expense  | 219       | 647      |
| Other income (expense)  | (17)      | 7,521    |
|   | -----     | -----    |
|   | 236       | 6,874    |
|   | -----     | -----    |
| Income before taxes   | 65        | 5,254    |
| Income taxes  | --        | --       |
|   | -----     | -----    |
| Net income  | 65        | 5,254    |
| Accretion of preferred stock  | (242)     | --       |
|   | -----     | -----    |
| Net earnings (loss) applicable to common and common equivalent shares | \$ (177)  | \$ 5,254 |
|   | =====     | =====    |
| Basic earnings (loss) per common share:                               | (\$ 0.01) | \$ 0.20  |
| Diluted earnings (loss) per common share:                             | (\$ 0.01) | \$ 0.14  |
| Weighted average shares outstanding:                                  |           |          |
| Basic   | 26,212    | 26,936   |
| Diluted   | 26,212    | 36,889   |

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

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OMNI ENERGY SERVICES CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED MARCH 31, 2002 AND 2001  
(THOUSANDS OF DOLLARS)

|   | Three months ended March 31, |          |
|---|------------------------------|----------|
|   | 2002                         | 2001     |
|   | -----                        | -----    |
|   | (Unaudited)                  |          |
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                              |          |
| Net income  | \$ 65                        | \$ 5,254 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities- |                              |          |
| Depreciation  | 879                          | 809      |
| Amortization  | 12                           | 33       |
| Loss on fixed asset disposition   | 18                           | 2        |
| Provision for bad debts   | --                           | 59       |
| Asset impairment and other charges  | --                           | 180      |
| Changes in operating assets and liabilities-  |                              |          |
| Decrease (increase) in assets-  |                              |          |
| Receivables-  |                              |          |
| Trade   | 1,153                        | (453)    |
| Other   | (1,356)                      | (7,857)  |
| Inventory   | (69)                         | 486      |

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|   |          |         |
|---|----------|---------|
| Prepaid expenses                                    | 471      | 471     |
| Other   | 18       | (260)   |
| Increase (decrease) in liabilities-                 |          |         |
| Accounts payable and accrued expenses               | (75)     | (234)   |
|   | -----    | -----   |
| Net cash provided by (used in) operating activities | 1,116    | (1,510) |
|   | -----    | -----   |
| CASH FLOWS FROM INVESTING ACTIVITIES:               |          |         |
| Acquisition paid with cash                          | (2,076)  | --      |
| Proceeds from disposal of fixed assets              | 700      | 21      |
| Purchase of fixed assets                            | (87)     | (25)    |
|   | -----    | -----   |
| Net cash used in investing activities               | (1,463)  | (4)     |
|   | -----    | -----   |
| CASH FLOWS FROM FINANCING ACTIVITIES:               |          |         |
| Proceeds from issuance of long-term debt            | --       | 130     |
| Proceeds from subordinated debt                     | --       | 500     |
| Proceeds from issuance of common stock              | --       | 27      |
| Principal payments on long-term debt                | (1,990)  | (716)   |
| Due to affiliates                                   | 1,220    | --      |
| Net borrowings on line of credit                    | 62       | 1,627   |
|   | -----    | -----   |
| Net cash provided by (used in) financing activities | (708)    | 1,568   |
|   | -----    | -----   |
| NET INCREASE (DECREASE) IN CASH                     | (1,055)  | 54      |
| CASH, at beginning of period                        | 1,233    | 317     |
|   | -----    | -----   |
| CASH, at end of period                              | \$ 178   | \$ 371  |
|   | =====    | =====   |
| SUPPLEMENTAL CASH FLOW DISCLOSURES:                 |          |         |
| Cash paid for interest                              | \$ 219   | \$ 400  |
|   | =====    | =====   |
| Equipment acquired under capital lease              | \$ 179   | \$ --   |
|   | =====    | =====   |
| Premiums financed with insurance carrier            | \$ 1,280 | \$ --   |
|   | =====    | =====   |

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

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OMNI ENERGY SERVICES CORP.  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared without audit as permitted by the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements have been condensed or omitted pursuant to such rules and regulations. However, the management of OMNI Energy Services Corp. believes that this information is fairly presented. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2001 and "Management's Discussion and Analysis of Financial

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Condition and Results of Operations."

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal, recurring adjustments, necessary to fairly present the financial results for the interim periods presented.

### NOTE 2. EARNINGS PER SHARE

Basic Earnings Per Share (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 periods presented. 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.

We had 1,471,333 options outstanding and warrants to purchase 1,050,214 shares of common stock as of March 31, 2002 that were excluded from the calculation of diluted EPS because they were antidilutive. Likewise, we had 197,129 options outstanding and warrants to purchase 1,937,500 shares of common stock as of March 31, 2001 that were excluded from the calculation of diluted EPS because they were antidilutive.

### NOTE 3. LONG-TERM DEBT

Our primary credit facility is with Hibernia National Bank (the "Hibernia Facility"). The Hibernia Facility, which was amended November 2, 2001, currently provides us with a \$2.0 million equipment loan, a \$2.0 million real estate loan and a \$5.0 million revolving line of credit to finance working capital requirements. The loans bear interest at prime plus 1.5% and have a final maturity of August 31, 2004. As of March 31, 2002, we had approximately \$5.7 million outstanding under the Hibernia Facility.

At March 31, 2002, we had approximately \$2.1 million in outstanding debt pursuant to agreements with The CIT Group (CIT), consisting of an asset-based financing loan (the "CIT Loan"). The principal outstanding under the CIT Loan bears interest at LIBOR plus 5.0%. The maturity date of the note has been extended to August 2004. This loan is collateralized by various seismic drilling units and support equipment.

At March 31, 2002 we had a note payable to a finance company with interest at 8%, to finance our aviation fleet. The loan amortizes over ten years, maturing January 1, 2007 and is secured by our aviation fleet. The outstanding balance at March 31, 2002 is approximately \$4.2 million.

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

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\$3.0 million cash plus issue to the affiliate \$4.6 million of our 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

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affiliate rather than as income in the accompanying financial statements. (See Note 4 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 5,738,500 shares of our common stock, of which 2,901,000 have been cancelled as of December 31, 2001. The remaining 2,837,500 warrants outstanding are all exercisable with exercise prices ranging from \$0.75 to \$2.00 per share.

The following table summarizes the exercise prices of warrants to the affiliate as of March 31, 2002:

| Exercise Price | Warrants  |
|----------------|-----------|
| -----          | -----     |
| \$2.00         | 37,500    |
| \$1.50         | 516,667   |
| \$0.75         | 2,283,333 |
|                | -----     |
|                | 2,837,500 |
|                | =====     |

#### NOTE 4. PREFERRED STOCK

At March 31, 2002 we had a total of 7,500 shares of Series A Preferred Stock, and 4,600 shares of Series B Preferred Stock issued and outstanding, 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 \$0.75, 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 have also agreed that dividends would not accrue on the outstanding stock from April 2001 through June 2002. Dividends are being 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.

In May 2001, we committed to issue 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 3). These shares were issued in March 2002. The Series B Preferred Stock has an 8% cumulative dividend rate, is convertible into our common stock with an initial conversion rate of \$1.25, 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 have also agreed that dividends would not accrue on the outstanding stock from May 2001 through June 2002. Dividends are being 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.

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NOTE 5. SEGMENT INFORMATION

The following shows industry segment information for our four operating segments, Drilling, Aviation, Survey, and Permitting for the three months ended March 31, 2002 and 2001 (in thousands):

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|                                     | Three months ended March 31, |           |
|-------------------------------------|------------------------------|-----------|
|                                     | 2002                         | 2001      |
|                                     | -----                        | -----     |
| Operating revenues:                 |                              |           |
| Drilling                            | \$ 3,535                     | \$ 3,294  |
| Aviation                            | 929                          | 551       |
| Survey                              | --                           | 277       |
| Permitting                          | 150                          | 90        |
|                                     | -----                        | -----     |
| Total                               | \$ 4,614                     | \$ 4,212  |
|                                     | -----                        | -----     |
| Gross profit (loss):                |                              |           |
| Drilling                            | \$ 238                       | \$ (170)  |
| Aviation                            | 733                          | (311)     |
| Survey                              | (39)                         | (68)      |
| Permitting                          | 12                           | 9         |
| Other                               | (135)                        | (45)      |
|                                     | -----                        | -----     |
| Total                               | \$ 809                       | \$ (585)  |
|                                     | -----                        | -----     |
| General and administrative expenses | 508                          | 855       |
| Asset impairment charges            | --                           | 180       |
| Other (income) expense              | 236                          | (6,874)   |
|                                     | -----                        | -----     |
| Income before taxes                 | \$ 65                        | \$ 5,254  |
|                                     | =====                        | =====     |
| Identifiable Assets:                |                              |           |
| Drilling                            | \$ 23,178                    | \$ 22,369 |
| Aviation                            | 6,312                        | 1,082     |
| Survey                              | 1,368                        | 1,688     |
| Other                               | 8,376                        | 16,031    |
|                                     | -----                        | -----     |
| Total                               | \$ 39,234                    | \$ 41,170 |
|                                     | =====                        | =====     |
| Capital Expenditures:               |                              |           |
| Drilling (1)                        | \$ --                        | \$ 25     |
| Aviation                            | --                           | --        |
| Survey                              | --                           | --        |
| Other                               | 1                            | --        |
|                                     | -----                        | -----     |
| Total                               | \$ 1                         | \$ 25     |
|                                     | =====                        | =====     |

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(1) Net of assets acquired from AirJac (See Note 9) totaling \$2.1 million.

### NOTE 6. RECENT PRONOUNCEMENTS

In July 2001, Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" were issued. SFAS No. 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. 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. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted SFAS No. 142 effective January 1, 2002 and accordingly, no amortization of goodwill was recorded in the quarter ended March 31, 2002. Goodwill amortization expense for the quarter ended March 31, 2001 was approximately \$33,000. The adoption of SFAS No. 142 did not have a significant effect on our results of operations and financial condition.

In August 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" was issued. 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," and was effective for our fiscal year beginning January 1, 2002. Under SFAS No. 144 an impairment loss shall be recognized if an evaluation of the carrying amount of an

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asset against the undiscounted future cash flows associated with it is not sufficient to cover the carrying value of such assets. An impairment loss shall also be recognized on assets held for sale if the carrying amount of a long-lived asset or asset group is not recognizable and exceeds the fair value. The adoption of SFAS No. 144 did not have any impact on our financial statements upon adoption.

### NOTE 7. CONCENTRATION OF CREDIT RISK

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.

### NOTE 8. ASSETS HELD FOR SALE

At March 31, 2002, we had \$0.6 million in assets held for sale which includes 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 2002. The carrying values, which we believe approximate fair market value of our assets held for sale at March 31, 2002, is as follows (in thousands):

| Asset Type | March 31, 2002 |
|------------|----------------|
| -----      | -----          |

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|                                   |       |
|-----------------------------------|-------|
| Steel marsh buggies               | \$108 |
| South American facility and other | 513   |
|                                   | ----  |
| Total assets held for sale        | \$621 |
|                                   | ===== |

NOTE 9. ACQUISITION

Effective 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. The aggregate acquisition cost was \$2.3 million, including \$2.0 million cash, acquisition costs and assumption of a capital lease. In this acquisition we acquired inventory, vehicles, shop equipment and drilling, field and support equipment. We received advances from affiliates totaling approximately \$1.2 million in connection with the financing of this transaction; approximately \$0.7 million of which is secured by treasury stock and approximately \$0.5 million of which is secured by accounts receivable from a customer. The results of AirJac's operations have been included in our consolidated financial statements since the acquisition date. The following summarized unaudited income statement data reflects our results of operations as if the AirJac transaction had taken place on January 1, 2001 (in thousands):

|                             | Unaudited Pro forma Results |                |
|-----------------------------|-----------------------------|----------------|
|                             | Quarter ended               | Quarter ended  |
|                             | March 31, 2002              | March 31, 2001 |
|                             | -----                       | -----          |
| Revenue                     | 4,614                       | 7,458          |
| Net operating income (loss) | 301                         | (1,473)        |
| Net income                  | 65                          | 5,355          |
| Basic earnings per share    | \$0.00                      | \$ 0.20        |
| Diluted earnings per share  | \$0.00                      | \$ 0.14        |

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The allocation of the purchase price is subject to refinement as acquired asset and liability values are being finalized (amounts in thousands):

|                                  |          |
|----------------------------------|----------|
| Current assets                   | \$ 154   |
| Property, plant, and equipment   | 2,101    |
| Capital lease obligation assumed | (179)    |
|                                  | -----    |
| Net assets acquired              | \$ 2,076 |
|                                  | =====    |

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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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 (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934 (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 "Forward-Looking 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 should be read in conjunction with the financial statements and the accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2001.

### 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. Based upon bid activity and existing backlog, we expect revenues to continue to improve in 2002.

Seasonality and Weather Risks. Our operations are subject to seasonal variations in weather conditions and available 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 rain, fog, and cold conditions and a decrease in daylight hours.

| RESULTS OF OPERATIONS (IN THOUSANDS) | THREE MONTHS ENDED MARCH 31, |          |
|--------------------------------------|------------------------------|----------|
|                                      | 2002                         | 2001     |
| Operating revenue                    | \$ 4,614                     | \$ 4,212 |
| Operating expense                    | 3,805                        | 4,797    |
| Gross profit                         | 809                          | (585)    |
| General and administrative expenses  | 508                          | 855      |
| Asset impairment and other charges   | --                           | 180      |

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|   |          |          |
|---|----------|----------|
| Operating loss  | 301      | (1,620)  |
| Interest expense  | 219      | 647      |
| Other income (expense)  | (17)     | 7,521    |
|   | -----    | -----    |
| Income before income taxes  | 65       | 5,254    |
| Income taxes  | --       | --       |
|   | -----    | -----    |
| Net income  | 65       | 5,254    |
| Accretion of preferred stock  | (242)    | --       |
|   | -----    | -----    |
| Net earnings (loss) applicable to common and common equivalent shares | \$ (177) | \$ 5,254 |
|   | =====    | =====    |

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Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

Operating revenues increased 10% or \$0.4 million, from \$4.2 million for the three months ended March 31, 2001 to \$4.6 million for the three months ended March 31, 2002. Drilling revenues increased \$0.2 million, to \$3.5 million for the three months ended March 31, 2002 from \$3.3 million for the three months ended March 31, 2001. Likewise, aviation revenues increased \$0.3 million to \$0.9 million for the three months ended March 31, 2002 from \$0.6 million for the three months ended March 31, 2001; however, survey revenues decreased from \$0.3 million to \$0.0 million for the three months ended March 31, 2001 compared to the same period in 2002.

Operating expenses decreased 21%, or \$1.0 million, from \$4.8 million for the three months ended March 31, 2001 to \$3.8 million for the three months ended March 31, 2002. Declines in payroll costs accounted for 40% of this decrease as operating payroll expense decreased from \$2.2 million to \$1.8 million for the three months ended March 31, 2001 and 2002, respectively. The number of field personnel we employed declined to 146 for the three months ended March 31, 2002 compared to 161 for the three months ended March 31, 2001 and we have restructured the field payroll structure to more properly follow production. Repairs and maintenance expenses decreased \$0.8 million from the first quarter of 2001 to the same period of 2002. This decrease is due primarily to the termination of our aviation lease and subsequent capitalization of major aviation repairs, which are being expensed to repairs and maintenance as used. These decreases were partially offset by an increase in contract services from \$0.1 million for the three months ended March 31, 2001 to \$0.3 million for the three months ended March 31, 2002. We employ the use of contractors exclusively for our permitting division and occasionally for our drilling division, when necessary.

Gross profit margins were 18% and (14)% for the three months ended March 31, 2002 and 2001, respectively. The variance is attributable to an increase in revenue coupled with more stringent cost control measures.

General and administrative expenses decreased \$0.4 million from \$0.9 million for the three months ended March 31, 2001 to \$0.5 million for the three months ended March 31, 2002, a 44% decrease. Insurance expenses, investor relations expenses, taxes and licenses expenses, and professional services decreased \$0.1 million each from the period ended March 31, 2001 to the same period in 2002.

Asset impairment charges were \$0.2 million in the three months ended March 31, 2001 and related to the tractor drills that were being held for sale and were subsequently sold in 2001.

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Interest expense decreased \$0.4 million from \$0.6 million for the three month period ended March 31, 2001 to \$0.2 million for the three month period ended March 31, 2002, due to lower interest rates and lower average debt during the periods. Other income (expense) decreased \$7.5 million due to the receipt of proceeds in 2001 from a key-man life insurance policy on our former CEO who was killed in a private aircraft accident in 2001.

Due to our recent history of operating losses, we recorded a valuation allowance during the periods against our net operating loss carry-forwards, which has resulted in our not reporting any income tax expense or benefit during the periods ended March 31, 2001 and 2002. We anticipate that this accounting will continue until such time that we can sustain enough operating profit to utilize all or part of our net operating loss carry-forwards.

### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2002, we had approximately \$0.2 million in cash compared to approximately \$1.2 million at December 31, 2001. We had working capital of approximately \$0.9 million at March 31, 2002, compared to approximately \$2.3 million at December 31, 2001. The decrease in working capital from December 31, 2001 to March 31, 2002 is due primarily to the acquisition of AirJac Drilling for which we paid \$2.0 million cash (See Note 9).

Cash provided by (used in) operating activities was \$1.1 million and (\$1.5 million) in the periods ended March 31, 2002 and 2001, respectively. The increase is due primarily to the subsequent receipt of a key-man life insurance receivable recorded at March 31, 2001.

Our primary credit facility is with Hibernia National Bank (the "Hibernia Facility"). The Hibernia Facility, which was amended November 2, 2001, currently provides us with a \$2.0 million equipment loan, a \$2.0 million real estate loan and a \$5.0 million revolving line of credit to finance working capital requirements. The loans bear interest at prime plus 1.5% and have a final maturity of August 31, 2004. As of March 31, 2002, we had approximately \$5.7 million outstanding

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under the Hibernia Facility. Availability under the Line is the lower of: (i) \$5.0 million or (ii) the sum of 80% of eligible accounts receivable, plus 25% of eligible aviation inventory of parts and supplies. The Line is collateralized by our accounts receivable and inventory. As of March 31, 2002 we had \$2.1 million outstanding under the Line (included in the \$5.7 million total outstanding under the facility). Additional borrowing capacity under the Line was \$0.2 million as of March 31, 2002. We expect the cash flow provided by our operating activities will be adequate to finance our working capital needs for 2002.

At March 31, 2002, we also had approximately \$8.0 million in other loans outstanding, including approximately \$2.1 million in outstanding debt pursuant to agreements with a financing company. This loan is an asset-based financing loan bearing interest at LIBOR plus 5.0%. As previously mentioned, we have renegotiated an extended maturity to August 31, 2004 from August 31, 2002. Also included in the \$8.0 million in other loans is approximately \$4.2 million in outstanding debt to a financing company pursuant to our acquisition of our aviation fleet previously operated under an operating lease. This loan is secured by the aviation fleet, amortizes over ten years, accrues interest at 8% per annum and matures January 1, 2007.

Effective January 18, 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 acquisition cost was \$2.3

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million, including \$2.0 million cash, acquisition costs and assumption of a capital lease. In this acquisition we acquired inventory, vehicles, shop equipment and drilling, field and support equipment. We received advances from affiliates totaling approximately \$1.2 million in connection with the financing of this transaction; approximately \$0.7 million is secured by treasury stock and approximately \$0.5 million is secured by accounts receivable from a customer. The results of AirJac's operations have been included in our consolidated financial statements since acquisition date.

Historically, our capital requirements have primarily related to the purchase or fabrication of new seismic drilling equipment and related support equipment and business acquisitions. Other than the acquisition discussed in Note 9, we have no material commitments outstanding for expenditures nor do we anticipate significant capital expenditures in 2002.

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### FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical fact included in this report regarding our financial position and liquidity, our strategic alternatives, future capital needs, business strategies and other plans and objectives of our management for future operations and activities, are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances. Such forward-looking statements are subject to uncertainties that could cause our actual results to differ materially from such statements. Such uncertainties include but are not limited to: the volatility of the oil and gas industry, including the level of offshore exploration, production and development activity; changes in competitive factors affecting our operations; operating hazards, including the significant possibility of accidents resulting in personal injury, property damage or environment damage; the effect on our performance of regulatory programs and environmental matters; seasonality of the offshore industry in the Gulf of Mexico; and our dependence on certain customers. These and other uncertainties related to our business are described in detail in our other public filings. Although we believe that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update any of our forward-looking statements for any reason.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes in our market risks since the year ended December 31, 2001. For more information, please read the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2001.

## PART II - OTHER INFORMATION

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

None

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(b) Reports on Form 8-K

None.

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SIGNATURES

Pursuant to the requirements 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.

Dated: May 15, 2002

/s/ James C. Eckert

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James C. Eckert  
President and Chief Executive Officer  
(Principal Executive Officer)

Dated: May 15, 2002

/s/ Burton T. Zaunbrecher

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Burton T. Zaunbrecher  
Executive Vice President,  
Chief Operating Officer and Treasurer

Dated: May 15, 2002

/s/ G. Darcy Klug

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G. Darcy Klug  
Chief Financial Officer  
(Principal Financial and Accounting  
Officer)

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