

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

OMNI ENERGY SERVICES CORP

Form 10-Q

August 14, 2001

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 June 30, 2001

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  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION) 72-1395273  
(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

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 August 7, 2001 there were 27,017,974 shares of the Registrant's  
common stock, \$0.01 par value per share, outstanding.

ITEM 1. FINANCIAL STATEMENTS

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

OMNI ENERGY SERVICES CORP.  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2001 AND DECEMBER 31, 2000  
(In thousands)

ASSETS	June 30, 2001	December 31, 2000
	-----	-----
	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 83	\$ 317
Accounts receivable, net	4,535	3,329
Parts and supplies inventory	2,207	2,649
Prepaid expenses	603	1,086
Assets held for sale	1,321	1,678
	-----	-----
Total current assets	8,749	9,059
	-----	-----
PROPERTY AND EQUIPMENT:		
Land	359	359
Buildings and improvements	4,505	4,505
Drilling, field and support equipment	25,067	25,102
Shop equipment	374	374
Office equipment	1,489	1,485
Vehicles	2,394	2,248
Construction in progress	58	74
	-----	-----
	34,246	34,147
Less: accumulated depreciation	12,284	10,721
	-----	-----
Total property and equipment, net	21,962	23,426
	-----	-----
OTHER ASSETS:		
Goodwill, net	2,009	2,059
Other	508	80
	-----	-----
Total other assets	2,517	2,139
	-----	-----
Total assets	\$33,228	\$34,624
	=====	=====

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

-2-

OMNI ENERGY SERVICES CORP.  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2001 AND DECEMBER 31, 2000  
(In thousands, except per share amounts)

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

LIABILITIES AND EQUITY	June 30, 2001	December 31, 2000
	----- (unaudited) -----	
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$ 1,731	\$ 2,068
Line of credit	454	1,688
Accounts payable	2,695	3,162
Accrued expenses	1,987	2,578
Sales tax payable	1,337	1,355
Due to affiliate	175	--
Accrued interest	10	1,586
	-----	-----
Total current liabilities	8,389	12,437
	-----	-----
<b>LONG-TERM LIABILITIES:</b>		
Long-term debt, less current maturities	5,692	8,500
Subordinated debt	--	5,448
	-----	-----
Total long-term liabilities	5,692	13,948
	-----	-----
<b>TOTAL LIABILITIES</b>	14,081	26,385
	-----	-----
<b>MINORITY INTEREST</b>	221	221
	-----	-----
<b>EQUITY:</b>		
Common Stock, \$.01 par value, 45,000,000 shares authorized; 27,007,974 and 26,911,724, issued and outstanding as of June 30, 2001 and December 31, 2000, respectively	270	269
Preferred Stock, Series A, 7,500 shares issued and outstanding as of June 30, 2001 and December 31, 2000; Series B, 4,600 shares issued and outstanding as of June 30, 2001	12,100	7,500
Additional paid-in capital	55,271	54,406
Accumulated deficit	(48,670)	(54,121)
Cumulative translation adjustment	(45)	(36)
	-----	-----
Total equity	18,926	8,018
	-----	-----
Total liabilities and equity	\$ 33,228	\$ 34,624
	=====	=====

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

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED
	2001	2000	2001
	(Unaudited)		(Unaudited)
Operating revenue	\$ 5,985	\$ 3,238	\$ 10,197
Operating expenses	5,225	4,548	10,022
Gross profit (loss)	760	(1,310)	175
General and administrative expenses	458	1,283	1,313
Asset impairment charges	--	--	180
Operating income (loss)	302	(2,593)	(1,318)
Interest expense	278	727	925
Other income (expense)	172	4	7,693
Income (loss) before taxes	196	(3,316)	5,450
Income tax expense (benefit)	--	--	--
Net income (loss), before minority interest	196	(3,316)	5,450
Loss of minority interest	--	(5)	--
Net income (loss)	\$ 196	\$ (3,311)	\$ 5,450
Basic net income (loss) per share:	\$ 0.01	\$ (0.21)	\$ 0.20
Diluted net income (loss) per share:	\$ 0.01	\$ (0.21)	\$ 0.18
Weighted average shares outstanding:			
Basic	26,957	15,994	26,947
Diluted	30,234	15,994	30,449

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

-4-

OMNI ENERGY SERVICES CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000  
(IN THOUSANDS)

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

	SIX MONTHS ENDED JUNE 30	
	2001	2000
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ 5,450	\$ (6,82
Adjustments to reconcile net income to net cash provided by (used in) operating activities-		
Depreciation	1,609	1,81
Amortization	76	26
(Gain) loss on fixed asset disposition	(78)	3
Asset impairment and other charges	180	-
Provision for bad debts	59	-
Minority interest	--	(1
Changes in operating assets and liabilities-		
Decrease (increase) in assets-		
Receivables-		
Trade	(763)	(17
Other	(511)	48
Inventory	442	7
Prepaid expenses	483	87
Assets held for sale	357	-
Other	(635)	(12
Increase (decrease) in liabilities-		
Accounts payable	(206)	98
Accrued expenses	(616)	39
Due to affiliate	175	-
	-----	-----
Net cash provided by (used in) operating activities	6,022	(2,20
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from disposal of fixed assets	117	17
Purchase of fixed assets	(183)	-
	-----	-----
Net cash provided by (used in) investing activities	(66)	17
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from subordinated debt	(3,209)	1,00
Repayment of subordinated debt	1,500	-
Proceeds from issuance of preferred stock	--	1,15
Proceeds from issuance of long-term debt	311	-
Principal payments on long-term debt	(3,456)	(1,08
Proceeds from issuance of common stock	(101)	-
Net borrowings (payments) on line of credit	(1,235)	1,14
	-----	-----
Net cash provided by (used in) financing activities	(6,190)	2,20
	-----	-----
NET INCREASE (DECREASE) IN CASH	(234)	16
CASH, at beginning of period	317	10
	-----	-----
CASH, at end of period	\$ 83	\$ 27
	=====	=====
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES:</b>		
CASH PAID FOR INTEREST	\$ 234	\$ 93
	=====	=====
CASH PAID FOR TAXES	\$ --	\$ -

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

-5-

OMNI ENERGY SERVICES CORP.  
NOTES TO CONSOLIDATED 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. (the "Company") 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and "Management's Discussion and Analysis of Financial 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.

Certain reclassifications have been made to the prior year's financial statements in order to conform with the classifications adopted for reporting in fiscal 2001.

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. For the three and six month periods ended June 30, 2001, the Company had dilutive stock options and warrants of approximately 3,276,297 and 3,511,644 shares, respectively, which were assumed exercised using the treasury stock method.

The Company had 391,413 and 291,413 options outstanding for the three months and six months ended June 30, 2001, respectively, that were excluded from the calculation of diluted EPS because of their antidilutive impact. On the same basis, warrants to purchase 704,167 shares of common stock were also excluded for both the three months and six months ended June 30, 2001.

NOTE 3. LONG-TERM DEBT

The Company's primary credit facility (the "Hibernia Facility") was amended in March 2001 to provide the Company with a credit facility consisting of a \$4.9

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

million term loan and a \$5.0 million revolving line of credit for working capital requirements. The outstanding principal balance under the term loan is paid at a rate of \$0.1 million per month plus accrued interest. Interest accrues and is paid weekly on both loans at the prime interest rate plus 1.5%. As of June 30, 2001 outstanding borrowings under the term loan and revolving line of credit were \$4.5 million and \$0.5 million, respectively. The Hibernia Facility matures August 2002 but the Company expects to renegotiate the maturity date of its credit facility during the third quarter of 2001.

As of June 30, 2001, the Company had \$2.7 million outstanding under its assets-based equipment financing agreement with The CIT Group (the "CIT Loan"). The CIT Loan is paid at a rate of approximately \$0.1 million per month, including interest accruing at the prime interest rate plus 3%, and matures August 2002. The CIT Loan is secured by certain seismic drilling units and support equipment. The Company also expects to renegotiate the maturity date of this asset-based credit facility during the third quarter of 2001.

The Hibernia facility and the CIT loan contain customary financial covenants requiring, among other things, minimum levels of EBITDA, working capital and debt to EBITDA ratios. As of June 30, 2001 the Company was in

-6-

compliance with all of the financial covenants. The Company believes that it will maintain compliance with all of its covenants throughout all of 2001.

During the years ended December 31, 1999 and 2000 and the six months ended June 30, 2001, the Company 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 November 2000, the Company and the affiliate agreed to convert \$4.6 million of the subordinated debentures into the Company's 8%, Series A Preferred Stock. In April 2001, the Company agreed to pay the affiliate \$3.0 million cash plus issue to the affiliate \$4.6 million of the Company's 8%, 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 income in the accompanying financial statements.

In connection with the original issuance of the subordinated debentures, the Company issued to the affiliate detachable warrants to purchase 5,738,500 shares of the Company's common stock of which 1,900,000 have been cancelled. The warrants have various vesting periods up to four years with exercise prices ranging from \$0.75 to \$2.00 per share. The Company has recorded each warrant at its relative fair value at its date of issuance and included this amount as additional paid in capital with the associated discount of the debt being amortized as additional interest expense.

In July 2000 the Company entered into a series of transactions with the same affiliate that enabled the Company to factor, with recourse to the Company, substantially all of the trade receivables of a major customer totaling approximately \$1.0 million, which had become ineligible under the terms of the Company's revolving credit facility with a bank. The Company guaranteed repayment of the trade receivables and as of June 30, 2001 is liable to the affiliate for approximately \$0.2 million, which is payable in 12 equal monthly installments commencing August 15, 2001.

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

### NOTE 4. PREFERRED STOCK

The Series A preferred stock has an 8% cumulative dividend rate, is convertible into common stock with a conversion rate of \$0.75, is redeemable at the option of the Company at par plus accrued dividends, contains a liquidation preference of \$1,000 per share and has voting rights on all matters submitted to a vote of the Company's shareholders, and separate voting rights with respect to matters that would affect the rights of the holders of the preferred stock, with the aggregate voting rights of the affiliate limited to 49% of the Company's total outstanding common and preferred shares with voting rights. In respect to the preferred stock, the affiliate has agreed to waive their conversion rights until the Company's future cash flow from operations (as defined) for the preceding twelve months reaches a mutually agreed upon level, after debt service, and in no event prior to August 2003. The Company and the affiliate have also agreed that dividends would not accrue on the outstanding stock from April 2001 through June 2002. As of April 2001 there are no dividends in arrears relating to the outstanding preferred shares.

In April 2001, the Company issued 4,600 shares of Series B preferred stock to an affiliate of the Company in satisfaction of all outstanding principal and interest owed under the subordinated debt agreements (See Note 3). The Series B preferred stock has an 8% cumulative dividend rate, is convertible into common stock with an initial conversion rate of \$1.25, is redeemable at the option of the Company at par plus accrued dividends, contains a liquidation preference of \$1,000 per share and has no voting rights. In respect to the preferred stock, the affiliate has agreed to waive their conversion rights until the Company's future cash flow from operations (as defined) for the preceding twelve months reaches a mutually agreed upon level, after debt service, and in no event before August 2003. The Company and the affiliate have also agreed that dividends would not accrue on the outstanding stock from April 2001 through June 2002. As of April 2001 there are no dividends in arrears relating to the outstanding preferred shares.

At June 30, 2001 the Company had a total of 12,100 shares of preferred stock outstanding, consisting 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.

-7-

### NOTE 5. COMPREHENSIVE INCOME

In 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income", which requires an entity to report and display comprehensive income and its components. Comprehensive income is as follows (thousands of dollars):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS
	2001	2000	2001
	-----	-----	-----
Net Income (Loss)	\$ 196	\$ (3,316)	\$ 5,450
Other Comprehensive Income:			
Foreign currency translation adjustments	33	(18)	(8)

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

Comprehensive Income (Loss)	\$ 229	\$ (3,334)	\$ 5,442
	=====	=====	=====

NOTE 6. SEGMENT INFORMATION

The following shows industry segment information for its four operating segments - Drilling, Aviation, Survey, and Permitting for the three and six month periods ended June 30, 2001 and 2000:

-8-

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Operating revenues: (1) (2)				
Drilling	\$ 4,642	\$ 1,433	\$ 7,936	\$ 4,405
Aviation	798	1,797	1,349	3,405
Survey	205	8	482	1,238
Permitting	340	--	430	--
	-----	-----	-----	-----
Total	\$ 5,985	\$ 3,238	\$10,197	\$ 9,048
	=====	=====	=====	=====

(1) Net of inter-segment revenues of \$0.1 million for the three and six month periods ended June 30, 2001.

(2) The Company's Permitting Division commenced operations during the first quarter of 2001.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,
	2001	2000	2001
	-----	-----	-----
Gross profit (loss):			
Drilling	\$ 1,033	\$ (913)	\$ 862
Aviation	(131)	(122)	(460)
Survey	(64)	(184)	(132)
Permitting	49	--	58
Other	(127)	(91)	(153)
	-----	-----	-----
Total	\$ 760	\$ (1,310)	\$ 175
General and administrative expenses	458	1,283	1,313
Asset impairment	--	--	180
Other expense (income), net	106	723	(6,768)
	-----	-----	-----
Income (loss) before taxes	\$ 196	\$ (3,316)	\$ 5,450

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

	=====	=====	=====
Identifiable Assets:			
Drilling	\$ 22,574	\$ 27,994	
Aviation	1,222	2,433	
Survey	1,849	5,296	
Permitting	--	--	
Other	7,583	12,006	
	-----	-----	
Total	\$ 33,228	\$ 47,729	
	=====	=====	
Capital Expenditures:			
Drilling	\$ 191	\$ --	\$ 195
Aviation	--	--	--
Survey	--	--	--
Permitting	--	--	--
Other	4	--	4
	-----	-----	-----
Total	\$ 195	\$ --	\$ 199
	=====	=====	=====

In November 1999, Omni adopted a formal plan to dispose of its aviation division, which was comprised of 20 leased aircraft, aviation and turbine engine inventories and miscellaneous flight and other equipment. In November 2000, the Company elected to renew its focus on its aviation division given the anticipated market recovery in the oil and gas industry and determined it would not discontinue this service line at this time. Management decided to reorganize the aviation division to better align it with other divisions in the Company. Therefore, the June 30, 2000 and June 30, 2001 financial statements include the assets, liabilities and results of operations of the aviation division in continuing operations.

-9-

NOTE 7. RECENT PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 "Business Combinations", SFAS No. 142 "Goodwill and Other Intangible Assets" and SFAS No. 143 "Accounting for Asset Retirement Obligations". SFAS No. 141 prohibits the use of the pooling-of-interests method of accounting for all business combinations initiated after June 30, 2000. SFAS No. 142 requires that goodwill not be amortized in any circumstance and also requires that goodwill be tested for impairment annually or when events or circumstances occur between annual tests indicating that goodwill for a reporting unit might be impaired. The standard establishes a new method for testing goodwill for impairment based on a fair value concept and is effective for fiscal years beginning after December 15, 2001. Upon adoption, the Company will be required to cease amortization of its remaining net goodwill balance and will be required to perform impairment tests based on a fair value concept of its existing goodwill. The Company has not completed an analysis of the potential impact upon adoption of the impairment test of goodwill, however amortization of existing goodwill which was approximately \$26,000 and \$48,000 for the three and six months ended June 30, 2001, will cease upon adoption. SFAS No. 143 requires the Company to record the fair value of liabilities related to future asset retirement obligations in the period the obligation is incurred and is effective for fiscal

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

years beginning after June 15, 2002. The adoption of SFAS No. 143 is not expected to have a material impact on the Company's financial statements because the Company does not have any assets that require retirement obligations.

-10-

### ITEM 2. 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 (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 "Cautionary Statements." "Forward looking statements" provided by the Company 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

#### GENERAL

**DEMAND.** Demand for the Company's 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.

Within the last decade, improvements in drilling and production techniques and the acceptance of 3-D imaging as an exploration tool resulted in significantly increased seismic activity throughout the Company's primary market, which includes the marsh, swamp, shallow water and contiguous dry land areas along the U.S. Gulf Coast (the "Transition Zone"). Due to this increased demand, the Company significantly increased its capacity, primarily through acquisition, as measured by drilling units, support equipment and employees. The additional capacity and related increase in work force led to significant increases in the Company's revenue and generally commensurate increases in operating expenses and selling, general and administrative expenses through the second quarter of 1998. Beginning in mid-1998, seismic activity in the areas in which the Company operates decreased substantially, resulting in corresponding reductions in demand for the Company's services and adversely affected results of operations. For the three months ended June 30, 2001 and 2000, the Company's operating revenues and net income (loss) were \$6.0 million and \$3.2 million, and \$0.2 million and \$(3.3) million, respectively.

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

The Company curtailed its expansion strategy in the last half of 1998 in response to industry conditions and the short-term outlook. Management is continuing its efforts to adjust its operations to current market conditions by closely monitoring the expenses of its operating segments and corporate overhead. During 2001, the Company requested and received from its primary secured creditors extensions of maturities, until August 31, 2002. Management is continuing to explore opportunities for restructuring its indebtedness and alternative financing and capital opportunities.

SEASONALITY AND WEATHER RISKS. Results of operations for interim periods are not necessarily indicative of the operating results that may be expected for the full fiscal year. The Company's operations are subject to seasonal variations in weather conditions and daylight hours. Since the Company's activities take place outdoors, on average, fewer hours are worked per day, aviation flight hours decline 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.

-11-

Results of Operations	Three months ended June 30,		Six mon
	2001	2000	2001
Operating revenue .....	\$ 5,985	\$ 3,238	\$ 10,19
Operating expense .....	5,225	4,548	10,02
Gross profit .....	760	(1,310)	17
General and administrative expenses .....	458	1,283	1,31
Asset impairment charges .....	--	--	18
Operating income (loss) .....	302	(2,593)	(1,31
Interest expense .....	278	727	92
Other income (expense) .....	172	4	7,69
Income (loss) before income taxes .....	196	(3,316)	5,45
Income tax benefit .....	--	--	
Net income (loss), including minority interest .....	196	(3,316)	5,45
Minority interest .....	--	(5)	-
Net income (loss) .....	\$ 196	\$ (3,311)	\$ 5,45
	=====	=====	=====

-12-

### THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

Operating revenues increased 88%, or \$2.8 million, from \$3.2 million for the three months ended June 30, 2000 to \$6.0 for the three months ended June 30,

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

2001. The increase in revenues was principally due to an increase in seismic related activities. Drilling and survey revenues increased \$3.2 million and \$0.2 million, respectively, for the quarter ended June 30, 2001 as compared to the same three month period ended June 30, 2000. Additionally, the Company commenced the operations of its permitting division during the first quarter of 2001 and reported revenues of \$0.3 million during the second quarter of 2001. No corresponding permitting revenues were reported for the second quarter ended June 30, 2000. These operating revenue increases were offset by a \$1.0 million decline in the Company's aviation revenues from \$1.8 million in 2000 to \$0.8 million for the second quarter 2001. The decline is principally attributable to fewer billable flight hours being flown during the quarter ended June 30, 2001 as compared to the same period ended June 30, 2000.

Operating expenses increased 16%, or \$0.7 million, from \$4.5 million for the three months ended June 30, 2000 to \$5.2 million for the three months ended June 30, 2001. This increase is principally attributable to higher operating payroll and payroll related costs, which increased \$0.6 million from \$1.5 million to \$2.1 million for the three month periods ended June 30, 2000 and 2001, respectively. The Company's average number of field personnel increased by 33 from 134 field operating employees during the second quarter of 2000 to 167 field operating employees during the same three month period ended 2001. The Company currently utilizes third parties to perform survey and permitting services. Accordingly, third party contract services increased \$0.5 million during the three months ended June 30, 2001 as compared to June 30, 2000.

Increases in operating expenses were offset by a \$0.3 million decline in the Company's rental and lease expenses, a \$0.1 million decline in the Company's property and casualty insurance and a \$0.1 million decline in the Company's depreciation costs. The decline in rental and lease costs and property and casualty insurance costs were both principally attributable to a reduction in the number of helicopters leased from third parties. The decline in depreciation costs between the second quarter of 2001 and the second quarter 2000 resulted from reductions in the Company's fleet of operating equipment.

Gross profit margins were 13% for the three month period ended June 30, 2001 as compared to (40%) for the three month period ended June 30, 2000. The increase in profit margins in 2001 as compared to 2000 was attributable to a combination of significantly greater domestic revenues resulting from increased seismic activity, higher prices obtained for services rendered by the Company and implementation of stringent controls over and a restructuring of the Company's field operating expenses.

General and administrative expenses decreased \$0.8 million from \$1.3 million for the three months ended June 30, 2000 to \$0.5 million for the three months ended June 30, 2001. Payroll and payroll related costs accounted for \$0.2 million of this decline. The average number of administrative employees declined from 37 during the second quarter of 2000 to 24 for the same three month period ended June 30, 2001. Additionally, the compensation levels of the Company's current management are at base compensation rates significantly lower than the rates of the Company's previous management. During the three month period ended June 30, 2001, the Company also renegotiated certain vendor and lease agreements at terms more favorable than those agreements previously in existence during the second quarter of 2000, resulting in a savings of approximately \$0.3 million.

Interest expense decreased \$0.4 million from \$0.7 million for the three month period ended June 30, 2000 to \$0.3 million for the three month period ended June 30, 2001. This decline resulted from lower average outstanding indebtedness at lower average interest rates during the period (See Liquidity and Capital Resources).

The Company recognized no income tax expense on its income during 2001 as it expects to utilize its net operating loss carryforwards, which have been

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

reserved in prior periods, to offset its taxable income during 2001.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

Operating revenues increased 13%, or \$1.2 million, from \$9.0 million for the six months ended June 30, 2000 to \$10.2 million for the six months ended June 30, 2001. Revenues from the Company's drilling and survey operations increased \$2.8 million principally as a result of an increase in drilling revenues which more than offset a decline in survey revenues. The \$3.5 million increase in drilling revenues for the six month period ended June 30, 2001 as compared to the

-13-

six month period ended June 30, 2000 resulted from increased seismic activity. The \$0.7 million decrease in survey revenues over this same period can be attributed to the Company's decision to concentrate its personnel, equipment and its available working capital into more profitable segments of the seismic industry.

For the six months ended June 30, 2001 the Company's newly formed permitting division reported revenues of \$0.4 with no revenues reported for the corresponding period in 2000. Aviation revenues declined \$2.1 million for the six months ended June 30, 2001 versus the same period of 2000 primarily as a result of a decrease in the number of flight hours billed between the periods.

Operating expenses decreased 12%, or \$1.4 million, from \$11.4 million for the six months ended June 30, 2000 to \$10.0 million for the six months ended June 30, 2001. As a result of increased drilling activity for the seismic industry, explosive supplies used in the drilling operations increased \$0.2 million for the six months ended June 30, 2001 as compared to the same six month period ended 2000. Contracting services increased \$0.5 million during the six month period ended 2001 as compared to the same six month period ended 2000 principally as a result of the commencement of the Company's newly formed permitting division. These increases were more than offset by a \$1.4 million decrease in the rental expense and related insurance expense on leased aviation equipment resulting from fewer helicopters being leased from third parties during the first half of 2001 as compared to the same six month period ended June 30, 2000. Depreciation expense decreased \$0.2 million for the six months ended June 30, 2001 as compared to the six months ended June 30, 2000 because of an overall reduction in the level of the Company's operating equipment.

Gross profit margins were 2% and (27%) for the six months ended June 30, 2001 and 2000, respectively. The improvement in the profit margins is a direct result of increased business activity in the Company's more profitable business segments, increased prices received for the services provided by the Company and more stringent controls on operating expenses.

General and administrative expenses decreased \$1.7 million, or 57%, from \$3.0 for the six months ended June 30, 2000 to \$1.3 million for the six months ended June 30, 2001. Payroll and payroll related costs accounted for 41% of this decrease, or \$0.7 million, declining from \$1.4 million for the first half of 2000 to \$0.7 million the same period of 2001. This decrease is due to a 32% decrease in the average number of administrative employees between the periods, as well as significantly reduced base compensation levels of the Company's management. The Company realized approximately \$0.6 million in savings during the six month period ended June 30, 2001 from renegotiating certain lease and vendor agreements with terms more favorable to the Company than those agreements for the six month period ended June 30, 2000. Amortization expense was reduced \$0.2 million from the six month period ended June 30, 2000 to the same period of

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

2001 as a result of the Company's asset impairment charges taken in the third quarter of 2000.

Restructuring and asset impairment charges increased \$0.2 million due to revaluation of certain drilling equipment in 2001 with no corresponding charges for the same period in 2000.

Interest expense decreased \$0.5 million from \$1.4 million for the six month period ended June 30, 2000 to \$0.9 million for the six month period ended June 30, 2001. The reduction was a result of lower average debt outstanding coupled with lower average interest rates during the periods.

The Company recognized no income tax expense on its income during 2001 as it expects to utilize its net operating loss carryforwards, which have been reserved in prior periods, to offset its taxable income during 2001.

-14-

### LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2001, the Company had approximately \$0.1 million in cash as compared to approximately \$0.3 million at December 31, 2000. The Company's working capital position increased \$3.8 million to \$0.4 million at June 30, 2001 from a working capital deficit of \$(3.4) million at December 31, 2000. The increase in the Company's working capital position resulted from an overall increase in the Company's business activity and corresponding accounts receivable since the year ended December 31, 2000 coupled with reductions in the Company's outstanding indebtedness under its lines of credit and accrued interest.

The Company's primary credit facility (the "Hibernia Facility") was amended in March 2001 to provide the Company with a credit facility consisting of a \$4.9 million term loan and a \$5.0 million revolving line of credit for working capital requirements. The outstanding principal balance under the term loan is paid at a rate of \$0.1 million per month plus accrued interest. Interest accrues and is paid weekly on both loans at the prime interest rate plus 1.5%. As of June 30, 2001 outstanding borrowings under the term loan and revolving line of credit were \$4.5 million and \$0.5 million, respectively. Additional borrowings available under the Company's line of credit were \$2.6 million as of June 30, 2001. The Hibernia Facility matures August 2002 but the Company expects to renegotiate the maturity date of its credit facility during the third quarter of 2001.

As of June 30, 2001, the Company had \$2.7 million outstanding under its assets-based equipment financing agreement with The CIT Group (the "CIT Loan"). The CIT Loan is paid at a rate of approximately \$0.1 million per month, including interest accruing at the prime interest rate plus 3%, and matures August 2002. The CIT Loan is secured by certain seismic drilling units and support equipment. The Company also expects to renegotiate the maturity date of this asset-based credit facility during the third quarter of 2001. ....

The Hibernia facility and the CIT loan contains customary financial covenants requiring, among other things, minimum levels of EBITDA, working capital and debt to EBITDA ratios. As of June 30, 2001 the Company was in compliance with all of the financial covenants. The Company believes that it will maintain compliance with all of its covenants throughout all of 2001.

During the years ended December 31, 1999 and 2000 and the six months ended June 30, 2001, the Company privately placed with an affiliate subordinated debentures totaling \$7.5 million, \$3.4 million and \$1.5 million, respectively.

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

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 November 2000, the Company and the affiliate agreed to convert \$4.6 million of the subordinated debentures into the Company's 8%, Series A Preferred Stock. In April 2001, the Company agreed to pay the affiliate \$3.0 million cash plus issue to the affiliate \$4.6 million of the Company's 8%, 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 income in the accompanying financial statements.

In connection with the original issuance of the subordinated debentures, the Company issued to the affiliate detachable warrants to purchase 5,738,500 shares of the Company's common stock of which 1,900,000 have been cancelled. The warrants have various vesting periods up to four years with exercise prices ranging from \$0.75 to \$2.00 per share. The Company has recorded each warrant at its relative fair value at its date of issuance and included this amount as additional paid in capital with the associated discount of the debt being amortized as additional interest expense.

Currently, the Company expects minimal capital expenditures during the remainder of the year ending December 31, 2001. The Company believes that its current availability under its revolving credit facility, together with the working capital generated from its operations will be sufficient to fund operations until as least August 2002. However, as previously discussed, the Company's long-term debt agreements mature in August 2002. The Company expects to renegotiate the maturity dates of these agreements during its third quarter of this fiscal year.

-15-

### 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 the Company's financial position and liquidity, its strategic alternatives, future capital needs, business strategies and other plans and objectives of management of the Company for future operations and activities, are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company's management in light of its experience and its 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 the Company's 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 the Company's operations; operating hazards, including the significant possibility of accidents resulting in personal injury, property damage or environment damage; the effect on the Company's performance of regulatory programs and environmental matters; seasonality of the offshore industry in the Gulf of Mexico; and the Company's dependence on certain customers. These and other uncertainties related to the Company's business are described in detail in the Company's other public filings. Although the Company believes 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

Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

speaking only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

-16-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OMNI ENERGY SERVICES CORP.

Dated: August 14, 2001 /s/ James C. Eckert  
-----  
James C. Eckert  
President and Chief Executive Officer

Dated: August 14, 2001 /s/ Burton T. Zaunbrecher  
-----  
Burton T. Zaunbrecher  
Executive Vice President and  
Chief Operating Officer

Dated: August 14, 2001 /s/ G. Darcy Klug  
-----  
G. Darcy Klug  
Chief Financial Officer

S-1

OMNI ENERGY SERVICES CORP.

EXHIBIT INDEX

EXHIBIT  
NUMBER  
-----

- 3.1 Composite Articles of Incorporation of the Company (as of November 7, 2000) (1)
- 3.2 Bylaws of the Company, as amended (2)
- 4.1 See Exhibits 3.1 and 3.2 for provisions of the Company's

## Edgar Filing: OMNI ENERGY SERVICES CORP - Form 10-Q

Articles of Incorporation and By-laws defining the rights of holders of Common Stock.

### 4.2 Specimen Common Stock Certificate (3)

- 
- (1) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.
  - (2) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
  - (3) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration Statement No. 333-36561).

E-1

S-2