ENSCO PLC

FORM 10-QT
(Quarterly Transition Report)

Filed 08/05/94 for the Period Ending 06/30/94

Telephone	4402076594660
CIK	0000314808
Symbol	ESV
SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	12/31

ENSCO INTERNATIONAL INC

FORM 10-QT
(Quarterly Transition Report)

Filed 8/5/1994 For Period Ending 6/30/1994

Address	500 NORTH AKARD STREET SUITE 4300
	DALLAS, Texas 75201-3331
Telephone	214-397-3000
CIK	0000314808
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the quarterly period ended June 30, 1994

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the transition period from [ ]to [ ]

Commission File Number 1-8097

ENERGY SERVICE COMPANY, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	76-0232579 (I.R.S. Employer Identification No.)
2700 Fountain Place 1445 Ross Avenue, Dallas Texas (Address of principal executive offices)	75202 - 2792 (Zip Code)

Registrant's telephone number, including area code: (214) 922-1500

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 twelve 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 [ ]

There were 56,142,992 shares of Common Stock, $.10 par value, of the registrant outstanding as of August 4, 1994.

Page 1 of 22 sequentially numbered pages.

ENERGY SERVICE COMPANY, INC.

INDEX TO FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 1994

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY SERVICE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	JUNE 30, 1994 (Unaudited)	DECEMBER 31, 1993
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$108,959	$128,060
Accounts Receivable, net	51,709	51,232
Inventory	3,504	3,350
Net Assets of Discontinued Operations	-	399
Prepaid Expenses and Other	6,705	9,950
Total Current Assets	170,877	192,991
INVESTMENTS	8,583	8,276
PROPERTY AND EQUIPMENT, AT COST	652,593	580,730
Less Accumulated Depreciation	130,244	124,713
Property and Equipment, net	522,349	456,017
OTHER ASSETS		
Goodwill	27,883	28,636
Other	6,211	5,492
Total Other Assets	34,094	34,128
	$735,903	$691,412
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 7,259	$ 3,448
Accrued Liabilities	37,234	35,240
Current Maturities of Long-Term Debt	34,632	27,198
Total Current Liabilities	79,125	65,886
LONG-TERM DEBT	135,905	125,983
DEFERRED INCOME TAXES	28,209	26,856
OTHER LIABILITIES	17,044	17,785
PREFERRED STOCK		
$1.50 Cumulative Convertible Exchangeable Preferred Stock, $25.00 stated, liquidation and redemption value	70,977	70,977
STOCKHOLDERS' EQUITY		
Common Stock, $.10 par value, 125.0 million and 500.0 million shares authorized, 61.5 million and 245.0 million shares issued	6,152	24,500
Additional Paid-in Capital	542,305	520,775

Accumulated Deficit, since January 1, 1984....	(86,891)	(106,693)
Restricted Stock (Unearned Compensation)......	(6,048)	(5,614)
Cumulative Translation Adjustment.............	(1,134)	(1,230)
Treasury Stock at Cost, 5.4 million and 21.0 million shares.........................	(49,741)	(47,813)
Total Stockholders' Equity	404,643	383,925
	$735,903	$691,412

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

ENERGY SERVICE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	THREE MONTHS ENDED JUNE 30,	
	1994	1993
	(In thousands, except per share data)	
OPERATING REVENUES	$ 67,075	$ 58,266
OPERATING EXPENSES		
Operating Costs	36,947	37,127
Depreciation and Amortization	13,495	10,271
General and Administrative	2,342	3,350
	52,784	50,748
OPERATING INCOME	14,291	7,518
OTHER INCOME (EXPENSE)		
Interest Income	932	626
Interest Expense	(2,609)	(2,370)
Income from Equity Affiliates, net	28	127
Other, net	(415)	33
	(2,064)	(1,584)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	12,227	5,934
PROVISION FOR INCOME TAXES	1,047	2,345
INCOME BEFORE MINORITY INTEREST	11,180	3,589
MINORITY INTEREST	645	2,177
INCOME FROM CONTINUING OPERATIONS	10,535	1,412
INCOME FROM DISCONTINUED OPERATIONS	-	2,913
NET INCOME	10,535	4,325
PREFERRED STOCK DIVIDEND REQUIREMENT	1,065	1,065
INCOME APPLICABLE TO COMMON STOCK	$ 9,470	$ 3,260
INCOME PER COMMON SHARE		
Continuing Operations	$ 0.17	$ 0.01
Discontinued Operations	-	0.10
Income Per Common Share	$ 0.17	$ 0.11
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	56,044	30,348

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

ENERGY SERVICE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	SIX MONTHS ENDED JUNE 30, 1994	1993
	(In thousands, except per share data)	
OPERATING REVENUES	$132,440	$110,103
OPERATING EXPENSES		
Operating Costs	72,687	74,858
Depreciation and Amortization	26,197	19,982
General and Administrative	4,493	6,483
	103,377	101,323
OPERATING INCOME	29,063	8,780
OTHER INCOME (EXPENSE)		
Interest Income	1,996	1,197
Interest Expense	(5,315)	(4,371)
Income from Equity Affiliates, net	272	128
Other, net	(379)	289
	(3,426)	(2,757)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	25,637	6,023
PROVISION FOR INCOME TAXES	2,222	3,624
INCOME BEFORE MINORITY INTEREST	23,415	2,399
MINORITY INTEREST	1,483	3,313
INCOME (LOSS) FROM CONTINUING OPERATIONS	21,932	(914)
INCOME FROM DISCONTINUED OPERATIONS	-	3,153
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	21,932	2,239
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF MINORITY INTEREST	-	(2,542)
NET INCOME (LOSS)	21,932	(303)
PREFERRED STOCK DIVIDEND REQUIREMENT	2,130	2,130
INCOME (LOSS) APPLICABLE TO COMMON STOCK	$ 19,802	$ (2,433)
INCOME (LOSS) PER COMMON SHARE		
Continuing Operations	$ 0.35	$ (0.10)
Discontinued Operations	-	0.10
Cumulative Effect	-	(0.08)
Income (Loss) Per Common Share	$ 0.35	$ (0.08)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	56,023	30,341

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

ENERGY SERVICE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	SIX MONTHS ENDED JUNE 30, 1994	SIX MONTHS ENDED JUNE 30, 1993
	(In thousands)	
OPERATING ACTIVITIES		
Net Income (Loss)	$ 21,932	$ (303)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Net Cash Provided by Discontinued Operations	-	5,686
Depreciation and Amortization	26,197	8,348
Provision for Deferred Income Taxes	1,353	938
Amortization of Debt Discount and Other Assets	1,359	934
Provision for Compensatory Stock Grants	507	489
Losses or Undistributed Income from Equity Affiliates	(272)	(1,333)
Cumulative Effect of Change in Accounting Principle	-	2,542
Other Adjustments	846	268
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	2,988	16,021
Increase in Inventory	(154)	(538)
Decrease in Prepaid Expenses and Other	5,190	317
Increase (Decrease) in Accounts Payable and Accrued Liabilities	4,068	(4,413)
Net Cash Provided By Operating Activities	64,014	28,956
INVESTING ACTIVITIES		
Additions to Property and Equipment	(109,310)	(66,926)
Net Proceeds from Sales of Discontinued Operations	399	-
Proceeds from Disposition of Assets	12,025	829
Other	(1,840)	(1,763)
Net Cash Used by Investing Activities	(98,726)	(67,860)
FINANCING ACTIVITIES		
Long-Term Borrowings	30,040	70,749
Reduction of Long-Term Borrowings	(12,675)	(8,277)
Exercise of Stock Options	376	376
Preferred Stock Dividends	(2,130)	(2,130)
Net Cash Provided By Financing Activities	15,611	60,718
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,101)	21,814
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	128,060	25,503
CASH AND CASH EQUIVALENTS, END OF PERIOD	$108,959	$ 47,317

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Unaudited Financial Statements

The consolidated financial statements included herein have been prepared by Energy Service Company, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with generally accepted accounting principles and, in the opinion of management, reflect all adjustments (which consist of normal recurring adjustments) which are necessary for a fair statement of the results of operations for the interim periods presented.

In August 1993, the Company completed the acquisition (the "Penrod Acquisition") of the remaining 63.7% of the outstanding common stock of Penrod Holding Corporation ("Penrod") that was not then beneficially owned by the Company. The Company has included the income from continuing operations of Penrod in its consolidated results of operations beginning January 1, 1993 and has presented the preacquisition earnings attributable to the 63.7% of Penrod that the Company did not own prior to the Penrod Acquisition as "Minority Interest" in calculating the Company's net income for the three and six months ended June 30, 1993.

The Company's consolidated statement of cash flows for the six months ended June 30, 1993 does not include the cash provided by operating activities of Penrod or the cash flows from investing and financing activities of Penrod.

Certain previously reported amounts have been reclassified to conform to the 1994 presentation.

It is recommended that these statements be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 1993 included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K.

Note 2 - Acquisition

On February 14, 1994, the Company purchased two jackup rigs located in the North Sea and simultaneously entered into a bareboat charter agreement with the seller for an initial twelve month period, with the seller having the option to extend the charter for an additional twelve months under the same terms as the original agreement. The purchase price consisted of $50.0 million paid at closing and an additional $6.0 million to be credited against the bareboat charter payments during the last four months of the initial twelve month bareboat charter agreement.

Note 3 - Disposition

On June 30, 1994, the Company completed the sale of its United States land rig operations consisting of twelve land rigs and related equipment and pipe, as well as an office building and yard, to an unrelated third party. The total purchase price was approximately $15.5 million consisting of cash, a promissory note and receivables. Included under the caption "Other, net" in the consolidated statement of operations is a loss on the sale of $201,000. Revenues for the United States land rig operations for the three and six months ended June 30, 1994 were $3.9 million and $9.5 million, respectively, and $4.7 million and $8.8 million for the three and six months ended June 30, 1993, respectively.

Note 4 - Debt

In December 1993, a subsidiary of the Company entered into a financing arrangement with a subsidiary of a Japanese corporation in connection with the construction of four barge drilling rigs to be completed in 1994. As of June 30, 1994, the Company's subsidiary had borrowed $33.4 million under the financing arrangement. The construction loans carry a floating interest rate, which was 5.88% at June 30, 1994. The construction loans are secured by the four barge drilling rigs under construction, which had a combined net book value of $51.2 million at June 30, 1994. Upon completion of construction of the barge drilling rigs, the interim construction loans are expected to be repaid from the proceeds of separate secured term loans made by the Japanese corporation to a subsidiary of ENSCO Drilling (Caribbean), Inc. The financing agreement provides that each loan is to be secured by a specific barge drilling rig and the related charter contract. The aggregate amount of the secured term loans is anticipated to be approximately $78.0 million upon completion. The interest rate on the secured term loans will be fixed within four months of when the rigs are placed into service. The financing agreement provides that upon completion of construction the secured term loans will be without recourse to the Company.

In March 1994, the Company redeemed its convertible subordinated debentures consisting of $5.1 million principal amount of 8.25% convertible subordinated debentures which were originally due July 1, 1995.

Note 5 - Stockholders' Equity

At the Company's Annual Meeting of Stockholders held on May 24, 1994, the stockholders approved a one share for four shares reverse stock split ("reverse stock split") of the Company's common stock. The reverse stock split was effective June 1, 1994. Accordingly, all weighted average share and per share amounts have been restated for both 1993 and 1994 to reflect the reverse stock split. In connection with the reverse stock split, the aggregate par value of the common stock was reduced and additional paid-in capital was increased to reflect the decreased aggregate par value of the common stock outstanding subsequent to the reverse stock split.

Note 6 - Provision for Income Taxes

The income tax provisions for the three and six months ended June 30, 1994 include provisions for U.S. alternative minimum taxes and for deferred foreign taxes, primarily for operations in Venezuela and the United Kingdom. No provision for regular U.S. federal income taxes has been recorded for the three and six months ended June 30, 1994 due to the utilization of net operating loss carryforwards to offset taxes currently payable.

At June 30, 1994, the Company had regular and alternative minimum tax net operating loss and investment tax credit carryforwards of approximately $302.6 million, $189.8 million, and $3.6 million, respectively.

Note 7 - Subsequent Event

On July 22, 1994, the Company announced that it will redeem the 2,839,100 outstanding shares of the Company's $1.50 Cumulative Convertible Exchangeable Preferred Stock ("$1.50 Preferred Stock") on August 26, 1994. The redemption price for the $1.50 Preferred Stock is $25.60 per share plus accrued dividends of $.175 to the date of redemption. Holders of the $1.50 Preferred Stock may elect to convert each share of the $1.50 Preferred Stock into approximately 1.786 shares of the Company's common stock, based upon the $25.00 liquidation preference and the $14.00 conversion price per share of the $1.50 Preferred Stock.

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

BUSINESS ENVIRONMENT

The Company conducts its business in three primary operating segments serving the oil and gas industry: contract drilling, marine transportation, and technical services. The demand for services provided by the Company and, thus, the operating results of the Company are significantly affected by worldwide expenditures of the energy industry for oil and gas drilling, particularly in the Gulf of Mexico where the Company has a large concentration of its rigs and vessels. Expenditures for oil and gas drilling activities have been generally depressed since the early 1980's when a sharp decline in oil and natural gas prices led to reduced exploration and development activities.

A general increase in U.S. natural gas prices in the second half of 1992 resulted in increased exploration and development activity, particularly in the Gulf of Mexico, which continued throughout 1993. This increased activity resulted in higher average day rates and utilization levels for offshore rigs in the Gulf of Mexico throughout 1993, which caused the Company's revenues and operating margins to improve. However, oil prices declined in late 1993 causing a number of competitor's rigs to be mobilized to the Gulf of Mexico. This increase in the supply of drilling rigs resulted in reduced average day rates for the Company's Gulf of Mexico rigs over the course of 1994.

Offshore rig and oilfield supply vessel industry utilization for the three and six months ended June 30, 1994 and 1993 is summarized below:

INDUSTRY WIDE AVERAGES (1)
THREE MONTHS ENDED SIX MONTHS ENDED
JUNE 30, JUNE 30,

	1994	1993	1994	1993
Offshore Rigs				
Gulf of Mexico:				
All Rigs:				
Rigs Under Contract	127	112	126	108
Total Rigs Available	174	148	170	147
% Utilization	73.0%	75.7%	74.1%	73.5%
Jackup Rigs:				
Rigs Under Contract	104	90	102	87
Total Rigs Available	135	112	131	112
% Utilization	77.0%	80.4%	77.9%	77.7%
Worldwide:				
All Rigs:				
Rigs Under Contract	527	549	535	543
Total Rigs Available	659	666	659	669
% Utilization	80.0%	82.4%	81.2%	81.2%
Jackup Rigs:				
Rigs Under Contract	320	334	323	331
Total Rigs Available	391	395	391	395
% Utilization	81.8%	84.6%	82.6%	83.8%

Oilfield Supply Vessels:(2)				
Gulf of Mexico:				
Vessels Under Contract	213	220	217	205
Total Vessels Available	257	249	253	246
% Utilization	82.9%	88.4%	85.8%	83.3%

(1) Industry utilization based on data published by Offshore Data Services, Inc.

(2) Excludes utility vessels

Worldwide utilization for oilfield supply vessels is not readily obtainable. The demand for oilfield supply vessels is closely related to the level of drilling activity, particularly in the Gulf of Mexico.

RESULTS OF OPERATIONS

In August 1993, the Company completed the acquisition (the "Penrod Acquisition") of the remaining 63.7% of the outstanding common stock of Penrod Holding Corporation ("Penrod") that was not then beneficially owned by the Company. The Company has included the operating results of Penrod in its consolidated results of operations beginning January 1, 1993. The preacquisition earnings attributable to the 63.7% of Penrod that the Company did not own prior to the Penrod Acquisition has been deducted as "Minority Interest" in calculating the Company's net income for the three and six months ended June 30, 1993.

The following analysis highlights the Company's operating results for the three and six months ended June 30, 1994 and 1993 (in thousands):

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30,	
	1994	1993	1994	1993
OPERATING RESULTS				
Operating Revenues	$ 67,075	$ 58,266	$132,440	$110,103
Operating Margin	30,128	21,139	59,753	35,245
Operating Income	14,291	7,518	29,063	8,780
Other Expense, Net	(2,064)	(1,584)	(3,426)	(2,757)
Provision for Income Tax	(1,047)	(2,345)	(2,222)	(3,624)
Minority Interest	(645)	(2,177)	(1,483)	(3,313)
Income (Loss) from Continuing Operations	10,535	1,412	21,932	(914)
Income from Discontinued Operations	-	2,913	-	3,153
Cumulative Effect of Accounting Change, Net of Minority Interest	-	-	-	(2,542)
Net Income (Loss)	10,535	4,325	21,932	(303)
Preferred Stock Dividend Requirements	1,065	1,065	2,130	2,130
Income (Loss) Applicable to Common Stock	9,470	3,260	19,802	(2,433)

OPERATING REVENUES				
Contract Drilling	$ 54,048	$ 43,748	$106,063	$ 84,029
Marine Transportation	9,149	9,401	17,653	16,978
Technical Services	3,878	5,117	8,724	9,096
Total	$ 67,075	$ 58,266	$132,440	$110,103
OPERATING MARGIN				
Contract Drilling	$ 25,441	$ 17,631	$ 50,160	$ 30,157
Marine Transportation	3,413	2,501	6,517	3,611
Technical Services	1,274	1,007	3,076	1,477
Total	$ 30,128	$ 21,139	$ 59,753	$ 35,245

The Company's consolidated revenues and operating margins (defined as operating revenues less operating expenses, exclusive of depreciation and general and administrative expenses) for the three months ended June 30, 1994 increased 15.1% and 42.5%, respectively, and for the six months ended June 30, 1994 increased 20.3% and 69.5%, respectively, over comparable 1993 levels. The 1994 increases are primarily attributable to higher domestic day rates for the Company's contract drilling and marine transportation segments in comparison to 1993 levels.

The Company reported significant increases in operating income for the three and six months ended June 30, 1994 of 90.1% and 231.0%, respectively, compared to the same periods in 1993. The increases in operating income were primarily attributable to higher domestic day rates for the Company's contract drilling and marine transportation segments and were also positively impacted by a reduction in general and administrative costs for the three and six months ended June 30, 1994 of $1.0 million and $2.0 million, respectively, from the comparable 1993 periods. Operating income was negatively impacted by additional depreciation and amortization expense for the three and six months ended June 30, 1994, as compared to the same periods in 1993, related to the depreciation on the four barge drilling rigs delivered to Venezuela in March through June of 1993, depreciation on the two North Sea jackup rigs acquired in mid-February 1994, and depreciation and amortization of the additional value assigned to the assets acquired in the Penrod Acquisition resulting form the application of purchase accounting.

Contract Drilling Operations

Certain financial information regarding the Company's contract drilling operations for the three and six months ended June 30, 1994 and 1993 is summarized below (in thousands, except utilization rates and average day rates):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1994	1993	1994	1993
Revenues				
Jackup Rigs:				
United States	$ 27,380	$ 20,586	$ 54,136	$ 38,551
International	12,304	10,816	21,815	24,730
	39,684	31,402	75,951	63,281

Barge Drilling Rigs				
- Venezuela	8,969	5,508	18,272	8,344
Total Offshore Rigs	48,653	36,910	94,223	71,625
Land Rigs:				
United States	3,881	4,657	9,476	8,838
International	1,514	2,181	2,364	3,566
Total Land Rigs	5,395	6,838	11,840	12,404
Total	$ 54,048	$ 43,748	$106,063	$ 84,029
Operating Margin				
Jackup Rigs:				
United States	$ 12,985	$ 9,300	$ 26,556	$ 15,482
International	6,591	3,471	10,689	7,866
	19,576	12,771	37,245	23,348
Barge Drilling Rigs				
- Venezuela	5,698	3,679	12,053	5,333
Total Offshore Rigs	25,274	16,450	49,298	28,681
Land Rigs:				
United States	74	646	943	1,049
International	93	535	(81)	427
Total Land Rigs	167	1,181	862	1,476
Total	$ 25,441	$ 17,631	$ 50,160	$ 30,157
Utilization Rates				
Jackup Rigs:				
United States	93.5%	99.5%	87.7%	99.5%
International	75.4%	51.9%	71.8%	59.5%
	87.7%	79.4%	82.9%	82.5%
Barge Drilling Rigs				
- Venezuela	100.0%	100.0%	100.0%	100.0%
Total Offshore Rigs	90.4%	82.7%	86.6%	84.7%
Land Rigs: *				
United States	65.9%	85.1%	76.9%	86.0%
International	23.1%	52.5%	16.2%	43.8%
Total Land Rigs	53.7%	75.8%	59.6%	74.0%
Total	78.1%	80.2%	77.5%	80.8%
Average Day Rates				
Jackup Rigs:				
United States	$ 21,458	$ 18,916	$ 22,737	$ 17,820
International	24,816	26,124	25,034	25,833
	$ 22,375	$ 20,904	$ 23,338	$ 20,280
Barge Drilling Rigs				
- Venezuela	$ 15,233	$ 13,330	$ 15,523	$ 12,539
Land Rigs: *				
United States	$ 6,467	$ 5,521	$ 6,328	$ 5,431
International	14,102	11,997	14,565	11,172
Total Land Rigs	$ 7,404	$ 6,799	$ 6,967	$ 6,402

* Excludes land rigs that are not being marketed.

Revenues and operating margins for the Company's jackup rigs operating in the U.S. increased substantially for the three and six months ended June 30, 1994 compared to the same periods in the prior year, primarily due to improved market conditions in the Gulf of Mexico and to the relocation of three additional rigs to the Gulf of Mexico in the second, third and fourth quarters of 1993. For the three and six months ended June 30, 1994, average day rates for the Company's rigs in the Gulf of Mexico increased by 13.4% and 27.6%, respectively, compared to the same periods in 1993, with results offset partially by decreases in utilization from the prior year same periods. The decreased utilization in 1994 was due in part to two of the Company's Gulf of Mexico jackup rigs being upgraded in the first three months of 1994 and not available for work.

Revenues and operating margins for the Company's international jackup rigs for the three months ended June 30, 1994 increased by 13.8% and 89.9%, respectively, from the prior year same periods. The 1994 increases are primarily attributable to the two North Sea rigs acquired in mid-February 1994, which are under bareboat charter agreements.

The Company's international jackup rig revenues decreased by 11.8% and operating margin increased by 35.9% for the six months ended June 30, 1994 compared to the same period in 1993. The revenue decrease is primarily attributable to the mobilization in the second, third and fourth quarters of 1993 of three of the Company's rigs located in the North Sea to the Gulf of Mexico. These rigs were included in the international jackup rig results for a portion or all of the six months ended June 30, 1993. The revenue decrease was partially offset by, and the operating margin increase was primarily attributable to, the two North Sea jackup rigs acquired in mid-February 1994.

The Company's jackup rig offshore Brazil completed its contract during the second quarter of 1994 and is currently being mobilized to the Gulf of Mexico. The cost of the mobilization, estimated to be $1.5 million, will be expensed in the third quarter. The rig will be put in the shipyard upon arrival in the U.S. for enhancements, including extending the rig's water depth capability from 300 feet to 350 feet. Due to the mobilization and shipyard enhancements, the rig will be unavailable for work in the third quarter of 1994.

The Company's barge drilling rigs are all located on Lake Maracaibo, Venezuela. Revenues and operating margins from the Company's barges in Venezuela improved substantially for the three and six months ended June 30, 1994 compared to the same periods in 1993, primarily due to the addition of four barge drilling rigs. The four additional rigs operate under separate five-year contracts with Lagoven, S.A. ("Lagoven"), a subsidiary of the Venezuelan national oil company. Two of the barge drilling rigs commenced drilling operations in March and May 1993, with the other two barges commencing operations in June 1993. In late 1993, the Company entered into contracts with Lagoven for four additional new barge drilling rigs, which will operate on Lake Maracaibo, Venezuela pursuant to five year firm contracts. The first of these new barges commenced operations on July 10, 1994 and the other three barges are expected to be operating by September 30, 1994.

Revenues and operating margins for the land rig operations for the three and six months ended June 30, 1994 decreased from the prior year same periods. The decreases are primarily attributable to decreased utilization, offset in part by increased day rates. On June 30, 1994, the Company completed the sale of its United States land rig operations, which included twelve land rigs, to an unrelated third party. The Company continues to own four land rigs, all of which are located in the Middle East.

Marine Transportation Operations

Certain financial information regarding the Company's marine transportation operations for the three and six months ended June 30, 1994 and 1993 is summarized below (in thousands, except utilization rates and average day rates):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1994	1993	1994	1993
REVENUES				
United States	$ 8,767	$ 7,293	$16,880	$13,415
International	382	2,108	773	3,563
Total	$ 9,149	$ 9,401	$17,653	$16,978
OPERATING MARGIN				
United States	$ 3,408	$ 2,334	$ 6,514	$ 4,062
International	5	167	3	(451)
Total	$ 3,413	$ 2,501	$ 6,517	$ 3,611
UTILIZATION RATES				
United States	79.3%	80.3%	76.0%	81.6%
International	30.2%	61.8%	30.5%	48.2%
Total	76.4%	76.8%	74.3%	75.1%
AVERAGE DAY RATES				
United States	$ 3,171	$ 2,454	$ 3,319	$ 2,412
International	4,352	5,118	5,358	5,328
Total	$ 3,202	$ 2,855	$ 3,351	$ 2,777

The Company's marine transportation division currently operates 39 vessels, of which 35 are owned by the Company and four are leased under long-term agreements. The Company operated four vessels in Singapore, through a joint venture, during the second half of 1993 and most of the first half of 1994. The Singapore joint venture was terminated in May 1994 and three of the vessels are currently being mobilized to the Gulf of Mexico and the remaining vessel was sold effective June 30, 1994. During most of 1993, the Company operated two vessels offshore Brazil. One vessel returned to the Gulf of Mexico in the fourth quarter of 1993 and the other vessel returned to the Gulf of Mexico in February 1994.

The Company's marine transportation segment reported increased operating margins in 1994 compared to the 1993 three and six month periods due to increased day rates, even though gross revenues are comparable. The 1993 results included substantial lump-sum mobilization revenue, which is generally greater than day rate revenues, and included the substantially higher cost associated with this type of work.

Drilling activity steadily increased in the Gulf of Mexico during 1993, causing utilization and day rates for the Company's marine transportation vessels to increase throughout 1993. However, day rates on new contracts in the Gulf of Mexico began to soften in the first quarter of 1994 and such softening continued into the second quarter of 1994. Management anticipates that average day rates for marine transportation vessels should remain steady in the third quarter of

1994 as compared to the second quarter of 1994 with some improvement in the fourth quarter.

Technical Services Operations

Certain financial and operational information regarding the Company's technical services operations for the three and six months ended June 30, 1994 and 1993 is summarized below (dollars in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1994	1993	1994	1993
REVENUES	$ 3,878	$ 5,117	$ 8,724	$ 9,096
OPERATING MARGIN	$ 1,274	$ 1,007	$ 3,076	$ 1,477
OPERATING STATISTICS:				
Jobs:				
Horizontal wells drilled	22	31	48	56
MWD wells serviced	25	33	61	52
Wireline services	3	9	8	15
Total	50	73	117	123
Average days per job:				
Horizontal wells	21.6	22.7	21.7	22.5
MWD wells	18.6	13.3	17.7	13.6
Wireline services	11.7	11.4	11.3	13.6
Total	19.5	17.1	18.9	17.6
Average revenue per job:				
Horizontal wells	$ 110.7	$ 113.1	$ 107.6	$ 115.9
MWD wells	52.1	44.5	54.0	44.2
Wireline services	46.1	15.9	33.3	20.0
Total	$ 77.6	$ 70.1	$ 74.6	$ 74.0

The Company conducts its technical services operations primarily in the Austin Chalk trend of Texas. The Company's horizontal drilling activity declined in the three months ended June 30, 1994 and was flat for the six months ended June 30, 1994 as compared to the same periods of 1993. However, operating margins improved for the three and six months ended June 30, 1994, as compared to the same periods in 1993, primarily due to reduced operating expenses. The Company intends to focus primarily on opportunities in the U.S. and Canada for its technical services segment in 1994.

Depreciation and Amortization

Depreciation and Amortization expense for the three and six months ended June 30, 1994 increased by $3.2 million and $6.2 million, respectively, compared to the same periods in 1993. The increases are primarily attributable to depreciation on the four barge drilling rigs delivered to Venezuela in March through June of 1993, depreciation on the two North Sea jackup rigs acquired in mid-February 1994, and depreciation and amortization related to the step-up in basis of the assets acquired in the Penrod Acquisition.

General and Administrative

General and Administrative expense for the three and six months ended June 30, 1994 decreased by $1.0 million and $2.0 million, respectively, compared to the same periods in 1993. The decreases are primarily attributable to the consolidation of Penrod's general and administrative functions with the Company's in 1993 following the Penrod Acquisition.

Interest Income

Interest income increased for the three and six months ended June 30, 1994 by $306,000 and $799,000, respectively, compared to the same periods in 1993 due to higher average cash levels and a general increase in interest rates.

Interest Expense

Interest expense increased for the three and six months ended June 30, 1994 by $239,000 and $944,000, respectively, compared to the same periods in 1993 due primarily to higher average levels of debt outstanding.

Income from Equity Affiliates, net

Income from Equity Affiliates, net for the three and six months ended June 30, 1994 consists of the Company's 50% share of the earnings (loss) of a Mexican joint venture formed in June 1993 to operate a jackup rig in the Gulf of Mexico and a joint venture in Singapore formed in August 1993 to operate marine vessels in Southeast Asia. The Singapore joint venture was terminated in May 1994.

Other, net

Other, net for the three months ended June 30, 1994 consists primarily of foreign currency translation losses and the loss on the sale of the Company's United States land rig operations, offset by other miscellaneous income. Other, net for the six months ended June 30, 1994 consists primarily of the items discussed above and was further offset by net gains on the sale of equipment and net gains related to equipment lost downhole for which the customer reimbursement exceeded the net book value of the equipment lost.

Provision for Income Taxes

The Company recorded income tax provisions of $1.0 million and $2.2 million for the three and six months ended June 30, 1994, respectively, as compared to $2.3 million and $3.6 million for the three and six months ended June 30, 1993, respectively. The 1994 provisions include U.S. alternative minimum taxes and deferred foreign taxes primarily related to the Company's operations in Venezuela and the United Kingdom. The 1993 provisions were primarily related to deferred foreign taxes in Venezuela and the United Kingdom.

At June 30, 1994, the Company had regular and alternative minimum tax net operating loss and investment tax credit carryforwards of approximately $302.6 million, $189.8 million, and $3.6 million, respectively.

Minority Interest

Minority Interest for the three and six months ended June 30, 1994 decreased by $1.5 million and $1.8 million, respectively, compared to the same periods in

1993. The minority interest charges for 1994 relate to the minority shareholder's interest in the net income of ENSCO Drilling (Caribbean), Inc. ("Caribbean"). The 1993 charges include the minority shareholders interest in the net income of Caribbean and $1.6 million and $2.5 million for the three and six months ended June 30, 1993, respectively, for the preacquisition earnings related to the 63.7% of Penrod which the Company did not own prior to the Penrod Acquisition.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated statement of cash flows for the six months ended June 30, 1993 does not include the cash provided by operating activities of Penrod nor the cash flows from Penrod's investing and financing activities.

Cash Flow and Capital Expenditures

The Company's cash flow from operations and capital expenditures for the six months ended June 30, 1994 and 1993 are as follows (in thousands):

	1994	1993
Cash Flow from Operations	$ 64,014	$ 28,956
Capital Expenditures	109,310	66,926

Cash flow from operations increased $35.1 million in the first six months of 1994 compared to the same period in 1993. The improved cash flow is primarily a result of improved operations and the contribution from the cash flow of Penrod's operations.

The Company's capital expenditures for the six months ended June 30, 1994 consisted principally of $55.7 million for the purchase of the two jackup rigs located in the North Sea, $40.2 million towards the construction of the four new barge drilling rigs to be delivered to Venezuela in the third quarter of 1994, $10.6 million for contract drilling equipment and $2.8 million for other equipment, primarily for marine transportation vessels and technical services operations. Management anticipates that capital expenditures in 1994 will total approximately $40.0 million for existing operations, $64.0 million towards the construction of the four new barge drilling rigs and $55.7 million for the purchase of the two jackup rigs located in the North Sea.

Financing and Capital Resources

The Company's long-term debt, total capital and debt to capital ratios at June 30, 1994 and December 31, 1993 are summarized below (in thousands, except percentages):

	JUNE 30, 1994	DECEMBER 31, 1993
Long-term Debt	$135,905	$125,983
Total Capital	611,525	580,885
Long-term Debt to Total Capital	22.2%	21.7%

In March 1994, the Company redeemed its convertible subordinated debentures consisting of $5.1 million principal amount of 8.25% convertible subordinated debentures which were originally due July 1, 1995. The Company's cash reserves were used to redeem the convertible subordinated debentures.

In November 1993, Caribbean signed four separate five-year contracts with Lagoven, a subsidiary of the Venezuelan national oil company, to operate four barge drilling rigs on Lake Maracaibo in Venezuela. The first of the four barge drilling rigs commenced operations on July 10, 1994 and the other three are expected to be operating by September 30, 1994. In December 1993, a subsidiary of Caribbean entered into a financing arrangement with a subsidiary of a Japanese corporation in connection with the construction of the four barge drilling rigs to be completed in 1994. As of June 30, 1994, the Company's subsidiary had borrowed $33.4 million under the financing arrangement. The construction loans carry a floating interest rate, which was 5.88% at June 30, 1994. The construction loans are secured by the four barge drilling rigs under construction, which had a combined net book value of $51.2 million at June 30, 1994. Upon completion of construction, the construction loans are expected to be repaid from the proceeds of separate secured term loans made by the Japanese corporation to a subsidiary of Caribbean. The financing agreement provides that each loan is to be secured by a specific barge drilling rig and the related charter contract. The aggregate amount of the secured term loans is anticipated to be approximately $78.0 million upon completion. The interest rate on the secured term loans will be fixed within four months of when the rigs are placed into service. The financing agreement provides that upon completion of construction the secured term loans will be without recourse to the Company. Under the terms of the Lagoven contracts, the barges will earn day rates which the Company believes will be sufficient to fully amortize the loans.

In December 1993, a subsidiary of the Company entered into a $100.0 million loan arrangement with a group of international banks. The facility consists of a $60.0 million secured term loan and a $40.0 million revolving line of credit. Proceeds of the secured term loan were used to repay a revolving credit agreement and existing term loans of Penrod. The revolver will be reduced semi- annually by $1.0 million over five years with the final $30.0 million line expiring at the end of the five year term. The facility carries a floating interest rate, which was 6.56% at June 30, 1994. The revolver portion of the facility was undrawn at June 30, 1994.

On July 22, 1994, the Company announced that it will redeem the 2,839,100 shares of the Company's $1.50 Cumulative Convertible Exchangeable Preferred Stock ("$1.50 Preferred Stock") on August 26, 1994. The redemption price for the $1.50 Preferred Stock is $25.60 per share plus accrued dividends of $.175 to the date of redemption. Holders of the $1.50 Preferred Stock may elect to convert each share of the $1.50 Preferred Stock into approximately 1.786 shares of the Company's common stock, based upon the $25.00 liquidation preference and the $14.00 conversion price per share of the $1.50 Preferred Stock. The Company expects to use existing cash to redeem any remainder of the $1.50 Preferred Stock that is not converted.

The Company's liquidity position at June 30, 1994 and December 31, 1993 is summarized in the table below (in thousands, except ratios):

	JUNE 30, 1994	DECEMBER 31, 1993
Cash	$108,959	$128,060
Working Capital	91,752	127,105
Current Ratio	2.2	2.9

Based on current energy industry conditions, management believes cash flow from operations, the Company's existing credit facilities and the Company's working capital should be sufficient to fund the Company's debt and capital additions for the next twelve months.

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a vote of Security Holders

On May 24, 1994, the Company held an annual meeting of stockholders to consider the following proposals: "Proposal 1"
- To elect two Class I directors; "Proposal 2" - To approve a reverse stock split of the Company's stock whereby each outstanding share of common stock would be reclassified into 0.25 of a share of new common stock; and "Proposal 3" - To approve the appointment of Price Waterhouse as the Company's independent public accountants for 1994. A description of the foregoing matters is contained in the Company's proxy statement, dated April 11, 1994, relating to the 1994 annual meeting of stockholders.

There were 224,061,280 shares of the Company's common stock entitled to vote at the annual meeting based on the April 5, 1994 record date. The Company solicited proxies pursuant to Regulation 14 of the Securities Exchange Act of 1934, and there was no solicitation in opposition to management's nominees for directors as listed in the proxy statement. Each director received a minimum of 195,000,000 votes, which was in excess of 87% of the outstanding common shares entitled to vote.

With respect to Proposal 1 listed above, the voting was as follows:

	VOTES FOR	VOTES AGAINST	ABSTENTIONS
Gerald W. Haddock	195,984,200	458,363	942,287
Carl F. Thorne	195,988,608	453,955	937,879

With respect to Proposals 2 and 3 listed above, the voting was as follows:

PROPOSAL	VOTES FOR	VOTES AGAINST	ABSTENTIONS
2	193,263,942	3,166,299	496,245
3	195,880,093	853,667	192,726

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K

The Company filed Current Reports on Form 8-K dated (i) May 18, 1994, with respect to earnings of the Company during the remainder of 1994, and (ii) June 30, 1994 with respect to the sale of the Company's United States land rig operations.

SIGNATURE

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.

ENERGY SERVICE COMPANY, INC.

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Date:    August 4, 1994            [  /s/  H. E. Malone              ]
                                   H. E. Malone, Corporate Controller
                                   and Chief Accounting Officer
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