ENSCO PLC

FORM 10-QT
(Quarterly Transition Report)

Filed 11/10/94 for the Period Ending 09/30/94

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 11/10/1994 For Period Ending 9/30/1994

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 September 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	76-0232579
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2700 Fountain Place 1445 Ross Avenue, Dallas Texas	75202 - 2792
(Address of principal executive offices)	(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 61,192,265 shares of Common Stock, $.10 par value, of the registrant outstanding as of November 9, 1994.

Page 1 of 25 sequentially numbered pages.

Exhibit index on page 24.

ENERGY SERVICE COMPANY, INC.

INDEX TO FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 1994

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY SERVICE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	SEPTEMBER 30, 1994 (Unaudited)	DECEMBER 31, 1993
ASSETS	(in Thousands)	
CURRENT ASSETS		
Cash and Cash Equivalents	$128,927	$128,060
Short-Term Investments	5,869	-
Accounts Receivable, net	51,731	51,232
Inventory	3,879	3,350
Net Assets of Discontinued Operations	-	399
Prepaid Expenses and Other	12,820	9,950
Total Current Assets	203,226	192,991
INVESTMENTS	6,784	8,276
PROPERTY AND EQUIPMENT, AT COST	679,624	580,730
Less Accumulated Depreciation	142,989	124,713
Property and Equipment, net	536,635	456,017
OTHER ASSETS		
Goodwill	26,656	28,636
Other	5,868	5,492
Total Other Assets	32,524	34,128
	$779,169	$691,412
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 11,010	$ 3,448
Accrued Liabilities	33,155	35,240
Current Maturities of Long-Term Debt	38,646	27,198
Total Current Liabilities	82,811	65,886
LONG-TERM DEBT	169,528	125,983
DEFERRED INCOME TAXES	28,428	26,856
OTHER LIABILITIES	16,395	17,785
PREFERRED STOCK		
$1.50 Cumulative Convertible Exchangeable Preferred Stock, $25.00 stated, liquidation and redemption value	-	70,977
STOCKHOLDERS' EQUITY		
Common Stock, $.10 par value, 125.0 million and 500.0 million shares authorized, 66.5 million and 245.0 million shares issued	6,655	24,500
Additional Paid-in Capital	612,127	520,775

Accumulated Deficit, since January 1, 1984....	(80,123)	(106,693)
Restricted Stock (Unearned Compensation)......	(5,773)	(5,614)
Cumulative Translation Adjustment.............	(1,090)	(1,230)
Treasury Stock at Cost, 5.4 million and 21.0 million shares.........................	(49,789)	(47,813)
Total Stockholders' Equity	482,007	383,925
	$779,169	$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 SEPTEMBER 30, 1994	1993
	(in Thousands, Except Per Share Data)	
OPERATING REVENUES	$ 63,167	$ 65,675
OPERATING EXPENSES		
Operating Costs	37,263	39,110
Depreciation and Amortization	13,786	11,569
General and Administrative	2,160	2,925
	53,209	53,604
OPERATING INCOME	9,958	12,071
OTHER INCOME (EXPENSE)		
Interest Income	1,271	825
Interest Expense	(3,533)	(2,601)
Income from Equity Affiliates, net	285	415
Other, net	60	673
	(1,917)	(688)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	8,041	11,383
PROVISION FOR INCOME TAXES	685	2,139
INCOME BEFORE MINORITY INTEREST	7,356	9,244
MINORITY INTEREST	583	2,008
INCOME FROM CONTINUING OPERATIONS	6,773	7,236
LOSS FROM DISCONTINUED OPERATIONS	-	(379)
NET INCOME	6,773	6,857
PREFERRED STOCK DIVIDEND REQUIREMENT	5	1,065
INCOME APPLICABLE TO COMMON STOCK	$ 6,768	$ 5,792
INCOME (LOSS) PER COMMON SHARE		
Continuing Operations	$ 0.12	$ 0.14
Discontinued Operations	-	(0.01)
Income Per Common Share	$ 0.12	$ 0.13
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	58,109	44,373

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

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

	NINE MONTHS ENDED SEPTEMBER 30, 1994	1993
	(in Thousands, Except Per Share Data)	
OPERATING REVENUES	$195,607	$175,778
OPERATING EXPENSES		
Operating Costs	109,950	113,968
Depreciation and Amortization	39,983	31,551
General and Administrative	6,653	9,408
	156,586	154,927
OPERATING INCOME	39,021	20,851
OTHER INCOME (EXPENSE)		
Interest Income	3,267	2,031
Interest Expense	(8,848)	(6,971)
Income from Equity Affiliates, net	557	543
Other, net	(319)	952
	(5,343)	(3,445)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	33,678	17,406
PROVISION FOR INCOME TAXES	2,907	5,763
INCOME BEFORE MINORITY INTEREST	30,771	11,643
MINORITY INTEREST	2,066	5,321
INCOME FROM CONTINUING OPERATIONS	28,705	6,322
INCOME FROM DISCONTINUED OPERATIONS	-	2,774
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	28,705	9,096
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF MINORITY INTEREST	-	(2,542)
NET INCOME	28,705	6,554
PREFERRED STOCK DIVIDEND REQUIREMENT	2,135	3,195
INCOME APPLICABLE TO COMMON STOCK	$ 26,570	$ 3,359
INCOME (LOSS) PER COMMON SHARE		
Continuing Operations	$ 0.47	$ 0.09
Discontinued Operations	-	0.08
Cumulative Effect	-	(0.07)
Income Per Common Share	$ 0.47	$ 0.10
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	56,726	35,081

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

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

	NINE MONTHS ENDED SEPTEMBER 30, 1994	NINE MONTHS ENDED SEPTEMBER 30, 1993
	(in Thousands)	
OPERATING ACTIVITIES		
Net Income	$ 28,705	$ 6,554
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net Cash Provided by Discontinued Operations	-	6,660
Depreciation and Amortization	39,983	18,562
Provision for Deferred Income Taxes	1,572	2,330
Amortization of Debt Discount and Other Assets	2,106	1,673
Provision for Compensatory Stock Grants	782	737
Distributed Income (Undistributed Income) from Equity Affiliates, net	534	(1,655)
Other Adjustments	719	2,676
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	2,966	14,751
Increase in Inventory	(529)	(199)
Increase in Prepaid Expenses and Other	(1,026)	(2,871)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	3,131	(12,641)
Net Cash Provided By Operating Activities	78,943	36,577
INVESTING ACTIVITIES		
Additions to Property and Equipment	(137,596)	(69,405)
Net Proceeds from Sales of Discontinued Operations	399	-
Proceeds from Disposition of Assets	12,594	1,076
Purchase of Short-Term Investments	(5,869)	-
Acquisitions, Net of Cash Disbursed	-	36,861
Other	(172)	(837)
Net Cash Used by Investing Activities	(130,644)	(32,305)
FINANCING ACTIVITIES		
Long-Term Borrowings	115,471	70,749
Reduction of Long-Term Borrowings	(60,475)	(12,620)
Exercise of Stock Options	506	726
Preferred Stock Dividends	(2,135)	(3,195)
Redemption of Preferred Stock	(799)	-
Net Cash Provided By Financing Activities	52,568	55,660
INCREASE IN CASH AND CASH EQUIVALENTS	867	59,932
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	128,060	25,503
CASH AND CASH EQUIVALENTS, END OF PERIOD	$128,927	$ 85,435

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

ENERGY SERVICE COMPANY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - UNAUDITED FINANCIAL STATEMENTS

The interim 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 presentation 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 nine months ended September 30, 1993.

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

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 - SHORT-TERM INVESTMENTS

Short-term investments are comprised of debt instruments having maturities of greater than three months and less than one year at the date of purchase, and are stated at cost due to the Company's intent and ability to hold the instruments to maturity. The aggregate fair value of short-term investments at September 30, 1994 approximates cost.

NOTE 3 - ACQUISITION

On February 14, 1994, the Company purchased two jackup rigs located in the North Sea and simultaneously entered into bareboat charter agreements with the seller for an initial twelve month period. The purchase price for the two rigs 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 agreements.

NOTE 4 - 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, 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 for the nine months ended September 30, 1994 is a loss on the sale of $201,000. Revenues for the United States land rig operations for the nine months ended September 30, 1994 were $9.5 million and for the three and nine months ended September 30, 1993 were $5.4 million and $14.2 million, respectively.

NOTE 5 - 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, which were completed in July through September of 1994. Upon completion of construction of the barge drilling rigs, the interim construction loans were repaid from the proceeds of four secured term loans, totalling $78.8 million, made by the Japanese corporation to a subsidiary of ENSCO Drilling (Caribbean), Inc. The five year term loans bear interest at fixed rates ranging from 9.1% to 9.8%, repayable in 60 equal monthly installments of principal and interest. The term loans are each secured by a specific barge drilling rig, which rigs together had a combined net book value of approximately $75.0 million at September 30, 1994, and the charter contract on each rig. The secured term loans are 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 6 - PREFERRED STOCK

In July 1994, the Company announced that it would redeem the 2,839,110 outstanding shares of the Company's $1.50 Cumulative Convertible Exchangeable Preferred Stock ("$1.50 Preferred Stock") in August 1994. Holders of 2,807,147 shares of the $1.50 Preferred Stock elected to convert each of their shares into approximately 1.786 shares of the Company's common stock, based on the $25.00 liquidation preference and the $14.00 conversion price per share of the $1.50 Preferred Stock. Such conversion resulted in the issuance of 5,012,762 shares of the Company's common stock. Holders of the remaining 31,963 shares of the $1.50 Preferred Stock elected to redeem their shares for cash.

NOTE 7 - 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 8 - PROVISION FOR INCOME TAXES

The income tax provisions for the three and nine months ended September 30, 1994 include provisions for U.S. alternative minimum taxes and for current and deferred foreign taxes, primarily for operations in Venezuela. A charge against earnings of $1.0 million was recorded during the three and nine months ended September 30, 1994 to increase the Company's deferred income tax liability due to the increase in the Venezuela tax rate from 30% to 34%, effective January 1, 1995. The income tax provision was decreased by $1.0 million during the three and nine months ended September 30, 1994 due to a reduction in the deferred tax asset valuation allowance as management considers it more likely than not that certain additional U.S. net operating losses will be utilized prior to their expiration. No provision for regular U.S. federal income taxes has been recorded for the three and nine months ended September 30, 1994 due to the utilization of net operating loss carryforwards to offset taxes currently payable.

At September 30, 1994, the Company had regular and alternative minimum tax net operating losses and investment tax credit carryforwards of approximately $328.9 million, $193.9 million, and $3.6 million, respectively.

NOTE 9 - SUBSEQUENT EVENTS

In October 1994, a wholly owned subsidiary of the Company entered into an agreement with Lateral Vector Resources, Inc. ("LVR"), a Canadian company, under which LVR purchased a 30% interest in a subsidiary of the Company for $1.2 million. LVR has the option, through November 15, 1994, to purchase an additional 10% interest in the subsidiary under the same terms at which the 30% interest was purchased. The purpose of the sale was to combine forces with LVR to conduct horizontal/directional drilling services in Canada and certain areas of the U.S. The subsidiary will continue to be included in the Company's consolidated financial statements. The Company will record a gain on the sale of the 30% interest of approximately $600,000 in October 1994.

In November 1994, a wholly owned subsidiary of the Company entered into an agreement to sell two land rigs and related equipment, located in the Middle East, to an unrelated third party. No significant gain or loss is expected upon disposition.

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, the Company's day rates have declined throughout the first three quarters of 1994 as a number of competitor's rigs have been mobilized to the Gulf of Mexico. Management anticipates, based on current market conditions, that average day rates should be little changed in the fourth quarter of 1994 as compared to the third quarter of 1994.

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

INDUSTRY WIDE AVERAGES <F1>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1993	1994	1993
Offshore Rigs				
Gulf of Mexico:				
All Rigs:				
Rigs Under Contract	135	121	130	112
Total Rigs Available	178	154	173	148
% Utilization	75.8%	78.6%	75.1%	75.7%
Jackup Rigs:				
Rigs Under Contract	111	97	106	90
Total Rigs Available	139	119	134	113
% Utilization	79.9%	81.5%	79.1%	79.6%
Worldwide:				
All Rigs:				
Rigs Under Contract	532	547	533	542
Total Rigs Available	663	664	660	667
% Utilization	80.2%	82.4%	80.8%	81.3%

Jackup Rigs:				
Rigs Under Contract	319	332	322	330
Total Rigs Available	392	394	391	395
% Utilization	81.4%	84.3%	82.4%	83.5%
Oilfield Supply Vessels:<F2>				
Gulf of Mexico:				
Vessels Under Contract	245	218	226	213
Total Vessels Available	272	247	259	246
% Utilization	90.1%	88.3%	87.3%	86.6%

<F1> Industry utilization based on data published by OFFSHORE DATA SERVICES, INC.

<F2> 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 nine months ended September 30, 1993.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1993	1994	1993
OPERATING RESULTS				
Operating Revenues	$ 63,167	$ 65,675	$195,607	$175,778
Operating Margin	25,904	26,565	85,657	61,810
Operating Income	9,958	12,071	39,021	20,851
Other Expense, Net	(1,917)	(688)	(5,343)	(3,445)
Provision for Income Tax	(685)	(2,139)	(2,907)	(5,763)
Minority Interest	(583)	(2,008)	(2,066)	(5,321)
Income from Continuing Operations	6,773	7,236	28,705	6,322
Income (Loss) from Discontinued Operations	-	(379)	-	2,774
Cumulative Effect of Accounting Change, Net of Minority Interest	-	-	-	(2,542)

Net Income	6,773	6,857	28,705	6,554
Preferred Stock Dividend Requirements	5	1,065	2,135	3,195
Income Applicable to Common Stock	6,768	5,792	26,570	3,359
OPERATING REVENUES				
Contract Drilling	$ 48,964	$ 51,479	$155,027	$135,508
Marine Transportation	10,128	8,729	27,781	25,707
Technical Services	4,075	5,467	12,799	14,563
Total	$ 63,167	$ 65,675	$195,607	$175,778
OPERATING MARGIN				
Contract Drilling	$ 22,358	$ 22,432	$ 72,518	$ 52,589
Marine Transportation	2,687	3,196	9,204	6,807
Technical Services	859	937	3,935	2,414
Total	$ 25,904	$ 26,565	$ 85,657	$ 61,810

The Company's consolidated revenues and operating margin (defined as operating revenues less operating expenses, exclusive of depreciation and general and administrative expenses) for the three months ended September 30, 1994 decreased 3.8% and 2.5%, respectively, in comparison to 1993 levels. The decreases for the three months ended September 30, 1994 are primarily attributable to lower day rates for the Company's domestic jackup rigs in comparison to 1993 levels, offset in part by the revenues and operating margins associated with six additional drilling rigs in 1994, of which two were acquired and four were constructed and placed into service.

The Company's consolidated revenues and operating margin for the nine months ended September 30, 1994 increased 11.3% and 38.6%, respectively, in comparison to 1993 levels. The increases for the nine months ended September 30, 1994 are primarily attributable to higher domestic day rates for the Company's contract drilling and marine transportation segments in comparison to 1993 levels, revenues and operating margins associated with the six drilling rigs that were added in 1994 and a full nine months contribution from four rigs constructed and placed into service in the first half of 1993.

The Company reported a decrease in operating income for the three months ended September 30, 1994 in comparison to the 1993 period, due primarily to the reasons stated above with respect to the decreases in revenues and operating margin from the prior year period and due to increased depreciation and amortization. Operating income was positively impacted by reduced general and administrative costs for the three months ended September 30, 1994, as compared to the same period in 1993.

The Company reported a significant increase in operating income for the nine months ended September 30, 1994 in comparison to the same period in 1993 due primarily to the reasons stated above with respect to the increases in revenues and operating margin from the prior year period and due to reduced general and administrative costs. Operating income was negatively impacted by additional depreciation and amortization expense for the nine months ended September 30, 1994, as compared to the same period in 1993.

CONTRACT DRILLING OPERATIONS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1993	1994	1993
REVENUES				
Jackup Rigs:				
United States	$ 26,096	$ 23,696	$ 80,232	$ 62,247
International	9,441	10,222	31,256	34,952
	35,537	33,918	111,488	97,199
Barge Drilling Rigs - Venezuela	12,419	10,194	30,691	18,538
Total Offshore Rigs	47,956	44,112	142,179	115,737
Land Rigs <F2>	1,008	7,367	12,848	19,771
Total	$ 48,964	$ 51,479	$155,027	$135,508
OPERATING MARGIN				
Jackup Rigs:				
United States	$ 10,462	$ 11,824	$ 37,018	$ 27,306
International	3,596	3,222	14,285	11,088
	14,058	15,046	51,303	38,394
Barge Drilling Rigs - Venezuela	8,220	6,635	20,273	11,968
Total Offshore Rigs	22,278	21,681	71,576	50,362
Land Rigs <F2>	80	751	942	2,227
Total	$ 22,358	$ 22,432	$ 72,518	$ 52,589
UTILIZATION RATES				
Jackup Rigs:				
United States	91.4%	95.5%	88.9%	98.1%
International	58.4%	57.3%	67.1%	58.9%
	80.9%	81.5%	82.2%	82.2%
Barge Drilling Rigs - Venezuela	100.0%	100.0%	100.0%	100.0%
Total Offshore Rigs	86.0%	85.7%	86.4%	85.1%
Land Rigs <F1> <F2>	17.4%	75.3%	54.2%	74.4%
Total	78.0%	82.1%	77.6%	81.2%
AVERAGE DAY RATES				
Jackup Rigs:				
United States	$ 20,694	$ 21,286	$ 22,030	$ 18,998
International	26,926	25,796	25,620	25,822
	$ 22,125	$ 22,450	$ 22,930	$ 20,984
Barge Drilling Rigs				

- Venezuela	$ 15,934	$ 16,274	$ 15,690	$ 14,395
Land Rigs <F1> <F2>	$ 15,780	$ 6,652	$ 7,325	$ 6,503

<F1> Excludes land rigs that are not being marketed.
<F2> U.S. and International land rigs combined.

The Company's U.S. jackup rig revenues increased by 10.1% and operating margin decreased by 11.5% for the three months ended September 30, 1994 compared to the same period in 1993. The revenue increase is primarily attributable to three rigs that were mobilized from the North Sea and began operating in the Gulf of Mexico in the third and fourth quarters of 1993. These rigs were included in the international jackup rig results for a portion or all of the three months ended September 30, 1993. The 1994 revenue increase was partially offset by, and the operating margin decrease was primarily attributable to, decreases in average day rates and utilization from the same period in 1993.

Revenues and operating margins for the Company's jackup rigs operating in the U.S. increased substantially for the nine months ended September 30, 1994 compared to the same period 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 which began operating in the third and fourth quarters of 1993. For the nine months ended September 30, 1994, average day rates for the Company's rigs in the Gulf of Mexico increased by 16.0% compared to the same period in 1993, with results offset partially by decreased utilization from the prior year period. 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.

For the three and nine months ended September 30, 1994, revenues for the Company's international jackup rigs decreased by 7.6% and 10.6%, respectively, and operating margin increased by 11.6% and 28.8%, respectively, as compared to the prior year periods. The revenue decreases are 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 three and nine months ended September 30, 1993. The revenue decreases were partially offset by, and the operating margin increases were primarily attributable to, two North Sea jackup rigs acquired in mid-February 1994 which operate under bareboat charter agreements. The Company anticipates that the bareboat charter agreements on the two North Sea jackup rigs acquired in mid-February 1994 will not be extended beyond the initial twelve month period and that the Company will contract the two rigs directly with the joint venture of major oil and gas exploration companies for which the rigs are currently operating.

The Company's jackup rig offshore Brazil completed its contract during the second quarter of 1994 and was mobilized to the Gulf of Mexico during the third quarter of 1994. The $1.5 million cost of the mobilization was recorded as a charge against earnings in the third quarter of 1994. Upon arrival in the U.S., the rig was placed in the shipyard 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 was unavailable for work in the third quarter of 1994. However, the rig is currently under contract.

The Company's jackup rig in the Middle East is currently being mobilized to the Gulf of Mexico. The cost of the mobilization, estimated to be $2.0 million, will be charged against earnings in the fourth quarter of 1994. Upon arrival in the U.S., the rig will undergo modifications and enhancements, including extending the rig's water depth capability to approximately 400 feet. Due to the mobilization and shipyard enhancements, the rig will be unavailable for work until approximately March 1, 1995.

The Company's barge drilling rigs are all located on Lake Maracaibo, Venezuela. Revenues and operating margins from the Company's barge rigs in Venezuela improved substantially for the three and nine months ended September 30, 1994 compared to the same periods in 1993, primarily due to the addition of four barge drilling rigs in March through June of 1993 and four additional barge drilling rigs in July through September of 1994. All eight of the new barge drilling rigs operate under separate five-year contracts with Lagoven, S.A. ("Lagoven"), a subsidiary of the Venezuelan national oil company. The Venezuelan currency has experienced significant devaluation in 1994 and the Venezuelan government has established policies to control the exchange rate of the Venezuelan currency and regulate the level of currency exchanged. To date, the Company's Venezuelan subsidiary has not experienced problems associated with receiving U.S. dollar payments with respect to the U.S. dollar portion of its contracts with Lagoven. Changes in these conditions, other policy enactments, or political developments in Venezuela, could have an adverse effect upon the Company. However, the Company believes such adverse effects are unlikely due to the volume of U.S. dollars paid to the parent company of Lagoven for its oil exports and the contractual protection available to the Company's Venezuelan subsidiary if U.S. dollar payments are not made.

Revenues and operating margins for the land rig operations for the three and nine months ended September 30, 1994 decreased from the comparable prior year periods. The decreases are primarily attributable to the sale of the Company's U.S. land rig operations, which was effective June 30, 1994, and decreased utilization, offset in part by increased day rates. In November 1994, a wholly owned subsidiary of the Company entered into an agreement to sell two land rigs and related equipment to an unrelated third party. One of the land rigs is located in Dubai and the other is currently being mobilized from Syria to Dubai. Subsequent to the sale, the Company will continue to own two land rigs, both of which are located in Dubai.

MARINE TRANSPORTATION OPERATIONS

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

	THREE MONTHS ENDED SEPTEMBER 30, 1994	1993	NINE MONTHS ENDED SEPTEMBER 30, 1994	1993
REVENUES				
AHTS <F1>	$ 4,712	$ 2,770	$10,791	$ 9,552
Supply	4,442	4,889	14,274	12,830
Mini-Supply	383	476	1,265	1,306
Utility	591	594	1,451	2,019
Total	$10,128	$ 8,729	$27,781	$25,707
OPERATING MARGIN				
AHTS <F1>	$ 1,457	$ 939	$ 4,236	$ 2,423
Supply	1,297	2,135	4,953	4,169
Mini-Supply	86	207	434	577
Utility	(153)	(85)	(419)	(362)
Total	$ 2,687	$ 3,196	$ 9,204	$ 6,807
UTILIZATION RATES				
AHTS <F1>	84.2%	87.4%	78.9%	75.5%
Supply	86.7%	90.9%	85.4%	82.7%
Mini-Supply	85.1%	100.0%	93.4%	95.1%
Utility	60.3%	57.4%	52.6%	64.4%
Total	79.5%	81.8%	76.1%	77.2%
AVERAGE DAY RATES				
AHTS <F1>	$ 7,545	$ 6,203	$ 7,449	$ 6,701
Supply	2,924	3,043	3,221	2,877
Mini-Supply	1,630	1,726	1,645	1,677
Utility	1,065	1,040	990	1,065
Total	$ 3,082	$ 3,007	$ 3,257	$ 2,856

<F1> Anchor Handling/Tug Supply Vessels

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. All of the Company's marine transportation vessels are currently located in the Gulf of Mexico. The Company had six vessels available for work in Singapore at the beginning of 1993. In April 1993, one of these vessels obtained a towage contract to the U.S., after which it was available for work in the Gulf of Mexico. A second vessel arrived in the Gulf of Mexico from Singapore in the fourth quarter of 1993. The Company operated the remaining 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 were mobilized to the Gulf of Mexico. The remaining vessel, a utility boat, 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 a decreased operating margin for the three months ended September 30, 1994 as compared to the same period in 1993, due primarily to costs associated with moving three vessels from Singapore to the Gulf of Mexico in the third quarter of 1994. The marine transportation segment reported an increased operating margin for the nine months ended September 30, 1994 compared to the same period in 1993 due primarily to increased day rates.

Drilling activity 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 half of 1994 and such softening continued into the third quarter of 1994. Management anticipates that, based on current market conditions, average marine transportation day rates, which began improving at the end of the third quarter of 1994, should average somewhat higher in the fourth quarter of 1994 as compared to the third quarter of 1994.

In the fourth quarter of 1994, the Company anticipates entering into an agreement with an unrelated third party to purchase a supply vessel, convert four utility vessels into four larger, 146-foot mini-supply vessels, and assign ownership of four utility vessels to the unrelated third party. Subsequent to this transaction, the Company would have only one utility vessel in its fleet which would be used as a training vessel. No gain or loss is anticipated on the transaction. This transaction is consistent with the Company's strategy to concentrate its fleet on the larger, more capable vessels and to exit the unprofitable utility boat market. Earlier in 1994 the Company sold one utility boat and converted another to a 146-foot mini-supply vessel. Following completion of the transaction, the Company would have a marine transportation fleet of 36 vessels consisting of six anchor handling, tug supply vessels, 21 supply boats, eight mini-supply boats and one training vessel.

TECHNICAL SERVICES OPERATIONS

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1994	1993	1994	1993
Revenues	$ 4,075	$ 5,467	$12,799	$14,563
Operating margin	$ 859	$ 937	$ 3,935	$ 2,414
Operating statistics:				
Jobs:				
Horizontal wells drilled	22	22	70	78
MWD wells serviced	33	32	94	84
Wireline services	4	9	12	24
Total	59	63	176	186

Average days per job:				
Horizontal wells	23.4	28.4	22.2	24.2
MWD wells	12.9	16.1	16.0	14.5
Wireline services	21.5	17.7	14.7	15.1
Total	17.4	20.6	18.4	18.6
Average revenue per job:				
Horizontal wells	$ 113.3	$ 135.8	$ 109.4	$ 121.5
MWD wells	40.3	65.6	49.2	52.4
Wireline services	63.3	42.1	43.3	28.6
Total	$ 69.1	$ 86.8	$ 72.7	$ 78.3

The Company conducts its technical services operations primarily in the Austin Chalk trend of Texas. The Company's horizontal drilling activity was fairly flat for the three and nine months ended September 30, 1994 as compared to the same periods of 1993. Operating margin was little changed for the three months ended September 30, 1994, as compared to the same period in 1993, however, operating margin increased for the nine months ended September 30, 1994 as compared to the same period in 1993 due primarily to reduced operating expenses in the first half of 1994.

In September 1994, a wholly owned subsidiary of the Company entered into an exclusive alliance agreement with Halliburton Energy Services, a division of Halliburton Company, to jointly provide coiled tubing, directional and horizontal drilling services on a worldwide basis.

In October 1994, a wholly owned subsidiary of the Company entered into an agreement with Lateral Vector Resources, Inc. ("LVR"), a Canadian company, under which LVR purchased a 30% interest in a subsidiary of the Company for $1.2 million. LVR has the option, through November 15, 1994, to purchase an additional 10% interest in the subsidiary under the same terms at which the 30% interest was purchased. The purpose of the sale was to combine forces with LVR to conduct horizontal/directional drilling services in Canada and certain areas of the U.S. The subsidiary will continue to be included in the Company's consolidated financial statements. The Company will record a gain on the sale of the 30% interest of approximately $600,000 in October 1994.

DEPRECIATION AND AMORTIZATION

Depreciation and Amortization expense for the three and nine months ended September 30, 1994 increased by $2.2 million and $8.4 million, respectively, compared to the same periods in 1993. The increases are primarily attributable to depreciation and amortization related to the step-up in basis of the assets acquired in the Penrod Acquisition, depreciation on four barge drilling rigs delivered to Venezuela in March through June of 1993, depreciation on four additional barge drilling rigs delivered to Venezuela in July through September of 1994 and depreciation on two North Sea jackup rigs acquired in mid-February 1994. The 1994 increased depreciation was partially offset by the sale of the U.S. land rig operation effective June 30, 1994.

GENERAL AND ADMINISTRATIVE

General and Administrative expense for the three and nine months ended September 30, 1994 decreased by $765,000 and $2.8 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 nine months ended September 30, 1994 by $446,000 and $1.2 million, respectively, compared to the same periods in 1993 due to higher average cash levels and an increase in interest rates.

INTEREST EXPENSE

Interest expense increased for the three and nine months ended September 30, 1994 by $932,000 and $1.9 million, respectively, compared to the same periods in 1993 due primarily to higher average levels of debt outstanding and an increase in interest rates.

INCOME FROM EQUITY AFFILIATES, NET

Income from Equity Affiliates, net for the nine months ended September 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. Income from Equity Affiliates, net for the three months ended September 30, 1994 consists solely of the Company's portion of the Mexican joint venture's operations.

OTHER, NET

Other, net for the three months ended September 30, 1994 consists primarily of net gains related to the sale of miscellaneous equipment. Other, net for the nine months ended September 30, 1994 consists primarily of foreign currency translation losses and the loss on the sale of the Company's U.S. land rig operations. These losses were offset, in part, by net gains on the sale of miscellaneous 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 $685,000 and $2.9 million for the three and nine months ended September 30, 1994, respectively, as compared to $2.1 million and $5.8 million for the three and nine months ended September 30, 1993, respectively. The 1994 provisions include U.S. alternative minimum taxes and current and deferred foreign taxes primarily related to the Company's operations in Venezuela. A charge against earnings of $1.0 million was recorded during the three and nine months ended September 30, 1994 to increase the Company's deferred income tax liability due to the increase in the Venezuela tax rate from 30% to 34%, effective January 1, 1995. The income tax provision was decreased by $1.0 million during the three and nine months ended September 30, 1994 due to a reduction in the deferred tax asset valuation allowance as management considers it more likely than not that certain additional U.S. net operating losses will be utilized prior to their expiration. The 1993 provisions were primarily related to deferred foreign taxes in Venezuela and the United Kingdom.

At September 30, 1994, the Company had regular and alternative minimum tax net operating loss and investment tax credit carryforwards of approximately $328.9 million, $193.9 million, and $3.6 million, respectively.

MINORITY INTEREST

Minority Interest for the three and nine months ended September 30, 1994 decreased by $1.4 million and $3.3 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 $975,000 and $4.0 million for the three and nine months ended September 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 nine months ended September 30, 1993 does not include the cash provided by operating activities of Penrod nor the cash flows from Penrod's investing and financing activities prior to the Penrod Acquisition.

CASH FLOW AND CAPITAL EXPENDITURES

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

	1994	1993
Cash Flow from Operations	$ 78,943	$ 36,577
Capital Expenditures	137,596	69,405

Cash flow from operations increased $42.4 million in the first nine 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 the ex-Penrod operations.

The Company's capital expenditures for the nine months ended September 30, 1994 consisted principally of $59.7 million towards the construction of four barge drilling rigs delivered for operation in Venezuela in July through September of 1994, $55.7 million for the purchase of two jackup rigs located in the North Sea, $18.1 million for contract drilling equipment and $4.1 million for other equipment, primarily for marine transportation vessels and technical services operations. Management anticipates that capital expenditures in 1994 will total approximately $30.0 million for existing operations and upgrades, $64.0 million towards the construction of the four 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 September 30, 1994 and December 31, 1993 are summarized below (in thousands, except percentages):

	SEPTEMBER 30, 1994	DECEMBER 31, 1993
Long-term Debt	$169,528	$125,983
Total Capital	651,535	580,885
Long-term Debt to Total Capital	26.0%	21.7%

In November 1993, Caribbean signed four separate five-year contracts with Lagoven, a subsidiary of the Venezuelan national oil company, to operate four additional barge drilling rigs on Lake Maracaibo in Venezuela. 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 the four barge drilling rigs which were completed in July through September of 1994. Upon completion of construction of the barge drilling rigs, the interim construction loans were repaid from the proceeds of four secured term loans, totalling $78.8 million, made by the Japanese corporation to a subsidiary of Caribbean. The five year term loans bear interest at fixed rates ranging from 9.1% to 9.8%, repayable in 60 equal monthly installments of principal and interest. The term loans are each secured by a specific barge drilling rig, which rigs together had a combined net book value of approximately $75.0 million at September 30, 1994, and the charter contract on each rig. The secured term loans are 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 consisted 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 is 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 7.25% at September 30, 1994. The revolver portion of the facility was undrawn at September 30, 1994.

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 July 1994, the Company announced that it would redeem the 2,839,110 outstanding shares of the Company's $1.50 Cumulative Convertible Exchangeable Preferred Stock ("$1.50 Preferred Stock") in August 1994. Holders of 2,807,147 shares of the $1.50 Preferred Stock elected to convert each of their shares into approximately 1.786 shares of the Company's common stock, based on the $25.00 liquidation preference and the $14.00 conversion price per share of the $1.50 Preferred Stock. Such conversion resulted in the issuance of 5,012,762 shares of the Company's common stock.

Holders of the remaining 31,963 shares of the $1.50 Preferred Stock elected to redeem their shares for cash.

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

	SEPTEMBER 30, 1994	DECEMBER 31, 1993
Cash and Short-Term Investments	$134,796	$128,060
Working Capital	120,415	127,105
Current Ratio	2.5	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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits and Exhibit Index

Exhibit
No.

* 27 Financial Data Schedule

---

* filed herewith

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.

Date: November 10, 1994

/s/ C, CHRISTOPHER GAUT
C. Christopher Gaut
Chief Financial Officer

/s/ H. E. MALONE
H. E. Malone, Corporate Controller
and Chief Accounting Officer

EXHIBIT INDEX

EXHIBIT NO.	DOCUMENT	SEQUENTIALLY NUMBERED DOCUMENT PAGE
27	Financial Data Schedule	25

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

EXHIBIT 27

Energy Service Company, Inc.
Financial Data Schedule
As of and for the Nine Months Ended September 30, 1994
(In thousands, except per share amounts)
(Unaudited)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE SEPTEMBER 30, 1994 FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

<PERIOD-TYPE>	9-MOS
<PERIOD-END>	SEP-30-1994
<CASH>	$128,927
<SECURITIES>	5,869
<RECEIVABLES>	52,771
<ALLOWANCES>	(1,040)
<INVENTORY>	3,879
<CURRENT-ASSETS>	203,226
<PP&E>	679,624
<DEPRECIATION>	(142,989)
<TOTAL-ASSETS>	779,169
<CURRENT-LIABILITIES>	82,811
<BONDS>	169,528
<COMMON>	6,655
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	475,352
<TOTAL-LIABILITY-AND-EQUITY>	779,169
<SALES>	0
<TOTAL-REVENUES>	195,607
<CGS>	0
<TOTAL-COSTS>	109,950
<OTHER-EXPENSES>	46,636
<LOSS-PROVISION>	(323)
<INTEREST-EXPENSE>	8,848
<INCOME-PRETAX>	33,678
<INCOME-TAX>	2,907
<INCOME-CONTINUING>	28,705
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	28,705
<EPS-PRIMARY>	0.47
<EPS-DILUTED>	0.47

End of Filing