ENSCO PLC

FORM 10-Q
(Quarterly Report)

Filed 05/02/95 for the Period Ending 03/31/95

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-Q
(Quarterly Report)

Filed 5/2/1995 For Period Ending 3/31/1995

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 MARCH 31, 1995

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 60,376,836 shares of Common Stock, $.10 par value, of the registrant outstanding as of April 28, 1995.

ENERGY SERVICE COMPANY, INC.

INDEX TO FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 1995

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY SERVICE COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	MARCH 31, 1995	DECEMBER 31, 1994
	(Unaudited)	
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$120,260	$148,209
Short-term investments	5,869	5,869
Accounts receivable, net	46,368	40,137
Prepaid expenses and other	14,125	18,155
Total current assets	186,622	212,370
INVESTMENTS	6,984	6,970
PROPERTY AND EQUIPMENT, AT COST	708,570	666,363
Less accumulated depreciation	150,989	137,342
Property and equipment, net	557,581	529,021
OTHER ASSETS		
Goodwill	20,947	21,159
Other	6,479	5,863
Total other assets	27,426	27,022
	$778,613	$775,383
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 17,734	$ 12,742
Accrued liabilities	46,304	34,718
Current maturities of long-term debt	41,797	40,750
Total current liabilities	105,835	88,210
LONG-TERM DEBT	148,967	162,466
DEFERRED INCOME TAXES	22,529	22,989
OTHER LIABILITIES	12,479	13,768
STOCKHOLDERS' EQUITY		
Common stock, $.10 par value, 125.0 million		

shares authorized, 66.6 million shares issued	6,658	6,657
Additional paid-in capital	612,372	612,318
Accumulated deficit	(64,035)	(71,657)
Restricted stock (unearned compensation)	(5,268)	(5,518)
Cumulative translation adjustment	(1,209)	(1,210)
Treasury stock at cost, 6.2 million and 5.6 million shares	(59,715)	(52,640)
Total stockholders' equity	488,803	487,950
	$778,613	$775,383

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 MARCH 31, 1995	THREE MONTHS ENDED MARCH 31, 1994
	(In thousands, except per share data)	
OPERATING REVENUES	$ 65,219	$ 65,365
OPERATING EXPENSES		
Operating costs	39,501	35,740
Depreciation and amortization	14,146	12,702
General and administrative	2,143	2,151
	55,790	50,593
OPERATING INCOME	9,429	14,772
OTHER INCOME (EXPENSE)		
Interest income	2,153	1,064
Interest expense	(4,391)	(2,706)
Income from equity affiliates	150	244
Other, net	902	36
	(1,186)	(1,362)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	8,243	13,410
PROVISION FOR INCOME TAXES	39	1,175
MINORITY INTEREST	582	838
NET INCOME	7,622	11,397
PREFERRED STOCK DIVIDEND REQUIREMENTS	-	1,065
INCOME APPLICABLE TO COMMON STOCK	$ 7,622	$10,332
INCOME PER COMMON SHARE	$ 0.13	$ 0.18
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	60,648	56,002

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

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

	THREE MONTHS ENDED MARCH 31, 1995	THREE MONTHS ENDED MARCH 31, 1994
	(In thousands)	
OPERATING ACTIVITIES		
Net income	$ 7,622	$ 11,397
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,146	12,702
Provision for deferred income taxes	(727)	740
Amortization of debt discount and other assets	742	694
Undistributed income from equity affiliates	(150)	(244)
Other adjustments	356	195
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(4,886)	1,943
Decrease in prepaid expenses and other	3,981	145
Increase (decrease) in accounts payable and accrued liabilities	(83)	4,060
Net cash provided by operating activities	21,001	31,632
INVESTING ACTIVITIES		
Additions to property and equipment	(28,771)	(73,174)
Net proceeds from sales of discontinued operations	-	399
Proceeds from disposition of assets	443	690
Other	(981)	472
Net cash used by investing activities	(29,309)	(71,613)
FINANCING ACTIVITIES		
Long-term borrowings	-	10,448
Reduction of long-term borrowings	(12,603)	(8,876)
Repurchase of common stock	(7,042)	-
Preferred stock dividends	-	(1,065)
Other	4	192
Net cash provided (used) by financing activities	(19,641)	699
DECREASE IN CASH AND CASH EQUIVALENTS	(27,949)	(39,282)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	148,209	128,060
CASH AND CASH EQUIVALENTS, END OF PERIOD	$120,260	$ 88,778

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.

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, 1994 included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K.

NOTE 2 - ACQUISITION

On March 23, 1995, the Company purchased a jackup rig located in the North Sea and simultaneously entered into a bareboat charter agreement with the seller for an approximate 125 day period. The purchase price consisted of $12.8 million paid at closing and an additional $13.0 million to be paid at the end of the bareboat charter agreement.

NOTE 3 - STOCKHOLDERS' EQUITY

In December 1994, the Company's Board of Directors authorized the repurchase of up to $50.0 million of the Company's common stock. As of March 31, 1995, the Company had repurchased 741,100 shares of its common stock at an average price of $11.78 per share, of which 539,700 shares were repurchased in the first three months of 1995.

On February 21, 1995, the Board of Directors of the Company adopted a shareholder rights plan and declared a dividend of one preferred share purchase right (a "Right") for each share of the Company's common stock outstanding on March 6, 1995. Each Right initially entitles its holder to purchase 1/100th of a share of the Company's Series A Junior Participating Preferred Stock for $50.00, subject to adjustment. The Rights generally will not become exercisable until 10 days after a public announcement that a person or group has acquired 15% or more of the Company's common stock (thereby becoming an "Acquiring Person") or the commencement of a tender or exchange offer upon consummation of which such person or group would own 15% or more of the Company's common stock (the earlier of such dates being called the "Distribution Date"). Rights will be issued with all shares of the Company's common stock issued between March 6, 1995 and the Distribution Date. Until the Distribution Date, the Rights will be evidenced by the certificates representing the Company's common stock and will be transferrable only with the Company's common stock. If any person or group becomes an Acquiring Person each Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void), will thereafter entitle its holder to purchase, at the Right's then current exercise price, shares of the Company's common stock having a market value of two times the exercise price of the Right. If, after a person or group has become an Acquiring Person, the Company is acquired in a merger or other business combination transaction or 50% or more of its assets or earning power are sold, each Right (other than Rights owned by an Acquiring Person which will have become void) will entitle its holder to purchase, at the Rights then current exercise price, that number of shares of common stock of the person with whom the Company has engaged in the foregoing transaction (or its parent) which at the time of such transaction will have a market value of two times the exercise price of the Right. After any person or group has become an Acquiring Person, the Company's Board of Directors may, under certain circumstances, exchange each Right (other than Rights of the Acquiring Person) for shares of the Company's common stock having a value equal to the difference between the market value of the shares of the Company's common stock receivable upon exercise of the Right and the exercise price of the Right. The Company will generally be entitled to redeem the Rights for $.01 per Right at any time until 10 days after a public announcement that a 15% position has been acquired. The Rights expire on February 21, 2005.

NOTE 4 - PROVISION FOR INCOME TAXES

The provisions for income taxes for the three months ended March 31, 1995 and 1994 primarily include U.S. alternative minimum taxes and current and deferred foreign taxes related to the Company's operations in Venezuela. The income tax provision was decreased by $1.6 million during the three months ended March 31, 1995 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 loss carryforwards will be utilized prior to their expiration. No provision for regular U.S. federal income taxes has been recorded for the three months ended March 31, 1995 due to the utilization of net operating loss carryforwards to offset taxes currently payable.

At March 31, 1995, the Company had regular and alternative minimum tax net operating loss and investment tax credit carryforwards of approximately $286.9 million, $166.0 million, and $2.7 million, respectively.

NOTE 5 - MINORITY INTEREST

On March 29, 1995, a wholly owned subsidiary of the Company purchased an additional 15% equity interest in ENSCO Drilling (Caribbean), Inc. ("Caribbean") from the minority interest partner in Caribbean. The purchase, which was effective January 1, 1995, increases the wholly owned subsidiary's interest in Caribbean from 70% to 85%. In consideration for the additional 15% interest in Caribbean acquired, the wholly owned subsidiary will make future payments to the minority interest partner that will be based upon, in general, the utilization of existing Caribbean rigs. In addition, in the event of a future sale of any rigs currently owned by Caribbean, the minority interest partner is entitled to an additional 15% of the net proceeds upon sale.

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

BUSINESS ENVIRONMENT

The Company's primary operating areas are the Gulf of Mexico, the North Sea and Venezuela. Day rates for the Company's Gulf of Mexico rigs declined in the first three months of 1995 due to an increase in the industry's available rigs in the Gulf of Mexico and decreased activity levels. Management anticipates that average day rates in the Gulf of Mexico will continue to decline for the remainder of the first half of 1995 with an increase in activity and day rates in the second half of 1995. An improvement in oil prices in 1994 and continuing into 1995, and a reduction in the number of available rigs, have been contributing factors to increased industry utilization levels in the North Sea during the first three months of 1995. Day rates in the North Sea increased significantly in the first three months of 1995 compared to the latter part of 1994 due to the increased utilization levels. Management anticipates, based on current market conditions, that North Sea day rates will improve further in 1995. The Company's barge drilling rigs in Venezuela generally operate under long term contracts.

Offshore rig and marine vessel industry utilization for the three months ended March 31, 1995 and 1994 is summarized below:

INDUSTRY WIDE AVERAGES *

	1995	1994
OFFSHORE RIGS		
Gulf of Mexico:		
All Rigs:		
Rigs Under Contract	118	125
Total Rigs Available	179	167
% Utilization	66%	75%
Jackup Rigs:		
Rigs Under Contract	96	99
Total Rigs Available	141	129
% Utilization	68%	77%
Worldwide:		
All Rigs:		
Rigs Under Contract	523	537
Total Rigs Available	653	658
% Utilization	80%	82%
Jackup Rigs:		
Rigs Under Contract	311	322
Total Rigs Available	390	391
% Utilization	80%	82%
MARINE VESSELS:		
Gulf of Mexico:		
Vessels Under Contract	233	220
Total Vessels Available	277	249
% Utilization	84%	88%

* Industry utilization based on data published by OFFSHORE DATA SERVICES, INC.

RESULTS OF OPERATIONS

The following analysis highlights the Company's operating results for the three months ended March 31, 1995 and 1994 (in thousands):

	1995	1994
OPERATING RESULTS		
Operating revenues	$ 65,219	$ 65,365
Operating margin	25,718	29,625
Operating income	9,429	14,772
Other income (expense)	(1,186)	(1,362)
Provision for income tax	39	1,175
Minority interest	582	838
Net income	7,622	11,397
Preferred stock dividend requirements	-	1,065
Income applicable to common stock	7,622	10,332

Revenues and operating margin (defined as revenues less operating expenses excluding depreciation and general and administrative expenses) for each of the Company's operating segments are provided below for the three months ended March 31, 1995 and 1994 (in thousands):

	1995	1994
OPERATING REVENUES		
Contract drilling		
Jackup rigs		
United States	$ 27,722	$ 26,756
International	10,681	9,511
Total jackup rigs	38,403	36,267
Barge drilling rigs - Venezuela	15,497	9,303
Total offshore rigs	53,900	45,570
Land rigs (1)	-	6,445
Total contract drilling	53,900	52,015
Marine transportation		
AHTS (2)	2,793	2,558
Supply	3,932	5,119
Mini-supply	505	444
Sub total	7,230	8,121
Utility (3)	-	383
Total marine transportation	7,230	8,504
Technical services	4,089	4,846
Total	$ 65,219	$ 65,365
OPERATING MARGIN		
Contract drilling		
Jackup rigs		
United States	$ 10,281	$ 13,571
International	3,520	4,098
Total jackup rigs	13,801	17,669
Barge drilling rigs - Venezuela	9,734	6,355
Total offshore rigs	23,535	24,024
Land rigs (1)	(114)	695

Total contract drilling 23,421 24,719

	1995	1994
Marine transportation		
AHTS (2)	1,085	969
Supply	545	2,093
Mini-supply	(16)	178
Sub total	1,614	3,240
Utility (3)	-	(136)
Total marine transportation	1,614	3,104
Technical services	683	1,802
Total	$ 25,718	$ 29,625

(1) United States and international land rigs are combined. The Company sold all but one of its land rigs in 1994.
(2) Anchor handling tug supply vessels.
(3) As of December 31, 1994, the Company no longer has utility vessels available for work.

The following is an analysis of certain operating information of the Company for the three months ended March 31, 1995 and 1994:

	1995	1994
OFFSHORE DRILLING		
Rig utilization:		
Jackup rigs		
United States	88%	82%
International	60%	68%
Total jackup rigs	82%	78%
Barge drilling rigs - Venezuela	98%	100%
Total	87%	83%
Average day rates:		
Jackup rigs		
United States	$ 19,989	$ 24,214
International	39,206	25,321
Total jackup rigs	23,200	24,489
Barge drilling rigs - Venezuela	17,490	15,815
Total offshore rigs	$ 21,187	$ 22,157
MARINE TRANSPORTATION (1)		
Fleet utilization:		
AHTS (2)	70%	66%
Supply	72%	87%
Mini-supply	41%	99%
Total	65%	85%
Average day rates:		
AHTS (2)	$ 7,001	$ 8,184
Supply	2,875	3,544
Mini-supply	1,715	1,663

Total $ 3,473 $ 4,050

	1995	1994
TECHNICAL SERVICES INFORMATION		
Job Days:		
Drilling	590	564
Guidance	563	667
Total	1,153	1,231
Average revenue per job day:		
Drilling	$ 4,204	$ 4,840
Guidance	2,856	3,168
Total	$ 3,546	$ 3,937

(1) Excludes utility vessels. As of December 31, 1994, the Company no longer has utility vessels available for work.
(2) Anchor handling tug supply vessels.

The Company's consolidated revenues for the three months ended March 31, 1995 were unchanged from the same period in 1994. However, the Company did recognize increased revenues in the first three months of 1995 as compared to the same period in 1994 from four barge drilling rigs which commenced operations in the third quarter of 1994 and a full three months operation in 1995 of two jackup rigs acquired in mid-February 1994. These revenue increases were offset by decreased revenues associated with the sale of substantially all of the Company's land rig operations in 1994, reduced Gulf of Mexico contract drilling and marine transportation activity and day rates and decreased technical services activity.

Operating income for the three months ended March 31, 1995 decreased from the same period in 1994 due primarily to reduced Gulf of Mexico contract drilling and marine transportation activity and day rates, decreased technical services activity and increased depreciation. The above decreases in operating income were partially offset by increases associated with four barge drilling rigs added in the third quarter of 1994 and a full three months operation in 1995 of two jackup rigs acquired in mid-February 1994.

CONTRACT DRILLING

The Company's U.S. jackup rig revenues increased by 4% and operating margin decreased by 24% for the three months ended March 31, 1995 compared to the same period in 1994. The revenue increase is primarily attributable to the mobilization of a rig from Brazil that began operating in the Gulf of Mexico in the fourth quarter of 1994 and increased utilization. The increase in revenues for the three months ended March 31, 1995 was partially offset by, and the operating margin decrease was primarily attributable to, decreased average day rates from the same period in 1994.

For the three months ended March 31, 1995, revenues for the Company's international jackup rigs increased by 12% and operating margin decreased by 14% compared to the same period in 1994. The revenue increase is primarily attributable to a full three months operation in 1995 of two jackup rigs acquired in mid-February 1994 offset by reduced revenues associated with the mobilization of two rigs to the Gulf of Mexico from Brazil and Dubai in the third and fourth quarters of 1994, respectively, upon completion of their contracts. The Company had five international jackup rigs in operation for the first three months of 1995 as compared to seven in the same period of 1994. The operating margin decrease is primarily due to the two rigs mobilized to the Gulf of Mexico in 1994 offset partially by a full three months operation in 1995 of two jackup rigs acquired in mid-February 1994.

In the fourth quarter of 1994 the Company began mobilizing a jackup rig to the Gulf of Mexico from Dubai, which arrived in January 1995. The rig is currently undergoing modifications and enhancements, including extending the rig's water depth capability to approximately 400 feet. Due to the modifications and enhancements, the rig will be unavailable for work until approximately late June 1995.

Two of the Company's six jackup rigs located in the North Sea are currently undergoing substantial modifications and enhancements including converting one of the rigs from a slot rig to a cantilever rig. Due to the modifications and enhancements, the rigs will be unavailable for work until approximately late May 1995 and late July 1995, respectively. Both of these rigs are committed under contracts upon completion of the modifications and enhancements. On March 23, 1995, the Company purchased a jackup rig located in the North Sea and simultaneously entered into a bareboat charter agreement with the seller for an approximate 125 day period. See Note 2 to Consolidated Financial Statements.

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 first three months of 1995 as compared to the same period of 1994 primarily due to the addition of four new barge drilling rigs in July through September of 1994 which operate under separate five-year contracts with Lagoven, S.A. ("Lagoven"), a subsidiary of the Venezuelan national oil company.

The Venezuelan currency experienced significant devaluation in the first half of 1994 and the Venezuelan government established policies to control the exchange rate of the Venezuelan currency and severely restricted the conversion of Venezuelan currency to U.S. dollars. To date, ENSCO Drilling (Caribbean), Inc. ("Caribbean") 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 Caribbean if U.S. dollar payments are not made.

The Company sold its U.S. land rig operation effective June 30, 1994 and three of the Company's four land rigs located in the Middle East in the fourth quarter of 1994. The Company continues to own one land rig, located in Dubai, which is currently inactive.

MARINE TRANSPORTATION

The Company has a marine transportation operating fleet of 35 vessels of which 31 are owned by the Company and four are leased under long-term agreements. Of the 31 vessels owned by the Company, four were being converted into larger 146-foot mini-supply vessels during the first three months of 1995. Two of these converted mini-supply vessels became available for work in late April 1995 and the remaining two vessels should be completed and available for work by the end of the second quarter of 1995. The Company's marine transportation vessels are all currently located in the Gulf of Mexico. The Company operated four vessels in Singapore through a joint venture beginning in August 1993. The Singapore joint venture was terminated in May 1994 and three of the vessels were mobilized to the Gulf of Mexico and the remaining vessel, a utility boat, was sold. The Company had one vessel working offshore Brazil at the beginning of 1994 which returned to the Gulf of Mexico in February 1994.

The activity level for marine transportation vessels in the Gulf of Mexico, which is generally tied to the level of oil and gas drilling activity, remained fairly stable in 1994. However, Gulf of Mexico marine transportation vessel activity has decreased in the first three months of 1995 as compared to the same period in 1994 due, in part, to lower domestic natural gas prices. The decreased activity level in the first three months of 1995 caused the Company's day rates to decrease. Management anticipates a general increase in utilization throughout the remainder of 1995. Primarily as a result of the decreased average day rates in the Gulf of Mexico in the first three months of 1995 as compared to the comparable period in 1994, the Company's marine transportation revenues and operating margin decreased by 15% and 48%, respectively.

TECHNICAL SERVICES

The Company's technical services operations are presently conducted in the U.S., primarily in the Austin Chalk trend in the Southern U.S., Canada and the North Sea. Technical services activity of the Company for the three months ended March 31, 1995 decreased from the same period in 1994 which caused revenues and operating margin to decrease. The operating margin decrease for the first three months of 1995 as compared to the same period in 1994 was also due to the collection of a receivable in the first three months of 1994 that had been fully reserved in a prior period.

To date in 1995, market conditions for the Company's technical services segment have increased slightly in comparison to the average activity level throughout 1994. There are currently no indications of substantial change in horizontal drilling activity during 1995, although management anticipates that the demand for specialized drilling applications will increase.

DEPRECIATION AND AMORTIZATION

The increase in depreciation and amortization for the first three months of 1995 as compared to the same period in 1994 is primarily attributable to depreciation on four barge drilling rigs delivered to Venezuela in July through September of 1994 and a full three months depreciation in 1995 on two jackup rigs acquired in mid-February 1994. The 1995 increased depreciation was partially offset by reduced depreciation related to the sale of substantially all of the Company's land rig operations in 1994.

OTHER INCOME (EXPENSE)

The Company's net other expense decreased for the first three months of 1995 as compared to the same period in 1994 due primarily to increased interest income and increased other income offset, in part, by increased interest expense. Interest income increased due primarily to higher average cash levels and increased interest rates. Interest expense increased due primarily to interest expense related to the financing of four barge drilling rigs added in Venezuela in July through September of 1994 and increased interest rates. The increase in other income was primarily attributable to a gain on sale of bonds, which were purchased at a discount. Other income also increased due to a currency loss being recorded in the first three months of 1994 related to a devaluation in the Venezuelan currency.

PROVISION FOR INCOME TAXES

The 1995 and 1994 provisions primarily include U.S. alternative minimum taxes and current and deferred foreign taxes related to the Company's operations in Venezuela. The income tax provision was decreased during the three months ended March 31, 1995 due to a reduction in the deferred tax asset valuation allowance. See Note 4 to Consolidated Financial Statements.

MINORITY INTEREST

Minority Interest for the first three months of 1995 decreased as compared to the same period in 1994 due primarily to the reduction in Caribbean's minority shareholder's interest from 30% to 15% offset by increased earnings in Venezuela as discussed above in "Contract Drilling." See Note 5 to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES -

CASH FLOW AND CAPITAL EXPENDITURES

The Company's cash flow from operations and capital expenditures for the three months ended March 31, 1995 and 1994 are as follows (in thousands):

	1995	1994
Cash flow from operations	$ 21,001	$ 31,632
Capital expenditures	28,771	73,174

Cash flow from operations decreased $10.6 million in the first three months of 1995 as compared to the same period in 1994. The decrease is primarily a result of a decline in operating results and an increase in accounts receivable due primarily to the Company now operating, effective January 1, 1995, two rigs acquired in mid-February 1994 that previously operated under bareboat charter contracts.

The Company's capital expenditures for the three months ended March 31, 1995 consisted principally of $12.8 million for the purchase of a jackup rig located in the North Sea, $9.7 million for major modifications and enhancements of three jackup rigs as discussed above in "Business Environment - Contract Drilling," $2.1 million for enhancements of other rigs and vessels, $2.9 million for contract drilling equipment, $744,000 for equipment used in the Company's technical services operations and $565,000 for other equipment primarily for marine transportation vessels. Management anticipates that capital expenditures in 1995 will total approximately $20.0 million for routine existing operations, approximately $75.0 million for enhancements of rigs and vessels and $25.8 million for the purchase of a jackup rig located in the North Sea. See Note 2 to Consolidated Financial Statements. The Company may spend additional funds to acquire rigs or vessels in 1995 depending on market conditions and opportunities.

FINANCING AND CAPITAL RESOURCES

The Company's long-term debt, total capital and debt to capital ratios at March 31, 1995 and December 31, 1994 are summarized below (in thousands, except percentages):

	MARCH 31, 1995	DECEMBER 31, 1994
Long-term debt (excluding current maturities)	$148,967	$162,466
Total capital	637,770	650,416
Long-term debt to total capital	23%	25%

The decrease in long-term debt relates to scheduled repayments. The total capital of the Company decreased due primarily to the decrease in long-term debt and repurchases of common stock offset by the profitability of the Company in the first three months of 1995. See Note 3 to Consolidated Financial Statements.

The Company had a $38.0 million undrawn revolving line of credit at March 31, 1995. The revolver is reduced semi-annually by $1.0 million over five years with the final $30.0 million line expiring in December 1998.

The Company's liquidity position at March 31, 1995 and December 31, 1994 is summarized in the table below (in thousands, except ratios):

	MARCH 31, 1995	DECEMBER 31, 1994
Cash and short-term investments	$126,129	$154,078
Working capital	80,787	124,160
Current Ratio	1.8	2.4

The Company utilizes a conservative investment philosophy with respect to its cash and short-term investments and does not invest in any derivative financial instruments.

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

OTHER MATTERS

In March 1995 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 121 establishes standards for measuring the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. This new standard is required to be adopted in 1996 and is not expected to have a material effect on the financial statements of the Company.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits and Exhibit Index

EXHIBIT
NO.

* 27 Financial Data Schedule

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* filed herewith

(b) Reports on Form 8-K

The Company filed Current Reports on Form 8-K dated:

(i) February 21, 1995 with respect to the declaration of a dividend of one preferred share purchase right for each outstanding share of the Company's common stock, and

(ii) March 23, 1995 with respect to the purchase of a jackup

SIGNATURES

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

ENERGY SERVICE COMPANY, INC.

Date: [May 1, 1995] *[/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	19

ARTICLE 5

This schedule contains summary financial information extracted from the March 31, 1995 financial statements and is qualified in its entirety by reference to such financial statements.

PERIOD TYPE: 3 MOS

FISCAL YEAR END: DEC 31 1995

PERIOD END: MAR 31 1995

CASH: $120,260

SECURITIES: 5,869

RECEIVABLES: 47,737

ALLOWANCES: 1,369

INVENTORY: 3,744

CURRENT ASSETS: 186,622

PP&E: 708,570

DEPRECIATION: 150,989

TOTAL ASSETS: 778,613

CURRENT LIABILITIES: 105,835

BONDS: 148,967

COMMON: 6,658

PREFERRED MANDATORY: 0

PREFERRED: 0

OTHER SE: 482,145

TOTAL LIABILITY AND EQUITY: 778,613

SALES: 0

TOTAL REVENUES: 65,219

CGS: 0

TOTAL COSTS: 39,501

OTHER EXPENSES: 16,289

LOSS PROVISION: 163

INTEREST EXPENSE: 4,391

INCOME PRETAX: 8,243

INCOME TAX: 39

INCOME CONTINUING: 7,622

DISCONTINUED: 0

EXTRAORDINARY: 0

CHANGES: 0

NET INCOME: 7,622

EPS PRIMARY: 0.13

EPS DILUTED: 0.13

End of Filing