Parker Drilling Company
2000 Annual Report

Giddyup

About Parker Drilling Company

Parker Drilling is a global service company that provides drilling and rental tool services to the energy industry. Customers include major, independent, and foreign-owned oil and gas companies. Parker Drilling was founded in 1934 and has maintained its headquarters in Tulsa, Oklahoma. The company plans to relocate in the summer of 2001 to Houston, Texas, where industry activity is centered.

Parker has worked in 53 countries and today operates land, barge, platform, and jackup rigs. Parker offshore operations include the transition zones of the Gulf of Mexico, Caspian region, and Nigeria and in the shallow waters of the Gulf of Mexico. Land operations include international oil and gas producing regions of Latin America, Asia Pacific, Middle East, Africa, and the Former Soviet Union.

Quail Tools, acquired in 1996, is a subsidiary of Parker Drilling. Quail Tools is a leading provider of premium rental tool equipment in the Gulf of Mexico and the Gulf Coast region.

Shares in Parker Drilling are traded on the New York Stock Exchange under the symbol PKD. For more information, go to www.parkerdrilling.com.

Parker Drilling Vision

Parker Drilling's Values

- Integrity
- Innovative Spirit
- Superior Service to Our Customers
- Respect for People and the Environment

Parker Drilling's Mission

We are a worldwide service company providing drilling and rental tool services to the energy industry.

We aspire to be the industry leader, providing innovative drilling and rental tool services in our strategic markets by exceeding the expectations of our customers, shareholders and employees.

Parker Drilling's Goals

Customer Goal
Exceed customer expectations

People Goal
Encourage and enable people to achieve their highest potential

Health, Safety, Environment Goal
Provide the safest workplace and protect the environment

Shareholder Goal
Maximize shareholder value by achieving consistent profitability and growth

EXCEED THE EXPECTED!

To better serve our customers and to be more involved in the daily activity of the global energy business, Parker will relocate to Houston later this year.

(Dollars in Thousands Except Per Share and Current Ratio Data)

	Years Ended December 31,			Years Ended August 31,		
	2000	% Increase/ (Decrease)	1999	1998	1997	1996
Revenues	$ 376,349	16%	$ 324,553	$ 481,223	$ 311,644	$ 156,652
Net income (loss)	(19,045)	50%	(37,897)	28,092	16,315	4,053
Earnings (loss) per share (diluted)	(.23)	53%	(.49)	.36	.23	.07
Stockholders' equity	399,163	21%	329,421	377,962	348,723	244,048
Net property, plant and equipment	663,525	.3%	661,402	727,840	439,651	124,177
Working capital	116,199	47%	79,334	86,682	275,249	102,921
Capital expenditures	98,525	100%	49,146	196,078	87,426	30,836
Current ratio	2.3:1	10%	2.1:1	1.7:1	4.6:1	5.5:1
Book value per common share	4.35	2%	4.26	4.92	4.55	3.74

Number of shares of common stock outstanding:
(December 31, 2000) – 91,723,933

Number of registered holders of common stock:
(December 31, 2000) – 3,155

Number of employees:
(December 31, 2000) – 3,542

Price range per share of common stock:
January 1, 2000 – December 31, 2000 –
$3.000 – $7.438

Rig count at December 31, 2000:

U.S. Barge Rigs	
Workover	9
Intermediate Drilling	5
Deep Drilling	8
Total	22
U.S. Platform Rigs	4
U.S. Jackup Rigs	7
Total U.S. Rigs	33
International Land Rigs	
Latin America	21
Asia Pacific/Middle East/Africa	11
Former Soviet Union	8
Indonesia	7
Total	47
International Barge Rigs	
Nigeria	4
Caspian Sea	1
Total	5
Total International Rigs	52
Total Rig Count	**85**

Fellow Shareholders

The year 2000 will go down on record as a transition year for the oil and gas drilling industry. After hitting a low water mark in 1999, the industry rebounded smartly in 2000. Parker Drilling's Gulf of Mexico drilling operations and rental tool business delivered impressive results in 2000, and the coming year looks to continue the upward climb in rig utilization, dayrates, and rental activity. Improvement in international land markets has been slow, but we see encouraging signs that activity will increase this year.

Many of the standards used to follow the industry show the improving market conditions. For example, commodity prices reached near-record highs of $37.20 per barrel for West Texas Intermediate crude oil and $10.50 per mcf for Henry Hub natural gas. While commodity prices have since backed off these levels, high prices and demand for natural gas drove industry activity in 2000. Industry utilization of jackup rigs in the Gulf of Mexico is nearly 95 percent of marketable rigs.

Although 2000 began slowly, we achieved significant accomplishments by focusing on our core business activities.

- We substantially modified two large land rigs and mobilized them to the Tengiz field in Kazakhstan for a five-year contract.
- We resumed operations with our four Nigerian barge rigs after several months of suspension due to civil unrest and local community problems.
- We formed a joint venture with Saipem, an Italian drilling contractor, and were awarded a six-rig contract in Kazakhstan.
- We named Simon Kukes, CEO of Moscow-based Tyumen Oil Company, to our board of directors to provide insight for expanding future business opportunities in the Kazakhstan and Russia energy markets.
- We were awarded an extension of a four-rig contract in Colombia.
- We expanded Quail Tools into the West Texas rental tool market.
- We successfully executed an equity offering of 13.8 million shares of common stock, raising net proceeds for the company of approximately $87 million.
- We reduced our long-term debt with the repurchase of $50 million of 5.5% Subordinated Convertible Notes.
- We sold our last U.S. land rig in Alaska for $20 million.

As noted above, our Gulf of Mexico businesses—rigs and rental tools—led the recovery for the company as stronger commodity prices and demand for natural gas caused oil and gas operators to increase their spending. Jackup rigs produced the most profitable results through higher utilization and increased dayrates with each new contract. Utilization of our drilling barges averaged 92 percent during the year and dayrates rose above the levels reached in the last cycle.

Quail Tools reported record revenues in 2000 driven by higher spending and rig activity of oil and gas operators. Quail Tools also benefited from its expansion into the West Texas rental tool market, increasing its customer base and market share.

Quail Tools tubulars

Land Rig 255 in Bolivia

The international offshore business was more stable for Parker in 2000. Our world-class Caspian Sea barge rig worked steadily in 2000 and we expect continued work throughout its three-year contract. Our four Nigerian barge rigs experienced periods of suspension of activity due to several episodes of community unrest in the first half of the year, but worked steadily in the fourth quarter, making a significant contribution to cash flow and earnings.

The international land sector improved slowly throughout the year but is still lagging expectations. The active international land areas for Parker in 2001 will be Kazakhstan, Colombia, and New Zealand. We expect to have nine company-owned or operated land rigs working in Kazakhstan by the end of 2001. Three of the nine rigs will be newly constructed rigs that will commence operations in 2001. We will also continue operating several key project management contracts in Russia, China, and Kuwait.

We expect our operating areas—Gulf of Mexico, international land and offshore, and Quail Tools—to continue to strengthen and provide significant increased cash flow and earnings contributions in 2001.

On January 24, 2001, we announced that after 66 years in Tulsa, Oklahoma, we will relocate our corporate headquarters to Houston, Texas. The Houston relocation makes good business sense for our company—we can better serve our customers and be at the core of daily activity in the global energy business center.

The leadership in our company is clearly focused on creating safer working environments for our employees around the world. We begin every rig tour and every office meeting with a positive word about health, safety, and the environment (HSE). Our HSE performance worldwide has improved, but we are not satisfied with the results. Key statistical information is contained in this annual report. To learn more about our safety emphasis and current programs, contact our Public Relations Department and ask for a copy of the 2000 HSE Annual Report.

Our corporate strategy is to capitalize on improving conditions in the oilfield service industry and enhance profitability by:

- Maximizing returns on U.S. assets
- Leveraging our international presence
- Seeking complementary acquisitions
- Reducing debt

Looking forward, we believe the stage is set for a sustained increase in oil and gas activity. Capital discipline by our customers, production discipline by the OPEC producing countries, and increasing demand for energy, driven by world growth, will lead to a continuation of the current favorable industry conditions. We feel that the geographic and class diversity of our assets, our reputation for quality, and high HSE standards have positioned us well to serve our customers. With a little help from the international land markets, year 2001 will show vast improvement over 2000.

After almost 23 years of dedicated service to our company, Dr. Earnest Gloyna will not seek re-election to the Board of Directors. We thank him for his good advice and counsel and wish him well in his retirement.

We recognize our customers, shareholders, and employees without whom we would not be in business today. Thank you for your contribution to the success of our company. Finally, please regularly check our Web site, www.parkerdrilling.com, for new and updated information on company activities.

Sincerely,

ROBERT L. PARKER
Chairman

ROBERT L. PARKER JR.
President and Chief Executive Officer

February 28, 2001

Barge Rig 74 drilling in Nigeria

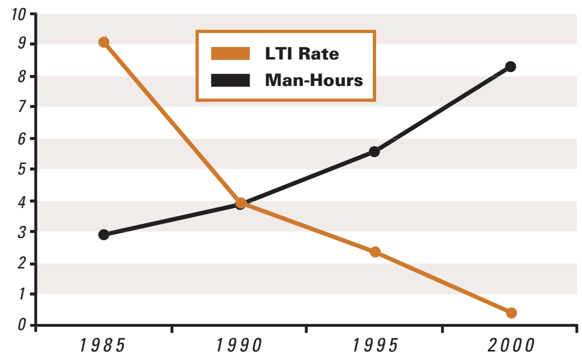
Health, Safety and Environment

Parker's vision is to be the safest oilfield service company in the world. We will accomplish this through management's demonstrated assurance that safety will not be compromised and by maintaining a level of commitment that focuses on providing the safest work environment in the industry.

Parker personnel had an outstanding year, achieving a Lost Time Incident (LTI) rate of less than half that of the International Association of Drilling Contractors (IADC) industry average. Parker's long-standing goal is to eliminate all incidents from our operations. We are proud of our improved performance, but we will not be satisfied until we can completely eliminate incidents.

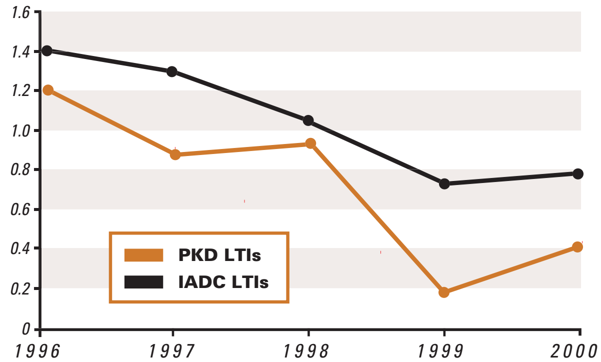
Parker Drilling Company LTI Rate vs. Man-Hours Worked

(millions of man-hours)



Parker Drilling Company LTI Rate vs. IADC Average LTI Rate

2000 IADC Numbers as of 9/30/00



Parker Drilling Company's most valuable resource is our people.

Our goals for 2001 include no injuries and no equipment or environmental damage. These goals are lofty; however, to aim for less is to acknowledge that incidents are acceptable in our operations. Parker will not compromise the environment or the health and safety of our employees.

Parker continues to operate in many environmentally sensitive areas around the world and realizes the importance of establishing high standards for our operations.

Parker will continue to dedicate the necessary resources to ensure that we are the leader in the industry in health, safety, and environmental performance.

October 29, 2000, marked Parker's 25th anniversary of being listed on the New York Stock Exchange. Below are some of the more important events of the past 25 years.

1977 The world's largest rig at the time, Parker 157, is delivered to Kuwait to drill the deepest test well to date in the Middle East.

1978 Parker pioneers arctic drilling technology with a winterized rig on wheels. The rig is designed and manufactured for an ARCO Alaska drilling program in the Prudhoe Bay Field.

1980 Parker becomes the first American land drilling company to be awarded a contract in the People's Republic of China.

1981 The world's largest drilling rig—designed and built by Parker personnel at Partech®—is dedicated by the U.S. Secretary of Energy. Parker 201 is rated to 50,000 feet and has since drilled ultra deep wells in Oklahoma's Anadarko Basin and the Rocky Mountains of Wyoming.

1983 Crews on Parker Rig 182 drill the Duncan #1-34, a well that reaches 29,312 feet in the Anadarko Basin of western Oklahoma.

1991 Parker introduces Rig 245, a massive, environmentally sensitive rig designed for operations on Alaska's North Slope. The totally enclosed rig moves from location to location on giant tracks, under its own power, using a moving system similar to that used by NASA. Since its introduction, the rig established, then broke, all field drilling rates of penetration and rig mobilization/rig-up records in ARCO Alaska's Kuparuk Field on the North Slope.

1991 Parker becomes the first Western drilling company to be extended a contract to work in the Soviet Union. Three Parker rigs are mobilized to the Western Siberia location.

1996 Parker expands into the offshore market with its acquisition of Mallard Bay Drilling of New Iberia, Louisiana. The company is a leader in inland barge and platform drilling in the Gulf of Mexico.

1996 Parker diversifies by acquiring Quail Tools, a New Iberia, Louisiana-based provider of premium drillpipe, blow-out preventers, drill collars and other tools and equipment used by oil companies located in and near the Gulf of Mexico.

1997 Parker acquires the assets of Bolifor, S.A., Bolivia's largest private drilling contractor.

1997 Quail Tools opens its Victoria, Texas, facility.

1997 Parker acquires Hercules Offshore, a leading operator of jackup and self-erecting platform rigs in the Gulf of Mexico.

1999 Parker sells 13 land rigs to Unit Corporation and 11 land rigs located in Argentina.

1999 Robert L. Parker receives the American Petroleum Institute's highest award – the Gold Medal for Distinguished Achievement in recognition of his extraordinary service to the oil and gas industry, as well as his community and nation.

2000 Quail Tools opens its Odessa, Texas, facility.

To commemorate Parker's 25-year anniversary of membership in the New York Stock Exchange, Bob Parker Jr., president & chief executive officer; his wife; Risa; and Chuck Sullivan, director, investor & public relations; closed trading on May 23, 2000, by striking the gavel at the exchange.

Financial Information Table of Contents

	Page
Business	11
Properties	18
Legal Proceedings	22
Submission of Matters to a Vote of Security Holders	22
Executive Officers	22
Market for Registrant's Common Stock and Related Stockholder Matters	23
Selected Financial Data	23
Management's Discussion and Analysis of Financial Condition and Results of Operations	24
Financial Statements and Supplementary Data	30

Ten-Year Financial Summary

(Amounts in Thousands Except Per Share Data, Weighted Average Shares Outstanding and Long-Term Debt to Stockholders' Equity Ratio)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Year Ended August 31, 1998	Year Ended August 31, 1997
STATEMENT OF OPERATIONS				
Revenues	$ 376,349	$ 324,553	$ 481,223	$ 311,644
Operating Income (Loss)	14,524	(26,770)	83,660	47,724
Other Income (Expense)	(33,182)	(13,807)	(39,133)	(24,168)
Income Taxes (Benefit)	4,323	(2,680)	16,435	7,241
Income (Loss) from Discontinued Operations	—	—	—	—
Extraordinary Gain	3,936 (2)	—	—	—
Net Income (Loss)	(19,045)	(37,897)	28,092	16,315
Earnings (Loss) Per Common Share – Diluted:				
Continuing Operations	(.28)	(.49)	.36	.23
Discontinued Operations	—	—	—	—
Extraordinary Gain	.05 (2)	—	—	—
Weighted Average Common Shares Outstanding – Diluted	81,758,825	77,159,461	77,789,390	71,760,543
BALANCE SHEET				
Cash and Other Short-Term Investments	$ 63,291	$ 46,278	$ 55,253	$ 212,789
Other Current Assets	144,574	105,165	149,639	139,165
Property, Plant and Equipment – Net	663,525	661,402	727,840	439,651
Other Assets	236,029	269,898	267,812	192,531
Total Assets	$ 1,107,419	$ 1,082,743	$ 1,200,544	$ 984,136
Current Liabilities	$ 91,666	$ 72,109	$ 118,210	$ 76,705
Long-Term Debt	592,584	648,577	630,090	551,042
Deferred Income Taxes	18,467	28,273	47,400	—
Minority Interest and Other Long-Term Obligations	5,539	4,363	26,882	7,666
Redeemable Preferred Stock	—	—	—	—
Stockholders' Equity	399,163	329,421	377,962	348,723
Total Liabilities and Stockholders' Equity	$ 1,107,419	$ 1,082,743	$ 1,200,544	$ 984,136
Capital Expenditures	$ 98,525	$ 49,146	$ 196,078	$ 87,426
Long-Term Debt to Stockholders' Equity	1.48:1	1.97:1	1.67:1	1.58:1

(1) Gain on disposal of discontinued operations.

(2) Gain on early retirement of long-term debt, net of tax.

	Year Ended August 31, 1996	Year Ended August 31, 1995	Year Ended August 31, 1994	Year Ended August 31, 1993	Year Ended August 31, 1992	Year Ended August 31, 1991
	$ 156,652	$ 157,371	$ 152,424	$ 100,801	$ 123,332	$ 112,818
	1,397	(1,497)	(28,853)	(12,380)	(17,063)	(6,065)
	7,170	8,597	1,934	1,356	8,692	9,668
	4,514	3,184	1,887	(337)	2,795	1,626
	—	—	—	—	—	1,184[1]
	—	—	—	—	—	—
	4,053	3,916	(28,806)	(10,687)	(11,166)	3,161
	.07	.07	(.53)	(.20)	(.21)	.04
	—	—	—	—	—	.02[1]
	—	—	—	—	—	—
	57,261,491	55,112,160	54,247,664	53,082,078	52,115,038	52,159,332
	$ 77,985	$ 22,124	$ 14,471	$ 43,989	$ 37,319	$ 42,591
	48,063	56,256	47,821	37,116	44,535	49,772
	124,177	122,258	127,178	139,326	145,750	148,590
	25,734	16,321	19,878	15,911	18,265	23,841
	$ 275,959	$ 216,959	$ 209,348	$ 236,342	$ 245,869	$ 264,794
	$ 23,127	$ 22,338	$ 21,622	$ 20,852	$ 23,293	$ 29,249
	2,794	1,748	—	—	142	1,907
	—	—	294	1,198	4,297	3,501
	5,990	5,953	6,849	6,613	7,799	10,740
	—	—	—	—	157	315
	244,048	186,920	180,583	207,679	210,181	219,082
	$ 275,959	$ 216,959	$ 209,348	$ 236,342	$ 245,869	$ 264,794
	$ 30,836	$ 21,540	$ 34,764	$ 18,717	$ 27,967	$ 55,125
	.01:1	.01:1	—	—	—	.01:1

Disclosure Regarding Forward-Looking Statements

This Form 10-K contains certain statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. These statements may be made directly in this document, referring to the Company, or may be "incorporated by reference", referring to other documents filed with the Securities and Exchange Commission. All statements included in this document, other than statements of historical facts, that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future, including future operating results, future capital expenditures and investments in the acquisition and refurbishment of rigs and equipment, borrowings, repayment of debt, expansion and growth of operations, anticipated cost savings, and other such matters, are forward-looking statements.

Forward-looking statements are based on certain assumptions and analyses made by the management of the Company in light of their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are relevant. Although management of the Company believes that its assumptions are reasonable based on current information available, they are subject to certain risks and uncertainties, many of which are outside the control of the Company. These risks and uncertainties include worldwide economic and business conditions, fluctuations in the market prices of oil and gas, the timing and extent of current or anticipated drilling market conditions, level of spending by oil and gas operators, government regulations and environmental matters, international trade restrictions and political instability, operating hazards and uninsured risks, substantial leverage, seasonality and adverse weather conditions, concentration of customer and supplier relationships, capital expenditure overruns and delays on rig upgrade and refurbishment projects, competition, integration of operations, successful execution of acquisition strategies and other similar factors (some of which are discussed in documents incorporated by reference). Because the forward-looking statements are subject to these risks and uncertainties, the actual results of operations and actions taken by the Company may differ materially from those expressed or implied by such forward-looking statements. Each forward-looking statement speaks only as of the date of this Form 10-K, and the Company undertakes no obligation to publicly update or revise any forward-looking statement.

GENERAL DEVELOPMENT

Parker Drilling Company was incorporated in the state of Oklahoma in 1954 after having been established in 1934 by its founder, Gifford C. Parker. The founder was the father of Robert L. Parker, chairman and a principal stockholder, and the grandfather of Robert L. Parker Jr., president and chief executive officer. In March 1976, the state of incorporation of the Company was changed to Delaware through the merger of the Oklahoma corporation into its wholly-owned subsidiary Parker Drilling Company, a Delaware corporation. Unless otherwise indicated, the term "Company" refers to Parker Drilling Company together with its subsidiaries and "Parker Drilling" refers solely to the parent, Parker Drilling Company.

The Company is a leading worldwide provider of contract drilling and drilling related services, operating in the coastal and transition zones of the Gulf of Mexico and Nigeria, in the offshore waters of the Gulf of Mexico and the Caspian Sea, and on land in international oil and gas producing regions. Historically, the Company operated exclusively on land, specializing in deep, difficult wells and drilling in remote areas. In the last four years, the Company diversified into the offshore drilling business through the acquisition of Mallard Bay Drilling, Inc. ("Mallard"), and Hercules Offshore Corp. and Hercules Rig Corp. (collectively, "Hercules") and the rental tool business through the acquisition of Quail Tools, Inc. ("Quail"). In 1999 the Company sold 26 land rigs, pursuant to the Company's strategic plan to focus on offshore and international land markets where margins are generally higher. Included were 13 U.S. lower-48 land rigs sold in September 1999 and 11 Argentina land rigs (previously classified as assets held for disposition) sold during the fourth quarter of 1999. In 2000, the Company sold its last U.S. land rig that was located in Alaska.

The Company's current rig fleet consists of 27 barge drilling and workover rigs, seven offshore jackup rigs, four offshore platform rigs and 47 land rigs. The Company's barge drilling and workover rig fleet is dedicated to transition zone waters, which are generally defined as coastal waters having depths from 5 to 25 feet. The Company's offshore jackup and platform rig fleets currently operate in the Gulf of Mexico market. The Company's land rig fleet generally consists of premium and specialized deep drilling rigs, with 37 of its 40 marketed land rigs capable of drilling to depths of 15,000 feet or greater. The diversity of the Company's rig fleet, both in terms of geographic location and asset class, enables the Company to provide a broad range of services to oil and gas operators around the world.

The oilfield service industry experienced a significant increase in activity in the year 2000. This increase was the result of an increase in oil and gas exploration activity by major and independent oil and gas operators, particularly in North American land markets and the Gulf of Mexico, in response to significantly higher prices for crude oil and natural gas and an increase in demand for natural gas in the U.S. As a result, the U.S. oilfield service industry experienced a significant improvement in both land and offshore rig utilization and in rig dayrates. This improvement in industry conditions followed a two-year period which saw crude oil and natural gas prices fall to near-record low levels due to an oversupply of crude oil in world markets, reduced demand for crude oil in developing countries, particularly southeast Asia, and a succession of unusually warm winters in Europe and North America. During this time, oil and gas operators reduced their spending significantly which adversely affected the level of oilfield activity, and in turn, the revenues of most companies in the oilfield service industry. Management is unable to predict the duration of present market conditions, but based on a continuation of current high commodity prices and spending by oil and gas operators, particularly in the Company's Gulf of Mexico markets, management is encouraged about prospects for the year 2001.

While the level of U.S. oil and gas operators' spending increased sharply in the year 2000 for the reasons noted above, spending and hence, oilfield service activity has lagged in international markets. We believe this is attributable to uncertainty regarding the stability of crude oil prices and the restructuring of oil and gas operators due to mergers. Only recently has the Company experienced an increase in bid inquiries and contracts in its core international land markets.

TRANSITION ZONE OPERATIONS

The Company provides contract drilling services in the transition zones which are coastal waters including lakes, bays, rivers, and marshes, of the Gulf of Mexico, the Caspian Sea and Nigeria, where barge rigs are the primary source of drilling and workover services. Barge rigs are mobile drilling and workover vessels that are built to work in 5 to 25 feet of water. These barge rigs are towed by tugboats to the drill site with the derrick laid down. The derrick, also known as a mast structure, is a framework for hoisting and lowering equipment over a borehole. When the barge reaches the drilling location, the hull is submerged until it rests on the bottom which stabilizes the rig for drilling operations. The derrick is then raised and drilling or workover operations are conducted with the barge in this position.

U.S. Barge Drilling and Workover

The Company's U.S. market for its barge drilling rigs is the transition zones of the Gulf of Mexico, primarily in Louisiana and, to a lesser extent, Alabama and Texas, where conventional jackup rigs are unable to operate. This area historically has been the world's largest market for shallow water barge drilling. The Company has a significant presence in this market, with 22 drilling and workover barges.

The barge market in the transition zones of the Gulf of Mexico has undergone significant attrition and consolidation in recent years, with the number of drilling rigs declining from over 120 in the early 1980s to approximately 95 today, and the number of competitors decreasing over the same period from more than 30 to only two significant contractors. During 1997 and early 1998, drilling and workover activity increased significantly in the Gulf of Mexico transition zones, spurred by the increased use of 3-D seismic technology, higher natural gas prices, and the settlement of a royalty dispute between the State of Louisiana and a major oil and gas exploration company. However, conditions in this market softened considerably in mid-1998 through 1999. Drilling barge utilization began to increase during the second quarter of 2000, and averaged approximately 92 percent in 2000. By late 2000, drilling barge dayrates had risen above the levels reached in the 1997-98 period. Utilization and dayrates in the workover barge market have rebounded, but not to the degree of drilling barges.

International Barge Drilling

The Company has focused its international barge drilling efforts in the transition zones of West Africa and the Caspian Sea. International markets have historically been more attractive due to the availability of long-term contracts and the opportunity to earn dayrates higher than U.S. rates.

The Company is the leading provider of barge rigs in Nigeria, with four of the eight rigs in this market. The Company has operated in Nigeria since acquiring Mallard in 1996, with Mallard having operated in the country since 1991. The Company's barge rigs operate under long-term contracts, generally three or more years in duration. Upon expiration, the contracts have typically been renewed with the then-current operator. The local community problems that plagued the area in late 1999 and early 2000 abated in the third and fourth quarters of 2000 resulting in utilization at 100 percent in the fourth quarter of 2000. When operations are suspended, the Company has generally received a standby dayrate from the operator, and in the case of one barge rig in 2000 that sustained damage, loss-of-hire insurance proceeds.

In 1999, the Company completed modification of a state-of-the-art barge rig for drilling activities in the Caspian Sea. The barge rig is under contract to a consortium of international operators for a three-year initial term with seven one-year options. The rig was specially designed with a closed-loop cuttings processing system, high-standard safety systems, and other specialized functions to withstand the harsh climate conditions of the north Caspian Sea. The rig commenced drilling activities during September 1999. In 2000, the rig finished work on the first exploration well, the Kashagan East, and moved to the second well, the Kashagan West.

OFFSHORE OPERATIONS

Jackup Drilling

The Company has seven shallow water jackup rigs that are mobile, self-elevating drilling and workover units equipped with legs that can be lowered to the ocean floor until a foundation is established to support the hull, which contains the drilling equipment, jacking system, crew quarters, loading and unloading facilities, storage areas for bulk and liquid materials, helicopter landing deck and other related equipment. Five of the rigs are cantilever design, a feature that permits the drilling floor to be extended out from the hull, allowing drilling and workover operations to be performed over existing platforms. Jackup rigs with the cantilever feature historically have achieved higher dayrates and utilization levels. The other two rigs are slot-type design configured for the drilling operations to take place through a keyway in the hull. These two rigs have the added capability of operating in shallow water to a depth less than ten feet. Four of the seven jackup rigs are mat-supported rigs and three are independent leg rigs.

Shallow water jackup rig utilization and dayrates in the Gulf of Mexico declined to historically low levels in 1999. In 2000, however, utilization and dayrates increased steadily throughout the year as oil and gas operators increased their spending in response to higher demand for natural gas and higher natural gas prices. Utilization of the Company's jackup rig fleet averaged approximately 86 percent during 2000. Utilization was affected due to one rig being out of service for six months to undergo inspection and repairs.

Platform Drilling

The Company's fleet of platform rigs consists of four modular self-erecting rigs. These platform rigs consist of drilling equipment and machinery arranged in modular packages that are transported to and self-erected on fixed offshore platforms owned by oil companies. The Company believes that the modular self-erecting design of the platform rigs provides a competitive advantage due to lower mobilization and erection costs and smaller "footprint."

LAND OPERATIONS

General

The Company's land drilling operations specialize in the drilling of difficult wells, often in remote and harsh environments. Since beginning operations in 1934, the Company has operated in 53 foreign countries and throughout the United States, making it one of the most geographically diverse land drilling contractors in the world. In 2000 the Company sold its last U.S. land rig, thus exiting the U.S. land rig market.

International Operations

The Company's international land drilling operations have focused primarily in Latin America, the Asia Pacific region and the republics of the former Soviet Union. Because many international drilling locations are inaccessible by traditional land methods as in jungles, swamps and mountainsides, the Company pioneered the heli-rig concept, whereby a lightweight-design drilling rig is transported by helicopter or all-terrain vehicle. The Company traditionally has been a pioneer in frontier areas and is currently working in China, Russia and Kazakhstan.

International utilization is currently lagging the recent increase in U.S. activity. Management is optimistic that the demand for drilling services in international land markets will rebound as worldwide demand for oil and gas increases and countries dependent on oil and gas revenues seek to increase their production. The Company has recently entered into several new contracts and has seen an increase in bid requests that the Company believes will result in increased land rig activity in 2001. Management is unable to predict the timing or extent that international land drilling markets will rebound. During the year 2000, the Company's international land rig utilization averaged 35 percent.

International markets differ from the U.S. market in terms of competition, nature of customers, equipment and experience requirements. The majority of international drilling markets have the following characteristics: (i) a small number of competitors; (ii) customers who typically are major, large independent or foreign-owned oil companies; (iii) drilling programs in remote locations requiring drilling equipment with a large inventory of spare parts and other ancillary equipment; and (iv) drilling of difficult wells requiring considerable experience.

Latin America. The Company has 21 land rigs (18 marketed and three cold stacked) located in the Latin American drilling markets of Colombia, Peru and Bolivia. Most of the Company's rigs have been upgraded to meet the demands of remote and difficult drilling in these areas.

Asia Pacific/Middle East/Africa. The Company has 18 land rigs (14 marketed and four cold stacked) located in the Asia Pacific, Middle East and Africa drilling markets. Included are nine helicopter transportable rigs located in this region due to the remoteness of the mountainside and jungle drilling required to meet customer demand. The Asia Pacific market has been adversely affected by political and economic instability. The Company experienced weakening demand for its services in certain Asia Pacific markets in 1998 and 1999, notably Indonesia and Papua New Guinea, and did not recover in 2000.

Former Soviet Union. Eight of the Company's rigs are currently located in the oil and gas producing regions of the former Soviet Union. After becoming the first Western drilling contractor to enter the Russian drilling market in 1991, few major oil company projects progressed during the remainder of the 1990s. As a result, in 1999 the Company relocated all four of its drilling rigs from Russia to Kazakhstan. In 2000, the Company re-entered the Russian market with one rig contracted to work in the Kharyaga field in Russia on a multi-well contract. In addition, the Company manages one platform rig in the waters off the coast of Sakhalin Island under a project management contract.

As anticipated, the agreement regarding the pipeline to be built to transport crude oil production from the Tengiz field in Kazakhstan has increased exploration efforts in this region. In addition to operating the Company's own rigs, the Company was awarded a five-year alliance contract in 1997 by the operator of the Tengiz field in Kazakhstan to operate and maintain its rigs, provide expatriate and local drilling crews and manage its warehouse, drilling base and mobile equipment fleet. A recent amendment to the alliance contract has resulted in the addition of two land rigs which have been substantially modified for service in the Tengiz field under a five-year contract. The first rig commenced drilling in October 2000, and the second is anticipated to commence operations in March 2001. By the end of 2001, the Company anticipates operating nine land rigs in Kazakhstan.

U.S. Operations

In 1999 the Company sold its 13 remaining U.S. lower-48 land rigs to Unit Corporation for $40.0 million cash plus one million shares of Unit common stock. In September 2000, the Company sold these shares for net proceeds of $15.0 million. In November 2000, the Company sold its last U.S. land rig, which had been stacked in Alaska for approximately two years, for $20.0 million cash.

Specialty Services

Arctic Drilling. The Company has been one of the pioneers in arctic drilling conditions and has developed technology to meet the demand for increased drilling in an ecologically sensitive manner. Although originally developed for the North Slope of Alaska, these technological developments and the Company's general expertise in arctic drilling are assets to the Company in marketing its services to operators in international markets with similar environmental considerations.

Project Management. The Company has been active in managing drilling rigs owned by third parties, generally oil companies, that prefer to own the rig equipment but do not have the technical expertise or labor resources to operate the rig. During the year 2000, the Company operated nine project management contracts in six countries.

RENTAL TOOLS

Quail Tools, based in New Iberia, Louisiana, is a provider of premium rental tools used for land and offshore oil and gas drilling and workover activities. Approximately 65 percent of Quail's equipment is utilized in offshore and coastal water operations. Since its inception in 1978, Quail's principal customers have been major and independent oil and gas exploration and production companies.

Quail rents specialized equipment utilized in well drilling, production and workover applications. Quail offers a full line of drill pipe, drill collars, tubing, high- and low-pressure blowout preventers, choke manifolds, casing scrapers, and junk and cement mills. During 1997, Quail entered into a contract with a major oil company to be its preferred provider of rental tools to the land and offshore Texas markets and built a facility in Victoria, Texas, to service this customer and others in the area. In 2000 Quail expanded operations to include a facility in Odessa, Texas. Both Texas locations help Quail to better service the increasing demand for tools in that region. Approximately 40 percent of Quail's revenues are realized from rentals for workover activities.

During the latter part of 1998 and through 1999, rental tool activity in the Gulf of Mexico and Gulf Coast region declined due to the reduction in oilfield services activity. Rental tool activity has rebounded since mid-1999 with the increase in crude oil and natural gas prices, and Quail achieved record revenues and cash flow in the year 2000.

Quail derives equipment rental revenues primarily from the daily rental charges for its tools, pipe, and related equipment and, to a lesser extent, by charging customers for ancillary parts and repairs, transportation of the rental items to the customer's location, inspection of rental items as specified by the customer, items it sub-rents from other rental tool companies, the disposal of waste removed from the rental items after their use, and the cost of rental items lost or damaged beyond repair. The operating costs associated with Quail's rentals consist primarily of expenses associated with depreciation, transportation, inspection, maintenance, repair and related direct overhead.

COMPETITION

The contract drilling industry is a competitive and cyclical business characterized by high capital and, in recent times, difficulty in finding and retaining qualified field personnel.

The industry downturn that occurred during the latter half of 1998 and through 1999 increased competition, resulting in lower dayrates and reduced utilization. In the Gulf of Mexico barge drilling and workover markets the Company competes with only one major competitor, R & B Falcon, now Transocean Sedco Forex. In the jackup market, there are numerous U.S. offshore contractors. In international land markets, the Company competes with a number of international drilling contractors but also with smaller local contractors in certain markets. However, due to the high capital costs of operating in international land markets as compared to the U.S. land market, the high cost of mobilizing land rigs from one country to another, and the technical expertise required, there are usually fewer competitors in international land markets. In international land and offshore markets, experience in operating in certain environments and customer alliances have been factors in the selection of the Company in certain cases, as well as the Company's patented drilling equipment for remote drilling projects. The Company believes that the market for drilling contracts, both land and offshore, will continue to be competitive for the foreseeable future. Certain of the Company's competitors have greater financial resources than the Company, which may enable them to better withstand industry downturns, compete more effectively on the basis of price, build new rigs, or acquire existing rigs.

Management believes that Quail is one of the leading rental tool companies in the offshore Gulf of Mexico. A number of Quail's competitors in the Gulf of Mexico and the Gulf Coast land markets are substantially larger and have greater financial resources than Quail.

CUSTOMERS

The Company believes it has developed an international reputation for providing efficient, safe, environmentally conscious and innovative drilling services. An increasing trend indicates that a number of the Company's customers have been seeking to establish exploration or development drilling programs based on partnering relationships or alliances with a limited number of preferred drilling contractors. Such relationships or alliances can result in longer-term work and higher efficiencies that increase profitability for drilling contractors at a lower overall well cost for oil and gas operators. The Company is currently a preferred contractor for operators in certain U.S. and international locations, which management believes is a result of the Company's quality of equipment, personnel, service and experience.

The Company's drilling customer base consists of major, independent and foreign-owned oil and gas companies. Shell Petroleum Development Company of Nigeria, the Company's largest customer for 2000 and 1999, accounted for approximately 10 percent of total revenues in both years. For fiscal year 1998, Chevron was the Company's largest customer with approximately 15 percent of total revenues.

CONTRACTS

The Company generally obtains drilling contracts through competitive bidding. Under most contracts the Company is paid a daily fee, or dayrate. The dayrate received is based on several factors, including: type of equipment, services and personnel furnished; investment required to perform the contract; location of the well; term of the contract; and competitive market forces.

The Company generally receives a lump sum fee to move its equipment to the drilling site, which in most cases approximates the cost incurred by the Company. U.S. contracts are generally for one to three wells with options, while international contracts are more likely to be for multi-well long-term programs. The Company provides project management services including logistics, procurement, well design, engineering, site preparation and road construction in an effort to help customers eliminate or reduce management overhead, which would otherwise be necessary to supervise such services.

EMPLOYEES

At December 31, 2000, the Company employed 3,542 persons, increasing approximately 13 percent from the 3,142 employed at December 31, 1999. The following table sets forth the composition of the Company's employees:

December 31,	2000	1999
International Drilling Operations	2,109	1,768
U.S. Drilling Operations	1,175	1,112
Rental Tool Operations	107	89
Corporate and Other	151	173

RISKS AND ENVIRONMENTAL CONSIDERATIONS

The operations of the Company are subject to numerous federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency ("EPA"), issue regulations to implement and enforce such laws, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive and other protected areas, require remedial action to prevent pollution from former operations, and impose substantial liabilities for pollution resulting from the Company's operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance could adversely affect the Company's operations and financial position, as well as those of similarly situated entities operating in the Gulf Coast market. While management believes that the Company is in substantial compliance with current applicable environmental laws and regulations, there is no assurance that compliance can be maintained in the future.

The drilling of oil and gas wells is subject to various federal, state, local and foreign laws, rules and regulations. The Company, as an owner or operator of both onshore and offshore facilities including mobile offshore drilling rigs in or near waters of the United States, may be liable for the costs of removal and damages arising out of a pollution incident to the extent set forth in the Federal Water Pollution Control Act, as amended by the Oil Pollution Act of 1990 ("OPA"), the Outer Continental Shelf Lands Act ("OCSLA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), and the Resource Conservation and Recovery Act ("RCRA"), each as amended from time to time. In addition, the Company may also be subject to applicable state law and other civil claims arising out of any such incident.

The OPA and regulations promulgated pursuant thereto impose a variety of regulations on “responsible parties” related to the prevention of oil spills and liability for damages resulting from such spills. A “responsible party” includes the owner or operator of a vessel, pipeline or onshore facility, or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns liability of oil removal costs and a variety of public and private damages to each responsible party.

The liability for a mobile offshore drilling rig is determined by whether the unit is functioning as a vessel or is in place and functioning as an offshore facility. If operating as a vessel, liability limits of $600 per gross ton or $500,000, whichever is greater, apply. If functioning as an offshore facility, the mobile offshore drilling rig is considered a “tank vessel” for spills of oil on or above the water surface, with liability limits of $1,200 per gross ton or $10 million. To the extent damages and removal costs exceed this amount, the mobile offshore drilling rig will be treated as an offshore facility and the offshore lessee will be responsible up to higher liability limits for all removal costs plus $75 million. A party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. If the party fails to report a spill or to cooperate fully in the cleanup, liability limits likewise do not apply. Few defenses exist to the liability imposed by the OPA. The OPA also imposes ongoing requirements on a responsible party, including proof of financial responsibility (to cover at least some costs in a potential spill) and preparation of an oil spill contingency plan for offshore facilities and vessels in excess of 300 gross tons. Amendments to the OPA adopted in 1996 require owners and operators of offshore facilities that have a worst case oil spill potential of more than 1,000 barrels to demonstrate financial responsibility in amounts ranging from $10 million in specified state waters to $35 million in federal Outer Continental Shelf waters, with higher amounts, up to $150 million, in certain limited circumstances where the U.S. Minerals Management Service (“MMS”) believes such a level is justified by the risks posed by the quantity or quality of oil that is handled by the facility. However, such OPA amendments did not reduce the amount of financial responsibility required for “tank vessels.” Since the Company’s offshore drilling rigs are typically classified as tank vessels, the recent amendments to the OPA are not expected to have a significant effect on the Company’s operations. A failure to comply with ongoing requirements or inadequate cooperation in a spill may even subject a responsible party to civil or criminal enforcement actions.

In addition, the OCSLA authorizes regulations relating to safety and environmental protection applicable to lessees and permittees operating on the Outer Continental Shelf. Specific design and operational standards may apply to Outer Continental Shelf vessels, rigs, platforms, vehicles and structures. Violations of environmental-related lease conditions or regulations issued pursuant to the OCSLA can result in substantial civil and criminal penalties as well as potential court injunctions curtailing operations and the cancellation of leases. Such enforcement liabilities can result from either governmental or citizen prosecution.

All of the Company’s operating U.S. barge drilling rigs have zero discharge capabilities as required by law. In addition, in recognition of environmental concerns regarding dredging of inland waters and permitting requirements, the Company conducts negligible dredging operations, with approximately two-thirds of the Company’s offshore drilling contracts involving directional drilling, which minimizes the need for dredging. However, the existence of such laws and regulations has had and will continue to have a restrictive effect on the Company and its customers.

CERCLA, also known as “Superfund,” and comparable state laws impose liability without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. While CERCLA exempts crude oil from the definition of hazardous substances for purposes of the statute, the Company’s operations may involve the use or handling of other materials that may be classified as hazardous substances. CERCLA assigns strict liability to each responsible party for all response and remediation costs, as well as natural resource damages. Few defenses exist to the liability imposed by CERCLA. The Company believes that it is in compliance with CERCLA and currently is not aware of any events that, if brought to the attention of regulatory authorities, would lead to the imposition of CERCLA liability against the Company.

RCRA generally does not regulate most wastes generated by the exploration and production of oil and gas. RCRA specifically excludes from the definition of hazardous waste "drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy." However, these wastes may be regulated by EPA or state agencies as solid waste. Moreover, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes, and waste oils, may be regulated as hazardous waste. Although the costs of managing solid and hazardous wastes may be significant, the Company does not expect to experience more burdensome costs than similarly situated companies involved in drilling operations in the Gulf Coast market.

The drilling industry is dependent on the demand for services from the oil and gas exploration and development industry and, accordingly, is affected by changes in laws relating to the energy business. The Company's business is affected generally by political developments and by federal, state, local and foreign laws and regulations that may relate directly to the oil and gas industry. The adoption of laws and regulations, both U.S. and foreign, that curtail exploration and development drilling for oil and gas for economic, environmental and other policy reasons may adversely affect the Company's operations by limiting available drilling opportunities.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company operates in three segments, U.S. drilling services, international drilling services and rental tool operations. Information about the Company's business segments and operations by geographic areas for the years ended December 31, 2000 and 1999, the four months ended December 31, 1998 and the year ended August 31, 1998, is set forth in Note 10 of Notes to Consolidated Financial Statements.

PROPERTIES

The Company owns and occupies a ten-story building in downtown Tulsa, Oklahoma, as its home office. Additionally, the Company owns and leases office space and operating facilities in various locations, but only to the extent necessary for administrative and operational support functions.

Land Rigs. The following table shows, as of December 31, 2000, the locations and drilling depth ratings of the Company's 40 actively marketed land rigs:

Actively Marketed Land Rigs	Drilling Depth Rating in Feet					
	10,000 or less	15,000	20,000	25,000	Over 25,000	TOTAL
INTERNATIONAL:						
Latin America	—	6	5	4	3	18
Asia Pacific	1	3	4	1	1	10
Africa and Middle East	1	2	1	—	—	4
Former Soviet Union	1	3	1	—	3	8
TOTAL	3	14	11	5	7	40

In addition, the Company has seven land rigs classified as cold stacked which would need to be refurbished at a significant cost before being placed back into service, with locations and drilling depth ratings as follows:

Cold Stacked Land Rigs	Drilling Depth Rating in Feet					
	10,000 or less	15,000	20,000	25,000	Over 25,000	TOTAL
INTERNATIONAL:						
Latin America	—	1	2	—	—	3
Asia Pacific	3	1	—	—	—	4
Africa and Middle East	—	—	—	—	—	—
Former Soviet Union	—	—	—	—	—	—
TOTAL	3	2	2	—	—	7

Barge Rigs. A schedule of the Company's deep and intermediate drilling barges located in the Gulf of Mexico, as of December 31, 2000, is set forth below:

	Horsepower	Year Built or Last Refurbished	Maximum Drilling Depth (Feet)	Status(1)
Deep Drilling:				
Rig No. 50	2,000	1993	25,000	Active
Rig No. 51	2,000	1993	25,000	Active
Rig No. 53	1,600	1995	20,000	Active
Rig No. 54	2,000	1995	25,000	Active
Rig No. 55	2,000	1993	25,000	Active
Rig No. 56	2,000	1992	25,000	Active
Rig No. 57	1,500	1997	20,000	Active
Rig No. 76	3,000	1997	30,000	Active
Intermediate Drilling:				
Rig No. 8	1,000	1995	14,000	Active
Rig No. 12	1,100	1990	14,000	Active
Rig No. 15	1,000	1998	15,000	Active
Rig No. 17	1,000	1993	13,000	Active
Rig No. 21	1,200	1995	13,000	Active

(1) "Active" denotes that the rig is currently under contract or available for contract.

A schedule of the Company's workover rigs, as of December 31, 2000, which includes some rigs with shallow drilling capabilities, is set forth below:

	Horsepower	Year Built or Last Refurbished	Maximum Drilling Depth (Feet)	Status(1)
Workover and Shallow Drilling:				
Rig No. 6 (2)	700	1995	—	Active
Rig No. 9 (2)	650	1996	—	Active
Rig No. 16	800	1994	8,500	Active
Rig No. 18	800	1993	8,500	Active
Rig No. 20	800	1995	8,500	Active
Rig No. 23	1,000	1993	11,500	Active
Rig No. 24	1,000	1992	11,500	Active
Rig No. 25	1,000	1993	11,500	Active
Rig No. 26(2)	650	1996	—	Active

(1) "Active" denotes that the rig is currently under contract or available for contract.

(2) Workover rig.

A schedule of the Company's international drilling barges, as of December 31, 2000, is set forth below:

	Horsepower	Year Built or Last Refurbished	Maximum Drilling Depth (Feet)	Status[1]
Deep Drilling:				
Rig No. 72	3,000	1991	30,000	Active
Rig No. 73	3,000	2000	30,000	Active
Rig No. 74	3,000	1997	30,000	Active
Rig No. 75	3,000	1999	30,000	Active
Rig No. 257	3,000	1999	25,000	Active

(1) "Active" denotes that the rig is currently under contract or available for contract.

Platform Rigs. The following table sets forth certain information, as of December 31, 2000, with respect to the Company's platform rigs:

	Horsepower	Year Built or Last Refurbished	Maximum Drilling Depth (Feet)	Status[1]
Deep Drilling:				
Rig No. 2	1,000	1982	12,000	Active
Rig No. 3	1,000	1997	12,000	Active
Rig No. 10 [2]	650	1989	—	Active
Rig No. 41	1,000	1997	12,500	Active

(1) "Active" denotes that the rig is currently under contract or available for contract.

(2) Workover rig.

Jackup Rigs. The following table sets forth certain information as of December 31, 2000, with respect to the Company's jackup rigs:

	Design[1]	Maximum Water Depth (Feet)	Maximum Drilling Depth (Feet)	Status[2]
Rig No. 11[3]	Bethlehem JU-200 (MC)	200	—	Active
Rig No. 14	Baker Marine Big Foot (IS)	85	20,000	Active
Rig No. 15	Baker Marine Big Foot III (IS)	100	20,000	Active
Rig No. 20	Bethlehem JU-100 (MC)	110	25,000	Active
Rig No. 21	Baker Marine BMC-125 (MC)	100	20,000	Active
Rig No. 22	Le Tourneau Class 51 (MC)	173	15,000	Active
Rig No. 25	Le Tourneau Class 150-44 (IC)	215	20,000	Active

(1) IC—independent leg, cantilevered; IS—independent leg, slot; MC—mat-supported, cantilevered.

(2) "Active" denotes that the rig is currently under contract or available for contract.

(3) Workover rig.

The following table presents the Company's utilization rates, rigs available for service and cold stacked rigs for the years ended December 31, 2000 and 1999.

Transition Zone Rig Data:	2000	1999
U.S. barge deep drilling:		
Rigs available for service (1)	8.0	7.5
Utilization rate of rigs available for service (2)	92%	78%
U.S. barge intermediate drilling:		
Rigs available for service (1)	5.0	5.0
Utilization rate of rigs available for service (2)	93%	59%
U.S. barge workover and shallow drilling:		
Rigs available for service (1)	9.0	9.0
Utilization rate of rigs available for service (2)	44%	31%
Cold stacked rigs (1)	0	1.0
International barge drilling:		
Rigs available for service (1)	5.0	4.4
Utilization rate of rigs available for service (2)	97%	96%
Offshore Rig Data:		
Jackup Rigs:		
Rigs available for service (1)	7.0	7.0
Utilization rate of rigs available for service (2)	86%	66%
Platform Rigs:		
Rigs available for service (1)	4.0	4.5
Utilization rate of rigs available for service (2)	53%	56%
Cold stacked rigs (1)	0	1.0
Land Rig Data:		
International Rigs:		
Rigs available for service (1)	40.0	45.2
Utilization rate of rigs available for service (2)	35%	36%
Cold stacked rigs (1)	7.0	8.0
U.S. Rigs (3):		
Rigs available for service (1)	.9	11.0
Utilization rate of rigs available for service (2)	0%	40%

(1) The number of rigs is determined by calculating the number of days each rig was in the fleet, e.g., a rig under contract or available for contract for an entire year is 1.0 "rigs available for service" and a rig cold stacked for one quarter is 0.25 "cold stacked rigs." "Rigs available for service" includes rigs currently under contract or available for contract. "Cold stacked rigs" includes all rigs that are stacked and would require significant refurbishment cost before being placed back into service.

(2) Rig utilization rates are based on a weighted average basis assuming 365 days availability for all rigs available for service. Rigs acquired or disposed of have been treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization/demobilization are also considered to be utilized.

(3) Includes 13 U.S. lower-48 land rigs through the date of sale, September 30, 1999, and one U.S. land rig located in Alaska, which was sold on November 20, 2000.

LEGAL PROCEEDINGS

The Company is a party to certain legal proceedings that have resulted from the ordinary conduct of its business. In the opinion of the Company's management, none of these proceedings is expected to have a material adverse effect on the Company.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to Parker Drilling Company security holders during the fourth quarter of 2000.

EXECUTIVE OFFICERS

Officers are elected each year by the board of directors following the annual meeting for a term of one year and until the election and qualification of their successors. The current executive officers of the Company and their ages, positions with the Company and business experience are presented below:

(1) Robert L. Parker, 77, chairman, joined the Company in 1944 and was elected vice president in 1950. He was elected president in 1954 and chief executive officer and chairman in 1969.

(2) Robert L. Parker Jr., 52, president and chief executive officer, joined the Company in 1973 as a contract representative and was named manager of U.S. operations later in 1973. He was elected a vice president in 1973, executive vice president in 1976 and was named president and chief operating officer in October 1977. In December 1991, he was elected chief executive officer.

(3) James W. Linn, 55, executive vice president and chief operating officer, joined the Company in 1973. He has general charge of the Company's business affairs and its officers. Mr. Linn first served in the Company's international division and in 1976 was named northern U.S. district manager prior to being elected vice president of U.S. and Canada operations in 1979. He was named a senior vice president in September 1981 and was elected to his current position in December 1991.

(4) James J. Davis, 54, senior vice president of finance and chief financial officer, joined the Company in November 1991. From 1986 through 1991, Mr. Davis was vice president and treasurer of MAPCO Inc., a diversified energy company with interests in natural gas liquids marketing and transportation, oil refining and retail motor fuel marketing. He serves as a member of the board of directors of Dollar Thrifty Funding Corp.

(5) Thomas L. Wingerter, 48, vice president of operations, joined the Company in 1979. In 1983 he was named contract manager for the Rocky Mountain division. He was promoted to Rocky Mountain division manager in 1984, a position he held until September 1991 when he was elected vice president, North American region. In March 1999 he was appointed vice president and general manager – North American operations. In January 2001, he was appointed to his current position.

(6) W. Kirk Brassfield, 45, corporate controller and chief accounting officer, joined the Company in March 1998 in his stated position. From 1991 through March 1998, Mr. Brassfield served in various positions, including subsidiary controller and director of financial planning of MAPCO Inc., a diversified energy company. From 1979 through 1991, Mr. Brassfield served at the public accounting firm, KPMG Peat Marwick.

OTHER PARKER DRILLING COMPANY OFFICERS

(7) John R. Gass, 49, vice president of corporate business development, joined the Company in 1977 and has served in various management positions in the Company's international divisions. In 1985 he became the division manager of Africa and the Middle East. In 1987 he directed the Company's mining operations in South Africa. In 1989, he was promoted to international contract manager. In January 1996, he was elected vice president, frontier areas and assumed his current position in March 1999.

(8) Denis J. Graham, 51, vice president of engineering, joined the company in 2000. Mr. Graham was the senior vice president of technical services for Diamond Offshore Inc., an international offshore drilling contractor. His experience with Diamond Offshore ranged from 1978 through 1999 in the areas of offshore drilling rig design, new construction, conversions, marine operations, maintenance and regulatory compliance.

(9) Patrick C. Seals, 37, vice president of shared services, joined the company in 1992 as an internal auditor. From 1993 through 1999, he held various contracts and marketing management roles in the North American Division. In late 1999, Mr. Seals assumed the role of general manager of e-business and in January of 2001 was promoted to his current position. From 1985 to 1992, he served in roles at the public accounting firm of Arthur Andersen, Scrivner, Inc. and The Oklahoma Publishing Company.

(10) David W. Tucker, 45, was elected treasurer in March 1999. He joined the Company in 1978 as a financial analyst and served in various financial and accounting positions before being named chief financial officer of the Company's wholly-owned subsidiary, Hercules Offshore Corporation, in February 1998.

MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Parker Drilling Company common stock is listed for trading on the New York Stock Exchange under the symbol PKD. At the close of business on December 31, 2000, there were 3,155 holders of record of Parker Drilling common stock. Prices on Parker Drilling's common stock for the years ended December 31, 2000 and 1999, were as follows:

	2000		1999	
Quarter	High	Low	High	Low
First	$ 5.125	$ 3.000	$ 4.688	$ 2.250
Second	6.875	3.750	4.375	3.000
Third	7.438	4.875	5.625	3.312
Fourth	7.125	3.938	4.750	3.000

No dividends have been paid on common stock since February 1987. Restrictions contained in Parker Drilling's existing bank revolving loan facility prohibit the payment of dividends and the indenture for the Senior Notes restricts the payment of dividends. The Company has no present intention to pay dividends on its common stock in the foreseeable future because of the restrictions noted and because of its business plan to reinvest earnings in the Company's operations.

SELECTED FINANCIAL DATA

(In Thousands Except Per Share Data)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998	Year Ended August 31, 1997	Year Ended August 31, 1996
Revenues	$ 376,349	$ 324,553	$ 136,723	$ 481,223	$ 311,644	$ 156,652
Net income (loss)	$ (19,045) (1)	$ (37,897)	$ (14,633)	$ 28,092	$ 16,315	$ 4,053
Earnings (loss) per share, diluted	$ (.23) (1)	$ (.49)	$ (.19)	$ .36	$ .23	$ .07
Total assets	$ 1,107,419	$ 1,082,743	$ 1,159,326	$ 1,200,544	$ 984,136	$ 275,959
Long-term debt	$ 592,584	$ 648,577	$ 630,479	$ 630,090	$ 551,042	$ 2,794

(1) Income (loss) before extraordinary gain was $(22,981) or $(.28) per share.

RESULTS OF OPERATIONS

Introduction

The year 2000 was marked by a significant improvement in rig and tool rental activities and cash flow for the Company. Rig utilization and dayrates improved substantially in the Company's Gulf of Mexico drilling markets, as a result of the increase in spending by oil and gas operators in response to significantly higher oil and gas prices and an increase in demand for natural gas in the U.S. While the Company reported a loss for the year 2000, operating results were substantially improved over the prior year, and the Company's financial position and prospects going forward have improved. Management is unable to predict the duration of present market conditions, but based on a continuation of current high commodity prices and spending by oil and gas operators, particularly in the Company's Gulf of Mexico markets, management is encouraged about prospects for the year 2001.

The Company recently announced the relocation of its corporate office to Houston, Texas, which is expected to be completed during the third quarter of 2001. The relocation will be accompanied by a reorganization of certain senior management positions and of the management of drilling operations. Management believes that the Company will benefit from being closer to certain customers, competitors and vendors. In addition, management anticipates the long-term savings from the consolidation of offices and other administrative cost-cutting steps will offset the moving expenses for retained employees and severance costs for terminated employees.

During the second quarter of 1999, the Company reorganized its drilling operations and administrative functions to enable more efficient management and administration of worldwide operations and to reduce operating and overhead costs. Prior to the reorganization, the Company's business segments were designated as land drilling, offshore drilling and rental tools. Mallard and Hercules made up the offshore drilling segment and since the time of their acquisitions, each company maintained its existing organization structure, both operationally and administratively. The reorganization in 1999 resulted in the consolidation of the land and offshore drilling operations into two new segments, U.S. drilling operations and international drilling operations. Certain accounting and other administrative functions previously performed by Mallard and Hercules were consolidated into corporate. Quail was not significantly affected by the reorganization. Results of operations for fiscal year ended 1998 have been reclassified to reflect the new organization.

During 1998 the Company decided to change its fiscal year end from August 31 to December 31 effective for the calendar year beginning January 1, 1999.

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

The Company recorded a net loss of $23.0 million, before extraordinary gain, for the year ended December 31, 2000, compared to a net loss of $37.9 million recorded for the year ended December 31, 1999.

The Company's revenues increased $51.8 million to $376.3 million in the current year as compared to 1999. U.S. drilling revenues increased $34.7 million to $148.4 million. U.S. offshore drilling revenues increased $50.8 million due primarily to increased utilization and dayrates for the drilling barge rigs and the jackup rigs. U.S. land drilling revenues decreased $16.1 million due to the sale of the Company's 13 U.S. lower-48 land rigs on September 30, 1999 and the sale of Rig 245, located in Alaska, in November 2000. Rig 245 was stacked throughout the current year.

International drilling revenues increased $2.2 million to $185.1 million in the current period as compared to the year ended December 31, 1999. International land drilling revenues decreased $14.5 million while international offshore drilling revenues increased $16.7 million. Primarily responsible for the international land drilling revenues decrease was the Latin America region, which decreased $15.9 million. This decrease is attributed to reduced rig utilization in Colombia, Ecuador and Peru. Revenues from the Bolivian operations were relatively constant for the two periods but have recently decreased. In addition, land drilling revenues decreased $9.7 million in the Asia Pacific region due to completion of a one-well drilling contract in Vietnam, that ended during the third quarter of 1999, and reduced utilization in Papua New Guinea. Revenues in the Frontier region, which includes Russia, Kazakhstan, Africa and the

Middle East, increased $11.1 million during the current period as compared to the year ended December 31, 1999. This increase is primarily attributed to short-term drilling contracts conducted during the current year in Madagascar and Nigeria (land contract). Additionally, a labor contract in Kuwait and increased rig utilization in Kazakhstan contributed to the increase.

International offshore drilling revenues increased $16.7 million to $72.2 million due primarily to barge Rig 257 in the Caspian Sea and barge Rig 75 in Nigeria. Barge Rig 257, which commenced drilling in September of 1999, contributed $24.8 million of revenues during the year ended December 31, 2000, an increase of $16.2 million. With the addition of barge Rig 75 during the third quarter of 1999, the Company has four barge rigs in the Nigerian offshore market. Due to several episodes of community unrest, three of the four barge rigs were on standby status during most of the first six months of the current year. One rig, barge Rig 74, operated for approximately three and a half months during the first six months. Despite the reduced revenues earned while on standby, Nigerian offshore revenues increased $11.3 million to $47.4 million during the current year. The increase is due to revenues earned by the new barge Rig 75 and the start-up of drilling operations on Rig 74 which was on standby during 1999. Since August 2000, drilling operations on the Nigerian barge rigs have resumed at full dayrates. Offsetting the increased revenues in the Caspian Sea and Nigeria was a $10.8 million decrease in international offshore revenues due to the completion of a barge contract in Venezuela during the third quarter of 1999.

Rental tool revenues increased $15.2 million due to the increased level of drilling activity in the Gulf of Mexico. Contributing to this increase was the New Iberia, Louisiana, operation in the amount of $7.7 million, $5.0 million from the Victoria, Texas, operation and $2.5 million from the new Odessa, Texas, operation which commenced operations in May 2000.

Profit margins (revenues less direct operating expenses, excluding depreciation) of $128.3 million in the current period reflect an increase of $43.0 million from the $85.3 million recorded during the year ended December 31, 1999. The U.S. and international drilling segments recorded profit margin percentages (profit margin as a percent of revenues) of 33.2 percent and 28.2 percent, respectively, in the current year, as compared to 11.9 percent and 31 percent in 1999. U.S. profit margins increased $35.7 million. U.S. drilling profit margins were positively impacted during the current year by increased utilization in the Gulf of Mexico from the barge and jackup rigs. In addition, average dayrates for the jackup rigs increased approximately 45 percent during the current period when compared to the prior year. Offsetting the increased U.S. offshore profit margins was the sale of all 13 U.S. lower-48 land rigs during the third quarter of 1999. During the year ended December 31, 1999, the U.S. lower-48 land rigs contributed profit margins of $1.7 million. In addition, Rig 245, which was stacked in Alaska all year, was sold in November of 2000.

International drilling profit margins declined $4.5 million to $52.2 million during the year ended December 31, 2000 as compared to 1999. International land drilling profit margins declined $5.9 million to $29.5 million during the current period primarily due to lower utilization in the Company's land drilling operations as previously discussed. The international offshore drilling profit margins increased $1.4 million to $22.7 million.

Rental tool profit margins increased $10.1 million to $26.8 million during the current year as compared to the year ended December 31, 1999. Profit margins increased primarily due to the $15.2 million increase in revenue during the current year. The profit margin percentage increased during the current period to 62.7 percent from 60.6 percent for the previous year.

Depreciation and amortization expense increased $2.9 million to $85.1 million in the current year. Depreciation expense recorded in connection with 1998/1999 capital additions, principally barge Rig 257 and barge Rig 75, was the primary reason for the increase. General and administrative expenses increased $4.1 million in the current year as compared to 1999. This increase is primarily attributed to travel costs, employee bonuses, franchise taxes, professional fees and information technology projects.

Interest expense increased $1.1 million due to $3.0 million of interest being capitalized to construction projects during the year ended December 31, 1999, as compared to $0.5 million capitalized during the current year. Gain on disposition of assets decreased $21.2 million to $17.9 million for the current year. On September 30, 1999 the Company sold its U.S. lower-48 land rigs to Unit Corporation for $40.0 million cash plus one million shares of Unit Corporation common stock. The Company recognized a pre-tax gain of $36.1 million during the third quarter of 1999. In September 2000, the Company sold its one million shares of Unit Corporation common stock and recognized a pre-tax gain of $7.4 million. In November 2000, the Company sold Rig 245 in Alaska for $20.0 million and recognized a pre-tax gain of $14.9 million.

Income tax expense consists of foreign tax expense and deferred tax benefit. The deferred tax benefit is due to the loss incurred during the year ended December 31, 2000.

Year Ended December 31, 1999 Compared to Fiscal Year Ended August 31, 1998

The Company's net loss of $37.9 million in 1999 reflects a decrease of $66 million when compared to the net income of $28.1 million recorded in fiscal 1998. The loss in 1999 is reflective of the significant decline in utilization and dayrates that began in the fourth quarter of fiscal 1998 and continued throughout 1999.

The Company's revenues decreased $156.7 million to $324.6 million as all of the Company's market segments, U.S., international and rental tools, recorded a decrease in revenues. International drilling revenues decreased $66.6 million to $182.9 million for the year ended December 31, 1999, as compared to the fiscal year ended August 31, 1998. International land revenues were negatively impacted during 1999 by the downturn in the industry and as a result, land revenues decreased $88.1 million to $127.5 million. This decrease is primarily attributed to the significant reduction in utilization across essentially all international land rig markets. During the first and second quarters of fiscal 1998, international land rig utilization averaged 81 percent as compared to 28 percent during the fourth quarter of 1999. The average dayrates also decreased for comparable periods but only by approximately 7 percent. Land drilling revenues decreased in all countries in which the Company operated except Ecuador (increased $7.7 million), Vietnam (increased $4.4 million) and Kazakhstan/Russia (increased $7.5 million). Ecuador and Vietnam represented one-rig contracts that began toward the end or after fiscal year 1998. The geographic areas most impacted by the industry downturn during 1999 were Indonesia, Papua New Guinea and Bolivia.

International offshore revenues increased $21.5 million to $55.5 million in 1999 as compared to fiscal year 1998. The increase is primarily attributable to two new barge rigs, one each in Nigeria and the Caspian Sea. Rig 257 in the Caspian Sea began drilling in September 1999 and Rig 75 in Nigeria generated standby revenues pending commencement of drilling operations. In addition, barge Rig 76 completed drilling operations in Venezuela, generating approximately $10.8 million in revenues during 1999.

U.S. drilling revenues decreased $83.4 million to $113.7 million during 1999 as compared to fiscal 1998. U.S. land drilling revenues, arising from the Company's 13 U.S. lower-48 land rigs and one rig in Alaska, decreased $32.9 million during 1999. On September 30, 1999 the Company sold the 13 U.S. lower-48 land rigs to Unit Corporation for $40.0 million in cash and one million shares of Unit common stock. A pre-tax gain of $36.1 million was recognized during the third quarter. The one remaining U.S. land rig, located in Alaska, was stacked since March 1999 due to reduced drilling activity in Alaska.

U.S. offshore revenues, arising from the Company's fleet of barge, platform and jackup rigs located in the Gulf of Mexico, decreased $50.5 million during 1999 as compared to fiscal 1998. Rig utilization and dayrates in the Gulf of Mexico offshore drilling market were particularly hurt by the decline in oil and gas operators' spending. Barge drilling and workover rig revenues decreased $32.6 million during 1999 due to approximately a 25 percent decrease in dayrates and a decrease in barge rig utilization from an average 90 percent in fiscal 1998 to approximately 45 percent in 1999. Revenues related to the seven jackups decreased $10.5 million during 1999 as compared to the eight months of operations (Hercules was acquired December 30, 1997) during fiscal 1998. Jackup dayrates were particularly impacted by the downturn, declining from an average $28,000 per day in fiscal 1998 to approximately $16,000 per day during 1999. Platform rig revenues decreased $7.4 million due to decreases in dayrates and utilization. In addition, one platform rig which had operated in the Gulf of Mexico was sold during 1999.

The Company's rental tool revenues decreased $5.1 million to $27.7 million during 1999 as compared to fiscal 1998. Rental tool revenues were impacted during 1999 mainly due to depressed drilling activity in the Gulf of Mexico.

Profit margins (revenues less direct operating expenses) of $85.3 million in 1999 reflected a decrease of $84.2 million from the $169.5 million recorded in fiscal 1998. The U.S. and international drilling segments recorded profit margin percentages (profit margin as a percent of revenues) of 12 percent and 31 percent in 1999, as compared to 35 percent and 33 percent in fiscal 1998. The significant reduction in utilization and drilling dayrates during 1999 accounted for the significant declines in profit margin percentages. The Company's rental tool business had a slight increase in profit margin percentage to 61 percent from 58 percent.

Depreciation and amortization increased $13.6 million to $82.2 million in 1999 as compared to fiscal 1998. This increase was primarily attributable to two major construction projects, Rig 257 and Rig 75, that completed construction and began depreciating during the third quarter of 1999. In addition, 1999 recognized a full year of depreciation expense on the assets of Hercules and a full year of amortization of goodwill associated with the purchase compared to only eight months depreciation and amortization in fiscal 1998. General and administrative expense increased $2.0 million, due primarily to severance costs incurred as part of management's restructuring of operations in early 1999 referred to previously.

Interest expense increased $6.5 million to $55.9 million during 1999. Subsequent to fiscal 1998, the Company borrowed an additional $20.0 million on its revolving credit facility that remained outstanding until September 30, 1999 when the outstanding balance of $40.0 million was repaid in full and the revolving credit facility was terminated. The revolving credit facility was repaid with the proceeds from the sale of the 13 U.S. lower-48 land rigs. In October 1999, the Company entered into a new $50.0 million revolving credit facility and refinanced $24.8 million of the capital cost to construct Rig 75. These financing arrangements resulted in higher average outstanding debt levels in 1999 than in fiscal 1998, resulting in the higher interest expense reported in 1999. As of December 31, 1999, no funds had been drawn on the new revolving credit facility. Interest capitalized on rig construction projects during 1999 was $3.0 million as compared to $3.5 million in 1998. Gain on disposition of assets of $39.1 million included a $36.1 million gain on the sale of the 13 U.S. lower-48 land rigs.

In 1999, the Company generated an income tax benefit of $2.7 million as compared to income tax expense of $16.4 million in fiscal 1998. The income tax benefit of $2.7 million in 1999 consisted of $11.2 million current tax expense related primarily to foreign taxes and $13.9 million net deferred tax benefit related to operating losses incurred during 1999. The income tax expense of $16.4 million in fiscal 1998 consisted of $14.3 million current tax expense related primarily to foreign taxes and deferred tax of $2.1 million.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2000, the Company had cash, cash equivalents and other short-term investments of $63.3 million, an increase of $17.0 million from December 31, 1999. The primary sources of cash in 2000, as reflected on the Consolidated Statement of Cash Flows, were $87.3 million of net proceeds from a common stock offering, $31.9 million from the disposition of assets, $27.3 million provided by operating activities and $16.9 million from the sale of investments. The net proceeds from the equity offering of $87.3 million were the result of issuing 13.8 million shares of common stock during September 2000. Proceeds from the disposition of assets included the sale of Rig 245 in Alaska for $20.0 million, the sale of various non-marketable rigs and components and reimbursements by our customers for equipment lost in the hole. Also, the Company sold its one million shares of Unit Corporation stock in September 2000 for $15.0 million. The Unit stock (and $40.0 million cash) was received in 1999 in conjunction with the sale of the Company's 13 U.S. lower-48 rigs to Unit.

The primary uses of cash in 2000 were $98.5 million for capital expenditures (net of reimbursements) and $48.3 million for repayment of debt. Major projects during the year included completion of modifications to Rig 249 for a contract in Kazakhstan for Tengizchevroil (TCO). Additionally, Rig 258 was constructed for the TCO project and is scheduled to arrive in Kazakhstan during the first quarter of 2001. During 2000, Rig 259 was purchased and modified for a new project in the Karachaganak field in Kazakhstan and should arrive during the first quarter of 2001. Also, modifications were completed on Rig 25J in the Gulf of Mexico as a result of its scheduled five-year Coast Guard inspection. Repayment of debt included $43.5 million for the buyback of a portion of the Company's 5.5% Convertible Subordinated Notes from proceeds from the equity offering and $4.1 million on a five-year note with Boeing Capital Corporation for Rig 75 in Nigeria.

The Company has total long-term debt, including the current portion, of $597.6 million at December 31, 2000. The Company entered into a new $50.0 million revolving credit facility with a group of banks led by Bank of America on October 22, 1999. This facility is available for working capital requirements, general corporate purposes and to support letters of credit. The revolver is collateralized by accounts receivable, inventory and certain barge rigs located in the Gulf of Mexico. The facility contains customary affirmative and negative covenants. Availability under the revolving credit facility is subject to certain borrowing base limitations based on 80 percent of eligible receivables plus 50 percent of rig materials and supplies. As of December 31, 2000, the borrowing base was $50.0 million of which none had been drawn down but $14.6 million availability has been used to support letters of credit that have been issued. The revolver terminates on October 22, 2003. On October 7, 1999 a subsidiary of the Company entered into a loan agreement with Boeing Capital Corporation for refinancing the construction costs of Rig 75. The loan of $24.8 million plus interest is to be repaid in 60 monthly payments of $0.5 million. The loan is collateralized by Rig 75 and is guaranteed by Parker Drilling.

The Company anticipates that working capital needs and funds required for capital spending in 2001 will be met from existing cash, other short-term investments and cash provided by operations. The Company anticipates cash requirements for capital spending will be approximately $75.0 million in 2001. Should new opportunities requiring additional capital arise, the Company will utilize cash and short-term investments and, if necessary, its revolving credit facility. In addition, the Company may seek project financing or equity participation from outside alliance partners or customers. The Company cannot predict whether such financing or equity participation would be available on terms acceptable to the Company.

OTHER MATTERS

Business Risks

Internationally, the Company specializes in drilling geologically challenging wells in locations that are difficult to access and/or involve harsh environmental conditions. The Company's international services are primarily utilized by major and national oil companies in the exploration and development of reserves of oil. In the United States, the Company primarily drills offshore in the Gulf of Mexico with barge, jackup and platform rigs for major and independent oil and gas companies. Business activity is dependent on the exploration and development activities of the major, independent and national oil and gas companies that make up the Company's customer base. Generally, temporary fluctuations in oil and gas prices do not materially affect these companies' exploration and development activities, and consequently do not materially affect the operations of the Company. However, sustained increases or decreases in oil and natural gas prices could have an impact on customers' long-term exploration and development activities which in turn could materially affect the Company's operations. Generally, a sustained change in the price of oil would have a greater impact on the Company's international operations while a sustained change in the price of natural gas would have a greater effect on U.S. operations. Due to the locations in which the Company drills, the Company's operations are subject to interruption, prolonged suspension and possible expropriation due to political instability and local community problems. Further, the Company is exposed to liability issues from pollution arising out of its operations. The majority of such risks are transferred to the operator by contract or otherwise insured.

Year 2000

The Company began preparing for Year 2000 in 1997 by replacing critical financial, human resources and payroll systems with Year 2000 compliant off-the-shelf software. The Year 2000 problem was not the main reason for upgrading the information technology platform; however, it was beneficial in achieving Year 2000 compliance. The Company also prepared contingency plans to cover failures in its supply chain, communications, civil disturbances and information technology systems.

The Company estimates that $225,000 was spent during 1998 and 1999 in its Year 2000 compliance efforts. While the majority of those costs were internal salaries, the Company's process for tracking internal costs did not capture all of the costs incurred for each individual task on the project.

During the Year 2000 date transition and throughout the year ended December 31, 2000, the Company did not experience any material failure with its information technology or non-information technology systems or key customers or suppliers.

Change in Fiscal Year

On July 10, 1998, the Company decided to change its fiscal year end from August 31 to December 31, effective January 1, 1999. The Company filed a Quarterly Report on Form 10-Q with the Securities and Exchange Commission covering the transition period of September 1, 1998 to December 31, 1998.

Indonesian Operations

Due to political and currency instability in Indonesia during 1997 and 1998, the development of certain power plant projects, in which the Company's subsidiaries were involved by providing management, technical and training support to an Indonesian drilling contractor, was postponed or delayed. As a result, the customer, which was leading the development of the projects, defaulted on payments to the Indonesian contractor, causing the Indonesian contractor to initiate arbitration proceedings against two subsidiaries of the customer to collect these delinquent payments. In 1999, the arbitration panels awarded the Indonesian contractor approximately $8.5 million, including interest. Due to the uncertainty over the economic viability of the power plant projects and timing of repayment of guarantees by the Indonesian government, the Indonesian contractor elected to accept a settlement of the outstanding awards, which will result in the payment of approximately $6.0 million to the Company's subsidiaries by the end of 2001.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders

Parker Drilling Company

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) of the Form 10-K, present fairly, in all material respects, the financial position of Parker Drilling Company and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for the years ended December 31, 2000 and 1999, August 31, 1998, and the four months ended December 31, 1998, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) of the Form 10-K, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Tulsa, Oklahoma
January 30, 2001

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

(In Thousands Except Per Share and Weighted Average Shares Outstanding)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
Revenues:				
U.S. drilling	$ 148,411	$ 113,715	$ 49,648	$ 197,084
International drilling	185,100	182,908	76,248	249,481
Rental tools	42,833	27,656	10,245	32,723
Other	5	274	582	1,935
Total revenues	376,349	324,553	136,723	481,223
Operating expenses:				
U.S. drilling	99,193	100,199	42,025	127,951
International drilling	132,882	126,226	52,623	167,651
Rental tools	15,994	10,910	4,416	13,749
Other	4	1,899	932	2,365
Depreciation and amortization	85,060	82,170	26,529	68,574
General and administrative	20,392	16,312	5,904	17,273
Restructuring charges	—	3,000	—	—
Provision for reduction in carrying value of certain assets	8,300	10,607	4,055	—
Total operating expenses	361,825	351,323	136,484	397,563
Operating income (loss)	14,524	(26,770)	239	83,660
Other income and (expense):				
Interest expense	(57,036)	(55,928)	(17,427)	(49,389)
Interest income	3,691	1,725	619	5,732
Gain on disposition of assets	17,920	39,070	605	2,289
Other	2,243	1,326	(304)	2,235
Total other income and (expense)	(33,182)	(13,807)	(16,507)	(39,133)
Income (loss) before income taxes	(18,658)	(40,577)	(16,268)	44,527
Income tax expense (benefit)	4,323	(2,680)	(1,635)	16,435
Income (loss) before extraordinary gain	(22,981)	(37,897)	(14,633)	28,092
Extraordinary gain on early retirement of debt, net of deferred tax expense of $2,214	3,936	—	—	—
Net income (loss)	$ (19,045)	$ (37,897)	$ (14,633)	$ 28,092
Basic earnings (loss) per share:				
Income (loss) before extraordinary gain	$ (.28)	$ (.49)	$ (.19)	$ .37
Extraordinary gain	$ .05	$ —	$ —	$ —
Net income (loss)	$ (.23)	$ (.49)	$ (.19)	$ .37
Diluted earnings (loss) per share:				
Income (loss) before extraordinary gain	$ (.28)	$ (.49)	$ (.19)	$ .36
Extraordinary gain	$ .05	$ —	$ —	$ —
Net income (loss)	$ (.23)	$ (.49)	$ (.19)	$ .36
Number of common shares used in computing earnings per share:				
Basic	81,758,825	77,159,461	76,828,879	76,658,100
Diluted	81,758,825	77,159,461	76,828,879	77,789,390

See accompanying notes to consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(Dollars in Thousands)

December 31,	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,480	$ 45,501
Other short-term investments	811	777
Accounts and notes receivable, net of allowance for bad debts of $3,755 in 2000 and $5,677 in 1999	123,474	75,411
Rig materials and supplies	16,500	13,766
Other current assets	4,600	15,988
Total current assets	207,865	151,443
Property, plant and equipment, at cost:		
Drilling equipment	940,381	956,957
Rental equipment	55,237	43,857
Buildings, land and improvements	22,455	20,657
Other	26,066	25,291
Construction in progress	68,120	38,154
	1,112,259	1,084,916
Less accumulated depreciation and amortization	448,734	423,514
Net property, plant and equipment	663,525	661,402
Deferred charges and other assets:		
Goodwill, net of accumulated amortization of $27,786 in 2000 and $20,304 in 1999	196,609	204,090
Rig materials and supplies	12,414	13,363
Assets held for disposition	6,860	17,063
Debt issuance costs	10,311	13,202
Other	9,835	22,180
Total deferred charges and other assets	236,029	269,898
Total assets	$ 1,107,419	$ 1,082,743

See accompanying notes to consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (continued)

(Dollars in Thousands)

December 31,	2000	1999
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 5,043	$ 5,054
Accounts payable	44,445	29,170
Accrued liabilities	32,756	29,562
Accrued income taxes	9,422	8,323
Total current liabilities	91,666	72,109
Long-term debt (Note 5)	592,584	648,577
Deferred income taxes	18,467	28,273
Other long-term liabilities	5,539	4,363
Commitments and contingencies (Note 11)	—	—
Stockholders' equity:		
Preferred stock, $1 par value, 1,942,000 shares authorized, no shares outstanding	—	—
Common stock, $.16 2/3 par value, authorized 120,000,000 shares, issued and outstanding 91,723,933 shares (77,372,040 shares in 1999)	15,287	12,895
Capital in excess of par value	431,043	343,374
Comprehensive income-net unrealized gain on investments available for sale (net of taxes of $190 in 2000 and $908 in 1999)	339	1,613
Retained earnings (accumulated deficit)	(47,506)	(28,461)
Total stockholders' equity	399,163	329,421
Total liabilities and stockholders' equity	$ 1,107,419	$ 1,082,743

See accompanying notes to consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in Thousands)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ (19,045)	$ (37,897)	$ (14,633)	$ 28,092
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	85,060	82,170	26,529	68,574
Gain on disposition of assets	(17,920)	(39,070)	(605)	(6,851)
Gain on early retirement of debt, net of deferred tax expense	(3,936)	—	—	—
Provision for reduction in carrying value of certain assets	8,300	10,607	4,055	—
Deferred tax expense (benefit)	(11,302)	(13,888)	(6,147)	2,100
Other	5,320	3,503	1,875	3,992
Change in assets and liabilities:				
Accounts and notes receivable	(47,954)	28,554	7,569	8,886
Rig materials and supplies	(1,981)	(721)	(257)	(5,544)
Other current assets	11,150	(3,263)	658	3,065
Accounts payable and accrued liabilities	18,356	(21,569)	(10,232)	40,383
Accrued income taxes	1,098	747	1,544	1,128
Other assets	125	5,312	871	(306)
Net cash provided by operating activities	27,271	14,485	11,227	143,519
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from the sale of assets	31,912	63,868	1,481	13,470
Capital expenditures (net of reimbursements)	(98,525)	(49,146)	(52,711)	(196,078)
Acquisition of Bolifor	—	—	(500)	(2,189)
Acquisition of Hercules	—	—	—	(195,599)
Purchase of short-term investments	—	(777)	—	(18,708)
Proceeds from sale of short-term investments	16,925	—	9,999	11,547
Other-net	—	650	1,000	(766)
Net cash provided by (used in) investing activities	(49,688)	14,595	(40,731)	(388,323)

See accompanying notes to consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(Dollars in Thousands)

	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of debt	$ —	$ 35,186	$ 10,000	$ 204,692
Proceeds from common stock offering, net	87,313	—	—	—
Payments for early retirement of debt	(43,477)	—	—	—
Principal payments under debt obligations	(4,854)	(43,017)	(1,441)	(124,287)
Repurchase of common stock	—	—	—	(302)
Other	414	(62)	5	4
Net cash provided by (used in) financing activities	39,396	(7,893)	8,564	80,107
Net increase (decrease) in cash and cash equivalents	16,979	21,187	(20,940)	(164,697)
Cash and cash equivalents at beginning of year	45,501	24,314	45,254	209,951
Cash and cash equivalents at end of year	$ 62,480	$ 45,501	$ 24,314	$ 45,254
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	$ 56,608	$ 56,806	$ 22,802	$ 46,892
Income taxes	$ 14,527	$ 10,461	$ 2,968	$ 13,207
Supplemental noncash investing and financing activity:				
1.0 million shares of Unit Corporation stock received on sale of U.S. lower-48 land rigs	$ —	$ 7,562	$ —	$ —
Net unrealized gain (loss) on investments available for sale (net of taxes of $717 in 2000 and $908 in 1999)	$ (1,274)	$ 1,613	$ —	$ —
Note receivable for sale of platform rig	$ —	$ 1,645	$ —	$ —

See accompanying notes to consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollars in Thousands)

	Preferred stock	Common stock	Capital in excess of par value	Retained earnings (accumulated deficit)	Other
Balances, August 31, 1997	$ —	$ 12,780	$ 340,243	$ (4,023)	$ (277)
Activity in employees' stock plans	—	20	1,152	—	277
Acquisition of stock from certain employees	—	(6)	(296)	—	—
Net income	—	—	—	28,092	—
Balances, August 31, 1998	—	12,794	341,099	24,069	—
Activity in employees' stock plans	—	21	600	—	—
Net loss	—	—	—	(14,633)	—
Balances, December 31, 1998	—	12,815	341,699	9,436	—
Activity in employees' stock plans	—	83	1,738	—	—
Acquisition of stock from certain employees	—	(3)	(63)	—	—
Comprehensive Income - Net unrealized gain on investments (net of taxes of $908)	—	—	—	—	1,613
Net loss (total comprehensive loss of $36,284)	—	—	—	(37,897)	—
Balances, December 31, 1999	—	12,895	343,374	(28,461)	1,613
Activity in employees' stock plans	—	92	2,656	—	—
Issuance of 13,800,000 common shares	—	2,300	85,013	—	—
Comprehensive Income - Net unrealized loss on investments available for sale (net of taxes of $717)	—	—	—	—	(1,274)
Net loss (total comprehensive loss of $20,319)	—	—	—	(19,045)	—
Balances, December 31, 2000	$ —	$ 15,287	$ 431,043	$ (47,506)	$ 339

See accompanying notes to the consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Consolidation - The consolidated financial statements include the accounts of Parker Drilling Company ("Parker Drilling") and all of its majority-owned subsidiaries (collectively, the "Company").

Operations - The Company provides land and offshore contract drilling services and rental tools on a worldwide basis to major, independent and foreign-owned oil and gas companies. At December 31, 2000, the Company's rig fleet consists of 27 barge drilling and workover rigs, seven offshore jackup rigs, four offshore platform rigs and 47 land rigs. The Company specializes in the drilling of deep and difficult wells, drilling in remote and harsh environments, drilling in transition zones and offshore waters, and in providing specialized rental tools. The Company also provides a range of services that are ancillary to its principal drilling services, including engineering, logistics and construction, as well as various types of project management.

Change in Fiscal Year - The Company changed its fiscal year end from August 31 to December 31, effective for the fiscal year beginning January 1, 1999. The Company's transition period included the four months from September 1 through December 31, 1998, (the "Transition Period").

Drilling Contracts and Rental Revenues - The Company recognizes revenues and expenses on dayrate contracts as the drilling progresses (percentage-of-completion method) because the Company does not bear the risk of completion of the well. For meterage contracts, the Company recognizes the revenues and expenses upon completion of the well (completed-contract method). Revenues from rental activities are recognized over the rental term which is generally less than six months.

Cash and Cash Equivalents - For purposes of the balance sheet and the statement of cash flows, the Company considers cash equivalents to be all highly liquid debt instruments that have a remaining maturity of three months or less at the date of purchase.

Other Short-Term Investments - Other short-term investments include primarily certificates of deposit, U.S. government securities and commercial paper having remaining maturities of greater than three months at the date of purchase and are stated at the lower of cost or market.

Property, Plant and Equipment - The Company provides for depreciation of property, plant and equipment primarily on the straight-line method over the estimated useful lives of the assets after provision for salvage value. The depreciable lives for land drilling equipment approximate 15 years. The depreciable lives for offshore drilling equipment generally range from 15 to 20 years. The depreciable lives for certain other equipment, including drill pipe, range from three to seven years. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Management periodically evaluates the Company's assets to determine that their net carrying value is not in excess of their net realizable value. Management considers a number of factors such as estimated future cash flows, appraisals and current market value analysis in determining net realizable value. Assets are written down to their fair value if it is below its net carrying value. In addition, interest totaling approximately $0.5 million, $3.0 million, $1.7 million and $3.5 million were capitalized during the years ended December 31, 2000 and 1999, the four months ended December 31, 1998, and the fiscal year ended August 31, 1998, respectively.

Goodwill - Goodwill is being amortized on a straight-line basis over 30 years commencing on the dates of the respective acquisitions. The Company assesses whether the excess of cost over net assets acquired is impaired based on the ability of the operation, to which it relates, to generate cash flows in amounts adequate to cover the future amortization of such assets. If an impairment is determined, the amount of such impairment is calculated based on the estimated fair market value of the related assets.

Rig Materials and Supplies - Since the Company's international drilling generally occurs in remote locations, making timely outside delivery of spare parts uncertain, a complement of parts and supplies is maintained either at the drilling site or in warehouses close to the operations. During periods of high rig utilization, these parts are generally consumed and replenished within a one-year period. During a period of lower rig utilization in a particular location, the parts, like the related idle rigs, are generally not transferred to other international locations until new contracts are obtained because of the significant transportation costs which would result from such transfers. The Company classifies those parts which are not expected to be utilized in the following year as long-term assets.

Other Assets - Other assets includes the Company's investment in marketable equity securities. Equity securities that are classified as available for sale are stated at fair value as determined by quoted market prices. Unrealized holding gains and losses are excluded from current earnings and are included in comprehensive income, net of taxes, in a separate component of stockholders' equity until realized. At December 31, 2000 and 1999, the fair value of equity securities totaled $1.7 million and $11.5 million, respectively.

In computing realized gains and losses on the sale of equity securities, the cost of the equity securities sold is determined using the specific cost of the security when originally purchased.

Other Long-Term Obligations - Included in this account is the accrual of workers' compensation liability.

Income Taxes - The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes." Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Earnings (Loss) Per Share (EPS) - Basic earnings (loss) per share is computed by dividing net income (loss), as adjusted for dividends on preferred stock, by the weighted average number of common shares outstanding during the period. The effect of dilutive securities is included in the diluted EPS calculation, when applicable.

Concentrations of Credit Risk - Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and gas companies. The Company generally does not require collateral on its trade receivables.

Due to political and currency instability in Indonesia during 1997 and 1998, the development of certain power plant projects, for which the Company's subsidiaries were involved by their providing of management, technical and training support to an Indonesian drilling contractor, was postponed or delayed. As a result, the customer, which was leading the development of the projects, defaulted on payments to the Indonesian contractor, causing the Indonesian contractor to initiate arbitration against two subsidiaries of the customer to collect these delinquent payments. In 1999, the arbitration panels awarded the Indonesian contractor approximately $8.5 million including interest. Due to the uncertainty over the economic viability of the power plant projects and timing of repayment of guarantees by the Indonesian government, the Indonesian contractor elected to accept a settlement of the outstanding awards, which will result in the payment of approximately $6.0 million to the Company's subsidiaries by the end of 2001.

The Company places substantially all its interest-bearing investments with major financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. At December 31, 2000 and 1999, the Company had deposits in domestic banks in excess of federally insured limits of approximately $65.9 million and $51.7 million, respectively. In addition, the Company had deposits in foreign banks at December 31, 2000 and 1999, of $3.3 million and $2.9 million, respectively, which are not federally insured.

The Company's drilling customer base consists of major, independent and foreign-owned oil and gas companies. Shell Petroleum Development Company of Nigeria was the Company's largest customer for the years 2000 and 1999, accounting for approximately 10 percent of total revenues in both years. For fiscal year 1998, Chevron was the Company's largest customer with approximately 15 percent of total revenues.

Fair Value of Financial Instruments - The carrying amount of the Company's cash and short-term investments and short-term and long-term debt had fair values that approximated their carrying amounts.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Acquisitions

On December 30, 1997, the Company acquired all of the outstanding capital stock of Hercules Offshore Corporation, a Texas corporation (HOC), and all of the outstanding capital stock of Hercules Rig Corp., a Texas corporation (HRC) and an affiliate of HOC (HOC and HRC being collectively referred to as "Hercules"), for $195.6 million, including acquisition costs. The purchase price for the acquisition was adjusted for certain debt assumed by the Company, for capital expenditures incurred subsequent to the purchase agreement date and for levels of working capital at closing. Hercules owned three self-erecting platform rigs and seven offshore jackup rigs.

The acquisition has been accounted for by the purchase method of accounting; and, the reported financial results include the Hercules operations from the date of acquisition. The excess of purchase price over the fair value of the identifiable net assets acquired was $83.9 million and has been recorded as goodwill.

The summarized unaudited pro forma information for the year ended August 31, 1998, as if the acquisitions of the Hercules companies had occurred September 1, 1997, is as follows (in thousands except per share amounts): revenues – $506,627; net income – $30,876; and earnings per common share (diluted) – $.40.

Note 3 - Disposition of Assets

On November 20, 2000, the Company sold its last remaining U.S. land rig, Rig 245 in Alaska, for $20.0 million. The Company recognized a pre-tax gain of $14.9 million during the fourth quarter of 2000.

On September 30, 1999, the Company completed the sale of its U.S. lower-48 land rigs to Unit Corporation for $40.0 million cash plus one million shares of Unit common stock. The value of such common stock, based on the closing price for Unit's common stock on September 30, 1999, approximated $7.6 million. The Company recognized a pre-tax gain of $36.1 million during September, 1999. During September 2000, the Company sold the one million shares of Unit common stock for $15.0 million. The Company recognized a pre-tax gain of approximately $7.4 million during the third quarter of 2000.

During October 1999, the Company sold its Argentina drilling rigs and inventories (previously classified as assets held for sale) plus one operating drilling rig, Rig 9 in Bolivia, for total consideration of approximately $9.3 million. The Company recognized a pre-tax gain of approximately $0.8 million during October 1999, related primarily to the Bolivia rig.

Note 4 - Assets Held for Disposition

In the third quarter of 1999, it was decided that barge Rig 80, the Gulf Explorer, would be actively marketed for disposition. The Company reduced the carrying value by $2.5 million to record the rig at its estimated net realizable value of $9.0 million. During the fourth quarter of 2000, due to the continued sluggish drilling market in Southeast Asia, the Company reduced the carrying value of the Gulf Explorer by an additional $8.3 million. The net realizable value of the rig is included in assets held for disposition.

During the second quarter of 1999, the Company restructured its drilling operations into two primary business units. As part of the plan, the Company combined two office facilities in Louisiana into one location. The carrying value of the vacated office building was reduced by approximately $1.4 million to its estimated net realizable value of $4.5 million. The net realizable value of the building is included in assets held for disposition.

Note 5 - Long-Term Debt

December 31,	2000	1999
(Dollars in Thousands)		
Senior Notes payable in November 2006 with interest of 9.75% payable semi-annually in May and November, net of unamortized discount of $1,381 and $1,616 at December 31, 2000 and 1999, respectively (effective interest rate of 9.88%)	$ 298,619	$ 298,384
Senior Notes payable in November 2006 with interest of 9.75% payable semi-annually in May and November, net of unamortized premium of $3,888 and $4,545 at December 31, 2000 and 1999, respectively (effective interest rate of 8.97%)	153,868	154,545
Convertible Subordinated Notes payable in July 2004 with interest of 5.5% payable semi-annually in February and August	124,509	175,000
Revolving Credit Facility with interest at prime plus 0.50% or LIBOR plus 2.50%	—	—
Secured promissory note to Boeing Capital Corporation with interest at 10.1278%. Principal and interest payable monthly over a 60-month term	20,110	24,198
Other	521	1,504
Total debt	597,627	653,631
Less current portion	5,043	5,054
Total long-term debt	$ 592,584	$ 648,577

The aggregate maturities of long-term debt for the five years ending December 31, 2005 are as follows (000's): 2001 - $5,043; 2002 - $5,009; 2003 - $5,536; 2004 - $129,565; 2005 - $0.

The Senior Notes, which mature in 2006, were initially issued in November 1996 and in March 1998 in amounts of $300 million (Series B) and $150 million (Series C), respectively. The $300 million issue was sold at a $2.4 million discount while the $150 million issue was sold at a premium of $5.7 million. In May 1998, a registration statement was filed by the Company which offered to exchange the Series B and C Notes for new Series D Notes. The form and terms of the Series D Notes are identical in all material respects to the form and terms of the Series B and C Notes, except for certain transfer restrictions and registration rights relating to the Series C Notes. All of the Series B Notes except $189 thousand and all of the Series C Notes were exchanged for new Series D Notes per this offering. The Notes have an interest rate of 9.75 percent and are guaranteed by substantially all subsidiaries of Parker Drilling, all of which are wholly owned. The guarantees are joint and several, full, complete and unconditional. There are currently no restrictions on the ability of the subsidiaries to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. The non-guarantors are inconsequential, individually and in the aggregate, to the consolidated financial statements and separate financial statements of the guarantors are not presented because management has determined that they would not be material to investors.

In anticipation of funding the Hercules acquisition, in July 1997, the Company issued $175 million of Convertible Subordinated Notes due 2004. The Notes bear interest at 5.5 percent payable semi-annually in February and August. The Notes are convertible at the option of the holder into shares of common stock of Parker Drilling at $15.39 per share at any time prior to maturity. The Notes will be redeemable at the option of the Company at any time after July 2000 at certain stipulated prices. During the fourth quarter of 2000, the Company repurchased on the open market $50.5 million principal amount of the 5.5% Convertible Subordinated Notes at an average price of 86.11 percent of face value. The Note repurchases were funded with proceeds from an equity offering in September 2000, whereby the Company sold 13.8 million shares of common stock for net proceeds of approximately $87.3 million. The amount of outstanding Notes at the end of 2000 was $124.5 million.

On October 22, 1999, the Company entered into a $50.0 million revolving loan facility with a group of banks led by Bank of America. The new facility is available for working capital requirements, general corporate purposes and to support letters of credit. At December 31, 2000, no amounts have been drawn down against the facility but $14.6 million of availability has been used to support letters of credit that have been issued. The revolver is collateralized by accounts receivable, inventory and certain barge rigs located in the Gulf of Mexico. The facility will terminate on October 22, 2003.

On October 7, 1999, a wholly-owned subsidiary of the Company entered into a loan agreement with Boeing Capital Corporation for the refinancing of a portion of the capital cost of barge Rig 75. The loan principal of approximately $24.8 million plus interest is to be repaid in 60 monthly payments of approximately $0.5 million. The loan is collateralized by barge Rig 75 and is guaranteed by Parker Drilling.

Each of the 9.75% Senior Notes, 5.5% Convertible Subordinated Notes and the revolving loan facility contains customary affirmative and negative covenants, including restrictions on incurrence of debt and sales of assets. The revolving loan facility prohibits payment of dividends and the indenture for the 9.75% Senior Notes restricts the payment of dividends.

Note 6 - Income Taxes

Income (loss) before income taxes and extraordinary gain (in thousands) is summarized as follows:

	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
United States	$ (29,253)	$ (47,526)	$ (19,249)	$ 7,682
Foreign	10,595	6,949	2,981	36,845
	$ (18,658)	$ (40,577)	$ (16,268)	$ 44,527

Income tax expense (benefit) (in thousands) is summarized as follows:

	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
Current:				
United States:				
Federal	$ —	$ —	$ —	$ —
State	—	838	21	50
Foreign	15,625	10,370	4,491	14,285
Deferred:				
United States:				
Federal	(10,988)	(13,552)	(5,976)	2,042
State	(314)	(336)	(171)	58
	$ 4,323	$ (2,680)	$ (1,635)	$ 16,435

Total income tax expense (benefit) (in thousands) differs from the amount computed by multiplying income (loss) before income taxes by the U.S. federal income tax statutory rate. The reasons for this difference are as follows:

	Year Ended December 31, 2000		Year Ended December 31, 1999		Four Months Ended December 31, 1998		Year Ended August 31, 1998	
	Amount	% of pretax income	Amount	% of pretax income	Amount	% of pretax income	Amount	% of pretax income
Computed expected tax expense (benefit)	$ (6,530)	(35%)	$(14,202)	(35%)	$ (5,694)	(35%)	$15,584	35%
Foreign taxes	10,156	54%	6,741	17%	2,919	18%	1,389	3%
Utilization of loss carryforwards	—	—	—	—	—	—	(1,973)	(4%)
Change in valuation allowance	(6,097)	(33%)	—	—	—	—	—	—
Foreign corporation losses	4,253	23%	2,438	6%	—	—	—	—
Goodwill amortization	1,488	8%	1,488	4%	584	4%	1,162	2%
Other	1,053	6%	855	1%	556	3%	273	1%
Actual tax expense (benefit)	$ 4,323	23%	$ (2,680)	(7%)	$ (1,635)	(10%)	$16,435	37%

The components of the Company's tax assets and (liabilities) as of December 31, 2000 and 1999, are shown below (in thousands):

December 31,	2000	1999
Deferred tax assets:		
Net operating loss carryforwards	$ 61,796	$ 83,209
Reserves established against realization of certain assets	2,304	2,430
Accruals not currently deductible for tax purposes	6,476	5,654
	70,576	91,293
Deferred tax liabilities:		
Property, plant and equipment	(59,090)	(76,188)
Goodwill	(4,824)	(3,361)
Unrealized gain on investments held for sale	(190)	(908)
Net deferred tax asset	6,472	10,836
Valuation allowance	(24,939)	(39,109)
Deferred income tax liability	$ (18,467)	$ (28,273)

At December 31, 2000, the Company had $171,656,000 of net operating loss carryforwards. For tax purposes the net operating loss carryforwards expire over a 20-year period ending August 31 as follows: 2001-$58,830,000; 2002-$32,947,000; 2003-$0; 2004-$5,184,000; thereafter-$119,195,000. The Company has recorded a valuation allowance of $24,939,000 with respect to its deferred tax asset. However, the amount of the asset considered realizable could be different in the near term if estimates of future taxable income change.

Note 7 - Common Stock and Stockholders' Equity

In September 2000, the Company sold 13.8 million common shares in a public offering, resulting in net proceeds (after deducting issuance costs) of $87.3 million. The proceeds will be used to acquire, upgrade and refurbish certain offshore and land drilling rigs and for general corporate purposes, including the repayment of debt (see Note 5).

Stock Plans

The Company's employee and non-employee director stock plans are summarized as follows:

The 1994 Non-Employee Director Stock Option Plan ("Director Plan") provides for the issuance of options to purchase up to 200,000 shares of Parker Drilling's common stock. The option price per share is equal to the fair market value of a Parker Drilling share on the date of grant. The term of each option is ten years, and an option first becomes exercisable six months after the date of grant. All shares available for issuance under this plan have been granted.

The 1994 Executive Stock Option Plan provides that the directors may grant a maximum of 2,400,000 shares to key employees of the Company and its subsidiaries through the granting of stock options, stock appreciation rights and restricted and deferred stock awards. The option price per share may not be less than 50 percent of the fair market value of a share on the date the option is granted, and the maximum term of a non-qualified option may not exceed 15 years and the maximum term of an incentive option is 10 years. All shares available for issuance under this plan have been granted.

The 1997 Stock Plan is a "broad-based" stock plan, based on the interim rules of the New York Stock Exchange, that provides that the directors may grant stock options and restricted stock awards up to a maximum of 4,000,000 shares to all employees of the Company who, in the opinion of the board of directors, are in a position to contribute to the growth, management and success of the Company. More than 50 percent of all awards under this plan have been awarded to employees who are non-executive officers. The option price per share may not be less than the fair market value on the date the option is granted for incentive options and not less than par value of a share of common stock for non-qualified options.

The maximum term of an incentive option is 10 years and the maximum term of a non-qualified option is 15 years. In July 1999, 2,000,000 additional shares were registered with the SEC for granting under the 1997 Stock Plan. As of December 31, 2000, there were 1,145,250 shares available for granting.

Information regarding the Company's stock option plans is summarized below:

	1994 Director Plan	
	Shares	Weighted Average Exercise Price
Shares under option:		
Outstanding at August 31, 1997	170,000	$ 8.303
Granted	20,000	12.094
Exercised	—	—
Cancelled	—	—
Outstanding at August 31, 1998	190,000	8.702
Granted	—	—
Exercised	—	—
Cancelled	—	—
Outstanding at December 31, 1998	190,000	8.702
Granted	10,000	3.281
Exercised	—	—
Cancelled	—	—
Outstanding at December 31, 1999	200,000	8.431
Granted	—	—
Exercised	—	—
Cancelled	—	—
Outstanding at December 31, 2000	200,000	$ 8.431

	1994 Option Plan			
	Incentive Options		Non-Qualified Options	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option:				
Outstanding at August 31, 1997	622,564	$ 7.227	1,591,436	$ 7.500
Granted	—	—	—	—
Exercised	—	—	(2,000)	2.250
Cancelled	—	—	—	—
Outstanding at August 31, 1998	622,564	7.227	1,589,436	7.507
Granted	—	—	—	—
Exercised	—	—	(2,500)	2.250
Cancelled	—	—	—	—
Outstanding at December 31, 1998	622,564	7.227	1,586,936	7.516
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled	—	—	—	—
Outstanding at December 31, 1999	622,564	7.227	1,586,936	7.516
Granted	—	—	—	—
Exercised	—	—	(18,750)	2.250
Cancelled	—	—	—	—
Outstanding at December 31, 2000	622,564	$ 7.227	1,568,186	$ 7.577

	1997 Stock Plan			
	Incentive Options		Non-Qualified Options	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option:				
Outstanding at August 31, 1997	739,685	$ 8.875	1,060,315	$ 8.875
Granted	1,149,220	12.022	261,280	10.813
Exercised	—	—	—	—
Cancelled	(15,000)	12.188	—	—
Outstanding at August 31, 1998	1,873,905	10.750	1,321,595	9.258
Granted	—	—	—	—
Exercised	—	—	—	—
Cancelled	—	—	—	—
Outstanding at December 31, 1998	1,873,905	10.750	1,321,595	9.258
Granted	1,003,021	3.189	897,979	3.232
Exercised	(1,011)	3.188	(239)	3.188
Cancelled	(81,740)	11.410	(153,760)	10.813
Outstanding at December 31, 1999	2,794,175	8.038	2,065,575	6.523
Granted	50,000	5.938	15,000	5.062
Exercised	(92,094)	3.188	(24,370)	3.188
Cancelled	(30,130)	8.564	(2,870)	3.188
Outstanding at December 31, 2000	2,721,951	$ 8.158	2,053,335	$ 6.556

			Outstanding Options	
Plan	Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
1994 Director Plan	$ 3.281 - $ 6.125	40,000	5.4 years	$ 4.827
	$ 8.875 - $ 12.094	160,000	6.5 years	$ 9.332
1994 Executive Option Plan				
Incentive Option	$ 4.500	234,554	4.0 years	$ 4.500
Incentive Option	$ 8.875	388,010	6.4 years	$ 8.875
Non-Qualified	$ 2.250 - $ 4.500	436,196	4.0 years	$ 4.207
Non-Qualified	$ 8.875	1,131,990	6.4 years	$ 8.875
1997 Stock Plan				
Incentive Option	$ 3.188 - $ 5.938	947,786	5.4 years	$ 3.334
Incentive Option	$ 8.875 - $ 12.188	1,774,165	6.2 years	$ 10.750
Non-Qualified	$ 3.188 - $ 5.062	885,500	5.3 years	$ 3.263
Non-Qualified	$ 8.875 - $ 10.183	1,167,835	6.6 years	$ 9.054

		Exercisable Options	
Plan	Exercise Prices	Number of Shares	Weighted Average Exercise Price
1994 Director Plan	$ 3.281 - $ 6.125	40,000	$ 4.829
	$ 8.875 - $ 12.094	136,000	$ 9.413
1994 Executive Option Plan			
Incentive Option	$ 4.500	234,554	$ 4.500
Incentive Option	$ 8.875	388,010	$ 8.875
Non-Qualified	$ 2.250 - $ 4.500	436,196	$ 4.207
Non-Qualified	$ 8.875	1,131,990	$ 8.875
1997 Stock Plan			
Incentive Option	$ 3.188 - $ 5.938	357,100	$ 3.286
Incentive Option	$ 8.875 - $ 12.188	1,339,034	$ 10.824
Non-Qualified	$ 3.188 - $ 5.062	553,135	$ 3.309
Non-Qualified	$ 8.875 - $ 10.183	686,366	$ 9.057

The Company has three additional stock plans which provide for the issuance of stock for no cash consideration to officers and key non-officer employees. Under two of the plans, each employee receiving a grant of shares may dispose of 15 percent of his/her grant on each annual anniversary date from the date of grant for the first four years and the remaining 40 percent on the fifth year anniversary. These two plans have a total of 11,375 shares reserved and available for granting. Shares granted under the third plan are fully vested no earlier than 24 months from the effective date of the grant and not later than 36 months. The plan has a total of 1,562,195 shares reserved and available for granting. No shares were granted under these plans in 2000 and 1999, the transition period and fiscal 1998.

The fair market value of the common stock at date of grant which exceeds the option price of shares granted under any of the plans is recorded as deferred compensation and amortized to expense over the period during which the restrictions lapse. Deferred compensation is shown as a deduction from stockholders' equity. All such costs had been fully amortized as of August 31, 1998.

During 1999, the Company purchased 15,195 shares at an average price of $4.31 per share from certain of its employees who had received stock grants under the Company's stock plans. During fiscal 1998, the Company purchased 36,562 shares from certain of its employees who had received stock grants under the Company's stock plans. Total shares purchased from employees and treated as treasury stock were 402,607 for the fiscal year ended August 31, 1998. Currently, 497,323 shares are held in Treasury. The Company acquired the shares at then current market prices (weighted average price was $8.28 per share in fiscal 1998). The proceeds were used to pay the employees' tax withholding obligations arising from the vesting of shares under the Plans.

The Company has elected the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the Company's stock option plans when the option price is equal to or greater than the fair market value of a share of the Company's common stock on the date of grant. Pro forma net income and earnings per share are reflected below as if compensation cost had been determined based on the fair value of the options at their applicable grant date, according to the provisions of SFAS No. 123.

	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
(In thousands)				
Income (loss) before extraordinary gain:				
As reported	$ (22,981)	$ (37,897)	$ (14,633)	$ 28,092
Pro forma	$ (25,941)	$ (45,925)	$ (16,605)	$ 21,922
Earnings (loss) per share before extraordinary gain, diluted:				
As reported	$ (.28)	$ (.49)	$ (.19)	$ .36
Pro forma	$ (.32)	$ (.59)	$ (.22)	$ .28

The fair value of each option grant is estimated using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected stock volatility	44.0% in fiscal year 1998
	49.0% for the Transition Period
	49.0% in 1999
	51.6% in 2000
Risk-free interest rate	5.4 – 6.7%
Expected life of options	5 – 7 years

The fair values of options granted during the year ended December 31, 1999 and the fiscal year 1998 under the Director Plan were $16,500 and $115,000, respectively. Options granted in fiscal 1998 under the 1997 Stock Plan had a fair value of $8,585,100. Options granted in 2000 and 1999 under the 1997 Stock Plan had a fair value of $202,900 and $3,262,749, respectively.

Stock Reserved for Issuance

The following is a summary of common stock reserved for issuance:

December 31,	2000	1999
Stock Plans	9,969,570	9,983,070
Stock Bonus Plan	106,375	965,621
Convertible Notes	8,090,254	11,371,020
Total shares reserved for issuance	18,166,199	22,319,711

Stockholder Rights Plan

The Company adopted a stockholder rights plan on June 25, 1998, to assure that the Company's stockholders receive fair and equal treatment in the event of any proposed takeover of the Company and to guard against partial tender offers and other abusive takeover tactics to gain control of the Company without paying all stockholders a fair price. The rights plan was not adopted in response to any specific takeover proposal. Under the rights plan, the Company's Board of Directors declared a dividend of one right to purchase one one-thousandth of a share of a new series of junior participating preferred stock for each outstanding share of common stock.

The rights may only be exercised 10 days following a public announcement that a third party has acquired 15 percent or more of the outstanding common shares of the Company or 10 days following the commencement of, or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a third party of 15 percent or more of the common shares. When exercisable, each right will entitle the holder to purchase one one-thousandth share of the new series of junior participating preferred stock at an exercise price of $30, subject to adjustment. If a person or group acquires 15 percent or more of the outstanding common shares of the Company, each right, in the absence of timely redemption of the rights by the Company, will entitle the holder, other than the acquiring party, to purchase for $30, common shares of the Company having a market value of twice that amount.

The rights, which do not have voting privileges, expire June 30, 2008, and at the Company's option, may be redeemed by the Company in whole, but not in part, prior to expiration for $.01 per right. Until the rights become exercisable, they have no dilutive effect on earnings per share.

Note 8 - Reconciliation of Income and Number of Shares Used to Calculate Basic and Diluted Earnings Per Share (EPS)

	For the Twelve Months Ended December 31, 2000		
	Income (loss) (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Loss before extraordinary gain	$ (22,981,000)	81,758,825	$ (.28)
Extraordinary gain	3,936,000	81,758,825	.05
Net loss	(19,045,000)	81,758,825	(.23)
Effect of dilutive securities:			
Stock options and grants		—	
Diluted EPS:			
Loss before extraordinary gain	(22,981,000)	81,758,825	(.28)
Extraordinary gain	3,936,000	81,758,825	.05
Net loss + assumed conversions	$ (19,045,000)	81,758,825	$ (.23)

	For the Twelve Months Ended December 31, 1999		
	Income (loss) (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Net loss	$ (37,897,000)	77,159,461	$ (.49)
Effect of dilutive securities:			
Stock options and grants		—	
Diluted EPS:			
Net loss + assumed conversions	$ (37,897,000)	77,159,461	$ (.49)

	For the Four Months Ended December 31, 1998		
	Income (loss) (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Net loss	$ (14,633,000)	76,828,879	$ (.19)
Effect of dilutive securities:			
Stock options and grants		—	
Diluted EPS:			
Net loss + assumed conversions	$ (14,633,000)	76,828,879	$ (.19)

	For the Twelve Months Ended August 31, 1998		
	Income (loss) (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Net income	$ 28,092,000	76,658,100	$ .37
Effect of dilutive securities:			
Stock options and grants		1,131,290	
Diluted EPS:			
Net income + assumed conversions	$ 28,092,000	77,789,390	$ .36

The Company has outstanding $124,509,000 of 5.5% Convertible Subordinated Notes, which are convertible into 8,090,254 shares of common stock at $15.39 per share. The Notes have been outstanding since their issuance in July 1997, but were not included in the computation of diluted EPS because the assumed conversion of the Notes would have had an anti-dilutive effect on EPS. For the12 months ended December 31, 2000 and 1999, and four months ended December 31, 1998, options to purchase 7,166,036; 7,269,250 and 5,595,000 shares of common stock, respectively, at prices ranging from $2.25 to $12.1875, were outstanding but not included in the computation of diluted EPS because the assumed exercise of the options would have had an anti-dilutive effect on EPS due to the net loss during those periods. In addition, for the fiscal year ended August 31, 1998, options to purchase 995,500, 400,000 and 20,000 shares of common stock at $12.1875; $10.8125 and $12.0938, respectively, which were outstanding during part of the period, were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares during the period.

Note 9 - Employee Benefit Plans

The Parker Drilling Company Stock Bonus Plan ("Plan") was adopted effective September 1980 for employees of Parker Drilling and its subsidiaries who are U.S. citizens and who have completed three months of service with the Company. It was amended in 1983 to qualify as a 401(k) plan under the Internal Revenue Code which permits a specified percentage of an employee's salary to be voluntarily contributed on a before-tax basis and to provide for a Company matching feature. Participants may contribute from one percent to 15 percent of eligible earnings and direct contributions to one or more of 10 investment funds. The Plan was amended and restated, effective January 1, 1999, to provide for dollar-for-dollar matching contributions by the Company up to three percent of a participant's compensation and $.50 for every dollar contributed from three percent to five percent. The Company's matching contribution is made in Parker Drilling common stock. The Plan was amended and restated on April 1, 1996, for the purpose of adding loans and daily record keeping. The Plan was further amended, effective September 1, 1996, to provide for immediate vesting of participants in the full amount of the Company's past and future contributions. Each Plan year, additional Company contributions can be made, at the discretion of the Board of Directors, in amounts not exceeding the permissible deductions under the Internal Revenue Code. The Company issued 361,855 and 498,654 shares to the Plan in 2000 and 1999; 119,390 shares to the Plan during the transition period; and 119,809 shares to the Plan in fiscal 1998, with the Company recognizing expense of $2,037,000; $1,796,000; $374,000; and $1,167,000 in each of the periods, respectively.

Note 10 - Business Segments

In fiscal 1997, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" and organized its segments according to services provided: land drilling, offshore drilling and rental tools. During the second quarter of 1999, the Company restructured its worldwide drilling operations into two primary business units, U.S. operations and international operations. This is the basis management uses for making operating decisions and assessing performance. Accordingly, the Company has changed its segments to include U.S. drilling, international drilling and rental tools and has restated the segment information for the four months ended December 31, 1998 and the fiscal year ended August 31, 1998. The primary services the Company provides are as follows: U.S. land and offshore drilling, international land and offshore drilling and rental tools.

Information regarding the Company's operations by industry segment and geographic area is as follows:

Operations by Industry Segment	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
		(Dollars in Thousands)		
Revenues:				
U.S. drilling	$ 148,411	$ 113,715	$ 49,648	$ 197,084
International drilling	185,100	182,908	76,248	249,481
Rental tools	42,833	27,656	10,245	32,723
Other	5	274	582	1,935
Total revenues	$ 376,349	$ 324,553	$ 136,723	$ 481,223
Operating income (loss):				
U.S. drilling	$ (2,713)	$ (41,508)	$ (7,814)	$ 25,148
International drilling	569	10,037	6,048	47,519
Rental tools	16,667	7,356	2,926	11,551
Other	1	(2,655)	(921)	(558)
Total operating income (loss)	14,524	(26,770)	239	83,660
Interest expense	(57,036)	(55,928)	(17,427)	(49,389)
Other income (expense) - net	23,854	42,121	920	10,256
Income (loss) before taxes	$ (18,658)	$ (40,577)	$ (16,268)	$ 44,527
Identifiable assets:				
U.S. drilling	$ 356,090	$ 386,385	$ 446,820	$ 446,927
International drilling	412,839	357,906	419,640	410,034
Rental tools	57,550	43,356	45,533	44,040
Other	11,943	13,034	16,696	15,984
Total identifiable assets	838,422	800,681	928,689	916,985
Corporate assets	268,997	282,062	230,637	283,559
Total assets	$ 1,107,419	$ 1,082,743	$ 1,159,326	$1,200,544
Capital expenditures:				
U.S. drilling	$ 22,221	$ 8,093	$ 11,510	$ 64,652
International drilling	55,215	29,937	37,355	115,999
Rental tools	16,168	7,221	3,638	14,133
Other	4,921	3,895	208	1,294
Total capital expenditures	$ 98,525	$ 49,146	$ 52,711	$ 196,078
Depreciation and amortization:				
U.S. drilling	$ 42,458	$ 39,787	$ 10,831	$ 35,912
International drilling	30,730	34,046	12,728	24,092
Rental tools	11,147	8,261	2,425	6,943
Other	725	76	545	1,627
Total depreciation and amortization	$ 85,060	$ 82,170	$ 26,529	$ 68,574

Operations by Geographic Area	Year Ended December 31, 2000	Year Ended December 31, 1999	Four Months Ended December 31, 1998	Year Ended August 31, 1998
		(Dollars in Thousands)		
Revenues:				
United States	$ 191,249	$ 141,644	$ 60,475	$ 231,744
Latin America	58,467	85,112	35,820	121,048
Asia Pacific	15,373	25,194	8,368	65,867
Africa and Middle East	55,671	36,852	18,433	42,778
Former Soviet Union	55,589	35,751	13,627	19,786
Total revenues	$ 376,349	$ 324,553	$ 136,723	$ 481,223
Operating income (loss):				
United States	$ 13,955	$ (36,807)	$ (5,809)	$ 39,715
Latin America	3,393	8,175	481	9,701
Asia Pacific	(10,967)	(9,044)	(390)	18,005
Africa and Middle East	4,773	6,497	4,302	12,381
Former Soviet Union	3,370	4,409	1,655	3,858
Total operating income (loss)	$ 14,524	$ (26,770)	$ 239	$ 83,660
Identifiable assets:				
United States	$ 702,639	$ 724,837	$ 739,687	$ 790,510
Latin America	93,896	102,348	151,935	145,256
Asia Pacific	41,602	60,458	65,725	83,854
Africa and Middle East	119,607	105,354	93,102	82,041
Former Soviet Union	149,675	89,746	108,877	98,883
Total identifiable assets	$ 1,107,419	$ 1,082,743	$ 1,159,326	$1,200,544

Note 11 - Commitments and Contingencies

At December 31, 2000 and 1999, the Company had a $50.0 million revolving credit facility available for general corporate purposes and to support letters of credit. As of December 31, 2000, $14.6 million availability has been reserved to support letters of credit that have been issued. As of December 31, 1999, the Company had pledged $6.7 million cash, included as other current assets, as collateral to support letters of credit, which amount was released in March 2000. At December 31, 2000 and 1999, no amounts had been drawn under the revolving credit facility.

Certain officers of the Company entered into Severance Compensation and Consulting Agreements with the Company in 1988 and 1992. In October 1996, the officers executed revised Severance Compensation and Consulting Agreements (the "Agreements"). Subsequently, other officers have signed a form of the Agreements, as revised in 1996, resulting in a total of nine officers who are currently signatories. The Agreements provide for an initial six-year term and the payment of certain benefits upon a change of control (as defined in the Agreements). A change of control includes certain mergers or reorganizations, changes in the board of directors, sale or liquidation of the Company or acquisition of more than 15 percent of the outstanding common stock of the Company by a third party; provided, that the amendments in 1996 gave the Board the right to preclude triggering of a change of control when a third party acquired 15 percent of the outstanding voting securities if the Board determines within five days that the circumstances of the acquisition did not warrant implementation of the Agreements. After a change of control occurs, if an officer is terminated within four years without good cause or resigns within two years for good reason (as each are defined in the Agreements) the officer shall receive a payment of three times his annual cash compensation, plus additional compensation for a one-year consulting agreement at the officer's annual cash compensation, plus extended life, health and other miscellaneous benefits for four years.

The drilling of oil and gas wells is subject to various federal, state, local and foreign laws, rules and regulations. The Company, as an owner or operator of both onshore and offshore facilities operating in or near waters of the United States, may be liable for the costs of removal and damages arising out of a pollution incident to the extent set forth in the Federal Water Pollution Control Act, as amended by the Oil Pollution Act of 1990 ("OPA") and the Outer Continental Shelf Lands Act. In addition, the Company may also be subject to applicable state law and other civil claims arising out of any such incident. Certain of the Company's facilities are also subject to regulations of the Environmental Protection Agency ("EPA") that require the preparation and implementation of spill prevention, control and countermeasure plans relating to possible discharge of oil into navigable waters. Other regulations of the EPA may require certain precautions in storing, handling and transporting hazardous wastes. State statutory provisions relating to oil and natural gas generally include requirements as to well spacing, waste prevention, production limitations, pollution prevention and cleanup, obtaining drilling and dredging permits and similar matters. The Company believes that it is in substantial compliance with such laws, rules and regulations.

The Company is a party to various lawsuits and claims arising out of the ordinary course of business. Management, after review and consultation with legal counsel, considers that any liability resulting from these matters would not materially affect the results of operations, the financial position or the net cash flows of the Company.

Note 12 - Related Party Transactions

Since 1975 when the stockholders approved a Stock Purchase Agreement, the Company and Robert L. Parker have entered into various life insurance arrangements on the life of Robert L. Parker. To insure the lives of Mr. and Mrs. Parker for $15.2 million and Mr. Robert L. Parker for $8.0 million, the Company is currently paying $0.6 million in annual premiums. Annual premiums funded by the Company will be reimbursed from the proceeds of the policies, plus accrued interest beginning March 2003 at a one-year treasury bill rate. The Company may use, at its option, up to $7.0 million of such proceeds to purchase Parker Drilling Company stock from the Robert L. Parker Sr. Family Limited Partnership at a discounted price. Robert L. Parker Jr., chief executive officer of the Company and son of Robert L. Parker, will receive one-third of the net proceeds of these policies as a beneficiary.

Note 13 - Supplementary Information

At December 31, 2000, accrued liabilities included $8.4 million of accrued interest expense, $6.0 million of workers' compensation and health plan liabilities and $9.9 million of accrued payroll and payroll taxes. At December 31, 1999, accrued liabilities included $9.6 million of accrued interest expense, $5.4 million of workers' compensation and health plan liabilities and $4.0 million of accrued payroll and payroll taxes. Other long-term obligations included $3.2 million and $3.0 million of workers' compensation liabilities as of December 31, 2000 and 1999, respectively.

Note 14 - Selected Quarterly Financial Data (Unaudited)

	Quarter				
	First	Second	Third	Fourth	Total
	(Dollars in Thousands Except Per Share Amounts)				
YEAR 2000					
Revenues	$ 73,953	$ 86,960	$ 101,849	$ 113,587	$ 376,349
Gross profit [1]	$ (3,931)	$ 6,409	$ 15,445	$ 25,293	$ 43,216
Operating income	$ (8,934)	$ 1,965	$ 9,953	$ 11,540	$ 14,524
Net income (loss) before extraordinary gain	$ (14,876)	$ (9,482)	$ (1,034)	$ 2,411	$ (22,981)
Extraordinary gain, net of taxes	$ —	$ —	$ —	$ 3,936	$ 3,936
Net income (loss)	$ (14,876)	$ (9,482)	$ (1,034)	$ 6,347	$ (19,045)
Basic earnings (loss) per share:					
Income (loss) before extraordinary gain	$ (.19)	$ (.12)	$ (.01)	$ .03	$ (.28) [2]
Extraordinary gain	$ —	$ —	$ —	$ .04	$ .05 [2]
Net income (loss)	$ (.19)	$ (.12)	$ (.01)	$ .07	$ (.23) [2]
Diluted earnings (loss) per share:					
Income (loss) before extraordinary gain	$ (.19)	$ (.12)	$ (.01)	$ .03	$ (.28) [2]
Extraordinary gain	$ —	$ —	$ —	$ .04	$ .05 [2]
Net income (loss)	$ (.19)	$ (.12)	$ (.01)	$ .07	$ (.23) [2]
YEAR 1999					
Revenues	$ 86,846	$ 81,994	$ 80,080	$ 75,633	$ 324,553
Gross profit (loss) [1]	$ 1,353	$ 3,573	$ (2,267)	$ 490	$ 3,149
Operating income (loss)	$ (6,751)	$ (4,768)	$ (11,730)	$ (3,521)	$ (26,770)
Net income (loss)	$ (12,796)	$ (13,073)	$ 1,325	$ (13,353)	$ (37,897)
Earnings (loss) per share:					
Basic	$ (.17)	$ (.17)	$ .02	$ (.17)	$ (.49)
Diluted	$ (.17)	$ (.17)	$ .02	$ (.17)	$ (.49)

(1) Gross profit is calculated by excluding general and administrative expense, restructuring charges and provision for reduction in carrying value of certain assets from operating income, as reported in the Consolidated Statement of Operations.

(2) As a result of shares issued during the year, earnings per share for the year's four quarters, which are based on weighted average shares outstanding during each quarter, do not equal the annual earnings per share, which is based on the weighted average shares outstanding during the year.

Directors & Officers

Directors

Robert L. Parker
Chairman,
Parker Drilling Company

Mr. Parker joined Parker Drilling in 1944 and 10 years later purchased the company from his father, Gifford, the founder of the company. Serving as president since 1954, Mr. Parker took the company public in 1969. In 1969, he was elected chairman and chief executive officer. Since December 1991, he has retained the position of chairman. Mr. Parker also serves on the board of directors of Clayton Williams Energy, Inc., BOK Financial Corporation and Wells Fargo Bank Texas, Kerrville, N.A.

James E. Barnes
Retired Chairman, President and Chief Executive Officer
MAPCO Inc.

Mr. Barnes joined the Parker board in March 1998. He served as chairman, president and chief executive officer of MAPCO Inc., a diverse Fortune 500 energy company which merged with Williams Companies in April 1998. Mr. Barnes also serves on the boards of Stillwell Financial Inc., BOK Financial Corp., and SBC Communications, Inc.

Bernard J. Duroc-Danner
Chairman, President and Chief Executive Officer
Weatherford International, Inc.

Mr. Duroc-Danner joined the Parker board in November 1996. For more than five years he served as president and chief executive officer of EVI, Inc., the former parent company of Mallard Drilling. EVI and Weatherford merged in June 1998 and subsequent to such merger, Mr. Duroc-Danner became chairman, president and chief executive officer of Weatherford. Weatherford International is one of the world's largest providers of engineered products and specialized services to the drilling, completion and production sectors of the global oil and gas industry. Mr. Duroc-Danner is also chairman of Grant Prideco, a director of Caldive International and Universal Compression. Mr. Duroc-Danner holds a Ph.D. in economics from Wharton University of Pennsylvania.

David L. Fist
Lawyer
Rosenstein, Fist & Ringold, Tulsa

A director since 1986, Mr. Fist is a member of the law firm of Rosenstein, Fist & Ringold in Tulsa. He has been affiliated with the firm since 1955. Mr. Fist also serves as a director of Peoples State Bank.

Earnest F. Gloyna
Professor and Environmental Consultant

Dr. Gloyna has served as a director since 1978. Former dean of the College of Engineering at The University of Texas at Austin, he is presently a chaired professor in Environmental Engineering at the university. Dr. Gloyna is also a private consultant in environmental engineering and is president of Gloyna Properties, Inc. In addition, he serves as a member of the board of trustees of Southwest Research Institute, Board of Managers of HydroProcessing, L.L.C., and Board of Advisors of International Isotopes, Inc.

Simon G. Kukes
President and Chief Executive Officer
Tyumen Oil Company

Mr. Kukes joined the Parker board in July 2000. He serves as president and chief executive officer of Moscow-based Tyumen Oil Company, one of the world's top 15 private oil companies. He also serves as advisor to the Foreign Policy Association. Mr. Kukes graduated cum laude from Moscow Chemical Technical Institute in 1969 and gained his doctorate in kinetic chemical processes in 1973. From 1979 to 1998, he held top management positions with Phillips Petroleum and Amoco Oil.

James W. Linn
Executive Vice President and Chief Operating Officer
Parker Drilling Company

Mr. Linn joined Parker in 1973 and served in the company's international department, as well as in U.S. operations. In 1976, he was named northern U.S. district manager and three years later, Mr. Linn was elected vice president of U.S. and Canada operations. In September 1981, he was promoted to senior vice president and in December 1991, was elected to his present position. A director since 1986, Mr. Linn is also a director of Sarkeys Energy Center at the University of Oklahoma, a director of the International Association of Drilling Contractors (IADC), a member of the Oklahoma and Tulsa County Bar Associations, and a member of the Advisory Board to the Mewbourne School of Petroleum and Geological Engineering at the University of Oklahoma.

Robert L. Parker Jr.
President and Chief Executive Officer
Parker Drilling Company

After receiving an undergraduate business degree and an MBA from The University of Texas at Austin, Mr. Parker joined the company in 1973 as a contract representative and was named manager of U.S. operations later that year. He was elected a vice president in 1973, executive vice president in 1976, and in October 1977, Mr. Parker was named president and chief operating officer. In December 1991, he was elected chief executive officer. Mr. Parker currently serves on the board of directors of The American Red Cross, The University of Texas Engineering Foundation Advisory Council and the International Association of Drilling Contractors (IADC). This past year he joined the University of Texas Development Board. He is also on the American Petroleum Institute's Upstream Committee. He has served as a Parker director since 1973.

R. Rudolph Reinfrank
Managing General Partner
Clarity Partners

Mr. Reinfrank is a co-founder and managing general partner of Clarity Partners. Prior to the formation of Clarity, Mr. Reinfrank co-founded Rader Reinfrank & Co., LLC. He was previously managing director of the Davis Companies. Mr. Reinfrank was elected to the Parker board in 1993.

Officers

Robert L. Parker
Chairman

Robert L. Parker Jr.
President & Chief Executive Officer

James W. Linn
Executive Vice President & Chief Operating Officer

James J. Davis
Senior Vice President of Finance & Chief Financial Officer

Thomas L. Wingerter
Vice President of Operations

John R. Gass
Vice President of Corporate Business Development

Denis J. Graham
Vice President of Engineering

Patrick C. Seals
Vice President of Shared Services

W. Kirk Brassfield
Corporate Controller

David W. Tucker
Treasurer

2000 Annual Meeting

The Annual Meeting of Stockholders will be held at 10 a.m., Central Daylight Savings Time, on Wednesday, April 25, 2001, at:

Parker Building
Eight East Third Street
Tulsa, Oklahoma

Common Stock

Shares of Parker Drilling Company are listed and traded on the New York Stock Exchange. The trading symbol is PKD.

PKD Listed NYSE

Stockholder Inquiries

Stockholders should refer specific questions concerning stock certificates in writing directly to the stock agent and registrar, Wells Fargo Bank Minnesota, N.A., at the address, as shown below.

Wells Fargo Bank Minnesota, N.A.
Shareholder Services
P.O. Box 64854
St. Paul, MN 55164-0854
Toll free, (800) 468-9716
Or (651) 450-4064

Independent Auditors

PricewaterhouseCoopers LLP
Two Warren Place, Suite 1850
6120 S. Yale
Tulsa, OK 74136

Corporate Headquarters

Parker Drilling Company

Parker Building
Eight East Third Street
Tulsa, OK 74103-3637 USA
(918) 585-8221
Fax (918) 631-1341

Information Requests

Copies of the company's annual report to stockholders, the Form 10-K annual report to the Securities and Exchange Commission (SEC), the Form 10-Q quarterly reports, and quarterly earnings releases are available by writing to Investor Relations Department, Parker Drilling Company, Eight East Third Street, Tulsa, Oklahoma 74103-3637. E-mail requests to chuck.sullivan@parkerdrilling.com or call (918) 631-1274.

Parker Drilling on the Internet

Recent news releases issued by the company and other information are available at www.parkerdrilling.com.

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