
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended **SEPTEMBER 30, 2007**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-7573

PARKER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

73-0618660

(I.R.S. Employer Identification No.)

1401 Enclave Parkway, Suite 600, Houston, Texas 77077

(Address of principal executive offices) (Zip code)

(281) 406-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Exchange Act Rule 12b-2.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2007, 111,843,152 common shares were outstanding.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in Thousands)
(Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 66,954	\$ 92,203
Marketable securities	—	62,920
Accounts and notes receivable, net	161,500	112,359
Rig materials and supplies	21,509	15,000
Deferred costs	9,872	6,662
Deferred income taxes	17,307	17,307
Other current assets	44,663	11,123
Total current assets	<u>321,805</u>	<u>317,574</u>
Property, plant and equipment less accumulated depreciation and amortization of \$606,183 at September 30, 2007 and \$570,650 at December 31, 2006	562,952	435,473
Goodwill	100,315	100,315
Assets held for sale	—	4,828
Investment in and advances to unconsolidated joint venture	14,091	10,267
Other noncurrent assets	81,777	32,844
Total assets	<u>\$ 1,080,940</u>	<u>\$ 901,301</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 88,386	\$ 95,226
Accrued income taxes	15,896	6,677
Total current liabilities	<u>104,282</u>	<u>101,903</u>
Long-term debt	353,882	329,368
Other long-term liabilities	110,009	10,931
Long-term deferred tax liability	15,181	—
Contingencies (Note 11)	—	—
Stockholders' equity:		
Common stock	18,639	18,220
Capital in excess of par value	591,313	568,253
Accumulated deficit	<u>(112,366)</u>	<u>(127,374)</u>
Total stockholders' equity	<u>497,586</u>	<u>459,099</u>
Total liabilities and stockholders' equity	<u>\$ 1,080,940</u>	<u>\$ 901,301</u>

See accompanying notes to the unaudited consolidated condensed financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Dollars in Thousands Except Per Share and Weighted Average Shares Outstanding)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Drilling and rental revenues:				
U.S. drilling	\$ 59,700	\$ 52,347	\$ 178,975	\$ 135,297
International drilling	76,997	61,605	197,867	214,407
Rental tools	35,500	32,831	96,905	90,401
Total drilling and rental revenues	172,197	146,783	473,747	440,105
Drilling and rental operating expenses:				
U.S. drilling	25,563	20,944	76,940	58,228
International drilling	51,618	52,280	148,018	171,506
Rental tools	14,579	12,349	38,263	33,788
Depreciation and amortization	23,043	16,993	60,744	51,665
Total drilling and rental operating expenses	114,803	102,566	323,965	315,187
Drilling and rental operating income	57,394	44,217	149,782	124,918
General and administration expense	(6,246)	(7,992)	(18,380)	(23,261)
Provision for reduction in carrying value of certain assets	(1,091)	—	(1,091)	—
Gain on disposition of assets, net	543	4,328	17,216	6,901
Total operating income	50,600	40,553	147,527	108,558
Other income and (expense):				
Interest expense	(7,576)	(7,923)	(19,891)	(25,223)
Changes in fair value of derivative positions	(262)	(1,029)	(671)	166
Interest income	2,080	2,521	5,576	5,966
Loss on extinguishment of debt	(2,396)	(1,910)	(2,396)	(1,912)
Equity in loss of unconsolidated joint venture, net of taxes	(1,123)	—	(1,123)	—
Minority interest	—	(304)	(1,000)	(1,224)
Other	510	(96)	587	(110)
Total other income and (expense)	(8,767)	(8,741)	(18,918)	(22,337)
Income before income taxes	41,833	31,812	128,609	86,221
Income tax expense:				
Current	14,598	1,166	43,223	10,692
Deferred	4,582	12,007	15,879	31,671
Total income tax expense	19,180	13,173	59,102	42,363
Net income	\$ 22,653	\$ 18,639	\$ 69,507	\$ 43,858
Basic earnings per share:				
Net income	\$ 0.21	\$ 0.17	\$ 0.64	\$ 0.41
Diluted earnings per share:				
Net income	\$ 0.20	\$ 0.17	\$ 0.63	\$ 0.41
Number of common shares used in computing earnings per share:				
Basic	110,270,207	107,233,881	109,269,867	106,272,123
Diluted	111,278,430	108,211,580	110,522,914	107,766,841

See accompanying notes to the unaudited consolidated condensed financial statements.

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PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 69,507	\$ 43,858
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,744	51,665
Gain on disposition of assets	(17,216)	(6,901)
Deferred income tax expense	15,879	31,671
Equity in loss of unconsolidated joint venture, net of tax	1,123	—
Provision for reduction in carrying value of certain assets	1,091	—
Expenses not requiring cash	11,008	10,394
Change in accounts receivable	(48,524)	(23,354)
Change in other assets	(28,579)	(4,013)
Change in liabilities	(12,979)	7,442
Net cash provided by operating activities	<u>52,054</u>	<u>110,762</u>
Cash flows from investing activities:		
Capital expenditures	(191,381)	(129,023)
Proceeds from the sale of assets	23,243	49,292
Proceeds from insurance settlements	—	4,431
Purchase of marketable securities	(101,075)	(196,120)
Proceeds from sale of marketable securities	<u>163,995</u>	<u>126,740</u>
Net cash used in investing activities	<u>(105,218)</u>	<u>(144,680)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	125,000	—
Principal payments under debt obligations	(100,000)	(50,000)
Purchase of call options	(31,475)	—
Proceeds from sale of common stock warrants	20,250	—
Proceeds from common stock offering	—	99,947
Payment of debt issuance costs	(3,563)	—
Proceeds from stock options exercised	15,791	6,675
Excess tax benefit from stock based compensation	<u>1,912</u>	<u>2,089</u>
Net cash provided by financing activities	<u>27,915</u>	<u>58,711</u>
Net increase (decrease) in cash and cash equivalents	(25,249)	24,793
Cash and cash equivalents at beginning of year	<u>92,203</u>	<u>60,176</u>
Cash and cash equivalents at end of period	<u>\$ 66,954</u>	<u>\$ 84,969</u>
Supplemental cash flow information:		
Interest paid	\$ 16,370	\$ 21,162
Income taxes paid	\$ 44,270	\$ 13,207

See accompanying notes to the unaudited consolidated condensed financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. **General** — In the opinion of the management of Parker Drilling Company, the accompanying unaudited consolidated condensed financial statements reflect all adjustments (of a normally recurring nature) which are necessary for a fair presentation of (1) the financial position as of September 30, 2007 and December 31, 2006, (2) the results of operations for the three and nine months ended September 30, 2007 and 2006, and (3) cash flows for the nine months ended September 30, 2007 and 2006. Results for the nine months ended September 30, 2007 are not necessarily indicative of the results that will be realized for the year ending December 31, 2007. The financial statements should be read in conjunction with our Form 10-K for the year ended December 31, 2006.

Stock-Based Compensation — Total stock-based compensation expense recognized under SFAS No. 123R for the three and nine month periods ended September 30, 2007 was \$2.2 million and \$6.3 million respectively, all of which was related to restricted stock plan expense. Total stock-based compensation expense recognized under SFAS No. 123R for the three and nine month periods ended September 30, 2006 was \$1.8 million and \$4.9 million respectively, of which \$1.8 million and \$4.7 million, respectively, was related to restricted stock plan expense. Stock-based compensation expense is included in our consolidated condensed income statement in “General and administration expense.” There were 8,334 unvested stock options at December 31, 2006 and none as of September 30, 2007. Total unrecognized compensation cost related to stock options granted under our plans was approximately \$1,200 at December 31, 2006 and zero at September 30, 2007. The Company had 1,262,300 outstanding and exercisable stock options as of September 30, 2007, the aggregate intrinsic value of which was \$5.4 million, with a weighted average exercise price of \$5.88. Unvested restricted stock awards at December 31, 2006 and September 30, 2007 were 1,556,485 shares and 1,501,224 shares, respectively. Total unrecognized compensation cost related to unamortized restricted stock awards was \$4.8 million as of December 31, 2006 and \$7.0 million as of September 30, 2007. There were 54,738 and 859,083 restricted shares granted (net of forfeitures, if any) to certain officers and key employees during the three and nine month periods ended September 30, 2007, respectively. The remaining unrecognized compensation cost related to unamortized restricted stock awards will be amortized over a weighted-average vesting period of approximately one year.

During the nine months ended September 30, 2006 the valuation assumptions used in our Black-Scholes option pricing model to estimate the fair value of stock options granted were 16.9 percent for expected volatility, 0.25 years expected term, 4.23 percent risk free interest rate and there was no expected dividend yield. There were no stock options granted in 2007.

The excess tax benefit realized for the tax deductions from options exercised and restricted stock vesting totaled \$1.9 million for the nine months ended September 30, 2007, which has been reported as a financing cash inflow in the consolidated condensed statement of cash flows.

2. **Common Stock Offering** — In January 2006, we issued 8,900,000 shares of common stock pursuant to a Free Writing Prospectus dated January 17, 2006 and a Prospectus Supplement dated January 18, 2006. On January 23, 2006, we realized \$11.23 per share or a total of \$99.9 million of net proceeds before expenses, but after underwriter discount, from the offering.

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NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

3. Earnings Per Share ("EPS")

	Three Months Ended September 30, 2007		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Net income	<u>\$22,653,000</u>	110,270,207	<u>\$ 0.21</u>
Effect of dilutive securities:			
Stock options and restricted stock	—	1,008,223	—
Diluted EPS:			
Net income	<u>\$22,653,000</u>	111,278,430	<u>\$ 0.20</u>
	Nine Months Ended September 30, 2007		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Net income	<u>\$69,507,000</u>	109,269,867	<u>\$ 0.64</u>
Effect of dilutive securities:			
Stock options and restricted stock	—	1,253,047	—
Diluted EPS:			
Net income	<u>\$69,507,000</u>	110,522,914	<u>\$ 0.63</u>
	Three Months Ended September 30, 2006		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Net income	<u>\$18,639,000</u>	107,233,881	<u>\$ 0.17</u>
Effect of dilutive securities:			
Stock options and restricted stock	—	977,699	—
Diluted EPS:			
Net income	<u>\$18,639,000</u>	108,211,580	<u>\$ 0.17</u>
	Nine Months Ended September 30, 2006		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS:			
Net income	<u>\$43,858,000</u>	106,272,123	<u>\$ 0.41</u>
Effect of dilutive securities:			
Stock options and restricted stock	—	1,494,718	—
Diluted EPS:			
Net income	<u>\$43,858,000</u>	107,766,841	<u>\$ 0.41</u>

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

3. Earnings Per Share (“EPS”) (continued)

Options to purchase 325,500 shares of common stock with exercise prices ranging from \$10.81 to \$12.19 per share were outstanding during the three and nine months ended September 30, 2007, but were not included in the computation of diluted EPS because the options’ exercise prices were greater than the average market price of the common shares. Options to purchase 2,187,000 shares of common stock with exercise prices ranging from \$8.87 to \$12.19 per share were outstanding during the three and nine months ended September 30, 2006, but were not included in the computation of diluted EPS because the options’ exercise prices were greater than the average market price of the common shares.

4. Business Segments — The primary services we provide are as follows: U.S. drilling, international drilling and rental tools. Information regarding our operations by industry segment for the three and nine months ended September 30, 2007 and 2006 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(Dollars in Thousands)		(Dollars in Thousands)	
Drilling and rental revenues:				
U.S. drilling	\$ 59,700	\$ 52,347	\$ 178,975	\$ 135,297
International drilling	76,997	61,605	197,867	214,407
Rental tools	35,500	32,831	96,905	90,401
Total drilling and rental revenues	\$ 172,197	\$ 146,783	\$ 473,747	\$ 440,105
Drilling and rental operating income:				
U.S. drilling	\$ 25,345	\$ 24,755	\$ 78,126	\$ 59,822
International drilling	17,679	3,674	30,259	22,654
Rental tools	14,370	15,788	41,397	42,442
Total drilling and rental operating income	57,394	44,217	149,782	124,918
General and administration expense	(6,246)	(7,992)	(18,380)	(23,261)
Provision for reduction in carrying value of certain assets	(1,091)	—	(1,091)	—
Gain on disposition of assets, net	543	4,328	17,216	6,901
Total operating income	50,600	40,553	147,527	108,558
Interest expense	(7,576)	(7,923)	(19,891)	(25,223)
Changes in fair value of derivative positions	(262)	(1,029)	(671)	166
Loss on extinguishment of debt	(2,396)	(1,910)	(2,396)	(1,912)
Other	1,467	2,121	4,040	4,632
Income before income taxes	\$ 41,833	\$ 31,812	\$ 128,609	\$ 86,221

5. Disposition of Assets Asset dispositions in 2007 consist primarily of the sale of workover barge Rigs 9 and 26 for proceeds of approximately \$20.5 million resulting in a recognized gain of \$15.1 million. These two rigs were classified as assets held for sale as of December 31, 2006. In 2006, asset dispositions resulted in a gain of \$6.9 million that included the sale of Nigerian Barge rigs 73 and 75 (\$1.8 million), gains on insurance proceeds relating to assets damaged (\$1.9 million) and other miscellaneous asset sales (\$3.2 million).

6. Accounting for Uncertainty in Income Taxes — In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109” (“FIN 48”). This accounting statement prescribes financial statement recognition threshold and measurement criteria for tax positions taken or expected to be taken in tax returns.

In June 2006, the FASB issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109” (“FIN 48”). This accounting statement prescribes financial statement recognition threshold and measurement criteria for tax positions taken or expected to be taken in tax returns.

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

6. Accounting for Uncertainty in Income Taxes (continued)

The Company adopted FIN 48 effective January 1, 2007. As a result, the Company has increased its liability by \$54.5 million for unrecognized tax amounts related to various federal, state and international tax matters. Included in this amount is \$35.1 million of tax positions that, if recognized, would have impacted the Company's effective tax rate. The recognition of this liability is required under FIN 48 because of the uncertainty regarding the ultimate outcome of certain tax positions. The Company has accounted for the entire \$54.5 million as a reduction to the January 1, 2007 balance of retained earnings.

Of the \$54.5 million increase referred to above, \$49 million is attributable to tax positions in Kazakhstan. As of September 30, 2007, we have a total liability of \$90.6 million accrued for tax positions in Kazakhstan before the recognition of U.S. tax benefits. This liability has been classified as non-current in our balance sheet. For a complete overview of this issue, see Kazakhstan Tax Claims in Note 11.

The Company has classified foreign currency exchange rate fluctuations, interest and penalties as a component of tax expense. On January 1, 2007, we recorded approximately \$41.3 million for interest and penalties. During the nine months ended September 30, 2007, the Company recognized an additional liability of approximately \$5.5 million, comprising of foreign currency exchange rate fluctuations, interest and a release of previously recognized liabilities. The Company does not expect that the unrecognized tax amounts will change significantly within the next twelve months.

The Company conducts business globally and, as a result, the Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business our returns are subject to examination by taxing authorities throughout the world.

7. **Income Tax Expense** — Income tax expense was \$19.2 million for the third quarter of 2007, as compared to income tax expense of \$13.2 million for the third quarter of 2006. Income tax for the third quarter of 2007 includes a benefit of \$0.5 million of interest and foreign currency exchange rate fluctuations related to our FIN 48 calculation.
8. **Saudi Arabia Joint Venture** — A subsidiary of Parker Drilling Company is a 50 percent shareholder of Al-Rushaid Parker Drilling, a Saudi Arabia limited liability company ("ARPD"), which has a six rig drilling contract with Saudi Aramco ("SA Contract"). ARPD has obtained bank financing for \$160 million of the cost of the six rigs, which loan is secured by assignment of proceeds of the SA contract and personal guarantee of the Chairman of Abdullah Rasheed Al-Rushaid Company for Drilling Oil and Gas Limited, our Saudi partner ("AR"). Our subsidiary and AR have each advanced \$15 million in shareholder loans to fund construction costs for the rigs as of October 31, 2007. Due to construction delays and cost overruns, including remedial work to correct problems with construction, integration of components and rig specifications, ARPD expects to incur approximately \$40 to \$50 million in additional construction costs over the next six to nine months, although the total cost of the six rigs has not been determined at this time. The Company's subsidiary anticipates contributing up to 50 percent of the additional construction costs for the six rigs. The first rig began drilling operations on April 21, 2007 the second rig commenced drilling on July 17, 2007 and the third rig began drilling on October 8, 2007. It is anticipated that Rig 4 will commence operations during the fourth quarter 2007 and the remaining two rigs will begin drilling in the first quarter of 2008.
- During the quarter ended September 30, 2007, the Company recorded two adjustments primarily related to prior 2007 quarters. One adjustment eliminates \$2.8 million (\$1.8 million after-tax) of previously recognized costs advanced by Parker Drilling on behalf of ARPD which was billed to ARPD during the fourth quarter of 2007. The other offsetting adjustment records the Company's share of equity losses, net of taxes, from ARPD through September 30, 2007 (\$1.1 million). We do not believe these adjustments to be material.

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

8. Saudi Arabia Joint Venture (continued)

ARPD may be liable for liquidated damages as a result of delays in the commencement of drilling operations under the SA Contract. See “Contingencies” (Note 11). Continuing losses are anticipated for operations related to the SA Contract through 2008 and will continue until operating expenses can be reduced. However, there is no assurance that costs can be sufficiently reduced to avoid further losses, in which case future profitability will be contingent upon an increase in dayrates through negotiation of a contract extension with Saudi Aramco.

9. Long-Term Debt

	<u>September 30, 2007</u>	<u>December 31, 2006</u>
	(Dollars in Thousands)	
Senior Notes:		
Interest rate 2.125% convertible due 2012	\$ 125,000	\$ —
Interest rate floating (LIBOR + 4.75%), due 2010	—	100,000
Interest rate 9.625%, due 2013	<u>228,882</u>	<u>229,368</u>
Total debt	353,882	329,368
Less current portion	<u>—</u>	<u>—</u>
Total long-term debt	\$ 353,882	\$ 329,368

On July 5, 2007, we issued \$125.0 million aggregate principal amount of 2.125 percent Convertible Notes due July 15, 2012 pursuant to a prospectus dated June 28, 2007. Interest is payable semiannually on July 15th and January 15th. The initial conversion price is approximately \$13.85 per share and is subject to adjustment for the occurrence of certain events stated within the indenture. Proceeds from the transaction were used to call our outstanding Floating Rate notes, to pay the net cost of hedge and warrant transactions, and for general corporate purposes. Effectively, the hedge and warrant transactions increase the conversion price to approximately \$18.29 per share.

On September 20, 2007, we replaced our existing \$40.0 million credit facility with a new \$60.0 million credit facility pursuant to an Amended and Restated Credit Agreement, which expires in September 2012 (the “2007 Credit Facility”). The 2007 Credit Facility is secured by rental tools equipment, accounts receivable and the stock of substantially all of our domestic subsidiaries, other than domestic subsidiaries owned by a foreign subsidiary, and contains customary affirmative and negative covenants such as minimum ratios for consolidated leverage, consolidated interest coverage and consolidated senior secured leverage.

The 2007 Credit Facility is available for general corporate purposes and to fund reimbursement obligations under letters of credit the banks issue on our behalf pursuant to the 2007 Credit Facility. Revolving loans are available under the 2007 Credit Facility subject to a borrowing base limitation based on 85 percent of eligible receivables plus a value for eligible rental tools equipment. The 2007 Credit Facility calls for a borrowing base calculation only when the 2007 Credit Facility has outstanding loans, including letters of credit, totaling at least \$40.0 million. As of September 30, 2007, there were \$13.5 million in letters of credit outstanding and no loans.

10. Derivative Instruments — We have used derivative instruments to manage risks associated with interest rate fluctuations in connection with our \$100.0 million Senior Floating Rate Notes which were fully redeemed on September 27, 2007. These derivative instruments, which consisted of variable-to-fixed interest rate swaps, did not meet the hedge criteria in SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” and were therefore not designated as hedges. Accordingly, the change in the fair value of the interest rate swaps is recognized currently in earnings.

On July 17, 2007, we terminated one swap scheduled to expire in September 2008 and received \$0.7 million. On September 4, 2007, our one remaining swap expired.

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS *(continued)*

11. *Contingencies*

Kazakhstan Tax Claims

On October 12, 2005, the Kazakhstan Branch (“PKD Kazakhstan”) of our subsidiary, Parker Drilling Company International Limited (“PDCIL”) received an Act of Tax Audit from the Ministry of Finance of Kazakhstan (“MinFin”) assessing PKD Kazakhstan an amount of KZT (Kazakhstan Tenge) 14.9 billion (approximately \$126.1 million). Approximately KZT 7.5 billion or \$63.5 million was assessed for import Value Added Tax (“VAT”), administrative fines and interest on equipment imported to perform the drilling contracts (the “VAT Assessment”) and approximately KZT 7.4 billion or \$62.6 million for corporate income tax, individual income tax and social tax, administrative fines and interest in connection with the reimbursements received by PDCIL from a client for the upgrade of Barge Rig 257 and other issues related to PKD Kazakhstan’s operations in the Republic of Kazakhstan (the “Income Tax Assessment”).

On May 24, 2006, the Supreme Court of the Republic of Kazakhstan (“SCK”) issued a decision upholding the VAT Assessment. Consistent with its contractual obligations, on November 20, 2006, the client advanced the actual amount of the VAT Assessment and this amount has been remitted to MinFin. The client has also contractually agreed to reimburse PKD Kazakhstan for any incremental income taxes that PKD Kazakhstan incurs from the reimbursement of this VAT Assessment

Contrary to two previous rulings on this precise issue, the May 24, 2006, ruling of the SCK affirmed the Income Tax Assessment. The SCK stayed enforcement and supervisory review to allow the Competent Authorities from the U.S. and the Republic of Kazakhstan to address this matter under the Mutual Agreement Procedure (“MAP”) of the U.S.-Kazakhstan Tax Treaty (the “Tax Treaty”), but when the Competent Authorities met on March 20-22, 2007, they were unable to achieve mutual agreement as to which country may tax the income in issue under the Tax Treaty.

On July 30, 2007, the supervisory panel of the SCK affirmed the May 24, 2006 ruling upholding the income tax assessment of MinFin and on August 7, 2007, MinFin issued a notice of assessment of corporate income taxes of approximately \$40 million and interest of approximately \$33 million. A liability associated with this claim has been fully accrued as described in Note 6. PKD Kazakhstan immediately filed a Complaint Against the Notice (“Complaint”) and MinFin acknowledged receipt of this Complaint and that no enforcement action would occur pending resolution of the Complaint pursuant to the MAP of the Tax Treaty. The Competent Authorities re-convened on October 8-11, 2007, to address the double taxation issue, but no decision has been announced and PKD Kazakhstan has no assurance as to the ultimate resolution of the double taxation issue.

Bangladesh Claim

In September 2005, a subsidiary of the Company was served with a lawsuit filed in the 152nd District Court of Harris County State of Texas on behalf of numerous citizens of Bangladesh claiming \$250 million in damages due to various types of property damage and personal injuries (none involving loss of life) arising as a result of two blowouts that occurred in Bangladesh in January and June 2005, although only the June 2005 blowout involved the Company. This case was dismissed against the subsidiary of the Company based on forum *non conveniens*, a legal defense raised by the subsidiary claiming that Houston, Texas, is not the appropriate location for this suit to be filed. The plaintiffs have appealed this dismissal; however the Company believes the plaintiffs’ prospects of being successful on appeal are remote.

Asbestos-Related Claims

In August 2004, the Company was notified that certain of its subsidiaries have been named, along with other defendants, in several complaints that have been filed in the Circuit Courts of the State of Mississippi by several hundred persons that allege that they were employed by some of the named defendants between approximately 1965 and 1986. The complaints name as defendants numerous other companies that are not affiliated with the Company, including companies that allegedly manufactured drilling related products containing asbestos that are the subject of the complaints.

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

11. Contingencies (continued)

Asbestos-Related Claims (continued)

The complaints allege that the Company's subsidiaries and other drilling contractors used asbestos-containing products in offshore drilling operations, land-based drilling operations and in drilling structures, drilling rigs, vessels and other equipment and assert claims based on, among other things, negligence and strict liability and claims under the Jones Act and that the Plaintiffs are entitled to monetary damages. Based on the report of the special master, these complaints have been severed and venue of the claims transferred to the county in which the plaintiff resides or the county in which the cause of action allegedly accrued. Subsequent to the filing of amended complaints, Parker has joined with other co-defendants in filing motions to compel discovery to determine what plaintiffs have an employment relationship with which defendant, including whether or not any plaintiffs have an employment relationship with subsidiaries of the Company. Out of 528 amended single-plaintiff complaints filed to date, twelve plaintiffs have identified Parker Drilling or one of its affiliates as a defendant. Discovery is proceeding in groups of 60 based on selection of six by plaintiff's counsel, six by defense counsel and 48 by random selection of the special master.

The subsidiaries named in these asbestos-related lawsuits intend to defend themselves vigorously and, based on the information available to the Company at this time, the Company does not expect the outcome to have a material adverse effect on its financial condition, results of operations or cash flows; however, there can be no assurance as to the ultimate outcome of these lawsuits.

Gulfco Site

In 2003 the Company received an information request under CERCLA designating a subsidiary of the Company as a potentially responsible party with respect to the Gulfco Marine Maintenance, Inc. Superfund Site in Freeport, Texas (EPA No. TX 055144539). We responded to this request in 2003 and have been in contact with EPA regarding the response. In July 2005, EPA issued a Unilateral Administrative Order for remedial investigation to five potentially responsible parties. The EPA order did not name us. According to EPA, three of the potentially responsible parties who received the order are currently performing a remedial investigation of the site to define the nature and extent of the contamination there. Based on the currently available information, we do not believe we have responsibility for the Gulfco Marine Site. Among other reasons, our subsidiary, Parker Drilling Offshore Company neither owned nor operated the site during the relevant time period, and is not otherwise connected to the site. If a claim were to be brought against us in the future by the United States or the parties performing the work, we would defend that action vigorously. The amount of any such future claim cannot be estimated with accuracy until after the remedial investigation is completed, but it is not expected to be material to our business or financial condition.

Freight Forwarding and Customs Agent Request

During the third quarter of 2007, the U.S. Department of Justice requested us to provide information regarding our utilization of the services of a freight forwarding and customs agent during the past five years to verify if the services provided by this freight forwarding and customs agent were in compliance with the Foreign Corrupt Practices Act. It is our understanding that a similar request was sent to several other service contractors. We are fully cooperating with the request for information.

Saudi Arabia Joint Venture

A subsidiary of Parker Drilling Company is a 50 percent shareholder of Al-Rushaid Parker Drilling, a Saudi Arabia limited liability company ("ARPD"), which has a six rig drilling contract with Saudi Aramco ("SA Contract"). As previously discussed in Note 8, the construction, delivery and commissioning for each of these rigs is delayed. Under the terms of the SA Contract, Saudi Aramco has the ability to reduce future day rates by 50 percent for each day of delay per rig, which over the duration of the SA Contract term would aggregate to approximately \$23.0 million, creating a contingent liability of approximately \$11.5 million (50 percent of the ARPD exposure) for Parker's subsidiary.

NOTES TO THE UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

11. Contingencies (continued)

Saudi Arabia Joint Venture (continued)

We believe these delays are substantially caused by circumstances beyond the reasonable control of ARPD. At the request of ARPD, Saudi Aramco has deferred imposing any liquidated damages for at least six months and ARPD anticipates continued discussions with Saudi Aramco to obtain a waiver of all or substantially all of the liquidated damages based on the delays being beyond the reasonable control of ARPD.

12. **Recent Accounting Pronouncements** — In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities-Including an Amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 allows certain financial assets and liabilities to be recognized, at the Company's election, at fair market value, with any gains or losses for the period recorded in the statement of income. This gives a company the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The statement is effective for fiscal years beginning after November 15, 2007. The Company has not determined the impact on its Consolidated Financial Statements, if any, of the adoption of SFAS No. 159.

13. **Parent, Guarantor, Non-Guarantor Unaudited Consolidating Condensed Financial Statements** — Set forth on the following pages are the unaudited consolidating condensed financial statements of (i) Parker Drilling, (ii) our restricted subsidiaries that are guarantors of the Senior Notes and (iii) our restricted and unrestricted subsidiaries that are not guarantors of the Senior Notes. All of our Senior Notes are guaranteed by substantially all of the restricted subsidiaries of Parker Drilling. There are currently no restrictions on the ability of the restricted 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-guarantor subsidiaries are AralParker (a Kazakhstan closed joint stock company, owned 80 percent by Parker Drilling (Kazakstan), LLC and 20 percent by Aralnedra, CJSC), Casuarina Limited (a wholly-owned captive insurance company), KDN Drilling Limited, Mallard Drilling of South America, Inc., Mallard Drilling of Venezuela, Inc., Parker Drilling Investment Company, Parker Drilling (Nigeria) Limited, Parker Drilling Company (Bolivia) S.A., Parker Drilling Company Kuwait Limited, Parker Drilling Company Limited (Bahamas), Parker Drilling Company of New Zealand Limited, Parker Drilling Company of Sakhalin, Parker Drilling de Mexico, S. de R.L. de C.V., Parker Drilling International of New Zealand Limited, Parker Drilling Tengiz, Ltd., PD Servicios Integrales, S. de R.L. de C.V., PKD Sales Corporation, Parker SMNG Drilling Limited Liability Company (owned 50 percent by Parker Drilling Company International, LLC), Parker Drilling Asia Pacific, LLC, Parker Drilling Kazakhstan B.V., Parker Drilling Netherlands B.V., Parker Drilling International B.V., Parker Drilling Offshore B.V., Parker Drilling Overseas B.V., Parker Drilling Russia B.V., Parker Drilling Dutch B.V., Parker Drilling AME Limited, Parker Drillsource, LLC, Parker 3source, LLC, Parker Enex, LLC, Parker Hungary Rig Holdings Limited Liability Company, Parker 5272, LLC, Parker Drilling Spain Rig Services S.L., Parker Cyprus Leasing Limited, Parker Cyprus Ventures Limited, PD International Holdings C.V., PD Dutch Holdings C.V., PD Offshore Holdings C.V., PD Selective Holdings, C.V., PD Labor Services, Ltd., and PD Labor Sourcing, Ltd. We are providing unaudited consolidating condensed financial information of the parent, Parker Drilling, the guarantor subsidiaries, and the non-guarantor subsidiaries as of September 30, 2007 and December 31, 2006 and for the three and nine months ended September 30, 2007 and 2006. The condensed consolidating financial statements present investments in both consolidated and unconsolidated subsidiaries using the equity method of accounting.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)
(Unaudited)

	September 30, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 38,010	\$ 13,086	\$ 15,858	\$ —	\$ 66,954
Marketable securities	—	—	—	—	—
Accounts and notes receivable, net	82,557	178,930	67,873	(167,860)	161,500
Rig materials and supplies	—	11,008	10,501	—	21,509
Deferred costs	—	4,161	5,711	—	9,872
Deferred income taxes	17,307	—	—	—	17,307
Other current assets	<u>28,328</u>	<u>8,215</u>	<u>8,066</u>	<u>54</u>	<u>44,663</u>
Total current assets	<u>166,202</u>	<u>215,400</u>	<u>108,009</u>	<u>(167,806)</u>	<u>321,805</u>
Property, plant and equipment, net	79	458,613	104,138	122	562,952
Goodwill	—	100,315	—	—	100,315
Investment in subsidiaries and intercompany advances	772,691	908,213	(17,729)	(1,663,175)	—
Investment in and advances to unconsolidated joint venture	—	—	14,091	—	14,091
Other noncurrent assets	<u>53,354</u>	<u>24,186</u>	<u>4,237</u>	<u>—</u>	<u>81,777</u>
Total assets	<u>\$ 992,326</u>	<u>\$1,706,727</u>	<u>\$ 212,746</u>	<u>\$(1,830,859)</u>	<u>\$1,080,940</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 52,540	\$ 201,052	\$ 55,627	\$ (220,833)	\$ 88,386
Accrued income taxes	<u>2,136</u>	<u>11,203</u>	<u>2,557</u>	<u>—</u>	<u>15,896</u>
Total current liabilities	<u>54,676</u>	<u>212,255</u>	<u>58,184</u>	<u>(220,833)</u>	<u>104,282</u>
Long-term debt	353,882	—	—	—	353,882
Other long-term liabilities	99	104,210	5,700	—	110,009
Long-term deferred tax liability	11,500	(3,261)	6,942	—	15,181
Intercompany payables	74,583	580,356	32,764	(687,703)	—
Contingencies (Note 11)	—	—	—	—	—
Stockholders' equity:					
Common stock	18,639	39,900	21,153	(61,053)	18,639
Capital in excess of par value	591,313	1,042,724	86,555	(1,129,279)	591,313
Retained earnings (accumulated deficit)	<u>(112,366)</u>	<u>(269,457)</u>	<u>1,448</u>	<u>268,009</u>	<u>(112,366)</u>
Total stockholders' equity	<u>497,586</u>	<u>813,167</u>	<u>109,156</u>	<u>(922,323)</u>	<u>497,586</u>
Total liabilities and stockholders' equity	<u>\$ 992,326</u>	<u>\$1,706,727</u>	<u>\$ 212,746</u>	<u>\$(1,830,859)</u>	<u>\$1,080,940</u>

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED BALANCE SHEET
(Dollars in Thousands)

	December 31, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 60,029	\$ 14,367	\$ 17,807	\$ —	\$ 92,203
Marketable securities	60,920	2,000	—	—	62,920
Accounts and notes receivable, net	53,844	143,905	33,625	(119,015)	112,359
Rig materials and supplies	—	7,173	7,827	—	15,000
Deferred costs	—	6,321	341	—	6,662
Deferred income taxes	17,307	—	—	—	17,307
Other current assets	798	8,969	1,319	37	11,123
	<u>192,898</u>	<u>182,735</u>	<u>60,919</u>	<u>(118,978)</u>	<u>317,574</u>
Property, plant and equipment, net	134	354,356	80,861	122	435,473
Assets held for sale	—	4,828	—	—	4,828
Goodwill	—	100,315	—	—	100,315
Investment in subsidiaries and intercompany advances	694,050	846,800	(8,053)	(1,532,797)	—
Investment in unconsolidated joint venture	—	—	10,267	—	10,267
Other noncurrent assets	18,043	19,774	(4,973)	—	32,844
	<u>\$ 905,125</u>	<u>\$ 1,508,808</u>	<u>\$ 139,021</u>	<u>\$(1,651,653)</u>	<u>\$ 901,301</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 44,667	\$ 175,092	\$ 44,611	\$ (169,144)	\$ 95,226
Accrued income taxes	(10,514)	17,039	152	—	6,677
	<u>34,153</u>	<u>192,131</u>	<u>44,763</u>	<u>(169,144)</u>	<u>101,903</u>
Long-term debt	329,368	—	—	—	329,368
Other long-term liabilities	1,596	9,030	265	40	10,931
Intercompany payables	80,909	544,250	37,219	(662,378)	—
Contingencies (Note 11)	—	—	—	—	—
Stockholders' equity:					
Common stock	18,220	39,899	21,251	(61,150)	18,220
Capital in excess of par value	568,253	1,013,736	34,526	(1,048,262)	568,253
Retained earnings (accumulated deficit)	(127,374)	(290,238)	997	289,241	(127,374)
	<u>459,099</u>	<u>763,397</u>	<u>56,774</u>	<u>(820,171)</u>	<u>459,099</u>
	<u>\$ 905,125</u>	<u>\$ 1,508,808</u>	<u>\$ 139,021</u>	<u>\$(1,651,653)</u>	<u>\$ 901,301</u>

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Three months ended September 30, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Drilling and rental revenues	\$ —	\$150,950	\$ 41,899	\$ (20,652)	\$ 172,197
Drilling and rental operating expenses	—	77,437	34,971	(20,648)	91,760
Depreciation and amortization	—	20,026	3,017	—	23,043
Drilling and rental operating income	—	53,487	3,911	(4)	57,394
General and administration expense (1)	(42)	(6,253)	49	—	(6,246)
Provision for reduction in carrying value of certain assets	—	(1,091)	—	—	(1,091)
Gain (loss) on disposition of assets, net	—	556	(13)	—	543
Total operating income (loss)	(42)	46,699	3,947	(4)	50,600
Other income and (expense):					
Interest expense	(8,766)	(11,795)	(88)	13,073	(7,576)
Changes in fair value of derivative positions	(262)	—	—	—	(262)
Interest income	12,169	2,166	819	(13,074)	2,080
Loss on extinguishment of debt	(2,396)	—	—	—	(2,396)
Equity in loss of unconsolidated joint venture, net of taxes	—	—	(1,123)	—	(1,123)
Other	3	510	(2)	(1)	510
Equity in net earnings of subsidiaries	35,643	—	—	(35,643)	—
Total other income and (expense)	36,391	(9,119)	(394)	(35,645)	(8,767)
Income (loss) before income taxes	36,349	37,580	3,553	(35,649)	41,833
Income tax expense :					
Current	11,251	2,586	761	—	14,598
Deferred	2,445	1,198	939	—	4,582
Income tax expense	13,696	3,784	1,700	—	19,180
Net income (loss)	\$22,653	\$ 33,796	\$ 1,853	\$ (35,649)	\$ 22,653

(1) All field operations general and administration expenses are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Three Months Ended September 30, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Drilling and rental revenues	\$ —	\$129,174	\$ 27,156	\$ (9,547)	\$ 146,783
Drilling and rental operating expenses	—	68,440	26,680	(9,547)	85,573
Depreciation and amortization	—	15,994	999	—	16,993
Drilling and rental operating income (loss)	—	44,740	(523)	—	44,217
General and administration expense (1)	(42)	(7,946)	(4)	—	(7,992)
Gain on disposition of assets, net	—	4,319	9	—	4,328
Total operating income (loss)	(42)	41,113	(518)	—	40,553
Other income and (expense):					
Interest expense	(9,105)	(11,790)	(387)	13,359	(7,923)
Changes in fair value of derivative positions	(1,029)	—	—	—	(1,029)
Interest income	12,988	2,014	878	(13,359)	2,521
Loss on extinguishment of debt	(1,910)	—	—	—	(1,910)
Minority interest	—	—	(304)	—	(304)
Other	(2)	(52)	(42)	—	(96)
Equity in net earnings of subsidiaries	32,563	—	—	(32,563)	—
Total other income and (expense)	33,505	(9,828)	145	(32,563)	(8,741)
Income (loss) before income taxes	33,463	31,285	(373)	(32,563)	31,812
Income tax expense (benefit)					
Current	1,714	(1,949)	1,401	—	1,166
Deferred	13,110	(1,264)	161	—	12,007
Income tax expense (benefit)	14,824	(3,213)	1,562	—	13,173
Net income (loss)	\$18,639	\$ 34,498	\$ (1,935)	\$ (32,563)	\$ 18,639

(1) All field operations general and administration expenses are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Nine months ended September 30, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Drilling and rental revenues	\$ —	\$425,656	\$ 83,777	\$ (35,686)	\$ 473,747
Drilling and rental operating expenses	1	226,908	71,999	(35,687)	263,221
Depreciation and amortization	—	55,531	5,213	—	60,744
Drilling and rental operating income	(1)	143,217	6,565	1	149,782
General and administration expense (1)	(125)	(18,216)	(39)	—	(18,380)
Provision for reduction in carrying value of certain assets	—	(1,091)	—	—	(1,091)
Gain (loss) on disposition of assets, net	—	17,233	(17)	—	17,216
Total operating income (loss)	(126)	141,143	6,509	1	147,527
Other income and (expense):					
Interest expense	(23,462)	(35,386)	(489)	39,446	(19,891)
Changes in fair value of derivative positions	(671)	—	—	—	(671)
Interest income	36,280	6,323	2,420	(39,447)	5,576
Loss on extinguishment of debt	(2,396)	—	—	—	(2,396)
Equity in loss of unconsolidated joint venture, net of taxes	—	—	(1,123)	—	(1,123)
Minority interest	—	—	(1,000)	—	(1,000)
Other	8	574	11	(6)	587
Equity in net earnings of subsidiaries	93,924	—	—	(93,924)	—
Total other income and (expense)	103,683	(28,489)	(181)	(93,931)	(18,918)
Income (loss) before income taxes	103,557	112,654	6,328	(93,930)	128,609
Income tax expense:					
Current	28,404	12,054	2,765	—	43,223
Deferred	5,646	8,739	1,494	—	15,879
Income tax expense	34,050	20,793	4,259	—	59,102
Net income (loss)	\$ 69,507	\$ 91,861	\$ 2,069	\$ (93,930)	\$ 69,507

(1) All field operations general and administration expenses are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Drilling and rental revenues	\$ —	\$377,364	\$ 98,457	\$ (35,716)	\$ 440,105
Drilling and rental operating expenses	—	199,006	100,232	(35,716)	263,522
Depreciation and amortization	—	48,656	3,009	—	51,665
Drilling and rental operating income	—	129,702	(4,784)	—	124,918
General and administration expense (1)	(124)	(23,123)	(14)	—	(23,261)
Gain (loss) on disposition of assets, net	(6)	6,835	72	—	6,901
Total operating income (loss)	(130)	113,414	(4,726)	—	108,558
Other income and (expense):					
Interest expense	(28,770)	(35,389)	(1,342)	40,278	(25,223)
Changes in fair value of derivative positions	166	—	—	—	166
Interest income	37,656	6,043	2,545	(40,278)	5,966
Loss on extinguishment of debt	(1,912)	—	—	—	(1,912)
Minority interest	—	—	(1,224)	—	(1,224)
Other	9	(158)	39	—	(110)
Equity in net earnings of subsidiaries	72,667	—	—	(72,667)	—
Total other income and (expense)	79,816	(29,504)	18	(72,667)	(22,337)
Income (loss) before income taxes	79,686	83,910	(4,708)	(72,667)	86,221
Income tax expense (benefit):					
Current	2,737	4,652	3,303	—	10,692
Deferred	33,091	(1,726)	306	—	31,671
Income tax expense	35,828	2,926	3,609	—	42,363
Net income (loss)	\$ 43,858	\$ 80,984	\$ (8,317)	\$ (72,667)	\$ 43,858

(1) All field operations general and administration expenses are included in operating expenses.

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine months ended September 30, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ 69,507	\$ 91,861	\$ 2,069	\$ (93,930)	\$ 69,507
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	55,531	5,213	—	60,744
Loss/(gain) on disposition of assets	—	(17,233)	17	—	(17,216)
Deferred income tax expense	5,646	8,739	1,494	—	15,879
Equity in loss of unconsolidated joint venture, net of tax	—	—	1,123	—	1,123
Provision for reduction in carrying value of certain assets	—	1,091	—	—	1,091
Expenses not requiring cash	10,408	600	—	—	11,008
Equity in net earnings of subsidiaries	(93,924)	—	—	93,924	—
Change in accounts receivable	(28,713)	14,437	(34,248)	—	(48,524)
Change in other assets	(9,459)	(49,080)	29,960	—	(28,579)
Change in liabilities	(625)	(28,070)	15,710	6	(12,979)
Net cash provided by (used in) operating activities	(47,160)	77,876	21,338	—	52,054
Cash flows from investing activities:					
Capital expenditures	—	(161,846)	(29,535)	—	(191,381)
Proceeds from the sale of assets	54	22,162	1,027	—	23,243
Purchase of marketable securities	(101,075)	—	—	—	(101,075)
Proceeds from sale of marketable securities	161,995	2,000	—	—	163,995
Net cash (used in) investing activities	60,974	(137,684)	(28,508)	—	(105,218)
Cash flows from financing activities:					
Proceeds from issuance of debt	125,000	—	—	—	125,000
Principal payments under debt obligations	(100,000)	—	—	—	(100,000)
Purchase of call options	(31,475)	—	—	—	(31,475)
Proceeds from sale of common stock warrants	20,250	—	—	—	20,250
Payment of debt issuance costs	(3,563)	—	—	—	(3,563)
Proceeds from stock options exercised	15,791	—	—	—	15,791
Excess tax benefit from stock based compensation	1,912	—	—	—	1,912
Intercompany advances, net	(63,748)	58,527	5,221	—	—
Net cash provided by (used in) financing activities	(35,833)	58,527	5,221	—	27,915
Net decrease in cash and cash equivalents	(22,019)	(1,281)	(1,949)	—	(25,249)
Cash and cash equivalents at beginning of year	60,029	14,367	17,807	—	92,203
Cash and cash equivalents at end of period	\$ 38,010	\$ 13,086	\$ 15,858	\$ —	\$ 66,954

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine Months Ended September 30, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated
Cash flows from operating activities:					
Net income (loss)	\$ 43,858	\$ 80,984	\$ (8,317)	\$ (72,667)	\$ 43,858
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation and amortization	—	48,656	3,009	—	51,665
Loss (gain) on disposition of assets	6	(6,835)	(72)	—	(6,901)
Deferred income tax expense (benefit)	33,091	(1,726)	306	—	31,671
Expenses not requiring cash	6,637	3,757	—	—	10,394
Equity in net earnings of subsidiaries	(72,667)	—	—	72,667	—
Change in accounts receivable	(8,746)	(15,582)	974	—	(23,354)
Change in other assets	603	(5,900)	1,284	—	(4,013)
Change in liabilities	7,378	(473)	537	—	7,442
 Net cash provide by (used in) operating activities	 <u>10,160</u>	 <u>102,881</u>	 <u>(2,279)</u>	 <u>—</u>	 <u>110,762</u>
Cash flows from investing activities:					
Capital expenditures	—	(126,285)	(2,738)	—	(129,023)
Proceeds from the sale of assets	(6)	47,638	1,660	—	49,292
Proceeds from insurance settlements	—	4,431	—	—	4,431
Purchase of marketable securities	(194,120)	(2,000)	—	—	(196,120)
Proceeds from sale of marketable securities	124,740	2,000	—	—	126,740
 Net cash used in investing activities	 <u>(69,386)</u>	 <u>(74,216)</u>	 <u>(1,078)</u>	 <u>—</u>	 <u>(144,680)</u>
Cash flows from financing activities:					
Principal payments under debt obligations	(50,000)	—	—	—	(50,000)
Proceeds from common stock offering	99,947	—	—	—	99,947
Proceeds from stock options exercised	6,675	—	—	—	6,675
Excess tax benefit from stock based compensation	2,089	—	—	—	2,089
Intercompany advances, net	25,815	(27,883)	2,068	—	—
 Net cash provided by (used in) financing activities	 <u>84,526</u>	 <u>(27,883)</u>	 <u>2,068</u>	 <u>—</u>	 <u>58,711</u>
 Net increase (decrease) in cash and cash equivalents	 25,300	 782	 (1,289)	 —	 24,793
Cash and cash equivalents at beginning of year	<u>31,978</u>	<u>11,145</u>	<u>17,053</u>	<u>—</u>	<u>60,176</u>
Cash and cash equivalents at end of period	<u>\$ 57,278</u>	<u>\$ 11,927</u>	<u>\$ 15,764</u>	<u>\$ —</u>	<u>\$ 84,969</u>

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

DISCLOSURE NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains statements that are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements contained in this Form 10-Q, other than statements of historical facts, are “forward-looking statements” for purposes of these provisions, including any statements regarding:

- stability of prices and demand for oil and natural gas;
- levels of oil and natural gas exploration and production activities;
- demand for contract drilling and drilling related services and demand for rental tools;
- our future operating results and profitability;
- our future rig utilization, dayrates and rental tools activity;
- entering into new, or extending existing, drilling contracts and our expectations concerning when our rigs will commence operations under such contracts;
- growth through acquisitions of companies or assets;
- construction or upgrades of rigs and expectations regarding when these rigs will commence operations;
- capital expenditures for acquisition of rigs, construction of new rigs or major upgrades to existing rigs;
- entering into joint venture agreements with local companies;
- our future liquidity;
- availability and sources of funds to reduce our debt and expectations of when debt will be reduced;
- the outcome of pending or future legal proceedings, tax assessments and other claims;
- the availability of insurance coverage for pending or future claims;
- the enforceability of contractual indemnification in relation to pending or future claims;
- compliance with covenants under our senior credit facility and indentures for our senior notes; and
- organic growth of our operations.

In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “outlook,” “may,” “should,” “will” and “would” or similar words. Forward-looking statements are based on certain assumptions and analyses made by our management in light of their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are relevant. Although our management believes that their assumptions are reasonable based on information currently available, those assumptions are subject to significant risks and uncertainties, many of which are outside of our control. The following factors, as well as any other cautionary language included in this Form 10-Q, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our “forward-looking statements:”

- worldwide economic and business conditions that adversely affect market conditions and/or the cost of doing business;
- the U.S. economy and the demand for natural gas;
- fluctuations in the market prices of oil and gas;
- imposition of unanticipated trade restrictions;
- unanticipated operating hazards and uninsured risks;
- political instability, terrorism or war;
- governmental regulations, including changes in accounting rules or tax laws or ability to remit funds to the U.S., that adversely affect the cost of doing business;
- adverse environmental events;
- adverse weather conditions;
- changes in the concentration of customer and supplier relationships;
- unexpected cost increases for new construction and upgrade and refurbishment projects;
- delays in obtaining components for capital projects and in ongoing operational maintenance;
- shortages of skilled labor;
- unanticipated cancellation of contracts or imposition of penalties by operators;

- breakdown of equipment;
- other operational problems including delays in start-up of operations
- changes in competition;
- the effect of litigation and contingencies; and
- other similar factors (some of which are discussed in documents referred to in this Form 10-Q).

DISCLOSURE NOTE REGARDING FORWARD-LOOKING STATEMENTS *(continued)*

Each “forward-looking statement” speaks only as of the date of this Form 10-Q, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Before you decide to invest in our securities, you should be aware that the occurrence of the events described in these risk factors and elsewhere in this Form 10-Q could have a material adverse effect on our business, results of operations, financial condition and cash flows.

OUTLOOK AND OVERVIEW

As anticipated in our last report, international land drilling revenues increased 28 percent over the second quarter of 2007 and rental tools revenues were up 13 percent in the third versus the second quarter of 2007. Six international land rigs completed transition to higher dayrate contracts and our rental tools segment grew on utilization of new equipment from capital invested earlier in 2007. Our U.S. Gulf of Mexico drilling barges continued strong performance with utilization percent of 83 percent, the highest utilization in over three years. We expect continued strong performance for the remainder of 2007 as we achieve full period benefits of international land operations just begun, commencement of operations of additional international land rigs during the fourth quarter of 2007 and the first quarter of 2008 and continued growth of our rental tool business. Even though we have begun to see downward pricing pressure in the U.S. Gulf of Mexico drilling barge market and reduction in our backlog of contracts, we expect continued solid performance from this sector into 2008.

Overview

Drilling and rental operating income was up 27 percent over the third quarter of 2006 due primarily to full quarter results of international land rigs that began drilling in the second quarter of 2007 and commencement of operations of six additional international land rigs during the third quarter. Utilization overall averaged over 78 percent compared to 73 percent in the second quarter of 2007.

While average dayrates for our U.S. Gulf of Mexico barge operation decreased from \$48,000 per day in the second quarter of 2007 to \$45,100 per day in the third quarter, utilization increased to 83 percent in the third quarter 2007 compared to 74 percent in the second quarter of 2007 and 72 percent in the third quarter of 2006.

In our international drilling operations, third quarter 2007 operating profit grew almost \$15 million over the third quarter of 2006 as we commenced operations on six rigs during the quarter, with two in CIS region, three in the Asia Pacific region, and one in Algeria. In addition, three rigs in Mexico that began drilling during the middle to latter half of the second quarter drilled the entire third quarter.

Quail operating profit for the third quarter of 2007 was \$1.3 million lower than the third quarter of 2006 due to higher depreciation costs in 2007.

We closed on our \$125.0 million 2.125 percent Convertible Notes in July 2007 and used the proceeds to redeem in full, \$100.0 million of our outstanding Floating Rate Notes in September 2007, reducing our cash interest costs by approximately \$7.7 million per year. Additionally, we closed on an Amended and Restated Credit Agreement which increased the amount of availability under our revolver from \$40.0 million to \$60.0 million and extended it for five years. Capital expenditures through September 30, 2007 totaled \$191.4 million, including \$4.7 million of capitalized interest relating to rig construction projects.

Outlook

In our CIS region, the commencement of two additional rigs under a three year contract toward the end of the second quarter increased the total to four rigs working in the Karachaganak area. In addition, we were recently awarded a one-year contract for another rig in the CIS region that completed its contract earlier in the quarter. We have also secured a new two-rig contract commencing in 2008, utilizing rig 247, which has been undergoing repairs and upgrades, and rig 269, a newly built rig. These international land rigs transitioning to new contracts are expected to provide sustained higher international utilization in the fourth quarter of 2007 and in 2008.

OUTLOOK AND OVERVIEW (continued)

Outlook (continued)

Two new build land rigs are being commissioned for operation in Mexico and are expected to begin operations late in the fourth quarter. This will bring the land rig total to five rigs under this three-year contract. One barge rig continues to operate in Mexico under a recently signed two-year contract. Another land rig that had been idle after completion of work in the U.S. land market is mobilizing to a new two-year contract in northern Mexico.

In the Africa/Middle East region, the two new rigs that commenced operations earlier this year in Algeria continue to operate and another is rigging up in Libya; all under three-year contracts.

For our U.S. Gulf of Mexico barge market, we expect both utilization and dayrates to soften modestly during the fourth quarter. Some rigs are expected to incur downtime between contracts, and dayrates are anticipated to decline from record-setting highs set earlier in 2007. However, we expect rates to remain at levels that generate strong results into 2008 and we believe we will continue to experience high utilization as a preferred contractor by providing our customers a value-added service consisting of quality rigs and efficient and safe operations.

Our rental tools operation, Quail Tools, continues its solid performance and with the capital infused earlier in the year, the outlook is very positive for 2008. The new Texarkana, Texas location and satellite facility in North Dakota have continued to exceed our initial expectations. We expect this performance to continue through the end of 2007 based on customer forecasts and our new locations.

Recent Events

New High-Efficiency Rig –

With the announcement of a two-rig contract commencing in early 2008, we introduced our new design, high efficiency class rig. The new high-efficiency rig is a 2,000 horsepower land rig that incorporates advanced features to meet the increasing demand of operators, including:

- Hydraulic cylinder to raise mast and substructure without engines, reducing rig-up costs, time and emissions,
- “plug and play” adaptability, allowing the operator to customize individual components for different drilling programs,
- enhance safety features, including swing-up structures, and
- fully automated drilling system featuring fuel efficient AC technology and variable frequency drive.

Kazakhstan Tax Case –

As referenced in Note 11, we have been contesting an income tax assessment of the Ministry of Finance (“MinFin”) of the Republic of Kazakhstan relating to some reimbursements received in the United States for costs incurred in performing modifications to a barge drilling rig that was later transported to the RoK waters of the North Caspian Sea. We received two prior rulings of the Supreme Court of Kazakhstan (“SCK”) which determined that the income tax assessment was improper, but in May 2006 the SCK reversed its earlier ruling and upheld the assessment, the supervisory panel of the SCK affirmed this ruling on July 30, 2007, and MinFin issue a formal assessment of income taxes on August 6, 2007. We filed a Complaint Against the Notice and MinFin acknowledged that enforcement of the notice would not occur pending resolution of the double taxation issue pursuant to the U.S.-Kazakhstan Tax Treaty. The Competent Authority proceedings re-convened on October 8-11, 2007, but there has been no decision regarding resolution of the double taxation issue and the Company has no assurance as to the ultimate resolution of the double taxation issue.

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RESULTS OF OPERATIONS

Three Months Ended September 30, 2007 Compared with Three Months Ended September 30, 2006

We recorded net income of \$22.7 million for the three months ended September 30, 2007, as compared to net income of \$18.6 million for the three months ended September 30, 2006. Drilling and rental operating income was \$57.4 million for the three months ended September 30, 2007 as compared to \$44.2 million for the three months ended September 30, 2006.

The following is an analysis of our operating results for the comparable quarters:

	Three Months Ended September 30,			
	2007		2006	
	(Dollars in Thousands)			
Drilling and rental revenues:				
U.S. drilling	\$ 59,700	35%	\$ 52,347	36%
International drilling	76,997	45%	61,605	42%
Rental tools	35,500	20%	32,831	22%
Total drilling and rental revenues	\$172,197	100%	\$146,783	100%
Drilling and rental operating income:				
U.S. drilling gross margin excluding depreciation and amortization (1)	\$ 34,137	57%	\$ 31,403	60%
International drilling gross margin excluding depreciation and amortization (1)	25,379	33%	9,325	15%
Rental tools gross margin excluding depreciation and amortization (1)	20,921	59%	20,482	62%
Depreciation and amortization	(23,043)		(16,993)	
Total drilling and rental operating income (2)	57,394		44,217	
General and administration expense	(6,246)		(7,992)	
Provision for reduction in carrying value of certain assets	(1,091)		—	
Gain on disposition of assets, net	543		4,328	
Total operating income	\$ 50,600		\$ 40,553	

- (1) Drilling and rental gross margins, excluding depreciation and amortization, are computed as drilling and rental revenues less direct drilling and rental operating expenses, excluding depreciation and amortization expense; drilling and rental gross margin percentages are computed as drilling and rental gross margin, excluding depreciation and amortization, as a percent of drilling and rental revenues. The gross margin amounts, excluding depreciation and amortization, and gross margin percentages should not be used as a substitute for those amounts reported under accounting principles generally accepted in the United States (“GAAP”). However, we monitor our business segments based on several criteria, including drilling and rental gross margin. Management believes that this information is useful to our investors because it more accurately reflects cash generated by segment. Such gross margin amounts are reconciled to our most comparable GAAP measure as follows:

Three Months Ended September 30, 2007	U.S. Drilling	International	
		Drilling	Rental Tools
	(Dollars in Thousands)		
Drilling and rental operating income (2)	\$ 25,345	\$ 17,679	\$ 14,370
Depreciation and amortization	8,792	7,700	6,551
Drilling and rental gross margin excluding depreciation and amortization	\$ 34,137	\$ 25,379	\$ 20,921

Three Months Ended September 30, 2006			
Drilling and rental operating income (2)	\$ 24,755	\$ 3,674	\$ 15,788
Depreciation and amortization	6,648	5,651	4,694
Drilling and rental gross margin excluding depreciation and amortization	\$ 31,403	\$ 9,325	\$ 20,482

- (2) Drilling and rental operating income — drilling and rental revenues less direct drilling and rental operating expenses, including depreciation and amortization expense.

RESULTS OF OPERATIONS *(continued)*

U.S. Drilling Segment

Revenues for the U.S. drilling segment increased \$7.4 million to \$59.7 million for the quarter ended September 30, 2007 as compared to the quarter ended September 30, 2006. The increased revenues were primarily due to a \$5.3 million increase for our barge drilling operations from higher dayrates and additional operating days for our drilling barges, that more than offset fewer operating days for our workover barges primarily attributable to the sale of workover barge Rigs 9 and 26 (see Note 5) in January 2007. Other factors contributing to the increase were:

- Barge Rig 50 undergoing refurbishment during the third quarter of 2006,
- Newly constructed Barge Rig 77 commencing operations in December 2006,
- Repositioning two international land rigs in the U.S. market during the last half of 2006, one of which contributed \$1.5 million to U.S. drilling segment revenues,
- Ongoing BP Liberty engineering and procurement project contributed \$2.8 million, and
- Average dayrates for the deep drilling barge rigs increased approximately \$2,100 per day in 2007 as compared to 2006.

As a result of approximately seven percent higher dayrates on all barge rigs and the one operating land rig, gross margins, excluding depreciation and amortization, increased \$2.7 million to \$34.1 million.

International Drilling Segment

International drilling revenues increased \$15.4 million to \$77.0 million during the third quarter of 2007 as compared to the third quarter of 2006. Of this increase, \$18.8 million is related to international land drilling revenues, offset by a \$3.4 million decrease in revenues from offshore operations. The decline of \$3.4 million in offshore operations is due primarily to the sale of our barge rigs in Nigeria in August 2006, partially offset by a \$1.1 million improvement in Barge Rig 53 revenues in Mexico due primarily to a higher dayrate.

Land revenues in Colombia, Mexico and Algeria increased by \$9.7 million, \$9.2 million and \$3.6 million, respectively, as there were no drilling operations in each of these countries in the third quarter of 2006. Net revenues in the CIS increased by \$2.9 million primarily attributable to:

- a \$5.1 million increase in the Karachaganak area of Kazakhstan as a result of the addition of Rigs 249 and 258 to existing operations of 107 and 216,
- a \$1.7 million increase in revenues from our O&M contracts on Sakhalin Island,
- a \$1.8 million increase from commencement of operations of Rig 236 in Kazakhstan in late 2006, and
- a \$6.2 million decrease due to the completion of the TCO contract in Kazakhstan (Tengiz area) in 2006.

In our Asia Pacific region, revenues decreased \$6.4 million due mainly to completion of our contract within Bangladesh for Rig 225 in March 2007 (\$3.2 million) and O&M contracts in Papua New Guinea (\$1.4 million) and lower utilization (54 percent) in New Zealand during the third quarter of 2007 (\$2.0 million).

Gross margin, excluding depreciation and amortization, for international land operations increased \$15.2 million, due primarily to our operations in Mexico (\$4.6 million), Colombia (\$4.5 million) and the CIS (\$6.0 million). The increases in Colombia and Mexico are attributable to having operations in 2007 compared to no operations during the third quarter of 2006. In the CIS region, our operations in the Karachaganak area of Kazakhstan contributed \$2.1 million of gross margin excluding depreciation and amortization; our O&M contract on Sakhalin Island added \$1.0 million and Rig 230 in Turkmenistan contributed \$2.2 million. The increase in Turkmenistan is due to shutdown costs related to completed contracts incurred in the third quarter 2006.

International offshore revenues declined \$3.4 million to \$10.0 million during the third quarter of 2007 compared to the third quarter of 2006. This decrease was due primarily to the sale of our Nigerian barge rigs in the third quarter of 2006 partially offset by higher revenues for Barge Rig 53 in Mexico. Gross margins, excluding depreciation and amortization, for international offshore operations increased \$1.7 million as a result of the higher dayrate in Mexico combined with lower costs in the Caspian Sea, offset partially by the sale of the Nigerian barge rigs.

RESULTS OF OPERATIONS (continued)

Rental Tools Segment

Rental tools revenues increased \$2.7 million to \$35.5 million during the third quarter of 2007 as compared to the third quarter of 2006. The increase was due primarily to an increase in rental revenues of \$4.9 million at our Texarkana, Texas operations, \$3.2 million from our Evanston, Wyoming operations, and \$0.7 million from our international operations, partially offset by declines of \$2.9 million and \$2.5 million at our Victoria and Odessa, Texas locations, respectively and \$0.6 million at our New Iberia, Louisiana operations. Revenues increased as a result of our expansion efforts in Texarkana, Texas and in Wyoming.

Rental tools gross margins, excluding depreciation and amortization, increased \$0.4 million to \$20.9 million for the current quarter as compared to the third quarter of 2006. Gross margin percentage, excluding depreciation and amortization, decreased to 59 percent in the current quarter as compared to 62 percent in the comparable period in 2006. The margin decline relates to higher operating costs in the third quarter of 2007. The 2006/2007 expansion of Quail has been completed as equipment has been delivered and Quail's new facility in Texas, Texas opened in April 2007. The new facility provides increased coverage of the Barnett, Fayetteville and Woodford shale areas in East Texas, Arkansas and Oklahoma.

Other Financial Data

Gain on asset dispositions was \$0.5 million, a decrease of \$3.8 million as a result of minor asset sales in the third quarter of 2007 as compared to a gain of \$4.3 million in 2006 as a result of the sale of two rigs in Nigeria and a cash gain of \$1.9 million in connection with the collection of final insurance proceeds with regards to Barge Rig 57 that was damaged in a July 2005 incident while under tow. Interest expense declined \$0.3 million in the third quarter of 2007 as compared to the third quarter of 2006 due primarily to capitalization of \$1.3 million in interest on rig construction projects in 2007 as compared to \$1.0 million of capitalized interest in the third quarter of 2006. Interest income decreased \$0.4 million due to higher investments in marketable securities in the third quarter of 2006 as compared to 2007. General and administration expense decreased \$1.8 million as compared to the third quarter of 2006 due to a revision of our allocation method to more fairly match overhead costs directly to our operations.

In 2004, we entered into two variable-to-fixed interest rate swap agreements. The swap agreements did not qualify for hedge accounting and accordingly, we reported the mark-to-market change in the fair value of the interest rate derivatives in earnings. For the three months ended September 30, 2007, we recognized a \$0.3 million decrease in the fair value of the derivative positions and for the three months ended September 30, 2006 we recognized a \$1.0 million decrease in the fair value of the derivative positions. For additional information see Note 8 in the notes to the unaudited consolidated condensed financial statements. On July 17, 2007, we terminated one swap scheduled to expire in September 2008 and received \$0.7 million. The second swap was not renewed and expired on September 4, 2007.

Income tax expense was \$19.2 million for the third quarter of 2007 as compared to \$13.2 million for the third quarter of 2006. Income tax for the third quarter of 2007 includes a benefit of \$0.5 million of interest and foreign currency exchange rate fluctuations related to our FIN 48 calculation.

Nine Months Ended September 30, 2007 Compared with Nine Months Ended September 30, 2006

We recorded net income of \$69.5 million for the nine months ended September 30, 2007, as compared to net income of \$43.9 million for the nine months ended September 30, 2006. Drilling and rental operating income was \$149.8 million for the nine months ended September 30, 2007 as compared to \$124.9 million for the nine months ended September 30, 2006. Gain on disposition of assets for the current period was \$17.2 million as compared to \$6.9 million in the comparable period in 2006.

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RESULTS OF OPERATIONS (continued)

The following is an analysis of our operating results for the comparable periods:

	Nine Months Ended September 30,			
	2007		2006	
	(Dollars in Thousands)			
Drilling and rental revenues:				
U.S. drilling	\$178,975	38%	\$135,297	31%
International drilling	197,867	42%	214,407	49%
Rental tools	<u>96,905</u>	<u>20%</u>	<u>90,401</u>	<u>20%</u>
Total drilling and rental revenues	<u>\$473,747</u>	<u>100%</u>	<u>\$440,105</u>	<u>100%</u>
Drilling and rental operating income:				
U.S. drilling gross margin excluding depreciation and amortization (1)	\$102,035	57%	\$ 77,069	57%
International drilling gross margin excluding depreciation and amortization (1)	49,849	25%	42,901	20%
Rental tools gross margin excluding depreciation and amortization (1)	58,642	61%	56,613	63%
Depreciation and amortization	<u>(60,744)</u>		<u>(51,665)</u>	
Total drilling and rental operating income (2)	149,782		124,918	
General and administration expense	(18,380)		(23,261)	
Provision for reduction in carrying value of certain assets	(1,091)		—	
Gain on disposition of assets, net	<u>17,216</u>		<u>6,901</u>	
Total operating income	<u>\$147,527</u>		<u>\$108,558</u>	

- (1) Drilling and rental gross margins, excluding depreciation and amortization, are computed as drilling and rental revenues less direct drilling and rental operating expenses, excluding depreciation and amortization expense; drilling and rental gross margin percentages are computed as drilling and rental gross margin, excluding depreciation and amortization, as a percent of drilling and rental revenues. The gross margin amounts, excluding depreciation and amortization, and gross margin percentages should not be used as a substitute for those amounts reported under accounting principles generally accepted in the United States ("GAAP"). However, we monitor our business segments based on several criteria, including drilling and rental gross margin. Management believes that this information is useful to our investors because it more accurately reflects cash generated by segment. Such gross margin amounts are reconciled to our most comparable GAAP measure as follows:

Nine Months Ended September 30, 2007	U.S. Drilling	International	Rental Tools
		Drilling	
	(Dollars in Thousands)		
Drilling and rental operating income (2)	\$ 78,126	\$ 30,259	\$ 41,397
Depreciation and amortization	<u>23,909</u>	<u>19,590</u>	<u>17,245</u>
Drilling and rental gross margin excluding depreciation and amortization	<u>\$ 102,035</u>	<u>\$ 49,849</u>	<u>\$ 58,642</u>
Nine Months Ended September 30, 2006			
Drilling and rental operating income (2)	\$ 59,822	\$ 22,654	\$ 42,442
Depreciation and amortization	<u>17,247</u>	<u>20,247</u>	<u>14,171</u>
Drilling and rental gross margin excluding depreciation and amortization	<u>\$ 77,069</u>	<u>\$ 42,901</u>	<u>\$ 56,613</u>

- (2) Drilling and rental operating income — drilling and rental revenues less direct drilling and rental operating expenses, including depreciation and amortization expense.

U.S. Drilling Segment

Revenues for the U.S. drilling segment increased \$43.7 million to \$179.0 million for the nine months ended September 30, 2007 as compared to the nine months ended September 30, 2006. The increased revenues were primarily due to a \$30.0 million increase for our barge drilling operations from significantly higher dayrates that more than offset fewer operating days, primarily related to the sale of workover Barge Rigs 9 and 26 (see Note 5) and the refurbishment of Barge Rig 8 during the third quarter of 2007. Barge Rig 12 was undergoing an upgrade from workover to deep drilling status until late May 2006 and newly constructed Barge Rig 77 also began operations in December 2006. During 2007 we also had two repositioned international land rigs operating in the U.S. market which contributed \$9.1 million to the increase in U.S. drilling segment revenues as well as an additional \$4.6 million related to the BP Liberty engineering and procurement project.

RESULTS OF OPERATIONS *(continued)*

U.S. Drilling Segment *(continued)*

Average dayrates for the deep drilling barge rigs increased approximately \$8,900 per day in 2007 as compared to 2006. As a result of approximately 35 percent higher dayrates on all barge rigs, the addition of two land rigs and effective operating cost controls, gross margins, excluding depreciation and amortization, increased \$25.0 million to \$102.0 million. This increase includes \$1.2 million for the two land rigs and \$1.8 million for the engineering project referred to above.

International Drilling Segment

International drilling revenues decreased \$16.5 million to \$197.9 million during the first nine months of 2007 as compared to the first nine months of 2006. Of this decrease, \$2.2 million is related to international land drilling revenues and \$14.4 million to revenues from offshore operations. The decline in land revenues relates primarily to the release of rigs previously working under our TCO contract in Kazakhstan and the completion of our contract wells in Turkmenistan, being mostly offset by our operations in Colombia which contributed an additional \$26.8 million in revenues. The decline of \$14.4 million in offshore operations is due primarily to the sale of our barge rigs in Nigeria.

Land revenues in the CIS decreased by \$17.6 million due to the TCO contract completion in 2006 (\$25.6 million), the release of our three rigs in Turkmenistan (\$7.3 million) during the third quarter of 2006 and reduction in revenues related to our Sakhalin Island operations (\$6.4 million) primarily related to lower reimbursable revenues and the completion of a water reinjection well project in July 2006. In the Karachaganak area of Kazakhstan, revenues increased by \$9.0 million as a result of higher dayrates and the addition of Rig 107 (which was released in late December 2005 from the TCO contract) which commenced operations at the end of March 2006 and the addition of Rigs 249 and 258 (from the TCO contract). In addition Rig 236, which began drilling in Kazakhstan in late 2006, contributed \$10.1 million in revenues. In our Asia Pacific region, revenues decreased \$9.6 million due mainly to terminations of contracts within Bangladesh for Rig 225 (\$5.2 million) and for two of our rigs within New Zealand (\$3.1 million).

Gross margin, excluding depreciation and amortization, for international land operations increased by \$4.0 million. In Mexico gross margin, excluding depreciation and amortization, improved by \$8.7 million due to lower expenses in 2007, as 2006 included costs to close down operations and relocate the rigs out of the country. In Colombia, gross margin, excluding depreciation and amortization, increased by \$12.4 million as two rigs drilled the entire period in 2007, compared to no rigs operating in Colombia in the comparable period of 2006. In the Karachaganak area of Kazakhstan, gross margin, excluding depreciation and amortization, increased \$4.7 million as two rigs operated all of the period of 2007, compared to one rig in the comparable period of 2006 and also as a result of pre-mobilization standby revenues on another two rigs received in the first nine months of 2007. Rig 236, also in Kazakhstan contributed an increase of \$2.4 million for the period of 2007, as this rig was not working in the region in the comparable period in 2006. These increases were partially offset by the completion of contract wells under our TCO contract, the release of rigs in Turkmenistan, and shifting of Rig 122 and 256 to U.S. operations.

International offshore revenues declined \$14.4 million to \$26.7 million during the first nine months of 2007 compared to the first nine months of 2006. This decrease was due primarily to the sale of our Nigerian barge rigs in the third quarter of 2006. Revenues for Barge Rig 53 in Mexico increased \$3.1 million due to a higher dayrate. Gross margins, excluding depreciation and amortization, for international offshore operations increased \$3.8 million as a result of the higher dayrate in Mexico combined with lower costs in the Caspian Sea, partially offset by the sale of the Nigeria barge rigs.

Rental Tools Segment

Rental tools revenues increased \$6.5 million to \$96.9 million during the first nine months of 2007 as compared to the first nine months of 2006. The increase was due primarily to an increase in rental revenues of \$1.7 million from international rentals and \$5.8 million from our Evanston, Wyoming operations, partially offset by a decline of \$0.9 million from our Victoria and Odessa, Texas operations.

RESULTS OF OPERATIONS *(continued)*

Rental Tools Segment *(continued)*

Revenues increased primarily due to higher demand and higher rental tool sales. Rental tools gross margins, excluding depreciation and amortization, increased \$2.0 million to \$58.6 million for the current period as compared to the comparable period of 2006. Gross margin percentage, excluding depreciation and amortization, decreased to 61 percent in the current period as compared to 63 percent in the comparable period in 2006, due primarily to fewer equipment sales.

Other Financial Data

Gain on asset dispositions increased by \$10.3 million, due primarily to the gain on the sale of the two workover barge rigs in the first quarter of 2007. Interest expense declined \$5.3 million in the current period of 2007 as compared to 2006 due to lower average outstanding debt and capitalization of \$4.7 million in interest on rig construction projects in 2007. There was \$2.0 million of capitalized interest in the first nine months of 2006. Interest income for the current period was relatively unchanged when compared to the same period for 2006. General and administration expense decreased \$4.9 million as compared to first nine months of 2006 due to a revision of our allocation method to more fairly match overhead costs directly to our operations.

In 2004, we entered into two variable-to-fixed interest rate swap agreements. The swap agreements did not qualify for hedge accounting and accordingly, we have reported the mark-to-market change in the fair value of the interest rate derivatives currently in earnings. For the nine months ended September 30, 2007, we recognized a \$0.7 million decrease in the fair value of the derivative positions and for the nine months ended September 30, 2006, we recognized a \$0.2 million increase in the fair value of the derivative positions. On July 17, 2007, we terminated one swap scheduled to expire in September 2008 and received \$0.7 million. In addition, the second swap was not renewed and expired on September 4, 2007.

Income tax expense was \$59.1 million for the first nine months of 2007 as compared to \$42.4 million for the third quarter of 2006. The \$16.7 million increase in taxes during the current period was due primarily to the impact of the gain on the sale of the two U.S. workover barge rigs, the inclusion of FIN 48 interest and foreign currency exchange rate fluctuation described in Note 6 and the increase in operating income related to U.S. operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

As of September 30, 2007, we had cash, cash equivalents and marketable securities of \$67.0 million, a decrease of \$88.2 million from December 31, 2006. The primary sources of cash for the nine-month period as reflected on the consolidated condensed statements of cash flows were \$52.1 million provided by operating activities, \$110.2 million from the issuance of convertible debt, net of issuance costs and hedge and warrant transactions and \$15.8 million from stock options exercised. The primary use of cash was \$105.2 million used in investing activities, including \$191.4 million for capital expenditures, net proceeds of \$20.5 million from the sale of two workover barge rigs and \$62.9 million in net proceeds from the sale and purchase of marketable securities and a \$100.0 million reduction in debt. Major capital expenditures for the period included \$55.9 million on construction of new land rigs and \$57.2 million for tubulars and other rental tools for the expansion of Quail Tools.

As of September 30, 2006, we had cash and cash equivalents of \$172.3 million, an increase of \$94.2 million from December 31, 2005. The primary sources of cash for the nine-month period as reflected on the consolidated condensed statements of cash flows were \$110.8 million provided by operating activities, \$144.7 million used in investing activities, \$58.7 million provided from financing activities, \$99.9 million of net proceeds on our common stock issuance in January 2006 and a \$50.0 million reduction in debt, net of premium. Major investing activities during the nine-month period ended September 30, 2006 included proceeds of \$46.0 million from the sale of two Nigeria barge rigs, a \$69.4 million net investment in auction rate securities and \$129.0 million for capital expenditures. Major capital expenditures for the period included \$19.0 million on construction of four new 2,000 HP land rigs, \$30.7 million for tubulars and other rental tools for Quail Tools, \$7.4 million on the conversion of workover Barge Rig 12 to a deep drilling barge and \$21.5 million on construction of a new ultra-deep drilling barge.

LIQUIDITY AND CAPITAL RESOURCES *(continued)*

Financing Activity

On July 5, 2007, we issued \$125.0 million aggregate principal amount of 2.125 percent Convertible Notes due July 15, 2012 pursuant to a prospectus dated June 28, 2007. Interest is payable semiannually on July 15th and January 15th. The initial conversion price is approximately \$13.85 per share and is subject to adjustment for the occurrence of certain events stated within the indenture. Proceeds from the transaction were used to call our outstanding Floating Rate notes, to pay the net cost of hedge and warrant transactions, and for general corporate purposes. Effectively, the hedge and warrant transactions increase the conversion price to approximately \$18.29 per share.

On September 20, 2007, we replaced our existing \$40.0 million Credit Agreement with a new \$60.0 million Amended and Restated Credit Agreement ("2007 Credit Facility") which expires in September 2012. The 2007 Credit Facility is secured by rental tools equipment, accounts receivable and the stock of substantially all of our domestic subsidiaries, other than domestic subsidiaries owned by a foreign subsidiary and contains customary affirmative and negative covenants such as minimum ratios for consolidated leverage, consolidated interest coverage and consolidated senior secured leverage.

The 2007 Credit Facility is available for general corporate purposes and to fund reimbursement obligations under letters of credit the banks issue on our behalf pursuant to this facility. Revolving loans are available under the 2007 Credit Facility subject to a borrowing base limitation based on 85 percent of eligible receivables plus a value for eligible rental tools equipment. The 2007 Credit Facility calls for a borrowing base calculation only when the 2007 Credit Facility has outstanding loans, including letters of credit, totaling at least \$40.0 million. As of September 30, 2007, there were \$13.5 million in letters of credit outstanding and no loans.

On September 27, 2007, we redeemed \$100.0 million face value of our Senior Floating Rate Notes pursuant to a redemption notice dated August 17, 2007 at the redemption price of 101.0 percent. Proceeds from the sale of our Convertible Notes were used to fund the redemption.

On January 18, 2006 we issued 8,900,000 shares of our common stock pursuant to a Free Writing Prospectus dated January 17, 2006 and a Prospectus Supplement dated January 18, 2006. On January 23, 2006, we realized \$11.23 per share or a total of \$99.9 million of net proceeds before expenses, but after underwriter discount, from the offering. Proceeds from this offering are being used for capital expansions, including rig upgrades, new rig construction and expansion of our rental tools business.

On September 8, 2006, we redeemed \$50.0 million face value of our Senior Floating Rate Notes pursuant to a redemption notice dated August 8, 2006 at the redemption price of 102.0 percent. Proceeds from the sale of our Nigerian barge rigs and cash on hand were used to fund the redemption.

We had total long-term debt of \$353.9 million as of September 30, 2007. The long-term debt included:

- \$125.0 million aggregate principal amount of Convertible Senior Notes bearing interest at a rate of 2.125 percent, which are due July 15, 2012; and
- \$225.0 million aggregate principal amount of 9.625 percent Senior Notes, which are due October 1, 2013 plus an associated \$3.9 million in unamortized debt premium.

As of September 30, 2007, we had approximately \$113.5 million of liquidity. This liquidity was comprised of \$67.0 million of cash and cash equivalents on hand and \$46.5 million of availability under the revolving credit facility. We do not have any unconsolidated special-purpose entities, off-balance-sheet financing arrangements nor guarantees of third-party financial obligations. We have no energy or commodity contracts.

[Table of Contents](#)**LIQUIDITY AND CAPITAL RESOURCES (continued)****Financing Activity (continued)**

The following table summarizes our future contractual cash obligations as of September 30, 2007:

	<u>Total</u>	<u>Less than 1 Year</u>	<u>Years 2 - 3</u>	<u>Years 4 - 5</u>	<u>More than 5 Years</u>
			(Dollars in Thousands)		
Contractual cash obligations:					
Long-term debt — principal (1)	\$350,000	\$ —	\$ —	\$125,000	\$225,000
Long-term debt — interest (1)	142,666	24,313	48,625	48,072	21,656
Operating leases (2)	9,074	4,625	3,446	1,003	—
Purchase commitments (3)	<u>24,232</u>	<u>24,232</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total contractual obligations	<u>\$525,972</u>	<u>\$53,170</u>	<u>\$ 52,071</u>	<u>\$174,075</u>	<u>\$246,656</u>
Commercial commitments:					
Revolving credit facility (4)	\$ —	\$ —	\$ —	\$ —	\$ —
Standby letters of credit (4)	<u>13,529</u>	<u>13,529</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total commercial commitments	<u>\$ 13,529</u>	<u>\$13,529</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

- (1) Long-term debt includes the principal and interest cash obligations of the 9.625 percent Senior Notes. The remaining unamortized premium of \$3.9 million is not included in the contractual cash obligations schedule.
- (2) Operating leases consist of lease agreements in excess of one year for office space, equipment, vehicles and personal property.
- (3) We have purchase commitments outstanding as of September 30, 2007, related to rig upgrade projects and new rig construction. In addition, we expect to contribute an additional \$20-\$25 million to our Saudi Arabia joint venture in the next six to nine months, as our share of additional rig costs.
- (4) We have a \$60.0 million revolving credit facility. As of September 30, 2007, no amounts have been drawn down, but \$13.5 million of availability has been used to support letters of credit that have been issued, resulting in an estimated \$46.5 million of availability. The revolving credit facility expires September 20, 2012.

OTHER MATTERS**Critical Accounting Policies**

Accounting for Uncertainty in Income Taxes — Our accounting policy for income taxes was recently modified due to the adoption of FIN 48 on January 1, 2007. In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”). The preparation of financial statements in accordance with FIN 48 requires management to make estimates and assumptions that affect amounts of liabilities reported and related disclosures due to the uncertainty as to the final resolution of certain tax matters. We have discussed those estimates that we believe are critical and require the use of complex judgment in their application in Note 6 of this quarterly report on 2007 Form 10-Q. The application of the prescribed factors in evaluating and estimating our tax positions and tax benefits may result in recognition of liabilities due to uncertainties of certain tax positions. Because the recognition of liabilities may require periodic adjustments and may not necessarily imply any change in management’s assessment of the ultimate outcome of such tax matters, the amount recorded as a liability for unrecognized tax benefits may not accurately anticipate actual outcomes. Other than the adoption of FIN 48, our critical accounting policies and the methodologies and assumptions we apply under them have not materially changed since the date of our 2006 Form 10-K.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have used derivative instruments to manage risks associated with interest rate fluctuations in connection with our \$100.0 million Senior Floating Rate Notes which were fully redeemed on September 27, 2007. These derivative instruments, which consisted of variable-to-fixed interest rate swaps, did not meet the hedge criteria in SFAS No. 133 and were therefore not designated as hedges. Accordingly, the change in the fair value of the interest rate swaps was recognized in earnings.

On July 17, 2007, we terminated one swap scheduled to expire in September 2008 and received \$0.7 million. On September 4, 2007, our one remaining swap expired.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures — We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rule 13a-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. We performed evaluations under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2007. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level at September 30, 2007.

Changes in Internal Control Over Financial Reporting — There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2007 covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see Note 11, "Contingencies," in Item 1 of this quarterly report on Form 10-Q, which information is incorporated herein by reference into this item.

ITEM 1A. RISK FACTORS

There have been no material changes in risk factors involving the Company or its subsidiaries from those previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

Date	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs
March 31, 2007	3,306	\$ 9.79	—	—
April 6, 2007	181,530	\$ 9.85	—	—
May 6, 2007	59,328	\$ 11.35	—	—

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ITEM 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

ITEM 4. *SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS*

None.

ITEM 5. *OTHER INFORMATION*

None.

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ITEM 6. EXHIBITS

(a) Exhibits: The following exhibits are filed as a part of this report:

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation (as amended) of Parker Drilling Company.
4.1	Indenture, dated as of July 5, 2007, among Parker Drilling Company, the guarantors from time to time party thereto, and The Bank of New York Trust Company, N.A., with respect to the 2.125 percent Convertible Senior Notes due 2013 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 5, 2007).
4.2	Form of 2.125 percent Convertible Senior Note due 2013 (included in Exhibit 4.1).
10.1	Confirmation of Convertible Bond Hedge Transaction, dated as of June 28, 2007, by and between Parker Drilling Company and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.2	Confirmation of Convertible Bond Hedge Transaction, dated as of June 28, 2007, by and between Parker Drilling Company and Deutsche Bank AG, London Branch (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.3	Confirmation of Convertible Bond Hedge Transaction, dated as of June 28, 2007, by and between Parker Drilling Company and Lehman Brothers OTC Derivatives Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.4	Confirmation of Issuer Warrant Transaction dated as of June 28, 2007, by and between Parker Drilling Company and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.5	Confirmation of Issuer Warrant Transaction, dated as of June 28, 2007, by and between Parker Drilling Company and Deutsche Bank AG, London Branch (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.6	Confirmation of Issuer Warrant Transaction dated as of June 28, 2007, by and between Parker Drilling Company and Lehman Brothers OTC Derivatives Inc. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.7	Amendment to Confirmation of Issuer Warrant Transaction dated as of June 29, 2007, by and between Parker Drilling Company and Bank of America, N.A. (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.8	Amendment to Confirmation of Issuer Warrant Transaction, dated as of June 29, 2007, by and between Parker Drilling Company and Deutsche Bank AG, London Branch (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.9	Amendment to Confirmation of Issuer Warrant Transaction, dated as of June 29, 2007, by and between Parker Drilling Company and Lehman Brothers OTC Derivatives Inc. (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed on July 5, 2007).
10.10	Amended and Restated Credit Agreement, dated September 20, 2007, by and between the Company, the several lenders thereto, Lehman Brothers, Inc., as syndication agent, Bank of America, N.A., as Sole Advisor, Sole Lead Arranger and Sole Bookrunner, and Lehman Commercial Paper, Inc., as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 25, 2007)
31.1	Section 302 Certification – Chairman and Chief Executive Officer
31.2	Section 302 Certification – Senior Vice President and Chief Financial Officer
32.1	Section 906 Certification – Chairman and Chief Executive Officer
32.2	Section 906 Certification – Senior Vice President and Chief Financial Officer

SIGNATURES

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

PARKER DRILLING COMPANY

Date: November 9, 2007

Registrant

By: /s/ Robert L. Parker Jr.
Robert L. Parker Jr.
Chairman and Chief Executive Officer

By: /s/ W. Kirk Brassfield
W. Kirk Brassfield
Senior Vice President and Chief Financial Officer

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation (as amended) of Parker Drilling Company.
31.1	Section 302 Certification – Chairman and Chief Executive Officer
31.2	Section 302 Certification – Senior Vice President and Chief Financial Officer
32.1	Section 906 Certification – Chairman and Chief Executive Officer
32.2	Section 906 Certification – Senior Vice President and Chief Financial Officer

The following Restated Certificate of Incorporation, as amended, is compiled from the most recent official Restated Certificate of Incorporation and subsequent Amendments.

RESTATED CERTIFICATE OF INCORPORATION
(AS AMENDED)
OF
PARKER DRILLING COMPANY

Parker Drilling Company, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Parker Drilling Company. The date of filing of its original Certificate of Incorporation with the Secretary of State was August 4, 1970.
2. Pursuant to Section 245 of the General Corporation Law of Delaware, this Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Restated Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.
3. The text of the Restated Certificate of Incorporation, as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

ARTICLE FIRST: The name of the corporation is Parker Drilling Company.

ARTICLE SECOND: Its registered office in the State of Delaware is located at 1209 Orange Street, in the City of Wilmington, County of New Castle, 19801. The name and address of its registered agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801.

ARTICLE THIRD: The nature of the business, or objects and purposes to be transacted, conducted or promoted are as follows:

(1) To carry on, maintain and operate a business for the drilling of wells for the production of oil and/or gas and other hydrocarbons; to drill wells for the production of oil or gas or carry on and conduct a general drilling contracting business; and to operate a business for the drilling of wells and holes whether or not for the production of oil and/or gas and other hydrocarbons, and to drill for any purpose whatsoever;

(2) To acquire, hold and deal in machinery, equipment and processes for the drilling of wells, whether or not for the production of oil, gas and other hydrocarbons;

(3) To do all such other and further things as are required and as are usually done in the drilling of wells, whether or not for the production of oil, gas and other hydrocarbons;

(4) To build, own, operate and sell any and all tank farms, pipelines, pump stations, refineries and other structures necessary for or incident to the drilling and operation of wells for the production of oil and/or gas, or the sale of the production therefrom;

(5) To buy and sell oil and/or gas and the by-products thereof and to acquire, construct, operate and sell filling and other stations for the marketing of such products and by-products;

(6) To buy, sell, exchange, lease, store, install, maintain, repair, export, import and deal in all machines, appurtenances, accessories, parts, apparatus and articles of any and every kind used in, or upon, or useful in connection with all kinds of motor driven or propelled machinery, including automobiles, automobile trucks, tractors and other vehicles and motor boats, and to do any and every act or thing necessary, incidental or appertaining thereto;

(7) To purchase or otherwise acquire, hold, own, mortgage, pledge, sell, assign and transfer or otherwise dispose of, to invest, trade, deal in and with goods, wares and merchandise and real and personal property of every class and description; and lands, buildings, business concerns and undertakings, mortgages, shares, stock, debentures, securities, concessions, products, policies, book debts and claims and any interest in real or personal property, and claims against such property or against any person or corporation and to carry on any business concern or undertaking so acquired;

(8) To acquire, own and operate such machinery, apparatus and appliances as may be necessary, proper or incidental to the mining, production and development of lands for petroleum oil, natural gas and other minerals, or for any of the purposes for which this corporation is organized;

(9) To carry on the business of producers, refiners, storers, suppliers and distributors of petroleum and petroleum products in all its branches; to purchase or otherwise acquire real or personal property of all kinds in the United States and elsewhere, and in particular land, oil wells, refineries, mines, mining rights, minerals,

ores, buildings, machinery, plant, stores, patents, licenses, concessions, rights of way, light or water, and any rights or privileges which it may deem convenient to obtain for the purposes of or in connection with the business of the company, and whether for the purposes of resale or realization or otherwise, and to manage, develop, sell, exchange, lease, mortgage or otherwise develop any lands, wells, mines, mining rights, minerals, ores, works or other properties, from time to time in the possession of the company, in any manner deemed desirable; to erect all necessary or convenient refineries, mills, works, machinery, laboratories, workshops, dwelling houses for workmen and others, and other buildings, works and appliances, and to aid in, or subscribe towards, or subsidize, any such objects;

(10) To acquire, lease, hold, use and enjoy, whether as owner or a licensee, United States and foreign patents and patent rights, secret patented processes, methods, franchises and privileges in any way relating to or considered as furthering the due and economical exercise of the powers and rights belonging to the corporation;

(11) To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation;

(12) To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage, or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks, and trade names, relating to or useful in connection with any business of this corporation;

(13) To buy, acquire, hold, sell and deal in stocks of any corporation and in bonds, certificates of participation, securities and other interests; to issue notes, stocks, bonds, debentures and other evidences of indebtedness and execute mortgages, liens and other encumbrances upon the property of the corporation, real or otherwise, to secure the payment of any such evidences of indebtedness;

(14) To buy, acquire, develop, hold, sell and deal in all forms and kinds of property that may be lawfully acquired, held, sold and dealt in by oil and gas corporations under the laws of this State;

(15) To acquire, hold and sell real estate necessary for and incident to the operation of the business of the corporation and to transact any and all business connection with or incidental to the powers hereby vested in said corporation;

(16) To engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware;

(17) In general, to possess and exercise all the powers and privileges granted by the General Corporation Law of Delaware or by this certificate of incorporation, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the corporation;

(18) The business and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in no way limited or restricted by reference to, or inference from, the terms of any other clause in this certificate of incorporation, but the business and purposes specified in each of the foregoing clauses of this article shall be regarded as independent business and purposes;

FOURTH: The aggregate number of shares of all classes of stock which the corporation shall have the authority to issue is 281,942,000, of which 1,942,000 shares shall be Preferred Stock of the par value of One Dollar (\$1.00) per share (hereinafter called "Preferred Stock"), and the remaining 280,000,000 shares shall be Common Stock of the par value of sixteen and two-thirds cents (\$.16-2/3) per share (hereinafter called "Common Stock"). The designations and the powers, preferences and rights, and the qualifications, limitations, restrictions and other special or relative attributes granted to or imposed upon the shares of Preferred Stock shall be as fixed in Section 1 of this Article FOURTH, or as may be fixed by the Board of Directors in accordance with the provisions thereof, and the designations and the powers, preferences and the rights, and the qualifications, limitations, restrictions and other special or relative attributes granted to or imposed upon the shares of Common Stock shall be fixed in Section 2 of this Article FOURTH.

Section 1. Statement of Designations, Powers, Preferences, Rights, Qualifications, Limitations, Restrictions and Other Special or Relative Attributes in Respect of Shares of Preferred Stock and Authority of Board of Directors to Fix Designations, Dividend Rates, Conversion Rights, Redemption Rights, Liquidation Price and Sinking Fund Rights Thereof Not Fixed Hereby.

(a) Shares of Preferred Stock may be issued from time to time in one or more series as may be determined from time to time Board of Directors, each such series to be distinctly designated. All shares of any one series of Preferred Stock so designated by the Board of Directors shall be alike in every particular. All shares of any one series of Preferred Stock shall be convertible or not, as determined by the Board of Directors as a relative attribute pursuant to paragraph (b) of this Section 1. Different series of Preferred Stock shall not be construed to constitute different classes of shares for the purposes of voting by classes.

(b) The designations, dividend rates, conversion rights, redemption rights, liquidation price and sinking fund rights, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding; and, subject to the provisions of paragraphs (d) and (e) of this Section 1, the Board of Directors of the Corporation is hereby expressly granted authority to fix, from time to time, by resolution or resolutions duly adopted prior to the issuance of any shares of a particular series of Preferred Stock so designated by the Board of Directors, the following:

(i) The number and designations of series of shares in any class and the number of shares in any series, provided that no allotted shares shall, except in the exercise of conversion rights, be shifted from one series or class to another series or class or otherwise have their attributes altered;

(ii) The dividend rate of any unallocated shares of any series or class;

(iii) The right, if any, of the holders of the shares of such series to convert the same into, or exchange the same for, shares of other classes or series of stock of this corporation and the terms and conditions of such conversion or exchange;

(iv) The redemption price and terms and conditions of redemption of any unallotted shares of any series or class;

(v) the liquidation price of any unallotted shares of any series or class; and

(vi) The terms and conditions of a sinking fund, if any, to be provided for such series, provided that no such sinking fund shall be created unless provision for a sinking fund, at least as beneficial to all allotted shares of the same class, shall either then exist or at that time be created or provided for.

(c) The holders of Preferred Stock of each series shall be entitled to receive, in preference to the holders of Common Stock, when and as declared by the Board of Directors out of the funds of this corporation legally available therefor, cash dividends which may be cumulative for each series as to which the Board of Directors shall have so specified, but unless specified to be cumulative, shall be non-cumulative, at the annual rate for such series theretofore fixed by the Board of Directors as hereinbefore authorized, and no more, payable quarterly on such dates as may be fixed in the resolution or resolutions adopted by the Board of Directors creating such series. If the dividend period for such series for which the dividends are specified to be cumulative shall not have been declared and paid or set apart in full (whether or not earned), the aggregate deficiency shall be cumulative and shall be fully paid or set apart for payment before any dividends shall be paid upon or set aside for the Common Stock, but not in the case of such series as to which the dividends are not cumulative. Accumulations of dividends on the Preferred Stock shall not bear interest.

After the requirements with respect to preferential dividends on the Preferred Stock (fixed in accordance with the provisions of this Section 1) shall have been met and after this corporation shall have complied with all the requirements, if any, with respect to the setting aside of sums as sinking funds or redemption or purchase accounts (fixed in accordance with the provisions of this Section 1), then and not otherwise the holders of Common Stock shall be entitled to receive such dividends as may be declared from time to time by the Board of Directors.

(d) Shares of Preferred Stock of any and all series shall be redeemable in whole at any time, or in part by lot, pro rata or by any other means which the Board of Directors deems equitable from time to time, at the option of this corporation by resolution of the Board of Directors at the applicable price or prices fixed by the Board of Directors for the shares of such series, plus all dividends accrued and unpaid thereupon up to the date fixed for redemption, and all of the procedures prescribed or

adopted in connection therewith shall be in conformity with the laws of the State of Delaware in force at the time thereof.

Nothing herein shall prevent this corporation from purchasing from time to time shares of any series of Preferred Stock, and any shares so purchased may be held in the treasury of this corporation or may be disposed of as determined by the Board of Directors, or, by action of the Board of Directors, shall have the status of authorized but unallotted shares of Preferred Stock undesignated as to series.

(e) In the event of any liquidation, dissolution or winding up of the affairs of this corporation, whether voluntary or involuntary, and after payment or provision for payment of the debts and other liabilities of this corporation, the holders of shares of Preferred Stock shall be entitled to receive in full, out of the net assets of this corporation, the respective amounts fixed by the Board of Directors in the resolution or resolutions authorizing the issue thereof (which amounts may vary, depending upon whether the liquidation, dissolution or winding up is voluntary or involuntary), plus an amount equal to all dividends accrued and unpaid thereon up to the date fixed for distribution, and no more, before any distribution shall be made to the holders of Common Stock. Neither the merger or consolidation of this corporation, nor the sale, lease or conveyance of all or part of its assets, shall be deemed to be a liquidation, dissolution or winding up of the affairs of this corporation within the meaning of this Section.

After distribution in full of the preferential amount to be distributed to the holders of Preferred Stock (fixed in accordance with the provisions of this Section 1) in the event of the voluntary or involuntary liquidation, dissolution or winding up of this corporation, the holders of Common Stock shall be entitled to receive all the remaining assets of this corporation, tangible or intangible, or whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

(f) Except as otherwise expressly provided in this Section 1, or as may be required by law, the holders of the Preferred Stock shall be entitled at all meetings of stockholders to one vote for each share of such stock held by them respectively, and the holders of all series of Preferred Stock shall vote together with the holders of Common Stock as one class.

If and whenever dividends on the Preferred Stock shall be in arrears in an amount equivalent to six quarterly dividends or there shall be a default in mandatory Preferred Stock sinking fund obligations for one year, then, at any ensuing annual meetings of the stockholders at which at least one-third of the outstanding shares of Preferred Stock, voting separately as a class without regard to series, shall be entitled to elect two directors, Such right of the holders of such of the series of the Preferred Stock as to which dividends are cumulative shall continue to be exercisable until all dividends in arrears on such series of the Preferred Stock shall have been paid in full or declared and a sum sufficient for the payment thereof set apart and all mandatory sinking fund obligations in default relating to such series of Preferred Stock shall have been satisfied in full and, with respect to such series of the Preferred Stock as to which dividends are non-cumulative, such right of the holders of such of those series of

Preferred Stock shall continue to be exercisable until dividends on such of those series of Preferred Stock shall have been paid regularly for at least one year, whereupon such right shall cease. During any time that the holders of such series of Preferred Stock are entitled to elect two directors as hereinabove provided, they shall also be entitled to participate with the holders of the Common Stock in the election of any other directors,

Notwithstanding any other provisions of this corporation's Certificate of Incorporation, the affirmative approval of the holders of at least two-thirds of the Preferred Stock outstanding, acting as a single class without regard to series shall be required for any amendment of such Certificate altering materially any existing provision of the Preferred Stock.

Section 2. Statement of Designations, Powers, Preferences, Rights, Qualifications, Limitations, Restrictions and Other Special or Relative Attributes Granted to or Imposed Upon Shares of Common Stock.

(a) Except as otherwise required by the laws of the State of Delaware, the holders of the Common Stock, at any meeting of the stockholders of this corporation, shall be entitled to one vote for each share thereof held.

(b) In the event of any liquidation, dissolution or winding up of this corporation, whether voluntary or involuntary, the assets of this corporation remaining after the payments provided in Section 1 of this ARTICLE FOURTH to be made to the holders of the Preferred Stock shall be distributed among the holders of the Common Stock, share and share alike.

(c) Subject to the prior rights of the holders of the Preferred Stock the holders of the Common Stock shall be entitled to receive cash dividends, share and share alike, when and as declared by the Board of Directors, out of any legally available surplus or legally available net profits of this corporation.

(d) In the event of any stock dividends on or subdivision or split of the Common Stock of this corporation, in lieu of the issuance of fractional shares of Common Stock there shall be paid in cash to each stockholder who would otherwise be entitled to a fractional share of Common Stock the appropriate fractional portion of the market value of one share of Common Stock, as determined by the Treasurer of this corporation as of the record date fixed for the determination of stockholders entitled to receive such dividends or to participate in such subdivision or split.

Section 3. General.

(a) No holder of any capital stock of this corporation of any class now or hereafter authorized shall have any right as such holder to purchase, subscribe for or otherwise acquire any shares or capital of this corporation of any class now or hereafter authorized, or any securities convertible into or exchangeable for any such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire any such shares, whether such shares, securities, warrants or other instruments be how or hereafter authorized, unissued or issued and thereafter acquired by this corporation.

(b) No holder of any capital stock of this corporation of any class shall have cumulative voting rights.

ARTICLE FIFTH: The names and mailing addresses of each of the incorporators are omitted from this Restated Certificate of Incorporation by authority of Section 245 of the Delaware Corporation Law.

ARTICLE SIXTH: The corporation is to have perpetual existence.

ARTICLE SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever.

ARTICLE EIGHTH: The number of directors of the corporation shall be specified in, or determined in the manner provided in, the By-laws, and such number may from time to time be increased or decreased in such manner as shall be prescribed in the By-laws, provided that the number of directors of the corporation shall not be less than three (3) nor more than fifteen (15). Commencing at the Annual Meeting of Stockholders held in 1986, the Board of Directors shall be divided into three classes, Class I, Class II and Class III, with respect to their terms of office. All classes shall be as nearly equal in number as possible. Subject to such limitations, when the number of directors is changed, any newly-created directorships or any decrease in directorships shall be apportioned among the classes by action of the Board of Directors.

The terms of office of the directors initially classified shall be as follows: that of Class I shall expire at the Annual Meeting of Stockholders to be held in 1987; that of Class II shall expire at the Annual Meeting of Stockholders to be held in 1988; that of Class III shall expire at the Annual Meeting of Stockholders to be held in 1989. At each Annual Meeting of Stockholders after such initial classification, directors to replace those whose terms expire at such Annual Meeting shall be elected to hold office until the third succeeding Annual Meeting.

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

- (1) to make, alter or repeal the By-laws of the corporation;
- (2) to authorize and cause to be executed mortgages and liens upon the real and personal property of the corporation;
- (3) to set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created;
- (4) by a majority of the whole Board, to designate one or more committees, each committee to consist of one or more of the directors of the corporation; the Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee; the By-laws may provide that, in the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting,

whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member; any such committee, to the extent provided in the resolution of the Board of Directors, or in the By-laws of the corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution of the corporation or a revocation of a dissolution, or amending the By-laws of the corporation; and, unless the resolution or By-laws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock; and

(5) when and as authorized by the stockholders in accordance with statute, to sell, lease or exchange all or substantially all of the property and assets of the corporation, including its goodwill and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property, including shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the corporation.

NINTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs, If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation,

TENTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-laws may provide. The books of the corporation may be kept (subject to any provisions contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-laws of the corporation. Elections of directors need not be by written ballot unless the By-laws of the corporation shall so provide,

ELEVENTH: The corporation reserves the right to amend, alter, change or repeal any provisions contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

TWELFTH: The personal liability of the directors of the corporation is hereby eliminated to the fullest extent permitted by the General Corporation Law of Delaware, as the same may be amended and supplemented. No amendment to or repeal of this Article TWELFTH shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

[SIGNATURE PAGE FOLLOWS]

PARKER DRILLING COMPANY

[Corporate Seal]

By: /s/ Robert L. Parker, Jr.
Robert L. Parker, Jr.
President

ATTEST:

/s/ Ronald C. Potter
Ronald C. Potter
Vice President, General Counsel & Secretary

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Robert L. Parker Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2007, of Parker Drilling Company (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2007

/s/ Robert L. Parker Jr.

Robert L. Parker Jr.
Chairman and Chief Executive Officer

PARKER DRILLING COMPANY
RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, W. Kirk Brassfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarterly period ended September 30, 2007, of Parker Drilling Company (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2007

/s/ W. Kirk Brassfield

W. Kirk Brassfield
Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: November 9, 2007

/s/ Robert L. Parker Jr.

Robert L. Parker Jr.
Chairman and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Parker Drilling Company (the "Company") hereby certifies, to such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (the "Report") fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: November 9, 2007

/s/ W. Kirk Brassfield

W. Kirk Brassfield
Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure statement.