

OMNI ENERGY SERVICES CORP

Form 10-K

March 13, 2009

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008.

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

COMMISSION FILE NUMBER 0-23383

OMNI ENERGY SERVICES CORP.

(Exact name of registrant as specified in our charter)

LOUISIANA
(State or other jurisdiction of

incorporation or organization)

4500 NE EVANGELINE THWY

CARENCRO, LOUISIANA
(Address of principal executive offices)

72-1395273
(I.R.S. Employer

Identification No.)

70520
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:

(337) 896-6664

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

COMMON STOCK, \$0.01 PAR VALUE PER SHARE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

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NONE

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2008, based on the closing price of common stock on the Nasdaq Global Market for such date, was \$106,253,083.

The number of shares of the Registrant's common stock, \$0.01 par value per share, outstanding at March 10, 2009 was 20,663,996.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Form 10-K is incorporated by reference from the registrant's definitive proxy statement involving the election of directors at the annual meeting of the shareholders to be held in 2009, which definitive proxy statement will be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Form 10-K relates.

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ANNUAL REPORT ON FORM 10-K FOR
THE YEAR ENDED DECEMBER 31, 2008**

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OMNI ENERGY SERVICES CORP.

Unless otherwise indicated by the context, references herein to the Company, OMNI, we, our or us mean OMNI Energy Services Corp., a Louisiana corporation, and its subsidiaries. Certain terms used herein relating to our operations and the oil and natural gas services industry are defined in ITEM 1. BUSINESS and ITEM 2. PROPERTIES.

FORWARD LOOKING INFORMATION

Certain of the statements contained in all parts of this document (including the portion, if any, to which this Form 10-K is attached), including, but not limited to, those relating to our acquisition plans, the effect of changes in strategy and business discipline, future tax matters, future general and administrative expenses, future growth and expansion, expansion of our operations, review of acquisitions, expansion and improvement of our capabilities, integration of new technology into operations, credit facilities, redetermination of our borrowing base, attraction of new members to the management team, future compensation programs, new alliances, future capital expenditures (or funding thereof) and working capital, sufficiency of future working capital, borrowings and capital resources and liquidity, projected rates of return, retained earnings and dividend policies, projected cash flows from operations, future, outcome, effects or timing of any legal proceedings or contingencies, the impact of any change in accounting policies on our financial statements, realization of post-closing price adjustments with respect to the recent acquisitions, management's assessment of internal control over financial reporting, the identification of material weaknesses in internal control over financial reporting and any other statements regarding future operations, financial results, opportunities, growth, business plans and strategy and other statements that are not historical facts are forward looking statements. These forward-looking statements reflect our current view of future events and financial performance. When used in this document, the words budgeted, anticipate, estimate, expect, may, project, believe, intend, plan, potential, forecast, might, predict, should and similar expressions are intended to be among the statements that identify forward-looking statements. These forward-looking statements speak only as of their dates and should not be unduly relied upon. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. Such statements involve risks and uncertainties, including, but not limited to, those set forth under ITEM 1A. RISK FACTORS and other factors detailed in this document and our other filings with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by reference to these risks and uncertainties.

PART I

**ITEM 1. BUSINESS
GENERAL**

OMNI Energy Services Corp. is an integrated oilfield service company specializing in providing a range of (i) onshore seismic drilling, operational support, permitting, and survey services; (ii) dock-side and offshore hazardous and non-hazardous oilfield waste management and environmental cleaning services, including tank and vessel cleaning and safe vessel entry; (iii) drilling fluid transportation and disposal services; (iv) oilfield equipment rental, for oil and gas companies operating in the Gulf of Mexico, the Rocky Mountain region and prolific shale regions in the South Central United States; and (v) other specialized services such as metal stress relieving, environmental pit cleaning, wellhead preheating and wellhead installation. At December 31, 2008, we operated in five business segments Seismic Services, Environmental Services, Equipment Leasing, Fluid and Transportation Services and Other Services. For information about the revenues, operating income (loss) and other financial information relating to the segments, see Note 11 to our Consolidated Financial Statements.

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We were founded in 1987, as OMNI Drilling Corporation, to provide drilling services to the geophysical industry. In July 1996, OMNI Geophysical, L.L.C. acquired substantially all of the assets of OMNI Geophysical Corporation, the successor to the business of OMNI Drilling Corporation. OMNI Energy Services Corp. was formed as a Louisiana corporation on September 11, 1997 to acquire all of the outstanding common units of OMNI Geophysical, L.L.C.

BUSINESS SEGMENTS

SEISMIC SERVICES. The principal market of our Seismic Services segment is the marsh, swamp, shallow water and contiguous dry land areas along the Gulf of Mexico (the Transition Zone), primarily in Louisiana and Texas, where we are a leading provider of seismic drilling support services.

We own and operate a fleet of specialized seismic drilling and transportation equipment for use in the Transition Zone. We believe we are the only company that currently can both provide an integrated range of seismic drilling, permitting, and survey services in all of the varied terrain of the Transition Zone and simultaneously support operations for multiple, large-scale seismic projects. With the acquisition of all of the assets of AirJac Drilling, a division of Veritas Land DGC in 2002, we became the largest domestic provider of seismic drilling support services to geophysical companies.

In March 2007, we acquired certain assets of Cypress Consulting Services, Inc. d/b/a Cypress Energy Services (Cypress), thereby expanding our fleet of seismic drilling equipment and allowing us to better serve the needs of our seismic drilling customers. In addition, Cypress operated in two distinct business divisions—seismic drilling services and employee leasing. The employee leasing division provides both skilled and unskilled contract labor services to various companies working in the oil and gas industry. The entirety of the operations related to the assets purchased from Cypress are included in our Seismic Services segment.

ENVIRONMENTAL SERVICES. We provide dock-side and offshore hazardous and non-hazardous oilfield waste management and environmental cleaning services, including drilling rig, tank and vessel cleaning, safe vessel entry, naturally occurring radioactive material (NORM) decontamination, platform abandonment services, pipeline flushing, gas dehydration, and hydro blasting. Demand for our dock-side vessel and tank cleaning and non-hazardous waste treatment businesses are primarily driven by drilling and well-site abandonment activity in the waters of the Gulf of Mexico, as reflected by the drilling rig count. Much of the cleaning and waste treatment is from residual waste created in the drilling process.

In March 2007, we acquired BMJ Industrial Investments, L.L.C. and its wholly-owned subsidiary Charles Holston, Inc. (collectively Holston). This acquisition provides us with additional opportunities to expand our Environmental Services segment with corrosion proofing and offshore cleaning capabilities.

Additionally, we provide NORM surveys, cleaning and waste disposal; tank degassing and demolition; rig pit cleaning; oilfield waste disposal; hydro blasting; dockside and offshore cleaning; and offshore sandblasting and painting.

EQUIPMENT LEASING. We acquired Preheat, Inc. (Preheat) in February 2006. Preheat provides rental equipment and specialized environmental services principally to drilling contractors operating in the Gulf of Mexico. Preheat has a vast fleet of rental equipment including pressure washers, steam cleaners and oilfield cooling fans. During 2008, Preheat operated from locations in Belle Chasse and Broussard, Louisiana and Rock Springs, Wyoming. In early 2009, we consolidated the Broussard facility with the corporate facilities in Carencro, Louisiana.

In November 2006, we acquired Rig Tools, Inc. (Rig Tools). Rig Tools maintains an extensive fleet of rental equipment for various oilfield and commercial applications including water, mud and disposal pumps; mud, fuel and frac tanks; air compressors; wireline units; generators; high pressure washers; light towers; tubing;

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and handling tools. It also offers certain land based environmental cleaning services. Rig Tools has operating facilities in Youngsville, Louisiana; and Navasota, Timpson and Teague, Texas.

Additionally, the acquisition of Holston in 2007 brought complementary additions to our equipment rental fleet. Holston maintains a fleet of rental equipment including frac tanks, gas buster tanks, generators, lighting systems and roll-off containers.

In April 2008, we acquired Industrial Lift Truck and Equipment Co., Inc. (Industrial Lift), allowing us to further expand the line of products that we provide for lease into specialized lifting units such as industrial forklifts and manlifts. Industrial Lift has operating facilities in Broussard, Louisiana and Lincoln, Texas.

FLUID AND TRANSPORTATION SERVICES. As mentioned above, we acquired Holston in March 2007. Holston offers transportation of non-hazardous byproducts, such as saltwater and spent drilling fluids. Holston also originally operated two saltwater disposal wells for the disposal of non-hazardous byproducts. In late 2007, Holston received the necessary licensing and permits to go forward with the addition of a third saltwater disposal well, which became operational in 2008.

In June 2007, we acquired certain assets of Bailey Operating, Inc. (BOI), which geographically extended our core businesses into the Barnett Shale region in North Texas. These assets included an additional saltwater disposal well for the disposal of non-hazardous byproducts. Not only did we acquire an exceptional facility for the disposal of non-hazardous oilfield waste by-products, the acquisition also established a platform for further geographic expansion of our core businesses. We have expanded our Fluid Transportation Services and Equipment Leasing operations into the Barnett Shale region. We have also expanded our operations into the Haynesville Shale and Fayetteville Shale areas.

In January 2008, we acquired the assets of B.E.G. Liquid Mud Services Corp. (BEG), which was an extension of our fluid transportation services and our land-based equipment leasing operations. It allows us to better serve our customers by offering drilling support packages including the supply of drilling fluids, chemicals, storage, mixing and fluid pumping services as well as fluid trucking, recycling, tank cleaning and disposal services. Through Holston, we currently handle the transportation of oilfield drilling and production fluids in Louisiana. Our land-based equipment leasing operation through Rig Tools has been primarily focused on drilling equipment rental in Louisiana and Central Texas. The acquisition of BEG strategically positions us for further geographic expansion of these services and also extends our transportation and land-based equipment leasing operations into the southern regions of the Barnett Shale and into East Texas. Additionally, we believe we will be able to capitalize on our existing customer relationships to geographically expand BEG's fluid service distribution facilities into other prolific onshore regions of the United States

OTHER SERVICES. The acquisition of Preheat allowed us to offer additional services to our customers including wellhead installation and metal stress relieving services.

INDUSTRY OVERVIEW

SEISMIC SERVICES. Seismic data generally consists of computer-generated three-dimensional (3-D) images or two-dimensional (2-D) cross sections of subsurface geologic formations and is used in the exploration of new hydrocarbon reserves and as a tool for enhancing production from existing reservoirs. Onshore seismic data is acquired by recording subsurface seismic waves produced by an energy source, usually dynamite, at various points (source points) at a project site. Historically, 2-D surveys were the primary technique used to acquire seismic data. However, advances in computer technology have made 3-D seismic data, which provides a more comprehensive geophysical image, a practical and capable oil and gas exploration and development tool. 3-D seismic data has proven to be more accurate and effective than 2-D data at identifying potential hydrocarbon-bearing geological formations. The use of 3-D seismic data to identify locations to drill both exploration and development wells has improved the economics of finding and producing oil and gas reserves, which in turn has created increased demand for 3-D seismic surveys and seismic support services.

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Oil and gas companies generally contract with independent geophysical companies to acquire seismic data. Once an area is chosen for seismic analysis, permits and landowner consents are obtained, either by us, by the geophysical company or by special permitting agents. The geophysical company then determines the layout of the source and receiving points. For 2-D data, the typical configuration of source and receiving points is a straight line with a source point and small groups of specialized sensors (geophones) or geophone stations placed evenly every few hundred feet along the line. For 3-D data, the configuration is generally a grid of perpendicular lines spaced a few hundred to a few thousand feet apart, with geophone stations spaced evenly every few hundred feet along one set of parallel lines, and source points spaced evenly every few hundred feet along the perpendicular lines. This configuration is designed by the geophysical company to provide the best imaging of the targeted geological structures while taking into account surface obstructions such as water wells, oil and gas wells, pipelines and areas where landowner consents cannot be obtained. A survey team then marks the source points and geophone locations, and the source points are drilled and loaded with dynamite.

After the source points have been drilled and loaded and the network of geophones and field recording boxes deployed over a portion of the project area, the dynamite is detonated at a source point. Seismic waves generated by the blast move through the geological formations under the project area and are reflected by various subsurface strata back to the surface where they are detected by geophones. The signals from the geophones are collected and digitized by recording boxes and transmitted to a central recording system. In the case of 2-D data, the geophones and recording devices from one end of the line are then shuttled, or rolled forward, to the other end of the line and the process is repeated. In the case of 3-D data, numerous source points, typically located between the first two lines of a set of three or four parallel lines of geophone stations, are activated in sequence. The geophone stations and recording boxes from the first of those lines are then rolled forward to form the next line of geophone stations. The process is repeated, moving a few hundred feet at a time, until the entire area to be analyzed has been covered.

After the raw seismic data has been acquired, it is sent to a data processing facility. The processed data can then be manipulated and viewed on computer workstations by geoscientists to map the subsurface structures to identify formations where hydrocarbons are likely to have accumulated and to monitor the movement of hydrocarbons in known reservoirs. Domestically, seismic drilling and survey services are typically contracted to companies, such as OMNI, as geophysical companies have found it more economical to outsource these services and focus their efforts and capital on the acquisition and interpretation of seismic data.

ENVIRONMENTAL SERVICES. The demand for our environmental services is directly impacted by offshore drilling and production activity in the Gulf of Mexico. We provide specialized environmental cleaning and maintenance equipment and trained personnel to oil and gas companies operating in the Gulf Coast region of the United States. We also assist production operators in the maintenance and replacement of anodes, mist extractors, valves, glycol systems, chemical electric units and fire tubes. Our customer list includes virtually all major and independent oil and gas companies operating in the Gulf of Mexico. Our dock side services are dependent upon the movement of vessels from offshore production platforms or drilling rigs which operate non-stop throughout the year.

We charge for our environmental services on a time and materials basis. Our ability to successfully secure and maintain future environmental services for our customers is dependent upon our ability to provide quick, safe and efficient maintenance and cleaning services at a competitive price. Project backlogs are maintained for NORM decontamination, abandonment and decommissioning and scheduled offshore maintenance.

EQUIPMENT LEASING. With our acquisitions of Preheat, Rig Tools, Holston, and Industrial Lift we have expanded the list of equipment and services that we offer to customers. We have a vast fleet of rental equipment including pressure washers, steam cleaners, frac tanks, wireline units, gas buster tanks, roll off containers and generators available for rent to drilling contractors operating in the Gulf of Mexico and Rocky Mountain regions and the prolific Barnett, Haynesville and Fayetteville Shale regions. We also have specialized lifting units such as industrial forklifts and manlifts. Our Equipment Leasing segment has customer lists including virtually all of

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the major and independent oil and gas companies operating in the Gulf of Mexico and the Rocky Mountains and the prolific shale plays in the United States.

Rental equipment is charged on a daily basis. Wellhead installations, stress relieving and other services are billed on a per job basis. Our ability to successfully secure and maintain future rental and service opportunities with Preheat customers is dependent upon our ability to continue to provide high-quality, dependable rental equipment and reliable services to these customers at a competitive price.

FLUID AND TRANSPORTATION SERVICES. With our acquisition of Holston in March 2007, we expanded our transportation services to include vacuum truck, winch truck, roll-off truck and flat bed services supporting both drilling and production. We operate an extensive fleet of power units supporting south Louisiana, east and west Texas, the Barnett and Haynesville Shale and Rocky Mountain regions. We also operate four production water treatment and disposal facilities with locations in south Louisiana and the Barnett Shale. Holston's customer list includes approximately 200 major and independent oil and gas companies operating in Louisiana, Texas and the Rocky Mountains.

Our acquisition of BEG allowed us to better serve our customers by offering a drilling support package including the supply of drilling fluids, chemicals, storage, mixing and fluid pumping services as well as fluid trucking, recycling, tank cleaning and disposal services. BEG operates drilling fluid distribution facilities located in Woodville, Bryan and Giddings, Texas. The location of the BEG facilities gives us broader reach into other prolific oil and gas producing areas of Texas.

OTHER SERVICES. We offer wellhead installation services and metal stress relieving services to our customers in the Gulf of Mexico and southern United States. Wellhead installations, stress relieving and other services are billed on a per job basis.

DESCRIPTION OF OPERATIONS

We provide an integrated range of services including (i) onshore seismic drilling, operational support, permitting and surveying to geophysical companies operating in logistically difficult and environmentally sensitive terrain in the United States, and (ii) dock-side and offshore hazardous and non-hazardous oilfield waste management and environmental cleaning services, including tank and vessel cleaning and safe vessel entry for oil and gas companies operating in the Gulf of Mexico. We have available an extensive fleet of oilfield rental equipment for our customers. With the acquisition of certain assets of Cypress in March 2007, we further extended our ability to provided seismic drilling and support services to our customers. Through the acquisition of Holston in March 2007, we expanded our list of services to include the disposal of non-hazardous byproducts, such as saltwater and spent drilling fluids. The acquisition of BOI in June 2007 further expanded our capacity for disposal of non-hazardous byproducts and gave us market presence in the Barnett Shale region of North Texas. Holston also brought an expansion of our market into the Rocky Mountains with an equipment rental outlet in Vernal, Utah and the necessary permitting and licensing to transport oilfield waste in Louisiana. The acquisition of BEG in January 2008 expanded our Fluid and Transportation Services segment with the addition of drilling mud capabilities. It also gave us a larger presence in the Central and West Texas markets. ILT, acquired in April 2008, added a large fleet of lift units to our offering of equipment rental items to our customers in the oil and gas services sector.

SEISMIC SERVICES

DRILLING. The primary activity of our Seismic Services segment is the drilling and loading of source points for seismic analysis. Once the geophysical company has plotted the various source points and a survey crew has marked their locations, our drill crews are deployed to drill and load the source points.

In the Transition Zone, we use water pressure rotary drills mounted on various types of vehicles to drill the source holes. The nature, accessibility and environmental sensitivity of the terrain surrounding the source point determine the type of vehicle used. Transition Zone source holes are generally drilled to depths of 40 to 180 feet, depending on the nature of the terrain and the needs of the geophysical company. We generally use ten-foot

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sections of drill pipe that are carried with the drilling unit. Our Transition Zone vehicles are typically manned with a driver and one or two helpers. The driver is responsible for maneuvering the vehicle into position and operating the drilling unit, while the helper sets and guides the drill into position, attaches the drilling unit's water source, when drilling in dry areas, and loads the drill pipe sections used in the drilling process. Once the hole has been drilled to the desired depth, it is loaded with dynamite, which is carried onboard our vehicles in special containers. The explosive charge is set at the bottom of the drill hole and then tested to ensure that the connection has remained intact. Once the charge has been tested, the hole is plugged in accordance with local, state and federal regulations and marked so that the geophysical company can identify it for detonation at a later date. This process is repeated throughout the survey area until all source points have been drilled and loaded.

In seismic rock drilling, we use compressed air rotary/hammer drills to drill holes that are typically shallower than Transition Zone holes. Rock drills are manned by a two-man or three-man crew and are transported to and from locations by hand, surface vehicle or helicopter. Once the hole has been drilled to the desired depth, it is loaded with explosives, which are delivered to the job site in an explosive magazine carried by hand, vehicle or helicopter.

PERMITTING. We maintain a Geophysical Permit Acquisition Operation Division within the Seismic Services segment. Our staff of contract permit agents first conducts research in public land title records to determine ownership of the lands located in the seismic projects. The permit agents then contact, negotiate and acquire permits and landowner consents for the survey, drilling and recording crews to conduct their operations. Throughout the seismic data acquisition process, the permit agents assist the crews in the field with landowner relations and permit restrictions in order to reduce field-crew downtime for noncompliance with landowner requests. Our permit services are enhanced with the assistance of a proprietary database software program specifically designed for efficient management of seismic projects.

SURVEY. Once all permits and landowner consents for a seismic project have been obtained and the geophysical company has determined the placement of source and receiving points, contract survey crews are sent into the field to plot each source and receiving point prior to drilling. We employ both GPS (global positioning satellite) equipment, which is more efficient for surveying in open areas, and conventional survey equipment, which is generally used to survey wooded areas. We have successfully integrated both types of equipment in order to complete projects throughout the varied terrain of the Transition Zone and elsewhere. In addition, the contract survey crews have access to our extensive fleet of specialized transportation equipment, as opposed to most other survey companies, which must rent this equipment.

OPERATIONAL SUPPORT. We are able to coordinate a variety of related services to customers performing 3-D seismic data acquisition projects that produce significant economies of scale and value. Our substantial base of experience gained from years of work supporting 3-D seismic projects enables us to provide significant pre-job planning information to the customer during job design analysis. Typical 3-D seismic data acquisition projects in the field involve large amounts of equipment, personnel and logistics coordination. Coordination of movements between permitting, drilling, survey and recording crews is of critical importance to timely, safe and cost effective execution of the job. We have a pool of senior field supervisors, who have broad seismic industry experience and are able to coordinate the activities of drill crews, permit agents and survey teams with the recording crews to achieve improved results. These personnel also have the ability to recommend changes to the customer field representatives in the manner of executing the job in the field to improve performance and reduce costs. By having the ability to perform significant field coordination, we are able to streamline field decision making and information flow and reduce customer overhead costs that otherwise would be required to perform these supervisory tasks. We also have one of the industry's leading Quality, Health, Safety and Environmental (QHSE) programs. The involvement of our experienced personnel monitoring QHSE field practices greatly reduces customer involvement in this area. By offering the only integrated combination of seismic drilling, permit acquisition, seismic survey and operational support, in addition to an equipment fleet that is one of the largest in terms of number of units and most diverse in the industry, we provide significant operational advantages to the customer.

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We acquired certain assets of Cypress in March 2007. Cypress operates in two distinct business areas seismic drilling and employee leasing. The employee leasing division provides both skilled and unskilled contract labor services to various companies working in the oil and gas industry and is presented as a component of our Seismic Services segment.

FABRICATION AND MAINTENANCE. At our Carencro facilities, we perform repairs and maintenance for our Transition Zone and highland drilling equipment. We design and fabricate aluminum marsh all terrain vehicles (ATVs), support boats and pontoon boats, and the drilling units that we use on our Transition Zone equipment. We purchase airboats directly from the manufacturer and then modify the airboats to install the drilling equipment. We have also designed and built a limited number of highland drilling units by installing our drilling equipment on tractors bought directly from the manufacturer. In addition, we fabricate rock-drilling equipment and have the capability of fabricating other key equipment, such as swamp ATVs. Because of our ability to fabricate and maintain much of our equipment, we do not believe that we are dependent on any one supplier for our drilling equipment or parts.

ENVIRONMENTAL SERVICES. We are an environmental and maintenance service contractor working primarily for onshore and offshore oil and gas companies. Our Environmental Services segment provides equipment and personnel to perform environmental cleaning services including drilling rig, tank and vessel cleaning, NORM decontamination, platform abandonment services, pipeline flushing, hydro blasting and gas dehydration services. We operate in the onshore, dockside and offshore regions of the Gulf of Mexico where we are considered to be the leading provider of such environmental services. Our cleaning operations are performed at six locations along the Louisiana Gulf Coast.

The acquisition of Holston in March 2007 provided us with additional opportunities to expand our environmental services segment with corrosion proofing and offshore cleaning capabilities. In addition, Holston offers transportation of non-hazardous byproducts, such as saltwater and spent drilling fluids; NORM surveys, cleaning and waste disposal; tank degassing and demolition; rig pit cleaning; oilfield waste disposal; hydro blasting; dockside and offshore cleaning; and offshore sandblasting and painting. Holston also operates four saltwater disposal wells for the disposal of non-hazardous byproducts. Holston operates from three locations including a Rocky Mountain location in Vernal, Utah located in the Rocky Mountain region.

EQUIPMENT LEASING. Through our Preheat, Rig Tools and Industrial Lift subsidiaries, we offer a vast fleet of rental equipment including pressure washers, wireline units, frac tanks, forklifts, manlifts and steam cleaners. Our subsidiary, Rig Tools, maintains an extensive fleet of rental equipment for various oilfield and commercial applications including: water, mud and disposal pumps; mud, fuel and frac tanks; air compressors; wireline units; generators; high pressure washers; light towers; tubing; and handling tools.

Our acquisition of Holston brought complementary additions to our equipment rental fleet. Holston maintains a fleet of rental equipment including frac tanks, gas buster tanks, generators, lighting systems and roll-off containers.

FLUID AND TRANSPORTATION SERVICE. Through our Holston subsidiary, we are able to offer transportation of non-hazardous oilfield waste by-products and provide saltwater injection well services at our four injection wells located in Louisiana and Texas. Additionally, our acquisition of BEG allows us to provide water-based drilling fluids to the oil and gas exploration and production companies operating in our Texas and Louisiana markets.

MATERIALS AND EQUIPMENT

The principal materials and equipment used in our seismic drilling operations, which include drills, heli-portable and man-portable drills, drill casings, drill bits, engines, gasoline and diesel fuel, dynamite, aluminum and steel plate, welding gasses, trucks and other vehicles, are currently in adequate supply from many sources. We do not depend upon any single supplier or source for such materials.

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Environmental cleaning equipment and materials such as compressors, pressure washers, diaphragm pumps, electric generators, water blasters, vacuum trucks, hoses, personnel protection equipment, and cleaning agents are readily available from many sources throughout the Gulf of Mexico Region. We do not depend upon any single supplier or source for such materials.

Equipment included in our rental fleet such as frac tanks, wireline units and pressure washers are readily available from many sources throughout the region. We do not depend upon any single supplier or source for such materials.

SAFETY AND QUALITY ASSURANCE

We maintain a stringent safety assurance program to reduce the possibility of accidents. Our QHSE department establishes guidelines to ensure compliance with all applicable state and federal safety regulations and provides training and safety education, including first aid and CPR training through orientations for new employees. Our QHSE manager reports directly to our Chief Executive Officer and supervises three QHSE field advisors and one instructor who provides Occupational Safety and Health Act (OSHA) mandated training. We believe that our safety program and commitment to quality are vital to attracting and retaining customers and employees.

Each drilling crew is supervised at the project site by a field supervisor and, depending on the project's requirements, an assistant supervisor and powderman who is in charge of all explosives. For large projects or when required by a customer, a separate advisor from our QHSE department is also located at the project site. Management is provided with daily updates for each project and believes that our daily review of field performance together with the on-site presence of supervisory personnel helps ensure high quality performance for all of our projects.

Environmental employees work in many facilities, most which have site specific requirements. Our crews attend pre-job meetings to formulate job specific work plans. These plans are monitored and audited by our supervisors and in-house QHSE advisors.

We have implemented an extensive program that provides training for adverse conditions in remote locations. In addition to our internal requirements, our employee training is conducted in accordance with federal, state, and customer requirements.

CUSTOMERS, MARKETING AND CONTRACTING

CUSTOMERS. Historically, our customers primarily have been geophysical companies, although in many cases the oil and gas company participates in determining which drilling, permitting, survey or aviation company will be used on our seismic projects. A few customers historically have generated a large portion of our Seismic Services revenue. For example, our largest customers (those which individually accounted for more than 10% of revenue in a given year, listed alphabetically) collectively accounted for 32% (two customers), 11% (one customer), and 21% (two customers), of revenue for fiscal 2006, 2007, and 2008, respectively. While we expect oil and gas companies utilizing our Environmental Services and Equipment Leasing services will eventually comprise a greater share of our revenue base, we currently derive a significant amount of our revenue from a small number of large geophysical companies and independent oil and gas operators. The loss of one of these significant customers, if not offset by sales to new or other existing customers, could have a material adverse effect on our business and operations.

The majority of our customers are engaged in the oil and gas industry. This concentration of customers may impact our overall exposure to credit risk, either positively or negatively, in that customers may be similarly affected by changes in economics and industry conditions. Generally, we do not require collateral in support of trade receivables, but we do maintain reserves for credit losses. Actual losses historically have been within expectations.

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MARKETING. Our Seismic Services traditionally have been marketed by our executive officers. We believe that this marketing approach helps us preserve long-term relationships established by our executive officers. Even as our geographical and service capabilities expand, we intend to continue implementing these marketing efforts in both the Transition Zone and in the Rocky Mountain region from our principal offices in Carencro, Louisiana. Our Environmental Services are marketed from offices in Louisiana and Texas. Preheat s, Rig Tools , Holston s and Industrial Lift s equipment and services are marketed from offices in Louisiana, Texas, Utah and Wyoming. Our saltwater disposal operations are marketed from offices in Louisiana and Texas.

CONTRACTING SEISMIC DRILLING. We generally contract with our customers for seismic drilling services on a unit-price basis, either on a per hole or per foot basis. These contracts are often awarded after a competitive bidding process. We price our contracts based on detailed project specifications provided by the customer, including the number, location and depth of source holes and the project s completion schedule. As a result, we generally are able to make a relatively accurate determination prior to pricing a contract of the type and amount of equipment required to complete the contract on schedule.

Because of unit-price contracting, we sometimes bear a portion of the risk of production delays that are beyond our control, such as those caused by adverse weather. We often bill the customer standby charges if our operations are delayed due to delays in permitting or surveying or for other reasons within the customer s control.

CONTRACTING PERMITTING SERVICES. We contract with our customers for permitting services on a day rate or per project basis. Under the per project basis, revenue is recognized when certain percentages of the permitting process are completed. Contracts are often awarded to us only after competitive bidding. In the case of the per project basis, we determine the price after we have taken into account such factors as the number of permit agents, the number of permits and the detailed project specification provided by the customer.

CONTRACTING SURVEY SERVICES. We contract with our customers for seismic survey services on a day rate or per mile basis. Under the per mile basis, revenue is recognized when the source or receiving point is marked by one of our survey crews. Contracts are often awarded to us only after competitive bidding. In each case, the price is determined after we have taken into account such factors as the number of surveyors and other personnel, the type of terrain and transportation equipment, and the precision required for the project based on detailed project specifications provided by the customer.

CONTRACTING FLUID AND TRANSPORTATION SERVICES. We generally bill our customers an hourly rate for transportation services under a master service agreement or a work-specific purchase order. Any disposal charges are billed at a per barrel rate. Drilling fluids are billed on a per barrel rate with prices dependent upon the weight of the mud.

CONTRACTING ENVIRONMENTAL SERVICES. We generally bill for our environmental cleaning and maintenance services on a time and materials basis. Our customer list includes virtually all major and independent oil and gas companies operating in the Gulf of Mexico. Our success in securing projects is often dependent on our ability to immediately provide personnel that operate in a quick, safe and efficient manner at a competitive price.

CONTRACTING EQUIPMENT LEASING. We generally bill our customers for equipment leasing on a monthly basis. Equipment is generally leased to our customers on a per day rate. Our customer list includes major and independent oil and gas companies operating in the Gulf of Mexico, the Southeastern United States and the Rocky Mountains. Our success is dependent upon maintaining our fleet of quality equipment and having the equipment available to our customers on short notice.

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COMPETITION

SEISMIC SERVICES

DRILLING. The principal competitive factors for seismic drilling services are price and the ability to meet customer schedules, although other factors including safety, capability, reputation and environmental sensitivity are also considered by customers when deciding upon a provider of seismic drilling services. We have a limited number of competitors in the Transition Zone and numerous smaller competitors in the highland areas in which we operate. We believe that no other company operating in the Transition Zone owns a fleet of Transition Zone seismic drilling equipment as varied or as large as ours. Our extensive and diverse equipment base allows us to provide drilling services to our customers throughout the Transition Zone with the most efficient and environmentally appropriate equipment. We believe there are numerous competitors offering rock and heli-portable drilling in the Rocky Mountain region and internationally. We believe we are the largest provider of seismic drilling services in the United States.

PERMITTING SERVICES. Our competitors include a number of larger, well-established companies with a number of permit agents comparable to us.

SURVEY SERVICES. Our competitors include a number of larger, well-established companies with a number of crews comparable to us.

ENVIRONMENTAL SERVICES. We have several competitors offering identical environmental services to those offered by our wholly-owned subsidiaries, Trussco, Inc. (Trussco) and Holston. Some of these competitors are larger and have more financial resources than we have available. Our ability to compete effectively is dependent upon our ability to have personnel available when needed at competitive prices.

FLUID AND TRANSPORTATION SERVICES. We have specific permits from various state agencies which allow us to transport and dispose of non-hazardous, spent drilling fluids. Our ability to compete effectively is dependent upon our ability to have personnel available when needed at competitive prices. Our acquisition of BEG allows us the opportunity to offer additional services to our transportation and equipment leasing customers in the exploration and production area. We currently provide transportation and sale of water-based drilling fluids to customers in our Texas and Louisiana markets.

EQUIPMENT LEASING. We have several competitors offering similar equipment rental and services to those offered by our subsidiaries Preheat, Rig Tools and Industrial Lift. Some of the competitors are larger and have more financial resources than we have available. Our ability to effectively compete is dependent upon having the desired rental equipment available to meet the customer's needs. In addition, it is imperative that the desired services can be performed for customers in a timely fashion at competitive prices. We feel that our recently acquired equipment and services are among the best in the market.

SEASONALITY AND WEATHER RISKS

SEISMIC SERVICES. Our Seismic Services operations are subject to seasonal variations in weather conditions and daylight hours. Since our activities take place outdoors, the average number of hours worked per day, and therefore the number of holes drilled or surveyed per day, generally is less in winter months than in summer months, due to an increase in rainy, foggy and cold conditions and a decrease in daylight hours. Furthermore, demand for seismic data acquisition activity by oil and gas companies at the end of the fourth quarter and in the first quarter is generally lower than at other times of the year. As a result, our revenue and gross profit during the fourth calendar quarter and the first calendar quarter of each year typically are lower than the second and third quarters for this business unit. Operations may also be affected by rainy weather, lightning, hurricanes and other storms prevalent along the Gulf Coast throughout the year and by seasonal climatic conditions in the Rocky Mountain area. In addition, prolonged periods of dry weather result in slower drill rates in marsh and swamp areas as water in the quantities needed to drill is more difficult to obtain and equipment movement is impeded. Adverse weather conditions and dry weather can also increase maintenance costs for our equipment and decrease the number of vehicles available for operations.

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BACKLOG

Our backlog represents those seismic drilling and survey projects for which a customer has hired us and has scheduled a start date for the project. Projects currently included in our backlog are subject to termination or delay without penalty which could substantially reduce the amount of backlog currently reported, at the option of the customer. Backlog levels vary during the year depending on the timing of the completion of certain contracts and when we are awarded new contracts.

Our backlog as of December 31, 2008, was approximately \$25.0 million compared to \$50.6 million at December 31, 2007, with the decrease due largely to the down-turn in the oil and gas markets and the shrinking capital expenditure budgets of the exploration and production companies. Backlog at December 31, 2007 and 2008, includes seismic drilling and survey projects in the Transition Zone in addition to highland seismic drilling projects.

Our permitting, environmental (with the exception of NORM decontamination) and leasing divisions, historically, have not measured backlog due to the nature of our business and our contracts, which are generally cancelable by either party with 30 days written notice. Backlog for NORM decontamination projects is maintained but is not considered to be material.

GOVERNMENTAL REGULATION

SEISMIC SERVICES. Our operations and properties are subject to and affected by various types of governmental laws and regulations, including those governing the entry into and restoration of wetlands, the handling of explosives and numerous other federal, state and local laws and regulations. To date, our cost of complying with such laws and regulations has not been material. However, such laws and regulations frequently change and it is not possible for us to accurately predict the cost or impact such laws and regulations may have on our future operations.

Furthermore, we depend on the demand for our services by the oil and gas industry and are affected by tax legislation, price controls and other laws and regulations relating to the oil and gas industry in general. The adoption of laws and regulations curtailing exploration and development drilling for oil and gas in our areas of operations for economic, environmental or other policy reasons would adversely affect our operations by limiting the demand for our services. We cannot determine to what extent our future operations and earnings may be affected by new legislation, new regulations or changes in existing regulations.

EXPLOSIVES. Because we use dynamite in our operations, we are subject to various local, state and federal laws and regulations concerning the handling and storage of explosives and are specifically regulated by the Bureau of Alcohol, Tobacco and Firearms of the U.S. Department of Justice and the Department of Homeland Security. We must take daily inventories of the dynamite and blasting caps that we keep for our seismic drilling and are subject to random checks by state and federal officials. We are licensed by the Louisiana State Police as an explosives handler. Any loss or suspension of these licenses would result in a material adverse effect on our results of operations and financial condition. We believe that we are in compliance with all material laws and regulations with respect to our handling and storage of explosives.

ENVIRONMENTAL. Our operations and properties are subject to a wide variety of increasingly complex and stringent federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. In addition, certain areas where we operate are federally or state protected wetlands or refuges where environmental regulation is particularly strict. These laws may provide strict liability for damages to natural resources and threats to public health and safety, rendering a party liable for environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and

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several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose us to liability for the conduct of, or conditions caused by, others, or for our acts that were in compliance with all applicable laws at the time such acts were performed.

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, and similar laws provide for responses to and liability for releases of hazardous substances into the environment. Additionally, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act, the Emergency Planning and Community Right to Know Act, each as amended, and similar state or local counterparts to these federal laws, regulate air emissions, water discharges, hazardous substances and wastes, and require public disclosure related to the use of various hazardous substances. Compliance with such environmental laws and regulations may require the acquisition of permits or other authorizations for certain activities and compliance with various standards or procedural requirements. We believe that our facilities are in substantial compliance with current regulatory standards.

FLUID AND TRANSPORTATION. Our fluid and transportation operations are subject to a wide variety of stringent federal, state and local environmental laws and regulations, including those governing the disposal of saltwater. We have acquired the necessary permits from regulatory agencies to transport oilfield fluids and the necessary licenses and permits to operate saltwater disposal wells at certain sites in Louisiana and Texas.

WORKER SAFETY. Laws and regulations relating to workplace safety and worker health, primarily OSHA and regulations promulgated thereunder, govern our operations. In addition, various other governmental and quasi-governmental agencies require us to obtain certain permits, licenses and certificates with respect to our operations. The kind of permits, licenses and certificates required in our operations depend upon a number of factors. We believe that we have all permits, licenses and certificates necessary to the conduct of our existing business.

INSURANCE

SEISMIC SERVICES. Our operations are subject to the inherent risks of inland marine activity, heavy equipment operations and the transporting and handling of explosives, including accidents resulting in personal injury, the loss of life or property, environmental mishaps, mechanical failures and collisions. We maintain insurance coverage, which we believe is reasonable and customary in the industry, against certain of these risks. We also maintain insurance coverage against property damage caused by fire, flood, explosion and similar catastrophic events that may result in physical damage or destruction to our equipment or facilities. All policies are subject to deductibles and other coverage limitations. We believe our insurance coverage is adequate. Historically, we have not experienced an insured loss in excess of our policy limits; however, there can be no assurance that we will be able to maintain adequate insurance at rates which we consider commercially reasonable, nor can there be any assurance such coverage will be adequate to cover all claims that may arise.

ENVIRONMENTAL SERVICES AND EQUIPMENT LEASING. Our operations involve a high degree of operational risk, particularly of personal injury and the inherent risk of loss or damage of equipment. Failure or loss of our equipment could result in property damage, personal injury, environmental pollution and other damage for which we could be liable. We maintain insurance against risk that we believe is consistent with industry standards and required by our customers. Although we believe that our insurance protection is adequate and we have not experienced a loss in excess of our policy limits, we may not be able to maintain adequate insurance at rates that we consider commercially reasonable, or ensure that our coverage will be adequate to cover all claims that may arise.

FLUID AND TRANSPORTATION SERVICES. Our fluid and transportation services operations involve risks associated with the transportation of goods and materials on state and federal highways. We maintain insurance against foreseeable risks that we believe is consistent with prevailing standards in our industry and

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required by our customers and lenders. Although we believe that our insurance protection is adequate and we have not experienced any loss in excess of our policy limits, we may not be able to maintain adequate insurance at rates that we consider commercially reasonable, or ensure that our coverage will be adequate to cover all claims that may arise.

EMPLOYEES

As of December 31, 2008, we had approximately 950 employees including operating, corporate, administrative and management personnel. In addition, we had approximately 100 people working in our labor leasing operations. Our employees are not unionized or employed pursuant to any collective bargaining agreement or any similar agreement. We believe our relations with our employees are generally good.

AVAILABLE INFORMATION

Under the Exchange Act, we are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read a copy of any document we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC maintains a web site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information we file electronically with the SEC.

We make available, free of charge through our web site, our reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after such reports are filed with the SEC. Additionally, we have adopted and posted on our website a Code of Ethics for Officers that applies to our principal executive officer, principal financial and accounting officer and our General Code of Ethics for all other employees. Any amendment to our Code of Ethics for Officers or General Code of Ethics will be posted promptly on our website. Our website also includes the charters for our Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee. The address for our web site is <http://www.omnienergy.com>. The information contained on or accessible from our website does not constitute a part of this report and is not incorporated by reference herein. We will also provide a printed copy of any of these aforementioned documents free of charge upon request.

Our principal executive offices are located at 4500 N.E. Evangeline Thruway, Carencro, Louisiana 70520. Our telephone number at that address is (337) 896-6664.

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors, in addition to the other information set forth or incorporated by reference herein. Each of these risk factors could adversely affect our business, operating results and financial condition, and also adversely affect the value of an investment in our common stock.

WE MAY NOT BE ABLE TO OBTAIN FUNDING OR OBTAIN FUNDING ON ACCEPTABLE TERMS BECAUSE OF THE DETERIORATION OF THE CREDIT AND CAPITAL MARKETS. THIS MAY HINDER OR PREVENT US FROM MEETING OUR FUTURE CAPITAL NEEDS.

Global financial markets and economic conditions have been, and continue to be, disrupted and volatile. The debt and equity capital markets have been exceedingly distressed. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions have made, and will likely continue to make, it difficult to obtain funding.

In particular, the cost of raising money in the debt and equity capital markets has increased substantially while the availability of funds from those markets generally has diminished significantly. Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets generally has increased as many lenders and institutional

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investors have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at maturity at all or on terms similar to our current debt and reduced and, in some cases, ceased to provide funding to borrowers.

Due to these factors, we cannot be certain that funding will be available if needed and to the extent required, on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, we may be unable to grow our existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures any of which could have a material adverse effect on our financial condition and results of operations.

THE CURRENT FINANCIAL AND CREDIT MARKET ENVIRONMENT MAY LIMIT THE FUTURE LEVEL OF EXPLORATION AND PRODUCTION INVESTMENT BY OUR CUSTOMERS.

Recent events experienced in the global financial and credit markets have had a significant impact on the availability of credit and the overall costs at which funds can be obtained. These factors coupled with the significant reduction in commodity prices, which has contributed to lower cash flow generation for a number of exploration and production companies, could contribute to a material decline in our customers' spending levels. The reduction in the level of future investment, if any, could have a material adverse effect on our financial condition and results of operations.

THE FINANCIAL SOUNDNESS OF OUR CUSTOMERS COULD AFFECT OUR BUSINESS AND OPERATING RESULTS.

As a result of the disruptions in the financial markets and other macro-economic challenges currently affecting the economy of the United States and other parts of the world, our customers may experience cash flow concerns. As a result, if customers' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, customers may not be able to pay, or may delay payment of, accounts receivable owed to us. Any inability of current and/or potential customers to pay us for services may adversely affect our financial condition and results of operations.

OUR RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED BY ASSET IMPAIRMENTS.

We periodically review our portfolio of equipment for impairment. If we expect significant sustained decreases in oil and natural gas prices in the future, we may be required to write down the value of our equipment if the future cash flows anticipated to be generated from the related equipment falls below net book value. The recent decline in oil and natural gas prices, if sustained, could result in future impairments. If we are forced to write down the value of our equipment, these noncash asset impairments could negatively affect our results of operations in the period in which they are recorded. See discussion of Impairment of Long-Lived Assets included in Critical Accounting Policies and Estimates.

BECAUSE WE HAVE NO PLANS TO PAY ANY DIVIDENDS FOR THE FORESEEABLE FUTURE, INVESTORS MUST LOOK SOLELY TO STOCK APPRECIATION FOR A RETURN ON THEIR INVESTMENT IN US.

We have not paid cash dividends on our common stock since our incorporation and do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain any future earnings to support our operations and growth. Any payment of cash dividends in the future will be dependent on the amount of funds legally available, our financial condition, capital requirements and other factors that our Board of directors may deem relevant. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

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OUR OPERATIONS ARE SUBJECT TO DELAYS RELATED TO OBTAINING LAND ACCESS RIGHTS OF WAY FROM THIRD PARTIES WHICH COULD AFFECT OUR RESULTS OF OPERATIONS.

Our seismic data acquisition operations could be adversely affected by our inability to obtain timely right of way usage from both public and private land and/or mineral owners. In recent years, it has become more difficult, costly and time-consuming to obtain access rights of way as drilling activities have expanded into more populated areas, and landowners have become more resistant to seismic and drilling activities occurring on their property. Delays associated with obtaining such rights of way could negatively affect our results.

INDUSTRY VOLATILITY MAY ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

The demand for our services depends on the level of capital expenditures by oil and gas companies for developmental construction and these expenditures are critical to our operations. The levels of such capital expenditures are influenced by the following factors:

oil and gas prices and industry perceptions of future price levels and demand;

the cost of exploring for, producing and developing oil and gas reserves;

the ability of oil and gas companies to generate capital;

the sale and expiration dates of leases in the United States;

the availability of current geophysical data;

the discovery rate of new oil and gas reserves;

local and international political and economic conditions; and

government regulations.

The cyclical nature of the oil and gas industry has a significant effect on our revenues and profitability. Historically, prices of oil and gas, as well as the level of exploration and developmental activity, have fluctuated substantially. This has, in the past, and may in the future, adversely affect our business. We are unable to predict future oil and gas prices or the level of oil and gas industry activity. A prolonged low level of activity in the oil and gas industry will likely depress development activity, adversely affecting the demand for our products and services and our financial condition and results of operations.

OUR GROWTH AND GROWTH STRATEGY INVOLVES RISKS.

We have grown over the last several years through internal growth and acquisitions of other companies. It will be important for our future success to manage our growth and this will require increased responsibility for management personnel. The following factors could present difficulties to us:

the lack of sufficient executive-level personnel;

the successful integration of the operations and management teams from our recent acquisitions;

increased levels of debt and administrative burdens; and

increased logistical problems of large, expansive operations.

If we do not manage these potential difficulties successfully, they could have a material adverse effect on our financial condition and results of operations.

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THE DANGERS INHERENT IN OUR OPERATIONS AND THE POTENTIAL LIMITS ON INSURANCE COVERAGE FOR CERTAIN RISKS COULD EXPOSE US TO POTENTIALLY SIGNIFICANT LIABILITY COSTS.

Our operations, and to a significant degree our seismic operations, are subject to risks or injury to personnel and loss of equipment. Our crews often conduct operations in extreme weather, in difficult terrain that is not easily accessible, and under other hazardous conditions. We maintain what we believe is prudent insurance protection. However, we cannot assure that our insurance will be sufficient or effective under all circumstances. A successful claim for which we are not fully insured may have a material adverse effect on our financial condition. Moreover, we do not carry business interruption insurance with respect to our operations.

WE OPERATE IN A HIGHLY COMPETITIVE INDUSTRY.

We compete with several other providers of seismic drilling, permitting, survey and environmental services. Competition among seismic contractors historically has been, and will continue to be, intense. Competitive factors have in recent years included price, crew experience, equipment availability, technological expertise and reputation for quality and dependability. Our revenues and earnings may be affected by the following factors:

changes in competitive prices and availability of trained personnel;

fluctuations in the level of activity and major markets;

general economic conditions; and

governmental regulation.

Additionally, in certain geographical areas, some of our competitors operate more crews than we do and may have substantially greater financial and other resources. These operators could enjoy an advantage over us if the competitive environment for contract awards shifts to one characterized principally by intense price competition.

SEASONALITY AND ADVERSE WEATHER CONDITIONS IN THE REGIONS IN WHICH WE OPERATE MAY ADVERSELY AFFECT OUR OPERATIONS.

Our operations are directly affected by the weather conditions in the Gulf of Mexico. Due to seasonal differences in weather patterns, we may operate more days in the spring, summer and fall periods and less in the winter months. The seasonality of oil and gas industry activity in the Gulf Coast region also affects our operations. Due to exposure to weather, we generally experience higher drilling activity in the spring, summer and fall months with the lowest activity in winter months, especially with respect to our operations in the mountainous regions of the western United States. The rainy weather, hurricanes and other storms prevalent in the Gulf of Mexico and along the Gulf Coast throughout the year may also affect our operations. As a result, full-year results are not likely to be a direct multiple of any particular quarter or combination of quarters.

WE ARE DEPENDENT ON KEY PERSONNEL.

Our success depends on, among other things, the continued active participation of our executive officers and certain of our other key operating personnel. Our officers and personnel have extensive experience in the domestic and international oilfield services industry. The loss of the services of any one of these persons could impact adversely our ability to implement our expansion strategy.

WE MAY INCUR ADDITIONAL EXPENDITURES TO COMPLY WITH GOVERNMENTAL REGULATIONS.

Our seismic and environmental operations are subject to extensive governmental regulation, violations of which may result in civil and criminal penalties, injunctions and cease and desist orders. These laws and regulations govern, among other things, operations in wetlands, the handling

of explosives and hazardous and

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non-hazardous waste. Although our cost of compliance with such laws has to date been immaterial, such laws frequently change. Accordingly, it is impossible to predict the cost or impact of such laws on our future operations. We are also required by various governmental agencies to obtain certain permits, licenses and certificates. To date, we believe that we possess all permits, licenses and certificates material to the operation of our business. The loss of any of the licenses required for our operation could have a material adverse effect on our financial condition and results of operations.

We depend on demand for our services from the oil and gas industry, and this demand may be affected by changing tax laws and oil and gas regulations. As a result, the adoption of laws that curtail oil and gas production in our areas of operation may adversely affect us. We cannot determine to what extent our operations may be affected by any new regulations or changes in existing regulations.

ONE STOCKHOLDER HAS SUBSTANTIAL INFLUENCE OVER OUR AFFAIRS.

Dennis R. Sciotto beneficially owns approximately 31% of our outstanding common stock. Mr. Sciotto represents and controls The Dennis R. Sciotto Family Trust and was appointed to the Board of Directors in 2005. As a result, Mr. Sciotto has the ability to substantially influence our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets. This may have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation.

FUTURE TECHNOLOGICAL ADVANCES COULD IMPAIR OPERATING ASSETS OR REQUIRE SUBSTANTIAL UNBUDGETED CAPITAL EXPENDITURES.

We compete in providing services in a capital intensive business. The development of seismic data acquisition and processing equipment has been characterized by rapid technological advancements in recent years, and this trend may continue. Manufacturers of seismic equipment may develop new systems that have competitive advantages over systems now in use that could render our current equipment obsolete or require us to make significant unplanned capital expenditures to maintain our competitive position. Under such circumstances, there can be no assurance that we would be able to obtain necessary financing on favorable terms.

OUR SEISMIC SERVICES OPERATIONS DEPEND ON A FEW SIGNIFICANT CUSTOMERS.

We derive a significant amount of our revenue from a small number of geophysical companies. Our inability to continue to perform services for a number of our large existing customers, if not offset by sales to new or other existing customers, could have a material adverse effect on our business and operations. For example, our largest customers (those which individually accounted for more than 10% of revenue in a given year) collectively accounted for 32% (two customers), 11% (one customer), and 21% (two customers) of revenue for fiscal 2006, 2007 and 2008, respectively.

OUR BACKLOG MAY NOT BE TIMELY CONVERTED INTO REVENUE IN ANY PARTICULAR FISCAL PERIOD.

Our backlog represents those seismic drilling and survey projects for which a customer has hired us and has scheduled a start date for the project. Backlog levels vary during the year depending on weather, the timing of the completion of certain contracts and when we are awarded new contracts. Projects currently included in our backlog, at the option of the customer, are subject to termination or delay without penalty, which could substantially reduce the amount of backlog currently reported, and consequently, the conversion of that backlog into revenue.

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UNFAVORABLE RESULTS OF LITIGATION COULD HAVE A MATERIAL ADVERSE IMPACT ON OUR FINANCIAL STATEMENTS.

We are subject to a variety of claims and lawsuits that arise from time to time in the ordinary course of our business. Management currently believes that resolving any of such matters, individually or in the aggregate, will not have a material adverse impact on our financial position or results of operations. The litigation and claims are subject to inherent uncertainties and management's view of these matters may change in the future. There exists the possibility of a material adverse impact on our financial position and the results of operations for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

IF WE BREACH ANY OF THE MATERIAL FINANCIAL COVENANTS UNDER OUR VARIOUS INDEBTEDNESS, OR IF AN EVENT OF DEFAULT IS DECLARED WITH RESPECT TO ANY SUCH INDEBTEDNESS, OUR DEBT SERVICE OBLIGATIONS COULD BE ACCELERATED.

If we breach any of the material financial covenants under our various indebtedness, or if an event of default is declared with respect to any such indebtedness, our substantial debt service obligations could be accelerated. In the event of any such simultaneous acceleration, we would not be able to repay all of the indebtedness.

THE MARKET PRICE OF OUR COMMON STOCK IS HIGHLY VOLATILE.

The market price of our common stock has been and is expected to continue to be highly volatile. Factors, including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights, may have a significant impact on the market price of our common stock. In addition, potential dilutive effects of future sales of shares of common stock by our shareholders and by us could have an adverse effect on the market price of our common stock.

THE HIGH FIXED COSTS OF OUR OPERATIONS COULD RESULT IN OPERATING LOSSES.

Our business has high fixed costs. As a result, any significant downtime or low productivity caused by reduced demand, weather interruptions, equipment failures, permit delays or other causes could adversely affect our results of operations.

FAILURE TO MAINTAIN EFFECTIVE INTERNAL CONTROLS IN ACCORDANCE WITH SECTION 404 OF THE SARBANES-OXLEY ACT COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR STOCK PRICE.

In the future, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure of our internal control over financial reporting may result in errors or omissions in our periodic filings which may require us to amend our prior filings. Failure to achieve and maintain an effective internal control environment could have a material adverse effect on the price of our common stock.

CERTAIN OF OUR FACILITIES COULD BE DAMAGED BY HURRICANES AND OTHER NATURAL DISASTERS, WHICH COULD HAVE AN ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

Certain of our facilities are located in regions of the United States that are susceptible to damage from hurricanes and other weather events, and, during 2005 and 2008, were impacted by hurricanes or weather events.

Future hurricanes or similar natural disasters that impact our facilities may negatively affect our financial position and operating results for those periods. These negative effects may include reduced operations; costs associated with resuming operations; reduced demand for our services from customers that were similarly

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affected by these events; lost market share; late deliveries; additional costs to purchase materials and supplies from outside suppliers; uninsured property losses; inadequate business interruption insurance and an inability to retain necessary staff.

ITEM 1B. UNRESOLVED STAFF COMMENTS

NONE.

ITEM 2. PROPERTIES

FACILITIES. Our corporate headquarters are located on 34 company-owned acres of land situated in Carencro, Louisiana. The building provides approximately 20,000 square feet of office space. It is located adjacent to our primary repair and maintenance facilities. Our environmental unit operates from land and dock-side bases located leased from various owners along the Louisiana Gulf Coast.

SEISMIC SERVICES FACILITIES. Our primary fabrication and maintenance facilities are situated in a building located adjacent to our corporate headquarters. The building provides approximately 28,000 square feet of covered maintenance and fabrication space.

ENVIRONMENTAL SERVICES FACILITIES. The primary executive offices for our Environmental Services segment are located in the Carencro, Louisiana facility. Our primary operations and offshore cleaning support facility is located in Carencro, Louisiana. We maintain six leased facilities along the Louisiana Gulf Coast to support our cleaning and maintenance operations. These locations include Cameron, Intracoastal City, Morgan City, Venice and Fourchon, Louisiana. Fourchon is Louisiana's largest and busiest deep water port. Our NORM decontamination site is located in a separate facility also in Intracoastal City, Louisiana.

The acquisition of Holston in March 2007 provides us with additional opportunities to expand our environmental services segment. Holston currently operates from its main facility in Jennings, Louisiana and operated satellite facilities in Cameron and Fourchon, Louisiana, which were consolidated with the facilities from which we previously operated. Additionally, Holston operates three saltwater disposal wells located in south Louisiana. Additionally, the BOI acquisition provides us with a saltwater disposal well in northern Texas.

FLUID AND TRANSPORTATION SERVICES FACILITIES. Our primary operations facility for our Transportation Services division is located in a leased facility in Jennings, Louisiana. Our primary operations facility for our Fluids Services is located in Giddings, Texas. We also have additional fluid services locations in Woodville, Texas and Bryan, Texas.

EQUIPMENT LEASING FACILITIES. Our primary operations facilities for our Equipment Leasing division are located in leased facilities in Broussard, Youngsville and Belle Chasse, Louisiana; Teague, Timpson, Lincoln and Navasota, Texas; Rock Springs, Wyoming; and Vernal, Utah.

ITEM 3. LEGAL PROCEEDINGS

On May 1, 2008, the former owners of Preheat, Inc., which we acquired in February 2006, filed a lawsuit in federal court in the United States District Court for the Western District of Louisiana in Lafayette, Louisiana, against us, our directors, our current Chief Executive Officer, our current Senior Vice President/Chief Financial Officer, one of our investment advisors, and a principal of the investment advisor. The lawsuit seeks, among other things, (i) a declaratory judgment that the Preheat purchase agreement executed in December 2005 is null because of alleged inducement to enter into the purchase agreement by criminal or fraudulent conduct, securities fraud and bad faith breach of the purchase agreement and that one of the former owner's ERISA rights be clarified, (ii) injunctive relief to halt alleged securities disclosure violations by us and to remove three board members, and (iii) damages resulting from the nullification of the Preheat purchase agreement. At this point, we are unable to assess the ultimate impact of this litigation on our financial position, results of operations or cash flows. We, together with the other defendants, have filed a motion to dismiss the lawsuit and that motion remains pending with the court. We believe the claims against us are without merit and will continue to vigorously contest this legal action.

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We are involved in various additional legal and other proceedings that are incidental to the conduct of our business. We believe that none of these proceedings, if adversely determined, would have a material effect on our financial condition, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS
NONE.

Table of Contents**Index to Financial Statements****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****PERFORMANCE GRAPH**

The following graph compares the total shareholder return on the Common Stock from December 31, 2003 until December 31, 2008 with the total return on (i) the S&P Index, (ii) a group of peer companies selected by the Company based on similarity to the Company's line of business and similar market capitalization used in last year's Annual Report on Form 10-K, and (iii) a new group of peer companies selected by the Company based on similarity to the Company's line of business and similar market capitalization for the same period, in each case assuming an initial investment of \$100 on December 31, 2003. The Company has elected to revise its peer group because it believes that the companies reflected in the New Peer Group are more reflective of the Company's line of business and market capitalization, and therefore, provide a more meaningful comparison of stock performance.

	Cumulative Total Return					
	12/03	12/04	12/05	12/06	12/07	12/08
OMNI Energy Services Corp.	100.00	30.08	57.05	151.78	75.66	18.45
S&P 500	100.00	110.88	116.33	134.70	142.10	89.53
Old Peer Group	100.00	176.30	233.30	533.61	691.28	150.26
New Peer Group	100.00	127.58	137.28	177.24	169.71	61.52

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The Company's Old Peer Group consists of Dawson Geophysical Co. (NASDAQ:DWSN), CGG Veritas (NYSE:CGV), Ion Geophysical Corp. (NYSE:IO), Mitcham Industries, Inc. (NASDAQ:MIND), Petroleum Geo-Services ASA (OSE:PGS), Seitel, Inc. (OTC:SELA.OB) and the Company.

The New peer Group consists of Mitcham Industries, Inc. (NASDAQ:MIND), Ion Geophysical Corp. (NYSE:IO), Basic Energy Services (NYSE:BAS), Key Energy Services (NYSE:KEG), Complete Production Services (NYSE:CPX) and the Company.

Our Common Stock is traded on the Nasdaq Global Market under the symbol OMNI. The following table sets forth the range of high and low sales prices of our Common Stock as reported by the Nasdaq Global Market for the periods indicated.

	HIGH	LOW
2008		
First quarter	\$ 5.30	\$ 3.60
Second quarter	\$ 7.15	\$ 3.31
Third quarter	\$ 6.48	\$ 2.90
Fourth quarter	\$ 3.72	\$ 1.02
2007		
First quarter	\$ 10.65	\$ 7.20
Second quarter	\$ 12.74	\$ 9.21
Third quarter	\$ 11.75	\$ 6.37
Fourth quarter	\$ 8.35	\$ 4.03

On March 10, 2009, the last reported sales price of our common stock as reported by the Nasdaq Global Market was \$0.60. As of March 10, 2009, we had approximately 4,800 stockholders of record.

We have never paid cash dividends on our Common Stock. We intend to retain future earnings, if any, to meet our working capital requirements and to finance the future operations of our business. Therefore, we do not plan to declare or pay cash dividends to holders of our Common Stock in the foreseeable future. In addition, certain of our credit arrangements contain provisions that limit our ability to pay cash dividends on our Common Stock.

ISSUER PURCHASES OF EQUITY SECURITIES

There were no stock repurchases during the year ended December 31, 2008.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data as of and for the five years ended December 31, 2008 are derived from our audited consolidated financial statements. The following information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this document. Our selected historical results are not necessarily indicative of results expected in future periods.

We sold our Aviation Transportation Services segment effective June 30, 2005. The financial information related to the results of operations for the years ended December 31, 2004 and 2005 have been adjusted to present the operations of the Aviation Transportation Services segment as discontinued operations.

Table of Contents**Index to Financial Statements****SELECTED FINANCIAL DATA**

	2004	YEAR ENDED DECEMBER 31,			2008
		2005	2006	2007	
		(In thousands, except per share data)			
INCOME STATEMENT DATA:					
Operating revenue					
Services	\$ 39,064	\$ 43,350	\$ 82,819	\$ 140,695	\$ 149,559
Rentals			16,179	31,784	44,027
Total operating revenue	39,064	43,350	98,998	172,479	193,586
Operating expenses					
Direct costs (exclusive of depreciation and amortization shown separately below)					
Services	28,510	27,515	54,565	95,703	105,668
Rentals			5,265	14,549	21,807
Depreciation and amortization	4,282	4,627	5,660	10,761	13,313
General and administrative expenses (exclusive of depreciation and amortization shown separately above) (includes litigation settlement of \$2,400 in 2008)	9,464	8,497	13,780	28,117	31,006
Total operating expenses	42,256	40,639	79,270	149,130	171,794
Impairment of goodwill and intangibles					25,047
Impairment of fixed assets					417
Operating income (loss)	(3,192)	2,711	19,728	23,349	(3,672)
Interest expense	(3,288)	(2,836)	(4,966)	(6,936)	(6,826)
Gain (loss) on debenture conversion inducement and debt extinguishment	(729)	758	15	(1,100)	120
Other income (expense), net	(290)	835	233	360	(109)
Income (loss) before income taxes	(7,499)	1,468	15,010	15,673	(10,487)
Income tax benefit (expense)		508	6,805	(5,504)	(3,153)
Net income (loss) from continuing operations	(7,499)	1,976	21,815	10,169	(13,640)
Loss from discontinued operations, net of taxes	(6,756)	(3,978)			
Loss on disposal of discontinued operations assets, net of taxes		(2,271)			
Net income (loss)	(14,255)	(4,273)	21,815	10,169	(13,640)
Dividends and accretion of preferred stock	(490)	(249)	(488)	(503)	(489)
Non-cash charge attributable to beneficial conversion features of preferred stock		(745)	(458)	(255)	
Net income (loss) available to common stockholders	\$ (14,745)	\$ (5,267)	20,869	9,411	(14,129)
Basic income (loss) per common share:					
Income (loss) from continuing operations	\$ (0.73)	\$ 0.07	\$ 1.29	\$ 0.52	\$ (0.72)
Loss from discontinued operations	(0.62)	(0.30)			
Loss on disposal of discontinued operations assets		(0.17)			

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Net income (loss) available to common stockholders	\$ (1.35)	\$ (0.40)	\$ 1.29	\$ 0.52	\$ (0.72)
Diluted income (loss) per common share:					
Income (loss) from continuing operations	\$ (0.73)	\$ 0.07	\$ 0.89	\$ 0.40	\$ (0.72)
Loss from discontinued operations	(0.62)	(0.29)			
Loss on disposal of discontinued operations assets		(0.16)			
Net income (loss) available to common stockholders	\$ (1.35)	\$ (0.38)	\$ 0.89	\$ 0.40	\$ (0.72)
Number of Weighted Average Shares:					
Basic	10,884	13,251	16,190	18,077	19,740
Diluted	10,884	13,683	24,459	25,634	19,740

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	2004	2005	DECEMBER 31, 2006 (In thousands)	2007	2008
BALANCE SHEET DATA:					
Total assets	\$ 65,913	\$ 43,758	\$ 120,540	\$ 164,994	\$ 163,522
Long-term debt, less current maturities	12,952	15,801	32,935	34,827	45,710
Preferred Stock	29	806	1,285	1,162	1,074
Total Equity	4,864	11,135	39,426	60,159	51,009
	2004	2005	YEAR ENDED DECEMBER 31, 2006 (In thousands)	2007	2008
STATEMENT OF CASH FLOW DATA:					
Net cash provided by operating activities	\$ 5,550	\$ 2,894	\$ 22,360	\$ 34,581	\$ 28,656
Net cash provided by (used in) investing activities	(12,647)	11,474	(26,120)	(35,523)	32,529
Net cash provided by (used in) financing activities	7,568	(15,237)	16,162	1,797	(7,515)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), which reflect management's best judgment based on factors currently known. Actual results could differ materially from those anticipated in these forward looking statements as a result of a number of factors, including but not limited to those discussed under the headings Cautionary Statements, Risk Factors, and Forward Looking Statements provided by us pursuant to the safe harbor established by the federal securities laws should be evaluated in the context of these factors.

This discussion and analysis should be read in conjunction with our consolidated financial statements and accompanying notes contained herein.

EXECUTIVE OVERVIEW

Our business is driven by the supply and demand of hydrocarbon commodities in the United States and, to a certain extent, the international markets. Virtually all of our customers are involved in the exploration and/or production of oil and natural gas in the continental United States and the coastal waters of the Gulf of Mexico. Not surprisingly, a higher demand for oil and gas results in a higher demand for our equipment and services. Our operational levels for 2008 were consistent with 2007 for the first three quarters of the year but declined during the fourth quarter as the demand for natural gas fell.

In the immediate past, we have been very active in acquiring companies which we believe are well aligned with our Company philosophy. The companies acquired have been complementary to our core business segments. We plan to diversify into other service lines and other service areas through additional acquisitions, as such opportunities arise that we believe fit into our overall business strategy.

We continue to maintain a large and visible presence along the coast of Louisiana to service our customers in the offshore exploration and production markets. While the offshore rig counts in the Gulf of Mexico have fallen in recent years and remained stagnant from 2007 to 2008, we feel that there is still adequate activity in the area to allow us to remain profitable in that region.

Our acquisitions have allowed us to expand our operations into what currently appear to be more prolific areas of activity, such as the Rocky Mountain and prolific shale regions in the South Central United States.

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We anticipate that the Rocky Mountain region will continue to be a very active area in terms of natural gas exploration. During 2006, we opened an Equipment Leasing location in Rock Springs, Wyoming to allow us to establish a presence in the Rocky Mountain region. In conjunction with the acquisition of Holston, we were able to expand our visibility in the Rocky Mountains with the addition of an additional leasing location in Vernal, Utah.

The Haynesville and Fayetteville Shale region in northern Louisiana and southern Arkansas also appear to be a very active area in terms of oil and gas exploration and production. Our acquisition of Rig Tools in November 2006 and Industrial Lift in April 2008 allowed us to position ourselves in some of the more prolific share regions to take advantage of the anticipated growth in those geographical area. It is our intention to continue to expand into areas that we feel are beneficial to the growth and well-being of the Company.

GENERAL

DEMAND FOR OUR SERVICES. We receive our revenues from customers in the energy industry. Demand for our seismic services is principally impacted by conditions affecting geophysical companies engaged in the acquisition of 3-D seismic data. All other services and equipment rentals are a function of exploration and production activities of oil and gas companies operating in the continental United States, as well as, in the Gulf of Mexico. The level of demand for our services and equipment rentals is primarily influenced by the level of capital expenditures by oil and gas companies.

A number of factors affect the decision of oil and gas companies to pursue the acquisition of seismic data and the exploration for oil and gas, including (i) prevailing and expected oil and gas demand and prices; (ii) the cost of exploring for, producing and developing oil and gas reserves; (iii) the discovery rate of new oil and gas reserves; (iv) the availability and cost of permits and consents from landowners to conduct seismic activity; (v) local and international political and economic conditions; (vi) governmental regulations; and (vii) the availability and cost of capital. The ability to finance the acquisition of seismic data in the absence of oil and gas companies' interest in obtaining the information is also a factor, as some geophysical companies will acquire seismic data on a speculative basis.

The demand for our environmental, equipment rental, transportation and fluid and other services are affected by the level of activity in the exploration and production of oil and gas companies in the Gulf of Mexico, the Rocky Mountains and the Barnett, Fayetteville and Haynesville Shale regions.

SEASONALITY AND WEATHER RISKS. Our seismic services operations are subject to seasonal variations in weather conditions and daylight hours as our activities take place outdoors. On average, fewer hours are worked per day and fewer holes are generally drilled or surveyed per day in winter months than in summer months due to an increase in rainy, foggy, and cold conditions and a decrease in daylight hours. Our environmental, equipment rental, transportation and fluid and other services are potentially affected by hurricanes in the Gulf of Mexico region. The hurricane season is from June 1 through November 30 each year.

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The following discussion provides information related to the results of our operations.

Year Ended December 31, 2007 Compared To The Year Ended December 31, 2008:

	YEAR ENDED DECEMBER 31,	
	2007	2008
	(In thousands)	
Operating revenue		
Services	\$ 140,695	\$ 149,559
Rentals	31,784	44,027
Total operating revenue	172,479	193,586
Operating expenses		
Direct costs (exclusive of depreciation and amortization shown separately below)		
Services	95,703	105,668
Rentals	14,549	21,807
Depreciation and amortization	10,761	13,313
General and administrative expenses (exclusive of depreciation and amortization shown separately above) (includes litigation settlement of \$2,400 in 2008)	28,117	31,006
Total operating expenses	149,130	171,794
Impairment of goodwill and intangibles		25,047
Impairment of fixed assets		417
Operating income (loss)	23,349	(3,672)
Interest expense	(6,936)	(6,826)
Gain (loss) on debt extinguishment	(1,100)	120
Other income (expense)	360	(109)
Income (loss) before income taxes	15,673	(10,487)
Income tax expense	(5,504)	(3,153)
Net income (loss)	10,169	(13,640)
Preferred stock dividends	(503)	(489)
Non-cash charge attributable to beneficial conversion features of preferred stock	(255)	
Net income (loss) available to common stockholders	\$ 9,411	\$ (14,129)

Consolidated operating revenues increased 12% or \$21.1 million, from \$172.5 million for the year ended December 31, 2007 to \$193.6 million for the year ended December 31, 2008. This increase was due to an increase of \$8.9 million in Service revenue and an increase of \$12.2 million in Rental revenues.

Service revenues. The increase of \$8.9 million in Service revenues was due in part to the January 2008 BEG acquisition which contributed \$18.7 million of the \$24.2 million increase in our Fluid and Transportation Services segment revenues. Offsetting decreases in revenue of \$4.3 million occurred in the Environmental Services segment, \$1.8 million occurred in the Other Services segment, and \$9.2 million occurred in the Seismic Services segment.

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Rental revenues. Revenues from the Equipment Leasing segment increased by \$12.2 million primarily due to the increase in revenues resulting from our acquisition of Industrial Lift in April 2008, which contributed \$8.6 million of the increase in Rental revenue for 2008.

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Direct cost, excluding depreciation and amortization increased 16%, or \$17.2 million, from \$110.3 million for the year ended December 31, 2007 to \$127.5 million for the year ended December 31, 2008. This increase was due to an increase of \$10.0 million in direct costs associated with Service revenue and an increase of \$7.2 million in direct costs related to Rental revenues.

Direct cost, excluding depreciation and amortization Services. Direct cost, excluding depreciation and amortization related to Service revenues increased by \$10.0 million due in part to the BEG acquisition which contributed \$12.7 million to the increase in our Fluid and Transportation Services direct costs of \$16.6 million. Offsetting decreases in direct costs of \$3.2 million occurred in the Environmental Services segment, \$0.7 million occurred in the Other Services segment, and \$2.6 million occurred in the Seismic Services segment.

Direct cost, excluding depreciation and amortization Rentals. Direct cost, excluding depreciation and amortization related to Rental activities increased by \$7.2 million due partly to the increase in direct costs resulting from our acquisition of Industrial Lift in April 2008 which contributed \$4.7 million.

Depreciation and amortization costs increased \$2.5 million from \$10.8 million for the year ended December 31, 2007 to \$13.3 million for year ended December 31, 2008. Depreciation expense increased \$0.7 million due primarily to the increase in revenue-producing assets from the acquisitions of BEG in January 2008 and Industrial Lift in April 2008. Amortization expense increased \$1.8 million due to the increase in intangibles related to the aforementioned acquisitions as well as adjustments made to intangibles of prior acquisitions.

General and administrative costs increased \$2.9 million, from \$28.1 million during the year ended December 31, 2007 to \$31.0 million for the year ended December 31, 2008 partially as a result of the acquisitions of BEG and Industrial Lift in 2008. Of the increase over the prior year, \$2.4 million relates to the settlement of litigation with Siemens Water Technologies.

We test goodwill for impairment on an annual basis, or more often if circumstances indicate our goodwill might be impaired. Our tests for 2006 and 2007 resulted in no indications of impairment. However, upon completion of our test in 2008, there were indicators that the a portion of the goodwill and intangibles of our Seismic Services, Equipment Leasing and Environmental Services segments might be impaired. As required by Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* we calculated the implied fair value of the goodwill and intangibles for these segments and determined that the implied fair value was less than the carrying value of the goodwill and intangibles, meaning that the goodwill and intangibles were impaired. As a result, during the fourth quarter of 2008, we recorded a pre-tax charge of approximately \$25.0 million to write off a portion of the intangible and goodwill balances related to our Seismic Services, Equipment Leasing and Environmental Services segments. Management of the Company believes that the intangibles and goodwill of these segments were impaired because of the overall economic downturn and deterioration in the global credit markets and specifically the downturn in the oilfield services sector, which has resulted in a decline in the Company's stock price and market valuation. The intangibles and goodwill which were written off arose from our acquisitions of Cypress, Preheat, Rig Tools, Holston and Industrial Lift between February 2006 and April 2008.

Interest expense decreased approximately \$0.1 million from \$6.9 million for the year ended December 31, 2007 to \$6.8 million for the year ended December 31, 2008. Increased levels of debt including financing for recent acquisitions were offset by decreases in variable interest rates from 2007 to 2008.

Loss on debt extinguishment decreased \$1.2 million from 2007 to 2008 primarily as a result of the early repayment of our previous revolving line of credit in March 2007. In November 2008, as an accommodation to the holder of a former shareholder note, we paid the \$1.0 million due in February 2009 in exchange for a discounted payment by \$0.1 million. This discount is reflected as a gain on early extinguishment of debt in the financial statements. Accordingly, any remaining deferred loan cost attributable to line of credit was expensed at that time in addition to an early payment penalty.

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Other income decreased from \$0.4 million in 2007 to \$(0.1) million in 2008. This decrease was primarily attributable to a \$0.5 million increase in loss on sale of assets.

For the year ended December 31, 2007, the provision for income tax expense was \$5.5 million compared to \$3.2 million for 2008. The provision for income taxes for 2008 on the loss before income taxes is partially derived from the non-deductibility of certain goodwill impairment charges.

Preferred stock dividends were \$0.5 million each for the years ended December 31, 2007 and 2008. Furthermore, we recorded a non-cash charge (deemed dividend) of \$0.3 million attributable to the beneficial conversion feature associated with the Series C 9% Convertible Preferred Stock issued in 2007 and \$0 million for 2008.

Year Ended December 31, 2006 Compared To The Year Ended December 31, 2007:

	YEAR ENDED DECEMBER 31, 2006 2007 (In thousands)	
Operating revenue		
Services	\$ 82,819	\$ 140,695
Rentals	16,179	31,784
Total operating revenue	98,998	172,479
Operating expenses		
Direct costs (exclusive of depreciation and amortization shown separately below)		
Services	54,565	95,703
Rentals	5,265	14,549
Depreciation and amortization	5,660	10,761
General and administrative expenses (exclusive of depreciation and amortization shown separately above)	13,780	28,117
Total operating expenses	79,270	149,130
Operating income	19,728	23,349
Interest expense	(4,966)	(6,936)
Gain (loss) on debt extinguishment	15	(1,100)
Other income	233	360
Income before taxes	15,010	15,673
Income tax benefit (expense)	6,805	(5,504)
Net income	21,815	10,169
Preferred stock dividends	(488)	(503)
Non-cash charge attributable to beneficial conversion features of preferred stock	(458)	(255)
Net income available to common stockholders	\$ 20,869	\$ 9,411

Consolidated operating revenues increased 74% or \$73.5 million, from \$99.0 million for the year ended December 31, 2006 to \$172.5 million for the year ended December 31, 2007. This increase was due to an increase of \$57.9 million in Service revenue and an increase of \$15.6 million in Rental revenues.

Service revenues. The increase of \$57.9 million in Service revenues was due in part to the February 2007 Cypress acquisition which contributed to the \$30.5 million increase in our Seismic Services revenues; enhanced by the offshore and dockside operations, the Holston acquisition in

March 2007 contributed to the \$7.2 million

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increase in our Environmental Services revenues; the acquisition of Holston contributed to the \$6.9 million increase in the Other Services segment; and the acquisition of Holston contributed all \$13.3 million of the increase in the Fluid and Transportation Services segment.

Rental revenues. Revenues from the Equipment Leasing segment increased by \$15.6 million primarily due to the increase in revenues resulting from our acquisitions of Rig Tools in November 2006 and Preheat in February 2006, which contributed \$12.9 and \$1.0 million, respectively, of the increase in Rental revenue for 2007. The increase in Rental revenues resulting from our acquisitions was also due to the acquisition of Holston in March 2007 which contributed \$1.7 million in revenues.

Direct cost, excluding depreciation and amortization increased 85%, or \$50.5 million, from \$59.8 million for the year ended December 31, 2006 to \$110.3 million for the year ended December 31, 2007. This increase was due to an increase of \$41.2 million in direct costs associated with Service revenue and an increase of \$9.3 million in direct costs related to Rental revenues.

Direct cost, excluding depreciation and amortization Services. Direct cost, excluding depreciation and amortization related to Service revenues increased by \$41.2 million due in part to the Cypress acquisition which contributed to the increase in our Seismic Services direct costs of \$20.1 million; the Holston acquisition contributed to the increase in the direct costs for our Environmental Services segment of \$5.5 million; the acquisition of Holston contributed to the \$5.6 million increase in the Other Services segment; and all \$10.0 million of the increase in the Fluid and Transportation Services segment.

Direct cost, excluding depreciation and amortization Rentals. Direct cost, excluding depreciation and amortization related to Rental activities increased by \$9.3 million due to the increase in direct costs resulting from our acquisition of Rig Tools in November 2006 and Preheat in February 2006, which contributed \$6.6 and \$2.1 million, respectively. Additionally, \$0.6 million of the increase in direct costs related to rental activities resulted from our acquisition of Holston in March 2007.

Depreciation and amortization costs increased \$5.1 million from \$5.7 million for the year ended December 31, 2006 to \$10.8 million for year ended December 31, 2007. Depreciation expense increased \$3.9 million due primarily to the increase in revenue-producing assets from the acquisitions of Preheat in February 2006, Rig Tools in November 2006, Cypress in February 2007 and Holston in March 2007. Amortization expense increased \$1.2 million due to the increase in intangibles related to the aforementioned acquisitions.

General and administrative costs increased \$14.3 million, from \$13.8 million during the year ended December 31, 2006 to \$28.1 million for the year ended December 31, 2007 primarily as a result of the acquisitions of Preheat, Rig Tools, Cypress and Holston. Of this increase, \$4.6 million relates to increased payroll costs and \$1.2 million relates to professional services. Additionally, anticipated and negotiated transition incentive packages for two executives are included in 2007 in the amount of \$5.0 million.

Interest expense increased approximately \$1.9 million from \$5.0 million for the year ended December 31, 2006 to \$6.9 million for the year ended December 31, 2007. The increase in interest expense was primarily attributable to increased levels of debt including financing for the recent acquisitions.

Loss on debt extinguishment increased \$1.1 million from 2006 to 2007 primarily as a result of the early repayment of our previous revolving line of credit in March 2007. Accordingly, any remaining deferred loan cost attributable to line of credit was expensed at that time in addition to an early payment penalty.

Other income increased from \$0.2 million in 2006 to \$0.4 million in 2007. This increase was partially attributable to a \$0.1 million increase in gain on sale of assets.

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Provision for income taxes for the year ended December 31, 2006 reflected a benefit of \$6.8 million as a result of reversing our previously recorded valuation allowance on our deferred tax assets. All of the benefits related to net operating loss carryforwards were recorded by the end of 2006. For the year ended December 31, 2007, the provision for income tax expense was \$5.5 million.

Preferred stock dividends were \$0.5 million each for the years ended December 31, 2006 and 2007. Furthermore, we recorded a non-cash charge (deemed dividend) of \$0.5 million attributable to the beneficial conversion feature associated with the Series C 9% Convertible Preferred Stock issued in 2006 and \$0.3 million issued in 2007.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008, we had approximately \$2.0 million in cash on hand and approximately \$12.0 million available for future borrowings on our revolving line of credit. This compares to approximately \$13.4 million in cash on hand and approximately \$0.0 million available for future borrowings on our revolving line of credit at December 31, 2007 because we borrowed the full availability under our revolving line of credit to better illustrate for investors and financial analysts our funds availability at the end of the year. The amount was repaid on the first business day of January 2008. At December 31, 2008, we had working capital of approximately \$4.0 million as compared to approximately \$4.4 million at December 31, 2007. Our decrease in working capital is attributable to the increase in the current portion of long-term debt as a result of acquisitions in 2008.

Cash provided by continuing operating activities was \$28.7 million, \$34.6 million, and \$22.4 million for the years ended December 31, 2008, 2007 and 2006, respectively. In 2006 and 2007, the largest contributing factor to our increase over the previous year was income from operations. In 2008, the largest contributing factor to our decrease over the prior year was an increase in accounts payable and accrued expenses.

Historically, our capital requirements have primarily related to the purchase or fabrication of new seismic drilling equipment, and related support equipment. As our business has diversified, the capital requirements have expanded to include additions to our equipment rental fleet and expansion of our rolling stock. In 2006 we acquired Preheat and Rig Tools, purchased approximately \$5.1 million in equipment and refinanced our rolling stock of vehicles previously accounted for as capital leases into operating leases. In 2007, we acquired Holston and certain assets of Cypress and BOI, and purchased approximately \$13.8 million in equipment. For the year ended December 31, 2008, we completed the acquisitions of BEG and Industrial Lift and expended approximately \$12.2 million on equipment and other fixed assets. In 2009, we will continue to explore strategic business opportunities and upgrade our equipment to improve efficiency of our operations enabling us to continue to be responsive to our markets as directed by the needs of our customers.

Effective as of April 24, 2008, we completed a modification of our \$90.0 million credit facility (Senior Credit Facility), including a \$50.0 million term loan, a \$25.0 million working capital revolving line of credit, and a \$15.0 million delayed draw term loan available to fund future acquisitions. With the proceeds from the Senior Credit Facility, we (i) repaid approximately \$28.7 million of outstanding principal balance under our previous term loan; (ii) repaid approximately \$2.1 million of outstanding principal balance under our previous capital expenditure loan; (iii) repaid the balance on the previous line of credit; and (iv) closed the acquisition of Industrial Lift. The balance of the proceeds available under the Senior Credit Facility was used to pay fees and expenses of the aforementioned transaction and to provide additional working capital.

On August 28, 2008, the Senior Credit Facility was amended to remove the \$15.0 million delayed draw term loan. As an accommodation to our lender, we agreed to remove the delayed draw portion of the Senior Credit Facility in order to make syndication of the loan more manageable.

Loan closing costs related to our various credit facilities of \$1.8 million were incurred during the year ended December 31, 2008 compared to \$2.4 million for the year ended December 31, 2007.

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We believe that our internally generated cash flow from operations is sufficient to finance the majority of our cash requirements for current and future operations, budgeted capital expenditures and debt service for 2009. As we have historically done, we may, from time to time, access available funds under our Senior Credit Facility to supplement our liquidity to meet our cash requirements for day to day operations and times of peak needs throughout the year. Our planned capital expenditures as well as any acquisitions we choose to pursue, are expected to be financed through a combination of cash on hand, cash flow from operations and borrowings under our Senior Credit Facility.

Our Senior Credit Facility contains numerous covenants that govern our ability to make investments and to repurchase our stock. Even if we experience a more severe downturn in our business, we believe that the covenants related to our capital spending and our investments are within our control. Therefore, we believe we can avoid a default of these covenants. Although continued deterioration of market conditions could lead to a downgrade in the credit ratings of companies in our industry, a downgrade of our credit rating would not have an effect on our outstanding debt under our Senior Credit Facility, but would potentially impact our ability to obtain additional external financing, if it was required.

During 2009, management plans to continue to invest in our business through capital expenditures, albeit at levels lower than in prior years. Our capital expenditure program for 2009 is expected to total approximately \$6.0 million, of which approximately \$1.3 million had already been committed, as of December 31, 2008. Our focus in 2009 will be maximizing the utilization of our current equipment; however, we may seek to increase our 2009 capital expenditure budget in the event expansion opportunities develop. We currently plan to fund these expenditures through a combination of cash on hand, operating cash flows and borrowings under our Senior Credit Facility. Should our operating cash flows prove to be insufficient to fund these expenditures, management expects it will adjust capital spending plans accordingly.

While management anticipates that 2009 may be a period of lower demand and prices for our services, we believe that our operating cash flow, cash on hand and available borrowings, coupled with our ability to control our capital expenditures, will be sufficient to maintain adequate liquidity throughout 2009.

We have no plans to sell or liquidate any significant assets currently utilized in our active operating fleet other than the disposal of excess equipment in the normal course of business.

Management believes that softening market conditions may have an impact on our customer's payment patterns but we continue to monitor policies currently in place and do not expect any material impact to our liquidity as a result.

Management anticipates that the Senior Credit Facility should be adequate to support the operating needs of the Company during these uncertain economic times and further feels that it will be able to maintain compliance with the required covenants of our Senior Credit Facility. If for some reason the Senior Credit Facility were to become unavailable, the Company may not be able to operate as a going concern.

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At December 31, 2007 and December 31, 2008, long-term debt consists of the following:

	DECEMBER 31,	
	2007	2008
	(In thousands)	
Notes payable to a bank with interest payable at prime plus 1.50% (9.25% at December 31, 2007 and 6.50 % at December 31, 2008) maturing July 31, 2023, secured by real estate	\$ 1,288	\$ 1,243
Notes payable to a finance company with interest at 8%, maturing February 10, 2013, secured by real estate, paid in full	152	
Promissory notes payable to certain former owners of acquired companies with interest at 5%, maturing at various dates through April 2011	8,500	6,000
Convertible promissory notes payable to certain former stockholders of acquired companies with interest at 5%, maturing at various dates through April 2011, net of beneficial conversion of \$71 at December 31, 2007 and \$0 at December 31, 2008(1)	4,929	11,500
Promissory notes payable to finance companies secured by vehicles and equipment	642	492
Capital leases payable to finance companies secured by an aircraft and equipment	549	39
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, unsecured, paid in full	197	
Term Loan payable to a bank, variable interest rate at 30-day LIBOR plus 2.75% (3.71% at December 31, 2008), secured by various equipment, maturing April 23, 2013		44,000
Term and Capex Loans payable to a bank, variable interest rate at LIBOR plus 2% (ranging from 6.63% to 6.93% at December 31, 2007), secured by various equipment, paid in full	33,026	
Total	\$ 49,283	\$ 63,274
Less: current maturities	(14,456)	(17,564)
Long-term debt, less current maturities	\$ 34,827	\$ 45,710

(1) See Note 12 to the consolidated financial statements regarding Rig Tools stockholder notes.

SENIOR CREDIT FACILITY

Our Senior Credit Facility consists of a \$50.0 million term loan (the "Term Loan"), a \$25.0 million working capital revolving line of credit (the "Revolver"), and a \$15.0 million delayed draw term loan available to fund future acquisitions. The Revolver replaced our previous line of credit (the "Line"). Availability under the Revolver is the lower of: (i) \$25.0 million or (ii) the sum of eligible accounts receivable and inventory, as defined under the agreement governing the Revolver. The Revolver accrues interest at the 30-day LIBOR plus 2.25% (3.22% at December 31, 2008) and matures in April 2013. The Revolver is collateralized by accounts receivable and inventory. As of December 31, 2008, we had \$9.8 million outstanding under the Revolver. Due to the lock-box arrangement and the subjective acceleration clause in the agreements governing the Revolver and the Line, the debt under the Line and the Revolver have been classified as a current liability as of December 31, 2007 and December 31, 2008, as required by Emerging Issues Task Force (EITF) No. 95-22, *Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-box Arrangement*.

Under the terms of the Term Loan, the funding limits are limited to the lesser of \$50.0 million and 80% of the orderly liquidation value of our equipment. In addition, the Term Loan matures in April 2013 and will be repaid quarterly in equal payments of \$2.0 million, with interest paid monthly in arrears and accrues interest at the 30-day LIBOR plus 2.75% (3.71% at December 31, 2008). The Term Loan contains customary financial covenants and limitations on capital expenditures. With the proceeds from the Senior Credit Facility, we

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(i) repaid approximately \$28.7 million of outstanding principal balance under our previous term loan; (ii) repaid approximately \$2.1 million of outstanding principal balance under our previous capital expenditure loan; (iii) repaid the balance on the Line; and (iv) closed the acquisition of Industrial Lift. The balance of the proceeds available under the Senior Credit Facility was used to pay fees and expenses of the aforementioned transaction and to provide additional working capital. As of December 31, 2008, we had \$44.0 million outstanding under the Term Loan.

CAPITAL LEASES

Prior to February 2006, we leased several vehicles used in our seismic services operations under 40-month capital leases. In February 2006, in accordance with a 2005 agreement, the capital leases on those vehicles were paid off through a refinance transaction with a third party leasing company. The capital leases were replaced with 24-month operating leases expiring in the first quarter of 2008. In December 2006, we acquired for internal use a corporate-configured helicopter under capital lease maturing in 2008. As of December 31, 2008, the lease balance was \$0. In March 2007, we acquired equipment under a capital lease maturing in 2012. As of December 31, 2008 the lease balance was less than \$0.1 million.

PREHEAT NOTES

In connection with the purchase of Preheat (See Note 12 to the Consolidated Financial Statements) in February 2006, we issued \$4.0 million in 5% promissory notes payable to certain Preheat stockholders (Preheat Notes). The Preheat Notes consist of three separate notes with \$2.7 million maturing in February 2008 and \$1.3 million maturing in February 2009. At December 31, 2007 and 2008, the Preheat Notes had a balance of \$4.0 million. In February 2008, we terminated for cause the employment of one of the Preheat stockholders. The terms of the Preheat Notes provide that a termination of either of the Preheat stockholders' employment for cause results in the cancellation of the Preheat Notes. The Preheat stockholders are contesting our assertion and have filed a lawsuit against the Company. Consequently, the Preheat Notes remain recorded as a liability in the financial statements pending resolution of the matter.

RIG TOOLS NOTES

In connection with the purchase of Rig Tools (See Note 12 to the Consolidated Financial Statements) in November 2006, we issued \$4.0 million in 5% promissory notes payable to certain Rig Tools stockholders (Rig Tools Notes). The Rig Tools Notes consisted of three separate notes with \$3.0 million maturing in November 2007 and \$1.0 million maturing in November 2008. The Rig Tools Notes could have been prepaid at any time and were convertible into shares of our common stock at a price of \$8.00 per share. We recorded a beneficial conversion feature of \$0.7 million related to the stock valuation at closing which was being amortized to interest expense over the life of the notes. At December 31, 2007 and 2008, the Rig Tools Notes had a balance of \$1.0 million and \$0, respectively. The beneficial conversion feature had an unamortized balance of \$0.1 million and \$0 at December 31, 2007 and 2008, respectively.

CHARLES HOLSTON NOTES

In connection with the acquisition of Holston (See Note 12 to the Consolidated Financial Statements) in March 2007, we issued \$5.0 million in 5% promissory notes payable to certain Holston owners (Holston Notes). The Holston Notes consist of three separate notes with \$1.0 million maturing in February 2008, \$2.0 million maturing in February 2009 and \$2.0 million maturing in February 2010. The notes maturing in 2009 and 2010 are convertible into shares of our common stock at a price of \$9.24 per share. Based upon the stock valuation at the time of issuance, no beneficial conversion feature existed. At December 31, 2007 and 2008, the Holston Notes had a balance of \$5.0 million and \$4.0 million, respectively.

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CYPRESS NOTE

In connection with the acquisition of certain assets of Cypress (See Note 12 to the Consolidated Financial Statements) effective in February 2007, we issued \$3.0 million in a 5% promissory note payable to a certain Cypress Energy stockholder (Cypress Note). The Cypress Note is payable over three years with \$1.0 million maturing in February 2008, \$1.0 million maturing in February 2009 and \$1.0 million maturing in February 2010. In November 2008, as an accommodation to the holder of the note, we paid the \$1.0 million due in February 2009 in exchange for a discounted payment by \$0.1 million. This discount is reflected as a gain on early extinguishment of debt in the financial statements. At December 31, 2007 and 2008, the Cypress Note had a balance of \$3.0 million and \$1.0 million, respectively.

BAILEY NOTE

In connection with the acquisition of BOI (See Note 12 to the Consolidated Financial Statements) in June 2007, we issued \$0.5 million in a 5% promissory note payable to BOI (Bailey Note). The Bailey Note is payable on or before May 31, 2010. At December 31, 2007 and 2008, the Bailey Note had a balance of \$0.5 million.

BEG NOTES

In connection with the acquisition of certain assets of BEG (See Note 12 to the Consolidated Financial Statements) in January 2008, we issued \$4.0 million of 5% promissory notes payable to certain shareholders of BEG (BEG Notes). The BEG Notes are payable over three years with \$1.3 million maturing in January 2009, \$1.3 million maturing in January 2010 and \$1.4 million maturing in January 2011 and are convertible into shares of our common stock at a rate of \$3.70 per share under certain circumstances. Based upon the stock valuation at the time of the issuance, no beneficial conversion feature exists. At December 31, 2008, the BEG Notes had a balance of \$4.0 million.

INDUSTRIAL LIFT NOTES

In connection with the acquisition of Industrial Lift (See Note 12 of the Consolidated Financial Statements) in April 2008, we issued \$4.0 million of promissory notes payable to the shareholders of Industrial Lift (ILT Notes). The ILT Notes are payable over three years with \$2.0 million maturing in April 2009, \$1.0 million maturing in April 2010 and \$0.5 million maturing in April 2011. The ILT Notes bear interest at a rate of 5% per annum payable in arrears and are convertible into shares of our common stock at a rate of \$10.50 per share under certain circumstances. Based upon the stock valuation at the time of the issuance, no beneficial conversion feature exists. An additional note in the amount of \$0.5 million, which is non-convertible and non-interest bearing, matures in April 2011. At December 31, 2008, the ILT Notes had a balance of \$4.0 million.

INSURANCE NOTES PAYABLE

A portion of our property and casualty insurance premiums are financed through certain short-term installment loan agreements. The insurance notes are payable in monthly installments through June 2009 and accrue interest at 3.97%.

SUBORDINATED PROMISSORY NOTES

On May 18, 2005, we entered into settlement agreements (Debenture Settlement Agreements) with each of the holders of our 6.5% convertible debentures and other third parties (the Debenture Holders) in exchange for our dismissal of our lawsuit filed against the Debenture Holders in which we alleged the Debenture Holders violated Section 16(b) of the Securities Exchange Act of 1934, as amended (see Note 4 to the Consolidated Financial Statements). Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately \$4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million

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shares of our common stock at an agreed upon value of \$3.4 million; and, (iii) issue the Debenture Holders approximately \$4.3 million of unsecured, subordinated promissory notes (Subordinated Debenture Notes). The Subordinated Debenture Notes were scheduled to be paid quarterly, with interest in arrears, over 36 months in level payments with interest accruing at the rate of 8% per annum.

On August 26, 2005, we entered into a settlement agreement and mutual release (Agreement and Release) with two of the three holders of the Subordinated Debenture Notes. Under terms of the Agreement and Release, we paid \$1.5 million in cash from the proceeds of a new \$25.0 million multiple draw term credit facility, and issued 750,000 shares of our common stock in full satisfaction of the applicable Subordinated Debenture Notes. The remaining Subordinated Debenture Note matured and was paid in 2008.

SERIES C 9% CONVERTIBLE PREFERRED STOCK

On May 17, 2005, we entered into a Securities Purchase Agreement with certain of our affiliates and executive officers to issue up to \$5.0 million of Series C 9% Convertible Preferred Stock (the Series C Preferred) in conjunction with the completion of a term loan. Our Series C Preferred is convertible into shares of our common stock at a conversion price of \$1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between \$1.95 and \$3.50 per share. The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, we issued an aggregate of 3,500 shares of Series C Preferred and warrants to acquire 4,585,000 shares of our common stock, in exchange for \$3.5 million. On August 29, 2005, the remainder of the Series C Preferred and warrants were issued generating proceeds of \$1.5 million and we granted the remaining 1,965,000 warrants.

The prior term loan agreements and senior credit facility restricted the payment of cash dividends. Consequently, a portion of the 9% dividend obligation related to the Series C Preferred were satisfied through the issuance of payment-in-kind (PIK) dividends. The PIK dividends were paid through the issuance of additional shares of Series C Preferred. These additional shares of preferred stock did not have warrants attached to them. During the year ended December 31, 2007, 256 shares of Series C Preferred were issued as PIK dividends at par. Effective April 29, 2007, the loan and security agreement governing the Term Loan was amended to remove the restriction on cash dividend payments on the preferred equity shares, provided we have sufficient availability and are in compliance with all other covenants. Consequently, the accrued dividends from April 2007 to December 2007 of \$0.1 million and the dividends for 2008 of \$0.5 million were paid in cash.

RELATED PARTY TRANSACTIONS

See above discussion of Series C Preferred, Preheat Notes, Rig Tools Notes, Charles Holston Notes, Cypress Note, Bailey Note, BEG Notes and ILT Notes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

USE OF ESTIMATES

The discussion and analysis of financial condition and results of operation are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis, based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

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ACCOUNTS RECEIVABLE

We extend credit to customers and other parties in the normal course of business. We regularly review outstanding receivables, and provide for estimated losses through an allowance for doubtful accounts. In evaluating the level of established reserves, we make judgments regarding the customer's ability to make required payments, economic events and other factors. As the financial condition of these parties change, circumstances develop or additional information becomes available, adjustments to the allowance for doubtful account may be required. Due to the nature of our industry, we may periodically have concentration of credit risks. As a result, adjustments to the allowance for doubtful accounts may be significant.

INVENTORY

We have made significant investments in inventory to service our equipment. On a routine basis, we use judgments in determining the level of reserves required to state inventory at the lower of average cost or market. Technological innovations, market activity levels and the physical condition of products primarily influence our estimates. Changes in these or other factors may result in adjustments to the carrying value of inventory.

INCOME TAXES

Deferred tax assets and liabilities are recognized for differences between the book basis and tax basis of our assets and liabilities. In providing for deferred taxes, we consider current tax regulations, estimates of future taxable income and available tax planning strategies. If tax regulations change, operating results or the ability to implement tax planning strategies vary, adjustments to the carrying value of our net deferred tax assets and liabilities may be required. In making this determination, we have considered future taxable income in assessing the ultimate recoverability of the recognized net deferred tax asset.

OTHER CONTINGENCIES

We record liabilities for environmental obligations when remedial efforts are probable and the costs can be reasonably estimated. Our estimates are based on currently enacted laws and regulations. As more information becomes available or environmental laws and regulations change, such liabilities may be required to be adjusted. Additionally, in connection with acquisitions, we obtain indemnifications from the seller related to environmental matters. If the indemnifying parties do not fulfill their obligations, adjustments to recorded amounts may be required.

We maintain insurance coverage for various aspects of our business and operations. We retain a portion of losses that occur through the use of deductibles and, to a limited extent, self-funded insurance programs. We regularly review estimates of reported and unreported claims and provide for losses through insurance reserves. As claims develop and additional information becomes available, adjustments to loss reserves may be required.

STOCK BASED COMPENSATION

Effective January 1, 2006, we adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R) requiring that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award). Prior to January 1, 2006, we accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and related interpretations. Options that were not vested as of January 1, 2006 were fair valued using Black-Scholes and those amounts are recorded as stock-based compensation prospectively over the remaining service period.

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IMPAIRMENT OF LONG-LIVED ASSETS AND ASSETS HELD FOR SALE

We review our long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with SFAS No. 144, *Accounting for the Impairment and Disposal of Long-lived Assets*. If the carrying amount of the asset, including any intangible assets associated with that asset, exceeds its estimated undiscounted net cash flow, before interest, we will recognize an impairment loss equal to the difference between its carrying amount and its estimated fair value.

Assets held for sale are recorded at the lower of their net book value or their net realizable value, which is determined based upon an estimate of their fair market value less the cost of selling the assets. An impairment is recorded to the extent that the amount that was carried on the books is in excess of the anticipated net realizable value. Assets held for sale at December 31, 2007 are comprised of eight steel marsh buggies. In 2008 we sold one of the marsh buggies and we recognized an impairment charge of \$0.1 for the remaining seven. In 2008, we also recognized an impairment charge of \$0.3 million related to our aircraft and reclassified it as held for sale. As of December 31, 2008, assets held for sale consisted of one helicopter valued at \$0.9 million.

IMPAIRMENT OF GOODWILL AND INTANGIBLES

During our annual assessment of goodwill and intangible assets, it was determined that the value of certain of our goodwill and intangibles were impaired at December 31, 2008. As a result of this assessment, a charge was taken against income in the amount of \$25.0 million for the year ended December 31, 2008.

COMMITMENTS AND CONTINGENCIES

We entered into Stock-based Award Incentive Agreements with Mr. James Eckert and Mr. Darcy Klug on June 30, 2004. At the time of the agreements, Messrs. Eckert and Klug were Chief Executive Officer and Executive Vice President, respectively, of the Company. Effective January 5, 2007, we entered into Restricted Stock and Stock-Based Award Incentive Agreements (collectively RSAs) with Messrs. Eckert and Klug. The RSAs provided for the granting of between 400,000 and 500,000 shares of our restricted common stock to each of the executive officers on the terms set forth in the RSAs. The number of shares of restricted stock became fixed and payable in the event of (i) a change in control or the receipt by our Board of Directors of a change of control offer as defined by the RSAs; (ii) termination without cause; or (iii) death or disability. Additionally, at the time of vesting in the restricted shares, each executive officer would have received the right to a cash payment of \$1.2 million. The revised RSAs would have terminated on December 31, 2008, and any unvested restricted common stock or stock-based awards would have terminated and lapsed.

The RSA for Mr. Klug was mutually terminated pursuant to a Termination and Mutual Release Agreement effective April 28, 2008, in connection with the termination of his employment and the settlement of litigation between Mr. Klug and us, among others.

On December 31, 2007, we entered into a new Restricted Stock Agreement (NRSA) with Mr. Eckert. Under the NRSA, we awarded Mr. Eckert 400,000 restricted shares of our common stock on January 1, 2008. The restricted shares vested immediately, but the shares will remain subject to transfer restrictions which lapse at a rate of 33,333 quarterly after the initial lapse of transfer restrictions on 100,000 shares on January 1, 2009.

In conjunction with the NRSA, we mutually terminated the RSA with Mr. Eckert and entered into an Amended and Restated Employment Agreement (Amended Agreement) with Mr. Eckert, which was effective until June 30, 2008. Additionally, we entered into a Consulting Agreement (Consulting Agreement) with Mr. Eckert pursuant to which we have retained Mr. Eckert as an independent contractor to perform consulting services for us until June 30, 2009.

On May 1, 2008, the former owners of Preheat, which we acquired in February 2006, filed a lawsuit in federal court in the United States District Court for the Western District of Louisiana in Lafayette, Louisiana, against us, our directors, our current Chief Executive Officer, our current Senior Vice President/Chief Financial

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Officer, one of our investment advisors, and a principal of the investment advisor. The lawsuit seeks, among other things, (i) a declaratory judgment that the Preheat purchase agreement executed in December 2005 is null because of alleged inducement to enter into the purchase agreement by criminal or fraudulent conduct, securities fraud and bad faith breach of the purchase agreement and that one of the former Preheat owner's ERISA rights be clarified, (ii) injunctive relief to halt alleged securities disclosure violations by us and to remove three board members, and (iii) damages resulting from the nullification of the Preheat purchase agreement. At this point, we are unable to assess the ultimate impact of this litigation on our financial position, results of operations or cash flows. We, together with the other defendants, have filed a motion to dismiss the lawsuit and that motion remains pending with the court. We believe the claims against us are without merit and will vigorously contest any legal action. Accordingly, we have not accrued any amounts related to this litigation.

We have employment agreements with our executive officers and some former shareholders of companies we acquired. These agreements generally last two or three years and have renewal provisions at our option.

CONTRACTUAL DEBT OBLIGATIONS

We have the following contractual debt obligations as of December 31, 2008:

	TOTAL	PAYMENTS DUE BY PERIOD		
		LESS THAN 1 YEAR	1-3 YEARS	AFTER 4 YEARS
		(In thousands)		
Long-term debt	\$ 63,235	\$ 17,553	\$ 32,684	\$ 12,998
Capital lease obligations	39	11	28	
Line of credit	9,801	9,801		
Insurance notes	1,710	1,710		
Total Contractual Cash	\$ 74,785	\$ 29,075	\$ 32,712	\$ 12,998

We have the following operating lease commitments as of December 31, 2008:

	PAYMENTS DUE BY PERIOD				
	2009	2010	2011	2012	2013
	(In thousands)				
Operating leases	\$ 3,385	\$ 2,689	\$ 1,323	\$ 159	\$ 93

We believe that cash flow generated from operations in 2009 will be sufficient to fund our working capital needs, satisfy our debt service requirements and contractual commitments, and fulfill our un-financed capital expenditure needs for at least the next twelve months.

OFF BALANCE SHEET ARRANGEMENTS

As mentioned above, we have various vehicle and facilities leases which are classified as operating leases for reporting purposes. The total future commitments under these leases total \$7.6 million.

RECENTLY ISSUED UNIMPLEMENTED ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (SFAS No. 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. FASB No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. The Statement is effective for fiscal years beginning after November 15, 2007. At January 1,

2008, we did not elect the fair value option under the FASB No. 159 and, therefore, there was no impact to our consolidated financial statements.

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In December 2007, the FASB issued SFAS No. 141 (revised), *Business Combinations* (SFAS No. 141R). This Statement changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for preacquisition gain and loss contingencies, the recognition of capitalized in-process research and development costs, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS No 141R is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. SFAS No. 141(R) will impact the accounting for business combinations closed on or after January 1, 2009.

In December 2007, the SEC issued Staff Accounting Bulletin No. 110 (SAB 110). SAB 110 expresses the views of the SEC staff regarding the use of a simplified method, as discussed in SAB No. 107, in developing an estimate of expected term of plain vanilla share options in accordance with FAS 123R. The SEC staff indicated in SAB No. 107 that it would accept a company's election to use the simplified method, regardless of whether the company has sufficient information to make more refined estimates of expected term, for options granted prior to December 31, 2007. In SAB 110, the SEC staff states that it will continue to accept, under certain circumstances, the use of the simplified method beyond December 31, 2007. We are currently evaluating the impact of SAB 110 on our consolidated financial statements.

In December 2007, the Financial Accounting Standards Board (FASB) issued its Statement of Financial Accounting Standards No. 160 (SFAS No. 160), *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51*. SFAS No. 160 amends ARB No. 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. Additionally, this statement requires that consolidated net income include the amounts attributable to both the parent and the noncontrolling interest. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company is currently evaluating the impact, if any, that the adoption of SFAS No. 160 will have on its results of operations and financial position.

In May 2008, the FASB issued its Staff Position APB No. 14-1 (FSP APB No. 14-1) *Accounting for Convertible Debt Instruments That May Be Settled Upon Conversion (Including Partial Cash Settlement)*. FSP APB No. 14-1 requires the proceeds from the issuance of exchangeable debt instruments to be allocated between a liability component (issued at a discount) and an equity component. The resulting debt discount will be amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense. The provisions of FSP APB No. 14-1 are effective for fiscal years beginning after December 15, 2008 and will require retrospective application. The Company is currently evaluating the impact, if any, that the adoption of FSP APB No. 14-1 will have on its results of operations and financial position.

In November 2008, the Emerging Issues Task Force issued EITF Issue No. 08-06, *Equity-Method Investment Considerations*, which clarifies the accounting for certain transactions involving equity-method investments. This interpretation is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and interim periods within those years. The Company does not expect the adoption of EITF Issue No. 08-06 to have an impact on its results of operations and financial position.

Table of Contents**Index to Financial Statements****ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
INTEREST RATE RISK**

We are exposed to interest rate risk due to changes in interest rates, primarily in the United States. Our policy is to manage interest rates through the use of a combination of fixed and floating rate debt. We currently do not use any derivative financial instruments to manage our exposure to interest rate risk. The table below provides information about the future maturities of principal for outstanding debt instruments at December 31, 2008 subject to interest rate risk. All instruments described are non-traded instruments and approximate fair value.

	2009	2010	DECEMBER 31, 2011			2012	2013
			(Dollars in thousands)				
Long-term debt							
Fixed Rate	\$ 9,508	\$ 5,993	\$ 2,480		\$ 51		
Average interest rate	5.1%	5.1%	5.2%		9.3%		
Variable Rate	\$ 8,056	\$ 8,059	\$ 8,063		\$ 8,066		\$ 12,998
Average interest rate	3.7%	3.7%	3.7%		3.7%		3.9%
Short-term debt							
Fixed Rate	\$ 1,710						
Average interest rate	4.0%						
Variable Rate	\$ 9,801						
Average interest rate	3.7%						

INTEREST RATE EXPOSURE

Our exposure to changes in interest rates primarily results from our long-term debt with both fixed and floating interest rates. The debt on our consolidated financial statements at December 31, 2008 with fixed interest rates totals \$19.7 million. At December 31, 2008, 74% of our consolidated long-term debt was subject to variable interest rates. The detrimental effect of a hypothetical 100 basis point increase in interest rates would be to decrease net income before provision for income taxes by approximately \$0.4 million for the year ended December 31, 2008.

FOREIGN CURRENCY RISKS

We transact 100% of our business in U.S. dollars, thus we are not subject to foreign currency exchange risks.

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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	PAGE
<u>Report of Independent Registered Public Accounting Firm</u>	44
<u>Consolidated Balance Sheets as of December 31, 2007 and 2008</u>	45
<u>Consolidated Statements of Operations for the Years Ended December 31, 2006, 2007 and 2008</u>	46
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2006, 2007 and 2008</u>	47
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2006, 2007 and 2008</u>	49
<u>Notes to Consolidated Financial Statements</u>	51

* All financial statement schedules are omitted as the required information is either inapplicable or is included in the financial statements or related notes.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

OMNI Energy Services Corp:

We have audited the accompanying consolidated balance sheets of OMNI Energy Services Corp. as of December 31, 2007 and 2008, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Omni Energy Services Corp as of December 31, 2007 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), OMNI Energy Service Corp.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 13, 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Pannell Kerr Forster of Texas, P.C.

Houston, Texas

March 13, 2009

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OMNI ENERGY SERVICES CORP.
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2007 2008 (In thousands, except share data)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,431	\$ 2,043
Restricted cash	1,114	942
Trade receivables, net	26,566	33,848
Other receivables	627	682
Parts and supplies inventory	5,950	7,897
Prepaid expenses and other current assets	7,412	5,789
Deferred tax assets	5,818	384
Current assets of discontinued operations	67	
Due from related party	262	204
Assets held for sale	108	900
Total current assets	61,355	52,689
PROPERTY, PLANT AND EQUIPMENT, net	61,037	80,654
OTHER ASSETS:		
Goodwill	15,038	8,614
Customer intangible assets, net	13,780	2,726
Licenses, permits and other intangible assets, net	9,082	13,626
Loan closing costs, net	4,359	4,963
Other assets	343	250
Total other assets, net	42,602	30,179
TOTAL ASSETS	\$ 164,994	\$ 163,522
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 15,706	\$ 12,005
Accrued expenses	4,645	7,599
Line of credit	17,349	9,801
Current maturities of long-term debt	14,456	17,564
Insurance notes payable	4,808	1,710
Total current liabilities	56,964	48,679
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	34,827	45,710
Other long-term liabilities	1,060	527
Deferred tax liability	11,984	17,597
Total long-term liabilities	47,871	63,834
Total liabilities	104,835	112,513
COMMITMENTS AND CONTINGENCIES		

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STOCKHOLDERS EQUITY:

Convertible preferred stock, no par value, 5,000,000 shares authorized; 29 shares of Series B issued and outstanding at December 31, 2007 and 2008 and 5,484 and 5,396 shares of Series C issued and outstanding at December 31, 2007 and 2008, respectively, liquidation preference of \$1,000 per share	1,162	1,074
Common stock, \$0.01 par value, 45,000,000 shares authorized; 18,727,615 and 20,647,496 issued and 18,682,615 and 20,647,496 outstanding at December 31, 2007 and 2008, respectively	187	206
Preferred stock dividends declared	3	3
Additional paid-in capital	93,997	99,045
Accumulated deficit	(35,190)	(49,319)
 Total stockholders equity	 60,159	 51,009
 TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	 \$ 164,994	 \$ 163,522

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

Table of Contents**Index to Financial Statements****OMNI ENERGY SERVICES CORP.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	YEAR ENDED DECEMBER 31,		
	2006	2007	2008
	(In thousands, except per share data)		
Operating revenue			
Services	\$ 82,819	\$ 140,695	\$ 149,559
Rentals	16,179	31,784	44,027
Total operating revenue	98,998	172,479	193,586
Operating expenses			
Direct costs (exclusive of depreciation and amortization shown separately below)			
Services	54,565	95,703	105,668
Rentals	5,265	14,549	21,807
Depreciation and amortization	5,660	10,761	13,313
General and administrative expenses (exclusive of depreciation and amortization shown separately above) (includes litigation settlement of \$2,400 in 2008)	13,780	28,117	31,006
Total operating expenses	79,270	149,130	171,794
Impairment of goodwill and intangibles			25,047
Impairment of fixed assets			417
Operating income (loss)	19,728	23,349	(3,672)
Interest expense	(4,966)	(6,936)	(6,826)
Gain (loss) on debt extinguishment	15	(1,100)	120
Other income (expense)	233	360	(109)
Income (loss) before income taxes	15,010	15,673	(10,487)
Income tax benefit (expense)	6,805	(5,504)	(3,153)
Net income (loss)	21,815	10,169	(13,640)
Dividends on preferred stock	(488)	(503)	(489)
Non-cash charge attributable to beneficial conversion feature of preferred stock	(458)	(255)	
Net income (loss) available to common stockholders	\$ 20,869	\$ 9,411	\$ (14,129)
Basic income (loss) per common share:			
Net income (loss) available to common stockholders	\$ 1.29	\$ 0.52	\$ (0.72)
Diluted income (loss) per common share:			
Net income (loss) available to common stockholders	\$ 0.89	\$ 0.40	\$ (0.72)
Number of weighted average shares:			
Basic	16,190	18,077	19,740
Diluted	24,459	25,634	19,740

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

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	PREFERRED STOCK		COMMON STOCK		TREASURY STOCK
	SHARES	AMOUNT	SHARES	AMOUNT	AMOUNT
	(In thousands, except share data)				
BALANCE, December 31, 2005	5,157	\$ 806	15,272,121	\$ 153	(264)
Stock based compensation					
Stock based compensation forfeited			(24,000)		
Stock options and warrants exercised for cash and other			761,828	7	
Preferred stock dividends declared					
Preferred stock dividends paid in kind	479	479			
Common stock issued in acquisition			900,000	9	
Beneficial conversion feature associated with preferred stock					
Issuance of treasury shares for stock based compensation					264
Beneficial conversion feature associated with convertible notes issued in acquisition, net of accretion					
Net income					
BALANCE, December 31, 2006	5,636	\$ 1,285	16,909,949	\$ 169	
Stock based compensation					
Restricted stock awards, net of forfeitures			12,500		
Stock options and warrants exercised for cash and other			945,378	9	
Preferred stock dividends declared					
Preferred stock dividends paid in kind	256	256			
Common stock issued for cash, net of offering costs			665,429	7	
Beneficial conversion feature associated with preferred stock					
Preferred stock conversion	(379)	(379)	194,359	2	
Net income					
BALANCE, December 31, 2007	5,513	\$ 1,162	18,727,615	\$ 187	\$
Stock based compensation					
Restricted stock awards, net of forfeitures			462,500	5	
Stock options and warrants exercised for cash and other			1,057,766	11	
Preferred stock dividends declared					
Common stock issued in legal settlement			400,000	4	
Common stock retired			(45,000)	(1)	
Preferred stock conversion	(88)	(88)	44,615		
Net loss					
BALANCE, December 31, 2008	5,425	\$ 1,074	20,647,496	\$ 206	\$

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Continued)

	PREFERRED STOCK DIVIDEND DECLARED	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
	(In thousands, except share data)			
BALANCE, December 31, 2005	\$ 123	\$ 75,787	\$ (65,470)	\$ 11,135
Stock based compensation		617		617
Stock based compensation forfeited		3		3
Stock options and warrants exercised for cash and other		2,127		2,134
Preferred stock dividends declared	488		(488)	
Preferred stock dividends paid in kind	(479)			
Common stock issued in acquisition		3,033		3,042
Beneficial conversion feature associated with preferred stock		458	(458)	
Issuance of treasury shares for stock based compensation		(264)		
Beneficial conversion feature associated with convertible notes issued in acquisition, net of accretion		680		680
Net income			21,815	21,815
BALANCE, December 31, 2006	\$ 132	\$ 82,441	\$ (44,601)	\$ 39,426
Stock based compensation		2,487		2,487
Restricted stock, net of forfeitures				
Stock options and warrants exercised for cash and other		2,216		2,225
Preferred stock dividends declared	127		(503)	(376)
Preferred stock dividends paid in kind	(256)			
Common stock issued for cash, net of offering costs		6,221		6,228
Beneficial conversion feature associated with preferred stock		255	(255)	
Preferred stock conversion		377		
Net income			10,169	10,169
BALANCE, December 31, 2007	\$ 3	\$ 93,997	\$ (35,190)	\$ 60,159
Stock based compensation		1,233		1,233
Restricted stock, net of forfeitures		1,218		1,223
Stock options and warrants exercised for cash and other		2,512		2,523
Preferred stock dividends declared			(489)	(489)
Common stock issued in legal settlement		(4)		
Common stock retired		1		
Preferred stock conversion		88		
Net loss			(13,640)	(13,640)
BALANCE, December 31, 2008	\$ 3	\$ 99,045	\$ (49,319)	\$ 51,009

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

Table of Contents**Index to Financial Statements****OMNI ENERGY SERVICES CORP.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	2006	YEAR ENDED DECEMBER 31, 2007 (In thousands)	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 21,815	\$ 10,169	\$ (13,640)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortization	5,660	10,761	13,313
(Gain) loss on property, plant and equipment disposals	(48)	(173)	358
Stock based compensation expense	620	2,487	1,233
Accretion of discount on convertible notes	100	511	141
Amortization of loan closing costs	850	1,013	1,148
Impairment of goodwill and intangibles			25,047
Impairment of fixed assets			417
(Gain) loss extinguishment of debt	(15)	1,100	(120)
Provision for doubtful accounts		60	375
Deferred taxes	(6,805)	4,328	2,865
Changes in operating assets and liabilities:			
Trade receivables	(448)	(4,711)	(4,586)
Other receivables	(314)	(729)	39
Parts and supplies inventory	(345)	(1,583)	(111)
Prepaid expenses and other current assets	2,239	4,615	5,090
Other assets	(1,191)	(334)	55
Accounts payable and accrued expenses	242	7,067	(2,968)
Net cash provided by operating activities	22,360	34,581	28,656
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash received	(23,976)	(23,673)	(20,836)
Investment in restricted cash	(1,114)		(1,142)
Return of restricted cash			689
Proceeds from collection of other receivables	3,870	420	
Proceeds from disposal of property, plant and equipment	224	1,578	1,009
Purchase of property, plant and equipment	(5,124)	(13,848)	(12,249)
Net cash used in investing activities	(26,120)	(35,523)	(32,529)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	18,970	14,934	19,232
Principal payments on long-term debt	(10,835)	(26,240)	(19,604)
Borrowings (payments) on line of credit, net	6,904	7,070	(7,548)
Preferred stock dividends paid in cash		(129)	(491)
Loan closing costs	(1,011)	(2,420)	(1,752)
Proceeds from stock options and warrants exercised	2,134	2,225	2,648
Proceeds from issuance of common stock		6,357	
Net cash provided by (used in) financing activities	16,162	1,797	(7,515)

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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,402	855	(11,388)
CASH, at beginning of year	174	12,576	13,431
CASH, at end of year	\$ 12,576	\$ 13,431	\$ 2,043

Table of Contents**Index to Financial Statements****OMNI ENERGY SERVICES CORP.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

	YEAR ENDED DECEMBER 31,		
	2006	2007	2008
	(In thousands)		
Supplemental cash flow disclosures:			
Cash paid for interest	\$ 3,954	\$ 5,329	\$ 5,505
Cash paid for income taxes	\$	\$ 236	\$ 789
Supplemental non-cash disclosures:			
Equipment acquired under capital lease	\$	\$ 58	\$
Premium financed with insurance carrier	\$ 4,196	\$ 6,663	\$ 3,109
Application of restricted cash to capital lease payable and other	\$	\$	\$ 625
Equipment note paid off in sale/leaseback	\$	\$ 201	\$ 132
Equipment transferred in satisfaction of settlement of accrued liability	\$	\$	\$ 750
Beneficial conversion feature associated with issuance of preferred stock	\$ 458	\$ 255	\$
Dividends declared but not paid	\$ 488	\$	\$
Equipment under capital lease exchanged in sale/leaseback	\$ 596	\$	\$
Equipment financed	\$ 715	\$	\$
Shareholder notes issued in acquisitions	\$ 8,000	\$ 8,500	\$ 8,000
Conversion of preferred stock to common	\$	\$ 377	\$ 88
Common stock issued in acquisition	\$ 3,042	\$	\$
Beneficial conversion feature associated with issuance of shareholder notes	\$ 680	\$	\$
Preferred stock issued as dividends paid-in-kind	\$ 479	\$ 256	\$

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

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OMNI ENERGY SERVICES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
NATURE OF BUSINESS

We are a leading, integrated oilfield service company specializing in providing a range of (i) onshore seismic drilling, operational support, permitting, and survey, (ii) drilling fluid transportation and disposal services, (iii) dock-side and offshore hazardous and non-hazardous oilfield waste management and environmental cleaning services, including tank and vessel cleaning and safe vessel entry, (iv) oilfield equipment rental, for oil and gas companies operating in the Gulf of Mexico and various exploration and production areas in the United States of America and (v) other specialized services such as metal stress relieving and wellhead installation and preheating.

At December 31, 2008, we operated in five business segments Seismic Services, Fluid and Transportation Services, Environmental Services, Equipment Leasing and Other Services.

The principal market of our Seismic Services segment is the marsh, swamps, shallow water and contiguous dry areas along the Gulf of Mexico (the Transition Zone), primarily in Louisiana and Texas, where we believe we are the leading provider of seismic drilling support services.

Our Fluid and Transportation Services division provides the sale and transportation of drilling, completion and production fluids.

Our Environmental Services division provides dock-side and offshore tank, vessel, boat and barge cleaning services principally to major and independent oil and gas companies operating in the Gulf of Mexico and the disposal of oilfield waste at our company-operated disposal facilities.

Our Equipment Leasing division provides various pieces of oilfield equipment to offshore and land-based oil production rigs and drilling contractors operating primarily in Louisiana, Texas, Utah and Wyoming.

Our Other Services division provides various services such as metal stress relieving and wellhead installation services to offshore and land-based oil production rigs and drilling contractors operating primarily in Louisiana and the Gulf of Mexico.

We receive our revenues principally from customers in the energy industry. This volatile market has impacted our ability, as well as that of our customers and others in the industry, to change their forecasts and budgets in response to future uncertainties of commodity pricing. These fluctuations can rapidly impact our cash flows as supply and demand factors impact the number and size of seismic projects available. The demand for our services increased significantly in 2007 and much of 2008. However, the demand for these services diminished in the fourth quarter of 2008 with the fall of global and domestic oil and natural gas prices.

We adjust our operations to current market conditions by downsizing, when necessary, our operations through closure of certain operating locations, disposing of excess equipment and reducing our corporate overhead structure.

In February 2006, we acquired Preheat, Inc. (Preheat), a premier provider of rental equipment and specialized environmental services principally to drilling contractors operating in the Gulf of Mexico. (See Note 12).

In November 2006, we acquired Rig Tools, Inc. (Rig Tools), a leading rental equipment supplier to land-based drilling contractors operating primarily in Louisiana and Texas. (See Note 12).

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In February 2007, we acquired certain seismic drilling assets of Cypress Consulting Services, Inc. (Cypress), a provider of seismic services and employee leasing. Cypress serves many of the same customers as our core Seismic Services operations (See Note 12).

In March 2007, we acquired Charles Holston, Inc. pursuant to a Membership Interest Purchase and Sale Agreement to acquire BMJ Industrial Investment, L.L.C., and its wholly-owned subsidiary Charles Holston, Inc. (collectively Holston). Holston provides a full range of environmental services including transportation of non-hazardous oilfield byproducts, cleaning and waste disposal, dockside and offshore cleaning; and offshore sandblasting and painting operating primarily, in Louisiana and Texas (See Note 12).

Effective June 7, 2007, we acquired certain assets of Bailey Operating, Inc. (BOI). The assets acquired include a salt water disposal well, related permits and well-site equipment located on approximately five acres of land in Bowie, Texas (See Note 12).

In January 2008, we acquired the assets of B.E.G. Liquid Mud Services Corp (BEG) pursuant to an Asset Purchase Agreement. BEG supplies and provides transportation of drilling fluids in the Texas markets from location in Giddings, Bryan and Woodville, Texas (See Note 12).

In April 2008, we acquired Industrial Lift Truck and Equipment Co., Inc. (Industrial Lift) pursuant to a Stock Purchase and Sale Agreement. Industrial Lift has an extensive rental fleet of forklifts and manlifts. It operates from locations in Broussard, Louisiana and Lincoln, Texas (See Note 12).

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The consolidated financial statements include the accounts of OMNI Energy Services Corp., a Louisiana corporation, and subsidiaries in which we have a greater than 50% ownership. All material intercompany accounts and transactions have been eliminated upon consolidation. Certain prior year amounts have been reclassified to be consistent with current year financial statement presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The more significant estimates include asset impairments, useful lives for depreciation and amortization, salvage values of depreciable equipment, valuation of warrants and options, allowance for doubtful accounts receivables and the utilization of deferred tax assets. Actual results could differ from those estimates.

REVENUE RECOGNITION

We derive revenue from two types of activities services and equipment rentals. Service activities include drilling, seismic surveys, permitting, environmental clean-up, fluid transportation, wellhead installation, metal stress relieving and other services. Rentals activities relate to our equipment leasing operations. Revenue from our drilling operations is recognized on a per hole basis. Once we have drilled and loaded a source point, revenue from the drilling of such source point is recognized. Similarly, revenue is recognized from our seismic survey operations either on a day rate or per mile basis. Under the per mile basis, revenue is recognized when the source or receiving point is marked by one of our survey crews. Permitting revenue is recognized on a per day basis as services are rendered. Environmental revenue is recognized upon completion of each cleaning project. Revenues for wellhead installations, metal stress relieving and other services are recognized upon completion of each project, all of which have relatively short durations lasting from one to five days. Transportation revenues are billed by the hour, load or barrel. Equipment rental revenue is recognized on a daily basis.

Table of Contents**Index to Financial Statements****CASH AND CASH EQUIVALENTS**

We consider highly liquid investments with an original maturity of 90 days or less to be cash equivalents. The \$1.1 million included in restricted cash at December 31, 2007 represented cash held in escrow related to the purchase of an aircraft which was released from restriction during the first quarter of 2008. The proceeds were used to settle the outstanding balance of a capital lease payable with the remaining proceeds remitted to us. The \$0.9 million included in restricted cash at December 31, 2008 represents cash deposited into an irrevocable trust as part of a legal settlement which was paid to the trust beneficiary in January 2009.

ACCOUNTS RECEIVABLE

Trade and other receivables are stated at net realizable value. We grant short-term credit to our customers, primarily geophysical and oil and gas operating companies. We regularly review outstanding trade receivables and provide for estimated losses through our allowance for doubtful accounts when it is determined that an amount is not collectible.

INVENTORIES

Inventories consist of parts and supplies used for our drilling and rental equipment operations. All inventories are valued at lower of average cost or market. Parts and supplies are charged to expense when it is determined that such items have no value or when their service hours have expired.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. We provide for depreciation expense on a straight line basis over each asset's estimated useful life depreciated to their estimated salvage values as follows:

ASSET CLASSIFICATION	USEFUL LIFE	SALVAGE VALUE
Buildings and improvements	15-25 years	
Drilling, field and support equipment	5-10 years	10%
Shop equipment	10 years	
Saltwater disposal wells	20 years	
Office equipment	5 years	
Vehicles	4-5 years	
Environmental	5 years	
Rental Equipment	3-10 years	

Additions to property and equipment and major replacements are capitalized. Gains and losses on dispositions, maintenance, repairs and minor replacements are charged to expense as incurred. Capitalized equipment, which is fabricated, is comprised of direct and indirect costs incurred during fabrication. Costs include materials and labor consumed during fabrication. Interest is also capitalized during the fabrication period. There was no interest capitalized for the years ended December 31, 2006, 2007 and 2008.

Assets held for sale are recorded at the lower of their net book value or their net realizable value which is determined based upon an estimate of their fair market value less the cost of selling the assets. An impairment is recorded to the extent that the amount that was carried on the books is in excess of the net realizable value. Assets held for sale at December 31, 2008 are seven marsh buggies and one helicopter.

Table of Contents**Index to Financial Statements****IMPAIRMENT OF LONG-LIVED ASSETS AND ASSETS HELD FOR SALE**

We review our long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with Statement of Financial Accounting Standards (SFAS) No. 144 *Accounting for the Impairment and Disposal of Long-Lived Assets*. If the carrying amount of the asset, including any intangible assets associated with that asset, exceeds its estimated undiscounted net cash flow, before interest, we will recognize an impairment loss equal to the difference between its carrying amount and its estimated fair value. In 2008, we recorded an impairment charge \$0.1 million for seven marsh buggies and \$0.3 million for a helicopter. In 2006 and 2007, the marsh buggies were classified as held for sale. In 2008, the helicopter is also classified as held for sale. There were no impairment charges for 2006 or 2007.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. We account for goodwill in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives. The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. As of December 31, 2007 and 2008, we have goodwill of \$15.0 million and \$8.6 million, respectively. We periodically assess the recoverability of the unamortized balance based on expected future profitability and undiscounted future cash flows of the acquisitions and their contribution to our overall operation. If an impairment is required, discounted future cash flows or other measures of fair value are used to determine the ultimate impairment recorded. In conjunction with the acquisition of AirJac during 2002, we recorded a customer intangible of \$1.9 million which was being amortized over a period of 20 years; with the acquisition of Trussco, Inc. (Trussco) in 2004, we recorded intangibles of \$3.9 million which were being amortized over various time periods ranging from three to 20 years and goodwill of \$3.4 million; with the acquisition of Preheat in 2006, we recorded goodwill of \$4.4 million and intangibles of \$3.5 million which were being amortized over various time periods ranging from three to 10 years; with the acquisition of Rig Tools in 2006, we recorded intangibles of \$2.9 million which were being amortized over various time periods ranging from four to 13 years and goodwill of \$5.6 million; with the acquisition of Cypress in 2007, we recorded intangibles of \$6.2 million which were being amortized over ten years; with the acquisition of Holston in 2007, we recorded intangibles of \$6.4 million which were being amortized over various time periods ranging from three to 20 years and goodwill of \$5.3 million; with the acquisition of BEG in 2008 we recorded intangibles of \$5.4 million which were being amortized over ten years; with the acquisition of Industrial Lift in 2008, we recorded goodwill of \$3.7 million and intangibles of \$1.7 million which were being amortized over ten years.

We recorded \$0.5 million, \$1.7 million and \$3.6 million, respectively, in amortization expense related to the intangible assets for the years ended December 31, 2006, 2007 and 2008.

In 2008, we determined, because of current market conditions, that future cash flows may not be sufficient to recover the value of certain identified intangibles and portions of goodwill related to certain acquisitions and that they were impaired and therefore we recorded an impairment charge of \$25.0 million.

INCOME TAXES

We provide for deferred taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires an asset and liability approach for measuring deferred taxes and liabilities due to temporary differences existing at year-end using currently enacted rates (See Note 10). A valuation allowance is provided when necessary to reduce deferred tax assets to amounts expected to be realized.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109* (FIN 48), which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including

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issues relating to financial statement recognition and measurement. FIN 48 provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is more-likely-than-not of being sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50 percent likely of being recognized upon ultimate settlement with the taxing authority, is recorded. The provisions of FIN 48 became effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. Our consolidated financial statements have not been materially impacted by the adoption of FIN 48.

In May 2007, the FASB issued FIN 48-1 *Definition of Settlement in FASB Interpretation No. 48* which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. Our adoption of FIN 48, effective January 1, 2007, was consistent with FIN 48-1.

STOCK BASED COMPENSATION

Effective January 1, 2006, we adopted the provisions of SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R) requiring that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award). Prior to January 1, 2006, we accounted for share-based compensation to employees in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25), and related interpretations. Options that were not vested as of January 1, 2006 were fair valued using Black-Scholes and those amounts are recorded as stock-based compensation prospectively over the remaining service period.

EARNINGS PER SHARE

We account for our earnings per share (EPS) in accordance with SFAS No. 128, *Earnings Per Share*, which establishes the requirements for presenting EPS. SFAS No. 128 requires the presentation of basic and diluted EPS on the face of the income statement. Basic EPS begins with income (loss) applicable to common stockholders (net income (loss) less preferred stock dividends) and is based on the weighted average number of common shares outstanding during each period presented. Diluted EPS assumes the exercise of all stock options and warrants having exercise prices less than the average market price of the common stock using the treasury stock method. In computing basic loss per share we consider dividends and accretion on the Series B Preferred and Series C Preferred as a reduction of net income from operations in computing basic net income (loss) per share. For the purpose of diluted earnings per common share, and only if such calculation results in dilution, preferred stock dividends will not reduce earnings; however, the weighted average common shares outstanding would increase representing the amount of common shares into which such preferred stock is currently convertible. Convertible preferred stock, convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. (SFAS No. 157) defines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and requires enhanced disclosures about fair value measurements. It does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently evaluating the impact this statement adoption may have on our consolidated financial statements.

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In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (SFAS No. 159). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. The Statement is effective for fiscal years beginning after November 15, 2007. At January 1, 2008, we did not elect the fair value option under SFAS No. 159 and, therefore, there was no impact to our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised), *Business Combinations* (SFAS No. 141R). This Statement changes the accounting for business combinations including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for preacquisition gain and loss contingencies, the recognition of capitalized in-process research and development costs, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited.

In December 2007, the FASB issued SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS No. 160). This Statement changes the accounting for noncontrolling (minority) interests in consolidated financial statements, including the requirements to classify noncontrolling interests as a component of consolidated stockholders' equity, and the elimination of minority interest accounting in results of operations with earnings attributable to noncontrolling interests reported as part of consolidated earnings. Additionally, SFAS No. 160 revises the accounting for both increases and decreases in a parent's controlling ownership interest. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008, with early adoption prohibited. We are currently evaluating the impact of this statement on our consolidated financial statements.

2. VALUATION ALLOWANCE ACCOUNTS

The allowance for uncollectible accounts consists of the following:

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	OTHER ADDITIONS (In thousands)	WRITE-OFF OF UNCOLLECTIBLE AMOUNTS	BALANCE AT END OF PERIOD
December 31, 2008 Allowance for uncollectible accounts	\$ 130	\$ 375	\$	\$ 252	\$ 253
December 31, 2007 Allowance for uncollectible accounts	\$ 128	\$ 60	\$	\$ 58	\$ 130

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Property, plant and equipment consists of the following at December 31:

	DECEMBER 31,	
	2007	2008
	(In thousands)	
Land	\$ 793	\$ 493
Building and improvements	8,200	9,103
Drilling, field and support equipment	79,382	105,894
Aviation equipment	1,438	
Shop equipment	1,153	721
Office equipment	2,261	2,387
Vehicles	4,291	4,991
Construction in progress	734	751
	98,252	124,340
Less: accumulated depreciation	(37,215)	(43,686)
Total property, plant and equipment, net	\$ 61,037	\$ 80,654

During 2008, some of our facilities and equipment were damaged as a result of Hurricanes Ike and Gustav. As a result of the storms, we incurred damages of approximately \$0.5 million. Excluding nominal deductibles, the damage was covered by insurance. A receivable related to insurance proceeds in the amount of \$0.1 million is included in receivables in the consolidated financial statements at December 31, 2008.

4. LONG-TERM DEBT AND LINE OF CREDIT

At December 31, 2007 and December 31, 2008, long-term debt consists of the following:

	DECEMBER 31,	
	2007	2008
	(In thousands)	
Notes payable to a bank with interest payable at prime plus 1.50% (9.25% at December 31, 2007 and 6.50 % at December 31, 2008) maturing July 31, 2023, secured by real estate	\$ 1,288	\$ 1,243
Notes payable to a finance company with interest at 8%, maturing February 10, 2013, secured by real estate, paid in full	152	
Promissory notes payable to certain former owners of acquired companies with interest at 5%, maturing at various dates through April 2011	8,500	6,000
Convertible promissory notes payable to certain former stockholders of acquired companies with interest at 5%, maturing at various dates through April 2011, net of beneficial conversion of \$71 at December 31, 2007 and \$0 at December 31, 2008(1)	4,929	11,500
Promissory notes payable to finance companies secured by vehicles and equipment	642	492
Capital leases payable to finance companies secured by an aircraft and equipment	549	39
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, unsecured, paid in full	197	
Term Loan payable to a bank, variable interest rate at 30-day LIBOR plus 2.75% (3.71% at December 31, 2008), secured by various equipment, maturing April 23, 2013		44,000
Term and Capex Loans payable to a bank, variable interest rate at LIBOR plus 2% (ranging from 6.63% to 6.93% at December 31, 2007), secured by various equipment, paid in full	33,026	

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Total	49,283	63,274
Less: current maturities	(14,456)	(17,564)
Long-term debt, less current maturities	\$ 34,827	\$ 45,710

(1) See Note 12 regarding Rig Tools stockholder notes.

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Annual maturities of long-term debt during each of the years ended December 31, are as follows:

YEAR ENDED DECEMBER 31,	(In thousands)
2009	\$ 17,564
2010	14,053
2011	10,542
2012	8,117
2013 and thereafter	12,998
	\$ 63,274

The estimated fair value of long-term debt is determined based on borrowing rates currently available to the Company for notes with similar terms and average maturities and approximates the carrying value as of December 31, 2007 and 2008.

Loan closing costs at December 31, 2007 and 2008 are displayed on the balance sheet, net of accumulated amortization of \$3,433 and \$4,582, respectively. These costs are capitalized as incurred and amortized to interest expense using the effective-interest method.

SENIOR CREDIT FACILITY

Effective April 24, 2008, we increased our credit facility to \$90.0 million (Senior Credit Facility), including a \$50.0 million term loan (the Term Loan), a \$25.0 million working capital revolving line of credit (the Revolver), and a \$15.0 million delayed draw term loan available to fund future acquisitions. The Revolver replaced our previous line of credit (the Line). Availability under the Revolver is the lower of: (i) \$25.0 million or (ii) the sum of eligible accounts receivable and inventory, as defined under the agreement governing the Revolver. The Revolver accrues interest at the 30-day LIBOR plus 2.25% (3.22% at December 31, 2008) and matures in April 2013. The Revolver is collateralized by accounts receivable and inventory. As of December 31, 2008, we had \$9.8 million outstanding under the Revolver. Due to the lock-box arrangement and the subjective acceleration clause in the agreements governing the Revolver and the Line, the debt under the Line and the Revolver have been classified as a current liability as of December 31, 2007 and December 31, 2008, as required by Emerging Issues Task Force (EITF) No. 95-22, *Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-box Arrangement*.

On August 28, 2008, the Senior Credit Facility was amended to remove the \$15.0 million delayed draw term loan. As an accommodation to our lender, we agreed to remove the delayed draw portion of the Senior Credit Facility in order to make syndication of the loan more manageable.

Under the terms of the Term Loan, the funding limits are limited to the lesser of \$50.0 million and 80% of the orderly liquidation value of our equipment. In addition, the Term Loan matures in April 2013 and will be repaid quarterly in equal payments of \$2.0 million, with interest paid monthly in arrears and accrues interest at the 30-day LIBOR plus 2.75% (3.71% at December 31, 2008). The Term Loan contains customary financial covenants and limitations on capital expenditures. With the proceeds from the Senior Credit Facility, we (i) repaid approximately \$28.7 million of outstanding principal balance under our previous term loan; (ii) repaid approximately \$2.1 million of outstanding principal balance under our previous capital expenditure loan; (iii) repaid the balance on the Line; and (iv) closed the acquisition of Industrial Lift. The balance of the proceeds available under the Senior Credit Facility was used to pay fees and expenses of the aforementioned transaction and to provide additional working capital. As of December 31, 2008, we had \$44.0 million outstanding under the Term Loan.

CAPITAL LEASES

We leased several vehicles used in our seismic services and environmental operations under 40-month capital leases. In February 2006, the capital leases on vehicles were paid off through a sale/leaseback transaction

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with a third party leasing company. The capital leases were replaced with 24 month operating leases expiring in the first quarter of 2008.

In December 2006, we acquired a corporate-configured helicopter under capital lease for internal use. The capital lease matured in 2008. In March 2007, we acquired a forklift under capital lease. The capital lease matures in February 2012. The capital lease for the helicopter was paid in full in January 2008. The aircraft, net of impairment charge of \$0.3 million, is included in Assets Held for Sale at December 31, 2008.

Total cost and related accumulated depreciation of assets held under capital lease was \$1.5 million and \$0.1 million, respectively, at December 31, 2007. The cost and related accumulated depreciation of assets held under capital lease were nominal at December 31, 2008.

Depreciation expense for the years ended December 31, 2006, 2007 and 2008 was approximately \$0.1 million for each year respectively, for all assets held under capital lease.

The future minimum lease payments for capital leases as of December 31, 2008 are \$0.001 million for each of 2009, 2010 and 2011 with \$0.001 million representing interest.

PREHEAT NOTES

In connection with the purchase of Preheat (See Note 12) in February 2006, we issued \$4.0 million in 5% promissory notes payable to certain Preheat stockholders (Preheat Notes). The Preheat Notes consist of three separate notes with \$2.7 million maturing in February 2008 and \$1.3 million maturing in February 2009. At December 31, 2007 and 2008, the Preheat Notes had a balance of \$4.0 million. In February 2008, we terminated for cause the employment of one of the Preheat stockholders. The terms of the Preheat Notes provide that a termination of either of the Preheat stockholders employment for cause results in the cancellation of the Preheat Notes. The Preheat stockholders are contesting our assertion and have filed a lawsuit against the Company. Consequently, the Preheat Notes remain recorded as a liability in the financial statements pending resolution of the matter.

RIG TOOLS NOTES

In connection with the purchase of Rig Tools (See Note 12) in November 2006, we issued \$4.0 million in 5% promissory notes payable to certain Rig Tools stockholders (Rig Tools Notes). The Rig Tools Notes consisted of three separate notes with \$3.0 million maturing in November 2007 and \$1.0 million maturing in November 2008. The Rig Tools Notes could have been prepaid at any time and were convertible into shares of our common stock at a price of \$8.00 per share. We recorded a beneficial conversion feature of \$0.7 million related to the stock valuation at closing which was being amortized to interest expense over the life of the notes. At December 31, 2007 and 2008, the Rig Tools Notes had a balance of \$1.0 million and \$0, respectively. The beneficial conversion feature had an unamortized balance of \$0.1 million and \$0 at December 31, 2007 and 2008, respectively.

CHARLES HOLSTON NOTES

In connection with the acquisition of Holston (See Note 12) in March 2007, we issued \$5.0 million in 5% promissory notes payable to certain Holston owners (Holston Notes). The Holston Notes consist of three separate notes with \$1.0 million maturing in February 2008, \$2.0 million maturing in February 2009 and \$2.0 million maturing in February 2010. The notes maturing in 2009 and 2010 are convertible into shares of our common stock at a price of \$9.24 per share. Based upon the stock valuation at the time of issuance, no beneficial conversion feature existed. At December 31, 2007 and 2008, the Holston Notes had a balance of \$5.0 million and \$4.0 million, respectively.

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CYPRESS NOTE

In connection with the acquisition of certain assets of Cypress (See Note 12) in February 2007, we issued \$3.0 million in a 5% promissory note payable to a certain Cypress Energy stockholder (Cypress Note). The Cypress Note is payable over three years with \$1.0 million maturing in February 2008, \$1.0 million maturing in February 2009 and \$1.0 million maturing in February 2010. In November 2008, as an accommodation to the holder of the note, we paid the \$1.0 million due in February 2009 in exchange for a discounted payment by \$0.1 million. This discount is reflected as a gain on early extinguishment of debt in the financial statements. At December 31, 2007 and 2008, the Cypress Note had a balance of \$3.0 million and \$1.0 million, respectively.

BAILEY NOTE

In connection with the acquisition of BOI (See Note 12) in June 2007, we issued \$0.5 million in a 5% promissory note payable to BOI (Bailey Note). The Bailey Note is payable on or before May 31, 2010. At December 31, 2007 and 2008, the Bailey Note had a balance of \$0.5 million.

BEG NOTES

In connection with the acquisition of certain assets of BEG (See Note 12) in January 2008, we issued \$4.0 million of 5% promissory notes payable to certain shareholders of BEG (BEG Notes). The BEG Notes are payable over three years with \$1.3 million maturing in January 2009, \$1.3 million maturing in January 2010 and \$1.4 million maturing in January 2011 and are convertible into shares of our common stock at a rate of \$3.70 per share under certain circumstances. Based upon the stock valuation at the time of the issuance, no beneficial conversion feature exists. At December 31, 2008, the BEG Notes had a balance of \$4.0 million.

ILT NOTES

In connection with the acquisition of Industrial Lift (See Note 12) in April 2008, we issued \$4.0 million of promissory notes payable to the shareholders of Industrial Lift (ILT Notes). The ILT Notes are payable over three years with \$2.0 million maturing in April 2009, \$1.0 million maturing in April 2010 and \$0.5 million maturing in April 2011. The ILT Notes bear interest at a rate of 5% per annum payable in arrears and are convertible into shares of our common stock at a rate of \$10.50 per share under certain circumstances. Based upon the stock valuation at the time of the issuance, no beneficial conversion feature exists. An additional note in the amount of \$0.5 million, which is non-convertible and non-interest bearing, matures in April 2011. At December 31, 2008, the ILT Notes had a balance of \$4.0 million.

INSURANCE NOTES PAYABLE

A portion of our property and casualty insurance premiums are financed through certain short-term installment loan agreements. The insurance notes are payable in monthly installments through June 2009 and accrue interest at 3.97%.

SUBORDINATED PROMISSORY NOTES

On May 18, 2005, we entered into settlement agreements (Debenture Settlement Agreements) with each of the holders of our 6.5% convertible debentures and other third parties (the Debenture Holders) in exchange for our dismissal of the lawsuit filed against the Debenture Holders in which we alleged that the Debenture Holders violated Section 16(b) of the Securities Exchange Act of 1934, as amended. We sought the disgorgement of profits realized by the Debenture Holders from their purchases and sales of our common stock. Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately \$4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million shares of our common stock at an agreed upon value of \$3.4 million; and, (iii) issue the Debenture Holders approximately \$4.3 million of unsecured,

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subordinated promissory notes (Subordinated Debenture Notes). The Subordinated Debenture Notes were scheduled to be paid quarterly, with interest in arrears, over 36 months in level payments with interest accruing at the rate of 8% per annum.

On August 26, 2005, we entered into a settlement agreement and mutual release (Agreement and Release) with two of the three holders of the Subordinated Debenture Notes. Under terms of the Agreement and Release, we paid \$1.5 million in cash from the proceeds of a new \$25.0 million multiple draw term credit facility, and issued 750,000 shares of our common stock in full satisfaction of the applicable Subordinated Debenture Notes. The remaining Subordinated Debenture Note matured and was paid in 2008. At December 31, 2007 and 2008, the remaining Subordinated Debenture Note had a balance of approximately \$0.2 million and \$0, respectively.

5. INTANGIBLE ASSETS

Intangible assets consist of the following at December 31:

	BALANCE DECEMBER 31, 2006	2007 ADDITIONS	REDUCTIONS	BALANCE DECEMBER 31, 2007 (In thousands)	2008 ADDITIONS	REDUCTIONS	BALANCE DECEMBER 31, 2008
Goodwill	\$ 14,645	\$ 517	\$	\$ 15,162	\$ 8,438	\$ (14,862)	\$ 8,738
Acquisition costs	1,860	217		2,077	209	(314)	1,972
Less Accumulated Amortization	(124)			(124)			(124)
Total unamortizable assets	16,381	734		17,115	8,647	(15,176)	10,586
Customer lists	2,359	12,944		15,303	526	(11,954)	3,875
Trademark/tradename	2,900	1,232		4,132	1,054	(401)	4,785
Non-compete agreements	240	917		1,157	757	(882)	1,032
Favorable lease		196		196		(196)	
Licenses and permits	800	2,900		3,700	4,991		8,691
Less Accumulated Amortization	(1,999)	(1,704)		(3,703)	(3,563)	3,263	(4,003)
Net amortizable assets	4,300	16,485		20,785	3,765	(10,170)	14,380
Total intangibles, net	\$ 20,681	\$ 17,219	\$	\$ 37,900	\$ 12,412	\$ (25,346)	\$ 24,966

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Intangible assets by segment, net of accumulated amortization at December 31 are as follows:

	2007			2008			BALANCE DECEMBER 31, 2008
	BALANCE DECEMBER 31, 2006	ADDITIONS	REDUCTIONS(1)	BALANCE DECEMBER 31, 2007 (In thousands)	ADDITIONS	REDUCTIONS(1)	
Seismic services	\$ 3,426	\$ 5,913	\$ (583)	\$ 8,756	\$ 439	\$ (7,075)	\$ 2,120
Fluid and transportation services	500	6,940	(422)	7,018	10,016	(6,505)	10,529
Environmental services	5,827		(309)	5,518		(281)	5,237
Equipment leasing	10,928	6,070	(390)	16,608	5,521	(15,049)	7,080
Other services							
Corporate							
Total intangibles by segment, net	\$ 20,681	\$ 18,923	\$ (1,704)	\$ 37,900	\$ 15,976	\$ (28,910)	\$ 24,966

(1) Includes amortization charged to expense during the year

YEAR ENDED DECEMBER 31,	AGGREGATE AMORTIZATION EXPENSE	ESTIMATED AGGREGATE AMORTIZATION EXPENSE (In thousands)
2006	\$ 465	\$
2007	1,704	
2008	3,563	
2009		1,482
2010		1,482
2011		1,482
2012		1,267
2013		1,224
Thereafter		6,961

Goodwill, net of amortization, at December 31, 2008 is comprised of \$2.0 million is attributable to our previous acquisition of Gulf Coast Resources, \$2.2 million attributable to our acquisition of Trussco in 2004, and \$4.4 million attributable to our acquisition of Preheat at in 2006.

6. RELATED PARTY TRANSACTIONS

On May 17, 2005, we entered into a Securities Purchase Agreement with certain of our affiliates and executive officers to issue up to \$5.0 million of Series C Preferred in conjunction with the completion of a term loan. Our Series C Preferred is convertible into our common stock at a conversion price of \$1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between \$1.95 and \$3.50 per share. The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, we issued an aggregate of 3,500 shares of Series C Preferred and warrants to acquire 4,585,000 shares of our common stock, in exchange for \$3.5 million. On August 29, 2005, the remainder of the Series C Preferred and warrants were issued generating proceeds of \$1.5 million and we granted the remaining 1,965,000 warrants.

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The prior term loan agreement, and senior credit facility restricted the payment of cash dividends. Consequently, a portion of the 9% dividend obligation related to the Series C Preferred were satisfied through the issuance of payment-in-kind (PIK) dividends. The PIK dividends were paid through the issuance of additional shares of Series C Preferred. These additional shares of preferred stock did not have warrants attached to them. During the year ended December 31, 2007, 256 shares of Series C Preferred were issued as PIK dividends at par. Effective April 29, 2007, the loan and security agreement governing the Term Loan was amended to remove the restriction on cash dividend payments on the preferred equity shares, provided we had sufficient availability under our Revolver and were in compliance with all other covenants. Consequently, the accrued dividends from April 2007 to December 2007 of \$0.1 million and for 2008 of \$0.5 million were paid in cash.

In connection with the purchase of Preheat (see Note 12) in February 2006, we issued the Preheat Notes. The Preheat Notes consist of three separate notes issued to the former owners who became employees with \$2.7 million maturing in February 2008 and \$0.5 million and \$0.8 million maturing in February 2009. At December 31, 2007 and 2008, the Preheat Notes had a balance of \$4.0 million. In February 2008, we terminated for cause the employment of one of the Preheat stockholders. The terms of the Preheat Notes provide that a termination of either of the Preheat stockholders employment for cause results in the cancellation of the Preheat Notes. The Preheat stockholders are contesting our assertion and have filed a lawsuit against the Company. Consequently, the Preheat notes remain recorded as a liability in the financial statements pending resolution of the matter.

In connection with the purchase of Rig Tools (see Note 12) in November 2006, we issued the Rig Tools Notes. The Rig Tools Notes consist of three separate notes issued to the former owners who are now employees with \$3.0 million maturing in November 2007 and \$1.0 million maturing in November 2008. The Rig Tools Notes could have been prepaid at any time and were convertible into shares of our common stock at a price of \$8.00 per share. We recorded a beneficial conversion feature of \$0.7 million related to the stock valuation at closing which was amortized over the life of the notes. At December 31, 2007 and 2008, the Rig Tools Notes had a balance of \$1.0 and \$0.0 million less unamortized beneficial conversion of \$0.1 million and \$0, respectively.

In connection with the purchase of Holston (see Note 12) in March 2007, we issued the Holston Notes. The Holston Notes consist of three separate notes issued to the former owners who are now employees with \$1.0 million maturing in February 2008, \$2.0 million maturing in February 2009 and \$2.0 million maturing in February 2010. The notes maturing in 2009 and 2010 are convertible into shares of our common stock at a price of \$9.24 per share. Based upon the stock valuation at the time of issuance, no beneficial conversion feature existed. At December 31, 2007 and 2008, the Holston Notes had a balance of \$5.0 million and \$4.0 million, respectively. In conjunction with the acquisition of Holston, we acquired a receivable from an entity owned by the former shareholders of Holston who are now employees of the Company. This receivable had a balance at December 31, 2007 and 2008 in the amount of \$0.3 million and \$0.2 million, respectively.

In connection with the acquisition of certain assets of Cypress (see Note 12) in February 2007, we issued \$3.0 million in Cypress Notes to the former owners who are now employees. The Cypress Note is payable over three years with \$1.0 million maturing in February 2008, \$1.0 million maturing in February 2009 and \$1.0 million maturing in February 2010. At December 31, 2007 and 2008, the Cypress Note had a balance of \$3.0 million and \$1.0 million, respectively.

In connection with the acquisition of BOI (see Note 12) in June 2007, we issued the Bailey Note to the former owner who is now an employee. The Bailey Note is payable on or before May 31, 2010. At December 31, 2007 and 2008, the Bailey Note had a balance of \$0.5 million.

In connection with the acquisition of certain assets of BEG (see Note 12) in January 2008, we issued the BEG Notes to certain shareholders of BEG, two of which are now employees of the Company. The BEG Notes are payable over three years with \$1.3 million maturing in January 2009, \$1.3 million maturing in January 2010 and \$1.4 million maturing in January 2011 and are convertible into shares of our common stock at a rate of \$3.70

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per share under certain circumstances. Based upon the stock valuation at the time of the issuance, no beneficial conversion feature exists. At December 31, 2008, the BEG Notes had a balance of \$4.0 million.

In connection with the acquisition of Industrial Lift, we issued the ILT Notes. The shareholder is currently an employee of the Company. The ILT Notes are payable over three years with \$2.0 million maturing in April 2009, \$1.0 million maturing in April 2010 and \$0.5 million maturing in April 2011. The ILT Notes bear interest at a rate of 5% per annum payable in arrears and are convertible into shares of our common stock at a rate of \$10.50 per share under certain circumstances. Based upon the stock valuation at the time of the issuance, no beneficial conversion feature exists. An additional note in the amount of \$0.5 million, which is non-convertible and non-interest bearing, matures in April 2011. At December 31, 2008, the ILT Notes had a balance of \$4.0 million.

7. VENDOR, CUSTOMER AND CREDIT CONCENTRATION

During the year ended December 31, 2006, two customers associated with the Seismic Services segment, accounted for 32% (17%, and 15%, respectively) of our total revenues. Included in accounts receivable as of December 31, 2006, are amounts receivable from these customers totaling approximately 25% (18%, and 7%, respectively) of total accounts receivable.

During the year ended December 31, 2007, one customer associated with the Seismic Services segment, accounted for 11% of our total revenues. Included in accounts receivable as of December 31, 2007, are amounts receivable from this customers totaling approximately 7% of total accounts receivable.

During the year ended December 31, 2008, two customers accounted for 21% (11% and 10%, respectively) of our total revenues. Included in accounts receivable as of December 31, 2008, are amounts receivable from these customers totaling approximately 6% (4% and 2%, respectively) of total accounts receivable.

**8. COMMITMENTS AND CONTINGENCIES
OPERATING LEASES**

Total rental expense inclusive of equipment leased on a short-term basis, was \$3.5 million, \$4.9 million and \$4.7 million for the years ended December 31, 2006, 2007 and 2008, respectively.

We have the following operating lease commitments under non-cancelable lease terms, as of December 31, 2008:

	PAYMENTS DUE BY PERIOD					Total
	2009	2010	2011	2012	2013 and Thereafter	
	(In thousands)					
Operating leases	\$ 3,385	\$ 2,689	\$ 1,323	\$ 159	\$ 93	\$ 7,649

DEBENTURE LITIGATION

On August 26, 2005, we entered into a settlement agreement and mutual release (Agreement and Release) with two of the three holders of our 6.5% subordinated debentures. Under terms of the Agreement and Release, we paid \$1.5 million in cash from the proceeds of a new \$25.0 million multiple draw term credit facility, and issued 750,000 shares of our common stock in full satisfaction of the applicable approximately \$4.3 million of unsecured subordinated promissory notes (Subordinate Debenture Notes). At December 31, 2008, the remaining Subordinated Debenture Note had been paid in full.

EMPLOYMENT AGREEMENTS

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We entered into Stock-Based Award Incentive Agreements with Mr. James Eckert and Mr. Darcy Klug on June 30, 2004. At the time of the agreements, Messrs. Eckert and Klug were Chief Executive Officer and

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Executive Vice President, respectively, of the Company. Effective January 5, 2007, we entered into new Restricted Stock and Stock-Based Award Incentive Agreements (collectively RSAs) with Messrs. Eckert and Klug. The RSAs provided for the granting of between 400,000 and 500,000 shares of our restricted common stock to each of the executive officers on the terms set forth in the RSAs. The number of shares of restricted stock became fixed and payable in the event of (i) a change in control or the receipt by our Board of Directors of a change of control offer as defined by the RSAs; (ii) termination without cause; or (iii) death or disability. Additionally, at the time of vesting in the restricted shares, each executive officer would have received the right to a cash payment of \$1.2 million. The revised RSAs would have terminated on December 31, 2008, and any unvested restricted common stock or stock-based awards would have terminated and lapsed.

The RSA for Mr. Klug was mutually terminated pursuant to a Termination and Mutual Release Agreement effective April 28, 2008, in connection with the termination of his employment and the settlement of litigation between Mr. Klug and us, among others.

On December 31, 2007, we entered into a new Restricted Stock Agreement (NRSA) with Mr. Eckert. Under the NRSA, we awarded Mr. Eckert 400,000 restricted shares of our common stock on January 1, 2008. The restricted shares vested immediately, but the shares will remain subject to transfer restrictions which lapse at a rate of 33,333 quarterly after the initial lapse of transfer restrictions on 100,000 shares on January 1, 2009.

In conjunction with the NRSA, we mutually terminated the RSA with Mr. Eckert and entered into an Amended and Restated Employment Agreement (Amended Agreement) with Mr. Eckert which was effective until June 30, 2008. Additionally, we entered into a Consulting Agreement (Consulting Agreement) with Mr. Eckert pursuant to which we have retained Mr. Eckert as an independent contractor to perform consulting services for us until June 30, 2009.

We have employment agreements with our executive officers and some former shareholders of companies we acquired. These agreements generally last two or three years and have renewal provisions at our option.

OTHER CONTINGENCIES

In the normal course of our business, we become involved in various litigation matters including, among other things, claims by third parties for alleged property damages, personal injuries and other matters. While we believe we have meritorious defenses against these claims, management has used estimates in determining our potential exposure and has recorded reserves in our financial statements related thereto where appropriate. It is possible that a change in our estimates of that exposure could occur, but we do not expect such changes in estimated costs will have a material effect on our financial position or results of operations.

We record liabilities for environmental obligations when remediation efforts are probable and the costs can be reasonably estimated. Our estimates are based on currently enacted laws and regulations. As more information becomes available or environmental laws and regulations change, such liabilities may be required to be adjusted. Additionally, in connection with acquisitions, we obtain indemnifications from the seller related to environmental matters. If the indemnifying parties do not fulfill their obligations, adjustments of recorded amounts may be required.

We maintain insurance coverage for various aspects of our business and operations. We retain a portion of losses that occur through the use of deductibles and, to a limited extent, self-funded insurance programs. We regularly review estimates of reported and unreported claims and provide for losses through insurance reserves. As claims develop and additional information becomes available, adjustments to loss reserves may be required. As of December 31, 2008, no liability related to remediation efforts were recorded, since none were deemed necessary.

On May 1, 2008, the former owners of Preheat, Inc., which we acquired in February 2006, filed a lawsuit in federal court in the United States District Court for the Western District of Louisiana in Lafayette, Louisiana, against us, our directors, our current Chief Executive Officer, our current Senior Vice President/Chief Financial

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Officer, one of our investment advisors, and a principal of the investment advisor. The lawsuit seeks, among other things, (i) a declaratory judgment that the Preheat purchase agreement executed in December 2005 is null because of alleged inducement to enter into the purchase agreement by criminal or fraudulent conduct, securities fraud and bad faith breach of the purchase agreement and that one of the former owner's ERISA rights be clarified, (ii) injunctive relief to halt alleged securities disclosure violations by us and to remove three board members, and (iii) damages resulting from the nullification of the Preheat purchase agreement. At this point, we are unable to assess the ultimate impact of this litigation on our financial position, results of operations or cash flows. We, together with the other defendants, have filed a motion to dismiss the lawsuit and that motion remains pending with the court. We believe the claims against us are without merit and are vigorously contesting the legal action.

9. STOCKHOLDERS EQUITY
COMMON STOCK

We currently have 45,000,000 shares of our \$0.01 par value common stock authorized; of these authorized shares, there were 18,727,615 and 20,647,496 issued at December 31, 2007 and 2008, respectively.

During 2007, we issued 665,429 shares of our common stock pursuant to a Common Stock Purchase agreement between the Company and Fusion Capital Fund II, LLC (Fusion Agreement). In accordance with terms of the Fusion Agreement, we issued 628,300 common shares in exchange for proceeds of \$6.4 million and we issued 37,129 common shares as commitment shares to Fusion Capital Fund II, LLC. No shares were issued in 2008. The Stock Purchase Agreement expired in August 2008.

On April 29, 2008, we issued 400,000 shares of our common stock in partial settlement of litigation between Mr. Klug and the Company (See Note 8).

PREFERRED STOCK

At December 31, 2008, 29 shares of Series B Preferred remain outstanding and are convertible into 7,733 shares of our common stock.

On May 17, 2005, we entered into a Securities Purchase Agreement with certain of our affiliates and executive officers to issue up to \$5.0 million of Series C Preferred in conjunction with the completion of a senior credit facility at the time. Our Series C Preferred is convertible into shares of our common stock at a conversion price of \$1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between \$1.95 and \$3.50 per share. The conversion prices of our Series C Preferred and the warrant exercise prices were supported by a fairness opinion issued by a third party. The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, we issued an aggregate of 3,500 shares of Series C Preferred and warrants to acquire 4,585,000 shares of our common stock, in exchange for \$3.3 million, net of offering costs of \$0.2 million. The proceeds of the issuance were allocated to the warrants and preferred stock based on the relative fair value of each instrument. The value attributed to the warrants was \$2.9 million (\$2.7 million net of offering costs) and was recorded as additional paid in capital while \$0.6 million was the remaining allocated value to the preferred stock. In addition, the conversion terms of the preferred stock result in a beneficial conversion feature valued at approximately \$0.7 million. As a result of the terms of conversion, we recorded a one time charge to retained earnings for this amount representing a deemed dividend to the preferred stockholders with the offset recorded in additional paid in capital.

On August 29, 2005, the remainder of the Series C Preferred and warrants were issued generating gross proceeds of \$1.5 million. The proceeds of the issuance of the second tranche were allocated to the warrants and preferred stock based on the relative fair value of each instrument. The entire value of \$1.5 million was attributed to the fair value of the warrants and was recorded as additional paid in capital. In addition, the conversion terms of the preferred stock issued in the second tranche resulted in no beneficial conversion feature.

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The prior term loan agreements and the senior credit facility restricted the payment of cash dividends. Consequently, the dividend obligation related to the Series C Preferred had been satisfied through the issuance of PIK dividends. The PIK dividends are paid through the issuance of additional shares of Series C Preferred. These additional shares of preferred stock do not have warrants attached to them. During the year ended December 31, 2007, 256 shares of Series C Preferred were issued as PIK dividends. In addition, the conversion terms of the preferred stock issued as PIK dividends resulted in a beneficial conversion feature resulting in a one time charge to retained earnings representing a dividend to the preferred stockholders with the offset recorded in additional paid in capital.

Effective April 29, 2007, the loan and security agreement governing the term loan was amended to remove the restriction on cash dividend payments on the preferred equity shares, provided we had sufficient availability under our Revolver and were in compliance with all other loan covenants. We paid cash dividends on the preferred equity shares during 2007 and 2008 in the amount of \$0.1 million and \$0.5 million, respectively.

During 2007, a total of 379 shares of our Series C Preferred were converted into 194,359 shares of our common stock. Additionally, a total of 618,000 warrants were exercised during 2007 resulting in proceeds to the Company of approximately \$1.4 million.

During 2008, a total of 88 shares of our Series C Preferred were converted into 44,615 shares of our common stock. Additionally, a total of 1,050,000 warrants were exercised during 2008 resulting in proceeds to the Company of approximately \$2.6 million

At December 31, 2008, 5,396 shares of Series C Preferred remain outstanding and are convertible into 2,767,179 shares of our common stock at a conversion rate of \$1.95 per share.

EARNINGS PER SHARE

Basic EPS is determined by dividing income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if options and other contracts to issue shares of common stock were exercised or converted into common stock. We had 174,703, 298,840, and 1,345,258 options outstanding at December 31, 2006, 2007 and 2008, respectively, which were excluded from the calculation of diluted EPS as they were antidilutive. In addition, warrants to purchase up to 541,500, 151,500, and 2,965,992 shares of common stock were also excluded at December 31, 2006, 2007, and 2008, respectively, as they were antidilutive. Additionally, Rig Tools Notes convertible into 83,562, 437,329 and 104,167 shares of common stock, Holston Notes convertible into 0, 362,925, and 432,900 shares of common stock, BEG Notes convertible into 0, 0, and 1,027,913 shares of common stock and Industrial Lift Notes convertible into 0, 0, and 228,597 shares of common stock were excluded from the calculation of Diluted EPS for 2006, 2007, and 2008, respectively, as they were antidilutive. Additionally, preferred stock convertible into 0,0, and 2,786,133 shares of common stock were excluded from the calculation as they were antidilutive.

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The following table sets forth the computation of basic and diluted weighted average shares outstanding used to compute earnings per share for each year, respectively:

	YEAR ENDED DECEMBER 31,		
	2006	2007	2008
	(In thousands)		
Numerator:			
Net income (loss) available to common stockholders	\$ 20,869	\$ 9,411	\$ (14,129)
Dilutive effect of preferred stock	946	758	
Dilutive effect of shareholder notes	28		
Net income (loss) available to common stockholders with assumed conversions	\$ 21,843	\$ 10,169	\$ (14,129)
Denominator:			
Basic earnings (loss) per share weighted average shares	16,190	18,077	19,740
Stock options	712	298	
Warrants	4,661	4,337	
Contingently issuable shares	45	45	
Preferred stock	2,790	2,877	
Shareholder notes	61		
Denominator for dilutive earnings (loss) per share-adjusted for weighted average shares with assumed conversions	24,459	25,634	19,740
Basic income (loss) per common share:			
Net income (loss) available to common stockholders	\$ 1.29	\$ 0.52	\$ (0.72)
Diluted income (loss) per common share:			
Net income (loss) available to common stockholders	\$ 0.89	\$ 0.40	\$ (0.72)

STOCK BASED COMPENSATION

We have stock-based compensation plans available to grant nonqualified stock options, incentive stock options, stock appreciation rights, restricted units and restricted stock to key employees. The OMNI Energy Services Corp. Seventh Amended and Restated Stock Incentive Plan (the "Stock Plan"), provides for 4,250,000 shares of our common stock, of which 462,776 shares were available for issuance at December 31, 2008. The principal awards outstanding under our stock-based compensation plans include non-qualified stock options and restricted stock units. In addition, we have the 1999 Stock Option Plan (the "1999 Plan") which became effective on November 11, 1999 and was not approved by the stockholders. The total shares of our common stock available for issuance under the 1999 Plan is 100,000 shares, of which 57,091 shares were available for issuance at December 31, 2008.

The exercise price, term and other conditions applicable to each stock option granted under the stock plans are generally determined by the Compensation Committee of the Board of Directors. The exercise price of stock options is set on the grant date and may not be less than the fair market value per share of our stock on that date. The options generally become exercisable over a three-year period and expire after ten years.

There was \$0.6 million, \$1.0 million and \$1.1 million of compensation cost related to non-qualified stock options recognized in operating results (included in general and administrative expenses) for the year ended December 31, 2006, 2007 and 2008, respectively. In addition, restricted stock awarded and options vested in 2007 and 2008 amounted to \$2.7 million and \$0.1 million, respectively.

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The total intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the years ended December 31, 2008, 2007 and 2006 was approximately \$0.0 million, \$1.9 million and \$3.3 million (employee share), respectively. During the years ended December 31, 2008, 2007 and 2006, the amount of cash we received from the exercise of stock options was approximately \$0.0 million, \$0.9 million and \$1.2 million (Company share), respectively. The following table summarizes information about non-vested stock option awards as of December 31, 2007 and changes for the year ended December 31, 2008:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE GRANT DATE FAIR VALUE
Non-vested at December 31, 2007	474,888	\$ 3.80
Granted	817,000	2.66
Vested	(389,776)	2.94
Forfeited	(155,138)	7.50
Non-vested at December 31, 2008	746,974	\$ 3.00

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility is based on implied volatilities from long-term traded options on our stock. We used the simplified method to derive an expected term because we feel that the actual terms are not indicative of our actual experience. The expected term represents an estimate of the time options are expected to remain outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury yield curve in effect at the time of grant. The following sets forth the assumptions used to determine compensation cost for our non-qualified stock options consistent with the requirements of SFAS No. 123R.

At December 31, 2007 and 2008, there was \$1.8 million and \$2.2 million, respectively, of total unrecognized compensation cost related to non-vested non-qualified stock option awards that is expected to be recognized over a weighted-average period of 2.05 years. The total fair value of options vested during the year ended December 31, 2008 and 2007 was \$1.1 million and \$1.0 million, respectively.

The weighted average fair value at date of grant for options granted during 2006 was \$3.08 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility of 53%; (c) average risk-free interest rate of 4.87%; and (d) expected life of 6.5 years.

The weighted average fair value at date of grant for options granted during 2007 was \$4.49 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility of 38%; (c) average risk-free interest rate of 4.53%; and (d) expected life of 6.5 years.

The weighted average fair value at date of grant for options granted during 2008 was \$2.66 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility of 53%; (c) average risk-free interest rate of 3.38%; and (d) expected life of 6.5 years.

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A summary of our employee stock options as of December 31, 2006, 2007 and 2008, and changes during the years then ended, are presented below:

	WEIGHTED AVERAGE EXERCISE PRICE	INCENTIVE PLAN OPTIONS	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (Years)	AGGREGATE INTRINSIC VALUE (In Thousands)
Balance at December 31, 2005	\$ 2.69	937,827	7.6	\$ 928
Exercisable	\$ 2.77	592,011	6.6	\$ 539
Granted	5.38	344,250		
Exercised	3.00	(399,029)		
Forfeited	4.14	(26,681)		
Balance at December 31, 2006	\$ 3.59	856,367	8.1	\$ 5,309
Exercisable	\$ 2.85	474,210	6.1	\$ 3,291
Granted	9.67	431,800		
Exercised	2.68	(327,378)		
Forfeited	6.27	(59,259)		
Balance at December 31, 2007	\$ 6.65	901,530	8.4	\$
Exercisable	\$ 5.38	426,642	8.0	\$
Granted	4.77	817,000		
Exercised	2.97	(7,766)		
Forfeited	7.50	(156,627)		
Balance at December 31, 2008	\$ 5.59	1,554,137	8.3	\$
Exercisable	\$ 5.54	807,163	7.7	\$

As mentioned in Note 8, RSAs were entered into on January 3, 2007. The RSAs provide for the granting of between 400,000 and 500,000 shares of our restricted common stock to each of the executive officers on the terms set forth in the RSAs. The number of shares of restricted stock would have become fixed and payable in the event of (i) a change in control of or the receipt by our Board of Directors of a change of control offer as defined by the RSAs; (ii) termination without cause; or (iii) death or disability. Additionally, at the time of vesting in the restricted shares, each executive officer would receive the right to a cash payment of \$1.2 million. The RSAs were terminated during 2008.

RESTRICTED STOCK

In 2007 and 2008, we issued 12,500 shares and 62,500 shares, respectively, of restricted stock under our Stock Plan in accordance with employment agreements entered into with our executives. During 2008, we issued 400,000 shares of restricted stock, under our Stock Plan in accordance with the NRSA described in Note 8 above.

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The following table summarizes activity of unvested restricted stock awards as of December 31, 2006, 2007 and 2008:

	SHARES	WEIGHTED AVERAGE GRANT DATE FAIR VALUE	AGGREGATE INTRINSIC VALUE (in thousands)
Non-vested at December 31, 2006		\$	
Granted	12,500	\$ 5.43	
Vested		\$	
Non-vested at December 31, 2007	12,500	\$ 5.43	\$ 61
Granted	462,500	\$ 4.83	
Vested	(404,167)	\$ 4.89	
Non-vested at December 31, 2008	70,833	\$ 4.53	\$ 89

At December 31, 2008, \$0.2 million of total unrecognized compensation cost related to the unvested portion of the restricted stock awards is expected to be recognized over a weighted average period of 3.25 years.

WARRANTS

A summary of our warrants as of December 31, 2006, 2007 and 2008, and changes during the years then ended are presented below:

	WEIGHTED AVERAGE EXERCISE PRICE	WARRANTS
Balance at December 31, 2005	\$ 2.73	7,223,449
Exercisable	\$ 2.73	7,223,449
Granted		
Exercised	2.57	362,799
Forfeited		
Balance at December 31, 2006	\$ 2.73	6,860,650
Exercisable	\$ 2.73	6,860,650
Granted		
Exercised	2.25	618,000
Forfeited		
Balance at December 31, 2007	\$ 2.78	6,242,650
Exercisable	\$ 2.78	6,242,650
Granted		
Exercised	2.50	1,050,000
Forfeited		

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Balance at December 31, 2008	\$	2.84	5,192,650
Exercisable	\$	2.84	5,192,650

During the years ended December 31, 2006, 2007 and 2008, we received proceeds from the exercise of warrants totaling approximately \$0.9 million, \$1.4 million and \$2.6 million, respectively.

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The components of deferred tax assets and liabilities as of December 31, are as follows:

	DECEMBER 31,	
	2007	2008
Deferred Tax Assets:		
Allowance for doubtful accounts	\$ 341	\$ 372
Net operating loss carryforward and credits	2,640	598
Impairment of taxable intangibles		2,450
Accrued transition incentives	1,915	
Accrued expenses and other	922	12
Total deferred tax assets	5,818	3,432
Deferred Tax Liabilities:		
Property and equipment	10,727	17,206
Intangibles	1,257	3,439
Total deferred tax liabilities	\$ 11,984	\$ 20,645
Net deferred tax assets	\$ 5,818	\$ 384
Net deferred tax liabilities	\$ 11,984	\$ 17,597

The income tax benefit (expense) for the years ended December 31, consisted of the following:

	YEAR ENDED DECEMBER 31,		
	2006	2007	2008
	(In thousands)		
Current benefit (expense)	\$ (342)	\$ (683)	\$ (291)
Deferred benefit (expense)	(5,437)	(4,821)	(2,862)
Less: change in valuation allowance	12,584		
Total tax benefit (expense)	\$ 6,805	\$ (5,504)	\$ (3,153)
Federal	\$ 6,010	\$ (4,706)	\$ (2,315)
State	795	(798)	(838)
Total tax benefit (expense)	\$ 6,805	\$ (5,504)	\$ (3,153)

The reconciliation of Federal statutory and effective income tax rates for the years ended December 31, is shown below:

	YEAR ENDED DECEMBER 31,		
	2006	2007	2008
Statutory federal rate	34%	34%	(34)%
Non-deductible impairment			48

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Stock-based compensation			8
Non-deductible expense and other	3	(2)	4
State taxes	3	3	5
Valuation allowance	(85)		
Total	(45)%	35%	31 %

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As of December 31, 2008, for tax purposes, we had net operating loss carryforwards (NOLs) of approximately \$0.6 million. The NOLs will expire commencing 2018. We account for income taxes under the provision of SFAS No. 109, *Accounting for Income Taxes* which requires recognition of future tax benefits (NOLs and other temporary differences), subject to a valuation allowance based on more likely than not that such asset will be realized. In determining whether it is more-likely-than-not that we will realize such tax asset, SFAS No. 109 requires that all negative and positive evidence be considered (with more weight given to evidence that is objective and verifiable) in making the determination. Prior to 2006, we had valuation allowances in place against the deferred tax asset arising from the NOLs. In 2006, we reversed the allowances in expectation of generating taxable income in the future.

The Company receives a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the fair market value of the stock over the exercise price of the options. This excess windfall tax deduction is recorded as a tax asset when it is a cash tax savings to us with a corresponding amount recorded as additional paid in capital. For each of the years ended December 31, 2006, 2007 and 2008, we had net operating losses available for carryforward. Consequently, we were not in a position requiring us to make cash payments for income taxes. The income tax benefit of the option exercises was \$1.1 million, \$0.5 million and \$0.4 million for 2006, 2007 and 2008, respectively. These amounts are not recorded until we have cash taxes to pay and they are available for carryforward to future periods. At the time that we are required to pay cash taxes, the amount of the tax benefit will be recorded as a reduction of current taxes paid and an increase in additional paid in capital. The total aggregate value of deferred tax benefit not recorded as a deferred tax asset at December 31, 2008 is approximately \$0.9 million.

On January 1, 2007, we adopted FASB Interpretation No. 48, (*Accounting for Uncertainty in Income Taxes* an Interpretation of FASB Statement No. 109 (SFAS 109)). As a result of the implementation of FIN 48, management assessed its various income tax positions and this assessment resulted in no adjustment to the tax asset or liability. The preparation of our various tax returns requires the use of estimates for federal and state income tax purposes. These estimates may be subjected to review by the respective taxing authorities. A revision, if any, to an estimate may result in an assessment of additional taxes, penalties and interest. At this time, a range in which our estimates may change is not quantifiable and a change, if any, is not expected to be material. We will account for interest and penalties relating to uncertain tax provisions in the current period income statement, as necessary. The Company has tax years remaining subject to examination by various federal and state tax jurisdictions.

In May 2007, the FASB issued FIN 48-1 *Definition of Settlement in FASB Interpretation No. 48* which provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. Our adoption of FIN 48, effective January 1, 2007, was consistent with FIN 48-1.

11. SEGMENT INFORMATION

SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*, requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. Currently, we conduct our services and leasing operations in five operating segments: Seismic Services, Fluid and Transportation Services, Environmental Services, Equipment Leasing, and Other Services, all of their assets and operations are exclusively in North America. All remaining assets, primarily our corporate offices, warehouses and underlying real estate, also are located in North America. The Seismic Services segment is comprised of three divisions: Drilling, Survey and Permitting. The segment classified as corporate includes operating activities that support the executive offices, capital structure and costs of being a public registrant. These costs are not allocated to the operating segments when determining segment profit or loss.

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The following table shows segment information (net of intercompany transactions) as adjusted for discontinued operations for the years ended December 31, 2006, 2007 and 2008:

	FLUID AND SEISMIC TRANSPORTATION ENVIRONMENTAL EQUIPMENT SERVICES SERVICES SERVICES LEASING OTHER					CORPORATE	TOTAL
	(In thousands, except per share data)						
2008							
Operating revenues	\$ 71,757	\$ 37,544	\$ 29,897	\$ 44,027	\$ 10,361	\$	\$ 193,586
Operating income (loss)	7,601	237	5,120	(7,287)	2,238	(11,581)	(3,672)
Interest expense	126	418	26	1,189	4	5,063	6,826
Depreciation and amortization	1,886	3,109	1,949	5,596	337	436	13,313
Identifiable assets	24,729	33,933	17,019	70,114	3,723	14,004	163,522
Capital expenditures(1)	314	2,913	1,420	7,165	300	137	12,249
2007							
Operating revenues	\$ 81,021	\$ 13,322	\$ 34,230	\$ 31,784	\$ 12,122	\$	\$ 172,479
Operating income (loss)	19,176	664	7,585	6,839	2,746	(13,661)	23,349
Interest expense	153	142	39	911	66	5,625	6,936
Depreciation and amortization	2,422	1,431	1,714	4,469	329	396	10,761
Identifiable assets	33,191	21,027	17,748	57,870	3,796	31,362	164,994
Capital expenditures(1)	151	1,457	1,222	9,401	484	1,133	13,848
2006							
Operating revenues	\$ 50,587	\$	\$ 27,003	\$ 16,179	\$ 5,229	\$	\$ 98,998
Operating income (loss)	10,636		6,720	5,646	2,010	(5,284)	19,728
Interest expense			31	313		4,622	4,966
Depreciation and amortization	2,656		1,167	1,763	51	23	5,660
Identifiable assets	14,496		17,410	49,785	1,691	37,158	120,540
Capital expenditures(1)	282		2,462	852	587	1,085	5,268

(1) Excludes assets obtained in acquisitions (See Note 12).

12. ACQUISITIONS

PREHEAT, INC.

Effective February 10, 2006, we purchased all of the issued and outstanding stock of Preheat for an aggregate acquisition price of \$23.0 million, including \$16.0 million in cash, \$3.0 million (900,000 common shares) of our common stock and \$4.0 million in 5% promissory notes payable to certain stockholders, and the assumption of approximately \$1.5 million in debt and other liabilities. The Preheat Notes consist of three separate notes with \$2.7 million maturing in February 2008 and \$1.3 million maturing in February 2009. The acquisition was accounted for using purchase accounting. Preheat is a leading provider of oilfield rental equipment services principally to major and independent oil and gas companies operating in the Gulf of Mexico. The acquisition has increased our revenue and customer base and offers cross-selling opportunities to customers of our existing environmental division. The results of Preheat's operations are included in our consolidated financial statements since the date of the acquisition.

The equity securities issued in this exchange were valued based on the average closing prices of our common stock for the five days prior to and the five days subsequent to December 29, 2005, the date the terms of the acquisition were agreed to and announced.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The property and equipment are amortized over three to ten years with no residual value (in thousands):

Current assets (includes cash of \$1,822)	\$ 10,770
Property and equipment	12,320
Other assets, including customer intangibles	7,688
Current liabilities	(2,008)
Deferred income tax liability	(4,213)
Assumption of debt	(1,515)
Purchase price	 \$ 23,042

In 2008, we determined that \$0.4 million of the intangibles associated with the Preheat acquisition have been impaired; therefore, we recorded an impairment charge of \$0.1 million representing the unamortized balance as of December 31, 2008.

RIG TOOLS, INC.

Effective November 10, 2006, we purchased all of the issued and outstanding common stock of Rig Tools for an aggregate acquisition price of \$14.0 million, including \$10.0 million in cash and \$4.0 million in 5% convertible promissory notes payable to certain stockholders, and the assumption of approximately \$2.5 million in debt and other liabilities. The Rig Tools Notes consist of three separate notes with \$3.0 million maturing in November 2007 and \$1.0 million maturing in November 2008. The Rig Tools Notes can be prepaid at any time and are convertible into shares of our common stock at a price of \$8.00 per share. We recorded a beneficial conversion feature of \$0.7 million related to the stock valuation at closing which is recorded as a debt discount and is being amortized to interest expense over the life of the notes. The acquisition was accounted for using purchase accounting. Rig Tools is a leading rental equipment supplier to land-based drilling contractors operating primarily in Louisiana and Texas. The acquisition has increased our revenue and customer base and offers cross-selling and geographic consolidation opportunities with our existing equipment leasing and environmental divisions. The results of Rig Tools operations are included in our consolidated financial statements since the date of the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The property and equipment are amortized over three to ten years with no residual value (in thousands):

Current assets (includes cash of \$205)	\$ 3,591
Property and equipment	11,264
Other assets, including customer intangibles	8,522
Current liabilities	(1,264)
Deferred income tax liability	(5,593)
Assumption of debt	(2,520)
Purchase price	 \$ 14,000

In 2008, we determined that \$8.5 million of the intangibles associated with the Rig Tools acquisition have been impaired; therefore, we recorded an impairment charge of \$7.8 million representing the unamortized balance as of December 31, 2008.

Table of Contents**Index to Financial Statements****CHARLES HOLSTON, INC.**

On March 2, 2007, we acquired Holston pursuant to a Membership Interest Purchase and Sale Agreement (the "Holston Purchase Agreement"). Subject to the terms and conditions of the Holston Purchase Agreement, we purchased 100% of the membership interests and equity interests of Holston for the total consideration of approximately \$23.0 million, including \$18.0 million in cash, \$5.0 million in 5% promissory notes payable to certain owners and the assumption of approximately \$3.4 million in debt and other liabilities. The Holston Notes consist of three separate notes with \$1.0 million maturing in February 2008, \$2.0 million maturing in February 2009 and \$2.0 million maturing in February 2010. The Holston Notes maturing in 2009 and 2010 are convertible into shares of our common stock at \$9.24 per share. The acquisition was accounted for using purchase accounting. Holston provides a full range of environmental services including transportation of non-hazardous oilfield byproducts, such as salt water and spent drilling fluids; naturally occurring radioactive material (NORM) surveys, cleaning and waste disposal; tank degreasing and demolition; rig pit cleaning; oilfield waste disposal; hydro blasting; dockside and offshore cleaning; and offshore sandblasting and painting. Holston also operates salt water disposal wells. The addition of Holston expands our Environmental Services operations into the transportation and disposal of non-hazardous oilfield byproducts, and is an extension of that business unit. Holston also offers a wide variety of rental equipment including frac tanks, gas busters, generators, lighting systems and roll-off containers, which complements the equipment currently offered by our oilfield rental equipment units, Preheat and Rig Tools. The results of Holston's operations are included in our consolidated financial statements since the effective date of the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The property and equipment are amortized over three to ten years with no residual value. The allocation of the purchase price is as follows (in thousands):

Current assets (includes cash of \$2,676)	\$ 9,158
Property and equipment	13,362
Other assets, including intangibles	11,621
Deferred income tax liability	(4,431)
Current liabilities	(3,284)
Assumption of debt	(3,426)
Purchase price	\$ 23,000

In 2008, we determined that \$5.5 million of the intangibles associated with the Holston acquisition have been impaired; therefore, we recorded an impairment charge of \$5.5 million representing the unamortized balance as of December 31, 2008

CYPRESS ENERGY SERVICES

Effective February 16, 2007, we acquired certain assets of Cypress for an aggregate acquisition price of \$10.1 million, including \$7.1 million in cash and \$3.0 million in a 5% promissory note payable to certain stockholders. The Cypress Note is payable over three years with \$1.0 million maturing in February 2008, \$1.0 million maturing in February 2009, and \$1.0 million maturing in February 2010. The acquisition was accounted for using purchase accounting. The acquisition of the seismic drilling assets of Cypress substantially improves our market position as a leading provider of domestic highland seismic drilling services. We have previously been recognized as the leading domestic provider of seismic drilling services in the transition zone. The acquisition of these assets of Cypress further strengthens the permitting and survey services offered to our customers. The results of Cypress' operations are included in our consolidated financial statements since the date of the acquisition.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of this acquisition. The property and equipment are amortized over three to ten years with no residual value. The allocation of the purchase price is as follows (in thousands):

Property and equipment	\$ 4,255
Other assets, including intangibles	5,795
Purchase price	\$ 10,050

In 2008, we determined that \$6.2 million of the intangibles associated with the Cypress acquisition have been impaired; therefore, we recorded an impairment charge of \$5.1 million representing the unamortized balance as of December 31, 2008.

BAILEY OPERATING, INC.

Effective June 7, 2007, we acquired certain assets of BOI for an aggregate acquisition price of \$1.8 million, including \$1.3 million in cash and \$0.5 million in a 5% promissory note payable to BOI. The Bailey Note is payable on or before May 31, 2010. The acquisition was accounted for using purchase accounting. The acquisition of the assets of BOI geographically extends our core businesses into the Barnett Shale region in North Texas, currently one of the most prolific onshore regions in the United States for oil and gas exploration. Through the acquisition, we acquired a facility for the disposal of non-hazardous oilfield waste by-products and established a platform for further geographic expansion of our core businesses. We expect to immediately expand our Transportation Services and Equipment Leasing operations into this Barnett Shale region. Thereafter, follow-on expansion will occur through a combination of increased asset utilization, planned capital expenditures and other strategic transactions currently under consideration. The results of BOI's operations are included in our consolidated financial statements since the date of the acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of this acquisition. The property and equipment are amortized over three to ten years with no residual value. The allocation of the purchase price is as follows (in thousands):

Property and equipment	\$ 1,799
Purchase price	\$ 1,799

BEG

On January 18, 2008, we completed the acquisition of BEG pursuant to an Asset Purchase Agreement (the "BEG Purchase Agreement"). Subject to the terms and conditions of the BEG Purchase Agreement, we purchased certain assets from BEG for the total consideration of approximately \$11.95 million, including \$7.45 million of cash, a payable of \$0.5 million held in escrow pending final reconciliation of purchase matters and the issuance of \$4.0 million of three-year, 5% convertible promissory notes.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of this acquisition. The property and equipment are amortized over three to ten years with no residual value. The final allocation of the purchase price has not been completed. The allocation of the purchase price is subject to adjustment as acquired asset and liability values are finalized and certain "look back" provisions are resolved (in thousands):

Current assets (includes cash of \$341)	\$ 2,502
Property and equipment	4,553

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Other assets, including intangibles	5,391
Current liabilities	(496)
Purchase price	\$ 11,950

Table of Contents**Index to Financial Statements****INDUSTRIAL LIFT**

On April 24, 2008, pursuant to a Stock Purchase and Sale Agreement we completed the acquisition of 100% of the issued and outstanding shares of common stock of Industrial Lift for an aggregate acquisition price of \$20.3 million, including \$16.3 million of cash and the issuance of \$4.0 million of three-year, 5% promissory notes, of which \$3.5 million of such notes are convertible.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of this acquisition. The property and equipment are amortized over three to ten years with no residual value. The final allocation of the purchase price has not been completed. The allocation of the purchase price is subject to adjustment as acquired asset and liability values are finalized and certain look back provisions are resolved (in thousands):

Current assets (includes cash of \$2,523)	\$ 5,728
Property and equipment	16,561
Other assets, including intangibles	5,404
Deferred income tax liability	(3,732)
Current liabilities	(2,874)
Assumption of debt	(837)
Purchase price	\$ 20,250

In 2008, we determined that \$5.4 million of the intangibles associated with the Industrial Lift acquisition have been impaired; therefore, we recorded an impairment charge of \$5.3 million representing the unamortized balance as of December 31, 2008

The results of BOI prior to acquisition are considered immaterial and are therefore not included below. The operating results of the other acquired companies have been included in the consolidated financial statements from the dates of acquisitions. The following table provides the unaudited pro forma revenue, net earnings and earnings per diluted common share as if the results of the 2008 acquisitions had been included in operations commencing January 1, 2007 and the results of the 2007 and 2006 acquisition had been included in operations commencing January 1, 2006. This pro forma information is not necessarily indicative either of the combined results of operations that actually would have been realized had the acquisitions been consummated during the periods for which the pro forma information is presented, or of future results.

UNAUDITED PRO FORMA RESULTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2006	2007	2008
	(In thousands, except per share data)		
INCOME STATEMENT DATA			
Operating revenue	\$ 166,461	\$ 207,231	\$ 199,309
Operating expenses	138,422	175,821	175,637
Net income (loss) available to common stockholders	\$ 25,917	\$ 12,920	\$ (13,206)
Basic income (loss) per common share:			
Net Income (loss) available to common stockholders	\$ 1.60	\$ 0.71	\$ (0.67)
Diluted income (loss) per common share:			
Net income (loss) available to common stockholders	\$ 1.09	\$ 0.52	\$ (0.67)

Table of Contents**Index to Financial Statements****13. SUMMARIZED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

	MARCH 31,	QUARTER ENDED		DECEMBER 31,
		JUNE 30,	SEPTEMBER 30,	
		(In thousands except per share data)		
2008				
Operating revenues	\$ 40,961	\$ 48,920	\$ 53,284	\$ 50,421
Operating expenses	40,691	42,821	45,150	43,132
Impairment of goodwill and intangibles				25,047
Impairment of fixed assets				417
Operating income	270	6,099	8,134	(18,175)
Other expense	(2,236)	(1,679)	(1,453)	(1,447)
Income (loss) before income taxes	(1,966)	4,420	6,681	(19,622)
Income tax (expense) benefit	562	(1,678)	(2,572)	535
Net income (loss)	(1,404)	2,742	4,109	(19,087)
Dividends and accretion of preferred stock	(123)	(121)	(123)	(122)
Net income (loss) available to common stockholders	\$ (1,527)	\$ 2,621	\$ 3,986	\$ (19,209)
Basic income per common share:				
Net income (loss) available to common stockholders	\$ (0.08)	\$ 0.14	\$ 0.20	\$ (0.93)
Diluted income per common share:				
Net income (loss) available to common stockholders	\$ (0.08)	\$ 0.10	\$ 0.15	\$ (0.93)
2007				
Operating revenues	\$ 38,889	\$ 48,121	\$ 44,137	\$ 41,332
Operating expenses	30,756	39,856	36,959	41,559
Operating income	8,133	8,265	7,178	(227)
Other expense	(2,564)	(1,705)	(1,334)	(2,073)
Income before income taxes	5,569	6,560	5,844	(2,300)
Income tax (expense) benefit	(2,144)	(2,543)	(1,656)	839
Net income	3,425	4,017	4,188	(1,461)
Dividends and accretion of preferred stock	(127)	(127)	(124)	(125)
Non-cash charge attributable to beneficial conversion feature of preferred stock dividends and accretion of preferred stock	(128)	(127)		
Net income (loss) available to common stockholders	\$ 3,170	\$ 3,763	\$ 4,064	\$ (1,586)
Basic income per common share:				
Net income (loss) available to common stockholders	\$ 0.18	\$ 0.21	\$ 0.22	\$ (0.08)
Diluted income per common share:				
Net income (loss) available to common stockholders	\$ 0.14	\$ 0.15	\$ 0.16	\$ (0.08)

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The decrease in the operating results for the fourth quarter of 2007 is primarily due to the early retirement incentive compensation for certain executives which totaled approximately \$5.0 million (\$3.1 million after tax). Additionally, the fourth quarter of the year is generally lower in revenue volume due to weather conditions and shorter daylight hours.

The decrease in operating results for the fourth quarter of 2008 is primarily due to the impairment charge in the amount of \$25.0 million taken with respect to goodwill and intangible assets. The fourth quarter of the year is generally lower in revenue volume due to weather conditions and shorter daylight hours. Additionally, the reduction in the global demand for oil and gas products adversely affected our operations at the end of the fourth quarter.

The sum of the individual quarterly basic and diluted earnings per share amounts may not agree with year-to-date basic and diluted earnings per share amounts as the result of each period's computation being based on the weighted average number of common shares outstanding during that period.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
NONE.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized and reported within the time periods specified by the SEC 's rules and forms. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based upon that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2008.

Management 's Annual Report on Internal Control over Financial Reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company 's internal control over financial reporting is designed 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. The Company 's internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company 's assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company 's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*.

Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2008.

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Pannell Kerr Forster of Texas, P.C., the independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, has issued its own attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. This report is included in this item under the heading Report of Independent Registered Public Accounting Firm.

Changes in Internal Control Over Financial Reporting.

There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

OMNI Energy Services Corp.

Carencro, Louisiana

We have audited the internal control over financial reporting of Omni Energy Services Corp. (the Company) as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2008 of the Company and our report dated March 13, 2009 expressed an unqualified opinion on those financial statements.

/s/ Pannell Kerr Forster of Texas, P.C.

Houston, Texas

March 13, 2009

ITEM 9B. OTHER INFORMATION

NONE.

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PART III

In accordance with paragraph (3) of General Instruction G to Form 10-K, Part III of this Report is omitted because we will file a definitive proxy statement involving the election of directors with the Securities and Exchange Commission not later than 120 days after the close of the fiscal year pursuant to Regulation 14A.

Reference is made to the sections of such proxy statement entitled "Information About the Company's Directors", "Board Committees", "Director Independence", "Executive Officers and Key Managers", "Compensation", "Principal Stockholders", "Certain Relationships and Related Transactions" and "Principal Accountant Fees and Services", which sections of such proxy statement are incorporated herein.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following financial statements, schedules and exhibits are filed as part of this Report:

- (1) Financial Statements. Reference is made to Item 8 hereof.
- (2) Financial Statement Schedules: None.
- (3) Exhibits. See Index to Exhibits. We will furnish to any eligible shareholder, upon written request of such shareholder, a copy of any exhibit listed upon the payment of a reasonable fee equal to our expenses in furnishing such exhibit.

Table of ContentsIndex to Financial Statements**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on our behalf by the undersigned, thereunto duly authorized.

**OMNI ENERGY SERVICES CORP.
(REGISTRANT)**

By: /s/ **BRIAN J. RECATTO**
Brian J. Recatto

President and Chief Executive Officer

(Principal Executive Officer)

Date: March 13, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ BRIAN J. RECATTO Brian J. Recatto	President, Chief Executive Officer (Principal Executive Officer)	March 13, 2009
/s/ RONALD D. MOGEL Ronald D. Mogel	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	March 13, 2009
/s/ GREGORY B. MILTON Gregory B. Milton	Vice President and Chief Accounting Officer	March 13, 2009
/s/ DENNIS R. SCIOTTO Dennis R. Sciotto	Chairman of the Board, Director	March 13, 2009
/s/ EDWARD E. COLSON, III Edward E. Colson III	Director	March 13, 2009
/s/ RONALD E. GEREVAS Ronald E. Gerevas	Director	March 13, 2009
/s/ BARRY E. KAUFMAN Barry E. Kaufman	Director	March 13, 2009

/s/ RICHARD C. WHITE

Director

March 13, 2009

Richard C. White

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OMNI ENERGY SERVICES CORP.

EXHIBIT INDEX

EXHIBIT

NUMBER

- 2.1 Stock Purchase and Sale Agreement dated December 29, 2005, by and between OMNI Energy Services Corp. and the stockholders of Preheat, Inc., a Louisiana corporation (incorporated by reference to Exhibit 10.1 to our Form 8-K, originally filed with the Commission on January 5, 2006).
- 2.2 Stock Purchase and Sale Agreement, dated November 1, 2006, by and between OMNI Energy Services Corp., Rig Tools, Inc., and James V. King, Sr. and Paulette B. King (incorporated by reference to Exhibit 10.1 to our Form 8-K, originally filed with the Commission on November 7, 2006).
- 2.3 Membership Interest Purchase and Sale Agreement dated January 16, 2007 by and between OMNI Energy Services Corp., BMJ Industrial Investments, L.L.C., a Texas limited liability company, Charles Holston, Inc., a Louisiana corporation, and Brian J. Recatto, Lawrence J. Shaw, III, and Matthew E. Miller (incorporated by reference to Exhibit 10.1 to our Form 8-K, originally filed with the Commission on January 22, 2007).
- 2.4 Asset Purchase Agreement dated January 24, 2007 by and between OMNI Energy Services Corp. and Cypress Consulting Services, Inc., d/b/a Cypress Energy Services, a Texas corporation and Dennis Gray (incorporated by reference to Exhibit 10.1 to our Form 8-K, originally filed with the Commission on January 30, 2007).
- 2.5 Asset Purchase Agreement dated January 18, 2008 by and between OMNI Energy Services Corp. and B.E.G. Liquid Mud Services Corp., a Texas limited liability company, B.E.G. Acquisition Corp., a Texas corporation, Dan S. Keen, Mike Schooler and Kurt Chew (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K originally filed with the Commission on January 25, 2008).
- 3.1 Composite Articles of Incorporation of OMNI Energy Services Corp. (as of November 7, 2000) (filed as Exhibit 3 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated by reference herein).
- 3.2 Form of Articles of Amendment Articles of Incorporation (filed as Exhibit 3.2 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and incorporated by reference herein).
- 3.3 Form of Articles of Amendment Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Form 8-K, originally filed with the Commission on May 24, 2005).
- 3.4 Bylaws of OMNI, as amended (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K originally filed with the Commission on December 12, 2007).
- 4.1 See Exhibit 3.1, 3.2, 3.3 and 3.4 for provisions of our Articles of Incorporation and By-laws defining the rights of holders of Common Stock.
- 4.2 Specimen Common Stock Certificate (incorporated by reference to our Registration Statement on Form S-1 (Registration Statement No. 333-36561)).
- 4.3 Form of Series A Warrant (incorporated by reference to Exhibit 4.1 to our Form 8-K, originally filed with the Commission on May 24, 2005).
- 4.4 Form of Series B Warrant (incorporated by reference to Exhibit 4.2 to our Form 8-K, originally filed with the Commission on May 24, 2005).

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- 4.5 Form of Series C Warrant (incorporated by reference to Exhibit 4.2 to our Form 8-K, originally filed with the Commission on May 24, 2005).
- 4.6 Registration Rights Agreement, dated May 17, 2005, by and between OMNI Energy Services Corp. and certain investors identified therein (incorporated by reference to Exhibit 4.3 to our Form 8-K, originally filed with the Commission on May 24, 2005).
- 4.7 Amendment No. 1 to Registration Rights Agreement, dated July 16, 2005, by and between OMNI Energy Services Corp. and certain investors identified therein (incorporated by reference to Exhibit 4.7 to our Registration Statement on Form S-1, as amended, (Registration Statement No. 333-129138)).
- *10.1 Form of Indemnity Agreement by and between us and each of our directors and executive officers (incorporated by reference to our Registration Statement on Form S-1 (Registration Statement No. 333-36561)).
- *10.2 Seventh Amended And Restated OMNI Energy Services Corp. Stock Incentive Plan (incorporated by reference to our Proxy Statement for our August 7, 2007 stockholders meeting originally filed with the Commission on July 5, 2007).
- *10.3 Form of Stock Option Agreements under our Stock Incentive Plan (incorporated by reference to our Registration Statement on Form S-1 (Registration Statement No. 333-36561)).
- *10.4 Amended and Restated Employment Agreement of James C. Eckert dated December 31, 2007 (filed as Exhibit 10.1 to our Current Report on Form 8-K, originally filed with the Commission on January 7, 2008 and incorporated herein by reference).
- *10.5 Employment Agreement effective September 23, 2006 by and between OMNI Energy Services Corp. and John Harris (incorporated by reference to Exhibit 10.1 to our Form 8-K, originally filed with the Commission on September 29, 2006).
- *10.6 Consulting Agreement between OMNI Energy Services Corp. and James C. Eckert effective as of December 31, 2007 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K originally filed with the Commission on January 7, 2008).
- *10.7 Restricted Stock Agreement between OMNI Energy Services Corp. and James C. Eckert effective as of January 1, 2008 (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K originally filed with the Commission on January 7, 2008).
- *10.8 Employment Agreement effective January 2, 2008 by and between OMNI Energy Services Corp. and Ronald Mogel (incorporated by reference to Exhibit 10.16 to our Form 10-K for the year ended December 31, 2007).
- 10.9 Loan and Security Agreement, dated as of April 23, 2008, by and among Fifth Third Bank, the lenders identified therein, OMNI, the subsidiaries of OMNI identified therein and the other Credit Parties identified therein (incorporated by reference to Exhibit 10.1 to our Current Report of Form 8-K originally filed with the Commission on April 30, 2008).
- 10.10 Restricted Stock Agreement effective as of April 29, 2008, between OMNI Energy Services Corp. and G. Darcy Klug (incorporated by reference to Exhibit 10.2 to our Current Report of Form 8-K originally filed with the Commission on May 2, 2008).
- 10.11 Termination and Mutual Release Agreement effective as of April 28, 2008, by and between OMNI Energy Services Corp. and G. Darcy Klug (incorporated by reference to Exhibit 10.1 to our Current Report of Form 8-K originally filed with the Commission on May 2, 2008).

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- *10.12 Employment Agreement between OMNI Energy Services Corp. and Brian J. Recatto dated December 1, 2008 (incorporated by reference to Exhibit 10.1 to our Current Report of Form 8-K originally filed with the Commission on December 17, 2008).
- *10.13 Employment Agreement between OMNI Energy Services Corp. and Gregory B. Milton dated May 1, 2008 (incorporated by reference to Exhibit 10.1 to our Current Report of Form 8-K originally filed with the Commission on March 3, 2009).
- *10.14 Employment Agreement between OMNI Energy Services Corp. and Mark E. Stipe dated October 1, 2008.
- *10.15 Restricted Stock Agreement between OMNI Energy Services Corp. and Brian J. Recatto dated February 3, 2009.
- 21.1 Subsidiaries of OMNI Energy Services Corp.
- 23.1 Consent of Pannell Kerr Forster of Texas, P.C.
- 31.1 Section 302 Certification of Chief Executive Officer
- 31.2 Section 302 Certification of Chief Financial Officer
- 32.1 Section 906 Certification of Chief Executive Officer
- 32.2 Section 906 Certification of Chief Financial Officer

* Management contract or compensation plan or arrangement