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)

x **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	**72-1395273**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4500 NE EVANGELINE THWY CARENCRO, LOUISIANA	**70520**
(Address of principal executive offices)	**(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:

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 x

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 x

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 x 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 x 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 x

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 stat 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.

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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.

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SELECTED FINANCIAL DATA

	2004	2005	2006	2007	2008
	YEAR ENDED DECEMBER 31, (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)			

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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	DECEMBER 31,				
	2004	2005	2006	2007	2008
	(In thousands)				
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

	YEAR ENDED DECEMBER 31,				
	2004	2005	2006	2007	2008
	(In thousands)				
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 st