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

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FORM 10-Q  
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(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MAY 31, 1998

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO  
\_\_\_\_\_

COMMISSION FILE NUMBER 1-7573  
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PARKER DRILLING COMPANY  
(Exact name of registrant as specified in its charter)

Delaware 73-0618660  
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(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

Parker Building, Eight East Third Street, Tulsa, Oklahoma 74103  
-----

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code (918) 585-8221  
-----

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

As of June 30, 1998, 76,751,084 common shares were outstanding.

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<TABLE>

PARKER DRILLING COMPANY

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PART 1. FINANCIAL INFORMATION

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

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	May 31, 1998	August 31, 1997
ASSETS		
-----		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 34,955	\$ 209,951
Other short-term investments	-	2,838
Accounts and notes receivable	125,349	103,808
Rig materials and supplies	21,794	19,130
Other current assets	13,406	16,227
	-----	-----
Total current assets	195,504	351,954
Property, plant and equipment less accumulated depreciation, depletion and amortization of \$417,799 at May 31, 1998, and \$375,236 at August 31, 1997	700,329	439,651
Goodwill, net of accumulated amortization of \$8,416 at May 31, 1998 and \$3,822 at August 31, 1997	207,440	139,467
Other noncurrent assets	48,436	53,064
	-----	-----
Total assets	\$1,151,709	\$ 984,136
	-----	-----

</TABLE>

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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 1,453	\$ 16,084
Accounts payable and accrued liabilities	80,044	55,717
Accrued income taxes	9,235	4,904
Total current liabilities	90,732	76,705
Long-term debt	630,342	551,042
Other long-term liabilities	51,785	7,666
Common stock, \$.16 2/3 par value	12,790	12,780
Capital in excess of par value	340,936	340,243
Retained earnings (accumulated deficit)	25,135	(4,023)
Other	(11)	(277)
Total stockholders' equity	378,850	348,723
Total liabilities and stockholders' equity	\$1,151,709	\$ 984,136

See accompanying notes to consolidated condensed financial statements.

/TABLE

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(Dollars in Thousands Except Per Share Amounts)  
(Unaudited)

<CAPTION>

	Three Months Ended		Nine Months Ended	
	May 31, 1998	May 31, 1997	May 31, 1998	May 31, 1997
Revenues:				
Land drilling	\$60,604	\$49,419	\$196,977	\$132,193
Offshore drilling	53,346	32,779	134,557	64,279
Rental tools	8,398	9,116	25,128	17,916
Other	504	639	1,287	1,805
Total revenues	122,852	91,953	357,949	216,193
Operating expenses:				
Land drilling	42,291	33,422	132,518	94,327
Offshore drilling	30,952	19,233	79,276	38,883
Rental tools	3,477	2,957	10,087	4,982
Other	523	1,380	1,563	3,797
Depreciation, depletion and amortization	17,975	13,262	49,648	32,874
General and administrative	4,714	3,361	13,259	10,162
Total operating expenses	99,932	73,615	286,351	185,025
Operating income	22,920	18,338	71,598	31,168
Other income and (expense):				
Interest expense	(12,108)	(9,930)	(36,886)	(22,037)
Interest income	928	1,101	4,901	3,118
Other income (expense) - net	(1,346)	(334)	5,048	1,753
Total other income and (expense)	(12,526)	(9,163)	(26,937)	(17,166)
Income before income taxes	10,394	9,175	44,661	14,002
Income tax expense	4,144	3,278	15,503	5,290

Net income	\$ 6,250	\$ 5,897	\$ 29,158	\$ 8,712
------------	----------	----------	-----------	----------

Earnings per share, Basic	\$ .08	\$ .08	\$ .38	\$ .13
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Diluted	\$ .08	\$ .08	\$ .37	\$ .13
---------	--------	--------	--------	--------

Number of common shares used  
in computing earnings per share:

Basic	76,725,687	73,501,397	76,625,695	69,027,696
-------	------------	------------	------------	------------

Diluted	77,630,722	73,988,916	78,172,287	69,678,303
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See accompanying notes to consolidated condensed financial statements.

/TABLE

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents

(Dollars in Thousands)

(Unaudited)

<CAPTION>

Nine Months Ended  
May 31,

1998	1997
------	------

<S>

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Cash flows from operating activities:

Net income	\$ 29,158	\$ 8,712
------------	-----------	----------

Adjustments to reconcile net income

to net cash provided by operating activities:

Depreciation, depletion and amortization	49,648	32,874
--	--------	--------

Expenses not requiring cash	3,154	2,910
-----------------------------	-------	-------

Deferred income taxes	2,100	-
-----------------------	-------	---

Change in operating assets and liabilities	21,278	(37,189)
--	--------	----------

Other-net	(6,625)	(1,792)
-----------	---------	---------

Net cash provided by (used in) operating

activities	98,713	5,515
------------	--------	-------

Cash flows from investing activities:

Capital expenditures	(150,690)	(60,199)
----------------------	-----------	----------

Acquisition of Mallard, net of cash acquired	-	(311,837)
--	---	-----------

Acquisition of Quail	-	(66,888)
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Acquisition of Hercules, net of cash acquired	(195,599)	-
---	-----------	---

Acquisition of Bolifor	(2,189)	-
------------------------	---------	---

Proceeds from sale of OnSite investment	7,998	-
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Proceeds from the sale of equipment	4,116	10,418
-------------------------------------	-------	--------

Purchase of short-term investments	(1,485)	(5,020)
------------------------------------	---------	---------

Proceeds from sale of short-term investments	4,323	18,390
--	-------	--------

Other-net	(766)	(5,475)
-----------	-------	---------

Net cash provided (used) by investing

activities	(334,292)	(420,611)
------------	-----------	-----------

Cash flows from financing activities:

Proceeds from issuance of debt	184,912	387,274
--------------------------------	---------	---------

Principal payments under debt obligations	(124,156)	(6,702)
---	-----------	---------

Proceeds from common stock offering	-	61,477
-------------------------------------	---	--------

Other	(173)	107
-------	-------	-----

Net cash provided (used) by financing

activities	60,583	442,156
------------	--------	---------

Net change in cash and cash equivalents (174,996) 27,060

Cash and cash equivalents at beginning of period	209,951	61,738
	-----	-----
Cash and cash equivalents at end of period	\$ 34,955	\$88,798
	-----	-----

</TABLE>

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (continued)  
Increase (Decrease) in Cash and Cash Equivalents  
(Dollars in Thousands)  
(Unaudited)

<CAPTION>

<S> <C> <C>

Supplemental cash flow information:

Interest paid	\$ 41,877	\$ 19,822
Taxes paid	\$ 9,072	\$ 6,076

Business acquisition in December, 1997: Hercules

Working capital, net of cash acquired	\$ 694
Property, plant and equipment	156,327
Purchase price in excess of net assets acquired	72,567
Other assets	36
Noncurrent liabilities	(58)
Deferred tax liability	(33,967)
	-----
	\$195,599
	-----

Supplemental noncash financing activity:

In November 1996, the Company issued \$25,000,000 of preferred stock, subsequently converted to common stock in December 1996, as a part of the acquisition of Mallard. (See Note 4.)

</TABLE>

## NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited consolidated condensed financial statements reflect all adjustments (of a normally recurring nature) which are necessary for a fair presentation of (1) the financial position as of May 31, 1998 and August 31, 1997, (2) the results of operations for the three and nine months ended May 31, 1998 and May 31, 1997, and (3) cash flows for the nine months ended May 31, 1998 and May 31, 1997. Results for the nine months ended May 31, 1998, are not necessarily indicative of the results which will be realized for the year ending August 31, 1998. The year-end consolidated condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. The financial statements should be read in conjunction with the Company's Form 10-K for the year ended August 31, 1997.
2. In February 1997, Statement of Financial Accounting Standards No. 128, "Earnings per Share," was issued. This statement replaced the previously required presentation of primary earnings per share (EPS) with a presentation of basic EPS that excludes dilutive securities from the computation. It also requires a presentation of diluted EPS that is computed similarly to the fully diluted EPS calculation previously required. The requirements of this statement have been followed for all earnings per share figures included in this Form 10-Q.

<TABLE>

### RECONCILIATION OF INCOME AND NUMBER OF SHARES USED TO CALCULATE BASIC AND DILUTED EARNINGS PER SHARE (EPS)

<CAPTION>

For the Three Months Ended May 31, 1998  
-----

<S>	<C> Income (Numerator)	<C> Shares (Denominator)	<C> Per-Share Amount
	-----	-----	-----
Basic EPS:			
Income available to common stockholders	\$ 6,250,000	76,725,687	\$.08
Effect of Dilutive Securities:			
Stock options and grants		905,035	
Diluted EPS:			
Income available to common stockholders + assumed conversions	\$ 6,250,000	77,630,722	\$.08
	-----	-----	---
	-----	-----	---

</TABLE>

## NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

<TABLE>

### RECONCILIATION OF INCOME AND NUMBER OF SHARES USED TO CALCULATE BASIC AND DILUTED EARNINGS PER SHARE (EPS)

<CAPTION>

For the Nine Months Ended May 31, 1998  
-----

<S>	<C> Income (Numerator)	<C> Shares (Denominator)	<C> Per-Share Amount
	-----	-----	-----

Basic EPS:

Income available to common stockholders	\$29,158,000	76,625,695	\$ .38
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Effect of Dilutive Securities:

Stock options and grants	1,546,592		
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Diluted EPS:

Income available to common stockholders + assumed conversions	\$29,158,000	78,172,287	\$ .37
	-----	-----	---
	-----	-----	---

The Company has outstanding \$175,000,000 of Convertible Subordinated Notes which are convertible into 11,371,020 shares of common stock at \$15.39 per share. The notes were outstanding during the nine months ended May 31, 1998 but were not included in the computation of diluted EPS because the assumed conversion of the notes would have had an anti-dilutive effect on EPS. In addition, options to purchase 1,000,500 and 400,000 shares of common stock at \$12.1875 and \$10.8125, respectively, which were outstanding during part of the period were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares during the period.

</TABLE>

3. On May 9, 1997, the Company executed a definitive stock purchase agreement (the "HOC Agreement") to acquire all of the outstanding capital stock of Hercules Offshore Corporation, a Texas corporation ("HOC"), and a definitive stock purchase agreement (the "HRC Agreement") to acquire all of the outstanding capital stock of Hercules Rig Corp., a Texas corporation ("HRC") and an affiliate of HOC (HOC and HRC being collectively referred to as "Hercules"), for \$145 million and \$50 million, respectively. The purchase prices for the acquisitions were subject to adjustment for certain debt assumed by the Company, for capital expenditures incurred and for levels of working capital at closing. Hercules owns three self-erecting platform rigs and seven offshore jackup rigs.

The acquisition of Hercules was completed on December 30, 1997 for \$195.6 million, which includes capital expenditures made subsequent to the purchase agreement date and additional adjustments based on the level of working capital at closing. The acquisition has been accounted for by the purchase method of accounting, and the reported financial results include the Hercules operations from the date of acquisition. The excess of purchase price over the fair values of the net assets acquired was \$72.6 million and has been recorded as goodwill, which is being amortized on a straight-line basis over 30 years.

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

The acquisition of Hercules was primarily funded with proceeds from the July 1997 issuance of the Company's \$175 million 5 1/2% Convertible Subordinated Notes.

4. On November 12, 1996, the Company acquired Mallard Bay Drilling, Inc. ("Mallard") and Quail Tools, Inc. ("Quail"). Both were accounted for by the purchase method of accounting, and the reported financial results include the Mallard and Quail operations from the date of acquisition.

The Company acquired all of the outstanding stock of Mallard from Energy Ventures, Inc. ("EVI") for \$336.8 million, including acquisition costs, for cash of \$311.8 million and \$25.0 million of preferred stock which was converted into 3,056,600 shares of common stock during the second quarter of fiscal 1997. Mallard owns and operates 34 drilling and workover barges in the shallow waters of the Gulf of Mexico and Nigeria, four platform rigs in the Gulf of Mexico and four land drilling rigs in Argentina.

The Company acquired all of the outstanding stock of Quail for \$66.9 million, including acquisition costs. Quail is a provider of premium

rental tools used in well drilling, production and workover primarily to companies working in the Gulf of Mexico and Gulf Coast land regions. The excess of purchase price over the fair values of the net assets acquired was \$99.7 million for Mallard and \$43.6 million for Quail and has been recorded as goodwill, which is being amortized on a straight-line basis over 30 years.

The Company financed the acquisitions of Mallard and Quail through the issuance of \$300 million of Senior Notes and a term loan of \$100 million. The balance of the term loan outstanding in March 1998, \$83 million, was paid in full with proceeds from the issuance of an additional \$150 million of 9 3/4% Senior Notes, as discussed in Note 8. Additionally, the Company issued \$25 million of preferred stock which was converted to 3,056,600 shares of common stock during the second quarter of fiscal 1997.

5. The following unaudited pro forma information presents a summary of the three and nine months consolidated results of operations of the Company and the acquired entities as if the acquisitions of Hercules (Note 3), Mallard and Quail (Note 4), had occurred September 1, 1996.

<TABLE>

<CAPTION>

(Thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	Actual	Pro Forma	Pro Forma	Pro Forma
	May 31,	May 31,	May 31,	May 31,
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Revenues	\$122,852	\$108,020	\$383,353	\$289,339
Net income	\$ 6,250	\$ 4,656	\$ 31,942	\$ 3,740
Diluted earnings per share	\$ .08	\$ .06	\$ .41	\$ .05

</TABLE>

NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (continued)

6. In July 1997, the Company acquired substantially all of the assets of Bolifor, a leading provider of contract drilling services in Bolivia, for \$25.0 million, of which \$2.2 million was paid in fiscal 1998. The assets of Bolifor primarily consist of 11 land rigs located in Bolivia, Paraguay and Argentina.
7. Information regarding the Company's operations by industry segment for the three and nine months ended May 31, 1998 is as follows (dollars in thousands):

<TABLE>

<CAPTION>

	Three	Nine
	Months	Months
	-----	-----
<S>	<C>	<C>
Revenues:		
Land drilling	\$ 60,604	\$ 196,977
Offshore drilling	53,346	134,557
Rental tools	8,398	25,128
Other	504	1,287
Net revenues	\$ 122,852	\$ 357,949
Operating income (loss):		
Land drilling	11,778	44,188
Offshore drilling	13,043	32,111
Rental tools	3,223	10,041
Other	(410)	(1,483)
General and administrative	(4,714)	(13,259)
Total operating income(loss)	22,920	71,598
Interest expense	(12,108)	(36,886)
Other income (expense)-net	(418)	9,949



Income before income taxes	\$ 10,394	\$ 44,661
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8. In March 1998, the Company issued \$150 million of 9 3/4% Senior Notes, Series C maturing November 2006. The notes were issued at a premium yielding an effective rate of 8.97%. A portion of the proceeds was used to repay the \$83.0 million outstanding under the Company's term loan. The notes contain customary affirmative and negative covenants, including restrictions on incurrence of debt, sales of assets and the payment of dividends.

The Company filed a registration statement on Form S-4, effective May 28, 1998, which offered to exchange the Senior Notes, both \$300 million of Series B and \$150 million of Series C, for a new Series D Senior Note. The form and terms of the Series D notes are identical in all material respects to the form and terms of the Series B and C notes, except for certain transfer restrictions and registration rights relating to the Series C Notes. The Series D notes will have an interest rate of 9 3/4%

and will mature in November 2006. The Senior Notes are guaranteed by the Company's principal subsidiaries. The offer to exchange expired on June 26, 1998 with 100% of the Series B and C notes exchanged for the new Series D notes.

9. In the current quarter, the Company reviewed the estimated useful life of its land drilling fleet used for financial depreciation purposes. As a result, the estimated life was extended from 10 to 15 years with a 5% salvage value for most of the major rig components, resulting in a reduction in third quarter depreciation expense of approximately \$1.3 million. The Company's historical experience and a comparison with other firms in the industry indicates that its land drilling equipment has a useful life of at least 15 years. The depreciable lives for certain equipment, including drill pipe, were not extended.

### Report of Independent Accountants

To the Board of Directors and Shareholders  
Parker Drilling Company

We have reviewed the consolidated condensed balance sheet of Parker Drilling Company and subsidiaries as of May 31, 1998, and the related consolidated condensed statements of operations for the three and nine month periods ended May 31, 1998 and 1997 and consolidated condensed statements of cash flows for the nine month periods ended May 31, 1998 and 1997. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of August 31, 1997, and the related consolidated statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report, dated October 14, 1997, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 31, 1997, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

By: /s/ PricewaterhouseCoopers LLP  
-----  
PricewaterhouseCoopers LLP

Tulsa, Oklahoma  
July 9, 1998

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Form 10-Q includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future, future operating results of the Company's rigs, future capital expenditures and investments in the acquisition and refurbishment of rigs (including the amount and nature thereof), repayment of debt, expansion and growth of operations and other such matters, are forward-looking statements. These statements are based on certain assumptions and analyses made by management of the Company in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Such statements are subject to a number of assumptions, risks and uncertainties, general economic and business conditions, the prices of oil and gas, exploration and development spending of oil operators, the business opportunities (or lack thereof) that may be presented to and pursued by the Company, changes in laws, regulations or the political or investment climate in the United States and in foreign countries, and other factors, many of which are beyond the control of the Company. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

#### RESULTS OF OPERATIONS

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#### Third Quarter of Fiscal 1998 Compared with Third Quarter of Fiscal 1997

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The Company recorded net income of \$6.3 million in the third quarter of fiscal 1998, an improvement of \$.4 million when compared to the same quarter of fiscal 1997. Revenues of \$122.9 million reflect an increase of \$30.9 million over the prior year fiscal third quarter of which \$20.1 million was contributed by Hercules operations acquired as of December 30, 1997. Profit margins (revenues less direct operating expenses) for the same period increased \$10.6 million from \$35.0 million to \$45.6 million. The current quarter is the first complete quarter that includes all of the Company's fiscal year 1997 and 1998 acquisitions. The Bolifor and Hercules acquisitions were both completed subsequent to the prior years' third quarter ended May 31, 1997, thereby affecting the comparability of the Company's results of operations for the two quarters.

Land drilling revenues of \$60.6 million reflect an increase of \$11.2 million, \$9.2 million of which was attributable to the Company's Latin American

operations. Rigs acquired in the July 1997 acquisition of the assets of Bolifor (primarily located in Bolivia) provided \$8.0 million of the Latin American increase in revenues. Other countries in which the Company has operations, including Kazakhstan, Colombia, Peru and Niger, also contributed to the increase in land drilling revenue due principally to an increase in revenue days in these countries. These increases were offset by a decrease in

revenue of \$1.5 million in Indonesia, where six of the Company's rigs performing geothermal drilling services ceased operations during the second quarter of the current fiscal year. One of these rigs has been relocated to Peru and the others are being marketed both in Indonesia and in other countries.

Offshore drilling revenues of \$53.3 million showed an increase of \$20.6 million in the current quarter as compared to the prior year quarter, of which \$20.1 million was contributed by the rigs acquired in the Hercules acquisition of December 1997. All of the nine drilling units in the active Hercules fleet, six jack-ups and three platform rigs, were active during the quarter. An additional jack-up rig undergoing modification will be placed in service during the fourth quarter of fiscal 1998. Offshore revenues of \$33.2 million recorded by the Company's barge drilling and workover subsidiary, Mallard Drilling, were essentially flat when comparing quarters as increases in barge drilling revenues were offset by corresponding decreases in workover and remedial revenues.

The Company's profit margin increase of \$10.6 million was due primarily to \$8.8 million provided by Hercules' offshore operations. Land drilling profit margins increased \$2.3 million due primarily to the operations of the rigs acquired in the Bolifor acquisition and from increased revenues in several other countries as previously noted. Profit margin as a percentage of revenue was comparable between the two periods, 37.1% and 38.0% for the third quarters of fiscal 1998 and 1997, respectively.

The increases in revenues and profit margins discussed in this quarterly comparison are the result of improvements in worldwide energy markets and oil field service industry conditions and growth in the Company's business over that period. However, conditions in these markets have softened over the last quarter. The decline in the price of crude oil and the reduction in crude oil demand due in part to economic problems in Asia have caused some oil companies to revise their spending plans. As a result, the Company has experienced weakness in utilization and dayrates for its U.S. Lower 48 land and barge workover operations. Lower 48 land and Gulf of Mexico markets that are focused on natural gas have not been affected to the same extent, nor have international drilling operations, except in Indonesia where recent political and currency problems have caused customers to curtail geothermal drilling activities. A prolonged period of low prices or reduced demand for crude oil could eventually lead to a broader reduction in spending by oil companies, which could negatively affect the Company's business and operating results.

Depreciation and amortization expense increased \$4.7 million between the two periods, primarily reflecting depreciation expense on the assets acquired in the Bolifor and Hercules acquisitions and amortization of goodwill associated with the Hercules acquisition. At the beginning of the third quarter of fiscal 1998, the Company reviewed the estimated useful life for financial depreciation purposes of its land drilling rigs and consequently extended the depreciable life of these rigs from 10 years to 15 years, with salvage value remaining at 5%. Depreciation expense was reduced by \$1.3 million in the current quarter due to this change, with a similar decrease expected to be recognized in the fourth quarter of the fiscal year.

Interest expense increased a net of \$2.2 million between the two quarters, reflecting interest charges relating to the \$175 million Convertible Notes issued in July 1997 in contemplation of financing the Hercules acquisition and the \$150 million Senior Notes issued in March 1998. The increases were offset by the capitalization of \$1.7 million of interest charges to capital projects and by a reduction in interest on the term loan outstanding in the prior year third quarter (balance of \$83 million was repaid with proceeds from the \$150 million Senior Notes in March 1998).

First Nine Months of Fiscal 1998 Compared with First Nine Months of Fiscal 1997  
 -----

The Company recorded net income of \$29.2 million for the first three quarters of fiscal 1998, an improvement of \$20.4 million when compared to the same period of fiscal 1997. The current fiscal year includes the Company's fiscal 1997 acquisitions of Mallard, Quail and Bolifor in all periods presented and five months of the operating results of Hercules, the Company's latest acquisition of December 30, 1997. Fiscal 1997 includes approximately 6 1/2 months of the Mallard and Quail operations and none of the Bolifor and Hercules operations. The comparability of the Company's results of operations for the nine months presented for each of the last two fiscal years is thereby affected by the acquisitions as noted.

Revenues from each of the Company's primary business segments increased during the periods presented. The table below presents the Company's drilling revenues by subsidiary in an effort to display the effect of the Company's acquisitions (in thousands).

<TABLE>  
 <CAPTION>

	Nine Months ended May 31,	
	1998	1997
	----	----
<S>	<C>	<C>
Land		
----		
Land (excluding acquisitions)	\$167,707	\$125,040
Bolifor	23,913	-
Mallard	5,357	7,153
	-----	-----
Total Land Drilling Revenues	\$196,977	\$132,193
Offshore		
-----		
Mallard	101,830	64,279
Hercules	32,727	-
	-----	-----
Total Offshore Drilling Revenues	\$134,557	\$ 64,279

</TABLE>

Land drilling revenues and profit margins increased \$64.8 million and \$26.6 million, respectively, when comparing the nine-month periods. In addition to the incremental revenue and profit margins provided by rigs purchased in the Bolifor acquisition, operations in North America, Colombia, Peru, Niger, Kazakhstan, Pakistan, New Guinea and Indonesia all reflected an increase in both revenues and profit margins in the current fiscal year. Several of the Company's rigs have relocated in the fiscal year or are in process of relocating, including two rigs from Pakistan (to New Zealand and Kazakhstan) and the relocation of one rig from Indonesia to Peru.

Offshore drilling revenues of \$134.6 million reflect an increase of \$70.3 million, largely attributable to the full nine months and five months of Mallard and Hercules operations included in the current year compared to 6 1/2 and no months in fiscal 1997, respectively. Profit margins increased \$29.9 million to \$55.3 million, for the same reason as the revenue increase, and also due to an improvement in the profit margin percentage (as a percent of revenue).

Depreciation and amortization expense increased \$16.8 million in the first nine months of the current fiscal year as the Mallard, Quail and Bolifor assets were depreciated for the full nine months and the Hercules assets were depreciated for five months in the current year. In last year's comparable

nine month period, the Bolifor and Hercules assets were not yet acquired whereas the Mallard and Quail assets were depreciated for only 6 1/2 months. Amortization of goodwill associated with the purchase prices in excess of the fair market value of the Mallard, Quail and Hercules assets acquired was \$2.0 million higher in the current year period due to the partial periods included in fiscal year 1997 for Mallard and Quail and the consummation of the Hercules acquisition in the current fiscal year. At the beginning of the third quarter of fiscal 1998, the Company reviewed the estimated useful life for financial depreciation purposes of its land drilling rigs and consequently extended the depreciable life of these rigs from 10 years to 15 years, with salvage value remaining at 5%. Depreciation expense was reduced by \$1.3 million in the current quarter due to this change, with a similar decrease expected to be recognized in the fourth quarter of the fiscal year.

The increase in interest expense, \$14.8 million, was due in part to the \$300 million Senior Notes which financed in part, the Mallard and Quail acquisitions of November 1996. These Senior Notes were outstanding all of fiscal 1998 and only from the date of acquisition in fiscal 1997. In addition, a \$100 million term loan was also outstanding from the date of the Mallard and Quail acquisitions of November 1996 through March 1998. In March 1998, the Company issued an additional \$150 million of Senior Notes, the proceeds of which were used in part to repay the \$83 million outstanding balance of the term loan. In July 1997, the Company's issuance of \$175 million Convertible Notes resulted in additional interest expense in the current fiscal year. The increases were offset by the capitalization of \$1.7 million of interest charges to capital projects in the third quarter of the current fiscal year.

Other income (expense) - net increased \$3.3 million as a \$4.6 million gain was recorded on the Company's current year disposition of its interest in OnSite Technology L.L.C. Income tax expense increased due to higher foreign current tax expense due to increased foreign revenues and profits. The Company estimates it will have an effective tax rate of 40% in the fourth quarter and 36% for the fiscal year, subject to the Company's fourth quarter international revenues, pretax income and income tax expense.

## LIQUIDITY AND CAPITAL RESOURCES

The Company had cash and cash equivalents totaling \$35.0 million at May 31, 1998, a decrease of \$175.0 million from the August 31, 1997 balance. The acquisition of Hercules in December 1997 for \$195.6 million was the primary reason for the decrease. For the first nine months of fiscal 1998, operating activities have provided cash of \$98.7 million, \$84.1 of which is from net income plus non-cash charges, primarily depreciation and amortization of goodwill. The balance of the cash provided by operating activities, as noted on the Consolidated Condensed Statements of Cash Flows, is related to changes in operating assets and liabilities, reduced by several non-recurring items, including the \$4.6 million second quarter gain recorded on the Company's

disposition of its interest in OnSite Technology L.L.C. and gains on disposition of property, plant and equipment. The Company's other significant source of cash in the nine month period was the March 1998 issuance of \$150.0 million of 9 3/4% Senior Notes at a premium, with net proceeds to the Company of \$152.2 million. The Company also borrowed \$32.0 million under its revolving credit facility during the second quarter. Debt repayments during the nine-month period include the \$83.0 million remaining balance on the Company's term loan with proceeds from the issuance of \$150 million of 9 3/4% Senior Notes in March 1998, and the \$32.0 million borrowing under the revolving credit facility.

The Company has incurred capital expenditures of \$150.7 million for fiscal 1998 through the end of the current quarter, related to both its Mallard Drilling barge operations and its land-based operations. Significant barge rig projects include: (i) the modification of barge Rig 71, which after completion of operations in Nigeria was transported to the U.S. Gulf Coast where it is being modified for service in the spring of 1999 in the Caspian Sea, (ii) the purchase of the Gulf Explorer barge rig; (iii) the conversion of barge Rig 15 from a workover rig into a drilling rig for work in the U.S. Gulf of Mexico; and (iv) the construction of new barge Rig 75 for a contract in Nigeria to begin in the summer of 1999. Other major projects include the construction of land Rig 254 for work in the U.S. Lower 48 states, the modification of international land rigs 195 and 236 for drilling contracts in

Bolivia and Kazakhstan, respectively, and the construction of a new facility for the Company's Partech manufacturing facility in New Iberia, Louisiana, where it has relocated from Odessa, Texas.

To finance the acquisitions of Mallard, Quail, Bolifor, and Hercules and the capital expenditures noted above, the Company has issued various debt instruments. The Company financed the November 1996 acquisitions of Mallard and Quail through the issuance of \$300 million principal amount of 9 3/4% Senior Notes, Series B and a \$100 million term loan under the Senior Credit Facility.

In anticipation of funding the Hercules acquisition, in July 1997 the Company issued \$175 million of Convertible Subordinated Notes due 2004. The Notes bear interest at 5.5% payable semi-annually in February and August. The Notes are convertible at the option of the holder into shares of common stock of Parker Drilling Company at any time prior to maturity at a conversion price of \$15.39 per share. The Convertible Subordinated Notes are redeemable at the option of the Company at any time after July 2000 at certain stipulated prices.

In March 1998, the Company issued \$150 million of 9 3/4% Senior Notes due 2006, Series C at a premium yielding an effective interest rate of 8.97%. Net proceeds after expenses were \$152.2 million, of which \$83.0 million was used to repay the outstanding principal balance of the term loan under the Company's Senior Credit Facility which was used to finance a portion of the Mallard and Quail acquisitions of November 1996. The balance of the net proceeds will be used for general corporate purposes, including capital expenditures.

The \$75 million revolving credit facility under the Company's Senior Credit Facility is available for working capital requirements, general corporate purposes and to support letters of credit, of which \$12.6 million had been issued at May 31, 1998. Availability under the revolving credit facility is subject to certain borrowing base limitations based on 80% of eligible accounts receivable plus 50% of supplies in inventory. All advances to the Company under the revolving credit facility bear interest, at the option of the Company, at prime to prime plus 0.50% or at 1.75% to 2.25% above the one-, two-, three- and six-month reserve-adjusted LIBOR rate, depending on the

percentage of the credit facility utilized. The revolving credit facility is collateralized by a lien on most of the Company's assets. The revolving credit facility matures on December 31, 1999.

Both the Senior Notes and the Senior Credit Facility contain customary affirmative and negative covenants, including restrictions on incurrence of debt and sales of assets. The Senior Credit Facility prohibits, among other things, payment of dividends and the indenture for the Senior Notes restricts the payment of dividends.

Management anticipates that the cash generated from operations, and the proceeds from the March 1998 issuance of the \$150 million of 9 3/4% Senior Notes, Series C, after repayment of the term loan, will be sufficient to fund the Company's working capital needs and estimated capital expenditures of approximately \$200 million, in fiscal 1998. The Company's projection of fiscal 1998 capital expenditures is \$20 million more than the amount disclosed on the Company's Form 10-Q for the second quarter of fiscal 1998, ended February 28, 1998 due primarily to accelerated spending on the Mallard Drilling barge rig for Caspian Sea service. The Company will receive a prepayment for some of its day work drilling revenues to offset a portion of its carrying cost during construction of this rig in fiscal years 1998 and 1999. Several of the Company's capital projects, notably the modification of barge rigs for service in the Caspian Sea and in Nigeria as noted previously, will continue into 1999. Although the Company's capital expenditure budget for 1999 has not yet been finalized, the Company anticipates that capital expenditures will be less than in fiscal 1998, due to the magnitude of such expenditures in fiscal 1998 and the recent decline in certain drilling markets discussed previously. Capital expenditures could change depending on developments in drilling market conditions during 1999. The Company currently anticipates that cash generated from operations and funds available under the revolving credit facility will be sufficient to fund working capital needs and capital expenditures in 1999. Should new opportunities requiring capital arise, the Company may consider seeking additional long-term debt financing or

additional equity financing if the equity markets for the Company's common stock improve.

## OTHER MATTERS

### Rights Agreement

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On June 25, 1998, the Board of Directors adopted a stockholder rights plan whereby each stockholder of record on July 15, 1998 will receive a dividend of one Right to purchase one one-thousandth of a share of a new series of junior participating preferred stock for each outstanding share of common stock. When exercisable, each Right will entitle the holder to purchase one one-thousandth share of the new series of junior participating preferred stock at an exercise price of \$30, subject to adjustment. The Rights may only be exercised ten days following a public announcement that a third party has acquired 15% or more of the outstanding common shares of the Company or ten days following the commencement of, or announcement of an intention to make, a tender offer or exchange offer, the consummation of which would result in the beneficial ownership by a third party of 15% or more of the common shares. The Rights, which do not have voting privileges, expire June 30, 2008, and at the Company's option, may be redeemed by the Company prior to expiration for \$.01 per Right. If a person or group acquires 15% or more of the outstanding common shares of the Company, each Right will entitle the holder, other than the acquiring party, to purchase for \$30, subject to antidilution adjustments, common shares of the Company having a market value of twice that amount. In

the event that the Company is acquired in a merger or other business combination, or 50% or more of its consolidated assets or earning power are sold, each Right will entitle the holder, other than the acquiring party, to purchase for \$30 a number of the acquiring party's common shares having a market value of twice that amount.

### Change in Fiscal Year-End

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The Company is changing its fiscal year-end from August 31 to December 31. The transition will be effective December 31, 1998.

### Indonesian Operations

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The current political and currency instability in Indonesia has created uncertainty regarding the Company's Indonesian operations. The Company provides management, technical and training support to an Indonesian-owned drilling contractor, whose services include the drilling of geothermal wells, related to power plant projects. Due to the uncertain economic conditions, certain of these power plant projects have been postponed or delayed. As a result, payments from a significant customer for services provided by the contractor have been delayed. The Company and the contractor will vigorously pursue all alternatives to expedite payment. The Company believes that resolution of this matter will not have a material adverse effect on the Company's results of operations or financial position.

### Year 2000

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During fiscal 1997 and 1998, the Company installed significant financial applications which are year 2000 compliant and intends to install additional applications in the future. The Company believes that it will be able to achieve year 2000 compliance for its significant financial and operating systems by mid-1999, and does not anticipate any disruption in its operations as a result of its computer systems. The Company is currently in the process of obtaining information from customers, vendors, banks and other business relationships concerning their year 2000 compliance.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

<TABLE>

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(a)      Exhibits:

<C>

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Exhibit 15 Letter re Unaudited Interim Financial Information 22

Exhibit 27 Financial Data Schedule [Edgar Version Only]

- (b)      Reports on Form 8-K - Parker Drilling Company filed reports on Form 8-K/A on March 6, 1998 and March 31, 1998 which included Hercules Offshore Corporation and Hercules Rig Corporation financial statements.

</TABLE>

SIGNATURES

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

Parker Drilling Company

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Registrant

Date: July 14, 1998

By: /s/ James J. Davis

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James J. Davis  
Senior Vice President-Finance and  
Chief Financial Officer

By: /s/ W. Kirk Brassfield

-----

W. Kirk Brassfield  
Controller and  
Chief Accounting Officer



INDEX TO EXHIBITS

Exhibit Number -----	Description -----
15	Letter re Unaudited Interim Financial Information
27	Financial Data Schedule [Edgar Version Only]

Exhibit 15

July 9, 1998

Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 10549

Re: Parker Drilling Company  
Registration on Form S-8

We are aware that our report dated July 9, 1998, on our review of the interim financial information of Parker Drilling Company for the period ended May 31, 1998, and included in this Form 10-Q is incorporated by reference in the Company's registration statements on Form S-8 (File No. 2-87944, 33-24155, 33-56698 and 33-57345). Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Section 7 and 11 of that Act.

By:/s/PricewaterhouseCoopers LLP  
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PricewaterhouseCoopers LLP

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED BALANCE SHEET AS OF MAY 31, 1998 AND THE CONSOLIDATED CONDENSED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED MAY 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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