

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

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED AUGUST 31, 1998

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-7573

PARKER DRILLING COMPANY
(Exact name of registrant as specified in its charter)

Delaware 73-0618660

(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

Securities registered pursuant Name of each exchange on
to Section 12(b) of the Act: which registered:

Common Stock, par value \$.16 2/3 per share New York Stock Exchange, Inc.

(Title of class)

Securities registered pursuant to section 12(g) of the Act:

N/A

(Title of class)

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

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

As of September 30, 1998, 76,783,045 common shares were outstanding, and
the aggregate market value of the common shares (based upon the closing price
of these shares on the New York Stock Exchange) held by nonaffiliates was
\$369.1 million.

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DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-K contains certain statements that are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. These statements may be made directly in this document, referring to the Company, or may be "incorporated by reference", referring to other documents filed with the Securities and Exchange Commission. All statements included in this document, other than statements of historical facts, that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future, including future operating results, future capital expenditures and investments in the acquisition and refurbishment of rigs and equipment, repayment of debt, expansion and growth of operations, Year 2000 issues, and other such matters, are forward-looking statements.

Forward-looking statements are based on certain assumptions and analyses made by the management of the Company in light of their experience and perception of historical trends, current conditions, expected future developments and other factors they believe are relevant. Although management of the Company believes that their assumptions are reasonable based on current information available, they are subject to certain risks and uncertainties, many of which are outside the control of the Company. These risks include worldwide economic and business conditions, fluctuations in the prices of oil and gas, government regulation and trade restrictions, political instability in major oil-producing areas and other similar factors (some of which are discussed in documents incorporated by reference). Because the forward-looking statements are subject to risks and uncertainties, the actual results of operations and actions taken by the Company may differ materially from those expressed or implied by such forward-looking statements.

GENERAL DEVELOPMENT

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

The Company is a leading worldwide provider of contract drilling and drilling related services, operating in the transition zones of the Gulf of Mexico and Nigeria, in the offshore waters of the Gulf of Mexico and on land in international and domestic oil and gas producing regions. Historically, the Company operated exclusively on land, specializing in deep, difficult wells and drilling in remote areas. In the last two years the Company diversified into the offshore drilling business through the acquisition of Mallard Bay Drilling, Inc. ("Mallard"), the second-largest barge drilling and workover company in the transition zones of the Gulf of Mexico, and Hercules Offshore Corp. and Hercules Rig Corp. (collectively, "Hercules"), a leading provider of contract drilling and workover services in the shallow waters of the Gulf of Mexico. In addition, the Company acquired Quail Tools, Inc., ("Quail"), a leading provider of specialized rental equipment for drilling and workover operations, primarily in the Gulf of Mexico, and expanded its international land fleet by acquiring the drilling assets of Bolifor, a leading provider of land contract drilling services in Bolivia.

The Company's rig fleet presently consists of 34 barge drilling and workover rigs, eight offshore jackup rigs, six offshore platform rigs and 75 land rigs. The Company's barge drilling and workover rig fleet is dedicated to transition zone waters, which are generally defined as extending from the coast to depths of up to 25 feet. The Company's offshore jackup and platform rig fleets currently operate in the Gulf of Mexico market. The Company's land rig fleet generally consists of premium and specialized deep drilling rigs, with 62 of its 75 land rigs capable of drilling to depths of 15,000 feet or greater. In addition, 21 of the Company's land rigs are helicopter-transportable, thus establishing the Company as the dominant operator in the heli-rig market throughout the world. The diversity of the Company's rig fleet, both in terms of geographic location and asset class, enables the Company to provide a broad range of services to oil and gas operators around the world and to take advantage of market upturns, while reducing its exposure to downturns in any particular sector or region.

The oilfield services industry has experienced a significant decline in activity during the last six months. This decline follows two years of high activity during which oil and gas companies had increased their exploration and production budgets in response to increasing demand and stronger oil and gas prices. The first half of fiscal 1998 reflects this increased demand through rig dayrates and utilization that were at 15-year highs with many markets at or near full utilization. During the second half of fiscal 1998 oil prices have declined to their lowest level in 25 years (adjusted for inflation).

The sharp drop in oil prices is the result of a surplus of crude oil in worldwide markets, which has been brought about by reduced demand, particularly in Southeast Asia, an increase in crude oil production by OPEC producing countries in mid to late 1997, and a relatively warm winter in the United States and Europe. The decline in crude oil prices has adversely impacted the revenues and profits of oil operators, who have responded by reducing exploration and development expenditures. This decline in spending has adversely affected the level of oil field activity, and in turn, the revenues of most companies in the oil field service industry. The impact has been felt most by the Company in the fourth quarter of fiscal 1998 and is expected to continue into 1999. The Company is not able to predict when and to what extent the level of oil field activity will recover.

TRANSITION ZONE OPERATIONS

The Company provides contract drilling services in the transition zones of the Gulf of Mexico and Nigeria, where barge rigs are the primary source of drilling and workover services. Barge rigs are mobile drilling and workover vessels that are submersible and are built to work in eight to 25 feet of water. These rigs are towed by tug boats to the drill site with the derrick laid down. The derrick is a framework for hoisting and lowering equipment over a drill hole and is also known as a mast structure. The lower hull is submerged by flooding until it rests on the sea floor. The derrick is then raised and drilling or workover operations are conducted with the barge in this position.

Domestic Barge Drilling and Workover

The Company's principal domestic market for its barge drilling rigs is the transition zones of the Gulf of Mexico, primarily in Louisiana and, to a lesser extent, Alabama and Texas, where conventional jackup rigs are unable to operate. This area historically has been the world's largest market for shallow water barge drilling. The Company has a significant presence in this market, with 14 drilling barges. Barge rigs are also employed inland in lakes, bays, rivers and marshes.

The barge market in the transition zones of the Gulf of Mexico has undergone significant attrition and consolidation in recent years, with the number of drilling rigs declining from over 120 in the early 1980s to approximately 54 today, and the number of competitors decreasing over the same period from more than 30 to only two significant contractors. During fiscal year 1997 and the first half of fiscal year 1998 drilling and workover activity increased significantly in the Gulf of Mexico transition zones, spurred by (i) the increased use of 3-D seismic technology that has resulted in the identification of previously undiscovered drilling prospects, (ii) the settlement of a royalty dispute between the State of Louisiana and Texaco, whereby Texaco agreed to invest approximately \$150 million to drill in Louisiana over a five-year period, and (iii) higher natural gas prices. However, due to the decline in oilfield service activity discussed previously, conditions in this market have softened considerably over the fourth quarter of fiscal year 1998. As a result, the Company has experienced a significant reduction in utilization and dayrates in its barge workover operations. Barge drilling activity has been less severely affected.

The Company provides domestic barge workover services in the transition zones of the Gulf of Mexico. The Company's domestic barge workover and shallow drilling business is based in the same geographical area as its barge drilling business. The same factors that have affected the structure of the barge drilling sector also have affected this sector, including considerable consolidation of competitors and reduction of available rigs since the early 1980s.

International Barge Drilling

The Company has focused its international barge drilling efforts in the transition zones of West Africa, where it is one of the leading providers of barge drilling services in Nigeria, with three of the nine rigs in the market. International markets have historically been more attractive due to the availability of long-term contracts and the opportunity to earn dayrates higher than domestic rates.

The Company has operated in Nigeria since 1991 and currently operates three barge rigs under long-term contracts. The Company has recently entered into a five-year contract with one of its present customers in Nigeria, which will require the construction of a new drilling barge at an estimated cost of \$30 million. It is presently estimated that this contract will commence in June 1999.

During 1998, the Company signed a definitive agreement for a three-year drilling contract, with two option years, in the Caspian Sea. One of the Company's drilling rigs is undergoing approximately \$100.0 million in modifications and is scheduled to commence drilling in May 1999. This barge drilling rig will be contracted at a dayrate of approximately \$58,250. In addition, a substantial portion of the cost of modifying the rig will be reimbursed by the operator.

OFFSHORE OPERATIONS

Jackup Drilling

Pursuant to the Hercules acquisition, the Company acquired seven shallow water jackup rigs. The Hercules jackup rigs are mobile, self-elevating drilling platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the hull, which contains the drilling equipment, jacking system, crew quarters, loading and unloading facilities, storage areas for bulk and liquid materials, helicopter landing deck and other related equipment. Five of the rigs are cantilever design, a feature that permits the drilling platform to be extended out from the hull, allowing drilling and workover operations to be performed over existing platforms or structures. Jackup rigs with the cantilever feature historically have achieved higher dayrates and utilization levels. The other two rigs are slot-type design configured for the drilling operations to take place through a keyway in the hull. These two rigs have the added capability of operating in shallow water to a depth as low as eight feet. Four of the seven jackup rigs are mat-supported rigs and three are independent leg rigs. The Hercules rigs are capable of drilling to maximum depths of 25,000 feet and in water depths of up to 215 feet.

The Hercules acquisition further expands and complements the Company's business in the Gulf of Mexico shallow water market and will augment the Company's existing platform rig business. Currently, the shallow water jackup business in the Gulf is depressed, resulting in significantly lower utilization and dayrates, when compared to the previous year.

Platform Drilling

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

LAND OPERATIONS

General

The Company's land drilling operations specialize in the drilling of deep and difficult wells and drilling in remote and harsh environments. Since beginning operations in 1934, the Company has operated in 49 foreign countries and throughout the United States, making it one of the most geographically diverse land drilling contractors in the world.

International Operations

The Company's international land drilling operations have focused primarily in South America and the Asia Pacific region, where it specializes in drilling that requires equipment specially designed to be transported by helicopter or all-terrain vehicles into remote access areas such as jungle, mountainside or desert locations. Management believes that the Company's 21 heli-rigs, with technologically advanced pumps and power generation systems that are capable of drilling difficult wells in excess of 15,000 feet, have established the Company as the dominant operator in the heli-rig market, with what the Company estimates to be a 75% worldwide market share. The Company traditionally has been a pioneer in frontier areas and is currently working for or has recently worked for operators in China, Russia, Kazakhstan, Poland and Vietnam.

In recent years, many major and independent oil companies have directed a greater portion of their exploration budgets to foreign markets. This has been particularly true in South America and the Asia Pacific region, where the demand for land rigs had been increasing significantly. The Company has benefitted from this trend due to its long-standing presence in these markets and has been able to deploy rigs under longer term contracts at higher

dayrates and operating margins than in its domestic operations. The economic malaise which has adversely affected Southeast Asia during the past year has significantly reduced utilization, particularly in the geothermal market. While management is optimistic that long-term drilling services in international markets will continue to grow as demand for oil and gas increases and countries dependent on oil and gas revenues seek to increase their production, management believes this growth will be delayed by the general economic conditions in certain areas. The Company intends to capitalize on its global presence and substantial international experience to pursue growth opportunities in both current and developing markets.

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

South America. The Company has 34 rigs located in the South American drilling markets of Colombia, Argentina, Paraguay, Ecuador, Peru and Bolivia. Most of the Company's rigs have been upgraded to meet the demands of deep, difficult drilling in these areas. Most of these rigs are currently under contract to major or national oil companies at attractive dayrates. The Company anticipates it will continue to relocate rigs to the South American market to meet increased demand for drilling.

Asia Pacific Region. The Company has 13 of its fleet of 21 helicopter transportable rigs located in the Asia Pacific region due to the remoteness of the mountainside and jungle drilling performed in this region. The Company entered the Indonesian geothermal market in 1995, which market is currently being adversely affected by political and economic instability in Indonesia. The Company experienced weakening demand for its services in certain Asia Pacific markets in fiscal 1998, notably in Indonesia and Papua New Guinea. Six rigs in the Indonesian geothermal market ceased operations during the second quarter of fiscal 1998. One of these rigs has been relocated to Peru and the others are being remarketed in Indonesia and other countries.

Africa and the Former Soviet Union. Eight of the Company's rigs are currently located in the markets of Africa and the former Soviet Union. After becoming the first western drilling contractor to enter the Russian drilling market in 1991, expansion of the Company's business in this country has been hampered by bureaucratic inefficiencies, constantly changing tax and other laws and political issues that have diminished the investment of capital by major and large independent oil companies in Russia. As a result, the Company has relocated all four of its drilling rigs from Russia to Kazakhstan. As anticipated, the recently announced agreement regarding the pipeline to be built to accommodate incremental production from the Tengiz field in Kazakhstan has already increased exploration efforts in this region. In addition to operating the Company's own rigs, the Company was awarded a five-year alliance contract in 1997 in Kazakhstan by the operator of the Tengiz field to operate and maintain its rigs, including the provision of expatriate and local drilling crews and management of its warehouse, drilling base and mobile equipment fleet.

Domestic Operations

Industry conditions in the United States have softened considerably over the last two quarters of fiscal 1998. As a result of low crude prices and reduced demand, utilization and dayrates have declined materially for its lower 48 land operations. This recent downturn in the domestic land operations follows two years of significant improvement that had produced increased rig utilization and dayrates and shortages for certain types of rigs. This market improvement was the result of a combination of a general consolidation trend in the drilling industry, and until recently, higher crude oil and natural gas prices and improvements in exploration technology, in particular the use of 3-D seismic data and horizontal drilling.

Of the Company's 15 rigs located in the United States, 14 are SCR electric, four are equipped with top drive units and all are capable of

drilling in excess of 15,000 feet. Traditionally, the Company has differentiated itself from its domestic competitors by specializing in the drilling of deep and difficult wells.

Specialty Services

Helicopter Transportable Rigs. The Company specializes in drilling in remote areas and harsh environments, primarily in international locations. A significant factor contributing to the Company's success in obtaining drilling contracts in remote areas is the use of rigs that are transportable by air, land and water. These rigs have been specially designed and constructed by the Company for quick assembly and disassembly under the proprietary designations "Heli-Hoist" (Registered Trademark) rig, Transportable By Anything (Registered Trademark) ("TBA") (Registered Trademark) rig and All-Terrain ("AT2000E") (Registered Trademark) rig. Management believes that the Company's 21 helicopter rigs comprise approximately 75% of the operational helicopter transportable rigs worldwide. The Heli-Hoist (Registered Trademark), TBA (Registered Trademark) and AT2000E (Registered Trademark) rigs allow the Company to perform drilling operations in remote and otherwise inaccessible locations such as jungle areas, mountainous areas and offshore platforms.

Deep Drilling. During the U.S. drilling boom of the late 1970s and early 1980s the Company developed its specialty of deep and difficult drilling, primarily in the Anadarko Basin of Western Oklahoma and the Overthrust Region in the Rocky Mountains. The Company's largest drilling rig is rated in excess of 35,000 feet.

During the last several years, drilling activity has shifted from domestic deep gas drilling to international deep oil and gas drilling. While international deep drilling is generally in the range of 15,000 feet to 20,000 feet as opposed to the domestic deep drilling which often exceeds 20,000 feet, the Company has benefitted in the international arena from the development of this expertise, particularly in the deep drilling markets of the Cusiana and Cupiagua fields of Colombia.

Arctic Drilling. The Company has been one of the pioneers in arctic drilling conditions and has developed technology to meet the demand for increased drilling in an ecologically sensitive manner. For drilling operations on the North Slope of Alaska, the Company developed a self-contained mobile drilling unit capable of being moved in one unit by giant "crawlers" similar to the system used to move rocket thrusters for the space program. The environmentally sensitive rig also has a complete closed-loop mud system and cuttings processing system that eliminate the need for mud pits.

Geothermal Drilling. The Company also has developed expertise in the area of geothermal drilling. Geothermal operations involve drilling into a pocket of geothermal energy, tapping the source of this energy in the form of steam, hot water or hot rocks and converting this heat into usable forms of energy.

RENTAL TOOLS

Quail, based in New Iberia, Louisiana, is a provider of premium rental tools used for land and offshore oil and gas drilling and workover activities. Approximately 60% of Quail's equipment is utilized in offshore and coastal water operations. Since its inception in 1978, Quail's principal customers have been major and independent oil and gas exploration and production companies.

Quail rents specialized equipment utilized in well drilling, production and workover applications. Quail offers a full line of drill pipe, drill collars, tubing, high-and low-pressure blowout preventers, choke manifolds, casing scrapers and junk and cement mills. During fiscal 1997, Quail entered into a contract with a major oil company to be its preferred provider of rental tools to the land and offshore Texas markets. In November 1997, the Company opened a new rental tool facility in Victoria, Texas, in order to service the increasing demand for tools in that region. Approximately 50% of Quail's revenues are realized from rentals for production and workover activities.

Over the last three years the rental tool industry experienced increasing demand due to the trend toward outsourcing by oil companies of noncore equipment and services and, until recently, the significant increase in drilling activity in the Gulf of Mexico. Major and independent oil companies have liquidated certain ancillary drilling equipment in an effort to improve drilling efficiencies and returns on drilling programs. During the latter part of fiscal 1998, these positive trends have been offset, in part, by the reduced drilling activity in the Gulf Coast market due to low crude oil prices and reduced demand.

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

COMPETITION

The contract drilling industry is a competitive and cyclical business characterized by high capital and maintenance costs.

Although demand in the offshore drilling markets serviced by the Company had shown significant improvement over the past several years, the recent market downturn has caused the market to become very competitive, resulting in lower dayrates and reduced utilization. In the Gulf of Mexico barge drilling and workover markets, the Company competes with R & B Falcon. In the jackup market, the Company competes against most domestic offshore contractors, including R & B Falcon. Management believes that the Company is the second largest contractor in these markets.

The land drilling market is generally more competitive than the offshore market due to the larger number of rigs and companies. Drilling contracts are generally awarded on a competitive bid basis and, while an operator may consider factors such as quality of service and type and location of equipment as well as the ability to provide ancillary services, price and availability of equipment are significant factors in determining which contractor is awarded a job. In international markets, experience in operating in certain environments and customer alliances have also been factors in the selection of the Company in certain cases, as well as the Company's patented drilling equipment for remote drilling projects. The Company believes that the market for land drilling contracts will continue to be competitive for the foreseeable future. Certain of the Company's competitors have greater financial resources than the Company, which may enable them to better withstand industry downturns, to compete more effectively on the basis of price, to build new rigs or to acquire existing rigs.

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

CUSTOMERS

The Company believes it has developed an international reputation for providing efficient, quality drilling services. A key for advancing the Company's business strategy is maintaining and developing relationships and strategic alliances with its customers. An increasing number of the Company's customers have been seeking to establish exploration or development drilling programs based on partnering relationships or alliances with a limited number of preferred drilling contractors. Such relationships or alliances can result in longer term work and higher efficiencies that increase profitability for drilling contractors at a lower overall well cost for oil companies. The Company is currently a preferred contractor for operators in certain domestic and international locations, which management believes is a result of the Company's quality, service and experience.

The Company's drilling customer base consists of major, independent and foreign national oil and gas companies. Chevron, the Company's largest customer, accounted for approximately 15% and 13% of total revenues in fiscal year 1998 and 1997, respectively.

CONTRACTS

The Company generally obtains drilling contracts through competitive bidding. Under most contracts the Company is paid a daily fee, or dayrate. The dayrate received is based on several factors, including: type of equipment, services and personnel furnished; investment required to perform the contract; location of the well; term of the contract; and competitive market forces. Meterage rate contracts are occasionally accepted in which the Company is paid a rate per meter drilled upon reaching a specified depth.

The Company generally receives a lump sum fee to move its equipment to the drilling site, which in most cases approximates the cost incurred by the Company. Domestic contracts are generally for one well, while international contracts are more likely to be for multi-well programs. The Company continues to obtain contracts under which the Company provides drilling engineering and integrated project management services. The Company provides drilling project services ranging from well design and engineering expertise to site preparation and road construction in an effort to help customers eliminate or reduce management overhead which would otherwise be necessary to supervise such services.

RESEARCH AND DEVELOPMENT

In response to the customers' need for reducing the overall drilling costs, the Company is developing a versatile All Terrain Modular (ATM) Rig System. The new series of modular compact components will provide an expandable, upgradeable, concept to fit almost any drilling, transporting, and environmental requirement. The ATM Rig System also will provide some of the latest drilling equipment technology as well as maximum power capabilities for fast, safe, and efficient drilling. Several proprietary designs will make the modular rig system unique in capacity and transportability.

Nine employees are involved in the Company's research and development activities. The costs associated with the Company's research and development efforts are not significant.

EMPLOYEES

At August 31, 1998, the Company employed 4,512 persons, up five percent from the 4,313 employed at August 31, 1997. The following table sets forth the composition of the Company's employees:

<TABLE>

<CAPTION>

	August 31,	
	1998	1997
<S>	<C>	<C>
International Land Drilling Operations	2,078	2,286
Domestic Land Drilling Operations	386	413
Offshore Drilling Operations	1,762	1,355
Rental Tool Operations	91	68
Corporate and Other Domestic	195	191

</TABLE>

RISKS AND ENVIRONMENTAL CONSIDERATIONS

The U.S. Gulf Coast market, and particularly the shallow water areas where the Company's contract drilling service operations are concentrated, are ecologically sensitive. As a result, environmental issues have led to higher drilling costs, a more difficult and lengthy well permitting process and, in general, have adversely affected decisions of the oil companies to drill in

these areas. U.S. laws and regulations applicable to the Company's operations include those controlling the discharge of materials into the environment, requiring removal and cleanup of materials that may harm the environment, or otherwise relating to the protection of the environment. The Company, as an operator of drilling rigs in navigable U.S. waters and certain offshore areas, may be responsible for damages and costs incurred in connection with oil spills, subject to certain limitations in liability. An oil spill in a wetland or inland waterway could produce substantial damage to the environment, including wildlife and ground water. Laws and regulations protecting the environment have become more stringent in recent years, and may, in certain circumstances, impose strict liability, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Such laws and regulations may expose the Company to liability for the conduct of or conditions caused by others, or for acts of the Company which were in compliance with all applicable laws at the time such acts were performed. The application of these requirements or the adoption of the new requirements could have a material adverse effect on the Company.

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

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

limits apply in some circumstances, a responsible party for an Outer Continental Shelf facility must pay all spill removal costs incurred by a federal, state or local government. The OPA establishes liability limits (subject to indexing) for offshore drilling rigs. If functioning as an offshore facility, the offshore drilling rigs are considered "tank vessels" for spills of oil on or above the water surface, with liability limits of \$1,200 per gross ton or \$10 million. To the extent damages and removal costs exceed this amount, the offshore drilling rigs will be treated as an offshore facility and the offshore lessee will be responsible up to higher liability limits for all removal costs plus \$75 million. A party cannot take advantage of liability limits if the spill was caused by gross negligence or willful misconduct or resulted from violation of a federal safety, construction or operating regulation. If the party fails to report a spill or to cooperate fully in the cleanup, liability limits likewise do not apply. Few defenses exist to the liability imposed by the OPA. The OPA also imposes ongoing requirements on a responsible party, including proof of financial responsibility (to cover at least some costs in a potential spill) and preparation of an oil spill contingency plan. Amendments to the OPA adopted earlier in 1997 reduced the amount of financial responsibility required for "offshore facilities" from \$150 million to \$35 million, but such amendments did not reduce the amount of financial responsibility required for "tank vessels." Since the Company's offshore drilling rigs are typically classified as tank vessels, the recent amendments to the OPA are not expected to have a significant effect on the Company's operations. A failure to comply with ongoing requirements or inadequate cooperation in a spill may even subject a responsible party to civil or criminal enforcement actions.

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

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

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

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company historically has operated in only one segment, land-based contract drilling services. The acquisitions of Mallard, Quail and Hercules significantly diversified the Company's businesses, adding offshore drilling and rental tool segments. Information about the Company's business segments and operations by geographic areas for the three years ended August 31, 1998, is set forth in Note 8 of Notes to Consolidated Financial Statements.

Item 2. PROPERTIES

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

Land Rigs. During fiscal 1998, the Company added one SCR electric rig to its domestic rig fleet. The following table shows, as of August 31, 1998, the locations and drilling depth ratings of the Company's 64 actively marketed land rigs:

<TABLE>
<CAPTION>

Actively Marketed Land Rigs

	Drilling Depth Rating in Feet					TOTAL
	10,000 or less	15,000	20,000	Over 25,000	25,000	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INTERNATIONAL:						
South America	3	9	9	3	4	28
Asia Pacific	3	3	9	2	-	17
Africa	-	1	-	-	-	1
Former Soviet Union	-	-	-	3	-	3
	--	--	--	--	--	--
Total International	6	13	21	5	4	49
	--	--	--	--	--	--

DOMESTIC:						
Gulf Coast	-	-	-	-	4	4
Rocky Mountains	-	-	4	-	2	6
Mid-Continent	-	-	4	-	-	4
Alaska	-	-	-	-	1	1
	--	--	--	--	--	--
Total Domestic	-	-	8	-	7	15
	--	--	--	--	--	--
TOTAL	6	13	29	5	11	64
	--	--	--	--	--	--
	--	--	--	--	--	--

</TABLE>

In addition, the Company has 11 land rigs classified as cold stacked which would need to be refurbished at a significant cost before being placed back into service, with locations and drilling depth ratings as follows:

<TABLE>

Cold Stacked Land Rigs

<CAPTION>

	Drilling Depth Rating in Feet						

	10,000						
	or	Over					
	less	15,000	20,000	25,000	25,000	TOTAL	

<S>	<C>	<C>	<C>	<C>	<C>	<C>	
INTERNATIONAL:							
South America	3	1	2	-	-	6	
Asia Pacific	1	-	-	-	-	1	
Africa	1	1	-	-	-	2	
Former Soviet Union		2	-	-	-	2	
	--	--	--	--	--	--	
Total International	7	2	2	-	-	11	
	--	--	--	--	--	--	

</TABLE>

Barge Rigs. A schedule of the Company's deep and intermediate drilling barges located in the Gulf of Mexico, as of August 31, 1998, is set forth below:

<TABLE>

<CAPTION>

		Maximum		
	Year Built	Drilling		
	or Last	Depth		
	Horsepower	Refurbished	(Feet)	Status<1>

<S>	<C>	<C>	<C>	<C>
Deep Drilling:				
Rig No. 50	2,000	1993	25,000	Active
Rig No. 51	2,000	1993	25,000	Active
Rig No. 53	1,600	1995	20,000	Active
Rig No. 54	2,000	1995	30,000	Active
Rig No. 55	2,000	1993	30,000	Active
Rig No. 56	2,000	1992	30,000	Active
Rig No. 57	1,500	1997	20,000	Active
Rig No. 58	3,000	1982	30,000	Stacked
Rig No. 59	3,000	1972	30,000	Stacked
Intermediate Drilling:				
Rig No. 8	1,700	1995	15,000	Active
Rig No. 12	1,200	1990	14,000	Active
Rig No. 15 <2>	1,000	1998	15,000	Active
Rig No. 17	1,200	1993	13,000	Active
Rig No. 21	1,200	1995	14,000	Active

<FN>

<1> "Active" denotes that the rig is currently under contract or available

for contract. "Stacked" denotes that the rig is currently cold stacked and would need to be refurbished at a significant cost before being placed back into service.

</TABLE>

<2> Refurbished into an intermediate drilling barge from a previously stacked workover barge.

A schedule of the Company's workover rigs, as of August 31, 1998, which includes some rigs with shallow drilling capabilities, is set forth below:

<TABLE>
<CAPTION>

	Horsepower	Year Built or Last Refurbished	Maximum Drilling Depth (Feet)	Status<1>
	<C>	<C>	<C>	<C>
Heavy Workover and Shallow Drilling:				
Rig No. 5	800	1991	-	Stacked
Rig No. 10	800	1978	-	Stacked
Rig No. 16	800	1994	11,500	Active
Rig No. 18	800	1993	11,500	Active
Rig No. 20	800	1995	11,500	Active
Rig No. 23	1,000	1993	13,000	Active
Rig No. 24	1,000	1992	13,000	Active
Rig No. 25	1,000	1993	13,000	Active
Rig No. 27	800	1987	-	Stacked
Rig No. 28	800	1987	-	Stacked
Workover and Other:				
Rig No. 6	700	1995	-	Active
Rig No. 7	700	1995	-	Stacked
Rig No. 9	650	1996	-	Active
Rig No. 26	650	1996	-	Active

<FN>
<F1> "Active" denotes that the rig is currently under contract or available for contract. "Stacked" denotes that the rig is currently cold stacked and would need to be refurbished at a significant cost before being placed back into service.

</TABLE>

A schedule of the Company's international drilling barges, as of August 31, 1998, is set forth below:

<TABLE>
<CAPTION>

	Horsepower	Year Built or Last Refurbished	Maximum Drilling Depth (Feet)	Status<1>
	<C>	<C>	<C>	<C>
Deep Drilling:<2>				
Rig No. 71/257 <3>.....	3,000	1994	30,000	Shipyards
Rig No. 72	3,000	1991	30,000	Active
Rig No. 73	3,000	1991	30,000	Active
Rig No. 74	3,000	1997	30,000	Active
Rig No. 76	3,000	1997	30,000	Active
Rig No. 80	2,000	1986	20,000	Stacked

<FN>

<F1> "Active" denotes that the rig is currently under contract or available for contract. "Stacked" denotes that the rig is currently cold stacked and would need to be refurbished at a significant cost before being placed back into service.

<F2> Does not include Rig 75 which is currently being constructed for a contract to commence in June 1999, in Nigeria.

<F3> Rig No. 71 is being refurbished for service under a long-term contract in the Caspian Sea.

</TABLE>

Platform Rigs. The following table sets forth certain information, as of August 31, 1998, with respect to the Company's platform rigs:

<TABLE>

<CAPTION>

	Maximum Year Built or Last	Drilling Depth	Refurbished (Feet)	Status<1>
<S>	<C>	<C>	<C>	<C>
Rig No. 2	1,000	1982	12,000	Active
Rig No. 3	1,000	1997	12,000	Active
Rig No. 10 <2>.....	650	1989	-	Active
Rig No. 41E	1,000	1997	12,500	Active
Rig No. 42E	1,000	1996	12,500	Active
Rig No. 47	750	1993	11,000	Stacked

<FN>

<F1> "Active" denotes that the rig is currently under contract or available for contract. "Stacked" denotes that the rig is currently cold stacked and would need to be refurbished at a significant cost before being placed back into service.

<F2> Workover rig.

</TABLE>

Jackup rigs. The following table sets forth certain information as of August 31, 1998, with respect to the Company's jackup rigs:

<TABLE>

<CAPTION>

	Maximum Water Depth	Maximum Drilling Depth	Status<2>
<S>	<C>	<C>	<C>
Rig No. 11<3>..	Bethlehem JU-200 (MC)	200	- Active
Rig No. 14<4>..	Baker Marine Big Foot (IS)	85	20,000 Shipyard
Rig No. 15	Baker Marine Big Foot III (IS)	100	20,000 Active
Rig No. 20	Bethlehem JU-100 (MC)	110	30,000 Active
Rig No. 21	Baker Marine BMC-125 (MC)	100	20,000 Active
Rig No. 22	Le Tourneau Class 51 (MC)	173	18,000 Active
Rig No. 25	Le Tourneau Class 150-44 (IC)	215	20,000 Active
Rig No. 43<3>..	Sun Contractors (IC)	55	- Stacked

<FN>

<F1> IC--independent leg, cantilevered; IS--independent leg, slot; MC--mat-

supported, cantilevered.

<F2> "Active" denotes that the rig is currently under contract or available for contract. "Stacked" denotes that the rig is currently cold stacked and would need to be refurbished at a significant cost before placed back into service.

<F3> Workover rig.

<F4> Rig No. 14, after being refurbished, was placed in service in September 1998.

</TABLE>

The following table presents the Company's utilization rates, rigs available for service and cold stacked rigs for fiscal years ended August 31, 1998 and 1997. With respect to the rigs purchased in the Mallard, Bolifor and Hercules acquisitions, the periods commence November 12, 1996, July 1, 1997 and December 30, 1997, respectively.

Subsequent to August 31, 1998, utilization rates for the Company's rigs have declined due to the market conditions discussed above.

<TABLE>
<CAPTION>

	1998	1997	
	----	----	
<S>	<C>	<C>	
Transition Zone Rig Data			
Domestic barge deep drilling:			
Rigs available for service <1>	7.9	6.2	
Utilization rate of rigs available for service <2>	95%	98%	
Cold stacked rigs <1>	2.0	2.4	
Domestic barge intermediate drilling:			
Rigs available for service <1>	4.6	3.3	
Utilization rate of rigs available for service <2>	83%	95%	
Domestic barge workover and shallow drilling:			
Rigs available for service <1>	8.6	7.0	
Utilization rate of rigs available for service <2>	62%	83%	
Cold stacked rigs <1> <3>	5.4	5.0	
International barge drilling:			
Rigs available for service <1>	3.0	2.8	
Utilization rate of rigs available for service <2>	98%	92%	
Cold stacked rigs <1>	1.0	0.4	
Offshore Rig Data			
Jackup Rigs:			
Rigs available for service <1> <4>	4.0	-	
Utilization rate of rigs available for service <2>	91%	-	
Cold stacked rigs <1>	1.0	-	
Platform Rigs:			
Rigs available for service <1>	4.0	1.1	
Utilization rate of rigs available for service <2>	78%	98%	
Cold stacked rigs <1>	1.0	1.3	

</TABLE>

<TABLE>

	1998	1997	
	----	----	
<S>	<C>	<C>	
Land Rig Data			
International Land Rigs:			
Rigs available for service <1>	49.0	43.1	

Utilization rate of rigs available for service <2>	81%	73%
Cold stacked rigs <1>	11.0	7.5

Domestic Land Rigs:

Rigs available for service <1>	14.6	15.4
Utilization rate of rigs available for service <2>	86%	87%

<FN>

<F1> The number of rigs is determined by calculating the number of days each rig was in the fleet, e.g., a rig under contract or available for contract for an entire year is 1.0 "rigs available for service" and a rig cold stacked for one quarter is 0.25 "cold stacked rigs." "Rigs available for service" includes rigs currently under contract or available for contract. "Cold stacked rigs" includes all rigs that are stacked and would require significant refurbishment before being placed into service.

<F2> Rig utilization rates are based on a weighted average basis assuming 365 days availability for all rigs available for service. Rigs acquired or disposed of have been treated as added to or removed from the rig fleet as of the date of acquisition or disposal. Rigs that are in operation or fully or partially staffed and on a revenue-producing standby status are considered to be utilized. Rigs under contract that generate revenues during moves between locations or during mobilization/demobilization are also considered to be utilized.

<F3> Includes one rig out of service five months due to damages to rig in fiscal 1998.

<F4> At 9/30/98, seven jackup rigs were available for service and one was cold stacked. One rig was under construction at 8/31/98.

</TABLE>

Item 3. LEGAL PROCEEDINGS

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

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to Parker Drilling Company security holders during the fourth quarter of fiscal year 1998.

Item 4A. EXECUTIVE OFFICERS

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

- (1) Robert L. Parker, 75, chairman, joined the Company in 1944 and was elected a vice president in 1950. He was elected president in 1954 and chief executive officer in October 1977. Since December 1991, he has retained the position of chairman.
- (2) Robert L. Parker Jr., 50, president and chief executive officer, joined the Company in 1973 as a contract representative and was named manager of U.S. operations later in 1973. He was elected a vice president in 1973, executive vice president in 1976 and was named president and chief operating officer in October 1977. In December 1991, he was elected chief executive officer.
- (3) James W. Linn, 52, executive vice president and chief operating officer, joined the Company in 1973. He has general charge of the Company's business affairs and its officers. Mr. Linn first served in the Company's international division and in 1976 was named northern U.S. district manager prior to being elected vice

president of U.S. and Canada operations in 1979. He was named a senior vice president in September 1981 and was elected to his current position in December 1991.

- (4) James J. Davis, 52, senior vice president-finance and chief financial officer, joined the Company in November 1991, in the stated positions. From 1986 through 1991, Mr. Davis was vice president and treasurer of MAPCO Inc., a diversified energy company with interests in natural gas liquids, marketing and transportation, oil refining and retail motor fuel marketing. He serves as a member of the board of directors of Dollar Thrifty Funding Corp.
- (5) W. Kirk Brassfield, 43, corporate controller and chief accounting officer, joined the Company in March 1998 in his stated position. From 1991 through March 1998, Mr. Brassfield served in various positions, including subsidiary controller and director of financial planning of MAPCO Inc., a diversified energy company. From 1979 through 1991, Mr. Brassfield served at the public accounting firm, KPMG Peat Marwick.

OTHER PARKER DRILLING COMPANY OFFICERS

- (6) I. E. Hendrix Jr., 54, vice president and treasurer, joined the Company in 1976 as manager of the Company's treasury department and was elected treasurer in 1978. Mr. Hendrix was elected vice president of the Company in April 1983. He serves as a member of the board of directors of American Performance Mutual Fund.
- (7) Kenneth R. Hoit, 61, vice president, financial planning, joined the Company in 1973. He served as financial analyst and manager of budgets and analysis prior to being elected a vice president in April 1983.
- (8) Leslie D. Rosencutter, 43, was elected vice president, administration, in December 1989, and has responsibility for the public relations and human resources departments. In March 1996, she was elected Corporate Secretary. She previously had been named assistant vice president, administration in 1987. She joined the Company in 1974 as secretary to the controller and later was secretary to the Robert L. Parker Trust. She has served as executive secretary and administrative assistant to the chairman prior to being elected an officer.
- (9) T. Bruce Blackman, 47, was elected vice president, Asia Pacific region in January 1996, and has responsibility for the international operations of the Company in this area. He joined the Company in 1977 and has held management positions in Africa and Singapore and international accounting manager in Tulsa. In 1983, he became division manager for Indonesia operations. In 1989, he was promoted to contract manager, Asia Pacific region.
- (10) John R. Gass, 47, was elected vice president, Frontier Areas in January 1996, and has responsibility for the international operations of the Company in Russia, North Africa, China and other areas. He joined the Company in 1977 and has served in various management positions in the Company's international divisions. In 1985, he became the division manager of Africa and the Middle East. In 1987, he directed the Company's mining operations in South Africa. In 1989, he was promoted to international contract manager.
- (11) Donald D. Goodson, 44, was elected vice president, Latin America region in January 1996, and has responsibility for international operations in this area. He joined the Company in 1976 and held various accounting and finance positions prior to being named contract manager for U.S. operations in 1981. In June 1989, Mr. Goodson was named Indonesia division manager. In July 1993, he was promoted to contract manager for the Middle East, Africa and Colombia.

- (12) Thomas L. Wingerter, 45, vice president, North America region, joined the Company in 1979. In 1983 he was named contracts manager for the Rocky Mountain division. He was promoted to Rocky Mountain division manager in 1984, a position he held until September 1991 when he was elected a vice president.

OTHER PARKER DRILLING COMPANY OFFICERS (continued)

- (13) T. Shelby Frink, 60, serves as vice president, Frontier Areas/international business development. He joined the Company in 1956 and has served in various operating and management positions. He became Western Hemisphere operations manager in 1975, Eastern Hemisphere operations manager in 1978, was elected vice president, drilling operations in 1981, became vice president, Eastern Hemisphere in 1986 and assumed his present position in 1993.
- (14) Phillip M. Burch, 47, was elected assistant treasurer in April 1983. He joined the Company in 1981 as a treasury analyst and currently is responsible for domestic and international cash management and corporate investments. In July 1992, he assumed additional responsibilities for risk management.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

Parker Drilling Company common stock is listed for trading on the New York Stock Exchange under the symbol PKD. At the close of business on August 31, 1998, there were 3,533 holders of record of Parker Drilling common stock. Prices on Parker Drilling's common stock for the fiscal years ending August 31, 1998 and 1997, were as follows:

<TABLE>
<CAPTION>

	Fiscal Year 1998		Fiscal Year 1997	
Quarter	High	Low	High	Low
First	\$17.9375	\$12.1875	\$10.2500	\$6.1250
Second	14.8750	8.8750	11.0000	7.8750
Third	12.0000	8.0625	10.0000	7.5000
Fourth	8.6250	4.0000	13.6875	9.3750

</TABLE>

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

Item 6. SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

Parker Drilling Company and Subsidiaries
(In Thousands Except Per Share Data)

Years Ended Aug. 31, 1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>

Revenues	\$ 481,223	\$ 311,644	\$ 156,652	\$ 157,371	\$ 152,424
Net income (loss)	\$ 28,092	\$ 16,315	\$ 4,053	\$ 3,916	\$ (28,806)
Earnings (loss) per share, diluted	\$.36	\$.23	\$.07	\$.07	\$ (.53)
Total assets	\$1,200,544	\$ 984,136	\$ 275,959	\$ 216,959	\$ 209,348
Long-term debt	\$ 630,090	\$ 551,042	\$ 2,794	\$ 1,748	\$ -

</TABLE>

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

OUTLOOK AND OVERVIEW

The fiscal 1998 results of operations were a significant improvement over fiscal 1997. This was due primarily to the continued strength of the barge drilling operations in the transition zones and most international land drilling markets. The addition of Hercules' shallow water and platform drilling business in the Gulf of Mexico, which acquisition closed in December 1997, also contributed to these positive results.

Despite the improvement of fiscal 1998 over fiscal 1997, during the last six months of fiscal 1998 the oilfield services industry experienced a significant decline in activity. This decline follows two years of high activity during which oil and gas companies had increased their exploration and production budgets in response to increasing demand and stronger oil and gas prices. The first half of fiscal 1998 reflects this increased demand through rig dayrates and utilization that were at 15-year highs with many segments at or near full utilization. During the second half of fiscal 1998 oil prices have declined to their lowest level in 25 years (adjusted for inflation).

The sharp drop in oil prices is the result of a surplus of crude oil in worldwide markets, which has been brought about by reduced demand, particularly in Southeast Asia, an increase in crude oil production by OPEC producing countries in mid to late 1997, and a relatively warm winter in the United States and Europe. The decline in crude oil prices has negatively impacted the revenues and profits of oil operators, who have responded by reducing exploration and development expenditures. This decline in spending has adversely affected the level of oil field activity, and in turn, the revenues of most companies in the oil field service industry. The impact of these market conditions has been felt most by the Company in the fourth quarter of fiscal 1998.

The decline in service activity has continued subsequent to the end of fiscal 1998. Utilization and dayrates have continued to decrease and the Company will incur a loss for the quarterly reporting period ending November 30, 1998. Management is not able to predict whether or not a further decline in activity will occur or when and to what extent the level of oilfield services will recover. Management believes that cash provided by operations and funds available under the Company's revolving credit facility will be adequate to meet working capital needs in 1999.

RESULTS OF OPERATIONS

Introduction

The Company's operations and future results have been altered significantly by the acquisitions of Mallard and Quail in November 1996, Bolifor in July 1997 and Hercules in December 1997. In addition to increasing the size and scope of the Company's operations, the Mallard, Quail and Hercules acquisitions increased the percentage of the Company's revenue generated domestically. The Company generated approximately 48% of its revenue from domestic sources in fiscal 1998.

The financings related to the Mallard and Quail Acquisitions in November 1996, combined with the Company's issuance of the Convertible Notes in July 1997 and \$150 million of Senior Notes in March 1998, have substantially increased the Company's debt levels. At August 31, 1998, the Company had \$651.6 million in total indebtedness, compared to \$3.4 million of total indebtedness at August 31, 1996. The substantial levels of debt will result in a higher level of interest expense and an increased percentage of the Company's cash flows being used for debt service and may limit the Company's ability to obtain additional financing for future acquisitions and capital expenditures. See "--Liquidity and Capital Resources."

For the foregoing reasons, the acquisitions of Mallard, Quail and Hercules will affect the comparability of the Company's historical results of operations.

Year Ended August 31, 1998 Compared to Year Ended August 31, 1997

The Company's net income of \$28.1 million in fiscal 1998 reflects an increase of \$11.8 million over the \$16.3 million recorded in fiscal 1997. Fiscal 1998 includes the entire year's results of operations of Mallard, Quail and Bolifor, the Company's fiscal 1997 acquisitions. Fiscal 1997 includes Mallard and Quail from their acquisition date of November 12, 1996 and Bolifor from its acquisition date of July 1, 1997. Additionally, fiscal 1998 includes the Hercules operating results from December 30, 1997, its date of acquisition. Fiscal 1998's improvement over 1997 reflects the strong drilling markets which existed primarily in the first half of the fiscal year. The Company's 1998 results include a net loss of \$1.1 million in the fourth quarter, a reflection of weakening demand in several of the Company's markets.

The Company's revenues increased \$169.6 million, to \$481.2 million, as each of the Company's market segments recorded an increase in revenues. The Company's acquisitions have substantially increased revenues and affected the comparability of the figures presented in each year. The table below indicates sources of revenue by each of the Company's acquisitions:

<TABLE>

<CAPTION>

Twelve Months ended August 31,

	1998	1997	
Land	---	---	

<S>	<C>	<C>	
Land (excluding acquisitions)		\$227,619	\$171,649
Bolifor	31,335	2,642	
Mallard	7,288	9,090	
	-----	-----	
Total Land Drilling Revenues		\$266,242	\$183,381
	-----	-----	
Offshore			

Mallard	\$132,296	\$100,217	
Hercules	48,027	-	
	-----	-----	
Total Offshore Drilling Revenues		\$180,323	\$100,217
	-----	-----	
Rental Tools			

Quail	\$ 32,723	\$ 25,457	
	-----	-----	

</TABLE>

Land drilling revenues marked an improvement of \$82.9 million due to increased revenues in each geographic area in which the Company operates. Latin America operations contributed an increase of \$47.5 million, to \$121.0 million. The rigs acquired in the Bolifor acquisition contributed \$28.7 million of the increase while operations in Colombia and Peru also reflected significant increases. Higher utilization and dayrates on certain of the rigs in these countries

RESULTS OF OPERATIONS 1998 AS COMPARED TO 1997 (continued)

contributed to the increase. Land drilling operations in Africa provided an increase in revenues of \$7.6 million due to the Company's operations in Niger in fiscal 1998. In the states comprising the former Soviet Union, the Company's revenues of \$19.8 million reflected an increase of \$12.9 million, due primarily to increased rig utilization in Kazakhstan. Additionally, the Company is presently relocating one rig from Pakistan to Kazakhstan for a contract in that country. In the Company's Asia Pacific land drilling operations, revenues increased \$8.6 million, where increased operating days in Papua New Guinea offset the fiscal 1997 completion of contracts in Vietnam and in the Philippines. In the United States, the Company's land drilling revenue increased \$6.3 million due primarily to higher average dayrates than in 1997. Although revenue increased in each of the markets noted in fiscal 1998 when compared to fiscal 1997, the Company has recently experienced declining utilization and dayrates in several markets as contracts have been completed. In particular, the Company's Asia Pacific operations, including Papua New Guinea and Indonesia, have seen a significant reduction in rig utilization and customer demand in the latter part of fiscal 1998.

The Company's offshore drilling segment's revenues increased \$80.1 million to \$180.3 million, \$48.0 million from revenue generated by rigs purchased in the Hercules acquisition and the balance due primarily to a full twelve months of the Mallard operations included in the fiscal 1998 year compared to approximately 9 1/2 months in fiscal 1997. Mallard's barge drilling operations in Nigeria experienced an increase in revenue of \$6.9 million to \$33.9 million, due in part to the full year of operations and near 100% utilization of the Company's three barge rigs presently in that country. The Company is currently mobilizing a rig which had previously operated in Nigeria in fiscal 1997 to the Caspian Sea where it will begin operations in 1999. Mallard's domestic drilling operations contributed to the increase in offshore revenues due to higher average dayrates and an increase in utilization days as the Mallard operations were included for the entire year in fiscal 1998. Weakness in Mallard's workover and remedial markets resulted in a reduction in revenue from these operations and offset some of the increase in revenues discussed above.

The Company's rental tool segment's revenues increased \$7.3 million due to the entire year's operations being included in fiscal 1998 and due to increased revenues contributed by the Company's new Victoria, Texas rental facility. These increases were offset by some weakening in rental tool demand in the Company's core offshore Louisiana market.

Profit margins (revenues less direct operating expenses) of \$169.5 million reflect an increase of \$61.1 million from the \$108.4 million recorded in fiscal 1997. The land and offshore drilling segments recorded profit margin percentages (as a percent of revenue) of 30% and 40% in fiscal 1998, respectively, percentages which are comparable to those recorded in fiscal 1997. The Company's rental tool business had a decrease in profit margin percentage from 66% to 58%, due in part to lower margins earned by the Company on the disposition on tools, higher discounts given on tool rentals and start-up costs at its new Victoria facility. The reduction in demand in certain markets which began in the second half of fiscal 1998 has materially reduced profit margins as a percent of revenue in the Company's fourth quarter when compared with the entire fiscal 1998.

RESULTS OF OPERATIONS 1998 AS COMPARED TO 1997 (continued)

Depreciation and amortization increased \$22.3 million, reflecting a full year of depreciation expense recorded on the assets purchased in the Mallard, Quail and Bolifor acquisitions compared to the partial year in fiscal 1997, depreciation expense related to the assets purchased in the Hercules acquisition in December 1997, and amortization of goodwill associated with the purchase price in excess of the fair market value of the assets purchased in the Mallard, Quail and Hercules acquisitions. These increases were somewhat offset by a change in the estimated useful life of the Company's land drilling fleet used for financial depreciation purposes from 10 to 15 years, resulting in a reduction of \$2.6 million in fiscal 1998 depreciation expense (see Note 1 of Notes to Consolidated Financial Statements). General and administrative

expense increased \$2.9 million, due in part to increased costs required to support the Company's expanded operations.

Interest expense increased \$16.5 million to \$49.4 million, as debt incurred in November 1996 and July 1997 to finance the Company's fiscal 1997 acquisitions remained outstanding all of fiscal 1998. This debt included the \$300 million Senior Notes issued in November 1996 and the \$175 million Convertible Notes issued in July 1997. Additionally, in March 1998, the Company issued \$150 million of 9 3/4 % Senior Notes, a portion of which was used to repay the \$83 million balance on the term loan of November 1996. These increases in interest expense were offset by \$3.5 million of interest charges capitalized to construction projects in fiscal 1998, compared to \$.2 million in the prior year. Non-operating other income of \$4.5 million reflects an increase of \$1.2 million which was attributable to the fiscal 1998 disposition of the Company's interest in OnSite Technology L.L.C. at a gain of \$4.6 million. Fiscal 1997's non-operating other income and expense included a \$1.6 million write down from a blowout which damaged barge Rig 52 and a \$1.1 million gain from the sale of a subsidiary, Parker Kinetic Designs, Inc.

Income taxes of \$16.4 million with an effective tax rate of 37% increased from the \$7.2 million and 31% effective rate the Company experienced in fiscal 1997. Increased revenues and taxable income from the Company's foreign operations were primarily responsible for the increased tax expense recorded in fiscal 1998.

RESULTS OF OPERATIONS

Year Ended August 31, 1997 Compared to Year Ended August 31, 1996

The Company's fiscal 1997 results of operations were significantly impacted by the acquisitions of Mallard Bay Drilling, Inc. for \$336.8 million and Quail Tools, Inc. for \$66.9 million in November 1996. The acquisitions added two new business segments to the Company's traditional land drilling business: offshore and transition zone drilling and workover services utilizing barge and platform rigs and the rental of specialized equipment used in drilling, production and workover applications.

The Company recorded net income of \$16.3 million in fiscal 1997 as compared to \$4.1 million in fiscal 1996. Increased land rig utilization and improved margins plus profit generated by the offshore and tool rental segments were partially offset by increased interest and depreciation and amortization expenses. The Company's results of operations included Mallard's and Quail's operations for the period from the acquisition date, November 12, 1996, through fiscal year end, August 31, 1997.

Total revenues of \$311.6 million in fiscal 1997 increased \$155.0 million, nearly doubling total revenues in fiscal 1996. Offshore drilling and tool rental, the two new business segments acquired in fiscal 1997, accounted for \$100.2 million and \$25.5 million, respectively, of the increase. Offshore drilling revenues were derived primarily from barge drilling activity in the transition zones of the U.S. Gulf Coast and Nigeria. The Company furnishes rental tools in both the Gulf of Mexico offshore and Gulf Coast land markets.

Total land drilling revenues increased \$38.2 million due to increased utilization and dayrates in several of the Company's primary land markets. Drilling revenues in the United States increased \$13.6 million due to increased dayrates and a 42% increase in operating days.

In Latin America, land drilling revenues increased \$15.0 million due to increased revenues in Peru, Colombia and Bolivia. Four rigs were active in Peru for most of fiscal 1997 as compared to an average of one rig active in fiscal 1996. At fiscal 1997 year end, the Company had eight rigs under contract in Colombia, where revenue increased from additional activity and increased dayrates. In July 1997, the Company acquired substantially all of the assets of Bolifor, a leading provider of land contract drilling services in Bolivia. Assets acquired included 11 land rigs located in Bolivia, Paraguay and Argentina.

RESULTS OF OPERATIONS 1997 AS COMPARED TO 1996 (continued)

Land drilling revenues in the Asia Pacific region increased \$9.4 million due to increased drilling services provided in Indonesia and increased rig utilization in Pakistan, where the Company had three rigs under contract at fiscal 1997 year end. Drilling activity in the former Soviet Union and Middle East countries remained nearly the same as in fiscal 1996. However, at fiscal year end, the Company was mobilizing one land rig to Niger for a one-rig contract and moving a land rig from Russia to Kazakhstan to begin a drilling program from a gravel island in the Caspian Sea. Additionally, the Company was modifying one of its barge rigs that previously operated in Nigeria, for service in the Caspian Sea.

Land drilling revenues generated a profit margin (revenue less direct operating expense) of \$54.5 million in fiscal 1997, an increase of \$14.0 million. Increased profit margins resulted from increased rig utilization and higher dayrates as previously discussed. The offshore drilling and tool rental segments acquired in fiscal 1997 generated profit margins of \$39.1 million and \$16.9 million, respectively.

The increased 1997 profit margins of \$75.0 million were somewhat offset by \$23.2 million higher depreciation and amortization expense and a \$32.7 million increase in interest expense. Higher depreciation and amortization expense was attributable to a combined \$19.0 million depreciation for Mallard and Quail and \$3.8 million of goodwill amortization in fiscal 1997. Increased interest expense resulted from \$400.0 million of debt incurred in November 1996 to finance the Mallard and Quail acquisitions and the issuance of \$175.0 million of Convertible Notes in July 1997.

A \$3.7 million increase in interest income was due to higher cash and cash equivalent levels maintained during the year. Other income decreased \$2.3 million due primarily to reduced gains on sales of assets in fiscal 1997. Included in other income was a \$1.6 million write down resulting from a blowout which damaged barge Rig No. 52 and a \$1.1 million gain from the sale of a subsidiary, Parker Kinetic Designs, Inc.

General and administrative expense decreased \$1.3 million principally due to non-recurring severance costs in fiscal 1996 associated with a reduction in corporate personnel. The increase in income tax expense was attributable to improved international operations and the addition in fiscal 1997 of offshore drilling in Nigeria and offset by a \$1.3 million reversal in fiscal 1997 of an income tax accrual in a country where the Company terminated operations.

Liquidity and Capital Resources

The Company had cash, cash equivalents and other short-term investments of \$55.3 million at August 31, 1998, a decrease of \$157.5 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. In fiscal 1998, operating activities provided cash of \$143.5 million, of which \$102.3 million was from net income plus non-cash charges, primarily depreciation and amortization of goodwill. The balance of the cash provided by operating activities as reflected on the Consolidated Statements of Cash Flows, \$41.2 million, is primarily related to changes in account balances of operating assets and liabilities. Other significant sources of cash included 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 and borrowings under the Company's revolving credit facility, which had an outstanding balance of \$20.0 million at fiscal year end. The disposition of the Company's investment in OnSite Technology L.L.C. and the sale of property, plant and equipment provided proceeds of \$8.0 million and \$5.5 million, respectively. Debt repayments during the year included \$90.0 million which fully repaid the Company's term loan and \$32.0 million borrowed under the Company's revolving credit facility.

Fiscal 1998 capital expenditures of \$196.1 million were the Company's highest since 1981, including new opportunities to invest significantly in

barge and land-based operations. Major barge rig projects included: (i) the modification of barge Rig 71 (re-numbered 257), which after completion of operations in Nigeria was transported to the U.S. Gulf Coast where it underwent modification 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. Significant projects related to the Company's land-based operations included: (i) the significant modification, including the conversion to an SCR electric rig and installation of a top drive, of a helicopter transportable rig for service in Bolivia; (ii) the modification of Rig 236 for service in Kazakhstan near the Aral Sea; and (iii) the construction of SCR electric Rig 254 for domestic service. During the year a new facility was constructed for Partech (Registered Trademark), the Company's manufacturing subsidiary, 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 \$300.0 million principal amount of 9 3/4% Senior Notes, Series B due November 2006 and a \$100.0 million term loan under the Senior Credit Facility.

In anticipation of funding the Hercules acquisition, in July 1997 the Company issued \$175.0 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.

Liquidity and Capital Resources (continued)

In March 1998, the Company issued \$150 million of 9 3/4% Senior Notes due November 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 facility was previously 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. All of the Series B and C notes were exchanged for new Series D notes, in May 1998. The form and terms were identical in all material respects.

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. At August 31, 1998, \$20 million was outstanding under the revolving credit facility and \$13.6 million in letters of credit had been issued. 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 the Company's accounts receivable and inventory. The revolving credit facility matures on December 31, 2000.

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 working capital needs and funds required for capital spending in 1999 will be met from existing cash and other short-term investments, cash provided by operations, prepayments received to offset construction expenditures (as discussed below) and from funds available under the Company's revolving credit facility. The Company anticipates cash requirements for capital spending will be substantially less in calendar year

1999 (anticipated \$100 million) than in fiscal year 1998 (\$196.1 million), although several of the Company's fiscal 1998 construction projects will span both years, in particular the construction of barge Rig 71/257 for service in the Caspian Sea and barge Rig 75 for service in Nigeria. Although the construction of barge Rig 71/257 requires significant capital spending in 1998 and 1999, the Company will receive prepayments from the operator to offset a substantial portion of the expenditures required to construct the rig. As noted, management anticipates that capital spending in calendar year 1999 will be less than in 1998 due in part to the magnitude of such expenditures in fiscal 1998 and also due to the depressed drilling markets discussed previously. Should drilling markets improve to such an extent that new opportunities for investment in the Company's rig fleet arise in excess of the Company's available cash, the Company may consider additional long-term debt or equity financing.

Other Matters

Business Risks

Internationally, the Company specializes in drilling in remote locations and under difficult geological or operating conditions. The Company's international services are primarily utilized by international and national oil companies in the exploration and development of reserves of oil. Domestically, the Company specializes in drilling deep wells in search of natural gas. Business activity is dependent on the exploration and development activities of the major, independent and national oil and gas companies that make up the Company's customer base. Generally, temporary fluctuations in oil and gas prices do not materially affect these companies' exploration and development activities, and consequently do not materially affect the operations of the Company. However, sustained increases or decreases in oil and natural gas prices could have an impact on customers' long-term exploration and development activities which in turn could materially affect the Company's operations. Generally, a sustained change in the price of oil would have a greater impact on the Company's international operations while a sustained change in the price of natural gas would have a greater effect on domestic operations.

Historically, due to the importance of oil revenue to most of the countries in which the Company operates, the Company's operations generally have not been negatively impacted by adverse economic and political conditions. However, there can be no assurances that such conditions could not have a material adverse effect in the future.

Year 2000

The Company plans to achieve and maintain Year 2000 compliance with a project consisting of seven phases. The phases include Awareness, Inventory, Assessment, Detailed Analysis, Compliance Testing, Remediation and Monitoring Compliance. Prior to establishing the Year 2000 project, the Company made a decision to replace most of its outdated systems with state-of-the-art integrated systems and standardized desktop systems. The Company spent much of 1997 replacing critical financial, human resources and payroll systems with new purchased software that is Year 2000 certified by the Information Technology Association of America. The Year 2000 problem was not the main reason for upgrading the information technology platform, however it will be beneficial in achieving Year 2000 compliance.

The Company has completed the initial awareness phase, inventory and assessment and partial testing of its core information technology systems. The inventory and assessment of non-information technology systems including telecommunication systems, business machines, security systems, premise equipment, rig equipment and other embedded chip technology is partially completed. The Company is surveying its critical supply chain and business partners to establish their state of readiness. It is expected that all critical systems testing and necessary remediation will be completed by the end of the second quarter of calendar 1999. The remainder of calendar 1999 will be devoted to monitoring compliance, developing and testing contingency plans.

At this time no system replacement dates were accelerated because of the Year 2000 problem. The cost to date for the project have been in internal

salaries and purchasing some testing software. The software costs to date are not deemed material. Approximately \$400,000 has been budgeted for the Year 2000 project in fiscal year 1999.

The Company is confident that its critical business and operations systems will be ready for the Year 2000. The greatest risks for Year 2000 problems include local accounting systems used in some countries, the telecommunications/utility infrastructures in many foreign countries and the vendor supply chain. Additional risks will be faced if key business partners, suppliers, banks, utilities, communications, transportation or government services are not compliant for the Year 2000. In the event the Company and/or its suppliers and vendors are unable to remediate the Year 2000 problem prior to January 1, 2000, operations of the Company could be significantly impacted. In order to mitigate this risk, the Company is developing a contingency plan to continue operations should it become necessary to do so. Such procedures are expected to include alternative suppliers, communications, and transportation plans. The contingency plan will be completed by the third quarter of calendar 1999.

Change in Fiscal Year

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

Indonesian Operations

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 Indonesian contractor have been delayed. The Company and the Indonesian 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.

Superior Energy Services, Inc. Acquisition

On October 28, 1998, Parker Drilling Company ("Parker") and Superior Energy Services, Inc. ("Superior") entered into an Agreement and Plan of Merger whereby Superior would become a wholly owned subsidiary of Parker. Superior, headquartered in Harvey, Louisiana, provides oil tool rentals, well plug and abandonment services, and other specialized products and services to oil companies operating in the Gulf of Mexico and Gulf Coast land regions. The Agreement and Plan of Merger, as amended, will be structured as a tax-free exchange of .975 of a share of Parker common stock for each share of Superior common stock. As a result of the transaction, Parker will issue approximately 28 million new shares and will then have approximately 105 million shares outstanding after the closing of the transaction.

The merger is subject to both Superior and Parker stockholder approval, Hart-Scott-Rodino clearance, the approval to increase the number of shares of authorized common stock by the Parker stockholders and certain other conditions. The necessary filings for Hart-Scott-Rodino clearance and the filing with the Securities and Exchange Commission of Parker's Registration Statement covering the Parker shares to be issued in the merger will be made as soon as practicable. Parker anticipates submitting the merger to its stockholders for approval at its annual meeting early next year. Subject to the Superior and Parker stockholder approvals and the satisfaction of the other conditions, it is anticipated that the transaction will be consummated in the first

calendar quarter of next year.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
Parker Drilling Company

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) of the Form 10-K, present fairly, in all material respects, the financial position of Parker Drilling Company and its subsidiaries at August 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) of the Form 10-K, present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Tulsa, Oklahoma
October 22, 1998

PARKER DRILLING COMPANY AND SUBSIDIARIES CONSOLIDATED STATEMENT OF OPERATIONS (In Thousands Except Earnings Per Share and Weighted Average Shares Outstanding)

<TABLE>

<CAPTION>

For the Years Ended August 31, 1998 1997 1996

<S>	<C>	<C>	<C>
Revenues:			
Land drilling	\$266,242	\$183,381	\$145,160
Offshore drilling	180,323	100,217	-
Rental tools	32,723	25,457	-
Other	1,935	2,589	11,492
Total revenues	481,223	311,644	156,652
Operating expenses:			
Land drilling	186,509	128,843	104,614
Offshore drilling	109,093	61,136	-
Rental tools	13,749	8,549	-

Other	2,365	4,722	11,824
Depreciation and amortization	68,574	46,256	23,061
General and administrative	17,273	14,414	15,756
	-----	-----	-----
Total operating expenses	397,563	263,920	155,255
	-----	-----	-----
Operating income	83,660	47,724	1,397
	-----	-----	-----
Other income and (expense):			
Interest expense	(49,389)	(32,851)	(135)
Interest income	5,732	5,367	1,642
Other	4,524	3,316	5,663
	-----	-----	-----
Total other income and (expense)	(39,133)	(24,168)	7,170
	-----	-----	-----
Income before income taxes	44,527	23,556	8,567
	-----	-----	-----
Income tax expense	16,435	7,241	4,514
	-----	-----	-----
Net income	\$ 28,092	\$ 16,315	\$ 4,053
	-----	-----	-----
Earnings per share,			
Basic	\$.37	\$.23	\$.07
Diluted	\$.36	\$.23	\$.07

Number of common shares used in computing earnings per share:

Basic	76,658,100	70,909,539	56,634,340
Diluted	77,789,390	71,760,543	57,261,491

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

</TABLE>

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

<TABLE>

<CAPTION>

August 31,	1998	1997
	-----	-----
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 45,254	\$ 209,951
Other short-term investments	9,999	2,838
Accounts and notes receivable, net of allowance for bad debts of \$3,073 in 1998 and \$3,153 in 1997	113,050	103,808
Rig materials and supplies	22,596	19,130
Other current assets	13,993	16,227
	-----	-----
Total current assets	204,892	351,954
	-----	-----
Property, plant and equipment, at cost:		
Drilling equipment	954,918	723,878
Rental equipment	35,702	28,264
Buildings, land and improvements	23,189	12,519
Other	27,207	21,586
Construction in progress	119,149	28,640
	-----	-----
	1,160,165	814,887
	-----	-----
Less accumulated depreciation and amortization	432,325	375,236
	-----	-----
Net property, plant and equipment	727,840	439,651

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

</TABLE>
<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in Thousands)

<CAPTION>

For the Years Ended August 31, 1998 1997 1996

<u><S></u>	<u><C></u>	<u><C></u>	<u><C></u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 28,092	\$ 16,315	\$ 4,053
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	68,574	46,256	23,061
Gain on disposition of property, plant and equipment	(2,289)	(1,292)	(5,416)
Gain on disposition of OnSite investment	(4,562)	-	-
Deferred tax expense	2,100	-	-
Other	3,992	4,201	307
Change in assets and liabilities:			
Accounts and notes receivable	8,886	(46,488)	8,057
Rig materials and supplies	(5,544)	(3,468)	(532)
Other current assets	3,065	(2,661)	1,493
Accounts payable and accrued liabilities	40,383	2,236	(1,504)
Accrued income taxes	1,128	(1,732)	1,108
Other assets	(306)	(4,895)	(656)
	-----	-----	-----

Net cash provided by operating
activities 143,519 8,472 29,971

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from the sale of property, plant and equipment	5,472	14,235	8,288
Capital expenditures	(196,078)	(87,426)	(30,836)
Acquisition of Mallard	-	(311,837)	-
Acquisition of Quail	-	(66,888)	-
Acquisition of Bolifor	(2,189)	(22,311)	-
Acquisition of Hercules	(195,599)	-	-
Proceeds from sale of OnSite investment	7,998	-	-
Purchase of short-term investments	(18,708)	(8,221)	(25,855)
Proceeds from sale of short-term investments	11,547	21,630	10,980
Other-net	(766)	(5,458)	(1,720)
	-----	-----	-----

Net cash used in
investing activities (388,323) (466,276) (39,143)

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

</TABLE>
<TABLE>

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

<CAPTION>

For the Years Ended August 31, 1998 1997

<S>	<C>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	\$204,692	\$557,040	\$ -
Proceeds from common stock offering	-	61,341	49,032
Principal payments under debt obligations	(124,287)	(12,284)	(367)
Repurchase of common stock	(302)	(432)	(382)
Proceeds from exercise of stock warrant	-	-	1,552
Other	4	352	323
Net cash provided by financing activities	80,107	606,017	50,158
Net increase (decrease) in cash and cash equivalents	(164,697)	148,213	40,986
Cash and cash equivalents at beginning of year	209,951	61,738	20,752
Cash and cash equivalents at end of year	\$ 45,254	\$209,951	\$ 61,738
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 46,892	\$ 21,116	\$ 145
Income taxes	\$ 13,207	\$ 8,973	\$ 3,406

Supplemental noncash financing activity:
 In fiscal 1996 the Company acquired computer and office equipment under capital lease arrangements totaling \$1.7 million.

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

</TABLE>

<TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
 Consolidated Statement of Stockholders' Equity
 (Dollars in Thousands)

<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
	Preferred stock	Capital in excess of stock	Retained earnings	Unearned (accumulated deficit)	Other- Restricted stock plan compensation
Balances, August 31, 1995	\$ -	\$ 9,287	\$205,310	\$(24,391)	\$(3,286)
Activity in employees' stock plans	-	36	1,008	-	1,829
Acquisition of stock from certain employees	-	(10)	(372)	-	-

Issuance of 400,000 common shares upon exercise of warrants at \$3.88 per share	-	67	1,485	-	-
Issuance of 9,050,000 common shares in public offering	-	1,508	47,524	-	-
Net income	-	-	-	4,053	-
	-----	-----	-----	-----	-----
Balances, August 31, 1996	-	10,888	254,955	(20,338)	(1,457)
Acquisition of Mallard Bay Drilling, Inc.	25,000	-	-	-	-
Conversion of preferred stock into common stock	(25,000)	509	24,491	-	-
Activity in employees' stock plans	-	32	1,239	-	1,180
Acquisition of stock from certain employees	-	(7)	(425)	-	-
Issuance of 8,146,600 common shares in public offering	-	1,358	59,983	-	-
Net income	-	-	-	16,315	-
	-----	-----	-----	-----	-----
Balances, August 31, 1997	-	12,780	340,243	(4,023)	(277)
Activity in employees' stock plans	-	20	1,152	-	277
Acquisition of stock from certain employees	-	(6)	(296)	-	-
Net income	-	-	-	28,092	-
	-----	-----	-----	-----	-----
Balances, August 31, 1998	\$ -	\$12,794	\$341,099	\$24,069	\$ -
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

The accompanying notes are an integral part of the consolidated financial statements.
</TABLE>

PARKER DRILLING COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

Operations - The Company provides land and offshore contract drilling services and rental tools on a worldwide basis to major, independent and foreign national oil companies. Parker's rig fleet consists of 34 barge drilling and workover rigs, eight offshore jackup rigs, six offshore platform rigs and 75 land rigs. The Company specializes in the drilling of deep and difficult wells, drilling in remote and harsh environments, drilling in transition zones and offshore waters and in providing specialized rental tools. The Company also provides a range of services that are ancillary to its principal drilling services, including engineering, logistics and construction, as well as various types of project management.

Drilling Contracts - The Company recognizes revenue and expenses on dayrate contracts as the drilling progresses (percentage-of-completion method) because the Company does not bear the risk of completion of the well. For meterage contracts, the Company recognizes the revenue and expenses upon completion of the well (completed-contract method).

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

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

Property, Plant and Equipment - The Company provides for depreciation of property, plant and equipment primarily on the straight-line method over the estimated useful lives of the assets after provision for salvage value. In the third quarter of fiscal 1998, 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 five percent salvage value for most of the major rig components, resulting in a reduction in fiscal 1998 depreciation expense of approximately \$2.6 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 offshore drilling equipment, 15 to 20 years, remained unchanged. The depreciable lives for certain other equipment, ranging from three to seven years, including drill pipe, also were not extended. The Company estimates the change in depreciable lives will result in a reduction in fiscal 1999 depreciation expense of \$5.2 million. When properties are retired or otherwise disposed of, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Management periodically evaluates the Company's assets to determine if they are not in excess of their net realizable value. Management considers a number of factors such as estimated future cash flows, appraisals and current market value analysis in determining net realizable value. Assets are written down to reflect any decrease in net realizable value below their net carrying value (see Note 9). In addition, interest totaling approximately \$3.5 million, \$.2 million and \$0 were capitalized in 1998, 1997 and 1996, respectively.

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

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

Other Long-term Obligations - Included in this account is the accrual of workers' compensation and deferred revenue related to prepayments received for certain daywork drilling revenues. These prepayments are recognized over the related contract term.

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

enacted tax rates in effect for the year in which the differences are expected to reverse.

Earnings (Loss) Per Share (EPS) - Statement of Financial Accounting Standard No. 128, "Earnings per Share," was implemented by the Company this fiscal year. The statement requires a presentation of both basic and diluted EPS. Basic earnings (loss) per share is computed by dividing net income (loss), as adjusted for dividends on preferred stock, by the weighted average number of common shares outstanding during the period. The effect of dilutive securities is included in the diluted EPS calculation when applicable. The EPS figures and the weighted average number of shares for all periods presented have been prepared in conformity with this new accounting standard.

Note 1 - Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk - Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of trade receivables with a variety of national and international oil and natural gas companies. The Company generally does not require collateral on its trade receivables. Such credit risk is considered by management to be limited, except as noted in the following, due to the large number of customers comprising the Company's customer base.

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.

The Company places substantially all its interest-bearing investments with major financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. At August 31, 1998, the Company had deposits in domestic banks in excess of federally insured limits of approximately \$3.8 million. In addition, the Company had deposits in foreign banks of \$5.4 million which are not federally insured.

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

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

Note 2 - Acquisitions

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

The acquisition has been accounted for by the purchase method of accounting, and the reported financial results include the Hercules operations from the date of acquisition. The excess of purchase price over the fair values of the net assets acquired was \$83.9 million and has been recorded as goodwill, which is being amortized on a straight-line basis over 30 years.

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.

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.

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, Nigeria, and Venezuela 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 operations 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 following unaudited pro forma information presents a summary of the annual consolidated results of operations of the Company and the acquired entities as if the acquisitions had occurred September 1, 1996.

<TABLE>

<CAPTION>

For the Years ended August 31, 1998 1997

	(Thousands Except Per Share Amounts)	
<S>	<C>	<C>
Revenues	\$506,627	\$403,993
Net income	\$ 30,876	\$ 7,129
Earnings per common share (diluted)	\$.40	\$.10

</TABLE>

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. The results of the acquisition were not material to the results of operations and, accordingly, not included in the table above.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Superior Energy Services, Inc. Acquisition (unaudited)

On October 28, 1998, Parker Drilling Company ("Parker") and Superior Energy Services, Inc. ("Superior") entered into an Agreement and Plan of Merger whereby Superior would become a wholly owned subsidiary of Parker. Superior, headquartered in Harvey, Louisiana, provides oil tool rentals, well plug and abandonment services, and other specialized products and services to oil companies operating in the Gulf of Mexico and Gulf Coast land regions. The Agreement and Plan of Merger, as amended, will be structured as a tax-free exchange of .975 of a share of Parker common stock for each share of Superior common stock. As a result of the transaction, Parker will issue approximately 28 million new shares and will then have approximately 105 million shares outstanding after the closing of the transaction.

The merger is subject to both Superior and Parker stockholder approval, Hart-Scott-Rodino clearance, the approval to increase the number of shares of

authorized common stock by the Parker stockholders and certain other conditions. The necessary filings for Hart-Scott-Rodino clearance and the filing with the Securities and Exchange Commission of Parker's Registration Statement covering the Parker shares to be issued in the merger will be made as soon as practicable. Parker anticipates submitting the merger to its stockholders for approval at its annual meeting early next year. Subject to the Superior and Parker stockholder approvals and the satisfaction of the other conditions, it is anticipated that the transaction will be consummated in the first calendar quarter of next year.

Note 3 - Long-term Debt

<TABLE>

<CAPTION>

August 31,	1998	1997

	(Dollars in Thousands)	
<S>	<C>	<C>
Senior Notes payable in November 2006 with interest of 9.75% payable semi-annually in May and November, net of unamortized discount of \$1,930 in 1998 and \$2,166 in 1997 (effective interest rate of 9.88%)	\$298,070	\$297,834
Senior Notes payable in November 2006 with interest of 9.75% payable semi-annually in May and November, net of unamortized premium of \$5,421 (effective interest rate of 8.97%)	155,421	-
Senior Credit Facility payable in quarterly payments until November 2002 with interest at prime plus 0.50% or LIBOR plus 1.75% to 2.25%	-	90,000
Convertible Notes payable in July 2004 with interest of 5.5% payable semi-annually in February and August	175,000	175,000
Revolving Credit Facility with interest at prime plus 0.50% or LIBOR plus 1.75% to 2.25% (7.4375% as of August 31, 1998)	20,000	-
Other	3,068	4,292
	-----	-----
Total debt	651,559	567,126
Less current portion	21,469	16,084
	-----	-----
Total long-term debt	\$630,090	\$551,042
	-----	-----

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The aggregate maturities of long-term debt for the five years ending August 31, 2003, are as follows (000's): 1999 - \$ 21,469; 2000 - \$ 696; 2001 - \$ 613; 2002 - \$ 285 and 2003 - \$5.

The Senior Notes, which mature in 2006, were initially issued in November 1996 and in March 1998 in amounts of \$300 million (Series B) and \$150 million (Series C), respectively. The \$300 million issuance was sold at a \$2.4 million discount while the \$150 million issuance was sold at a premium of \$5.7 million. In May 1998, a registration statement was filed by the Company which offered to exchange the Series B and C notes for new Series D Senior Notes. The form and terms of the Series D notes are identical in all material respects to the form and terms of the Series B and C notes, except for certain transfer restrictions and registration rights relating to the Series C Notes. All of the Series B and C notes were exchanged for new Series D notes per this offering. The notes have an interest rate of 9 3/4% and are guaranteed by

substantially all subsidiaries of Parker Drilling, all of which are wholly owned. The guarantees are joint and several, full, complete and unconditional. There are currently no restrictions on the ability of the subsidiaries to transfer funds to Parker Drilling in the form of cash dividends, loans or advances. Parker Drilling is a holding company with no operations, other than through its subsidiaries. The non-guarantors are inconsequential, individually and in the aggregate, to the consolidated financial statements and separate financial statements of the guarantors are not presented because management has determined that they would not be material to investors.

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

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. At August 31, 1998, \$20 million was outstanding under the revolving credit facility and \$13.6 million in letters of credit had been issued. 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 first lien on the Company's accounts receivable and inventory. The revolving credit facility matures on December 31, 2000.

The Senior Credit Facility also included a \$100 million term loan that was used to partially fund the Mallard and Quail acquisitions. The \$90 million which was outstanding at August 31, 1997 was fully repaid during fiscal 1998, \$83 million of which was from proceeds received in March 1998 from the issuance of the Senior Notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Each of the 9 3/4% Senior Notes, 5 1/2% Convertible Notes and the Senior Credit Facility contains customary affirmative and negative covenants, including restrictions on incurrence of debt and sales of assets. The Senior Credit Facility prohibits payment of dividends and the indenture for the 9 3/4% Senior Notes restricts the payment of dividends.

Note 4 - Income Taxes

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

<TABLE>
<CAPTION>

	Years Ended August 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
United States	\$ 7,682	\$ 4,231	\$ (4,623)
Foreign	36,845	19,325	13,190
	\$ 44,527	\$ 23,556	\$ 8,567

</TABLE>

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

<TABLE>
<CAPTION>

Years Ended August 31,			
	1998	1997	1996
<S>	<C>	<C>	<C>
Current:			
United States:			
Federal	\$ -	\$ 70	\$ -
State	50	215	-
Foreign	14,285	6,956	4,514
Deferred:			
United States:			
Federal	2,042	-	-
State	58	-	-
Foreign	-	-	-
	\$ 16,435	\$ 7,241	\$ 4,514

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 4 - Income Taxes (continued)

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

<TABLE>
<CAPTION>

Years Ended August 31,						
	1998		1997		1996	
	% of pretax Amount	% of income	% of pretax Amount	% of income	% of pretax Amount	% of income
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Computed expected tax expense	\$15,584	35%	\$ 8,245	35%	\$ 2,913	34%
Foreign tax at rates different than U.S.	1,389	3%	192	1%	29	-
Utilization of loss carryforwards	(1,973)	(4%)	(1,814)	(8%)	-	-
Limitation on recognition of tax benefit	-	-	-	-	1,572	19%
Other	1,435	3%	618	3%	-	-
Actual tax expense	\$16,435	37%	\$ 7,241	31%	\$ 4,514	53%

The components of the Company's tax assets and (liabilities) as of August 31, 1998 and 1997, are shown below (in thousands):

</TABLE>
<TABLE>
<CAPTION>

Domestic:	1998	1997
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss carryforwards	\$ 49,208	\$ 55,586

Reserves established against realization of certain assets	1,163	1,229	
Accruals not deducted for tax purposes		5,408	3,297
Property, plant and equipment	569	1,597	
	-----	-----	
	56,348	61,709	
Deferred tax liabilities:			
Property, plant and equipment		(65,279)	(17,623)
		-----	-----
Net deferred tax asset (liability)		(8,931)	44,086
Valuation allowance		(38,469)	(44,086)
		-----	-----
Deferred income tax liability		\$(47,400)	\$ -
		-----	-----
		-----	-----

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 4 - Income Taxes (continued)

At August 31, 1998, the Company had \$136,690,000 net operating loss carryforwards for tax purposes which expire over an eleven year period as follows: 2000, \$5,131,000; 2001, \$58,830,000; 2002, \$32,947,000; thereafter, \$39,782,000. The Company has recorded a valuation allowance of \$38,469,000 with respect to its deferred tax asset. However, the amount of the asset considered realizable could be different in the near term if estimates of future taxable income change.

Note 5 - Common Stock and Stockholders' Equity

Stock Plans

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

The 1994 Non-Employee Director Stock Option Plan ("Director Plan") provides for the issuance of options to purchase up to 200,000 shares of the Company's common stock. The option price per share is equal to the fair market value of a Parker Drilling share on the date of grant. The term of each option is ten years, and an option first becomes exercisable six months after the date of grant. Under the Director Plan, on the first trade day of each calendar year, each person who is then a non-employee director of the Company will be automatically granted an option to purchase 5,000 shares of common stock.

The 1994 Executive Stock Option Plan provides for the granting of a maximum of 2,400,000 shares to key employees and consultants of the Company and its subsidiaries through the granting of stock options, stock appreciation rights and restricted and deferred stock awards. The option price per share may not be less than 50% of the fair market value of a share on the date the option is granted, and the maximum term of a non-qualified option may not exceed fifteen years and the maximum term of an incentive option is ten years.

The 1997 Stock Plan is a "broad-based" stock plan that provides for the granting of a maximum of 4,000,000 shares to all employees and consultants of the Company who in the opinion of the board of directors are in a position to contribute to the growth, management and success of the Company through the granting of stock options and restricted stock awards. The option price per share may not be less than 100% of the fair market value on the date the option is granted for incentive options and not less than par value of a share of common stock for non-qualified options. The maximum term of an incentive option is ten years and the maximum term of a non-qualified option is fifteen years.

At August 31, 1998, 10,000 and 804,500 shares are available for granting under the 1994 Non-Employee Director Stock Option Plan, and the 1997 Stock Plan, respectively. All shares have been granted under the 1994 Executive Stock Option Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

<TABLE>
<CAPTION>

	1994 Director Plan		1997 Stock Plan		
	Weighted Average Exercise Shares	Price	Weighted Average Exercise Shares	Price	
<S>	<C>	<C>	<C>	<C>	
Shares under option:					
Outstanding at Sept. 1, 1995	15,000	\$ 4.563	-	-	\$ -
Granted	15,000	6.125	-	-	
Exercised	-	-	-	-	
Cancelled	-	-	-	-	
Outstanding at Aug. 31, 1996	30,000	5.344	-	-	
Granted	140,000	8.938	1,800,000	8.875	
Exercised	-	-	-	-	
Cancelled	-	-	-	-	
Outstanding at Aug. 31, 1997	170,000	8.303	1,800,000	8.875	
Granted	20,000	12.094	1,410,500	11.798	
Exercised	-	-	-	-	
Cancelled	-	-	(15,000)	12.188	
Outstanding at Aug. 31, 1998	190,000	\$ 8.702	3,195,500	\$ 10.149	

</TABLE>
<TABLE>
<CAPTION>

1994 Option Plan					
	Incentive Options		Non-Qualified Options		
	Weighted Average Exercise Shares	Price	Weighted Average Exercise Shares	Price	
<S>	<C>	<C>	<C>	<C>	
Shares under option:					
Outstanding at Sept. 1, 1995	733,000	\$ 4.500	140,000	\$ 2.250	
Granted	-	-	-	-	
Exercised	(57,000)	4.500	(29,652)	2.250	
Cancelled	-	-	-	-	
Outstanding at Aug. 31, 1996	676,000	4.500	110,348	2.250	
Granted	1,520,000	8.875	-	-	
Exercised	(62,000)	4.500	(30,348)	2.250	
Cancelled	-	-	-	-	
Outstanding at Aug. 31, 1997	2,134,000	7.616	80,000	2.250	
Granted	-	-	-	-	
Exercised	-	-	(2,000)	2.250	
Cancelled	-	-	-	-	
Outstanding at Aug. 31, 1998	2,134,000	\$ 7.616	78,000	\$ 2.250	

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

<TABLE>
<CAPTION>

Plan	Exercise Prices	Outstanding Options		
		Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
1994 Director Plan	\$ 4.563 - \$ 6.125	30,000	6.8 years	\$ 5.344
	\$ 8.875 - \$12.094	160,000	8.7 years	\$ 9.332
1994 Option Plan	\$ 4.500	614,000	6.3 years	\$ 4.500
Incentive Option	\$ 8.875	1,520,000	8.7 years	\$ 8.875
1994 Option Plan				
Nonqualified	\$ 2.250	78,000	11.3 years	\$ 2.250
1997 Stock Plan	\$ 8.875 - \$12.188	3,195,500	9.0 years	\$10.149

</TABLE>

<TABLE>
<CAPTION>

Plan	Exercise Prices	Exercisable Options	
		Number of Shares	Weighted Average Exercise Price
1994 Director Plan	\$ 4.563 - \$ 6.125	30,000	\$ 5.344
	\$ 8.875 - \$12.094	88,000	\$ 9.706
1994 Option Plan	\$ 4.500	614,000	\$ 4.500
Incentive Option	\$ 8.875	1,010,000	\$ 8.875
1994 Option Plan			
Nonqualified	\$ 2.250	78,000	\$ 2.250
1997 Stock Plan	\$ 8.875 - \$12.188	599,100	\$ 10.235

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 5 - Common Stock and Stockholders' Equity

The Company has three additional stock plans which provide for the issuance of stock for no cash consideration to officers and key non-officer employees. Under two of the plans, each employee receiving a grant of shares may dispose of 15 percent of his/her grant on each annual anniversary date from the date of grant for the first four years and the remaining 40 percent on the fifth year anniversary. These plans have a total of 11,375 shares reserved and available for granting. Shares granted under the third plan are fully vested no earlier than 24 months from the effective date of the grant and not later than 36 months. The plan has a total of 1,562,195 shares reserved and available for granting. No shares were granted under these plans in fiscal 1998 and 1997 while 18,000 shares were granted in fiscal 1996.

The fair market value of the common stock at date of grant which exceeds the option price of shares granted under any of the plans is recorded as deferred compensation and amortized to expense over the period during which

the restrictions lapse. Deferred compensation is shown as a deduction from stockholders' equity. All such costs have been fully amortized as of August 31, 1998.

During fiscal 1998, 1997 and 1996, the Company purchased 36,562, 42,875 and 59,347 shares, respectively, from certain of its employees who had received stock grants under the Company's stock plans. Total shares purchased from employees and treated as treasury stock are 402,607, 445,482 and 482,044 for the three years ended August 31, 1998. The Company acquired the shares at then current market prices (weighted average price was \$8.28 per share in fiscal 1998, \$10.08 per share in fiscal 1997 and \$6.44 per share in fiscal 1996). The proceeds were used to pay the employees' tax withholding obligations arising from the vesting of shares under the Plans.

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

<TABLE>
<CAPTION>

	1998	1997
	----	----
<S>	<C>	<C>
Net Income (In thousands):		
As reported	\$28,092	\$16,315
Pro forma	\$21,922	\$14,054
Earnings per share, diluted:		
As reported	\$.36	\$.23
Pro forma	\$.28	\$.20

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 5 - Common Stock and Stockholders' Equity (continued)

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

<TABLE>
<CAPTION>

<S>	<C>	<C>
Expected dividend yield	0.0%	
Expected stock volatility	39.1% in fiscal year 1996 and 1997	
	44.0% in fiscal year 1998	
Risk-free interest rate	5.4 - 6.7%	
Expected life of options	5 - 7 years	

</TABLE>

The fair value of options granted during fiscal years 1998, 1997 and 1996 under the Director Plan was \$115,000, \$605,000 and \$39,000, respectively. Options granted in fiscal 1997 had fair values of \$6,321,000 and \$8,100,200 under the 1994 Executive Stock Option Plan and the 1997 Stock Plan, respectively. Options granted in fiscal 1998 under the 1997 Stock Plan had fair values of \$8,585,100.

Stock Reserved For Issuance

The following is a summary of common stock reserved for issuance at fiscal year end:

<TABLE>
<CAPTION>

	1998	1997
	-----	-----
<S>	<C>	<C>

Stock Plans	7,985,570	7,987,570
Stock Bonus Plan	1,421,182	1,540,991
Convertible Notes	11,371,020	11,371,020
	-----	-----
Total shares reserved for issuance	20,777,772	20,899,581
	-----	-----
	-----	-----

</TABLE>

Stockholder Rights Plan

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 15% excludes one institutional stockholder that currently owns in excess of 15% of the outstanding common shares of the Company solely as an investment, unless such shareholder acquires in excess of 20% or otherwise gives notice of its intent to hold said shares to effect a change of control. When exercisable, each right will entitle the holder to purchase one one-thousandth share of the new series of junior participating preferred stock at an exercise price of \$30, subject to adjustment. If a person or group acquires 15% or more of the outstanding common shares of the Company, each right, in the absence of timely redemption of the rights by the Company, will entitle the holder, other than the acquiring party, to purchase for \$30, common shares of the Company having a market value of twice that amount.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Reconciliation of Income and Number of Shares Used to Calculate Basic and Diluted

Earnings Per Share (EPS)

<TABLE>
<CAPTION>

For the Twelve Months Ended August 31, 1998

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
	-----	-----	-----
<S>	<C>	<C>	<C>
Basic EPS:			
Income available to common stockholders	\$28,092,000	76,658,100	\$.37

Effect of Dilutive Securities:

Stock options and grants 1,131,290

Diluted EPS:

Income available to common stockholders + assumed conversions	\$28,092,000	77,789,390	\$.36
	-----	-----	----
	-----	-----	----

<CAPTION>

For the Twelve Months Ended August 31, 1997

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
	-----	-----	-----
<S>	<C>	<C>	<C>
Basic EPS:			
Income available to common stockholders	\$16,315,000	70,909,539	\$.23

Effect of Dilutive Securities:

Stock options and grants 851,004

Diluted EPS:

Income available to common stockholders + assumed conversions	\$16,315,000	71,760,543	\$.23
	-----	-----	----
	-----	-----	----

</TABLE>

<TABLE>

<CAPTION>

For the Twelve Months Ended August 31, 1996

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
	-----	-----	-----
<S>	<C>	<C>	<C>
Basic EPS:			
Income available to common stockholders	\$ 4,053,000	56,634,340	\$.07

Effect of Dilutive Securities:

Stock options and grants 627,151

Diluted EPS:

Income available to common stockholders + assumed conversions	\$ 4,053,000	57,261,491	\$.07
	-----	-----	----
	-----	-----	----

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 have been outstanding since their issuance in July 1997 but were not included in the computation of diluted EPS because the assumed conversion of the notes would have had an anti-dilutive effect on EPS. In addition, options to purchase 995,500, 400,000 and 20,000 shares of common stock at \$12.1875, \$10.8125 and \$12.0938, respectively, which were outstanding during part of the period were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares during the period.

The Parker Drilling Company Stock Bonus Plan ("Plan") was adopted effective September 1980 for employees of Parker Drilling and its subsidiaries who are U.S. citizens and who have completed one year of service with the Company. It was amended in 1983 to qualify as a 401(k) plan under the Internal Revenue Code which permits a specified percentage of an employee's salary to be voluntarily contributed on a before-tax basis and to provide for a Company matching feature. Participants may contribute from one percent to 15 percent of eligible earnings and direct contributions to one or more of seven investment funds. The Company presently makes dollar-for-dollar matching contributions up to three percent of a participant's compensation. The Company's matching contribution is made in Parker Drilling common stock. The Plan was amended and restated on April 1, 1996 for the purpose of adding loans and daily record keeping. The Plan was further amended effective September 1, 1996 to provide for immediate vesting of participants in the full amount of the Company's past and future contributions. Each Plan year, additional Company contributions can be made, at the discretion of the Board of Directors, in amounts not exceeding the permissible deductions under the Internal Revenue Code. The Company issued 119,809 shares to the Plan in 1998, 100,777 shares to the Plan in 1997 and 104,700 shares in 1996, with the Company recognizing expense of \$1,167,000, \$930,000 and \$639,000 in each of the three years, respectively.

Note 8 - Business Segments

The Company has elected early application of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company has organized its segments according to services provided. This is the basis management uses for making operating decisions and assessing performance. The primary services the Company provides are as follows: land drilling, offshore drilling and rental tools.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 8 - Business Segments (continued)

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

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
	(Dollars in Thousands)		
Operations by Industry Segment			

<S>	<C>	<C>	<C>
Revenues:			
Land drilling	\$ 266,242	\$183,381	\$145,160
Offshore drilling	180,323	100,217	-
Rental tools	32,723	25,457	-
Other	1,935	2,589	11,492
	-----	-----	-----
Total revenues	\$ 481,223	\$311,644	\$156,652
	-----	-----	-----
Operating income (loss):			
Land drilling	\$ 35,998	\$ 17,325	\$ 2,069
Offshore drilling	36,669	20,514	-
Rental tools	11,551	12,229	-
Other	(558)	(2,344)	(672)
	-----	-----	-----
Total operating income (loss)	83,660	47,724	1,397
Interest expense	(49,389)	(32,851)	(135)
Other income (expense) - net	10,256	8,683	7,305
	-----	-----	-----
Income before income taxes	\$ 44,527	\$ 23,556	\$ 8,567
	-----	-----	-----

Identifiable assets:			
Land drilling	\$ 288,795	\$245,216	\$175,258
Offshore drilling	568,166	300,852	-
Rental tools	44,040	36,600	-
Other	15,984	17,664	5,093
	-----	-----	-----
Total identifiable assets	916,985	600,332	180,351
Corporate assets	283,559	383,804	95,608
	-----	-----	-----
Total assets	\$1,200,544	\$984,136	\$275,959
	-----	-----	-----
	-----	-----	-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 8 - Business Segments (continued)

</TABLE>
<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
	(Dollars in Thousands)		

Operations by Industry Segment

<S>	<C>	<C>	<C>
Capital expenditures:			
Land drilling	\$ 49,581	\$ 37,907	\$ 29,946
Offshore drilling	131,070	35,577	-
Rental tools	14,133	11,538	-
Other	1,294	2,404	890
	-----	-----	-----
Total capital expenditures	\$ 196,078	\$ 87,426	\$ 30,836
	-----	-----	-----
Depreciation and amortization:			
Land drilling	\$ 26,945	\$ 22,217	\$ 20,208
Offshore drilling	33,059	17,672	-
Rental tools	6,943	4,311	-
Other	1,627	2,056	2,853
	-----	-----	-----
Total depreciation and amortization	\$ 68,574	\$ 46,256	\$ 23,061
	-----	-----	-----
	-----	-----	-----

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 8 - Business Segments (continued)

<TABLE>
<CAPTION>

	1998	1997	1996
	-----	-----	-----
	(Dollars in Thousands)		

Operations by Geographic Area

<S>	<C>	<C>	<C>
Revenues:			
United States	\$ 231,744	\$145,294	\$ 41,743
South America	121,048	73,545	59,041
Asia Pacific	65,867	57,688	47,857

Africa	42,778	28,201	463
Former Soviet Union	19,786	6,916	7,548
	-----	-----	-----
Total revenues	\$ 481,223	\$311,644	\$156,652
	-----	-----	-----
	-----	-----	-----
Operating income (loss):			
United States	\$ 39,715	\$ 22,622	\$ (8,988)
South America	9,701	1,838	4,802
Asia Pacific	18,005	15,728	7,943
Africa	12,381	6,582	(27)
Former Soviet Union	3,858	954	(2,333)
	-----	-----	-----
Total operating income	\$ 83,660	\$ 47,724	\$ 1,397
	-----	-----	-----
	-----	-----	-----
Identifiable assets:			
United States	\$ 790,510	\$680,020	\$135,923
South America	145,256	119,617	82,292
Asia Pacific	83,854	82,930	46,683
Africa	82,041	89,682	2,530
Former Soviet Union	98,883	11,887	8,531
	-----	-----	-----
Total identifiable assets	\$1,200,544	\$984,136	\$275,959
	-----	-----	-----
	-----	-----	-----

</TABLE>

One customer, Chevron, accounted for approximately 15 and 13 percent of total revenues in 1998 and 1997. Chevron and British Petroleum, respectively, accounted for approximately 19 percent and 18 percent of total revenue in 1996. Operating income (loss) is total revenue less operating expenses including depreciation and amortization and an allocation of general corporate expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 9 - Assets Held for Disposition

In fiscal 1996 the Company reclassified to assets held for disposition six rigs and related equipment located in southern Argentina which had a net book value of \$5.6 million at August 31, 1998. Although the Company believes it will recover the carrying value of the assets, it is reasonably possible that a lesser amount will be recovered.

Note 10 - Commitments and Contingencies

At August 31, 1998, the Company had a \$75 million revolving credit facility available for general corporate purposes and to support letters of credit. At August 31, 1998, \$20 million was outstanding under the revolving credit facility and \$13.6 million in letters of credit had been issued.

Certain officers of the Company entered into Severance Compensation and Consulting Agreements with the Company in 1988 and 1992. In October 1996, the officers executed revised Severance Compensation and Consulting Agreements (the "Agreements"). The Agreements provide for an initial six year term and the payment of certain benefits upon a change of control (as defined in the Agreements). A change of control includes certain mergers or reorganizations, changes in the board of directors, sale or liquidation of the Company or acquisition of more than 15% of the outstanding common stock of the Company by a third party. After a change of control occurs, if an officer is terminated within four years without good cause or resigns within two years for good reason (as each are defined in the Agreements) the officer shall receive a payment of three times his annual cash compensation, plus additional compensation for a one year consulting agreement at the officer's annual cash compensation, plus extended life, health and other miscellaneous benefits for four years.

The drilling of oil and gas wells is subject to various federal, state,

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 11 - Related Party Transactions

During fiscal 1998, the Company surrendered for its cash surrender value of \$2.0 million, an insurance policy it owned on the life of Mr. R. L. Parker, chairman and a principal stockholder. The Company was the beneficiary of this policy which was issued pursuant to a Stock Purchase Agreement ("Agreement") approved by vote of the stockholders at the 1975 Annual Meeting on December 10, 1975. This Agreement was entered into between the Company and the Robert L. Parker Trust and provided that upon the death of Robert L. Parker, the Company would be required, at the option of the Trust, to purchase from the Trust at a discounted price the amount of Parker Drilling common stock which could be purchased with the proceeds of the policy of \$7,000,000. On August 3, 1994, the Company and the Trust modified this Agreement so that the Company would have the option but not the obligation to purchase the stock at a discounted price with the proceeds or to retain the entire proceeds upon the death of Robert L. Parker, thereby enabling the Company to surrender the policy for its cash surrender value.

As a part of the agreement to terminate the option held by the Trust and to grant the Company a limited option to purchase stock at a discounted price, the Company has also agreed to pay a premium of \$655,019 annually for a split dollar last-to-die life insurance policy on Robert L. Parker and Mrs. Robert L. Parker. Upon the deaths of Mr. Parker and Mrs. Parker, the Company will be reimbursed by the Robert L. Parker Sr. and Catherine M. Parker Family Trust from the proceeds of the policy for the full amount of premiums paid plus interest at the one-year treasury bill rate on the premiums paid after fiscal year 1999. Robert L. Parker and the Company agreed in October 1996 that the Company would cash surrender a \$500,000 Executive Life policy on his life and, in exchange, the interest on the above-described policy would not begin accruing until March 2003. Additionally, Robert L. Parker Jr., Chief Executive Officer of the Company and son of Robert L. Parker, will receive as a beneficiary of the Trust one-third of the net proceeds of this policy. The face value of the policy is \$13,200,000.

Note 12 - Supplementary Information

At August 31, 1998, accrued liabilities included \$13.8 million of accrued interest expense, \$3.3 million of workers' compensation liabilities and \$10.4 million of accrued payroll and payroll taxes. At August 31, 1997, accrued liabilities included \$10.2 million of accrued interest expense, \$1.7 million of workers' compensation liabilities and \$5.6 million of accrued payroll and payroll taxes. Other long-term obligations included \$6.2 million and \$5.6 million of workers' compensation liabilities as of August 31, 1998 and 1997,

respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 13 - Selected Quarterly Financial Data (Unaudited)

<TABLE>
<CAPTION>

	Quarter					
	First	Second	Third	Fourth	Total	
(Dollars in Thousands Except Per Share Amounts)						
FISCAL 1998						

<S>	<C>	<C>	<C>	<C>	<C>	
Revenues	\$109,880	\$125,217	\$122,852	\$123,274	\$481,223	
Gross profit <1>	\$ 28,715	\$ 28,508	\$ 27,634	\$ 16,076	\$100,933	
Operating income	\$ 24,600	\$ 24,078	\$ 22,920	\$ 12,062	\$ 83,660	
Net income (loss)	\$ 10,682	\$ 12,226	\$ 6,250	\$ (1,066)	\$ 28,092	
Earnings per share:						
Basic	\$.14	\$.16	\$.08	\$ (.01)	\$.37	
Diluted	\$.14	\$.16	\$.08	\$ (.01)	\$.36 <2>	

<CAPTION>

	Quarter					
	First	Second	Third	Fourth	Total	
(Dollars in Thousands Except Per Share Amounts)						
FISCAL 1997						

<S>	<C>	<C>	<C>	<C>	<C>	
Revenues	\$45,198	\$79,042	\$91,953	\$95,451	\$311,644	
Gross profit <1>	\$ 6,594	\$13,037	\$21,699	\$20,808	\$ 62,138	
Operating income	\$ 3,196	\$ 9,634	\$18,338	\$16,556	\$ 47,724	
Net income	\$ 1,479	\$ 1,336	\$ 5,897	\$ 7,603	\$ 16,315	
Earnings per share:						
Basic	\$.02	\$.02	\$.08	\$.10	\$.23 <2>	
Diluted	\$.02	\$.02	\$.08	\$.10	\$.23 <2>	

<FN>

<1> Gross profit is calculated by excluding General and administrative expense from Operating income, as reported in the Consolidated Statement of Operations.

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

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

This item is not applicable to the Company in that disclosure is required

under Regulation S-X by the Securities and Exchange Commission only if the Company had changed independent auditors and, if it had, only under certain circumstances.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item as it relates to executive officers is shown in Item 4A "Executive Officers." The Company's directors consist of the following individuals:

ROBERT L. PARKER

Age 75

Director Since 1969

Mr. Parker, chairman of the board, served as president of the Company from 1954 until October 1977 when he was elected chief executive officer. Since December 1969 he has retained the position of chairman. He also serves on the board of directors of Clayton Williams Energy, Inc., a company engaged in exploration and production of oil and natural gas; BOK Financial Corporation, a bank holding company organized under the laws of the State of Oklahoma; and Norwest Bank Texas, Kerrville, N.A., a diversified financial services organization. He is the father of Robert L. Parker Jr.

ROBERT L. PARKER JR.

Age 50

Director Since 1973

Mr. Parker Jr., president and chief executive officer, joined the Company in 1973 and was elected president and chief operating officer in 1977 and chief executive officer in December 1991. He previously was elected a vice president in 1973 and executive vice president in 1976. He currently serves on the board of directors of Alaska Air Group, Inc., the holding company for Alaska Airlines and Horizon Air Industries. He is the son of Robert L. Parker.

DAVID L. FIST

Age 67

Director Since 1986

Mr. Fist is a member of the law firm of Rosenstein, Fist & Ringold, Tulsa, Oklahoma, having been associated with the firm since 1955. He serves as a director of Peoples State Bank and Alliance Business Investment Company, a federally licensed small business investment company.

JAMES W. LINN

Age 52

Director Since 1991

Mr. Linn is executive vice president and chief operating officer of the Company and has general charge of the Company's business affairs and its officers. He joined the Company in 1973 in the Company's international department. He then served in the Company's domestic operations, being named Northern U.S. district manager in 1976. He was named a senior vice president in September 1981 and was elected to his present position in December 1991. He is also a director of Sarkeys Energy Center, University of Oklahoma.

R. RUDOLPH REINFRANK

Age 43

Director Since 1993

Since January 1, 1997, Mr. Reinfrank has been Managing General Partner of Radar Reinfrank & Co., LLC Beverly Hills, California. From May 1993 through December 1996, Mr. Reinfrank was a managing director of the Davis Companies. From January 1, 1988 through June 30, 1993, Mr. Reinfrank was executive vice president of Shamrock Holdings, Inc.

EARNEST F. GLOYNA

Age 77

Director Since 1978

Dr. Gloyna is presently a chaired professor in Environmental Engineering at

The University of Texas at Austin. He served as dean, College of Engineering, from April 1970 to August 1987. He is also a consultant in environmental engineering through Earnest F. Gloyna Enterprises, and is president of Gloyna Properties, Inc. Dr. Gloyna serves as a member of the board of trustees of Southwest Research Institute, a nonprofit research institute, and on the Science and Technology Advisory Board of International Isotopes, Inc.

BERNARD DUROC-DANNER

Age 45

Director Since 1996

Mr. Duroc-Danner is chairman, president and chief executive officer of Weatherford International, Inc., having held said position since May 1998. For the previous five years, he held the positions of president, chief executive officer and director of Energy Ventures, Inc. ("EVI"), which acquired Weatherford Enterra, Inc. in 1998 and subsequently changed its name to Weatherford International, Inc. Weatherford is an international manufacturer and supplier of oilfield equipment.

JAMES E. BARNES

Age 64

Director Since 1998

Mr. Barnes previously served as chairman, president and chief executive officer of MAPCO Inc., a diverse Fortune 500 energy company, which merged earlier this year with The Williams Companies. Mr. Barnes also serves on the boards of Kansas City Southern Industries, Inc., BOK Financial Corp., and SBC Communications Inc.

Item 11. EXECUTIVE COMPENSATION

MEETINGS, COMMITTEES AND COMPENSATION OF THE BOARD

The full board of directors met seven times during fiscal year 1998 and one time during the period September 1, 1998 through November 30, 1998. The committees of the board consist of an audit committee and a compensation committee. The board does not have a nominating committee. All directors attended each meeting of the board and committees on which they served, except for Mr. Duroc-Danner who was unable to attend the October 1998 board meeting.

The audit committee was comprised of Dr. Gloyna and Mr. Fist. The audit committee met one time in fiscal 1998 and one time in October 1998 for the purpose of reviewing and discussing with the independent auditors the scope and results of their audit, meeting with the internal audit manager to discuss future audit policy, reviewing the internal and external audit policies, and inquiring into financial, legal and other relevant matters.

The compensation committee was comprised of Messrs. Fist and Reinfrank. The compensation committee convened two times in fiscal 1998 and one time in November 1998 for the purpose of reviewing executive and overall employee compensation and management recommendations for employee participation in the Company's equity compensation plans and discussing future compensation policies.

The Company compensated all directors at a rate of \$2,000 for board meetings during fiscal year 1998 and awarded each of the directors \$500 as a holiday bonus. In addition, committee members received \$1,000 for each meeting. Directors who are not full-time employees of the Company receive an annual retainer of \$7,000 per year. Compensation for employee directors is included in the salary column of the Summary Compensation Table herein. On January 2, 1998, each non-employee director was issued an option to purchase 5,000 shares of common stock at a purchase price equal to the fair market value per share of the common stock on such date.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The compensation committee of the board of directors is comprised of two outside directors, Mr. David Fist and Mr. R. Rudolph Reinfrank. The Committee formally convened three times during the period September 1, 1997 through November 30, 1998 in addition to contacts by telephone and correspondence to

discuss and share information necessary to establish, review and recommend the compensation policies and programs for officers and key employees.

COMPENSATION GUIDELINES

The committee has established guidelines to attract, motivate and retain a talented executive team with the necessary skills and expertise to lead an international drilling service company, whose performance is essential to meet the business goals of efficient management and to maximize the value of the stockholders' investments. The guidelines are:

- (1) Provide competitive cash compensation commensurate with individual contributions, level of responsibility and results in adapting to current market conditions and improving stockholder value;
- (2) Reward executive officers and key employees for exceptional performance with regard to the business performance of the Company; and
- (3) Utilize incentive stock options to motivate executive officers and other key employees toward effective management of the Company's operations that produces long-term profitability.

One of the principal factors used by the committee in making recommendations on compensation is an analysis of how the Company compensates its executive officers and key employees in comparison with its peers. Due to the acquisitions over the last two years, the companies which are most similar to the Company's drilling operations in terms of equipment, areas, types of operations and customer base now consist of: Nabors Industries, Rowan Companies, Noble Drilling Corp., Helmerich & Payne, Pool Energy Services, Pride International and R&B Falcon. The committee compared the peer companies on the basis of "fixed annual pay", variable pay such as bonuses and stock options and total direct compensation of the top five executive officers individually and as a group. The committee also compared the Company's financial performance and cumulative stockholder returns to those of the peer companies, as well as to the indices on the Company's performance graph.

Although base salary compensation is not directly tied to specific formulas and some subjectivity is involved, the Company takes into consideration performance based on the level of responsibility. Each executive officer's and key employee's performance is reviewed by his or her immediate supervisor based on initiative, business judgment, technical expertise and management skills. More specifically, the ability to execute the Company's plans and react to unanticipated change in events is considered. In addition, the committee considered the recent downturn in business and projected level of activity and cash needs for the coming year. Based on the foregoing, the committee agreed with management's recommendation to freeze salaries of the executive officers and key employees for the coming fiscal year.

The second aspect of compensation considered by the committee is short term incentive compensation in the form of bonuses. This year the Company adopted an incentive bonus plan that rewards the performance of management and certain operations personnel based on actual financial and operating performance as compared to budget. The bonus calculation is weighted based on several performance measures, including cash flow, net income, return on capital employed and reductions in working capital. Because certain factors which affect the performance of the Company, such as the price of oil, level of exploration and development activity and worldwide economic conditions, are beyond the control of management and operations' personnel, there is also a subjective element involved in the process of determining bonuses recommended by management. Due to the decline in exploration and drilling activity during the second half of the fiscal year, the incentive compensation performance measures generally under performed budget. Consequently, management recommended and the committee agreed that incentive bonuses be paid, but at a level generally lower than the historical base levels.

With regard to equity incentives, the Committee concurred with management regarding the following options granted during fiscal 1998: (1) 50,000 stock options to the new controller, W. Kirk Brassfield, as part of his compensation package; (2) 200,000 and 150,000 stock options to Messrs. Seward and Hord, the president and vice president, respectively, of Hercules Offshore Corporation, in connection with the retention of said management when Hercules was acquired by the Company on December 30, 1997; and (3) the issuance of 1,010,500 stock

options to 83 middle management and other key employees consistent with the incentive compensation policy of the Company.

In evaluating the need for additional equity incentives to the executive officers and the key employees, the Committee considered the current incentive equity compensation of said personnel. After completing this evaluation process, the Committee decided to defer any recommendations at the present time.

Chief Executive Officer

Robert L. Parker Jr. serves as the chief executive officer of the Company. The committee reviewed Mr. Parker's base salary, bonuses and participation in stock option plans for fiscal years 1996, 1997 and 1998 and compared those remuneration figures with the total annual cash compensation figures for the chief executive officers of the peer companies. In addition, the committee reviewed the financial performance and cumulative total return to stockholders of the peer companies and compared those results to the financial performance and cumulative total return to stockholders of the Company. Based on this analysis, the committee concluded that Mr. Parker's overall compensation package was comparable to the chief executive officers of the peer companies whose performance and business was most similar to that of the Company. Additionally, the Committee discussed Mr. Parker's personal performance over the past 12 months including the assimilation of Hercules Offshore Corporation into the Company, business developments and strategic planning, as well as his continued excellent reputation and contacts in the drilling industry. Based on its evaluation of these factors, the committee determined that Mr. Parker's existing incentive equity participation was adequate.

COMPLIANCE WITH INTERNAL REVENUE CODE SECTION 162(m)

Section 162(m) of the Internal Revenue Code imposes, for 1995 and future years, a limitation on the deductibility of certain executive officer compensation in excess of \$1,000,000, subject to certain performance-related exceptions. The compensation committee has not yet adopted a formal policy with respect to qualifying compensation paid to its executive officers for an exemption from the limitation on deductibility imposed by Section 162(m) of the Internal Revenue Code. The committee anticipates that all compensation paid to its executive officers during 1998 will qualify for deductibility because no executive's compensation is expected to exceed the dollar limitations of such provision.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Mr. David L. Fist, a director of the Company and chairman of the compensation committee, is a lawyer with Rosenstein, Fist & Ringold, Tulsa, Oklahoma, a professional legal services corporation, which provides legal services for the Company. The fees paid by the Company to this firm constituted less than five percent of the firm's gross revenues during the latest fiscal year.

The following table sets forth information concerning compensation for services rendered in all capacities to the Company by the chief executive officer and the three next most highly compensated executive officers of the Company (collectively, the "Named Executive Officers") for each of the three fiscal years ended August 31, 1998, 1997 and 1996.

<TABLE>
<CAPTION>

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		
		Salary (\$)<1>	Other Annual Bonus (\$)	Compensation (\$)<2>
<S>	<C>	<C>	<C>	<C>
Robert L. Parker, Jr. President and Chief Executive Officer	1998	\$ 498,910	\$ 150,000	\$ -
	1997	\$ 511,500	\$ 100,000	-

	1996	\$ 476,583	\$ 80,000	-
Robert L. Parker Chairman	1998	\$ 465,705	\$ 50,000	\$ 67,336
	1997	\$ 461,500	-	\$ 96,975
	1996	\$ 447,417	-	\$ 81,660
James W. Linn Executive Vice President and Chief Operating Officer	1998	\$ 313,538	\$ 85,000	-
	1997	\$ 315,167	\$ 75,000	-
	1996	\$ 269,417	\$ 50,000	-
James J. Davis Senior Vice President - Finance and Chief Financial Officer	1998	\$ 206,192	\$ 75,000	-
	1997	\$ 200,667	\$ 65,000	-
	1996	\$ 189,833	\$ 40,000	-

</TABLE>

<TABLE>
<CAPTION>

Summary Compensation Table

Long-Term
Compensation Awards

Name and Principal Position	Year	Restricted Securities		
		Stock Award (s)(\$)	Underlying Options/ SARs(#)	All Other Compensation (\$)
Robert L. Parker, Jr. President and Chief Executive Officer	1998	-	-	\$ 10,552
	1997	-	600,000	\$ 10,396
	1996	-	-	\$ 12,283
Robert L. Parker Chairman	1998	-	-	\$ 344,750
	1997	-	400,000	\$ 361,710
	1996	-	-	\$ 382,249
James W. Linn Executive Vice President and Chief Operating Officer	1998	-	-	\$ 8,765
	1997	-	300,000	\$ 8,607
	1996	-	-	\$ 9,974
James J. Davis Senior Vice President - Finance and Chief Financial Officer	1998	-	-	\$ 8,324
	1997	-	300,000	\$ 8,167
	1996	-	-	\$ 9,544

</TABLE>

[FN]
<F1> For each of the employee directors, includes director's fees of \$14,500, \$24,500 and \$12,500 for fiscal years 1998, 1997 and 1996, respectively.

<F2> No compensation was received by the Named Executive Officers which requires disclosure in this column except for Mr. Parker whose Other Annual Compensation in 1998 includes \$24,270 for tax preparation and \$43,066 for salaries to employees who work jointly for the Company and the Robert L. Parker Trust.

<F3> Mr. Parker Jr.'s All Other Compensation for 1998 is comprised of Company matching contributions to its 401(k) plan of \$4,800, \$355 representing the full dollar value of the term portion of a Company paid premium for a split dollar life insurance policy and \$4,792 representing the present value of the benefit of the non-term portion of that premium.

<F4> Mr. Parker's All Other Compensation for 1998 is comprised of Company matching contributions to its 401(k) plan of \$4,800, \$45,324 representing the full dollar value of the term portion of a Company-paid premium for a split dollar life insurance policy and \$294,626 representing the present value of the non-term portion of that premium. See caption "Certain Relationships and Related Transactions" on page 80.

<F5> Mr. Linn's All Other Compensation for 1998 is comprised of Company matching contributions to its 401(k) plan of \$4,800, \$266 representing the full dollar value of the term portion of a Company paid premium for a split dollar life insurance policy and \$3,284 representing the present value of the benefit of the non-term portion of that premium.

<F6> Mr. Davis' All Other Compensation for 1998 is comprised of Company matching contributions to its 401(k) plan of \$4,800, \$215 representing the full dollar value of the term portion of a Company paid premium for a split dollar life insurance policy and \$2,858 representing the present value of the benefit of the non-term portion of that premium.

<F7> The present value of the benefit of the non-term portion of the split dollar life insurance policies was determined by calculating the present value of interest at risk on future premiums to be paid by the Company, assuming an interest crediting rate of 8%. The present value of the benefit of the non-term portion of a separate split dollar life insurance policy for Robert L. Parker was determined by multiplying the following factors: the non-term portion of the premium, an assumed interest crediting rate of 8 percent, 10 years (which is the number of years at which point the cash surrender value exceeds the total of premiums paid by the Company) and 8 percent (net present value).

OPTION/SAR GRANTS IN 1998

There were no grants of stock options or SAR's to the named executive officers during fiscal 1998.

AGGREGATE OPTION/SAR EXERCISES IN FISCAL YEAR 1998 AND FISCAL YEAR-END 1998 OPTION/SAR VALUES

The following table provides information on the Named Executive Officers' unexercised options at August 31, 1998. None of the Named Executive Officers exercised any options during 1998 and no stock appreciation rights have been granted since the inception of the 1994 Executive Stock Option Plan, nor are any allowable under the 1997 Stock Plan.

<TABLE>
<CAPTION>

Name	Number of Securities		Value of Unexercised	
	Exercisable	Unexercisable	Exercisable	Unexercisable
<S> Robert L. Parker Jr.	<C> 406,000	<C> 360,000<2>	<C> 0	<C> 0

Robert L. Parker	160,000	240,000<3>	0	0
James W. Linn	244,000	180,000<4>	0	0
James J. Davis	187,000	180,000<4>	0	0

<FN>

<F1> The value per option is calculated by subtracting the exercise price of each option (\$4.50 for previous awards under the 1994 Plan and \$8.875 for all awards in 1997 under the 1994 and the 1997 Plans) from the price of the Company's Common Stock on the New York Stock Exchange. Because the closing price of the Company's Common Stock on the NYSE on August 31, 1998 (\$4.00) was lower than the exercise price of each option, none of the options were "In-the-Money".

<F2> 120,000 vest annually in 1999, 2000 and 2001.

<F3> 80,000 vest annually in 1999, 2000 and 2001.

<F4> 60,000 vest annually in 1999, 2000 and 2001.

</TABLE>

STOCK PERFORMANCE GRAPH

The following performance graph compares cumulative total stockholder returns on the Company's Common Stock compared to the Standard and Poor's Mid-Cap 400 Index and a Peer Group Index consisting of Nabors Industries, Rowan Companies, Noble Drilling Corp., Helmerich & Payne, Pool Energy Services and Pride International, calculated at the end of each fiscal year, August 31, 1994 through August 31, 1998. The composition of companies that comprise the Peer Group Index was increased based on the diversification of the Company during the last year to enable comparisons with peer companies whose operations and business most closely resemble that of the Company. The graph assumes \$100 was invested on August 31, 1993 in the Company's Common Stock and in each of the referenced indices and assumes reinvestment of dividends.

[GRAPH]

<TABLE>

<CAPTION>

Measurement Period (Fiscal Year Covered)	Parker Drilling	S&P Midcap 400	Peer Group
<S>	<C>	<C>	<C>
1993	100	100	100
1994	76	105	73
1995	78	126	88
1996	97	141	134
1997	182	194	276
1998	55	103	76

</TABLE>

SEVERANCE COMPENSATION AND CONSULTING AGREEMENTS

Each officer named in the Summary Compensation Table and eleven additional officers of the Company have entered into Severance Compensation and Consulting Agreements (the "Agreements") with the Company. Each such agreement has a six-year term but is automatically extended on a year to year basis thereafter unless terminated or unless a change in control (as defined in the Agreements) occurs, in which case the Agreements will remain in effect until no more benefits are payable thereunder.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

After a change in control, if an officer is terminated other than

for cause or resigns for good reason, the Agreements provide for a lump sum payment of three times the annual cash compensation, a one year consulting agreement at the officer's annual cash compensation and extended life and health benefits for four years.

Subsequent to the execution of the Agreements, there has been no event of change in control that would trigger the payment of any benefits under the Agreements in the event of the termination of employment of the signatories thereto.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning beneficial ownership of the Company's Common Stock as of September 30, 1998, by (a) all persons known by the Company to be beneficial owners of more than five percent (5%) of such stock, (b) each director and nominee for director of the Company, (c) each of the executive officers of the Company named in the Executive Compensation table, and (d) all directors and executive officers as a group. Unless otherwise noted, the persons named below have sole voting and investment power with respect to such shares.

<TABLE>
<CAPTION>

Name of Beneficial Owner	Common stock Beneficially Owned<1>		Percent of
	Shares	Number of Class	
<S>	<C>	<C>	
The Equitable Companies Incorporated.....	11,959,816	<2>	15.5%
Robert L. Parker.....	4,297,569	<3>	5.6%
Robert L. Parker, Jr.....	995,213	<4>	1.3%
James W. Linn.....	647,834	<5>	*
James J. Davis.....	477,739	<6>	*
Earnest F. Gloyna.....	59,900	<7>	*
R. Rudolph Reinfrank.....	54,000	<8>	*
David L. Fist.....	50,600	<9>	*
Bernard Duroc-Danner.....	40,000	<10>	*
James E. Barnes.....	30,000	<11>	*
W. Kirk Brassfield.....	50,000	<12>	*
All directors and all executive officers as a Group (10 persons).....	6,702,855	<13>	8.7%

* Less than one percent

</TABLE>
<TABLE>

<S> <C>
<FN>

<F1> Unless otherwise indicated, all shares are directly held with sole voting and investment power. Additionally, there are no voting or investment powers over shares which are represented by presently exercisable stock options.

<2> Based on information obtained from The Equitable Companies Incorporated as of September 30, 1998, 11,959,816 shares were beneficially owned by subsidiaries of The Equitable Companies Incorporated. The Equitable Life Assurance Society of the United States, Alliance Capital Management L.P. and Donaldson Lufkin & Jenrette Securities Corporation beneficially owned 3,756,100, 7,554,500 and 2,000 shares, respectively, each having sole voting and dispositive power.

<3> Includes 67,200 shares owned by Mr. Parker's spouse, as to which shares Mr. Parker disclaims any beneficial ownership and has no voting control, 3,796,045 shares held by the Robert L. Parker Trust, over which Mr. Parker has sole voting control and shared dispositive power, options to purchase 240,000 shares under the 1994 Executive Stock Option Plan and options to purchase 160,000 shares under the 1997 Stock Plan.

<4> Includes 5,760 shares held as trustee for Mr. Parker Jr.'s nieces, as to which he disclaims any beneficial ownership, options to purchase 526,000 shares under the 1994 Executive Stock Option Plan

- and options to purchase 240,000 shares under the 1997 Stock Plan.
- <5> Includes options to purchase 304,000 shares under the 1994 Executive Stock Option Plan and options to purchase 120,000 shares under the 1997 Stock Plan.
 - <6> Includes 77,200 shares held by Mr. Davis' spouse in a trust over which she is trustee only, options to purchase 247,000 shares under the 1994 Executive Stock Option Plan and options to purchase 120,000 shares under the 1997 Stock Plan.
 - <7> Includes 2,000 shares held in trust by Dr. Gloyna's spouse, as to which Dr. Gloyna disclaims beneficial ownership and options to purchase 45,000 shares.
 - <8> Includes options to purchase 50,000 shares.
 - <9> Includes options to purchase 50,000 shares.
 - <10> Includes options to purchase 40,000 shares.
 - <11> All shares are held by the James E. Barnes Revocable Trust.
 - <12> Includes options to purchase 50,000 shares.
 - <13> This number of shares includes the total number of shares which may be acquired pursuant to the exercise of options by the directors and executive officers.

</TABLE>

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company was the beneficiary of a life insurance policy on Robert L. Parker, chairman of the Company, which was issued pursuant to a Stock Purchase Agreement approved by vote of the stockholders at the 1975 Annual Meeting on December 10, 1975. This agreement was entered into between the Company and the Robert L. Parker Trust and originally provided that upon the death of Robert L. Parker, the Company would be required, at the option of the trust, to purchase from the trust at a discounted price the amount of Company Common Stock which could be purchased with the proceeds of the policy of \$7,000,000. The Company and the trust modified the Stock Purchase Agreement as of August 3, 1994, so that the Company would have the option, but not the obligation, to purchase the stock, at a discounted price, with the proceeds. In fiscal 1998 the Company surrendered this policy for a cash value of \$2,009,000.

As a part of the agreement to terminate the option held by the trust and to grant the Company a limited option to purchase stock at a discounted price, the Company agreed to pay a premium of \$655,019 annually for a split dollar last-to-die life insurance policy on Robert L. Parker and Mrs. Robert L. Parker. Upon the deaths of Mr. Parker and Mrs. Parker, the Company will be reimbursed by the Robert L. Parker Sr. and Catherine M. Parker Family Trust from the proceeds of the policy for the full amount of the premiums paid by the Company, with interest to be paid after fiscal year 1999 at a one-year treasury bill rate. Robert L. Parker and the Company agreed on or about October 15, 1996, that the Company would cash surrender a \$500,000 Executive Life policy on his life, and, in exchange, the interest on the above-described policy would not begin accruing until March 2003. Robert L. Parker Jr., chief executive officer of the Company and son of Robert L. Parker, will receive as a beneficiary of the trust, one-third of the net proceeds of this policy. The face value of the policy is \$13,200,000.

As part of building business relationships and fostering closer ties to clients, companies traditionally host customers in a variety of activities. Over the years, the Company has found the most successful business development opportunities are providing customers with industry-related conferences and seminars, coupled with sporting and other outdoor activities.

Robert L. Parker, through the Robert L. Parker, Sr. Family Limited Partnership (the "Limited Partnership") owns a 2,987 acre ranch near Kerrville, Texas, ("Cypress Springs Ranch") which the Limited Partnership makes available to the Company for customer retreats and forums and meetings for world-wide company management. The Cypress Springs Ranch provides lodging, conference facilities, sporting and other outdoor activities in conjunction with marketing and business purposes. The location of the ranch and its facilities help to attract a select group of oil and gas industry executives, including the chairmen and principal officers of major oil companies, and prominent national

leaders who are provided the unique opportunity to meet annually and to actively participate in an exchange of ideas and discussion of current industry and world issues. Additionally, domestic and international drilling managers and other operations personnel representing

major, independent and national oil company customers meet annually with company operations personnel for in-depth discussions on all phases of the industry and are afforded the opportunity to know one another on a personal basis. Robert L. Parker has a 50 percent general partnership interest and a 46.5 percent limited partnership interest in the Limited Partnership. The Limited Partnership also owns a 4,982 acre cattle ranch near Mazie, Oklahoma ("Mazie Ranch"), 40 miles from the corporate headquarters in Tulsa, Oklahoma. The Mazie Ranch is also used by the Company for outdoor activities by customers and is available to employees for outdoor activities and other family recreation.

There is an understanding between the Company and the Limited Partnership that the Cypress Springs Ranch and the Mazie Ranch shall be available for company use without limitation. In consideration for the availability and use of these facilities, the Company pays only the portion of the ranch operating expenses based on its actual use of said facilities. The total amount of these operating expenses paid by the Company in fiscal year 1998 was approximately \$148,393.

Additionally, the Company uses a 1,380 acre ranch ("Camp Verde Ranch") owned by Robert L. Parker Jr., which is near the Cypress Springs Ranch. The Camp Verde Ranch is used to provide additional facilities and lodging for business functions at Cypress Springs Ranch, for which the Company pays only that portion of the ranch operating expenses based on the actual use of these facilities. The total amount of these operating expenses paid by the Company in fiscal 1998 was approximately \$46,767.

During fiscal year 1998, the Company and its subsidiaries purchased approximately \$12,579,000 worth of drill pipe from Grant Prideco, Inc., a wholly-owned subsidiary of Weatherford International, Inc. Mr. Bernard Duroc-Danner, the Chairman of Weatherford International, Inc., is a director of Parker.

Mr. Robert L. Parker Jr., James W. Linn and James J. Davis incurred tax liabilities of \$163,092, \$122,319 and \$65,528, respectively, on January 5, 1998, in connection with the vesting of restricted stock granted to them by the Company pursuant to its 1991 Stock Grant Plan in 1995. As is customary, the Company paid the estimated taxes on said stock grants pursuant to an agreement that said executive officers would repay said amounts to the Company. At the present time Mr. Parker Jr. and Mr. Davis are indebted to the Company in the amount of \$163,092 and \$65,528, respectively.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

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

<TABLE>
<CAPTION>

- (1) Financial Statements of Parker Drilling Company and subsidiaries which are included in Part II, Item 8:

Page

<S>

<C>

Report of Independent Accountants

36

Consolidated Statement of Operations for each of the three years in the period ended August 31, 1998	37
Consolidated Balance Sheet as of August 31, 1998 and 1997	38
Consolidated Statement of Cash Flows for each of the three years in the period ended August 31, 1998	40
Consolidated Statement of Stockholders' Equity for each of the three years in the period ended August 31, 1998	42
Notes to Consolidated Financial Statements	43

</TABLE>

PART IV
(continued)

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K
(continued)

<TABLE>

<CAPTION>

(2) Financial Statement Schedule:	Page
<S>	<C>
Schedule II - Valuation and qualifying accounts	68

(3) Exhibits:

<CAPTION>

Exhibit Number	Description
-----	-----
<S>	<C>
2(a) -	Stock Purchase Agreement dated May 9, 1997 by and among the Company, Parker Drilling Offshore Company and Trenergy (Malaysia) BHD. (incorporated by reference to Exhibit 10(n) to the Company's Quarterly Report on Form 10-Q for the three months ended May 31, 1997).
2(b) -	Stock Purchase Agreement dated May 9, 1997 by and among the Company, Parker Drilling Offshore Company and Rashid & Lee Nominees SDN BHD. (incorporated by reference to Exhibit 10(o) to the Company's Quarterly Report on Form 10-Q for the three months ended May 31, 1997).
2(c) -	Definitive agreement between Parker Drilling Company and Energy Ventures, Inc., for the purchase of Mallard Bay Drilling, Inc. (incorporated herein by reference to the Company's current report on Form 8-K filed September 19, 1996).
2(d) -	Definitive agreement to acquire Quail Tools, Inc. (incorporated herein by reference to the Company's current report on Form 8-K filed October 17, 1996).
3(a) -	Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 4.1 to Amendment No. 1 to the Company's S-3 Registration Statement No. 333-22987).
3(b) -	Certificate of Retirement of the Company (incorporated by reference to Exhibit 4.2 to Amendment No. 1 to the Company's S-3 Registration Statement No. 333-22987).
3(c) -	Corrected Restated Certificate of Incorporation of the Company, as amended on September 21, 1998.
3(d) -	By-Laws of the Company, as amended July 10, 1998.

</TABLE>

PART IV (continued)

<TABLE>

<CAPTION>

(3) Exhibits: (continued)

Exhibit Number	Description
-----	-----
<S>	<C>
4(a) -	Indenture dated as of March 11, 1998 among the Company, as issuer, certain Subsidiary Guarantors (as defined therein) and Chase Bank of Texas, National Association, as Trustee (incorporated by reference to Exhibit 4.5 to the Company's S-4 Registration Statement No. 333-49089 dated April 1, 1998).
4(b) -	Indenture dated as of July 25, 1997, between the Company

and Chase Bank of Texas, National Association, f/k/a Texas Commerce Bank National Association, as Trustee, respecting 5 1/2% Convertible Subordinated Notes due 2004 (incorporated by reference to Exhibit 4.7 to the Company's S-3 Registration Statement No. 333-30711).

- 10(a) - Parker Drilling Company and Subsidiaries 1991 Stock Grant Plan; incorporated herein by reference to Exhibit 10(c) to Annual Report on Form 10-K for the year ended August 31, 1992, as amended by Form 8 dated February 18, 1993.*
- 10(b) - 1980 Incentive Career Stock Plan; incorporated herein by reference to Exhibit 10(c) to Annual Report on Form 10-K for the year ended August 31, 1989, as amended by Form 8 dated December 27, 1989.*
- 10(c) - 1969 Key Employees Stock Grant Plan; incorporated herein by reference to Exhibit 10(e) to Annual Report on Form 10-K for the year ended August 31, 1992, as amended by Form 8 dated February 18, 1993.*

</TABLE>

PART IV (continued)

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K
(continued)

<TABLE>

<CAPTION>

(3) Exhibits: (continued)

Exhibit Number	Description
<S>	<C>
10(d) -	Amended and Restated Parker Drilling Company Stock Bonus Plan, effective as of April 1, 1996; incorporated herein by reference to Exhibit 10(e) to Annual Report on Form 10-K for the year ended August 31, 1996.
10(e) -	1975 Stock Purchase Agreement; incorporated herein by reference to Exhibit 10(g) to Annual Report on Form 10-K for the year ended August 31, 1986, as amended by Form 8 dated December 29, 1986.
10(f) -	Form of Severance Compensation and Consulting Agreement entered into between Parker Drilling Company and certain officers of Parker Drilling Company, dated on or about October 15, 1996; incorporated herein by reference to Exhibit 10(g) to Annual Report on Form 10-K for the period ended August 31, 1996.*
10(g) -	1994 Parker Drilling Company Deferred Compensation Plan; incorporated herein by reference to Exhibit 10(h) to Annual Report on Form 10-K for the year ended August 31, 1995.*
10(h) -	1994 Non-Employee Director Stock Option Plan; incorporated herein by reference to Exhibit 10(i) to Annual Report on Form 10-K for the year ended August 31, 1995.*
10(i) -	1994 Executive Stock Option Plan; incorporated herein by reference to Exhibit 10(j) to Annual Report on Form 10-K for the year ended August 31, 1995.*
10(j) -	First Amendment effective as of September 1, 1996, to the Amended and Restated Parker Drilling Company Stock Bonus Plan, effective as of April 1, 1996; incorporated herein by reference to Exhibit 10(k) to Annual Report on Form 10-K for the year ended August 31, 1996.
21 -	Subsidiaries of the Registrant.
23 -	Consent of Independent Accountants.
27 -	Financial Data Schedule (Edgar version only).
99 -	Additional Exhibit - Annual Report on Form 11-K with respect to Parker Drilling Company Stock Bonus Plan.
	To be filed by amendment

</TABLE>

*Management Contract, Compensatory Plan or Agreement

(b) Reports on Form 8-K:

The Company filed a Form 8-K on July 24, 1998, disclosing that the Company decided to change its fiscal year-end from August 31 to December 31, effective December 31, 1998. The Company filed a Form 8-K on July 24, 1998, disclosing that the Board of Directors of the Company authorized issuance of one Preferred Share Purchase Right for each outstanding share of common stock.

<TABLE>
<CAPTION>

PARKER DRILLING COMPANY AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Dollars in Thousands)

Column A	Column B	Column C	Column D	Column E
Classifications	Balance at beginning of period	Charged to cost and expenses	Balance at end of period	Deductions
<S>	<C>	<C>	<C>	<C>
Year ended August 31, 1998:				
Allowance for doubtful accounts and notes	\$ 3,153	\$ 160	\$ 240	\$ 3,073
Reduction in carrying value of rig materials and supplies	\$ 2,846	\$ 780	\$ 1,314	\$ 2,312
Deferred tax valuation allowance	\$44,086	\$ -	\$ 5,617	\$38,469
Year ended August 31, 1997:				
Allowance for doubtful accounts and notes	\$ 739	\$ 737	\$ (1,677)	\$ 3,153
Reduction in carrying value of rig materials and supplies	\$ 1,797	\$ 1,384	\$ 335	\$ 2,846
Deferred tax valuation allowance	\$61,844	\$ -	\$ 17,758	\$44,086
Year ended August 31, 1996:				
Allowance for doubtful accounts and notes	\$ 796	\$ 70	\$ 127	\$ 739
Reduction in carrying value of rig materials and supplies	\$ 2,080	\$ 240	\$ 523	\$ 1,797
Deferred tax valuation allowance	\$67,494	\$ -	\$ 5,650	\$61,844

</TABLE>
<TABLE>

SIGNATURES

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

PARKER DRILLING COMPANY

By /s/ Robert L. Parker Jr. Date: November 30, 1998

Robert L. Parker Jr.
President and Chief Executive Officer and Director

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

<CAPTION>

Signature	Title	Date
<S> /s/ Robert L. Parker	Chairman of the Board and Director	Date: November 30, 1998
By Robert L. Parker		

/s/ Robert L. Parker Jr. President and Chief Executive
----- Officer and Director
By Robert L. Parker Jr. (Principal Executive Officer) Date: November 30, 1998

/s/ James W. Linn Executive Vice President and Chief
----- Operating Officer and Director Date: November 30, 1998
By James W. Linn

Senior Vice President - Finance
/s/ James J. Davis and Chief Financial Officer
By ----- (Principal Financial Officer) Date: November 30, 1998
James J. Davis

/s/ W. Kirk Brassfield Corporate Controller
By ----- (Principal Accounting Officer) Date: November 30, 1998
W. Kirk Brassfield

/s/ Earnest F. Gloyna
By ----- Director Date: November 30, 1998
Earnest F. Gloyna

/s/ David L. Fist
By ----- Director Date: November 30, 1998
David L. Fist

/s/ R. Rudolph Reinfrank
By ----- Director Date: November 30, 1998
R. Rudolph Reinfrank

/s/ Bernard Duroc-Danner
By ----- Director Date: November 30, 1998
Bernard Duroc-Danner

/s/ James E. Barnes
By ----- Director Date: November 30, 1998
James E. Barnes

/TABLE

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

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

</LEGEND>

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</TABLE>

Exhibit 21

<TABLE>
<CAPTION>

SUBSIDIARIES OF THE REGISTRANT

Percentage of Voting
Securities Owned By
Immediate Parent as
of August 31, 1998

<S>

<C>

Consolidated subsidiaries of the Registrant

(Jurisdiction of incorporation):

Parker Drilling Company of South America, Inc. (Oklahoma)	100%
Parker Drilling Company of Oklahoma, Inc. (Oklahoma)	100%
Parker Technology, Inc. (Oklahoma) (1)	100%
Vance Systems Engineering, Inc. (Texas) (2)	100%
Parker Drilling Company International Limited (Nevada) (3)	100%
Parker Drilling Company of New Guinea, Inc. (Oklahoma)	100%
Parker Drilling Company Limited (Nevada)	100%
Parcan, Limited (Nevada) (4)	100%
Hercules Offshore Corporation (Texas)	100%

</TABLE>

Certain subsidiaries have been omitted from the list since they would not, even if considered in the aggregate, constitute a significant subsidiary. All subsidiaries are included in the consolidated financial statements.

-
- (1) Parker Technology, Inc. owns 100% of two subsidiary corporations, namely:
Parco Masts and Substructures, Inc. (Oklahoma)
Parker Valve Company (Texas)
Parker Technology, Inc., also owns 50% of Parker Technology, L.L.C. (Louisiana).
 - (2) Vance Systems Engineering, Inc. owns 100% of Parker Drilling Company Limited (Bahamas) and 93% of Parker Drilling Company Eastern Hemisphere, Ltd. (Oklahoma). Parker Drilling Company Limited owns 7% of Parker Drilling Company Eastern Hemisphere, Ltd. (Oklahoma).
 - (3) Parker Drilling Company International Limited owns 100% of four subsidiary corporations, namely:
Parker Drilling International of New Zealand Limited (New Zealand)
Choctaw International Rig Corp. (Nevada) (which owns 100% of the common stock of Parker Drilling Company of Indonesia, Inc. (Oklahoma))
Creek International Rig Corp. (Nevada) (which owns 100% of Perforadora Ecuatoriana (Ecuador))
Parker Drilling Company of Argentina, Inc., (Nevada)
 - (4) Parcan Limited owns 100% of Parker Drilling U.S.A. Ltd. (Nevada) and 50% of Parker Drilling Company North America, Inc. (Nevada). Parker Drilling U.S.A. Ltd. owns 99% of Mallard Bay Drilling, L.L.C. (Oklahoma), 100% of Mallard Drilling International, Inc. (Cayman Islands), 40% of Parker Drilling Company North America, Inc. (Nevada), Quail Tools, L.L.P. (Oklahoma) and 100% of eight less significant subsidiaries.

Exhibit 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Parker Drilling Company on Form S-8 (File No. 2-87944, 33-24155, 33-56698 and 33-57345) of our report dated October 22, 1998, on our audits of the consolidated financial statements and financial statement schedule of Parker Drilling Company and subsidiaries as of August 31, 1998 and 1997, and for the years ended August 31, 1998, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Tulsa, Oklahoma
October 22, 1998

Exhibit 3(c)

CORRECTED
RESTATED CERTIFICATE OF INCORPORATION
OF
PARKER DRILLING COMPANY

Parker Drilling Company, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY: That a Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on March 31, 1997 and that said Certificate requires correction as permitted by Section 103 of the General Corporation Law of the State of Delaware.

The inaccuracy or defect of said Certificate to be corrected is as follows: the Restated Certificate of Incorporation inadvertently omitted Article EIGHTH through Article TWELFTH. This Certificate sets forth the entire Restated Certificate of Incorporation in its correct form:

RESTATED CERTIFICATE OF INCORPORATION
OF
PARKER DRILLING COMPANY

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

1. The name of the corporation is Parker Drilling Company. The date of filing of its original Certificate of Incorporation with the Secretary of State was August 4, 1970.

2. Pursuant to Section 245 of the General Corporation Law of Delaware, this Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Restated Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

3. The text of the Restated Certificate of Incorporation, as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:

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

ARTICLE SECOND: Its registered office in the State of Delaware is located at 1013 Centre Road, in the City of Wilmington, County of New Castle, 19805. The name and address of its registered agent is The Prentice-Hall Corporation System, Inc., 1013 Centre Road, Wilmington, Delaware 19805.

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

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

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

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

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

oil and/or gas, or the sale of the production therefrom;

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

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

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

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

(9) To carry on the business of producers, refiners, storers, suppliers and distributors of petroleum and petroleum products in all its branches; to purchase or otherwise acquire real or personal property of all kinds in the United States and elsewhere, and in particular land, oil wells, refineries, mines, mining rights, minerals, ores, buildings, machinery, plant, stores, patents, licenses, concessions, rights of way, light or water, and any rights or privileges which it may deem convenient to obtain for the purposes of or in connection with the business of the company, and whether for the purposes of resale or realization or otherwise, and to manage, develop, sell, exchange, lease, mortgage or otherwise develop any lands, wells, mines, mining rights, minerals, ores, works or other properties, from time to time in the possession of the company, in any manner deemed desirable; to erect all necessary or convenient refineries, mills, works, machinery, laboratories, workshops, dwelling houses for workmen and others, and other buildings, works and appliances, and to aid in, or subscribe towards, or subsidize, any such objects;

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

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

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

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

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

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

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

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

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

ARTICLE FOURTH: The aggregate number of shares of all classes of stock which the corporation shall have authority to issue is 121,942,000 of which 1,942,000 shares shall be Preferred Stock of the par value of One Dollar (\$1.00) per share (hereinafter called "Preferred Stock"), and the remaining 120,000,000 shares shall be Common Stock of the par value of sixteen and two-thirds cents (\$.16-2/3) per share (hereinafter called "Common Stock"). The designations and the powers, preferences and rights, and the qualifications, limitations restrictions and other special or relative attributes granted to or imposed upon the shares of Preferred Stock shall be as fixed in Section 1 of this ARTICLE FOURTH, or as may be fixed by the Board of Directors in accordance with the provisions thereof, and the designations and the powers, preferences and the rights, and the qualifications, limitations, restrictions and other special or relative attributes granted to or imposed upon the shares of Common Stock shall be fixed in Section 2 of this ARTICLE FOURTH.

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

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

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

(i) The number and designations of series of shares in any

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) In the event of any liquidation, dissolution or winding up

of this corporation, whether voluntary or involuntary, the assets of this corporation remaining after the payments provided in Section 1 of this ARTICLE FOURTH to be made to the holders of the Preferred Stock shall be distributed among the holders of the Common Stock, share and share alike.

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

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

Section 3. General.

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

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

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

ARTICLE SIXTH: The corporation is to have perpetual existence.

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

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

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

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

- (1) to make, alter or repeal the By-laws of the corporation;
- (2) to authorize and cause to be executed mortgages and liens upon the real and personal property of the corporation;
- (3) to set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created;
- (4) by a majority of the whole Board, to designate one or more committees, each committee to consist of one or more of the directors of the corporation; the Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee; the By-laws may provide that, in the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member; any such committee, to the extent provided in the resolution of the Board of Directors, or in the By-laws of the corporation, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution of the corporation or a revocation of a dissolution, or amending the By-laws of the corporation; and, unless the resolution or By-laws expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock; and
- (5) when and as authorized by the stockholders in accordance with statute, to sell, lease or exchange all or substantially all of the property and assets of the corporation, including its goodwill and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property, including shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the corporation.

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

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

ELEVENTH: The corporation reserves the right to amend, alter, change or

appeal any provisions contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

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

PARKER DRILLING COMPANY

[Corporate Seal]

By /s/ Robert L. Parker, Jr.

Robert L. Parker, Jr.
President

ATTEST:

/s/ Leslie D. Rosencutter

Leslie D. Rosencutter
Vice President and Secretary
VEHOU05:102257.1

Exhibit 3(d)

PARKER DRILLING COMPANY

BY-LAWS

AS AMENDED JULY 10, 1998

ARTICLE I

Name and Location

Section 1.1 The name of this corporation shall be

PARKER DRILLING COMPANY

Section 1.2 Its registered office shall be located in the City of
Wilmington, New Castle County, Delaware.

Section 1.3 Other offices for the transaction of business shall be
located at such places as the Board of Directors may from time to time
determine.

ARTICLE II

Meetings of Stockholders

Section 2.1 Annual Meetings. The annual meeting of the stockholders for

the election of directors and for the transaction of such other business as
properly may come before such meeting shall be held on such date, and at such
time and place within or without the State of Delaware as may be designated by
the Board of Directors.

Section 2.2 Special Meetings. Special meetings of the stockholders for

any proper purpose or purposes may be called at any time by the Board of
Directors, the Chairman, the President or any Vice President, to be held on
such date, and at such time and place within or without the State of Delaware
as the Board of Directors, the Chairman, the President or a Vice President,
whichever has called the meeting, shall direct. A special meeting of the
stockholders shall be called by the Chairman, the President or any Vice
President whenever stockholders owning 75% of the shares of the Corporation
then issued and outstanding and entitled to vote on matters to be submitted to
stockholders of the Corporation shall make application therefor in writing.
Any such written request shall state a proper purpose or purposes of the
meeting and shall be delivered to the Chairman, the President or any Vice
President.

Section 2.3 Notice of Meeting. Written notice, signed by the Chairman,

the President, any Vice President, the Secretary or an Assistant Secretary of
every meeting of stockholders stating the purpose or purposes for which the
meeting is called, and the date and time when, and the place where, it is to
be held shall be delivered either personally or by mail to each stockholder
entitled to vote at such meeting not less than ten nor more than fifty days

before the meeting, except as otherwise provided by statute. If mailed, such
notice shall be directed to a stockholder at his address as it shall appear on
the stock books of the Corporation, unless he shall have filed with the
Secretary a written request that notices intended for him be mailed to some
other address, in which case it shall be mailed to the address designated in
such request.

Section 2.4 Quorum. The presence at any meeting, in person or by proxy,

of the holders of record of a majority of the shares then issued and outstanding and entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business except where otherwise provided by statute.

Section 2.5 Adjournments. In the absence of a quorum, a majority in

interest of the stockholders entitled to vote, present in person or by proxy, or, if no stockholder entitled to vote is present in person or by proxy, any officer entitled to preside at or act as secretary of such meeting, may adjourn the meeting from time to time until a quorum shall be present.

Section 2.6 Voting. Directors shall be chosen by a plurality of the

votes cast at the election, and, except where otherwise provided by statute, all other questions shall be determined by a majority of the votes cast on such question.

Section 2.7 Proxies. Any stockholders entitled to vote may vote by

proxy, provided that the instrument authorizing such proxy to act shall have been executed in writing (which shall include telegraphing or cabling) by the stockholder himself or by his duly authorized attorney.

Section 2.8 Judges of Election. The Board of Directors may appoint

judges of election to serve at any election of directors and at balloting on any other matter that may properly come before a meeting of stockholders. If no such appointment shall be made, or if any of the judges so appointed shall fail to attend, or refuse or be unable to serve, then such appointment may be made by the presiding officer at the meeting.

ARTICLE III

Board of Directors -----

Section 3.1 Number. The number of directors which shall constitute the

whole Board of Directors shall be fixed from time to time by resolution of the Board of Directors, but shall not be less than the number of stockholders of the Corporation so long as all of the shares of capital stock of the

Corporation are owned beneficially and of record by either one or two stockholders, nor less than three under all other circumstances. The first board, effective with the adoption of these Amended By-laws, and subsequent boards shall consist of eight (8) directors until changed as herein provided.

Section 3.2 Election and Term of Office. The Board of Directors shall be

divided into three (3) classes and each class shall be elected at the annual meeting of the stockholders held at the expiration of their classified term. Each director (whether elected at an annual meeting or to fill a vacancy or otherwise) shall continue in office until his successor shall have been elected or until his earlier death, resignation or removal in the manner hereinafter provided. Nominations for Directors made by shareholders must be in writing and be received by the Secretary of the Corporation sixty (60) days prior to the date of the meeting at which the shareholder vote will be taken.

Section 3.3 Vacancies and Additional Directorships. If any vacancy shall

occur among the directors by reason of death, resignation, or removal, or as the result of an increase in the number of directorships, the directors then in office shall continue to act and shall have sole power to fill any such vacancy by a vote of the directors then in office, though less than a quorum.

Section 3.4 Meetings. A meeting of the Board of Directors shall be held

for organization, for the election of officers and for the transaction of such other business as may properly come before the meeting, within thirty (30)

days after each annual election of directors.

The Board of Directors by resolution may provide for the holding of regular meetings and may fix the times and places at which such meetings shall be held. Notice of regular meetings shall not be required to be given, provided that whenever the time or place of regular meetings shall be fixed or changed, notice of such action shall be mailed promptly to each director who shall not have been present at the meeting at which such action was taken, addressed to him at his residence or usual place of business.

Special meetings of the Board of Directors may be called by the Chairman, the President, any Vice President or any three directors. Except as otherwise required by statute, notice of each special meeting shall be mailed to each director, addressed to him at his residence or usual place of business, or shall be sent to him at such place by telegram, radio or cable, or telephoned or delivered to him personally not later than two days before the day on which the meeting is to be held. Such notice shall state the time and place of such meeting, but need not state the purposes thereof, unless otherwise required by statute, the Certificate of Incorporation of the Corporation or these By-laws.

Notice of any meeting need not be given to any director who shall attend such meeting in person or who shall waive notice thereof before or after such meeting, in writing or by telegram, radio or cable.

Section 3.5 Quorum. A majority of the total number of members of the

Board of Directors as constituted from time to time, but not less than two, shall be necessary and sufficient to constitute a quorum for the transaction of business, except that when the Board consists of one director pursuant to Section 3.1, then the one director shall constitute a quorum. In the absence of a quorum, a majority of those present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present and the meeting may be held as adjourned without further notice or waiver. A majority of those present at any meeting at which a quorum is present may decide any question brought before such meeting, except as otherwise provided by law, the Certificate of Incorporation or these By-laws. In the event a deadlock occurs in any vote being taken by the Board, the Chairman of the Board shall be empowered with a second vote to settle the deadlock.

Section 3.6 Resignation of Directors. Any director may resign at any

time by giving written notice of such resignation to the Board of Directors, the Chairman, the President, any Vice President or the Secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon receipt thereof by the Board of Directors or one of the above named officers; and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.7 Removal of Directors. At any special meeting of the

stockholders, duly called as provided in these By-laws, any director or directors may, by the affirmative vote of the holders of a majority of all the shares of stock outstanding and entitled to vote for the election of directors, be removed from office in accordance with the Delaware General Corporation Law. At such meeting a successor or successors may be elected by a plurality of the votes cast, or if any such vacancy is not so filled, it may be filled by the directors as provided in Section 3.3.

Section 3.8 Compensation of Directors. Directors shall receive such

reasonable compensation for their services as such, whether in the form of salary or a fixed fee for attendance at meetings, with expenses, if any, as the Board of Directors may from time to time determine. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV

Committees of the Board

Section 4.1 Designation, Power, Alternate Members and Term of Office.

The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the directors of the Corporation. Any such committee, to the extent provided in such resolution, shall have and may exercise the power of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. The Board may designate one or more directors as alternate members of any committee who, in the order specified by the Board, may replace any absent or disqualified member at any meeting of the committee. If at a meeting of any committee one or more of the members thereof should be absent or disqualified, and if either the Board of Directors has not so designated any alternate member or members, or the number of absent or disqualified members exceeds the number of alternate members who are present at such meeting, then the member or members of such committee (including alternates) present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member. The term of office of the members of each committee shall be as fixed from time to time by the Board, subject to these By-laws; provided, however, that any committee member who ceases to be a member of the

Board shall ipso facto cease to be a committee member. Each committee shall appoint a secretary, who may be the Secretary of the Corporation or an Assistant Secretary thereof.

Section 4.2 Meetings Notices and Records. Each committee may provide for

the holding of regular meetings, with or without notice, and may fix the time and place at which such meetings shall be held. Special meetings of each committee shall be held upon call by or at the direction of its chairman, or, if there be no chairman, by or at the direction of any two of its members, at the time and place specified in the respective notices or waivers of notice thereof. Notice of each special meeting of a committee shall be mailed to each member of such committee, addressed to him at his residence or usual place of business, at least two days before the day on which the meeting is to be held, or shall be sent by telegram, radio or cable, addressed to him at such place, or telephoned or delivered to him personally, not later than the day before the day on which the meeting is to be held. Notice of any meeting of a committee need not be given to any member thereof, who shall attend the meeting in person or who shall waive notice thereof by telegram, radio, cable or other writing. Notice of any adjourned meeting need not be given. Each committee shall keep a record of its proceedings.

Section 4.3 Quorum and Manner of Acting. At each meeting of any

committee the presence of a majority but not less than two of its members then in office shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of such committee; in the absence of a quorum a majority of the members present at the time and place of any meeting may adjourn the meeting from time to time until a quorum shall be present. Subject to the foregoing and other provisions of these By-laws and except as otherwise determined by the Board of Directors, each committee may make rules for the conduct of its business. Any determination made in writing and signed by all the members of such committee shall be as effective as if made by such committee at a meeting.

Section 4.4 Resignations. Any member of a committee may resign at any

time by giving written notice of such resignation to the Board of Directors,
the Chairman, the President or the Secretary of the Corporation. Unless
otherwise specified in such notice, such resignation shall take effect upon
receipt thereof by the Board or any such officer.

Section 4.5 Removal. Any member of any committee may be removed at

anytime by the Board of Directors with or without cause.

Section 4.6 Vacancies. If any vacancy shall occur in

any committee by reason of death, resignation, disqualification, removal, or
otherwise, the remaining members of such committee, though less than a quorum,
shall continue to act until such vacancy is filled by the Board of Directors.

Section 4.7 Compensation. Committee members shall receive such

reasonable compensation for their services as such, whether in the form of
salary or a fixed fee for attendance at meetings, with expenses, if any, as
the Board of Directors may from time to time determine. Nothing herein
contained shall be construed to preclude any committee member from serving the
Corporation in any other capacity and receiving compensation therefor.

ARTICLE V

Officers -----

Section 5.1 Officers. The officers of the Corporation shall be a

Chairman, a President, one or more Vice Presidents including therein an
Executive Vice President, a Secretary, a Treasurer, and such other officers as
may be appointed in accordance with the provisions of Section 5.3.

Section 5.2 Election, Term of Office and Qualifications. Each officer

(except such officers as may be appointed in accordance with the provisions of
Section 5.3) shall be elected by the Board of Directors. Each such officer
(whether elected at the first meeting of the Board of Directors after the
annual meeting of stockholders or to fill a vacancy or otherwise) shall hold
his office until the first meeting of the Board of Directors after the next
annual meeting of stockholders and until his successor shall have been
elected, or until his death, or until he shall have resigned in the manner
provided in Section 5.4 or shall have been removed in the manner provided in
Section 5.5.

Section 5.3 Subordinate Officers and Agents. The Board of Directors from

time to time may appoint other officers or agents including one or more
Assistant Vice Presidents, one or more Assistant Secretaries and one or more
Assistant Treasurers, to hold office for such period, have such authority and
perform such duties as are provided in these By-laws or as may be provided in
the resolutions appointing them. The Board of Directors may delegate to any
officer or agent the power to appoint any such subordinate officers or agents
and to prescribe their respective terms of office, authorities and duties.

Section 5.4 Resignations. Any officer may resign at any time by giving

written notice of such resignation to the Board of Directors, the Chairman,
the President, a Vice President or the Secretary. Unless otherwise specified
in such written notice, such resignation shall take effect upon receipt
thereof by the Board of Directors or any such officer.

Section 5.5 Removal. Any officer specifically designated in Section 5.1

may be removed at any time, either with or without cause, at any meeting of
the Board of Directors by the vote of a majority of all the directors then in
office. Any officer or agent appointed in accordance with the provisions of

Section 5.3 may be removed, either with or without cause, by the Board of Directors at any meeting, by the vote of a majority of the directors present at such meeting, or by any superior officer or agent upon whom such power of removal shall have been conferred by the Board of Directors.

Section 5.6 Vacancies. A vacancy in any office by reason of death,

resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term in the manner prescribed by these By-laws for regular election or appointment to such office.

Section 5.7 The Chairman. The Chairman or the President shall be the

chief executive officer of the Corporation. The Chairman shall preside at all meetings of the stockholders and the directors, shall be ex officio a member of all standing committees, and shall see that all orders and resolutions of the Board of Directors are carried into effect.

Section 5.8 The President.

(a) The President or an Executive Vice President shall be the chief operating officer of the Corporation, as designated by the Board of Directors. Subject to the direction of the Board of Directors, the Chief Operating Officer shall have general charge of the business affairs of the Corporation.

(b) Subject to the direction of the Board of Directors, the President shall have general and active management of the Corporation and general supervision over the Corporation's officers and agents. In the absence of the Chairman, if present, he shall preside at all meetings of stockholders and he shall see that all orders and resolutions of the Board of Directors are carried into effect. He may sign, with any other officer thereunto duly authorized, certificates of stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature), and may sign and execute in the name of the Corporation, deeds, mortgages, bonds, contracts, agreements or other instruments duly authorized by the Board of Directors except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent. From time to time he shall report to the Board of Directors all matters within his knowledge which the interests of the Corporation may require to be brought to their attention. He shall also perform such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors.

Section 5.9 The Vice Presidents. At the request of the President or in

his absence or disability, the Executive Vice President or in his absence or disability the Vice President designated by the President (or in the absence of such designation, the Vice President designated by the Board of Directors) shall perform all the duties of the President and, when so acting, shall have all the powers of and be subject to all restrictions upon the President. Any vice President may also sign, with any other officer thereunto duly authorized, certificates of stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature), and may sign and execute in the name of the Corporation deeds, mortgages, bonds and other instruments duly authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent. Each Vice President shall perform such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors, the Chairman or the President.

Section 5.10 The Secretary. The Secretary shall

- (a) record all the proceedings of the meetings of the stockholders, the Board of Directors, and any committees in a book or books to be kept for that purpose;
- (b) cause all notices to be duly given in accordance with the provisions of these By-laws and as required by statute;
- (c) whenever any committee shall be appointed in pursuance of a resolution of the Board of Directors, furnish the Chairman of such committee with a copy of such resolution;
- (d) be custodian of the records and of the seal of the Corporation, and cause such seal to be affixed to all certificates representing stock of the Corporation prior to the issuance thereof and to all instruments the execution of which on behalf of the Corporation under its seal shall have been duly authorized;
- (e) see that the lists, books, reports, statements, certificates and other documents and records required by statute are properly kept and filed;
- (f) subject to the rights and duties of the duly appointed transfer agents and registrars for securities of the Corporation have charge of the stock and transfer books of the Corporation, and exhibit such stock book at all reasonable times to such persons as are entitled by statute to have access thereto;
- (g) sign (unless the Treasurer or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature) and
- (h) in general, perform all duties incident to the office of Secretary and such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors, the Chairman or the President.

Section 5.11 Assistant Secretaries. At the request of the Secretary or

in his absence or disability, the Assistant Secretary designated by him (or in the absence of such designation, the Assistant Secretary designated by the Board of Directors, the Chairman or the President) shall perform all the duties of the Secretary, and, when so acting, shall have all the powers of and be subject to all restrictions upon the Secretary. The Assistant Secretaries shall perform such other duties as from time to time may be assigned to them by the Board of Directors, the Chairman, the President or the Secretary.

Section 5.12 The Treasurer. The Treasurer shall

- (a) have charge of and supervision over and be responsible for the funds, securities, receipts and disbursements of the Corporation;
- (b) cause the moneys and other valuable effects of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as shall be selected in accordance with Section 6.3 of these By-laws or to be otherwise dealt with in such manner as the Board of Directors may direct;
- (c) cause the funds of the Corporation to be disbursed by checks or drafts upon the authorized depositories of the Corporation, and cause to be taken and preserved proper vouchers for all moneys disbursed;

(d) render to the Board of Directors, the Chairman or the President, whenever requested, a statement of the financial condition of the Corporation and of all his transactions as Treasurer;

(e) cause to be kept at the Corporation's principal office correct books of account of all its business and transactions and such duplicate books of account as he shall determine and upon application cause such books or duplicates thereof to be exhibited to any director;

(f) be empowered, from time to time, to require from the officers or agents of the Corporation reports or statements giving such information as he may desire with respect to any and all financial transactions of the Corporation;

(g) sign (unless the Secretary or an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation the issuance of which shall have been duly authorized (the signature to which may be a facsimile signature) and

(h) in general, perform all duties incident to the office of Treasurer and such other duties as are given to him by these By-laws or as from time to time may be assigned to him by the Board of Directors, the Chairman or the President.

Section 5.13 Assistant Treasurers. At the request of the Treasurer or in

his absence or disability, the Assistant Treasurer designated by him (or in the absence of such designation, the Assistant Treasurer designated by the Board of Directors, the Chairman or the President) shall perform all the duties of the Treasurer, and, when so acting, shall have all the powers of and be subject to all restrictions upon the Treasurer. The Assistant Treasurers shall perform such other duties as from time to time may be assigned to them by the Board of Directors, the Chairman, the President or the Treasurer.

Section 5.14 Salaries. The salaries of the officers of the Corporation

shall be fixed from time to time by the Board of Directors except that the Board of Directors may delegate to any person the power to fix the salaries or other compensation of any officers or agents appointed in accordance with the provisions of Section 5.3. No officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the Corporation.

Section 5.15 Surety Bonds. If the Board of Directors shall so require,

any officer or agent of the Corporation shall execute to the Corporation a bond in such sum and with such surety or sureties as the Board of Directors may direct, conditioned upon the faithful discharge of his duties, including responsibility for negligence and for the accounting of all property, funds or securities of the Corporation which may come into his hands.

ARTICLE VI

Execution of Instruments and Deposit of Corporate Funds

Section 6.1 Execution of Instruments Generally. The Chairman, President,

any Vice President, the Secretary or the Treasurer, subject to the approval of the Board of Directors, may enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation. The Board of Directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authorization may be general or confined to specific instances.

Section 6.2 Borrowing. No loans or advances shall be obtained or

contracted for, by or on behalf of the Corporation and no negotiable paper shall be issued in its name, unless and except as authorized or ratified and

confirmed by the Board of Directors. Such authorization or ratification and confirmation may be general or confined to specific instances. Any officer or agent of the Corporation thereunto so authorized may obtain loans and advances for the Corporation, and for such loans and advances may make, execute and deliver promissory notes, bonds, or other evidences of indebtedness of the Corporation. Any officer or agent of the Corporation thereunto so authorized may pledge, hypothecate or transfer as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, any and all stocks, bonds, other securities and other personal property at any time held by the Corporation, and to that end may endorse, assign and deliver the same and do every act and thing necessary or proper in connection therewith.

Section 6.3 Deposits. All funds of the Corporation not otherwise

employed shall be deposited from time to time to its credit in such banks or trust companies or with such bankers or other depositories as the Board of Directors may select, or as may be selected by any officer or officers or agent or agents authorized so to do by the Board of Directors. Endorsements for deposit to the credit of the Corporation in any of its duly authorized depositories shall be made in such manner as the Board of Directors from time to time may determine.

Section 6.4 Checks, Drafts, etc. All checks, drafts or other orders for

the payment of money, and all notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers or agent or agents of the Corporation, and in such manner, as from time to time shall be determined by the Board of Directors.

Section 6.5 Proxies. Proxies to vote with respect to shares of stock of

other corporations owned by or standing in the name of the Corporation may be executed and delivered from time to time on behalf of the Corporation by the Chairman, the President or a Vice President or by any other person or persons thereunto authorized by the Board of Directors.

ARTICLE VII

Record Dates

Section 7.1 In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. Only those stockholders of record on the date so fixed shall be entitled to any of the foregoing rights, notwithstanding the transfer of any such stock on the books of the Corporation after any such record date fixed by the Board of Directors.

ARTICLE VIII

Corporate Seal

Section 8.1 The corporate seal shall be circular in form and shall bear the name of the Corporation and words denoting its organization under the laws of the State of Delaware and otherwise shall be in such form as shall be approved from time to time by the Board of Directors.

ARTICLE IX

Fiscal Year

Section 9.1 The fiscal year of the Corporation shall begin on the first day of January in each year and end on the thirty-first day of December in each year.

ARTICLE X

Dividends and Finance

Section 10.1 Dividends are to be paid in cash or in stock and are to be paid out of the surplus earnings of the Corporation, evidenced by cash or assets on hand, but no dividends shall be paid that will impair the capital of the Corporation.

Section 10.2 The funds of the Corporation shall be deposited in such bank or trust company as the directors shall designate, and shall be withdrawn only upon such authorization as is provided for by the Board of Directors.

ARTICLE XI

Indemnification

Section 11.1 Each present and future Director and officer of the Corporation, and each present and future Director and officer of any other corporation serving as such at the request of the Corporation because of the Corporation's interest in such other corporation, shall be reimbursed or indemnified by the Corporation for or against all loss, expenses (including amounts paid to others than the Corporation in settlement or to secure the termination of litigation), costs, and counsel fees which may be paid by, or imposed upon, or reasonably incurred by, him in connection with or arising out of any action, suit or proceeding in which he may be involved or to which he may be a party, by reason of his being or having been such Director or officer, or by reason of any action alleged to have been taken or omitted by him in either such capacity. The Corporation shall not, however, reimburse or indemnify such Director or officer with respect to any matter as to which he shall be finally adjudged in any such action, suit or proceeding to have been derelict in the performance of his duties as such Director or officer. Similarly, if such action, suit or proceeding shall be settled or otherwise terminated as against such Director or officer without a final determination thereof, the Corporation shall not reimburse or indemnify such Director or officer with respect to any matter unless it shall be determined either

- (a) by a majority of the number of the Board of Directors of the Corporation (other than those involved in said action, suit or proceeding, whether or not such remaining Directors constitute a quorum); or
- (b) if there are not at least two Directors of the Corporation then in office other than those involved, by the majority of a committee selected by the Board of Directors (which committee shall be composed of three or more disinterested stockholders of the Corporation who are not directors, officers or employees of the Corporation),

that said Director or officer was not derelict in the performance of his duties as such Director or officer as charged in said action, suit or proceeding.

Section 11.2 The foregoing rights shall not be exclusive of other rights to which any Director or officer may otherwise be entitled, and in the event of his death, shall extend to his legal representatives. The foregoing rights shall be available whether or not the Director or officer continues to be a Director or officer at the time of incurring or becoming subject to such loss, expenses, costs and counsel fees, and whether or not the claim asserted against him is a matter which antedates the adoption of this Article XI.

