

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 DECEMBER 31, 2001

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)

1401 Enclave Parkway, Suite 600, Houston, Texas 77077

-----  
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code (281) 406-2000  
-----

Securities registered pursuant to Section 12(b) of the Act: Name of each  
exchange on 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 X No

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

As of January 31, 2002, 92,152,089 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 \$497.7  
million.

PARKER DRILLING COMPANY

TABLE OF CONTENTS

<TABLE>  
<CAPTION>

PART I

Page No.

<S>	<C>	<C>	
Item 1.	Business	2	
Item 2.	Properties	9	
Item 3.	Legal Proceedings	14	
Item 4.	Submission of Matters to a Vote of Security Holders	15	
Item 4a.	Executive Officers	15	

## PART II

Item 5.	Market for Registrant's Common Stock and Related Stockholder Matters	17	
Item 6.	Selected Financial Data	18	
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	19	
Item 7a.	Quantitative and Qualitative Disclosures about Market Risk	29	
Item 8.	Financial Statements and Supplementary Data	30	
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	65	

## PART III

Item 10.	Directors and Executive Officers of the Registrant	65	
Item 11.	Executive Compensation	65	
Item 12.	Security Ownership of Certain Beneficial Owners and Management	66	
Item 13.	Certain Relationships and Related Transactions	66	

## PART IV

Item 14.	Exhibits, Financial Statement Schedule and Reports on Form 8-K	67	
	Signatures	73	

</TABLE>

## 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, or may be "incorporated by reference," which means the statements are contained in other documents filed by the Company 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 are "forward-looking statements," including without limitation:

- \*future operating results,
- \*future rig utilization and rental tool activity,
- \*future capital expenditures and investments in the acquisition and refurbishment of rigs and equipment,
- \*repayment of debt,
- \*maintenance of the Company's revolver borrowing base, and
- \*expansion and growth of operations.

Forward-looking statements are based on certain assumptions and analyses made by management of the Company in light of its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are relevant. Although management of the Company believes that its 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 and uncertainties include:

- \*worldwide economic and business conditions that adversely affect market conditions and/or the cost of doing business,
- \*the pace of recovery in the U.S. economy and the demand for natural gas,
- \*fluctuations in the market prices of oil and gas,
- \*imposition of unanticipated trade restrictions,
- \*political instability,
- \*governmental regulations that adversely affect the cost of doing business,

- \*adverse environmental events,
- \*adverse weather conditions,
- \*changes in concentration of customer and supplier relationships,
- \*unexpected cost increases for upgrade and refurbishment projects,
- \*changes in competition, and
- \*other similar factors (some of which are discussed in this Form 10-K and in documents referred to in this Form 10-K).

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. These risks and uncertainties are referenced in connection with forward-looking statements that are included from time to time in this document. Each forward-looking statement speaks only as of the date of this Form 10-K, and the Company undertakes no obligation to publicly update or revise any forward-looking statement.

1

## PART I

### Item 1. BUSINESS

#### 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, 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. Our primary operating areas include the transition zones of the Gulf of Mexico, Nigeria and the Caspian Sea; the offshore waters of the Gulf of Mexico and on land in international oil and gas producing regions.

The Company's current marketed rig fleet consists of 27 barge drilling and workover rigs, seven offshore jackup rigs, four offshore platform rigs and 41 land rigs. The Company's barge drilling and workover rig fleet is dedicated to transition zone waters, which are generally defined as coastal waters having depths from five to 25 feet. The Company's offshore jackup and platform rig fleets currently operate in the Gulf of Mexico market and are capable of drilling in water depths up to 85 to 215 feet. The Company's land rig fleet generally consists of premium and specialized deep drilling rigs, with 37 of its 41 marketed land rigs capable of drilling to depths of 15,000 feet or greater. 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.

#### TRANSITION ZONE OPERATIONS

The Company provides contract drilling services in the transition zones, which are coastal waters including lakes, bays, rivers and marshes, of the Gulf of Mexico, the Caspian Sea and Nigeria, where barge rigs are the primary source of drilling and workover services. Barge rigs are barges with drilling equipment on board. They are towed to a drilling location at which time the hull is submerged to the bottom to provide stability before operations begin. Given their design, barge rigs work in shallow waters up to 25 feet.

#### U.S. Barge Drilling and Workover

The Company's U.S. 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, with 22 drilling and workover barges, is one of two companies with a significant presence in this market.

Utilization and dayrates for drilling and workover barges in the U.S. market remained at peak levels for the first three quarters of 2001, driven by intense drilling activity for natural gas due to high natural gas prices which were the result of a shortage of natural gas supplies during the 2000/2001 winter. By mid-2001, however, natural gas supplies proved to be more plentiful than was thought to be the case, due in part to the decline in economic activity in the U.S. Consequently, natural gas prices began to decline, and

2

utilization and dayrates followed. While there have been signs of increasing activity in the Gulf of Mexico in early 2002, management believes that any significant increase will only accompany a sustained improvement in the U.S. economy driving increased demand for natural gas (for 2001 utilization rates of Parker's fleet, please see the Properties section of this report).

#### International Barge Drilling

The Company's international barge drilling operations are focused in the transition zones of Nigeria and the Caspian Sea. International markets typically are more attractive than U.S. markets due to long-term contracts and higher dayrates.

The Company is the leading provider of barge rigs in Nigeria, with four of the eight rigs in this market. The Company has operated in Nigeria since 1996.

The Company owns and operates the world's largest Arctic barge rig in the Caspian Sea. This rig currently is drilling its fourth well under an initial three-year contract with seven one-year options.

#### OFFSHORE OPERATIONS

##### Jackup Drilling

The Company has seven shallow water jackup rigs in the Gulf of Mexico. Like the U.S. barge rig market, utilization and dayrates remained at high levels for most of 2001 before following natural gas prices down in the fourth quarter.

##### Platform Drilling

The Company's fleet of platform rigs consists of four 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 and erection costs and smaller "footprint."

#### LAND OPERATIONS

##### General

The Company's land drilling operations specialize in the drilling of difficult wells, often in remote locations and/or harsh environments. Since beginning operations in 1934, the Company has operated in 53 foreign countries and throughout the United States, making it one of the most geographically diverse land drilling contractors in the world. All of the company's land rigs operate in international locations.

The Company's international land drilling operations have focused primarily in Latin America, the Asia Pacific region and the republics of the former Soviet Union. The Company's operational expertise has enhanced its reputation as a pioneer in being the first western company to enter new "frontiers" of oil and gas development around the world. The Company was the first to enter China in 1980 and has provided continuous drilling services to this market. The Company was also the first western drilling contractor to enter Russia in 1991 followed by Kazakhstan in 1993, which now is one of the Company's most active markets.

3

While U.S. offshore utilization and dayrates declined in the fourth quarter of 2001, international land activity began to increase, generating the sector's highest quarterly revenue in more than three years. Given announced spending plans by oil and gas companies, the increased solicitation of bids for rigs and additional strategically-positioned rigs ready to go to work, the Company believes that its international markets will continue to improve throughout 2002.

International markets differ from the U.S. 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 typically are major, large independent or foreign national oil companies; (iii) drilling programs in remote locations and/or harsh environments requiring drilling equipment with a large inventory of spare parts and other ancillary equipment; and (iv) difficult i.e high pressure, deep, or geologically-challenging, wells requiring considerable experience to drill.

Latin America. The Company has 18 land rigs located in the Latin American drilling markets of Colombia, Peru, Ecuador and Bolivia. Colombia was the most active market for the Company in Latin America in 2001, and the Company announced a one-year contract extension for its four rigs drilling for BP in that country. The Company also announced a contract to work for Pluspetrol in the Camisea gas field in Peru.

Asia Pacific/Middle East/Africa. The Company has 14 land rigs located in the Asia Pacific, Middle East and Africa drilling markets. Included are nine helicopter transportable rigs located in this region due to the remoteness of the mountainside and jungle drilling required to meet customer demand. This market had increasing activity throughout the year, with new contracts in Indonesia, New Zealand and Papua New Guinea.

Former Soviet Union. Nine of the Company's rigs are currently located in the oil and gas producing regions of the former Soviet Union. The Company was the first Western drilling contractor to enter this market, in 1991, and it continued to be a major area of operations in 2001. The Company commenced drilling on three new contracts in Kazakhstan during the year. Two of these rigs are working in the Karachaganak field, and one in the Tengiz field. In addition, the company signed two contracts in 2001 related to new work on Sakhalin Island in Russia. The first contract is to build a rig for the Sakhalin 1 consortium, which will own the rig upon completion of construction, and mobilize it to location. Mobilization is expected to take place in mid-2002. The second contract is to operate the rig for the consortium.

#### U.S. Operations

The Company announced an alliance with Heartland Rig International, (HRI) whereby HRI acquired the exclusive rights to manufacture and market the intellectual property of Parker Technology, L.L.C. HRI is leasing the Company's rig-building facilities in New Iberia, Louisiana, in the transaction with a right to purchase.

#### Specialty Services

Arctic Drilling. The Company has been one of the pioneers in arctic drilling services and has developed technology to meet the demand for increased drilling in these ecologically sensitive areas. Although originally developed for the North Slope of Alaska, these technological developments and the Company's general expertise in arctic drilling are assets to the Company in marketing its services to operators in international markets with similar environmental considerations, such as the Caspian Sea and Sakhalin Island.

Project Management. The Company has been active in managing drilling rigs owned by third parties, generally oil companies that prefer to own the rig equipment but do not have the technical expertise or labor resources to operate the rig. During the year 2001, the Company operated 11 project management contracts in five countries.

#### RENTAL TOOLS

Quail Tools, 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 65 percent 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.

## COMPETITION

The contract drilling industry is a competitive and cyclical business characterized by high capital requirements and, in recent times, difficulty in finding and retaining qualified field personnel.

In the Gulf of Mexico barge drilling and workover markets the Company competes with one major competitor, Transocean Sedco Forex. In the jackup market, there are numerous U.S. offshore contractors. In international land markets, the Company competes with a number of international drilling contractors but also with smaller local contractors in certain markets. However, due to the high capital costs of operating in international land markets as compared to the U.S. land market, the high cost of mobilizing land rigs from one country to another, and the technical expertise required, there are usually fewer competitors in international land markets. In international land and offshore markets, experience in operating in challenging environments and customer alliances have 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 drilling contracts, both land and offshore, will continue to be highly competitive for the foreseeable future. Certain competitors have greater financial resources than the Company, which may enable them to better withstand industry downturns, compete more effectively on the basis of price, build new rigs or acquire existing rigs.

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

## CUSTOMERS

The Company believes it has developed a reputation for providing efficient, safe, environmentally conscious and innovative drilling services. An increasing trend indicates that a 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 and gas operators. The Company is currently a preferred contractor for operators in certain United States and international locations, which management believes is a result of the Company's quality of equipment, personnel, service and experience.

The Company's drilling customer base consists of major, independent and foreign-owned oil and gas companies. For fiscal year 2001, ChevronTexaco was the Company's largest customer with approximately 15 percent of total revenues. Shell Petroleum Development Company of Nigeria, the Company's largest customer for 2000 and 1999, accounted for approximately 10 percent of total revenues in both years.

## 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.

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. U.S. contracts are generally for one to three wells with options, while international contracts are more likely to be for multi-well long-term programs. The Company provides project management services including logistics,

procurement, well design, engineering, 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.

## EMPLOYEES

At December 31, 2001, the Company employed 3,654 people, an increase of 3 percent from the 3,542 employed at December 31, 2000. The following table sets forth the composition of the Company's employees.

<TABLE>

<CAPTION>

	December 31,	
	2001	2000
	----	----
<S>	<C>	<C>
International drilling operations	2,444	2,109
U.S. drilling operations	878	1,175
Rental tool operations	140	107
Corporate and other	192	151

</TABLE>

## RISKS AND ENVIRONMENTAL CONSIDERATIONS

The operations of the Company are subject to numerous federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency ("EPA"), issue regulations to implement and enforce such laws, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive and other protected areas, require remedial action to prevent pollution from former operations, and impose substantial liabilities for pollution resulting from the Company's operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly compliance could adversely affect the Company's operations and financial position, as well as those of similarly situated entities operating in the Gulf Coast market. While management believes that the Company is in substantial compliance with current applicable environmental laws and regulations, there is no assurance that compliance can be maintained in the future.

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 including mobile

offshore drilling rigs 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"), the Outer Continental Shelf Lands Act ("OCSLA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), and the Resource Conservation and Recovery Act ("RCRA"), each as amended from time to time. In addition, the Company may also be subject to applicable state law and other civil claims arising out of any such incident.

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 vessel, pipeline or onshore facility, or the lessee or permittee of the area in which an offshore facility is located. The OPA assigns liability of oil removal costs and a variety of public and private damages to each responsible party.

The liability for a mobile offshore drilling rig is determined by whether

the unit is functioning as a vessel or is in place and functioning as an offshore facility. If operating as a vessel, liability limits of \$600 per gross ton or \$500,000, whichever is greater, apply. If functioning as an offshore facility, the mobile offshore drilling rig is considered a "tank vessel" for spills of oil on or above the water surface, with liability limits of \$1,200 per gross ton or \$10.0 million. To the extent damages and removal costs exceed this amount, the mobile offshore drilling rig will be treated as an offshore facility and the offshore lessee will be responsible up to higher liability limits for all removal costs plus \$75.0 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 for offshore facilities and vessels in excess of 300 gross tons. Amendments to the OPA adopted in 1996 require owners and operators of offshore facilities that have a worst case oil spill potential of more than 1,000 barrels to demonstrate financial responsibility in amounts ranging from \$10.0 million in specified state waters to \$35.0 million in federal Outer Continental Shelf waters, with higher amounts, up to \$150.0 million, in certain limited circumstances where the U.S. Minerals Management Service ("MMS") believes such a level is justified by the risks posed by the quantity or quality of oil that is handled by the facility. However, such OPA 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 OCSLA authorizes 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 issued pursuant to the OCSLA 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 U.S. 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, with approximately two-thirds of the Company's offshore drilling contracts involving 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.

7

CERCLA, also known as "Superfund," and comparable state laws impose liability without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a "hazardous substance" into the environment. While CERCLA exempts crude oil from the definition of hazardous substances for purposes of the statute, the Company's operations may involve the use or handling of other materials that may be classified as hazardous substances. CERCLA assigns strict liability to each responsible party for all response and remediation costs, as well as natural resource damages. Few defenses exist to the liability imposed by CERCLA. The Company believes that it is in compliance with CERCLA and currently is not aware of any events that, if brought to the attention of regulatory authorities, would lead to the imposition of CERCLA liability against the Company.

RCRA generally does not regulate most wastes generated by the exploration and production of oil and gas. RCRA specifically excludes from the definition of hazardous waste "drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy." However, these wastes may be regulated by EPA or state agencies as solid waste. Moreover, ordinary industrial wastes, such as paint



wastes, waste solvents, laboratory wastes, and waste oils, may be regulated as hazardous waste. Although the costs of managing solid and hazardous wastes may be significant, the Company does not expect to experience more burdensome costs than similarly situated companies involved in drilling operations in the Gulf Coast market.

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 regulations that may relate directly to the oil and gas industry. The adoption of laws and regulations, both U.S. 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 operates in three segments, U.S. drilling services, international drilling services and rental tool operations. Information about the Company's business segments and operations by geographic areas for the years ended December 31, 2001, 2000 and 1999 is set forth in Note 9 in the notes to consolidated financial statements.

Item 2. PROPERTIES

The Company leases office space in Houston for its corporate headquarters. Additionally, the Company owns and leases office space and operating facilities in various locations, but only to the extent necessary for administrative and operational support functions. The Company owns a ten-story building in Tulsa, Oklahoma, the previous corporate headquarters which is vacant and held for sale.

Land Rigs. The following table shows, as of December 31, 2001, the locations and drilling depth ratings of the Company's 41 actively marketed land rigs:

<TABLE>  
<CAPTION>

International	Drilling Depth Rating in Feet			Total
	10,000 or less	10,000 to 25,000	Over 25,000	
<C>	<C>	<C>	<C>	<C>
Actively marketed land rigs:				
Latin America	--	11	7	18
Asia Pacific/Middle East/Africa		2	12	--
Former Soviet Union		2	4	3
	--	--	--	--
Total	4	27	10	41
	==	==	==	==

</TABLE>

In addition, the Company has seven 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>  
<CAPTION>

International	Drilling Depth Rating in Feet			Total
	10,000 or less	10,000 to 25,000	Over 25,000	
<C>	<C>	<C>	<C>	<C>
Cold stacked land rigs:				
Latin America	--	1	--	1
Asia Pacific/Middle East/Africa		3	3	--
				6

Former Soviet Union	--	--	--	--
Total	3	4	--	7
	==	==	==	==

</TABLE>

9

Barge Rigs. A schedule of the Company's deep, intermediate and workover and shallow drilling barge rigs located in the Gulf of Mexico, as of December 31, 2001, is set forth below:

<TABLE>  
<CAPTION>

Gulf of Mexico	Year Built or Last Horsepower	Maximum Drilling Refurbished	Depth (Feet)	Status (1)
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Deep drilling:				
Rig No. 15	1,000	1998	15,000	Active
Rig No. 50	2,000	2001	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	25,000	Active
Rig No. 55	2,000	2001	25,000	Active
Rig No. 56	2,000	1992	25,000	Active
Rig No. 57	1,500	1997	20,000	Active
Rig No. 76	3,000	1997	30,000	Active
Intermediate drilling:				
Rig No. 8	1,000	1995	14,000	Active
Rig No. 17	1,000	1993	13,000	Active
Rig No. 20	1,000	2001	12,500	Active
Rig No. 21	1,200	2001	13,000	Active
Rig No. 23	1,000	1993	11,500	Active
Workover and shallow drilling:				
Rig No. 6 (2)	700	1995	--	Active
Rig No. 9 (2)	650	1996	--	Active
Rig No. 12	1,100	1990	14,000	Active
Rig No. 16	800	1994	8,500	Active
Rig No. 18	800	1993	8,500	Active
Rig No. 24	1,000	1992	11,500	Active
Rig No. 25	1,000	1993	11,500	Active
Rig No. 26 (2)	650	1996	--	Active

</TABLE>

(1) "Active" denotes that the rig is currently under contract or available for contract.

(2) Workover rig.

10

A schedule of the Company's international drilling barges, as of December 31, 2001, is set forth below:

<TABLE>  
<CAPTION>

International	Year Built or Last Horsepower	Maximum Drilling Refurbished	Depth (Feet)	Status (1)
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Deep drilling:				
Rig No. 72	3,000	1991	30,000	Active
Rig No. 73	3,000	2000	30,000	Active
Rig No. 74	3,000	1997	30,000	Active
Rig No. 75	3,000	1999	30,000	Active
Rig No. 257	3,000	1999	25,000	Active

</TABLE>

- (1) "Active" denotes that the rig is currently under contract or available for contract.

Platform Rigs. The following table sets forth certain information, as of December 31, 2001, with respect to the Company's platform rigs:

<TABLE>

<CAPTION>

Gulf of Mexico	Year Built or Last Horsepower	Maximum Drilling Refurbished	Depth (Feet)	Status (1)
<S>	<C>	<C>	<C>	<C>
Platform rigs:				
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. 41	1,000	1997	12,500	Active

</TABLE>

- (1) "Active" denotes that the rig is currently under contract or available for contract.

- (2) Workover rig.

11

Jackup Rigs. The following table sets forth certain information as of December 31, 2001, with respect to the Company's jackup rigs:

<TABLE>

<CAPTION>

Gulf of Mexico	Design (1)	Maximum Water Depth (Feet)	Maximum Drilling Depth (Feet)	Status (2)
<S>	<C>	<C>	<C>	<C>
Jackup rigs:				
Rig No. 11 (3)	Bethlehem JU-200 (MC)	200	--	Active
Rig No. 14	Baker Marine Big Foot (IS)	85	20,000	Active
Rig No. 15	Baker Marine Big Foot III (IS)	100	20,000	Active
Rig No. 20	Bethlehem JU-100 (MC)	110	25,000	Active
Rig No. 21	Baker Marine BMC-125 (MC)	100	20,000	Active
Rig No. 22	Le Tourneau Class 51 (MC)	173	15,000	Active
Rig No. 25	Le Tourneau Class 150-44 (IC)	215	20,000	Active

</TABLE>

- (1) IC--independent leg, cantilevered; IS--independent leg, slot; MC--mat-supported, cantilevered.

- (2) "Active" denotes that the rig is currently under contract or available for contract.

- (3) Workover rig.

12

The following table presents the Company's utilization rates, rigs available for service and cold stacked rigs.

<TABLE>

<CAPTION>

Transition Zone Rig Data	Year Ended December 31,	
	2001	2000
<S>	<C>	<C>
U.S. barge deep drilling:		
Rigs available for service (1)	9.0	8.0

Utilization rate of rigs available for service (2)	93%	92%
U.S. barge intermediate drilling:		
Rigs available for service (1)	5.0	5.0
Utilization rate of rigs available for service (2)	80%	93%
U.S. barge workover and shallow drilling:		
Rigs available for service (1)	8.0	9.0
Utilization rate of rigs available for service (2)	53%	44%
International barge drilling:		
Rigs available for service (1)	5.0	5.0
Utilization rate of rigs available for service (2)	97%	97%

Offshore Rig Data

-----		
Jackup rigs:		
Rigs available for service (1)	7.0	7.0
Utilization rate of rigs available for service (2)	78%	86%
Platform rigs:		
Rigs available for service (1)	4.0	4.0
Utilization rate of rigs available for service (2)	47%	53%

</TABLE>

<TABLE>

<CAPTION>

Land Rig Data	Year Ended December 31,	
	2001	2000
-----	-----	-----
<S>	<C>	<C>
International rigs:		
Rigs available for service (1)	41.0	40.0
Utilization rate of rigs available for service (2)	49%	35%
Cold stacked rigs (1)	7.0	7.0
U.S. rigs: (3)		
Rigs available for service (1)	--	0.9
Utilization rate of rigs available for service (2)	--	0%

</TABLE>

(1) 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 cost before being placed back into service.

(2) 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.

(3) Includes one U.S. land rig located in Alaska, through the date of sale November 20, 2000.

Item 3. LEGAL PROCEEDINGS

Verdin Lawsuit. Two subsidiaries of Parker Drilling Company ("Subsidiaries") are currently named defendants in the lawsuit, Verdin vs. R & B Falcon Drilling USA, Inc., et. al., Civil Action No. G-00-488, currently pending

in the U.S. District Court for the Southern District of Texas, Houston Division. The plaintiff is a former employee of a drilling contractor engaged in offshore drilling operations in the Gulf of Mexico. The defendants are various drilling contractors, including the Subsidiaries, who conduct drilling operations in the Gulf of Mexico. Plaintiff alleges that the defendants have violated federal and state antitrust laws by agreeing with each other to depress wages and benefits paid to employees working for said defendants.

Plaintiff is seeking to bring this case as a "class action", i.e., on behalf of himself and a proposed class of other similarly situated employees of the defendants that have allegedly suffered similar damages from the alleged actions of defendants. Originally, the case was pending in U.S. District Court for the Southern District of Texas, Galveston Division. The case was subsequently transferred to the Houston Division. The subsidiaries and certain of the other defendants recently entered into a stipulation of settlement with the plaintiff, pursuant to which the subsidiaries will pay \$625,000 for a full and complete release of all claims brought in the case. The settlement was preliminarily approved by the Court on November 8, 2001, and the Court will conduct a fairness hearing on April 18, 2002 to determine whether the proposed settlements should receive final approval. The settlement amount and related fees were accrued during the third quarter 2001.

Kazakhstan tax issue. On July 6, 2001, the Ministry of State Revenues of Kazakhstan ("MSR") issued an Act of Audit to the Kazakhstan branch ("PKD Kazakhstan") of Parker Drilling Company International Limited, a wholly-owned subsidiary of the Company ("PDCIL"), assessing additional taxes in the amount of approximately \$29,000,000 for the years 1998 through 2000. The assessment consists primarily of adjustments in corporate income tax based on a determination by the Kazakhstan tax authorities that payments by Offshore Kazakhstan International Operating Company, ("OKIOC"), to PDCIL of \$99,050,000, in reimbursement of costs for modifications to Rig 257, performed by PDCIL prior to the importation of the drilling rig into Kazakhstan, where it is currently working under contract to OKIOC, are income to PKD Kazakhstan, and therefore, taxable to PKD Kazakhstan. PKD Kazakhstan filed an Act of Non-Agreement stating its position that such payment should not be taxable and requesting the Act of Audit be revised accordingly. In November, the MSR rejected PKD Kazakhstan's Act of Non-Agreement, prompting PKD Kazakhstan to seek judicial review of the assessment. On December 28, 2001, the Astana City Court issued a judgment in

14

favor of PKD Kazakhstan, finding that the reimbursements to PDCIL were not income to PKD Kazakhstan and not otherwise subject to tax based on the US-Kazakhstan Tax Treaty. The MSR has appealed the Astana City Court decision to the Supreme Court, but has requested and received a postponement in the hearing until March 21, 2002. Management believes that it is still not possible to make a reasonable determination as to the probable outcome of this matter. Should PKD Kazakhstan be required to pay the full assessment, the Company has sufficient cash on hand to make the payment.

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 2001.

#### 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, 78, chairman, joined the Company in 1944 and was elected vice president in 1950. He was elected president in 1954 and chief executive officer and chairman in 1969. Since 1991, he has held only the position of chairman.
- (2) Robert L. Parker Jr., 53, 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 J. Davis, 55, senior vice president of finance and chief financial officer, joined the Company in November 1991. 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.
- (4) Robert F. Nash, 58, senior vice president and chief operating officer, joined the Company in November 2001. Mr. Nash joined the Company following a 26-year career with Halliburton, during which time he held numerous senior management positions with responsibility for operations, technical development, manufacturing, procurement, inventory management and sales and marketing. He also has considerable experience with mergers, acquisitions, divestitures and reorganizations.
- (5) Thomas L. Wingerter, 49, vice president of operations, joined the Company in 1979. In 1983 he was named contract 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 vice president, North American region. In March 1999 he was appointed vice president and general manager - North American operations. In January 2001, he was appointed to his current position.

15

- (6) W. Kirk Brassfield, 46, vice president and corporate controller joined the Company in March 1998 as corporate controller and chief accounting officer. 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

- (7) John R. Gass, 50, vice president of corporate business development, 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 core drilling operations in South Africa. In 1989 he was promoted to international contract manager. In January 1996, he was elected vice president, frontier areas and assumed his current position in March 1999.
- (8) Denis Graham, 52, vice president of engineering, joined the Company in 2000. Mr. Graham was the senior vice president of technical services for Diamond Offshore Inc., an international offshore drilling contractor. His experience with Diamond Offshore ranged from 1978 through 1999 in the areas of offshore drilling rig design, new construction, conversions, marine operations, maintenance and regulatory compliance.
- (9) Patrick Seals, 38, vice president of shared services, joined the Company in 1992 as an internal auditor. From 1993 through 1999, he held various contracts and marketing management roles in the North American Division. In late 1999, Mr. Seals assumed the role of general manager of e-business and in January of 2001 was promoted to his current position. From 1985 to 1992, he served in roles at the public accounting firm of Arthur Andersen, Scrivner, Inc. and The Oklahoma Publishing Company.
- (10) David W. Tucker, 46, was elected treasurer in March 1999. He joined the Company in 1978 as a financial analyst and served in various

financial and accounting positions before being named chief financial officer of the Company's wholly-owned subsidiary, Hercules Offshore Corporation, in February 1998.

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 December 31, 2001, there were 3,004 holders of record of Parker Drilling common stock. Prices on Parker Drilling's common stock for the years ended December 31, 2001 and 2000, were as follows:

<TABLE>  
<CAPTION>

Quarter	2001		2000	
	High	Low	High	Low
First	\$7.53	\$4.75	\$5.125	\$3.000
Second	7.40	5.21	6.875	3.750
Third	6.29	2.25	7.438	4.875
Fourth	4.07	2.56	7.125	3.938

</TABLE>

No dividends have been paid on common stock since February 1987. Restrictions contained in Parker Drilling's existing bank revolving loan facility 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.

Item 6. SELECTED FINANCIAL DATA (Dollars in Thousands Except Per Share Data)

<TABLE>  
<CAPTION>

	Year Ended December 31, 2001	Year Ended December 31, 2000	Four Months Year Ended December 31, 1999	Four Months Year Ended December 31, 1998	Ended December 31,
Revenues	\$ 487,965	\$ 376,349	\$ 324,553	\$ 136,723	
Net income (loss)	\$ 11,059	\$ (19,045)(1)	\$ (37,897)	\$ (14,633)	
Diluted earnings (loss) per share	0.12	\$ (0.23)(1)	\$ (0.49)	\$ (0.19)	
Total assets	\$1,105,777	\$1,107,419	\$1,082,743	\$1,159,326	
Long-term debt	\$ 587,165	\$ 592,584	\$ 648,577	\$ 630,479	

<TABLE>  
<CAPTION>

	Year Ended August 31, 1998	Year Ended August 31, 1997
Revenues	\$ 481,223	\$311,644
Net income	\$ 28,092	\$ 16,315
Diluted earnings per share	\$ 0.36	\$ 0.23

Total assets	\$1,200,544	\$984,136
Long-term debt	\$ 630,090	\$551,042

(1) Loss before extraordinary gain was \$(22,981) or \$(0.28) per share.

18

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

### RESULTS OF OPERATIONS

#### Outlook and Overview

The year 2001 was marked by an overall improvement in rig activity and cash flow for the Company. Net income improved to \$11.1 million as compared to net losses before extraordinary gain of \$23.0 million and \$37.9 million the previous two years. Rig utilization, dayrates and rental activity improved substantially in the Company's Gulf of Mexico drilling markets, continuing a trend that started in mid-2000. The main driver of this trend was the increase in spending by oil and gas operators in response to significantly higher demand and prices for natural gas in the United States. The Company's international markets began to improve late in 2001 experiencing significantly higher utilization in the fourth quarter, most notably in the Asia Pacific region and Kazakhstan.

After reaching the highest levels of dayrates and utilization since fall of 1998, the Gulf of Mexico market began to soften at the end of the third quarter of 2001 due primarily to a reduction in drilling activity by operators in response to declining demand and prices for natural gas, due in part to the economic recession in the United States. During the fourth quarter, dayrates for the Company's seven jackup rigs dropped approximately 25 percent while utilization decreased from 87 percent for the first three quarters to 52 percent for the fourth quarter. During the same period, some softness was experienced in the Company's Gulf of Mexico rental tool operations and barge rig business, but to a much lesser extent than the jackup rigs due to the consolidated nature of the barge rig market. Management anticipates that the reduced demand for drilling services in the Gulf of Mexico market will continue through the first half of 2002, which will result in reduced revenues from our barge, jackup and rental tools operations as compared to 2001. Management anticipates that revenues from the Company's international land rig operations will increase over 2001, due to increased rig utilization in our markets, particularly Latin America and the Asia Pacific region. International barge revenues for 2002 are anticipated to approximate 2001.

In the Company's fourth quarter conference call with investors, management stated that the level of revenues and cash flow that the Company will generate in 2002 will depend to a large extent on the pace of recovery in drilling activity and dayrates in the Gulf of Mexico market. Management anticipates that drilling activity will increase in the second half of 2002 if there is a sustained recovery in the U.S. economy, which would reduce current high inventories and lead to an increase in demand for natural gas. One scenario posed by management to investors is for a fairly rapid pickup in rig utilization and rental tool activity, in which case revenues for the year 2002 could reach \$480 million. This compares with revenues for the year 2001 of \$488.0 million. On the other hand, if the recovery in the U.S. economy lags and the demand for natural gas is not as strong, then the recovery in the Gulf of Mexico market could lag until the third quarter. In this case management anticipates revenues could be approximately \$450 million.

During September 2001, the Company relocated its corporate office to Houston. The reorganization included the consolidation of its corporate and international drilling activities from Tulsa, Oklahoma, with its U.S. offshore drilling operations already domiciled in Houston. The reorganization of certain senior management positions and management of drilling operations accompanied the relocation. Management believes that the Company will benefit from being closer to its customers, competitors and vendors and anticipates increased operational efficiency from the consolidation of its operations and administrative functions. The total non-recurring expense for the move of the corporate office to Houston approximated \$7.5 million.



## RESULTS OF OPERATIONS (continued)

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

The Company recorded net income of \$11.1 million, for the year ended December 31, 2001, compared to a net loss of \$23.0 million, before extraordinary gain, recorded for the year ended December 31, 2000.

<TABLE>  
<CAPTION>

	Year Ended December 31,			
	2001		2000	
Revenues:	(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>
U.S. drilling	\$190,809	39%	\$148,416	40%
International drilling	231,527	48%	185,100	49%
Rental tools	65,629	13%	42,833	11%
Total revenues	\$487,965	100%	\$376,349	100%

</TABLE>

The Company's revenues increased \$111.6 million to \$488.0 million in the current year as compared to 2000. U.S. offshore drilling revenues increased \$44.1 million to \$190.8 million due primarily to increased dayrates for the drilling barge rigs and the jackup rigs. Dayrates increased 32 percent and 40 percent for the barge rigs and jackup rigs, respectively, as compared to the previous year. The increase in dayrates was partially offset by decreased utilization from 86 percent in 2000 to 78 percent in 2001 for the jackup rigs. The decrease in utilization was due primarily to the slowdown in the Gulf of Mexico jackup market during the fourth quarter of 2001. Jackup utilization during the fourth quarter was 52 percent as compared to approximately 87 percent during the first three quarters of 2001. U.S. land drilling revenues decreased \$1.7 million due to the sale of the Company's last remaining U.S. land rig, Rig 245, in November 2000.

International drilling revenues increased \$46.4 million to \$231.5 million in the current period as compared to the year ended December 31, 2000. International land drilling revenues increased \$38.5 million to \$151.5 million during 2001. Revenues in the Former Soviet Union region, which includes Kazakhstan and Russia, increased \$32.3 million to \$63.1 million during 2001 as compared to the previous year. Kazakhstan increased \$30.0 million as one rig was added to the Tengiz operation and three rigs were added to the Karachaganak joint venture with Saipem. Russia increased by \$2.3 million as one rig commenced operations during 2001. Revenues increased \$10.7 million in the Asia Pacific region due primarily to increased rig utilization in Indonesia, Papua New Guinea and New Zealand. Offsetting these increases were decreases in revenues from Madagascar and Nigeria's land rig due to completion of drilling contracts in these countries in 2000. Revenues in the Latin America region decreased \$4.4 million to \$54.1 million during 2001. Revenues in Bolivia decreased \$12.1 million during 2001 due primarily to an oversupply of natural gas in Bolivia resulting in a significant decrease in rig utilization. Partially offsetting the decrease in Bolivia was an increase in revenues of \$8.7 million in Colombia. During 2001 rig utilization increased in Colombia to 92 percent from 83 percent in 2000, and currently the Company has six rigs working in Colombia.

International offshore drilling revenues increased \$7.9 million to \$80.0 million during 2001. Revenues in the Caspian Sea (barge Rig 257) decreased by \$1.6 million while revenues in Nigeria increased \$9.5 million. Barge Rig 257 revenues decreased primarily due to reduced rates received during the lengthy rig move after completion of the first well. Revenues for the four barge rigs in Nigeria improved due to increased drilling operations on full dayrates. Last year the rigs were on reduced standby rates for approximately six months due to several episodes of community unrest.

RESULTS OF OPERATIONS (continued)

Rental tool revenues increased \$22.8 million due to the increased level of drilling activity in the Gulf of Mexico. Contributing to this increase was the New Iberia, Louisiana, operation in the amount of \$10.3 million, \$6.3 million from the Victoria, Texas, operation and \$6.2 million from the Odessa, Texas, operation which commenced operations in May 2000.

<TABLE>  
<CAPTION>

	Year Ended December 31,			
	2001		2000	
Profit margin:	(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>
U.S. drilling	\$ 78,329	41%	\$ 49,219	33%
International drilling	77,043	33%	52,218	28%
Rental tools	42,624	65%	26,839	63%
Total profit margin	197,996	41%	128,276	34%
Depreciation and amortization	97,259		85,060	
General and administration	21,721		20,392	
Other	7,500		8,300	
Operating income	\$ 71,516		\$ 14,524	

</TABLE>

(Profit margin - revenues less direct operating expenses; profit margin percentages - profit margin as a percent of revenues.)

Profit margin of \$198.0 million in the current period reflects an increase of \$69.7 million from the \$128.3 million recognized during the year ended December 31, 2000. The U.S. and international drilling segments recorded profit margin percentages of 41 percent and 33 percent, respectively, in the current year, as compared to 33 percent and 28 percent in 2000. U.S. profit margins increased \$29.1 million. U.S. drilling profit margin was positively impacted during the current year by increasing dayrates in the Gulf of Mexico from the barge and jackup rigs. Average dayrates for the barge rigs and jackup rigs increased approximately 31 percent and 42 percent, respectively, during the current period when compared to the prior year. Jackup rig utilization decreased from 86 percent in 2000 to 78 percent in 2001 due primarily to a slowdown in the Gulf of Mexico jackup market during the fourth quarter, which resulted in jackup rig utilization of 52 percent. This slowdown negatively impacted jackup rig dayrates, which declined approximately 23 percent from the first three quarters of 2001.

International drilling profit margin increased \$24.8 million to \$77.0 million during the year ended December 31, 2001 as compared to 2000. International land drilling profit margin increased \$18.1 million to \$47.6 million. Profit margin for the international land drilling operations increased in Kazakhstan from 33 percent to 45 percent, Papua New Guinea from 27 percent to 48 percent, and New Zealand from 20 percent to 39 percent, primarily due to higher utilization during 2001. Profit margin in Russia decreased \$5.4 million due to higher than anticipated mobilization and start up costs. The international offshore drilling profit margin increased \$6.7 million to \$29.5 million, with profit margin increasing from 32 percent to 37 percent during 2001 as compared to 2000.

Rental tool profit margin increased \$15.8 million to \$42.6 million during the current year as compared to the year ended December 31, 2000. Profit margin increased primarily due to the \$22.8 million increase in revenues during the current year. The profit margin percentage increased during the current period to 65 percent from 63 percent for the previous year due principally to higher revenues without a corresponding increase in fixed cost.

RESULTS OF OPERATIONS (continued)

Depreciation and amortization expense increased \$12.2 million to \$97.3 million in the current year. Depreciation expense recorded in connection with capital additions for the years 1999, 2000 and 2001, was the primary reason for the increase. General and administrative expenses increased \$1.3 million in the current year as compared to 2000. This increase is primarily attributed to increased travel costs, professional fees, information technology projects, and higher occupancy costs associated with the new corporate office in Houston.

The Company recognized \$7.5 million in reorganization costs, which includes employee moving expenses and severance costs, during 2001. In September 2001, the Company opened its new corporate office in Houston. The reorganization included the consolidation of its corporate and international drilling activities from Tulsa, Oklahoma, with its U.S. offshore drilling operations already domiciled in Houston. The relocation was accompanied by the reorganization of certain senior management positions and the management of drilling operations.

Interest expense decreased \$4.0 million due to the \$50.5 million repayment of convertible notes during the fourth quarter of 2000 and \$1.6 million of interest being capitalized to construction projects during the year ended December 31, 2001, as compared to \$0.5 million capitalized during the prior year. Gain on disposition of assets decreased \$15.6 million to \$2.3 million for the current year. During the year 2000, the Company sold its one million shares of Unit Corporation common stock and recognized a pre-tax gain of \$7.4 million and the Company sold Rig 245 in Alaska for \$20.0 million and recognized a pre-tax gain of \$14.9 million.

Income tax expense consists of foreign tax expense of \$14.0 million and deferred tax benefit of \$1.4 million. The deferred tax benefit is due to the reduction in the valuation allowance of \$9.6 million offsetting deferred tax expense of \$8.2 million. The reduction was the result of a change in estimate relating to the realization of net operating loss carryforwards (NOL's). At December 31, 2000, the Company carried a valuation account reserving part of the NOL's set to expire during the tax year ended August 31, 2001. Due to higher than projected taxable income for the 2001 tax year, the Company utilized more NOL's than originally anticipated resulting in the deferred tax benefit. As of December 31, 2001, the remaining valuation allowance is \$9.9 million. For additional information, see Note 5 in the notes to consolidated financial statements.

RESULTS OF OPERATIONS (continued)

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

The Company recorded a net loss of \$23.0 million, before extraordinary gain, for the year ended December 31, 2000, compared to a net loss of \$37.9 million recorded for the year ended December 31, 1999.

<TABLE>  
<CAPTION>

	Year Ended December 31,			
	2000		1999	
	(Dollars in Thousands)			
Revenues:				
U.S. drilling	\$148,416	40%	\$113,989	35%
International drilling	185,100	49%	182,908	56%
Rental tools	42,833	11%	27,656	9%
Total revenues	\$376,349	100%	\$324,553	100%

</TABLE>

The Company's revenues increased \$51.8 million to \$376.3 million in 2000 as compared to 1999. U.S. drilling revenues increased \$34.4 million to \$148.4 million. U.S. offshore drilling revenues increased \$50.5 million due primarily

to increased utilization and dayrates for the drilling barge rigs and the jackup rigs. U.S. land drilling revenues decreased \$16.1 million due to the sale of the Company's 13 U.S. land rigs on September 30, 1999 and the sale of Rig 245, located in Alaska, in November 2000. Rig 245 was stacked throughout 2000.

International drilling revenues increased \$2.2 million to \$185.1 million in 2000 as compared 1999. International land drilling revenues decreased \$14.5 million while international offshore drilling revenues increased \$16.7 million. Primarily responsible for the international land drilling revenues decrease was the Latin America region, which decreased \$15.9 million. This decrease is attributed to reduced rig utilization in Colombia, Ecuador and Peru. Revenues from the Bolivian operations were relatively constant for the two periods but began to fall during the fourth quarter of 2000. In addition, land drilling revenues decreased \$9.7 million in the Asia Pacific region due to completion of a one-well drilling contract in Vietnam that ended during the third quarter of 1999, and reduced utilization in Papua New Guinea. Revenues in the Frontier region, which includes Russia, Kazakhstan, Africa and the Middle East, increased \$11.1 million during 2000 as compared to the year ended December 31, 1999. This increase is primarily attributed to short-term drilling contracts conducted in 2000 in Madagascar and Nigeria (land contract). Additionally, a labor contract in Kuwait and increased in rig utilization in Kazakhstan contributed to the increase.

International offshore drilling revenues increased \$16.7 million to \$72.2 million due primarily to barge Rig 257 in the Caspian Sea and barge Rig 75 in Nigeria. Barge Rig 257, which commenced drilling in September of 1999, contributed \$24.8 million of revenues during the year ended December 31, 2000, an increase of \$16.2 million. With the addition of barge Rig 75 during the third quarter of 1999, the Company had four barge rigs in the Nigerian offshore market. Due to several episodes of community unrest, three of the four barge rigs were on standby status during most of the first six months of 2000. One rig, barge Rig 74, operated for approximately three and a half months during the first six months. Despite the reduced revenues earned while on standby, Nigerian offshore revenues increased \$11.3 million to \$47.4 million during 2000. The increase is due to revenues earned by the new barge Rig 75 and the start-up of drilling operations on Rig 74, which was on standby during 1999. During the last five months of 2000, drilling operations on the Nigerian barge rigs were at full dayrates. Offsetting the increased revenues in the Caspian Sea and Nigeria was a \$10.8 million decrease in international offshore revenues due to the completion of a barge contract in Venezuela during the third quarter of 1999.

RESULTS OF OPERATIONS (continued)

Rental tool revenues increased \$15.2 million due to the increased level of drilling activity in the Gulf of Mexico. Contributing to this increase was the New Iberia, Louisiana, operation in the amount of \$7.7 million, \$5.0 million from the Victoria, Texas, operation and \$2.5 million from the Odessa, Texas, operation which commenced operations in May 2000.

<TABLE>  
<CAPTION>

	Year Ended December 31,			
	2000		1999	
Profit margin:	(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>
U.S. drilling	\$ 49,219	33%	\$ 11,891	10%
International drilling	52,218	28%	56,682	31%
Rental tools	26,839	63%	16,746	61%
Total profit margin	128,276	34%	85,319	26%
Depreciation and amortization	85,060		82,170	
General and administration	20,392		16,312	
Other	8,300		13,607	
Operating income (loss)	\$ 14,524		\$(26,770)	

</TABLE>

(Profit margin - revenues less direct operating expenses; profit margin percentages - profit margin as a percent of revenues.)

Profit margin of \$128.3 million in 2000 reflect an increase of \$43.0 million from the \$85.3 million recorded during 1999. The U.S. and international drilling segments recorded profit margin percentages of 33 percent and 28 percent, respectively, during the year ended December 31, 2000, as compared to 10 percent and 31 percent in 1999. U.S. profit margin increased \$37.3 million. U.S. drilling profit margin was positively impacted during 2000 by increased utilization in the Gulf of Mexico from the barge and jackup rigs. In addition, average dayrates for the jackup rigs increased approximately 45 percent during 2000 when compared to 1999. Offsetting the increased U.S. offshore profit margin was the sale of all 13 U.S. lower-48 land rigs during the third quarter of 1999. During the year ended December 31, 1999, the U.S. lower-48 land rigs contributed profit margin of \$1.7 million. In addition, Rig 245, which was stacked in Alaska all year, was sold in November of 2000.

International drilling profit margin declined \$4.5 million to \$52.2 million during the year ended December 31, 2000 as compared to 1999. International land drilling profit margin declined \$5.8 million to \$29.5 million during 2000 primarily due to lower utilization in the Company's land drilling operations as previously discussed. The international offshore drilling profit margin increased \$1.3 million to \$22.7 million.

Rental tool profit margin increased \$10.1 million to \$26.8 million during 2000 as compared to the year ended December 31, 1999. Profit margin increased primarily due to the \$15.2 million increase in revenues during 2000. The profit margin percentage increased during 2000 to 63 percent from 61 percent for 1999.

Depreciation and amortization expense increased \$2.9 million to \$85.1 million during 2000. Depreciation expense recorded in connection with 1998 and 1999 capital additions, principally barge Rig 257 and barge Rig 75, was the primary reason for the increase. General and administrative expenses increased \$4.1 million during 2000 as compared to 1999. This increase is primarily attributed to travel costs, employee bonuses, franchise taxes, professional fees and information technology projects.

24

#### RESULTS OF OPERATIONS (continued)

Interest expense increased \$1.1 million due to \$3.0 million of interest being capitalized to construction projects during the year ended December 31, 1999, as compared to \$0.5 million capitalized during 2000. Gain on disposition of assets decreased \$21.2 million to \$17.9 million for the year ended December 31, 2000. On September 30, 1999 the Company sold its U.S. lower-48 land rigs to Unit Corporation for \$40.0 million cash plus one million shares of Unit Corporation common stock. The Company recognized a pre-tax gain of \$36.1 million during the third quarter of 1999. In September 2000, the Company sold its one million shares of Unit Corporation common stock and recognized a pre-tax gain of \$7.4 million. In November 2000, the Company sold Rig 245 in Alaska for \$20.0 million and recognized a pre-tax gain of \$14.9 million.

Income tax expense consists of foreign tax expense and deferred tax benefit. The deferred tax benefit is due to the loss incurred during the year ended December 31, 2000.

#### LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, the Company had cash, cash equivalents and other short-term investments of \$60.4 million, a decrease of \$2.9 million from December 31, 2000. The primary sources of cash in 2001, as reflected on the consolidated statement of cash flows, were \$116.0 million provided by operating activities and \$7.6 million from the disposition of assets. Proceeds from the disposition of assets included the sale of various non-marketable rigs and components and reimbursements from customers for equipment lost in the hole.

The primary uses of cash in 2001 were \$122.0 million for capital expenditures and \$5.0 million for repayment of debt. Major projects during the

year included modifications to jackup Rig 22 as a result of its scheduled five-year Coast Guard inspection, completion of Rig 216 to work in the Karachaganak field in Kazakhstan, and purchase of drill pipe and other rental tools for Quail. Repayment of debt included \$4.5 million on a five-year note with Boeing Capital Corporation for barge Rig 75 in Nigeria.

As of December 31, 2000, the Company had cash, cash equivalents and other short-term investments of \$63.3 million, an increase of \$17.0 million from December 31, 1999. The primary sources of cash in 2000, as reflected on the consolidated statement of cash flows, were \$87.3 million of net proceeds from a common stock offering, \$31.9 million from the disposition of assets, \$27.3 million provided by operating activities and \$16.9 million from the sale of investments. The net proceeds from the equity offering of \$87.3 million were the result of issuing 13.8 million shares of common stock during September 2000. Proceeds from the disposition of assets included the sale of Rig 245 in Alaska for \$20.0 million, the sale of various non-marketable rigs and components and reimbursements by our customers for equipment lost in the hole. Also, the Company sold its 1.0 million shares of Unit Corporation stock in September 2000 for \$15.0 million. The Unit stock (and \$40.0 million cash) was received in 1999 in conjunction with the sale of the Company's 13 U.S. lower-48 land rigs to Unit Corporation.

The primary uses of cash in 2000 were \$98.5 million for capital expenditures (net of reimbursements) and \$48.3 million for repayment of debt. Major projects during the year included completion of modifications to Rig 249 for a contract in Kazakhstan for Tengizchevroil (TCO). Additionally, Rig 258 was constructed for the TCO project and arrived in Kazakhstan during the first quarter of 2001. During 2000, Rig 259 was purchased and modified for a new project in the Karachaganak field in Kazakhstan. Also, modifications were completed on jackup Rig 25 in the Gulf of Mexico as a result of its scheduled five-year Coast Guard inspection. Repayment of debt included \$43.5 million for the buyback of a portion of the Company's 5.5% Convertible Subordinated Notes, which resulted in an extraordinary gain of \$3.9 million, net of \$2.2 million in taxes, from proceeds from the equity offering and \$4.1 million on a five-year note with Boeing Capital Corporation for barge Rig 75 in Nigeria.

LIQUIDITY AND CAPITAL RESOURCES (continued)

The Company has total long-term debt, including the current portion, of \$592.2 million at December 31, 2001, consisting of \$452.1 million of 9.75% Senior Notes, \$124.5 million of 5.5% Convertible Subordinated Notes and a secured promissory note with a balance at December 31, 2001, of \$15.6 million. The Company entered into a \$50.0 million revolving credit facility with a group of banks led by Bank of America on October 22, 1999. This facility is available for working capital requirements, general corporate purposes and to support letters of credit. The revolver is collateralized by accounts receivable, inventory and certain barge rigs located in the Gulf of Mexico. The facility contains customary affirmative and negative covenants. Availability under the revolving credit facility is subject to certain borrowing base limitations based on 80 percent of eligible receivables plus 50 percent of rig materials and supplies. As of December 31, 2001, the borrowing base was \$50.0 million of which none had been drawn down, but \$15.1 million of availability has been used to support letters of credit that have been issued. Given management's outlook for 2002, it is anticipated that eligible receivables and rig materials and supplies will be at levels to maintain the borrowing base throughout 2002, and that the maintenance levels required under the net worth and fixed charge coverage ratio covenants in the revolver will be exceeded. The revolver terminates on October 22, 2003.

The following tables summarize the Company's future contractual obligations and other commercial commitments as of December 31, 2001.

<TABLE>  
<CAPTION>

	1 Year	2 - 3 Years	After 5 4 -5 Years	Years	Total
	(Dollars in Thousands)				
Contractual cash obligations:					
<S>	<C>	<C>	<C>	<C>	<C>

Long-term debt (1)	\$ 5,007	\$135,100	\$449,980	\$ --	\$590,087
Operating leases (2)	3,141	5,663	5,000	4,773	18,577
	-----	-----	-----	-----	-----
Total contractual cash obligations	\$ 8,148	\$140,763	\$454,980	\$4,773	\$608,664
	=====	=====	=====	=====	=====
Commercial commitments:					
Revolving credit facility (3)	\$ --	\$ --	\$ --	\$ --	\$ --
Standby letters of credit (3)	15,184	--	--	--	15,184
	-----	-----	-----	-----	-----
Total commercial commitments	\$15,184	\$ --	\$ --	\$ --	\$15,184
	=====	=====	=====	=====	=====

</TABLE>

- (1) Long-term debt includes the 9.75% Senior Notes, the 5.5% Convertible Subordinated Notes, and the secured 10.1278% promissory note. For additional information, see Note 3 in the consolidated financial statements.
- (2) Operating leases consist of lease agreements in excess of one year for office space, equipment, vehicles and personal property. For additional information, see Note 10 in the consolidated financial statements.
- (3) The Company has available a \$50.0 million revolving credit facility. As of December 31, 2001, none has been drawn down, but \$15.1 million of availability has been used to support letters of credit that have been issued. See additional information in the preceding paragraph.

#### LIQUIDITY AND CAPITAL RESOURCES (continued)

The Company does not have any unconsolidated special-purpose entities, off-balance-sheet financing arrangements or guarantees of third-party financial obligations. Other than the financial derivative instruments described in Note 4 in the notes to consolidated financial statements, the Company has no energy or commodity contracts.

The Company anticipates that working capital needs and funds required for capital spending in 2002 will be met with cash provided by operations. The Company anticipates cash requirements for capital spending will be approximately \$50 million in 2002. It is management's current intention to hold capital expenditures at a reduced level relative to 2001 and prior years, and to apply available free cash flow to repay long-term debt. The amount of debt that can be repaid is dependent on the results of operations for the Company in 2002. Should new opportunities requiring additional capital arise, that are not contemplated in management's current capital expenditure budget, the Company will utilize cash and short-term investments and, if necessary, its revolving credit facility. In addition, the Company may seek project financing or equity participation from outside alliance partners or customers. The Company cannot predict whether such financing or equity participation would be available on terms acceptable to the Company.

#### OTHER MATTERS

##### Business Risks

Internationally, the Company specializes in drilling geologically challenging wells in locations that are difficult to access and/or involve harsh environmental conditions. The Company's international services are primarily utilized by major and national oil companies in the exploration and development of reserves of oil. In the United States, the Company primarily drills offshore in the Gulf of Mexico with barge, jackup and platform rigs for major and independent oil and gas companies. 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, except for the Gulf of Mexico, where drilling contracts are generally for a shorter term, and oil and gas companies tend to respond more quickly to upward or downward changes in prices. Most international contracts are of longer duration and oil and gas companies have committed to longer term projects to develop reserves and thus short term fluctuations in price do not tend to affect our operations. 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 U.S. operations. Due to the locations in which the Company drills, the Company's operations are subject to interruption, prolonged suspension and possible expropriation due to political instability and local community unrest. Further, the Company is exposed to liability issues from pollution arising out of its operations. The majority of such risks are transferred to the operator by contract or otherwise insured.

#### Critical Accounting Policies

The Company considers certain accounting policies related to impairment of property, plant and equipment, impairment of goodwill and the valuation of deferred tax assets to be critical policies due to the estimation processes involved in each. Other significant accounting policies are summarized in Note 1 in the notes to consolidated financial statements.

#### OTHER MATTERS (continued)

Impairment of property, plant and equipment. Management periodically evaluates the Company's property, plant and equipment to determine that their net carrying value is not in excess of their net realizable value. These evaluations are performed when the Company has realized sustained significant declines in utilization and dayrates and recovery is not contemplated in the near future. 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 their fair value if it is below its net carrying value.

Impairment of goodwill. Management periodically 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 recover the carrying value of such assets at the measurement date. If an impairment is determined, the amount of such impairment is calculated based on the estimated fair market value of the related assets.

In 2002, Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," became effective and as a result, the Company will cease to amortize \$189.1 million of goodwill. The Company has recorded \$7.4 million of goodwill amortization in 2001 and would have recorded \$7.4 million of goodwill amortization during 2002. In lieu of amortization, the Company is required to perform an initial impairment review of goodwill in 2002 and an annual impairment review thereafter. The Company expects to complete the initial review during the second quarter of 2002.

The Company is currently reviewing its operations to identify appropriate reporting units, including identification of the related operating assets, goodwill, and liabilities. Subsequent to the above identification the Company will estimate the fair value of the reporting unit as a whole, deduct the estimated fair value of the tangible net assets and compare the residual to the recorded goodwill attributable to the reporting unit.

Accounting for income taxes. As part of the process of preparing the consolidated financial statements the Company is required to estimate the income taxes in each of the jurisdictions in which the Company operates. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as depreciation, amortization and certain accrued liabilities for tax and accounting purposes. These differences and the net operating loss carryforwards result in deferred tax assets and liabilities, which are included within the Company's consolidated balance sheet. The Company must then assess the



likelihood that the deferred tax assets will be recovered from future taxable income and to the extent the Company believes that recovery is not likely, the Company must establish a valuation allowance. To the extent the Company establishes a valuation allowance or increases or decreases this allowance in a period, the Company must include an expense or reduction of expense within the tax provision in the statement of operations.

#### Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, 142 and 143. SFAS No. 141, "Business Combinations," requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142, "Goodwill and Other Intangible Assets," changes the accounting for goodwill from an amortization method to an impairment-only approach and will be effective January 2002 (see Critical Accounting Policies above for additional discussion). SFAS No. 143, "Accounting for Asset Retirement Obligations," requires the capitalization and accrual of the fair value of a liability for an asset retirement obligation in the period in which it is incurred, if a reasonable estimate of fair value can be made. SFAS No. 143 will be effective January 2003. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121 and amends Accounting Principles Board Opinion No. 30 for the accounting and reporting for discontinued operations as it relates to long-lived assets. SFAS No. 144 will be effective January 2002. Other than SFAS No. 142, the Company believes that adoption of these pronouncements will not have a significant effect on financial position, results of operations or cash flows.

28

#### Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

##### Interest Rate Risk

In December 2001 the Company began to utilize hedging strategies to manage fixed-rate interest exposure by entering into one swap agreement. In January 2002, the Company entered into two additional swap agreements. The terms of the swap agreements are as follows:

<TABLE>

<CAPTION>

Months	Notional Amount	Fixed Rate	Floating Rate
(Dollars in Thousands)			
<S>	<C>	<C>	
December 2001 - November 2006	\$ 50,000	9.75%	Three-month LIBOR plus 446 basis points
January 2002 - November 2006	\$ 50,000	9.75%	Three-month LIBOR plus 475 basis points
January 2002 - November 2006	\$ 50,000	9.75%	Three-month LIBOR plus 482 basis points

</TABLE>

If the floating rate is less than the fixed rate, the counter party will pay the Company accordingly. If the floating rate exceeds the fixed rate, the Company will pay the counter party. The fair value of the swap agreement at December 31, 2001, was not material. The change in the fair value of the swap agreement will be offset by the change in the fair value of the related debt.

29

#### 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 December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) of the Form 10-K, presents 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 financial statements in accordance with auditing standards generally accepted in the United States of America 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 our opinion.

/s/ PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP

Tulsa, Oklahoma  
January 29, 2002

30

PARKER DRILLING COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars in Thousands Except Per Share and Weighted Average Shares Outstanding)

<TABLE>  
<CAPTION>

	Year Ended December 31,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Revenues:			
U.S. drilling	\$ 190,809	\$ 148,416	\$ 113,989
International drilling	231,527	185,100	182,908
Rental tools	65,629	42,833	27,656
Total revenues	487,965	376,349	324,553
Operating expenses:			
U.S. drilling	112,480	99,197	102,098
International drilling	154,484	132,882	126,226
Rental tools	23,005	15,994	10,910
Depreciation and amortization	97,259	85,060	82,170
General and administration	21,721	20,392	16,312
Reorganization	7,500	--	3,000
Provision for reduction in carrying value of certain assets	--	8,300	10,607
Total operating expenses	416,449	361,825	351,323
Operating income (loss)	71,516	14,524	(26,770)
Other income and (expense):			
Interest expense	(53,015)	(57,036)	(55,928)
Interest income	3,553	3,691	1,725
Gain on disposition of assets	2,316	17,920	39,070
Other	(723)	2,243	1,326
Total other income and (expense)	(47,869)	(33,182)	(13,807)

Income (loss) before income taxes	23,647	(18,658)	(40,577)
Income tax expense (benefit)	12,588	4,323	(2,680)
	-----	-----	-----
Income (loss) before extraordinary gain	11,059	(22,981)	(37,897)
Extraordinary gain on early retirement of debt, net of deferred tax expense of \$2,214	--	3,936	--
	-----	-----	-----
Net income (loss)	\$ 11,059	\$ (19,045)	\$ (37,897)
	=====	=====	=====

Basic earnings (loss) per share:

Income (loss) before extraordinary gain	\$ 0.12	\$ (0.28)	\$ (0.49)
Extraordinary gain	\$ --	\$ 0.05	\$ --
Net income (loss)	\$ 0.12	\$ (0.23)	\$ (0.49)

Diluted earnings (loss) per share:

Income (loss) before extraordinary gain	\$ 0.12	\$ (0.28)	\$ (0.49)
Extraordinary gain	\$ --	\$ 0.05	\$ --
Net income (loss)	\$ 0.12	\$ (0.23)	\$ (0.49)

Number of common shares used in computing earnings per share:

Basic	92,008,877	81,758,825	77,159,461
Diluted	92,691,033	81,758,825	77,159,461

</TABLE>

See accompanying notes to consolidated financial statements.

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

<TABLE>

<CAPTION>

ASSETS	December 31,	
	2001	2000
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 60,400	\$ 62,480
Other short-term investments	12	811
Accounts and notes receivable, net of allowance for bad debts of \$2,988 in 2001 and \$3,755 in 2000		99,874
		123,474
Rig materials and supplies	22,200	16,500
Other current assets	8,966	4,600
	-----	-----
Total current assets	191,452	207,865
	-----	-----
Property, plant and equipment, at cost:		
Drilling equipment	1,063,454	940,381
Rental tools	74,085	55,237
Buildings, land and improvements		26,887
		22,455
Other	25,606	26,066
Construction in progress	26,142	68,120
	-----	-----
	1,216,174	1,112,259
Less accumulated depreciation and amortization		520,645
		448,734
	-----	-----
Property, plant and equipment, net	695,529	663,525

Deferred charges and other assets:		
Goodwill, net of accumulated amortization of \$35,268 in 2001 and \$27,786 in 2000	189,127	196,609
Rig materials and supplies	9,201	12,414
Assets held for disposition	1,800	6,860
Debt issuance costs	8,247	10,311
Other	10,421	9,835
	-----	-----
Total deferred charges and other assets	218,796	236,029
	-----	-----
Total assets	<u>\$1,105,777</u>	<u>\$1,107,419</u>

</TABLE>

See accompanying notes to consolidated financial statements.

32

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

<TABLE>

<CAPTION>

	December 31,		
LIABILITIES AND STOCKHOLDERS' EQUITY	2001	2000	
	-----	-----	
<S>	<C>	<C>	
Current liabilities:			
Current portion of long-term debt	\$ 5,007	\$ 5,043	
Accounts payable	33,521	44,445	
Accrued liabilities	38,152	32,756	
Accrued income taxes	7,054	9,422	
	-----	-----	
Total current liabilities	83,734	91,666	
	-----	-----	
Long-term debt (Note 3)	587,165	592,584	
Deferred income taxes	16,152	18,467	
Other long-term liabilities	6,583	5,539	
Commitments and contingencies (Note 10)	--	--	
Stockholders' equity:			
Preferred stock, \$1 par value, 1,942,000 shares authorized, no shares outstanding	--	--	
Common stock, \$0.16 2/3 par value, authorized 140,000,000 shares, issued 92,053,796 shares (91,723,933 shares in 2000)	15,342	15,287	
Capital in excess of par value	432,845	431,043	
Accumulated other comprehensive income-net unrealized gain on investments available for sale (net of taxes of \$227 in 2001 and \$190 in 2000)	403	339	
Retained earnings (accumulated deficit)	(36,447)	(47,506)	
	-----	-----	
Total stockholders' equity	412,143	399,163	
	-----	-----	
Total liabilities and stockholders' equity	<u>\$ 1,105,777</u>	<u>\$ 1,107,419</u>	

</TABLE>

See accompanying notes to consolidated financial statements.

33

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

<TABLE>  
<CAPTION>

	Year Ended December 31,		
	2001	2000	1999
	<C>	<C>	<C>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income (loss)	\$ 11,059	\$(19,045)	\$(37,897)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	97,259	85,060	82,170
Gain on disposition of assets	(2,316)	(17,920)	(39,070)
Gain on early retirement of debt, net of deferred tax expense	--	(3,936)	--
Provision for reduction in carrying value of certain assets	--	8,300	10,607
Deferred tax expense (benefit)	(1,899)	(11,302)	(13,888)
Other	4,625	5,320	3,503
Change in assets and liabilities:			
Accounts and notes receivable	24,158	(47,954)	28,554
Rig materials and supplies	(3,807)	(1,981)	(721)
Other current assets	(4,366)	11,150	(3,263)
Accounts payable and accrued liabilities	(4,484)	18,356	(21,569)
Accrued income taxes	(2,784)	1,098	747
Other assets	(1,440)	125	5,312
	-----	-----	-----
Net cash provided by operating activities	116,005	27,271	14,485
	-----	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from the sale of assets	7,628	31,912	63,868
Capital expenditures (net of reimbursements)	(122,033)	(98,525)	(49,146)
Proceeds from sale of short-term investments	799	16,925	--
Other, net	--	--	(127)
	-----	-----	-----
Net cash provided by (used in) investing activities	(113,606)	(49,688)	14,595
	-----	-----	-----

</TABLE>

See accompanying notes to consolidated financial statements.

34

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

<TABLE>  
<CAPTION>

	Year Ended December 31,		
	2001	2000	1999
	<C>	<C>	<C>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of debt	\$ --	\$ --	\$ 35,186
Proceeds from common stock offering, net	--	87,313	--
Payments for early retirement of debt	--	(43,477)	--
Principal payments under debt obligations	(5,034)	(4,854)	(43,017)

Other	555	414	(62)	
	-----	-----	-----	
Net cash provided by (used in) financing activities	(4,479)	39,396	(7,893)	
	-----	-----	-----	
Net increase (decrease) in cash and cash equivalents		(2,080)	16,979	21,187
Cash and cash equivalents at beginning of year		62,480	45,501	24,314
	-----	-----	-----	
Cash and cash equivalents at end of year		\$ 60,400	\$ 62,480	\$ 45,501
	=====	=====	=====	

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ 53,257	\$ 56,608	\$ 56,806
Income taxes	\$ 14,956	\$ 14,527	\$ 10,461

Supplemental noncash investing and financing activity:

1.0 million shares of Unit Corporation stock received on sale of U.S. lower-48 land rigs	\$ --	\$ --	\$ 7,562
---	-------	-------	----------

Net unrealized gain (loss) on investments available for sale (net of taxes of \$37 in 2001, \$717 in 2000 and \$908 in 1999)	\$ 64	\$ (1,274)	\$ 1,613
--	-------	------------	----------

Note receivable for sale of platform rig	\$ --	\$ --	\$ 1,645
--	-------	-------	----------

</TABLE>

See accompanying notes to consolidated financial statements.

PARKER DRILLING COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
(Dollars and Shares in Thousands)

<TABLE>  
<CAPTION>

	Shares	Common Stock	Retained Capital in Excess of Par Value	Accumulated Earnings (Accumulated Deficit)	Other Comprehensive Income	
	-----	-----	-----	-----	-----	
Balances, December 31, 1998	<C>	76,887	\$ 12,815	\$ 341,699	\$ 9,436	\$ --
Activity in employees' stock plan		500	83	1,738	--	--
Acquisition of stock from certain employees		(15)	(3)	(63)	--	--
Other comprehensive income-net unrealized gain on investments (net of taxes of \$908)		--	--	--	1,613	
Net loss (total comprehensive loss of \$36,284)		--	--	(37,897)	--	
	-----	-----	-----	-----	-----	
Balances, December 31, 1999		77,372	12,895	343,374	(28,461)	1,613
Activity in employees' stock plan		552	92	2,656	--	--
Issuance of 13,800,000 common shares		13,800	2,300	85,013	--	--
Other comprehensive income-net unrealized loss on investments (net of taxes of \$717)		--	--	--	(1,274)	
Net loss (total comprehensive loss of \$20,319)		--	--	(19,045)	--	
	-----	-----	-----	-----	-----	
Balances, December 31, 2000		91,724	15,287	431,043	(47,506)	339

Activity in employees' stock plan	330	55	1,802	--	--
Other comprehensive income-net unrealized gain on investments (net of taxes of \$37)	--	--	--	--	64
Net loss (total comprehensive loss of \$11,123)	--	--	--	11,059	--
	-----	-----	-----	-----	-----
Balances, December 31, 2001	92,054	\$ 15,342	\$ 432,845	\$(36,447)	\$ 403
	=====	=====	=====	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

36

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-owned oil and gas companies. At December 31, 2001, the Company's rig fleet consists of 27 barge drilling and workover rigs, seven offshore jackup rigs, four offshore platform rigs and 41 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, and logistics, as well as various types of project management.

Drilling Contracts and Rental Revenues - The Company recognizes revenues 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 revenues and expenses upon completion of the well (completed-contract method). Revenues from rental activities are recognized ratably over the rental term which is generally less than six months.

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 have 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 value.

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. The depreciable lives for land drilling equipment approximate 15 years. The depreciable lives for offshore drilling equipment generally range from 15 to 20 years. The depreciable lives for certain other equipment, including drill pipe and rental tools, range from three to seven years. Depreciable lives for buildings and improvements range from 10 to 30 years. Interest totaling approximately \$1.6 million, \$0.5 million and \$3.0 million was capitalized during the years ended December 31, 2001, 2000 and 1999 respectively. When properties are retired or otherwise disposed of, the 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 that their net carrying value is 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 their fair value if it is below its net

carrying value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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 recover the carrying value of such assets at the measurement date. If an impairment is determined, the amount of such impairment is calculated based on the estimated fair market value of the related assets. See Note 14 regarding recent accounting pronouncements.

Rig Materials and Supplies - Since the Company's international drilling generally occurs in remote locations, making timely outside delivery of spare parts uncertain, a complement of parts and supplies is maintained 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 international 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.

Other Assets - Other assets include the Company's investment in marketable equity securities. Equity securities that are classified as available for sale are stated at fair value as determined by quoted market prices. Unrealized holding gains and losses are excluded from current earnings and are included in comprehensive income, net of taxes, in a separate component of stockholders' equity until realized. At December 31, 2001 and 2000, the fair value of equity securities totaled \$1.8 million and \$1.7 million, respectively.

In computing realized gains and losses on the sale of equity securities, the cost of the equity securities sold is determined using the specific cost of the security when originally purchased.

Other Long-Term Obligations - Included in this account is the accrual of workers' compensation liability, which is not expected to be paid within the next year.

Income Taxes - The Company has adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". Under this pronouncement, 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) - Basic earnings (loss) per share is computed by dividing net income (loss), by the weighted average number of common shares outstanding during the period. The effects of dilutive securities, stock options and convertible debt are included in the diluted EPS calculation, when applicable.

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 gas companies. The Company generally does not require collateral on its trade receivables.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

At December 31, 2001 and 2000, the Company had deposits in domestic banks in excess of federally insured limits of approximately \$57.6 million and \$65.9



million, respectively. In addition, the Company had deposits in foreign banks at December 31, 2001 and 2000 of \$3.5 million and \$3.3 million, respectively, which are not federally insured.

The Company's customer base consists of major, integrated, independent and foreign-owned oil and gas companies. For fiscal year 2001, ChevronTexaco was the Company's largest customer with approximately 15 percent of total revenues. Shell Petroleum Development Company of Nigeria was the Company's largest customer for the years 2000 and 1999, accounting for approximately 10 percent of total revenues in both years.

**Derivative Financial Instruments.** The Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133), as amended by SFAS Nos. 137 and 138. These statements require that every derivative instrument be recorded on the balance sheet as either an asset or liability measured by its fair value. These statements also establish new accounting rules for hedge transactions, which depend on the nature of the hedge relationship.

The Company uses derivative instruments to hedge exposure to interest rate risk. For hedges which meet the SFAS No. 133 criteria, the Company formally designates and documents the instrument as a hedge of a specific underlying exposure, as well as the risk management objective and strategy for undertaking each hedge transaction.

**Fair 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, except for the Company's 5.5% Notes which had a carrying value of \$124.5 million and a fair market value of \$110.7 million at December 31, 2001.

**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 - Disposition of Assets

On November 20, 2000, the Company sold its last remaining U.S. land rig, Rig 245 in Alaska, for \$20.0 million. The Company recognized a pre-tax gain of \$14.9 million during the fourth quarter of 2000.

On September 30, 1999, the Company completed the sale of its U.S. lower-48 land rigs to Unit Corporation for \$40.0 million cash plus 1.0 million shares of Unit common stock. The value of such common stock, based on the closing price for Unit's common stock on September 30, 1999 approximated \$7.6 million. The Company recognized a pre-tax gain of \$36.1 million during September 1999. During September 2000,

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

##### Note 2 - Disposition of Assets (continued)

the Company sold the 1.0 million shares of Unit common stock for \$15.0 million. The Company recognized a pre-tax gain of approximately \$7.4 million during the third quarter of 2000.

During October 1999, the Company sold its Argentina drilling rigs and inventories (previously classified as assets held for sale) plus one operating drilling rig, Rig 9 in Bolivia, for total consideration of approximately \$9.3 million. The Company recognized a pre-tax gain of approximately \$0.8 million during October 1999 related primarily to the Bolivia rig.

In the third quarter of 1999, it was decided that barge Rig 80, the Gulf Explorer, would be actively marketed for disposition and therefore was reclassified to assets held for disposition. The Company reduced the carrying value by \$2.5 million to record the rig at its estimated net realizable value of \$9.0 million. During the fourth quarter of 2000, due to the continued sluggish

drilling market in Southeast Asia, the Company reduced the carrying value of the Gulf Explorer by an additional \$8.3 million. During March 2001, the Company sold the Gulf Explorer for total consideration of \$1.0 million. The Company recognized a pre-tax gain of approximately \$0.5 million.

40

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 3 - Long-term Debt

<TABLE>  
<CAPTION>

	December 31,	
	2001	2000
	(Dollars in Thousands)	
	<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 \$1,145 and \$1,381 at December 31, 2001 and 2000, respectively (effective interest rate of 9.88%)	\$298,855	\$298,619
Senior Notes payable in November 2006 with interest of 9.75% payable semi-annually in May and November, net of unamortized premium of \$3,230 and \$3,888 at December 31, 2001 and 2000, respectively (effective interest rate of 8.97%)	153,210	153,868
Convertible Subordinated Notes payable in July 2004 with interest of 5.5% payable semi-annually in February and August	124,509	124,509
Secured promissory note to Boeing Capital Corporation with interest at 10.1278%, principal and interest payable monthly over a 60-month term	15,589	20,110
Other	9	521
Total debt	592,172	597,627
Less current portion	5,007	5,043
Total long-term debt	<u>\$587,165</u>	<u>\$592,584</u>

</TABLE>

41

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 3 - Long-Term Debt (continued)

The aggregate maturities of long-term debt for the five years ending December 31, 2006 are as follows (000's): 2002 - \$5,007; 2003 - \$5,532; 2004 - \$129,565; 2005 - \$0; 2006 - \$449,980.

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 issue was sold at a \$2.4 million discount while the \$150 million issue 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 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 Notes except \$189 thousand and all of the Series C Notes were exchanged for new Series D Notes per this offering. The Notes have an interest rate of 9.75 percent 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. As discussed in Note 4, the Company has entered into various interest rate swap agreements to modify the interest characteristics of the Senior Notes so that interest associated with the Senior Notes partially becomes variable.

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 are currently redeemable at the option of the Company at certain stipulated prices. During the fourth quarter of 2000, the Company repurchased on the open market \$50.5 million principal amount of the 5.5% Notes at an average price of 86.11 percent of face value, recognizing an extraordinary gain of \$3.9 million, net of \$2.2 million of tax. The Note repurchases were funded with proceeds from an equity offering in September 2000, whereby the Company sold 13.8 million shares of common stock for net proceeds of approximately \$87.3 million. The amount of outstanding Notes at the end of 2001 was \$124.5 million.

On October 22, 1999, the Company entered into a \$50.0 million revolving loan facility with a group of banks led by Bank of America. The new facility is available for working capital requirements, general corporate purposes and to support letters of credit and bears interest at prime plus 0.50% or LIBOR plus 2.50%. At December 31, 2001, no amounts have been drawn down against the facility but \$15.1 million of availability has been used to support letters of credit that have been issued. The revolver is collateralized by accounts receivable, inventory and certain barge rigs located in the Gulf of Mexico. The facility will terminate on October 22, 2003.

On October 7, 1999, a wholly-owned subsidiary of the Company entered into a loan agreement with Boeing Capital Corporation for the refinancing of a portion of the capital cost of barge Rig 75. The loan principal of approximately \$24.8 million plus interest is being repaid in 60 monthly payments of approximately \$0.5 million. The loan is collateralized by barge Rig 75 and is guaranteed by Parker Drilling. The amount of principal outstanding at the end of 2001 was \$15.6 million.

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

##### Note 3 - Long-Term Debt (continued)

Each of the 9.75% Senior Notes, 5.5% Convertible Subordinated Notes and the revolving loan facility contains customary affirmative and negative covenants, including restrictions on incurrence of debt and sales of assets. The revolving loan facility contains covenants which require minimum adjusted tangible net worth, fixed charge coverage ratio and limits annual capital expenditures. The revolving loan facility prohibits payment of dividends and the indenture for the 9.75% Senior Notes restricts the payment of dividends.

##### Note 4 - Derivative Financial Instruments

The Company is exposed to interest rate risk from its fixed-rate debt. The Company has hedged against the risk of changes in fair value associated with its \$450.0 million 9.75% Senior Notes by entering into a fixed-to-variable interest rate swap agreement with a notional amount of \$50.0 million as of December 31, 2001. Subsequent to December 31, 2001, the Company entered into two additional fixed-to-variable interest rate swap agreements with a total notional amount of \$100.0 million. The Company assumes no ineffectiveness as each interest rate swap meets the short-cut method requirements under SFAS No. 133 for fair value hedges of debt instruments. As a result, changes in the fair value of the interest rate swaps are offset by changes in the fair value of the debt and no net gain or loss is recognized in earnings. The estimated fair value of the swap

agreement at December 31, 2001 was not material.

43

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 5 - Income Taxes

Income (loss) before income taxes and extraordinary gain is summarized as follows (dollars in thousands):

<TABLE>  
<CAPTION>

	Year Ended December 31,		
	2001	2000	1999
	<C>	<C>	<C>
United States	\$ 8,751	\$(29,253)	\$(47,526)
Foreign	14,896	10,595	6,949
	\$ 23,647	\$(18,658)	\$(40,577)

</TABLE>

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

<TABLE>  
<CAPTION>

	Year Ended December 31,		
	2001	2000	1999
	<C>	<C>	<C>
Current:			
United States:			
Federal	\$ 530	\$ --	\$ --
State	--	--	838
Foreign	13,957	15,625	10,370
Deferred:			
United States:			
Federal	(1,846)	(10,988)	(13,552)
State	(53)	(314)	(336)
	\$ 12,588	\$ 4,323	\$ (2,680)

</TABLE>

44

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 5 - Income Taxes (continued)

Total income tax expense (benefit) 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 (dollars in thousands):

<TABLE>  
<CAPTION>

	Year Ended December 31,		
	2001	2000	1999
	% of	% of	% of

	Pre-Tax		Pre-Tax		Pre-Tax	
	Amount	Income	Amount	Income	Amount	Income
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Computed expected tax expense (benefit)	\$ 8,276	35%	\$ (6,530)	(35%)	\$(14,202)	(35%)
Foreign taxes, net of federal benefit	9,072	38%	10,156	54%	6,741	17%
Change in valuation allowance	(9,593)	(41%)	(6,097)	(33%)	--	--
Foreign corporation losses	3,689	16%	4,253	23%	2,438	6%
Goodwill amortization	1,488	6%	1,488	8%	1,488	4%
Other	(344)	(1%)	1,053	6%	855	1%
Actual tax expense (benefit)	\$ 12,588	53%	\$ 4,323	23%	\$(2,680)	(7%)

45

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 5 - Income Taxes (continued)

The components of the Company's tax assets and (liabilities) as of December 31, 2001 and 2000 are shown below (dollars in thousands):

<TABLE>  
<CAPTION>

	December 31,	
	2001	2000
<S>	<C>	<C>
Deferred tax assets:		
Net operating loss carryforwards	\$ 56,025	\$ 61,796
Alternative minimum tax carryforwards	983	--
Reserves established against realization of certain assets	1,874	2,304
Accruals not currently deductible for tax purposes	6,388	6,476
	65,270	70,576
Deferred tax liabilities:		
Property, plant and equipment	(65,079)	(59,090)
Goodwill	(6,180)	(4,824)
Unrealized gain on investments held for sale	(227)	(190)
Net deferred tax (liability) asset	(6,216)	6,472
Valuation allowance	(9,936)	(24,939)
Deferred income tax liability	\$ (16,152)	\$ (18,467)

</TABLE>

The change in the valuation allowance in 2001 is the result of expired net operating loss carryforwards and higher utilization of net operating loss carryforwards previously reserved because they were expected to expire unused. The Company has a remaining valuation allowance of \$9,936,000 with respect to its deferred tax asset for the amount of net operating loss carryforwards expected to expire unused for the tax year ending August 31, 2002. However, the amount of the asset considered realizable could be different in the near term if estimates of future taxable income change.

At December 31, 2001, the Company had \$155,623,000 of net operating loss

carryforwards. For tax purposes the net operating loss carryforwards expire over a 20-year period ending August 31 as follows: 2002-\$27,599,000; 2003-\$0; 2004-\$5,128,000; 2005-\$0; thereafter-\$122,896,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity

In September 2000, the Company sold 13.8 million common shares in a public offering, resulting in net proceeds (after deducting issuance costs) of \$87.3 million. The proceeds were used to acquire, upgrade and refurbish certain offshore and land drilling rigs and for general corporate purposes, including the repayment of debt (see Note 3).

Stock Plans

The Company's employee and non-employee director 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 Parker Drilling'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 10 years, and an option first becomes exercisable six months after the date of grant. All shares available for issuance under this plan have been granted.

The 1994 Executive Stock Option Plan provides that the directors may grant a maximum of 2,400,000 shares to key employees 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 percent 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 15 years and the maximum term of an incentive option is 10 years. All shares available for issuance under this plan have been granted.

The 1997 Stock Plan is a "broad-based" stock plan, based on the interim rules of the New York Stock Exchange, that provides that the directors may grant stock options and restricted stock awards up to a maximum of 4,000,000 shares to all employees 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. More than 50 percent of all awards under this plan have been awarded to employees who are non-executive officers. The option price per share may not be less than 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 10 years and the maximum term of a non-qualified option is 15 years. In July 1999 and April 2001, 2,000,000 and 1,000,000 additional shares, respectively, were registered with the SEC for granting under the 1997 Stock Plan. As of December 31, 2001, there were 622,000 shares available for granting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity (continued)

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

<TABLE>  
<CAPTION>

1994 Director Plan	
-----	
Weighted	
Average	
Exercise	
Shares	Price
-----	-----
<S>	<C> <C>

Shares under option:

Outstanding at December 31, 1998		190,000	\$ 8.702
Granted	10,000	3.281	
Exercised	--	--	
Cancelled	--	--	
	-----	-----	
Outstanding at December 31, 1999		200,000	8.431
Granted	--	--	
Exercised	--	--	
Cancelled	--	--	
	-----	-----	
Outstanding at December 31, 2000		200,000	8.431
Granted	--	--	
Exercised	--	--	
Cancelled	--	--	
	-----	-----	
Outstanding at December 31, 2001		200,000	\$ 8.431
	=====	=====	

</TABLE>

48

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity (continued)

<TABLE>

<CAPTION>

1994 Option Plan

Incentive Options		Non-Qualified Options	
Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares

<S>

<C>   <C>   <C>   <C>

Shares under option:

Outstanding at December 31, 1998	622,564	\$ 7.227	1,586,936	\$ 6.975
Granted	--	--	--	--
Exercised	--	--	--	--
Cancelled	--	--	--	--
	-----	-----	-----	-----
Outstanding at December 31, 1999	622,564	7.227	1,586,936	6.975
Granted	--	--	--	--
Exercised	--	--	(18,750)	2.250
Cancelled	--	--	--	--
	-----	-----	-----	-----
Outstanding at December 31, 2000	622,564	7.227	1,568,186	7.032
Granted	--	--	--	--
Exercised	(17,000)	4.500	(1,250)	2.250
Cancelled	--	--	--	--
	-----	-----	-----	-----
Outstanding at December 31, 2001	605,564	\$ 7.303	1,566,936	\$ 7.036
	=====	=====	=====	=====

</TABLE>

49

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity (continued)

<TABLE>

<CAPTION>

1997 Stock Plan

	Incentive Options		Non-Qualified Options		
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	
<S>	<C>	<C>	<C>	<C>	
Shares under option:					
Outstanding at December 31, 1998	1,873,905	\$ 10.750	1,321,595	\$ 9.258	
Granted	1,003,021	3.189	897,979	3.232	
Exercised	(1,011)	3.188	(239)	3.188	
Cancelled	(81,740)	11.410	(153,760)	10.813	
Outstanding at December 31, 1999	2,794,175	8.038	2,065,575	6.523	
Granted	50,000	5.938	15,000	5.062	
Exercised	(92,094)	3.188	(24,370)	3.188	
Cancelled	(30,130)	8.564	(2,870)	3.188	
Outstanding at December 31, 2000	2,721,951	8.158	2,053,335	6.556	
Granted	--	--	1,485,000	5.167	
Exercised	(137,061)	3.193	(31,915)	3.188	
Cancelled	--	--	--	--	
Outstanding at December 31, 2001	2,584,890	\$ 8.421	3,506,420	\$ 6.000	

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity (continued)

<TABLE>

<CAPTION>

Plan	Exercise Prices	Outstanding Options		
		Number of Shares	Contractual Life	Exercise Price
<S>	<C>	<C>	<C>	<C>
1994 Director Plan	\$ 3.281 - \$ 6.125	40,000	4.4 years	\$ 4.827
	\$ 8.875 - \$ 12.094	160,000	5.5 years	\$ 9.332
1994 Executive Option Plan				
Incentive option	\$ 4.500	217,554	3.0 years	\$ 4.500
Incentive option	\$ 8.875	388,010	5.4 years	\$ 8.875
Non-qualified	\$ 2.250	434,946	3.0 years	\$ 2.250
Non-qualified	\$ 8.875	1,131,990	5.4 years	\$ 8.875
1997 Stock Plan				
Incentive option	\$ 3.188 - \$ 5.938	810,725	4.4 years	\$ 3.358
Incentive option	\$ 8.875 - \$ 12.188	1,774,165	5.2 years	\$ 10.735
Non-qualified	\$ 2.820 - \$ 6.070	2,338,585	5.3 years	\$ 4.473
Non-qualified	\$ 8.875 - \$ 10.813	1,167,835	5.6 years	\$ 9.053

</TABLE>

<TABLE>

<CAPTION>

Exercisable Options

Weighted Average



Plan	Exercise Prices	Number of Shares	Remaining Contractual Life
<S>	<C>	<C>	<C>
1994 Director Plan	\$ 3.281 - \$ 6.125	40,000	\$ 4.827
	\$ 8.875 - \$ 12.094	160,000	\$ 9.332
1994 Executive Option Plan			
Incentive option	\$ 4.500	217,554	\$ 4.500
Incentive option	\$ 8.875	388,010	\$ 8.875
Non-qualified	\$ 2.250	434,946	\$ 2.250
Non-qualified	\$ 8.875	1,131,990	\$ 8.875
1997 Stock Plan			
Incentive option	\$ 3.188 - \$ 5.938	230,747	\$ 3.487
Incentive option	\$ 8.875 - \$ 12.188	1,755,669	\$ 10.734
Non-qualified	\$ 2.820 - \$ 6.070	914,313	\$ 4.086
Non-qualified	\$ 8.875 - \$ 10.813	1,146,331	\$ 9.020

</TABLE>

51

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity (continued)

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 two 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 third plan has a total of 1,562,195 shares reserved and available for granting. No shares were granted under these plans in 2001, 2000 and 1999.

In prior years the Company purchased shares from certain of its employees, who received stock through its stock purchase plan, at fair market value. At December 2000, 497,323 shares were held in Treasury. The 604,870 shares held in Treasury at December 31, 2001 include 98,293 shares purchased by the Company at the fair market value of \$289,479 for the Stock Bonus Plan contribution. The Plan was funded in January 2002.

The Company has elected the disclosure-only provisions of 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.

52

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity (continued)

<TABLE>  
<CAPTION>

	Year Ended December 31,		
	2001	2000	1999
	(Dollars in Thousands)		
<S>	<C>	<C>	<C>
Income (loss) before extraordinary gain:			
As reported	\$ 11,059	\$ (22,981)	\$ (37,897)
Pro forma	\$ 7,698	\$ (25,941)	\$ (45,925)

Diluted earnings (loss) per share before extraordinary gain:			
As reported	\$ 0.12	\$ (0.28)	\$ (0.49)
Pro forma	\$ 0.08	\$ (0.32)	\$ (0.59)

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

<S>	<C>
Expected dividend yield	0.0%
Expected stock volatility	49.0% in 1999
	51.6% in 2000
	56.3% in 2001
Risk-free interest rate	3.9% - 6.7%
Expected life of options	5 - 7 years

The estimated fair values of options granted during the year ended December 31, 1999, under the Director Plan was \$16,500. Options granted in 2001, 2000 and 1999 under the 1997 Stock Plan had an estimated fair value of \$4,326,000, \$203,000 and \$3,263,000 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 6 - Common Stock and Stockholders' Equity (continued)

Stock Reserved For Issuance

The following is a summary of common stock reserved for issuance:

<TABLE>		
<CAPTION>		
	December 31,	
	-----	-----
	2001	2000
	-----	-----
<S>	<C>	<C>
Stock plans	10,659,380	9,969,570
Stock bonus plan	81,715	106,375
Convertible notes	8,090,254	8,090,254
	-----	-----
Total shares reserved for issuance	18,831,349	18,166,199
	=====	=====

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.

The rights may only be exercised 10 days following a public announcement that a third party has acquired 15 percent or more of the outstanding common shares of the Company or 10 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 percent or more of the common shares. 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 percent 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 \$0.01 per right. Until the rights become exercisable, they have no dilutive effect on earnings per share.

54

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 7 - Reconciliation of Income and Number of Shares Used to Calculate Basic and Diluted Earnings Per Share (EPS)

<TABLE>  
<CAPTION>

For the Twelve Months Ended December 31, 2001

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
<S>	<C>	<C>	<C>
Basic EPS:			
Net income	\$ 11,059,000	92,008,877	\$ 0.12
Effect of dilutive securities:			
Stock options	--	682,156	--
Diluted EPS:			
Net income plus assumed conversions	\$ 11,059,000	92,691,033	\$ 0.12

</TABLE>

<TABLE>  
<CAPTION>

For the Twelve Months Ended December 31, 2000

	Income (Loss) (Numerator)	Shares (Denominator)	Per-Share Amount
<S>	<C>	<C>	<C>
Basic EPS:			
Loss before extraordinary gain	\$(22,981,000)	81,758,825	\$ (0.28)
Extraordinary gain	3,936,000	81,758,825	0.05
Net loss	\$(19,045,000)	81,758,825	(0.23)
Effect of dilutive securities:			
Stock options	--	--	--
Diluted EPS:			
Loss before extraordinary gain	(22,981,000)	81,758,825	(0.28)
Extraordinary gain	3,936,000	81,758,825	0.05
Net loss	\$(19,045,000)	81,758,825	\$ (0.23)

</TABLE>

55

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 7 - Reconciliation of Income and Number of Shares Used to Calculate Basic and Diluted Earnings Per Share (EPS) (continued)

<TABLE>  
<CAPTION>

For the Twelve Months Ended December 31, 1999

Loss (Numerator)	Shares (Denominator)	Per-Share Amount
---------------------	-------------------------	---------------------

<S>	<C>	<C>	<C>
Basic EPS:			
Net loss	\$(37,897,000)	77,159,461	\$ (0.49)
Effect of dilutive securities:			
Stock options	--	--	--
Diluted EPS:			
Net loss	\$(37,897,000)	77,159,461	\$ (0.49)

</TABLE>

The Company has outstanding \$124,509,000 of 5.5% Convertible Subordinated Notes, which are convertible into 8,090,254 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. For the fiscal year ended December 31, 2001, options to purchase 6,049,000 shares of common stock at prices ranging from \$5.00 to \$12.1875, 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. For the years ended December 31, 2000 and 1999, options to purchase 7,166,036 and 7,269,250 shares of common stock, respectively, at prices ranging from \$2.2500 to \$12.1875, were outstanding but not included in the computation of diluted EPS because the assumed exercise of the options would have had an anti-dilutive effect on EPS due to the net loss during those periods.

#### Note 8 - Employee Benefit Plans

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 three months 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 10 investment funds. The Plan was amended and restated, effective January 1, 1999, to provide for dollar-for-dollar matching contributions by the Company up to three percent of a participant's compensation and \$0.50 for every dollar contributed from three percent to five percent. The Company's matching contribution is made in Parker Drilling common stock and vests immediately. 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 343,289, 361,855 and 498,654 shares to the Plan in 2001, 2000 and 1999 with the Company recognizing expense of \$1,927,100, \$1,742,193 and \$1,492,099 in each of the periods, respectively.

56

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

#### Note 9 - Business Segments

The Company is organized into three primary business units: U.S. drilling operations, international drilling operations, and rental tools. This is the basis management uses for making operating decisions and assessing performance.

<TABLE>  
<CAPTION>

	Year Ended December 31,		
Operations by Industry Segment	2001	2000	1999
	(Dollars in Thousands)		
<S>	<C>	<C>	<C>
Revenues:			
U.S. drilling	\$ 190,809	\$ 148,416	\$ 113,989
International drilling	231,527	185,100	182,908
Rental tools	65,629	42,833	27,656

Total revenues	487,965	376,349	324,553
Operating income (loss):			
U.S. drilling	33,138	6,766	(31,478)
International drilling	37,583	19,553	26,737
Rental tools	30,016	16,897	7,890
Total operating income by segment (1)	100,737	43,216	3,149
General and administrative Reorganization	(21,721)	(20,392)	(16,312)
Provision for reduction in carrying value of certain assets	(7,500)	--	(3,000)
	--	(8,300)	(10,607)
Total operating income (loss)	71,516	14,524	(26,770)
Interest expense	(53,015)	(57,036)	(55,928)
Other income, net	5,146	23,854	42,121
Income (loss) before income taxes	\$ 23,647	\$ (18,658)	\$ (40,577)
Identifiable assets:			
U.S. drilling	\$ 343,357	\$ 356,090	\$ 386,385
International drilling	424,022	412,839	357,906
Rental tools	70,365	57,550	43,356
Total identifiable assets	837,744	826,479	787,647
Corporate assets	268,033	280,940	295,096
Total assets	\$ 1,105,777	\$ 1,107,419	\$ 1,082,743

</TABLE>

- (1) Operating income by segment is calculated by excluding general and administrative expense, reorganization expense and provision for reduction in carrying value of certain assets from operating income, as reported in the consolidated statements of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 9 - Business Segments (continued)

<TABLE>  
<CAPTION>

Operations by Industry Segment	Year Ended December 31,		
	2001	2000	1999
	(Dollars in Thousands)		
	<C>	<C>	<C>
Capital expenditures:			
U.S. drilling	\$ 41,366	\$ 22,221	\$ 8,093
International drilling	53,732	55,215	29,937
Rental tools	24,210	16,168	7,221
Corporate	2,725	4,921	3,895
Total capital expenditures	\$ 122,033	\$ 98,525	\$ 49,146

Depreciation and amortization:

U.S. drilling	\$ 44,300	\$ 42,458	\$ 39,787
International drilling	38,379	30,730	34,046
Rental tools	12,302	11,147	8,261
Corporate	2,278	725	76

Total depreciation and amortization	\$ 97,259	\$ 85,060	\$ 82,170
-------------------------------------	-----------	-----------	-----------

</TABLE>

58

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 9 - Business Segments (continued)

<TABLE>

<CAPTION>

Operations by Geographic Area	Year Ended December 31,		
	2001	2000	1999
	(Dollars in Thousands)		
	<C>	<C>	<C>
Revenues:			
United States	\$ 256,438	\$ 191,249	\$ 141,645
Latin America	54,063	58,467	85,112
Asia Pacific	32,246	15,373	25,193
Africa and Middle East	58,988	55,671	36,852
Former Soviet Union	86,230	55,589	35,751
Total revenues	487,965	376,349	324,553
Operating income (loss):			
United States	63,154	23,663	(23,587)
Latin America	2,385	6,554	14,661
Asia Pacific	11,304	(1,905)	(1,964)
Africa and Middle East	11,933	8,562	8,503
Former Soviet Union	11,961	6,342	5,536
Total operating income by segment (1)	100,737	43,216	3,149
General and administrative	(21,721)	(20,392)	(16,312)
Reorganization	(7,500)	--	(3,000)
Provision for reduction in carrying value of certain assets	--	(8,300)	(10,607)
Total operating income (loss)	71,516	14,524	(26,770)
Interest expense	(53,015)	(57,036)	(55,928)
Other income, net	5,146	23,854	42,121
Income (loss) before income taxes	\$ 23,647	\$ (18,658)	\$ (40,577)
Identifiable assets:			
United States	\$ 681,756	\$ 702,639	\$ 724,837
Latin America	93,722	93,896	102,348
Asia Pacific	39,963	41,602	60,458
Africa and Middle East	94,986	119,607	105,354
Former Soviet Union	195,350	149,675	89,746
Total identifiable assets	\$ 1,105,777	\$ 1,107,419	\$ 1,082,743

</TABLE>

- (1) Operating income by segment is calculated by excluding general and administrative expense, reorganization expense and provision for reduction in carrying value of certain assets from operating income, as reported in the consolidated statements of operations

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 10 - Commitments and Contingencies

At December 31, 2001, the Company had a \$50.0 million revolving credit facility available for general corporate purposes and to support letters of credit. As of December 31, 2001, \$15.1 million of availability has been reserved to support letters of credit that have been issued. At December 31, 2001, no amounts had been drawn under the revolving credit facility.

The Company has various lease agreements for office space, equipment, vehicles and personal property. These obligations extend through 2008 and are typically non-cancelable. Most leases contain renewal options and certain of the leases contain escalation clauses. Future minimum lease payments at December 31, 2001, under operating leases with non-cancelable terms in excess of one year, are as follows:

<TABLE>	
<S>	<C>
2002	\$ 3,141
2003	2,870
2004	2,793
2005	2,616
2006	2,384
Thereafter	4,773
	-----
Total	\$ 18,577
	=====

</TABLE>

Total rent expense for all operating leases amounted to \$5.5 million for 2001, \$3.7 million for 2000, and \$4.0 million for 1999.

Certain officers of the Company entered into Severance Compensation and Consulting Agreements with the Company (the "Agreements"). A total of nine officers are currently signatories. 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 percent of the outstanding common stock of the Company by a third party; provided that the board of directors has the right to preclude triggering of a change of control when a third party acquired 15 percent of the outstanding voting securities if the board of directors determines within five days that the circumstances of the acquisition did not warrant implementation of the Agreements. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 10 - Commitments and Contingencies (continued)

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.

**Verdin Lawsuit.** Two subsidiaries of Parker Drilling Company ("Subsidiaries") are currently named defendants in the lawsuit, Verdin vs. R & B Falcon Drilling USA, Inc., et. al., Civil Action No. G-00-488, currently pending in the U.S. District Court for the Southern District of Texas, Houston Division. The plaintiff is a former employee of a drilling contractor engaged in offshore drilling operations in the Gulf of Mexico. The defendants are various drilling contractors, including the Subsidiaries, who conduct drilling operations in the Gulf of Mexico. Plaintiff alleges that the defendants have violated federal and state antitrust laws by agreeing with each other to depress wages and benefits paid to employees working for said defendants.

Plaintiff sought to bring this case as a "class action", i.e., on behalf of himself and a proposed class of other similarly situated employees of the defendants that have allegedly suffered similar damages from the alleged actions of defendants. Originally, the case was pending in U.S. District Court for the Southern District of Texas, Galveston Division. Recently, the case was transferred to the Houston Division. The Subsidiaries and certain of the other defendants recently entered into a stipulation of settlement with the plaintiff, pursuant to which the Subsidiaries will pay \$625,000 for a full and complete release of all claims brought in the case. The settlement was preliminarily approved by the Court on November 8, 2001, and the Court will conduct a fairness hearing on April 18, 2002, to determine whether the proposed settlement should receive final approval. The settlement amount and related fees were accrued during the third quarter 2001.

**Kazakhstan Tax Issue.** On July 6, 2001, the Ministry of State Revenues of Kazakhstan ("MSR") issued an Act of Audit to the Kazakhstan branch ("PKD Kazakhstan") of Parker Drilling Company International Limited, a wholly owned subsidiary of the Company ("PDCIL"), assessing additional taxes in the amount of approximately \$29,000,000 for the years 1998-2000. The assessment consists primarily of adjustments in corporate income tax based on a determination by the Kazakhstan tax authorities that payments by Offshore Kazakhstan International Operating Company, ("OKIOC"), to PDCIL of \$99,050,000, in reimbursement of costs for modifications to Rig 257, performed by PDCIL prior to the importation of the drilling rig into Kazakhstan, where it is currently working under contract to OKIOC, are income to PKD Kazakhstan, and therefore, taxable to PKD Kazakhstan. PKD Kazakhstan filed an Act of Non-Agreement stating its position that such payment should not be taxable and requesting the Act of Audit be revised accordingly. In November, the MSR rejected PKD Kazakhstan's Act of Non-Agreement, prompting PKD Kazakhstan to seek judicial review of the assessment. On December 28, 2001, the Astana City Court issued a judgment in favor of PKD Kazakhstan, finding that the reimbursements to PDCIL were not income to PKD Kazakhstan and not otherwise subject to tax based on the U.S.-Kazakhstan Tax Treaty. The MSR has appealed the Astana City Court decision to the Supreme Court, but has requested and received a postponement in the hearing until March 21, 2002. Management believes that it is still not possible to make a reasonable determination as to the probable outcome of this matter.

Note 10 - Commitments and Contingencies (continued)

The Company is a party to various other 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, the financial position or the net cash flows of the Company.



Note 11 - Related Party Transactions

Since 1975 when the stockholders approved a Stock Purchase Agreement, the Company and Robert L. Parker have entered into various life insurance arrangements on the life of Robert L. Parker. To insure the lives of Mr. and Mrs. Parker for \$15.2 million and Mr. Robert L. Parker for \$8.0 million the Company is currently paying \$0.6 million in annual premiums. Annual premiums funded by the Company will be reimbursed from the proceeds of the policies, plus accrued interest beginning March 2003 at a one-year treasury bill rate. The Company may use, at its option, up to \$7.0 million of such proceeds to purchase Parker Drilling stock from the Robert L. Parker Sr. Family Limited Partnership at a discounted price. Robert L. Parker Jr., chief executive officer of the Company and son of Robert L. Parker, will receive one-third of the net proceeds of these policies as a beneficiary.

Note 12 - Supplementary Information

At December 31, 2001, accrued liabilities included \$8.2 million of accrued interest expense, \$5.3 million of workers' compensation and health plan liabilities and \$10.4 million of accrued payroll and payroll taxes. At December 31, 2000, accrued liabilities included \$8.4 million of accrued interest expense, \$6.0 million of workers' compensation and health plan liabilities and \$9.9 million of accrued payroll and payroll taxes. Other long-term obligations included \$3.8 million and \$3.2 million of workers' compensation liabilities as of December 31, 2001 and 2000, respectively.

62

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 13 - Selected Quarterly Financial Data (Unaudited)

<TABLE>  
<CAPTION>

Year 2001	Quarter				Total
	First	Second	Third	Fourth	
(Dollars in Thousands Except Per Share Amounts)					
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 114,874	\$ 132,915	\$ 128,927	\$ 111,249	\$ 487,965
Gross profit (1)	\$ 22,480	\$ 33,333	\$ 29,606	\$ 15,318	\$ 100,737
Operating income	\$ 17,609	\$ 23,130	\$ 22,375	\$ 8,402	\$ 71,516
Net income (3)	\$ 1,524	\$ 2,692	\$ 3,025	\$ 3,818	\$ 11,059
Basic earnings per share: (2)					
Net income	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.12
Diluted earnings per share: (2)					
Net income	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.04	\$ 0.12

</TABLE>

- (1) Gross profit is calculated by excluding general and administrative expense, reorganization expense and provision for reduction in carrying value of certain assets 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 weighted average shares outstanding during each quarter, do not equal the annual earnings per share, which is based on the weighted average shares outstanding during the year.
- (3) The fourth quarter includes a \$9.6 million deferred tax benefit resulting from a reversal of a valuation allowance. See Note 5.

63

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 13 - Selected Quarterly Financial Data (continued) (Unaudited)

<TABLE>  
<CAPTION>

Year 2000	Quarter				
	First	Second	Third	Fourth	Total
(Dollars in Thousands Except Per Share Amounts)					
<S>	<C>	<C>	<C>	<C>	<C>
Revenues	\$ 73,953	\$ 86,960	\$ 101,849	\$ 113,587	\$ 376,349
Gross profit (1)	\$ (3,931)	\$ 6,409	\$ 15,445	\$ 25,293	\$ 43,216
Operating income (loss)	\$ (8,934)	\$ 1,965	\$ 9,953	\$ 11,540	\$ 14,524
Net income (loss) before extraordinary gain	\$ (14,876)	\$ (9,482)	\$ (1,034)	\$ 2,411	\$ (22,981)
Extraordinary gain	\$ --	\$ --	\$ --	\$ 3,936	\$ 3,936
Net income (loss)	\$ (14,876)	\$ (9,482)	\$ (1,034)	\$ 6,347	\$ (19,045)
Basic earnings (loss) per share: (2)					
Income (loss) before extraordinary gain	\$ (0.19)	\$ (0.12)	\$ (0.01)	\$ 0.03	\$ (0.28)
Extraordinary gain	\$ --	\$ --	\$ --	\$ 0.04	\$ 0.05
Net income (loss)	\$ (0.19)	\$ (0.12)	\$ (0.01)	\$ 0.07	\$ (0.23)
Diluted earnings (loss) per share: (2)					
Income (loss) before extraordinary gain	\$ (0.19)	\$ (0.12)	\$ (0.01)	\$ 0.03	\$ (0.28)
Extraordinary gain	\$ --	\$ --	\$ --	\$ 0.04	\$ 0.05
Net income (loss)	\$ (0.19)	\$ (0.12)	\$ (0.01)	\$ 0.07	\$ (0.23)

</TABLE>

- (1) Gross profit is calculated by excluding general and administrative expense, reorganization expense and provision for reduction in carrying value of certain assets 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 weighted average shares outstanding during each quarter, do not equal the annual earnings per share, which is based on the weighted average shares outstanding during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Note 14 - Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, 142 and 143. SFAS No. 141, "Business Combinations", requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142, "Goodwill and Other Intangible Assets", changes the accounting for goodwill from an amortization method to an impairment-only approach and will be effective January 2002. SFAS No. 143, "Accounting for Asset Retirement Obligations", requires the capitalization and accrual of the fair value of a liability for an asset retirement obligation in the period in which it is incurred if a reasonable estimate of fair value can be made. SFAS No. 143 will be effective January 2003. In August 2001 the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121 and amends Accounting Principles Board Opinion No. 30 for the accounting and reporting for discontinued operations as it relates to long-lived assets. SFAS No. 144 will be effective January 2002.

The Company is presently evaluating the effect of these new pronouncements on its financial position and results of operations and believes that only SFAS No. 142 will impact the Company because it has recorded a significant amount of goodwill related to prior acquisitions and recorded annual amortization during each of the last three years of \$7.4 million.

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 is shown in Item 14A "Executive Officers" and hereby incorporated by reference from the information appearing under the captions "Proposal One - Election of Directors" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 25, 2002, to be filed with the Securities and Exchange Commission ("Commission") within 120 days of the end of the Company's year ended December 31, 2001.

Item 11. EXECUTIVE COMPENSATION

Notwithstanding the foregoing, in accordance with the instructions to Item 402 of Regulations S-K, the information contained in the Company's proxy statement under the sub-heading "Compensation Committee Report on Executive Compensation" and "Performance Graph" shall not be deemed to be filed as part of or incorporated by reference into this Form 10-K.

65

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is hereby incorporated by reference from the information appearing under the captions "Principal Stockholders and Security Ownership of Management" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 25, 2002, to be filed with the Commission within 120 days of the end of the Company's year ended December 31, 2001.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is hereby incorporated by reference to such information appearing under the caption "Other Information" and "Related Transactions" in the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held April 25, 2002, to be filed with the Commission within 120 days of the end of the Company's year ended December 31, 2001.

66

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:

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

<TABLE>  
<CAPTION>

Page

----

<S>

<C>

Consolidated Statement of Operations for the years ended December 31, 2001, 2000 and 1999	31
Consolidated Balance Sheet as of December 31, 2001 and 2000	32
Consolidated Statement of Cash Flows for the years ended December 31, 2001, 2000 and 1999	34
Consolidated Statement of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999	36
Notes to Consolidated Financial Statements	37

67

PART IV  
(continued)

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

<TABLE>  
<CAPTION>

	Page
	----
<S>	<C>
(2) Financial Statement Schedule: Schedule II - Valuation and qualifying accounts	72

</TABLE>

(3) Exhibits:

<TABLE>  
<CAPTION>

Exhibit Number	Description
-----	-----
<S>	<C>
3(a) -	Corrected Restated Certificate of Incorporation of the Company, as amended on September 21, 1998 (incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1998).
3(b) -	By-Laws of the Company, as amended July 27, 1999 (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 1999).
3(c) -	Rights Agreement dated as of July 14, 1998 between the Company and Norwest Bank Minnesota, N.A., as rights agent (incorporated by reference to Form 8-A filed July 15, 1998).

</TABLE>

68

PART IV (continued)

(3) Exhibits: (continued)

<TABLE>  
<CAPTION>

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 B 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).

4(c) - Loan and Security Agreement dated as of October 22, 1999, between the Company and Bank of America, National Association, as agent for the lenders, regarding the \$50.0 million revolving line of credit for loans and letters of credit due October 22, 2003 (incorporated by reference to Exhibit 4(c) to the Annual Report on Form 10-K for the year ended December 31, 2000).

</TABLE>

PART IV (continued)

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

(3) Exhibits: (continued)

<TABLE>

<CAPTION>

Exhibit Number	Description
-----	-----

<S>

<C>

10(a) -	Amended and Restated Parker Drilling Company Stock Bonus Plan, effective as of January 1, 1999 (incorporated herein by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 1999)
---------	---

10(b) -	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(c) -	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(d) -	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(e) -	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(f) -	First Amendment to Severance Compensation and Consulting Agreement entered into between Parker Drilling Company, and certain officers of Parker Drilling Company, dated on or about July 15, 1998.
---------	--

10(g) -	Waiver, Release and Confidentiality Agreement entered into between James W. Linn and Parker Drilling Company dated July 17, 2001.
---------	---

21 -	Subsidiaries of the Registrant.
------	---------------------------------

23 -	Consent of Independent Accountants.
------	-------------------------------------

</TABLE>

\*Management Contract, Compensatory Plan or Agreement

## PART IV (continued)

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

(b) Reports on Form 8-K: None.

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

&lt;TABLE&gt;

&lt;CAPTION&gt;

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 Deductions	period
<S>	<C>	<C>	<C>	<C>
Year ended December 31, 2001:				
Allowance for doubtful accounts and notes	\$ 3,755	\$ 360	\$ 1,127	\$ 2,988
Reduction in carrying value of rig materials and supplies	\$ 2,491	\$ 1,455	\$ 1,540	\$ 2,406
Deferred tax valuation allowance	\$ 24,939	\$ (9,593)	\$ 5,410	\$ 9,936
Year ended December 31, 2000:				
Allowance for doubtful accounts and notes	\$ 5,677	\$ 860	\$ 2,782	\$ 3,755
Reduction in carrying value of rig materials and supplies	\$ 1,539	\$ 780	\$ (172)	\$ 2,491
Deferred tax valuation allowance	\$ 39,109	\$ (6,097)	\$ 8,073	\$ 24,939
Year ended December 31, 1999:				
Allowance for doubtful accounts and notes	\$ 3,002	\$ 3,270	\$ 595	\$ 5,677
Reduction in carrying value of rig materials and supplies	\$ 2,572	\$ 780	\$ 1,813	\$ 1,539
Deferred tax valuation allowance	\$ 38,469	\$ 640	\$ --	\$ 39,109

&lt;/TABLE&gt;

## 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: March 15, 2002

-----  
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.

Signature	Title	Date
-----	----	---
By: /s/ Robert L. Parker ----- Robert L. Parker	Chairman of the Board and Director	March 15, 2002
By: /s/ Robert L. Parker Jr. ----- Robert L. Parker Jr. (Principal Executive Officer)	President and Chief Executive Officer and Director	March 15, 2002
By: /s/ James J. Davis ----- James J. Davis (Principal Financial Officer)	Senior Vice President - Finance and Chief Financial Officer	March 15, 2002
By: /s/ Robert F. Nash ----- Robert F. Nash	Senior Vice President and Chief Operating Officer	March 15, 2002
By: /s/ W. Kirk Brassfield ----- W. Kirk Brassfield (Principal Accounting Officer)	Vice President and Corporate Controller	March 15, 2002
By: /s/ James E. Barnes ----- James E. Barnes	Director	March 15, 2002
By: /s/ Bernard J. Duroc-Danner ----- Bernard J. Duroc-Danner	Director	March 15, 2002
By: /s/ David L. Fist ----- David L. Fist	Director	March 15, 2002
By: /s/ Dr. Robert M. Gates ----- Dr. Robert M. Gates	Director	March 15, 2002
By: /s/ John W. Gibson ----- John W. Gibson	Director	March 15, 2002
By: /s/ Simon G. Kukes ----- Simon G. Kukes	Director	March 15, 2002
By: /s/ James W. Linn ----- James W. Linn	Director	March 15, 2002

-----  
 R. Rudolph Reinfrank

73

## EXHIBIT INDEX

&lt;TABLE&gt;

&lt;CAPTION&gt;

Exhibit Number	Description
-----	-----
<S>	<C>
3(a) -	Corrected Restated Certificate of Incorporation of the Company, as amended on September 21, 1998 (incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1998).
3(b) -	By-Laws of the Company, as amended July 27, 1999 (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 1999).
3(c) -	Rights Agreement dated as of July 14, 1998 between the Company and Norwest Bank Minnesota, N.A., as rights agent (incorporated by reference to Form 8-A filed July 15, 1998).

&lt;S&gt;

- 3(a) - Corrected Restated Certificate of Incorporation of the Company, as amended on September 21, 1998 (incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1998).
- 3(b) - By-Laws of the Company, as amended July 27, 1999 (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 1999).
- 3(c) - Rights Agreement dated as of July 14, 1998 between the Company and Norwest Bank Minnesota, N.A., as rights agent (incorporated by reference to Form 8-A filed July 15, 1998).

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;S&gt;

- 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 B 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).
- 4(c) - Loan and Security Agreement dated as of October 22, 1999, between the Company and Bank of America, National Association, as agent for the lenders, regarding the \$50.0 million revolving line of credit for loans and letters of credit due October 22, 2003 (incorporated by reference to Exhibit 4(c) to the Annual Report on Form 10-K for the year ended December 31, 2000).

&lt;/TABLE&gt;

&lt;TABLE&gt;

&lt;S&gt;

- 10(a) - Amended and Restated Parker Drilling Company Stock Bonus Plan, effective as of January 1, 1999 (incorporated herein by reference to Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 1999)
- 10(b) - 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(c) - 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(d) - 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(e) - 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(f) - First Amendment to Severance Compensation and Consulting Agreement entered into between Parker Drilling Company, and certain officers of Parker Drilling Company, dated on or about July 15, 1998.

10(g) - Waiver, Release and Confidentiality Agreement entered into between James W. Linn and Parker Drilling Company dated July 17, 2001.

21 - Subsidiaries of the Registrant.

23 - Consent of Independent Accountants.

</TABLE>

\* Management Contract, Compensatory Plan or Agreement

EXHIBIT 10(f)

FIRST AMENDMENT TO SEVERANCE COMPENSATION  
AND CONSULTING AGREEMENT

This First Amendment to the Severance Compensation and Consulting Agreement dated October 4, 1996, between Parker Drilling Company and Robert L. Parker Jr. (the "Officer") is hereby amended effective July 15, 1998 as follows:

1. Section 2 of the Agreement shall read as follows:

2. Change in Control. No compensation shall be payable under this Agreement and the Officer shall not be retained as a consultant unless and until (a) there shall have been a Change in Control of the Company while the Officer is still an employee of the Company and (b) the Officer's employment by the Company thereafter shall have been terminated in accordance with Section 4 of this Agreement. For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if,

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14 (d)(7) of the Securities Exchange Act of 1934, as amended (the "34 Act"), except the Officer, his affiliates and associates, the Company, or any corporation, partnership, trust or other entity controlled by the Company (a "Subsidiary"), or any employee benefit plan of the Company or of any Subsidiary (each such individual, entity or group shall hereinafter be referred to as a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the '34 Act) of 15% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Company Voting Securities"), in either case unless the Board in office immediately prior to such acquisition determines in writing within five business days of the receipt of actual notice of such acquisition that the circumstances do not warrant the implementation of the provisions of this Agreement provided, that with regard to Equitable Companies/Alliance Capital Management, the applicable percentage shall remain 20%; or

(b) Individuals who, as of the beginning of any twenty-four month period, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any individual becoming a director subsequent to the beginning of such period whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the '34 Act); or

(c) Consummation by the Company of a reorganization, merger or consolidation (a "Business Combination"), in each case, with respect to which all or substantially all of the individuals and entities who were the respective beneficial owners of the Outstanding Company Common Stock and Company Voting Securities immediately prior to such Business Combination do not, immediately following such Business Combination, beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to

vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination in substantially the same proportion as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and Company Voting Securities, as the case may be; or

(d) (i) Consummation of a complete liquidation or dissolution of the Company or (ii) sale or other disposition of all or substantially all of the assets of the Company other than to a corporation with respect to which, following such sale or disposition, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors is then owned beneficially, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Company Voting Securities, as the case may be, immediately prior to such sale or disposition.

Notwithstanding any other provision of this Agreement, no Change in Control shall be deemed to have occurred for purposes of this Agreement after the date of the initial Change in Control pursuant to the provisions of Sections 2 (a), (b), (c) or (d) hereof.

II. With the exception of the above referenced change to Section 2, the remainder of the Severance Compensation and Consulting Agreement shall remain unchanged and in full force and effect as originally executed between myself and the Company.

Accepted and agreed to evidenced by my signature below this 13th day of August, 1998.

-----  
Officer

-----  
Parker Drilling Company

EXHIBIT 10(g)

WAIVER, RELEASE AND CONFIDENTIALITY AGREEMENT

Waiver, Release and Confidentiality Agreement (herein, the "Agreement") made this 17 day of July 2001, between James W. Linn, of Tulsa, Oklahoma ("Employee") and Parker Drilling Company of 8 East Third Street, Tulsa, Oklahoma ("Parker").

RECITALS

A. Employee has been employed by Parker in various roles, most recently as Executive Vice President-Chief Operating Officer of Parker Drilling Company, for a period of approximately twenty-eight (28) years.

B. Employee has retired from Parker effective July 15, 2001.

C. The parties desire to enter into this Waiver, Release and Confidentiality Agreement in order to set forth mutual rights and obligations that survive the parties' employer/employee relationship.

AGREEMENT

WHEREAS Employee has in the course of his employment with Parker come into contact with or has access to trade secrets and confidential and proprietary information which is unique and of great value to Parker; and

WHEREAS Employee clearly understands that his use or disclosure to any third party of any such confidential information could cause damage to the financial well-being of Parker and/or its officers, directors, agents, employees, affiliates and assigns, regardless of the scope and reason for such unauthorized disclosure; and

WHEREAS Employee and Parker desire that there be mutual goodwill as between each other and particularly with regard to disclosure to third parties; and

WHEREAS Employee understands the highly competitive nature of the drilling business and the importance of keeping certain operational, financial and accounting information from competitors.

NOW, THEREFORE, in consideration of the agreements and representations herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Parker and Employee do hereby agree as follows:

1. Definition of Confidential Information. For the purpose of this Agreement, "Confidential Information" shall mean any and all confidential or proprietary information or material that has been disclosed by Parker to Employee, whether written or oral, during the course of his employment; or which Employee has obtained knowledge of, or access to, as the result of such employment or inspection of the premises, equipment, records or other physical assets; or which Employee has subsequently gleaned or developed as the result of his association with Parker; and which Parker considers to be either proprietary or confidential in nature with regards to the conduct of its business.

Confidential Information includes, but is not limited to, confidential records, data (including computer data), personnel history, proprietary information relating to equipment, customers, vendors, accounting and financial information, tax returns, tax plans (whether implemented or not), dealings with tax authorities, customers and joint venturers, documentation and diagrams, all of which are related to Parker, its business and its products, technology and contemplated services; and further includes information related to the conduct of Parker's existing or future business, including business and marketing plans, customer and supplier lists and pricing lists. Confidential Information shall also include any information or material of the type described above which may have been obtained by Parker from any third party, and

which is considered proprietary or confidential in nature by Parker, whether or not owned or developed by Parker. Furthermore, all materials and information generated, compiled, or transformed into any form of material by Employee, acting in the performance of his employment, shall be considered Confidential Information and the exclusive property of Parker. Confidential Information does not include any information or material which can be shown to have been within the public domain before the time it was disclosed by Parker or obtained by Employee, provided such information or material has not become part of the public domain through any fault or action on the part of Employee, or which can be shown to have been in Employee's possession before it was disclosed by Parker to Employee, or which can be shown to have been acquired by Employee from a third party that is not under any confidentiality obligation to Parker.

2. Agreement Not To Disclose. Employee acknowledges that Confidential Information is a special, valuable and unique asset of Parker. Employee agrees to hold the Confidential Information of Parker in strict confidence and further agrees not to at any time, directly or indirectly, reveal, show, report, publish, use, divulge, dispose of, transfer or make accessible such information to any other person or entity without the express written consent of Parker.

3. Return of Materials. All of the Confidential Information supplied or disclosed to Employee by Parker or generated by Employee during the course of Employee's employment with Parker, shall remain the exclusive property of Parker as titled owner of such items including, all copies of documents, disks, tapes or other materials containing any of the Confidential Information as defined herein and Employee will surrender to Parker in good condition any record or records or other equipment or material containing such Confidential

3

Information including, without limitation, information contained on computers; provided, Employee shall be allowed to retain the Parker computer currently at Employee's residence, his laptop computer and his blackberry.

4. Remedies. Because of the unique nature of the Confidential Information, Employee understands and agrees that should he fail to comply with all of his obligations hereunder, then Parker and/or its affiliates may suffer irreparable harm of such degree that monetary damage will be inadequate to compensate the injured party for such breach. Accordingly, Employee agrees that in addition to any other remedies available to the injured parties, in equity or at law, following such unauthorized disclosure, such injured parties will also be entitled to injunctive relief to enforce the terms hereof. Nothing herein contained shall be construed as prohibiting any such injured party from pursuing any other available remedy for such breach however, including the recovery of damages and attorney's fees.

5. Payment and Agreement. In consideration for Employee's agreement to the terms and provisions herein and execution hereof, Parker hereby agrees to pay Employee the total sum of One Million and no/100 Dollars (\$1,000,000), less deductions required by law and less any amounts due Parker on the effective date of Employee's retirement, which amount shall be payable on the eighth day following the effective date of Employee's retirement.

6. Medical and Life Insurance. Parker shall continue to provide group medical coverage for Employee until he reaches age 65 consistent with the plan in which Employee was enrolled at the time of his retirement. Employee shall be responsible for the Employee portion of the premium in the same amount Employee as an employee of Parker. After Employee reaches age 65, if Employee is eligible and elects to obtain COBRA benefits, Employee will be responsible for paying the applicable COBRA premiums.

4

Employee declines the option to purchase the life insurance policy which has been maintained on the life of Employee by Parker and releases any right title and interest in said policy to Parker.

7. Stock Options. Employee shall retain all stock options granted to Employee under the 1991, 1994 and 1997 Stock Option Plan(s). All unvested

options shall continue to vest in accordance with the terms of the respective stock option agreement and all vested options shall be exercisable in accordance with the terms of the respective stock option agreement.

8. Representations and Warranties. Employee represents and warrants that he has no outstanding liability to Parker and, except as stated on Schedule 1 attached hereto, has no knowledge of any claim or action or any facts or circumstances or condition which could give rise to a claim, contingent or otherwise, against Parker, or their respective affiliates, officers, directors or employees which Employee has not previously disclosed in writing to Parker.

9. Non-Compete/No Hire. As further consideration for the payments and other covenants contained in this Agreement, the sufficiency of which is acknowledged by Employee, Employee agrees that for a period of eighteen (18) months from and after the effective date of Employee's retirement, or such shorter period as is allowed under applicable law, Employee shall not engage in any activities that are in competition with Parker's international business operations, or such smaller geographical area as is allowed under applicable law, whether through employment, ownership of business (excluding passive investments as a stockholder), the providing of consulting services, or in any other similar manner. Further, during said eighteen (18) month period, Employee

5

shall refrain from hiring any employee of Parker or encouraging said employees to terminate their employment with Parker.

Employee understands and agrees that should he fail to comply with all of his obligations in this Section 9, then Parker and/or its affiliates may suffer irreparable harm of such degree that monetary damage will be inadequate to compensate the injured party for such breach. Accordingly, Employee agrees that in addition to any other remedies available to the injured parties, in equity or at law, following such unauthorized disclosure, such damaged parties will also be entitled to injunctive relief to enforce the terms hereof.

11. Jurisdiction. This agreement shall be construed and enforced under the laws of the State of Oklahoma.

12. Release. IN FURTHER CONSIDERATION FOR THE PAYMENTS AND AGREEMENTS MADE BY PARKER IN THIS AGREEMENT, EMPLOYEE RELEASES ALL CLAIMS WHICH HE MAY HAVE AGAINST PARKER, ANY OF ITS AFFILIATED COMPANIES, AND ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES, ARISING FROM HIS EMPLOYMENT WITH PARKER AND/OR HIS RETIREMENT FROM PARKER. THE CLAIMS COVERED BY THIS RELEASE ALSO INCLUDE, WITHOUT LIMITATION, ANY CLAIMS FOR WRONGFUL DISCHARGE, INTERFERENCE WITH CONTRACTUAL RELATIONSHIPS, LIBEL, SLANDER, BREACH OF CONTRACT, INFLICTION OF EMOTIONAL DISTRESS OR EMPLOYMENT DISCRIMINATION OF EVERY TYPE. EMPLOYEE SPECIFICALLY WAIVES ANY RIGHT TO PURSUE A CLAIM OF AGE DISCRIMINATION IN EMPLOYMENT UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT OF 1967 AND AGREES TO REFRAIN FROM THE FILING OF ANY ADMINISTRATIVE COMPLAINT OR LAWSUIT IN FURTHERANCE OF SUCH CLAIM. THIS RELEASE AND WAIVER APPLIES ONLY TO RIGHTS AND CLAIMS THAT ARISE BEFORE THE SIGNING OF THIS AGREEMENT.

6

13. Acknowledgments. EMPLOYEE HEREBY ACKNOWLEDGES AND AFFIRMS AS FOLLOWS:

- (a) Employee's decision to sign this Agreement is strictly voluntary and with full knowledge of its meaning and content.
- (b) No representative of Parker has made any other representation or promise to Employee regarding the terms and conditions of this Agreement other than those contained in this document.
- (c) Employee has been advised to consult with an attorney prior to signing this Agreement, and has taken advantage of that opportunity to the extent Employee has determined is appropriate.
- (d) Employee has been given a period of up to forty-five (45) days within which to consider this Agreement.

- (e) Employee understands that for a period of seven (7) days following his signing this Agreement, Employee may revoke this Agreement by notifying Parker, in writing, of his desire to do so. Employee understands that after the seven (7) day period has elapsed, this Agreement shall become effective and enforceable.

IN WITNESS WHEREOF, both parties do hereby execute this Waiver, Release and Confidentiality Agreement on the day and year first written above.

/s/ James W. Linn

-----  
By: James W. Linn  
Date: July 17, 2001

PARKER DRILLING COMPANY

/s/ Robert L. Parker Jr.

-----  
By: Robert L. Parker Jr.  
Title: President and Chief  
Executive Officer  
Date: July 17, 2001

## EXHIBIT 21

## SUBSIDIARIES OF THE REGISTRANT

<TABLE>  
<CAPTION>

Percentage of Voting  
Securities Owned By  
Immediate Parent as of  
December 31, 2001

<S>	<C>
Consolidated subsidiaries of the Registrant	
(Jurisdiction of incorporation):	
Parker Drilling Company of Oklahoma, Inc. (Oklahoma)	100%
Parker Technology, Inc. (Oklahoma) (1)	100%
Parker-VSE, Inc. (Nevada) (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%
Parker North America Operations, Inc. (Nevada) (4)	100%
Parker Drilling Offshore Corporation (Nevada)	100%
Parker Drilling Company (Bolivia) S.A. (Bolivia)	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)
- (2) Parker-VSE, Inc. (formerly 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 five 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 of Siberia (Russia)
- (4) Parker North America Operations, Inc. owns 100% of:
  - Parker Drilling Company North America, Inc. (Nevada).
  - Parker Drilling U.S.A. Ltd. (Nevada) which owns:
    - Parker Drilling Offshore International, Inc. (Cayman Islands)-100%, which owns Parker Drilling (Nigeria) Ltd - 60%
    - Mallard Drilling of South America, Inc. (Cayman Islands) - 100%
    - Parker Drilling Offshore U.S.A., L.L.C. (Oklahoma) - 99%
    - Quail Tools, L.L.P. (Oklahoma) - 99%
    - Parker Technology, LLC (Louisiana) - 99%
  - Parker Drilling Company Limited (Oklahoma) which owns 1% of:
    - Parker Drilling Offshore U.S.A., L.L.C. (Oklahoma)
    - Quail Tools, L.L.P. (Oklahoma)
    - Parker Technology, LLC (Louisiana)



EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in this registration statement of Parker Drilling Company on Form S-8 (File No. 2-87944, 33-24155, 33-56698, 33-57345, 333-59132 and 333-70444) and Form S-3 (File No. 333-36498) of our report dated January 29, 2002, on our audits of the consolidated financial statements and the financial statement schedule of Parker Drilling Company and its subsidiaries as of December 31, 2001 and 2000, and for the years ended December 31, 2001, 2000 and 1999, which report is included in this Annual Report on Form 10-K.

/s/PricewaterhouseCoopers LLP  
PricewaterhouseCoopers LLP

Tulsa, Oklahoma  
March 13, 2002