OMNI ENERGY SERVICES CORP
Form S-1
October 19, 2005
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As filed with the Securities and Exchange Commission on October 19, 2005

Registration No. 333-______

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

OMNI ENERGY SERVICES CORP.

(Exact Name of Registrant as Specified in its Charter)

Louisiana	1382	72-1395273
(State of other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

4500 N.E. Evangeline Thruway

Carencro, Louisiana 70520

(337) 896-6664

(Address, including zip code and telephone number, including area code, of

Registrant s principal executive offices)

With a copy to:

G. Darcy Klug	**David Taylor**
OMNI Energy Services Corp.	**Locke Liddell & Sapp LLP**
4500 N.E. Evangeline Thruway	**3400 JPMorgan Chase Tower**
Carencro, Louisiana 70520	**600 Travis Street**
Telephone: (337) 896-6664	**Houston, Texas 77002**
Fax: (337) 896-9067	**Telephone: (713) 226-1200**
	Fax: (713) 223-3717

(Name, address, including zip code and telephone number, including area code,

of agent for service)

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit [(1)]	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, par value $0.01 per share	9,613,670	$2.99	$28,744,873	$3,384

(1) The price of $2.99 per share, which was the average of the high and low prices of the Registrant s common stock on The Nasdaq National Market on October 17, 2005, is set forth solely for the purpose of calculating the registration fee in accordance with Rule 457(c) promulgated under the Securities Act of 1933.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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Subject to completion, dated October 19, 2005

Prospectus

9,613,670 shares

OMNI ENERGY SERVICES CORP.

Common Stock

This prospectus relates to 9,613,670 shares of our common stock that are being sold by the selling stockholders named herein.

Pursuant to a Registration Rights Agreement, as amended, dated as of May 17, 2005, we have granted the selling stockholders certain registration rights with respect to the shares of our common stock to be issued (i) upon conversion of Series C 9% Convertible Preferred Stock granted to selling stockholders; (ii) upon the exercise of warrants granted to the selling stockholders; and (iii) upon conversion of the Series C 9% Convertible Preferred Stock issued as payments in kind of dividends due under the terms of the Series C 9% Convertible Preferred Stock.

The selling stockholders may from time to time offer all or a portion of these shares of common stock through public or private transactions on The Nasdaq National Market or such other securities exchange on which our common stock is traded at the time of the sale. The selling stockholders may sell these shares of common stock at prevailing market prices or at privately negotiated prices either directly or through agents, broker dealers or otherwise.

Each selling stockholder may be deemed to be an underwriter as such term is defined in the Securities Act of 1933, as amended (the Securities Act), and any commissions paid or discounts or concessions allowed to any such person and any profits received on resale of the securities offered hereby may be deemed to be underwriting compensation under the Securities Act.

The selling stockholders will receive all of the net proceeds from the sale of the shares of common stock offered by this prospectus. We are paying all of the expenses of registration incurred in connection with this offering, but the selling stockholders will pay all selling and other expenses.

Our common stock is traded on The Nasdaq National Market under the symbol OMNI. On October 18, 2005, the last reported sale price of our common stock on the Nasdaq National Market was $2.95 per share.

Investing in our common stock involves risks. See <u>Risk factors</u> beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is October__, 2005.

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Prospectus summary

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in shares of our common stock. You should read this entire prospectus carefully, including Risk factors beginning on page 5 and our consolidated financial statements and the related notes thereto beginning on page F-1, before making an investment decision. Except as otherwise noted, we present all financial and operational data on a fiscal year and fiscal quarter basis. Our fiscal year ends on December 31 of each year. Our fiscal quarters end March 31, June 30, September 30 and December 31 of each year.

OMNI Energy Services Corp.

OMNI Energy Services Corp. is an integrated oilfield service company specializing in providing a range of (i) onshore seismic drilling, operational support, permitting, survey and helicopter support services to geophysical companies operating in logistically difficult and environmentally sensitive terrain and (ii) dock-side, onshore and offshore non-hazardous, oilfield waste management and environmental cleaning services, including tank and vessel cleaning and safe vessel entry, for oil and gas companies operating in the Gulf of Mexico. Refer to the Company s web site at www.omnienergy.com for more information and recent events.

Seismic Drilling. The principal market of our Seismic Drilling division is the marsh, swamp, shallow water and contiguous dry land areas along the Gulf Coast (the Transition Zone), primarily in Louisiana and Texas, where we are the leading provider of seismic drilling support services. In 1997, we commenced operations in the mountainous regions of the western United States, and in 2003 we initiated seismic drilling activities in various Transition Zone regions of Mexico.

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

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

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

The Private Placement

On May 17, 2005, we entered into a Securities Purchase Agreement (the Securities Purchase Agreement) with the selling stockholders. Pursuant to the terms of the Securities Purchase Agreement, we agreed to issue to the selling stockholders (i) an aggregate of up to 5,000 shares of Series C 9% Convertible Preferred Stock, no par value, and (ii) warrants representing the right to purchase up to an aggregate of 6,550,000 shares of common stock, for the exercise prices described therein.

The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, the closing date of the first tranche, we issued an aggregate of 3,500 shares of Series C 9% Convertible Preferred Stock and warrants to acquire up to 4,585,000 shares of common stock, in exchange for an aggregate of $3,500,000. On August 29, 2005, the closing date of the second tranche, we issued an aggregate of 1,500 shares of Series C 9% Convertible Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of $1,500,000.

This prospectus relates to 9,613,670 shares of our common stock, of which (i) 2,564,103 shares are to be issued to the selling stockholders upon the conversion of Series C 9% Convertible Preferred Stock sold to the selling stockholders in the first tranche and second tranche; (ii) 6,550,000 shares are to be issued to the selling stockholders upon the exercise of warrants sold to the selling stockholders in the first tranche and second tranche; and (iii) 499,567 shares are to be issued to the selling stockholders upon the conversion of the Series C 9% Convertible Preferred Stock issued as payment in kind of dividends due under the Series C 9% Convertible Preferred Stock over the initial two years that the Series C 9% Convertible Preferred Stock is outstanding.

Pursuant to a Registration Rights Agreement dated as of May 17, 2005, as amended by Amendment No. 1 to Registration Rights Agreement dated effective as of July 16, 2005, and Amendment No. 2 to the Registration Rights Agreement dated effective as of September 14, 2005, we have granted the selling stockholders certain registration rights with respect to the shares of our common stock issued upon conversion of the Series C 9% Convertible Preferred Stock, exercise of the warrants granted to the selling stockholders and conversion of the Series C 9% Preferred stock issued as dividend payments in kind. The Registration Rights Agreement, as amended by Amendment No.1 to Registration Rights Agreement, requires that this registration statement be filed no later than one hundred seventy five days from May 17, 2005. The sole effect of Amendment No. 1 and Amendment No. 2 was to extend the filing deadline of the registration statement. In the event that this registration statement is not declared effective by the Securities and Exchange Commission within 90 days following the date of its filing, we may be required to pay as liquidated damages to the selling stockholders an amount equal to 2% of the purchase price of the registrable securities then held by the selling stockholders and the amount by which the warrants are in the money, for each thirty day period (prorated for partial periods) until this registration statement is declared effective by the Securities and Exchange Commission.

Recent Events

On May 18, 2005, we completed a $50 million equipment term financing facility (Term A Loan) and increased our working capital revolving line of credit we have with a bank (the Line) to $15 million from its previous level of $12 million (with the Term A Loan, collectively referred to herein as the Senior Credit Facility). Under the terms of the Term A Loan, funding will be limited to the lesser of $50 million and the sum of (i) 85% of the orderly liquidation value of our aviation fleet; (ii) 75% of the orderly liquidation value of our seismic drilling and environmental equipment; and (iii) 50% of the fair market value of certain real estate. Proceeds from the Term A Loan were used to re-finance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions under consideration. The Term A Loan matures in May 2010 and will be repaid quarterly in equal payments up to a 50% balloon at maturity date, with interest, paid in arrears and accruing at the initial annual interest rate of 30-day LIBOR plus 6.5%.

In connection with completion of the Senior Credit Facility, we entered into settlement agreements (Debenture Settlement Agreements) with each of the Debenture Holders in exchange for our dismissal of the lawsuit we filed against the Debenture Holders on January 25, 2005. On that date, we filed suit in the United States District Court, Western District of Louisiana (the 16(b) litigation) against the Debenture Holders and other third parties. The suit alleged violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside), notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgment with respect to all amounts owed to it under the Portside Debentures.

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Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately $4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million shares of our common stock at an agreed upon value of $3.4 million; and (iii) issue the Debenture Holders approximately $4.3 million of unsecured, subordinated promissory notes (Subordinated Debenture Notes). The Company recorded a gain of $200,000 upon closing of these transactions. The Subordinated Debenture Notes will be paid quarterly, with interest in arrears, over 36 months in equal payments with interest accruing at the rate of 8% per annum. Execution of the Debenture Settlement Agreements extinguished the terms of the original Debentures and released all parties from any future claims.

On May 18, 2005, we entered into early debt extinguishment agreements (Debt Extinguishment Agreements) on $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note more fully described in Note 4 of our financial statements contained herein. Under the terms of the Debt Extinguishment Agreements, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note, we agreed to (i) immediately issue 0.2 million shares of our common stock; and, (ii) pay certain holders of the Stockholder Notes $1.0 million on or before August 16, 2005, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note. The Company recognized a gain on debt extinguishment of $0.3 million upon closing this transaction.

On May 17, 2005, we entered into a Securities Purchase Agreement with certain affiliates and executive officers to issue up to $5.0 million of Series C 9% Convertible Preferred Stock. Our Series C 9% Convertible Preferred Stock is convertible into our common stock at a conversion price of $1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between $1.95 and $3.50 per share.

On June 30, 2005, we executed a definitive agreement to sell the equipment and related assets of the Aviation Transportation Services segment. On July 29, 2005, the sale of the Aviation Transportation Services segment was finalized and the proceeds from the cash sale ($11.0 million) were used to repay advances under the Company s Senior Credit Facility and for additional working capital. As a result of the sale and in order to enhance comparability among the periods, the financial statements contained in our selected consolidated financial data tables presented on page 12 and 13, for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and for the six months ended June 30, 2004 have been restated to reflect the operations of the Aviation Transportation Services segment as a discontinued operation.

On August 29, 2005, we closed the second tranche of the transactions contemplated by the Securities Purchase Agreement, at which time we issued an aggregate of 1,500 shares of Series C 9% Convertible Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of $1,500,000.

On August 29, 2005, we completed a $25 million multiple draw term credit facility (Term B Loan). Under the terms of the Term B Loan, borrowings will be made through advances at our request in minimum amounts of $2 million. Quarterly payments in the amount of $0.175 million, plus interest, will begin on April 1, 2008. The Term B Loan matures in August 2010 and accrues interest at the rate of LIBOR plus 8%. The proceeds from the Term B Loan were and/or will be used to (i) reduce the current outstanding balance under the Company s Term A senior term debt by $3.4 million; (ii) retire approximately $3.3 million of Subordinated Debenture Notes with a payment of $1.5 million cash and the issuance of 750,000 shares of our common stock; (iii) retire $2 million of certain subordinated debt with a payment of $1 million cash and the issuance of 200,000 shares of common stock; and (iv) provide working capital and funds necessary for potential strategic transactions.

On September 21, 2005, the Company entered into a non-binding letter of intent for the acquisition of Preheat, Inc. (Preheat). Preheat is a leading Gulf Coast lessor of oilfield equipment and provider of specialized oilfield and environmental services. Subject to the terms and conditions of the letter of intent, the Company will purchase 100% of the issued and outstanding capital stock of Preheat for a purchase price of $22.5 million plus certain assumed long-term debt more specifically described as a combination of $16.0 million of cash, $2.5 million of our common stock, $4.0 million of promissory notes and the assumption of approximately $1.5 million of long-term debt. Completion of the acquisition is subject to finalization of due diligence satisfactory to the Company, negotiation of a definitive purchase agreement with terms acceptable to both parties, and approval of the transaction by the Company s lenders and Board of Directors. Closing is expected during the fourth quarter of 2005. As a further condition to closing, Preheat is required to have on hand at closing a minimum of $4.5 million of excess working capital.

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The Offering

Common stock offered by the selling stockholders	9,613,670 shares
Shares outstanding immediately prior to the offering	14,943,121 shares
Shares to be outstanding after the offering	24,556,791 shares
Use of proceeds	We will not receive any proceeds from the sale of shares by the selling stockholders. We will receive as the exercise price of the 6,550,000 warrants described above up to $14.2 million, if the selling stockholders exercise all their warrants and assuming that none of the warrants are exercised on a cashless basis. We expect to use the proceeds from the exercise of the warrants to reduce long-term debt and for working capital purposes. Pending such use, we will invest any proceeds in short term, investment grade, interest bearing securities.
Dividend policy	We have never paid cash dividends on our common stock. We intend to retain future earnings, if any, to meet our working capital requirements and to finance future operations of our business. Therefore, we do not plan to declare or pay cash dividends to holders of our common stock in the foreseeable future. In addition, certain of our credit arrangements contain provisions that limit our ability to pay cash dividends on our common stock.
The Nasdaq National Market symbol	OMNI
Risk factors	You should carefully consider the information set forth under Risk factors and all other information set forth in this prospectus before deciding to invest in shares of our common stock.

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Risk factors

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

Industry volatility may adversely affect our results of operations.

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

- oil and gas prices and industry perceptions of future price levels;
- the cost of exploring for, producing and delivering oil and gas;
- the ability of oil and gas companies to generate capital;
- the sale and expiration dates of leases in the United States;
- the availability of current geophysical data;
- the discovery rate of new oil and gas reserves; and
- local and international political and economic conditions.

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

Our growth and growth strategy involves risks.

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

- the lack of sufficient executive-level personnel;
- the successful integration of the operations of Trussco, Inc. including the integration of a management team with no history of working together;
- increased levels of debt and administrative burdens; and
- increased logistical problems of large, expansive operations.

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

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We have incurred losses in previous years.

While some of our past history reflects annual net income, our recent financial history, including the year ended December 31, 2004 and the six month period ended June 30, 2005, reflects net losses. While we hope to generate increased revenues and return to profitability, any such increase may not be sustainable or indicative of future results of operations. We do intend to continue investing in internal expansion, infrastructure, integration of acquired companies and into our operations and our marketing and sales efforts.

The accompanying consolidated financial statements have been prepared assuming we will continue on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company suffered a significant loss from operations during the year ended December 31, 2004, had a working capital deficit, was in default on certain of its debt instruments, and will require capital funding from sources other than operations to meet its current debt obligations. In the past two years, we have been required to raise additional capital by the issuance of both equity and debt instruments.

The dangers inherent in our operations and the potential limits on insurance coverage for certain risks could expose us to potentially significant liability costs.

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

We operate in a highly competitive industry.

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

- changes in competitive prices;
- fluctuations in the level of activity and major markets;
- general economic conditions; and
- governmental regulation.

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

Seasonality and adverse weather conditions in the regions in which we operate may adversely affect our operations.

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

We are dependent on key personnel.

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

We may incur additional expenditures to comply with governmental regulations.

Our seismic operations are subject to extensive governmental regulation, violations of which may result in civil and criminal penalties, injunctions and cease and desist orders. These laws and regulations govern, among other things, operations in wetlands and the handling of explosives. Although our cost of compliance with such laws has to date been immaterial, such laws are changed frequently. Accordingly, it is impossible to predict the cost or impact of such laws on our future operations. We are also required by various governmental agencies to obtain certain permits, licenses and certificates. To date, we believe that we possess all permits, licenses and certificates material to the operation of our business. The loss by us of any of the licenses required for our operation could have a material adverse effect on our operations.

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

One stockholder has substantial control over our affairs.

Dennis R. Sciotto beneficially owns approximately 35.6% of our outstanding common stock. Mr. Sciotto represents and controls The Dennis R. Sciotto Family Trust and was appointed to the Board of Directors by the holders of the Series C Preferred Stock on June 13, 2005 pursuant to the Securities Purchase Agreement dated May 17, 2005. As a result, Mr. Sciotto has the ability to substantially influence our management and affairs and all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, such as a merger, consolidation or sale of substantially all of our assets. This may have the effect of delaying, deferring or preventing a change in control, or impeding a merger or consolidation.

Future technological advances could impair operating assets or require substantial unbudgeted capital expenditures.

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

Our seismic drilling operations depend on a few significant customers.

We derive a significant amount of our seismic drilling revenue from a small number of geophysical companies. Our inability to continue to perform services for a number of our large existing customers, if not offset by sales to new or other existing customers, could have a material adverse effect on our business and operations. For example, our largest customers (those which individually accounted for more than 10% of revenue in a given year, listed alphabetically) collectively accounted for 84% (Veritas DGC and Western Geophysical), 71% (Quantum Geophysical, Seismic Exchange, and Veritas DGC) and 50% (PGS, Quantum Geophysical, Seismic Exchange, and Veritas DGC) of revenue for fiscal 2002, 2003, and 2004, respectively.

Unfavorable results of litigation could have a material adverse impact on our financial statements.

We are subject to a variety of claims and lawsuits. Adverse outcomes in some or all of the pending cases may result in significant monetary damages or injunctive relief against us. We are also subject to a variety of other claims and suits that arise from time to time in the ordinary course of our business. While management currently believes that resolving all of these matters, individually or in the aggregate, will not have a material adverse impact on our financial position or results of operations, the litigation and other claims noted above are subject to inherent uncertainties and management s view of these matters may change in the future. There exists the possibility of a material adverse impact on our financial position and the results of operations for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

If we breach any of the material financial covenants under our various indebtedness, or if an event of default is declared with respect to any such indebtedness, our debt service obligations could be accelerated.

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

As of December 31, 2004, we had a material weakness in our internal controls, and our internal control over financial reporting was not effective as of that date. If we fail to maintain an effective system of internal controls, we may not be able to provide timely and accurate financial statements.

As more fully described in our Form 10-K filed on April 18, 2005, during the course of conducting the December 31, 2004 audit of the consolidated financial statements, several accounting adjustments were identified, some of which affected prior quarters and resulted in a restatement of the consolidated financial statement for each of the three quarters ended March 31, 2004, June 30, 2004 and September 30, 2004 and the year ended December 31, 2003. During managements evaluation of the effectiveness and sufficiency of our internal financial reporting function, we recognized the need to strengthen and expand the Company s public reporting function with the employment of additional financial and accounting staff experienced with generally accepted accounting principles, reporting to the Securities and Exchange Commission, internal controls and the Sarbanes-Oxley Act of 2002. Management believes certain identified weaknesses arose because of inadequate staffing in the Company s current accounting and financial reporting function.

The Public Company Accounting Oversight Board has defined a material weakness as a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim statements will not be prevented or detected. Accordingly, a material weakness increases the risk that the financial information we report contains material errors. As more fully described in our quarterly reports on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005, these deficiencies have not yet been remedied but additional internal control initiatives have been implemented to our controls over financial reporting. We believe the aforementioned staffing void resulted from the December 2004 departure of our Chief Accounting Officer. Until a suitable replacement is identified, our Executive Vice President, who is our former Chief Financial Officer, has resumed an active role in the daily oversight of all accounting matters. Further, the company utilizes the consulting services of third party accounting and financial experts to (i) review and provide guidance upon the propriety of the recording of various accounting transactions and (ii) review and provide guidance upon our financial statements. Further, we use these third party accounting and financial experts to assist us with technical research regarding significant accounting transactions, disclosures and financial reporting.

We believe these interim steps compensate for the existing vacancy at the Chief Accounting Officer level. Our internal assessment of our internal control over financial reporting does not reveal any other weaknesses that we

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believe would require further attention or discussion at this time. However, there can be no assurance that the steps we have taken and are taking to address the material weakness will be effective. Any failure to effectively address a material weakness or other control deficiency or implement required new or improved controls, or difficulties encountered in their implementation, could limit our ability to obtain financing, harm our reputation, disrupt our ability to process key components of our result of operations and financial condition timely and accurately and cause us to fail to meet our reporting obligations under rules of the SEC and our various debt arrangements. Any failure to remediate the material weakness identified in our evaluation of our internal controls could preclude our management from determining our internal control over financial reporting is effective.

Forward-looking statements

Certain statements included in this prospectus that are not historical facts are intended to be forward-looking statements. Forward-looking statements in this prospectus are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include statements that relate to:

- our business plans or strategies, and projected or anticipated benefits or other consequences of such plans or strategies;
- our objectives;
- projected and anticipated benefits from future or past acquisitions; and
- projections involving anticipated capital expenditures or revenues, earnings or other aspects of capital projects or operating results.

Forward-looking statements generally can be identified by the use of words such as may, will, expect, intend, estimate, anticipate or bel similar language.

Forward-looking statements are not guarantees of future performance and all phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are beyond our control. Any one of such influences, or a combination, could materially affect the results of our operations and the accuracy of the forward-looking statements that we make.

You are cautioned that all forward-looking statements involve risks associated with OMNI s dependence on activity in the oil and gas industry, labor shortages, international expansion, dependence on significant customers, seasonality and weather risks, competition, technological evolution and other risks detailed in our filings with the Securities and Exchange Commission. Additional important factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements are discussed under the caption Risk factors above. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date that they are made. We undertake no obligation to publicly update our forward-looking statements.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. Offers to sell and offers to buy shares of our common stock are being made only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this

prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

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Use of proceeds

All of the shares of common stock offered hereby are being offered by the selling stockholders, who will receive all proceeds from such sales. We will not receive any proceeds from the sale of shares of common stock offered by the selling stockholders. We will receive as the exercise price of the warrants described above up to $14.2 million if the selling stockholders exercise all of their warrants and assuming that none of the warrants are exercised on a cashless basis. We cannot be certain that any or all of the warrants will be exercised. Any proceeds from the exercise of the warrants are not proceeds from this offering. We expect to use any proceeds from the exercise of the warrants to reduce long-term and for working capital purposes. Pending such uses, we will invest any proceeds in short term, investment grade, interest bearing securities.

Market price of and dividends on the registrant s common equity and related stockholder matters

Market information and price range of common stock

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

	HIGH	LOW
2005		
First quarter	$ 2.84	$ 1.21
Second quarter	$ 2.66	$ 1.43
Third quarter	$ 5.35	$ 2.01
Fourth quarter (through October 17, 2005)	$ 4.22	$ 2.85
2004		
First quarter	$ 9.00	$ 4.76
Second quarter	$ 7.80	$ 4.22
Third quarter	$ 5.35	$ 2.95
Fourth quarter	$ 4.94	$ 1.65
2003		
First quarter	$ 1.14	$ 0.75
Second quarter	$ 1.98	$ 0.81
Third quarter	$ 2.80	$ 1.49
Fourth quarter	$ 7.48	$ 2.19

On October 17, 2005, the reported last sale price of our common stock was $3.07. As of October 12, 2005 there were approximately 6,600 holders of record of our common stock.

Holders

Prior to this offering, 14,943,121 shares of our common stock were outstanding, all of which are freely tradable. Upon completion of this offering, 24,556,791 shares of our common stock will be outstanding.

Dividend policy

We have never paid cash dividends on our common stock. We intend to retain future earnings, if any, to meet our working capital requirements and to finance future operations of our business. Therefore, we do not plan to

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declare or pay cash dividends to holders of our common stock in the foreseeable future. In addition, certain of our credit arrangements contain provisions that limit our ability to pay cash dividends on our common stock.

Selected consolidated financial data

The selected financial data as of and for the five years ended December 31, 2004 are derived from our audited consolidated financial statements. The following information should be read in conjunction with Management s discussion and analysis of financial condition and results of operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. Our selected historical results are not necessarily indicative of results to be expected in future periods. The per share data gives retroactive effect to the one for three reverse stock split effective July 3, 2002. The selected financial data as of and for the six months ended June 30, 2005 and 2004 are derived from our unaudited consolidated financial statements reported within our quarterly report on Form 10-Q as of June 30, 2005 and should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K, for the year ended December 31, 2004, filed with the Securities and Exchange Commission on April 18, 2005, as amended.

The financial statements for the years ended December 31, 2000 and through 2001 were audited by Arthur Andersen LLP, who has ceased operations.

We sold our Aviation Transportation Services segment on June 30, 2005 (see MD&A Recent Events for a discussion of the sale). In order to enhance the comparability of the amounts from year to year, the financial information related to the results of operations for the years ended December 31, 2000 through December 31, 2004 and the six month period ended June 30, 2004 have been restated to present the activities of the Aviation Transportation Services segment as discontinued operations.

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	Year ended December 31,					Six months ended June 30,	
	2000	2001	2002	2003	2004	2004	2005
						(unaudited)	
	(In thousands, except per share data)						
Income statement data:							
Operating revenue	$ 10,255	$ 19,839	$ 24,592	$ 31,555	$ 39,064	$ 16,655	$ 22,578
Operating expenses:							
Direct costs	10,054	15,005	17,178	21,586	28,510	12,773	14,284
Depreciation and amortization	4,042	3,328	3,270	3,355	4,282	1,695	2,487
General and administrative expense	4,757	2,436	3,186	3,718	9,464	3,762	4,009
Total operating expenses	18,853	20,769	23,634	28,659	42,256	18,230	20,780
Asset impairment and other charges	11,284	632					
Operating income (loss)	(19,882)	(1,562)	958	2,896	(3,192)	(1,575)	1,798
Interest expense	2,930	1,223	799	943	3,288	769	1,278
(Gain) loss on debenture conversion inducement and debt extinguishment					729		(484)
Other expense (income), net	1,846	(7,929)	(115)	(114)	290	147	(29)
Income (loss) from continuing operations before income taxes	(24,658)	5,144	274	2,067	(7,499)	(2,491)	1,033
Income tax benefit (expense)	(1)		400	1,092			
Income (loss) before minority interest	(24,659)	5,144	674	3,159	(7,499)	(2,491)	1,033
Minority interest and income (loss) of Subsidiaries	(17)						
Net income (loss) from continuing operations	(24,642)	5,144	674	3,159	(7,499)	(2,491)	1,033
Income (loss) from discontinued operations, net of taxes	(1,131)	520	534	324	(6,756)	1,694	(2,862)
Loss on disposal of discontinued operations assets, net of taxes							(2,271)
Net income (loss)	(25,773)	5,664	1,208	3,483	(14,255)	(797)	(4,100)
Dividends and accretion of preferred stock		(726)	(484)	(484)	(490)	(490)	(55)
Non-cash charge attributable to beneficial conversion features of preferred stock							(649)
Net income (loss) available to common stockholders	$ (25,773)	$ 4,938	$ 724	$ 2,999	$ (14,745)	$ (1,287)	$ (4,804)
Basic Income (loss) per common share:							
Income (loss) from continuing operations	$ (4.24)	$ 0.49	$ 0.02	$ 0.30	$ (0.73)	$ (0.28)	$ 0.03
Income (loss) from discontinued operations	(0.19)	0.06	0.06	0.04	(0.62)	0.16	(0.24)
Loss on disposal of discontinued operations assets							(0.19)
Net Income (loss) applicable to common and common equivalent shares	$ (4.43)	$ 0.55	$ 0.08	$ 0.34	$ (1.35)	$ (0.12)	$ (0.40)
Diluted Income (loss) per common share:							
Income (loss) from continuing operations	$ (4.24)	$ 0.45	$ 0.02	$ 0.28	$ (0.73)	$ (0.28)	$ 0.03
Income (loss) from discontinued operations	(0.19)	0.05	0.06	0.03	(0.62)	0.16	(0.24)

Loss on disposal of discontinued operations assets							(0.19)
Net Income (loss) applicable to common and common equivalent shares	$ (4.43)	$ 0.50	$ 0.08	$ 0.31	$ (1.35)	$ (0.12)	$ (0.40)
Number of Weighted Average Shares:							
Basic	5,819	9,015	8,739	8,772	10,884	10,502	11,964
Diluted	5,819	9,844	8,745	11,362	10,884	10,502	11,996

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	December 31,					June 30,	
	2000	2001	2002	2003	2004	2004	2005
						(unaudited)	
Balance sheet data:							
Total assets	$ 34,624	$ 38,448	$ 41,325	$ 50,289	$ 65,913	$ 69,160	$ 53,125
Long-term debt, less current maturities:	8,500	9,289	8,340	9,624	12,952	16,711	23,397
Preferred Stock	7,500	11,616	12,100	12,100	29	29	678
Total Equity	8,018	18,560	19,781	24,386	4,864	17,089	7,679

	Year ended December 31,					Six Months Ended June 30,	
	2000	2001	2002	2003	2004	2004	2005
						(unaudited)	
Statement of cash flow data:							
Net cash provided by (used in) operating activities	$ (5,615)	$ 6,355	$ 5,015	$ 5,664	$ 8,121	$ 3,413	$ 1,949
Net cash provided by (used in) investing activities	942	(155)	(1,901)	(4,158)	(13,037)	(10,321)	406
Net cash provided by (used in) financing activities	4,890	(5,284)	(3,643)	(1,638)	7,568	7,017	(3,328)

Management s discussion and analysis of financial condition and results of operations

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

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

Recent Events

On May 18, 2005, we completed the Term A Loan and increased the Line to $15 million from its previous level of $12 million. Under the terms of the Term A Loan, funding will be limited to the lesser of $50 million and the sum of (i) 85% of the orderly liquidation value of our aviation fleet; (ii) 75% of the orderly liquidation value of our seismic drilling and environmental equipment; and (iii) 50% of the fair market value of certain real estate. Proceeds from the Term A Loan were used to re-finance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions under consideration. The Term A Loan matures in May 2010 and will be repaid quarterly in equal payments up to a 50% balloon at maturity date, with interest, paid in arrears and accruing at the initial annual interest rate of 30-day LIBOR plus 6.5% (9.61% at June 30, 2005). Upon the completion of the sale of the aviation transportation services segment, the total borrowing base under the Term A Loan was reduced to $30 million. Additionally, a portion of the proceeds from the Term B Loan were used to reduce the balance of the Term A Loan to $5.0 million.

In connection with completion of the Senior Credit Facility, we entered into the Debenture Settlement Agreements with each of the Debenture Holders in exchange for our dismissal of the lawsuit we filed against the Debenture Holders on January 25, 2005. On that date, we filed suit in the United States District Court, Western District of Louisiana against the Debenture Holders and other third parties. The suit alleged violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. On February 25, 2005, one of the Debenture Holders, Portside, notified us of certain alleged events of default under the Portside Debentures. Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgment with respect to all amounts owed to it under the Portside Debentures.

Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately $4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million shares of our common stock at an agreed upon value of $3.4 million; and (iii) issue the Debenture Holders approximately $4.3 million of Subordinated Debenture Notes. The Company recorded a gain of $200,000 upon closing of these transactions. The Subordinated Debenture Notes will be paid quarterly, with interest in arrears, over 36 months in equal payments with interest accruing at the rate of 8% per annum. Execution of the Debenture Settlement Agreements extinguished the terms of the original Debentures and released all parties from any future claims.

On May 18, 2005, we entered into early Debt Extinguishment Agreements on $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note more fully described in Note 4 of our financial statements contained herein. Under the terms of the Debt Extinguishment Agreements, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note, we agreed to (i) immediately issue 0.2 million shares of our common stock; and, (ii) pay certain holders of the Stockholder Notes $1.0 million on or before August 16, 2005, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note. The Company recognized a gain on debt extinguishment of $0.3 million upon closing this transaction.

On May 17, 2005, we entered into a Securities Purchase Agreement with certain affiliates and executive officers to issue up to $5.0 million of Series C 9% Convertible Preferred Stock. Our Series C 9% Convertible Preferred Stock is convertible into our common stock at a conversion price of $1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between $1.95 and $3.50 per share.

On June 30, 2005, we executed a definitive agreement to sell the equipment and related assets of the Aviation Transportation Services segment. On July 29, 2005, the sale of the Aviation Transportation Services segment was finalized and the proceeds from the cash sale ($11.0 million) were used to repay advances under the Company s Senior Credit Facility and for additional working capital. As a result of the sale and in order to enhance comparability among the periods, the financial statements contained in our selected consolidated financial data tables on page 12 and 13 for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and for the six months ended June 30, 2004 have been restated to reflect the operations of the Aviation Transportation Services segment as discontinued operations.

On August 29, 2005, we closed the second tranche of the transactions contemplated by the Securities Purchase Agreement, at which time we issued an aggregate of 1,500 shares of Series C 9% Convertible Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of $1,500,000.

On August 29, 2005, we completed the Term B Loan. Under the terms of the Term B Loan, borrowings will be made through advances at our request in minimum amounts of $2 million. Quarterly payments in the amount of $0.175 million, plus interest, will begin on April 1, 2008. The Term B Loan matures in August 2010 and accrues interest at the rate of LIBOR plus 8%. The proceeds from the Term B Loan were and/or will be used to (i) reduce the current outstanding balance under the Company s Term A senior term debt by $3.4 million; (ii) retire approximately $3.3 million of Subordinated Debenture Notes with a payment of $1.5 million cash and the issuance of 750,000 shares of our common stock; (iii) retire $2 million of certain subordinated debt with a payment of $1 million cash and the issuance of 200,000 shares of common stock; and (iv) provide working capital and funds necessary for potential strategic transactions.

On September 21, 2005, the Company entered into a non-binding letter of intent for the acquisition of Preheat, Inc. (Preheat). Preheat is a leading Gulf Coast lessor of oilfield equipment and provider of specialized oilfield and environmental services. Subject to the terms and conditions of the letter of intent, the Company will purchase 100% of the issued and outstanding capital stock of Preheat for a purchase price of $22.5 million plus certain assumed long-term debt more specifically described as a combination of $16.0 million of cash, $2.5 million of our common stock, $4.0 million of promissory notes and the assumption of approximately $1.5 million of long-term debt. Completion of the acquisition is subject to finalization of due diligence satisfactory to the Company, negotiation of a definitive purchase agreement with terms acceptable to both parties, and approval of the transaction by the Company s lenders and Board of Directors. Closing is expected during the fourth quarter of 2005. As a further condition to closing, Preheat is required to have on hand at closing a minimum of $4.5 million of excess working capital.

Restatement of financial statements

Due to the lock-box arrangement and the subjective acceleration clause associated with our Line, the balance sheet as of December 31, 2003 was restated to classify the Line as required by EITF 95-22, Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement.

On June 30, 2005, the Company signed a definitive agreement to sell its Aviation Transportation Services segment. The income statements for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 and the six months ended June 30, 2004 have been restated to properly present the comparative information related to the Aviation Transportation Services segment. For these periods, the activities of the Aviation Transportation Services segment has been presented as discontinued operations.

General

Demand for our services. We receive our revenues from customers in the energy industry. Demand for our services is principally impacted by conditions affecting geophysical companies engaged in the acquisition of 3-D seismic data and oil and gas companies operating primarily in the shallow waters of the Gulf of Mexico. The level of activity for our services is primarily influenced by the level of capital expenditures by oil and gas companies.

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

During 1999, with the reduction in the price of oil and gas, we began to experience a decrease in demand for our services, which continued through 2000 but, in 2001, the oil and gas industry experienced a rebound and has remained strong since then. Increased capital expenditure budgets by oil and gas companies generally result in increased demand for our services. For the years ended December 31, 2002, 2003 and 2004, our operating revenues were $24.6 million, $31.6 million, and $39.0 million, respectively, and for the six months ended June 30, 2005, they were $22.6 million.

Seasonality and weather risks. Our operations are subject to seasonal variations in weather conditions and daylight hours. Since our activities take place outdoors, on average, fewer hours are worked per day and fewer holes are generally drilled or surveyed per day in winter months than in summer months due to an increase in rainy, foggy, and cold conditions and a decrease in daylight hours.

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Results of operations

The following discussion provides information related to the results of our operations. As discussed earlier in -Recent Events and later in -Discontinued Operations, we sold the Aviation Transportation Services segment on June 30, 2005. In order to enhance the comparability of the amounts reflected for the periods below, the financial information has been restated to present the activities of the Aviation Transportation Services segment as discontinued operations.

Six months ended June 30, 2004 compared to six months ended June 30, 2005:

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2005
	(in thousands)	
Operating revenue	$ 16,655	$ 22,578
Operating expenses:		
Direct costs	12,773	14,284
Depreciation and amortization	1,695	2,487
General and administrative expenses	3,762	4,009
Total operating expenses	18,230	20,780
Operating income (loss)	(1,575)	1,798
Interest expense	769	1,278
(Gain) loss on debt extinguishment		(484)
Other (income) expense	147	(29)
Income (loss) from continuing operations	(2,491)	1,033
Income (loss) from discontinued operations, net of taxes	1,694	(2,862)
Loss on sale of discontinued operations assets		(2,271)
Net loss	(797)	(4,100)
Dividends and accretion of preferred stock	(490)	(55)
Non-cash charge attributable to beneficial conversion features of preferred stock		(649)
Net loss available to common stockholders	$ (1,287)	$ (4,804)

Operating revenues increased 36%, or $5.9 million, from $16.7 million for the six months ended June 30, 2004 to $22.6 million for the six months ended June 30, 2005. This increase was due primarily to our acquisition of Trussco as of June 30, 2004, which contributed $8.5 million in revenue for the first and second quarter 2005, coupled with a decrease in activities from our drilling division which accounted for a decrease of $2.6 million. As discussed in Note 13 to the financial statements contained herein, we discontinued our Aviation Transportation Services segment in June 2005. The operations related to our Aviation Transportation Services segment are included in a single line item captioned income (loss) from discontinued operations, net of taxes. The comparative financial information for the six months ended June 30, 2004 has been restated to present the operations of the Aviation Transportation Services segment as income (loss) from discontinued operations in order to facilitate comparison of financial data among the periods presented.

Direct costs increased 12%, or $1.5 million, from $12.8 million for the six months ended June 30, 2004 to $14.3 million for the six months ended June 30, 2005. Payroll costs for the Trussco acquisition accounted for the $2.4 million increase in overall payroll costs while payroll costs in the drilling division decreased by $0.8 million resulting in an overall increase in payroll costs of $1.6 million. The average number of field personnel we employed increased from 299 for the six months ended June 30, 2004 to 345 for the six months ended June 30, 2005, principally as a result of our acquisition of Trussco. The acquisition of Trussco and additional aircraft contributed to an increase of $0.3 million in insurance costs from $0.1 million for the six months ended June 30, 2004 to $0.4 million for the six months ended June 30, 2005. As discussed in Note 13 to the financial statements

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contained herein, regarding our discontinued operations, aircraft operating expenses are included in income (loss) from discontinued operations.

Depreciation and amortization costs increased 47%, or $0.8 million, from $1.7 million for the six month period ended June 30, 2004 to $2.5 million for the same six month period of 2005. Depreciation expense increased $0.4 million due to an increase in revenue-producing assets, primarily from the acquisition of Trussco in June 2004. Additionally, amortization expense increased by $0.4 million resulting primarily from amortization of intangible assets related to the Trussco acquisition.

General and administrative costs increased $0.2 million from $3.8 million during the six month period ended June 30, 2004 to $4.0 million during the same six month period of 2005. Of this increase, $2.0 million was attributable to the June 2004 acquisition of Trussco, which was more than offset by a decrease in professional services of $1.7 million. As discussed in Note 13 regarding our discontinued operations, general and administrative expenses are included in income (loss) from discontinued operations.

Interest expense increased approximately $0.5 million from $0.8 million for the six month period ended June 30, 2004 to $1.3 million for the six month period ended June 30, 2005. The increase in interest expense was primarily attributable to increased interest rates between the periods. The portion of interest expense which is deemed attributable to the discontinued Aviation Transportation Services segment is included in income (loss) from discontinued operations.

As discussed earlier in -Recent Events and later in -Discontinued Operations, we sold the Aviation Transportation Services segment on June 30, 2005. Accordingly, we recorded a loss from discontinued operations totaling $2.9 million, net of income taxes as a component of the net loss for the six months ended June 30, 2005. Additionally, we recorded a loss of $2.3 million on the disposal of the Aviation Transportation Services segment assets. The income attributable to the Aviation Transportation Services segment for the six months ended June 30, 2004 was $1.7 million.

Year ended December 31, 2003 compared to the year ended December 31, 2004:

	Year ended December 31,	
	2003	2004
	(in thousands)	
Operating revenue	$ 31,555	$ 39,064
Operating expenses		
Direct costs	21,586	28,510
Depreciation and amortization	3,355	4,282
General and administrative expenses	3,718	9,464
Total operating expenses	28,659	42,256
Operating income (loss)	2,896	(3,192)
Interest expense	943	3,288
Loss on debenture conversion inducement and debt extinguishment		729
Other expense (income)	(114)	290

Income (loss) before taxes	2,067	(7,499)
Income tax benefit	1,092	
Net income (loss) from continuing operations	3,159	(7,499)
Income (loss) from discontinued operations, net of taxes	324	(6,756)
Net income (loss)	3,483	(14,255)
Accretion of preferred stock and preferred stock dividends	(484)	(490)
Net income (loss) available to common stockholders	$ 2,999	$ (14,745)

Operating revenues increased 23%, or $7.4 million, from $31.6 million to $39.0 million for the years ended December 31, 2003 and 2004, respectively, of which $8.7 million of this increase was due to the June 30, 2004 acquisition of Trussco. Drilling revenues decreased slightly from $31.6 million for the year ended December 31, 2003 to $30.6 million for the year ended December 31, 2004 due to permitting and weather-related delays. Operating revenues are expected to increase in 2005, as the demand for, and range of, our services continue to improve and because we will include a full year of operations for Trussco.

Direct costs increased 32%, or $6.9 million, from $21.6 million in 2003 to $28.5 million in 2004. Operating payroll expense increased $2.3 million from $6.2 million to $8.5 million for the years ended December 31, 2003 and 2004, respectively. Payroll costs from the Trussco acquisition accounted for the $2.3 million increase. Repairs and maintenance expenses decreased $0.3 million from 2003 to 2004, with $0.5 million of the decrease related to the drilling division offset by $0.3 million related to Trussco. Explosives expense increased $1.7 million due to an increase in the cost of explosives and downhole costs on jobs performed in 2004. Contract services increased $0.8 million company-wide, of which our drilling division accounted for $1.3 million of the increase with an offsetting decrease of $0.6 million from our permitting division. In 2004, we contracted third parties exclusively to provide services for heliportable drilling in the Rocky Mountains where we no longer provide these specialized drilling services. In 2004, we also contracted third parties to provide airboat drilling services during a period when most of our available employees were working on other projects. Shop expenses increased $0.4 million from 2003 to 2004 as a result of the Trussco acquisition. Other direct costs increased $2.3 million, of which Trussco accounted for $1.0 million. While operating expenses are expected to continue to increase in 2005 as operating revenues increase, we expect these expenses to remain consistent as a percentage of revenues.

Depreciation and amortization costs increased 24%, or $0.9 million, from $3.4 million in 2003 to $4.3 million in 2004. Depreciation expense increased $0.4 million due to the increase in revenue-producing assets, primarily from the acquisitions of Trussco in June 2004. Additionally, amortization expense increased by $0.5 million resulting primarily from amortization of intangible assets related to the Trussco acquisition.

General and administrative expenses increased $5.7 million from $3.7 million for 2003 to $9.5 million for 2004. Of this increase, $2.2 million is attributable to the Trussco acquisition, $2.4 million is related to professional services and $0.4 million is related to payroll increases. Other general and administrative expense increased by $0.8 million. General and administrative expenses are expected to increase slightly in 2005 due to a full year s inclusion of expenses resulting from our acquisition of Trussco, however, we expect to take advantage of synergies relating to this acquisition as well as maintain stringent controls of these costs.

During 2004, we recorded asset impairment charges of $4.2 million (See Note 1 to the accompanying December financial statements included herein) related to the revaluation of certain aviation equipment, prepaid repairs and assets held for sale resulting in a charge to expense of $0.6 million, $3.0 million and $0.6 million, respectively. There was no impairment charge required to be recorded in 2003. This 2004 impairment charge, which relates entirely to the Aviation Transportation Services Segment, is included in the loss from discontinued operations.

Interest expense was $3.3 million for the year ended December 31, 2004 compared to $0.9 million for the year ended December 31, 2003. The increase was partially attributable to increased levels of debt including the convertible debentures coupled with increased interest rates between the periods. Also, $1.3 million of the increase related to amortization of deferred loan costs and $0.7 million related to the amortization of debt discounts originally recorded in conjunction with the convertible debentures in early 2004. Interest expense allocated to loss from discontinued operations amounted to $1.9 million and $0.5 million for the year ended December 31, 2004 and 2003, respectively. We expect to manage our senior debt facility as we explore strategic business opportunities.

We recorded a $1.0 million accounting loss in connection with the inducement for early extinguishment of a portion of our convertible debentures during 2004. Of that loss, $0.3 million is included in loss from discontinued operations. There was no such charge in 2003.

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Other expense (income) decreased from income of $0.1 million to expense of $0.3 million. This increase in expense was due to costs incurred as a result of financing transactions that did not close.

In 2003, we reversed $1.6 million of the net operating loss carry-forwards previously reserved of which $0.5 million was allocated to discontinued operations. There were no taxes recorded in 2004 due to the significant net operating loss incurred. During 2004, the entire amount of the net operating loss carryforward generated was fully reserved as it was determined that more likely than not this increase in deferred tax asset would not be realized in the future.

As previously discussed, we sold our Aviation Transportation Services segment on June 30, 2005. In order to enhance the comparability of the amounts from year to year, the financial information related to the results of operations for the years ended December 31, 2003 and 2004 has been restated to present the activities of the Aviation Transportation Services segment as discontinued operations. The income, net of tax benefit, related to those discontinued operations was $0.3 million for the year ended December 31, 2003 and the loss related to the discontinued operations was $6.8 million for the year ended December 31, 2004. Included in the 2004 loss from discontinued operations is the asset impairment charge of $4.2 million mentioned above.

Accretion of preferred stock and preferred stock dividends remained constant at $0.5 million for the years ended December 31, 2003 and 2004.

Year ended December 31, 2002 compared to the year ended December 31, 2003:

	Year ended December 31,	
	2002	**2003**
	(in thousands)	
Operating revenue	$ 24,592	$ 31,555
Operating expenses		
Direct costs	17,178	21,586
Depreciation and amortization	3,270	3,355
General and administrative expenses	3,186	3,718
Total operating expenses	23,634	28,659
Operating income	958	2,896
Interest expense	799	943
Other (income) expense	(115)	(114)
Income before taxes	274	2,067
Income tax benefit	400	1,092
Net income from continuing operations	674	3,159
Income (loss) from discontinued operations, net of taxes	534	324
Net income	1,208	3,483
Accretion of preferred stock and preferred stock dividends	(484)	(484)

Net income applicable to common and common equivalent shares	$ 724	$ 2,999

Operating revenues increased 29%, or $7.0 million, from $24.6 million to $31.6 million for the years ended December 31, 2002 and 2003, respectively. This increase was due primarily to improved market conditions in the geophysical industry in 2003. The aviation operations have been reclassified into discontinued operations as a result of the sale of the Aviation Transportation Services segment in June 2005.

Direct costs increased 26%, or $4.4 million, from $17.2 million in 2002 to $21.6 million in 2003. Operating payroll expense increased $0.7 million from $5.5 million to $6.2 million for the years ended December 31, 2002 and 2003, respectively. Also, as a result of the increased activity levels in 2003 as compared to 2002, explosives expenses, repairs and maintenance expenses and fuel and oil expenses increased $1.6 million, $0.6 million and $0.4 million, respectively.

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Depreciation and amortization costs increased 6%, or $0.2 million, from $3.3 million in 2002 to $3.4 million in 2003. Depreciation expense increased $0.1 million due to the increase in revenue-producing assets between the periods ended December 31, 2002 and 2003, respectively.

General and administrative expenses increased $0.6 million from $3.2 million for 2002 to $3.7 million for 2003 due to realized savings in 2002 from renegotiated lease and vendor agreements and lower legal expenses offset by a $0.4 million commission received as a result of our agreement to facilitate the private placement of approximately 1,650,000 shares of our common stock owned by an affiliate and certain investors.

Interest expense was $0.9 million for the year ended December 31, 2003 compared to $0.8 million for the year ended December 31, 2002. Amortization expense increased by $0.2 million resulting from a one time amortization expense due to the refinancing of a more favorable senior credit facility, revolving line of credit and equipment term loan. Interest expense allocated to income (loss) from discontinued operations amounted to $0.5 million and $0.4 million for the year ended December 31, 2003 and 2002, respectively.

Other income remained consistent at $0.1 million for each of the years ended December 31, 2003 and 2002.

In 2003, we reversed $1.6 million of the net operating loss carry-forwards previously reserved compared to $0.4 million of this related reserve reversed in 2002. In 2003, $0.5 million of the tax benefit was allocated to discontinued operations. It was determined that recent profitability indicated that the full reserve on our deferred tax assets was not required as a portion was determined to be realizable in future periods.

As previously discussed, we sold our Aviation Transportation Services segment on June 30, 2005. In order to enhance the comparability of the amounts from year to year, the financial information related to the results of operations for the years ended December 31, 2002 and 2003 has been restated to present the activities of the Aviation Transportation Services segment as discontinued operations. The income related to those discontinued operations was $0.5 million and $0.3 million for the years ended December 31, 2002 and 2003, respectively.

Accretion of preferred stock and preferred stock dividends remained constant at $0.5 million for the years ended December 31, 2002 and 2003.

Liquidity and Capital Resources

At June 30, 2005, we had approximately $0.1 million in cash compared to $1.0 million at December 31, 2004, and working capital of $2.8 million at June 30, 2005, compared to a deficit of $22.1 million at December 31, 2004. The decrease in cash and increase in working capital from December 31, 2004 to June 30, 2005 are primarily a result of decreased accounts payable between the periods, reclassification of aviation assets to current assets held for sale and the finalizing of a new senior credit facility. Cash provided by operating activities was $1.9 million for the six months ended June 30, 2005 compared to $3.4 million for the same period in 2004.

Historically, our capital requirements have primarily related to the purchase or fabrication of new seismic drilling equipment and related support equipment, additions to our aviation fleet and new business acquisitions. In 2004, we acquired Trussco, approximately $6.4 million of aircraft accounted for as capital leases, and approximately $0.8 million of new vehicles accounted for as capital leases. Thus far in 2005, we have acquired approximately $0.1 million of new vehicles and approximately $0.1 million in aviation support equipment. For the remainder of 2005, we expect to continue renewing our rolling stock, upgrade Trussco s facilities and equipment to improve the efficiency of their operations and explore strategic business opportunities.

During the quarter ended March 31, 2005, we repaid approximately $3.3 million of our debt primarily related to our equipment notes, capital leases and real estate loans. Furthermore, we extinguished three capital leases totaling $2.9 million as a result of our disposition of three helicopters. Loan closing costs of $0.2 million was incurred during the three months ended June 30, 2005 due to preliminary negotiations and legal preparation of our $50 million term loan, which we also refer to as the Term A Loan.

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During the three month period ended June 30, 2005, we finalized the Term A Loan. The proceeds from the Term A Loan were used to re-finance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions that are under consideration. At June 30, 2005, the balance owed on the Term A Loan was approximately $17.9 million. Subsequent to June 30, 2005, a portion ($9.35 million) of the $11.0 million proceeds from the sale of the Aviation Transportation Services segment were used to repay a portion of the Term A Loan, leaving the balance of the Term A Loan at approximately $8.6 million.

Long-term debt

At December 31, 2004 and June 30, 2005, long-term debt consisted of the following (in thousands):

	December 31, 2004	June 30, 2005
Notes payable to a finance company, variable interest rate at LIBOR plus 5.0% (7.42% at December 31, 2004 respectively) maturing July 31, 2006, secured by various property and equipment, repaid in full	$ 867	$
Notes payable to a bank with interest payable at Prime plus 1.75% (7.75% at June 30, 2005 and 6.75% at December 31, 2004) maturing July 31, 2023, secured by real estate	1,392	1,372
Notes payable to a finance company with interest at 10.24%, maturing May 18, 2008, secured by an aircraft, repaid in full	168	
Notes payable to a finance company with interest at 6.26%, maturing March 17, 2006, secured by various aircraft, repaid in full	1,697	
Notes payable to a bank with interest at 8.13%, maturing June 20, 2009, secured by aircraft (1a)	238	223
Notes payable to a finance company with interest at 8%, maturing February 10, 2013, secured by real estate	214	204
Notes payable to a bank with interest at 12% at December 31, 2004, maturing May 31, 2005, secured by various property and equipment, repaid in full	6,500	
Convertible promissory notes payable to certain former stockholders of Trussco with interest at 5%, maturing in June 2007	3,000	1,000
Convertible promissory notes payable to certain former stockholders of Trussco, non-interest bearing, maturing in August 2005 (2c)		1,000
Other debt	86	42
Capital lease payable to leasing companies secured by vehicles	1,198	939
Capital lease payable to finance companies secured by various aircraft	9,100	941
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, maturing May 13, 2008, unsecured		1,073
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, maturing May 13, 2008, unsecured (2b)		1,073
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, maturing May 13, 2008, unsecured (2b)		2,146
Term A notes payable to a finance company, variable interest rate at LIBOR plus 6.5% (9.61% at June 30, 2005), maturing May 18, 2010, secured by various equipment (1b) (2a)		17,935
Total	24,460	27,948
Less: current maturities	(11,608)	(4,840)
Long-term debt, less current maturities	$ 12,852	$ 23,108

(1)

As a result of the disposition of the Aviation Transportation Services segment (see Note 9 to the accompanying June financial statements), certain debts were repaid with proceeds from the sale:

(a) the entire balance of this note was repaid with proceeds from the sale of the Aviation Transportation Services segment during July 2005.

(b) $9.35 million of this note was repaid with proceeds from the sale of the Aviation Transportation Services segment during July 2005.

(2) As a result of the closing of the Term B Loan, certain debts were repaid with proceeds from the Loan as follows:

(a) $3.4 million of this note was repaid with proceeds from the Term B Loan in August 2005

(b) the entire balance of these loans were repaid with a combination of proceeds from the Term B Loan ($1.5 million) and 750,000 shares Common Stock of the Company

(c) the entire balance of this loan was repaid with proceeds from the Term B Loan in August 2005

Line of Credit

Availability under the Line is the lower of: (i) $15.0 million or (ii) the sum of eligible accounts receivable, as defined under the Line agreement, plus the lesser of: $2.0 million or 80% of the appraised orderly liquidation value of eligible inventory of parts and supplies. The Line accrues interest at the prime interest rate plus 1.5% (8.0% at June 30, 2005) and matures in May 2010. The Line is collateralized by accounts receivable and inventory. As of June 30, 2005, we had $7.2 million outstanding under the Line. Due to the lockbox arrangement and the subjective acceleration clause of the Line agreement, the debt under the Line is classified as a current liability as required by EITF 95-22, *Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-box Arrangement.*

Senior Secured Loan

On October 21, 2004, we completed a $6.5 million senior secured loan (Bridge Loan) with Beal Bank, SSB. The Bridge Loan accrued interest at the rate of 12% per annum, matured January 15, 2005 and was collateralized by specific seismic assets, certain Trussco assets and three Bell helicopters. The proceeds were used to repay debt, pay the October Put Option payment on the Convertible Debentures, discussed below, and for working capital purposes.

On January 21, 2005, we entered into a forbearance agreement on the Bridge Loan, which increased the interest rate from 12% to 17% and extended the maturity to March 15, 2005. On May 2, 2005, we entered into a second agreement to extend the maturity date to May 31, 2005. The Bridge Loan restricted the payment of dividends and contained customary financial covenants requiring, among other things, minimum levels of tangible net worth, debt to EBITDA ratios, and limitations on annual capital expenditures and certain customer concentrations. This loan was repaid in full with proceeds from the Senior Credit Facility (See -Senior Credit Facility below) on May 18, 2005.

Capital Leases

Prior to June 30, 2005, we had several capital leases for aircraft that generally have lease terms of 60 months at inception of the lease. Aircraft leases either contain a bargain purchase option at the end of the lease or a balloon amount due that can be refinanced over 36 months. We have historically acquired all of our aircraft that have been financed through capital leases. From time to time, we may acquire an aircraft through cash flows from operations or through the Line, which is then sold to a financing company and leased back to us. These sales and lease back transactions are recorded as a capital lease and gains and losses incurred on the sale are deferred and amortized over the life of the lease term or the asset, whichever is shorter. These leases were paid in full with proceeds from the Term A Loan (see Senior Credit Facility below). As mentioned in Recent Events, we executed a definitive agreement to sell the equipment and related assets of our Aviation Transportation Services segment for a cash price of $11.0 million on June 30, 2005. The aircraft, which were held under capital lease at December 31, 2004, were sold in that transaction.

We also lease several vehicles used in our seismic drilling operations under 40-month capital leases.

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Total cost and accumulated depreciation of aircraft and vehicles held under capital leases is as follows (in thousands):

	December 31, 2004	June 30, 2005
Aircraft	$ 10,009	$
Vehicles	2,117	2,101
	12,126	2,101
Less: Accumulated depreciation	(1,154)	(963)
Capitalized cost, net	$ 10,972	$ 1,138

Depreciation expense for the years ended December 31, 2002, 2003 and 2004 was approximately $0.1 million, $0.3 million and $0.7 million, respectively, for all assets held under capital lease. Depreciation expense for the six months ended June 30, 2005 and 2004 was approximately $0.1 million and $0.3 million, respectively, for all assets held under capital lease.

See Recent Events for a discussion of the sale of our Aviation Transportation Services segment.

Convertible Debentures

Pursuant to a Securities Purchase Agreement dated February 12, 2004, we issued (i) $10,000,000 in principal amount of 3-year, 6.5% fixed rate, Convertible Debentures (the Initial Debentures) that are convertible into shares of common stock at an initial conversion price of $7.15 per share, (ii) 1-year common stock Series A Warrants to purchase an aggregate of 700,000 shares of Common Stock at an initial exercise price of $7.15 per share and (iii) 5-year Common Stock Series B Warrants to purchase an aggregate of 390,000 shares of Common Stock at an initial exercise price of $8.50 per share. The warrants are not exercisable for a period of six months and one day after the issue date of such warrants and in no event will the exercise prices of such warrants be less than $6.15 per share. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.9 million using the Black Scholes model. The value of these warrants were recorded as debt discount with a corresponding amount recorded to paid in capital at the date of issuance. The issuance of the Initial Debentures was made pursuant to a private placement in reliance on Section 4(2) of the Securities Act of 1933.

On April 15, 2004, in accordance with the Securities Purchase Agreement, we issued (i) $5,050,000 in principal amount of 3-year, 6.5% fixed rate, Convertible Debentures (collectively with the Initial Debentures, hereinafter referred to as the Debentures) that are convertible into shares of common stock at an initial conversion price of $7.20 per share, and (ii) 5-year Common Stock Series A Warrants to purchase an aggregate of 151,500 shares of common stock at an initial exercise price of $9.00 per share. The warrants are not exercisable for a period of six months and one day after the issue date of such warrants and in no event will the exercise prices of such warrants be less than $7.11 per share. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.2 million using the Black Scholes model. The value of the warrants and beneficial conversion feature were recorded as a debt discount with a corresponding amount recorded to paid in capital at the date of issuance. The issuance of the Debentures was made pursuant to a private placement in reliance on Section 4(2) of the Securities Act of 1933.

Total proceeds of $14.2 million was received from the issue of these Debentures, after expenses. Of the total proceeds received, $8.2 million was used to redeem the Series A Preferred Stock and dividends in February 2004, $4.9 million was used to redeem the Series B Preferred Stock and dividends in March and April 2004 and the balance used for working capital purposes.

The debt discounts for the February 12, 2004 and April 15, 2004 debentures were $0.9 million and $0.2 million, respectively. The debt discounts are being amortized to interest expense using the effective interest method over the period in which the debentures can be put to us. A total of $0.9 million is included in interest expense and $0.2 million loss on extinguished debt related to the amortization of the debt discounts for the year ended December 31, 2004. The debt discounts have been fully expensed as of December 31, 2004, thus there is no amortization of debt discounted for the six months ended June 30, 2005.

Prior to maturity of the Debentures, the holders of the Debentures have the right to require the repayment or conversion of up to an aggregate of $13.17 million of the Debentures (the Put Option). We registered 5,012,237 shares, effective June 30, 2004, covering the common stock that may be issuable pursuant to the conversion of the Debentures and the exercise of the Put Option and all associated warrants, including additional shares that may be issuable due to adjustments for conversion price upon the Debenture conversion, payment of interest with shares and/or the exercise of warrants due to subdivision or combination of our common stock. Pursuant to the Debenture agreement, the registration of the related common stock triggered the ability of the Debentures holders to exercise the Put Option in ten consecutive non-cumulative and equal monthly installments equal to 8.75% of the face value of the Debentures ($1,316,875) beginning August 1, 2004. Accordingly, the Debentures, net of debt discount, were classified as a current liability in the Consolidated Balance Sheet at December 31, 2004. We received, and redeemed for cash, notices from the holders of the Debentures exercising their Put Option for August, September and October 2004. Upon receipt of the Debenture Holders intent to exercise a Put Option, we have the irrevocable option to deliver cash or, if certain conditions set forth in the Debentures are satisfied, shares of our common stock. If we elect to pay the Put Option with common stock, the underlying shares will be valued at a 12.5% discount to the average trading price of our common stock for the applicable pricing period, as defined in the Debenture agreement. The number of shares we would deliver is equal to the value of the Put Option installment due divided by the fair market value of our common stock for the applicable pricing period discounted at 12.5%.

As provided for in the terms of the applicable Securities Purchase Agreements, the Debenture holders received Put Option payments of $1.3 million in principal, plus accrued interest, each on August 5, 2004, on September 9, 2004 and on October 25, 2004. In accordance with APB Opinion No. 26 *Early Extinguishment of Debt,* we recorded $0.2 million as a loss on extinguishment of debt in 2004 as a result of the early extinguishment of these portions of the Debentures.

On October 8, 2004, we entered into an Amendment and Conditional Waiver Agreement (the Amendment) with the holders of the Debentures. Under the terms of the Amendment, the Debenture holders granted us, among other things, the right to pre-pay in cash all, but not less than all, of the outstanding Debentures held by each holder on or prior to November 15, 2004. In exchange for such right, we agreed to allow the holders of the Debentures to convert $2,000 of the principal amount of the April 15, 2004 Debentures into 200,000 shares of common stock at a revised conversion price of $0.01 per share. As a result of this conversion and in accordance with the requirements of SFAS No 84, *Induced Conversions of Convertible Debt, an amendment to APB Opinion No. 26,* we recorded $0.9 million in debt conversion expense in 2004.

On January 25, 2005, we filed suit in United States District Court, Western District of Louisiana (the 16(b) litigation) against the holders of our 6.5% Subordinated Convertible Debentures and other third parties (collectively, the Debenture Holders). The suit alleges violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. We believe the Debenture Holders acted together for the purpose of illegally acquiring, holding, voting or disposing our equity securities during relevant time periods and have exerted an adverse group influence on the Company and our equity securities. The suit sought the disgorgement of profits realized by the Debenture Holders from their purchases and sales of our common stock.

On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside) notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). As a result of these alleged events of default, Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgment with respect to all amounts owed to it under the Portside Debentures.

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On May 18, 2005, we entered into settlement agreements (Debenture Settlement Agreements) with each of the Debenture Holders in exchange for our dismissal of the lawsuit filed against the Debenture Holders. Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately $4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million shares of our common stock at an agreed upon value of $3.4 million; and, (iii) issue the Debenture Holders approximately $4.3 million of unsecured, subordinated promissory notes (Subordinated Debenture Notes). The Company recorded a gain on debt extinguishment of approximately $200,000 upon closing these transactions. The Subordinated Debenture Notes will be paid quarterly, with interest in arrears, over 36 months in level payments with interest accruing at the rate of 8% per annum. Execution of the Debenture Settlement Agreements extinguishes the terms of the original Debentures and releases all parties from any claims related thereto.

On August 29, 2005, upon closing of the Term B Loan, approximately $3.3 million of the Subordinated Debenture Notes were repaid in full with $1.5 million cash and 750,000 shares of the Company s common stock.

Senior Credit Facility

On May 18, 2005, we completed a $50 million equipment term financing facility (Term A Loan) and increased our Line to $15 million from its previous level of $12 million. Under the terms of the Term A Loan, funding will be limited to the lesser of $50 million and the sum of (i) 85% of the orderly liquidation value of our aviation fleet; (ii) 75% of the orderly liquidation value of our seismic drilling and environmental equipment; and (iii) 50% of the fair market value of certain real estate. Proceeds from the Term A Loan were used to re-finance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions under consideration. The Term A Loan matures in May 2010 and will be repaid in equal payments of up to a 50% balloon at maturity date, with interest, paid in arrears and accruing at the initial annual interest rate of 30-day LIBOR plus 6.5% (9.61% at June 30, 2005). Upon the completion of the sale of the aviation transportation services segment, the total borrowing base under the Term A Loan was reduced to $30.0 million. Proceeds from the sale of the Aviation Transportation Services segment were used to pay approximated $9.35 million on the Term A Loan during July 2005, leaving an outstanding balance of approximately $8.6 million. Additionally, a portion of the proceeds from the Term B Loan were used to reduce the balance of the Term A Loan to approximately $5.0 million in August 2005.

Junior Credit Facility

On August 29, 2005, we completed a $25 million multiple draw term credit facility. Under the terms of the Term B Loan, borrowings will be done through advances at the request of the Company in minimum amounts of $2 million. Quarterly payments in the amount of $0.175 million, plus interest, will begin on April 1, 2008 and the Loan matures in August 2010 and accrues interest at the rate of LIBOR plus 8%. The proceeds from the Term B Loan were used to (i) reduce the current outstanding balance under the Company s Term A senior debt by $3.4 million; (ii) retire approximately $3.3 million of 8% Subordinated Debenture Notes with a payment of $1.5 million cash and the issuance of 750,000 shares of our common stock; (iii) retire $2 million of certain Subordinated Notes with a payment of $1 million cash and the issuance of 200,000 shares of common stock; and (iv) provide working capital and funds necessary for potential strategic transactions.

Trussco Notes

On June 30, 2004, we purchased Trussco for an aggregate acquisition price of $11.9 million, including $7.3 million in cash, $3.0 million in 5% convertible promissory notes payable to certain stockholders (Stockholder Notes) maturing in June 2007, and the assumption of approximately $1.6 million in debt and other liabilities. The Stockholder Notes can be prepaid at any time and are convertible into shares of our common stock at a price of $9.40 per share.

On May 18, 2005, we entered into early debt extinguishment agreements (Debt Extinguishment Agreements) with respect to $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note more fully described in

Note 4. Under the terms of the Debt Extinguishment Agreements, we (i) immediately issued 0.2 million shares of our common stock; and (ii) paid certain holders of the Stockholder Notes $1.0 million on or before August 16, 2005, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the contingent Earnout Note. The Company recognized a gain on debt extinguishment of $0.3 million upon closing the transaction.

At June 30, 2005, the Company has $1.0 million of Stockholder Notes outstanding bearing interest at 5% and maturing in June 2007 and $1.0 million of non-interest bearing notes, which was paid by August 16, 2005. At June 30, 2005, the Company also has outstanding a $2.0 million contingent Earnout Note payable. See Trussco Earnout below.

Going concern

The accompanying consolidated financial statements have been prepared assuming we will continue on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have suffered a significant loss from operations during the current year, has a working capital deficit, is currently in default on certain of its debt instruments, and will require capital funding from sources other than operations to meet its current debt obligations. In the past two years, we have been required to raise additional capital by the issuance of both equity and debt instruments. There are no commitments from funding sources, debt or equity, in the event that cash flows are not sufficient to fund ongoing operations or other cash commitments as they come due. These factors raise substantial doubt about our ability to continue as a going concern. Management will be required to raise additional capital in the near term through offerings of equity or debt securities to fund our debt service obligations and operations. No assurance can be given that such financing will be available or, if available, that it will be on commercially favorable terms. Moreover, available financing may be dilutive to current investors.

As more fully described herein, we have secured additional capital from institutional investors and certain stockholders and key managers. Management believes this capital, used in conjunction with cash flows from operations, will be adequate to fund our current debt service obligations and serve to mitigate the factors that have raised doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should we be unable to continue as a going concern.

Related party transactions

During the years ended December 31, 1999, 2000 and 2001, we privately placed with an affiliate subordinated debentures totaling $7.5 million, $3.4 million and $1.5 million, respectively. The debentures matured five years from their date of issue and accrued interest at various rates ranging from a fixed rate of 12% per annum to a variable rate of interest starting at 12% per annum and escalating to 20% per annum. In October 2000, we agreed to convert $4.6 million of the subordinated debentures into our Series A Preferred Stock. In May 2001, we agreed to pay the affiliate $3.0 million cash plus issue to the affiliate $4.6 million of our Series B Preferred Stock in satisfaction of all of the remaining outstanding subordinated debentures, including accrued interest of $1.8 million. This transaction resulted in the affiliate agreeing to forgive $1.0 million of indebtedness, which was reflected as a capital contribution from the affiliate (See Note 5 to the accompanying June financial statements included herein for the accounting for preferred stock). In February 2004 and April 2004, we issued $10 million and $5.05 million, respectively, of 6.5% Subordinated Convertible Debentures (See Note 3 to the accompanying June financial statements included herein). The proceeds were used to redeem $8.2 million of the Series A Preferred Stock outstanding, including accrued dividends. The remaining 25 shares of Series A Preferred Stock were redeemed in April 2004 for $0.03 million. At December 31, 2004 there were no shares of Series A Preferred Stock outstanding. During the first quarter of 2004, we redeemed 2,286 shares of the Series B Preferred Stock for $2.4 million, including accrued dividends. In April 2004, we redeemed 2,285 shares of the total of 2,314 shares of the Series B Preferred Stock outstanding for $2.5 million, including accrued dividends. At June 30, 2005, 29 shares of Series B Preferred Stock remain outstanding.

In connection with the original issuance of the subordinated debentures, we issued to the affiliate detachable warrants to purchase 1,912,833 shares of our common stock, of which 293,055 warrants were transferred in 2003 to settle certain litigation and 858,678 warrants were cancelled in 2003. The balance of 761,100 warrants was exercised in the first quarter of 2004 at an exercise price of $2.25.

During 2003, we entered into an agreement to facilitate the private placement of approximately 1,650,000 shares of our common stock owned by an affiliate and certain investors. The sale of the stock covered by this agreement closed in the fourth quarter of 2003, resulting in our receipt of $0.4 million cash which is reflected as a reduction in our general and administrative expenses in the accompanying 2003 Consolidated Financial Statements.

During 2003, in order to facilitate a settlement of ongoing litigation between certain of our affiliates, we agreed to re-price and extend the maturity dates of certain warrants owned by the defendant affiliates but transferred in settlement of the litigation to the plaintiff affiliates. The exercise prices of the transferred warrants ranged from $2.25 - $6.00 per share. The maturity dates of the transferred warrants ranged from November 1, 2004 to July 1, 2005. The transferred warrants were re-priced at $1.54 per share and the maturity dates were extended to November 1, 2006. Our statement of operations includes a non-recurring charge of approximately $0.1 million representing the differences in the fair market value of the originally issued warrants and the re-priced warrants. In 2004, all re-priced warrants were exercised.

On May 17, 2005, we entered into a Securities Purchase Agreement with certain of the Company s affiliates and executive officers to issue up to $5.0 million of Series C 9% Convertible Preferred Stock in conjunction with the completion of the Senior Credit Facility more fully described above. Our Series C 9% Convertible Preferred Stock is convertible into our common stock at a conversion price of $1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between $1.95 and $3.50 per share. The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, the closing date of the first tranche, the Company issued an aggregate of 3,500 shares of Series C Preferred Stock and warrants to acquire 4,585,000 shares of the Company s common stock, in exchange for $3,500,000. The second tranche closed on August 29, 2005, at which time the remainder of the Series C Preferred Stock and warrants were issued generating proceeds of $1.5 million and we granted the remaining 1,965,000 warrants.

During the three month periods ended March 31, 2005 and December 31, 2004, two of our executives deferred receipt of salary totaling $120,000 and $37,000 respectively. Beginning in the quarter ended June 30, 2005, the Company paid $120,000 toward this liability. At June 30, 2005 and December 31, 2004, the total amount owed to these two executives was $37,000 at the end of each period.

CRITICAL ACCOUNTING POLICIES

Use of Estimates

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

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

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

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

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

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

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

Stock Based Compensation

We account for employee stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25, *Accounting for Stock Issued to Employees* (Opinion No. 25). Accordingly, the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation,* permits the continued use of the method prescribed by Opinion No. 25, but requires additional disclosures, including pro forma calculations of earnings and net earnings per share as if the fair value method of accounting prescribed by SFAS No. 123 had been applied. As required by SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure,* which amended SFAS No. 123, a table illustrating the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation is presented in Note 1 of the accompanying financial statements included herein.

Discontinued Operations

In accordance with Accounting for the Impairment and Disposal of Long-Lived Assets (SFAS No. 144), we are accounting for the Brazoria market as a separate unit within AHI and have accounted for our exit from this market as discontinued operations in 2004. On June 30, 2005, the Company executed a definitive agreement to sell the equipment and related assets of our Aviation Transportation Services segment for a cash price of $11.0 million. The transaction was finalized on July 29, 2005. The proceeds were used to repay advances under the Company s Term A Loan and for additional working capital. See Note 9 of the accompanying June financial statements included herein.

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In order to facilitate comparability between the periods, the revenues and expenses of the Aviation Transportation Services segment have been reclassified to income (loss) on discontinued operations in the accompanying financial information for the years ended December 31, 2000 through 2004 and for the six month period ended June 30, 2004. There was no effect on net income (loss) as a result of the reclassifications.

Impairment Of Long-Lived Assets And Assets Held For Sale

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

Assets held for sale are recorded at the lower of their net book value or their net realizable value, which is determined based upon an estimate of their fair market value less the cost of selling the assets. An impairment is recorded to the extent that the amount that was carried on the books is in excess of the net realizable value. Assets held for sale at June 30, 2005 are comprised of eight marsh buggies and two navigation systems. In addition, at June 30, 2005, the assets of the discontinued Aviation Transportation Services segment are included in assets held for sale in the amount of $11.0 million. See Note 9 of the accompanying June financial statements included herein for additional information. Three helicopters held for sale at December 31, 2004 totaling $3.5 million were disposed of during the three months ended March 31, 2005 generating proceeds of $573,000 and the extinguishment of lease obligations of approximately $2.9 million. An impairment loss of $0.6 million related to these helicopters was recognized during the year ended December 31, 2004 and there was no gain or loss recorded upon their disposition.

During the quarter ended June 30, 2005, the aviation-related improvements at the Mouton Cove facility were deemed to be impaired as a result of the sale of the Company s Aviation Transportation Services segment. A charge was recorded against operations in the amount of $0.5 million reflecting the impairment of the value of that facility. The facility was not included in the assets sold as part of the sale of the Company s Aviation Transportation Services segment.

COMMITMENTS AND OBLIGATIONS

Trussco Earnout

In connection with the acquisition of Trussco, we issued to certain former stockholders of Trussco a promissory note (Earnout Note) that will earn interest at a rate of 5% per annum of the amount owed. Under the terms of the Earnout Note, we agree to pay these stockholders on or before June 30, 2007, the lesser of (i) the amount of $3 million, or (ii) the sum of the product of 3.12 times Trussco s average annual EBITDA (earnings before interest, taxes, depreciation and amortization) for the 36-month period ending December 31, 2006, less the sum of $9 million, plus the long-term and former stockholder debt existing as of June 30, 2004 of Trussco that we assumed, which totaled $1.5 million. At June 30, 2005, no amounts have been accrued under the terms of the Earnout Note as no amounts are owed.

On May 18, 2005, we entered into early Debt Extinguishment Agreements on $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note more fully described in Note 4 of our financial statements. Under the terms of the Debt Extinguishment Agreements, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note, we agreed to (i) immediately issue 0.2 million shares of our common stock; and, (ii) pay certain holders of the Stockholder Notes $1.0 million on or before August 16, 2005, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note. At June 30 2005, the Company has a $2.0 million contingent Earnout Note payable.

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Contractual Debt Obligations

We have the following contractual debt obligations as of June 30, 2005:

	Payments due by period			
	Total	Less than 1 Year	1-3 Years	After 3 Years
Long-term debt (1a) (1b) (2a)	$ 19,776	$ 1,923	$ 5,728	$ 12,125
Capital lease obligations	1,880	596	921	363
Line of credit (2d)	7,222	7,222		
Subordinated notes (2b)	4,292	1,321	2,971	
Subordinated notes former stockholders (2c)	2,000	1,000	1,000	
Insurance notes	1,043	1,043		
	$ 36,213	$ 13,105	$ 10,620	$ 12,488

(1) As a result of the disposition of the Aviation Transportation Services Segment, certain debts were repaid with proceeds from the sale:

(a) A note with a balance of $0.2 million which is included in this amount at June 30, 2005 was repaid with proceeds from the sale of the Aviation Transportation Services Segment during July 2005.

(b) $9.35 million of the Term A Loan included in this amount at June 30, 2005 was repaid with proceeds from the sale of the Aviation Transportation Services Segment during July 2005.

(2) As a result of the closing of the Term B Loan, certain debts were repaid with proceeds from the loan as follows:

(a) $3.4 million of the Term A Loan included in this amount at June 30, 2005 was repaid with proceeds from the Term B Loan in August 2005.

(b) $3.3 million of notes included in the amount at June 30, 2005 were repaid with a combination of proceeds from the Term B Loan ($1.5 million) and 750,000 shares of common stock of the Company in August 2005.

(c) $1.0 million of these loans was repaid with proceeds from the Term B Loan in August 2005.

(d) $2.4 million of this loan was repaid with proceeds from the Term B Loan in August 2005.

We have the following operating lease commitments as of June 30, 2005:

	Payments due by period ended June 30,		
	2006	2007	2008
Operating leases	$ 242	$ 160	$ 119

We believe that cash flow generated from operations in 2005 will be sufficient to fund our working capital needs, satisfy our debt service requirements and contractual commitments, and fulfill our un-financed capital expenditure needs for at least the next 12 months.

Off balance sheet arrangements

We currently have no off balance sheet arrangements.

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Recently issued unimplemented accounting pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), *Share-Based Payment* (as amended, SFAS No. 123(R)). SFAS No. 123(R) will require companies to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. In addition, the adoption of SFAS No. 123(R) requires additional accounting and disclosure related to the income tax and cash flow effects resulting from share-based payment arrangements. SFAS No. 123(R) is effective beginning as of the first interim reporting period for fiscal years beginning after December 15, 2005. We are in the process of determining the impact of the requirements of SFAS No. 123(R). We believe it is likely that the financial statement impact from the implementation of the requirements of SFAS No. 123(R) will significantly impact our future results of operations and we continue to evaluate it to determine the degree of significance.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29 Accounting for Nonmonetary Transactions* (SFAS No. 153). SFAS No. 153 is effective for fiscal years beginning after June 15, 2005. It addresses the measurement of exchange of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, and replaces it with an exception for exchanges that do not have commercial substance. The adoption of SFAS No. 153 is expected to have no impact on our consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 30* (SFAS No. 154). This statement changes the requirements for the accounting for and reporting of a change in accounting principle. This statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Adoption of SFAS No. 154 is expected to have no effect on our consolidated financial statements.

Changes in and disagreements with accountants on accounting and financial disclosure

Our consolidated financial statements for the year ended December 31, 2002 were audited by Ernst & Young. On August 11, 2003, we dismissed Ernst & Young as our independent public accountants and on August 11, 2003 engaged Fitts Roberts & Co., P.C. (Fitts Roberts) as our independent public accountants for the fiscal year ending December 31, 2003. These actions were approved by our Board of Directors.

Our consolidated financial statements for the year ended December 31, 2003 were audited by Fitts Roberts. On July 12, 2004, we dismissed Fitts Roberts as our independent public accountants. On July 12, 2004, we engaged BDO Seidman, LLP (BDO) as our independent public accountants. These actions were approved by our Board of Directors.

BDO resigned on February 17, 2005, prior to commencement of work on the audit of our consolidated financial statements for the year ended December 31, 2004. On February 24, 2005, we engaged Pannell Kerr Forster of Texas, P.C. (PKF) as our independent accountants to audit our consolidated financial statements for the year ended December 31, 2004. The decision to engage PKF as our independent accountants was made by the Audit Committee of our Board of Directors.

BDO reviewed our consolidated financial statements during the quarters ended June 30, 2004 and September 30, 2004. BDO did not provide a report on our financial statements for either of the past two years nor did we consult with them on any matters.

During the period beginning July 12, 2004 through the date of their resignation, there were no disagreements with BDO on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of BDO, would have caused it to make reference to the subject matter of the disagreements.

During the period beginning July 12, 2004 through the date of BDO s resignation, there were no reportable events as defined in Item 304 (a) (1) (v) of Regulation S-K requiring disclosure pursuant to Item 304(a)(1)(v) of Regulation S-K. As used herein, the term reportable event means any of the items listed in paragraphs (a) (1) (v) (A)-(D) of Item 304 of Regulation S-K.

During the two-year period ended December 31, 2004 and the subsequent interim period prior to PKF s engagement, neither we nor anyone on our behalf has consulted with PKF regarding: (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us nor oral advice was provided that PKF concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

Quantitative and qualitative disclosures about market risk

Interest rate risk

We are exposed to interest rate risk due to changes in interest rates, primarily in the United States. Our policy is to manage interest rates through the use of a combination of fixed and floating rate debt. We currently do not use any derivative financial instruments to manage our exposure to interest rate risk. The table below provides information about the future maturities of principal for outstanding debt instruments at June 30, 2005. All instruments described are non-traded instruments and approximated fair value.

	June 30,				
	2006	2007	2008	2009	Thereafter
	(dollars in thousands)				
Long-term debt:					
Fixed Rate	$ 2,404	$ 2,493	$ 1,615	$ 60	$ 194
Average interest rate	6.80%	6.81%	8.02%	8.08%	8.05%
Variable Rate	$ 1,840	$ 1,843	$ 1,845	$ 1,848	$ 11,931
Average interest rate	9.55%	9.55%	9.55%	9.54%	9.38%
Short-term debt:					
Fixed Rate	$ 7,222				
Average interest rate	8.00%				
Variable Rate	$ 1,043				
Average interest rate	6.43%				

Interest rate exposure

Our exposure to changes in interest rates primarily results from our long-term debt with both fixed and floating interest rates. The debt on our consolidated financial statements with fixed interest rates totals $35.8. At December 31, 2004, 9% of our consolidated long-term debt was subject to variable interest rates. The detrimental effect of a hypothetical 100 basis point increase in interest rates would be to increase net loss before provision for income taxes by approximately $0.1 million for the year ended December 31, 2004.

Our exposure to changes in interest rates primarily results from our long-term debt with both fixed and floating interest rates. The debt on our consolidated financial statements with fixed interest rates totals $14.0 million. At June 30, 2005, 59% of our consolidated long-term debt was subject to variable interest rates. The detrimental effect of a hypothetical 100 basis point increase in interest rates would be to increase net loss before provision for

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income taxes by approximately $0.1 million for the six months ended June 30, 2005. For more information, please read the consolidated financial statements and notes thereto included herein.

Foreign currency risks

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

Business and properties

General

OMNI Energy Services Corp. is an integrated oilfield service company specializing in providing a range of (i) onshore seismic drilling, operational support, permitting, survey and helicopter support services to geophysical companies operating in logistically difficult and environmentally sensitive terrain and (ii) dock-side and offshore non-hazardous oilfield waste management and environmental cleaning services, including tank and vessel cleaning and safe vessel entry, for oil and gas companies operating in the Gulf of Mexico. See our website at www.omnienergy.com for more information about the Company and recent events.

Seismic Drilling. The principal market of our Seismic Drilling division is the marsh, swamp, shallow water and contiguous dry land areas along the Gulf Coast (the Transition Zone), primarily in Louisiana and Texas, where we are a leading provider of seismic drilling support services. In 1997, we commenced operations in the mountainous regions of the western United States, and in 2003 we initiated seismic drilling activities in various Transition Zone regions of Mexico.

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

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

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

Geophysical, L.L.C.

Industry overview

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

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

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

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

Environmental Services. We provide specialized environmental cleaning and maintenance equipment and trained personnel to oil and gas companies operating in the Gulf Coast region of the United States. We also assist production operators in the maintenance and replacement of anodes, mist extractors, valves, glycol systems, chemical electric units and fire tubes. Our customer list includes more than 225 major and independent oil and gas companies operating in the Gulf of Mexico, but no single customer accounts for more than 10% of this business unit s revenues. The demand for our environmental services is directly impacted by offshore drilling and production activity in the Gulf of Mexico. Our dock side services are dependent upon the movement of vessels from offshore production platforms or drilling rigs which operate twenty-four hours a day, seven days a week, 365 days a year.

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

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Description of Operations

We provide an integrated range of services including (i) onshore seismic drilling, operational support, permitting, and surveying to geophysical companies operating in logistically difficult and environmentally sensitive terrain in the United States and (ii) dock-side and offshore non-hazardous oilfield waste management and environmental cleaning services, including tank and vessel cleaning and safe vessel entry for oil and gas companies operating in the Gulf of Mexico.

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

In the Transition Zone, we use water pressure rotary drills mounted on various types of vehicles to drill the source holes. The nature, accessibility and environmental sensitivity of the terrain surrounding the source point determine the type of vehicle used. Transition Zone source holes are generally drilled to depths of 40 to 180 feet, depending on the nature of the terrain and the needs of the geophysical company, using ten-foot sections of drill pipe, which are carried with the drilling unit. Our Transition Zone vehicles are typically manned with a driver and one or two helpers. The driver is responsible for maneuvering the vehicle into position and operating the drilling unit, while the helper sets and guides the drill into position, attaches the drilling unit s water source, if drilling in dry areas, and loads the drill pipe sections used in the drilling process. Once the hole has been drilled to the desired depth, it is loaded with dynamite, which is carried onboard our vehicles in special containers. The explosive charge is set at the bottom of the drill hole and then tested to ensure that the connection has remained intact. Once the charge has been tested, the hole is plugged in accordance with local, state and federal regulations and marked so that the geophysical company can identify it for detonation at a later date. This process is repeated throughout the survey area until all source points have been drilled and loaded.

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

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

Permitting. We maintain a Geophysical Permit Acquisition Division. Our staff of contract permit agents first conducts research in public land title records to determine ownership of the lands located in the seismic projects.

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The permit agents then contact, negotiate and acquire permits and landowner consents for the survey, drilling and recording crews to conduct their operations. Throughout the seismic data acquisition process, the permit agents assist the crews in the field with landowner relations and permit restrictions in order to reduce field-crew downtime for noncompliance with landowner requests. Our permit services are enhanced with the assistance of a proprietary database software program specifically designed for efficient management of seismic projects.

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

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

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

Facilities and equipment

Facilities. Our corporate headquarters is located on 34 acres of land situated in Carencro, Louisiana. The building was constructed in 1998 and provides approximately 20,000 square feet of office space. It is located adjacent to our primary repair and maintenance facilities. Our environmental units operate from land and dock-side bases located along the Louisiana Gulf Coast.

Seismic drilling facilities. Our primary fabrication and maintenance facilities are situated in two buildings located adjacent to our corporate headquarters. The buildings, also constructed in 1998, provide approximately 32,000 square feet of covered maintenance and fabrication space.

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

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Transition zone transportation and drilling equipment. Because of the varied terrain throughout the Transition Zone and the prevalence of environmentally sensitive areas, we employ a wide variety of drilling vehicles. We believe that we are the only company currently operating in the Transition Zone that owns and operates all of the following types of equipment:

Types of Equipment	Number of Units as of June 30, 2005
Highland Drilling Units (1)	75
Water Buggies	60
Aluminum Marsh ATV s	23
Stainless Steel Marsh ATV s (2)	8
Airboat-Drilling Units	40
Swamp ATV s	30
Pullboats	21
Pontoon Boats	15
Jack-Up Rigs	1
Skid-Mounted Drilling Units(3)	20
Heli-portable and Seismic Rock Drilling Equipment	20

(1) Sixteen of these drilling units are currently dedicated to seismic rock drilling operations outside of the Transition Zone.

(2) This equipment is currently held for sale (see Note 2 Property, Plant and Equipment to the accompanying June financial statements included herein).

(3) One of these drilling units is currently located outside of the Transition Zone.

Because of our extensive fleet of Transition Zone transportation and seismic drilling equipment, much of which we fabricated, we believe that we are the only company that currently can provide an integrated range of seismic drilling and survey services in all of the varied terrain of the Transition Zone and simultaneously support operations for multiple, large-scale seismic projects.

Highland drilling units and water buggies. We currently own and operate 75 highland drilling units for seismic drilling in dry land areas, 16 of which are currently dedicated to our seismic rock drilling operations outside of the Transition Zone. These units generally consist of a tractor-like vehicle with a drilling unit mounted on the rear of the vehicle. This highland drilling unit can be driven over land from point to point and is accompanied by a unit referred to as a water buggy (of which we own 60) that carries water required for water pressure rotary drills. This type of vehicle is used around the world for this type of terrain.

Marsh ATV S. The environmentally sensitive wetlands along the U.S. Gulf Coast contain water grasses on dry land and in shallow water and areas mixed with open water are referred to as marsh areas. When there is a minimum amount of water in these areas, marsh ATV s, which are amphibious vehicles supported by pontoons that are surrounded by tracks, are used to provide seismic drilling services. The pontoons enable the marsh ATV to float while the tracks propel the vehicle through the water and over dry marsh areas. Each marsh ATV is equipped with a drilling unit and a backhoe for digging a small hole to collect water necessary for drilling.

Some marsh areas have sufficient surrounding water to support drilling without an external water source, but often water must be pumped into the area from a remote water source or a portable supply must be carried by the marsh ATV.

We own and operate 31 marsh ATV s, of which eight are made of stainless steel and 23 are made of aluminum. All of the stainless steel marsh ATV s are currently held for sale. The aluminum ATV s are lighter than steel vehicles and are specifically designed for the environmentally sensitive areas typically found in marsh terrain. Landowner consents will often require the use of aluminum ATV s in an effort to reduce the environmental

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impact of seismic drilling. The aluminum marsh ATV is the most widely accepted marsh vehicle for drilling operations in all Louisiana s state and federal refuges. We fabricated our own aluminum marsh ATV s at our facilities in Carencro, Louisiana.

Airboat drilling units. We own and operate 40 airboat-drilling units. An airboat-drilling unit consists of a drilling unit fabricated and installed on a large, three-engine airboat. Because of their better mobility, airboat-drilling units are used in shallow waters and all marsh areas where sufficient water is present.

Swamp ATV S and pullboats. Wooded lowlands typically covered with water are referred to as the swamp areas of the Transition Zone. Our swamp ATV s are used to provide drilling services in these areas. Swamp ATV s are smaller, narrower versions of the marsh ATV s. The smaller unit is needed in swamp areas due to the dense vegetation typical in this terrain. Because of its smaller size, the swamp ATV uses a skid-mounted drilling unit installed in a pullboat, a non-motorized craft towed behind the swamp ATV. We own and operate 30 swamp ATV s and 21 pullboats. Swamp ATV s are also used in connection with survey operations in swamp areas.

Pontoon boats. We own and operate 15 pontoon boats that are used in shallow or protected inland bays and lakes and shallow coastal waters. Each pontoon boat uses a skid-mounted drilling unit installed on board.

Jack-up rigs. When a seismic survey requires source points to be drilled in deeper inland bays or lakes or in deeper coastal waters, we use jack-up rigs equipped with one of our skid-mounted drilling units. Seismic activity in water deeper than approximately 20 feet is generally conducted by using offshore seismic techniques that do not include the drilling and loading of source points. We currently have one jack-up rig.

Skid-mounted drilling units. A skid-mounted drilling unit is a drilling unit mounted on I-beam supports, which allows the drilling unit to be moved easily between pullboats, pontoon boats, jack-up rigs and other equipment we operate based on customer needs. We manufacture our skid-mounted drilling units at our facilities in Carencro, Louisiana and we own 20 of these units, one of which is located outside of the Transition Zone.

Heli-portable and seismic rock drilling equipment. We have 20 heli-portable and man-portable drilling units dedicated to seismic rock drilling. We also have the ability to manufacture our own heli-portable and man-portable seismic rock-drilling units, and often export and provide servicing of heli-portable and man-portable drilling units.

Miscellaneous. We own and operate 88 single engine airboats and 21 outboard powered boats, which we use to ferry personnel and supplies to locations throughout the Transition Zone. We also maintain a fleet of five tractor-trailer trucks and numerous other trucks, trailers and vehicles to move our equipment and personnel to projects throughout the Transition Zone.

Environmental equipment. The following table sets forth the type and quantity of our key equipment operated by our Environmental division.

Types of Equipment	Number of units as of

	June 30, 2005
Offshore Tool House Cleaning Packages	10
Offshore Skid Cleaning Packages	9
Dockside & Land Tank Cleaning Packages	11
Air Compressors	38
Steam / Degas Generators	4
Liquid Vacuum Truck (60BBL)	2
Wet / Dry Vacuum Truck (80BBL)	4
Trailer Mounted Vacuum Units	2
Water Blasters (10K - 40K)	4
15 BBL Cutting Boxes (Disposal)	20
NORM Pipe Decontamination System	1

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Materials and equipment

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

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

Safety and quality assurance

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

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

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

We have implemented an extensive training program that provides for these adverse conditions. Our employee training is conducted in accordance with federal, state, customer, and company requirements.

Customers, marketing and contracting

Customers. Historically, our customers have primarily been geophysical companies, although in many cases the oil and gas company participates in determining which drilling, permitting or survey company will be used on our seismic projects. A few customers have historically generated a large portion of our seismic drilling revenue. For example, our largest customers (those which individually accounted for more than 10% of revenue in a given year, listed alphabetically) collectively accounted for 84% (Veritas DGC and Western Geophysical), 71% (Quantum Geophysical, Seismic Exchange and Veritas DGC), and 50% (PGS, Quantum Geophysical, Seismic Exchange and Veritas DGC) of revenue for fiscal 2002, 2003 and 2004, respectively, all of which relate to the drilling division. While we expect oil and gas companies utilizing our environmental services will eventually comprise a greater share of our revenue base, we currently derive a significant amount of our revenue from a small number of large geophysical companies and independent oil and gas operators. Our loss of one of these significant customers, if not offset by sales to new or other existing customers, could have a material adverse effect on our business and operations.

The majority of our customers are engaged in the oil and gas industry. This concentration of customers may impact our overall exposure to credit risk, either positively or negatively, in that customers may be similarly

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affected by changes in economics and industry conditions. We do not generally require collateral in support of trade receivables, but we do maintain reserves for credit losses. Actual losses have historically been within expectations.

Marketing. Our Seismic Drilling services have traditionally been marketed by our principal executive officers. We believe that this marketing approach helps us preserve long-term relationships established by our executive officers. Even as our geographical and service capabilities expand, we intend to continue implementing these marketing efforts in both the Transition Zone and in the Rocky Mountain region from our principal offices in Carencro, Louisiana.

Our Environmental Services are marketed from offices in Louisiana. We market our Environmental Services in Louisiana and Texas using eight sales representatives - five dockside and three corporate.

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

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

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

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

Contracting environmental services. We generally bill for our environmental cleaning and maintenance services on a time and materials basis. Our customer list includes more than 225 major and independent oil and gas companies operating in the Gulf of Mexico. Our success in securing projects is often dependent on our ability to immediately provide personnel that operate in a quick, safe and efficient manner at a competitive price.

Competition

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

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

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

Environmental services. We have several competitors offering identical environmental services to those offered by Trussco. Some of these competitors are larger and have more financial resources than we have available. Our ability to compete effectively is dependent upon our ability to have personnel available when needed at competitive prices.

Seasonality and weather risks

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

Backlog

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

As of June 30, 2005, our backlog was approximately $20.0 million compared to $33.0 million at December 31, 2004. The backlog includes seismic drilling and survey projects in the Transition Zone in addition to seismic rock drilling projects. Our permitting and environmental divisions, historically, have not measured backlog due to the nature of our business and our contracts, which are generally cancelable by either party with thirty days written notice.

Governmental regulation

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

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

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

Environmental. Our operations and properties are subject to a wide variety of increasingly complex and stringent federal, state and local environmental laws and regulations, including those governing discharges into the air and water, the handling and disposal of solid and hazardous wastes, the remediation of soil and groundwater contaminated by hazardous substances and the health and safety of employees. In addition, certain areas where we operate are federally protected or state protected wetlands or refuges where environmental regulation is particularly strict. These laws may provide for strict liability for damages to natural resources and threats to public health and safety, rendering a party liable for environmental damage without regard to negligence or fault on the part of such party. Sanctions for noncompliance may include revocation of permits, corrective action orders, administrative or civil penalties and criminal prosecution. Certain environmental laws provide for strict, joint and several liability for remediation of spills and other releases of hazardous substances, as well as damage to natural resources. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances. Such laws and regulations may also expose us to liability for the conduct of, or conditions caused by, others, or for our acts that were in compliance with all applicable laws at the time such acts were performed.

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

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

Insurance

Seismic drilling. Our operations are subject to the inherent risks of inland marine activity, heavy equipment operations and the transporting and handling of explosives, including accidents resulting in personal injury, the loss of life or property, environmental mishaps, mechanical failures and collisions. We maintain insurance coverage against certain of these risks, which we believe are reasonable and customary in the industry. We also maintain insurance coverage against property damage caused by fire, flood, explosion and similar catastrophic

events that may result in physical damage or destruction to our equipment or facilities. All policies are subject to deductibles and other coverage limitations. We believe our insurance coverage is adequate. Historically, we have not experienced an insured loss in excess of our policy limits; however, there can be no assurance that we will be able to maintain adequate insurance at rates which we consider commercially reasonable, nor can there be any assurance such coverage will be adequate to cover all claims that may arise.

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

Employees

As of June 30, 2005, we had 360 employees, including 297 operating personnel and 63 corporate, administrative and management personnel. These employees are not unionized or employed pursuant to any collective bargaining agreement or any similar agreement. We believe our relations with our employees are generally good.

Management

Directors and Executive Officers of the Registrant

The following table sets forth, as of date of this Prospectus, certain information with respect to the Company s directors and executive officers.

Name	Age	Position
James C. Eckert	55	Chairman of the Board, President and Chief Executive Officer
Edward E. Colson, III	55	Director
Michael G. DeHart	53	Director
Dennis R. Sciotto	52	Director
Richard C. White	48	Director
Barry E. Kaufman	67	Director
G. Darcy Klug	53	Executive Vice President
Shawn L. Rice	43	Vice President and General Manager of Trussco, Inc.

The following biographies describe the business experience of the directors and executive officers of the Company. Except as describe in Executive Employment Agreements below, all executive officers of the Company serve at the pleasure of the Board of Directors of the Company. The Articles of Incorporation provide that so long as at least 2,000 shares of Series C Preferred Stock remain outstanding, the holders of a majority of the Series C Preferred Stock, voting as a separate class to the exclusion of all other classes of the Company s capital stock, shall be entitled to elect two directors to the Board to serve on the Board until their successors are duly elected by the holders of the Series C

Preferred Stock or they are removed from office (with or without cause) by the holders of the Series C Preferred Stock. Except as set forth in the preceding sentence, directors are elected at the Company s Annual Meeting of Stockholders and serve for a one year term or until their successors are elected and qualified or until their earlier resignation or removal in accordance with the Company s Articles of Incorporation and Bylaws.

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James C. Eckert has served as President, Chief Executive Officer and a Director of the Company since March 2001. From 1998 to 2000, Mr. Eckert served as Vice-President for Business Development of Veritas DGC Land, Inc. From 1992 to 1998, Mr. Eckert supervised the highland and transition seismic acquisitions of Veritas DGC Land, Inc. He served as President of GFS Company, a company that he co-founded in 1985, until its acquisition in 1992 by Digiton, Inc., a predecessor by merger to Veritas, Inc. Mr. Eckert graduated from the University of Southern Mississippi in 1971.

Edward E. Colson, III is a founder and co-owner of FF Properties, a real estate holding company created in 1988 that specializes in the acquisitions of commercial properties suitable for drive through restaurants. He is a co-creator of the Mexican restaurant chain (34 stores as of April 2005) named Muchas Gracias, prevalent in the Northwestern United States of America. Mr. Colson received a Bachelor of Science degree in Business Management from Long Beach State University, 1972. He is a past Director and founder of Pacific Mortgage Exchange, Inc. and is a past Director of Vista Sol High School in Torremolinos, Spain. Mr. Colson was elected to the Board by the holders of the Series C 9% Convertible Preferred Stock on June 13, 2005.

Michael G. DeHart is a Certified Public Accountant and has been employed as the President and Chief Investment Officer for Stuller Management Services, Inc., since June 2001. Prior to that, Mr. DeHart was a partner with the accounting firm Wright, Moore, DeHart, Dupuis and Hutchinson, L.L.C. He was a member of that firm s management committee from 1998 to May 2001. Mr. DeHart received an M.B.A. from the University of Southwestern Louisiana and has been a director of the Company since November 2000. Mr. DeHart is Chairman of the Audit Committee.

Dennis R. Sciotto is a founder and co-owner of FF Properties, a real estate holding company created in 1988 which specializes in the acquisitions of commercial properties suitable for drive through restaurants. Prior to 1988, Mr. Sciotto was a restaurateur catering to the military installations in San Diego. In 1995, he co-created a Mexican restaurant chain (34 stores as of April 2005) named Muchas Gracias, prevalent in the Northwestern United States of America. Mr. Sciotto attended San Diego State University. Mr. Sciotto was elected to the Board by the holders of the Series C 9% Convertible Preferred Stock on June 13, 2005.

Richard C. White is the former President and Chief Executive Officer of NuTec Energy Services Inc. He held that position from October of 2001, until his retirement in September 2002. He was Chief Executive Officer of Veritas DGC Land, Inc. from January 2000 through June 2000. From 1995 until his retirement in October 1999, Mr. White served as President of Western Geophysical Company, as well as Senior Vice President of Western Atlas Inc. He also served as President of Baker Hughes Incorporated from August 1998 until October 1999. Prior to 1995, he held various other executive positions with Western Geophysical Company, including Chief Operating Officer. Mr. White graduated from Bloomsberg University in 1978 and has been a director of the Company since March 2001. Mr. White is Chairman of the Compensation Committee.

Barry E. Kaufman is currently a Member of Silver Fox Advisors, Houston, Texas. Prior to joining Silver Fox Advisors, Mr. Kaufman practiced public accounting for more than 40 years. He is a Certified Public Accountant and was a partner in the Houston office of Grant Thornton LLP and prior to joining Grant Thornton, he was a partner and associate regional director with Deloitte & Touche (formerly Touche, Ross and Company). Mr. Kaufman was appointed to the Board of Directors effective October 1, 2005.

G. Darcy Klug was promoted to the position of Executive Vice President in March 2004. He joined the Company as its Chief Financial Officer in May 2001, after being involved in private investments since 1987. Between 1983 and 1987, Mr. Klug held various positions with a private oil and gas fabrication company, including the position of Chief Operating Officer and Chief Financial Officer. Prior to 1983, he held various financial positions with Galveston-Houston Company, a manufacturer of oil and gas equipment listed for trading on the New York Stock Exchange. Between 1973 and 1979, he was a member of the audit staff of Coopers & Lybrand (now PricewaterhouseCoopers LLP).

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Shawn L. Rice was promoted to the position of Vice President and General Manager of Trussco, Inc. in August 2005. He joined the Company as Vice President QHSE (Quality, Health, Safety and Environmental) in 2004, after more than twenty years of international and domestic management experience with WesternGeco, a joint venture of Schlumberger and Baker Hughes. Since December 2000, Mr. Rice held the position of Vice President, QHSE for WesternGeco s worldwide operations. In this capacity he developed and managed all aspects of WesternGeco s QHSE structure, systems and programs for more than 16,000 employees. Prior to December 2000, Mr. Rice held various management positions with Western Geophysical, including Business Services Manager responsible for Human Resources, QHSE and training for more than 8,000 employees. He holds an engineering degree from Colorado School of Mines.

Compensation of Directors

Effective July 1, 2004, and retroactive to January 1, 2004, each non-employee director earns a retainer of $15,000 per year, paid quarterly. These payments were made in 2004 to Messrs. DeHart and White and also to Marshall G. Webb (who resigned from the Board on April 18, 2005), David A. Melman and Craig P. Rothwell for the first three quarters of 2004. The retainer for the fourth quarter of 2004 was paid in 2005. Messrs. Melman and Rothwell did not stand for re-election to the Board in 2005. Each non-employee director that serves on the Audit Committee receives an additional $5,000 per year, and $7,500 per year for being the Committee Chairman. Each non-employee director that serves on the Compensation Committee or the Corporate Governance Committee receives an additional $2,000 per year, and $3,000 per year for being the Committee Chairman. All retainers are paid quarterly.

In addition to the retainers that are paid to the Board and Committee members, the Company pays a fee of $500 per Committee member for each Committee meeting attended by such member. Each Board member will receive $2,500 for each Board meeting attended in person (not telephonically) and called by the Chairman of the Board and $1,000 for telephonic meetings.

Each person who becomes a non-employee director is granted an option to purchase 10,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on the date such person becomes a director.

Additionally, each year that the Plan is in effect and a sufficient number of shares of Common Stock are available thereunder, each person who is a non-employee director on the day following the annual meeting of the Company s stockholders will be granted an option to purchase 5,000 shares of Common Stock at an exercise price equal to the fair market value of the Common Stock on such date. All such options become fully exercisable on the first anniversary of their date of grant and expire on the tenth anniversary thereof, unless the non-employee director ceases to be a director of the Company, in which case the exercise periods will be shortened. Messrs. DeHart, Melman, Rothwell and White received these earned options in 2004. Marshall Webb (who resigned on April 18, 2005) also received his earned options.

Executive Compensation

The following table sets forth all compensation information for the three years ended December 31, 2004, for the Company s Chief Executive Officer and all other executive officers whose total annual salary and bonus exceeded $100,000 (collectively, the Named Executive Officers). No other executive officer of the Company had a total annual salary and bonus exceeding $100,000 during 2004.

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SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS		
	YEAR	SALARY	BONUS	NO. OF SHARES UNDERLYING OPTIONS/SARS GRANTED	NO. OF SHARES RESTRICTED STOCK AWARDS	ALL OTHER COMPENSATION (1)
James C. Eckert President and Chief Executing Officer	2004	$ 203,500(2)	$ 261,222			$ 79,200
	2003	$ 150,000	$	60,000	200,000	$
	2002	$ 113,750	$ 91,625			$
G. Darcy Klug Executive Vice President	2004	$ 165,100(2)	$ 182,222			$ 64,072
	2003	$ 115,000	$	40,000	161,800	$
	2002	$ 83,000	$ 37,500			$

(1) Amounts paid in 2004 represent tax equalization payments paid in connection with certain restricted stock issued pursuant to the Restricted Stock Incentive Agreements more fully described herein.

(2) Includes $20,833 each, of retroactive salary payments for the year ended December 31, 2003, but not paid until 2004 for Mr. Eckert and Mr. Klug.

2003 Restricted Stock Incentive Agreement

Effective December 1, 2003, we entered into Restricted Stock Incentive Agreements, as amended, with Messrs. Eckert and Klug for the award of 200,000 shares and 161,800 shares, respectively, under the terms and conditions of the Fifth Amended and Restated OMNI Energy Services Corp. Stock Option Plan (the Plan). Under the terms of the amended Restricted Stock Incentive Agreement, 25% of such shares vested and were issued immediately on the day following our 2004 Annual Stockholder Meeting and the additional 75% of such shares vested on November 30, 2004. Of the remaining vested but restricted shares, 50% were issued unrestricted on the day following our 2005 Annual Stockholder Meeting and 50% will be issued unrestricted on the day following the 2006 Annual Stockholder Meeting.

2004 Stock-Based Award Incentive Agreement

We also entered into Stock-Based Award Incentive Agreements (hereinafter SBA) with our executive officers on June 30, 2004. The SBA shall become computed and payable: (a) on the date of the Employee s termination of employment (for any reason other than resignation or termination for cause), (b) 90 days after the executive s death or disability or (c) upon a Change in Control. The executive managers were awarded 55% and 45%, respectively, of: (1) 10% of the fair market value (hereinafter FMV), defined as the average closing price per share on the Nasdaq National Market over the five prior trading days times the number of issued and outstanding shares of the Company, of a share of the Company s common stock greater than or equal to $1.00 but less than $1.50, plus (2) 15% of the FMV of a share of the Company s common stock greater than or equal to $1.50 but less than $2.50, plus (3) 20% of the FMV of a share of the Company s common stock greater than or equal to $2.50 but less than $10.00, plus (4) 15% of the FMV of a share of the Company s common stock greater than or equal to $10.00 but less than $20.00, plus (5) 10% of the FMV of a share of the Company s common stock greater than or equal to $20.00. If no payments have been made, the right terminates on December 31, 2008 or upon

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termination of employment or resignation or cause, whichever occurs first. The intrinsic value of this award at was $1.4 million and $2.1 million at December 31, 2004 and June 30, 2005, respectively. No compensation expense has been recorded at December 31, 2004 and June 30, 2005 because the expense is contingent on future events, none of which are considered probable at December 31, 2004 and June 30, 2005. At this time, Mr. Eckert and Mr. Klug are the only executive officers participating in the SBA.

During 2004, no stock appreciation rights and no stock options were granted to executive officers.

Stock Option Holdings

The following table sets forth information, as of December 31, 2004, with respect to stock options held by the Named Executive Officers. None of the Named Executive Officers exercised any options to purchase Common Stock in 2004.

AGGREGATE OPTION VALUES AT YEAR END

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR END (1)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR END (2)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
James C. Eckert	356,656	35,010	$ 389,736	$
G. Darcy Klug	149,993	23,340	$ 315,281	$

(1) Does not include 128,205 shares of common stock for each of Messrs. Eckert and Klug issuable upon the conversion of the Series C Preferred Stock or 327,500 shares of common stock for each of Messrs. Eckert and Klug issuable upon the exercise of warrants issued in connection with the Series C Preferred Stock.

(2) The closing sale price of the Common Stock on December 31, 2004 was $1.94 per share, as reported by the Nasdaq National Market.

Equity Compensation Plan Information

The following table gives information about the Company s common stock that may be issued upon the exercise of options, warrants and rights under all of our existing equity compensation plans as of December 31, 2004, including the Plan and the 1999 Stock Option Plan.

PLAN CATEGORY	(A) NUMBER OF SECURITIES TO BE ISSUED UPON THE EXERCISE OF	(B) WEIGHTED AVERAGE EXERCISE PRICE OF	(C) NUMBER OF SECURITIES REMAINING AVAILABLE FOR	(D) TOTAL OF SECURITIES REFLECTED IN COLUMNS (A)

	OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMNS (A) & (B)	& (C)
Equity Compensation Plans Approved by Stockholders	1,415,181	$ 2.65	1,084,819	2,500,000
Equity Compensation Plans Not Approved by Stockholders	69,578	$ 2.33	30,422	100,000
Total	1,484,759	$ 2.63	1,115,241	2,600,000

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Executive Employment Agreements

Mr. Eckert and Mr. Klug have employment agreements with the Company that are in effect until December 31, 2008 with automatic extensions for additional, successive one year periods commencing January 1, 2009, unless either party gives notice of non-renewal as provided for under the terms of the employment contracts. Annual base salaries for Mr. Eckert and Mr. Klug are $200,000 and $165,000, respectively, effective April 1, 2004.

If the Company terminates either of Mr. Eckert s or Mr. Klug s employment without cause (except as provided in the Plan), then the Company shall, and only if and as long as Mr. Eckert or Mr. Klug (as applicable, employee) is not in breach of his obligations under the employment agreement, promptly pay or otherwise provide to employee, in addition to those amounts set forth in the Plan: (i) an amount equal to employee s monthly annual base salary then in effect, payable semi-monthly and in accordance with the Company s normal payroll practices, for a period equal to the lesser of thirty (30) months or the number of months remaining in the Initial Period or the Additional Period (both defined in the employment contract); (ii) an annual bonus calculated on a daily pro-rata basis to the bonus which would otherwise be payable under the Plan; and (iii) an amount in cash equal to the fair market value, on the date of termination of employment, of any vested, but restricted, shares granted employee and the amount of any non-vested stock-based award granted to employee on November 4, 2003 pursuant to the Incentive Agreement of even date therewith. The above payment operates as a full settlement of the Company s obligations to employee under his employment agreement in the event of a termination without cause.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth, as of October 11, 2005, unless otherwise indicated below, certain information regarding beneficial ownership of Common Stock by (i) each of the Named Executive Officers (as defined below in Annual Compensation), (ii) each director and nominee for director of the Company, (iii) all of the Company s directors and executive officers as a group and (iv) each stockholder known by the Company to be the beneficial owner of more than 5% of the outstanding Common Stock, all as in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. Unless otherwise indicated, the Company believes that the stockholders listed below have sole investment and voting power with respect to their shares based on information furnished to the Company by such stockholders.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF OUTSTANDING COMMON STOCK
Dennis Sciotto 7315 El Fuerte Street Carlsbad, CA 92009	7,806,853(1)	35.6%
Dennis R. Sciotto Family Trust	7,789,171(2)	35.5%
Elliot Associates, L.P. 712 Fifth Avenue 36th floor New York, NY 10019	1,982,594(3)	13.0%
Portside Growth and Opportunity Fund	934,834(4)	6.2%

Chrysler Center 666 Third Ave. 26th floor

New York, NY 10017

James C. Eckert	566,556(5)	3.7%
Edward E. Colson, III	886,256(6)	5.7%
Edward Colson, III Trust	884,256(7)	5.6%
Michael G. DeHart	33,333(8)	*
Richard C. White	31,666(9)	*
G. Darcy Klug	897,795(10)	5.7%
Shawn L. Rice	69,166(11)	*
All directors, executive officers as a group (7 persons)	10,291,625(12)	42.8%

* Less than one percent.

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(1) Includes shares held by the Dennis R. Sciotto Family Trust referred to in note (2). Mr. Sciotto is the trustee for the Trust referred to in note (2). Also includes shared voting power with respect to 17,682 shares of common stock.

(2) Includes sole voting power with respect to 7,789,171 shares of common stock (which includes (i) 1,948,718 shares issuable upon conversion of Series C 9% Convertible Preferred Stock, (ii) 4,978,000 shares issuable upon the exercise of warrants currently exercisable, and (iii) 50,769 shares issuable upon conversion of Series C 9% Convertible Preferred Stock dividends paid in kind).

(3) Based on a filing made with the SEC reflecting ownership of common stock as of May 18, 2005. Of these shares, (i) 1,085,037 are held by Elliott Associates, L.P., (ii) 127,557 are held by Elliot International Capital Advisors Inc. and Elliot International, L.P., wholly-owned subsidiaries of Elliot Associates, L.P., 500,000 shares issued to Manchester Securities and 270,000 shares issuable upon the exercise of warrants exercisable within sixty days.

(4) Based on 799,834 shares of common stock issued and 135,000 shares issuable upon the exercise of warrants currently exercisable within sixty days.

(5) Includes (i) 128,205 shares issuable upon conversion of Series C 9% Convertible Preferred Stock and 327,500 shares issuable upon the exercise of warrants currently exercisable, (ii) 571,650 shares issuable upon the exercise of options and restricted stock grants currently exercisable or exercisable within sixty days, and (iii) 2,564 shares issuable upon conversion of Series C 9% Convertible Preferred Stock dividends paid in kind.

(6) Includes shares held by the Edward Colson III Trust referred to in note (7). Mr. Colson is the trustee for the Trust referred to in note 7 below. Also includes 2,000 shares owned by virtue of his 25% ownership in Carlsbad Equity Group.

(7) Includes (i) 205,128 shares issuable upon conversion of Series C 9% Convertible Preferred Stock, (ii) 524,000 shares issuable upon the exercise of warrants currently exercisable, (iii) 5,128 shares issuable upon conversion of Series C 9% Convertible Preferred Stock dividends paid in kind, and (iv) 150,000 shares of common stock.

(8) Includes 28,333 shares issuable upon the exercise of options currently exercisable or exercisable within sixty days.

(9) Includes 31,666 shares issuable upon the exercise of options currently exercisable or exercisable within sixty days.

(10) Based on (i) 128,205 shares issuable upon conversion of Series C 9% Convertible Preferred Stock and 327,500 shares issuable upon the exercise of warrants currently exercisable, (ii) 321,789 shares issuable upon the exercise of options and restricted stock grants currently exercisable or exercisable within sixty days, and (iii) 3,590 shares issuable upon conversion of Series C 9% Convertible Preferred Stock dividends paid in kind.

(11) Includes 69,166 shares issuable upon the exercise of options currently exercisable or exercisable within sixty days.

(12) Includes 10,291,625 shares that such persons have the right to receive upon the conversion of Series C 9% Convertible Preferred Stock, the exercise of warrants and the exercise of options currently exercisable or exercisable within sixty days, and shares issuable upon conversion of Series C 9% Convertible Preferred Stock dividends paid in kind.

Certain Relationships and Related Transactions

During the years ended December 31, 1999, 2000 and 2001, we privately placed with an affiliate subordinated debentures totaling $7.5 million, $3.4 million and $1.5 million, respectively. The debentures matured five years from their date of issue and accrued interest at various rates ranging from a fixed rate of 12% per annum to a variable rate of interest starting at 12% per annum and escalating to 20% per annum. In October 2000, we agreed to convert $4.6 million of the subordinated debentures into our Series A Preferred. In May 2001, we agreed to pay the affiliate $3.0 million cash plus issue to the affiliate $4.6 million of the Company s Series B Preferred in satisfaction of all of the remaining outstanding subordinated debentures including accrued interest of $1.8 million. This transaction resulted in the affiliate agreeing to forgive $1.0 million of indebtedness, which was reflected as a capital contribution from the affiliate rather than as income in the accompanying financial statements. The proceeds were used to redeem $8.2 million of the Series A Preferred outstanding, including accrued dividends. The remaining 25 shares of Series A Preferred were redeemed in April 2004 for $0.03 million. At December 31, 2004 there are no Series A Preferred shares outstanding. During the first quarter of 2004, we redeemed 2,286 shares of the Series B Preferred for $2.4 million, including accrued dividends. In April 2004, we redeemed 2,285 shares of the total of 2,314 shares of the Series B Preferred outstanding for $2.5 million, including accrued dividends. At December 31, 2004, 29 shares of Series B Preferred remain outstanding.

In connection with the original issuance of the subordinated debentures, we issued to the affiliate detachable warrants to purchase 1,912,833 shares of our common stock, of which 293,055 shares were transferred in 2003 to settle certain litigation (See Note 9 to the accompanying December financial statements included herein) and 858,678 shares were cancelled. The balance of 761,100 shares was exercised during the first quarter of 2004 at an exercise price of $2.25.

During 2003, we entered into an agreement to facilitate the private placement of approximately 1,650,000 shares of our common stock owned by an affiliate and certain investors. The sale of the stock covered by this agreement closed during the fourth quarter of 2003, resulting in our receipt of $0.4 million cash which was recorded as a reduction in our general and administrative expenses during 2003.

During 2003, in order to facilitate a settlement of ongoing litigation between certain of our affiliates, we agreed to re-price and extend the maturity dates of certain warrants owned by the defendant affiliates but transferred in settlement of the litigation to the plaintiff affiliates. The exercise prices of the transferred warrants ranged from $2.25 $6.00 per share. The maturity dates of the transferred warrants ranged from November 1, 2004 to July 1, 2005. The transferred warrants were re-priced at $1.54 per share and the maturity dates were extended to November 1, 2006. Accordingly, during 2003 we recorded a non-cash charge of approximately $0.1 million representing the differences in the fair market value of the originally issued warrants and the re-priced warrants. At December 31, 2004, 10,283 of the $1.54 re-priced warrants were outstanding.

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The following table summarizes the exercise prices and the number of warrants as of December 31, 2004:

Exercise Price	Warrants
$1.54	10,283
$2.25	21,666
	31,949

On May 17, 2005, we entered into a Securities Purchase Agreement with certain of the Company s affiliates and executive officers to issue up to $5.0 million of Series C Preferred Stock as more fully described above. Our Series C Preferred Stock is convertible into our common stock at a conversion price of $1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between $1.95 and $3.50 per share. The transactions contemplated by the Securities Purchase Agreement close in two tranches. On May 17, 2005, the closing date of the first tranche, the Company issued an aggregate of 3,500 shares of Series C Preferred Stock and warrants to acquire 4,585,000 shares of the Company s common stock, in exchange for $3,500,000. Subject to the terms and conditions set forth in the Securities Purchase Agreement, the second tranche closed on August 29, 2005, at which time the remainder of the Series C Preferred Stock and warrants were issued.

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Selling Stockholders

This prospectus related to the offering and sale, from time to time, of up to 9,613,670 shares of our common stock by the stockholders named in the table below, which number of shares represents the number of shares that could be issued upon conversion of the Series C 9% Convertible Preferred Stock, exercise of the warrants sold to the selling stockholders and conversion of the Series C 9% Convertible Preferred Stock issued as payment in kind dividends on the Preferred Stock. All of the selling stockholders acquired the Series C 9% Convertible Preferred Stock and warrants from us in private transactions. Any issuance of shares of common stock upon conversion of the Series C 9% Convertible Preferred Stock or exercise of the warrant will be made pursuant to a private transaction.

Pursuant to a Registration Rights Agreement, dated as of May 17, 2005, as amended by Amendment No. 1 to Registration Rights Agreement dated effective as of July 16, 2005, and Amendment No. 2 to Registration Rights Agreement dated effective as of September 14, 2005, by and among the selling stockholders and us, we have granted the selling stockholders certain registration rights with respect to the shares of our common stock to be issued upon conversion of the Series C 9% Convertible Preferred Stock and exercise of the warrants. The Registration Rights Agreement, as amended by Amendment No.1 to Registration Rights Agreement, and Amendment No. 2 to Registration Rights Agreement, requires that this registration statement be filed no later than one hundred seventy five days from May 17, 2005. The sole effect of Amendment No. 1 and Amendment No. 2 was to extend the filing deadline of the registration statement. In the event that this registration statement is not declared effective by the Securities and Exchange Commission within 90 days after its filing, we may be required to pay as liquidated damages to the selling stockholders an amount equal to 2% of the purchase price of the registrable securities then held by the selling stockholders and the amount by which the warrants are in the money, for each thirty day period (prorated for partial periods) until this registration statement is declared effective by the Securities and Exchange Commission. The table below sets forth certain information, as of October 11, 2005 and as adjusted to reflect the sale of the shares offered hereby, regarding the beneficial ownership of our common stock by all of the selling stockholders. The information set forth below is based on information provided by the selling stockholders. James C. Eckert is our President and Chief Executive Officer and G. Darcy Klug is our Executive Vice President. The Dennis R. Sciotto Family Trust beneficially owns approximately 35.5% of the Company s outstanding common stock. Mr. Sciotto represents the Trust in matters related to the shares. Pursuant to the Securities Purchase Agreement between us and the selling stockholders, we appointed Dennis R. Sciotto and Edward E. Colson to our Board of Directors on June 13, 2005. None of the other selling stockholders have had a material relationship with us or any of our predecessors or affiliates within the past three years, other than as a result of ownership of our shares.

The selling stockholders may from time to time offer the shares of common stock offered by this prospectus. The following table assumes that the selling stockholders (i) have converted all of Series C 9% Convertible Preferred Stock and exercised all of the warrants held by them, (ii) sell all of the shares offered by them in the offering pursuant to this prospectus, and (iii) neither dispose of nor acquire any additional shares. We do not know when or in what amounts the selling stockholders may offer shares for resale and we cannot assure you that the selling stockholders will sell any or all of the shares offered by this prospectus.

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Selling Stockholders	Number of Shares Beneficially Owned Prior to the Offering	Percentage of Outstanding Common Stock Beneficially Owned prior to the Offering	Number of Shares Covered by this Prospectus	Number of Shares Beneficially Owned After the Offering	Percentage of Outstanding Common Stock Beneficially Owned if all Offered Shares are Sold
The Dennis R. Sciotto Family Trust Dated December 19, 1994	7,789,171(1)	35.5%	7,306,391	811,684	3.3%
Edward E. Colson, III Trust dated January 2, 1995	884,256(2)	5.6%	769,092	150,000	0.6%
Jimit Mehta	711,897(3)	4.6%	576,822	161,460	0.7%
James C. Eckert	768,208(4)	4.9%	336,478	446,650(6)	1.8%
G. Darcy Klug	897,795(5)	5.7%	624,887	301,789(7)	1.2%
Total	11,051,327	44.8%	9,613,670	1,871,583	7.6%

(1) Includes 4,978,000 shares issuable upon exercise of warrants, 1,948,718 shares issuable upon conversion of preferred stock and 50,769 shares of Preferred dividends paid in kind.

(2) Includes 524,000 shares issuable upon exercise of warrants, 205,128 shares issuable upon conversion of preferred stock and 5,128 shares of Preferred dividends paid in kind.

(3) Includes 393,000 shares issuable upon exercise of warrants, 153,846 shares issuable upon conversion of preferred stock and 3,590 shares of Preferred dividends paid in kind.

(4) Includes 327,500 shares issuable upon exercise of warrants, 128,205 shares issuable upon conversion of preferred stock, 371,650 shares issuable upon exercise of options and 2,564 shares of Preferred dividends paid in kind.

(5) Includes 327,500 shares issuable upon exercise of warrants, 128,205 shares issuable upon conversion of preferred stock, 159,989 shares issuable upon exercise of options and 3,590 shares of Preferred dividends paid in kind.

(6) Includes 371,650 shares issuable upon exercise of options.

(7) Includes 159,989 shares issuable upon exercise of options.

The selling stockholders listed in the above table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their warrants or the underlying common stock since the date on which the information in the above table is presented. Information about the selling stockholders may change over time. Any changed information will be set forth in prospectus supplements.

We will adjust the conversion price of the Series C 9% Convertible Preferred Stock upon the occurrence of:

(1) an increase in the number of outstanding shares of common stock resulting from a stock dividend payable in shares of common stock or by a split-up of shares of common stock or other similar event; or

(2) a decrease in the number of outstanding shares of common stock resulting from a consolidation, combination or reclassification of shares of common stock or other similar event.

In the event that we are a party to any capital reorganization or reclassification of the common stock, or consolidation or merger of us with another entity (other than a merger with a wholly-owned subsidiary of us or a merger in which we are the surviving entity), or the sale of all or substantially all of our assets to another entity or similar event, lawful and fair provision will be made whereby the selling stockholders will have the right to convert shares of Series C 9% Convertible Preferred Stock and receive in lieu of the shares of our common stock immediately theretofore receivable upon the conversion of shares of Series C 9% Convertible Preferred Stock, such shares of stock, securities, assets or other consideration as may be issued or payable with respect to or in exchange for the number of outstanding shares of such common stock immediately theretofore receivable upon the conversion of the shares of Series C 9% Convertible Preferred Stock, had the reorganization, reclassification, consolidation, merger, or sale not taken place.

We will adjust the exercise price and number of shares issuable upon exercise of the warrants upon the occurrence of:

(1) subdivision or combination of common stock;

(2) our declaration or making of any distribution of its assets (or rights to acquire its assets) to holders of common stock as a partial liquidating dividend or otherwise (including any dividend or distribution to our stockholders in cash or shares (or rights to acquire shares) of capital stock of a subsidiary); or

(3) the sale by us of any shares of common stock for no consideration or for a consideration per share less than the exercise price of the warrants.

We agreed to file this registration statement to register shares for resale in recognition of the fact that the selling stockholders may wish to be legally permitted to sell their shares when they deem appropriate. We have agreed to prepare and file any amendments and supplements to the registration statement as may be necessary to keep the registration statement effective until (i) the date that all of the shares covered by such registration statement have been sold pursuant thereto or pursuant to Rule 144 or (ii) the date on which all of the shares covered by this registration statement may be immediately sold to the public under Rule 144(k) or any successor provision, assuming that all of the shares issuable pursuant to the exercise of the warrants are issued by means of a cashless exercise of the warrants.

Because the selling stockholders may offer all or some of their common stock from time to time, we cannot estimate the amount of common stock that will be held by any of them upon the termination of any particular offering.

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Plan of Distribution

The selling stockholders, their pledgees, donees, transferees or other successors in interest, may from time to time sell shares of our common stock directly to purchasers or indirectly to or through underwriters, broker-dealers or agents. The selling stockholders may sell all or part of their shares in one or more transactions at fixed prices, varying prices, prices at or related to the then-current market price or at negotiated prices. The selling stockholders will determine the specific offering price of the shares from time to time that, at that time, may be higher or lower than the market price of our common stock on The Nasdaq National Market.

The selling stockholders and any underwriters, broker-dealers or agents participating in the distribution of the shares of our common stock may be deemed to be underwriters within the meaning of the Securities Act of 1933, and any profit from the sale of such shares by the selling stockholders and any compensation received by any underwriter, broker-dealer or agent may be deemed to be underwriting discounts under the Securities Act. The selling stockholders may agree to indemnify any underwriter, broker-dealer or agent that participates in transactions involving sales of the shares against certain liabilities, including liabilities arising under the Securities Act.

Because selling stockholders may be deemed to be underwriters within the meaning of the Securities Act, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act. We have informed the selling stockholders that the anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to their sales in the market. With certain exceptions, Regulation M precludes the selling stockholders, any affiliated purchasers, and any broker-dealer or other person who participates in such distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase any security which is the subject of the distribution until the entire distribution is complete. Regulation M also prohibits any bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security.

The method by which the selling stockholders, or their pledgees, donees, transferees or other successors in interest, may offer and sell their shares may include, but are not limited to, the following:

- sales on The Nasdaq National Market, the over-the-counter market, or other securities exchange on which the common stock is listed at the time of sale, at prices and terms then prevailing or at prices related to the then-current market price;
- sales in privately negotiated transactions;
- sales for their own account pursuant to this prospectus;
- through the writing of options, whether such options are listed on an options exchange or otherwise through the settlement of short sales;
- cross or block trades in which broker-dealers will attempt to sell the shares as agent, but may position and resell a portion of the block as a principal in order to facilitate the transaction;
- purchases by broker-dealers who then resell the shares for their own account;

brokerage transactions in which a broker solicits purchasers;

any combination of these methods of sale; and

any other method permitted pursuant to applicable law.

Any shares of common stock covered by this prospectus that qualify for sale under Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than under this prospectus. The shares of our common stock may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states, the shares of our common stock may not be sold unless they have been registered or qualified for sale or the sale is entitled to an exemption from registration.

The selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of our common stock in the course of hedging the positions they assume with selling stockholders. The selling

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stockholders may also enter into options or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of the shares offered hereby, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

To the extent required by a particular offering, we will set forth in a prospectus supplement or, if appropriate, a post-effective amendment, the terms of such offering, including among other things, the number of shares of common stock to be sold, the public offering price, the names of any underwriters, dealers or agents and any applicable commissions or discounts. In addition, upon being notified by a selling stockholder that a donee or pledgee intends to sell more than 500 shares, a supplement to this prospectus will be filed.

To our knowledge, there are currently no plans, arrangements or understandings between any selling stockholder and any underwriter, broker-dealer or agent regarding the sale of shares of our common stock by the selling stockholders.

In connection with the private placements of the Series C 9% Convertible Preferred Stock and the warrants held by the selling stockholders, we have undertaken registration rights covenants requiring us to register the shares of common stock offered hereby and issuable upon the conversion or exercise of such securities, under applicable federal and state securities laws under certain circumstances and at certain times.

Our obligation to maintain a registration statement governing the shares registered for resale hereunder will terminate

- on the date that all of the shares covered by such registration statement have been sold pursuant thereto or pursuant to Rule 144; or

- on the date on which all of the shares covered by such registration statement may be immediately sold to the public under Rule 144(k) or any successor provision.

We are required to pay all fees and expenses incident to the registration of the shares. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act. We have been advised that, in the opinion of the SEC, indemnification of directors, officers or controlling persons for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

The selling stockholders will pay all fees, discounts and brokerage commissions in connection with any sales, including any fees to finders. We will pay all expenses of preparing and reproducing this prospectus, including expenses or compliance with state securities laws and filing fees with the SEC.

Under applicable rules and regulations under Regulation M under the Exchange Act, any person engaged in the distribution of the common stock may not simultaneously engage in market making activities, subject to certain exceptions, with respect to the common stock for a specified period set forth in Regulation M prior to the commencement of such distribution and until its completion. In addition and without limiting the foregoing, the selling stockholders will be subject to the applicable provisions of the Securities Act and the Exchange Act and the rules and regulations thereunder, including, without limitation, Regulation M, which provisions may limit the timing of purchases and sales of shares of the common stock by the selling stockholders. The foregoing may affect the marketability of the common stock offered hereby.

Each selling stockholder may be deemed to be an underwriter as such term is defined in the Securities Act, and any commissions paid or discounts or concessions allowed to any such person and any profits received on resale of the securities offered hereby may be deemed to be underwriting compensation under the Securities Act.

Our common stock is quoted on The Nasdaq National Market under the symbol OMNI.

There can be no assurance that any selling stockholder will sell any or all of the common stock pursuant to this prospectus. In addition, any common stock covered by this prospectus that qualifies for sale pursuant to Rule 144 of the Securities Act may be sold under Rule 144 rather than pursuant to this prospectus.

Description of capital stock

Our authorized capital stock consists of 50,000,000 shares of capital stock, of which 45,000,000 shares are common stock, $0.01 par value, and 5,000,000 shares are preferred stock, no par value. The following statements are brief summaries of our capital stock contained in our Amended and Restated Articles of Incorporation and Bylaws and Louisiana corporate law.

Common Stock

Our authorized common stock consists of 45,000,000 shares, $0.01 par value, of which 14,943,121 shares were issued and outstanding as of October 17, 2005. The issued and outstanding shares of common stock are, and the shares sold hereunder will be, fully paid and non-assessable. Holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders As of October 12, 2005 there were approximately 6,600 holders of record of our common stock. Among our common stock, each share of our common stock is entitled to equal dividend rights and to equal rights in our assets available for distribution upon liquidation. Our Articles of Incorporation and Bylaws do not provide for preemptive rights of the holders of our common stock.

Change of control provisions

We are subject to the provisions of Louisiana Business Corporation Law Section 132, which regulates the vote required for business combinations. A corporation may opt out of this provision by including in their original Articles of Incorporation a statement expressly electing not to be governed by this provision. Our Articles of Incorporation provide that we are not governed by Section 132.

In order to proceed with a business combination with an interested stockholder, we must obtain at least eighty percent of the votes entitled to be cast by the outstanding shares of voting stock of the corporation voting as a single group, and two-thirds of the votes entitled to be cast by holders of voting stock, other than voting stock held by the interested stockholder who is, or whose affiliate is, a party to the business combination, or by an affiliate or associate of the interested stockholder, voting together as a single voting group. An interested stockholder is defined as a beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting stock of the corporation, or as an affiliate of the corporation who at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding voting stock of the corporation. An affiliate is defined as a person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with a specified person.

Board of Directors vacancies

Our Bylaws authorize the Board of Directors, or the stockholders by vote at a special meeting, to fill vacant directorships. The number of directors constituting the Board of Directors may be set only by resolution of the incumbent directors. The Articles of Incorporation provide that so long as at least 2,000 shares of Series C Preferred Stock remain outstanding, the holders of a majority of the Series C Preferred Stock, voting as a separate class to the exclusion of all other classes of the Company s capital stock, shall be entitled to elect two directors to the Board to serve on the Board until their successors are duly elected by the holders of the Series C Preferred Stock or they are removed from office (with or without cause) by the holders of the Series C Preferred Stock. The Articles of Incorporation also provide that so long as at least 2,000 shares of Series C Preferred Stock remain outstanding, the Company shall not increase the number of persons on the Board of Directors above six

(6) without the affirmative vote of the holders of not less than a majority of the shares of Series C Preferred Stock, voting together as a single class. These provisions may deter a stockholder from increasing the size and gaining control of the Board of Directors by filling the resulting vacancies with its own nominees. However, except for our board members appointed by the holders of the Series C Preferred Stock as set forth in the preceding

sentence, at any time the holders of two-thirds of our stock, bonds, debentures and other obligations holding voting rights may vote to replace any or all of our board members with or without cause.

Advance notice requirements for director nominations

Our Amended and Restated Articles of Incorporation provide that stockholders seeking to nominate candidates for election as directors at our annual meeting of stockholders must provide timely notice of their intent in writing. To be timely, a stockholder s notice must be delivered to, or mailed and received at, our principal executive offices not less than 45 days nor more than 90 days prior to the date of an annual meeting or, if notice of the annual meeting is given less than 55 days prior to the scheduled date of the annual meeting, no later than the close of the business on the tenth day following the day on which such notice was mailed or the public disclosure providing notice was made. Our Articles of Incorporation also specify certain requirements as to the form and content of a stockholder s notice. These provisions may preclude our stockholders from making nominations for directors at our annual meeting of stockholders.

Authorized but unissued shares

Our authorized but unissued shares of common stock are available for future issuance without stockholder approval and may be utilized for a variety of corporate purposes. The existence of authorized but unissued common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise. If we issue such shares without stockholder approval and in violation of limitations imposed by The Nasdaq National Market or any stock exchange on which our stock may then be trading, our stock could be delisted.

Personal liability of directors and officers

As permitted by Louisiana law, our Amended and Restated Articles of Incorporation contain certain provisions eliminating the personal liability of the directors and officers to us and our stockholders for monetary damages for breaches of their fiduciary duties as directors or officers, except for (i) a breach of a director s or officer s duty of loyalty to us or our stockholders, (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) dividends or stock repurchases or redemptions that are illegal under Louisiana law and (iv) any transaction from which he or she receives an improper personal benefit. In addition, the Amended and Restated Articles of Incorporation provide that if Louisiana law is amended to authorize the further elimination or limitation of the liability of a director or officer, then the liability of the directors or officers shall be eliminated or limited to the fullest extent permitted by Louisiana law, as amended. These provisions pertain only to breaches of duty by directors or officers in such capacities and limit liability only for breaches of fiduciary duties under Louisiana corporate law and not for violations of other laws such as the federal securities laws.

Our Bylaws require us to indemnify our directors and officers against certain expenses and costs, fees, judgments, settlements and fines incurred in the defense of any claim to which they were made parties by reason of being or having been directors and officers, subject to certain conditions and limitations. We have been advised that, in the opinion of the SEC, indemnification of directors, officers or controlling persons for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

In addition, each of our directors and executive officers has entered into an indemnity agreement with us, pursuant to which we have agreed under certain circumstances to purchase and maintain directors and officers liability insurance. The agreements also provide that we will indemnify the directors and executive officers against any costs and expenses, judgments, settlements and fines incurred in connection with any claim involving a director or executive officer by reason of his position as a director or executive officer that are in excess of the coverage provided by such insurance; provided that the director or executive officer meets certain standards of conduct. Under the indemnity agreements, we are not required to purchase and maintain directors and officers liability insurance if it is not reasonably available or, in the reasonable judgment of the Board of Directors, there is insufficient benefit to us from the insurance.

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The Nasdaq National Market

Our common stock is traded on The Nasdaq National Market under the symbol OMNI.

Transfer agent and registrar

The transfer agent and registrar for our common stock is American Stock Transfer and Trust Company.

Legal matters

The validity of the shares of our common stock will be passed upon for us by Locke Liddell & Sapp LLP, Houston, Texas.

Experts

The consolidated statements of income, cash flows and changes in Stockholders equity and comprehensive loss of OMNI Energy Services Corp. and subsidiaries for the years ended December 31, 2000 and December 31, 2001 incorporated by reference in this registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated by reference herein. After reasonable efforts, we have not been able to obtain the consent of Arthur Andersen LLP to the incorporation by reference into this registration statement of each respective party s audit report regarding such financial statements. Under these circumstances, Rule 437a under the 1933 Act permits this prospectus to be filed without a written consent from Arthur Andersen LLP. The absence of such written consent from Arthur Andersen LLP may limit a stockholder s ability to assert claims against Arthur Andersen LLP under Section 11(a) of the 1933 Act for any untrue statement of a material fact contained in the financial statements audited by Arthur Andersen LLP or any omissions to state a material fact required to be stated in the financial statements.

The consolidated financial statements of OMNI Energy Services Corp. for the year ended December 31, 2002, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, Independent Registered Public Accounting Firm, as set forth in their report thereon appearing elsewhere herein, and has been included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of OMNI Energy Services Corp. for the year ended December 31, 2003, appearing in this Prospectus and Registration Statement have been audited by Fitts Roberts & Co., P.C., Independent Registered Public Accounting Firm, as set forth in their report thereon appearing elsewhere herein, and has been included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of OMNI Energy Services Corp. for the year ended December 31, 2004, appearing in this Prospectus and Registration Statement have been audited by Pannell Kerr Forster of Texas, P.C., Independent Registered Public Accounting Firm, as set forth in their report thereon appearing herein, and has been included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Where you can find more information

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. You may read and copy any document we file at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information about the public reference room. Our filings are also available over the Internet at the SEC s website at www.sec.gov. You may also visit the Company s website at www.omnienergy.com for information about the Company and recent events.

This prospectus is part of a registration statement that we have filed with the SEC to register the securities offered by this prospectus. The registration statement contains additional information about us and our securities. You may inspect the registration statement and exhibits at the SEC s public reference room or at the SEC s website.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring to those documents. The documents we incorporate by reference are considered to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede this incorporated information.

We also disclose information about us through current reports on Form 8-K that are furnished to the SEC to comply with Regulation FD. This information disclosed in these reports is not considered to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, is not subject to the liabilities of that section and is not incorporated by reference herein.

At your request, we will provide you with a free copy of any of these filings (except for exhibits, unless the exhibits are specifically incorporated by reference into the filing). You may request copies by writing or telephoning us at:

OMNI Energy Services Corp.

4500 NE Evangeline Thwy.

Carencro, Louisiana 70520

Attn: G. Darcy Klug

(337) 896-6664

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

OMNI ENERGY SERVICES CORP.

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED BALANCE SHEETS

	December 31, 2004	June 30, 2005
		(unaudited)
	(in thousands, except share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,043	$ 70
Trade receivables, net	7,824	7,092
Other receivables	62	45
Parts and supplies inventory	2,093	1,727
Prepaid expenses and other current assets	2,943	1,352
Deferred tax asset	1,492	492
Assets held for sale	108	108
Assets held for sale of discontinued operations	3,834	11,000
Current assets of discontinued operations	6,562	2,965
Total current assets	25,961	24,851
PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, net	18,965	17,223
Property, plant and equipment of discontinued operations, net	10,839	
Total property, plant and equipment, net	29,804	17,223
OTHER ASSETS:		
Goodwill	2,006	2,006
Customer intangible assets, net	1,620	1,570
Licenses, permits and other intangible assets, net	5,378	4,818
Other assets	907	2,657
Other non-current assets of discontinued operations	237	
Total other assets	10,148	11,051
TOTAL ASSETS	$ 65,913	$ 53,125

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED BALANCE SHEETS

	December 31, 2004	June 30, 2005
		(unaudited)
	(in thousands, except share amounts)	
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	7,967	5,467
Accrued expenses	2,379	1,570
Current maturities of long-term debt	6,394	3,729
Insurance notes payable	2,500	659
Line of credit	9,162	7,222
Convertible debentures	11,097	
Current liabilities of discontinued operations	3,384	2,292
Current maturities of long-term debt, discontinued operations	5,214	1,110
Total current liabilities	48,097	22,049
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	5,864	14,087
Other long-term liabilities	100	289
Long-term debt of discontinued operations, less current maturities	6,988	9,021
Total long-term liabilities	12,952	23,397
Total liabilities	61,049	45,446
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Convertible preferred stock, no par value, 5,000,000 shares authorized; 3,529 and 29 shares issued and outstanding at June 30, 2005 and December 31, 2004, respectively, liquidation preference of $1,000 per share	29	678
Common stock, $0.01 par value, 45,000,000 shares authorized; 13,909,565 and 11,679,565 issued and 13,638,219 and 11,408,219 outstanding at June 30, 2005 and December 31, 2004, respectively	117	139
Treasury stock, 271,346 shares, at cost, at June 30, 2005 and December 31, 2004	(529)	(529)
Preferred stock dividends declared	2	57
Additional paid-in capital	65,448	72,341
Accumulated deficit	(60,203)	(65,007)
Total stockholders equity	4,864	7,679
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 65,913	$ 53,125

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

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2005	2004	2005
	(in thousands, except per share amounts)			
Operating revenue	$ 8,593	$ 9,463	$ 16,655	$ 22,578
Operating expenses:				
Direct costs	6,558	6,145	12,773	14,284
Depreciation and amortization	847	1,134	1,695	2,487
General and administrative expenses	2,807	1,918	3,762	4,009
Total operating expenses	10,212	9,197	18,230	20,780
Operating income (loss)	(1,619)	266	(1,575)	1,798
Interest expense	501	630	769	1,278
Gain on debt extinguishment		(484)		(484)
Other (income) expense, net	118	15	147	(29)
Income (loss) from continuing operations before income taxes	(2,238)	105	(2,491)	1,033
Income tax expense				
Income (loss) from continuing operations	(2,238)	105	(2,491)	1,033
Income (loss) from discontinued operations, aviation transportation services segment, net of taxes	1,356	(2,136)	1,694	(2,862)
Loss on disposal of discontinued operation assets, net of taxes		(2,271)		(2,271)
Net loss	(882)	(4,302)	(797)	(4,100)
Dividends on preferred stock	(5)	(55)	(490)	(55)
Non-cash charge attributable to beneficial conversion feature of preferred stock		(649)		(649)
Net loss available to common stockholders	$ (887)	$ (5,006)	$ (1,287)	$ (4,804)
Basic loss per share:				
Income (loss) from continuing operations	$ (0.20)	$ (0.05)	$ (0.28)	$ 0.03
Income (loss) from discontinued operations,	0.12	(0.17)	0.16	(0.24)
Loss on disposal of discontinued operations,		(0.18)		(0.19)
Net loss available to common stockholders	$ (0.08)	$ (0.40)	$ (0.12)	$ (0.40)
Diluted loss per share:				
Income (loss) from continuing operations	$ (0.20)	$ (0.05)	$ (0.28)	$ 0.03
Income (loss) from discontinued operations	0.12	(0.17)	0.16	(0.24)
Loss on disposal of discontinued operations		(0.18)		(0.19)
Net loss available to common stockholders	$ (0.08)	$ (0.40)	$ (0.12)	$ (0.40)

Weighted average common shares outstanding:				
Basic	11,044	12,514	10,502	11,964
Diluted	11,044	12,514	10,502	11,996

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

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2005

(unaudited)

(in thousands, except share amounts)

	Preferred Stock		Common Stock		Treasury Stock
	Shares	Amount	Shares	Amount	Amount
BALANCE, December 31, 2004	29	$ 29	11,679,565	$ 117	$ (529)
Issuance of preferred stock and warrants, net of offering costs	3,500	649			
Stock based compensation			30,000		
Common stock issued in payment of debt			200,000	2	
Common stock issued in payment of debentures			2,000,000	20	
Preferred stock dividends					
Beneficial conversion feature associated with preferred stock					
Net loss					
BALANCE, June 30, 2005	3,529	$ 678	13,909,565	$ 139	$ (529)

	Preferred Stock Dividend Declared	Additional Paid-In Capital	Accumulative Deficit	Total
BALANCE, December 31, 2004	$ 2	$ 65,448	$ (60,203)	$ 4,864
Issuance of preferred stock and warrants, net of offering costs		2,683		3,332
Stock based compensation		9		9
Common stock issued in payment of debt		372		374
Common stock issued in payment of debentures		3,180		3,200
Preferred stock dividends	55		(55)	
Beneficial conversion feature associated with preferred stock		649	(649)	
Net loss			(4,100)	(4,100)
BALANCE, June 30, 2005	$ 57	$ 72,341	$ (65,007)	$ 7,679

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

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six Months Ended June 30,	
	2004	2005
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (loss) from continuing operations	$ (2,491)	$ 1,033
Income (loss) from discontinuing operations	1,694	(5,133)
Net loss	(797)	(4,100)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,380	3,010
Provision for doubtful accounts		231
Accretion of convertible debenture discount	282	
Stock based compensation	918	9
Loss on debt extinguishment		246
Loss on disposal of aviation transportation segment		2,271
Impairment of property, plant and equipment		505
Amortization of deferred loan cost		273
Gain on sale of fixed property, plant and equipment	(65)	(108)
Changes in operating assets and liabilities:		
Trade receivables	(2,155)	2,746
Other receivables	532	15
Parts and supplies inventory	(747)	167
Prepaid expenses and other current assets	543	1,757
Other assets	(141)	(189)
Accounts payable and accrued expenses	2,743	(4,787)
Other long-term liabilities	(80)	(97)
Net cash provided by operating activities	3,413	1,949
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions net of cash received	(6,983)	
Purchase of property, plant and equipment	(3,745)	(245)
Proceeds from disposal of property, plant and equipment	407	78
Proceeds from disposal of assets held for sale		573
Net cash provided by (used in) investing activities	(10,321)	406
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of preferred stock and warrants, net of offering costs		3,332
Proceeds from the issuance of convertible debentures	14,158	
Payment of convertible debentures		(3,404)
Redemption of preferred stock	(12,071)	
Payment of preferred stock dividends	(972)	
Proceeds from exercises of options and warrants	3,916	
Proceeds from the issuance of long-term debt	4,709	17,951

Principal payments on long-term debt	(3,350)	(17,303)
Deferred loan costs		(1,964)
Borrowings (payments) on line of credit, net	627	(1,940)
Net cash provided by (used in) financing activities	7,017	(3,328)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	109	(973)
Cash and cash equivalents, at beginning of period	572	1,043
Cash and cash equivalents, at end of period	$ 681	$ 70

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six Months Ended June 30,	
	2004	**2005**
	(in thousands)	
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	$ 654	$ 2,194
NON-CASH TRANSACTIONS:		
Equipment acquired under capital lease	$ 2,065	$
Discount on convertible debentures	$ 2,509	$
Non-cash transfer of assets from other receivable to equity	$ 1,661	$
Transfer of equipment to other receivable pending insurance settlement	$ 324	$
Net non-cash increase in deferred compensation liability and deferred compensation expense	$ 1,370	$
Non-cash transfer of deposit to acquisition costs	$ 150	$
Transfer of discontinued operations assets to assets held for sale	$	$ 11,000
Common stock issuance for extinguishment of convertible debentures	$	$ 3,200
Issuance of long-term debt for extinguishment of convertible debentures	$	$ 4,293
Common stock issuance for extinguishment of long-term debt	$	$ 375
Issuance of short-term debt for extinguishment of long-term debt	$	$ 1,000
Guaranty of future stock valuation for common stock issued	$	$ 285
Beneficial conversion feature associated with issuance of preferred stock	$	$ 649
Premiums financed with insurance carrier	$	$ 636
Exchange of assets held for sale for extinguishment of capital leases	$	$ 2,891
Transfer of inventory and property and equipment to assets held for sale	$	$ 51
Transfer of inventory to prepaid aviation repairs	$	$ 328
Dividends declared but not paid	$	$ 55

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

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OMNI ENERGY SERVICES CORP.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements included herein, which have not been audited pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods on a basis consistent with the annual audited statements. All such adjustments are of a normal recurring nature. The results of operations for interim periods are not necessarily indicative of the results that may be expected for any other interim period of a full year. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission on April 18, 2005, as amended on May 2, 2005 and July 1, 2005.

CHANGES IN ESTIMATES

Effective April 1, 2005, we changed the amortization periods of the intangibles acquired as part of the acquisition of all the issued and outstanding shares of Trussco, Inc. and all the membership interests in Trussco Properties, L.L.C. (collectively Trussco) from five years to various periods ranging from three to 20 years based on a valuation supported by a fairness opinion issued by an independent third party. We believe the revised amortization periods more properly match costs over the useful lives of these assets consistent with industry practice.

As a result of management s second quarter 2005 change in the amortization periods of the Trussco intangibles, amortization expense for 2005 decreased. The pro forma effect of this change in estimate is shown in the table below and reflects what net loss would have been had the changes in estimate not occurred (in thousands of dollars, except share amounts):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net loss available to common stockholders, as reported	$ (5,006)	$ (4,804)
Effect of change in estimate	(200)	(200)
Net loss available to common stockholders, pro forma	$ (5,206)	$ (5,004)
Net loss per common share as reported:		
Basic	$ (0.40)	$ (0.40)
Diluted	$ (0.40)	$ (0.40)

Net loss per common share - pro forma:				
Basic	$	(0.42)	$	(0.42)
Diluted	$	(0.42)	$	(0.42)

IMPAIRMENT OF LONG-LIVED ASSETS AND ASSETS HELD FOR SALE

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

Assets held for sale are recorded at the lower of their net book value or their net realizable value which is determined based upon an estimate of their fair market value less the cost of selling the assets. An impairment is recorded to the extent that the amount that was carried on the books is in excess of the net realizable value. Assets held for sale at June 30, 2005 are comprised of eight marsh buggies and two navigation systems. In addition, at June 30, 2005, the assets of the discontinued aviation transportation services segment are included in assets held for sale in the amount of $11.0 million. See Note 9 for additional information. Three helicopters held for sale at December 31, 2004 totaling $3.5 million were disposed of during the three months ended March 31, 2005 generating proceeds of $573,000 and the extinguishment of lease obligations of approximately $2.9 million. An impairment loss of $0.6 million related to these helicopters was recognized during the year ended December 31, 2004 and there was no gain or loss recorded upon their disposition.

During the quarter ended June 30, 2005, the aviation-related improvements at the Mouton Cove facility were deemed to be impaired as a result of the sale of the Company s aviation transportation services segment. A charge was recorded against operations in the amount of $0.5 million reflecting the impairment of the value of that facility. The facility was not included in the assets sold as part of the sale of the Company s aviation transportation services segment.

STOCK BASED COMPENSATION

We account for employee stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees . Accordingly, the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, permit the continued use of the method prescribed by APB No. 25 but require additional disclosures, including pro forma calculations of earnings and net earnings per share as if the fair value method of accounting prescribed by SFAS No. 123 had been applied. No stock-based compensation costs are reflected in net loss for the three and six months ended June 30, 2005 and 2004 other than compensation expense recorded on awards to certain executive management (See Note 4), as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. As required by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, which amended SFAS No. 123, the following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation. During the three and six months ended June 30, 2005, there were 181,000 options granted that required consideration under the provision of SFAS No. 123. The fair value of awards considered in the table below for the three and six months ended June 30, 2005 is the result of the vesting of previous stock based award grants. The pro forma data presented below is not representative of the effects on reported amounts for future years (in thousands, except share data).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2005	2004	2005
Net loss available to common stockholders, as reported	$ (887)	$ (5,006)	$ (1,287)	$ (4,804)
Add: stock-based employee compensation expense included in reported net loss, net of tax	918	9	918	9
Less: stock-based employee compensation expense determined under fair value based method for all awards granted, net of tax	(1,118)	(198)	(1,301)	(369)
Net loss available to common stockholders, pro forma	$ (1,087)	$ (5,195)	$ (1,670)	$ (5,164)
Net loss available to common stockholders, as reported:				

Basic	$ (0.08)	$ (0.40)	$ (0.12)	$ (0.40)
Diluted	$ (0.08)	$ (0.40)	$ (0.12)	$ (0.40)
Net loss available to common stockholders, pro forma:				
Basic	$ (0.10)	$ (0.42)	$ (0.16)	$ (0.43)
Diluted	$ (0.10)	$ (0.42)	$ (0.16)	$ (0.43)

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The weighted average fair value at date of grant for options granted during the first six months of 2004 was $5.40 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) average expected volatility 67%; (c) average risk-free interest rate of 2.58%; and (d) expected life of 6.5 years.

The weighted average fair value at date of grant for options granted during the first six months of 2005 was $1.50 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) average expected volatility 73%; (c) average risk-free interest rate of 3.4%; and (d) expected life of 6.5 years.

RECENTLY ISSUED UNIMPLEMENTED ACCOUNTING PRONOUNCEMENTS

On December 16, 2004, as amended on April 14, 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), Share-Based Payment (SFAS No. 123(R)). SFAS No. 123(R) will require companies to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. In addition, the adoption of SFAS No. 123(R) requires additional accounting and disclosure related to the income tax and cash flow effects resulting from share-based payment arrangements. SFAS No. 123(R) is effective beginning as of the first interim reporting period for fiscal years beginning after December 15, 2005. We are in the process of determining the impact of the requirements of SFAS No. 123(R). We believe it is likely that the financial statement impact from the implementation of the requirements of SFAS No. 123(R) will significantly impact our future results of operations and we continue to evaluate it to determine the degree of significance.

In December 2004, SFAS No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29 Accounting for Nonmonetary Transactions is effective for fiscal years beginning after June 15, 2005. This Statement addresses the measurement of exchange of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, and replaces it with an exception for exchanges that do not have commercial substance. The adoption of SFAS No. 153 is expected to have no impact on our consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 30. This statement changes the requirements for the accounting for and reporting of a change in accounting principle. This statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Adoption of SFAS No. 154 is not expected to have an effect on our consolidated financial statements.

NOTE 2. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment, net consists of the following at December 31, 2004 and June 30, 2005, respectively (in thousands):

	December 31, 2004	June 30, 2005

Land	$ 647	$ 647
Building and improvements	5,621	5,000
Drilling, field and support equipment	29,794	29,607
Aviation equipment	11,040	
Shop equipment	431	431
Office equipment	1,849	1,842
Vehicles	3,690	3,467
	53,072	40,994
Less: accumulated depreciation	(23,268)	(23,771)
Total property, plant and equipment, net	$ 29,804	$ 17,223

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NOTE 3. LONG-TERM DEBT AND LINE OF CREDIT

At December 31, 2004 and June 30, 2005, long-term debt consists of the following (in thousands):

	December 31, 2004	June 30, 2005
Notes payable to a finance company, variable interest rate at LIBOR plus 5.0% (7.42% at December 31, 2004 respectively) maturing July 31, 2006, secured by various property and equipment, repaid in full	$ 867	$
Notes payable to a bank with interest payable at Prime plus 1.75% (7.75% at June 30, 2005 and 6.75% at December 31, 2004) maturing July 31, 2023, secured by real estate	1,392	1,372
Notes payable to a finance company with interest at 10.24%, maturing May 18, 2008, secured by an aircraft, repaid in full	168	
Notes payable to a finance company with interest at 6.26%, maturing March 17, 2006, secured by various aircraft, repaid in full	1,697	
Notes payable to a bank with interest at 8.13%, maturing June 20, 2009, secured by aircraft (1) (a)	238	223
Notes payable to a finance company with interest at 8%, maturing February 10, 2013, secured by real estate	214	204
Notes payable to a bank with interest at 12% at December 31, 2004, maturing May 31, 2005, secured by various property and equipment, repaid in full	6,500	
Convertible promissory notes payable to certain former stockholders of Trussco, Inc. with interest at 5%, maturing in June 2007	3,000	1,000
Convertible promissory notes payable to certain former stockholders of Trussco, Inc., non-interest bearing, maturing in August 2005		1,000
Other debt	86	42
Capital lease payable to leasing companies secured by vehicles	1,198	939
Capital lease payable to finance companies secured by various aircraft	9,100	941
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, maturing May 13, 2008, unsecured		1,073
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, maturing May 13, 2008, unsecured		1,073
Subordinated promissory note to a former debenture holder with a fixed interest rate of 8%, maturing May 13, 2008, unsecured		2,146
Term A notes payable to a finance company, variable interest rate at LIBOR plus 6.5% (9.61% at June 30, 2005), maturing May 18, 2010, secured by various equipment (1)(b)		17,935
Total	24,460	27,948
Less: current maturities	(11,608)	(4,840)
Long-term debt, less current maturities	$ 12,852	$ 23,108

(1) As a result of the disposition of the aviation transportation services segment (see Note 9), certain debts were repaid with proceeds from the sale:

(a) the entire balance of this note was repaid with proceeds from the sale of the aviation transportation services segment during July 2005.

(b) $9.35 million of this note was repaid with proceeds from the sale of the aviation transportation services segment during July 2005.

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REVOLVING LINE OF CREDIT

We have a working capital revolving line of credit (the Line) with a bank. Availability under the Line is the lower of: (i) $15.0 million or (ii) the sum of eligible accounts receivable, as defined under the agreement, plus the lesser of: $2.0 million or 80% of the appraised orderly liquidation value of eligible inventory of parts and supplies. The Line accrues interest at the prime interest rate plus 1.5% (8.0% at June 30, 2005) and matures in May 2010. The Line is collateralized by accounts receivable and inventory. As of June 30, 2005, we had $7.2 million outstanding under the Line. Due to the lockbox arrangement and the subjective acceleration clause of the Line agreement, the debt under the Line has been classified as a current liability as of June 30, 2005 and December 31, 2004, as required by EITF 95-22, Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-box Arrangement. Furthermore, due to the Convertible Debentures (as defined below) being in default and cross default provisions within the Line agreement, the Line was in default at March 31, 2005. On May 18, 2005, we entered into the Senior Credit Facility, which cured the default in the Line and which is more fully described below.

SENIOR SECURED

On October 21, 2004, we completed a $6.5 million senior secured loan (Bridge Loan) with Beal Bank, SSB. The Bridge Loan accrued interest at the rate of 12% per annum, matured January 15, 2005 and was collateralized by specific seismic assets, certain assets of our subsidiary, Trussco, Inc. and three Bell helicopters. The proceeds were used to repay debt, pay the October 2004 Put Option payment on the Convertible Debentures, discussed below under Convertible Debentures, and for working capital purposes.

On January 21, 2005, we entered into a forbearance agreement on the Bridge Loan which increased the interest rate from 12% to 17% and extended the maturity to March 15, 2005. On May 2, 2005, we entered into a second agreement to extend the maturity date to May 31, 2005. The Bridge Loan restricted the payment of dividends and contained

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customary financial covenants requiring, among other things, minimum levels of tangible net worth, debt to EBITDA ratios, and limitations on annual capital expenditures and certain customer concentrations. This loan was repaid in full with proceeds from the Senior Credit Facility (see below) on May 18, 2005.

SENIOR CREDIT FACILITY

On May 18, 2005, we completed a $50 million equipment term financing (Term A Loan) and increased our Line to $15 million from its previous level of $12 million (with the Term A Loan, collectively referred to herein as the Senior Credit Facility). Under the terms of the Term A Loan, funding will be limited to the lesser of $50 million and the sum of (i) 85% of the orderly liquidation value of our aviation fleet; (ii) 75% of the orderly liquidation value of our seismic drilling and environmental equipment; and (iii) 50% of the fair market value of certain real estate. Proceeds from the Term A Loan were used to refinance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions under consideration. The Term A Loan matures in May 2010 and will be repaid quarterly in equal payments up to a 50% balloon at maturity date, with interest paid in arrears and accruing at the initial annual interest rate of 30-day LIBOR plus 6.5%. In conjunction with the disposition of the aviation transportation services segment (See Note 9), which closed in July 2005, the borrowing base was reduced to $30.0 million. Proceeds from the sale of the aviation transportation services segment were used to pay approximately $9.35 million on the Term A Loan during July 2005, leaving an outstanding balance of approximately $8.6 million.

CAPITAL LEASES

Prior to June 30, 2005, we had several capital leases for aircraft which generally had lease terms of 60 months at inception of the lease. Aircraft leases either contained a bargain purchase option at the end of the lease or a balloon amount due that can be refinanced over 36 months. From time to time, we acquired an aircraft through cash flows from operations or through the Line which is then sold to a financing company and leased back to us. These sales and lease back transactions were recorded as a capital lease and gains and losses incurred on the sale are deferred and amortized over the life of the lease term or the asset, which ever is shorter. These leases were paid in full with proceeds from the Term A Loan (see above). As mentioned in Note 9, we executed a definitive agreement to sell the equipment and related assets of our aviation transportation services segment for a cash price of $11.0 million on June 30, 2005. The assets which were held under capital lease at December 31, 2004 were sold in that transaction. During May 2005, proceeds from the borrowings under the Term A Loan were used to repay certain aviation leases outstanding at that time.

We also lease several vehicles used in our seismic drilling operations under 40-month capital leases.

Total cost and accumulated depreciation of aircraft and vehicles held under capital leases is as follows in thousands:

	December 31, 2004	June 30, 2005
Aircraft	$ 10,009	$
Vehicles	2,117	2,101
	12,126	2,101

Less: Accumulated depreciation	(1,154)	(963)
Capitalized cost, net	$ 10,972	$ 1,138

Depreciation expense for the three and six months ended June 30, 2005 and 2004 was approximately $0.1 million and $0.2 million and $0.1 million and $0.3 million, respectively, for all assets held under capital lease.

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CONVERTIBLE DEBENTURES

Pursuant to a Securities Purchase Agreement dated February 12, 2004, we issued (i) $10,000,000 in principal amount of 3-year, 6.5% fixed rate, Convertible Debentures (the Debentures) that are convertible into shares of common stock at an initial conversion price of $7.15 per share, (ii) 1-year common stock Series A Warrants to purchase an aggregate of 700,000 shares of Common Stock at an initial exercise price of $7.15 per share and (iii) 5-year Common Stock Series B Warrants to purchase an aggregate of 390,000 shares of Common Stock at an initial exercise price of $8.50 per share. The warrants were not exercisable for a period of six months and one day after the issue date of such warrants and in no event will the exercise prices of such warrants be less than $6.15 per share. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.9 million using the Black Scholes option pricing model. The value of these warrants was recorded as a debt discount with a corresponding amount recorded to paid in capital at the date of issuance. The issuance of the Debentures was pursuant to a private placement in reliance on Section 4(2) of the Securities Act of 1933.

On April 15, 2004, in accordance with the Securities Purchase Agreement, we issued (i) $5,050,000 in principal amount of 3-year, 6.5% fixed rate, Convertible Debentures (collectively with the aforementioned February 12, 2004 issuance hereinafter referred to as the Debentures) that are convertible into shares of common stock at an initial conversion price of $7.20 per share, and (ii) 5-year Common Stock Series A Warrants to purchase an aggregate of 151,500 shares of common stock at an initial exercise price of $9.00 per share. The warrants were not exercisable for a period of six months and one day after the issue date of such warrants and in no event will the exercise prices of such warrants be less than $7.11 per share. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.2 million using the Black Scholes option pricing model. The value of the warrants and beneficial conversion feature were recorded as a debt discount with a corresponding amount recorded to paid in capital at the date of issuance. The issuance of the Debentures was pursuant to a private placement in reliance on Section 4(2) of the Securities Act of 1933.

Total proceeds of $14.2 million were received from the issue of these Debentures, after expenses. Of the total proceeds received, $8.2 million was used to redeem the Series A Convertible 8% Preferred (the Series A Preferred) and dividends in February 2004, $4.9 million was used to redeem the Series B Convertible 8% Preferred (the Series B Preferred) and dividends in March and April 2004 and the balance used for working capital purposes (See Note 5).

The debt discounts for the February 12, 2004 and April 15, 2004 debentures were $0.9 million and $0.2 million, respectively. The debt discounts are being amortized to interest expense using the effective interest method over the period in which the debentures can be put to the Company. A total of $0.9 million is included in interest expense and $0.2 million is included in loss on extinguished debt related to the amortization of the debt discounts for the year ended December 31, 2004. There are no charges recorded against operations related to this transaction in the first six months of 2005.

Prior to maturity of the Debentures, the holders of the Debentures had the right to require the repayment or conversion of up to an aggregate of $13.17 million of the Debentures (the Put Option). We registered 5,012,237 shares effective June 30, 2004 covering the resale of common stock that may be issuable pursuant to the conversion of the Debentures and the exercise of the Put Option and all associated warrants, including additional shares that may be issuable due to adjustments for conversion price upon the Debenture conversion, payment of interest with shares and/or the exercise of warrants due to subdivision or combination of our common stock. Pursuant to the Debenture agreement, the registration of the related common stock triggered the ability of the Debentures holders to exercise the Put Option in ten consecutive non-cumulative and equal monthly installments equal to 8.75% of the face value of the Debentures ($1,316,875) beginning August 1, 2004. Accordingly the Debentures, net of debt discount, were classified as a current liability in the consolidated balance sheet at December 31, 2004. We received, and redeemed for cash, notices from the holders of the Debentures exercising their Put Option for August, September and October 2004. Upon receipt of the Debenture Holders intent to exercise a Put Option, we had the irrevocable option to deliver cash or, if certain conditions set forth in the Debentures are satisfied, shares of our common stock. If we elected to pay the Put Option with common stock, the underlying shares were valued at a 12.5% discount to the average trading price of our common stock for the applicable pricing period, as defined in the Debenture agreement. The number of shares we would deliver was equal to the value of the Put Option installment due divided by the fair market value of our common stock for the applicable pricing period discounted at 12.5%.

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As provided for in the terms of the applicable Securities Purchase Agreements, the Debenture holders received Put Option payments of $1.3 million in principal, plus accrued interest, each on August 5, 2004, on September 9, 2004 and on October 25, 2004. In accordance with APB Opinion No. 26 Early Extinguishment of Debt, we recorded $0.2 million as a loss on extinguishment of debt in 2004 as a result of the early extinguishment of these portions of the Debentures.

On October 8, 2004, we entered into an Amendment and Conditional Waiver Agreement (the Amendment) with the holders of the Debentures. Under the terms of the Amendment, the Debenture holders granted the Company, among other things, the right to pre-pay in cash all, but not less than all, of the outstanding Debentures held by each holder on or prior to November 15, 2004. In exchange for such right, we agreed to allow the holders of the Debentures to convert $2,000 of the principal amount of the April 15, 2004 Debentures into 200,000 shares of common stock at a revised conversion price of $0.01 per share. As a result of this conversion and in accordance with the requirements of SFAS No 84, Induced Conversions of Convertible Debt, an amendment to APB Opinion No. 26, we recorded $0.9 million in debt conversion expense in the fourth quarter of 2004.

On January 25, 2005, we filed suit in United States District Court, Western District of Louisiana (the 16(b) litigation) against the holders of our 6.5% Subordinated Convertible Debentures and other third parties (collectively, the Debenture Holders). The suit alleges violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. We believe the Debenture Holders acted together for the purpose of illegally acquiring, holding, voting or disposing our equity securities during relevant time periods and have exerted an adverse group influence on the Company and our equity securities. The suit seeks the disgorgement of profits realized by the Debenture Holders from their purchases and sales of our common stock.

On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside), notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). As a result of these alleged events of default, Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgement with respect to all amounts owed to it under the Portside Debentures.

On May 18, 2005, we entered into settlement and debt extinguishment agreements (Debenture Settlement Agreements) with each of the Debenture Holders in exchange for our dismissal of the lawsuit filed against the Debenture Holders (see Note 4). Under the terms of the Debenture Settlement Agreements, we agreed to (i) pay the Debenture Holders approximately $4.0 million cash; (ii) immediately issue the Debenture Holders 2.0 million shares of our common stock; and (iii) issue the Debenture Holders approximately $4.3 million of unsecured, subordinated promissory notes (Subordinated Debenture Notes). The Company recorded a gain on debt extinguishment of approximately $200,000 upon closing these transactions. The Subordinated Debenture Notes will be paid quarterly, with interest in arrears, over 36 months in level payments with interest accruing at the rate of 8% per annum. Execution of the Debenture Settlement Agreements extinguished the terms of the original Debentures and releases all parties from any future claims.

TRUSSCO NOTES

On June 30, 2004, we purchased Trussco for an aggregate acquisition price of $11.9 million, including $7.3 million in cash, $3.0 million in 5% convertible promissory notes payable to certain stockholders (Stockholder Notes) maturing in June 2007, a $1.0 million Earnout Note (see Note 4) and the assumption of approximately $1.6 million in debt and other liabilities. The Stockholder Notes can be prepaid at any time and are convertible into shares of our common stock at a price of $9.40 per share.

On May 18, 2005, we entered into early debt extinguishment agreements (Debt Extinguishment Agreements) with respect to $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note more fully described in Note 4. Under the terms of the Debt Extinguishment Agreements, we (i) immediately issued 0.2 million shares of our common stock; and (ii) will pay certain holders of the Stockholder Notes $1.0 million on or before August 16, 2005, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the contingent Earnout Note. The Company recognized a gain on debt extinguishment of $0.3 million upon closing the transaction.

At June 30, 2005, the Company has $1.0 million of Stockholder Notes outstanding bearing interest at 5% and maturing in June 2007 and $1.0 million of non-interest bearing notes, the latter of which the Company paid on or before August 16, 2005. At June 30, 2005, the Company also has a $2.0 million contingent Earnout Note payable.

INSURANCE NOTES PAYABLE

A portion of our property and casualty insurance premiums are financed through certain short-term installment loan agreements. The insurance notes are payable in monthly installments through September 2005 and accrue interest at rates ranging between 4.2% to 7.5%.

NOTE 4. COMMITMENTS AND CONTINGENCIES

INSURANCE

Trussco, Inc. maintained a self-insurance program for a portion of its health care and workers compensation costs. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and the estimated liability for claims incurred but not reported. As of June 30, 2005, the Company had $0.2 million of accrued liabilities related to workers compensation claims.

Management is not aware of any significant workers compensation claims or any significant claims incurred but not reported as of June 30, 2005.

SERIES A AND SERIES B PREFERRED STOCK LITIGATION

On February 13, 2004, we commenced litigation against Steven Stull, a former director, Advantage Capital Partners (ACP) and their respective insurers in the Civil District Court for the Parish of Orleans in the State of Louisiana. The suit requests the court to determine our right under the Company s Articles of Incorporation, as amended, to redeem the Series A Preferred Stock rather than to convert the shares into common stock. Furthermore, to the extent the court determines we did not have a right to redeem, rather than convert, the Series A Preferred, the suit requests the court to determine that the unanimous consent of the Board of Directors entered into on November 7, 2000 which, among other things, reduced the conversion price of the Series A Preferred from $2.50 to $0.75 (pre-split) per share, is null and void and without effect because it was accomplished by the defendants in violation of fiduciary duties and/or public policy and Louisiana law. We are seeking a declaration that we have the right to redeem, rather than convert, Series A Preferred. Alternatively, we seek (a) a declaration that the Unanimous Consent entered into on November 7, 2000 is null and void and without effect; or (b) damages back against Mr. Stull and the Advantage Capital Partners as a complete set-off to any additional dollars owed by us to ACP as a result of the November 7, 2000 actions.

On March 26, 2004, ACP and its affiliates filed a lawsuit in the United States District Court, Eastern District of Louisiana against us and certain of our executive officers. ACP and its affiliates are alleging that (i) we and the executive officers misrepresented material facts and failed to disclose material facts related to the intention to redeem our Series A Preferred and Series B Preferred, and (ii) the officers of the Company breached their fiduciary duties. They are claiming damages of approximately $30 million. We have agreed to indemnify our executive officers in this matter. Our total costs and legal expenses related to this lawsuit are not currently determinable. This lawsuit presents risks inherent in litigation including continuing expenses, risks of loss, additional claims, and attorney fee liability. We believe that the claims or litigation arising therefrom will have no material impact on us or our business and all disputes surrounding securities matters will likely be covered by our insurance. However, if this lawsuit is decided against us, and if it exceeds our insurance coverage, it could aversely affect our financial condition, results of operations and cash flows.

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DEBENTURE LITIGATION

On January 25, 2005, we filed suit in United States District Court, Western District of Louisiana (the 16(b) litigation) against the holders of our 6.5% Subordinated Convertible Debentures and other third parties (collectively, the Debenture Holders). The suit alleges violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. We believe the Debenture Holders acted together for the purpose of illegally acquiring, holding, voting or disposing our equity securities during relevant time periods and have exerted an adverse group influence on OMNI and our equity securities. The suit seeks the disgorgement of profits realized by the Debenture Holders from their purchases and sales of our common stock.

On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside) notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). As a result of these alleged events of default, Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgement with respect to all amounts owed to it under the Portside Debentures.

On May 18, 2005, we entered into Debenture Settlement Agreements with each of the Debenture Holders in exchange for our dismissal of the lawsuit filed against the Debenture Holders. Under the terms of the Debenture Settlement Agreements, we (i) paid the Debenture Holders approximately $4.0 million cash; (ii) immediately issued the Debenture Holders 2.0 million shares of our common stock and (iii) issued the Debenture Holders approximately $4.3 million of unsecured, subordinated promissory notes (Subordinated Debenture Notes). The Company recorded a gain of $200,000 upon closing of these transactions. The Subordinated Debenture Notes will be paid quarterly, with interest in arrears, over 36 months in level payments with interest accruing at the rate of 8% per annum. Execution of the Debenture Settlement Agreements extinguished the terms of the original Debentures and releases all parties from any future claims.

TRUSSCO, INC. EARNOUT

In connection with the acquisition of Trussco, we issued to certain former shareholders of Trussco a promissory note (Earnout Note) that will earn interest at a rate of 5% per annum of the amount owed. Under the terms of the Earnout Note, we agree to pay these shareholders on or before June 30, 2007, the lesser of (i) the amount of $3.0 million, or (ii) the sum of the product of 3.12 times Trussco s average annual EBITDA (earnings before interest, taxes depreciation and amortization) for the thirty-six month period ending December 31, 2006 less the sum of $9.0 million plus $1.5 million of Trussco long-term and former shareholder debt existing as of June 30, 2004 that we assumed.

On May 18, 2005, we entered into debt extinguishment agreements with respect to $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note. Under the terms of the Debt Extinguishment Agreements, we (i) immediately issued 0.2 million shares of our common stock; and (ii) paid certain holders of the Stockholder Notes $1.0 million on or before August 16, 2005, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note. The Company recognized a gain on debt extinguishment of $0.3 million upon closing this transaction.

At June 30, 2005, the Company has $1.0 million of Stockholder Notes outstanding bearing interest at 5% and maturing in June 2007 and $1.0 million of non-interest bearing notes outstanding to be paid by August 16, 2005. The Company also has $2.0 million of contingent Earnout Notes payable at June 30, 2005.

EXECUTIVE COMPENSATION AGREEMENTS

On June 30, 2004, we amended Restricted Stock Incentive Agreements with certain executive officers and executed Amended and Restated Incentive Agreements (collectively referred to hereinafter as the Incentive Agreements) that award stock and/or cash on various vesting dates. Under the terms and conditions of the Incentive Agreements, two executive officers received 40,454 shares and 50,000 shares, respectively. The stock was held in escrow, registered in the name of the executive officers, until it vested 100% on November 4, 2004. Tax equalization payments were also paid to the two executive officers totaling $0.1 million at June 30, 2004. The stock awards were valued at their fair market value at a price of $5.05 per share at June 30, 2004 and recorded, in full, as compensation expense totaling $0.5 million.

The Incentive Agreements also grant these executive officers the right to receive two cash payments each equal to the fair market value of 60,673 shares and 75,000 shares of our common stock, respectively, on the first business day following our annual stockholders meeting in 2005 and in 2006. The amounts of such stock-based awards to the executive officers on each vesting date may be paid in cash or, at the sole option of the Compensation Committee, in additional common stock, provided such shares are available for issuance pursuant to the terms of the Fifth Amended and Restated OMNI Energy Services Corp. Stock Incentive Plan (hereinafter the Plan). Such shares were not available until November 30, 2004, when the number of shares available under the Plan was approved by the stockholders to be increased. From June 30, 2004 until November 30, 2004 the awards were accounted for under FASB Interpretations (FIN) No. 28 Accounting for Stock Appreciation Right and Other Variable Stock Option or Award Plans as a variable plan, which requires that compensation will be measured at the end of each period at the quoted market price of a share of our common stock and the change in the value of the incentive awards be charged to expense. As such, the awards were revalued at the end of each reporting period at the quoted market price of a share of our common stock. At November 30, 2004, the market value of a share of our common stock was $2.93 resulting in compensation expense under variable accounting of $0.5 million to be recognized through that date. Effective November 30, 2004, the Company amended these incentive agreements to provide for 100% vesting of the restricted stock and have put into escrow the number of shares of common stock to settle the awards.

We also entered into Stock-Based Award Incentive Agreements (hereinafter SBA) with certain executive officers on June 30, 2004. The SBA shall become computed and payable: (a) on the date of the Employee s termination of employment (for any reason other than resignation or termination for cause), (b) 90 days after the executive s death or disability or (c) upon a change in control. The executive managers were awarded 45% and 55%, respectively, of: (1) 10% of the fair market value (hereinafter FMV), defined as the average closing price per share on the NASDAQ National Market over the five prior trading days times the number of issued and outstanding shares of the Company, of a share of the Company s common stock greater than or equal to $1.00 but less than $1.50, plus (2) 15% of the FMV of a share of the Company s common stock greater than or equal to $1.50 but less than $2.50, plus (3) 20% of the FMV of a share of the Company s common stock greater than or equal to $2.50 but less than $10.00, plus (4) 15% of the FMV of a share of the Company s common stock greater than or equal to $10.00 but less than $20.00, plus (5) 10% of the FMV of a share of the Company s common stock greater than or equal to $20.00. If no payments have been made, the right terminates on December 31, 2008 or upon termination of employment for resignation or cause, whichever occurs first. The intrinsic value of this award at June 30, 2005 is $2.1 million but no compensation expense has been recorded because the award is contingent on future events, none of which are considered probable at June 30, 2005.

In addition, we entered into employment contracts with certain key executive management effective until December 31, 2008 with automatic extensions for additional, successive one year periods commencing January 1, 2009, unless either party gives notice of non-renewal as provided for under the terms of the employment contracts.

On April 1, 2005, we entered into a restricted stock agreement with a member of executive management. The agreement resulted in the issuance of 30,000 shares of restricted common stock which vest at the rate of 6,000 shares per year beginning on January 17, 2005 and on each January 17th for the succeeding four years. The base value (fair value at date of issuance) of the shares is $1.45 per share. As the shares vest, their value is included in compensation expense. During the quarter ended June 30, 2005, compensation expense recorded in the financial statements related to this agreement approximately $9,000. At June 30, 2005, the remaining 24,000 shares of restricted stock were held in escrow.

In connection with the acquisition of Trussco, Inc. (see Note 7), we entered into employment contracts with three former Trussco stockholders effective until December 31, 2006 with automatic extensions for additional, successive one year periods commencing January 1, 2007, unless either party gives notice of non-renewal as provided for under the terms of the employment contracts. Two of these employment contracts were terminated during the three month period ended March 31, 2005.

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NOTE 5. STOCKHOLDERS EQUITY

PREFERRED STOCK

During the years ended December 31, 1999, 2000 and 2001, we privately placed with an affiliate subordinated debentures totaling $7.5 million, $3.4 million and $1.5 million, respectively. The debentures matured five years from their date of issue and accrued interest at various rates ranging from a fixed rate of 12% per annum to a variable rate of interest starting at 12% per annum and escalating to 20% per annum. In October 2000, we agreed to convert $4.6 million of the subordinated debentures into our Series A Preferred which is convertible into common stock of the company at a conversion price of $2.25 per share. In May 2001, we agreed to pay the affiliate $3.0 million cash plus issue to the affiliate $4.6 million of the Company s Series B Preferred in satisfaction of all of the remaining outstanding subordinated debentures including accrued interest of $1.8 million. The Series B Preferred are convertible into common stock of the Company at a conversion price of $3.75 per share. This transaction resulted in the affiliate agreeing to forgive $1.0 million of indebtedness, which has been reflected as a capital contribution from the affiliate rather than as income in the accompanying financial statements. The Series A Preferred and Series B Preferred earn dividends at a rate of 8% of which dividends of $484,000, $484,000 and $490,000 which were recorded during the years ended December 31, 2002, 2003 and 2004, respectively. In February 2004, we issued $10 million of 6.5% Subordinated Convertible Debentures (See Note 3). The proceeds were used to redeem $8.2 million of the Series A Preferred outstanding, including accrued dividends of $0.7 million. The remaining 25 shares of Series A Preferred were redeemed in April 2004 for $0.03 million. At June 30, 2005, there are no Series A Preferred outstanding. During the first quarter of 2004, we redeemed 2,286 shares of the Series B Preferred for $2.4 million, including accrued dividends of $0.1 million. In April 2004, we redeemed 2,285 shares of the total of 2,314 shares of the Series B Preferred outstanding for $2.5 million, including accrued dividends of $0.2. At June 30, 2005, 29 shares of Series B Preferred remain outstanding.

In connection with the original issuance of the subordinated debentures, we issued to the affiliate detachable warrants to purchase 1,912,833 shares of our common stock, of which 293,055 shares were transferred in 2003 to settle certain litigation and 858,678 shares were cancelled. The balance of 761,100 shares was exercised during the first quarter of 2004 at an exercise price of $2.25.

On May 17, 2005, we entered into a Securities Purchase Agreement with certain of the Company s affiliates and executive officers to issue up to $5.0 million of Series C 9% Convertible Preferred Stock (the Series C Preferred) in conjunction with the completion of the Senior Credit Facility more fully described in Note 3. Our Series C Preferred is convertible into our common stock at a conversion price of $1.95 per share and includes detachable warrants to purchase up to 6,550,000 additional shares of our common stock at exercise prices ranging between $1.95 and $3.50 per share. The conversion prices of our Series C 9% Convertible Preferred Stock and the warrant exercise prices were supported by a fairness opinion issued by a third party. The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, the closing date of the first tranche, the Company issued an aggregate of 3,500 shares of Series C Preferred Stock and warrants to acquire 4,585,000 shares of the Company s common stock, in exchange for $3.3 million, net of offering costs of $0.2 million. The proceeds of the issuance were allocated to the warrants and preferred stock based on the relative fair value of each instrument. The value attributed to the warrants was $2.9 million ($2.7 million net of offering costs) and was recorded as additional paid in capital while $0.6 million was the attributed value to the preferred stock. In addition, the conversion terms of the preferred stock result in a beneficial conversion feature valued at approximately $0.6 million. As a result, we recorded a one time charge to retained earnings for this amount representing a dividend to the preferred stockholders with the offset recorded in additional paid in capital. The second tranche closed on August 29, 2005, at which time we issued an aggregate of 1,500 shares of Series C 9% Convertible Preferred Stock and warrants to acquire up to 1,965,000 shares of common stock, in exchange for an aggregate of $1,500,000.

COMMON STOCK ISSUED

As discussed in Note 3, we issued 2,000,000 shares of common stock with a fair value of $3.2 million to the Debenture Holders as part of the conversion of the Debentures in connection with the settlement and extinguishment of the convertible debenture notes.

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As discussed in Note 3, we issued 200,000 shares of common stock with a fair value of $374,000 to certain former Trussco stockholders as part of the early extinguishment of certain Trussco Stockholder notes.

During the six months ended June 30, 2005, pursuant to our Stock Incentive Plan, we issued 30,000 restricted shares of common stock to an employee with a fair value of $43,500. As of June 30, 2005, 6,000 of these shares have vested and been recognized as compensation expense.

EARNINGS PER SHARE

Basic earning per share (EPS) is determined by dividing income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if options, convertible debt and other contracts to issue shares of common stock were exercised or converted into common stock.

For the three and six months ended June 30, 2005, we had 964,552 and 999,719 common stock options outstanding, respectively, and warrants to purchase 5,948,166 and 5,948,166 shares of common stock, respectively, that were excluded from the calculation of dilutive EPS because they were anti-dilutive. For the Basic and Diluted EPS calculation as of June 30, 2005, we also had preferred stock convertible into 1,802,605 shares of common stock that were also excluded because their effects were antidilutive.

Likewise, we had 38,017 and 7,164 options outstanding, respectively, and warrants to purchase 1,241,500 and 1,241,500 shares of common stock, respectively, for the three and six months ended June 30, 2004 that were excluded from the calculation because they were anti-dilutive. For the Basic and Diluted EPS calculation as of June 30, 2004, we also had preferred stock convertible into 7,733 shares of common stock, debentures convertible into 2,099,990 shares of common stock and convertible promissory notes convertible into 319,149 shares of common stock that were excluded from the calculation because they were anti-dilutive.

The following table reconciles net loss available to common stockholders and common equivalent shares for the Basic EPS calculation to net loss available to common stockholders and common equivalent shares for the Diluted EPS calculation as of and for the three and six months ended June 30, 2005 and 2004, respectively:

	Three Months Ended			
	June 30, 2004		**June, 2005**	
	Dollars	**Shares**	**Dollars**	**Shares**
	(in thousands)			
Basic EPS net loss available to common stockholders and common equivalent shares	$ (887)	11,044	$ (5,006)	12,514
Add: Options, warrants and debentures convertible into common stock				
Diluted EPS net loss available to common stockholders and common equivalent shares	$ (887)	11,044	$ (5,006)	12,514

	Six Months Ended			
	June 30, 2004		June, 2005	
	Dollars	Shares	Dollars	Shares
	(in thousands)			
Basic EPS net loss available to common stockholders and common equivalent shares	$ (1,287)	10,502	$ (4,804)	11,964
Add: Options, warrants and debentures convertible into common stock				32
Diluted EPS net loss available to common stockholders and common equivalent shares	$ (1,287)	10,502	$ (4,804)	11,996

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NOTE 6. SEGMENT INFORMATION

SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. Currently, we conduct our operations principally in three segments Seismic Drilling, Aviation Transportation Services and Environmental Services, all of which operate exclusively in North America. The Seismic Drilling division is comprised of three segments Drilling, Survey and Permitting. The Aviation Transportation division and the Environmental Services division operate as stand alone segments. All remaining assets, primarily our corporate offices, warehouses and underlying real estate, also are located in North America.

The segment classified as corporate includes all other operating activities to support the executive officer, capital structure and costs of being a public registrant. These costs are not allocated to the business segments by management when determining segment profit or loss.

Drilling revenue is derived primarily from drilling and loading of the source points for seismic analysis. Aviation revenue is derived through transport of geophones and recorders used to collect the seismic data between receiving points, transport heli-portable drilling units into remote or otherwise inaccessible terrain, transport people and equipment to offshore oil and gas platforms and rigs. Survey revenue is recorded after the customer has determined the placement of source and receiving points, and after survey crews are sent into the field to plot each source and receiving point prior to drilling. Permitting revenue is derived from services provided in conjunction with obtaining permits from landowners. Environmental revenue is earned from tank and vessel cleaning. The following table shows segment information (net of intercompany transactions) as restated for discontinued operations for the three months and six months ended June 30, 2005 and 2004 (in thousands):

THREE MONTHS ENDED JUNE 30,	SEISMIC DRILLING	AVIATION TRANSPORTATION	ENVIRONMENTAL SERVICES	CORPORATE	TOTAL
2005					
Operating revenues	$ 4,985	$	$ 4,478	$	$ 9,463
Operating income (loss)	209		662	(605)	266
Interest expense			35	595	630
Depreciation and amortization	851		283		1,134
Loss on disposal of discontinued segment		(2,271)			(2,271)
Loss from discontinued operations		(2,136)			(2,136)
Identifiable assets	17,997	13,457	11,847	9,824	53,125
Capital expenditures			38		38
2004					
Operating revenues	$ 8,600	$	$	$ (7)	$ 8,593
Operating income (loss)	977			(2,596)	(1,619)
Interest expense				501	501
Depreciation and amortization	847				847
Income from discontinued operations		1,356			1,356
Identifiable assets	23,066	22,948	11,977	11,169	69,160
Capital expenditures	5	1,790		37	1,832

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SIX MONTHS ENDED JUNE 30,	SEISMIC DRILLING	AVIATION TRANSPORTATION	ENVIRONMENTAL SERVICES	CORPORATE	TOTAL
2005					
Operating revenues	$ 14,043	$	$ 8,535	$	$ 22,578
Operating income (loss)	2,329		812	(1,343)	1,798
Interest expense			74	1,204	1,278
Depreciation and amortization	1,708		779		2,487
Loss on disposal of discontinued segment		(2,271)			(2,271)
Loss from discontinued operations		(2,862)			(2,862)
Identifiable assets	17,997	13,457	11,847	9,824	53,125
Capital expenditures	67	140	38		245
2004					
Operating revenues	$ 16,662	$	$	$ (7)	$ 16,655
Operating income (loss)	1,730			(3,305)	(1,575)
Interest expense				769	769
Depreciation and amortization	1,695				1,695
Income from discontinued operations		1,694			1,694
Identifiable assets	23,066	22,948	11,977	11,169	69,160
Capital expenditures	50	3,620		75	3,745

Due to the sale of the aviation transportation services segment (see Note 9), the information presented in the tables above for the three and six months ended June 30, 2004 has been adjusted to give the effect of the disposition of the aviation transportation services segment as a discontinued operation.

NOTE 7. ACQUISITIONS

AMERICAN HELICOPTERS, INC.

On November 20, 2003, we purchased American Helicopters, Inc. (AHI) for an aggregate acquisition price of $5.4 million including $4.6 million of cash and the assumption of $0.8 million of certain liabilities. AHI operated 17 helicopters from base locations in Louisiana and Texas and was headquartered in Angleton, Texas. The infrastructure received through this acquisition significantly increased our ability to provide aviation services to oil and gas companies operating in the offshore waters in the Gulf of Mexico. The results of AHI s operations have been included in our consolidated financial statements since the acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed for the acquisition of AHI at the date of acquisition (in thousands):

BALANCE SHEET DATA

Current assets, including cash of $542	$ 2,129
Property, plant, and equipment	3,322
Current liabilities	(598)
Long-term liabilities	(213)
Cash purchase price	$ 4,640

In 2004, we made an adjustment to the purchase price for additional liabilities assumed since the date of acquisition totaling $0.2 million, which increased the total cash purchase price to $4.8 million. The adjustment increased property and equipment with an offsetting amount to current liabilities. Additional fees of $0.3 million associated with the acquisition were capitalized to intangibles and are being amortized over five years.

Subsequent to March 31, 2004, we elected to discontinue operating out of our Brazoria, Texas location. On June 30, 2005, a definitive agreement was signed to sell the remainder of the aviation transportation services segment (see Note 9).

TRUSSCO, INC.

On June 30, 2004, we purchased all of the issued and outstanding stock of Trussco, Inc. and all of the membership interests in Trussco Properties, L.L.C. (collectively Trussco) for an aggregate acquisition price of $11.9 million, including $7.3 million in cash, $3.0 million in 5% convertible promissory notes payable to certain stockholders (Stockholder Notes) maturing in June 2007 and the assumption of approximately $1.6 million in debt and other liabilities. The Stockholder Notes can be prepaid at any time and are convertible into shares of our common stock at a price of $9.40 per share. Trussco is a leading provider of dock-side and offshore tank, vessel, boat and barge cleaning services principally to major and independent oil and gas companies operating in the Gulf of Mexico. The acquisition will increase our revenue and customer base and offers cross-selling opportunities with our aviation transportation division. Correspondingly, $3.9 million was allocated to intangible assets attributable to customer lists and other industry-specific intangible assets. The results of Trussco operations are included in our consolidated financial statements since the date of the acquisition.

In connection with the acquisition of Trussco, we issued to certain former shareholders of Trussco an Earnout Note that will earn interest at a rate of 5% per annum of the amount owed. Under the terms of the Earnout Note, we agree to pay these shareholders on or before June 30, 2007, the lesser of (i) the amount of $3 million, or (ii) the sum of the product of 3.12 times Trussco s average annual EBITDA (earnings before interest, taxes depreciation and amortization) for the thirty-six month period ending December 31, 2006 less the sum of $9 million plus $1.5 million of Trussco long-term and former shareholder debt existing as of June 30, 2004 that we assumed.

On May 18, 2005, we entered into Debt Extinguishment Agreements with respect to $2.0 million of the Stockholder Notes and $1.0 million of the Earnout Note. Under the terms of the Debt Extinguishment Agreements, we (i) immediately issued 0.2 million shares of our common stock; and, (ii) paid certain holders of the Stockholder Notes $1.0 million on or before August 16, 2005, in full and complete satisfaction of $2.0 million of the Stockholder Notes and $1.0 million of the contingent Earnout Note. The Company recognized a gain on debt extinguishment of $0.3 million upon closing this transaction.

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

Current assets (includes cash of $427)	$ 3,618
Property and equipment	3,695
Other assets	19
Intangible assets	4,644
Current liabilities	(1,460)
Assumption of debt	(177)
Stockholder notes	(3,000)
Cash purchase price	$ 7,339

In July 2004, we incurred fees for merchant banking services provided during the Trussco acquisition. The fees were earned upon signing of final documents and the receipt of title to assets. The total fee included $0.5 million cash, increasing the cash purchase price to $7.8 million, 69,930 shares of restricted stock and five year common stock warrants to purchase 100,000 shares of common stock at an exercise price of $7.15. The restricted stock was valued at the common stock price on July 1, 2004 of $4.89 per share, or $0.3 million. The warrants are not exercisable for a period of one-year after the issue date of such warrants. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.2 million using the Black Scholes option pricing model. The total value of fees of $1.0 million were capitalized as part of the allocation of the purchase price and assigned to intangibles associated with the Trussco acquisition. These costs have been reclassified as goodwill and, accordingly, are not being amortized. Other intangible costs associated with the transaction are being amortized over various time periods ranging from three to twenty years.

The pro forma unaudited results summarized below reflects our consolidated pro forma results of operations as if Trussco was acquired on January 1, 2004:

	THREE MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2004
	(in thousands except per share amounts)	
INCOME STATEMENT DATA		
Operating revenue	$ 13,121	$ 26,128
Operating expenses	$ 14,729	$ 27,332
Loss from continuing operations available to common stockholders	$ (2,411)	$ (2,987)
Income from discontinued operations	1,356	1,694
Net loss available to common stockholders	$ (1,055)	$ (1,293)
Basic loss per common share:		
Loss from continuing operations available to common stockholders	$ (0.22)	$ (0.29)
Income from discontinued operations	0.12	0.16
Net loss available to common stockholders	$ (0.10)	$ (0.13)

Diluted loss per common share:		
Loss from continuing operations available to common stockholders	$ (0.22)	$ (0.29)
Income from discontinued operations	0.12	0.16
Net loss available to common stockholders	$ (0.10)	$ (0.13)

NOTE 8. INCOME TAXES

As of June 30, 2005, for income tax purposes, we had net operating loss carryforwards (NOLs) of approximately $51.3 million. The NOLs will expire commencing 2018. We account for income taxes under the provision of SFAS No. 109, which requires recognition of future tax benefits (NOLs and other temporary differences), subject to a valuation allowance based on more likely than not that such asset will be realized. In determining whether it is more-likely-than-not that we will realize such tax asset, SFAS No. 109 requires that all negative and positive evidence be considered (with more weight given to evidence that is objective and verifiable) in making the determination. SFAS No. 109 indicates that forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years ; therefore we determined that it was required by the provision of SFAS No. 109 to maintain a valuation allowance which is approximately $17.0 million at June 30, 2005. Future favorable adjustments to the valuation allowance may be required if and when circumstances change.

NOTE 9. DISCONTINUED OPERATIONS

On November 20, 2003, we purchased American Helicopters, Inc. (AHI), resulting in the acquisition of thirteen (13) helicopters and four (4) leased helicopters at bases located in Louisiana and Texas. AHI was strategically targeted and purchased for the infrastructure of aircraft, fueling stations, flight (customer) following and pilot and mechanic organizations.

We made the decision in July 2004, after owning AHI for approximately eight months, to exit from the Texas location in Brazoria County, to begin the withdrawal of business activity with AHI customers and to move all operations to our main operating facility in Louisiana. This strategy also fits with the planned completion of the Intracoastal City (Mouton Cove) facility as a central base of operations. Our planned strategy was to get all of our fleet under the OMNI Federal Aviation Agency 135 certificate and to market our flight services to larger independent and major independent customers. Our strategy was to service operators that require aircraft geared to crew change and larger passenger capacity such as Model 407s and S-76s, which allow for higher rates and use. The large operators work from Master Service Agreements which meet our needs for higher, more fixed pricing and fixed unit structures. The plan encompassed relocation of personnel, the elimination of certain duplicate positions, and the negotiation of early release of operating leases at the Brazoria County facility. The costs we will incur include travel and re-location costs for personnel who are relocated, costs associated with the transfer of aircraft to the 135 certificate, termination costs for personnel who are eliminated, any costs incurred to obtain an early release of operating leases at the Brazoria County facility and other direct costs related to the exit of this business group. As a result, in September 2004 we surrendered the AHI 135 Certificate.

On June 30, 2005, we executed a definitive agreement to sell the equipment and related assets of our aviation transportation services segment for a cash price of $11.0 million which subsequently closed on July 29, 2005. Accordingly, the disposition of the aviation transportation services segment has been accounted for as a discontinued operation in the accompanying financial statements as of and for the three and six months ended June 30, 2005. The assets of the aviation segment, which are included in the sale of the segment, are included in assets held for sale at June 30, 2005. Furthermore, amounts previously reported for the three and six months ended June 30, 2004 have been adjusted so that they are presented on a comparable basis.

Interest expense was allocated to the discontinued operations (aviation transportation services segment) in accordance with the provisions of the Emerging Issues Task Force (EITF) No. 87-24 Allocation of Interest to Discontinued

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Operations. The total amounts of interest expense included in income (loss) from discontinued operations is $0.4 million and $0.5 million for the three month periods ended June 30, 2005 and 2004, respectively, and $0.9 million and $0.6 million for the six month periods ended June 30, 2005 and 2004, respectively.

LOSS ON DISPOSAL OF AVIATION TRANSPORTATION SERVICES SEGMENT

As a result of the sale of the aviation transportation services segment on, we incurred a loss in the amount of $2.27 million. The table below presents the assets of the aviation transportation services segment which were removed from the balance sheet as a result of the sale (in thousands):

Inventory		$ 1,567
Other receivable		411
Prepaid expenses		411
Aircraft held for sale		370
Property, plant and equipment		11,079
Less: accumulated depreciation		(1,708)
Other assets, net of accumulated amortization		
Acquisition costs	$ 13	
Intangible assets	207	
Loan closing costs	921	
		1,141
Total book value of assets sold		$ 13,271

The loss on the disposal of the aviation division is calculated as follows (in thousands):

Proceeds from the sale	$ 11,000
Less: book value of assets sold	(13,271)
Loss on sale of aviation division	$ (2,271)

PROFORMA FINANCIAL STATEMENTS

The following is a pro forma consolidated balance sheet as of June 30, 2005 which gives the effect of the transaction as if it had occurred as of the balance sheet date (in thousands).

	Pre Disposition	Pro Forma Adj.	Pro Forma

Current assets	$ 17,610	$ (1,332)	$ 16,278
Property, Plant and Equipment, net	26,594	(9,371)	17,223
Other assets	10,992	(1,141)	9,851
TOTAL ASSETS	$ 55,196	$ (11,844)	$ 43,352
Current liabilities	$ 22,049	$	$ 22,049
Long-term liabilities	23,111	(9,573)	13,538
Total liabilities	45,160	(9,573)	35,587
Total stockholders equity	10,036	(2,271)	7,765
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 55,196	$ (11,844)	$ 43,352

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The table below presents the pro forma effects of the sale of the aviation transportation services segment as if the transaction had occurred as of January 1, 2004. The pro forma statements of operations presented below are for illustration purposes only and are not necessarily indicative of the results of operations that may have been achieved by the Company had this disposition been completed as of the January 1, 2004. The consolidated statement of operations presented below provides consolidated Pre-Disposition operating activities of the Company just prior to the sale transaction occurring without giving effect to the sale of the aviation transportation services segment as a discontinued operation.

	Six Months ended June 30, 2005		
	Pre Disposition	**Pro Forma Adj.**	**Pro Forma**
	(in thousands except per share amounts)		
Operating Revenue	$ 27,485	$ (4,907)	$ 22,578
Operating expenses:			
Direct costs	18,594	(4,310)	14,284
Depreciation and amortization	3,008	(521)	2,487
General and admin expenses	4,878	(869)	4,009
Total operating expenses	26,480	(5,700)	20,780
Asset impairment and other charges	505	(505)	
Operating income	500	1,298	1,798
Interest Expense	2,190	(912)	1,278
(Gain) loss on debt extinguishment	249	(733)	(484)
Other (income) expense, net	(110)	81	(29)
Income (loss) before taxes	(1,829)	2,862	1,033
Income tax expense			
Net income (loss)	$ (1,829)	$ 2,862	$ 1,033
Basic income (loss) from continuing operations	$ (0.16)		$ 0.09
Diluted income (loss) from continuing operations	$ (0.16)		$ 0.09
Basic Weighted average shares	11,964		11,964
Diluted weighted average shares	11,964		11,996

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	Year Ended December 31, 2004		
	Pre Disposition	Pro forma Adj.	Pro forma
	(in thousands except per share amounts)		
Operating Revenue	$ 51,634	$ (12,570)	$ 39,064
Operating expenses:			
Direct costs	35,870	(7,360)	28,510
Depreciation and amortization	5,350	(1,068)	4,282
General and admin expenses	10,410	(946)	9,464
Total operating expenses	51,630	(9,374)	42,256
Asset impairment and other charges	4,174	(4,174)	
Operating loss	(4,170)	978	(3,192)
Interest Expense	5,177	(1,889)	3,288
Loss on debenture conversion inducement and debt extinguishment	1,008	(279)	729
Other (income) expense, net	814	(524)	290
Loss before taxes	(11,169)	3,670	(7,499)
Income tax expense			
Net loss from continuing operations	$ (11,169)	$ 3,670	$ (7,499)
Basic loss from continuing operations	$ (1.03)		$ (0.69)
Diluted loss from continuing operations	$ (1.03)		$ (0.69)
Basic Weighted average shares	10,884		10,884
Diluted weighted average shares	10,884		10,884

PRO FORMA ADJUSTMENTS

The consolidated statements of operations above have been prepared to depict the ongoing operations of the Company had the sale of the aviation transportation services segment occurred on January 1, 2004 and have been adjusted to give effect to costs that are directly attributable to the operation of this segment that will no longer be incurred. The pro forma amounts above include adjustments to remove the operating activities of the aviation transportation services segment which includes its operating revenues, direct operating expense, depreciation and amortization and direct general and administrative expenses. In addition, the pro forma amounts have been adjusted to give effect to the aviation transportation services segment s portion of interest expense attributable to debt obligations that were collateralized by aviation assets such as helicopter capital leases and certain portions of secured debt obligations that were collateralized by the aviation fleet and its working capital assets. These debt obligations were required to be repaid under their terms and could not be collateralized by other assets of the Company.

The consolidated pro forma balance sheet as of June 30, 2005 includes pro forma adjustments to remove the assets and liabilities attributable to the aviation transportation services segment and give effect to the use of proceeds from the sale, the majority of which was used to repay a portion, approximately $9.35 million, of the Term A Loan.

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COSTS ASSOCIATED WITH EXIT ACTIVITIES

In 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS No. 146). This standard requires companies to recognize costs associated with exit or disposal activities when they are incurred, rather than at the date of a commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, plant closing, or other exit or disposal activity. SFAS No. 146 is required to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The decision to exit the Texas market occurred in July 2004, as such, there were no exit costs recorded in the quarter ended June 30, 2005.

NOTE 10. RELATED PARTY TRANSACTIONS.

During the three month periods ended March 31, 2005 and the year ended December 31, 2004, two of our executive officers deferred receipt of salary totaling $120,000 and $37,000, respectively. Beginning in the quarter ended June 30, 2005, the Company made payments toward these amounts totaling $120,000. The total amount owed to these two executives at June 30, 2005 and December 31, 2004 was $37,000 at the end of each period.

NOTE 11. SUBSEQUENT EVENT

On July 29, 2005, the sale of the aviation transportation services segment was completed and $9.35 million of proceeds from the sale were used to repay advances under the Company s Term A Loan. The remainder is being used for general working capital purposes. See Note 9 for additional information related to the sale and discontinuation of the aviation transportation services segment.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

OMNI Energy Services Corp.

We have audited the accompanying consolidated balance sheet of OMNI Energy Services Corp. as of December 31, 2004 and the related consolidated statements of operations, stockholders equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of OMNI Energy Services Corp. at December 31, 2004, and the consolidated results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As referred to in Note 1, the accompanying consolidated financial statements have been prepared assuming the Company will continue on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has suffered a significant loss from operations during the current year, has a working capital deficit, is currently in default on certain of its debt instruments, and will require capital funding from sources other than operations to meet its current debt obligations. In the past two years, the Company has been required to raise additional capital by the issuance of both equity and debt instruments. There are no commitments from funding sources, debt or equity, in the event that cash flows are not sufficient to fund ongoing operations or other cash commitments as they come due. These factors raise substantial doubt about the Company s ability to continue as a going concern. Management will be required to raise additional capital in the near term through offerings of equity or debt securities to fund the Company s debt service obligations and its operations. No assurance can be given that such financing will be available or, if available, that it will be on commercially favorable terms. Moreover, available financing may be dilutive to current investors.

Management s plans regarding these matters are also described in Note 1. The Consolidated Financial Statements do not include any adjustments that might result from the outcome of this uncertainty.

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

Houston, Texas

April 4, 2005

(Except for Note 13 and Note 15

for which the date is July 29, 2005)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

OMNI Energy Services Corp.

We have audited the accompanying consolidated balance sheet of OMNI Energy Services Corp. as of December 31, 2003, as restated, and the related consolidated statements of operations, stockholders equity and cash flows for the year then ended. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the consolidated December 31, 2003 balance sheet and the consolidated statements of operations and cash flows for the year then ended, have been restated to give effect to the Company s aviation transportation services segment discontinued operations. The Company also restated its consolidated balance sheet as of December 31, 2003 to reclassify its line of credit from long-term to current in accordance with EITF 95-22 Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement.

In our opinion, the 2003 financial statements referred to above present fairly, in all material respects, the consolidated financial position of OMNI Energy Services Corp. as of December 31, 2003, and the consolidated results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ FITTS, ROBERTS & CO., P.C.

Houston, Texas

March 12, 2004, except as to Notes 1, 11 and 13 as they

relate to 2003 and the 10th paragraph of Note 15, for

which the date is July 29, 2005

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of

OMNI Energy Services Corp.

We have audited the accompanying consolidated statements of operations, stockholders equity, and cash flows of OMNI Energy Services Corp. for the year ended December 31, 2002. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of OMNI Energy Services Corp. for the year ended December 31, 2002, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

New Orleans, Louisiana

March 27, 2003,

except for the 3rd paragraph of Note 13

and the 10th paragraph of Note 15,

as to which the date is July 29, 2005

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	2003	**2004**
	(dollars in thousands)	
	(restated)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 572	$ 1,043
Trade receivables, net	5,465	7,824
Other receivables	78	62
Parts and supplies inventory	1,783	2,093
Prepaid expenses and other current assets	1,201	2,943
Deferred tax asset	1,492	1,492
Current assets of discontinued operations	7,602	6,562
Assets held for sale		108
Assets held for sale of discontinued operations		3,834
Total current assets	18,193	25,961
PROPERTY, PLANT AND EQUIPMENT, NET:		
Property, plant and equipment, net	17,404	18,965
Property, plant and equipment of discontinued operations, net	9,706	10,839
Total property, plant and equipment, net	27,110	29,804
OTHER ASSETS:		
Goodwill	2,006	2,006
Customer intangible assets, net	1,720	1,620
Licenses, permits and other intangible assets, net		5,142
Other assets	1,137	1,144
Other non-current assets of discontinued operations	123	236
	4,986	10,148
TOTAL ASSETS	$ 50,289	$ 65,913
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 4,628	$ 7,967
Accrued expenses	1,627	2,379
Current maturities of long-term debt	1,098	6,394
Insurance notes payable	1,187	2,500
Line of credit	4,633	9,162
Convertible debentures		11,097
Current maturities of long-term debt, discontinued operations	953	5,214
Current liabilities of discontinued operations	1,825	3,384

Total current liabilities	15,951	48,097
LONG-TERM LIABILITIES:		
Long-term debt, less current maturities	5,170	5,864
Other long-term liabilities	328	100
Long-term debt of discontinued operations, less current maturities	4,454	6,988
Total long-term liabilities	9,952	12,952
Total liabilities	25,903	61,049
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS EQUITY:		
Convertible 8% Preferred stock, no par value, 5,000,000 shares authorized; 7,500 shares of Series A and 4,600 shares of Series B issued and outstanding at December 31, 2003 and 29 shares of Series B issued and outstanding at December 31, 2004, liquidation preference of $1,000 per share	12,100	29
Common stock, $.01 par value, 45,000,000 shares authorized; 9,569,729 and 11,679,565 issued and 9,207,929 and 11,408,219 outstanding at December 31, 2003 and 2004, respectively	96	117
Treasury stock, 361,800 and 271,346 shares, at cost, at December 31, 2003 and 2004, respectively	(706)	(529)
Preferred stock dividends declared	484	2
Additional paid-in capital	57,882	65,448
Accumulated other comprehensive loss	(12)	
Accumulated deficit	(45,458)	(60,203)
Total stockholders equity	24,386	4,864
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 50,289	$ 65,913

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

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31,		
	2002	**2003**	**2004**
	(in thousands, except per share data)		
Operating revenue	$ 24,592	$ 31,555	$ 39,064
Operating expenses:			
Direct costs	17,178	21,586	28,510
Depreciation and amortization	3,270	3,355	4,282
General and administrative expenses	3,186	3,718	9,464
Total operating expenses	23,634	28,659	42,256
Operating income (loss)	958	2,896	(3,192)
Interest expense	799	943	3,288
Loss on debenture conversion inducement and debt extinguishment			729
Other (income) expense	(115)	(114)	290
Income (loss) before income taxes	274	2,067	(7,499)
Income tax benefit	400	1,092	
Net income (loss) from continuing operations	674	3,159	(7,499)
Income (loss) from discontinued operations, net of taxes	534	324	(6,756)
Net income (loss)	1,208	3,483	(14,255)
Dividends and accretion of preferred stock	(484)	(484)	(490)
Net income (loss) available to common stockholders	$ 724	$ 2,999	$ (14,745)
Basic income (loss) per common share:			
Income (loss) from continuing operations	$ 0.02	$ 0.30	$ (0.73)
Income (loss) from discontinued operations	0.06	0.04	(0.62)
Net income available to common stockholders	$ 0.08	$ 0.34	$ (1.35)
Diluted income (loss) per common share:			
Income (loss) from continuing operations	$ 0.02	$ 0.28	$ (0.73)
Income (loss) from discontinued operations	0.06	0.03	(0.62)
Net income (loss) available to common stockholders	$ 0.08	$ 0.31	$ (1.35)
Number of shares used in calculating income (loss) per share:			
Basic	8,739	8,772	10,884
Diluted	8,745	11,362	10,884

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

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	PREFERRED STOCK		COMMON STOCK		TREASURY STOCK
	SHARES	AMOUNT	SHARES	AMOUNT	AMOUNT
			(dollars in thousands)		
BALANCE, December 31, 2001	7,500	$ 11,616	9,098,445	$ 90	$ (706)
Stock option exercise for cash			3,333	1	
Conversion of subordinated debt into preferred stock	4,600				
Accretion of preferred stock		484			
Comprehensive income:					
Net income					
Foreign currency translation adjustments					
Total comprehensive income					
BALANCE, December 31, 2002	12,100	12,100	9,101,778	91	(706)
Stock option exercise for cash			467,951	5	
Preferred stock dividends declared					
Comprehensive income:					
Net income					
Foreign currency translation adjustments					
Total comprehensive income					
BALANCE, December 31, 2003	12,100	12,100	9,569,729	96	(706)
Issuance of common stock for services			69,930	1	
Issuance of common stock warrants for services					
Convertible debenture warrants recorded as debt discount					
Debenture conversion inducement			200,000	2	
Stock based compensation					
Stock option and warrant exercised for cash			1,839,906	18	
Preferred stock dividends declared					
Preferred stock dividends paid					
Redemption of preferred stock	(12,071)	(12,071)			
Issuance of treasury shares for stock based compensation					177
Comprehensive income:					
Net loss					
Foreign currency translation adjustments					
Total comprehensive loss					
BALANCE, December 31, 2004	29	$ 29	11,679,565	$ 117	$ (529)

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	PREFERRED STOCK DIVIDEND DECLARED	ADDITIONAL PAID-IN CAPITAL	ACCUMULATIVE OTHER COMPREHENSIVE LOSS	ACCUMULATIVE DEFICIT	TOTAL
			(dollars in thousands)		
BALANCE, December 31, 2001	$	$ 56,826	$ (83)	$ (49,183)	$ 18,560
Stock options exercised for cash		5			6
Conversion of subordinated debt into preferred stock					
Accretion of preferred stock				(484)	
Comprehensive income:					
Net income				1,210	1,210
Foreign currency translation adjustments			5		5
Total comprehensive income					1,215
BALANCE, December 31, 2002		56,831	(78)	(48,457)	19,781
Stock options exercised for cash		1,051			1,056
Preferred stock dividends declared	484			(484)	
Comprehensive income:					
Net income				3,483	3,483
Foreign currency translation adjustments			66		66
Total comprehensive income					3,549
BALANCE, December 31, 2003	484	57,882	(12)	(45,458)	24,386
Issuance of common stock for services		340			341
Issuance of common stock warrants for services		157			157
Convertible debenture warrants recorded as debt discount		1,110			1,110
Debenture conversion inducement		939			941
Stock based compensation		795			795
Stock options and warrants exercised for cash		3,930			3,948
Preferred stock dividends declared	490			(490)	
Preferred stock dividends paid	(972)				(972)
Redemption of preferred stock					(12,071)
Issuance of treasury shares for stock based compensation		295			472
Comprehensive income:					
Net loss				(14,255)	(14,255)
Foreign currency translation adjustments			12		12
Total comprehensive loss					(14,243)
BALANCE, December 31, 2004	$ 2	$ 65,448	$	$ (60,203)	$ 4,864

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

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OMNI ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income (loss) from continuing operations	$ 674	$ 3,159	$ (7,499)
Income (loss) from discontinued operations	534	324	(6,756)
	1,208	3,483	(14,255)
Adjustments to reconcile net income (loss) to net cash provided by operating activities -			
Depreciation and amortization	3,784	4,299	5,350
(Gain) loss on property, plant and equipment disposals	(13)	(108)	352
Stock based compensation expense		124	1,268
Accretion of convertible debenture discount			942
Amortization of loan closing costs			1,447
Foreign currency translation adjustments		66	12
Allowance for uncollectible accounts	(134)		
Loss on debenture conversion inducement and extinguishment of debt			1,008
Minority interest		(221)	
Asset impairment and other charges		367	4,174
Deferred taxes	(400)	(1,600)	
Changes in operating assets and liabilities:			
Trade Receivables	(1,047)	(1,152)	425
Other receivables	514	(832)	40
Parts and Supplies inventory	166	(380)	(527)
Prepaid expenses and other current assets	2,696	1,979	266
Other assets	(1,933)	(855)	349
Accounts payable and accrued expenses	31	494	5,317
Due to affiliates and stockholders/members	143		
Other long term liabilities			(228)
Net cash provided by operating activities of continuing operations	5,015	5,664	5,940
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash received	(2,076)	(4,099)	(7,768)
Proceeds from disposal of property, plant and equipment	1,067	435	1,629
Purchase of property, plant and equipment	(892)	(494)	(6,898)
Net cash used in investing activities of continuing operations	(1,901)	(4,158)	(13,037)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	3,500	152	9,114
Principal payments on long-term debt	(7,731)	(4,375)	(10,282)
Borrowings on line of credit, net	966	1,654	4,529
Proceeds from helicopter sale and leaseback transactions			4,084
Proceeds from issuance of convertible debentures			14,159
Repayment of convertible debentures			(3,062)

Redemption of preferred stock and dividends			(13,043)
Loan closing costs	(384)		(1,879)
Proceeds from issuance of common stock for exercise of stock options and warrants	6	931	3,948
Net cash provided by (used in) financing activities of continuing operations	(3,643)	(1,638)	7,568
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(529)	(132)	471
CASH, at beginning of year	1,233	704	572
CASH, at end of year	$ 704	$ 572	$ 1,043
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
CASH PAID FOR INTEREST	$ 1,079	$ 978	$ 2,101
CASH PAID FOR TAXES	$	$	$
SUPPLEMENTAL NON-CASH DISCLOSURES:			
EQUIPMENT ACQUIRED UNDER CAPITAL LEASE	$ 688	$ 3,689	$ 3,750
PREMIUM FINANCED WITH INSURANCE CARRIER	$ 3,619	$ 2,908	$ 3,302
COMMON STOCK AND COMMON STOCK WARRANTS ISSUED FOR SERVICES	$	$	$ 498
TRANSFER OF EQUIPMENT TO ASSETS HELD FOR SALE	$	$	$ 3,942
CONVERTIBLE DEBENTURE WARRANTS RECORDED AS A DEBT DISCOUNT	$	$	$ 1,110

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

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OMNI ENERGY SERVICES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS AND CURRENT OPERATING ENVIRONMENT

We are a leading oilfield service company specializing in providing an integrated range of (i) onshore seismic drilling, permitting, survey and helicopter support services to geophysical companies operating in logistically difficult and environmentally sensitive terrain, (ii) helicopter transportation services to oil and gas companies operating primarily in the shallow waters of the Gulf of Mexico, and (iii) environmental cleaning services to oil and gas companies operating primarily in the Gulf of Mexico.

We operate in three business divisions - Seismic Drilling, Aviation Services and Environmental Services. The principal market of our Seismic Drilling division is the marsh, swamps, shallow water and contiguous dry areas along the U.S. Gulf Coast (the Transition Zone), primarily in Louisiana and Texas, where we are the leading provider of seismic drilling support services.

Our Aviation Services division operates a fleet of company-owned and leased helicopters and a fixed-wing aircraft for geophysical companies operating in various regions of the United States and for oil and gas companies operating in the shallow waters of the Gulf of Mexico.

Our Environmental Services division provides dock-side and offshore tank, vessel, boat and barge cleaning services principally to major and independent oil and gas companies operating in the Gulf of Mexico.

We receive our revenues principally from customers in the energy industry. In recent years, the seismic market has remained depressed due primarily to the excess capacity of available seismic data in the market. This volatile market has impacted our ability, as well as that of our customers and others in the industry, to change their forecasts and budgets in response to future uncertainties of commodity pricing. These fluctuations can rapidly impact our cash flows as supply and demand factors impact the number and size of seismic projects available.

We adjust our operations to current market conditions by downsizing, when necessary, our operations through closure of certain operating locations, disposing of excess equipment and reducing our corporate overhead structure (see Note 13). Recently, we have experienced an increase in bidding activity. During this same time we continue our efforts to renegotiate our loan agreements with our senior lenders.

On January 18, 2002, we acquired the assets of AirJac Drilling (AirJac), a division of Veritas DGC Land, Inc. (Veritas), a seismic drilling support company headquartered in New Iberia, Louisiana.

In November 2003, we acquired American Helicopters, Inc. (AHI). AHI operated 17 helicopters from base locations in Louisiana and Texas.

In June 2004, we acquired Trussco, Inc. and Trussco Properties, L.L.C. (collectively Trussco). Trussco is a leading provider of dock-side and offshore tank, vessel, boat and barge cleaning services principally to major and independent oil and gas companies operating in the Gulf of Mexico.

GOING CONCERN

The accompanying consolidated financial statements have been prepared assuming the Company will continue on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has suffered a significant loss from operations during the current year, has a working capital deficit, is currently in default on certain of its debt instruments, and will require capital funding from sources other than operations to meet its current debt obligations. In the past two years, the Company has been required to raise additional capital by the issuance of both equity and debt instruments. There are no commitments from funding

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sources, debt or equity, in the event that cash flows are not sufficient to fund ongoing operations or other cash commitments as they come due. These factors raise substantial doubt about the Company s ability to continue as a going concern. Management will be required to raise additional capital in the near term through offerings of equity or debt securities to fund the Company s debt service obligations and its operations. No assurance can be given that such financing will be available or, if available, that it will be on commercially favorable terms. Moreover, available financing may be dilutive to current investors.

The Company is in the process of securing capital from prospective investors (See Note 15), that if successful, in conjunction with cash flows from operations and sales of certain non-core assets, will be used to fund its current debt service obligations and serve to mitigate the factors that have raised doubt about the Company s ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

RESTATEMENT

Subsequent to December 31, 2003, but before the completion of the audit for the year ended December 31, 2004, management determined that an error had occurred in the classification of its Line of Credit. In accordance with EITF 95-22 Balance Sheet Classification of Borrowings Outstanding Under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement, the Line should have been classified as current versus long term. Accordingly, the Consolidated Balance Sheet as of December 31, 2003 has been restated.

PRINCIPLES OF CONSOLIDATION

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

The consolidated financial statements and related notes thereto include the retroactive effect of a one-for-three reverse stock split effective July 3, 2002.

DISCONTINUED OPERATIONS

On June 30, 2005, we executed a definitive agreement to sell the equipment and related assets of our aviation transportation services segment for a cash price of $11.0 million which subsequently closed on July 29, 2005. Accordingly, the disposition of the aviation transportation services segment has been accounted for as a discontinued operation. Information related to the aviation transportation services segment have been re-classified in the financial statements to properly present them as discontinued operations (See Note 13).

USE OF ESTIMATES

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

Effective January 1, 2004, we changed the estimated residual value of our fleet of aircraft from 10% to 30% for aircraft over five years of age and from 10% to 40% for aircraft five years of age or less. We believe the revised residual values more properly match costs over the useful lives and salvage value of these assets consistent with industry practice and provides comparability with our industry peers.

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As a result of management s first quarter 2004 change in the aviation fleet s estimated residual salvage values of each of its aircraft, depreciation expense for 2004 decreased. The pro forma effect of this change in estimate is shown in the table below and reflects what net loss would have been had the changes in estimate not occurred (in thousands of dollars, except share amounts):

	YEAR ENDED DECEMBER 31, 2004
Net loss available to common stockholders, as reported	$ (14,745)
Effect of change in estimate	(260)
Net loss available to common stockholders, pro forma	$ (15,005)
Net loss per common share as reported:	
Basic	$ (1.35)
Diluted	$ (1.35)
Net loss per common share - pro forma:	
Basic	$ (1.38)
Diluted	$ (1.38)

REVENUE RECOGNITION

We recognize revenue as service is rendered. Revenue from our drilling operations is recognized on a per hole basis. Once we have drilled and loaded a source point, revenue from the drilling of such source point is recognized. Similarly, revenue is recognized from our seismic survey operations either on a day rate or per mile basis. Under the per mile basis, revenue is recognized when the source or receiving point is marked by one of our survey crews. Permitting is recognized on a per day basis as services are rendered. Our aircraft, which are usually either chartered with a monthly guaranteed rate or for a guaranteed minimum number of hours per day, generate revenue pursuant to a fixed hourly rate. Environmental revenue is recognized upon completion of each cleaning project. From time to time, we may offer discounts from our standard service rates for volume and competitive reasons. These discounts are recorded as a reduction of revenues.

CASH AND CASH EQUIVALENTS

We consider highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

ACCOUNTS RECEIVABLE

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

INVENTORIES

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

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PROPERTY, PLANT AND EQUIPMENT

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

ASSET CLASSIFICATION	USEFUL LIFE	SALVAGE VALUE
Buildings and improvements	25 years	
Drilling, field and support equipment	5-10 years	10%
Aviation equipment (over five years of age)	10 years	30%
Aviation equipment (five years of age or less)	10 years	40%
Shop equipment	10 years	
Office equipment	5 years	
Vehicles	4-5 years	
Environmental	5 years	

Additions to property and equipment and major replacements are capitalized. Gains and losses on dispositions, maintenance, repairs and minor replacements are charged to expense as incurred. Capitalized drilling equipment, which is fabricated, is comprised of direct and indirect costs incurred during fabrication. Costs include materials and labor consumed during fabrication. Interest is also capitalized during the fabrication period. There was no interest capitalized for the years ended December 31, 2002, 2003 and 2004. Included in property and equipment at December 31, 2004 is approximately $1.4 million of vehicles purchased under capital lease obligations, net of accumulated depreciation of approximately $0.7 million, and $5.6 million of aircraft acquired under capital lease obligations, net of accumulated depreciation of approximately $0.4 million.

Assets held for sale are recorded at the lower of their net book value or their net realizable value which is determined based upon an estimate of their fair market value less the cost of selling the assets. An impairment is recorded to the extent that the amount that was carried on the books is in excess of the net realizable value. Assets held for sale at December 31, 2004 are comprised of three helicopters, one fixed wing aircraft and eight marsh buggies. The three helicopters held for sale at December 31, 2004 were acquired under capital lease obligations totaling approximately $4.0 million.

IMPAIRMENT OF LONG-LIVED ASSETS

We review our long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with SFAS No. 144 Accounting for the Impairment and Disposal of Long-Lived Assets (SFAS No. 144). If the carrying amount of the asset, including any intangible assets associated with that asset, exceeds its estimated undiscounted net cash flow, before interest, we will recognize an impairment loss equal to the difference between its carrying amount and its estimated fair value. During the fourth quarter of 2004, we re-assessed the carrying values of our aviation fleet by obtaining an appraisal from a reputable third party appraiser and compared these appraised values to the net book values that we had recorded. As a result of our analysis, we recorded an impairment of approximately $3.0 million of unamortized prepaid repairs, an impairment of $0.6 million on our aviation fleet and a writedown of $0.6 million related to helicopters held for sale.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net assets acquired. We account for goodwill in accordance with SFAS No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. As of December 31, 2003, and 2004, we have goodwill of $2.1 million and $2.0 million, respectively. We periodically assessed the recoverability of the unamortized balance based on expected future profitability and undiscounted future cash flows of the acquisitions and their contribution to our overall operation. In conjunction with the acquisition of AirJac during 2002, we recorded a customer intangible of $1.9 million which is being amortized over a period of 20 years; with the acquisition of AHI in 2003, we recorded an intangible of $0.3 million which is being amortized over a period of 5 years; with the acquisition of Trussco in 2004, we recorded an intangible of $5.7 million which is being amortized over a period of 5 years. We recorded $0.1 million in amortization expense related to the intangible assets for each of the years ended December 31, 2002, and 2003, and $0.7 million in 2004.

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INCOME TAXES

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

STOCK BASED COMPENSATION

At December 31, 2004, we had two stock-based employee compensation plans, which are described more fully in Note 9. We account for employee stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). Accordingly, the provisions of SFAS No. 123, Accounting for Stock-Based Compensation, permits the continued use of the method prescribed by APB No. 25 but requires additional disclosures, including pro forma calculations of earnings (loss) and net earnings (loss) per share as if the fair value method of accounting prescribed by SFAS No. 123 had been applied. No stock-based compensation costs are reflected in net income (loss), other than compensation expense recorded on awards to certain executive officers (see Note 8), as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. As required by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, which amended SFAS No. 123, the following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based compensation. The pro forma data presented below is not representative of the effects on reported amounts for future years.

	YEAR ENDED DECEMBER 31,		
	2002	**2003**	**2004**
	(in thousands, except per share data)		
Net income (loss) available to common stockholders - as reported	$ 724	$ 2,999	$ (14,745)
Add (deduct): stock-based employee compensation expense (gain) included in reported net loss, net of tax			1,411
Less: total stock-based employee compensation expense determined under fair value based method for all awards granted to employees, net of tax	(67)	(416)	(2,204)
Net income (loss) available to common stockholders - pro forma	$ 657	$ 2,583	$ (15,538)
Net income (loss) available to common stockholders - as reported:			
Basic	$ 0.08	$ 0.34	$ (1.35)
Diluted	$ 0.08	$ 0.31	$ (1.35)
Net income (loss) available to common and stockholders - pro forma:			
Basic	$ 0.08	$ 0.29	$ (1.43)
Diluted	$ 0.08	$ 0.27	$ (1.43)

The weighted average fair value at date of grant for options granted during 2002 was $1.94 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility of 150%; (c) average risk-free interest rate of 3.11%; and (d) expected life of 6.5 years.

The weighted average fair value at date of grant for options granted during 2003 was \$2.31 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: (a) dividend yield of 0.00%; (b) expected volatility of 148%; (c) average risk-free interest rate of 2.51%; and (d) expected life of 9.2 years.

The weighted average fair value at date of grant for options granted during 2004 was \$4.00 per option. The fair value of options granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following

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assumptions: (a) dividend yield of 0.00%; (b) average expected volatility 66%; (c) average risk-free interest rate of 2.97%; and (d) expected life of 6.5 years.

AVIATION OVERHAUL AND REPAIR COSTS

Major overhaul of FAA component parts for our owned aircraft are capitalized as prepaid repairs, as incurred, and amortized over service hours flown. Routine repairs and maintenance are expensed, as incurred.

EARNINGS PER SHARE

We account for our earnings per share (EPS) in accordance with SFAS No. 128, Earnings Per Share, which establishes the requirements for presenting EPS. SFAS No. 128 requires the presentation of basic and diluted EPS on the face of the income statement. Basic earnings per share begins with income (loss) applicable to common stockholders (net income (loss) less preferred stock dividends) and is based on the weighted average number of common shares outstanding during each period presented. Diluted EPS assumes the exercise of all stock options and warrants having exercise prices less than the average market price of the common stock using the treasury stock method. In computing basic loss per share we consider dividends and accretion on the Series A Preferred and Series B Preferred as a reduction of net income from operations in computing basic net income (loss) per share. For the purpose of diluted earnings per common share, and only if such calculation results in dilution, preferred stock dividends will not reduce earnings; however, the weighted average common shares outstanding would increase representing the amount of common shares into which such preferred stock is currently convertible. During the year ended December 31, 2004, we reported a net loss, thus the effects of dilutive securities were anti-dilutive, rendering basic and diluted loss per share the same. Convertible preferred stock convertible debt instruments, warrants, and options to purchase common stock are included as common stock equivalents only when dilutive.

RECENTLY ISSUED UNIMPLEMENTED ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123 (revised 2004), Share-Based Payment (SFAS No. 123®). SFAS No. 123® will require companies to measure all employee stock-based compensation awards using a fair value method and record such expense in its consolidated financial statements. In addition, the adoption of SFAS No. 123® requires additional accounting and disclosure related to the income tax and cash flow effects resulting from share-based payment arrangements. SFAS No. 123® is effective beginning as of the first interim or annual reporting period beginning after December 15, 2005. We are in the process of determining the impact of the requirements of SFAS No. 123®. We believe it is likely that the financial statement impact from the implementation of the requirements of SFAS No. 123® will significantly impact our future results of operations and we continue to evaluate it to determine the degree of significance.

In December 2004, SFAS No. 153, Exchanges of Nonmonetary Assets - an amendment of Accounting Principles Board (APB) Opinion No. 29 is effective for fiscal years beginning after June 15, 2005. This Statement addresses the measurement of exchange of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, Accounting for Nonmonetary Transactions and replaces it with an exception for exchanges that do not have commercial substance. The adoption of SFAS No. 153 is expected to have no impact on our consolidated financial statements.

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2. VALUATION ALLOWANCE ACCOUNTS

The allowance for uncollectible accounts consists of the following (in thousands):

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	WRITE-OFF OF UNCOLLECTIBLE AMOUNTS	BALANCE AT END OF PERIOD
December 31, 2004				
Allowance for uncollectible accounts	$ 45	$ 362	$ (45)	$ 362
December 31, 2003				
Allowance for uncollectible accounts	$ 45	$	$	$ 45
December 31, 2002				
Allowance for uncollectible accounts	$ 1,174	$ 27	$ (1,156)	$ 45

The accrual to bring leased aircraft back to repair specifications at the termination of the operating lease is as follows (in thousands):

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	REPAIR CHARGES	BALANCE AT END OF PERIOD
December 31, 2004				
Operating lease repair accrual	$	$	$	$
December 31, 2003				
Operating lease repair accrual	$	$	$	$
December 31, 2002				
Operating lease repair accrual	$ 117	$	$ (117)	$

3. PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment, net consists of the following at December 31:

	DECEMBER 31,	
	2003	2004
	(in thousands)	
Land	$ 362	$ 647
Building and improvements	4,636	5,621
Drilling, field and support equipment	26,877	29,794
Aviation equipment	10,224	11,030
Shop equipment	425	431
Office equipment	1,573	1,849
Vehicles	2,476	3,690
	46,573	53,072
Less: accumulated depreciation	(19,463)	(23,258)
Total property, plant and equipment, net	$ 27,110	$ 29,804

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4. LONG-TERM DEBT AND LINE OF CREDIT

Long-term debt consists of the following at December 31:

	DECEMBER 31,	
	2003	2004
	(in thousands)	
Note payable to a finance company with interest at 10.24%, maturing May 18, 2008, secured by an aircraft	$ 207	$ 168
Notes payable to a finance company, variable interest rate at LIBOR plus 5.0% (6.12% and 7.42% at December 31, 2003 and 2004, respectively) maturing July 31, 2006, secured by various property and equipment	1,145	867
Notes payable to a bank with interest payable at Prime plus 1.5% (5.5% and 6.75% at December 31, 2003 and 2004, respectively) maturing July 31, 2023, secured by real estate	1,633	1,392
Notes payable to a bank with interest payable at Prime plus 1.75% (5.75% at December 31, 2003) maturing December 31, 2006, secured by various property and equipment	3,000	
Notes payable to a finance company with interest at 8%, maturing January 1, 2007, secured by various aircraft	1,838	
Notes payable to a finance company with interest at 6.26%, maturing March 17, 2006, secured by various aircraft		1,697
Notes payable to a bank with interest at 8.13%, maturing June 20, 2009, secured by an aircraft		238
Notes payable to a finance company with interest at 8%, maturing February 10, 2013, secured by real estate		214
Notes payable to a bank, with interest at 12%, maturing April 15, 2005, secured by various property and equipment		6,500
Convertible promissory notes payable to certain former stockholders of Trussco, Inc. with interest at 5%, maturing in June 2007		3,000
Other debt		86
Capital lease payable to leasing companies secured by vehicles	491	1,198
Capital lease payable to finance companies secured by various aircraft	3,361	9,100
Total	11,675	24,460
Less: Current maturities	(2,051)	(11,608)
Long-term debt, less current maturities	$ 9,624	$ 12,852

Annual maturities of long-term debt during each of the years ended December 31 are as follows (in thousands):

2005	$ 11,608
2006	2,429
2007	4,823
2008	3,250
2009 and thereafter	2,350
	$ 24,460

The estimated fair value of long-term debt is determined based on borrowing rates currently available to us for notes with similar terms and average maturities and approximates the carrying value as of December 31, 2003 and 2004.

REVOLVING LINE OF CREDIT

We have a working capital revolving line of credit agreement (the Line) with a bank. Availability under the Line is the lower of: (i) $12.0 million or, (ii) the sum of eligible accounts receivable, as defined under the agreement, plus the lesser of: $2.0 million or 80% of the appraised orderly liquidation value of eligible inventory of parts and supplies. The Line accrues interest at the prime interest rate plus 1.5% (6.75% at December 31, 2004) and matures on December 31, 2006. The Line is collateralized by accounts receivable and inventory and is subject to certain customer concentration

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limitations. As of December 31, 2004, we had $9.2 million outstanding under the Line. The weighted-average interest rate on borrowings under the Line was 5.7% and 6.0% for the years ended December 31, 2003 and 2004, respectively. Due to the lock-box arrangement and the subjective acceleration clause of the Line agreement, the debt under the Line has been classified as a current liability as of December 31, 2004 and 2003, as required by EITF 95-22, Balance Sheet Classification of Borrowings Outstanding under Revolving Credit Agreements that include both a Subjective Acceleration Clause and a Lock-Box Arrangement . Furthermore, due to the debentures being in default and cross default provisions within the Line Credit Agreement, the Line is also in default.

SENIOR SECURED

On October 21, 2004, we completed a $6.5 million senior secured loan (Bridge Loan) with Beal Bank, SSB. The Bridge Loan accrued interest at the rate of 12% per annum, matured January 15, 2005, and was collateralized by specific seismic assets, certain Trussco equipment and three Bell helicopters. The proceeds were used to repay debt, pay the October Put Option on the Convertible Debentures discussed below and for working capital purposes.

On January 21, 2005, we entered into a forbearance agreement with Beal Bank, SSB, which increased the interest rate from 12% to 17% and extended the maturity of the Bridge Loan to March 15, 2005. The forbearance agreement has since been amended to extend the maturity to April 15, 2005. In connection with the execution of the forbearance agreement and the extension thereof, we have reduced the outstanding principal balance by $0.6 million subsequent to December 31, 2004. Management is currently in the process of extending the terms of the Bridge Loan Agreement.

The senior secured credit agreement restricts the payment of dividends and contains customary financial covenants requiring, among other things, minimum levels of tangible net worth, debt to EBITDA ratios, and limitations on annual capital expenditures and certain customer concentrations. As of December 31, 2004, we are in compliance with all of these covenants. Due, however, to the Line being in default and cross default provisions with the Bridge Loan Agreement, the Bridge Loan is in default.

CAPITAL LEASES

At December 31, 2004, we had several capital leases for aircraft which generally have lease terms of 60 months at inception of the lease. Aircraft leases either contain a bargain purchase option at the end of the lease or a balloon amount due that can be refinanced over 36 months. We have historically acquired all of our aircraft that have been financed through capital leases. From time to time, we may acquire an aircraft through cash flows from operations or through the Line which is then sold to a financing company and leased back to us. These sales and lease back transactions are recorded as a capital lease and gains and losses incurred on the sale are deferred and amortized over the life of the lease term or the asset, which ever is shorter. The unamortized balance of deferred losses on the sale and lease back transactions is $0.4 million as of December 31, 2004.

We also lease several vehicles used in our seismic drilling operations under 40-month capital leases.

Total cost and accumulated depreciation of aircraft and vehicles held under capital leases is as follows:

	DECEMBER 31,	
	2003	2004
	(in thousands)	
Aircraft	$ 3,490	$ 10,009
Vehicles	1,064	2,117
	4,554	12,126
Less: Accumulated amortization	(475)	(1,154)
Capitalized cost, net	$ 4,079	$ 10,972

Depreciation expense for the years ended December 31, 2002, 2003 and 2004 was approximately $0.1 million, $0.3 million and $0.7 million, respectively, for all assets held under capital lease.

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Following is a schedule of future minimum lease payments for capital leases as of December 31, 2004 (in thousands):

YEAR ENDING DECEMBER 31,	
2005	$ 4,858
2006	1,831
2007	1,691
2008	2,517
2009	963
Thereafter	10
Total minimum lease payments	11,870
Less: Amount representing interest	(1,572)
Present value of net minimum lease payments	$ 10,298

TRUSSCO NOTES

On June 30, 2004, we purchased all of the issued and outstanding stock of Trussco, Inc. and all of the membership interests in Trussco Properties, L.L.C. (collectively Trussco) for an aggregate acquisition price of $11.9 million, including $7.3 million in cash, $3.0 million in 5% convertible promissory notes payable to certain stockholders (Stockholder Notes) maturing in June 2007, and the assumption of approximately $1.6 million in debt and other liabilities. The Stockholder Notes can be prepaid at any time and are convertible into shares of our common stock at a price of $9.40 per share.

INSURANCE NOTES PAYABLE

A portion of our property and casualty insurance premiums are financed through certain short-term installment loan agreements. The insurance notes are payable in monthly installments through September 2005 and accrue interest at rates ranging between 4.2% to 5.1%.

CONVERTIBLE DEBENTURES

Pursuant to a Securities Purchase Agreement dated February 12, 2004, we issued (i) $10,000,000 in principal amount of 3-year, 6.5% fixed rate, Convertible Debentures (the Debentures) that are convertible into shares of common stock at an initial conversion price of $7.15 per share and (ii) 1-year common stock Series A Warrants to purchase an aggregate of 700,000 shares of Common Stock at an initial exercise price of $7.15 per share and (iii) 5-year common stock Series B Warrants to purchase an aggregate of 390,000 shares of common stock at an initial exercise price of $8.50 per share. The warrants are not exercisable for a period of six months and one day after the issue date of such warrants and in no event will the exercise prices of such warrants be less than $6.15 per share. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.9 million using the Black Scholes option pricing model and performed by an outside valuation expert. The value of these warrants were recorded as a debt discount with a corresponding amount recorded to additional paid in capital at the date of issuance. The issuance of these Debentures was made pursuant to a private placement in reliance on Section 4(2) of the Securities Act of 1933.

On April 15, 2004, in accordance with a Securities Purchase Agreement, we issued (i) $5,050,000 in principal amount of 3-year, 6.5% fixed rate, Convertible Debentures (collectively with the aforementioned February 12, 2004 issuance hereinafter referred to as the Debentures) that are convertible into shares of common stock at an initial conversion price of $7.20 per share, and (ii) 5-year Common Stock Series A Warrants to purchase an aggregate of 151,500 shares of common stock at an initial exercise price of $9.00 per share. The warrants are not exercisable for a period of six months and one day after the issue date of such warrants and in no event will the exercise prices of such warrants be less than $7.11 per share. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.2 million using the Black Scholes option pricing model and performed by a outside valuation expert. The value of the warrants were recorded as a debt discount with a corresponding amount recorded to additional paid in capital at the date of issuance. The issuance of these Debentures was made pursuant to a private placement in reliance on Section 4(2) of the Securities Act of 1933.

Total proceeds of $14.2 million was received from the issuance of these Debentures, after expenses. Of the total proceeds received $8.2 million was used to redeem the Series A Convertible 8% Preferred (the Series A Preferred) and dividends in February 2004, $4.9 million was used to redeem the Series B Convertible 8% Preferred (the Series B Preferred) and dividends in March and April 2004 and the remaining balance was used for working capital purposes (See Note 9).

The debt discounts for the February 12, 2004 and April 15, 2004 debentures were $0.9 million and $0.2 million, respectively. The debt discounts are being amortized to interest expense using the effective interest method over the Put option period, as defined below, period. A total of $0.9 million is included in interest expense and $0.2 million is included in loss on extinguishment of debt related to the amortization of the debt discounts for the year ended December 31, 2004.

Prior to maturity of the Debentures, the holders of the Debentures have the right to require the repayment or conversion of up to an aggregate of $13.17 million of the Debentures (the Put Option). We registered 5,012,237 shares effective June 30, 2004 covering the resale of Common Stock that may be issuable pursuant to the conversion of the Debentures and the exercise of the Put Option and all associated warrants, including additional common stock shares that may be issuable due to adjustments for conversion price upon the Debenture conversion, payment of interest with shares and/or the exercise of warrants due to subdivision or combination of our common stock. Pursuant to the Debenture agreement, the registration of the related common stock triggered the ability of the Debenture holders to exercise the Put Option in ten consecutive non-cumulative and equal monthly installments equal to 8.75% of the original face amount of the Debenture ($1,316,875) beginning August 1, 2004. Accordingly, the Debentures, net of debt discount, were classified as a current liability in the Consolidated Balance Sheet at December 31, 2004. We received, and redeemed for cash, notices from the holders of the Debentures exercising their Put Option for August, September and October, 2004. Upon receipt of the Debenture Holders intent to exercise a Put Option, we have the irrevocable option to deliver cash or, if certain conditions set forth in the Debentures are satisfied, shares of our common stock. If we elect to settle the Put Option with common stock, the underlying shares will be valued at a 12.5% discount to the average trading price of our common stock for the applicable pricing period, as defined in the Debenture agreement. The number of shares we would deliver is equal to the value of the Put Option installment due divided by the fair market value of our common stock for the applicable pricing period discounted at 12.5%. We have not redeemed for cash or stock notices received from the Debenture Holders exercising their Put Option for the months of November and December, 2004 and January, February, March and April 2005.

As provided for in the terms of the applicable Securities Purchase Agreements, the Debenture holders received Put Option payments of $1.3 million in principal, plus accrued interest, each on August 5, 2004, September 9, 2004, and October 25, 2004. In accordance with APB Opinion No. 26, we recorded $0.2 million as a loss on extinguishment of debt in 2004 as a result of the early extinguishment of these portions of the Debentures.

On October 8, 2004, we entered into an Amendment and Conditional Waiver Agreement (the Amendment) with the holders of the Debentures. Under the terms of the Amendment, the Debenture holders granted the Company, among other things, the right to pre-pay in cash all, but not less than all, of the outstanding Debentures held by each holder on or prior to November 15, 2004. In exchange for such right, we agreed to allow the holders of the Debentures to convert $2,000 of the principal amount of the April 15, 2004 Debentures into 200,000 shares of common stock at a revised conversion price of $0.01 per share. As a result of the conversion, and in accordance with the requirements of SFAS No 84, Induced Conversions of Convertible Debt, an amendment to APB Opinion No. 26, we recorded $0.9 million of debt conversion inducement expense in 2004.

On January 25, 2005, we filed suit in United States District Court, Western District of Louisiana (the 16(b) litigation) against the holders of our 6.5% Subordinated Convertible Debentures and other third parties (collectively, the Debenture Holders). The suit alleges violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. We believe the Debenture Holders acted together for the purpose of illegally acquiring, holding, voting or disposing our equity securities during relevant time periods and have exerted an adverse group influence on OMNI and our equity securities. The suit seeks the disgorgement of profits realized by the Debenture Holders from their purchases and sales of our common stock.

On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside), notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). As a result of these alleged events of default, Portside demanded that we redeem all of the

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Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. As of April 15, 2005, we have not redeemed any of the Portside Debentures. Portside also notified us of its intention to commence a civil action against us to obtain a judgement with respect to all amounts owed to it under the Portside Debentures (See Note 15).

5. INTANGIBLE ASSETS

Intangible assets consist of the following at December 31 (in thousands):

	2003		2004	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
Aviation hull and component overhaul system	$	$	$ 295	$ 59
Customer lists	1,920	200	1,920	300
Trussco licenses and permits			5,713	571
Total amortizable intangible assets	$ 1,920	$ 200	$ 7,928	$ 930
Goodwill	$ 2,130	$ 124	$ 2,130	$ 124

Year ended December 31,	AGGREGATE AMORTIZATION EXPENSE	ESTIMATED AGGREGATE AMORTIZATION EXPENSE
2002	$ 100	$
2003	100	
2004	730	
2005		1,302
2006		1,302
2007		1,302
2008		1,302
2009		671
Thereafter		1,120

Goodwill, net, of $2.0 million is attributable to our previous acquisition of Gulf Coast Resources at December 31, 2004.

6. RELATED PARTY TRANSACTIONS

During the years ended December 31, 1999, 2000 and 2001, we privately placed with an affiliate subordinated debentures totaling $7.5 million, $3.4 million and $1.5 million, respectively. The debentures matured five years from their date of issue and accrued interest at various rates ranging from a fixed rate of 12% per annum to a variable rate of interest starting at 12% per annum and escalating to 20% per annum. In October 2000, we agreed to convert $4.6 million of the subordinated debentures into our Series A Preferred. In May 2001, we agreed to pay the affiliate $3.0 million cash plus issue to the affiliate $4.6 million of the Company s Series B Preferred in satisfaction of all of the remaining outstanding subordinated debentures including accrued interest of $1.8 million. This transaction resulted in the affiliate agreeing to forgive $1.0 million of indebtedness, which was reflected as a capital contribution from the affiliate rather than as income in the accompanying financial statements (See Note 9 regarding the accounting for preferred stock). In February and April 2004, we issued $10 million and $5.05 million, respectively, of 6.5% Subordinated Convertible Debentures (See Note 4). The proceeds were used to redeem $8.2 million of the Series A Preferred outstanding, including accrued dividends. The remaining 25 shares of Series A Preferred were redeemed in April 2004 for $0.03 million. At December 31, 2004 there are no Series A Preferred shares outstanding. During the first quarter of 2004, we redeemed 2,286 shares of the Series B Preferred for $2.4 million, including accrued dividends. In April 2004, we redeemed 2,285 shares of the total of 2,314 shares of the Series B Preferred outstanding for $2.5 million, including accrued dividends. At December 31, 2004, 29 shares of Series B Preferred remain outstanding.

In connection with the original issuance of the subordinated debentures, we issued to the affiliate detachable warrants to purchase 1,912,833 shares of our common stock, of which 293,055 shares were transferred in 2003 to settle certain litigation (See Note 9) and 858,678 shares were cancelled. The balance of 761,100 shares was exercised during the first quarter of 2004 at an exercise price of $2.25.

During 2003, we entered into an agreement to facilitate the private placement of approximately 1,650,000 shares of our common stock owned by an affiliate and certain investors. The sale of the stock covered by this agreement closed during the fourth quarter of 2003, resulting in our receipt of $0.4 million cash which was recorded as a reduction of our general and administrative expenses during 2003.

During 2003, in order to facilitate a settlement of ongoing litigation between certain of our affiliates, we agreed to re-price and extend the maturity dates of certain warrants owned by the defendant affiliates but transferred in settlement of the litigation to the plaintiff affiliates. The exercise prices of the transferred warrants ranged from $2.25 to $6.00 per share. The maturity dates of the transferred warrants ranged from November 1, 2004 to July 1, 2005. The transferred warrants were re-priced at $1.54 per share and the maturity dates were extended to November 1, 2006. Accordingly, during 2003 we recorded a non-cash charge of approximately $0.1 million representing the differences in the fair market value of the originally issued warrants and the re-priced warrants. In 2004 all re-priced warrants were exercised.

7. CUSTOMER AND CREDIT CONCENTRATION

During the year ended December 31, 2002, two customers associated with the drilling division, accounted for 84% (58% and 26%, respectively) of our total revenues.

During the year ended December 31, 2003, three customers associated with the drilling division, accounted for 71% (43%, 16% and 12%, respectively) of our total revenues. Included in accounts receivable as of December 31, 2003, are amounts receivable from these customers totaling approximately 60% (20%, 7% and 33%, respectively) of total accounts receivable.

During the year ended December 31, 2004, four customers associated with the drilling division, accounted for 50% (15%, 13%, 11% and 11%, respectively) of our total revenues. Included in accounts receivable as of December 31, 2004, are amounts receivable from these customers totaling approximately 44% (0%, 19%, 20% and 5%, respectively) of total accounts receivable.

8. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

Total rental expense was $0.5 million, $0.4 million and $0.9 million for the years ended December 31, 2002, 2003 and 2004, respectively.

We have the following operating lease commitments as of December 31, 2004:

	PAYMENTS DUE BY PERIOD			
	2005	2006	2007	2008
Operating leases	$ 243	$ 116	$ 36	$ 15

INSURANCE

Trussco, Inc. maintained a self-insurance program for a portion of its health care and workers compensation costs. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and the estimated liability for claims incurred but not reported. As of December 31, 2004, the Company had $0.4 million of accrued liabilities related to health care and workers compensation claims.

Management is not aware of any significant workers compensation claims or any significant claims incurred but not reported as of December 31, 2004.

SERIES A AND SERIES B PREFERRED STOCK LITIGATION

On February 13, 2004, we commenced litigation against Steven Stull, a former director, of Advantage Capital Partners (ACP) and their respective insurers in the Civil District Court for the Parish of Orleans in the State of Louisiana. The suit requests the court to determine our right under the Company s Articles of Incorporation, as amended, to redeem the Series A Preferred rather than to convert the shares into common stock. Furthermore, to the extent the court determines we did not have a right to redeem, rather than convert, the Series A Preferred, the suit requests the court to determine that the unanimous consent of the Board of Directors entered into on November 7, 2000 which, among other things, reduced the conversion price of the Series A Preferred from $2.50 to $0.75 (pre-split) per share, is null and void and without effect because it was accomplished by the defendants in violation of fiduciary duties and/or public policy and Louisiana law. We are seeking a declaration that we have the right to redeem, rather than convert, Series A Preferred. Alternatively, we seek (a) a declaration that the Unanimous Consent entered into on November 7, 2000 is null and void and without effect; or (b) damages back against Mr. Stull and the Advantage Capital Partners as a complete set-off to any additional dollars owed by us to ACP as a result of the November 7, 2000 actions.

On March 26, 2004, ACP and its affiliates filed a lawsuit in the United States District Court, Eastern District of Louisiana against us and certain of our executive officers. ACP and its affiliates are alleging that (i) we and the executive officers misrepresented material facts and failed to disclose material facts related to the intention to redeem our Series A Preferred and Series B Preferred, and (ii) the officers of the Company breached their fiduciary duties. They are claiming damages of approximately $30 million. We have agreed to indemnify our executive officers in this matter. Our costs and legal expenses related to this lawsuit are not currently determinable. This lawsuit presents risks inherent in litigation including continuing expenses, risks of loss, additional claims, and attorney fee liability. We believe that the claims or litigation arising therefrom will have no material impact on us or our business and all disputes surrounding securities matters will likely be covered by our insurance. However, if this lawsuit is decided against us, and if it exceeds our insurance coverage, it would aversely affect our financial condition, results of operations and cash flows.

DEBENTURE LITIGATION

On January 25, 2005, we filed suit in United States District Court, Western District of Louisiana (the 16(b) litigation) against the holders of our 6.5% Subordinated Convertible Debentures and other third parties (collectively, the Debenture Holders). The suit alleges violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. We believe the Debenture Holders acted together for the purpose of illegally acquiring, holding, voting or disposing our equity securities during relevant time periods and have exerted an adverse group influence on OMNI and our equity securities. The suit seeks the disgorgement of profits realized by the Debenture Holders from their purchases and sales of our common stock.

On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside) notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). As a result of these alleged events of default, Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. As of April 15, 2005, we have not redeemed any of the Portside Debentures. Portside also notified us of its intention to commence a civil action against us to obtain a judgement with respect to all amounts owed to it under the Portside Debentures.

Portside s acceleration of the maturity of the Debentures and its potential commencement and prosecution of a civil action against us to obtain a judgement with respect to all amounts owed to it under the Debentures are subject to the terms of certain Subordination and Intercreditor Agreements (the Subordination Agreements) between the Debenture Holders and Webster Business Credit Corporation (the Agent). Pursuant to the Subordination Agreements, Portside is not authorized to receive payments in respect to the Debentures as a result of the acceleration of the maturity of the

Debentures or enforce any such judgement without the prior written consent of Agent, except upon the earliest to occur of, among other things, (i) acceleration of the senior debt, (ii) commencement of enforcement of any rights and remedies under the senior debt documents or applicable law with respect to the senior debt or the senior debt documents, (iii) the institution of any Proceeding (as defined in the Subordination Agreements), or (iv) the passage of 180 days from the date on which Agent received written notice of the default from Portside.

To our knowledge, the threatened civil action has not commenced. Should Portside, in fact, commence the threatened civil action, we intend to vigorously defend the litigation, as well as, pursuing all available remedies including those available pursuant to the aforementioned 16(b) litigation filed against the Debenture Holders.

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

EMPLOYMENT AGREEMENTS

On June 30, 2004, we amended Restricted Stock Incentive Agreements with certain executive officers and executed Amended and Restated Incentive Agreements (collectively referred to hereinafter as the Incentive Agreements) that award stock and/or cash on various vesting dates. Under the terms and conditions of the Incentive Agreements, two executive officers received 40,454 shares and 50,000 shares, respectively. The stock was held in escrow, registered in the name of the executive officers, until it vested 100% on November 4, 2004. Tax equalization payments were also paid to the two executive officers totaling $0.1 million at June 30, 2004. The awards were valued at their fair market value at a price of $5.05 per share at June 30, 2004 and recorded, in full, as compensation expense of $0.5 million.

The Incentive Agreements also grant these executive officers the right to receive two cash payments each equal to the fair market value of 60,673 shares and 75,000 shares of our common stock, respectively, on the first business day following our annual stockholders meeting in 2005 and in 2006. The amounts of such stock-based awards to the executive officers on each vesting date may be paid in cash or, at the sole option of the Compensation Committee, in additional common stock, provided such shares are available for issuance pursuant to the terms of the Fourth Amended and Restated OMNI Energy Services Corp. Stock Incentive Plan (hereinafter the Plan). Such shares were not available until November 30, 2004, when the number of shares available under the Plan was approved by the stockholders to be increased. From June 30, 2004 until November 30, 2004 the awards were accounted for under FASB Interpretations (FIN) No. 28 Accounting for Stock Appreciation Right and Other Variable Stock Option or Award Plans as a variable plan, which requires that compensation be measured at the end of each reporting period at the quoted market price of a share of our common stock and the change in the market value of the incentive awards be changed to expense. As such, the awards were revalued at the end of each reporting period at the quoted market price of a share of our common stock and the period over period change charged to expense. At November 30, 2004, the market value of a share of our common stock was $2.93 per share resulting in compensation expense under variable accounting of $0.5 million to be recognized through that date. Effective November 30, 2004, the Company amended these incentive agreements to provide for 100% vesting of the restricted stock award and we have put into escrow the number of shares of common stock to settle the award. Accordingly, the previously unvested portion of the award was charged to expense which, along with the previously recognized $0.5 million, totaled $0.8 million which was recorded as compensation expense as of December 31, 2004.

We also entered into Stock-Based Award Incentive Agreements (hereinafter SBA) with certain executive officers on June 30, 2004. The SBA shall become computed and payable: (a) on the date of the Employee s termination of employment (for any reason other than resignation or termination for cause), (b) 90 days after the executive s death or disability or (c) upon a Change in Control. The executive managers were awarded 45% and 55%, respectively, of: (1) 10% of the fair market value (hereinafter FMV), defined as the average closing price per share on the NASDAQ National Market over the five prior trading days times the number of issued and outstanding shares of the Company, of a share of the Company s common stock greater than or equal to $1.00 but less than $1.50, plus (2) 15% of the FMV of a share of the Company s common stock greater than or equal to $1.50 but less than $2.50, plus (3) 20% of the

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FMV of a share of the Company s common stock greater than or equal to $2.50 but less than $10.00, plus (4) 15% of the FMV of a share of the Company s common stock greater than or equal to $10.00 but less than $20.00, plus (5) 10% of the FMV of a share of the Company s common stock greater than or equal to $20.00. If no payments have been made, the right terminates on December 31, 2008 or upon termination of employment for resignation or cause, whichever occurs first. The intrinsic value of this award at December 31, 2004 is $1.4 million but no compensation expense has been recorded at December 31, 2004 because the award is contingent on future events none of which are considered probable at December 31, 2004.

In addition, we entered into employment contracts with certain key executive management effective until December 31, 2008 with automatic extensions for additional, successive one year periods commencing January 1, 2009, unless either party gives notice of non-renewal as provided for under the terms of the employment contracts.

In connection with the Trussco acquisition (See Note 12), we entered into employment contracts with three former Trussco stockholders effective through December 31, 2006 with automatic extensions for additional, successive one year periods commencing January 1, 2007, unless either party gives notice of non-renewal as provided for under the terms of the employment contracts. Subsequent to December 31, 2004, two of these employment contracts were terminated.

TRUSSCO INC. EARNOUT

In connection with the acquisition of Trussco, we issued to certain former shareholders of Trussco a promissory note (Earnout Note) that will earn interest at a rate of 5% per annum of the amount owed. Under the terms of the Earnout Note, we agree to pay these shareholders on or before June 30, 2007, the lesser of (i) the amount of $3 million, or (ii) the sum of the product of 3.12 times Trussco s average annual EBITDA (earnings before interest, taxes depreciation and amortization) for the thirty-six month period ending December 31, 2006 less the sum of $9 million plus $1.5 million of Trussco long-term and former shareholder debt existing as of June 30, 2004 that we assumed. At December 31, 2004, no amounts have been accrued under the terms of the Earnout Note as no amounts are owed.

9. STOCKHOLDERS EQUITY

COMMON STOCK

The Consolidated Financial Statements and related notes thereto include the retroactive effect of a one for three reverse stock split effective July 3, 2002. We currently have 45,000,000 shares of our $0.01 par value common stock authorized; of these authorized shares, there were 9,569,729 and 11,679,565 issued at December 31, 2003 and 2004, respectively. In 2001, we repurchased 361,800 shares of treasury stock, of which during 2004, 90,454 shares were re-issued leaving 271,346 outstanding at December 31, 2004.

PREFERRED STOCK

During the years ended December 31, 1999, 2000 and 2001, we privately placed with an affiliate subordinated debentures totaling $7.5 million, $3.4 million and $1.5 million, respectively. The debentures matured five years from their date of issue and accrued interest at various rates ranging from a fixed rate of 12% per annum to a variable rate of interest starting at 12% per annum and escalating to 20% per annum. In October 2000, we agreed to convert $4.6 million of the subordinated debentures into our Series A Preferred which is convertible into common stock of the company at a conversion price of $0.75 per share. In May 2001, we agreed to pay the affiliate $3.0 million cash plus issue to the affiliate $4.6 million of the Company s Series B Preferred in satisfaction of all of the remaining outstanding subordinated debentures including accrued interest of $1.8 million. The Series B Preferred are convertible into common stock of the company at a conversion price of $1.25 per share. This transaction resulted in the affiliate agreeing to forgive $1.0 million of indebtedness, which has been reflected as a capital contribution from the affiliate rather than as income in the accompanying financial statements. The Preferred Stock earn dividends at a rate of 8% of which dividends of $484,000, $484,000 and $490,000 were recorded during the years ended December 31, 2002, 2003 and 2004, respectively. In February 2004, we issued $10 million of 6.5% Subordinated Convertible Debentures (See Note 4). The proceeds were used to redeem $8.2 million of the Series A Preferred outstanding, including accrued dividends of $0.7 million. The remaining 25 shares of Series A Preferred were redeemed in April 2004 for $0.03

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million. At December 31, 2004 there are no Series A Preferred shares outstanding. During the first quarter of 2004, we redeemed 2,286 shares of the Series B Preferred for $2.4 million, including accrued dividends of $0.1 million. In April 2004, we redeemed 2,285 shares of the total of 2,314 shares of the Series B Preferred outstanding for $2.5 million, including accrued dividends of $0.2 million. At December 31, 2004, 29 shares of Series B Preferred remain outstanding.

In connection with the original issuance of the subordinated debentures, we issued to the affiliate detachable warrants to purchase 1,912,833 shares of our common stock, of which 293,055 shares were transferred during 2003 to settle certain litigation and 858,678 shares were cancelled. The balance of 761,100 shares was exercised in the first quarter of 2004 at an exercise price of $2.25 per share.

EARNINGS PER SHARE

Basic earning per share (EPS) is determined by dividing income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if options and other contracts to issue shares of common stock were exercised or converted into common stock. Giving retroactive effect for the one for three reverse stock split effective July 3, 2002, we had 985,615, 193,146, and 63,003 options outstanding in the years ended December 31, 2002, 2003 and 2004, respectively, that were excluded from the calculation of diluted EPS as they were antidilutive. In addition, warrants to purchase up to 2,121,662 and 1,241,500 shares of common stock were also excluded for the years ended December 31, 2002 and 2004, respectively. Additionally, debentures convertible into 1,123,264 shares of common stock and the Stockholder Notes convertible into 319,149 shares of common stock were excluded in the calculation for 2004.

The following table sets forth the computation of basic and diluted weighted average shares outstanding:

	Year Ended December 31,		
	2002	**2003**	**2004**
	(in thousands)		
Shares:			
Basic shares outstanding	8,739	8,772	10,884
Effect of dilutive securities:			
Stock options	6	111	
Warrants		199	
Preferred stock		2,280	
Dilutive shares outstanding	8,745	11,362	10,884

Due to incurring a net loss for the year ended December 31, 2004, basic and diluted weighted average shares used in the calculation of earnings per share are the same due to the effects of potential dilutive securities being anti-dilutive.

STOCK BASED COMPENSATION

During 2004, we entered into Incentive Agreements with our executive officers that provides for, among other things, the issuance of restricted common stock. Additionally, we entered into a SBA with certain executive officers that provides for payments, based on the market value of our outstanding common stock, in the event of death or change of control, for a period beginning on June 30, 2004 and expires on December 31, 2008 (See Note 8).

In September 1997, we adopted the Stock Incentive Plan (the Incentive Plan) to provide long-term incentives to our key employees, officers, directors who are our employees, and our consultants and advisors and non-employee directors (Eligible Persons). Under the incentive plan, we may grant incentive stock options, non-qualified stock options, restricted stock, other stock-based awards, or any combination thereof to Eligible Persons. Options generally vest over a four-year period and expire if unused after ten years. The exercise price of any stock option granted may not be less than the fair market value of the common stock on the date of grant. A total of 2,500,000 shares of common stock have been authorized under the Incentive Plan, of which 1,084,819 remain available for issuance at December 31, 2004.

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In January 1999, we approved the Stock Option Plan (the Option Plan) to provide for the grant of options to purchase shares of our common stock to non-officer employees of our company and our subsidiaries in lieu of year-end cash bonuses. The Option Plan is intended to increase shareholder value and advance our interests by providing an incentive to employees and by increasing employee awareness of us in the marketplace. Under the Option Plan, we may grant options to any of our employees with the exception of our officers. The options become exercisable immediately with respect to one-half of the shares, and the remaining one-half shall be exercisable one year following the date of the grant. The exercise price of any stock option granted may not be less than the fair market value of the common stock on the effective date of the grant. A total of 100,000 shares of common stock are authorized, of which 30,422 remain available for issuance at December 31, 2004.

A summary of our employee stock options as of December 31, 2002, 2003 and 2004, and changes during the years then ended, which give retroactive effect to the one for three reverse stock split effective July 3, 2002, are presented below:

	WEIGHTED AVERAGE EXERCISE PRICE	INCENTIVE PLAN OPTIONS	OTHER OPTIONS
Balance at January 1, 2002	$ 3.40	908,335	3,333
Granted	1.94	75,000	
Exercised	1.87	(3,333)	
Forfeited	5.05	(125,510)	(3,333)
Balance at December 31, 2002	3.03	854,492	
Exercisable	3.61	432,399	
Granted	2.31	489,500	
Exercised	1.88	(119,998)	
Forfeited	5.80	(54,854)	
Balance at December 31, 2003	2.74	1,169,140	
Exercisable	3.10	598,729	
Granted	4.00	177,500	
Exercised	2.04	(152,312)	
Forfeited	6.28	(125,036)	
Balance at December 31, 2004	$ 2.63	1,069,292	
Exercisable	$ 2.51	741,135	

The following table summarizes information about employee stock options outstanding at December 31, 2004:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
EXERCISE PRICES	NUMBER OUTSTANDING	WGTD. AVG. REMAINING	WGTD. AVG. EXERCISE PRICE	NUMBER	WGTD. AVG.

		CONTR. LIFE		EXERCISABLE	EXERCISE PRICE
$1.30 - $5.21	1,048,003	7.2	$ 2.56	734,846	$ 2.48
$5.22 - $10.42	21,289	6.7	$ 6.07	6,289	$ 6.30
	1,069,292	7.2	$ 2.63	741,135	$ 2.51

There were also 1,373,449 warrants outstanding and exercisable at exercise prices ranging from $1.54 to $9.00.

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10. INCOME TAXES

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

	DECEMBER 31,	
	2003	2004
	(in thousands)	
Deferred Tax Assets:		
Allowance for doubtful accounts	$ 17	$ 134
Net operating loss carryforward	12,453	17,439
Total deferred tax assets	12,470	17,573
Deferred Tax Liabilities:		
Property and equipment	(4,887)	(5,403)
Customer intangible	(337)	(474)
Less: Valuation Allowance	(5,246)	(9,696)
Net Deferred Tax Asset	$ 2,000	$ 2,000

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

	YEAR ENDED DECEMBER 31,		
	2002	2003	2004
		(in thousands)	
Current benefit	$ 884	$	$
Deferred benefit (expense)	(1,713)	(2,518)	(4,450)
Less: change in valuation allowance	1,229	4,118	4,450
Total tax benefit	$ 400	1,600	$

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

YEAR ENDED DECEMBER 31,		
2002	2003	2004

Statutory federal rate	34%	34%	34%
State taxes	3	3	3
Goodwill			
Life insurance proceeds			
Valuation allowance	(87)	(83)	(37)
Other			
Total	(50)%	(46)%	0%

As of December 31, 2004, for tax purposes, we had net operating loss carryforwards (NOLs) of approximately $47.2 million. The NOLs will expire commencing 2018. We account for income taxes under the provision of SFAS No. 109, which requires recognition of future tax benefits (NOLs and other temporary differences), subject to a valuation allowance based on more likely than not that such asset will be realized. In determining whether it is more-likely-than-not that we will realize such tax asset, SFAS No. 109 requires that all negative and positive evidence be considered (with more weight given to evidence that is objective and verifiable) in making the determination. SFAS No. 109 indicated that forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years ; therefore we determined that it was required by the provision of SFAS No. 109 to maintain a valuation allowance of $6.0 million for all of the recorded net deferred tax assets. In 2002 and 2003, we reversed $0.4 million and $1.6 million, respectively of this related reserve due to our expectation of generating taxable income in the future. Future favorable adjustments to the valuation allowance may be required if and when circumstances change. In 2003, $0.5 million of the income tax benefit was allocated to discontinued operations.

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11. SEGMENT INFORMATION

SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information, which requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. Currently, we conduct our operations principally in three segments Seismic Drilling, Aviation Transportation and Environmental Services, all of which operate exclusively in North America. The Seismic Drilling division is comprised of three segments Drilling, Survey and Permitting. The Aviation Transportation division and the Environmental Services division operate as stand alone segments. All remaining assets, primarily our corporate offices, warehouses and underlying real estate, are located in North America.

The segment classified as Corporate includes all other operating activities to support the executive office, capital structure and costs of being a public registrant. These costs are not allocated to the business segments by management when determining segment profit or loss.

Drilling revenue is derived primarily from drilling and loading of the source points for seismic analysis. Aviation revenue is derived through transport of geophones and recorders used to collect the seismic data between receiving points, transport heli-portable drilling units into remote or otherwise inaccessible terrain, transport people and equipment to offshore oil and gas platforms and rigs. Survey revenue is recorded after the customer has determined the placement of source and receiving points, and after survey crews are sent into the field to plot each source and receiving point prior to drilling. Permitting revenue is derived from services provided in conjunction with obtaining permits from landowners. Environmental revenue is earned from tank and vessel cleaning. The following table shows segment information (net of intercompany transactions) as adjusted for discontinued operations for the years ended December 31, 2002, 2003 and 2004:

	DRILLING	AVIATION	ENVIRONMENTAL	CORPORATE	TOTAL
2004					
Operating revenues	$ 30,398	$	$ 8,666	$	$ 39,064
Operating income (loss)	2,430		597	(6,219)	(3,192)
Interest expense				3,288	3,288
Depreciation and amortization	3,332		950		4,282
Loss from discontinued operations, net of taxes		(6,756)			(6,756)
Identifiable assets	21,502	20,963	13,264	10,184	65,913
Capital expenditures(2)	162	6,612	21	103	6,898
2003					
Operating revenues	$ 31,555	$	$	$	$ 31,555
Operating income (loss)	5,288			(2,392)	2,896
Interest expense				943	943
Depreciation and amortization	3,355				3,355
Income (loss) from discontinued operations, net of taxes	(367)	691			324
Identifiable assets	22,557	16,923		10,809	50,289
Capital expenditures(2)	99	358		37	494
2002					
Operating revenues	$ 24,592	$	$	$	$ 24,592
Operating income (loss)	2,991			(2,033)	958
Interest expense				799	799
Depreciation and amortization	3,270				3,270
Income from discontinued operations, net of taxes		534			534

Identifiable assets(1)	25,359	6,096		9,870	41,325
Capital expenditures(1) (2)	625	25		35	685

Due to the disposal of the Aviation Transportation Services Segment, effective July 29, 2005, the aviation segment has been presented as discontinued operations.

(1) In September 2002, we acquired certain drilling equipment previously held under a lease obligation.

(2) Net of assets obtained in acquisitions (See Note 12).

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12. ACQUISITIONS

AIRJAC DRILLING

On January 18, 2002, we acquired the assets of AirJac Drilling (AirJac), a division of Veritas DGC Land, Inc. (Veritas), a seismic drilling support company headquartered in New Iberia, Louisiana. The aggregate acquisition price was $4.2 million, including $2.0 million cash, acquisition costs, assumption of a capital lease and a commitment valued at $1.9 million to discount future work to be performed for Veritas over a four year period. In this acquisition, we acquired inventory, vehicles, shop equipment and drilling, assigning field and support equipment. The allocation of the purchase price resulted in assigning $1.9 to a million customer relationship intangible asset (See Note 5). We established a liability for these future minimum discounts which will be recognized as work is performed. The results of AirJac s operations have been included in our consolidated financial statements since the acquisition date.

AMERICAN HELICOPTERS, INC.

On November 20, 2003, we purchased American Helicopters, Inc. (AHI) for an aggregate acquisition price of $5.4 million including $4.6 million of cash and the assumption of $0.8 million of certain liabilities. AHI operated 17 helicopters from base locations in Louisiana and Texas and was headquartered in Angleton, Texas. The infrastructure received through this acquisition significantly increased our ability to provide aviation services to oil and gas companies operating in the offshore waters in the Gulf of Mexico. The results of AHI s operations have been included in our consolidated financial statements since the acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed for the acquisition of AHI at the date of acquisition (in thousands):

BALANCE SHEET DATA

Current assets, including cash of $542	$ 2,129
Property, plant, and equipment	3,322
Current Liabilities	(598)
Long-term liabilities	(213)
Cash purchase price	$ 4,640

In 2004, we made an adjustment to the purchase price for additional liabilities assumed since the date of acquisition totaling $0.2 million, which increased the total cash purchase price to $4.8 million. The adjustment increased property and equipment with an offsetting amount to current liabilities. Additional fees of $0.3 million associated with the acquisition were capitalized to intangibles and are being amortized over 5 years.

TRUSSCO, INC

On June 30, 2004, we purchased all of the issued and outstanding stock of Trussco, Inc. and all of the membership interests in Trussco Properties, L.L.C. (collectively Trussco) for an aggregate acquisition price of $11.9 million, including $7.3 million in cash, $3.0 million in 5% convertible promissory notes payable to certain stockholders (Stockholder Notes) maturing in June 2007, and the assumption of approximately $1.6 million in debt and other liabilities. The Stockholder Notes can be prepaid at any time and are convertible into shares of our common stock at a price of $9.40 per share. Trussco is a leading provider of dock-side and offshore tank, vessel, boat and barge cleaning services principally to major and independent oil and gas companies operating in the Gulf of Mexico. The acquisition will increase our revenue and customer base and offers cross-selling opportunities with our aviation transportation division. Correspondingly, $4.6 million was allocated to intangible assets attributable to customer lists and other industry-specific intangible assets. The results of Trussco operations are included in our consolidated financial statements since the date of the acquisition.

In connection with the acquisition of Trussco, we issued to certain former shareholders of Trussco a promissory note (Earnout Note) that will earn interest at a rate of 5% per annum of the amount owed. Under the terms of the Earnout Note, we agree to pay these shareholders on or before June 30, 2007, the lesser of (i) the amount of $3 million, or (ii)

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the sum of the product of 3.12 times Trussco s average annual EBITDA (earnings before interest, taxes depreciation and amortization) for the thirty-six month period ending December 31, 2006 less the sum of $9 million plus $1.5 million of Trussco long-term and former shareholder debt existing as of June 30, 2004 that we assumed. At December 31, 2004, no amounts have been accrued under the terms of the Earnout Note as no amounts are owed.

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

Current assets, including cash of $427	$ 3,618
Property and equipment	3,695
Other assets	19
Intangible assets	4,644
Current Liabilities	(1,460)
Assumption of Debt	(177)
Stockholder Notes	(3,000)
Cash purchase price	$ 7,339

In July 2004, we incurred fees for merchant banking services provided during the Trussco acquisition. The fees were earned upon signing of final documents and the receipt of title to assets. The total fee included $0.5 million cash, increasing the cash purchase price to $7.8 million, 69,930 shares of restricted stock and 5-year common stock warrants to purchase 100,000 shares of common stock at an exercise price of $7.15. The restricted stock was valued at the common stock price on July 1, 2004 of $4.89 per share, or $0.3 million. The warrants are not exercisable for a period of one-year after the issue date of such warrants. In accordance with APB Opinion No. 14, the warrants were valued at a fair market value of $0.2 million using the Black Scholes option pricing model. The total value of fees of $1.0 million were capitalized as part of the allocation of the purchase price and assigned to intangibles associated with the Trussco acquisition and are being amortized over 5 years.

The pro forma unaudited results summarized below reflects our consolidated pro forma results of operations as if Airjac, AHI and Trussco were acquired on January 1, 2002, with the entire results of the Aviation Transportation Services Segment presented as discontinued operations (see Note 13):

	PRO FORMA UNAUDITED RESULTS YEAR ENDED DECEMBER 31,		
	2002	2003	2004
	(in thousands except per share data)		
INCOME STATEMENT DATA			
Operating revenue	$ 45,237	$ 51,279	$ 48,536
Operating expenses	45,746	47,021	51,259
Net income (loss) from continuing operations available to common stockholders	(1,519)	3,635	(7,884)
Discontinued operations, net of taxes	1,108	1,376	(6,756)

Net income (loss) available to common stockholders	$ (411)	$ 5,011	$ (14,640)
Basic income (loss) per common share:			
Income (loss) from continuing operations available to common stockholders	$ (0.17)	$ 0.41	$ (0.72)
Income (loss) from discontinued operations	0.13	0.16	(0.62)
Net Income (loss) available to common stockholders	$ (0.04)	$ 0.57	$ (1.34)
Diluted income (loss) per common share:			
Income (loss) from continuing operations available to common stockholders	$ (0.17)	$ 0.35	$ (0.72)
Income (loss) from discontinued operations	0.13	0.13	(0.62)
Net income (loss) available to common stockholders	$ (0.04)	$ 0.48	$ (1.34)

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13. DISCONTINUED OPERATIONS

On November 20, 2003, we purchased AHI, resulting in the acquisition of thirteen (13) helicopters and four (4) leased helicopters at bases located in Louisiana and Texas. AHI was strategically targeted and purchased for the infrastructure of aircraft, fueling stations, flight (customer) following and pilot and mechanic organizations.

We made the decision in July 2004, after owning AHI for approximately eight months, to exit from the Texas location in Brazoria County, to begin the withdrawal of business activity with AHI customers in Texas, and to move all operations to our main operating facility in Louisiana. This strategy also fits with the planned completion of the Intracoastal City (Mouton Cove) facility as a central operation base of operations. Our planned strategy is to certify all of our fleet under the OMNI Federal Aviation Agency 135 certificate and to market our flight services to independent and major oil and gas customers. Our strategy is to service operators that require aircraft geared to crew change and larger passenger capacity, which allow for higher rates and use. The large operators work from Master Service Agreements which meet our needs for higher, more fixed pricing and fixed unit structures. The plan encompassed relocation of personnel, the elimination of certain duplicate positions, and the negotiation of early release of operating leases at the Brazoria County facility. The costs we incurred include travel and re-location costs for personnel who were relocated, costs associated with the transfer of aircraft to the 135 certificate, termination costs for personnel who were eliminated, any costs incurred to obtain an early release of operating leases at the Brazoria County facility and other direct costs related to the exit of this business group. In September 2004, we surrendered the AHI 135 certificate.

On June 30, 2005, we executed a definitive agreement to sell the equipment and related assets of our aviation transportation services segment for a cash price of $11.0 million which subsequently closed on July 29, 2005. Accordingly, the disposition of the aviation transportation services segment has been accounted for as a discontinued operation in the accompanying financial statements.

Interest expense was allocated to the discontinued operations (aviation transportation services segment) in accordance with the provisions of the Emerging Issues Task Force (EITF) No. 87-24 Allocation of Interest to Discontinued Operations. The total amounts of interest expense included in income (loss) from discontinued operations is $0.4 million, $0.5 million and $1.9 million for the years ended December 31, 2002, 2003 and 2004, respectively.

Accordingly, the table below presents all revenues and expenses of the Aviation Transportation Services Segment as income (loss) in the loss from discontinued operations:

	YEAR ENDED DECEMBER 31,		
	2002	**2003**	**2004**
		(in thousands)	
Revenue	$ 3,092	$ 5,143	$ 15,350
Operating expenses:			
Direct operating costs	1,380	3,353	11,418
Depreciation and amortization	414	547	1,127
General and administrative expenses	385	604	1,943
Total operating expenses	2,179	4,504	14,488

Asset impairment		367	4,174
Interest expense	379	456	1,889
Loss on debt extinguishment			279
Other expense			1,276
Total expenses	2,558	5,327	22,106
Income (loss) from discontinued operations	534	(184)	(6,756)
Income taxes		508	
Net income (loss) from discontinued operations	$ 534	$ 324	$ (6,756)

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We have included in the loss from discontinued operations an allowance for doubtful accounts of $0.2 million recorded as a result of contract termination negotiations associated with our exit of the Brazoria County, Texas market. The allowance is shown net against accounts receivable in the consolidated balance sheet at December 31, 2004. As required by SFAS No. 146, the following table reflects the total amount incurred in connection with the other exit activity for the year ended December 31, 2004:

	YEAR ENDED DECEMBER 31, 2004
Lodging and travel	$ 53
Severance and outplacement	30
Total exit costs	$ 83

14. SUMMARIZED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	QUARTER ENDED			
2004	**March 31**	**June 30**	**September 30**	**December 31**
Operating revenues	8,062	8,593	11,276	11,133
Operating expenses	8,017	10,212	11,932	12,095
Operating income (loss)	45	(1,619)	(656)	(962)
Interest expense	268	501	701	1,818
Loss on debenture conversion inducement and debt extinguishment			81	648
Other (income) expense	29	119	14	128
Income (loss) before income taxes	(252)	(2,238)	(1,452)	(3,556)
Income tax benefit				
Net income (loss) from continuing operations	(252)	(2,238)	(1,452)	(3,556)
Income (loss) from discontinued operations, net of taxes	337	1,356	(2,016)	(6,433)
Income (loss)	85	(882)	(3,468)	(9,989)
Dividends and accretion of preferred stock	(485)	(5)		
Net income (loss) available to common stockholders	(400)	(887)	(3,468)	(9,989)
Basic income (loss) per common share:				
Income (loss) from continuing operations	$ (0.07)	$ (0.20)	$ (0.13)	$ (0.31)
Income (loss) from discontinued operations	0.03	0.12	(0.18)	(0.57)
Net income (loss) available to common Stockholders	$ (0.04)	$ (0.08)	$ (0.31)	$ (0.88)
Diluted income (loss) per common share:				
Income (loss) from continuing operations	$ (0.07)	$ (0.20)	$ (0.13)	$ (0.31)

Income (loss) from discontinued operations	0.03	0.12	(0.18)	(0.57)
Net income (loss) available to common Stockholders	$ (0.04)	$ (0.08)	$ (0.31)	$ (0.88)

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	QUARTER ENDED			
2003	**March 31**	**June 30**	**September 30**	**December 31**
Operating revenues	5,435	9,251	8,795	8,074
Operating expenses	5,607	7,597	7,619	7,836
Operating income (loss)	(172)	1,654	1,176	238
Interest expense	177	312	168	286
Other (income) expense	(39)	(21)	13	(67)
Income (loss) before income taxes	(310)	1,363	995	19
Income tax benefit	68	154	205	665
Net income (loss) from continuing operations	(242)	1,517	1,200	684
Income (loss) from discontinued operations, net of taxes	127	26	239	(68)
Income (loss)	(115)	1,543	1,439	616
Dividends and accretion of preferred stock			(242)	(242)
Net income (loss) available to common stockholders	(115)	1,543	1,197	374
Basic income (loss) per common share:				
Income (loss) from continuing operations	$ (0.02)	$ 0.18	$ 0.11	$ 0.05
Income (loss) from discontinued operations	0.01	0.00	0.03	(0.01)
Net income (loss) available to common stockholders	$ (0.01)	$ 0.18	$ 0.14	$ 0.04
Diluted income (loss) per common share:				
Income (loss) from continuing operations	$ (0.02)	$ 0.18	$ 0.09	$ 0.05
Income (loss) from discontinued operations	0.01	0.00	0.03	(0.01)
Net income (loss) available to common stockholders	$ (0.01)	$ 0.18	$ 0.12	$ 0.04

During the three months ended December 31, 2004, we recorded an impairment charge of approximately $4.2 million of which approximately $3.0 million was the write off of unamortized aviation repairs and $1.2 million was an impairment charge on our aviation fleet. Furthermore, during the fourth quarter of 2004, we recorded a charge of $0.8 million in unamortized loan costs, $0.9 million in connection with the early extinguishment of a portion of our convertible debentures and $0.4 million in other loan costs.

15. SUBSEQUENT EVENTS

At December 31, 2004, we had certain non-essential aviation assets reported as Held for Sale which were ultimately sold subsequent to the year ended December 31, 2004 for $2.9 million in cash and extinguishment of debt. For the twelve month period ended December 31, 2004, we recorded an impairment of $0.6 million representing the write down of these non-essential aviation assets to their expected net realizable value.

On March 7, 2005, we received a commitment letter from an Institutional Investor to provide us with $50 million of equipment term financing (Term A Loan). Under the terms of the commitment letter, funding under the Term A Loan will be limited to the lesser of $50 million and the sum of (i) 85% of the orderly liquidation value of our aviation fleet; (ii) 75% of the orderly liquidation value of our seismic drilling and environmental equipment; and (iii) 50% of the fair market value of certain real estate. Proceeds from the Term A Loan will be used to re-finance certain long-term debt, provide working capital and establish funding necessary to complete various strategic transactions under Consideration. Closing is subject to negotiation, execution and delivery of loan and contractual documentation reasonably satisfactory to the lender.

The Term A Loan will mature 60 months after closing and with level amortization of the principal, quarterly in arrears, to a 50% balloon at the maturity date. The Term A Loan will initially accrue interest at the rate of the 30-day LIBOR plus 6.5%, payable quarterly. Further, in connection with the completion of the Term A Loan, the Line (See Note 4) will be increased from $12 million to $15 million, the maturity will be extended to be concurrent with the Term A Loan and will contain cross default provisions.

On January 25, 2005, we filed suit in United States District Court, Western District of Louisiana (the 16(b) litigation) against the holders of our 6.5% Subordinated Convertible Debentures and other third parties (collectively, the Debenture Holders). The suit alleges violations by the Debenture Holders pursuant to Section 16(b) of the Securities Exchange Act of 1934. We believe the Debenture Holders acted together for the purpose of illegally acquiring, holding, voting or disposing our equity securities during relevant time periods and have exerted an adverse group influence on OMNI and our equity securities. The suit seeks the disgorgement of profits realized by the Debenture Holders from their purchases and sales of our common stock.

On February 25, 2005, one of the Debenture Holders, Portside Growth and Opportunity Fund (Portside) notified us of certain alleged events of default under the 6.5% Subordinated Convertible Debentures issued to Portside (the Portside Debentures). As a result of these alleged events of default, Portside demanded that we redeem all of the Portside Debentures held by it, in the aggregate principal amount of $2,765,625, on March 2, 2005. Portside also notified us of its intention to commence a civil action against us to obtain a judgement with respect to all amounts owed to it under the Portside Debentures.

Portside s acceleration of the maturity of the Debentures and its potential commencement and prosecution of a civil action against us to obtain a judgement with respect to all amounts owed to it under the Debentures are subject to the terms of certain Subordination and Intercreditor Agreements (the Subordination Agreements) between the Debenture Holders and Webster Business Credit Corporation (the Agent). Pursuant to the Subordination Agreements, Portside is not authorized to receive payments in respect to the Debentures as a result of the acceleration date of the debentures or enforce any such judgement without the prior written consent of Agent, except upon the earliest to occur of, among other things, (i) acceleration of the senior debt, (ii) commencement of enforcement of any rights and remedies under the senior debt documents or applicable law with respect to the senior debt or the senior debt documents, (iii) the institution of any Proceeding (as defined in the Subordination Agreements), or (iv) the passage of 180 days from the date on which Agent received written notice of the default from Portside.

To our knowledge, the threatened civil action has not commenced. Should Portside, in fact, commence the threatened civil action, we intend to vigorously defend the litigation, as well as, pursuing all available remedies including those available pursuant to the aforementioned 16(b) litigation filed against the Debenture Holders.

In April 2005, we reached a tentative settlement (Portside Settlement) with Portside. Under the terms of the Portside Settlement, we agreed to pay Portside $1.0 million cash and issue them 500,000 shares of our common stock in exchange for the extinguishment of approximately $2.8 million of our 6.5% Subordinated Convertible Debentures and the dismissal of Portside from the 16(b) litigation. Completion of the Portside Settlement is contingent upon completion of a mutually satisfactory settlement agreement and release from Portside and other Debenture holders.

On January 21, 2005 we entered into a forbearance agreement with Beal Bank, SSB, which increased the interest rate from 12% to 17% and extended the maturity of the Bridge Loan to March 15, 2005. The forbearance agreement has been amended to extend the maturity to April 15, 2005. In connection with the execution of the forbearance agreement and the extension thereof, we have reduced the outstanding principal balance by $0.6 million. We are currently in negotiations to extend the maturity date of the Bridge loan.

Effective July 29, 2005, the Company disposed of its Aviation Transportation Services Segment. The total purchase price was $11.0 million of which $9.35 million was used to repay advances under the Company s Term A Loan. (See Note 13).

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9,613,670 shares

OMNI Energy Services Corp.

Common stock

Prospectus

October __, 2005

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. Other expenses of issuance and distribution

The following table sets forth the costs and expenses payable by the registrant in connection with the sale of common stock being registered. All amounts are estimates except the registration fee, the NASD fee and The Nasdaq National Market.

	Amount to be paid
Registration fee	$ 3,384
Printing and engraving	5,000
Legal fees and expenses	20,000
Accounting fees and expenses	20,000
Blue sky fees and expenses	1,000
Transfer agent fees and expenses	1,000
Miscellaneous	2,616
Total	$ 53,000

ITEM 14. Indemnification of directors and officers

As permitted by Louisiana law, our Amended and Restated Articles of Incorporation contain certain provisions eliminating the personal liability of the directors and officers to us and our stockholders for monetary damages for breaches of their fiduciary duties as directors or officers, except for (i) a breach of a director s or officer s duty of loyalty to us or our stockholders, (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) dividends or stock repurchases or redemptions that are illegal under Louisiana law and (iv) any transaction from which he or she receives an improper personal benefit. In addition, the Amended and Restated Articles of Incorporation provide that if Louisiana law is amended to authorize the further elimination or limitation of the liability of a director or officer, then the liability of the directors or officers shall be eliminated or limited to the fullest extent permitted by Louisiana law, as amended. These provisions pertain only to breaches of duty by directors or officers in such capacities and limit liability only for breaches of fiduciary duties under Louisiana corporate law and not for violations of other laws such as the federal securities laws.

Our Bylaws require us to indemnify its directors and officers against certain expenses and costs, judgments, settlements and fines incurred in the defense of any claim, including any claim brought by us or in our right, to which they were made parties by reason of being or having been directors and officers, subject to certain conditions and limitations.

In addition, each of our directors and executive officers has entered into an indemnity agreement with us, pursuant to which we have agreed under certain circumstances to purchase and maintain directors and officers liability insurance. The agreements also provide that we will indemnify the directors and executive officers against any costs and expenses, judgments, settlements and fines incurred in connection with any claim involving a director or executive officer by reason of his position as a director or executive officer that are in excess of the coverage provided by such insurance; provided that the director or executive officer meets certain standards of conduct. Under the indemnity agreements, we are not required to purchase and maintain directors and officers liability insurance if it is not reasonably available or, in the reasonable judgment of the Board of Directors, there is insufficient benefit to us from the insurance.

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ITEM 15. Recent sales of unregistered securities

On May 17, 2005, we entered into a Securities Purchase Agreement (the Securities Purchase Agreement) with the selling stockholders. Pursuant to the terms of the Securities Purchase Agreement, we agreed to issue to the Purchasers (i) an aggregate of up to 5,000 shares of Series C 9% Convertible Preferred Stock, no par value, and (ii) warrants representing the right to purchase up to an aggregate of 6,550,000 shares of common stock, for the exercise prices described therein.

The transactions contemplated by the Securities Purchase Agreement closed in two tranches. On May 17, 2005, the closing date of the first tranche, we issued an aggregate of 3,500 shares of Series C 9% Preferred Stock and warrants to acquire up to 4,585,000 shares of Common Stock, in exchange for $3,500,000. Subject to the terms and conditions set forth in the Securities Purchase Agreement, the second tranche closed on August 29, 2005, at which time the remainder of the Series C 9% Preferred Stock and warrants were issued.

ITEM 16. Exhibits and financial statement schedules

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
3.1	Composite Articles of Incorporation of OMNI Energy Services Corp. (as of November 7, 2000) (incorporated by reference to Exhibit 3 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2000, File No. 000-23383N).
3.2	Form of Articles of Amendment Articles of Incorporation (incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2001, File No. 000-23383).
3.3	Form of Articles of Amendment Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Form 8-K, originally filed with the Commission on May 24, 2005).
3.4	Bylaws of OMNI Energy Services Corp., as amended (incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).
4.1	See Exhibit 3.1, 3.2, 3.3 and 3.4 for provisions of our Articles of Incorporation and Bylaws defining the rights of holders of Common Stock.
4.2	Specimen Common Stock Certificate (incorporated by reference to our Registration Statement on Form S-1 (Registration Statement No. 333-36561)).
4.3	Form of Series A Warrant.
4.4	Form of Series B Warrant.
4.5	Form of Series C Warrant.
4.6	Registration Rights Agreement, dated May 17, 2005, by and between OMNI Energy Services Corp. and certain investors identified therein (incorporated by reference to Exhibit 4.3 to our Form 8-K, originally filed with the Commission on May 24, 2005).
10.1	Securities Purchase Agreement, dated May 17, 2005, by and between OMNI Energy Services Corp. and certain investors identified therein (incorporated by reference to Exhibit 10.1 to our Form 8-K, originally filed with the Commission on May 24, 2005).
21.1	Subsidiaries of OMNI Energy Services Corp.
23.1	Consent of Pannell Kerr Forster of Texas, P.C.
23.2	Consent of Fitts Roberts & Co.
23.3	Consent of Ernst & Young LLP

23.4	Opinion and Consent of Locke Liddell & Sapp LLP

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ITEM 17. Undertakings

Rule 415 offering

The undersigned registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually, or in the aggregate, represent a fundamental change in the information set forth in the registration statement Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (§ 230.424(b) of the chapter) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) that, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Carencro, State of Louisiana, on October 19, 2005.

OMNI ENERGY SERVICES CORP.

By: /s/ JAMES C. ECKERT
James C. Eckert
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James C. Eckert his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JAMES C. ECKERT **James C. Eckert**	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	October 19, 2005
/s/ G. DARCY KLUG **G. Darcy Klug**	Executive Vice President (Interim Principal Financial Officer)	October 19, 2005
/s/ EDWARD E. COLSON III **Edward E. Colson III**	Director	October 19, 2005
/s/ MICHAEL G. DEHART **Michael G. DeHart**	Director	October 19, 2005

/s/ BARRY E. KAUFMAN **Barry E. Kaufman**	Director	October 19, 2005
/s/ DENNIS R. SCIOTTO **Dennis R. Sciotto**	Director	October 19, 2005
/s/ RICHARD C. WHITE **Richard C. White**	Director	October 19, 2005

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