

OMNI Energy Services Corp. (NASDAQ NM: "OMNI")

Initiation of Coverage

BUY Rating: 12 Month \$9.40 Price Target

Date: January 13, 2004

Share Statistics	
Symbol	OMNI
Current Price	\$6.30
High/Low 52 Weeks	\$7.48-\$0.74
Avg. Daily Volume	318,547
Market Capitalization	\$55,062,000
Shares Outstanding	8,740,000
Est. FY03&04 ROE	14%/16%
Proj. P/E FY04	13.3X
Industry	Oil Well Service & Equip.

Summary Financials (\$000)	2001	2002	Projected 2004*
Revenues	\$23,686	\$27,796	\$53,000
Gross Profit (normalized)	2,793	5,654	12,084
Net Income (normalized)	5,570	724	4,572
EBITDA (normalized)	3,033	5,667	11,121
Cash & Equivalents	1,233	4,485	n/a
Assets	38,448	41,325	n/a
Liabilities	19,667	21,323	n/a
Total Liabilities/Assets	51%	52%	n/a
Shareholders Equity	18,560	19,781	27,842

Rating & Price Target

We are Initiating Coverage of OMNI Energy Services Corp. ("OMNI" or "The Company") with a BUY rating and assign a \$9.40 price target, the mean bandwidth for the four valuation methods applied. Our 12-month price target of \$9.40 per share is predicated on the disparity between OMNI's current stock price and our price target, defined as its intrinsic fundamental value, along with its respective time horizon. Further, the BUY rating provides consideration for the following meaningful events, both quantitative and qualitative: (1) robust growth in year-over-year Q3 2003 revenue, cash from operations and net earnings growth of 32%, 32%, and 128%, respectively; (2) a current drilling backlog in excess of \$40 million, with an even stronger 2004 backlog outlook; (3) more diversified sources of segment revenue to include offshore support and increased emphasis on the aviation division; (4) recent accretive acquisitions offering an expanded service apparatus; (5) entrenched domestic seismic drilling support leadership position in its operational markets, with assets deployed in its most profitable segment (transition zone); (6) several new high profit aviation contracts that were recently awarded, along with new aviation infrastructure additions to meet increased demand; (7) revamped bank financing structures used to retire debt, increase operations and for select acquisitions; (8) improved debt ratios driven by ever-improving operating cash flow with the recent restructuring of the senior secured debt tranch; and (9) the current secular robust oil and gas trends in the marketplace. *For further details on the investment process and our rating, refer to Analyst Investment Rationale on Pages 8-9 of the report.*

VALUATION: Price Target

Through the application of a valuation bandwidth matrix we assign a 12-month price target of \$9.40 per share to OMNI. This methodology assumes four different valuation approaches using projections and a three tiered price range spectrum. Our \$9.40 per share target is based on the fact the price target falls within the bandwidth's mean-range, bracketed between four valuation approaches:

Valuation Bandwidth:

Range	Price Target	Valuation Methods
High	\$11.83/Share	EPS
Mid	\$11.24/Share PRICE TARGET: \$9.40 \$8.79/Share	EBITDA Multiple PSR Multiple
Low	\$5.61/Share	DCF

Valuation Methodologies Applied (\$000)*

(8,740,000 shares outstanding)

1.

- *Price Earnings Multiple Analysis*

FYE04 EPS	\$0.53
PE Multiple (35% peer discount)	22.6x
Per Share Price Target	\$11.83

2.

- *EBITDA Multiple Analysis*

FYE04 \$11,121 EBITDA X 10.3:	\$114,941
(Less) Est. 04 Int Liab. :	\$(16,732)
Equity Value (35% peer multiple discount)	\$98,209

Per Share Price Target	\$11.24
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3.

- *PSR (Price-to-Sale) Analysis*

FYE04 Sales	\$53,000
Multiple (35% peer discount)	1.45x
Total Market Capitalization Target	\$76,850

Per Share Price Target	\$8.79
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4.

FREE CASH FLOW ANALYSIS (\$000)

Discounted Free Cash Flow Valuation

Assumptions:

CAPM	.036+0.162(.10-.036)	
Cost Capital	6.6%	
WACC	10.6% =k	3%=terminal growth

	FYE03	FYE04	
EBIT (1-T)	\$ 2,683	\$ 4,101	
Dep & Amort	\$ 4,166	\$ 5,000	
(-) Cap Ex	\$ (2,387)	\$ (3,000)	
(-) Changes Working Capital	\$ (5,032)	\$ (1,000)	
Free Cash Flow	\$ (570)	\$ 5,101	<i>Terminal Value</i>
			\$ 69,137

DCF stream	\$ 3,656
DC terminal value	\$ 56,536
Total DC Enterprise Value	\$ 60,193
(Less) Interest Liabilities	\$ 11,202
Equity Value	\$ 48,991
Equity Value Per Share	\$ 5.61

The below chart of valuation ratio comparison suggests that OMNI is undervalued on most valuation ratios relative to the oil & gas service/equipment industry, the sector and the S&P 500. In our valuation for multiples (not DCF), we have applied a discount to its peers which we believe takes account of OMNI's relatively small operational scale, scope of operations, more service oriented business model & relatively untested offshore service platform.

Valuation Ratios

RATIO COMPARISON				
Valuation Ratios	OMNI Energy	Oil well service & Equipment Industry	Sector	S&P 500
P/E Ratio (TTM)	13.73	34.82	15.66	25.53
P/E High - Last 5 Yrs.	NA	50.62	42.56	47.87
P/E Low - Last 5 Yrs.	NA	14.33	12.90	15.96
Beta	0.16	0.95	0.55	1.00
Price to Sales (TTM)	0.82	2.23	1.41	3.44
Price to Book (MRQ)	2.59	2.76	2.48	4.29
Price to Tangible Book (MRQ)	4.09	10.83	4.20	7.48
Price to Cash Flow (TTM)	4.40	15.94	8.83	17.82
Price to Free Cash Flow (TTM)	6.04	40.05	27.83	30.50
% Owned Institutions	8.59	70.76	55.54	63.88

<http://yahoo.investor.reuters.com/MG.aspx?target=/stocks/financialinfo/ratios/valuation&ticker=omni>

THE COMPANY: Background, Services & Revenue Drivers

Background:

OMNI Energy Services Corp. is an oilfield service company specializing in providing an integrated range of onshore seismic drilling, permitting, survey and helicopter support services to geophysical companies operating in logistically difficult and environmentally sensitive terrain in the United States. The Company's principal market is the marsh, swamp, shallow water and contiguous dry land areas along the United States Gulf Coast (the Transition Zone), primarily in Louisiana and Texas. The Company also has operations in the mountainous regions of the Western United States. OMNI owns and operates a fleet of specialized seismic drilling and transportation equipment for use in the Transition Zone. It also maintains a fleet of helicopters, including an inventory of aviation parts, turbine engines and other miscellaneous flight equipment used in providing aviation services to its customers. Customers are primarily geophysical companies, although in many cases the oil and gas company participates in determining which drilling, permitting, survey or aviation company will be used on seismic projects. As of December 31, 2002, OMNI had approximately 185 employees.

Services:

The Company has diverse business segments, which include: (1) seismic drilling, (2) operational support, (3) land permitting, survey services, (4) helicopter support, (5) transportation (6) fabrication and maintenance, among other specialty services that also encompass an international apparatus.

1. Seismic Drilling. OMNI's 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, the Company's drill crews are deployed to drill and load the source points. In the Transition Zone, OMNI uses 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 vehicles are typically manned with a driver and one or two helpers. Once the hole has been drilled to the desired depth, it is loaded with dynamite, which is carried onboard

vehicles in special containers. The Seismic 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. 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 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.

2. Operational Support. OMNI is able to coordinate a variety of related services to customers performing 3-D seismic data acquisition projects that produce significant economies and value.

3. Permitting. The Geophysical Permit Acquisition Division consists of a staff of contract permit agents first conducts research in public land title records to determine ownership of the lands located in the seismic projects. The permit agents then contact, negotiate and acquire permits and landowner consents for the survey, drilling and recording crews to conduct their operations.

4. 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, survey crews are sent into the field to plot each source and receiving point prior to drilling.

5. Helicopter Support. Through OMNI's Aviation Division, created with the acquisition of substantially all of the assets of American Aviation Incorporated ("American Aviation") in July 1997, the Company provided helicopter support services to geophysical companies throughout the continental United States. Also, OMNI has ongoing offshore contracts with service companies operating in the Gulf of Mexico, along with helicopter support to certain federal and state governmental agencies when needed. As of September 30, 2003, OMNI owned and operated 9 helicopters (after AHI acquisition, 35 helicopters).

6. Transition Zone transportation: As of September 30, 2003, OMNI owned and operated 72 highland drilling units for seismic drilling in dry land areas and 23 marsh ATV's, of which 8 are made of stainless steel and 15 are made of aluminum. The environmentally sensitive wetlands along the U.S. Gulf Coast containing 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 utilized. The Company also owned and operated 40 airboat drilling units at the end of third quarter, 2003. An airboat-drilling unit consists of a drilling unit fabricated and installed on a large, three-engine airboat.

As of September 30, 2003, OMNI owned and operated 30 swamp ATV's and 18 pullboats. Swamp ATV's are also used in connection with survey operations in swamp areas. In turn, the 18 pontoon boats are used in shallow or protected inland bays and lakes and shallow coastal waters. When a seismic survey requires source points to be drilled in deeper inland bays or lakes or in deeper coastal waters, OMNI uses jack-up rigs equipped with 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. As of September 30, 2003, OMNI owned 18 of these units, along with 88 single engine airboats and 21 outboard powered boats (used to ferry personnel and supplies to locations throughout the Transition Zone). The Company maintains a fleet of 5 tractor-trailer trucks and numerous other trucks, trailers and vehicle.

As of September 30, 2003, OMNI had 37 heli-portable and man-portable drilling units and 36 highland drilling units dedicated to seismic rock drilling. The Company also has the ability to manufacture their own heli-portable and man-portable seismic rock-drilling units

7. Fabrication and Maintenance. At the Company's Carencro facilities, OMNI performs all routine repairs and maintenance for Transition Zone and highland drilling equipment. The Company designs and fabricates aluminum marsh all terrain vehicles (ATV's), a number of support boats and pontoon boats, and the drilling units used on all Transition Zone equipment. OMNI purchases airboats directly from the manufacturer and then modify the airboats to install the drilling equipment.

Other: International Operations. OMNI commenced line cutting and survey services in South America in July 1998, in conjunction with the formation of a joint venture, OMNI International Energy Services & South America, Ltd.

Revenue Mix:

Top Line Drivers (\$000)	Sales 2000 % Rev	Sales 2001 % Rev	Sales 2002 % Rev
Drilling	\$ 24,684 – 71.0 %	\$ 21,045 – 54.7%	\$ 24,309 – 58.8%
Aviation	1,371 – 4.0	6,993 – 18.3	6,096 – 14.8%
Survey	1,744 – 5.0	1,516 – 3.9	1,050 – 2.5%
Other	6,925 – 20.0	8,894 – 23.1	9,870 – 23.9%
TOTAL	\$ 34,624 – 100.0%	\$ 38,448 – 100.0%	\$ 41,325 – 100.0%

MARKET OVERVIEW:

Oil and gas companies generally contract with independent geophysical companies to acquire seismic data. Once an area is chosen for seismic analysis, oil/gas service companies such as OMNI obtain permits and landowner consents, either themselves, by the geophysical company or by special permitting agents. The geophysical company then determines the layout of the source and receiving points.

As a result of changing technology and increased capital requirements, the geophysical industry has consolidated substantially since the late 1980's; that period's financial downturn also engendered a decline in the number of seismic contractors. Yet, there remains a large number of small, mostly local competitors, especially in the land acquisition and processing areas where financial barriers to entry are minimal. In 2000, there were five major international full-service seismic contractors. After the Veritas-PGS merger went through, there are about to be three - Western-Geco (a joint venture between Schlumberger and Baker Hughes), Compagnie Generale Geophysique and Petroleum Geo-Services ASA..

The market for geophysical services is driven ultimately by commodity prices, which are currently at relatively high levels. Oil prices have been over \$30 per barrel recently and have averaged in the high \$20's since March 2002. Natural gas prices have been similarly high in the U.S. with contract prices in the \$4.50 to \$5.50 mcf range.

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 for new hydrocarbon reserves and as a tool for enhancing production from existing reservoirs.

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 and detonated. Seismic waves generated by the blast move through the geological formations under the project area and is reflected by various subsurface strata back to the surface where they are detected by geophones. The signals from the geophones are collected and digitized. 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.

INVESTMENT MERITS:

Market Focus and Service Differentiation

OMNI's principal niche of operation and expertise is in the Transition Zone, where the Company is believed to have no other competitor operating a fleet of seismic drilling equipment as varied or as large. Indeed, OMNI believes it enjoys approximately 90% of that market with its specialized equipment. Since the Transition Zone is predominantly natural gas, the Company does not anticipate any changes in this market for 2004. The full-service apparatus is vertically integrated offering a 'one-stop' range of Transition Zone oilfield services.

Strong Order Backlog

As of December 31, 2002, OMNI's backlog had increased 14% to approximately \$33.3 million, compared to \$29.3 million at December 31, 2001. Moreover in the third quarter of 2003, the Company announced the backlog was in excess of \$40 million, with the 2004 outlook showing even brighter prospects. The backlog was diversified in service range, including seismic drilling and survey projects in the Transition Zone in addition to seismic rock drilling projects. Based upon bid activity and existing backlog, OMNI expects revenues to continue to improve in 2003 and 2004.

Robust Industry Dynamics

Capital expenditures by oil and gas companies have tended to follow trends in the prices of oil and natural gas, which is currently experiencing a protracted trend of strong industry fundamentals. Likewise, the likely beneficial result on OMNI's client operations and cash flow during robust oil and gas cycles often engenders greater demand for the Company's geophysical services. With current crude inventories depleting and refineries stretched to capacity, many industry analysts expect crude to stay near \$30 a barrel, which is a historically high level, for the rest of the year and into the beginning of 2004. Oil analysts are finding that the current state of the industry "has little room to increase output to meet additional demand, which means refined fuels, including gasoline and heating oil, are likely to stay expensive to customers. . (meanwhile) the world's two major oil-producing states announced a deal that analysts say could have longer-term implications for fuel prices. The oil ministers of Saudi Arabia and Russia said they jointly would coordinate crude supply and monitor crude prices."¹

Back in 1997, many of the major oil companies and large independent vacated the onshore and shallow water offshore markets. With the increase in natural gas prices OMNI is once again seeing a much greater level of activity onshore by the major and large independents. Accordingly, the Company now see 2004 seismic drilling to be consistent with the robust 2003 activity.

Diversifying Service Segments – Expanded Fleet

OMNI has made recent strides in diversifying the Company's concentration from an emphasis in seismic drilling to include more importance on domestic seismic drilling support aviation support and, more recently, offshore aviation support. Indeed, the recent acquisition of American Helicopter's ("AHI") equipment and personnel has greatly expanded OMNI's capacity, particularly for aircraft offshore rig service.

The acquisition dramatically expanded the Company's aviation fleet from nine to thirty-five (35) helicopters in operating bases across the Texas and Louisiana Gulf Coast (17 offshore services). The AHI acquisition also yielded seventy additional pilots, mechanics and administrative personnel. The fleet expansion also includes air ambulance services to certain areas of east Texas. The acquisition dramatically broaden OMNI's customer base and offers new business opportunities not previously available, such as offshore rigs and integrated support services.

Healthy Balance Sheet Trends

OMNI had approximately \$8 million positive net working capital as of September 30, 2003, compared to approximately \$3 million in the same period last year; the improvement reflects the Company's increased business activity, while maintaining consistent profit margins and cost controls. During the most recent quarter, the Company's balance sheet also improved with net book value increasing to \$22.6 million, boosted with \$3.7 million in cash (a 427% improvement) and current assets at 38% of total assets, compared to a 30% the same period last year. Moreover, current assets are fortified with a 62% ratio for the most liquid assets, cash or receivables.

Management & Compensation

ONMI's executive management team appears seasoned and fairly compensated. Mr. 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.

Michael G. DeHart is a certified public accountant, and has been employed as the President & Chief Investment Officer for Stuller Management Services 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.

¹ *Wall Street Journal*, Money & Investing, C1, September 3, 2003

Compensation appears in line with the industry with the CEO cash compensation component at \$207,375, with \$91,625 representing a bonus and no options or shares granted (2002). However, in the lean years such as 2001, the CEO only drew down \$45,375 with no bonus and received the principal compensation in the form of options.

Other Positive Considerations:

- **Strategic Acquisitions** OMNI has increased its aviation Acquisition Lines of Credit from \$5.0 million to \$9.5 million. The lines of credit will be used to fund the company's recently announced internal expansion of its aviation division and the completion of certain planned strategic transactions. completed the acquisition of American Helicopters, Inc. for approximately \$4.5 million cash and long-term debt.
- **NASDAQ National Market Exchange** OMNI benefits by being admitted and listed on the National Market Exchange of the NASDAQ; characterized as a highly efficient, large volume exchange with strong SEC oversight, disclosure and analyst coverage.
- **Long History of Operations** OMNI was founded back in 1987 (OMNI Drilling Co.) and has been publicly traded for over six years (1997 IPO). Since 2000, revenue has increased from \$16.5 million to \$27.8 million in fiscal year ended 2002. Net cash from operating activities for the six months ended June 2003, was \$4.2 million.
- **Skilled Personnel – Unique Specialty Services** The Company intangibles assets include a highly trained, qualified and experienced employee resource. Many of the employees have unique qualification requiring certifications to work with equipment, explosives and aircraft. Further, the Company is not subject to unions or collective bargaining agreements; management is believed to maintain a good relationship with this valuable human resource.

INVESTMENT RISKS

Competition & Resources

Competitive factors in recent years have included price, crew experience, equipment availability, technological expertise and reputation for quality, safety and dependability. The oil and gas drilling service industry is highly competitive. In particular, the permitting, survey and helicopter service groups are fraught with competitors that are deemed larger, well-established than OMNI. There are numerous companies offering helicopter services in rock drilling and other mountain areas, as well as internationally. However, with regard to helicopter support services the Company is believed to be the only company offering both seismic drilling and long-line support services in the Transition Zone. Further, the Company believes that no other company operating in the Transition Zone owns a fleet of Transition Zone seismic drilling equipment with OMNI's scope of services.

High Fixed Costs

Given the substantial investment in equipment, the Company's business has high fixed costs. As a result, downtime or low productivity due to reduced demand, weather interruptions, equipment failures or other causes can result in significant operating losses. Low utilization rates may hamper OMNI's ability to recover the cost of necessary capital investments.

Dependent on Oil and Gas Company Expenditures

Capital expenditures by oil and gas companies have largely trended market prices of oil and natural gas, which have fluctuated widely in recent years. These capital expenditures may also be affected by worldwide economic conditions. Should there be a sustained period of substantially reduced capital expenditures by oil and gas companies, the demand for geophysical services likely will drop and there would likely be an adverse effect on OMNI's results of operations and cash flow during the affected period.

High Customer Concentration

A few customers have historically generated a large portion of OMNI's revenue. For example, the Company's largest customers (those which individually accounted for more than 10% of revenue in a given year, listed alphabetically) collectively accounted for 34% (Western Geophysical), 71% (Grant Geophysical, Quantum Geophysical and Western Geophysical) and 84% (Veritas DGC and Western Geophysical) of revenue for fiscal 2000, 2001 and 2002, respectively.

Majority Insider Ownership

While investors typically prefer management shared ownership in a Company under coverage, OMNI's insiders have controlling interest in the Company, with 55.3% of share outstanding (December 31, 2002); 54.3% is held by Steven Stull, an OMNI Director and a founding partner of Advantage Capital Partners ("ACP"). Shareholders voting power appears to be stymied by the lack of control and empowerment. Further, it should be noted that it appears that Mr. Stull could exert ACP's controlling rights and buy the Company at a market value that was temporarily trading below the Company's intrinsic true fundamental value – though there is no basis to conclude such intent by ACP.

Governmental Regulation

operations and properties are subject to and affected by various types of governmental regulation, including laws and regulations governing the entry into and restoration of wetlands, the handling of explosives, aviation (FAA), environmental, worker safety and numerous other federal, state and local laws and regulations. Further, the oil and gas industry is affected by tax legislation, price controls and other laws & regulations.

Litigation

Several of the Company's former Board members and one current Board member, as well as OMNI directors and officers insurance companies, have been named as defendants in a lawsuit filed by certain shareholders in connection with OMNI's private sale of securities in October 2000. The lawsuit alleges, among other things, federal and state securities violations and misrepresentations. The Company denies the charges as baseless.

Liability & Insurance

OMNI's 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. The Company maintains insurance coverage against certain of these risks, which OMNI believes are reasonable and customary in the industry. All policies are subject to deductibles and other coverage limitations, however, there can be no assurance that OMNI will be able to maintain adequate insurance at rates which is considered commercially reasonable

Seasonality & Business Cycles

The Company operations are subject to seasonal variations in weather conditions and daylight hours. Since 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, OMNI's revenue and gross profit during the fourth quarter and the first quarter of each year are typically low as compared to the other quarters.

The industry is also subject to business cycles relating to the demand/supply of oil and gas. These cycles historically have been characterized with an 'ebb and flow' pattern that can have a direct negative impact on OMNI's business in the event commodity prices of oil and gas decline for any prolonged period.

Recent Financial Performance

During OMNI's third quarter ending September 30, 2003, revenues increased 32%, or \$2.5 million, to \$10.2 million from \$7.7 million for the three months ended September 30, 2002. Net income for the third quarter end in September 30, 2003 surged 128% to \$1.4 million (\$0.16 per diluted share) compared to the comparative quarterly period of \$630,000 last year. For the three-month period ended September 30, 2003, cash flow from operations totaled \$2.5 million, or 32% greater than the \$1.9 million reported for the same quarter ended September 30, 2002.

Reflecting on the third quarter's performance for 2003, James C. Eckert, Chairman and Chief Executive Officer stated "The past quarter marked significant financial and operational accomplishments and milestones as we move into what could possibly be the strongest fourth quarter OMNI has experienced in a number of years," continued Eckert. "Backlog for our seismic drilling operations currently tops \$40 million and early indications are that 2004 may be even stronger than 2003."

INVESTMENT CONCLUSION

OMNI Energy Services is one of the largest and fastest growing diversified seismic support companies in the U.S., providing an integrated range of services to geophysical and exploration and production companies engaged in the acquisition of 3D on-shore seismic data. The fundamentals of OMNI's success is based on proven commitment to total project performance, reflected in every aspect of the Company's operations: (1) the development of a large drilling fleet with the capability to operate in virtually any geographic area; (2) thoroughly researched project planning and procedures, which result in the most efficient "critical path" deployment of equipment and crews for timely project completion; (3) a continued commitment to the preservation of the environment, demonstrated through endeavors to minimize the impact of seismic drilling in sensitive areas; (4) a belief that productivity is as much a function of the health, safety and well-being of employees as the condition of the equipment they operate; and, (5) a corporate philosophy that continually seeks improvements to equipment, procedures and the overall performance of the Company.

During 1999, with the reduction in the price of oil and gas, OMNI began to experience a decrease in demand for services. In 2001, the market experienced a rebound. Based upon bid activity and existing backlog, the Company expect revenues to continue to improve in 2003 and 2004. There has been a significant increase in overall three-dimensional (3-D) seismic activity over the past few years as a result of the resurgence of the oil and gas industry as a whole, vast improvements in seismic surveying techniques and seismic hardware technology. Industry estimates indicate that the spending level by exploration companies is growing faster than the seismic crew count. OMNI has increased its service offerings to include seismic surveying to meet clients' needs for one-source capabilities, as well as to capitalize on the need for surveying services.

The Company has geared their operation to focus on only the most profitable accounts, but also expects to diversify the existing customer concentration with the advent of the expanded aviation division and new offshore rig services. More specifically, in 2002 and 2003, aviation revenues represented only approximately 11% -12% of OMNI revenues. In 2004, the Company plans for aviation to represent approximately 45% of revenues. The Company also expects to commence operations in Mexico, on a very select basis in 2004. Accordingly, the Company anticipates 2004 margins to improve slightly over 2003 but (in whole dollars) will be at historical record levels.

Though the Company's core competency remains servicing the Transition Zone with seismic drilling, the seasonality of quarterly performance fluctuations is expected to be mitigated given the expanded aviation fleet. Previously, OMNI experienced a fall in revenue for the fall and winter when the weather and drilling permit activity interfered with operational efficiencies. For example, on the cusp of Thanksgiving, the seismic drilling service work interfered with the gaming season (e.g., duck, goose and deer), and since the hunting season is much more profitable for landowners than that of geophysical permit revenues, the permit business for work declined. Going forward, OMNI expects to smooth the quarterly seasonal fluctuations for the seismic drilling with more steady workflow for the aviation division. OMNI's expansion in this aviation segment is driven to meet an increase demand, as exhibited by the recent awards of several new aviation contracts.

OMNI's growth has been driven by a steady organic growth of services, but more recently by selective acquisitions. The Company has already accomplished significant competitive advantages by shoring up deficiencies by means of rolling up smaller, specialized companies with resources and expertise need to fuel OMNI's top line and profit goals. For example, in 2002 OMNI 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. More recently, the Company acquired a leading aviation Company (American Helicopter, Inc.), and has forged a new business concentration that is expected to improve the Company's service platform for customers, while increasing revenue visibility. To maximize utilization of equipment and personnel, the Company continues to evaluate the possibility of gradual, but selective, international expansion (e.g. Mexico) for certain geophysical customers. Coupling these very promising seismic drilling opportunities with the exciting internal and external expansion of the aviation division, OMNI believes the future for shareholders has never been brighter. And, with recently retooled sources of debt, the Company is poised to exploit its operating and fixed leverage to better profit from pricing power, rising demand and the newly expanded resources. The management team is pleased with the progress made in redirecting OMNI into a premier oil and gas industry service provider and is well on the path to maximizing investment value for shareholders.

Going forward, we have taken note of the Company's recent acquisitions, improved margins and guidance base on their increased fleet. We have also conservatively estimated the outlook given OMNI's intent to continue its acquisitive growth by targeting mid-size profitable target companies for acquisition. Further, are projections have taken account of OMNI's significant net operating loss carry forwards (valuation allowance), which bodes well for the Company's 2003 and 2004 net after tax profit outlook.

Analyst: Kipley J. Lytel, CFA, is a senior partner with money management firm Montecito Capital Management. For over three years, Mr. Lytel served as the lead securities analyst for M.L. Stern & Company. Previously, he performed portfolio management and analyst coverage during his employment with two hedge funds, Pacific Strategic Fund Group and DD Capital Management. His background has been marked by his experience as a Generalist, with analyst coverage spanning numerous industries, including: telecommunications & wireless, health care, retail, consumer products, technology, gaming and energy (E&P). Mr. Lytel has over fifteen years of investment finance experience, with expertise in equity valuation, credit analysis, private placements, and buy/sell recommendations. He received his Masters of Business Administration (MBA) with Honors from the Peter F. Drucker School of Management at Claremont Graduate University, where he also received his undergraduate Bachelors of Arts (BA) degree in Economics. Mr. Lytel is a Chartered Financial Analyst (CFA) and an active member of the Association of Investment Management and Research (AIMR). He frequently serves as a Senior Grader for AIMR's CFA Examination and has been a Regional Expert for AIMR's advisory panel on investment management.

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OMNI Energy Services Corp. (NASDAQ: OMNI)

Financial Statement Summary & Projections

(\$ In Thousands)	Projections												
	FY 2000 31-Dec	FY 2001 31-Dec	1Q02 31-Mar	2Q02 30-Jun	3Q02 30-Sep	4Q02 31-Dec	FY 2002 31-Dec	1QE03 31-Mar	2QE03 30-Jun	3QE03 30-Sep	4QE03 31-Dec	FYE 2003* 31-Dec	FYE 2004 31-Dec
Income Statement:													
Net Revenues	\$ 16,563	\$ 23,686	\$ 4,614	\$ 9,059	\$ 7,732	\$ 6,391	\$ 27,796	\$ 6,207	\$ 10,409	\$ 10,218	\$ 8,650	\$ 35,484	\$ 53,000
Cost of Sales	20,212	20,893	3,805	6,845	5,780	5,712	22,142	5,158	7,537	7,617	7,093	27,405	40,916
Gross Income	(3,649)	2,793	809	2,214	1,952	679	5,654	1,049	2,872	2,601	1,557	8,079	12,084
Operating Expenses	5,999	3,126	508	798	1,004	1,461	3,771	1,060	1,232	1,090	692	4,074	5,963
Asset Impairment	11,284	632	0	0	0	0	0	0	0	0	-	-	-
Operating income (loss)	(20,932)	(965)	301	1,416	948	(782)	1,883	(11)	1,640	1,511	865	4,005	6,122
<i>NORMALIZED EBIT Loss</i>	<i>(9,648)</i>	<i>(333)</i>	<i>301</i>	<i>1,416</i>	<i>948</i>	<i>(782)</i>	<i>1,883</i>	<i>(11)</i>	<i>1,640</i>	<i>1,511</i>	<i>865</i>	<i>4,005</i>	<i>6,122</i>
Net Interest Expense (Income)	3,012	1,300	219	259	295	306	1,079	210	237	202	210	859	900
Other income (Expense)	(1,846)	7,929	(17)	(15)	(23)	51	(4)	6	(86)	(170)	-	(250)	(150)
Earnings before taxes	(25,790)	(10,194)	65	1,142	630	(1,029)	808	(215)	1,317	1,139	655	2,896	5,072
Income tax (expense) benefit	0	0	0	0	0	400	400	100	225	300	200	825	
Income (Loss) Before Minority Interest	(25,790)	(10,194)	0	1,142	0	66	1,208	(115)	1,542	1,439	855	3,721	5,072
Minority Interest in Loss of Subsidiaries	17	0	0	0	0	0	0	0	0	0	-	-	-
Net Income	(25,773)	5,664	65	1,142	630	(629)	1,208	(115)	1,542	1,439	855	3,721	5,072
Accretion of Preferred Stock	0	(726)	(242)	(242)	0	0	(484)	0	0	(242)	(240)	(482)	(500)
Net Income to Common Shareholders	(25,773)	4,938	(177)	900	630	(629)	724	(115)	1,542	1,197	615	3,239	4,572
<i>NORMALIZED Net Income (Loss)</i>	<i>(14,489)</i>	<i>5,570</i>	<i>(177)</i>	<i>900</i>	<i>630</i>	<i>(629)</i>	<i>724</i>	<i>(115)</i>	<i>1,542</i>	<i>1,197</i>	<i>615</i>	<i>3,239</i>	<i>4,572</i>
shares outstanding	5,819	9,015	8,737	8,739	8,740	8,739	8,739	8,740	8,742	8,742	8,742	8,742	8,742
Key Financials:													
<i>Normalized</i> Operating income (EBIT)	<i>(\$9,648.0)</i>	<i>(\$333.0)</i>	\$301.0	\$1,416.0	\$948.0	<i>(\$782.0)</i>	\$1,883.0	<i>(\$11.0)</i>	\$1,640.0	\$1,511.0	\$865.0	\$4,005.0	\$6,121.5
Depreciation & amortization	4,053.0	3,366.0	891.0	910.0	933.0	1,050.0	3,784.0	1,013.0	1,145.0	908.0	1,100.0	4,166.0	5,000.0
<i>Normalized operating cash flow (EBITDA)</i>	<i>-5,595.0</i>	<i>3,033.0</i>	1,192.0	2,326.0	1,881.0	268.0	5,667.0	1,002.0	2,785.0	2,419.0	1,965.0	8,171.0	11,121.5
Capital expenditures	(735.0)	(334.0)	na	na	na	na	(890.0)	(1,125.0)	(474.0)	(288.0)	(500.0)	(2,387.0)	(3,000.0)
Long-term debt	8,500	9,289	8,263	7,909	9,133	8,340.0	8,340	9,209	7,891	7,018	7,633.0		
Stockholders' equity (deficiency)	8,018	18,560	18,623	19,810	20,409	19,781	19,781	19,666	21,208	22,656	23,271.0	23,271.0	27,842.5
Market Value Equity													
Margins: (NORMALIZED)													
Gross Margin (%)	-22.03%	11.79%	17.53%	24.44%	25.25%	10.62%	20.34%	16.90%	27.59%	25.46%	18.00%	22.77%	22.80%
Operating Margin (%)	-58.25%	-1.41%	6.52%	15.63%	12.26%	-12.24%	6.77%	-0.18%	15.76%	14.79%	10.00%	11.29%	11.55%
Operating Expenses (%)	36.22%	13.20%	11.01%	8.81%	12.98%	22.86%	13.57%	10.29%	7.79%	6.55%	8.00%	11.48%	11.25%
EBITDA (%)	-33.78%	12.81%	25.83%	25.68%	24.33%	4.19%	20.39%	16.14%	26.76%	23.67%	22.72%	23.03%	20.98%
Key Ratios:													
Earnings Per Share (EPS) Basic*	(4.43)	0.55	(0.02)	0.10	0.07	(0.07)	0.08	(0.01)	0.18	0.14	0.07	0.37	0.52
Earnings Per Share (NORMALIZED)*	(2.49)	0.62	(0.02)	0.10	0.07	(0.07)	0.08	(0.01)	0.18	0.14	0.07	0.37	0.52
Operating Cash Flow Per Share (EBITDA Basis)	(0.96)	0.34	0.14	0.27	0.22	0.03	0.65	0.11	0.32	0.28	0.22	0.93	1.27

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