LAYNE CHRISTENSEN CO
Form 10-K405
April 04, 2002

United States
Securities and Exchange Commission
Washington, D.C. 20549
Form 10-K

(Mark One)
[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended January 31, 2002

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________________ to ________________

Commission file number: 0-20578

Layne Christensen Company
(Exact name of registrant as specified in its charter)

Delaware	48-0920712
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1900 Shawnee Mission Parkway, Mission Woods, Kansas 66205
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (913) 362-0510

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value
(Title of Class)

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

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

The aggregate market value of the 4,147,512 shares of Common Stock of the Registrant held by non-affiliates of the Registrant on March 22, 2002 computed by reference to the closing sale price of such stock as reported on the NASDAQ National Market System, was $37,534,984. At March 22, 2002, there were

11,707,694 shares of the Registrant's Common Stock outstanding.

Documents Incorporated by Reference

1. Portions of the following document are incorporated by reference into the indicated parts of this report: Definitive Proxy Statement for the 2002 Annual Meeting of Stockholders to be filed with the Commission pursuant to Regulation 14ACPart III.

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PART I

Item 1. Business

General

Layne Christensen Company provides drilling services and related products and services in four principal markets: water resources, mineral exploration, geoconstruction services and energy services and production. Layne Christensen's customers include municipalities, industrial companies, mining companies, oil and gas companies and consulting and engineering firms located principally in the United States, Canada, Mexico, Australia, Africa and South America.

The Company acquired Christensen Boyles Corporation ("CBC") in December 1995, which expanded the Company's mineral exploration drilling business domestically and marked the Company's entry into Chile and Peru and other South American countries through CBC's affiliated companies. As a result of this acquisition, the Company acquired CBC's drill rig and diamond drill bit design and manufacturing business. On August 8, 2001, the Company sold its design and manufacturing business to a subsidiary of Atlas Copco (see Note 11 of the Notes to Consolidated Financial Statements).

On July 25, 1997, the Company, through its wholly owned subsidiary Layne Christensen Australia Pty Limited, consummated a tender offer to the security holders of Stanley Mining Services Limited ("Stanley"), a company listed on the Australian Stock Exchange. Stanley is an Australian mineral exploration company that provides services predominantly to gold mining companies in Australia and Africa. In October 1996, Stanley acquired 51% of Glindemann & Kitching Pty Ltd. ("G&K"), a drilling contractor based and operating in Western Australia that specializes in diamond core exploration drilling for gold projects. On September 5, 1997, G&K repurchased the remaining 49% of G&K's outstanding stock thereby making G&K a wholly owned subsidiary of Stanley. The acquisition by the Company of all the outstanding capital stock of Stanley and the repurchase by G&K of all of G&K's capital stock not previously owned by Stanley are referred to as the "Stanley Acquisition."

On August 19, 1997, the Company completed a secondary stock offering of 5,750,000 shares of its common stock, par value $0.01 per share, 2,756,565 of which were sold by the Company and the balance of which were sold by certain of the Company's existing stockholders. The proceeds received by the Company from the shares it sold were used to reduce the debt incurred in connection with the Stanley Acquisition.

The Company maintains its executive offices at 1900 Shawnee Mission Parkway, Mission Woods, Kansas 66205. The Company's telephone number is (913) 362-0510. The Company's web site address is www.laynechristensen.com.

Market Overview

The principal markets in which the Company operates are: water resources, mineral exploration, geoconstruction services, and energy services and production. The characteristics of each of these markets vary, particularly with respect to the maturity and cyclicality of the market in various geographic areas. In each of these markets, however, the purchaser of drilling services

and products generally demands technical expertise, knowledge of local geological conditions, project management skills, access to significant amounts of capital equipment and cost effective pricing. See Note 11 to the Consolidated Financial Statements for certain financial information about the Company's operating segments and its foreign operations.

Water Resources

Through its water resources division, the Company provides a full line of water-related services and products, including hydrological studies and related engineering services, water well design, water well drilling and development, pump sales, installation and service, and repair and maintenance. The Company has expanded this market to include large diameter Ranney(R) collector wells, design and construction of water treatment facilities and the manufacture and sale of water treatment products. These services are marketed on a turn-key basis as Integrated Groundwater Services ("IGS"). In addition, the Company's environmental services related to the assessment and monitoring of groundwater contaminants are included within this market as are the services provided by Layne Water & Development Storage, LLC ("LWDS"), a limited liability company formed between the Company and Western Development & Storage, LLC on September 25, 2001. LWDS intends to pursue opportunities in the areas of risk management and financial services for water resources, water rights, resource acquisition, development and management.

Demand for the design and construction of water treatment facilities is driven by the economies and efficiencies gained through the bundling of design, build and operate services traditionally performed by independent service providers. The Company is targeting the same customer base it has serviced in its traditional water service businesses. The Company competes with engineering and consulting firms in this market.

Demand for water well drilling services is driven by the need to access groundwater, which is affected by many factors including population movements and expansions, such as new housing developments, deteriorating water quality and limited availability of surface water. Groundwater is a vital natural resource that is pumped from the earth for drinking water, irrigation and industrial use. In many parts of the United States and other parts of the world, groundwater is the only reliable source of water. Groundwater is located in saturated geological zones at varying depths beneath the surface and accumulates in subsurface strata (aquifers). Surface water, the other major source of potable water, comes principally from large lakes and rivers.

The water well drilling market is highly fragmented, consisting of several thousand water well drilling contractors in the United States. However, the Company believes that a substantial majority of these contractors are regionally and locally based, and are primarily involved in drilling low volume water wells for agricultural and residential customers, markets in which the Company does not generally compete. The Company's target groundwater drilling market consists of high volume water wells drilled principally for municipal and industrial customers. These wells have more stringent design specifications and are deeper and larger in diameter than low-volume residential and agricultural wells. Drillers for high-volume wells must have strong technical expertise, expert knowledge of local geology, large drilling equipment and the ability to procure sizable performance bonds.

The demand for well and pump repair and maintenance depends upon the age and use of the well and pump, the quality of material and workmanship applied in the original well installation and changes in the depth and quality of the aquifer. Repair and rehabilitation work is often required on an emergency basis or within a relatively short period of time after a performance decline is recognized and is often awarded to the firm that initially drilled the well. Scheduling flexibility, together with appropriate expertise and equipment, are critical for a repair and maintenance service provider. Like the water well drilling market, the market for repair and maintenance is highly fragmented. It consists of most well drilling companies as well as firms that provide solely repair and maintenance services.

Demand for the Company's environmental products and environmental drilling services is driven by public concern over groundwater contamination and resulting regulatory requirements to investigate and remediate contaminated sites and aquifers. Environmental drilling services are utilized to assess, investigate, monitor and improve water quality and pumping capacity. Customers are typically national and regional consulting firms engaged by federal and state agencies as well as industrial companies that need to assess or clean up groundwater contamination sources.

Mineral Exploration

Demand for mineral exploration drilling is driven by the need for identifying, defining and developing underground mineral deposits. Factors influencing the demand for mineral-related drilling services include growth in the economies of developing countries, international political conditions, inflation and foreign exchange levels, commodity prices, the economic feasibility of mineral exploration and production, the discovery rate of new mineral reserves and the ability of mining companies to access capital for their activities.

Important changes in the international mining industry have led to the development and growth of mineral exploration in developing regions of the world, including Africa, Asia and South America. At the same time, stricter environmental permitting rules in the United States and Canada have delayed or blocked the development of certain projects forcing mining companies to look overseas for growth. In addition, technological advancements now allow development of mineral resources previously regarded as uneconomical. The mining industry has also increased its focus on these areas due to their early stage of mining development, relative to the more mature mining regions of the world such as the United States and South Africa.

Mining companies hire exploration drillers to extract samples from sites that the mining companies analyze for mineral content. Mineral exploration drilling requires a high level of expertise and technical competence because the samples extracted must be free of contamination and accurately reflect the underlying mineral deposit. Familiarity with the local geology is critical to acquiring this competence. Mineral exploration drilling consists of exploratory drilling and definitional drilling. Exploratory drilling is conducted to determine if there is a minable mineral deposit (an orebody) on the site. Definitional drilling is typically conducted at a site to assess whether it would be economical to mine. The demand for definitional drilling has increased in recent years as new and less expensive mining techniques have made it feasible to mine previously uneconomical orebodies.

Geoconstruction Services

Geoconstruction services are used to modify weak and unstable soils, decrease water flow in bedrock and provide support and groundwater control for excavation. Methods used include cement and chemical grouting, vibratory ground improvement and ground freezing, techniques for stabilizing soils; jet grouting, a high-pressure method for providing subsurface support; and dewatering, a method for lowering the water table. Geoconstruction services are important during the construction of dams, tunnels, shafts, water lines, subways and other civil construction projects. Demand for geoconstruction services is driven primarily by the demand for these infrastructure improvements. The customers for these services are primarily heavy civil construction contractors, governmental agencies, mining companies and the industrial sector. The geoconstruction services industry is highly fragmented.

Energy Services and Production

The Company's energy operations offer drilling services to the shallow, unconventional oil and gas market, conventional oil field fishing services, coil tubing fishing services, resonance technology solutions for stuck tubulars and oil and gas well workover related activities. The Company's services in these operations are offered to oil and gas companies. The market for these services includes both land and offshore open-hole and cased-hole activities. In addition, these operations include land-based oil and gas exploration activities in the Gulf of Mexico and Midwest regions.

Demand for oil and gas services is driven by the demand for identifying, defining and developing underground oil and gas reserves. Factors influencing the demand for oil and gas services include consumption levels for these commodities, growth in the economies of developing countries, international political conditions, commodity prices, the economic feasibility of oil and gas exploration and production, the discovery rate of new oil and gas reserves and the ability of oil and gas companies to access capital for their activities.

Business Strategy

The Company's growth strategy is to expand its current geographic markets and enter into new business lines that build on the Company's core competencies. Key elements of this strategy are as follows:

Expand Traditional Water Services to include Design, Build, Own and Operate Services as well as Water Resource Development and Management Services

Layne Christensen is currently the largest provider of water well drilling services in the United States, operating in all regions of the country. In addition, the Company offers many services related to water well drilling including hydrological studies, site selection, well design, design and construction of water treatment facilities and large diameter Ranney(R) collector wells and water treatment products. The Company's growth strategy is to bundle its traditional products and service offerings and market the combination downstream to the design, build, own and operate market for water treatment and distribution facilities. The Company believes that by combining these services into one turnkey project, the customer can expedite the typical design, build project and achieve economies and efficiencies over traditional unbundled services. Through its joint venture with LWDS, the Company intends to expand

growth in the water services market through the pursuit of opportunities related to the acquisition, development and management of water resources.

Position Mineral Exploration for Future Growth

The Company believes that its best mineral exploration drilling opportunities exist in Africa and South America. The Company believes that the foreign enterprises and their local affiliates acquired through the acquisitions of CBC and Stanley create the opportunity to expand their businesses by leveraging their local market expertise and the Company's technical competence, combined with access to transferable drilling equipment and employee training and safety programs. With the additional resources and capabilities provided by its acquisitions, the Company believes it is positioned to expand its operations in South America and Africa once growth returns to these markets.

Expand Presence in Geoconstruction Services

In the geoconstruction services market, the Company intends to leverage its drilling capabilities, industry contacts, reputation, project management skills and growing geographic presence to expand this business. In particular, the Company's strategy is to focus on relatively larger, technically demanding projects using its grouting, jet grouting, vibratory ground improvement and ground-freezing capabilities.

Expand Presence in Domestic Energy Markets

The Company expects to continue to invest in new business opportunities within the domestic oil and gas industry including opportunities in the exploration and production of unconventional natural gas deposits such as coalbed methane gas. Although the size and scope of companies acquired to-date have been relatively small and the Company continues to look for suitable coalbed methane gas exploration prospects, the Company believes its energy division has potential for future growth.

Services and Products

Layne Christensen's current business is divided into four primary areas: water resources; mineral exploration; geoconstruction services; and energy services and production.

Overview of the Company's Drilling Techniques

The types of drilling techniques employed by the Company in its drilling activities have different applications:

- Conventional and reverse circulation rotary rigs are used in water well and mineral exploration drilling primarily for drilling large diameter wells and employ air or drilling fluid circulation for removal of cuttings and borehole stabilization.

- Dual tube drilling, an innovation advanced by the Company primarily for mineral exploration and environmental drilling, conveys the drill cuttings to the surface inside the drill pipe. This drilling method is critical in mineral exploration drilling and environmental sampling because it provides immediate representative samples and because the

drill cuttings do not contact the surrounding formation thus avoiding contamination of the borehole while providing reliable, uncontaminated samples. Because this method involves circulation of the drilling fluid inside the casing, it is highly suitable for penetration of underground voids or faults where traditional drilling methods would result in the loss of circulation of the drilling fluid, thereby preventing further penetration.

- Diamond core drilling is used in mineral exploration drilling to core solid rock, thereby providing geologists and engineers with solid rock samples for evaluation.

- Cable tool drilling, which requires no drilling fluid, is used primarily in water well drilling for larger diameter wells. While slower than other drilling methods, it is well suited for penetrating boulders, cobble and rock.

- Auger drilling is used principally in water well and environmental drilling for efficient completion of relatively small diameter, shallow wells. Auger rigs are equipped with a variety of auger sizes and soil sampling equipment.

Water Resources

The Company provides a full range of services for the design and construction of water treatment facilities, including hydrological studies, site selection, well field design and facilities construction and operation. In addition to water treatment plants, these services are provided in connection with the Company's large diameter Ranney(R) collector wells, surface water intakes, pumping stations and well houses. The Company has the capability to design, build, own and operate the complete water supply system. In addition, the Company offers nonrecourse financing options for these services to its traditional municipal and industrial customers.

Drilling Services

The Company provides complete water well systems on a turnkey basis, offering the comprehensive range of services required to provide professionally designed, constructed and maintained municipal, industrial and, to a lesser extent, agricultural water wells. Although it may not perform each of the services it offers on every project, the Company has the capability to provide every element of a water well system, including test hole drilling, well casing and screen selection and installation, gravel packing, grout sealing, well development and testing and pump selection, equipment sales and installation. Layne Christensen provides water well drilling services in most regions of the United States and in certain foreign countries.

Water well drilling requires the integration of hydrogeology and engineering with the techniques of well drilling because the drilling methods and size and type of equipment depend upon the depth of the wells and the geological formations encountered at the project site. The Company has extensive well archives and equipment in addition to technical personnel to determine geological conditions and aquifer characteristics in most locations in the United States, enabling it to locate suitable water-bearing formations to meet a wide variety of customer requirements. The Company provides feasibility studies using complex geophysical survey methods and has the expertise to analyze the survey results and define the source, depth and magnitude of an aquifer. It can then estimate recharge rates, specify required well design features, plan well field design and develop water management plans. To conduct these services, the Company maintains a staff of professional employees including geological engineers, geologists, hydrogeologists and geophysicists.

As part of its water well drilling and installation business, the Company sells a wide variety of pumps manufactured by third parties, including vertical turbine, submersible, shortcoupled and horizontal centrifugal pumps. The Company also sells and installs water treatment equipment, which is typically installed at or near the wellhead, including chlorinators, aerators, filters and controls. In addition, the Company sells miscellaneous supplies manufactured by third parties for use in the water well drilling industry, including well casing, well screens, drill pipe and bits, drilling fluids and well cleaning supplies.

Well and Pump Repair and Maintenance

Periodic repair and maintenance of well equipment is required during the life of a well. In locations where the groundwater contains both bacteria and iron, screen openings may become blocked with organic growth, reducing the capacity and productivity of the well. Similarly, groundwater with high mineral content may cause the buildup of scale on well screens, also reducing the capacity and productivity of the well.

The Company offers complete repair and maintenance services for existing wells, pumps and related equipment through a network of local offices throughout its geographic markets in the United States. In addition to its well service rigs, the Company has equipment capable of conducting downhole closed circuit televideo inspections (one of the most effective methods for investigating water well problems), enabling the Company to diagnose better and respond more quickly to well and maintenance problems.

The Company's trained and experienced personnel can perform a variety of well rehabilitation techniques, including chemical and mechanical methods, and can perform bacteriological well evaluation and water chemistry analysis. The Company also has the capability and inventory to repair, in its own machine shops, most water well pumps, regardless of manufacturer, as well as to repair well screens, casings and related equipment such as chlorinators, aerators and filtration systems.

Environmental Drilling

The Company offers a wide range of environmental drilling services including: investigative drilling, installation and testing of wells that monitor the extent of groundwater contamination, installation of recovery wells that extract contaminated groundwater for treatment (pump and treat remediation) and specialized site safety programs associated with drilling at contaminated sites. Monitoring wells are installed to determine the nature and extent of known or suspected subsurface contamination as well as to monitor an area for future contamination. In addition, monitoring wells are often installed surrounding underground petroleum or chemical storage tanks to monitor for possible future tank leaks or product spills. After monitoring and testing the groundwater, recovery wells may be installed to extract contaminated water from the aquifer for treatment or disposal.

In its environmental health services department, the Company employs a full-time staff qualified to prepare site specific health and safety plans for customers who have workers employed on hazardous waste cleanup sites as required by the Occupation and Safety Health Administration ("OSHA") and the Mine Safety and Health Administration of the Department of Labor ("MSHA").

Mineral Exploration

The Company provides drilling services for geological assessment, in situ mining and mineral exploration. These services are used primarily by major gold and copper producers based in the United States and Canada, and to a lesser extent, iron ore producers. In response to a shift in recent years by many of these producers to foreign markets in search of economically minable orebodies, the Company commenced mineral exploration drilling operations in Mexico in 1991. With its acquisition of CBC in December 1995, the Company acquired foreign affiliates operating in South America with facilities in Chile and Peru. These affiliates have projects in Argentina, Bolivia, Chile, Mexico and Peru, among other locations. In addition, with the Stanley Acquisition, the Company now has operations in Australia and Africa.

Geoconstruction Services

Geoconstruction services include those services provided by the Company to the heavy civil construction market to provide ground modification for construction work in unstable soils during the construction of dams, tunnels, shafts and other civil construction projects. Services offered include cement and chemical grouting, jet grouting, drain hole drilling, installation of ground anchors, tie backs, rock bolts and instrumentation. The Company offers expertise in selecting the appropriate support techniques to be applied in various geological conditions. In addition, the Company has extensive experience in the placement of measuring devices capable of monitoring water levels and ground movement.

The Company also offers artificial ground-freezing capabilities, typically utilized as an alternative method to dewatering large diameter excavation and tunneling projects. As an example of an application for this technology, the Company completed a project for Echo Bay Mines Ltd. to construct a subsurface frozen earth barrier around a future open pit gold mine in Timmins, Ontario, Canada.

Energy Services and Production

The Company provides a variety of specialized services to the oil and gas industry through its energy services and production division. Such services include shallow gas and tar sands exploration drilling, conventional oil field fishing services, coil tubing fishing services, resonance technology solutions for stuck tubulars and land-based oil and gas search and development.

Operations

The Company operates on a decentralized basis, with approximately 70 sales and operations offices located in most regions of the United States as well as

in Canada, Australia, Africa, Mexico and Italy. In addition, the Company, through its foreign affiliates, operates out of locations in Mexico, South America and Europe.

The Company is primarily organized around division presidents responsible for water resources, mineral exploration, geoconstruction services, and energy services and production. Division vice presidents are responsible for geographic regions within each division and district managers are in charge of individual district office profit centers. The district managers report to their respective divisional vice president on a regular basis. Each district office employs a field superintendent who is in charge of projects in the field and sales engineers who are responsible for marketing the Company's services in their district as well as for monitoring the progress of projects. The Company has formed and staffed a business development team for its integrated groundwater services initiatives. The Company does not conduct significant marketing activities for its traditional water well and mineral exploration drilling services. Instead, the Company's sales engineers cultivate and maintain contacts with existing and potential customers. In this way, the Company learns of and is in a position to compete for proposed drilling projects in the region.

In its foreign affiliates, where the Company does not have majority ownership or operating control, day-to-day operating decisions are made by local management. The Company's interests in its foreign affiliates are overseen by an executive vice president. The Company manages its interests in its foreign affiliates through regular management meetings and analysis of comprehensive operating and financial information. For its significant foreign affiliates, the Company has entered into shareholder agreements that give it limited board representation rights and require super-majority votes in certain circumstances.

Customers and Contracts

Each of the Company's service and product lines has major customers; however, no single customer accounted for 10% or more of the Company's revenues in any of the past three fiscal years.

Generally, the Company negotiates its service contracts with industrial and mining companies and other private entities, while its service contracts with municipalities are generally awarded on a bid basis. The Company's contracts vary in length depending upon the size and scope of the project. The majority of such contracts are awarded on a fixed price basis, subject to change of circumstance and force majeure adjustments, while a smaller portion are awarded on a cost plus basis. Substantially all of the contracts are cancelable for, among other reasons, the convenience of the customer.

In the water resources product line, the Company's customers are typically municipalities and local operations of industrial businesses. Of the Company's water resources revenues in fiscal 2002, approximately 61% were derived from municipalities and approximately 14% were derived from industrial businesses while the balance was derived from other customer groups. The term "municipalities" includes local water districts, water utilities, cities, counties and other local governmental entities and agencies that have the responsibility to provide water supplies to residential and commercial users. In the drilling of new water wells, the Company targets customers that require compliance with detailed and demanding specifications and regulations and that

often require bonding and insurance, areas in which the Company believes it has competitive advantages due to its drilling expertise and financial resources.

Customers for the Company's mineral exploration services in the United

States, Mexico, Canada, Australia, Africa and South America are primarily gold and copper producers. The Company's largest customers in its mineral exploration drilling business are multi-national corporations headquartered primarily in the United States and Canada.

In its geoconstruction services product line, the Company's customers are primarily heavy civil construction contractors, governmental agencies, mining companies and industrial companies. The Company often acts as a specialty subcontractor when it provides geoconstruction services.

In its energy services line, the Company's customers are primarily oil and gas companies that conduct exploration and production activities in Canada and the Gulf of Mexico region.

Backlog

The Company's backlog consists of executed service and product purchase contracts, or portions thereof, not yet performed by the Company. The Company believes that its backlog does not have any significance other than as a short-term business indicator because substantially all of the contracts comprising the backlog are cancelable for, among other reasons, the convenience of the customer. The Company's backlog was approximately $61,465,000 at January 31, 2002, compared to approximately $78,624,000 at January 31, 2001. The Company's backlog as of year-end is generally completed within the following fiscal year.

Competition

The Company's competition for its water resource division's design and build services are primarily local and national engineering and consulting firms which have traditionally performed engineering services and, in some cases, construction oversight for these activities.

The Company's competition in the water well drilling business consists primarily of small, local water well drilling operations and some regional competitors. Oil and natural gas well drillers generally do not compete in the water well drilling business because the typical well depths are greater for oil and gas and, to a lesser extent, the technology and equipment utilized in these businesses are different. Only a small percentage of all companies that perform water well drilling services have the technical competence and drilling expertise to compete effectively for high-volume municipal and industrial projects, which typically are more demanding than projects in the agricultural or residential well markets. In addition, smaller companies often do not have the financial resources or bonding capacity to compete for large projects. However, there are no proprietary technologies or other significant factors which prevent other firms from entering these local or regional markets or from consolidating together into larger companies more comparable in size to the Company. Water well drilling work is usually obtained on a competitive bid basis for municipalities, while work for industrial customers is obtained on a negotiated or informal bid basis.

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As is the case in the water well drilling business, the well repair and maintenance business is characterized by a large number of relatively small competitors. The Company believes only a small percentage of the companies performing these services have the technical expertise necessary to diagnose complex problems, perform many of the sophisticated rehabilitation techniques offered by the Company or repair a wide range of pumps in their own facilities. In addition, many of these companies have only a small number of pump service rigs. Repair and maintenance projects are typically negotiated at the time of repair or contracted for in advance depending upon the lead time available for the repair work. Since pump repair and rehabilitation work is typically negotiated on an emergency basis or within a relatively short period of time, those companies with available rigs and the requisite expertise have a competitive advantage by being able to respond quickly to repair requests.

In its mineral exploration division, the Company competes with a number of drilling companies as well as vertically integrated mining companies that conduct their own exploration drilling activities; some of these competitors have greater capital and other resources than the Company. In the mineral exploration drilling market, the Company competes based on price, technical expertise and reputation. The Company believes it has a well-recognized reputation for expertise and performance in this market. Mineral exploration drilling work is typically performed on a negotiated basis.

The geoconstruction services market is highly fragmented as a result of the large area served, the wide range of techniques offered and the large number and variety of contractors. In this market, the Company competes based upon a combination of reputation, innovation and price.

In the energy services market, Layne Christensen competes with a number of oil and gas service companies, many of which have greater capital and other resources than the Company. The Company competes in this market based on quality of service, technology, responsiveness and, to a lesser extent, price. The Company's primary competitors in this market are Baker Hughes, Inc., Weatherford International and Smith International, Inc.

Employees and Training

At January 31, 2002, the Company had 2,734 employees, 155 of whom were members of collective bargaining units represented by locals affiliated with major labor unions in the United States. The Company believes that its relationship with its employees is satisfactory.

In all of the Company's service lines, an important competitive factor is technical expertise. As a result, the Company emphasizes the training and development of its personnel. Periodic technical training is provided for senior field employees covering such areas as pump installation, drilling technology and electrical troubleshooting. In addition, the Company emphasizes strict adherence to all health and safety requirements and offers incentive pay based upon achievement of specified safety goals. This emphasis encompasses developing site-specific safety plans, ensuring regulatory compliance and training employees in regulatory compliance and good safety practices. Training includes an OSHA-mandated 40-hour hazardous waste and emergency response training course as well as the required annual eight-hour updates. The Company has an environmental health sciences staff which allows it to offer such training in-house. This staff also prepares health and safety plans for

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specific sites and provides input and analysis for the health and safety plans prepared by others.

On average, the Company's field supervisors and drillers have 19 and 13 years, respectively, of experience with the Company. Many of the Company's professional employees have advanced academic backgrounds in agricultural, chemical, civil, industrial, geological and mechanical engineering, geology, geophysics and metallurgy. The Company believes that its size and reputation allow it to compete effectively for highly qualified professionals.

Regulatory and Environmental Matters

The services provided by the Company are subject to various licensing, permitting, approval and reporting requirements imposed by federal, state, local and foreign laws. Its operations are subject to inspection and regulation by various governmental agencies, including the Department of Transportation, OSHA and MSHA in the United States as well as their counterparts in foreign countries. In addition, the Company's activities are subject to regulation under various environmental laws regarding emissions to air, discharges to water and management of wastes and hazardous substances. To the extent the Company fails to comply with these various regulations, it could be subject to monetary fines, suspension of operations and other penalties. In addition, these and other laws and regulations affect the Company's mineral drilling services and product customers and influence their determination whether to conduct mineral exploration and development.

Many localities require well operating licenses which typically specify that wells be constructed in accordance with applicable regulations. Various state, local and foreign laws require that water wells and monitoring wells be installed by licensed well drillers. The Company maintains well drilling and contractor's licenses in those jurisdictions in which it operates and in which such licenses are required. In addition, the Company employs licensed engineers, geologists and other professionals necessary to the conduct of its business. In those circumstances in which the Company does not have a required professional license, it subcontracts that portion of the work to a firm employing the necessary professionals.

Potential Liability and Insurance

The Company's drilling activities involve certain operating hazards that can result in personal injury or loss of life, damage and destruction of property and equipment, damage to the surrounding areas, release of hazardous substances or wastes and other damage to the environment, interruption or suspension of drill site operations and loss of revenues and future business. The magnitude of these operating risks is amplified when the Company, as is frequently the case, conducts a project on a fixed-price, "turnkey" basis where the Company delegates certain functions to subcontractors but remains responsible to the customer for the subcontracted work. In addition, the Company is exposed to potential liability under foreign, federal, state and local laws and regulations, contractual indemnification agreements or otherwise in connection with its provision of services and products. For example, the Company could be held responsible for contamination caused by an accident which occurs as a result of the Company drilling through a contaminated water source and creating a channel through which the contaminants migrate to an uncontaminated water source. Litigation arising from any such occurrences may

result in the Company's being named as a defendant in lawsuits asserting large claims. Although the Company maintains insurance protection that it considers economically prudent, there can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all claims or hazards to which the Company may be subject or that the Company will be able to continue to obtain such insurance protection. A successful claim or damage resulting from a hazard for which the Company is not fully insured could have a material adverse effect on the Company. In addition, the Company does not maintain political risk insurance or business interruption insurance with respect to its foreign operations.

Applicable Legislation

There are a number of complex foreign, federal, state and local environmental laws which impact the demand for the Company's mining and environmental drilling services. For example, under Environmental Protection Agency regulations and comparable state laws, the potential liability of real property buyers and lenders secured by real property for the cost of responding to past or present release of hazardous substances at or from that property has prompted a widespread practice of phased environmental audits as a condition to the sale and financing of real estate. These audits may include soil and groundwater testing to determine the nature and extent of contamination that may impact the value of the property or give rise to liability for the new owner. A change in these laws, or changes in governmental policies regarding the funding, implementation or enforcement of the laws, could have a material adverse effect on the Company.

Item 2. Properties and Equipment

The Company's corporate headquarters are located in Mission Woods, Kansas (a suburb of Kansas City, Missouri), in approximately 33,000 square feet of office space leased by the Company pursuant to a written lease agreement which expires February 28, 2005.

As of January 31, 2002, the Company (excluding foreign affiliates) owned or leased approximately 600 drill and well service rigs throughout the world, a substantial majority of which were located in the United States. This includes rigs used primarily in each of its service lines as well as multi-purpose rigs. In addition, as of January 31, 2002, the Company's foreign affiliates owned or leased approximately 100 drill rigs.

Item 3. Legal Proceedings

The Company is involved in various matters of litigation, claims and disputes which have arisen in the ordinary course of the Company's business. While the resolution of any of these matters may have an impact on the financial results for the period in which the matter is resolved, the Company believes that the ultimate disposition of these matters will not, in the aggregate, have a material adverse effect on the Company's business or consolidated financial position, results of operations or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the stockholders of the Company during the last quarter of the fiscal year ended January 31, 2002.

Item 4A. Executive Officers of the Registrant

Executive officers of the Company are appointed by the Board of Directors for such terms as shall be determined from time to time by the Board, and serve until their respective successors are selected and qualified or until their respective earlier death, retirement, resignation or removal.

Set forth below are the name, age and position of each executive officer of the Company.

Name	Age	Position
Andrew B. Schmitt	53	President, Chief Executive Officer and Director
H. Edward Coleman	64	Executive Vice President
Norman E. Mehlhorn	61	Executive Vice President
Gregory F. Aluce	46	Senior Vice President
Eric R. Despain	53	Senior Vice President
Steven F. Crooke	45	Vice President, Secretary and General Counsel
Jerry W. Fanska	53	Vice President--Finance and Treasurer

The business experience of each of the executive officers of the Company is as follows:

Andrew B. Schmitt has served as President and Chief Executive Officer since October 1993. For approximately two years prior to joining the Company, Mr. Schmitt managed two privately-owned hydrostatic pump and motor manufacturing companies and an oil and gas service company. He served as President of the Tri-State Oil Tools Division of Baker Hughes Incorporated from February 1988 to October 1991.

H. Edward Coleman has served as an officer of the Company since 1976 and as Executive Vice President since September 1, 2001, Mr. Coleman has over 40 years experience in various areas of the Company's operations.

Norman E. Mehlhorn has served as Executive Vice President since September 1, 2001, and as Senior Vice President from 1992 to September 2001. Mr. Mehlhorn has over 40 years experience in the drilling business, with particular emphasis on dual tube drilling technology.

Gregory F. Aluce has served as Senior Vice President since April 14, 1998. As of September 1, 2001, Mr. Aluce has also served as President of the Company's water resource division. Mr. Aluce is responsible for the Company's water-related services and products. Mr. Aluce has over 21 years experience in various areas of the Company's operations.

Eric R. Despain has served as Senior Vice President since February 1996. As of September 1, 2001, Mr. Despain has also served as President of the Company's mineral exploration division and is responsible for the Company's mineral exploration operations. Prior to joining the Company in December 1995, Mr. Despain was President and a member of the Board of Directors of CBC since 1986.

Steven F. Crooke has served as Vice President, Secretary and General Counsel since May 2001. For the period of June 2000 through April 2001, Mr. Crooke served as Corporate Legal Affairs Manager of Huhtamaki Van Leer. Prior to that, he served as Assistant General Counsel of the Company from 1995 to May 2000.

Jerry W. Fanska has served as Vice President-Finance and Treasurer since April 1994 and as Controller since December 1993. Prior to joining Layne Christensen, Mr. Fanska served as corporate controller of The Marley Company since October 1992 and as its Internal Audit Manager since April 1984.

There is no arrangement or understanding between any executive officer and any other person pursuant to which such executive officer was selected as an executive officer of the Company.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is traded in the over-the-counter market through the NASDAQ National Market System under the symbol LAYN. The stock has been traded in this market since the Company became a publicly-held company on August 20, 1992. The following table sets forth the range of high and low sales prices of the Company's stock by quarter for fiscal 2002 and 2001, as reported by the NASDAQ National Market System. These quotations represent prices between dealers and do not include retail mark-up, mark-down or commissions.

Fiscal Year 2002	High	Low
First Quarter	$ 7.50	$ 4.00
Second Quarter	8.88	6.15
Third Quarter	8.60	7.10
Fourth Quarter	8.30	7.35
Fiscal Year 2001	**High**	**Low**
First Quarter	$ 6.13	$ 3.88
Second Quarter	5.63	3.56
Third Quarter	5.63	3.69
Fourth Quarter	4.88	3.00

At March 22, 2002, there were 134 owners of record of the Company's common stock.

The Company has not paid any cash dividends on its common stock. Moreover, the Board of Directors of the Company does not anticipate paying any cash dividends in the foreseeable future. The Company's future dividend policy will depend on a number of factors including future earnings, capital requirements, financial condition and prospects of the Company and such other factors as the Board of Directors may deem relevant, as well as restrictions under the Credit Agreement between the Company, various financial institutions and Bank of America National Trust and Savings Association as agent ("Credit Agreement"), the Note Agreement between the Company and Massachusetts Mutual Life Insurance Company and other restrictions which may exist under other credit arrangements existing from time to time. The Credit Agreement limits the cash dividends payable by the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" under Item 7 and Note 8 of the Notes to Consolidated Financial Statements.

Item 6. Selected Financial Data

The following selected historical financial information as of and for each of the five fiscal years ended January 31, 2002, has been derived from the Company's audited Consolidated Financial Statements. During fiscal years 2002, 2000, 1999 and 1998, the Company completed various acquisitions, which are more fully described in Note 2 of the Notes to Consolidated Financial Statements or in previously filed Forms 10-K. The acquisitions have been accounted for under the purchase method of accounting and, accordingly, the Company's consolidated results include the effects of the acquisitions from the date of each acquisition. The information below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of

Operations" under Item 7 and the Consolidated Financial Statements and Notes thereto included elsewhere in this Form 10-K.

	Fiscal Years Ended January 31,				
	2002	2001	2000	1999	1998
Income Statement Data (in thousands, except per share data):					
Revenues	$ 308,388	$ 313,993	$ 281,445	$ 284,248	$ 294,600
Cost of revenues (exclusive of depreciation shown below)	224,451	235,278	207,105	204,953	213,717
Gross profit	83,937	78,715	74,340	79,295	80,883
Selling, general and administrative expenses	59,677	58,757	53,781	49,938	45,908
Depreciation and amortization	18,160	21,337	23,016	22,361	15,681
Operating income (loss)	6,100	(1,379)	(2,457)	6,996	19,294
Other income (expense):					
Equity in earnings (losses) of foreign affiliates	925	894	(27)	1,128	3,022
Interest	(3,934)	(6,205)	(4,818)	(4,987)	(3,618)
Other, net	189	1,028	(108)	629	(267)
Income (loss) before income taxes	3,280	(5,662)	(7,410)	3,766	18,431
Income tax expense	2,132	382	--	2,486	7,004
Minority interest, net of taxes	(70)	118	(255)	(79)	--

Net income (loss)	$ 1,078	$ (5,926)	$ (7,665)	$ 1,201	$ 11,427
Basic earnings (loss) per share	$ 0.09	$ (0.50)	$ (0.66)	$ 0.10	$ 1.13
Diluted earnings (loss) per share	$ 0.09	$ (0.50)	$ (0.66)	$ 0.10	$ 1.09

	At January 31,				
	2002	2001	2000	1999	1998
Balance Sheet Data (in thousands):					
Working capital, excluding debt	$ 35,584	$ 50,531	$ 48,816	$ 46,211	$ 39,661
Total assets	202,342	233,868	245,335	251,503	242,852
Total debt	34,357	61,928	63,500	63,500	57,500
Total stockholders' equity	95,892	93,925	106,840	113,270	114,259

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto under Item 8.

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Cautionary Language Regarding Forward-Looking Statements

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. Such statements are indicated by words or phrases such as "anticipate," "estimate," "project," "believe," "intend," "expect," "plan" and similar words or phrases. Such statements are based on current expectations and are subject to certain risks, uncertainties and assumptions, including but not limited to prevailing prices for various metals, unanticipated slowdowns in the Company's major markets, the impact of competition, the effectiveness of operational changes expected to increase efficiency and productivity, worldwide economic and political conditions and foreign currency fluctuations that may affect worldwide results of operations. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially and adversely from those anticipated, estimated or projected. These forward-looking statements are made as of the date of this filing, and the Company assumes no obligation to update such forward-looking statements or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

Results of Operations

Demand for the Company's mineral exploration drilling services depends upon the level of mineral exploration and development activities conducted by mining companies, particularly with respect to gold and copper. Mineral exploration is highly speculative and is influenced by a variety of factors, including the prevailing prices for various metals that often fluctuate widely. In this connection, the decline in the prices of various metals has continued to adversely impact the level of mineral exploration and development activities conducted by mining companies and has had, and could continue to have, a material adverse effect on the Company.

At the end of each fiscal year, potential impairment with respect to the Company's long-lived assets is reviewed by comparing the sum of undiscounted projected future cash flows attributable to each business unit to the carrying value of the assets of that business unit, including goodwill. Projected future cash flows for each business unit are estimated for a period approximating the remaining lives of that unit's long-lived assets, based on earnings history, market conditions and assumptions reflected in internal operating plans and strategies. Under this analysis, the Company has determined that the cash flows from the mineral exploration division would be sufficient to recover the carrying value of its long-lived assets and, therefore, that the value of such assets is not impaired. The projected future cash flows represent management's best estimates. Because these estimates are based on subjective assumptions, an impairment write-down may be required in the future if the projected future cash flows decline. See Note 12 to the Notes to Consolidated Financial Statements for new accounting pronouncements related to impairment. These pronouncements will be effective for the Company's fiscal year 2003.

Overview of Reportable Operating Segments

The Company is a multinational company which provides sophisticated services and related products to a variety of markets. During fiscal 2002, management redefined the Company's operational organization structure into discrete divisions based on its primary product lines. Each division comprises

a combination of individual district offices, which primarily offer similar types of services and serve similar types of markets. Although individual offices within a division may periodically perform services normally provided by another division, the results of those services are recorded in the offices' own division. For example, if a water resources division office performed geoconstruction services, the revenues would be recorded in the water resources division rather than the geoconstruction services division. Should an office's primary responsibility move from one division president to another, that office's results going forward would be reclassified between divisions at that time. The Company's reportable segments under the new operational structure are defined as follows:

Water Resources Division

This division provides a full line of water-related services and products including hydrological studies, site selection, well design, drilling and well development, pump installation, and repair and maintenance. The division's offerings include large diameter Ranney(R) collector wells, design and construction of water treatment facilities, and the manufacture and sale of products to treat volatile inorganics in groundwater. The division also offers environmental services to assess and monitor groundwater contaminants.

Mineral Exploration Division

This division provides a complete range of drilling services for the mineral exploration industry. Its aboveground and underground drilling activities include all phases of core drilling, diamond, reverse circulation, dual tube, hammer and rotary air-blast methods.

Geoconstruction Services Division

This division focuses on services that improve soil stability, primarily jet grouting, grouting, vibratory ground improvement and ground-freezing services. The division also manufactures a line of high-pressure pumping equipment used in grouting operations and geotechnical drilling rigs used for directional drilling.

Energy Services and Production Division

This division offers a variety of specialized services including shallow gas and tar sands exploration drilling, conventional oilfield fishing services, coil tubing fishing services, resonance technology solutions for stuck tubulars and land-based oil and gas search and development.

Products and Other

This grouping includes the Company's supply operation which distributes drilling equipment, parts and supplies and other miscellaneous operations which do not fall into the above divisions. Historically, it has also included a manufacturing operation producing diamond drilling rigs, diamond bits, core barrels and drill rods ("Christensen Products"). On August 8, 2001, the Company sold its Christensen Products business to a subsidiary of Atlas Copco (see Note 11 of the Notes to Consolidated Financial Statements).

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The following table, which is derived from the Company's Consolidated Financial Statements as discussed in Item 6, presents, for the periods indicated, the percentage relationship which certain items reflected in the Company's statements of income bear to revenues and the percentage increase or decrease in the dollar amount of such items period-to-period. The categorization of revenues for each of the three fiscal years has been made consistent with the new operational structure described above. The financial comparison and discussion of fiscal 2002 versus fiscal 2001 which follows the table is presented in conformity with the new operational structure.

	Fiscal Years Ended January 31,			Pe
Revenues:	2002	2001	2000	2002 vs. 2001
Water resources	56.9%	54.2%	57.2%	3.1
Mineral exploration	18.8	21.1	23.0	(12.4
Geoconstruction services	8.8	12.1	11.8	(29.0
Energy services and production	8.8	6.8	3.1	27.2
Products and other	6.7	5.8	4.9	13.8

Total revenues	100.0%	100.0%	100.0%	|	(1.8
Cost of revenues	72.8%	74.9%	73.6%	|	(4.6
Gross profit	27.2	25.1	26.4	|	6.6
Selling, general and administrative expenses	19.4	18.7	19.1	|	1.6
Depreciation and amortization	5.8	6.8	8.2	|	(14.9
Operating income (loss)	2.0	(0.4)	(0.9)	|	*
Other income (expense):				|	
Equity in earnings of foreign affiliates	0.3	0.3	0.0	|	3.5
Interest	(1.3)	(2.0)	(1.7)	|	(36.6
Other, net	0.0	0.3	0.0	|	*
Income (loss) before income taxes	1.0	(1.8)	(2.6)	|	*
Income tax expense	0.7	0.1	0.0	|	*
Minority interest, net of taxes	0.0	0.0	(0.1)	|	*
Net income (loss)	0.3%	(1.9)%	(2.7)%	|	*

* Not meaningful.

Comparison of Fiscal 2002 to Fiscal 2001

Revenues for fiscal 2002 decreased $5,605,000 or 1.8% to $308,388,000 compared to $313,993,000 for fiscal 2001. The decrease was primarily the result of decreases in the Company's mineral exploration and geoconstruction services divisions, partially offset by increased revenues in the water resources and energy services and production divisions.

Gross profit as a percentage of revenues was 27.2% for fiscal 2002 compared to 25.1% for fiscal 2001. The increase in gross profit was primarily attributable to improved margins at the Company's domestic water locations and certain international mineral exploration locations, combined with reduced expenses associated with the Company's domestic oil and gas exploration activities. The increases above were partially offset by reduced margins at the Company's products locations in the United States.

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Selling, general and administrative expenses increased to $59,677,000 for fiscal 2002 compared to $58,757,000 for fiscal 2001. The increase was primarily a result of increased employee benefit, insurance premium and legal costs for the year.

Depreciation and amortization decreased to $18,160,000 for fiscal 2002 compared to $21,337,000 for fiscal 2001. The decrease in depreciation and amortization was attributable to the disposal of assets in certain international locations and the application of purchase accounting resulting in negative goodwill reducing assets associated with the purchase of the remaining 50% of WADS from Ausdrill (see Note 2 to the Notes to Consolidated Financial Statements).

Interest expense decreased to $3,934,000 for fiscal 2002 compared to $6,205,000 for fiscal 2001. The decrease was primarily a result of decreases in the Company's average borrowings and in interest rates during the year.

Income tax expense of $2,132,000 was recorded for the year ended January 31, 2002, compared to $382,000 for the same period last year. The effective rate in excess of the statutory federal rate for the year ended January 31, 2002, was a result of the impact of nondeductible expenses and the tax treatment of certain foreign operations.

Water Resources Division
(in thousands)

	Year Ended January 31, 2002	Year Ended January 31, 2001
Revenues	$175,492	$170,204
Operating income	23,675	15,857

Water resources revenue increased 3.1% to $175,492,000 from $170,204,000 for the years ended January 31, 2002 and 2001. The increase in revenue was primarily the result of the Company's IGS project for the City of Azusa, California, combined with increased demand for the Company's water-related services, partially due to drought conditions in certain areas of the United States.

Operating income for the water resources division increased 49.3% to $23,675,000 for the year ended January 31, 2002, compared to $15,857,000 for last year. The increase in operating income was primarily attributable to improved pricing and margins at the Company's domestic water supply locations.

Mineral Exploration Division
(in thousands)

	Year Ended January 31, 2002	Year Ended January 31, 2001
Revenues	$57,945	$66,153
Operating loss	(5,653)	(9,149)

Mineral exploration revenues decreased 12.4% to $57,945,000, from $66,153,000 for the years ended January 31, 2002 and 2001. The decrease in revenue was primarily a result of continued softness in the exploration market in the United States, Australia and Mexico, partially offset by increased activity in certain areas of Africa.

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The operating loss for the mineral exploration division was $5,653,000 for the year ended January 31, 2002, compared to an operating loss of $9,149,000 for the year ended January 31, 2001. The reduced losses in the division were primarily the result of improved margins at certain of the Company's international locations and cost reductions in Australia.

Geoconstruction Services Division

(in thousands)

	Year Ended January 31, 2002	2001
Revenues	$27,006	$38,010
Operating income	1,047	5,932

Geoconstruction services revenues decreased 29.0%, to $27,006,000 for the year ended January 31, 2002, compared to $38,010,000 for last year. The decrease in revenues was a result of slowing construction activity in certain areas of the United States combined with competitive pricing pressures in certain markets served by the Company.

The geoconstruction services division had operating income of $1,047,000 for the year ended January 31, 2002, compared to $5,932,000 for the year ended January 31, 2001. The reduced profits were primarily attributable to lower revenues and to costs associated with complications on certain of the Company's ground-freezing projects.

Energy Services and Production Division
(in thousands)

	Year Ended January 31, 2002	2001
Revenues	$27,011	$21,232
Operating income (loss)	1,013	(2,288)

Energy services revenues increased 27.2% to $27,011,000 for the year ended January 31, 2002, compared to revenues of $21,232,000 for the year ended January 31, 2001. The increase was primarily the result of increased oil and gas exploration activity in Canada and increased capacity in the Company's service operations in the Gulf of Mexico region of the United States.

Operating income for the energy services and production division was $1,013,000 for the year ended January 31, 2002, compared to an operating loss of $2,288,000 for the year ended January 31, 2001. The improved profits were the result of lower expenditures attributable to the Company's oil and gas exploration activities and improved results from the Company's oil and gas service businesses in the United States, combined with increased levels of activity in Canada.

Products and Other
(in thousands)

	Year Ended January 31, 2002	2001
Revenues	$20,934	$18,394
Operating loss	(1,908)	(679)

Products and other sales increased 13.8% to $20,934,000 for the year ended January 31, 2002, compared to $18,394,000 for the year ended January 31, 2001. The increase in sales was primarily the result of increased demand for drill rigs manufactured by the Company for the mineral exploration market and two significant projects completed by the Company's specialty products group.

Operating losses for products and other were $1,908,000 for the year ended January 31, 2002, compared to $679,000 for the year ended January 31, 2001. The increase in operating losses was the result of certain costs incurred in connection with the sale of the Company's Christensen Products business to Atlas Copco.

Corporate expenses not allocated to individual divisions were $12,074,000 and $11,052,000 for the years ended January 31, 2002 and 2001, respectively. The increase in unallocated corporate expenses was primarily the result of increased employee benefit and insurance premium costs.

Comparison of Fiscal 2001 to Fiscal 2000

The financial comparison and discussion of fiscal 2001 versus fiscal 2000 has not been reclassified to conform with the new operational structure defined above.

Results of Operations

Revenues for fiscal 2001 increased $32,548,000 or 11.6% to $313,993,000 compared to $281,445,000 for fiscal 2000. Water-related services and products revenues increased 4.7% to $173,290,000 for fiscal 2001 compared to revenues of $165,525,000 for fiscal 2000. The year-to-year increase in water-related services and products revenues was primarily the result of an increase in demand for the Company's water-related services in the central United States, southern California and Florida. Mineral exploration drilling revenues increased 15.3% to $76,318,000 for fiscal 2001 from $66,189,000 for fiscal 2000. The increase for the year was primarily a result of increased demand in Canada and East Africa, offset by the decision to discontinue drill-and-blast operations in West Africa and Australia combined with reduced demand for the Company's services in the United States. Geotechnical construction revenues increased 19.5% to $40,572,000 for fiscal 2001 compared to revenues of $33,938,000 for fiscal 2000. The increase in geotechnical revenues was a result of two large projects in the northeast United States and the Company's ground-freezing project for Noranda, Inc. in Quebec, Canada, combined with increased market penetration in certain areas of the United States. Oil and gas service revenues were $4,751,000 for fiscal 2001 compared to $584,000 for fiscal 2000. The increase in revenue was a result of increased capacity due to the Company's continued investment in this market. Product sales increased 25.3% to $19,062,000 for fiscal 2001 from $15,209,000 for fiscal 2000. The increase was a result of increased activity in the mineral exploration market combined with increased demand for drilling products within the water market.

Gross profit as a percentage of revenues was 25.1% for fiscal 2001 compared to 26.4% for fiscal 2000. The decrease in gross profit was primarily attributable to expenses associated with the Company's domestic oil and gas exploration activities and pricing pressures in the African minerals market, partially offset by increased margins in the geotechnical construction business.

Selling, general and administrative expenses increased to $58,757,000 for fiscal 2001 compared to $53,781,000 for fiscal 2000. The increase for the year was primarily a result of increased incentive-related accruals in the Company's domestic businesses combined with expenses related to the continued expansion of the Company's oil and gas services division and Integrated Groundwater Services initiative.

Depreciation and amortization decreased to $21,337,000 for fiscal 2001 compared to $23,016,000 for fiscal 2000. The decrease in depreciation and amortization for the year was attributable to certain mineral exploration assets becoming fully depreciated in the fourth quarter of last year combined with the disposal of the drill-and-blast divisions in Australia and West Africa.

Equity in earnings (losses) of foreign affiliates was $894,000 for fiscal 2001 compared to ($27,000) for the last year. The increase in earnings for the year is a result of increased exploration and development activities conducted by mining companies in Latin America.

Interest expense increased to $6,205,000 for fiscal 2001 compared to $4,818,000 for fiscal 2000. The increase for the year was attributable to higher average borrowings combined with higher interest rates for the period.

Income taxes were an expense of $382,000 for fiscal 2001 compared to zero for the last year. The unusual effective rate for the year was primarily a result of the increased impact of certain nondeductible expenses in light of lower taxable earnings in the respective periods, combined with a reduction in the amount of earnings from certain foreign affiliates and subsidiaries relative to the Company's overall earnings.

Fluctuation in Quarterly Results

The Company historically has experienced fluctuations in its quarterly results arising from the timing of the award and completion of contracts, the recording of related revenues and unanticipated additional costs incurred on projects. The Company's revenues on large, long-term drilling contracts are recognized on a percentage of completion basis for individual contracts based upon the ratio of costs incurred to total estimated costs at completion. Contract price and cost estimates are reviewed periodically as work progresses and adjustments proportionate to the percentage of completion are reflected in contract revenues and gross profit in the reporting period when such estimates are revised. Changes in job performance, job conditions and estimated profitability (including those arising from contract penalty provisions) and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. A significant number of the Company's contracts contain fixed prices and assign responsibility to the Company for cost overruns for the subject projects; as a result, revenues and gross margin may vary from those originally estimated and, depending upon the size of the project, variations from estimated contract performance could affect the Company's operating results for a particular quarter. Many of the Company's contracts are also subject to cancellation by the customer upon short notice with limited damages payable to the Company. In addition, adverse weather conditions, natural disasters, force majeure and other similar events can curtail Company operations in various regions of the world throughout the year, resulting in performance delays and increased costs. Moreover, the Company's domestic drilling activities and related revenues and earnings tend to

decrease in the winter months when adverse weather conditions interfere with access to drilling sites and the ability to drill; as a result, the Company's revenues and earnings in its second and third quarters tend to be higher than revenues and earnings in its first and fourth quarters. Accordingly, as a result of the foregoing as well as other factors, quarterly results should not be considered indicative of results to be expected for any other quarter or for any full fiscal year. See the Company's Consolidated Financial Statements and Notes thereto.

Inflation

Management believes that the Company's operations for the periods discussed have not been adversely affected by inflation or changing prices.

Liquidity and Capital Resources

The primary source of the Company's liquidity in fiscal 2002, 2001 and 2000 was its cash from operating activities of $25,509,000, $12,952,000 and $13,162,000, respectively. The increase in cash from operations was primarily attributable to improved margins at the Company's domestic water supply locations and certain international mineral exploration locations and lower expenditures related to its domestic oil and gas exploration activities. In fiscal 2002, cash from operations was primarily used for net repayments of debt of $27,571,000 and additions to property and equipment of $11,205,000. Capital expenditures during the fiscal years were directed primarily toward expansion and upgrading of the Company's equipment and facilities. The Company anticipates fiscal 2003 capital expenditures will be used to maintain the Company's equipment and capabilities and to accelerate its expansion into oil and gas services and exploration, including production of coalbed methane gas. The Company expects to spend approximately $16,000,000 in the next fiscal year for capital expenditures. As of January 31, 2002, the Company had no material commitments outstanding for capital assets.

The Company maintains a reducing revolving cash borrowing facility (the "Credit Agreement"). At January 31, 2002, the aggregate lender commitment under this facility was $57,000,000. Borrowings under the Credit Agreement have been used to complete various acquisitions (see Note 2 to the Consolidated Financial Statements). The Company's borrowings and outstanding letter of credit commitments under the Credit Agreement were $16,500,000 and $4,780,000, respectively, at January 31, 2002 (see Note 8 to the Consolidated Financial Statements).

The Company's working capital as of January 31, 2002, 2001 and 2000, was $15,513,000, $46,960,000 and $45,245,000, respectively. The reduction in working capital at January 31, 2002 was due to the reclassification of borrowings under the Credit Agreement from long term to current, the sale of Christensen Products and other measures taken to contain working capital needs. The Credit Agreement was reclassified to current based on its scheduled expiration in July 2002. The Company is currently negotiating with several lenders to provide new borrowing facilities and expects to have a new agreement in place early in the second quarter. The Company believes it will have sufficient cash from operations and access to credit facilities to meet the Company's operating cash requirements and to fund its budgeted capital expenditures for fiscal 2003.

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The Company's contractual obligations and commercial commitments are summarized as follows:

Payments/Expiration by Period

	Total	Less than 1 year	1-3 year
Contractual Obligations and Other Commercial Commitments			
Debt	$34,357	$20,071	$10,71
Operating leases	15,046	5,431	8,61
Ausdrill promissory note	2,100	1,200	90
Repurchase obligation	1,600	1,600	-
Total contractual cash obligations	53,103	28,302	20,22
Standby letters of credit	4,780	4,780	-
Total contractual obligations and commercial commitments	$57,883	$33,082	$20,22

Costs estimated to be incurred in the future for employee medical benefits and casualty insurance programs resulting from claims which have occurred are accrued currently. Under the terms of the Company's agreement with the various insurance carriers administering these claims, the Company is not required to remit the total premium until the claims are actually paid by the insurance companies. These costs are not expected to significantly impact liquidity in future periods (see Note 10 to the Consolidated Financial Statements).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The principal market risks to which the Company is exposed are interest rate risk on variable rate debt, equity risk on marketable investments, and foreign exchange rate risk that could give rise to translation and transaction gains and losses.

The Company centrally manages its debt and investment portfolios considering overall financing strategies and tax consequences. A description of the Company's variable rate debt is in Note 8 to the Notes to Consolidated Financial Statements of this Form 10-K. Assuming then existing debt levels, an instantaneous change in interest rates of one percentage point would impact the Company's annual interest expense by $165,000 and $405,000 at January 31, 2002 and 2001, respectively. The Company's investments are described in Note 1 to the Consolidated Financial Statements. Marketable investments are carried at market value and are held for long-term investing purposes rather than trading purposes.

Operating in international markets involves exposure to possible volatile movements in currency exchange rates. Currently, the Company's primary international operations are in Australia, Africa, Mexico, Canada and Italy. The operations are described in Notes 1 and 11 to the Consolidated Financial Statements. The majority of the Company's contracts in Africa and Mexico are U.S. dollar-based, providing a natural reduction in exposure to currency fluctuations.

As currency exchange rates change, translation of the income statements of the Company's international operations into U.S. dollars may affect year-to-year comparability of operating results. We estimate that a 10% change in foreign exchange rates would have impacted operating income for the years ended January 31, 2002 and 2001, by approximately $146,000 and $244,000, respectively. This represents approximately 10% of the operating income of international locations after adjusting for primarily U.S. dollar-based operations. This quantitative measure has inherent limitations, as it does not take into account any governmental actions, changes in customer purchasing patterns or changes in the Company's financing and operating strategies.

Foreign exchange gains and losses in the Company's Consolidated Statements of Income reflect transaction gains and losses and translation gains and losses from the Company's Mexican and African operations which use the U.S. dollar as their functional currency. Net foreign exchange gains and losses for 2002, 2001 and 2000 were not significant.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

All other schedules have been omitted because they are not applicable or not required as the required information is included in the Consolidated Financial Statements of the Company or the Notes thereto.

INDEPENDENT AUDITORS' REPORT

Layne Christensen Company:

We have audited the accompanying consolidated balance sheets of Layne Christensen Company and subsidiaries as of January 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended January 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Companies as of January 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended January 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Kansas City, Missouri
March 22, 2002

Layne Christensen Company and Subsidiaries
Consolidated Balance Sheets
As of January 31, 2002 and 2001
(in thousands)

ASSETS	2002	2001
Current assets:		
Cash and cash equivalents	$ 2,983	$ 3,421
Customer receivables, less allowance of $3,596 and $3,510, respectively	43,603	51,498
Costs and estimated earnings in excess of billings on uncompleted contracts	11,912	10,371

Inventories	21,885	30,762
Deferred income taxes	10,181	12,342
Income taxes receivable	3,074	--
Other	2,738	2,781
Total current assets	96,376	111,175
Property and equipment:		
Land	8,163	8,926
Buildings	16,112	18,369
Machinery and equipment	162,967	163,488
	187,242	190,783
Less--Accumulated depreciation	(128,460)	(118,070)
Net property and equipment	58,782	72,713
Other assets:		
Investment in foreign affiliates	19,504	19,306
Intangible assets, at cost less accumulated amortization of $6,029 and $4,904, respectively	22,284	26,058
Deferred income taxes	4,270	2,623
Other	1,126	1,993
Total other assets	47,184	49,980
	$ 202,342	$ 233,868

See Notes to Consolidated Financial Statements.

- Continued -

Layne Christensen Company and Subsidiaries
Consolidated Balance Sheets(Continued)
As of January 31, 2002 and 2001
(in thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	2002	2001
Current liabilities:		
Accounts payable	$ 16,762	$ 18,684
Current maturities of long-term debt	20,071	3,571
Accrued compensation	14,785	15,726
Accrued insurance expense	5,794	6,425

Other accrued expenses	10,983	8,096
Income taxes payable	4,049	923
Billings in excess of costs and estimated earnings on uncompleted contracts	8,419	10,790
Total current liabilities	80,863	64,215
Noncurrent and deferred liabilities:		
Long-term debt	14,286	58,357
Accrued insurance expense	6,358	5,557
Other	4,287	2,526
Minority interest	656	9,288
Total noncurrent and deferred liabilities	25,587	75,728
Contingencies		
Stockholders' equity:		
Preferred stock, par value $.01 per share, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, par value $.01 per share, 30,000,000 shares authorized, 11,707,694 shares issued and outstanding	117	117
Capital in excess of par value	83,605	83,613
Retained earnings	24,302	23,224
Accumulated other comprehensive loss	(12,027)	(12,913)
Notes receivable from management stockholders	(105)	(116)
Total stockholders' equity	95,892	93,925
	$ 202,342	$ 233,868

See Notes to Consolidated Financial Statements.

- Concluded -

Layne Christensen Company and Subsidiaries
Consolidated Statements of Income
For the Years Ended January 31, 2002, 2001 and 2000
(in thousands, except per share data)

	2002	2001	2000
Revenues	$ 308,388	$ 313,993	$ 281,445

Cost of revenues (exclusive of depreciation shown below)	224,451	235,278	207,105
Gross profit	83,937	78,715	74,340
Selling, general and administrative expenses	59,677	58,757	53,781
Depreciation and amortization	18,160	21,337	23,016
Operating income (loss)	6,100	(1,379)	(2,457)
Other income (expense):			
Equity in earnings (losses) of foreign affiliates	925	894	(27)
Interest	(3,934)	(6,205)	(4,818)
Other, net	189	1,028	(108)
Income (loss) before income taxes	3,280	(5,662)	(7,410)
Income tax expense	2,132	382	--
Minority interest, net of taxes	(70)	118	(255)
Net income (loss)	$ 1,078	$ (5,926)	$ (7,665)
Basic earnings (loss) per share	$ 0.09	$ (0.50)	$ (0.66)
Diluted earnings (loss) per share	$ 0.09	$ (0.50)	$ (0.66)
Weighted average number of common and dilutive equivalent shares outstanding:			
Weighted average shares outstanding - basic	11,758	11,758	11,675
Dilutive stock options	277	--	--
Weighted average shares outstanding - diluted	2,035	11,758	1,675

See Notes to Consolidated Financial Statements.

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Layne Christensen Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Years Ended January 31, 2002, 2001 and 2000
(in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Acc Comp
Balance, February 1, 1999	11,641,192	$ 116	$ 83,095	$ 36,815	$ (

Comprehensive loss:					
Net loss	--	--	--	(7,665)	
Other comprehensive income (loss):					
Change in unrecognized pension liability, net of taxes of $365	--	--	--	--	
Foreign currency translation adjustments, net of taxes of $460	--	--	--	--	
Change in unrealized loss on available for sale investments, net of taxes of $264	--	--	--	--	
Comprehensive loss					
Issuance of stock for incentive compensation program	5,845	--	82	--	
Issuance of stock, net of expenses	44,092	1	286	--	
Balance, January 31, 2000	11,691,129	117	83,463	29,150	(
Comprehensive loss:					
Net loss	--	--	--	(5,926)	
Other comprehensive income (loss):					
Change in unrecognized pension liability, net of taxes of $234	--	--	--	--	
Foreign currency translation adjustments, net of taxes of $3,979	--	--	--	--	(
Change in unrealized loss on available for sale investments, net of taxes of $504	--	--	--	--	
Comprehensive loss					
Issuance of stock for incentive compensation program	1,181	--	50	--	
Issuance of stock, net of expenses	15,384	--	100	--	
Payments on notes receivable	--	--	--	--	
Balance, January 31, 2001	11,707,694	117	83,613	23,224	(1
Comprehensive income:					
Net income	--	--	--	1,078	
Other comprehensive income (loss):					
Change in unrecognized pension liability, net of taxes of $389	--	--	--	--	
Foreign currency translation adjustments, net of taxes of $291	--	--	--	--	
Change in unrealized loss on available for sale investments, net of taxes of $1,248	--	--	--	--	

Comprehensive income					
Issuance of stock, net of expenses	--	--	(8)	--	
Payments on notes receivable	--	--	--	--	
Balance, January 31, 2002	11,707,694	$ 117	$ 83,605	$ 24,302	(1

See Notes to Consolidated Financial Statements

Layne Christensen Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended January 31, 2002, 2001 and 2000
(in thousands)

	2002	2001	2000
Cash flow from operating activities:			
Net income (loss)	$ 1,078	$ (5,926)	$ (7,665)
Adjustments to reconcile net income (loss) to cash from operations:			
Depreciation and amortization	18,160	21,337	23,016
Deferred income taxes	826	(4,712)	(2,060)
Equity in (earnings) losses of foreign affiliates	(925)	(894)	27
Dividends received from foreign affiliates	904	1,033	377
Minority interest	107	(182)	392
(Gain) loss from disposal of property and equipment	(325)	(37)	50
Gain on sale of business	(3,991)	--	--
Loss on sale of investment	3,329	--	--
Changes in current assets and liabilities, (exclusive of effects of acquisitions):			
(Increase) decrease in customer receivables	7,711	(6,954)	(2,466)
(Increase) decrease in costs and estimated earnings in excess of billing on uncompleted contracts	624	1,034	(3,164)
(Increase) decrease in inventories	4,474	(941)	1,346
(Increase) decrease in other current assets	(117)	2,380	3,685
Increase (decrease) in accounts payable and accrued expenses	(2,473)	4,186	(1,617)
Increase (decrease) in billings in excess of costs and estimated earnings on uncompleted contracts	(2,360)	694	1,546
Other, net	(1,513)	1,934	(305)

Cash from operating activities	25,509	12,952	13,162
Cash flow from investing activities:			
Additions to property and equipment	(11,205)	(14,302)	(12,816)
Proceeds from disposal of property and equipment	4,083	2,256	2,476
Proceeds from sale of business	8,165	--	--
Acquisition of businesses, net of cash acquired	--	--	(891)
Investment in foreign affiliates and joint ventures	--	--	(293)
Cash from (used in) investing activities	1,043	(12,046)	(11,524)

See Notes to Consolidated Financial Statements.

- Continued -

Layne Christensen Company and Subsidiaries
Consolidated Statements of Cash Flows - (Continued)
For the Years Ended January 31, 2002, 2001 and 2000
(in thousands)

	2002	2001	2000
Cash flow from financing activities:			
Net (repayments) borrowings under revolving facility	$(24,000)	$ 2,000	$ --
Repayments of long-term debt	(3,571)	(3,572)	--
Payments on notes receivable from management stockholders	11	36	--
Cash used in financing activities	(27,560)	(1,536)	--
Effects of exchange rate changes on cash	570	300	19
Net increase (decrease) in cash and cash equivalents	(438)	(330)	1,657
Cash and cash equivalents at beginning of year	3,421	3,751	2,094
Cash and cash equivalents at end of year	$ 2,983	$ 3,421	$ 3,751

See Notes to Consolidated Financial Statements.

- Concluded -

Layne Christensen Company and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended January 31, 2002, 2001 and 2000

(1) Summary of Significant Accounting Policies

Description of Business - Layne Christensen Company and subsidiaries (together, the "Company") provide comprehensive services and products to the water resources, mineral exploration, geoconstruction and energy markets through its four primary operating divisions (see Note 11). The Company operates throughout North America as well as in Africa, Australia and Europe. Its customers include municipalities, industrial companies, mining companies, environmental consulting and engineering firms, heavy civil construction contractors and, to a lesser extent, agribusiness.

Fiscal Year - References to years are to the fiscal years then ended.

Investment in Affiliated Companies - Investments in affiliates (29% to 50% owned) in which the Company exercises significant influence over operating and financial policies are accounted for on the equity method.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated. Financial information for the Company's foreign affiliates and certain foreign subsidiaries is reported in the Company's consolidated financial statements with a one-month lag in reporting periods. The effect of this one-month lag on the Company's financial results is not significant.

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

Foreign Currency Transactions and Translation - The cash flows and financing activities of the Company's Mexican and African operations are primarily denominated in the U.S. dollar. Accordingly, these operations use the U.S. dollar as their functional currency and translate monetary assets and liabilities at year-end exchange rates while nonmonetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the year, except for depreciation, certain cost of revenues and selling expenses which are translated at historical rates. Gains or losses from changes in exchange rates are recognized in consolidated income in the year of occurrence.

Other foreign subsidiaries and affiliates use local currencies as their functional currency. Assets and liabilities have been translated to U.S. dollars at year-end exchange rates. Income and expense items have been translated at exchange rates which approximate the weighted average of the rates prevailing during each year. Translation adjustments are reported as a separate component of accumulated other comprehensive loss. As a result of the acquisition of an Australian company during 1998, the Company has reflected substantial changes in the cumulative translation account during 2001, primarily attributed to the devaluation of the Australian dollar.

Net foreign currency transaction gains and losses for 2002, 2001 and 2000 were not significant.

Revenue Recognition - Revenue is recognized on large, long-term contracts using the percentage of completion method based upon materials installed and labor costs incurred. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Revenue is recognized on smaller, short-term contracts using the completed contract method. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Inventories - The Company values inventories at the lower of cost (first-in, first-out, including material, labor and manufacturing overhead costs) or market (in thousands):

	2002	2001
Raw materials	$ 275	$ 1,101
Work in process	541	1,639
Finished products, parts and supplies	21,069	28,022
Total	$21,885	$30,762

Property and Equipment and Related Depreciation - Property and equipment (including major renewals and improvements) are recorded at cost. Depreciation is provided using the straight-line method. Depreciation expense was $17,035,000, $20,121,000 and $21,721,000 in fiscal 2002, 2001 and 2000, respectively. The lives used for the more significant items within each property classification are as follows:

	Years
Buildings	15 - 35
Machinery and equipment	3 - 10

Intangible Assets - Intangible assets consist of goodwill related to acquisitions, purchased technical manuals and other assets which are being amortized over their estimated economic lives which range from 10 to 35 years. Amortization expense for intangible assets was $1,125,000, $1,216,000 and $1,295,000 for 2002, 2001 and 2000, respectively.

Investments - During 2002, 2001 and 2000, the Company, through its wholly owned subsidiary Layne Christensen Australia Pty Limited ("Layne Australia"), owned certain common stock of publicly traded companies on the Australian Stock Exchange. The Company classified these investments as available-for-sale. The noncurrent investments have a cost basis of $188,000 and $3,723,000 and are reported at their fair values of approximately $107,000 and $514,000 at January 31, 2002 and 2001, respectively. The gross unrealized losses of $81,000 and $3,209,000, net of taxes of $36,000 and $1,284,000 at January 31, 2002 and 2001, respectively, have been recorded as a component of accumulated other comprehensive loss.

In 2002, the Company, through its wholly owned subsidiary Layne Australia, sold its investment in Ausdrill Limited, a publicly traded company on the Australian Stock Exchange. The investment was classified as available-for-sale and had a cost basis of $3,535,000. The Company recorded a loss on the sale of approximately $3,329,000 in Other, net in the 2002 Consolidated Statements of Income and removed the related net of tax loss of $1,880,000 from accumulated other comprehensive loss in the Consolidated Statements of Stockholders' Equity.

Impairment of Long-Lived Assets - At each balance sheet date, a determination is made by management as to whether the value of long-lived assets, including intangible assets and assets to be disposed of, has been impaired. The determination is based on several criteria, including, but not limited to, revenue trends, undiscounted operating cash flows and other operating factors.

Accrued Insurance Expense - Costs estimated to be incurred in the future for employee medical benefits and casualty insurance programs resulting from claims which have been incurred are accrued currently. Under the terms of the Company's agreement with the various insurance carriers administering these claims, the Company is not required to remit the total premium until the claims are actually paid by the insurance companies (see Note 10).

Fair Value of Financial Instruments - The carrying amounts of financial instruments including cash and cash equivalents, customer receivables and accounts payable approximate fair value at January 31, 2002 and 2001, because of the relatively short maturity of those instruments. Investments in equity securities are carried at quoted market values. See Note 8 for disclosure regarding the fair value of indebtedness of the Company.

Consolidated Statements of Cash Flows - Highly liquid investments with a remaining maturity of three months or less at the time of purchase are considered cash equivalents.

The amounts paid for income taxes and interest are as follows (in thousands):

	2002	2001	2000
Income taxes	$3,471	$ 582	-
Interest	4,092	5,632	$4,892

Supplemental Noncash Transactions -- In 2001 and 2000, the Company issued 1,181 and 5,845 shares of common stock, respectively, and 42,532 and 39,812 stock options, respectively, related to 2000 and 1999 compensation awards. In 2002, the Company did not issue shares of common stock or stock options related to compensation awards.

Income Taxes - Income taxes are provided using the asset/liability method, in which deferred taxes are recognized for the tax consequences of temporary differences between the financial statement carrying amounts and tax bases of existing assets and liabilities (see Note 5).

Earnings Per Share - Earnings per common share are based upon the weighted average number of common and dilutive equivalent shares outstanding. Options to purchase common stock are included based on the treasury stock method for dilutive earnings per share except when their effect is antidilutive.

Stock-Based Compensation - Stock-based compensation may be accounted for either based on the estimated fair value of the awards at the date they are granted (the "SFAS 123 Method") or based on the difference, if any, between the market price of the stock at the date of grant and the amount the employee must pay to acquire the stock (the "APB 25 Method"). The Company uses the APB 25 Method to account for its stock-based compensation programs (see Note 9). Pro forma net income (loss) for 2002, 2001 and 2000, determined as if the SFAS 123 Method had been applied, would have been $155,000, ($6,687,000) and ($8,582,000), respectively. Basic and diluted earnings (loss) per share would have been $.01 for 2002, ($0.57) for 2001 and ($0.74) for 2000.

Other Comprehensive Loss - Accumulated balances of Other Comprehensive Loss are as follows (in thousands):

	Cumulative Translation Adjustment	Unrealized Loss On Investments	Unrecognized Pension Liability	Accu O Compr
Balance, February 1, 2000	$ (4,561)	$ (1,177)	$ -	$
Period change	(6,054)	(748)	(373)	
Balance, January 31, 2001	(10,615)	(1,925)	(373)	
Period change	(377)	1,880	(617)	
Balance, January 31, 2002	$ (10,992)	$ (45)	$ (990)	$

Reclassifications - Certain 2001 and 2000 amounts have been reclassified to conform with the 2002 presentation.

(2) Acquisitions

On September 25, 2001, the Company acquired the remaining 50% ownership in West African Drilling Services ("WADS") from its joint venture partner, Ausdrill Limited ("Ausdrill"), effective June 30, 2001. The Company issued a twenty-five month, non-interest-bearing promissory note for $2,500,000 and surrendered, by way of an Ausdrill share repurchase agreement, the 6,014,615 shares of Ausdrill that the Company owned. The promissory note is included in other accrued expenses and other long-term liabilities in the Consolidated Balance Sheets. The shares had a fair value of approximately $206,000. The acquisition has been accounted for using the purchase method of accounting. Had this acquisition taken place as of February 1, 2001, pro forma operating results would not have been significantly different from those reported.

On June 1, 1999, the Company acquired the outstanding stock of Toledo Oil and Gas Service, Inc., an oil and gas services company based in Broussard, Louisiana, for $169,000 cash and $387,000 in common stock. The acquisition has been accounted for using the purchase method of accounting and the operations of Toledo Oil and Gas Service, Inc. have been included from the date of acquisition.

On June 4, 1999, the Company purchased certain assets of Vibration Technology, an oil and gas services company based in Shreveport, Louisiana, for $253,000 in cash. The acquisition has been accounted for using the purchase method of accounting.

On August 26, 1999, the Company, through its wholly owned subsidiary Layne Christensen Canada Limited ("Layne Canada"), purchased substantially all of the assets of Basal Drilling, Inc., based in Alberta, Canada, for $469,000 in cash and issuance of a one-year promissory note for $270,000. Basal Drilling is a multi-services drilling company. The acquisition has been accounted for using the purchase method of accounting.

Had the acquisitions in fiscal 2000 taken place as of February 1, 1999, pro forma operating results would not have been significantly different from those reported.

The above acquisitions had the following effect on the Company's consolidated financial position (in thousands):

	2002	2001
Property and equipment	$(3,906)	$ 1,328
Working capital	(1,389)	(396)
Intangible and other assets	(548)	420
Noncurrent and deferred liabilities	5,843	(461)
Total purchase price, net of cash acquired	$ -	$ 891

(3) Investments in Foreign Affiliates

The Company's investments in foreign affiliates are carried at the

Company's equity in the underlying net assets plus an additional $4,753,000 as a result of purchase accounting. This additional amount is being amortized over the remaining useful lives of the applicable underlying assets ranging from 20 to 35 years. Accumulated amortization at January 31, 2002 and 2001, was $779,000 and $649,000, respectively. These affiliates, which generally are engaged in mineral exploration drilling and the manufacture and supply of drilling equipment, parts and supplies, are as follows:

	Percentage Owned
Christensen Chile, S.A. (Chile)	49.99%
Christensen Commercial, S.A. (Chile)	50.00%
Geotec Boyles Bros., S.A. (Chile)	49.75%
Boyles Bros. Diamantina, S.A. (Peru)	29.49%
Christensen Commercial, S.A. (Peru)	50.00%
Geotec, S.A. (Peru)	35.38%
Boytec, S.A. (Panama)	49.99%
Technidrill, Ltd. (France)	49.00%
Christensen Boyles GmbH (Germany)	33.35%
Plantel Industrial S.A. (Chile)	50.00%
Boytec Sondajes de Mexico, S.A. de C.V. (Mexico)	49.99%
Geoductos Chile, S.A. (Chile)	50.00%

Financial information from foreign affiliates is reported with a one-month lag in the reporting period. Summarized financial information of the Company's foreign affiliates, as of January 31, 2002, 2001 and 2000, and for the years then ended, was as follows (in thousands):

	2002	2001	2000
Total assets	$51,146	$60,526	$57,645
Total liabilities	13,442	21,741	17,932
Revenues	61,720	66,217	51,552
Gross profit	8,401	10,423	6,094
Operating income	3,905	5,393	1,282
Net income	1,988	2,392	152

The Company has transactions and balances with foreign affiliates which resulted in the following amounts being included in the Consolidated Financial Statements as of January 31, 2002, 2001 and 2000, and for the years then ended (in thousands):

	2002	2001	2000

Accounts receivable	$ 282	$1,563	$ 566
Notes receivable	-	149	1,333
Revenues2,691	3,231	1,374	

Undistributed equity in earnings of foreign affiliates totaled $3,925,000, $3,904,000 and $4,043,000 as of January 31, 2002, 2001 and 2000, respectively.

(4) Costs and Estimated Earnings on Uncompleted Contracts (in thousands):

	2002	2001
Costs incurred on uncompleted contracts	$ 81,057	$ 99,810
Estimated earnings	36,178	40,972
	117,235	140,782
Less: Billings to date	113,742	141,201
	$ 3,493	$ (419)
Included in accompanying balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 11,912	$ 10,371
Billings in excess of costs and estimated earnings on uncompleted contracts	(8,419)	(10,790)
	$ 3,493	$ (419)

The Company generally does not bill contract retainage amounts until the contract is completed. The Company bills its customers based on specific contract terms. Substantially all billed amounts are collectible within one year.

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Layne Christensen Company and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended January 31, 2002, 2001 and 2000

(5) Income Taxes

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

2002	2001	2000

Domestic	$ 14,303	$ 5,570	$ 4,825
Foreign	(11,023)	(11,232)	(12,235)
	$ 3,280	$ (5,662)	$ (7,410)

Components of income tax expense are (in thousands):

	2002	2001	2000
Currently due:			
U.S. federal	$ 462	$ 192	$ (118)
State and local	263	236	(188)
Foreign	1,644	1,344	1,017
	2,369	1,772	711
Deferred:			
U.S. federal	(896)	2,531	672
State and local	(230)	(193)	79
Foreign	889	(3,728)	(1,462)
	(237)	(1,390)	(711)
	$ 2,132	$ 382	$ --

Deferred income taxes result from temporary differences between the financial statement and tax bases of the Company's assets and liabilities. The sources of these differences and their cumulative tax effects are (in thousands):

	2002				
	Assets	Liabilities	Total	Assets	Lia
Contract income	$ 2,846	-	$2,846	$ 3,415	
Accrued insurance expense	1,271	-	1,271	1,605	
Employee compensation	1,125	-	1,125	1,266	
Bad debts	1,215	-	1,215	1,323	
Inventory	1,825	$ (1,293)	532	1,332	$
Other accrued expenses	3,865	(673)	3,192	5,262	
Current	12,147	(1,966)	10,181	14,203	
Accelerated depreciation	281	(5,445)	(5,164)	173	
Cumulative translation adjustment	6,939	-	6,939	6,648	
Accrued insurance expense	2,620	-	2,620	2,322	
Unrealized loss on investments	36	-	36	1,284	
Employee compensation	1,041	(618)	423	732	

Other	1,783	(2,367)	(584)	1,609	
Noncurrent	12,700	(8,430)	4,270	12,768	(
	$24,847	$(10,396)	$14,451	$26,971	$(

The Company has several Australian and African subsidiaries which have generated tax losses. The majority of these losses have been utilized to reduce the Company's U.S. federal and state income tax expense.

At January 31, 2002, undistributed earnings of foreign subsidiaries and foreign affiliates included $13,331,000 for which no U.S. federal income or foreign withholding taxes have been provided. These earnings, which are considered to be invested indefinitely, would become subject to income tax if they were remitted as dividends or if the Company were to sell its stock in the affiliates or subsidiaries. It is not practicable to determine the amount of income or withholding tax that would be payable upon remittance of these earnings.

A reconciliation of the total income tax expense to the statutory federal rate is as follows (in thousands):

	2002		2001		
	Amount	Effective Rate	Amount	Effective Rate	Am
Income tax at statutory rate	$1,115	34.0%	$(1,925)	34.0%	$(2
State income tax, net of federal income tax benefit	22	0.7	28	(0.5)	
Difference in tax expense resulting from:					
Nondeductible expenses	420	12.8	465	(8.2)	
Unremitted income of foreign affiliates	(53)	(1.6)	3	(0.0)	
Taxes on foreign operations	484	14.7	1,752	(30.9)	1
Other, net	144	4.4	59	(1.1)	
	$2,132	65.0%	$ 382	(6.7)%	$

6) Leases

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year from

January 31, 2002 are as follows (in thousands):

2003	$5,431
2004	4,423
2005	2,552
2006	1,639
2007	1,001

Operating leases are primarily for automobiles, light trucks, and office and shop facilities. Rent expense under operating leases (including insignificant amounts of contingent rental payments) was $6,475,000, $5,972,000 and $5,163,000 in 2002, 2001 and 2000, respectively.

(7) Employee Benefit Plans

The Company sponsors a pension plan covering certain hourly employees not covered by union-sponsored, multi-employer plans. Benefits are computed based mainly on years of service. The Company makes annual contributions to the plan substantially equal to the amounts required to maintain the qualified status of the plans. Contributions are intended to provide for benefits related to past and current service with the Company. Assets of the plan consist primarily of stocks, bonds and government securities.

The following table sets forth the plan's funded status as of December 31, 2001 and 2000 (the measurement dates) and the amounts recognized in the Company's Consolidated Balance Sheets at January 31, 2002 and 2001 (in thousands):

	2002	2001
Benefit obligation at beginning of year	$ 5,411	$ 5,036
Service cost	163	141
Interest cost	391	404
Actuarial loss	295	247
Benefits paid	(339)	(417)
Benefit obligation at end of year	5,921	5,411
Fair value of plan assets at beginning of year	5,037	5,293
Actual return on plan assets	(297)	(12)
Employer contribution	448	173
Benefits paid	(339)	(417)
Fair value of plan assets at end of year	4,849	5,037
Funded status	(1,072)	(374)
Unrecognized actuarial loss	1,614	607

Unrecognized prior services cost	40	51
Net amount recognized	$ 582	$ 284

Amounts recognized in the Company's Consolidated Balance Sheets at January 31, 2002 and 2001 (in thousands) consist of:

	2002	2001
Prepaid benefit cost	$ 582	$ 284
Accrued benefit liability	(1,654)	(658)
Intangible asset	40	51
Accumulated other comprehensive loss	1,614	607
Net amount recognized	$ 582	$ 284

Net periodic pension cost for 2002, 2001 and 2000 includes the following components (in thousands):

	2002	2001	2000
Service cost	$ 163	$ 141	$ 181
Interest cost	391	404	388
Expected return on assets	(398)	(371)	(346)
Net amortization	(7)	3	96
Net periodic pension cost	$ 149	$ 177	$ 319

The Company has recognized the full amount of its actuarially determined pension liability and the related intangible asset. The unrecognized pension cost

has been recorded as a charge to consolidated stockholders' equity after giving effect to the related future tax benefit.

The projected benefit obligation for 2002, 2001 and 2000 was computed using a discount rate of 7.25%, 7.75% and 8.0%, respectively, and an estimated long-term rate of return on assets of 8.75%. Benefit level assumptions for 2002, 2001 and 2000 are based on fixed amounts per year of credited service.

The Company also participates in a number of defined benefit, multi-employer plans. These plans are union-sponsored, and the Company makes contributions equal to the amounts accrued for pension expense. Total union pension expense for these plans was $1,285,000, $1,236,000 and $992,000 in 2002, 2001 and 2000, respectively. Information regarding assets and accumulated benefits of these plans has not been made available to the Company.

The Company's salaried and certain hourly employees participate in Company-sponsored, defined contribution plans. Company contributions are determined annually at the discretion of the Board of Directors of the Company. Total expense for the Company's portion of these plans was $1,205,000, $1,178,000 and $791,000 in 2002, 2001 and 2000, respectively. Effective January 1, 2000, the Company increased its matching contribution to certain plans to 100% of the employees' deferral contributions that do not exceed 3% of compensation and 50% of the employees' deferral contributions that exceed 3% but do not exceed 5% of compensation (for a maximum matching contribution of 4%). Previously, the maximum matching contribution allowed under the plans was 3%. The Company reserves the right to amend or terminate the plans, but the Company cannot recover contributions already paid.

(8) Indebtedness

During July 1997, contemporaneously with the acquisition of Stanley Mining Services ("Stanley Acquisition"), an Australian- and African-based drilling contractor, the Company amended its existing credit agreement to provide a reducing revolving credit facility ("Credit Agreement"). As of January 31, 2002, the commitment under the Credit Agreement had been reduced to $57,000,000, less any outstanding letter of credit commitments ($20,000,000 sublimit). The Credit Agreement was used to finance the Stanley Acquisition and refinance the Company's existing indebtedness under a $30,000,000 credit facility, and is available for working capital and capital expenditures and for other general corporate purposes. As of January 31, 2002, letters of credit in an aggregate amount of $4,780,000 had been issued on behalf of the Company. The Credit Agreement will terminate in July 2002 and any borrowings thereunder will mature at that time. Layne Australia is eligible to draw down up to $15,000,000 under the Credit Agreement. The Credit Agreement provides for guarantees by certain of the Company's domestic subsidiaries and contains certain covenants including restrictions on the incurrence of additional indebtedness and liens, payment of dividends, sale of assets or other dispositions, transactions with affiliates, mandatory prepayments based on the proceeds from the sale of assets and debt and equity securities and certain financial maintenance covenants, including among others, minimum interest coverage and maximum leverage ratios. The Credit Agreement provides for interest at variable rates equal to (i) for loans in Australian dollars, an Australian Bill rate plus 1.00% to 1.75% (depending upon debt to capitalization ratios), or (ii) for loans in U.S. dollars, at the Company's option, a Eurodollar rate plus 1.00% to

1.75% (depending upon debt to capitalization ratios), or an alternate reference rate as defined in the Credit Agreement. As of January 31, 2002, outstanding borrowings under the Credit Agreement were $16,500,000, at an average interest rate of 3.381%. The variable interest rates on the outstanding balance approximate the current market rates.

Maximum borrowings outstanding under the Company's then-existing credit agreements during 2002, 2001 and 2000 were $47,000,000, $53,000,000 and $44,000,000, respectively, and the average outstanding borrowings were $33,292,000, $47,708,000 and $40,583,000, respectively. The weighted average interest rates were 7.0%, 9.0% and 7.0%, respectively.

During March 1996, the Company completed the private placement of an unsecured note agreement (subsequently amended) for $25,000,000 ("Senior Notes"). The Senior Notes bear a fixed interest rate of 6.75% and will be due March 15, 2006, with annual installments of $3,571,000 which began March 15, 2000. As of January 31, 2002 and 2001, such interest rate approximates market for similar securities. Financial guarantees and covenants are similar to those in the Credit Agreement.

Loan costs incurred for securing long-term financing are amortized over the term of the respective loan agreement. Amortization of these costs for 2002, 2001 and 2000 was $312,000, $351,000 and $221,000, respectively. Amortization of loan costs is included in interest expense in the Consolidated Statements of Income.

In July 2001, outstanding borrowings under the Credit Agreement were reclassified as current liabilities as the agreement will expire within twelve months. The Company intends to negotiate a new credit agreement prior to that time. Debt outstanding as of January 31, 2002 and 2001 was as follows (in thousands):

	2002	2001
Current maturities of long-term debt:		
Senior notes	$ 3,571	$ 3,571
Revolving credit facility	16,500	-
Total current maturities of long-term debt	20,071	3,571
Long-term debt:		
Senior notes	14,286	17,857
Revolving credit facility	-	40,500
Total long-term debt	14,286	58,357
Total debt	$34,357	$61,928

As of January 31, 2002, debt outstanding will mature as follows (in thousands):

2003	$20,071
2004	3,571
2005	3,571
2006	3,571
2007	3,573
Thereafter	-

For the Years Ended January 31, 2002, 2001 and 2000

(9) Stock and Stock Option Plans

In October 1998, the Company adopted a Rights Agreement whereby the Company has authorized and declared a dividend of one preferred share purchase right ("Right") for each outstanding common share of the Company. Subject to limited exceptions, the Rights are exercisable if a person or group acquires or announces a tender offer for 25% or more of the Company's common stock. Each Right will entitle shareholders to buy one one-hundredth of a share of a newly created Series A Junior Participating Preferred Stock of the Company at an exercise price of $45.00. The Company is entitled to redeem the Right at $.01 per Right at any time before a person has acquired 25% or more of the Company's outstanding common stock. The Rights expire 10 years from the date of grant.

The Company has reserved 500,000 shares of common stock for issuance under Employee Incentive Compensation Plans. Issuance of shares under the Plans is based on performance as determined annually by a committee appointed by the Company's Board of Directors. During 2001 and 2000, 1,181 and 5,845 shares, respectively, were issued at $4.66 and $5.50 per share, respectively.

The Company also has two stock option plans which provide for the granting of options to purchase up to an aggregate of 1,900,000 shares of common stock at a price fixed by the Board of Directors or a committee.

Significant option groups outstanding at January 31, 2002 and related weighted average price and life information follows:

Grant Date	Options Outstanding	Options Exercisable	Average Exercise Price	Remaining Life (Years)
8/92	72,164	72,164	$ .882	-
8/92	58,317	58,317	7.000	-
12/93	258,317	258,317	6.420	2
5/94	39,000	39,000	6.375	2
2/96	135,500	135,500	10.500	4
4/97	10,998	8,798	11.400	5
2/98	227,500	182,000	14.000	6
4/98	18,226	10,936	10.290	6
4/99	342,039	167,279	5.140	7
7/99	5,000	2,500	6.063	7
2/00	35,000	17,500	5.500	8
4/00	38,107	7,621	3.495	8
8/00	10,000	2,500	5.125	8
9/00	75,000	18,750	4.000	3
5/01	55,000	-	7.105	10

All options were granted at an exercise price equal to the fair market value of the Company's common stock at the date of grant. The options have terms of five to ten years from the date of grant and vest ratably over periods of four to five years. For purposes of pro forma disclosure, the weighted average fair value at the date of grant for options granted during 2002, 2001 and 2000 were $4.16, $2.21 and $3.95 per option, respectively. The fair value of options at date of grant was estimated using the Black-Scholes model. The fair values are based on an expected life in years equal to the full option term, no dividend yield and the following weighted average assumptions:

	2002	2001
Interest rate	4.9%	5.0%
Volatility	38%	39%

	Shares Under Option		Shares Exe
	Number of Shares	Weighted Average Price	Number of Shares
Stock Option Activity Summary:			
Outstanding, February 1, 1999	991,646	$ 9.391	626,460
Granted	454,187	5.111	-
Canceled	(112,235)	10.395	(16,335)
Vested	-	-	99,300
Outstanding, January 31, 2000	1,333,598	7.862	709,425
Granted	167,532	4.286	-
Canceled	(158,401)	7.157	(73,033)
Vested	-	-	175,834
Outstanding, January 31, 2001	1,342,729	7.352	812,226
Granted	55,000	7.105	-
Canceled	(17,561)	6.069	(3,027)
Vested	-	-	171,983
Outstanding, January 31, 2002	1,380,168	$ 7.358	981,182

(10) Contingencies

The Company's drilling activities involve certain operating hazards that can result in personal injury or loss of life, damage and destruction of property and equipment, damage to the surrounding areas, release of hazardous substances or wastes and other damage to the environment, interruption or suspension of drill site operations and loss of revenues and future business. The magnitude of these operating risks is amplified when the Company, as is frequently the case, conducts a project on a fixed-price, "turnkey" basis where the Company delegates certain functions to subcontractors but remains responsible to the customer for the subcontracted work. In addition, the Company is exposed to potential liability under foreign, federal, state and local laws and regulations, contractual indemnification agreements or otherwise in connection with its provision of services and products. Litigation arising from any such occurrences may result in the Company being named as a defendant in lawsuits asserting large claims. Although the Company maintains insurance protection that it considers economically prudent, there can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all claims or hazards to which the Company may be subject or that the Company will be able to continue to obtain such insurance protection. A successful claim or damage resulting from a hazard for which the Company is not fully insured could have a material adverse effect on the Company. In addition, the Company does not maintain political risk insurance or business interruption insurance with respect to its foreign operations.

The Company is involved in various matters of litigation, claims and disputes which have arisen in the ordinary course of the Company's business. While the resolution of any of these matters may have an impact on the financial results for the period in which the matter is resolved, the Company believes that the ultimate disposition of these matters will not, in the aggregate, have a material adverse effect upon its business or consolidated financial position, results of operations or cash flows.

(11) Operating Segments and Foreign Operations

Financial information for the Company's operating segments is presented below (in thousands). Intersegment revenues are accounted for based on the fair market value of the products sold or services provided. The Corporate operating loss consists of unallocated corporate expenses, primarily general and administrative functions and incentive compensation. Corporate assets are all assets of the Company not directly associated with an operating segment, and consist primarily of cash, deferred income taxes and investments in foreign affiliates (see Note 3).

	2002	2001	
Revenues			
Water resources	$ 175,492	$ 170,204	$ 160
Mineral exploration	57,945	66,153	64
Geoconstruction services	27,006	38,010	33
Energy services and production	27,011	21,232	8
Products and other	29,823	28,164	23
Intersegment products and supply revenues	(8,889)	(9,770)	(9
Total revenues	$ 308,388	$ 313,993	$ 281
Operating income(loss)			
Water resources	$ 23,675	$ 15,857	$ 10
Mineral exploration	(5,653)	(9,149)	(5
Geoconstruction services	1,047	5,932	1
Energy services and production	1,013	(2,288)	(1
Products and other	(1,908)	(679)	(2

Corporate	(12,074)	(11,052)	(5
Total operating income(loss)	$ 6,100	$ (1,379)	$ (2
Total Assets			
Water resources	$ 60,802	$ 63,888	$ 69
Mineral exploration	76,020	83,368	101
Geoconstruction services	18,274	23,008	18
Energy services and production	11,352	13,083	9
Products and other	14,165	22,686	20
Corporate	21,729	27,835	25,
Total assets	$ 202,342	$ 233,868	$ 245

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Layne Christensen Company and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended January 31, 2002, 2001 and 2000

	2002	2001
Capital Expenditures		
Water resources	$ 2,967	$ 4,245
Mineral exploration	5,263	5,144
Geoconstruction services	986	2,275
Energy services and production	1,611	2,373
Products and other	29	99
Corporate	349	166
Total	$ 11,205	$ 14,302
Depreciation and Amortization		
Water resources	$ 5,260	$ 5,882
Mineral exploration	8,731	11,273
Geoconstruction services	2,127	2,015
Energy services and production	1,665	1,437
Products and other	240	563
Corporate	137	167
Total	$ 18,160	$ 21,337
Geographic Information:		
Revenues		
North America	$ 262,485	$ 269,468
Africa/Australia	41,390	38,583
Other foreign	4,513	5,942
Total revenues	$ 308,388	$ 313,993

Of the Products and other sales to unaffiliated customers, approximately $640,000, $1,884,000 and $2,117,000 in 2002, 2001 and 2000, respectively, were export sales, principally to Latin America.

On August 8, 2001, the Company signed a definitive agreement to sell its Christensen Products business to a subsidiary of Atlas Copco. The Company received $8,165,000 in the third quarter and recorded a gain on the sale of $3,991,000. The gain is recorded in Other, net in the Company's Consolidated Statements of Income. As part of the definitive agreement, the Company agreed to repurchase certain inventory items that remain unsold by Atlas Copco as of August 8, 2002. The repurchase obligation of approximately $1,600,000 was recorded in connection with the sale. Approximately $1,800,000 in additional cash was received on February 1, 2002 upon the sale of certain assets and inventory at book value. After the Christensen Products plant is closed during the first quarter of fiscal 2003, the Company intends to sell the land and building which has a net book value of $3,378,000 at January 31, 2002.

Products and other segment revenues for the years ended January 31, 2002, 2001 and 2000, respectively, include $13,531,000, $12,280,000 and $9,672,000 of revenue from Christensen Products. Intersegment revenues for the year ended January 31, 2002, 2001 and 2000, respectively, include $5,282,000, $5,912,000 and $5,341,000 from Christensen Products. Products and other segment operating loss for the year ended January 31, 2002, 2001 and 2000, respectively, includes ($1,745,000), ($723,000) and ($1,979,000) from Christensen Products.

Operating income for 2002, 2001 and 2000, respectively, includes $53,000, $2,313,000 and $177,000 of expenses related to the Company's oil and gas exploration activities in the Gulf of Mexico region of the United States.

(12) New Accounting Pronouncements

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations;" SFAS No. 142, "Goodwill and Other Intangible Assets;" SFAS No. 143, "Accounting for Asset Retirement Obligations" and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 141 requires that all business combinations be accounted for under the purchase method and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 141 is effective for all business combinations after July 1, 2001, and was applied to the Company's acquisition of the remaining 50% of WADS (see Note 2). SFAS No. 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill should be amortized over their useful lives. SFAS No. 142 is effective for the Company's fiscal year beginning February 1, 2002. SFAS No. 143 establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. SFAS No. 143 is effective for the Company's fiscal year beginning February 1, 2003. SFAS No. 144 supercedes SFAS No. 121 and establishes accounting standards for long-lived assets to be disposed of. SFAS No. 144 is effective for the Company's fiscal year beginning February 1, 2002. Management is currently assessing the impact SFAS Nos. 143 and 144 will have on the Company's results of operations, but does not expect a material effect. The adoption of SFAS No. 142 will result in the Company ceasing to amortize goodwill, the expense of which totaled $1,125,000 in 2002. Management is currently assessing the additional impact of adoption of SFAS No. 142.

(13) Quarterly Results (Unaudited)

Unaudited quarterly financial data are as follows (thousands of dollars, except per share data):

2002:	First	Second	Third	Four
Revenues	$79,832	$80,114	$76,217	$72
Gross profit	20,896	21,643	21,537	19
Net income (loss)	162	639	698	
Basic and diluted income (loss) per share	0.01	0.05	0.06	(

2001:	First	Second	Third	Fo
Revenues	$75,546	$76,800	$82,475	$79
Gross profit	18,092	19,660	20,803	20
Net income (loss)	(2,942)	(1,508)	156	(1,6
Basic and diluted income (loss) per share	(0.25)	(0.13)	0.01	(0.

SCHEDULE II

LAYNE CHRISTENSEN COMPANY AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

		Addition		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deducti
Allowance for customer receivables				
Fiscal year ended January 31, 2000	$3,064	$ 952	$661	$(1,240)
Fiscal year ended January 31, 2001	3,437	1,098	730	(1,755)
Fiscal year ended January 31, 2002	3,510	1,932	726	(2,572)
Reserves for Inventories:				
Fiscal year ended January 31, 2000	4,158			(677)
Fiscal year ended January 31, 2001	3,481	250		(58)
Fiscal year ended January 31, 2002	3,673	3,210		(1,686)

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 30, 2002, (i) contains, under the caption "Election of Directors," certain information required by Item 10 of Form 10-K and such information is incorporated herein by this reference (except that the information set forth under the following subcaptions thereunder is expressly excluded from such incorporation: "Compensation of Directors" and "Meetings of the Board and Committees"), and (ii) contains, under the caption "Section 16(a) Beneficial Ownership Reporting Compliance," certain information required by Item 10 of Form 10-K and such information is incorporated herein by this reference. The information required by Item 10 of Form 10-K as to executive officers is set forth in Item 4A of Part I hereof.

Item 11. Executive Compensation

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held May 30, 2002, contains, under the caption "Executive Compensation and Other Information," the information required by Item 11 of Form 10-K and such information is incorporated herein by this reference (except that the information set forth under the following subcaptions is expressly excluded from such incorporation: "Report of Board of Directors and Compensation Committee on Executive Compensation" and "Company Performance").

Item 12. Security Ownership of Certain Beneficial Owners and Management

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 30, 2002, contains, under the caption "Ownership of Layne Christensen Common Stock," the information required by Item 12 of Form 10-K and such information is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 30, 2002, contains, under the captions "Executive Compensation and Other Information-Certain Change-In-Control Agreements," and "Certain Transactions - Transactions with Management," the information required by Item 13 of Form 10-K and such information is incorporated herein by this reference.

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PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Financial Statements, Financial Statement Schedules and Exhibits:

1. Financial Statements:

The financial statements are listed in the index for Item 8 of this Form 10-K.

2. Financial Statement Schedules:

The financial statement schedules are listed in the index for Item 8 of this Form 10-K.

3. Exhibits:

The exhibits filed with or incorporated by reference in this report are listed below:

Exhibit No.		Description
4(1)	-	Restated Certificate of Incorporation of the Registrant (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 3(1) and incorporated herein by this reference)
4(2)	-	Bylaws of the Registrant (filed with Amendment No. 2 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 3(2) and incorporated herein by reference)
4(3)	-	Specimen Common Stock Certificate (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 4(1) and incorporated herein by reference)
4(4)	-	Amended and Restated Credit Agreement, dated as of July 25, 1997, among the Company, Layne Christensen Australia Pty Limited, National Trust and Savings Association, various financial institutions, Bank of America, as Letter of Credit Issuer, and Bank of America National Trust and Savings

		Association, as Agent ("Credit Agreement") (filed with Amendment No. 3 to the Company's Form S-2 Registration Statement (File No. 333-29581) as Exhibit 10(12) and incorporated herein by this reference)
4(4.1)	-	First Amendment to the Credit Agreement dated December 5, 1997 (fil with the Registrant's Annual Report on Form 10-K for the fiscal yea ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.1) and incorporated herein by this reference)
4(4.2)	-	Second Amendment to the Credit Agreement dated February 23, 1998 (filed with the Registrant's Annual Report on Form 10-K

		for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.2)and incorporated herein by this reference)
4(4.3)	-	Third Amendment to the Credit Agreement dated October 16, 1998 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.3) and incorporated herein by this reference)
4(4.4)	-	Fourth Amendment to the Credit Agreement dated as of April 20, 1999 (filed with the Company's Form 10-Q for the quarter ended April 30, (File No. 0-20578) as Exhibit 4(1) and incorporated herein by refer
4(4.5)	-	Fifth Amendment to the Credit Agreement dated as of February 14, 2000 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 (File No. 0-20578), as Exhibit 4(4.5) and incorporated herein by this reference)
4(5)	-	Note Agreement dated as of March 15, 1996, between the Company and Massachusetts Mutual Life Insurance Company ("Purchaser") for the issuance and sale to Purchaser of $25,000,000 aggregate principal amount of 6.75% Senior Notes due March 15, 2006 (filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(14) and incorporated herein by this reference)
4(6)	-	Amendment to Note Agreement, dated as of July 25, 1997, between the Company and Massachusetts Mutual Life Insurance Company (filed with Amendment No. 3 to the Company's Form S-2 Registration Statement (File No. 333-29581) as Exhibit 10(14) and incorporated herein by this reference)
4(7)	-	Rights Agreement, dated October 12, 1998, between Layne Christensen Company and National City Bank, which includes the Form of Certificate of Designations of Series A Junior Participating Preferred Stock of Layne Christensen Company as Exhibit A, the Form of Right Certificate as Exhibit B and the

		Summary of Rights to Purchase Preferred Shares as Exhibit C (filed with the Company's Form 8-K dated October 12, 1998 (File No. 0-20578) as Exhibit 4(1) and incorporated herein by reference)
10(1)	-	Tax Liability Indemnification Agreement between the Registrant and Marley Company (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(2) and incorporated herein by reference)
10(2)	-	Lease Agreement between the Registrant and Parkway Partners, L.L.C. December 21, 1994 (filed with the Registrant's Annual Report on For for the fiscal year ended January 31, 1995 (File No. 0-20578) as Ex 10(2) and incorporated herein by reference)

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10(2.1)	-	First Modification & Ratification of Lease, dated as of February 26 1996, between Parkway Partners, L.L.C. and the Registrant (filed wi Registrant's Annual Report on Form 10-K for the fiscal year ended J 31, 1996 (File No. 0-20578), as Exhibit 10(2.1) and incorporated he by this reference)
10(2.2)	-	Second Modification and Ratification of Lease Agreement between Parkway Partners, L.L.C. and Layne Christensen Company dated April 28, 1997 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 10(2.2) and incorporated herein by this reference)
10(2.3)	-	Third Modification and Extension Agreement between Parkway Partners, L.L.C. and Layne Christensen Company dated November 3, 1998 (filed with the Company's 10-Q for the quarter ended October 31, 1998 (File No. 0-20578) as Exhibit 10(1) and incorporated herein by reference)
10(2.4)	-	Fourth modification and Extension Agreement between Parkway Partners, L.L.C. and Layne Christensen Company executed May 17, 2000, effective as of December 29, 1998 (filed with the Company's 10-Q for the quarter ended July 31, 2000 (File No. 0-20578) as Exhibit 10.1 and incorporated herein by reference)
**10(3)	-	Form of The Layne Capital Accumulation Plan and Trust Agreement (filed with the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(5) and incorporated herein by reference)
**10(4)	-	Layne, Inc. 1992 Stock Option Plan (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(6) and incorporated herein by reference)
**10(5)	-	Form of Stock Option Agreement between the Company and

		management of the Company (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(7) and incorporated herein by reference)
**10(6)	-	Form of Non Qualified Stock Option Agreement (Spin-Off Options) between the Company and Robert J. Dineen (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(9) and incorporated herein by reference)
10(7)	-	Insurance Liability Indemnity Agreement between the Company and The Marley Company (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(10) and incorporated herein by reference)
**10(8)	-	Form of the Layne, Inc. Executive Incentive Compensation Plan (filed with the Registrant's Form 10-Q for the quarterly

		period ended July 31, 1994 (File No. 33-48432) as Exhibit 10(2) and incorporated herein by reference)
10(9)	-	Agreement between The Marley Company and the Company relating to tradename (filed with the Registrant's Registration Statement (File No.33-48432) as Exhibit 10(10) and incorporated herein by reference
**10(10)	-	Form of Subscription Agreement for management of the Company (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(16) and incorporated herein by reference)
**10(11)	-	Form of Subscription Agreement between the Company and Robert J. Dineen (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(17)and incorporated herein by reference)
10(12)	-	Amended and Restated Credit Agreement, dated as of July 25, 1997, among the Company, Layne Christensen Australia Pty Limited, National Trust and Savings Association, various financial institutions, Bank of America, as Letter of Credit Issuer, and Bank of America National Trust and Savings Association, as Agent ("Credit Agreement") (filed with Amendment No. 3 to the Company's Form S-2 Registration Statement (File No. 333-29581) as Exhibit 10(12) and incorporated herein by this reference)
10(12.1)	-	First Amendment to the Credit Agreement dated December 5, 1997 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.1) and incorporated herein by this reference)

10(12.2)	-	Second Amendment to the Credit Agreement dated February 23, 1998 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.2)and incorporated herein by this reference)
10(12.3)	-	Third Amendment to the Credit Agreement dated October 16, 1998 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.3) and incorporated herein by this reference)
10(12.4)	-	Fourth Amendment to the Credit Agreement dated as of April 20, 1999 (filed with the Company's Form 10-Q for the quarter ended April 30, 1999 (File No. 0-20578) as Exhibit 4(1) and incorporated herein by reference)
10(12.5)	-	Fifth Amendment to the Credit Agreement dated as of February 14, 2000 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 (File No. 0-20578), as Exhibit 4(4.5) and incorporated herein by this reference)

**10(13)	-	Letter Agreement between Andrew B. Schmitt and the Company dated October 12, 1993 (filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1995 (File No. 0-20578) as Exhibit 10(13) and incorporated herein by reference)
10(14)	-	Note Agreement dated as of March 15, 1996, between the Company and Massachusetts Mutual Life Insurance Company ("Purchaser") for the issuance and sale to Purchaser of $25,000,000 aggregate principal amount of 6.75% Senior Notes due March 15, 2006 (filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(14) and incorporated herein by this reference)
10(15)	-	Amendment to Note Agreement, dated as of July 25, 1997, between the Company and Massachusetts Mutual Life Insurance Company (filed with Amendment No. 3 to the Company's Form S-2 Registration Statement (File No. 333-29581) as Exhibit 10(14) and incorporated herein by this reference)
**10(16)	-	Form of Incentive Stock Option Agreement between the Company and management of the Company (filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(15) and incorporated herein by this reference)
10(17)	-	Registration Rights Agreement, dated as of November 30, 1995, between the Company and Marley Holdings, L.P. (filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(17) and incorporated herein by this reference)

10(18)	-	Stockholders Agreement, dated as of December 28, 1995, among the Company, Marley Holdings, L.P., Greylock Investments Limited Partnership and certain other stockholders of the Registrant identified therein (filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(18) and incorporated herein by this reference)
**10(19)	-	Form of Stock Option Agreement between the Company and Management of the Company effective February 1, 1998 (filed with the Company's Form 10-Q for the quarter ended April 30, 1998 (File No. 0-20578) as Exhibit 10(1) and incorporated herein by reference)
**10(20)	-	Form of Incentive Stock Option Agreement between the Company and Management of the Company effective April 20, 1999 (filed with the Company's Form 10-Q for the quarter ended April 30, 1999 (File No. 0-20578) as Exhibit 10(2) and incorporated herein by reference)
**10(21)	-	Form of Non Qualified Stock Option Agreement between the Company and Management of the Company effective as of April

		20, 1999 (filed with the Company's Form 10-Q for the quarter ended April 30, 1999 (File No. 0-20578) as Exhibit 10(3) and incorporated herein by reference)
11(1)	-	Statement regarding Computation of per share earnings
22(1)	-	List of Subsidiaries
23(1)	-	Consent of Deloitte & Touche LLP

** Management contracts or compensatory plans or arrangements required to be identified by Item 14(a)(3).

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the last quarter of the fiscal year ended January 31, 2001.

(c) Exhibits

The exhibits filed with this report on Form 10-K are identified above under Item 14(a)(3).

(d) Financial Statement Schedules

The financial statement schedules filed with this report on Form 10-K are identified above under Item 14(a)(2).

Signatures

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

LAYNE CHRISTENSEN COMPANY

By /s/ Andrew B. Schmitt

Andrew B. Schmitt
President and
Chief Executive Officer

Dated: April 4, 2002

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

Signature and Title	Date
/s/ Andrew B. Schmitt	April 4, 2002

Andrew B. Schmitt
President, Chief Executive Officer
and Director
(Principal Executive Officer)

/s/ Jerry W. Fanska	April 4, 2002

Jerry W. Fanska
Vice President--Finance and Treasurer
(Principal Financial and Accounting Officer)

/s/ Robert J. Dineen	April 4, 2002

Robert J. Dineen
Director

/s/ Edward A. Gilhuly	April 4, 2002

Edward A. Gilhuly
Director

/s/ Todd A. Fisher	April 4, 2002

Todd A. Fisher
Director

/s/ Donald K. Miller	April 4, 2002

Donald K. Miller
Director

/s/ Sheldon R. Erikson	April 4, 2002

Sheldon R. Erikson
Director

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Exhibit No.	Description
4(1)	Restated Certificate of Incorporation of the Registrant (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 3(1) and incorporated herein by this reference)
4(2)	Bylaws of the Registrant (filed with Amendment No. 2 to the Registrant's Registration Statement (File No. 33-48432)

as Exhibit 3(2) and incorporated herein by reference)

4(3)	Specimen Common Stock Certificate (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 4(1) and incorporated herein by reference)
4(4)	Amended and Restated Credit Agreement, dated as of July 25, 1997, among the Company, Layne Christensen Australia Pty Limited, National Trust and Savings Association, various financial institutions, Bank of America, as Letter of Credit Issuer, and Bank of America National Trust and Savings Association, as Agent ("Credit Agreement")(filed with Amendment No. 3 to the Company's Form S-2 Registration Statement (File No. 333-29581) as Exhibit 10(12) and incorporated herein by this reference)
4(4.1)	First Amendment to the Credit Agreement dated December 5, 1997 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.1) and incorporated herein by this reference)
4(4.2)	Second Amendment to the Credit Agreement dated February 23, 1998 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.2) and incorporated herein by this reference)
4(4.3)	Third Amendment to the Credit Agreement dated October 16, 1998 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 4(4.3) and incorporated herein by this reference)
4(4.4)	Fourth Amendment to the Credit Agreement dated as of April 20, 1999 (filed with the Company's Form 10-Q for the quarter ended April 30, 1999 (File No. 0-20578) as Exhibit 4(1) and incorporated herein by reference)
4(4.5)	Fifth Amendment to the Credit Agreement dated as of February 14, 2000 (Filed with the Registrant's Annual

Report on Form 10-K for the fiscal year ended January 31, 2000 (File No. 0-20578), as Exhibit 4(4.5) and incorporated herein by this reference)

4(5)	Note Agreement dated as of March 15, 1996, between the Company and Massachusetts Mutual Life Insurance Company ("Purchaser") for the issuance and sale to Purchaser of $25,000,000 aggregate principal amount of 6.75% Senior Notes due March 15, 2006 (filed with the Company's Annual Report on

Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(14) and incorporated herein by this reference

4(6)	Amendment to Note Agreement, dated as of July 25, 1997, between the Company and Massachusetts Mutual Life Insurance Company filed with Amendment No. 3 to the Company's Form S-2 Registration Statement (File No. 333-29581) as Exhibit 10(14) and incorporated herein by this reference)
4(7)	Rights Agreement, dated October 12, 1998, between Layne Christensen Company and National City Bank, which includes the Form of Certificate of Designations of Series A Junior Participating Preferred Stock of Layne Christensen Company as Exhibit A, the Form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C (filed with the Company's Form 8-K dated October 12, 1998 (File No.0-20578)as Exhibit 4(1) and incorporated herein by reference)
10(1)	Tax Liability Indemnification Agreement between the Registrant and The Marley Company (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(2) and incorporated herein by reference)
10(2)	Lease Agreement between the Registrant and Parkway Partners, L.L.C. dated December 21, 1994 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1995 (File No. 0-20578) as Exhibit 10(2) and incorporated herein by reference)
10(2.1)	First Modification & Ratification of Lease, dated as of February 26, 1996, between Parkway Partners, L.L.C. and the Registrant (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(2.1) and incorporated herein by this reference)
10(2.2)	Second Modification and Ratification of Lease Agreement between Parkway Partners, L.L.C. and Layne Christensen Company dated April 28, 1997 (filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1999 (File No. 0-20578), as Exhibit 10(2.2) and incorporated herein by this reference)

10(2.3)	Third Modification and Extension Agreement between Parkway Partners, L.L.C. and Layne Christensen Company dated November 3, 1998 (filed with the Company's 10-Q for the quarter ended October 31, 1998 (File No. 0-20578) as Exhibit 10(1) and incorporated herein by reference)

10(3)	Form of The Layne Capital Accumulation Plan and Trust Agreement (filed with the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(5) and incorporated herein by reference)
10(4)	Layne, Inc. 1992 Stock Option Plan (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(6) and incorporated herein by reference)
10(5)	Form of Stock Option Agreement between the Company and management of the Company (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(7) and incorporated herein by reference)
10(6)	Form of Non Qualified Stock Option Agreement (Spin-Off Options) between the Company and Robert J. Dineen (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432)as Exhibit 10(9) and incorporated herein by reference)
10(7)	Insurance Liability Indemnity Agreement between the Company and The Marley Company (filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(10) and incorporated herein by reference)
10(8)	Form of the Layne, Inc. Executive Incentive Compensation Plan (filed with the Registrant's Form 10-Q for the quarterly period ended July 31, 1994 (File No. 33-48432) as Exhibit 10(2) and incorporated herein by reference)
10(9)	Agreement between The Marley Company and the Company relating to tradename (filed with the Registrant's Registration Statement (File No.33-48432) as Exhibit 10(10) and incorporated herein by reference)
10(10)	Form of Subscription Agreement for management of the Company(filed with Amendment No. 3 to the Registrant's Registration Statement (File No. 33-48432) as Exhibit 10(16) and incorporated herein by reference)
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	financial institutions, Bank of America, as Letter of Credit Issuer, and Bank of America National Trust and Savings Association, as Agent ("Credit Agreement") (filed with Amendment No. 3 to the Company's Form S-2 Registration Statement (File No. 333-29581) as Exhibit 10(12) and incorporated herein by this reference)
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incorporated herein by this reference)

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10(18)	Stockholders Agreement, dated as of December 28, 1995, among the Company, Marley Holdings, L.P., Greylock Investments Limited Partnership and certain other stockholders of the Registrant identified therein (filed with the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1996 (File No. 0-20578), as Exhibit 10(18) and incorporated herein by this reference)
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22(1)	List of Subsidiaries
23(1)	Consent of Deloitte & Touche LLP

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* Incorporated herein by reference.