ALLIS CHALMERS CORP
Form 8-K/A
April 22, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT

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

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): FEBRUARY 6, 2002

ALLIS-CHALMERS CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION)	1-2199 (COMMISSION FILE NUMBER)
39-0126090 (I.R.S. EMPLOYER IDENTIFICATION NO.)	

7660 WOODWAY, SUITE 200 HOUSTON, TEXAS (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	77063 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 369-0550

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements.

(1) Financial Statements of Jens' Oilfield Service, Inc.:

(c) Exhibits.

NONE.

2

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALLIS-CHALMERS CORPORATION

By: /s/ Munawar H. Hidayatallah

Munawar H. Hidayatallah
President, Chief Executive
Officer and Chairman

Date: April 22, 2002

4

JENS' OILFIELD SERVICE, INC.

FINANCIAL STATEMENTS

NINE MONTHS ENDED DECEMBER 31, 2001 AND
YEAR ENDED MARCH 31, 2001

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Jens' Oilfield Service, Inc.
Edinburg, Texas

We have audited the accompanying balance sheets of Jens' Oilfield Service, Inc. as of December 31, 2001 and March 31, 2001, and the related statements of operations, stockholder's equity, and cash flows for the nine months ended December 31, 2001 and year ended March 31, 2001. 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 audits 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, the financial statements referred to above present fairly, in all material respects, the financial position of Jens' Oilfield Service, Inc. as of December 31, 2001 and March 31, 2001, and the results of its operations and its cash flows for the nine months ended December 31, 2001 and the year ended March 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ Gordon, Hughes & Banks, LLP

GORDON, HUGHES & BANKS, LLP

Greenwood Village, Colorado
April 12, 2002

F-1

JENS' OILFIELD SERVICE, INC.
BALANCE SHEETS

ASSETS

	December 31 2001	March 31 2001
Current assets:		
Cash and cash equivalents	$ 2,594,933	$ 353,855
Trade accounts receivable (net of allowance for doubtful accounts of $150,010 and $134,838 at December 31, 2001 and March 31, 2001, respectively)	1,690,793	1,618,892
Prepaid expenses and other current assets	109,060	103,234
Foreign income tax receivable	135,733	135,733
Prepaid federal income taxes	90,260	78,799
Total current assets	4,620,779	2,290,513
Property and equipment:		
Property and equipment, at cost	13,530,648	13,437,207
Less: accumulated depreciation	(10,435,936)	(9,491,924)
Net property and equipment	3,094,712	3,945,283
Other assets:		
Customers deposits held in trust	276,401	269,995
Other deposits	30,045	30,045

Total other assets	306,446	300,040
Total assets	$ 8,021,937	$ 6,535,836

See accompanying summary of accounting policies
and notes to financial statements.

JENS' OILFIELD SERVICE, INC.
BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDER'S EQUITY

	Decmber 31 2001	March 31 2001
Current liabilities:		
Accounts payable	$ 122,716	$ 77,250
Accrued expenses	335,062	206,817
Current portion of deferred income taxes	2,211	30,791
Total current liabilities	459,989	314,858
Long-term security deposits	269,995	269,995
Deferred income taxes, less current portion	64,230	112,497
Stockholder's equity:		
Common stock - $10 par value, 50,000 shares authorized, 5,000 shares issued and outstanding	50,000	50,000
Additional paid in capital	6,187	6,187
Retained earnings	7,184,036	5,794,799
	7,240,223	5,850,986
Less: Treasury shares, 1250 shares, at par value	(12,500)	(12,500)
Total stockholder's equity	7,227,723	5,838,486
Total liabilities and stockholders' equity	$ 8,021,937	$ 6,535,836

See accompanying summary of accounting policies
and notes to financial statements.

JENS' OILFIELD SERVICE, INC.
STATEMENTS OF OPERATIONS

For the Nine Months Ended
December 31, 2001
and Year
Ended March 31, 2001

	December 31	March 31
Net revenue	$ 7,563,480	$ 8,338,194
Cost of revenue	3,502,453	4,348,123
Gross profit	4,061,027	3,990,071
Operating expenses:		
Salaries, bonuses, employee benefits and payroll taxes	1,171,552	1,181,082
Other selling, general and administrative costs	617,663	552,839
Repairs and maintenance	268,898	360,653
Total operating expenses	2,058,113	2,094,574
Operating income	2,002,914	1,895,497
Other income (expense)		
Interest income	34,877	15,015
Gain on disposition of assets	-	48,688
Interest (expense)	(6,136)	(54,599)
	28,741	9,104
Net income before income taxes	2,031,655	1,904,601
Income taxes (benefit)		
United States income taxes	543,539	462,804
Mexico income taxes	175,726	242,667
Deferred income taxes	(76,847)	(77,486)
Total income taxes	642,418	627,985
Net income	$ 1,389,237	$ 1,276,616
Earnings per share, basic and diluted	$ 27.78	$ 25.53
Weighted average shares outstanding	50,000	50,000

See accompanying summary of accounting policies
and notes to financial statements.

JENS' OILFIELD SERVICE, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE NINE MONTHS ENDED DECEMBER 31, 2001

AND YEAR ENDED MARCH 31, 2001

	Common Shares	$10 Par Value Stock Amount	Paid in Capital	Retained Earning
Balances, March 31, 2000	5,000	$ 50,000	$ 6,187	$4,518,183
Net income	-	-	-	1,276,616
Balances, March 31, 2001	5,000	50,000	6,187	5,794,799
Net income	-	-	-	1,389,237
Balances, December 31, 2001	5,000	$ 50,000	$ 6,187	$7,184,036

See accompanying summary of accounting policies
and notes to financial statements.

JENS' OILFIELD SERVICE, INC.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2001
AND YEAR ENDED MARCH 31, 2001

	December 31 2001	March 31 2001
Cash flows from operating activities:		
Net income	$ 1,389,237	$ 1,276,6
Items not affecting cash:		
Depreciation	944,012	1,432,8
Gain on disposition of assets	-	(48,6
Deferred income taxes	(76,847)	(77,4
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(71,901)	(342,3
(Increase) in prepaid expenses and other current assets	(5,826)	(29,2
(Increase) decrease in income taxes payable/prepaid	(11,461)	18,1
Increase (decrease) in accounts payable	45,466	(86,7
Increase in accrued expenses	128,245	108,2
(Decrease) in security deposits and trust	(6,406)	(269,9
Net cash flows provided by operating activities	2,334,519	1,981,3
Cash flows from investing activities:		
Proceeds from disposition of assets	-	48,6
Purchases of property and equipment	(93,441)	(445,9

Net cash (used) by investing activities	(93,441)	(397,2
Cash flows from financing activities:		
Payments on debt	-	(1,444,8
Net cash flows (used) by investing activities	-	(1,444,8
Net increase in cash	2,241,078	139,2
Cash and cash equivalents		
Beginning of period	353,855	214,6
End of period	$ 2,594,933	$ 353,8
Cash paid for interest	$ 6,136	$ 54,5
Cash paid for income taxes		
United States	$ 540,000	$ 343,0
Mexico	$ 175,726	$ 242,6

See accompanying summary of accounting policies
and notes to consolidated financial statements.

JENS' OILFIELD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Jens' Oilfield Service, Inc. (the "Company") began business in 1981, leasing oilfield equipment and providing oilrig services to exploration companies in southern Texas and New Mexico. The Company expanded to provide services to exploration companies operating in Mexico beginning in 1996.

Use of estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition

Under the terms of rental agreements, revenues are recognized on a monthly basis, as the rent is earned. Service revenues are invoiced and recognized after the service is rendered.

Cost of revenues

The Company classifies direct expenses incurred in the rendering of services as cost of revenues. Those direct expenses include direct labor, supplies and depreciation expense associated with the Company's property and equipment that is utilized in the earning of revenue.

Cash equivalents

For purposes of the statements of cash flows, the Company considers all liquid investments with maturity of three months or less to be cash equivalents. Security deposits in a money market account are held "in trust" and are not considered cash equivalents.

Accounts receivable

Accounts receivable represent uncollected billings for equipment rentals and oilrig services. The Company's allowance for doubtful accounts includes those accounts the Company believes are uncollectible at the date of the balance sheets but may be recoverable in future years.

Property and equipment

Property and equipment is recorded at original cost when purchased. Depreciation is computed using straight-line methods over the estimated useful lives of the assets, ranging from three to twenty years. Maintenance, repairs and renewals that neither add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Gains and losses on disposition of property and equipment are included in income in the year of disposition. Depreciation expense for the nine months ended December 31, 2001 and year ended March 31, 2001 was $944,012 and $1,432,884, respectively. The Company has not capitalized any internal labor in its property and equipment.

F-7

JENS' OILFIELD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

Deferred income taxes are based on the liability method as prescribed by Statement of Financial Accounting Standards No. 109, ACCOUNTING FOR INCOME TAXES ("SFAS 109"). Under SFAS 109, deferred income taxes are provided for temporary differences in recognizing certain income and expense items for financial reporting and tax reporting purposes.

Advertising Costs

Advertising costs are expensed as incurred. For the nine months ended December 31, 2001 and year ended March 31, 2001, the Company incurred $30,325 and $36,572 in advertising costs, respectively.

Impairment of Long-Lived Assets

Long-lived assets, which include property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recorded in the period in which it is determined that the carrying amount is not recoverable. The determination of recoverability is made based upon the estimated undiscounted future net cash flows, excluding interest expense. The impairment loss is determined by comparing the fair value, as determined by a discounted cash flow analysis, with the carrying value of the related assets.

Financial Instruments

Financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate fair value.

Segments of an Enterprise and Related Information

SFAS No. 131, DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION (SFAS No. 131), replaces the industry segment approach under previously issued pronouncements with

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the management approach. The management approach designates the internal organization that is used by management for allocating resources and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. At December 31, 2001, the Company only operates in one segment.

Income (Loss) Per Common Share

The Company computes income (loss) per common share in accordance with the provisions of SFAS No. 128, EARNINGS PER SHARE ("SFAS No. 128"). SFAS No. 128 requires companies with complex capital structures to present basic and diluted earnings per share. Basic earnings per share are measured as the income or loss available to common stockholders divided by the weighted average outstanding common shares for the period. Diluted earnings per share is similar to basic earnings per share, but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, stock options, etc.) as if they had been converted at the beginning of the periods presented. Potential common shares that have an anti-dilutive effect (e.g., those that increase income per share or decrease loss per share) are excluded from diluted earnings per share.

The basic and diluted loss per common share for all periods presented herein was computed by dividing the net income attributable to common shares by the weighted average outstanding common shares for the period. The Company has no potential common shares outstanding as of December 31, 2001 and March 31, 2001.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board finalized FASB Statements No. 141, BUSINESS COMBINATIONS ("SFAS No. 141") and No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS ("SFAS No. 142"). SFAS No. 141 requires the use of the purchase method of accounting and prohibits the use of the pooling-of-interests method of accounting for business combinations initiated after June 30, 2001. SFAS No. 141 also requires that the Company recognize acquired intangible assets apart from goodwill if the acquired intangible assets meet certain criteria. SFAS No. 141 applies to all business combinations initiated after June 30, 2001 and for purchase business combinations completed on or after July 1, 2001. It also requires, upon adoption of SFAS No. 142 that the Company reclassify the carrying amounts of intangible assets and goodwill based on the criteria in SFAS No. 141.

SFAS No. 142 requires, among other things, that companies no longer amortize goodwill, but instead test goodwill for impairment at least annually. In addition, SFAS No. 142 requires that the Company identify reporting units for the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

purposes of assessing potential future impairments of goodwill, reassess the useful lives of other existing recognized intangible assets, and cease amortization of intangible assets with an indefinite useful life. An intangible asset with an indefinite useful life should be tested for impairment in accordance with the guidance in SFAS 142. SFAS 142 is required to be applied in fiscal years beginning after December 15, 2001 to all goodwill and other intangible assets recognized at the date, regardless of when those assets were initially recognized. SFAS 142 requires the Company to complete a transitional goodwill impairment test six months from the date of adoption. The Company is also required to reassess the useful lives of other intangible assets within the first interim quarter after adoption of SFAS 142.

In June 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of long-lived assets and the associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability associated with an asset retirement be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated over the life of the asset. The Company has not completed its analysis of the impact, if any, of the adoption of SFAS No. 143 on its consolidated financial statements. The Company will adopt SFAS No. 143 for its fiscal year beginning January 1, 2003.

In August 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS ("SFAS No. 144"). SFAS No. 144 addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 replaces SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 provides updated guidance concerning the recognition and measurement of an impairment loss for certain types of long-lived assets and modifies the accounting and reporting of discontinued operations. SFAS No. 144 is not expected to materially change the methods used by the Company to measure impairment losses on long-lived assets, but may result in future dispositions being reported as discontinued operations to a greater extent than is currently permitted. The Company will adopt SFAS No. 144 for its fiscal year beginning January 1, 2002.

JENS' OILFIELD SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2001	March 31, 2001
Machinery and equipment	$ 9,800,716	$ 9,759,043
Automobiles and trucks	2,847,353	2,801,430
Buildings	625,369	622,574
Land	25,200	25,200
Land improvements	80,379	80,379

Office equipment	151,631	148,581
	13,530,648	13,437,207
Less: accumulated depreciation	(10,435,936)	(9,491,924)
	$ 3,094,712	$ 3,945,283

NOTE 3 - LEGAL MATTERS

The Company is involved in various legal proceedings that arose in the ordinary course of business. The legal proceedings are at different stages. The Company's insurance carrier is vigorously defending the Company. In the opinion of management and their legal counsel, the ultimate gain or loss, if any, of the Company from all such proceedings can not be reasonably estimated at this time.

NOTE 4 - OPERATING LEASES

The Company leases certain facilities and equipment under month-to-month operating lease agreements. Rent expense for the nine months ended December 31, 2001 and year ended March 31, 2001 was $44,665 and $55,785, respectively. See Note 7 for the details surrounding a lease agreement the Company has entered into with its President.

NOTE 5 - INCOME TAXES

The components of the net deferred tax liability recognized in accordance with SFAS No. 109 and included in the accompanying balance sheet at December 31, 2001 and March 31, 2001 are as follows:

	December 31, 2001	March 31, 2001
Allowance for doubtful accounts	$ (57,754)	$ (57,639)
Accumulated depreciation	175,253	228,594
Franchise tax payable	(51,058)	(27,667)
Net deferred tax liability	$ 66,441	$ 143,288

The allocation of net deferred tax liability by tax authority is as follows:

	December 31, 2001	March 31, 2001
Current:		

Federal	$ 1,952	$ 27,192
State	259	3,599
Total Current	2,211	30,791
Noncurrent:		
Federal	56,723	99,348
State	7,507	13,149
Total Noncurrent	64,230	112,497
Total	$ 66,441	$143,288

The temporary differences between the tax bases of assets and liabilities and their financial reporting amounts that give rise to net deferred tax assets relate primarily to the accelerated depreciation used for income tax purposes, the allowance for doubtful accounts that is not deductible for income tax purposes, and state tax credits that will be used in the future to offset state franchise taxes

Deferred income tax expense consists of the following:

	December 31, 2001	March 31, 2001
Current:		
Federal	$ 25,240	$ 3,042
State	3,340	415
Deferred:		
Federal	42,625	65,146
State	5,642	8,883
Total	$ 76,847	$ 77,486

NOTE 6 - CONCENTRATION OF CREDIT RISK

SFAS No. 105, "Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk," requires disclosure of significant concentrations of credit risk regardless of the degree of such risk.

Trade accounts receivable, net of the allowance for doubtful accounts, were due from customers in the following countries at December 31, 2001 and March 31, 2001 as follows:

	December 31, 2001	March 31, 2001
United States	$ 879,561	$ 909,124
Mexico	961,242	844,606

Total	$ 1,840,803	$ 1,753,730

The Company generally does not require collateral from their customers. Credit losses have been minimal and within management's expectations.

The cash and cash equivalents are deposited with a high quality financial institution. The cash and cash equivalent balances are occasionally in excess of federally insured limits. However, management does not believe the risk to be significant.

Approximately 36% and 42%, respectively, of the Company's revenues for the nine months ended December 31, 2001 and year ended March 31, 2001 were derived from two customers, including one customer that accounted for 20% and 26%, respectively, of the Company's revenues. Accounts receivable at December 31, 2001 and March 31, 2001 includes $1,116,218 and $1,154,286, respectively, from these two customers.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company entered into a lease for a South Texas yard with its President in the year 2000. The Company paid $19,600 and $14,000 during the nine months ended December 31, 2001 and year ended March 31, 2001, respectively, under the terms of this lease agreement. The lease is renewable on a month-to-month basis.

NOTE 8 - SECURITY DEPOSITS

Under terms of a lease agreement, one customer has deposited $276,401 and $269,995 at December 31, 2001 and March 31, 2001, respectively, to cover any repairs needed when the equipment is returned. Any amounts not used for repairs must be returned to the customer after the lease expires.

NOTE 9 - SUBSEQUENT EVENTS

On February 6, 2002 and effective on January 31, 2002, the Company sold 81% of its outstanding common stock to Allis-Chalmers Corporation ("Allis"). The purchase price included $10,250,000 in cash; a $4,000,000 note payable with a 7.5% interest rate and the principal due in four years; $1,000,000 for a non-compete agreement payable monthly over five years; an additional payment estimated to be from $1,000,000 to $1,250,000 for working capital; 1,397,849 shares of Allis' common stock; and the net income for the month ending January 31, 2002.

STRATA DIRECTIONAL TECHNOLOGY, INC.,
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2001 AND 2000

TOGETHER WITH AUDITORS' REPORT

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

January 25, 2002, except for
Note 11 dated February 5, 2002

To the Shareholders
STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY
Houston, Texas

We have audited the accompanying consolidated balance sheets of STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of Company 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 audits 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY as of December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Easley, Endres, Parkhill & Brackendorff, P.C.

Easley, Endres, Parkhill & Brackendorff, P.C.

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS - DECEMBER 31, 2001 AND 2000

	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash	$ 1,629,089	$ 123,311
Accounts receivable, net of allowance of $53,141 and $15,250	1,790,215	2,674,444
Unbilled revenue	146,861	413,444
Prepaid expenses and other	196,393	129,704
Deposits	5,000	27,005
Total current assets	3,767,558	3,367,908
PROPERTY, PLANT AND EQUIPMENT, at cost	5,057,529	12,247,552
Less - Accumulated depreciation	(2,456,655)	(3,473,635)
Property, plant and equipment, net	2,600,874	8,773,917
OTHER ASSETS, net	27,701	264,895
Total assets	$ 6,396,133	$ 12,406,720
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Revolving bank credit line	$ 898,815	$ 531,955
Accounts payable	1,214,640	1,754,451
Accrued liabilities	559,777	1,238,354
Long-term debt, current	295,375	1,126,931
Total current liabilities	2,968,607	4,651,691
VENDOR FINANCING	0	500,000
LONG-TERM DEBT	11,827	1,748,535
Total liabilities	2,980,434	6,900,226
COMMITMENTS AND CONTINGENCIES, Note 8		
SHAREHOLDERS' EQUITY:		
Preferred stock, $.10 par value; 30,000,000 shares authorized, 17,187,500 shares issued and outstanding	1,718,750	1,718,750

Common stock, $.01 par value; 70,000,000 shares authorized, 16,765,716 shares issued and outstanding	167,657	167,657
Additional paid-in capital	16,520,776	16,520,776
Accumulated deficit	(14,991,484)	(12,900,689)
Total shareholders' equity	3,415,699	5,506,494
Total liabilities and shareholders' equity	$ 6,396,133	$ 12,406,720

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

FF-4

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000
REVENUES	$ 12,985,912	$ 11,561,299
COST AND EXPENSES:		
Cost of services	10,487,815	9,365,112
Selling, general and administrative costs	1,289,031	1,096,976
Charge for bad debt, net of recoveries	(420,566)	(50,914)
Depreciation	542,386	675,245
Amortization	226,000	226,000
Operating income	861,246	248,880
OTHER INCOME (EXPENSE):		
Interest expense	(305,645)	(496,017)
Other income (expense)	11,795	(24,405)
Net other income (expense)	(293,850)	(520,422)
INCOME (LOSS) FROM CONTINUING OPERATIONS	567,396	(271,542)
DISCONTINUED OPERATIONS (NOTE 9):		

Prior year loss from discontinued operations, including taxes of $5,625	0	(314,129)
Loss from discontinued operations during phaseout	(1,214,187)	0
Loss on sale of assets of discontinued segment, including taxes of $95,000	(1,444,004)	0
NET LOSS	$ (2,090,795)	$ (585,671)

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

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Deficit	
BALANCE AT DECEMBER 31, 1999	$ 1,718,750	$ 167,657	$ 16,520,776	$(12,315,018)	$
NET LOSS				(585,671)	
BALANCE AT DECEMBER 31, 2000	1,718,750	167,657	16,520,776	(12,900,689)	
NET LOSS				(2,090,795)	(
BALANCE AT DECEMBER 31, 2001	$ 1,718,750	$ 167,657	$ 16,520,776	$(14,991,484)	$

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

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	2001	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,090,795)	$ (
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Issuance of PIK Notes in satisfaction of interest	43,145	
Depreciation	1,090,855	1,
Amortization	226,000	
Loss on disposal of fixed asset including disposal of business segment	1,349,513	
Changes in assets and liabilities-		
Accounts receivable	884,229	
Unbilled revenue	266,584	
Prepaid expenses and other	(55,495)	
Deposits	22,005	
Accounts payable and other vendor financing	(1,039,811)	
Accrued liabilities	(678,577)	(
Net cash provided by (used in) operating activities	17,653	1,
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, net of disposal proceeds	(579,322)	(
Sale of Production Well Testers, Inc.	4,311,997	
Net cash provided by (used in) investing activities	3,732,675	(
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayments of) revolving line of credit, net	366,860	
Repayment of long term debt	(2,611,410)	(
Direct costs of equity and debt financing	0	
Net cash provided by (used in) financing activities	(2,244,550)	(
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,505,778	
CASH AND CASH EQUIVALENTS, beginning of year	123,311	
CASH AND CASH EQUIVALENTS, end of year	$ 1,629,089	$

CASH PAID FOR INTEREST	$ 484,894	$
CASH PAID FOR INCOME TAXES	$ 0	$

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

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

1. ORGANIZATION:

STRATA Directional Technology, Inc., and Subsidiary, (collectively, with its subsidiary Production Well Testers, Inc., the "Company") was incorporated in the state of Texas on January 4, 1996, for the purpose of providing directional and horizontal drilling technology services to the upstream oil and gas industry.

Business Operations

Management of the Company believes it will be successful in meeting its strategic business objectives. The Company is subject to all of the risks inherent in the establishment and growth of a developing business, including, among other things, limited access to capital and intense competition both for market share and for experienced and competent operating personnel. The direction of the Company is largely dependent upon the efforts of its key management personnel; and the efforts of each employee, particularly its operations and marketing personnel, and its drillers and guidance technicians who are critical to successful operations and applications of drilling and guidance technologies.

The energy services business is influenced by a number of factors, including the current and anticipated prices of oil and natural gas, the expenditures by oil and gas companies for exploration and development, the availability of drilling rigs and a variety of political and economic factors including the worldwide demand for oil. Historically, the energy services market has been highly cyclical and volatile.

Throughout the first three quarters of 2001, the Company experienced an improvement in its operations, which resulted in a favorable impact on the Company's financial position and generated a positive cash flow sufficient for the Company to sustain its operations and to pay its debt obligations as they become due. Commencing with the Fourth Quarter of 2001 the Company experienced a substantial reduction in revenues which has continued into the First Quarter of 2002, and is largely due to a significant decline in the level of drilling activity by the Company's major customers in the Company's Gulf Coast market area.

2. SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include the accounts of STRATA Directional Technology, Inc., and Subsidiary, after elimination of all significant intercompany accounts and transactions.

Revenue Recognition

The Company recognizes revenue as services are performed. Billings made in advance of services performed are deferred and recorded in the accompanying consolidated balance sheets as deferred revenue.

The Company also recognizes as service revenue, proceeds receivable from customers and insurance companies for rental tools lost down hole while performing drilling services.

SIGNIFICANT ACCOUNTING POLICIES (continued):

Use of Estimates

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

Fair Values

The carrying amounts of cash, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of their fair values due to the short-term maturities of these instruments. The fair value of the Company's long-term debt is estimated based on the terms of each debt agreement and approximates carrying value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, including costs to ready assets for use. Depreciation is computed on the straight-line method over the estimated useful lives of the assets beginning with the month in which the property, plant and equipment are placed in service. At December 31, 2001 and 2000, property, plant and equipment were comprised of the following items:

Useful

	Lives	2001	2000
Land		$ 0	$ 190,800
Buildings	15 years	0	549,443
Computer equipment	3-5 years	325,173	342,681
Furniture and fixtures	7 years	115,336	125,953
Equipment	3-15 years	4,617,020	11,038,675
		5,057,529	12,247,552
Less accumulated depreciation		(2,456,655)	(3,473,635)
Net property, plant and equipment		$ 2,600,874	$ 8,773,917

Repair and maintenance costs are expensed as incurred, and major renewals and betterments are capitalized. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains and losses resulting from property disposals are included in other income (expense).

The Company reviews certain long-lived assets for impairment whenever events indicate that the carrying amount of an asset may not be recoverable and recognizes an impairment loss under certain circumstances in the amount by which the carrying value exceeds the fair value of the asset.

SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash and Cash Equivalents

The Company considers all highly liquid temporary investments, including those with an original maturity of three months or less, to be cash equivalents. Cash equivalents consist primarily of interest-bearing accounts.

Other Assets

Included in other assets are amounts related to certain contingent, noncompete agreements and retention payments aggregating $21,646 and $247,646 for 2001 and 2000 respectively, payable as a result of a prior year acquisition. The aggregate amounts are being amortized over a four year period, commencing March 15, 1998. For both of 2001 and 2000, amortization amounted to $226,000.

Income Taxes

The Company files a consolidated income tax return for federal income tax purposes. Income taxes are provided for under the liability method, which takes into account differences between financial statement treatment and tax treatment of certain transactions. Deferred income tax assets represent the tax effects of activity that has been reflected in the financial statements but will not be deductible for tax purposes until future periods. Deferred income tax liabilities represent tax effects of activity that has been reflected in the financial statements but will not be taxable until future periods.

3. LINES OF CREDIT:

Vendor Financing

In 1996, and as amended on December 14, 2000, the Company entered into a long-term vendor financing agreement with a major supplier of drilling motors for drilling motor rentals, motor lease costs and motor repair costs. The agreement, as amended, has a term of five years and full amount of the credit line is payable in four installments, of which $250,000 is due June 30, 2001, $250,000 is due December 31, 2001, $250,000 is due March 31, 2002 and $250,000 is due June 30, 2002. The credit line bears interest at an annual rate of 8.5 percent. Payment of the interest on the note is not due until maturity; however, payments with respect to principal and interest may be made by the Company at any time without bonus or penalty. As of December 31, 2001 and 2000, the Company had drawn down the full amount of this credit line of $500,000 and $1,000,000 respectively. In 2001 and 2000, interest payments in the amounts of $127,292 and $119,668, respectively, were paid in relation to this debt. Interest accrued and unpaid is included in accounts payable. The agreement with the supplier contains a clause that in the event of a change in the majority ownership of the Company or a material adverse change in the Company's business, at the supplier's discretion, all unpaid rental and interest amounts immediately become due and payable.

Financial Institution

On March 31, 1999, and as amended on October 13, 1999, the Company entered into separate financing agreements with Wells Fargo Business Credit, Inc., (formerly, Norwest Business Credit, Inc.), to borrow up to $2,600,000 under a revolving credit facility. Under the terms of the agreement, the revolving credit facility shall not exceed 75 percent of eligible accounts receivable and bears interest at the Wells Fargo Credit base rate, plus 3.0 percent.

4. LONG-TERM DEBT:

	2001
Term Notes payable to Wells Fargo Business Credit, Inc., and Subsidiary dated March 31, 1999, as amended, and bearing interest at the Wells Fargo base rate	

plus 2.5% and payable in 60 equal monthly installments	$ 273,090
Note payable dated June 30, 1998, to a former shareholder of STRATA for the purchase of 71,500 shares of common stock of the Company, bearing interest at 8.0% and payable in 60 equal monthly installments of $2,030 each and may be paid in full without penalty at any time	34,112
Note payable effective September 30, 1998, to the former shareholder of PWT as part of the consideration for the purchase by the Company of all of the stock of PWT, bearing interest at the prime rate of interest as published in the Wall Street Journal from time to time; interest is payable annually commencing September 30, 1999, and principal is due in one installment and payable on September 30, 2003	0
Promissory Note payable effective March 11, 1999, Stooksberry, Inc., and Subsidiary as part of the consideration for the purchase of well testing equipment, bearing interest at 10 % and payable in three installments being two installments of $250,000 each on May 1, 1999 and May 1, 2000 and the final installment of $750,000 on May 1, 2001	0
Convertible secured note agreement dated July 9, 1999, payable to Energy Spectrum Partners LP, bearing interest at 9% payable quarterly, convertible at the option of the noteholder, either in whole or in part, into common stock of the Company at a conversion price of $0.50 per share. Principal is payable in full in one installment on March 1, 2006	0
Convertible subordinated note agreements (PIK Notes) dated December 1, 1999, March 1, 2000, June 1, 2000, September1, 2000 and December 1, 2000, payable to Energy Spectrum Partners LP, bearing interest at 9% payable quarterly, convertible at the option of the noteholder, either in whole or in part, into common stock of the Company at a conversion price of $0.50 per share. Principal due on each PIK Note is payable in one installment on March 1, 2006	0
Total debt	307,202
Less - current portion	(295,375
Long-term debt	$ 11,827

The maturities of long-term and subordinated debt for years ended December 31 are as follows

2002	$295,375
2003	11,827
	$307,202

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS:

The Company provides drilling technology services to the oil and gas industry.

As such, the Company's operations are sensitive to fluctuations in oil and gas price levels and exploration activity. Accounts receivable at any given time are concentrated primarily in major oil companies and independent producers. An allowance for doubtful accounts is provided when necessary.

In 2001 and 2000, Company's revenues derived from major customers (customers comprising 10.0% percent or more of sales) were 36.53% and 34.81%, respectively.

6. SHAREHOLDERS' EQUITY:

Preferred Stock

In a prior year, Energy Spectrum Partners, LP converted $6,875,000 of Convertible Notes into 17,187,500 shares of 9% Cumulative Preferred Stock, Series C. The preferred shares are entitled to receive cash dividends at an annual rate of $0.036 per share when and if declared by the Board of Directors out of funds legally available for that purpose. The dividends are fully cumulative and are payable quarterly, on the last day of each calendar quarter. No dividends were declared by the Board of Directors in 2001 and 2000. As of December 31, 2001 and 2000, there were cumulative, undeclared dividends on preferred stock in the amounts of $1,392,188 and $773,438, respectively.

Preferred stock is convertible at any time into common stock based on a formula defined in the certificate of designation, preferences and rights. Preferred shares have an initial liquidation value of $0.40. At the option of the Company, preferred shares may be redeemed, however, a liquidation premium of up 9.0 percent is payable if the redemption occurs prior to September 1, 2003. The sale of the Company, its assets or its subsidiary will trigger a mandatory redemption requirement for preferred shares.

Stock Options

In 1997, the Company established a nonqualified stock option plan ("the Plan"). As of December 31, 2001, 149,954 shares of the Company's common stock were reserved for future issuance under the Plan. The Plan's activities are summarized as follows:

	Shares	Weighted Average Price
Outstanding, January 1, 2000	902,154	$ 1.12
Granted	1,786,795	$ 0.40
Forfeited	(122,111)	$ 0.57
Outstanding, December 31, 2000	2,566,838	$ 0.65
Granted	0	$ 0.00
Forfeited	(1,340,795)	$ 0.52
Outstanding, December 31, 2001	1,226,043	$ 0.78

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SHAREHOLDERS' EQUITY (continued):

Exercise Price	Shares Outstanding at December 31, 2001	Remaining Contractual Life (years)	Fair Value Using Black-Scholes Model (per share)	Vested Shares at December 31, 2001
$0.40	585,000	8	$0.19	117,000
$0.45	79,026	4	$0.21	79,026
$1.00	360,500	6	$0.42	216,300
$1.50	150,517	5	$0.72	149,717
$2.00	51,000	6	$0.84	34,600

Pro forma information regarding net income and earnings per share is required by SFAS No. 123 and has been determined as if the Company had accounted for its stock options under the fair value method as provided therein. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for options issued in 2001: risk-free interest ranges of 5.46 to 6.49 percent, expected lives of 10 years, no assumed volatility and no expected dividends.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Set forth below is a summary of the Company's net loss as reported and pro forma as if the fair value-based method of accounting defined in SFAS No. 123 had been applied. The pro forma information is not meant to be representative of the effects on reported net income for future years because, as provided by SFAS No. 123, only the effects of awards granted after January 4, 1996, the inception date, through December 31, 2001, are considered in the pro forma calculation.

	2001		2000	
	As Reported	Pro Forma	As Reported	Pro Forma
		(In Thousands)		
Net Loss	$(2,091)	$(2,154)	$(585)	$(821)

7. INCOME TAXES:

The Company's provision for taxes is summarized as follows:

	2001	2000

Computed federal tax expense (benefit)	$(702,370)	$(199,128)
State income taxes	70,000	5,625
Plus tax effect of:		
Non-deductible expenses	36,877	33,680
Valuation allowance for loss carry-forward	690,493	165,448
Current tax expense	$ 95,000	$ 5,625

STRATA DIRECTIONAL TECHNOLOGY, INC., AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INCOME TAXES (continued):

Continuing operations	$ 0	$ 0
Non-continuing operations	95,000	5,625
Tax expense	$ 95,000	$ 5,625

As of December 31, 2001, the Company has generated net operating loss ("NOL") carryforwards of approximately $9,092,000 available to reduce future income taxes for federal tax purposes. These NOL carryforwards begin to expire in 2019 through 2021. A change in ownership, as defined by federal income tax regulations, could limit the Company's ability to utilize its carryforward to an annual amount equal to approximately 5% of the fair value of the Company. As the Company has incurred losses in recent years and the utilization of these carryforwards could be limited as discussed above, a valuation allowance has been established to fully reserve the potential tax benefit related to net operating losses of approximately $3,091,000 at December 31, 2001.

The Company's net temporary differences relate primarily to the depreciation of fixed assets using accelerated methods for tax purposes and the write-off of goodwill for book purposes only. As of December 31, 2001 and 2000, the Company has net deferred tax assets (liabilities) of approximately $699,000 and $(172,000), respectively. No deferred tax assets or liabilities are recorded in these financial statements related to temporary differences.

8. COMMITMENTS AND CONTINGENCIES

Service Agreement

The Company has an arrangement with Administaff, pursuant to which the Company leases certain personnel to perform Company services. Under this arrangement, personnel compensation, income tax withholdings, insurance, benefits and workers' compensation of the applicable personnel are administered through Adminstaff.

Employment Agreements

The Company maintains employment agreements with two employees, all of whom are either officers or directors of the Company. The employment agreements contain certain change-in-control provisions that would entitle each of the employees to receive one to three times their respective annual compensation including applicable bonuses, if any, plus continuation of certain benefits should there be a change-in-control in the Company (as defined) and employment terminates. The employment agreements also provide for "keyman" life insurance benefits, severance benefits, disability and death benefits and, as to one officer, consulting services under certain circumstances.

Earn-Out Payments

The Company has an earn-out arrangement with the sellers from a prior acquisition, the payment of which is conditional upon the Company exceeding certain specific earning levels for each of five periods commencing April 1, 1998, and ending March 31, 2002. For each of 2001 and 2000, the specific earning level was not met, and as a result, no earn-out payments were made.

COMMITMENTS AND CONTINGENCIES (continued):

Leases

The Company leases a fleet of directional drilling motors under short-term leases. In addition to the lease payments, the Company is billed for repair costs and other charges to maintain the drilling motors in good working order, which charges are also paid to the lessor. In addition to the directional motor fleet, the Company leases certain office space and shop facilities, the longest of which expires in 2005. The following represents future minimum rental payments under non-cancelable operating leases for years ended December 31:

2002	$ 126,706
2003	91,566
2004	49,446
2005	6,800
	$ 274,518

Drilling motor requirements in excess of the lease motor fleet capability are rented directly from motor suppliers. In addition to the rentals of drilling motors, the Company also rents certain other drilling tools and equipment as required in order to perform its directional drilling services. Rental expense for the years ended December 31, 2001 and 2000 was $1,623,072 and $2,106,355, respectively.

401(k) Plan

The Company's subsidiary, PWT, up to the date of sale of its business and assets, maintained a 401(k) plan ("the 401(k) Plan") for all of its employees who completed a minimum 1,000 hours of service with the company and had attained age 18. Under its terms, each eligible employee may contribute up to a maximum of 9 percent of his annual income into the 401(k) Plan. PWT matched each employee contribution up to a maximum of 6 percent of the employee's annual income. In addition, PWT could contribute a further discretionary amount into the 401(k) Plan based on company profits. In 2001 and 2000 PWT contributed $54,410 and $64,811, respectively, as matching contributions and $0 and $60,000, respectively, as discretionary contributions.

Those Company employees who are leased from Administaff (see Note 8, above) are eligible to participate in an Administaff administered 401(k) Plan pursuant to which each employee may contribute up to 20 percent of his annual income, subject to a maximum annual contribution of $10,500, into the 401(k) Plan. The Company does not contribute to this Plan.

Insurance

The Company carries a broad range of insurance coverage, including general and business auto liability, commercial property and a general umbrella policy. Management believes that the Company has not incurred significant claims or losses on any of its insurance policies.

COMMITMENTS AND CONTINGENCIES (continued):

Litigation

The Company is involved in legal actions arising in the ordinary course of business. Management does not believe that the outcome of such legal actions will have a material adverse effect on the Company's financial position or results of operations.

9. SALE OF BUSINESS:

Effective September 21, 2001, the Company sold its land and buildings located in Laurel, MS and New Iberia, LA, together with all of its well-testing business, equipment and ancillary repair parts inventory for an aggregate sale price of $

4,700,000, of which $388,003 was used to fund a covenant not-to-compete for a former officer and closing costs. In conjunction with the sale of the well testing business, the company formally discontinued well testing operations, which was the principal business of its subsidiary, Production Well Testers, Inc.

10. RELATED PARTY TRANSACTIONS:

During 2001, the Company repaid its debt to Energy Spectrum Partners, LP, a shareholder, in its entirety, as more fully described in Note 3.

11. SUBSEQUENT EVENTS:

Dividend Payment

Effective January 31, 2002, the Company declared and paid "in kind" all dividends in arrears on the issued and outstanding 9% Cumulative Convertible Preferred Stock, Series C, through the issuance of 3,609,375 additional shares of 9% Cumulative Convertible Preferred Stock, Series C to Energy Spectrum Partners, LP.

Financing Transactions

Effective February 5, 2002, the Company refinanced its Credit Facilities with Wells Fargo Credit, Inc. Under the terms of the financing agreement, the aggregate credit limit has been revised to $4,154,000 which consists of a Revolving Credit Facility in the amount of up to $2,500,000 and a Term Credit Facility in the amount of $1,654,000 amortizing over a sixty month period. The Credit Facilities bear interest at the Wells Fargo Bank, N.A. base rate of interest plus 2 percent.

Change of Ownership

Effective February 5, 2002, substantially all the issued and outstanding preferred and common shares of the Company were acquired by Allis-Chalmers Corporation, Inc. in a share exchange transaction.

ALLIS-CHALMERS CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001
(In thousands, except per share data)

	ALLIS-CHALMERS CONSOLIDATED HISTORICAL	STRATA HISTORICAL	JENS OILFIELD SERVICES HISTORICAL	STRATA PURCHASE ADJUSTMENTS	JENS OILFIE SERVIC PURCHA ADJUSTM
Sales	4,796	12,986	9,964	-	-
Cost of Sales	3,331	11,030	4,451	-	-

Gross Profit	1,465	1,956	5,513	-	-
Marketing and Administrative Expense	2,898	1,095	2,832	58 (n)	868 ((880) (
Income (Loss) from Operations	(1,433)	861	2,681	(58)	(12)
Other Income					
Interest Income	41	-	(6)	-	-
Interest Expense	(869)	(306)	-	3(p)	(1,127) (
Other	(12)	12	35	-	(232) (
Income (Loss) Before Taxes	(2,273)	567	2,710	(55)	(1,347)
Taxes	-	-	(831)	-	588 (
Income (Loss) from Continuing Operations	(2,273)	567	1,879	(55)	(759)
Weighted average shares outstanding	3,952				
Pro forma net income (loss) per common share	$ (0.57)				

See notes to unaudited pro forma consolidated financial statements.

P-1

ALLIS-CHALMERS CORPORATION AND SUBSIDIARIES
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2001
(In thousands, except per share data)

	ALLIS-CHALMERS CONSOLIDATED HISTORICAL	STRATA HISTORICAL	JENS OILFIELD SERVICES HISTORICAL	STRATA PURCHASE ADJUSTMENT
ASSETS				
Cash and cash equivalents	$ 152	$ 1,629	$ 2,595	$ 349(
Trade Receivables	973	1,937	1,691	-
Inventories, net	-	-	-	-
Due from related party	61	-	-	-
Other current assets	153	201	335	-

Total Current Assets	1,339	3,767	4,621	349
Net Property, plant and equipment	4,246	2,601	3,095	699(
Goodwill and other intangibles, net	5,067	-	-	3,974(
Other assets	1,813	28	306	-
Total Assets	$ 12,465	$ 6,396	$ 8,022	$ 5,022
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current maturities of long-term debt	$ 1,023	$ 1,194	-	$ (862)
Trade accounts payable	298	1,215	-	-
Accrued employee benefits	851	-	-	-
Other current liabilities	786	560	460	1,100
Total Current Liabilities	2,958	2,969	460	238
Accrued postretirement benefit obligations	824	-	-	-
Long-term debt	6,833	11	-	1,311
Redeemable Warrant	600	-	-	-
Deferred Tax Liability	-	-	64	-
Other liabilities	-	-	270	-
Minority Interest	-	-	-	170
Preferred Stock	-	1,719	-	(1,719)
	-	-	-	3,500
Shareholders' equity				
Common stock	1,738	168	38	(168)
Capital in excess of par value	4,716	16,520	6	(16,520)
	-	-	-	267
	-	-	-	2,952
Accumulated earnings (deficit)	(5,204)	(14,991)	7,184	14,991
Total Shareholders' Equity	1,250	1,697	7,228	1,522
Total Liabilities and Shareholders' Equity	$ 12,465	$ 6,396	$ 8,022	$ 5,022

See notes to unaudited pro forma consolidated financial statements.

ALLIS-CHALMERS CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Allis Chalmers ("Company") completed two acquisitions and related financing on February 6, 2002 (the "Acquisition Transactions"). The transactions are more fully described below.

JENS OIL FIELD TRANSACTION. We purchased 81% of the outstanding stock of Jens for (i) $10,250,000 in cash, (ii) a $4,000,000 note payable with a 7.5% interest rate and the principal due in four years, (iii) $1,234,000 for a non-compete agreement payable monthly for five years, (iv) an additional payment estimated to be from $1,000,000 to $1,250,000, based upon Jens' working capital as of December 31, 2001, and (v) 1,397,849 shares of our common stock. We entered into a three year employment agreement with Mr. Mortensen under which we will pay Mr. Mortensen a base salary of $150,000 per year. We also entered into a Shareholders Agreement with Jens and Mr. Mortensen providing for restrictions against transfer of the stock of Jens by us and Mr. Mortensen, and providing Mr. Mortensen the option after February 1, 2003, to exchange his shares of stock of Jens for shares of our common stock with a value equal to 4.6 times the trailing EBITDA of Jens determined in accordance with GAAP, less any intercompany loans or third party investments in Jens, times nineteen percent (19%). Our common stock will be valued based on the average closing bid price for the stock for the preceding 30 days. Mr. Mortensen has a demand registration right pursuant to the Shareholder Agreement that requires the Company to register his shares of the Company under the Securities Act of 1933, as amended, which can be effected between August 1, 2002 and July 31, 2005 at Mr. Mortensen's cost, along with piggyback registration rights.

Jens supplies highly specialized equipment and operations to install casing and production tubing required to drill and complete oil and gas wells.

STRATA ACQUISITION. We acquired 100% of the preferred stock and 95% of the common stock of Strata in consideration for the issuance to Energy Spectrum Partners, LP ("Energy Spectrum") of 6,559,863 shares of our common stock, warrants to purchase an additional 437,500 shares of Company common stock at an exercise price of $0.15 per share and 3,500,000 shares of a newly created Series A 10% Cumulative Convertible Preferred Stock of the Company ("Series A Preferred Stock"). In addition, in the event the Series A Preferred Stock is not converted or redeemed prior to February 4, 2004, an additional warrant will be issued to Energy Spectrum which will entitle it to acquire 875,000 shares at an exercise price of $0.15 per share. Energy Spectrum, which is now our largest shareholder, is a private equity fund headquartered in Dallas.

Strata provides high end directional and horizontal drilling technology for specific targeted reservoirs that cannot be reached vertically.

P-3

The Series A Preferred Stock issued to Energy Spectrum in connection with the Strata transaction has cumulative dividends at $ .10 per share payable in cash or additional Series A Preferred Stock. Additionally, the Series A Preferred Stock is convertible at 1.33 per share of Company common stock for each share of Series A Preferred Stock until February 1, 2003. After February 1, 2003, the conversion ratio will change to 1.67 shares of Company common stock for each share of Series A Preferred Stock or a higher conversion ratio depending on the market price calculated in accordance with the certificate of designations of the Series A Preferred Stock. The Series A Preferred Stock is also subject to anti-dilution protection in the event of issuances below the conversion price of the Series A Preferred Stock, is subject to mandatory redemption on the second anniversary date of issuance or earlier from the net proceeds of new equity sales, and is subject to optional redemption by us at any time. The redemption price of the Series A Preferred Stock is $1.00 per share plus an amount equal to all accrued and unpaid dividends to such date. In addition, the holder of the Series A Preferred Stock is entitled to appoint three directors to our Board of Directors and three persons designated by Energy Spectrum, Thomas O. Whitener, Jr., James W. Spann, and Michael D. Tapp, were appointed as directors upon consummation of the acquisition of Strata. We also granted Energy Spectrum registration rights which includes two demand registrations at our expense and piggyback registration rights.

BANK FINANCING. In connection with the acquisition of Jens, Wells Fargo Bank and its affiliates (the "Banks") provided $5,574,396 in financing consisting of a revolving credit facility in the amount of $1,000,000, a term equipment facility in the amount of $4,042,396 and a real estate term facility in the amount of $532,000. The facilities have a floating interest rate and a maturity date of February 1, 2005.

In connection with the acquisition of Strata, the Banks provided financing of $4,154,000 consisting of a revolving credit facility in the amount of $2,500,000 and a term facility in the amount of $1,654,000. The facilities have a floating interest rate and a maturity date of February 1, 2005.

All of the loan facilities except the revolving credit facility were fully drawn upon at closing. The revolving credit facility was not drawn upon at the time of closing.

In connection with the Jens and Strata acquisitions, the banks also made a subordinated loan to us in the amount of $3,000,000. This loan has a 12.0% interest rate and a maturity date of February 1, 2005. Energy Capital has been issued warrants for 1,165,000 shares of common stock at a $0.15 exercise price and 335,000 warrants to purchase common stock at $1.00 per share exercise price in connection with their subordinated debt financing. We have the right to redeem warrants for 465,000 shares for $600,000 after two years and warrants for 700,000 shares for $900,000 after three years. All of the warrants are subject to redemption at the option of the warrant holders for $1,500,000 in cash after three years by the company. In addition, previously issued warrants to purchase common stock of MCA were cancelled.

Substantially all of the Company's tangible assets have been pledged as collateral on the loans from the Banks.

As a result of the transactions described above, we have outstanding approximately 19.5 million shares of common stock, as well as preferred stock, options and warrants convertible into or exercisable for an additional 9.6 million shares.

The accompanying unaudited pro forma consolidated condensed financial statements illustrate the effects of the Acquisition Transactions on the Company's results of operations and financial position. The unaudited pro forma consolidated condensed statements of operations for the twelve months ended December 31, 2001 are based on the historical statements of operations and assume that the Acquisition Transactions had occurred as of the beginning of the period presented. The unaudited pro forma consolidated condensed statement of financial position as of December 31, 2001 is based on the historical statement of financial position of the Company and assumes that the Acquisition Transactions took place on December 31, 2001.

Certain information normally included in the financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The unaudited pro forma consolidated condensed financial statements should be read in conjunction with our audited financial statements in our Form 10-K Annual Report including notes thereto for the year ended December 31, 2001 filed with the SEC.

ALLIS-CHALMERS CORPORATION

NOTES TO UNAUDITED PRO FORMA
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

The following pro forma adjustments have been made to the historical financial statements of the Company:

a) Allis Preferred stock issued to Energy Spectrum in exchange for Strata stock.

b) Recognition of fair value of fixed assets upon the acquisition of Strata.

c) Recognition of goodwill and other intangible assets resulting from the acquisition.

d) Net increase in debt related to Strata acquisition.

e) Recording of Non-compete obligation for amount payable to seller of Jens.

f) Elimination for consolidation of Strata preferred and common stockholders' equity.

g) Issuance of Allis common stock to Energy Spectrum upon acquisition of Strata.

h) To reflect the minority interest in Strata upon consolidation.

i) Recognition of fair value of fixed assets upon the acquisition of Jens.

j) Issuance of new debt related to Jens acquisition (the Senior Term Note of $4,042,000, the Real estate note for $532,000, subordinated debt of $3,000,000 and a sellers note for $4,000,000). The Company received cash in the amount of $6,574,000 in addition to $1,000,000 that was placed in an escrow fund to be used for the purchase price adjustment discussed in (w) below.

k) Elimination of Jens stockholders' equity for consolidation purposes.

l) Issuance of Allis common stock to the seller of Jens in connection with the Jens purchase.

m) To record the minority interest in Jens for consolidation purposes.

n) Increase in depreciation due to the increase in fixed asset values of acquired companies.

o) Elimination of owners bonus and compensation difference for Jens.

p) Increase in interest expense due to debt incurred to acquire Jens and

Strata.

q) Reduction in income taxes due to filing acquired companies in a consolidated tax return.

r) Reduction for cash paid ($10,250,000) to the seller of Jens at closing.

s) Estimated purchase price liability based on working capital to be paid to the seller of Jens in the second quarter of 2002.

t) Estimated costs of personnel reorganization and other future costs at Strata.

u) Recording of the new put option for $1,500,000 related to the warrants issued to lenders and the cancellation of the former put option for $600,000.

v) The net increase on MCA in interest amortization ($317,000) of the discount on debt resulting from the warrant put option discussed in (y).

w) Recorded value of warrants given to the Banks.

x) Issuance of warrats for Allis common stock to Energy Spectrum in acquisition of Strata.

y) Minority interest in Jens income.