

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Form 10-KSB/A
(Amendment No. 2)

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For fiscal year ended June 30, 1995

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1943 [No Fee Required]
For the transition period from _____ to _____

Commission file no. 1-8038
KEY ENERGY GROUP, INC.

(Name of small business issuer in its charter)

Maryland 04-2648081

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

255 Livingston Ave., New Brunswick, NJ 08901
(Address of principal executive offices and ZIP Code)

Issuer's telephone number: (908) 247-4822

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.10 par value	American Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, \$.10 par value

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [X]

The Registrant's revenues for the Year ended June 30, 1995 were \$44,689,000.

The aggregate market value of the Common Shares held by nonaffiliates of the Registrant as of August 1, 1995 was approximately \$34,999,644.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes X No ____

Common Shares outstanding at August 1, 1995: 6,913,510

DOCUMENTS INCORPORATED BY REFERENCE: None.

FORM 10-KSB/A

AMENDMENT NO. 2

KEY ENERGY GROUP, INC. and Subsidiaries

INDEX

Part III.

Item 10. Executive Compensation.

Item 13. Exhibits.

Signatures.

2

Item 10. Executive Compensation.

1995 Stock Option Plan

The following information amends the description of options granted under the Company's 1995 Stock Option Plan (the "1995 Plan") set forth in Form 10-KSB/A (Amendment No. 1) previously filed. Except as amended hereby, the Company's description of such option grants set forth in Form 10-KSB/A (Amendment No. 1) is hereby confirmed.

Subject to shareholder approval, the following options were granted, effective July 6, 1995, to Executive Officers and other key employees of the Company under the 1995 Plan:

Optionee	Options Granted
Francis D. John	500,000
C. Ron Laidley	125,000
D. Kirk Edwards	100,000
Danny Evatt	50,000
Other key employees	175,000

All of the options listed above will be exercisable at \$5.00 per share, the closing price of the Company's Common Stock on July 6, 1995, the date of grant, and with the exception of the options granted to Mr. John, will generally vest in four installments, with the first installment to vest on the effective date of the grant, subject to acceleration of vesting upon the occurrence of certain events. Of the options granted to Mr. John, options to purchase 350,000 shares will vest in four installments with the first installment to vest on the effective date of the grant, subject to acceleration of vesting upon the occurrence of certain events, and options to purchase 150,000 shares will vest on the first date (occurring on or after July 1, 1996 but prior to July 1, 1999) on which the fair market value of the Company's Common Stock equals at least \$9.50 per share.

Employment Agreements

The following information amends the description of the employment agreement with Francis D. John set forth in Form 10-KSB/A (Amendment No. 1) previously filed. Except as amended hereby, the Company's description of such employment agreement set forth in Form 10-KSB/A (Amendment No. 1) is hereby confirmed.

Effective as of July 1, 1995, the Company entered into a new employment agreement with Mr. John which provides that Mr. John will serve as President, Chief Executive Officer and a Director of the Company for a three year term commencing July 1, 1995 and continuing until June 30, 1998, and thereafter the term will be automatically extended for successive one year terms unless terminated no later than 30 days prior to the commencement of an extension term. Under the agreement, Mr. John will receive base compensation of \$325,000 per year and will be eligible for annual incentive compensation of up to 30% of base compensation contingent upon the Company's achievement of goals to be set forth in a strategic plan to be developed by the Executive Committee. Base compensation will be reviewed annually and may be increased (but not decreased) by the Board in its discretion. Pursuant to the agreement, Mr. John will also

receive a bonus of \$250,000 upon and subject to completion of a significant merger or other major corporate transaction during fiscal year 1996 or 1997, payable in four equal installments, commencing upon completion of the merger or other transaction and thereafter at equal intervals determined so that the final installment is paid on January 1, 1998, together with interest at 6%. The bonus will be paid in recognition of the Company's successful completion of a merger or other major corporate transaction. In determining the amount of the bonus, the Board also considered the Company's successful reorganization and performance post-reorganization, for which no bonus had been paid to Mr. John, and the fact that the Company's financial performance and results of operations in each fiscal year during the three year period ended June 30, 1995 have substantially exceeded projections. The agreement also provides for the grant of options to Mr. John described above and in the Company's Form 10-KSB/A (Amendment No. 1) under "1995 Stock Option Plan". If during the term of the agreement Mr. John is terminated by the Company for any reason other than for cause, or if he terminates his employment for a good reason or following a change of control, he will receive severance compensation equal to three times his base compensation in effect at the time of termination, payable in 36 equal monthly installments, provided, however, that if termination results from a change of control, severance compensation will be payable in a lump sum on the date of termination. Mr. John is also subject to restrictions on completion during the term of the agreement and, with certain exceptions, the severance period.

Item 13. Exhibits:

Exhibit 10.1 Amendment No. 1 to Employment Agreement between the Company and Francis D. John dated as of July 1, 1995.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this Amendment No. 2 to its Report on Form 10-KSB to be signed on its behalf by the undersigned, thereunto duly authorized.

KEY ENERGY GROUP, INC.
(Registrant)

By /s/ Francis D. John
Francis D. John
President, Chief Executive and Chief
Financial Officer and Director

Dated: January 12, 1996

Pursuant to the requirements of the Securities and Exchange Act of 1934, this Amendment No. 1 to the Registrant's Report on Form 10-KSB has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By /s/ Francis D. John
Francis D. John

Dated: January 12, 1996
President, Chief Executive and Chief
Financial Officer and Director

By /s/ Morton Wolkowitz
Morton Wolkowitz
Chairman of the Board and Director

Dated: January 12, 1996

By /s/ Van Greenfield
Van Greenfield
Director

Dated: January 12, 1996

By /s/ William Manly
William Manly
Director

Dated: January 12, 1996

By /s/ D. Kirk Edwards
D. Kirk Edwards
Director

Dated: January 12, 1996

By /s/ Danny R. Evatt
Danny R. Evatt
Chief Accounting Officer

EMPLOYMENT AGREEMENT

AMENDMENT NO. 1

This Amendment No. 1 to the Employment Agreement (the "Agreement") dated as of July 1, 1995 by and between Francis D. John, an individual residing at 33 Penn Oak Trail, Newtown, Pennsylvania 18940 (the "Executive") and Key Energy Group, Inc., a Maryland corporation with its principal offices at 257 Livingston Avenue, New Brunswick, New Jersey 08901 (the "Company") is made this 11th day of January, 1996.

WHEREAS, the Executive and the Company agree that certain provisions relating to the Executive's bonus and options were incorrectly stated in the Agreement; and

WHEREAS, the Executive and the Company, in recognition of their mutual mistake, desire to correct such provisions.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Executive and the Company hereby agree as follows.

1. Capitalized terms used herein without definition shall have the meanings set forth in the Agreement.

2. Section 2(b) of the Agreement is hereby amended to read in its entirety as originally intended by the parties as follows:

(b) The Executive shall receive upon and subject to completion of a significant merger or other major corporate transaction during fiscal year 1996 or 1997 a cash bonus of \$250,000 payable in four equal installments commencing on the date of completion of the merger or other transaction and thereafter at equal intervals determined so that the final installment is paid on January 1, 1998, provided, however, that installments payable subsequent to the date of this

Agreement shall bear interest at six percent (6%) per annum with interest to be paid at the time such installment is payable. The Company's Board of Directors shall determine when a merger is "significant" or other corporate transaction "major" so as to entitle the Executive to the bonus under this subsection (b). In determining the amount of the bonus the Executive is eligible to earn under this subsection (b), the Company's Board of Directors considered, among other things, (i) the successful reorganization of the Company in fiscal year 1993 under the leadership of the Executive, for which the Executive had not been awarded any bonus; and (ii) the financial performance of the Company in fiscal years 1993, 1994 and 1995, in each of which years the Company's actual results of operations substantially exceeded projections.

3. Section 3(a)(i) of the Agreement is hereby amended to read in its entirety as originally intended by the parties as follows:

(i) Options (the "350 Options") to acquire Three Hundred Fifty Thousand (350,000) shares of the Common Stock of the Company at an exercise price of \$5.00 per share, which will vest in four equal annual installments commencing as of the effective date of the grant (July 6, 1995) and, once vested, will be exercisable at any time prior to July 1, 2005. The 350 Options have been granted pursuant to the Company's 1995 Stock Option Plan and pursuant to an agreement substantially in the form attached hereto as Exhibit A.

4. Section 5 of Exhibit A-2 to the Agreement is hereby amended to read in its entirety as originally intended by the parties as follows:

6. Exercise Schedule: Subject to the provisions of Section 9 below, the Option shall be exercisable with respect to 67,500 shares as

of July 6, 1995 and with respect to
an additional 87,500 shares on each
of July 6, 1996, July 6, 1997
and July 6, 1998.

2

5. Except as specifically amended hereby, the Agreement is hereby
ratified and affirmed by the Executive and the Company.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 to
Employment Agreement as of the day and year first above written.

KEY ENERGY GROUP, INC.

By: /s/ Morton Wolkowitz
Name: Morton Wolkowitz
Title: Co-Chairman of the Board

/s/ Francis D. John
Francis D. John

3