SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-KSB

(Mark One)

[X] 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 incorporation or organization)	(I.R.S. Employer 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: Part III- Proxy Statement for the Annual Meeting of Shareholders to be held on November 15, 1995.

KEY ENERGY GROUP, INC. AND SUBSIDIARIES

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PART I. ITEM 1. BUSINESS.

THE COMPANY

Key Energy Group, Inc. a Maryland corporation (the "Company" which term includes, except where the context otherwise requires, its subsidiaries), is a holding company with diversified energy operations in the Permian Basin area of West Texas and New Mexico. The Company was organized in April 1977, and commenced operations in July 1978.

The Company currently has three wholly-owned subsidiaries: Yale E. Key, Inc. ("Key"); Odessa Exploration Incorporated ("OEI"); and Key Energy Drilling, Inc. (d/b/a Clint Hurt Drilling, "Clint Hurt"). Key is involved in oilfield services and operates exclusively in the Permian Basin area of West Texas, performing services for both major and independent oil companies. OEI, acquired in July 1993, operates and owns an interest in various oil and gas properties in West Texas and New Mexico. Clint Hurt, acquired in March 1995, is involved in drilling oil and gas wells in West Texas.

SUBSEQUENT EVENT

PENDING ACQUISITION OF WELLTECH, INC.

In August 1995, the Company announced an agreement to acquire, through a merger, WellTech, Inc. ("WellTech"). The Company will be the surviving entity in the merger. Consideration for the merger will be 3,500,000 shares of the Company's Common Stock and warrants to purchase 500,000 shares at $5.50 per share of the Company's Common Stock. In addition, pending the consummation of the merger, the Company has agreed to increase the purchase price of warrants to purchase 250,000 shares of the Company's Common Stock (issued in connection with the purchase of WellTech West Texas, see below) from $5.00 per share to $5.50 per share. WellTech currently operates in the Southwest and Northeast areas of the United States and in Russia and Argentina. Consummation of the merger is subject to satisfaction of various conditions including, without limitation, definitive documentation, completion of due diligence and Board and shareholder approval and no assurance can be given that the merger will be consummated. WellTech's principal line of business is oil and gas well servicing. The transaction is expected to be completed in December of 1995.

RECENT DEVELOPMENTS

ACQUISITION OF CLINT HURT ASSETS

In March 1995, the Company and Mr. Clint Hurt ("Mr. Hurt") entered into an Asset Purchase Agreement pursuant to which Mr. Hurt sold to the Company all of his assets in West Texas. Such assets mainly consisted of four (4) oil and gas drilling rigs and related equipment. As consideration for the acquisition, the Company paid Mr. Hurt $1,750,000, of which $1,000,000 was paid in cash, $725,000 was in the form of a note payable to Mr. Hurt and the Company issued 5,000 shares of the Company's Common Stock to Mr. Hurt. Mr. Hurt entered into a consulting agreement and a noncompetition agreement with the Company. Pursuant to the noncompetition agreement, except in certain limited circumstances, neither Mr. Hurt or Clint Hurt and Associates, Inc. may directly or indirectly engage in providing contract drilling services or engage in the well service business in the state of Texas until April 1, 1998.

ACQUISITION OF WELLTECH WEST TEXAS

On December 10, 1993, the Company and WellTech entered into an Asset Purchase Agreement pursuant to which WellTech sold the Company all of the assets and liabilities of its West Texas region. The assets purchased included 58 well service workover rigs, various trucks, parcels of real estate, inventory and office furniture and equipment. The acquisition was contingent upon shareholder approval which was obtained in August 1994. As consideration for the WellTech acquisition, the Company issued to WellTech 1,635,000 shares of Common Stock of the Company and warrants to acquire 250,000 additional shares of the Common Stock at $5.00 per share. The closing of the transaction occurred on August 11, 1994.

Prior to the closing, the Company (through its wholly owned subsidiary; Yale E. Key, Inc.) operated the WellTech's West Texas operation pursuant to an Interim Operations Agreement entered between the Company and WellTech, (the "Interim Operations Agreement"). In addition, as part of the Interim Operations Agreement, the Company assumed ownership of WellTech West Texas current assets and specified current liabilities.

DESCRIPTION OF BUSINESSES

YALE E. KEY, INC.

OILFIELD SERVICES

Key operates a variety of oilfield service equipment including 136 workover rigs, 28 hot oil units, 12 transports and various other oilfield servicing equipment. In addition, Key performs a variety of other oilfield services involving the production and exploration of oil and natural gas.

Workovers

Workovers are performed to remedy downhole equipment failure, reactivate a shut-in well, convert a producing well into an injection well for enhanced recovery projects, repair casing leaks and recomplete wells from which production has declined. Key's equipment and crews are used to drill out plugs and packers and to remove downhole equipment from the well bore, which is then replaced or repaired and repositioned.

Well Maintenance

Maintenance services are required throughout the lives of most wells to keep them producing economically. Key's rigs are used to remove and replace worn or broken sucker rods, production tubing, down-hole pumps and other artificial lift equipment. Maintenance services are usually of short duration, lasting fewer than 48 hours.

Hot Oilers and Trucking

Hot oil units are used to inject heated oil and water into the production

tubing, casing and flow line to melt paraffin which solidifies and obstructs the flow of oil. The units are also used to treat oil in producers' storage tanks to upgrade the quality for sale to pipelines. Key's crews also perform routine maintenance at the well site. Key's transport vehicles carry water to and from the well site for well stimulation operations and for disposal.

Well Completions

When a well has been drilled, the casing has been set and it has been determined that the well will produce oil or gas in commercial quantities, the expensive drilling rig is moved off the well site and a more

economical well service rig is moved on the well site to perform completion services. Key's rig crews are responsible for rigging the derrick, operating rig machinery, handling pipe and tools, circulating well fluids, and assisting in various completion activities performed by other contractors.

ODESSA EXPLORATION INCORPORATED

OIL AND GAS PRODUCTION

OEI acquires and manages interests in producing oil and gas properties for its own account and for drilling partnerships it sponsors. OEI is engaged in the drilling and production of oil and natural gas in the Permian Basin of West Texas and New Mexico. OEI acquires producing oil and gas properties from major and independent producers. After acquisition, OEI may either rework the acquired well to increase production and/or form drilling ventures for additional development wells. As of June 30,1995, OEI's proved oil and gas reserves are estimated at 1,682,000 bbls (barrels) of oil and 14,000 bcf (billion cubic feet) of natural gas.

KEY ENERGY DRILLING, INC. D/B/A CLINT HURT DRILLING

OIL AND GAS DRILLING

Clint Hurt operates four drilling rigs which drill for oil and natural gas for independent and major oil companies. Clint Hurt operates primarily in the West Texas region. As of June 30, 1995, Clint Hurt had completed 22 wells at an average depth of 8,549 feet and had a utilization rate of 93%.

COMPETITION AND OTHER EXTERNAL FACTORS

YALE E. KEY, INC.

Key serves over 200 customers in West Texas, with its two largest customers (Parker & Parsley and Texaco) providing 15% and 11%, respectively, of total Key revenue during fiscal 1995. The need for oilfield services fluctuates, in part, from the demand for oil and natural gas. As demand for those commodities increases, service and maintenance requirements increase. Key competes with other local oilfield service companies as well as national service companies. Key believes it is the largest oil well service company in West Texas (based on number of workover rigs and employees). The reputation that Key has developed over its 48 years in oilfield service operations contributes greatly to its competitive position.

ODESSA EXPLORATION INCORPORATED

OEI operates oil and gas wells on behalf of over 150 working interest owners as well as for its own account. OEI acquires various oil and gas properties by purchasing them from independent and major oil companies competing with other independent and integrated oil companies for the acquisition of these properties. During fiscal 1995, OEI acquired approximately $1,000,000 in additional oil and gas properties with estimated proved reserves of 1,516,000 bbls of oil and 6,037,000 mcf. (million cubic feet) of natural gas.

KEY ENERGY DRILLING, INC. D/B/A CLINT HURT

Clint Hurt drills oil and gas wells. Clint Hurt competes with other local oil

and gas drilling contractors; as well as national oil and gas drilling companies. As with Key, the need for drilling oil and gas wells is derived in part from the demand for oil and natural gas. As demand for those commodities increases, drilling increases.

EMPLOYEES

As of June 30, 1995, the Company employed 801 persons (723 at Key, 5 at OEI, 71 at Clint Hurt and 2 at Key Energy Group, Inc.). None of the Company's employees are represented by a labor union or collective bargaining agent. The Company has experienced no work stoppages associated with labor disputes or grievances.

REGULATIONS

The oilfield service operations of Key, the oil and gas production activities of OEI and the oil and natural gas drilling of Clint Hurt, are subject to various local, state and federal laws and regulations intended to protect the environment. As of June 30, 1995, management of the Company believes that it was in substantial compliance with all material, known existing federal, state and local regulations as they relate to the environment. The Company has incurred certain costs as they relate to compliance with environmental laws and regulations. However, such amounts are deemed to be immaterial to the Company's financial condition at June 30, 1995 and results of operations for the two years ended June 30, 1995 and 1994.

SAFETY COMPLIANCE

Management believes that Key, OEI and Clint Hurt are in substantial compliance with all known material local, state and federal safety guidelines and regulations. In order to comply with such safety guidelines and regulations and increase employee awareness of on-the-job safety, Key employs four safety officers. In addition, in July of 1993, Key completed the construction of a safety training and education center which will be used by Key for continued safety training and awareness.

EXECUTIVE OFFICERS

The following table sets forth the names and ages of each of the executive officers of the Company and includes the positions each officer currently holds as well as positions held for the past five years.

Name	Age	Positions
Francis D. John	41	President and Chief Executive Officer since September 1989 and Chief Financial Officer of the Company since June 1988; Director of Key since March 1990 and OEI since July 1993. Director of the Company since 1990.
C. Ron Laidley	49	President and Chief Executive Officer of Key since April 1995. Vice President of Key from 1982 until April 1995. Director of Key since 1992.
D. Kirk Edwards	35	Vice President of the Company since July 1993, President and Chief Executive Officer of Odessa Exploration Incorporated since July 1993. Owner and President of Odessa Exploration Inc. since 1987. Director of the Company since July 1993.
Danny R. Evatt	36	Chief Accounting Officer and

Treasurer of the Company since July 1990; Treasurer, Secretary and Chief Financial Officer of Key since 1984. Director of Key since 1992.

Each officer of the Company holds office until the first meeting of the Board of Directors following the annual meeting of stockholders and until his successor shall have been duly elected and qualified, or until he shall have resigned or been removed as provided by the By-Laws. No family relationship exists between any of the above listed executive officers or between any such executive officer and any Director of the Company.

ITEM 2. PROPERTIES.

The Company leases approximately 1,500 square feet of office space in New Brunswick, New Jersey.

YALE E. KEY, INC.

The following table sets forth information with respect to Key's operating facilities at June 30, 1995, all of which were used in the operations of Key and are located in Texas. Also included are the operating facilities utilized by Key at June 30, 1995 and were acquired in August of 1994 as part of the WellTech West Texas acquisition.

Location	Approximate Square Footage	Fee or Lease
Lamesa	3,350	Fee
Midland	18,250	Fee
Odessa	10,000	Fee
Seminole	12,500	Fee
Big Lake	3,500	Fee
Odessa *	10,000	Fee
Snyder *	10,000	Fee
Kermit *	7,000	Fee
Forsan *	10,000	Fee
Big Lake *	8,000	Fee
Sterling City *	1,400	Lease
Andrews *	5,000	Lease

* - Former WellTech locations (see Part I, "Recent Developments").

All Key operating facilities are metal one story combination office and shop buildings. All buildings are occupied and considered in good condition.

All Key properties are encumbered by security interests in favor of; (i) CIT Corporation, securing the payment of the obligations under a term note and (ii) the holder of the Allgood Note.

ODESSA EXPLORATION, INC.

OEI's properties consist primarily of oil and gas leases. At June 30, 1995, OEI operated and/or owned an interest in 90 wells. OEI's major proved producing properties are located primarily in the Permian Basin area of West Texas. OEI leases 3,300 square feet of office space in Odessa, Texas.

Producing Wells and Acreage

All wells owned and/or operated by OEI are located in the continental onshore United States. The following table sets forth the Company's total gross and net producing oil and gas wells and its total gross and net developed and

undeveloped acreage as of June 30, 1995. "Gross" as it applies to wells or acreage refers to the number of wells or acres in which a working interest is owned by OEI. "Net" as it applies to wells or acreage refers to the sum of the fractional working interests owned by OEI in gross wells or gross acres.

	Producing Wells				Developed Acreage		Undeveloped	
	Oil		Gas					
State	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Texas	75	42	15	5	21,320	11,037	-	-

Additionally, OEI serves as operator of two injection wells. As operator, the Company receives fees from other working interest owners as reimbursement for the general and administrative expenses attendant to the operation of the wells.

OEI's oil and gas properties are subject to royalty, overriding royalty and other outstanding interests customary in the industry. The properties are also subject to burdens such as liens incident to operating agreements, current taxes, development obligations under oil and gas leases and other encumbrances, easements and restrictions. Specifically, certain of OEI's properties are subject to liens securing OEI's debt (more fully described in Note 4 of the notes to consolidated financial statements). OEI believes that the existence of any such burdens does not materially detract from the value of its leasehold interests.

Exploration and Development Activities

The following table shows gross and net wells drilled in which OEI had a working interest during the years ended June 30, 1995 and 1994:

	1995		1994	
	Gross	Net	Gross	Net
Exploratory				
Productive	-	-	-	-
Dry	-	-	-	-
Development				
Productive	8.0	6.2	1.0	0.1
Dry	-	-	-	-
Total				
Productive	8.0	6.2	1.0	0.1
Dry	-	-	-	-

During fiscal 1996, OEI expects to participate in or drill 14 wells on its operated properties.

Oil and Gas Reserve Information

Estimates of OEI's proved oil and gas reserves as of June 30, 1995 and 1994 were prepared by the Company and reviewed by an independent petroleum reservoir engineering firm. All estimates were made in accordance with guidelines established by the Securities and Exchange Commission. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be

recoverable in future years from known reservoirs under existing economic conditions, i.e. prices and costs as of the date the estimate is made. Prices utilized reflect consideration of changes in existing prices provided by contractual arrangements if any, but not of escalations based upon future conditions.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing equipment and operating methods.

Proved undeveloped oil and gas reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion or secondary or tertiary recovery. Reserves assigned to undrilled acreage are limited to those drilling units that offset productive units reasonably certain of production when drilled.

The following table summarizes oil and gas reserve data with respect to OEI's proved oil and gas reserves:

	June 30, 1995	1994
Proved developed reserves		
Oil (bbls)	750,604	114,908
Gas (mcf)	11,203,232	6,785,661
Proved undeveloped reserves		
Oil (bbls)	931,613	-
Gas (mcf)	2,794,828	-

Additional information concerning OEI's estimated proved oil and gas reserves is included in Item 7, "Financial Statements and Supplementary Data".

No major discovery or other favorable or adverse event has occurred since July 1, 1995 which is believed to have caused a significant change in the estimated proved oil and gas reserves of OEI.

OEI's estimate of reserves has not been filed with or included in reports to any federal agency other than the Securities and Exchange Commission.

Production

The following table summarizes the net oil and gas production, average sales prices, and average production (lifting) costs per equivalent barrel of oil for the years ended June 30, 1995 and 1994.

	1995	1994
Oil		
Production (bbls)	40,330	14,383
Average sales price per bbls	$15.02	$13.54
Natural Gas		
Production (mcf)	770,197	552,791
Average sales price per mcf	$ 1.54	$ 2.33
Production Costs		
Production (lifting) costs per equivalent barrel of oil (boe)	$ 4.48	$ 5.38

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ITEM 3. LEGAL PROCEEDINGS AND OTHER ACTIONS.

See Item 7, Note 5 to the Consolidated Financial Statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's (Key Energy Group, Inc.) Common Stock is traded on the American Stock Exchange, under the symbol "KEG". As of June 30, 1995, there were 591 holders of record of 6,913,510 shares of Common Stock.

The following table sets forth for the periods indicated the high and low closing prices of the Company's Common Stock on the American Stock Exchange, as derived from published sources.

Fiscal Quarter	High	Low
1996:		
First Quarter (through 8/18/95)	5 3/16	4 7/8
1995:		
First Quarter	5 1/2	5
Second Quarter	5 1/2	4 3/4
Third Quarter	4 5/8	4 1/4
Fourth Quarter	5 1/2	4 3/4
1994:		
First Quarter	5 1/2	5
Second Quarter	5 1/2	4 3/4
Third Quarter	5 5/8	4 7/8
Fourth Quarter	5 1/2	4 7/8

There were no dividends paid on the Company's Common Stock during the fiscal years ended June 30, 1995 or 1994. The Company does not intend, for the foreseeable future, to pay dividends on its Common Stock.

The agreements with CIT Credit Finance and Norwest (see Note 4 of notes to consolidated financial statements), include certain restrictive covenants, the most restrictive of which, prohibits Key and OEI from declaring or paying dividends on Key's and OEI's Common Stock in any circumstances.

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ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

RESULTS OF OPERATIONS

Overview

Results of operations for fiscal 1995 and 1994 include the Company's oilfield well service operations conducted by its wholly owned subsidiary, Yale E. Key, Inc. ("Key"), the Company's oil and gas operations conducted by its

wholly-owned subsidiary, Odessa Exploration Incorporated ("OEI") and the Company's oil and gas drilling operations conducted by the Company's wholly-owned subsidiary, Key Energy Drilling, Inc. d/b/a Clint Hurt Drilling ("Clint Hurt") .

The following discussion provides information to assist in the understanding of the Company's financial condition and results of operations. It should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere herein.

Acquisitions

Key Energy Drilling, Inc. d/b/a Clint Hurt Drilling

In March 1995, the Company and Mr. Clint Hurt ("Mr. Hurt") entered into an Asset Purchase Agreement pursuant to which Mr. Hurt sold to the Company all of his assets in West Texas. Such assets mainly consisted of four (4) oil and gas drilling rigs and related equipment. As consideration for the acquisition, the Company paid Mr. Hurt $1,750,000, of which $1,000,000 was paid in cash, $725,000 was in the form of a note payable to Mr. Hurt and the Company issued 5,000 shares of the Company's Common Stock to Mr. Hurt. Mr. Hurt entered into a consulting agreement and a noncompetition agreement with the Company. Pursuant to the noncompetition agreement, except in certain limited circumstances, neither Mr. Hurt or Clint Hurt and Associates, Inc. may directly or indirectly engage in providing contract drilling services or engage in the well service business in the state of Texas until April 1, 1998.

WellTech West Texas Operations

In August 1994, the Company consummated the acquisition of WellTech Inc.'s ("WellTech") West Texas assets and in consideration of the acquisition issued to WellTech 1,635,000 shares of Common Stock of the Company, and warrants to purchase an additional 250,000 shares of the Common Stock at $5 per share (the "Warrants"), for a term of 2 1/2 years to acquire substantially all of WellTech's assets used in its oil and gas well servicing business in West Texas, including oilwell servicing units, rolling stock, equipment, tools, supplies, furniture and fixtures and certain parcels of real property, consisting primarily of approximately seven equipment yards. The shares issued to WellTech were not registered pursuant to the federal securities laws; however, WellTech has the right to require the Company to so register the shares under certain circumstances.

In December 1993, Key entered into a interim operations agreement under which it operated the West Texas division of WellTech. Working capital requirements were met through the additional cash flows generated from the additional equipment, the acquired WellTech West Texas accounts receivable and the additional funding from CIT.

Odessa Exploration, Inc.

On August 5, 1993, the Company acquired OEI. The effective date of the OEI acquisition is July 1, 1993. OEI is engaged in the operation of oil and natural gas wells and exploration for oil and natural gas in the Permian Basin area of West Texas. OEI was acquired in consideration of the issuance of 150,000 shares of the Company's Common Stock (which had a closing market value of approximately $638,000 at July 1, 1993) to Mr. D. Kirk Edwards, the former owner and the now current President of OEI and the assumption of approximately $1,811,000 in bank debt. The Company guaranteed all of the assumed OEI bank debt. The acquisition was accounted for as a purchase.

Pending Acquisition

In August 1995, the Company announced an agreement to acquire, through a merger, WellTech. The Company will be the surviving entity in the merger. Consideration for the merger will be 3,500,000 shares of the Company's Common Stock and warrants to purchase 500,000 shares at $5.50 per share of the Company's Common Stock. In addition, pending the consummation of the merger,

the Company has agreed to increase the purchase price of warrants to purchase 250,000 shares of the Company's Common Stock (issued in connection with the purchase of WellTech West Texas, see below) from $5.00 per share to $5.50 per share. WellTech currently operates in the Southwest and Northeast areas of the United States and in Russia and Argentina. Consummation of the merger is subject to satisfaction of various conditions including, without limitation, definitive documentation, completion of due diligence and Board and shareholder approval and no assurance can be given that the merger will be consummated. WellTech's principal line of business is oil and gas well servicing. The transaction is expected to be completed in December of 1995.

Operating Income

Fiscal 1995 revenues of $44,689,000 increased $10,068,000 or 29% over fiscal 1994 revenues of $34,621,000. Fiscal 1995 revenues increased due to the acquisition of oil and gas producing properties by OEI, the operation of the assets of WellTech West Texas (which included twelve months of fiscal 1995 and seven months of fiscal 1994), and the additional revenues from Clint Hurt (which was acquired in March 1995). In addition, Key has continued to expand its services offering oilwell fishing tools, blow-out preventers and oilwell frac tanks.

Fiscal 1995 costs and expenses of $41,361,000 increased $9,035,000 or 28% over fiscal 1994 costs and expenses of $32,326,000. Fiscal 1995 costs and expenses increased primarily due to the operations of WellTech West Texas and the acquisition of Clint Hurt as well as increased lease operating costs due to acquisitions of oil and gas producing properties by OEI.

Income before income taxes was $3,328,000 for fiscal 1995, which was an increase from $2,295,000 in fiscal 1994. The increase in income before income taxes was due to the increase in gross revenues for the current fiscal year, the acquisition by OEI of producing oil and gas properties, the operations of WellTech West Texas and the acquisition of Clint Hurt.

Net income for fiscal 1995 was $2,178,000 compared to $1,345,000 for fiscal 1994.

Interest Expense

Interest expense increased from $830,000 during fiscal 1994 to $1,478,000 during fiscal 1995, primarily as a result of borrowings for the acquisition and drilling of oil and gas producing properties by OEI and the acquisition of Clint Hurt.

General and Administrative Expenses

General and administrative expenses include those of the Company, Key, OEI and Clint Hurt. These expenses increased $812,000 to $4,352,000 during fiscal 1995 from $3,540,000 during fiscal 1994, primarily due to increased expenses of OEI and the acquisition of Clint Hurt and WellTech West Texas. However, as a percent of gross revenues, general and administrative expenses decreased from 10.2% of gross revenues during fiscal 1994 to 9.7% of gross revenues during fiscal 1995.

Depreciation and Depletion Expense

Depreciation and depletion expense increased to $2,738,000 in fiscal 1995 from $1,371,000 in fiscal 1994 due mainly to the additional depreciation expense associated with the acquisition of the WellTech West Texas oilfield service equipment and subsequent capital expenditures on such equipment.

Income Taxes

Income tax expense of $1,150,000 for fiscal 1995 increased from $950,000 in income tax expense for fiscal 1994. The increase in income taxes is primarily due to the increase in operating income. However, the Company does not expect to be required to remit a significant amount of the $1,150,000 in total federal income taxes in cash during fiscal 1996.

Cash Flow

Net cash provided by operating activities increased $1,416,000 from $1,842,000 during the 1994 fiscal year to $3,258,000 for the 1995 fiscal period. The increase is attributable primarily to an increase in net income.

Net cash used in investing activities increased from $5,608,000 for fiscal 1994 to $7,154,000 for fiscal 1995. The increase is primarily the result of increased capital expenditures for oil and gas properties and costs associated with the acquisition of Clint Hurt. This increase is partially offset by a decrease in oilfield service capital expenditures. The capital expenditures for the oilfield service operations during fiscal 1994 were primarily the result of the improvements necessary for the WellTech West Texas equipment.

Net cash provided by financing activities was $3,998,000 for the 1995 fiscal year as compared to $4,316,000 in net cash provided by financing activities for fiscal 1994. The decrease is primarily the result of increased principal payments during fiscal 1995. This increase in principal payments is somewhat off-set by an increase in proceeds from long-term debt during fiscal 1995 as the result of the financing of the improvement costs to the equipment of the West Texas operations of WellTech, the purchase of oil and gas properties by OEI and the acquisition of Clint Hurt.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 1995, the Company had $1,275,000 in cash and restricted cash (the Company also had

$267,000 in restricted marketable securities) as compared to $1,173,000 in cash and restricted cash at June 30, 1994.

Key has projected $2.5 million for oilfield service capital expenditures for fiscal 1996 as compared to $2.8 million for fiscal 1995. Capital expenditures are expected to be primarily capitalized improvement costs to existing equipment and machinery. Capital expenditures are expected to decrease from fiscal 1995 levels due to less capital improvements for the acquired WellTech West Texas operations. Financing of capital expenditures is expected to come from the operating cash flows of Key. Capital expenditures were $4,395,000 in fiscal 1994.

OEI is forecasting outlays of approximately $4 million in oil and gas property acquisitions and $6 million in development costs for fiscal 1996 as compared to $3.7 million during fiscal 1995. Financing is expected to come from borrowings.

Clint Hurt has forecast approximately $500,000 for oil and gas drilling capital expenditures for fiscal 1996 primarily for improvements to existing equipment and machinery. Such outlays are treated as capital costs. Financing is expected to come from existing cash flow.

Debt

In January 1995, Key received $2.5 million in term note proceeds from CIT The term note is collateralized by the additional equipment Key received from the WellTech West Texas acquisition and was used for working capital purposes. The term note, requires monthly principal payments of approximately $42,000 plus interest, with the unpaid balance of the note due December 31, 1996. The interest rate is two and one half percent above the stated prime rate; 9.0% at June 30, 1995. A portion of the note has been classified as current in the accompanying balance sheet.

During March 1995, OEI refinanced its debt (approximately $2.8 million at March 31, 1995) with Norwest Bank Texas, Midland, N.A. ("Norwest"). The refinanced debt consist of a $7.5 million reducing revolver with a current borrowing base of $5.3 million. The revolver requires the borrowing base to be reduced by approximately $60,000 per month. The revolver has an interest rate of Norwest prime rate (9.0% at June 30, 1995), plus 1/2 of one percent, payable monthly.

The note matures on October 15, 1997. The revolver is secured by substantially all of the oil and gas properties of OEI and is guaranteed by the Company. In addition, the revolver has cross-default provisions and cross-collaterization provisions with Clint Hurt.

As a result of the purchase of the Clint Hurt drilling equipment, Key Energy Drilling, Inc. d/b/a Clint Hurt Drilling signed a note with Norwest for the principal sum of one million dollars. The note requires principal payments of approximately $28,000 per month plus interest with the first payment due May 5th, 1995 and monthly thereafter for 36 months. The note has an interest rate of Norwest prime rate (9.0% at June 30, 1995), plus 3/4 of one percent. The note matures in April of 1998. The note is secured by all of the equipment of Clint Hurt and is guaranteed by the Company. In addition, Clint Hurt obtained a working capital Line of Credit with Norwest in the amount of $200,000. The line of credit requires two interest only payments due May 5, 1995 and June 5, 1995, respectively and ten $20,000 monthly principal and interest payments thereafter. The line of credit has an interest rate of Norwest prime rate (9.0% at June 30, 1995), plus 3/4 of one percent. The line of credit is secured by all of the equipment of Clint Hurt and is guaranteed by the Company.

Impact of SFAS 121

In March 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 - Accounting for Long-Lived Assets and for Long-Lived Assets to be Disposed Of ("SFAS 121") regarding the impairment of long-lived assets, identifiable intangibles and goodwill related to those assets. SFAS 121 is effective for financial statements for fiscal years beginning after December 15, 1995, although earlier adoption is encouraged. The application of SFAS 121 to oil and gas companies utilizing the successful efforts method (such as OEI) will require periodic determination of whether the book value of long-lived assets exceeds the future cash flows expected to result from the use of such assets and, if so, will require reduction of the carrying amount of the "impaired" assets to their estimated fair values. The Company, currently, estimates that the implementation of SFAS 121 will not have a material effect on the Company's financial position.

Impact of Inflation on Operations

Although in our complex environment it is extremely difficult to make an accurate assessment of the impact of inflation on the Company's operations, management is of the opinion that inflation has not had a significant impact on its business.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Presented on pages 17 through 38 herein are the consolidated financial statements of Key Energy Group, Inc. and Subsidiaries as of June 30, 1995 and the years ended June 30, 1995 and 1994.

Also, included is the report of KPMG Peat Marwick LLP, independent certified public accountants, on such consolidated financial statements as of June 30, 1995 and for the years ended June 30, 1995 and 1994.

Consolidated Balance Sheet

(Thousands, except share and per share data)	June 30, 1995
ASSETS	
Current Assets:	
Cash	$865
Restricted cash	410
Restricted marketable securities	267
Accounts receivable, net of allowance for doubtful accounts ($133)	8,133
Inventories	1,257
Prepaid expenses and other current assests	358
Total Current Assets	11,290
Property and Equipment:	
Oilfield service equipment	23,726
Oil and gas well drilling equipment	2,014
Motor vehicles	526
Oil and gas properties and related equipment, successful efforts method	7,652
Furniture and equipment	332
Buildings and land	2,086
	36,336
Accumulated depreciation & depletion	(4,394)
Net Property and Equipment	31,942
Other Assets	2,011
Total Assets	$45,243
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$3,930
Other accrued liabilities	2,612
Accrued interest	145
Accrued income taxes	174
Deferred tax liability	118
Current portion of long-term debt	2,249
Total Current Liabilities	9,228
Long-term debt, less current portion	13,700
Deferred income taxes	2,204
Commitments and contingencies	
Stockholders' equity:	
Common stock, $.10 par value; 10,000,000 shares authorized, 6,913,510 shares issued and outstanding at June 30, 1995	691
Additional paid-in capital	15,186
Retained earnings	4,234
Total Stockholders' Equity	20,111
Total Liabilities and Stockholders' Equity	$45,243

See the accompanying notes which are an integral part of these consolidated financial statements.

KEY ENERGY GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

(Thousands, except per share data)	Year Ended June 30, 1995	Year Ended June 30, 1994
REVENUES:		
Oilfield service	$40,105	$32,616
Oil and gas	2,334	1,936
Oil and gas well drilling	1,932	-
Other, net	318	69
	44,689	34,621
COSTS AND EXPENSES		
Oilfield services	30,592	25,992
Oil and gas	757	593
Oil and gas well drilling	1,444	-
Depreciation, depletion and amortization	2,738	1,371
General and administrative	4,352	3,540

Interest	1,478	830
	41,361	32,326
Income before income taxes	3,328	2,295
Income tax expense	1,150	950
NET INCOME	$2,178	$1,345
EARNINGS PER SHARE :		
Income before income taxes	$0.50	$0.44
Net income	$0.33	$0.26
WEIGHTED AVERAGE SHARES OUTSTANDING:	6,647	5,274

See the accompanying notes which are an integral part of these consolidated financial statements.

KEY ENERGY GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(Thousands)	Year Ended June 30, 1995	Year Ended June 30, 1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$2,178	$1,345
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation, depletion and amortization	2,738	1,371
Deferred income taxes	1,370	493
Other noncash items	(312)	-
Changes in operating assets and liabilities, net of effects from the acquisitions:		
Increase in accounts receivable	(1,327)	(389)
Increase in other current assets	(940)	(613)
Decrease in accounts payable and accrued expenses	(154)	(392)
Increase in accrued interest	56	53
(Decrease) increase in accrued taxes	(273)	447
Increase in other assets	(78)	(473)
Net cash provided by operating activities	3,258	1,842
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures - Oilfield service operations	(2,839)	(4,395)
Capital expenditures - Oil and gas operations	(2,823)	(1,253)
Capital expenditures - Oil and gas well drilling operations	(143)	-
Acquisitions	(1,348)	-
Other	(1)	40
Net cash used in investing activities	(7,154)	(5,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on debt	(2,148)	(1,771)
Borrowings (payments) under line-of-credit, net	(605)	1,551
Proceeds from debt	6,751	4,536
Net cash provided by financing activities	3,998	4,316
Net increase in cash and restricted cash	102	550
Cash and restricted cash at beginning of year	1,173	623
Cash and restricted cash at end of year	$1,275	$1,173

See the accompanying notes which are an integral part of these consolidated financial statements.

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KEY ENERGY GROUP, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

(Thousands)	Common Stock: Number of Shares Outstanding	Common Stock: Amount at par	Additional Paid-in Capital	Retained Earnings	Total
BALANCE AT JUNE 30, 1993	5,124	$512	$6,057	$711	$7,280
Issuance of common stock for Odessa Exploration, Inc.	150	15	623	-	638
Net income	-	-	-	1,345	1,345
BALANCE AT JUNE 30, 1994	5,274	$527	$6,680	$2,056	$9,263
Issuance of common stock for WellTech West Texas assets	1,635	164	8,420	-	8,584
Issuance of warrants for WellTech West Texas assets	-	-	63	-	63
Issuance of common stock for Clint Hurt Drilling assets	5	-	23	-	23
Net income	-	-	-	2,178	2,178
BALANCE AT JUNE 30, 1995	6,914	$691	$15,186	$4,234	$20,111

See the accompanying notes which are an integral part of these consolidated financial statements.

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Key Energy Group, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1995 and June 30, 1994

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Key Energy Group, Inc. herein after referred to as the Company, was organized in April 1977, and commenced operations in July 1978. Results of operations for the twelve months ended June 30, 1995 and 1994 include the Company's oilfield service operations conducted by the Company's wholly-owned subsidiary; Yale E. Key, Inc. ("Key"), the Company's oil and gas exploration and production wholly-owned subsidiary; Odessa Exploration Incorporated ("OEI"), and the Company's oil and gas well drilling operations conducted by the Company's wholly-owned subsidiary; Key Energy Drilling, Inc. d/b/a Clint Hurt Drilling ("Clint Hurt Drilling"). Clint Hurt Drilling was acquired in March of 1995 (see Note 2).

BASIS OF PRESENTATION

The Company's consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. The accounting policies presented below have been followed in preparing the accompanying financial statements. The Company's ownership of less than 50% owned entities are accounted for by the cost or equity methods, depending on the Company's

ownership percentage.

CASH, RESTRICTED CASH AND MARKETABLE SECURITIES

The Company holds significant cash in certain financial institutions. Restricted cash, $410,000 at June 30, 1995, consists of monies held in Key's cash lock-box. The cash lock-box is a requirement under the line of credit with CIT (see Note 4). Restricted marketable securities, $267,000 at June 30, 1995, consist primarily of an investment in a mutual fund which invests, primarily, in short-term intermediate government securities which are recorded at market value. The mutual fund investment is held in escrow for a letter-of-credit (issued in the amount of approximately $244,000) for workers' compensation insurance.

INVENTORIES

Inventories, which consist primarily of parts and supplies, are held for use in the operations of Key and are valued at the lower of cost (first-in first-out method) or market.

PROPERTY AND EQUIPMENT

The Company provides for depreciation and amortization of non-oil and gas properties using the straight-line method over the following estimated useful lives of the assets:

Description	Year
Oilfield service equipment	3-15
Oil and gas well drilling equipment	3-15
Motor vehicles	3-7
Furniture and equipment	3-7
Buildings and improvements	10-25
Gas processing facilities	10

Upon disposition or retirement of property and equipment, the cost and related accumulated depreciation are removed from the accounts and the gain or loss thereon, if any, is included in the results of operations. OEI's aggregate oil and gas properties are stated at cost, not in excess of total estimated future net revenues net of related income tax effects.

OEI utilizes the successful efforts method of accounting for its oil and gas properties. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized, while nonproductive exploration costs and geological and geophysical costs (if any), are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method based on proved reserves expressed as net equivalent Bbls as reviewed by independent petroleum engineers. The carrying amounts of properties sold or otherwise disposed of and the related allowance for depletion are eliminated from the accounts and any gain/loss is included in results of operations.

OEI's aggregate oil and gas properties are stated at cost, not in excess of total estimated future net revenues net of related income tax effects.

GAS BALANCING

Deferred income associated with gas balancing is accounted for on the entitlements method and represents amounts received for gas sold under gas balancing arrangements in excess of OEI's interest in properties covered by such agreements. OEI had deferred income associated with gas balancing at June 30, 1995 (see Note 6).

ENVIRONMENTAL

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated.

GOODWILL

The Company has classified as Goodwill the cost in excess of fair value of the net assets acquired in purchase transactions. Goodwill is being amortized on a straight-line basis over ten years. Goodwill is included in other assets in the consolidated balance sheet at June 30, 1995. The Company evaluates the existence of Goodwill impairment on the basis of whether Goodwill is fully recoverable from projected, undiscounted net cash flows of the related assets.

EARNINGS PER SHARE

Earnings per share are determined by dividing net earnings by the weighted average number of common shares outstanding during the year and dilutive common equivalent shares resulting from the assumed exercise of warrants using the treasury stock method, except in periods with reported losses as the inclusion of common stock equivalents would be antidilutive. Fully diluted earnings per share and share equivalents are not presented as dilution is less than 3%.

INCOME TAXES

The Company utilizes Statement of Financial Accounting Standards No. 109 ("SFAS 109"), "Accounting for Income Taxes". Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date. Under SFAS 109, a valuation allowance for the deferred tax assets is recognized when it is "more likely than not" that the benefit of deferred tax assets will not be realized. The Company and its wholly-owned subsidiaries file a consolidated federal income tax return.

2. ACQUISITIONS

KEY ENERGY DRILLING, INC. D/B/A CLINT HURT DRILLING

On March 30, 1995, the Company and Mr. Clint Hurt ("Mr. Hurt") entered into an Asset Purchase Agreement pursuant to which Mr. Hurt sold to the Company all of his assets in West Texas. Such assets mainly consisted of four (4) oil and gas drilling rigs and related equipment. As consideration for the acquisition, the Company paid Mr. Hurt $1,750,000, of which $1,000,000 was paid in cash, a $725,000 note payable to Mr. Hurt and the Company issued to Mr. Hurt 5,000 shares of Common Stock of the Company. Mr. Hurt entered into consulting and noncompetition agreements with the Company. Key Energy Drilling, Inc., a wholly-owned subsidiary of the Company, will operate as Clint Hurt Drilling. The acquisition was accounted for using the purchase method and the results of operations of Clint Hurt Drilling have been included in those of the Company since April 1, 1995.

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WELLTECH WEST TEXAS

On December 10, 1993, the Company and WellTech, Inc. ("WellTech") entered into an Asset Purchase Agreement pursuant to which the Company purchased substantially all assets used by Welltech in its West Texas operations. The acquisition was dependent on shareholder approval which occurred in August of 1994. As consideration for the acquisition, the Company issued to WellTech 1,635,000 shares of Common Stock of the Company and warrants to acquire 250,000 additional shares of Common Stock, (at $5.00 per share which expire on February 5, 1997). The closing of the transaction occurred on August 11, 1994.

Prior to the closing, the Company (through its wholly-owned subsidiary; Yale E. Key, Inc.) operated and managed the operations of the WellTech West Texas region in connection with an interim operating agreement (the "Interim Operations Agreement"). In addition, as part of the Interim Operations Agreement, the Company assumed ownership of WellTech West Texas current assets and current liabilities. The working capital items assumed were immaterial. The Company's consolidated statements of operations from December 10, 1993 through August 11, 1994, include the direct revenues and expenses from the West Texas operations of WellTech. For the period after August 11, 1994, the results of operations include the effects of ownership of WellTech West Texas.

ODESSA EXPLORATION, INC.

On August 5, 1993, the Company acquired OEI. The effective date of the OEI acquisition is July 1, 1993, when the Company took effective control. OEI is engaged in the operation of oil and natural gas wells and exploration for oil and natural gas. OEI was acquired in consideration of the issuance of 150,000 shares of the Company's Common Stock (which had a closing market value of approximately $638,000 at July 1, 1993) to Mr. D. Kirk Edwards, the former owner and the now current President of OEI and the assumption of approximately $1,811,000 in bank debt. The Company guaranteed all of the assumed OEI bank debt. The acquisition was accounted for as a purchase.

The following unaudited pro forma results of operations have been prepared as though Clint Hurt Drilling and WellTech West Texas had been acquired on July 1, 1993:

	(UNAUDITED) Year Ended	
Thousands, except per share data	June 30, 1995	June 30, 1994
Revenues	$ 50,485	$ 48,069
Net income	2,798	2,146
Earnings per share:		
Net income	$0.40	$0.31
Weighted average shares outstanding:	6,924	6,914

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3. OTHER ASSETS

Other assets consist of the following:

(Thousands)	June 30, 1995
Investment in insurance company - common stock *	$ 368

Workers compensation security premiums	326
Deferred acquisition costs	200
Goodwill (net of amortization - $100)	963
Other	154
	$2,011

* - Represents approximately 13% ownership.

4. LONG-TERM DEBT

The components of long-term debt are as follows:

(Thousands)	June 30, 1995
Term Note - CIT Corporation, interest and principal payable monthly (i)	$ 6,032
Revolving Line of Credit - CIT Corporation, interest payable monthly (i)	3,846
Revolver Note - Norwest, interest payable monthly (ii)	4,237
Term Note - Norwest, interest and principal payable monthly (iii)	944
Other notes payable	890
	15,949
Less current portion	2,249
Long-term debt	$ 13,700

(i). The CIT term note, as amended, requires principal payments of approximately $95,000, plus interest, due the first day of each month plus a final payment of the unpaid balance of the note due December 31, 1996. The interest rate is two and one-half percent above the stated prime rate; 9.0% at June 30, 1995. The note is collateralized by all of the assets (including equipment and inventory) of Key.

The CIT line of credit, as amended, requires monthly payments of interest at two and one-half percent above the stated prime rate (9.0% at June 30, 1995). The expiration of the line of credit is December 31,1996. The line of credit is collateralized by the accounts receivable of Key. The line of credit has a maximum limit of 85% of available accounts receivable or $7 million; whichever is less. At June 30, 1995, there was no credit line availability.

The agreement with CIT includes certain restrictive covenants, the most restrictive of which prohibits Key from making distributions and declaring dividends on Key's common stock.

(ii) In March 1995, OEI entered into a loan agreement, as amended, with Norwest Bank Texas, N.A. ("Norwest"). The loan agreement provides for a $7.5 million revolving line of credit note subject to a borrowing base limitation (approximately $5.3 million at June 30, 1995). The borrowing base is redetermined on at least a semi-annual basis. The borrowing base is reduced by approximately $60,000 per month through October 1997; the maturity of the note. The note's interest rate is Norwest's prime rate (9.0% at June 30, 1995) plus one-half percent. The note is secured by substantially all of the oil and gas properties of OEI and the pledge of certain collateral by current and former officers and directors of the Company (see note

12). The note is also guaranteed by the Company.

The loan agreement contains various restrictive covenants and compliance requirements, which include (a) prohibits OEI from declaring or paying dividends on OEI's common stock, (b) limiting the incurrence of additional indebtedness by OEI, (c) limitation on the disposition of assets and (d) various financial covenants.

(iii) In March 1995, Clint Hurt Drilling entered into a loan agreement with Norwest. The loan agreement provided for a $1 million term note and a $200,000 line of credit note The $1 million term note requires principal payments of approximately $28,000 per month plus interest with the first payment due May 5th, 1995 and monthly thereafter for 36 months with a maturity date of April 1998. The $200,000 line of credit note requires principal payments of $20,000 per month beginning July 5, 1995, plus interest, through its maturity in April 1996. Both notes have an interest rate of Norwest prime rate (9.0% at June 30, 1995), plus 3/4 of one percent. The notes are secured by all of the equipment of Clint Hurt Drilling and are guaranteed by the Company. In addition, the loan agreement contains various restrictive covenants and compliance requirements.

As of June 30, 1995, the Company was not in compliance with various covenants of its loan agreements. Subsequent to June 30, 1995, the Company has obtained waivers of the events of non-compliance from the various lenders.

Presented below is a schedule of the repayment requirements of long-term debt for each of the next five years and thereafter as of June 30, 1995:

Fiscal year Ended	(in thousands) Principal Amount
1996	$ 2,249
1997	9,527
1998	4,125
1999	-
2000	-
Thereafter	48
	$15,949

5. COMMITMENTS AND CONTINGENCIES

Various suits and claims arising in the ordinary course of business are pending against the Company. Management does not believe that the disposition of any of these items will result in a material adverse impact to the consolidated financial position of the Company.

During August 1995, the Company entered into employment agreements with certain of its officers. These employment agreements generally run to June 30, 1997, but will automatically be extended on a yearly basis unless terminated by the Company or the applicable officer. In addition to providing a base salary for each officer, the employment agreements provide for severance payments for each officer varying from 12 to 24 months of the officers base salary. The current annual base salaries for the officers covered under such employment agreements total approximately $800,000.

6. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

(Thousands)	June 30, 1995
Accrued payroll and taxes	$624
Workers compensation	704
State sales and use taxes	129
Accrued property taxes	79
Gas imbalance - deferred income	253
Revenue distribution	215
Other	608
Total	$2,612

7. STOCKHOLDERS' EQUITY

On September 27, 1993, a Stock Grant Plan (the "Plan") was adopted by the Board subject to approval from the Company's stockholders which was received on July 25, 1994. The Plan authorized a Compensation and Stock Grant Plan Committee of the Board (the "Committee") to recommend to the Board the award of up to 600,000 shares of the Company's Common Stock to key employees between October 15, 1993 and December 31, 2003. Subsequent to June 30, 1995, the Plan was cancelled with no shares having been awarded under the Plan.

8. INCOME TAXES

Components of income tax expense (benefit) are as follows:

	Year Ended	
(Thousands)	June 30, 1995	June 30, 1994
Federal and State:		
Current	$ (220)	$ 457
Deferred	1,370	493
	$ 1,150	$ 950

Income tax expense (benefit) differs from amounts computed by applying the statutory federal rate as follows:

	Year Ended	
	June 30, 1995	June 30, 1994
Income tax computed at Statutory rate	34.0%	34.0%
State taxes net of federal benefit	-	2.4
Expiration of capital loss carryover	-	4.4
Meals and entertainment disallowance	2.2	-
Accrual to return adjustments	(1.0)	-
Other	(0.7)	.5

	34.5%	41.3%

Deferred tax assets (liabilities) are comprised of the following :

(Thousands)	June, 30 1995
Net operating loss carry-forwards	$ 1,140
Property and equipment	(3,437)
Other	(25)
Net deferred tax liability	$ (2,322)

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Based on expectations for the future, management has determined that taxable income of the Company will more likely than not be sufficient to fully utilize available carryforwards prior to their ultimate expiration.

The Company estimates that as of June 30, 1995, the Company will have available approximately $3,352,000 of net operating loss carryforwards (which begin to expire in 2006). The net operating loss carryforwards are subject to an annual limitation of approximately $270,000, under Sections 382 and 383 of the Internal Revenue Code.

9. LEASING ARRANGEMENTS

Among other leases, Key leases certain automotive equipment under non-cancellable operating leases which expire at various dates through 1998. The term of the operating leases are 36 months with varying payment dates throughout each month. In addition, each lease includes an option to purchase the equipment and an excess mileage charge as defined in the leases.

As of June 30, 1995, the future minimum lease payments under non-cancellable operating leases, in thousands, are as follows:

Fiscal Year Ending June 30,	Lease Payments
1996	$1,107
1997	509
1998	147
1999	47
	$1,810

Operating lease expense was approximately $1,930,000 and $1,640,000 for the fiscal years ended June 30, 1995 and 1994, respectively.

10. EMPLOYEE BENEFIT PLANS

The Company maintains a 401-(k) plan for its employees. The 401-(k) plan

covers substantially all employees of the Company. The Company did not make a contribution to the 401-(k) plan during the fiscal year ended June 30, 1994. However, beginning July 1, 1994, the Company agreed to match employees contributions up to 10% of the employees contribution. These contributions totaled approximately $20,000 for the year ended June 30, 1995.

11. MAJOR CUSTOMERS

Sales to customers representing 10% or more of consolidated revenues for the years ended June 30, 1995 and 1994 were as follows:

	Fiscal Year Ended June 30,	
	1995	1994
Customer A	18%	15%
Customer B	10%	14%

The accounts receivable balance for customer A and B at June 30, 1995 were $1,807,000 and $243,000, respectively.

12. TRANSACTIONS WITH RELATED PARTIES

In connection with the OEI acquisition, (see Note 2) the Company has agreed to grant D. Kirk Edwards (President of OEI) a percentage reversionary working interest in five deep gas wells located in West Texas upon repayment of $1,622,000 of the assumed bank debt from the Company's earnings from the five wells. The percentage reversionary working interest decreases based on the date of repayment of the assumed bank debt and ranges from 20% of the earnings from the five wells if repayment occurs on or prior to July 7, 1995, to 5% of the earnings from the five wells if repayment occurs after July 7, 1996. The value of the reversionary interest assigned was insignificant at July 1, 1993.

Key leases automotive equipment from an independent third party (see Note 9). The independent third party purchases the automotive equipment from an automobile dealership in which a former officer owns a majority interest. Net proceeds to the automobile dealership totaled $399,000 and $1,058,000 for years ended June 30, 1995 and 1994, respectively. The leases are considered operating leases. In the opinion of the Board of Directors of the Company, the net proceeds from automotive equipment were on terms at least as favorable to the Company as could have been obtained from a third party. This opinion is based on information provided by a third party leasing company, that is not affiliated with the former officer or the Company, to the Board of Directors regarding purchase prices and equipment lease rentals offered by third parties.

Key paid $55,000 for the year ended June 30, 1994, (none during fiscal 1995), for oilfield related services and equipment to two oilfield related companies in which two officers of Key have an interest. In the opinion of the Board of Directors of the Company, based on the Board's review of competitive bids, these transactions were on terms at least as favorable to the Company as could have been obtained from a third party.

In March of 1995, OEI completed a banking arrangement with Norwest whereby OEI could and did borrow funds (see Note 4). As part of this banking relationship, seven individuals, some of who are officers and/or directors of the Company, pledged approximately $2.7 million in collateral to secure OEI's credit facility. As compensation for this, the Company paid these individuals a one-time fee which equaled 1% of the collateral each individual placed. The Company also will pay these individuals a monthly fee in the amount of 3% (annual rate) of the collateral placed.

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13. BUSINESS SEGMENT INFORMATION

Information about the Company's operations by business segment is as follows:

(Thousands)	Year Ended June 30, 1995	1994
Revenues:		
Oil and gas	$ 2,334	$ 1,936
Oilfield services	40,105	32,616
Oil and gas well drilling services	1,932	-
Other	318	69
	$ 44,689	$ 34,621
Income before income taxes:		
Oil and gas	$ 941	$ 814
Oilfield services	4,105	2,823
Oil and gas well drilling services	367	-
Interest expense	(1,478)	(830)
General corporate	(607)	(512)
	$ 3,328	$ 2,295
Identifiable assets:		
Oil and gas	$ 8,289	$ 5,258
Oilfield services	33,516	22,022
Oil and gas well drilling services	3,160	-
General corporate	278	815
	$ 45,243	$ 28,095
Capital Expenditures:		
Oil and gas	$ 3,736	$ 4,449
Oilfield services	11,422	4,395
Oil and gas well drilling services	2,141	-
	$ 17,299	$ 8,844
Depreciation, depletion and amortization:		
Oil and gas	$ 426	$ 412
Oilfield services	2,279	959
Oil and gas well drilling services	33	-
	$ 2,738	$ 1,371

Key operates a variety of oilfield service equipment including workover rigs, hot oil units, transports and various other oilfield servicing equipment. In addition, Key performs a variety of other oilfield services including fishing tools, frac tanks and blow-out preventers.

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Oil and gas production is conducted by OEI. OEI acquires and manages interests in producing oil and gas properties for its own account and for its sponsored investors. The Company is engaged in the drilling and production of oil and natural gas in the United States. OEI acquires producing oil and gas properties from major and independent producers. After acquisition, OEI may either rework the acquired well to increase production and/or form drilling

partnerships for additional development wells.

Oil and gas well drilling services are conducted by Clint Hurt Drilling. Clint Hurt Drilling operates four drilling rigs which drill for oil and gas in the West Texas area.

14. INFORMATION ON OIL AND GAS ACTIVITIES (UNAUDITED)

CAPITALIZED COSTS:

	June 30, 1995
Oil and Gas Properties:	
Proved properties	$ 7,652,000
Unproven properties	-
Less accumulated depletion	(766,000)
Net capitalized costs	$ 6,886,000

COSTS INCURRED:

	Year Ended June 30, 1995	Year Ended June 30, 1994
Proved property acquisition costs	$ 1,054,000	$ 4,390,000
Development costs	2,581,000	40,000
Total Costs Incurred	$ 3,635,000	$ 4,430,000

RESULTS OF OPERATIONS:

	Year Ended June 30, 1995	Year Ended June 30, 1994
Oil and gas sales	$ 1,793,000	$ 1,483,000
Production costs, including production taxes	(756,000)	(573,000)
Depletion	(398,000)	(386,000)
Income taxes *	(217,000)	(178,000)
Results of operations for oil and gas producing activities **	$ 422,000	$ 346,000

* - computed at the statutory rate of 34%.
** - excludes corporate overhead and financing costs.

Oil and Gas Reserve Information

Estimates of OEI's proved oil and gas reserves as of June 30, 1995 and 1994 were prepared in-house and reviewed by an independent petroleum reservoir engineering firm. All estimates were made in accordance with guidelines established by the Securities and Exchange Commission. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be

recoverable in future years from known reservoirs under existing economic conditions, i.e. prices and costs as of the date the estimate is made. Prices utilized reflect consideration of changes in existing prices provided by contractual arrangements, if any, but not of escalations based upon future conditions.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing equipment and operating methods.

Proved undeveloped oil and gas reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion or secondary or tertiary recovery. Reserves assigned to undrilled acreage are limited to those drilling units that offset productive units reasonably certain of production when drilled.

No major discovery or other favorable or adverse event has occurred since July 1, 1995 which is believed to have caused a significant change in the estimated proved oil and gas reserves of OEI.

OEI's estimate of reserves has not been filed with or included in reports to any federal agency other than the Securities and Exchange Commission.

Oil and gas reserve quantity estimates are subject to numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing and production may cause either upward or downward revision of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating costs. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of currently producing oil and gas properties. Accordingly, these estimates are expected to change as additional information becomes available in the future.

Oil and Gas Producing Activities:

	Oil and Condensate (Bbls)	Natural Gas (Mcf)
Total Proved Reserves:		
Balance, July 1, 1993:	-	-
Purchases of minerals-in-place		
129,291 7,338,452		
Production	(14,383)	(552,791)
Balance, June 30, 1994	114,908	6,785,661
Revisions of previous estimates	92,080	1,945,659
Purchases of minerals-in-place	1,515,559	6,036,937
Production	(40,330)	(770,197)
Balance, June 30, 1995	1,682,217	13,998,060
Proved Developed Reserves:		
July 1, 1993	-	-
June 30, 1994	114,908	6,785,661
June 30, 1995	750,604	11,203,232

Standardized Measure of Discounted Future Cash Flows

The following schedules present estimates of the standardized measure of discounted future net cash flows from the Company's proved reserves as of June 30, 1995, and an analysis of the changes in these amounts for the years ended June 30, 1995 and 1994. Estimated future cash flows are determined using year-end prices adjusted only for fixed and determinable increases for natural gas provided by contractual agreement (if any). Estimated future production and development costs are based on economic conditions at year-end. Future federal income taxes are computed by applying the statutory federal income tax rate of 34% to the difference between the future pretax net cash flows and the tax basis of proved oil and gas properties, after considering investment tax credits and net operating loss carry-forwards (if any), associated with these properties.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider probable reserves, anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

(in thousands)	June 30, 1995
Standardized Measure:	
Future cash inflows	$ 51,830
Future production costs	(11,852)
Future development costs	(6,160)
Future income taxes	(10,477)
Future after-tax net cash flows	$ 23,341
10% annual discount	(8,183)
Standardized Measure, June 30, 1995	$ 15,158
Changes in Standardized Measure:	
Standardized Measure, July 1, 1993	$ -
Oil and gas sales, net of production costs	(910)
Purchases of minerals in place	6,030
Net change in income taxes	(381)
Accretion of discount	-
Standardized Measure, June 30, 1994	$ 4,739
Oil and gas sales, net of production costs	(1,037)
Purchases of minerals in place	13,033
Net change in income taxes	(5,881)
Accretion of discount	512
Revision of quantity estimates	1,745
Change in future development costs	1,227
Other	820
Standardized Measure, June 30, 1995	$ 15,158

15. CASH FLOW DISCLOSURES

Supplemental cash flow disclosures for the years ended June 30, 1995 and 1994 are presented below:

(Thousands)	Year Ended June 30, 1995	Year Ended June 30, 1994
Interest paid	$ 1,422	$ 759
Taxes paid	53	10

Supplemental schedule of non-cash investing and financing transactions for the years ended June 30, 1995 and 1994 are presented below:

(Thousands)	Year Ended June 30, 1995	Year Ended June 30, 1994
Fair value of Common Stock issued for Odessa Exploration, Inc.	$ -	$ 638
Assumption of Odessa Exploration, Inc. liabilities	-	2,752
Acquisition of Odessa Exploration, Inc. property and equipment	-	3,196
Fair value of Common Stock issued for Clint Hurt Drilling	23	-
Fair value of Common Stock and Warrants issued for WellTech West Texas	8,647	-
Capital lease obligation reduced for purchase of asset	275	-
Proceeds on sale of assets not received	132	-
Property and equipment additions and acquisition costs not paid as of June 30th	1,015	-
Issuance of note payable in Clint Hurt Drilling acquisition	725	-

16. CONCENTRATIONS OF CREDIT RISK

The Company has a concentration of customers in the oil and gas industry. Substantially all of the Company's customers are major integrated oil companies, major independent producers of oil and gas and smaller independent producers. This may affect the Company's overall exposure to credit risk either positively or negatively, inasmuch as its customers are effected by economic conditions

in the oil and gas industry, which has historically been cyclical. However, accounts receivable are well diversified among many customers and a significant portion of the receivables are from major oil companies, which management believes minimizes potential credit risk. Historically, credit losses have

been insignificant. Receivables are generally not collateralized, although the Company may generally secure a receivable at any time by filing a mechanic's and materialmans' lien on the well serviced.

17. SUBSEQUENT EVENT

In August 1995, the Company announced an agreement to acquire, through a merger, WellTech. The Company will be the surviving entity in the merger. Consideration for the merger will be 3,500,000 shares of the Company's Common Stock and warrants to purchase 500,000 shares at $5.50 per share of the Company's Common Stock. In addition, pending the consummation of the merger, the Company has agreed to increase the purchase price warrants to purchase 250,000 shares of the Company's Common Stock (issued in connection with the purchase of WellTech West Texas, see below) from $5.00 per share to $5.50 per share. WellTech currently operates in the Southwest and Northeast areas of the United States and in Russia and Argentina. Consummation of the merger is subject to satisfaction of various conditions including, without limitation, definitive documentation, completion of due diligence and Board and shareholder approval and no assurance can be given that the merger will be consummated. WellTech's principal line of business is oil and gas well servicing. The transaction is expected to be completed in December of 1995.

INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Stockholders
Key Energy Group, Inc.

We have audited the accompanying consolidated balance sheet of Key Energy Group, Inc. and Subsidiaries as of June 30, 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended June 30, 1995 and 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Key Energy Group, Inc. and Subsidiaries as of June 30, 1995, and the results of their operations and their cash flows for the years ended June 30, 1995 and 1994, in the conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Midland, Texas
September 14, 1995

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS OF THE REGISTRANT; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

Incorporated herein by reference from the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on November 15, 1995.

ITEM 10. EXECUTIVE COMPENSATION.

Incorporated herein by reference from the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on November 15, 1995.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Incorporated herein by reference from the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on November 15, 1995.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Incorporated herein by reference from the Company's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on November 15, 1995.

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ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Reports on Form 8-K

There were no reports filed on Form 8-K during the fourth quarter of fiscal 1995.

(b) Index to Exhibits

The following exhibits have been filed with the Securities and Exchange Commission:

Exhibit 2 (a) Joint Plan of Reorganization, dated as of October 20, 1992, of the Company, ESKEY Inc. and YFC International Finance N.V. and Order, dated December 4, 1992, of the United States Bankruptcy Court for the District of New Jersey, approving the Joint Plan of Reorganization (Incorporated by reference to Exhibits 2 (a) and 28 (a) of the Company's Report on Form 8-K dated December 14, 1992, File No.1-8038).

Exhibit 2 (b) Agreement and Plan of Merger dated as of July 20, 1993, by and among the Company, OEI Acquisition Corp. and Odessa Exploration Incorporated. (Incorporated by reference to Exhibit 2(a) of the Company's Report on Form 8-K dated September 2, 1993, File No. 1- 8038).

Exhibit 2 (c) Asset Purchase Agreement dated as of December 10, 1993 between the Company and WellTech, Inc. (Incorporated by reference to exhibit 2(a) of the Company's report on Form 8-K dated August 17, 1974, File No. 1-8038).

Exhibit 3 (a) Articles of Incorporation, as amended, of the Company (Incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the year ended June 30, 1985, File No. 1-8038).

Exhibit 3 (b) Articles of Amendment to the Company's Articles of Incorporation, dated November 29, 1984 (Incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the year ended June 30, 1985, File No. 1-8038).

Exhibit 3 (c) Articles Supplementary to the Company's Articles of Incorporation filed with the State of Maryland on December 31, 1985 (Incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1985, File No. 1-8038).

Exhibit 3 (d) Articles Supplementary to the Company's Articles of Incorporation filed with the State of Maryland on June 27, 1986 (Incorporated by reference to Exhibit 3.4 to the Company's Annual Report on Form 10-K dated September 29, 1986, File No. 1-8038).

Exhibit 3 (e) Articles of Amendment of the Company's Articles of Incorporation filed on March 15, 1988 with the Maryland Department of Assessments and Taxation (Incorporated by reference to Exhibit 3 (a) of the Company's Registration Statement on Form S-1 filed on March 22, 1988, Registration No. 33-20782).

Exhibit 3 (f) Articles Supplementary to the Company's Articles of Incorporation filed on February 14, 1989 with the Maryland Department of Assessments and Taxation (Incorporated by reference to Exhibit 4.1 of the Company's Report on Form 8-K filed on February 28, 1989, File No. 1-8038.

Exhibit 3 (g) Articles of Merger amending the Company's Articles of Incorporation filed with the Maryland Department of Assessments and Taxation (Incorporated by reference to Exhibit 4.1 of the Company's Report on form 8-K, dated October 17, 1989, File No. 38).

Exhibit 3 (h) Articles of Merger amending the Company's Articles of Incorporation filed on December 8, 1992 with the Maryland Department of Assessments and Taxation with respect to the merger of the Company and ESKEY Inc. (Incorporated by reference to Exhibit 3 (b) of the Company's Report of Form 8-K dated December 14, 1992, File No. 1-8038).

Exhibit 3 (i) * Articles of Amendment amending the Company's Articles of Incorporation dated July 27, 1994

Exhibit 3 (j) * By-Laws of the Company, as amended.

Exhibit 3 (k) Articles of Merger, filed with the Delaware Secretary of State on August 4, 1993 with respect to the merger of Acquisition Corp. and Odessa Exploration. (Incorporated by reference to Exhibit 3 (a) of the Company's Report on Form 8-K dated September 2, 1993, File No. 1-8038).

Exhibit 3 (l) Articles of Merger, filed with the Texas Secretary of State on August 5, 1993 with respect to the merger of Acquisition Corp. and Odessa Exploration. (Incorporated by reference to Exhibit 3 (b) of the Company's Report on Form 8-K dated September 2, 1993, File No. 1-8038).

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Exhibit 10 (a) Employment Agreement between the Company and D. Kirk Edwards, dated as of July 20, 1993. (Incorporated by reference to Exhibit 10 (b) to the Company's Report on Form 8-K/A).

Exhibit 10 (b) Registration Rights Agreement between the Company and D. Kirk Edwards, dated as of July 20, 1993. (Incorporated by reference to Exhibit 10 (c) to the Company's Report on Form 8-K/A).

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Exhibit 10 (f)* Non-competition Agreement dated as of March 30, 1995 between the Company, Clint Hurt and Associates, Inc. and Clint Hurt.

Exhibit 10 (g)* Term Loan Agreements dated as of March 30, 1995, with Norwest Bank Texas, N.A.

Exhibit 21* Subsidiaries of the Registrant.

Exhibit 27* Financial Data Schedule.

_____

* Filed herewith.

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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 report 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: September 22, 1995

Pursuant to the requirements of the Securities and 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.

By /s/ Francis D. John

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

Dated: September 22, 1995

By /s/ Morton Wolkowitz

Morton Wolkowitz

Dated: September 22, 1995 Chairman of the Board and Director

By /s/ Van Greenfield

Van Greenfield
Dated: September 22, 1995 Director

By /s/ William Manly

William Manly
Dated: September 22, 1995 Director

By /s/ D. Kirk Edwards

D. Kirk Edwards
Dated: September 22, 1995 Director

By /s/ Danny R..Evatt

Danny R. Evatt
Dated: September 22, 1995 Chief Accounting Officer

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
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Exhibit 27* Financial Data Schedule.

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* Filed herewith.

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Exhibit 3(i)

ARTICLES OF AMENDMENT
KEY ENERGY GROUP, INC.

Key Energy Group, Inc. (the "Company") , a Maryland corporation having its Maryland office at c/o Prentice-Hall Corporation Systems, 11 East Chase Street, Suite 7C, Baltimore, Maryland 21202, hereby certifies to the State Department of Assessments and Taxation of Maryland:

FIRST: That the Charter of the Company is hereby amended by inserting a new subsection (5) to Article Seventh of the Charter of the Company to read as follows:

"(5) A director or an officer of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director or an officer, except to the extent that exculpation from liability is not permitted under the Maryland General Corporation Law as in effect when such breach occurred. No amendment or repeal of the provisions of this Article shall apply to or have any effect on the liability or alleged liability of any director or officer of the Company for or with respect to any acts or omissions of such director or officer occurring prior to such amendment or repeal."

SECOND: The Board of Directors of the Company, at a meeting duly called, noticed and held, adopted a resolution setting forth the foregoing Amendment to the Charter, declaring said Amendment of the Charter to be advisable and directing that the proposed Amendment be submitted for consideration at the Annual Meeting of Stockholders to be held on July 25, 1994.

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THIRD: Notice was duly given to the stockholders of the Company stating that a purpose of the Annual Meeting would be to act upon the proposed Amendment to the Charter and the notice and the proxy statement included the proposed language of the Amendment for consideration of the shareholders.

FOURTH: At the Annual Meeting of Shareholders held on July 25, 1994 (adjourned to July 26, 1994), which had been duly called and at which a quorum was present, two-thirds of all votes entitled to be cast on the matter were voted in favor of the proposed Amendment to the Charter.

FIFTH: The Amendment of the Charter of the Company as hereinabove set forth has been duly advised by the Board of Directors and approved by two-thirds of the stockholders of the Company.

IN WITNESS WHEREOF, the Company has caused these Articles of Amendment to be signed by Francis D. John, its President and Chairman of the Board, and attested by Diane Mack, its Secretary, this 27th day of July, 1994.

KEY ENERGY GROUP, INC.

By FRANCIS D. JOHN
Francis D. John, President and
Chairman of the Board

Attest:

/s/ DIANE MACK
Diane Mack, Secretary

Exhibit 3(j)

BYLAWS
OF
KEY ENERGY GROUP, INC.
(f/k/a National Environmental Group, Inc.
and The Yankee Companies, Inc.)

(A Maryland Corporation)

ARTICLE I

STOCKHOLDERS

1. CERTIFICATES REPRESENTING STOCK. Certificates representing shares of stock shall set forth thereon the statements prescribed by Sections 20207 and 2-211 of the Maryland General Corporation Law and by any other applicable provision of law and shall be signed by the President or the Chairman of the Board, if any, or a Vice-President and countersigned by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and may be sealed with the corporate seal or facsimile of it or in any other form. The signatures of any such officers may be either manual or facsimile signatures. In case any such officer who has signed manually or by facsimile any such certificate ceases to be such officer before the certificate is issued, it may nevertheless be issued by the corporation with the same effect as if the officer had not ceased to be such officer as of the date of its issue.

No certificate representing shares of stock shall be issued for any share of stock until such share is fully paid, except as otherwise authorized by the provisions of Section 2-210 of the Maryland General Corporation Law.

The corporation may issue a new certificate of stock in place of any certificate theretofore issued by it, alleged to have been lost, stolen, or destroyed, and the Board of Directors may, in its discretion, require the owner of any such certificate to give bond, with sufficient surety, to the corporation to indemnify it against any loss or claim that may arise by reason of the issuance of a new certificate.

Upon compliance with the provisions of Section 2-514 of the Maryland General Corporation Law, the Board of Directors of the corporation may adopt by resolution a procedure by which a stockholder of the corporation may certify in writing to the corporation that any shares registered in the name of the stockholder are held for the account of a specified person other than the stockholder.

2. FRACTIONAL SHARES INTERESTS OR SCRIP. The corporation may, but shall not be obliged to, issue fractional shares of stock, eliminate a fractional interest by rounding off to a full share of stock, arrange for the disposition of a fractional interest by the

person entitled to it, pay cash for the fair value of a fractional share of stock determined as of the time when the person entitled receive it is determined, or issue scrip or other evidence of ownership which shall entitle its holder to exchange such scrip or other evidence of ownership aggregating full share for a certificate which represents the Shares, but such scrip or other evidence of ownership shall not, unless otherwise provided, entitle the holder to exercise any voting right, or to receive dividends thereon or to participate in any of the assets of the corporation in the event of liquidation. The Board of Directors may impose any reasonable condition on the issuance of scrip or other evidence of ownership may cause such scrip or evidence of ownership to be issued subject to the condition that it Shall become void if not exchanged for a certificate representing a full share of stock before a specified date or subject to the condition that the snares for which such scrip or evidence of ownership is exchangeable may be sold by the corporation and the proceeds thereof distributed to the holders of such scrip or evidence of ownership, or subject to a provision for forfeiture of such proceeds to the

corporation if not claimed within a period of not less than three years from the date the scrip or other evidence of ownership was originally issued.

3. SHARE TRANSFERS. Upon compliance with provisions restricting the transferability of shares of stock, if any, transfers of shares of stock of the corporation shall be made only on the stock transfer books of the corporation by the record holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation or with a transfer agent or a registrar, if any, and on surrender of the certificate or certificates for such snares of stock properly endorsed and the payment of all taxes due thereon, if any.

4. RECORD DATE FOR STOCKHOLDERS. The Board of Directors may set a record date or direct that the stock transfer book be closed for a stated period for the purpose of making any proper determination with respect to stockholders, including which stockholders are entitled to notice of a meeting, to vote at a meeting, to receive a dividend, or to be allotted other rights; provided, that any such record date may not be more than sixty days before the date on which the action requiring the determination will be taken, that any such closing of the transfer books may not be for a period longer than twenty days, and that, in the case of a meeting of stockholders any such record date or any such closing of the transfer books shall be at least ten days before the date of the meeting. If a record date is not set, and, if the stock transfer books are not closed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the later of either the close of Business on the day on which notice of the meeting is mailed or the thirtieth day before the meeting, and the record date for determining stockholders entitled to receive payment of a dividend or an allotment of any rights shall be the close of business on the day on which the resolution of the Board of Directors declaring the dividend or allotment of rights is

adopted, but any such payment of a dividend or allotment of rights shall not be made more than sixty days after the date on which the resolution is adopted.

5. MEANING OF CERTAIN TERMS. As used herein in respect of the right to notice of a meeting stockholders or a waiver thereof or to participate or vote thereat or to consent or dissent in writing in lieu of a meeting, as the case may be, the term "share of stock" or "shares of stock" or "stockholder" or "stockholders" refers to an outstanding share or shares of stock and to a holder or holders of record of outstanding shares of stock when the corporation is authorized to issue only one class of shares of stock, and said reference is also intended to include any outstanding share or shares of stock and any holder or holders of record of outstanding shares of stock of any class or series upon which or upon whom the Articles of Incorporation confer such rights were there are two or more classes or series of shares or upon which or upon whom the provisions of the Maryland General Corporation Law may confer such rights or the right of dissent notwithstanding that the Articles of incorporation may provide for more than one class or series of shares of stock, one or more of which are limited or denied such rights thereunder.

6. STOCKHOLDER MEETINGS.

[See Amendment No. 1 to By-Laws attached hereto.]

- PLACE. Annual meetings and special meetings, shall be held at such place, either within the State of Maryland or at such other place within the United States, as the directors may, from time to time, set. Whenever the directors shall fail to set such place, or, whenever stockholders entitled to call a special meeting shall call the same, and a place of meeting is not set, the meeting shall be held at the principal office of the corporation in the State of Maryland.

- CALL. Annual meetings may be called by the directors or the President or any officer instructed by the directors or the President to call the meeting. Except as may be otherwise provided by the provisions of the Maryland General Corporation Law, special meetings may be called in like manner and shall be called by the Secretary whenever the holders of shares entitled to a least twenty-five per cent of all the votes entitled to the cast at such meeting shall make a duly authorized request that such meeting be called.

- NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER OF NOTICE. Written notice of all

meetings shall be given by the Secretary and shall state the time and place of the meeting. The notice of an annual meeting shall state that the meeting is called for the election of

directors and for the transaction of other business which may properly come before the meeting, and shall, (if any other action which could be taken at a special meeting is to be taken at such annual meeting) contain any additional statements required in a notice of a special meeting, and shall include a copy of any requisite statements or provisions prescribed by the provisions of the Maryland General Corporation Law; provided, however, that any business of the corporation may be transacted at any annual meeting without being specially noticed unless the provisions of the Maryland General Corporation Law provide otherwise. The notice of a special meeting shall in all instances state the purpose or purposes for which the meeting is called and shall include a copy of any requisite statements or provisions prescribed by the provisions of the Maryland General Corporation Law. Written notice of any meeting shall be given to each stockholder either by mail or personally delivered to him or by leaving it at his residence or usual place of business not less than ten days and not more than ninety days before the date of the meeting, unless any provisions of the Maryland General Corporation Law shall prescribe a different elapsed period of time, to each stockholder at this address appearing on the books of the corporation or the address supplied by him for the purpose of notice. If mailed, notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at his address as it appears on the records of the corporation with postage thereon prepaid. Whenever any notice of the time, place or purpose of any meeting of stockholders is required to be given under the provisions of the Articles of Incorporation, these Bylaws or of the provisions of the Maryland General Corporation Law, a waiver thereof in writing, signed by the stockholder and filed with the records of the meeting, whether before or after the holding thereof, or his presence in person or by proxy at the meeting shall be deemed equivalent to the giving of such notice to such stockholder. The foregoing requirements of notice shall also apply, whenever the corporation shall have any class of stock which is not entitled to vote, to holders of stock who are not entitled to vote at the meeting, but who are entitled to notice thereof and to dissent from any action taken thereat.

- STATEMENT OF AFFAIRS. The President of the corporation, or, if the Board of Directors shall determine otherwise, some other executive officer thereof, shall prepare or cause to be prepared annually a full and correct statement of the affairs of the corporation, including a balance sheet and a financial statement of operations for the preceding fiscal year, which shall be submitted at the Annual Meeting and placed on file within twenty days thereafter at the principal office of the corporation in the State of Maryland.

- CONDUCT OF MEETINGS. Meetings of the stockholders shall be presided over by one of the following officers in the order of seniority and if present and acting - the Chairman of the Board, if any, the Vice-Chairman of the Board, if any, the President, a Vice-President, or, if none of the foregoing is in office and present and acting, by a chairman to be chosen by the shareholders.

The Secretary of the corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the Chairman of the meeting shall appoint a Secretary of the meeting.

- PROXY REPRESENTATION. Every stockholder may authorize another person or persons to act for him by proxy in all matters in which a stockholder is entitled to participate, whether for the purposes of determining his presence at a meeting, or whether by waiving notice of any meeting, voting or participating at a meeting, or expressing consent or dissent without a meeting, or otherwise. Every proxy shall be executed in writing by the stockholder or by his duly authorized attorney in fact, and filed with the Secretary of the corporation. No proxy shall be valid more than eleven months from the date of its execution, unless the proxy provides otherwise.

- INSPECTORS OF ELECTION. The directors, in advance of any meeting, may, but need not, appoint one or more inspectors to act at the meeting or any

adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all notes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting or any stockholder, the inspector or inspectors, if any, shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them.

- QUORUM. Except as may otherwise be required by the provisions of the Maryland General Corporation Law, the Articles of Incorporation, or these Bylaws, the presence in person or by proxy at a meeting of the stockholders entitled to cast at least a majority of the votes entitled to be cast at the meeting shall constitute a quorum.

- VOTING. Each share of stock shall entitle the holder thereof to one vote except in the election of directors, at which each said note may be cast for as many persons as there are directors to be elected. Except as may otherwise be provided in the provisions of the Maryland General Corporation Law, the Articles of Incorporation or these Bylaws, a majority of all the votes cast at a meeting of

stockholders at which a quorum is present shall be sufficient to approve any matter which may properly come before the meeting.

7. INFORMAL ACTION. Any action required or permitted to be taken at any meeting of stockholders may be taken without a meeting if the following are filed with the records of the meeting: an unanimous written consent which sets forth the action and is signed by each stockholder entitled to vote on the matter, and, as applicable, a written waiver of any right to dissent signed by each stockholder entitled to notice of the meeting but not entitled to vote at it.

ARTICLE II

BOARD OF DIRECTORS

1. FUNCTIONS AND DEFINITION. The business and the affairs of the corporation shall be managed by or under the direction of its Board of Directors. All powers of the corporation may be exercised by or under authority of said Board of Directors. The use of the phrase "entire board" herein refers to the total number of directors which the corporation would have if there were no vacancies.

2. QUALIFICATIONS AND NUMBER. Each director shall be a natural person of full age. A director need not be a stockholder, a citizen of the United States, or a resident of the State of Maryland. The initial Board of Directors shall consist of three persons, which is the number set forth in the Articles of Incorporation. Thereafter the number of directors constituting the entire board shall be at least three. Except for the first Board of Directors, such number may be set from time to time by action of the stockholders or of a majority of the entire Board of Directors or, if the number is not so set, the number shall be three. The number of directors may be increased or decreased by an amendment to these Bylaws, provided, however, that the tenure of office of a director shall not be affected by any decrease in the number of directors.

3. ELECTION AND TERM. The first Board of Directors shall consist of the directors named in the Articles of Incorporation and shall hold office until the first annual meeting of stockholders or until their successors have been elected and qualified. [See Amendment No. 1 to By-Laws attached hereto.] In the interim between annual meetings of stockholders or of special meetings of stockholders

called for the election of directors, newly created directorships and any vacancies in the Board of Directors, including vacancies resulting from the removal of directors by the stockholders which have not been filled by said stockholders, may be filled by the Board of Directors. Newly created directorships filled by the Board of Directors shall be by

action of a majority of the entire Board of Directors. All other vacancies to be filled by the Board of Directors may be filled by a majority of the remaining members of the Board of Directors, whether or not sufficient to constitute a quorum.

4. MEETINGS.

-TIME. Meetings shall be held at such time as the Board shall set, except that the first meeting of a newly elected Board shall be held as soon after its election as the directors may conveniently assemble.

-PLACE. Meetings shall be held at such place within or without the State of Maryland as shall be set by the Board.

-CALL. No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman of the Board, if any, of the President, or of a majority of the directors in office.

-NOTICE OR ACTUAL OR CONSTRUCTIVE WAIVER. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. The notice of any meeting need not specify the business to be transacted or the purpose of the meeting. Whenever any notice of the time, place, or purpose of any meeting of directors or any committee thereof is required to be given under the provisions of the Maryland General Corporation Law or of these Bylaws, a waiver thereof in writing, signed by the director or committee member entitled to such notice and filed with the records of the meeting, whether before or after the meeting, or presence at the meeting, shall be deemed equivalent to the giving of such notice to such director or such committee member.

-QUORUM AND ACTION. A majority of the entire Board of Directors shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided such majority shall constitute at least one-third of the entire Board and, in no event, less than two directors. Except as in the Articles of Incorporation and herein otherwise provided and, except as provisions of the Maryland General Corporation Law otherwise provide, the action of the directors present at a meeting at which a quorum is present shall be the action of the Board of Directors. Members of the Board of Directors or of a committee thereof may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time; and participation by such means shall constitute presence at a meeting.

-CHAIRMAN OF THE MEETING. The Chairman of the Board. if any and if present and acting, shall preside at all meetings. Otherwise, the President, if present and acting, or any other director chosen by the Board, shall preside.

5. REMOVAL OF DIRECTORS. Any or all of the directors may be removed, with or without cause, at a meeting of stockholders by the vote of at least a majority of all the votes entitled to be cast for the election of directors. At the same meeting, the stockholders may elect a successor or successors to fill any resulting vacancy or vacancies for the unexpired term of the removed director or directors.

6. COMMITTEES. The Board of Directors may appoint from among its members an Executive Committee and other committees composed of two or more directors, and may delegate to such committee or committees any of the powers of the Board of

Directors except such powers as may not be delegated under the provisions of the Maryland General Corporation Law. In the absence of any member of any such committee, the members thereof present at any meeting, whether or not they constitute a quorum, may appoint a member of the Board of Directors to act in the place of such absent member.

7. INFORMAL ACTION. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board of Directors or any such committee, as the case may be, and such written consent is filed with the minutes of the proceedings of the Board or any such committee.

ARTICLE III

OFFICERS

The corporation shall have a President, a Secretary, and a Treasurer, and may have a Chairman of the Board, a Vice-Chairman of the Board and one or more Vice-Presidents, who shall be elected by the Board of Directors, and may also have such other officers, assistant officers, and agents as the Board of Directors shall authorize from time to time, each of whom shall be elected or appointed in the manner prescribed by the Board of Directors. The President shall be a director of the corporation. Any two or more offices, except those of President and Vice-President, may be held by the same person, but no person shall execute, acknowledge or verify any instrument in more than one capacity, if such instrument is required by law to be executed, acknowledged or verified by more than one officer. Unless otherwise provided in the resolution of election or appointment, each officer shall hold office until the meeting of the Board of Directors following the next annual meeting of stockholders and until his successor has been elected or appointed and qualified.

The officers and agents of the corporation shall have the authority and perform the duties in the management of the corporation as determined by the resolution electing or appointing them.

Any officer or agent may be removed by the Board of Directors whenever, in its judgment, the best interests of the corporation will be served thereby.

ARTICLE LV

PRINCIPAL OFFICE -- RESIDENT AGENT -- STOCK LEDGER

The address of the principal office of the corporation in the State of Maryland is 929 North Howard Street, c/o The Prentice-Hall Corporation System, Maryland, 929 North Howard Street, Baltimore City, Maryland, 21201.

The corporation shall maintain, at its principal office in the State of Maryland or at a business office or an agency of the corporation an original or duplicate stock ledger containing tile name and address of each stockholder and the number of shares of each Class held by each stockholder. Such stock ledger may be in written form or any other form capable of being converted into written form within a reasonable time for visual inspection.

The corporation shall keep at its principal office in the State of Maryland the original or a certified copy of the Bylaws, including all amendments, thereto, and shall duly file thereat the annual statement of affairs of the corporation.

ARTICLE V

CORPORATE SEAL

The corporate seal shall have inscribed thereon the name of the corporation and shall be in such form and contain other words and/or figures as the Board of Directors shall determine or the law require.

ARTICLE VI

CONTROL OVER BYLAWS

The power to adopt, alter, amend, and repeal the Bylaws is vested in the Board of Directors of the corporation.

ARTICLE VII

SEE AMENDMENT NO. 2

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AMENDMENT NO. 1 TO BY-LAWS

Adopted by the Board of Directors
of Key Energy Group, Inc. (the "Company")
on October 4, 1993

RESOLVED: that, pursuant to the power granted to the Board of Directors by Article VI of the By-laws of the Company:

(A) the first paragraph of Article I, Section 6 of the By-laws be, and it hereby is, amended to read in its entirety as follows:

"-- TIME. The annual meeting of stockholders shall be held for the election of directors and the transaction of any business within to powers of the corporation on the first Thursday in November or any day thereafter as determined by the directors. A special meeting shall be held on the date fixed by the directors."

and

(B) the second sentence of Article II, Section 6 of the By-laws be, and it hereby is, amended to read in its entirety as follows:

"Thereafter, directors who are elected at an annual meeting of stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors have been elected and qualified."

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Amendment No. 2

ARTICLE VII

Pursuant to Section 3-702(b) of the Maryland General Corporation Law, the acquisition of shares of the corporation's Common Stock, $.10 par value per share, by WellTech, Inc. or the current shareholders of WellTech, Inc. in connection with the sale by WellTech, Inc. to the corporation of certain assets used in WellTech's West Texas operations, is and shall be exempt from Subtitle 7 of the Maryland General Corporation Law; and to the extent, if any, that Section 3-602 of Subtitle 6 of the Maryland General Corporation Law would otherwise apply, it shall not apply to any business combination between the corporation and WellTech, Inc.

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KEY ENERGY GROUP, INC.

Resolutions Adopted at the October 4, 1993
Meeting of the Board of Directors

AMENDMENTS TO BY-LAWS

RESOLVED: that, pursuant to the power granted to the Board of Directors by Article VI of the By-laws of the Company:

(A) the first paragraph of Article I, Section 6 of the By-laws be, and it hereby is, amended to read in its entirety as follows:

" - TIME. The annual meeting of stockholders shall be held

for the election of directors and the transaction of any business within to powers of the corporation on the first Thursday in November or any day thereafter as determined by the directors. A special meeting shall be held on the date fixed by the directors.";

and

(B) the second sentence of Article II, Section 6 of the By-laws be, and it hereby is, amended to read in its entirety as follows:

"Thereafter, directors who are elected at an annual meeting of stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next annual meeting of stockholders and until their successors have been elected and qualified."

ANNUAL MEETING OF STOCKHOLDERS

RESOLVED: that the Annual Meeting of the Common Stockholders of the Company (the "Annual Meeting") scheduled to be held at the Hyatt Regency, 2 Albany Street, New Brunswick, New Jersey (or such other place as the Board of Directors may decide) on November 16, 1993, be, and it hereby is, postponed;

[RESOLVED: that the Annual Meeting shall be held at the Hyatt Regency, 2 Albany Street, New Brunswick, New Jersey (or such other place as the Board of Directors may decide) on , for the following purposes:

1. To elect Directors of the Company;

2. To approve the Stock Grant Plan;

3. To consider and act upon a proposed amendment to the Charter of the Company giving effect to certain provisions of Maryland law relating to the liability of directors and officers of the Company; and

4. To transact such other business as may properly come before the Annual Meeting or any adjournment or adjournments thereof.)

(RESOLVED: that the close of business on be, and it is, hereby fixed as the record date for determination of Common Stockholders entitled to notice of, and to vote at the Annual Meeting;]

(RESOLVED: that the President and the Secretary or any Assistant Secretary of the Company be, and each of them acting singly is, hereby authorized and directed, for and on behalf of the Company, to prepare or cause to be prepared and filed Notice of Annual Meeting of Stockholders, Proxy Statement and Proxy Card (the "Proxy Materials") in connection with the Annual Meeting; and that the President, the Secretary and the Treasurer of the Company be, and each of them acting singly is, hereby authorized to take all such reasonable actions, as they, or any of them, shall deem proper to effect the holding of the Annual Meeting, including the solicitation of proxies in connection therewith, all in accordance with the applicable requirements of law, and that any such action taken hereunder, is confirmed, ratified and approved;]

(RESOLVED: that the filing of the Proxy Materials with the Securities and Exchange Commission ("SEC") on behalf of the Company by Sullivan & Worcester be, and it is, hereby authorized, approved and directed, and that the President, the Secretary and Treasurer of the Company be, and each of them acting singly is, hereby authorized to cause to be prepared and to be filed with the SEC (i) such amendments to the Proxy Materials as they, or any of them, may determine to be necessary, appropriate or desirable, with the advice of counsel, and (ii) definitive Proxy Materials, including Notice of Annual Meeting of Stockholders, Proxy Statement and Proxy Card, and to cause such definitive Proxy Materials, to be mailed to the Common Stockholders

of the Company with the notice of such Annual Meeting;]

(RESOLVED: that Francis D. John and Danny R. Evatt, be, and they are, and each of them singly is, hereby

designated as the persons to be named as proxies in the form of Proxy Card to be distributed to the Common Stockholders of the Company;]

[RESOLVED: that the President, the Secretary and the Treasurer of the Company be, and each of them acting singly is, hereby authorized to execute and deliver or file such other instruments and documents, and to do and perform such further acts and things, as they, or any of them, may determine to be necessary, appropriate or desirable to carry out the foregoing resolutions relating to the Annual Meeting of Stockholders;]

EXECUTIVE COMMITTEE

RESOLVED: that pursuant to Article II, Section 6 of the By-Laws of the Company, the Board appoint, and hereby does appoint an Executive Committee to be comprised of Messrs. Greenfield, John and Wolkowitz with Mr. John to serve as Chairman and such Executive Committee shall have such powers as shall be delegated to them by the Board, consistent with Maryland General Corporation Law.

MISCELLANEOUS

RESOLVED: that all actions taken and all documents, agreements and instruments executed, delivered and filed on behalf of the Company by the officers of the Company prior to the date hereof in connection with the amendment to the By-laws of the Company and the Annual Meeting of Stockholders, are hereby ratified, approved and adopted in all respects; and

RESOLVED: that the President and the Secretary or any Assistant Secretary of the Company be, and each of them acting singly is, hereby authorized from time to time in the name and on behalf of the Company, and under its corporate seal if desired, execute, make oath to, acknowledge and deliver any and all such agreements, orders, directions, certificates and other instruments and papers, and to do or cause to be done any and all such other acts and things as may be shown by such officer's execution and performance thereof to be in such officer's judgment necessary, desirable or convenient in connection with the amendment to the By-laws of the Company and the Annual Meeting of Stockholders and the consummation of the other transactions and the performance of the obligations of the Company contemplated by the foregoing resolutions.

June 1994

Pursuant to Section 3-702(b) of the Maryland General Corporation Law, the acquisition of shares of the corporation's Common Stock, $.10 par value per share, by WellTech, Inc. or the current shareholders of WellTech, Inc. in connection with the sale by WellTech, Inc. to the corporation of certain assets used in WellTech's West Texas operations, is and shall be exempt from Subtitle 7 of the Maryland General Corporation Law; and to the extent, if any, that Section 3-602 of Subtitle 6 of the Maryland General Corporation Law would otherwise apply, it shall not apply to any business combination between the corporation and WellTech, Inc.

Exhibit 10(d)

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT, dated as of March 30, 1995, by and among Key Energy Group, Inc., a Maryland corporation (the "Company"), Clint Hurt & Associates, Inc., a Texas corporation (the "Corporate Securityholder"), and solely for purposes of being granted the registration rights specified in Section 3 below, Clint Hurt, an individual resident of the State of Texas (the "Individual Securityholder").

This Agreement is being entered into in connection with that certain Security Agreement and Agreement to Issue Shares of Common Stock of even date herewith (the "Issue Agreement") between the Company and the Corporate Securityholder, pursuant to which the Corporate Securityholder has been granted the right to acquire certain shares of the Common Stock, $.10 par value of the Company (the "Securities").

To induce the Corporate Securityholder to enter into the transactions contemplated by the Issue Agreement and to induce the Individual Securityholder to cause the Corporate Securityholder to enter into such transactions, the Company has undertaken to register Registrable Securities under the Securities Act and to take certain other actions with respect to the Securities. This Agreement sets forth the terms and conditions of such undertaking.

In consideration of the premises and the mutual agreements set forth herein, the parties hereto hereby agree as follows:

1. Definitions.

Unless otherwise defined herein, capitalized terms used herein and in the recitals above shall have the following meanings:

"Affiliate" has the meaning given to such term in Rule 12b-2 under the Exchange Act.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Boston, Massachusetts are authorized or required by law to be closed.

"Closing Date" means the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, and the rules and regulations thereunder, as from time to time in effect, or any similar or successor statute, rules and regulations.

"Control" has the meaning given to such term in Rule 12b-2 under the Exchange Act.

"Commission" means the United States Securities and Exchange Commission or any successor agency or authority.

"Exchange Act" means the Securities Exchange Act of 1934, and the rules and regulations thereunder, as from time to time in effect, or any similar or successor statute, rules and regulations.

"Expenses" means, except as set forth in Section 4, all expenses incident to the Company's performance of or compliance with its obligations under this Agreement, including, without limitation, all registration, filing and listing fees, all fees and expenses of complying with state securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees, disbursements and other charges of counsel for the Company and of its independent public accountants, including the expenses incurred in connection with "cold comfort" letters required by or incident to such performance and compliance, any fees and disbursements of underwriters customarily paid by issuers or sellers of securities and the reasonable fees, disbursements and other charges of one firm of counsel (per registration prepared) to the holders of Registrable Securities making a request pursuant to Section 2 or 3, but excluding underwriting discounts and commissions and

applicable transfer taxes, if any, which discounts, commissions and transfer taxes shall be borne by the seller or sellers of Registrable Securities in all cases; provided, however, that, with respect to any registration pursuant to the provisions of Section 3, the term "Expenses" shall be limited to expenses of the seller or sellers of Registrable Securities with respect to legal and accounting fees and expenses and its or their pro rata share of other Expenses customarily paid by Persons exercising rights of a nature specified in Section 3.

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, governmental or regulatory body or subdivision thereof or other entity.

"Public Offering" means a public offering and sale of the Securities pursuant to an effective registration statement under the Securities Act.

"Purchase Date" means the date upon which the Corporate Securityholder acquired the Securities pursuant to the terms of the Issue Agreement.

"Registrable Securities" means, with respect to the Individual Securityholder, 5,000 shares of Securities and, with respect to the Corporate Securityholder, the number of shares of Securities acquired by the Corporate Securityholder pursuant to the terms of the Issue Agreement. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act, (b) they shall have been sold as permitted by Rule 144 (or any successor provision) under the Securities Act, or provided that at the time such securities are proposed to be sold, they may be sold under Rule 144 without any limitation on the amount of such securities which may be sold or (c) they shall have ceased to be outstanding.

"Regulation S-X" means Regulation S-X, as amended, or any successor statute.

"Requesting Holder" has the meaning set forth in Section 3.

"Securities" means the Common Stock, $.10 par value, of Key Energy Group, Inc.

"Securities Act" means the Securities Act of 1933, and the rules and regulations thereunder, as from time to time in effect, or any similar or successor statute, rules and regulations.

"Securityholders" means, collectively, the Corporate Securityholder and the Individual Securityholder and individually, either the Corporate Securityholder or the Individual Securityholder.

"Transfer" means any transfer, sale, assignment, pledge, hypothecation or other disposition of any interest. "Transferor" and "Transferee" have correlative meanings.

2. Securities Act Registration on Request.

(a) Request. Following the Purchase Date, in the event that the Corporate Securityholder:

(i) has not been afforded the opportunity to have Registrable Securities registered under the Securities Act pursuant to the provisions of Section 3 on or prior to June 30, 1995 and has not otherwise disposed of all the Registrable Securities, the Corporate Securityholder may make a written request to the Company, at any time after June 30, 1995, for the registration with the Commission under Rule 415 of the Securities Act of all of the Corporate Securityholder's Registrable Securities, specifying the intended method of disposition thereof; or

(ii) has been afforded the opportunity to have Registrable Securities registered under the Securities Act pursuant to the provisions of Section 3 on or prior to June 30, 1995, but has chosen not to register any Registrable Securities thereby and has not otherwise disposed of all the Registrable Securities, the Corporate Securityholder may make a written

request to the Company, at any time after the Company has filed with the Commission its Annual Report on Form 10-K for the year ended June 30, 1994, for the registration with the Commission under Rule 415 of the Securities Act of all of the Corporate Securityholder's Registrable Securities, specifying the intended method of disposition thereof; or

(iii) has registered a portion of its Registrable Securities under the Securities Act pursuant to the provisions of Section 3 on or prior to June 30, 1995, and has not otherwise disposed of the remaining Registrable Securities, the Corporate Securityholder may make a written request to the Company, at any time after the first to occur of (x) the expiration of any "lock-up" period provided for in an underwriting agreement which relates to the Public Offering in which the Corporate Securityholder participated, or (y) 120 days after the effective date of such Public Offering, for the registration with the Commission under Rule 415 of the Securities Act of all of the Corporate Securityholder's remaining Registrable Securities, specifying the intended method of disposition thereof.

(b) Shelf Registration. Upon the occurrence of any request for registration pursuant to this Section, the Company will use its reasonable business efforts to effect, at the earliest possible date, such shelf registration pursuant to Rule 415 promulgated under the Securities Act (the "Shelf Registration"), of the Registrable Securities for disposition in accordance with the intended method stated in such request, and the extent necessary to permit the disposition of the Registrable Securities so to be registered; provided, however, that,

(i) the Company shall not be required to effect more than one registration (determined in accordance with the provisions of the last paragraph of Section 2(e)) pursuant to this Section,

(ii) subject to the provisions of Section 2(e), the Corporate Securityholder, by written notice to the Company received by the Company within ten Business Days after the date of the request for such registration, may withdraw such request and, on receipt of such notice of the withdrawal of such request from the Corporate Securityholder, the Company shall not effect such registration, and

(iii) except as otherwise provided in subsection (a)(ii) of this Section 2, if the Company shall have filed a registration statement with respect to the sale of its securities in a primary offering or pursuant to the request of other securityholders whose agreement so requires, the Company shall not be required to effect any registration statement until 120 days (unless the managing underwriter in any such offering shall have agreed to a shorter period of not less than 60 days) shall have elapsed from the effective date of such registration statement, provided that such time period during which the Company is not required to effect any registration statement hereunder shall not exceed 180 days from the date of filing of such registration statement unless the Company is diligently and with good faith using its reasonable business efforts to have the registration statement declared effective by the Commission.

(c) Registration of Other Securities. If the Company shall effect a registration pursuant to this Section, except as otherwise set forth in Section 11(c), no securities other than the Registrable Securities shall be included among the securities covered by such registration unless the Corporate Securityholder shall have consented in writing to the inclusion of such other securities.

(d) Registration Statement Form. Registrations under this Section shall be on such appropriate registration form prescribed by the Commission under the Securities Act as shall be selected by the Company and as shall permit the disposition of such Registrable Securities in accordance with the intended method of disposition specified in the request for registration. The Company agrees to include in any such registration statement all information which the Corporate Securityholder, upon advice of counsel, shall reasonably request. The Company may, if permitted by law, effect any registration requested under this Section by the filing of a registration statement on Form S-3 (or any successor or similar short form registration statement).

(e) Effective Registration Statement. A registration requested pursuant to this Section shall not be deemed to have been effected

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(i) unless a registration statement with respect thereto has been declared effective by the Commission and remains effective in compliance with the provisions of the Securities Act and, subject to the provisions of Section 5(d), the laws of any state or other jurisdiction of the United States applicable to the disposition of all Registrable Securities covered by such registration statement until such time as all of such Registrable Securities have been disposed of in accordance with such registration statement; provided, however, such period need not exceed 6 months, or

(ii) if, after it has become effective and Securities registered thereunder remain unsold, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental or regulatory agency or court for any reason other than a violation of applicable law solely by the Corporate Securityholder or any underwriter and has not thereafter become effective.

The Corporate Securityholder may at any time within the time period set forth in Section 2(b)(ii) terminate its request for registration made pursuant to Section 2(a). The first termination of a request for the preparation of a registration statement pursuant to Section 2(a), other than a termination pursuant to Section 8, shall not be deemed to be a registration effected pursuant to this Section if such first termination occurs prior to the filing of such registration statement with the Commission. The second termination (and the first termination if subsequent to the filing of the applicable registration statement with the Commission) of a request for the preparation of a registration statement pursuant to Section 2(a), other than a termination pursuant to Section 8, each shall be deemed to constitute a registration effected pursuant to this Section and shall relieve the Company of any further obligation or liability to comply with the provisions of this Section.

3. Piggyback Registration.

If the Company at any time after the date hereof and prior to March 30, 1997 proposes to register any of its securities under the Securities Act by registration on any forms other than Form S-4 or Form S-8 (or any successor or similar forms), whether or not pursuant to registration rights granted to other holders of its securities and whether or not for sale for its own account, it shall, subject to the provisions of applicable federal and state securities laws, at any time during which either Securityholder may request registration of Securities pursuant to this Section, give prompt written notice to the Securityholders eligible for registration pursuant to this Section 3 of its intention to do so and of any such Securityholder's rights (if any) under this Section, which notice, in any event, shall subject to the provisions of applicable federal and state securities laws, be given at least ten Business Days prior to such proposed registration. Upon the written request of either Securityholder (the "Requesting Holder") made within ten Business Days after the receipt of any such notice, which request shall specify the Registrable Securities intended to be disposed of by such Requesting Holder and the intended method of disposition, the Company, subject to Section 6(b), shall effect the registration under the Securities Act of Registrable Securities which the Company has been so requested to register by the Requesting Holders thereof; provided, however, that,

(a) prior to the effective date of the registration statement filed in connection with such registration, immediately upon notification to the Company from the

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managing underwriter of the price at which such Securities are to be sold, the Company shall so advise the Requesting Holders of such price, and if such price is below the price which the Requesting Holders shall have indicated to be acceptable to such Requesting Holders, the Requesting Holders shall then have the right to withdraw (within such period of time as is practicable under the circumstances but in no event more than 3 hours after such advice) its request to have its Registrable Securities included in such registration statement,

(b) if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to the Requesting Holders and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from any obligation of the Company to pay the Expenses in connection therewith), without prejudice, however, to the rights of the Requesting Holders to include Registrable Securities in any future registration (or registrations) prior to June 30, 1995 with respect to the Corporate Securityholder and March 30, 1997 with respect to the Individual Securityholder, pursuant to this Section or to cause such registration to be effected as a registration under Section 2 (if available to such Requesting Holder), and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities, and

(c) the Company shall not be required to effect the registration of Registrable Securities pursuant to this Section unless the Company has satisfied requests of other securityholders of the Company to register Securities pursuant to the terms of registration rights agreements with the Company existing as of the date hereof and unless consents of such securityholders have been obtained to the extent required under such registration rights agreements.

4. Registration Expenses.

The Company shall pay all Expenses in connection with any registration initiated pursuant to Section 2 or 3, whether or not such registration shall become effective and, with respect to a registration initiated pursuant to Section 2 or 3 whether or not all or any portion of the Registrable Securities originally requested to be included in such registration are ultimately included in such registration. Notwithstanding the foregoing, with respect to the first, if any, request for registration made pursuant to Section 2 which is withdrawn or terminated by either Securityholder prior to the filing of the registration statement with the Commission, the Expenses incurred in connection with such request shall be borne by such Securityholder.

5. Registration Procedures.

If and whenever the Company is required to effect the registration of any Registrable Securities under the Securities Act as provided in Sections 2 and 3 (subject to paragraph (b) of Section 3), the Company shall, as expeditiously as possible:

(a) prepare and file with the Commission promptly the requisite registration statement to effect such registration and thereafter use its reasonable business efforts to cause such registration statement to become effective; provided, however, that in the event the Company, in the exercise of its reasonable business judgment, determines that the filing of such registration statement with the Commission will have a material adverse effect on its ability to consummate a material business transaction, whether or not publicly disclosed, the date for filing such registration statement may be extended for an additional 90 days and further provided, that the Company may discontinue any registration of its securities that are not Registrable Securities (and, under the circumstances specified in Section 3, its securities that are Registrable Securities) at any time prior to the effective date of the registration statement relating thereto;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement until such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration

statement; provided, however, that such period need not extend beyond 6 months after the effective date of the registration statement;

(c) furnish to the Securityholders with respect to the Registrable Securities covered by such registration statement such number of copies of such drafts and final conformed versions of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of such drafts and final versions of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as such seller may reasonably request;

(d) use its reasonable business efforts (i) to register or qualify all Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such states or other jurisdictions of the United States of America as the sellers of Registrable Securities covered by such registration statement shall reasonably request, (ii) to keep such registration or qualification in effect for so long as such registration statement remains in effect, and (iii) to take any other action that may be reasonably necessary or advisable to enable such sellers to consummate the disposition in such jurisdictions of the securities to be sold by such sellers, except that the Company shall not for any such purpose be required to qualify generally to do

business as a foreign corporation or subject itself to general taxation in any jurisdiction wherein it would not but for the requirements of this subsection be obligated to be so qualified or be so taxable or to consent to general service of process in any such jurisdiction;

(e) use its reasonable business efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other federal or state governmental agencies or authorities as may be necessary in the opinion of counsel to the Company and counsel to the Securityholders to enable the Securityholders to consummate the disposition of such Registrable Securities;

(f) furnish to the Securityholders in an underwritten Public Offering, and the Securityholders' underwriter, if any, a signed

(i) opinion of counsel for the Company, dated the effective date of such registration statement and dated the date of the closing under the underwriting agreement, reasonably satisfactory in form and substance to such seller, and

(ii) "comfort" letter, dated the effective date of such registration statement and dated the date of the closing under the underwriting agreement and signed by the independent public accountants who have certified the Company's financial statements included or incorporated by reference in such registration statement, reasonably satisfactory in form and substance to such seller,

covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' comfort letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' comfort letters delivered to underwriters in underwritten Public Offerings of securities and, in the case of the accountants' comfort letter, such other financial matters, and, in the case of the legal opinion, such other legal matters, as the sellers of the Registrable Securities covered by such registration statement, or the underwriters, if any, may reasonably request;

(g) notify the Securityholders at any time when a prospectus relating to the Registrable Securities is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to

make the statements therein not misleading in the light of the circumstances under which they were made, and, at the request of either Securityholder, promptly prepare and furnish to it a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus, as supplemented or amended, shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(h) otherwise comply in all material respects with all applicable rules and regulations of the Commission and any other governmental agency or authority having jurisdiction over the offering, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with no later than the first full calendar quarter after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder, and furnish to the Securityholders at least five days prior to the filing thereof or such shorter period as is reasonable under the circumstances, a copy of any amendment or supplement to such registration statement or prospectus;

(i) enter into such agreements and take such other actions as the Securityholders shall reasonably request in order to expedite or facilitate the disposition of their respective Registrable Securities; and

(j) for such period of time required by the Securities Act or the Exchange Act, following the date the registration statement being effected is declared effective by the Commission, file with the Commission all periodic information, documents and reports required pursuant to Section 13 of the Exchange Act in respect of a security registered pursuant to Section 12 of the Exchange Act.

The Company may require each Securityholder to furnish the Company such information regarding such Securityholder and the distribution of such securities as the Company may from time to time reasonably request in writing and as is required by applicable laws and regulations.

The Securityholders agree that as of the date that a final prospectus is made available to it for distribution to prospective purchasers of Registrable Securities they shall cease to distribute copies of any preliminary prospectus prepared in connection with the offer and sale of such Registrable Securities. The Securityholders further agree that, upon receipt of any notice from the Company of the happening of any event of the kind described in paragraph (g) of this Section, they shall forthwith discontinue disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until it has received copies of the supplemented or amended prospectus contemplated by subsection (g) of this Section and, if so directed by the Company, shall deliver to the Company (at the Securityholder's expense) all copies, other than permanent file copies, then in its possession of the prospectus relating to such Registrable Securities that are current at the time of receipt of such notice. If any event of the kind described in paragraph (g) of this Section occurs and such event is the fault solely of any Securityholder, notwithstanding the provisions of this Agreement, such Securityholder shall pay all Expenses attributable to the preparation, filing and delivery of any supplemented or amended prospectus contemplated by paragraph (g) of this Section.

6. Underwritten Offerings.

(a) Piggyback Underwritten Offerings, Priority. If the Company proposes to register any of its securities under the Securities Act as contemplated by Section 3 and such securities are to be distributed by or through one or more underwriters, the Company shall, if requested

by either Securityholder, use its reasonable business efforts to arrange for such underwriters to include the Registrable Securities to be offered and sold by such Securityholder among the securities of the Company to be distributed by such underwriters; provided, however, that, if the managing underwriter of such underwritten offering shall advise the Company in writing (with a copy to such Securityholder) that if all the Registrable Securities requested to be included in such registration were so included, in its opinion, the aggregate number of shares of Registrable Securities, if any, proposed to be included in such registration would exceed the aggregate number of shares of such Registrable Securities and other securities which could be sold in such offering within a price range acceptable to the Company and such Securityholder (such writing to state the basis of such opinion and the approximate aggregate number of shares of Registrable Securities, if any which may be included in such offering without such effect), then the Company shall include in such registration, to the extent of the aggregate number of shares of such Registrable Securities and other securities which the Company is so advised can be sold in such offering, (i) first, securities that the Company proposes to issue and sell for its own account, (ii) second, Registrable Securities requested to be registered by other securityholders of the Company who are parties to any registration rights agreements with the Company existing as of the date hereof, and (iii) third, the Securityholders pursuant to Section 3. Any Securityholder may withdraw its request to have all or any portion of its Registrable Securities included in such offering by notice to the Company within a reasonable period of time (not to exceed five days) after receipt of a copy of a notice from the managing underwriter pursuant to this Section.

(b) Holder of Registrable Securities to be Party to Underwriting Agreement. The Securityholders shall, with respect to Registrable Securities to be distributed by underwriters in an underwritten offering contemplated by subsection (a) of this Section, be a party to the underwriting agreement between the Company and such underwriters. The Securityholders shall be required to make such reasonable representations or warranties to or agreements with the Company or the underwriters as may be reasonably required by the Company or the underwriters.

(c) Selection of Underwriters for Piggyback Underwritten Offering. The underwriter or underwriters of each piggyback underwritten offering pursuant to this Section shall be selected by the Company.

(d) Holdback Agreements. The Securityholders agree, if so required by the managing underwriter for any underwritten offering pursuant to this Agreement, not to effect any public sale or distribution of any securities of the Company issued after the date hereof during the ten days prior to the date on which an underwritten registration pursuant to Section 3 has become effective and until the later of the date on which the Public Offering to which such registration relates is completed or 90 days after the effective date of such underwritten registration, except as part of such underwritten registration.

7. Preparation: Reasonable Investigation.

(a) Registration Statements. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, the Company shall give the Securityholders, if Registrable Securities are registered under such registration

statement, the underwriters, if any, and their respective counsel and accountants the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and shall give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of any such holders', and such underwriters', respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act. Notwithstanding the foregoing, the Securityholders acknowledge and agree that with respect to counsel and accountants for the Securityholders, the Company shall be under no obligation to allow participation and access to more than one law firm and one accounting firm mutually selected by the Securityholders.

(b) Confidentiality. The Securityholders shall maintain the confidentiality of any confidential information received from or otherwise made available by the

Company to the Securityholders in the course of preparation of registration statements pursuant to Sections 2 and 3 and identified in writing by the Company as confidential. Information that (i) is or becomes available to any Securityholder from a public source, (ii) is disclosed to any Securityholder by a third-party source who such Securityholder reasonably believes has the right to disclose such information or (iii) is or becomes required to be disclosed by any Securityholder by law, including by court order, shall not be deemed to be confidential information for purposes of this Agreement. The Securityholders shall not grant access, and the Company shall not be required to grant access, to information under this Section to any Person who will not agree to maintain the confidentiality (to the same extent as the Securityholders are required to maintain confidentiality) of any confidential information received from or otherwise made available to them by the Company or the Securityholders under this Agreement and identified in writing by the Company as confidential.

(c) Cooperation by the Company. The Company agrees to cooperate with the Securityholders in the marketing of Registrable Securities offered pursuant to a registration statement prepared pursuant to Section 3, including making available on a reasonable basis officers and employees of the Company to participate in conference calls, meetings, and "road shows" with prospective purchasers.

8. Postponements.

If the Company shall fail to file any registration statement to be filed pursuant to a request for registration under Section 2, the Corporate Securityholder shall have the right to withdraw the request for registration.

9. Indemnification.

(a) Indemnification by the Company. In the case of any registration statement filed by the Company pursuant to Section 2 or 3, the Company shall, and hereby agrees to, indemnify and hold harmless, the Securityholders and each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who Controls such holder or seller or any such underwriter, and their respective directors, officers,

partners, agents and Affiliates (each, a "Company Indemnitee" for purposes of this Section), against any losses, claims, damages, liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof), joint or several, and expenses, including, without limitation, the reasonable fees, disbursements and other charges of legal counsel and reasonable costs of investigation, to which such Company Indemnitee may become subject under the Securities Act or otherwise (collectively, a "Loss" or "Losses" , insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered or otherwise offered or sold under the Securities Act or otherwise, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto (collectively, "Offering Documents"), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading; provided, however, the Company shall not be liable in any such case to the extent that any such Loss arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such Offering Documents in reliance upon and in conformity with information furnished to the Company by or on behalf of such Company Indemnitee for use therein; and provided, further, however, that the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities or any other Person, if any, who Controls such underwriter, or to any Company Indemnitee in a registration pursuant to Section 2, in any such case to the extent that any such Loss arises out of such Person's failure to send or give a copy of the final prospectus, as the same may be then supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Company Indemnitee and shall survive the transfer of such securities by such Company Indemnitee.

(b) Indemnification by the Offerors and Sellers. In connection with any registration statement filed by the Company pursuant to Section 2 or 3 in which either Securityholder has registered for sale Registrable Securities, such Securityholder shall, and hereby agrees to, indemnify and hold harmless the Company and each of its directors and officers and each other Person, if any, who Controls the Company (each, a "Securityholders Indemnitee" for purposes of this Section), against all Losses insofar as such Losses arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Offering Documents or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in the light of circumstances in which they were made not misleading, if such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with information furnished to the Company by such Securityholders for use therein. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of the Securityholder Indemnitee and shall survive the transfer of such securities by such holder of Registrable Securities.

(c) Notices of Losses, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a Loss referred to in the preceding subsections of this Section, such indemnified party will, if a claim in respect thereof is to be

made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, the indemnifying party shall be entitled to participate in and, unless in such indemnified party's reasonable judgment, based upon the written advice of its counsel, a conflict of interest between such indemnified and indemnifying parties may exist in respect of such Loss, to assume and control the defense thereof, in each case at its own expense, jointly with any other indemnifying party similarly notified, to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after its assumption of the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall be liable for any settlement of any such action or proceeding effected without its written consent, which consent shall not be unreasonably withheld, delayed or conditioned. No indemnifying party shall, without the consent of the indemnified party, which consent shall not be unreasonably withheld, delayed or conditioned, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such Loss or which requires action on the part of such indemnified party or otherwise subjects the indemnified party to any obligation or restriction to which it would not otherwise be subject.

(d) Other Indemnification. The Company and the Securityholders shall, with respect to any required registration or other qualification of securities under any federal or state law or regulation of any governmental authority other than the Securities Act, indemnify Securityholders Indemnitees and Company Indemnitees, respectively, against Losses, or, to the extent that indemnification shall be unavailable to a Securityholders Indemnitee or Company Indemnitee, contribute to the aggregate Losses of such Securityholders Indemnitee or Company Indemnitee in a manner similar to that specified in the preceding subsections of this Section (with appropriate modifications).

(e) Indemnification Payments. The indemnification and contribution required by this Section shall be made by periodic payments of the amount thereof during the course of any investigation or defense, as and when bills are received or any Loss is incurred.

10. Amendments and Waivers: Assignment.

(a) Amendments and Waivers. This Agreement may not be modified or amended except by a written agreement signed by the party against whom enforcement of such amendment or modification is sought.

(b) Assignment. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and may not be assigned without the express written consent of the Company. If the Company consents to the assignment by either Securityholder to any Transferee (as permitted under applicable law) of its Registrable Securities, such Transferee shall agree in writing with the parties hereto prior to the assignment to be bound by this

Agreement as if it were an original signatory hereto, whereupon such assignee shall for all IV purposes be deemed to be a Securityholder with the rights granted to the Securityholder transferring such Registrable Securities under this Agreement. The Company may not assign this Agreement or any right, remedy, obligation or liability arising hereunder or by reason hereof, except pursuant to any merger, consolidation or sale of substantially all of its assets and business.

11. Miscellaneous.

(a) Further Assurances. Each of the parties hereto shall execute such documents and other papers and perform such further acts as may be reasonably required or desirable to carry out the provisions of this Agreement and the transactions contemplated hereby.

(b) Headings. The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

(c) Other Registration Rights Agreements. Notwithstanding any other provision of this Agreement, the rights granted to the Securityholders pursuant to this Agreement are expressly subordinated to the rights granted to other securityholders of the Company who have executed registration rights agreements with the Company as of the date hereof.

(d) Remedies. The Securityholders, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of their respective rights under this Agreement. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Agreement.

(e) Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and there are no restrictions, promises, representations, warranties, covenants, or undertakings with respect to the subject matter hereof, other than those expressly set forth or referred to herein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof.

(f) Notices. Any notices or other communications to be given hereunder by any party to another party shall be in writing, shall be delivered personally, by telecopy, by certified or registered mail, postage prepaid, return receipt requested, or by Federal Express or other comparable delivery service, to the address of the party set forth on Schedule A hereto or to such other address as the party to whom notice is to be given may provide in a written notice to the other parties hereto, a copy of which shall be on file with the Secretary of the Company. Notice shall be effective when delivered if given personally, when receipt is acknowledged if telecopied, three days after mailing if given by registered or certified mail as described above, and one business day after deposit if given by Federal Express or comparable delivery service.

(g) Governing Law. THIS AGREEMENT IS INTENDED TO AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

(h) Severability. Notwithstanding any provision of this Agreement, neither the Company nor any Securityholder shall be required to take any action which would be in violation of any applicable federal or state securities law. The invalidity or unenforceability of any provision of this Agreement in any

jurisdiction shall not affect the validity, legality or enforceability of any other provision of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

(i) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

KEN ENERGY GROUP INC.

By /s/ DANNY R. EVATT
Name: Danny R. Evatt
Title: Sec./CAO

CLINT HURT & ASSOCIATES, INC.

By /s/ CLINT HURT
Name: Clint Hurt
Title: President

/s/ CLINT HURT
Clint Hurt

Exhibit 10(e)

ASSET PURCHASE AND SALE AGREEMENT

This Agreement, dated as of March 30, 1995, is made by and between Clint Hurt & Associates. Inc., 107 North N, Midland, Texas 79701, a Texas corporation (hereinafter referred to as "Seller"); Key Energy Drilling, Inc., a Delaware corporation (hereinafter referred to as "Purchaser"); Clint Hurt of Midland County, Texas (who is executing this Agreement in his individual capacity solely for the purpose of indicating his agreement with Sections 8.8, 8.9, 8.11 and 8.13 hereof); and Key Energy Group, Inc., a Maryland corporation (who is executing this Agreement solely for the purpose of (a) indicating its agreement to execute the Agreement required by Exhibit "D" attached hereto, as hereinafter described, and (b) agreeing to issue its restricted common stock at closing and/or thereafter as subsequently provided for in this Agreement.) Seller and Purchaser are sometimes hereafter referred to as the "Parties."

RECITALS

Seller is the owner of certain drilling rigs, carriers, rig equipment and miscellaneous equipment together with certain vehicles, all as more completely described on Exhibit A attached hereto and made a part hereof (hereinafter sometimes referred to as the "Assets").

Seller proposes to sell and Purchaser proposes to purchase the Assets.

Therefore, in consideration of the mutual representations, warranties and covenants herein contained, and on the terms and subject to the conditions herein set forth, the parties hereto hereby agree as follows:

ARTICLE I

ASSETS TO BE SOLD

1.1 Assets. Seller will sell and Purchaser will purchase all the Assets. The Assets will be conveyed by Seller to Purchaser by execution and delivery of Bills of Sale, in the form and substance as that attached hereto as Exhibit "B".

ARTICLE II

THE PURCHASE PRICE

2.1 Consideration. The total consideration for the sale of the Assets listed in Section 1.1 hereof is the sum of One Million Seven-Hundred Twenty-Five Thousand Dollars ($1,725,000.00). Such sum shall be payable to Seller at Closing (defined hereinafter), and/or at a later date as hereinafter provided, as follows: (i) Subject to Section 2.2 hereinafter set forth, One Million and No/100 Dollars ($1,000,000.00) shall be payable to Seller in cash or certified or verifiable funds of Purchaser; and (ii) Purchaser shall execute and deliver to Seller Purchaser's Promissory Note in the principal amount of Seven Hundred Twenty-Five Thousand and No/100 Dollars ($725,000.00) bearing interest at the base rate quoted by NationsBank, N.A. from time to time as its prime rate (the "Note"), payable in two (2) equal amortized monthly installments (based on a six (6) month amortization of the principal sum of the Note) due 30 and 60 days after the Closing Date (hereinafter defined), and all remaining unpaid principal and accrued interest on the Note shall be due and payable in full on June 30, 1995 (the "Note Payments"). The $1,000,000.00 is to be advanced by Norwest Bank Texas, Midland, N.A. to Purchaser pursuant to the terms of a Loan Agreement dated March 30, 1995, and secured by a first lien on all of the Assets.

Payment of sums due under the Note shall be secured by the following (the "Collateral"):

(i) An agreement by Key Energy Group, Inc., to issue 500,000 shares

of its unregistered, restricted, common stock, which agreement shall, in form and substance, be the same as that certain Security Agreement and Agreement to Issue Shares, a copy of which is attached hereto as Exhibit "C" and incorporated herein for all purposes, plus

(ii) A second lien on the Assets, SAVE AND EXCEPT the vehicles described on Exhibit "A" hereto, said lien being subordinate to the first lien of Norwest Bank Texas, Midland, N.A.; plus

(iii) The guaranty of Key Energy Group, Inc. pursuant to a Guaranty Agreement in form and substance as that attached executed as Exhibit "D" and incorporated herein for all purposes.

2.2. Payment of Purchase Price and Delivery of Title. The Parties recognize that a portion of the Assets may be utilized by Seller on the Closing Date for the consummation of then executory drilling contracts requiring Seller's use of such Assets. Accordingly, the Parties hereto hereby agree as follows:

(i) At Closing or, in the case of Assets not available for delivery at Closing as current utilization of portions of the Assets are terminated by Seller, Seller shall deliver all available Assets to Purchaser. In the case of Assets delivered after the Closing Date such shall be delivered to Purchaser in the same condition as existing on Closing hereinunder, reasonable wear and tear excepted;

(ii) Upon delivery of all, or any portions of the Assets to Purchaser, Seller shall execute and deliver to Purchaser a Bill or Bills of Sale concerning those portions of the Assets then delivered to Purchaser;

(iii) Contemporaneously with deliveries, Purchaser shall pay to Seller one-fourth (i.e., $250,000.00) of the cash consideration to Seller per rig delivered; and

(iv) Contemporaneously with rig deliveries, Seller shall deliver to Purchaser recordable releases of any and all liens against the delivered rig(s) and any associated equipment.

From the Closing Date or delivery of Assets, as applicable, Purchaser shall have the obligation to pay all taxes assessed, maintain insurance, provide all maintenance on the delivered Assets and keep same free and clear of all liens and encumbrances resulting from Purchaser's possession and use of the Assets, SAVE AND EXCEPT subordinate liens of Seller and superior liens of Purchaser's lender. Seller shall maintain casualty insurance on any portion of the undelivered Assets between the Closing Date and the date of delivery of the undelivered Assets to Purchaser. If and to the extent Rig 9, Rig 10, Rig 11, or Rig 12 (as designated in Exhibit A hereto) is not delivered to Purchaser at the Closing Date in accordance with the terms of this Agreement, and any such rig is thereafter wholly or partially destroyed while under the sole operation and possession of Seller, it is mutually agreed as follows:

(a) The amount of the damage to the destroyed rig (together with any other destroyed Assets associated with such rig, as described and grouped on Exhibit A) shall be evaluated, assessed and determined by a qualified appraiser

mutually acceptable to the Seller and the Purchaser;

(b) Seller shall deliver to Purchaser that portion of the Assets associated with the destroyed rig (and described and grouped on Exhibit A) which were not destroyed;

(c) Purchaser shall deliver the cash payment to Seller as otherwise provided in this Agreement; and

(d) The principal amount then outstanding on the Note shall be reduced (but not below zero) by the amount of the damage to the rig (and associated Assets); and if the amount of the damage is greater than the principal balance then outstanding on the Note, Seller shall pay to Purchaser, in cash, the difference.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

The Seller hereby makes to Purchaser the following representations and warranties:

3.1 Good Standing. Seller is duly organized and existing and in good standing under the laws of the State of Texas and has the corporate power to own property and carry on business as conducted in the State of Texas prior to the Closing Date.

3.2 Corporate Authority. The Seller has the full power and authority, as authorized by its Board of Directors, to enter into this Agreement and to sell the assets which are the subject hereof.

3.3 Binding Agreement. This Agreement, when executed and delivered, will constitute the valid and legally binding obligation of the Seller.

3.4 No Conflicting Agreement. Neither the Articles of Incorporation nor the By-

Laws of the Seller, nor the provision of any existing agreement between Seller and others, conflict with nor in any way prevent the execution, delivery and carrying out of the terms of this Agreement.

3.5 Undisclosed Liabilities. Except for the security interest of Texas Commerce Bank National Association, Midland, Texas, in the Assets to be released, Seller knows of no claim or of any basis for any claim for any liability which would create a lien on the Assets of the Seller being sold hereunder and, if any claim for any liability which would create such lien should exist, Seller agrees to immediately contest in the event of a bona fide dispute, or, if there is no bona fide dispute, to pay or otherwise settle such claim within not more than thirty (30) days from the date of first becoming aware of the claim. Thereafter, in the event there exists such a lien on any of the Assets, Purchaser has the right to satisfy or pay off such lien and deduct the costs thereof from any amounts due Seller hereunder in the event Seller fails to act as provided in the immediately preceding sentence.

3.6 Litigation. To the best of Seller's knowledge, there is no claim, action, or proceeding now pending or threatened against the Assets or against the Seller, before any court, administrative or regulatory body, or any governmental agency which could result in any lien upon the Assets being sold hereunder.

3.7 No Violation of Statute or Breach of Contract. To the best of Seller's knowledge, the Seller is not in default under or in violation of any applicable statute, law, ordinance, decree, order, rule, regulation of any governmental body, or the provisions of any franchise or license or in default under or in violation of, any provision of the Articles of incorporation or by-laws of the Seller, promissory note, indenture or any evidence of

indebtedness or any security therefor, lease, contract or other commitment or any other agreement by which they are bound, which may result in a lien on the Assets being sold hereunder.

3.8 Title to Assets. The Seller has good and merchantable title to the Assets to be conveyed by the Seller hereunder and, at the time of Closing and upon rig delivery dates after Closing, if applicable, the Seller will have good and merchantable title to all of the Assets being sold hereunder, tangible and intangible. Except for the security interests of Texas Commerce Bank National

Association to be released at Closing and thereafter in the case of Assets delivered after Closing, the Seller will own at Closing and upon rig delivery dates after Closing, as applicable, all of said Assets free and clear of any liens, encumbrances, equities, charges, restrictions or reserves, limitations or other imperfections of title, and there exists no restriction on the transfer to Purchaser of any of the property being sold hereunder.

3.9 Condition of Property. All of the Assets will be delivered to Purchaser on an "AS-IS", "WHERE-IS" basis. To the best of Seller's information, knowledge and belief, all such Assets conform to all applicable laws governing their use. No notice of any violation of any law, statute, ordinance, or regulation relating to any such Assets has been received by the Seller, except such as have been fully complied with.

3.10 Certain Obligations. Seller has made all payments due, owing and as of the date hereof as required by the State of Texas or other governmental taxing authority which could constitute or become a lien against the Assets.

3.11 Dealings with Seller's Customers. Seller hereby represents and warrants unto

Purchaser that its business dealings with its customers for utilization of the Assets have been in accord with ethical standards required by such customers. Seller further represents and warrants that as to any Assets delivered after Closing, Seller will make such delivery as soon as reasonably practicable following the release of the affected Assets. Seller covenants to deliver the Assets (where such Assets are then located) upon completion of Seller's existing executory drilling contract obligations to third parties.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS OF PURCHASER

Purchaser hereby warrants and represents to Seller as follows:

4.1 Organization and Capitalization. Purchaser is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware and at Closing will be duly qualified to do business in the State of Texas; Purchaser has full corporate power and authority to acquire the Assets and has the full corporate power and authority to transact the business contemplated by this Agreement.

4.2 Authority Relating to this Agreement. The President or any Vice President of Purchaser has full authority to execute this Agreement.

ARTICLE V

CLOSING

5.1 The Closing. The Closing shall take place at the office of Purchaser's Lender in Midland, Texas on or before March 30, 1995, or at such other place or time as the parties may agree (the "Closing" or the "Closing Date"). At Closing, Purchaser shall be entitled to

possession of all the Assets, except for Assets subject to executory drilling contracts of Seller in existence on the Closing Date, title to and possession of which shall be transferred and delivered to Purchaser at the time such Assets are no longer required in order for Seller to fulfill its obligations under each such executory drilling contracts.

5.2 Actions at Closing. Subject to the terms and conditions of this Agreement at the Closing:

(a) Seller, Purchaser, Clint Hurt and Key Energy Group, Inc., shall deliver any and all of the documents specifically described herein or required by this Agreement.

(b) Without limiting the generality of Section 5.2(a) hereof, the Seller shall execute and deliver or cause to be delivered to the Purchaser the following:

(1) Two executed copies of this Agreement.

(2) The executed original Bill of Sale covering Assets delivered at Closing.

(3) The title certificates (Bill of Sale) for all of the rigs and other associated non-vehicular items of personal property comprising the Assets and described in the Bill of Sale.

(4) All documents required to transfer the titles to the vehicles comprising a portion of the Assets.

(5) Certificates and/or resolutions required by Section 8.7.

(6) Executed Consulting Agreement and Non-Competition

Agreement (hereinafter defined).

(c) The Purchaser shall, subject to Section 2.2 hereof, deliver to the Seller ready funds in the amount of the consideration payable by Purchaser as provided in Section 2.1 herein; the Note referred to in Section 2.1; and two executed copies of this Agreement. The Note shall be prepared by Purchaser and shall be, in form and substance (other than as expressly provided for in this Agreement) as mutually agreed between Seller and Purchaser. Additionally, Purchaser shall execute and deliver or cause to be executed and delivered to Seller the following:

(1) The Guaranty Agreement of Key Energy Group, Inc.

(2) The Security Agreement and Agreement to Issue Shares of Key Energy Group, Inc.

(3) The second lien security documents in favor of Seller, which shall be in form and substance mutually agreeable to Seller and Purchaser and Purchaser's lender.

(4) Resolution of Purchaser and Key Energy Group, Inc., authorizing this transaction.

(5) 5,000 shares of Key Energy Group, Inc. common stock, which shall bear the restrictive legend set forth on Exhibit "E" attached hereto and incorporated herein for all purposes.

(6) The Registration Rights Agreement (hereinafter defined).

(7) The Consulting Agreement referred to herein.

(8) The Non-Competition Agreement referred to herein.

Seller will pay all costs incurred by Seller, the cost of obtaining financing statement searches, the filing fees for the filing of any termination statements, all fees and expenses incurred by it including its attorney's fees, consultant's fees and other costs and expenses incurred by Seller. All ad valorem taxes for all years prior to the year in which Closing occurs will be paid by Seller. Ad valorem taxes for 1995 will be prorated at the Closing; provided, however, if the 1995 tax bills when received, are different from the proration made at or contemporaneously with Closing, the Parties hereto will then re-prorate taxes as of the date actual tax bills are received. Purchaser will pay all costs, fees and expenses incurred by Purchaser, including its attorney's fees, and its consultant's fees and all registration, license and use fees payable to the Department of Motor Vehicles for the State of Texas for the transfer of the Assets. In the event of any other fees or expenses which are not

described hereby, the same will be paid by such party as is customary in a transaction of this nature in the State of Texas. All other fees and expenses will be paid by the party incurring the same. Purchaser agrees to bear and pay sales taxes, if any, imposed on the transactions contemplated by this Agreement.

ARTICLE VI

OBLIGATIONS EXISTING AT THE CLOSING

6.1 Obligations of Parties for Debts and Claims Created by Other Party. Purchaser shall not be responsible for any claims, debts, contracts or other liabilities to which the Seller shall be subject as of the Closing including, by way of enumeration and not

of limitation, any claims for taxes (other than sales taxes, if any) or accounts payable, for contract or tort liabilities, or statutory or administrative penalties. Conversely, Purchaser shall be responsible for and save Seller harmless from any claims arising out of actions by Purchaser after Purchaser shall have taken possession of the Assets hereunder.

ARTICLE VII

SURVIVAL OF REPRESENTATIONS AND WARRANTIES AND INDEMNIFICATION

7.1 Survival. All covenants, agreements, representations and warranties made in this Agreement shall be deemed to be material and relied upon by the parties with or to whom the same were made and shall survive the Closing (except as specifically noted in Section 3.9 hereof) regardless of whether the other party shall have actual knowledge of any breach thereof.

7.2 Indemnification.

(a) The Seller agrees to defend and hold the Purchaser harmless from and against all loss, liability, damage or expense (including, but not limited to, reasonable attorney's fees and other costs and expenses incident thereto) arising out of or resulting from any breach of the obligations, representations, warranties and covenants of Seller contained in this Agreement or in any exhibit or document delivered to Purchaser.

(b) The Purchaser agrees to defend and hold Seller harmless from and against all loss, liability, damage or expense (including, but not limited to, reasonable attorney's fees and other costs and expenses incident

thereto) arising out of or resulting from any breach of the representation, warranties and covenants of Purchaser contained in this Agreement or in any exhibit or document delivered by Purchaser to Seller. Without limiting the generality of the foregoing, Purchaser shall indemnify and hold Seller harmless from all loss, liability or damages arising out of or attributable to any claims made by WellTech, Inc. with respect to this Agreement.

ARTICLE VIII

MISCELLANEOUS

8.1 Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas.

8.2 Entire Agreement and Modifications. This Agreement expresses the entire agreement between the parties and shall supersede all negotiations and discussions occurring prior to this execution. No changes of, modifications of, or additions to this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto.

8.3 Binding Agreement, Inurement. This Agreement shall be binding upon and inure to the benefit of the parties names herein and to their respective heirs, executors, personal representatives, successors and assigns; provided however, that no assignment of Purchaser's rights under this Agreement may be made except to affiliates of Purchaser without the approval of Seller.

8.4 Headings. The Article and Section Headings contained in this Agreement were inserted for convenience only and shall not affect in any way the meaning or

interpretation of the Agreement, and this Agreement shall not be construed based on authorship.

8.5 Payment of Fees and Expenses. Each party hereto shall pay all fees and expenses of such party's respective counsel, accountants and other experts and all other expenses incurred by such party incident to the negotiation, preparation and execution of this Agreement and the consummation of the transactions contemplated hereby.

8.6 No Brokers. No person acted as a broker or finder for Seller or Purchaser. If any person shall claim to have been engaged as a broker or finder by one of the parties hereto, then that party shall indemnify the other party against any claim by such claimant for commissions, fees or other compensation with respect thereof.

8.7 Seller's Authorization. The directors of the Seller have approved the Seller's execution of this Agreement and the carrying out thereof by the officers of the Seller, as evidenced by the certified copies of the resolutions of said directors delivered at Closing. Seller represents and warrants that the Assets do not comprise substantially all of the assets of Seller.

8.8 Covenant Not to Compete. In determining to sell the Assets to Purchaser, the Seller and Clint Hurt have decided to withdraw from the business of contract drilling in Texas, and to refrain from acting as a drilling contractor or well servicing contractor in Texas except, in the case of Clint Hurt, to (a) serve as a director of Prime Energy, Inc., or its subsidiaries, and (b) own operated or non-operated oil and gas leasehold estate interests, wherever situated. In determining to purchase the Assets, the Purchaser has relied on such determination by Seller and Clint Hurt. Accordingly, the Seller and Clint Hurt each hereby

covenants and agrees that from the Closing Date until the latter of the (i) payment of all sums due under the Note delivered to Seller by Purchaser pursuant to this Agreement, or (ii) termination of the Consulting Agreement (hereinafter defined, and including any extension thereof) to be entered into by Purchaser and Clint Hurt at closing, or (iii) the conclusion of the term of the separate Non-Competition Agreement of even date between Purchaser and Clint Hurt, in form and substance as that attached hereto as Exhibit "F" and incorporated herein for all purposes, neither Seller nor Clint Hurt will re-enter, nor will Seller or Clint Hurt permit any entity affiliated with, controlling, controlled by or under common control with Seller or Clint Hurt to enter the contract drilling business or participate in the well servicing business in Texas except, in the case of Clint Hurt, as a director of Prime Energy, Inc., or its subsidiaries, or as an owner of operated or non-operated oil and gas leasehold estate working interests, wherever situated. The Seller and Clint Hurt each acknowledge and agree that their breach of the covenant not to compete contained herein would result in irreparable harm to the Purchaser for which monetary damages would not be an adequate remedy. Accordingly, the Seller and Clint Hurt each agree that in addition to all other remedies available at law or in equity, the Purchaser shall be entitled to a decree of specific performance and other equitable relief to enforce the provisions of this Section 8.8. Nothing contained in this Agreement shall be construed to prevent Seller from completing wells in progress being drilled on the date of Closing.

8.9 Consulting Services. Purchaser and Clint Hurt agree that for a period coterminous with the conclusion of the term of the separate Consulting Agreement

of even date, Clint Hurt will provide consulting services to Purchaser as provided in Consulting

Agreement to be executed at Closing by Clint Hurt and Purchaser in the form of agreement attached hereto as Exhibit "G"

8.10 Employees. By operation of this Agreement, no employee of Seller shall become an employee of Purchaser. Purchaser may, at Purchaser's sole option, negotiate with and hire one or more of Seller's employees for the purpose of Purchaser's business. Any newly hired employee of Purchaser shall be subject to Purchaser's employment policies as new hires. It is Purchaser's intent to expand the volume of contract drilling business done in West Texas in relation to that volume of contract drilling business done by Seller and to offer to Tommy Archer an opportunity to attempt to implement such expansion. Accordingly, Purchaser intends to hire Seller's employee, Tommy Archer (herein "Archer"), upon terms and conditions mutually acceptable to Purchaser and Archer; provided, however, (i) Archer shall be offered employment at his current base salary of $5,600.00 per month (which includes paid insurance); and (ii) in the event Archer is hired by Purchaser and subsequently discharged for any reason other than "good cause," Archer shall be paid his negotiated wage for a term of three months following his discharge.

8.11 License. As a portion of the total purchase price, Seller and Clint Hurt hereby agree that from and after Closing and up to but not beyond the end of the Non-Competition Agreement, Purchaser shall have and is hereby granted a license and the right to use the trade name, Clint Hurt Drilling in Texas. Purchaser shall file such fictitious name certificates stating the existence and applicable term of such license as may be required by the laws of the State of Texas.

8.12 Allocation of Purchase Price. In accordance with the provisions of the Internal

Revenue Code of 1986 Section 1060, the parties hereby agree that purchase price of the Assets shall be allocated among the Assets as follows:

DESCRIPTION OF ASSET	ALLOCATION
Rig No. 9 and related equipment	$ 400,000
Rig No. 10 and related equipment	400,000
Rig No. 11 and related equipment	400,000
Rig No. 12 and related equipment	400,000
Auxiliary Equipment	115,000
License to use the name "Clint Hurt Drilling"	10,000
TOTAL	$1,725,000

8.13 Further Assurances. Seller, Purchaser, Clint Hurt and Key Energy Group, Inc., at any time before or after the Closing, will execute, acknowledge and deliver any further deeds, assignments, of transfer, reasonably requested of them, and will take any other action consistent with the terms of this Agreement that may reasonably be requested of them for the purpose of assigning, transferring, granting, conveying and confirming to Purchaser, or reducing to possession, any or all property and Assets to be conveyed and transferred by this Agreement.

8.14 Registration Rights Agreement. Key Energy Group, Inc. and Seller shall enter into a Registration Rights Agreement at Closing in form and in substance as that attached hereto as Exhibit "H" and incorporated herein for all purposes.

ARTICLE IX

NOTICES

9.1 All notices, requests, demands and other communications hereunder shall be deemed to have been duly given if the same shall be in writing and shall be delivered personally or sent by certified mail, postage prepaid, as set forth below or at such other

address as any party hereto may designate by prior written notice:

If to Purchaser:

Key Energy Drilling, Inc.
Attn: Ron Laidley, President
P.O. Box 10627
Midland, Texas 79702
Telephone No. 915/570-5721
Fax No. 915/684-7709

Key Energy Group, Inc.
Attn: Francis John
257 Livingston Avenue
New Brunswick, NJ 08901
Telephone No. 908/247-4822
Fax No. 908/247-5148

If to Seller:

Clint Hurt & Associates, Inc.
Attn: Mr. Clint Hurt
107 North N
Midland, TX 79701
Telephone No. 915/683-6381
Fax No. 915/683-6602

With a copy to:

Clint Hurt
P. O. Box 3067
Charleston, WV 25331
Telephone No. 304/344-2401
Fax No. 304/244-2444

SELLER:

Clint Hurt & Associates, Inc.

By: /s/ CLINT HURT

Printed Name: CLINT HURT

Title: PRESIDENT

CLINT HURT

Clint Hurt, Individually (for purposes of agreeing to the provisions of Sections 8.8 8.09, 8.11 and 8.13)

PURCHASER:

Key Energy Drilling, Inc.

By: /s/ RON LAIDLEY

Printed Name: RON LAIDLEY

Title: PRESIDENT

Key energy Group, Inc. (for purposes of agreeing to guarantee the Note and agreeing to enter into the Security Agreement and Agreement to Issue Shares and the Registration Rights Agreement).

By: /s/ DANNY R. EVANS

Printed Name: DANNY R. EVANS

Title: CHIEF ACCTG. OFFICER/SEC.

EXHIBIT 10(F)

NON-COMPETITION AGREEMENT

This Non-Competition Agreement ("Non-Compete") is made and entered into as of the 30th day of March, 1995, by, between and among Clint Hurt & Associates, Inc., a Texas corporation ("CHA"), Clint Hurt ("Hurt") and Key Energy Drilling, Inc., a Delaware corporation ("Key"), with reference to the following circumstances:

RECITALS

A. Key has entered into an Asset Purchase and Sale Agreement dated as of March 30, 1995 ("Agreement"), with CHA and Hurt, pursuant to which Key is to purchase from CHA certain equipment, vehicles and miscellaneous items of personal property.

B. CHA and Hurt have been requested to execute this Non-Compete as consideration for Key to enter into the Agreement.

NOW, THEREFORE, in consideration of the foregoing and in order to induce Key to complete the transactions contemplated in the Agreement, CHA and Hurt hereby undertake and each agrees as follows:

1. Non-Competition Covenant. Except as provided herein, neither CHA nor Hurt will, prior to (i) April 1, 1998, or (ii) the time Hurt elects to terminate that certain Consulting Agreement dated March 30, 1995, between Hurt and Key pursuant to the provisions of paragraph 4(ii) thereof (or such earlier time, if any, as Key's $725,000.00 Note payable to CHA becomes in default), directly or indirectly engage in providing contract drilling services or engage in the Well Servicing Business within the State of Texas for anyone other than Key, except that Hurt may serve as a director of Prime Energy, Inc. or its subsidiaries and Hurt may own operated or non-operated oil and gas leasehold estate interests wherever situated; provided however, that either Clint Hurt or Clint Hurt & Associates, Inc. may perform any well servicing activity on any leasehold estate with respect to which Seller, Clint Hurt & Associates, Inc. is the operator.

2. Confidentiality. During the term of the Non-Competition covenant set forth in Section 1 hereof, neither CHA nor Hurt will disclose or disseminate to anyone or make use of any customer pricing or other proprietary information concerning the services furnished by Key which is not otherwise available from public or published sources except, in the case of required performance of CHA's and Hurt's duties under Section V of the Agreement, or as required or compelled by law.

3. Non-Solicitation of Key Employees. During the term of the Non-Competition covenant set forth in Section 1 hereof, neither CHA nor Hurt will solicit any employee of

Key to terminate his or her employment with Key.

4. Drilling and Well Servicing. For purpose of this Non-Compete, the term "Drilling Services" means all contract drilling work performed on oil and gas wells with a drilling type rig, and the term "Well Servicing Business" means all work performed on oil and gas wells with a well servicing type rig, including, but not limited to, rod and tubing service work, workover, swabbing, initial completion, recompletion, deepening, plug back and abandonment work.

5. Modification. If, in any action before any court or agency legally empowered to enforce such covenants, any terms, restriction, covenant or promise contained herein is found to be unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agencies.

6. Remedies. Without limiting the rights of Key to pursue all other legal and equitable rights and remedies available to it for violation of any of the covenants herein contained, it is agreed, that:

(a) The skills, experience and contacts of CHA and Hurt are of a special, unique, unusual and extraordinary character which gives them a particular value;

(b) Because of the nature of the business of CHA and Hurt in the State of Texas, the restrictions agreed to by CHA and Hurt as to time and area contained in this Non-Compete are reasonable; and

(c) The injury suffered by Key by a violation of any covenant of this Non-Compete will be difficult to calculate in damages in an action at law and cannot fully compensate Key for violations of any covenant in this Non-Compete;

accordingly, Key shall be entitled to injunctive relief to prevent violations of such covenants, or continuing violations thereof. Notwithstanding the foregoing or the terms of this Non-Compete, if it is finally and conclusively determined by a nonappealable decision by a court of competent jurisdiction that either CHA or Hurt has breached Section 1 of this Non-Compete by providing Drilling Services and/or Well Servicing Business services to any person not permitted by this Non-Compete, then because it would be difficult to calculate damages to Key as a result of such breach, Key's obligation to make any further payments under the Consulting Agreement executed of even date herewith between Key and Hurt shall thereafter cease as full and exclusive compensation and the sole remedy to Key for such breach, and all parties' rights and obligations under this Non-Compete shall be null and void; provided, however, that if the applicable breach occurs after the termination of the Consulting Agreement, Key shall be entitled to all damages for such breach as may be by

law or in equity; provided that such Consulting Agreement has not terminated by reason of paragraph 4(ii) hereof.

7. Successors and Assigns. The remedy provisions of this Non-Compete shall be binding upon and inure to the benefit of CHA, its successors and assigns, Hurt, his successors and assigns and Key, its successors and assigns. The undertaking set forth in this Non-Compete shall be deemed personal to CHA and Hurt and shall inure to the benefit of Key, its successors and assigns.

8. Governing Law. This Non-Compete shall be governed by and construed in accordance with the law of the State of Texas applicable to contracts made and to be performed therein without reference to its conflict of laws provisions.

Executed in multiple original and/or counterparts, all of which taken together shall constitute one original, this 30 day of March, 1995.

KEY:

KEY ENERGY DRILLING, INC.

By:_____
Name:_____
Title:_____

HURT:

_____
Clint Hurt

CHA:

CLINT HURT & ASSOCIATES, INC.

By:_____
Name:_____
Title:_____

Exhibit 10(g)

NORWEST TERM LOANS

March 30, 1995

Key Energy Drilling, Inc.
P. O. Box 10627
Midland, Texas
79702

Attention: Mr. Ron Laidley
President

Key Energy Group, Inc.
257 Livingston Avenue
New Brunswick, New Jersey
08901

Attention: Mr. Danny Evatt
Chief Accounting Officer

Gentlemen:

Norwest Bank Texas, Midland, N.A. ("Norwest") is pleased to commit to provide two lines of credit, the first being a LINE OF CREDIT TERM LOAN in the amount of $1,000,000.00 (the "First Term Loan") and the second being a LINE OF CREDIT TERM LOAN in the amount of $200,000.00 (the "Second Term Loan"), to Key Energy Drilling, Inc., as Borrower (the "Borrower"), said lines of credit to be guarantied by Key Energy Group, Inc. (the "Guarantor"). The borrowing facilities will be subject to the following:

I. TERMS

Borrower

Key Energy Drilling, Inc., a Delaware corporation

Guarantor

Key Energy Group, Inc., a Maryland corporation (Unlimited)

Lender

Norwest Bank Texas, Midland, N.A. ("Norwest")

Commitment Amount

Not to exceed the balances of the First Term Loan and the Second Term Loan (collectively, the "Loans"), represented by two promissory notes dated as of March 30, 1995 (the Note representing the First Term Loan being referred to herein as the "First Note," the Note representing the Second Term Loan being referred to herein as the "Second Note," and the First Note and the Second Note being collectively referred to herein as the "Notes").

Rates

Interest under the First Note shall accrue at an annual rate equal to the fluctuating prime rate established from time to time by Norwest Bank, Minnesota, N.A., plus three quarters of one percent (3/4%), payable monthly on the fifth day of each calendar month, beginning on May 5, 1995 and continuing thereafter. Interest under the Second Note shall accrue at an annual rate equal to the fluctuating prime rate established from time to time by Norwest Bank, Minnesota, N.A., plus three quarters of one percent (3/4%), payable monthly on the fifth day of each calendar month, beginning on May 5, 1995 and continuing thereafter.

Security

Secured by a first lien security interest (Security Agreement and Financing Statements) on all of Borrower's accounts receivable and equipment, including four 1981 Wilson 75 Drive-In Drilling Rigs and all associated equipment, including handling tools, rotary tables, drill collars, and drill pipe. Reasonable legal fees, recording and filing fees, and appraisal fees will be reimbursed by Borrower.

Structure

Funds will be available on a line of credit basis through October 5, 1995 on the First Term Loan, and funds will be available on a line of credit basis through April 5, 1996 on the Second Term Loan. Subject to the limitations and conditions contained in the Notes, Borrower may use all or any part of the credit provided for herein. The total principal amounts outstanding under the Notes at any one time shall not exceed the Commitment Amount.

Purpose

Funds from the First Term Loan shall be used to finance the purchase of four drilling rigs and ancillary equipment from Clint Hurt & Associates, Inc. for a total purchase price of $1,725,000.00 with Clint Hurt & Associates, Inc. to carry a note for the balance of the purchase price ($725,000.00), said note and any associated liens to be expressly subordinated to the lien position to be held by Norwest. Funds from the Second Term Loan shall be used for general working capital purposes in support of Borrower's operations. In no event will the line be used

for the purpose of purchasing or carrying margin stock in violation of Regulations G, U, or X of the Board of Governors of the Federal Reserve System.

Maturity Dates

The maturity date of the First Term Loan is May 5, 1998. The maturity date of the Second Tenn Loan is May 5, 1996.

II. CONDITIONS PRECEDENT

The provisions of this letter will serve as the proposed terms of the borrowing arrangements and will be hereafter referred to as the Agreement. Prior to any funds being made available, the Borrower and Guarantor will execute and deliver to Norwest, in form and substance satisfactory to Norwest, promissory notes, a corporate borrowing authorization, this Agreement, an unlimited guaranty, and any collateral security documents required by Norwest.

III. COVENANTS

Unless Norwest shall otherwise consent in writing, and so long as any debt remains outstanding or the commitment still available, the Borrower and Guarantor will comply with the following:

A. Borrower will:

1. Submit annual unaudited financial statements, including a balance sheet, income statement, statement of cash flows, and notes to the financial statements, compiled by Borrower, within ninety (90) days after each fiscal year-end.

2. Submit monthly company prepared financial statements, including a balance sheet and income statement, within thirty (30) days after each month-end.

3. Submit monthly accounts receivable and payable agings within thirty (30) days after the end of each month.

4. Maintain a ratio of current assets to current liabilities (Current Ratio) of not less than 1.0 to 1.0.

5. Maintain at all times a minimum Tangible Net Worth of not less than $200,000.00. "Tangible Net Worth" shall mean as of any date, that person's net worth after subtraction of that person's intangible assets. Intangible

assets shall mean those assets that are (i) accounts or notes receivable from officers or stockholders; (ii) deferred assets, other than prepaid insurance and prepaid taxes; and (iii) patents, copyrights, trademarks, trade names, franchises, goodwill (including capitalization of noncompetition agreements net of amortization), experimental expenses and other similar assets that would be classified as intangible assets on a balance sheet prepared in conformity with GAAP.

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6. Maintain at all times Current Maturity Coverage of not less than 1.25 to 1.0, based on a three month rolling average. Current Maturity Coverage shall be defined as (i) Net Cash Flow (Net Income plus Depreciation and Amortization and any other noncash charges), divided by (ii) the sum of current maturities of principal on all of Borrower's long-term debt for the period.

7. Promptly pay any reasonable costs incurred by Norwest for the preparation of enforcement of this Agreement, the promissory notes and any collateral security documents executed by Borrower.

8. Maintain insurance with responsible insurance companies on such of its properties, in such amounts and against such risks as is customarily maintained by similar businesses, specifically to include a policy of fire and extended coverage insurance covering all assets, and liability insurance all to be with such companies and in such amounts satisfactory to Norwest and to contain a mortgage clause naming Norwest as its interest may appear. Evidence of such insurance will be supplied to Norwest.

9. Maintain its corporate existence in good standing and comply with all laws, regulations and governmental requirements applicable to it or to any of its property, business operations and transactions.

10. Provide such other information as Norwest may reasonably request from time to time in its sole discretion.

B. Guarantor will:

1. Submit annual consolidated financial statements, including a balance sheet, income statement, statement of cash flows, reconciliation of capital, and appropriate notes to the financial statements, audited by a reputable accounting firm, within ninety (90) days after each fiscal year-end, said statements to be accompanied by a certificate of compliance executed by the President or Chief Financial Officer.

2. Submit quarterly unaudited financial statements, including a balance sheet, income statement, statement of cash flows, reconciliation of capital, and appropriate notes to the financial statements, which shall have been compiled by Guarantor, within forty-five (45) days of the end of each quarter, said statements to be accompanied by a certificate of compliance executed by the President or Chief Financial Officer.

3. Maintain a Current Ratio of consolidated Current Assets to Current Liabilities of not less than 1.1 to 1.0.

4. Maintain a ratio of Debt to Tangible Net Worth of 1.5 to 1.0.

5. Maintain Current Maturity Coverage of at least 1.5 to 1.0.

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6. Provide such other information as Norwest may reasonably request from time to time in its sole discretion.

C. Borrower will not:

1. Make loans or advances to any third party.

2. Reorganize or merge with any other entity.

3. Change its basic business.

4. Sell, lease, assign, transfer or otherwise dispose of, in any fiscal year, any of its assets having, in the aggregate, a net book value of greater than $100,000.

5. Create, incur, assume or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, or other charge or encumbrance of any nature on any of its assets, excluding liens in favor of Norwest and any subordinated liens to Clint Hurt & Associates, Inc.

6. With the exception of the subordinated debt to Clint Hurt & Associates, Inc. incur other debt, other than trade payables incurred during the normal course of business, in excess of $50,000, outstanding at any one time.

7. Make annual aggregate capital expenditures (including capitalized leases) in excess of $100,000, excluding capital expenditures financed by Norwest.

8. Substantially change its present management personnel.

IV. REPRESENTATIONS

A. GOOD STANDING. Borrower is a corporation, duly organized and in good standing, under the laws of Delaware and has the power to own its property and to carry on its business in each jurisdiction in which Borrower operates.

B. AUTHORITY AND COMPLIANCE. Borrower has full power and authority to enter into this Agreement, to make the borrowing hereunder, to execute and deliver the Notes, to pledge the collateral, and to incur the obligations provided for herein, all of which will be duly authorized by all proper and necessary corporate action. No consent or approval of any public authority is required as a condition to the validity of this Agreement, any collateral documents or the Notes, and Borrower is in compliance with all laws and regulatory requirements to which it is subject.

C. LITIGATION. There are no proceedings pending or, to the knowledge of Borrower, threatened before any court or administrative agency which will or may have a material adverse effect on the financial condition or operations of Borrower, except as disclosed to Lender in writing prior to the date of this Agreement.

D. Ownership of Assets. Borrower has good title to any Collateral pledged and the Collateral is owned free and clear of liens (with the exceptions of another bank's liens which will either be released or assigned to Norwest and those liens held by Clint Hurt & Associates, Inc., which are subordinate to those of Norwest). Borrower will at all times maintain its tangible property, real and personal, in good order and repair taking into consideration reasonable wear and tear.

E. Taxes. All income taxes and other taxes due and payable through the date of this Agreement have been paid prior to becoming delinquent.

F. Financial Statements. The books and records of Guarantor properly reflect the Guarantor's financial condition, and there has been no material change in Guarantor's financial condition as represented in financial statements dated December 31, 1994.

V. EVENTS OF DEFAULT

The occurrence of any of the following shall constitute an Event of Default under this Agreement and the Borrower's promissory notes:

A. Borrower shall fail to pay when due any principal, interest, or other amount payable under this Agreement, or any promissory notes executed or guaranteed by the Borrower or Guarantor in favor of Norwest, before the expiration of ten (10) days after such payment is due.

B. Any representation or warranty made by Borrower or Guarantor hereunder or in any related collateral security or other documents entered into with Norwest shall prove to be at any time incorrect in any significant respect.

C. Borrower or Guarantor shall fail to observe or perform any covenant, obligation, agreement, or other provision contained herein or in any other contract or instrument executed in connection herewith.

D. Any default or defined Event of Default under any security agreement, deed of trust, promissory note, loan agreement or other contract or instrument executed by the Borrower or Guarantor pursuant to, or as required by, this Agreement.

E. Any final judgment or judgments for the payment of money in the amount of $50,000.00 or more, in the aggregate, shall be rendered against Borrower or Guarantor and shall not be satisfied or discharged at least thirty (30) days prior to the date on which any of their assets could be lawfully sold to satisfy such judgment or judgments, unless Borrower or Guarantor shall bring litigation to stay same.

F. Borrower or Guarantor shall: (a) become insolvent, or suffer or consent to, or apply for the appointment of a receiver, trustee, custodian or liquidator for itself or any of its property, or generally fail to pay its debts as they become due, or make a general assignment for the benefit of creditors; or (b) file a voluntary petition in bankruptcy, or seeking reorganization, in order to effect a plan or other arrangement with creditors or any other relief under the

Bankruptcy Reform Act, Title 11 of the United States Code, as recodified from time to time ("Bankruptcy Code"), or as now or hereafter in effect, or any involuntary petition or proceeding pursuant to said Bankruptcy Code or any other applicable state or federal law relating to bankruptcy or reorganization or other relief for debtors is filed or commended against Borrower; or (c) file any answer admitting the jurisdiction of the court and the material allegations of any such involuntary petition; or (d) be adjudicated as bankrupt, under said Bankruptcy Code or any other state or federal law relating to bankruptcy, reorganization, or other relief for debtors.

G. An Event of Default shall occur under the terms of that certain Loan Agreement, dated March 30, 1995, by and between Odessa Exploration Incorporated, as Borrower, Key Energy Group, Inc., as Guarantor, and Norwest, as Lender, or under any of the loan papers executed in connection therewith.

H. Norwest, in good faith, considers Norwest's prospect of or right to payment or performance under this Agreement or the promissory notes, executed by the Borrower in favor of Norwest, to be impaired.

VI. REMEDIES

If any Event of Default shall occur, any indebtedness of the Borrower under this Agreement, any other contract or instrument executed in conjunction herewith or the promissory notes executed by the Borrower in favor of Norwest, any term hereof or of the promissory notes to the contrary notwithstanding, shall at Norwest's option and without notice, become immediately due and payable without presentment, demand, or protest or notice of dishonor, notice of acceleration or notice of intent to accelerate, all of which are hereby expressly waived by Borrower. In addition, the obligation, if any, of Norwest to permit further borrowings hereunder shall immediately cease and terminate and Norwest shall have all rights, powers, and remedies available under this Agreement, the above referenced notes, or other contracts or instruments executed in connection herewith, or accorded by law, including without limitation the right to resort to any or all of the collateral and to exercise any or all of its rights, powers, or remedies at any time and from time to time after the occurrence of an Event of Default.

All rights, powers, and remedies of Norwest in connection with this Agreement, the promissory notes or any other contract or instrument on which the Borrower may at any time be obligated to Norwest (or any holder thereof) are cumulative and not exclusive and shall be in addition to any other rights, powers, or remedies provided by law or equity, including without limitation the right to set off any liability owing by Norwest to the Borrower (including sums deposited in any deposit account of Borrower with Norwest) against any liability of the Borrower to Norwest.

VII. WAIVER

No delay, failure, or discontinuance by Norwest, or any holder of the promissory notes, in exercising any right, power, or remedy under this Agreement, the notes or any other contract or instrument on which the Borrower may at any time be obligated to Norwest (or any holder thereof) shall affect or operate as waiver of such right, power or remedy. Any waiver, permit, consent, or approval of any kind by Norwest (or any holder of the promissory notes), or of any

provisions or conditions of, or any breach or default under this Agreement, the promissory notes or any other contract or instrument on which the Borrower may at any time be obligated, must be in writing and shall be effective only to the extent set forth in such writing.

VIII. NOTICES

All notices, requests, and demands given to or made upon the respective parties must be in writing and shall be deemed to have been given or made: (1) at the time of personal delivery thereof, (2) or two days after any of the same are deposited in the U.S. Mail, first class and postage prepaid, addressed as follows:

Borrower: Key Energy Drilling, Inc.
P. 0. Box 10627
Midland, Texas
79702
Attention: Mr. Ron Laidley
President

Guarantor: Key Energy Group, Inc.
257 Livingston Avenue
New Brunswick, New Jersey
08901
Attention: Mr. Francis D. John
President

Bank: Norwest Bank Texas, Midland, N.A.
Attention: Mark D. McKinney
P.O. Box 2097
Midland, Texas 79702

or other such address as any party may designate by written notice to all other parties.

IX. SUCCESSORS, ASSIGNMENTS

This Agreement shall be binding on and inure to the benefit of the heirs, executors, administrators, legal representatives, successors, and assigns of the parties, provided, however, that this Agreement may not be assigned by the Borrower without the prior written consent of Norwest. Norwest reserves the right to sell, assign, transfer, negotiate, or grant participation in all or any part of, or any interest in, Norwest's rights and benefits under this Agreement, the promissory notes or any contracts or instruments relating thereto. In connection therewith, Norwest may disclose all documents and information which Norwest now has or may hereafter acquire relating to the loan or the promissory notes, the Borrower or its business, or any collateral required hereunder.

X. SEVERABILITY OF PROVISIONS

If any of the provisions of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or any remaining provisions of this Agreement.

XI. MISCELLANEOUS

A. TEXAS LAW APPLICABLE. This Agreement, the promissory notes, and any contracts or instruments relating thereto, shall be governed by and construed in accordance with the laws of the State of Texas, except to the extent that Norwest has greater rights or remedies under federal law or the law of any jurisdiction in which the collateral properties are located, in which case such choice of Texas law shall not be deemed to deprive Norwest of such rights and remedies under federal law or the law of any jurisdiction in which the collateral properties are located, in which case such choice of Texas law shall not be deemed to deprive Norwest of such rights and remedies as may be available under such law.

B. CHOICE OF FORUM; CONSENT TO SERVICE OF PROCESS AND JURISDICTION. Any suit, action or proceeding against Borrower arising out of or relating to this Agreement, the Note or any judgment entered by any court in respect thereof, shall be brought or enforced in the State District Court of Midland County, Texas, or the Midland County Court at Law, or in the United States District Court, Western District, located in Midland, Texas, as Lender in its sole discretion may elect, and Borrower hereby submits to the nonexclusive jurisdiction of such courts for the purpose of any such suit, action or proceeding. Borrower hereby irrevocably waives any objections that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the Note brought in any of said courts and hereby further irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum and any right granted by statute, rule of court or otherwise to have such suit, action or proceeding tried by a jury.

C. NOTICE OF FINAL AGREEMENT. THIS AGREEMENT, THE PROMISSORY NOTES ANY CONTRACTS OR INSTRUMENTS RELATING THERETO, REPRESENT THE ENTIRE AGREEMENT BETWEEN THE PARTIES, AND IT IS EXPRESSLY UNDERSTOOD THAT ALL PRIOR CONVERSATIONS OR MEMORANDA BETWEEN THE PARTIES REGARDING THE TERMS OF THIS AGREEMENT SHALL BE SUPERSEDED BY THIS AGREEMENT. ANY AMENDMENT, APPROVAL, OR WAIVER BY NORWEST OF THE TERMS OF THIS AGREEMENT, THE PROMISSORY NOTES AND ANY CONTRACTS OR INSTRUMENTS RELATING THERETO, MUST BE IN WRITING OR CONFIRMED WRITING, AND SHALL BE EFFECTIVE ONLY TO THE EXTENT SPECIFICALLY SET FORTH IN SUCH WRITING. THIS AGREEMENT, IN CONJUNCTION WITH THE PROMISSORY NOTES AND ANY CONTRACTS OR INSTRUMENTS RELATING THERETO, SHALL SERVE TO EVIDENCE THE TERMS OF THE ENTIRE AGREEMENT BETWEEN THE PARTIES.

Please acknowledge your acceptance of and agreement to the terms of this Agreement by dating and executing where indicated.

Sincerely,

NORWEST BANK TEXAS, MIDLAND, N.A.

By: /s/ MARK D. MCKINNEY
Mark D. McKinney, Vice President
Oil & Gas Division

AGREED TO AND ACCEPTED THIS
30TH DAY OF MARCH 1995

Borrower: Key Energy Drilling, Inc.

By: /s/ RON LAIDLEY
Ron Laidley, President

Guarantor: Key Energy Group, Inc.

By: /s/ DANNY EVATT
Danny Evatt, Chief Accounting
Officer

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME	STATE OF INCORPORATION
Yale E. Key, Inc.	Texas
Odessa Exploration, Inc.	Delaware
Key Energy Drilling, Inc. d/b/a Clint Hurt Drilling	Delaware

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