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KEY ENERGY SERVICES INC
Form 11-K
June 28, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 10549

FORM 11-K

(MARK ONE)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

FOR THE FISCAL YEAR END DECEMBER 31, 2001

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 1-8038

KEY ENERGY SERVICES, INC. 401(k) SAVINGS AND RETIREMENT PLAN

(Full title of the plan and the address of the plan,
if different from that of the issuer named below)

KEY ENERGY SERVICES, INC.
6 DESTA DRIVE, SUITE 4400
MIDLAND, TX 79705

(Name of Issuer of the securities held pursuant to the plan
and the address of its principal executive office)

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REQUIRED INFORMATION

The Key Energy Services, Inc. 401(k) Savings and Retirement Plan (the "Plan") is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the audited statements of financial condition as of December 31, 2001 and 2000, and the related statements of income and changes in plan equity of the Plan for each of the three years in the period end December 31, 2001 are filed herewith.

EXHIBIT

Designations	Description	Method of Filing
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Independent Auditors' Report

Financial Statements:

Statements of Net Assets Available for Benefits

Statements of Changes in Net Assets Available for Benefits

Notes to Financial Statements

Supplementary Schedule:

1. Schedule of Assets Held for Investment Purposes as
of December 31, 2001

Exhibit 23.1

Consent of Independent Auditors

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Robinson a professional services firm of 1500 Broadway telephone (806) 744-
Burdette certified public accountants Suite 1300 fax (806) 747-2106
Martin Lubbock, Texas 79401-3107 www.rbmsb.com
Seright &
Burrows, L.L.P.

Independent Auditors' Report

To the Trustees
Key Energy Services, Inc. 401(k) Savings and Retirement Plan
Midland, Texas

We have audited the accompanying statements of net assets available for benefits of Key Energy Services, Inc. 401(k) Savings and Retirement Plan ("the Plan") as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years ended December 31, 2001 and 2000 and 1999. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a

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test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2001 and 2000, and the changes in net assets available for benefits for the years ended December 31, 2001 and 2000 and 1999 in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets Held for Investment Purposes as of December 31, 2001 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but are supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROBINSON BURDETTE MARTIN SERIGHT & BURROWS, L.L.P.

Lubbock, Texas
April 17, 2002

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KEY ENERGY SERVICES, INC.
401(k) SAVINGS AND RETIREMENT PLAN
Statements of Net Assets Available for Benefits
December 31, 2001 and 2000

	2001	2000
	-----	-----
Receivables:		
Sponsor contributions	\$ 93,082	\$ 95,
Participant contributions	250,595	300,
	-----	-----
Total receivables	343,677	396,
	-----	-----

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Investments, at fair value:

Participant directed		
Guaranteed investment contract (Note 3)	15,580,961	13,411,
Pooled separate accounts (Note 3)	19,983,335	21,018,
Nonparticipant directed:		
Key Energy Stock Fund (Note 3)	3,682,038	1,670,
Total investments	39,246,334	36,100,
Participant loans	2,449,246	2,480,
	ASSETS 42,039,257	38,978,
	LIABILITIES -	
	NET ASSETS AVAILABLE FOR BENEFITS \$42,039,257	\$38,978,

The accompanying NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

KEY ENERGY SERVICES, INC.
 401(k) SAVINGS AND RETIREMENT PLAN
 Statements of Changes in Net Assets Available for Benefits
 For the Years Ended December 31, 2001, 2000 and 1999

	Participant Directed	Nonp D
Net appreciation/(depreciation) in fair value of investments	\$ (2,693,775)	\$
Interest	951,298	
Investment loss, net	(1,742,477)	
Sponsor	(1,510)	
Participants	6,785,301	

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Contributions	6,783,791	
<hr/>		
Transferred assets:		
Investments transferred from merged plans	-	
Loans transferred from merged plans	-	
Other transfers net	(103,292)	
	(103,292)	
<hr/>		
	ADDITIONS TO NET ASSETS	4,938,022
<hr/>		
Benefits paid to participants	3,791,980	
Third-party administrator charges	103,748	
	DEDUCTIONS FROM NET ASSETS	3,895,728
<hr/>		
	NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	1,042,294
<hr/>		
Net Assets Available for Benefits:		
Beginning of year	37,221,842	
End of year	\$38,264,136	\$
	=====	=====

The accompanying NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

KEY ENERGY SERVICES, INC.
401(k) SAVINGS AND RETIREMENT PLAN
Statements of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2001, 2000 and 1999

	Participant Directed	Nonp D
	<hr/>	<hr/>
Net appreciation/(depreciation) in fair value of investments	\$ (1,867,359)	\$
Interest	908,135	
	<hr/>	<hr/>
Investment loss, net	(959,224)	
	<hr/>	<hr/>
Sponsor	740	
Participants	5,552,848	

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Contributions	5,553,588	

Transferred assets:		
Investments transferred from merged plans	24,877	
Loans transferred from merged plans	-	
Other transfers net	(506,033)	
	(481,156)	

ADDITIONS TO NET ASSETS	4,113,208	

Benefits paid to participants	5,570,197	
Third-party administrator charges	164,947	

DEDUCTIONS FROM NET ASSETS	5,735,144	

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	(1,621,936)	

Net Assets Available for Benefits:		
Beginning of year	38,843,778	

End of year	\$37,221,842	\$
	=====	

	Participant	Nonp
	Directed	D

Net appreciation/(depreciation) in fair value of investments	\$ 2,767,702	\$
Interest	894,832	

Investment loss, net	3,662,534	

Sponsor	43,522	
Participants	5,460,641	

Contributions	5,504,163	

Transferred assets:		
Investments transferred from merged plans	9,829,877	
Loans transferred from merged plans	1,041,855	
Other transfers net	-	
	10,871,732	

ADDITIONS TO NET ASSETS	20,038,429	

Benefits paid to participants	8,798,923	
Third-party administrator charges	49,980	

DEDUCTIONS FROM NET ASSETS	8,848,903	

NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	11,189,526	

Net Assets Available for Benefits:		
Beginning of year	27,654,252	

End of year	\$38,843,778	\$
	=====	

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The accompanying NOTES TO FINANCIAL STATEMENTS are an integral part of these statements.

KEY ENERGY SERVICES, INC. 401(k) SAVINGS AND RETIREMENT PLAN
Notes to Financial Statements
For the Years Ended December 31, 2001, 2000 and 1999

NOTE 1: PLAN DESCRIPTION

The description of Key Energy Services, Inc. 401(k) Savings and Retirement Plan ("the Plan") provides only general information. Participants should refer to the plan document for a complete description of the provisions of the Plan.

GENERAL. The Plan is a contributory, defined contribution plan covering substantially all employees of Key Energy Services, Inc. ("the Sponsor"). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

TAX STATUS. The Internal Revenue Service ("IRS") has determined and informed the Sponsor by a letter dated September 7, 2001, that the Plan and related Trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC").

CONTRIBUTIONS. Participants may contribute up to 15% of pretax compensation, as defined in the Plan, annually. Participants may also contribute amounts representing distributions from other qualified plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan currently offers 17 investment options, including a Key Energy Stock Fund. The Sponsor contributes 100% of the first 3% of base compensation that a participant contributes to the Plan up to \$1,000 in 2001. The matching Sponsor contribution is invested directly in Key Energy Services, Inc. common stock. Additional profit sharing amounts may be contributed at the option of the Sponsor's board of directors and are invested in a portfolio of investments as directed by the Participant. Contributions are subject to certain limitations.

PARTICIPANT ACCOUNTS. Each participant's account is credited with the participant's contributions and allocations of the Sponsor's contributions and earnings on the participant's account investments. Sponsor contribution allocations are based on pro rata participant compensation.

VESTING. Participants are always vested in their contributions and earnings thereon. Participants vest in the Sponsor's contribution portion of their accounts (including earnings thereon) based on years of continuous service within a 4-year graded vesting schedule.

PARTICIPANT LOANS. Participants may borrow a minimum of \$1,000, up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance, whichever is less. The loans are secured by the balance in the participant's account and bear interest at rates that range from 4% to 11%, which are commensurate with local prevailing rates as determined quarterly by the Plan administrator. Principal and interest are paid ratably through payroll deductions.

PAYMENT OF BENEFITS. On termination of service due to death, disability or

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retirement, a participant will receive a lump-sum amount equal to the value of the participant's vested interest in his or her account. A participant may receive the value of the vested interest in his or her account as a lump-sum distribution upon termination for other reasons.

FORFEITED ACCOUNTS. At December 31, 2001 and 2000, forfeited nonvested accounts totaled \$43,911 and \$111,103 respectively. These accounts will be used to reduce administrative expenses and future employer contributions. During the year ended December 31, 2001 and 2000, administrative expenses and employer contributions were reduced by \$57,429 and \$2,522, and \$116,448 and \$9,919, respectively from forfeited nonvested accounts.

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KEY ENERGY SERVICES, INC. 401(k) SAVINGS AND RETIREMENT PLAN
Notes to Financial Statements
For the Years Ended December 31, 2001, 2000 and 1999

NOTE 1: PLAN DESCRIPTION (CONTINUED)

AMENDMENT OR TERMINATION. Although it has no intent to do so, the Sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event of Plan termination, participants would automatically become 100% vested in their Sponsor contributions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), including specialized industry practices as specified in the American Institute of Certified Public Accountants audit and accounting guide titled AUDITS OF EMPLOYEE BENEFIT PLANS.

USE OF ESTIMATES. Financial statements prepared in conformity with GAAP require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

INVESTMENT VALUES. Investments are stated at fair value. Quoted market prices are used to value investments. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

PAYMENT OF BENEFITS. Benefits are recorded when paid.

ADMINISTRATIVE COSTS. Certain administrative services and the use of office fixtures and equipment are provided to the Plan by the Sponsor and no provision for these costs are included in the accompanying financial statements. All other administrative expenses are recognized when incurred.

PROHIBITED TRANSACTIONS. A "party-in-interest" is a fiduciary or employee of the Plan, any person who provides services to the Plan, the Sponsor or an employee association whose members are covered by the Plan, a person who owns 50 percent or more of the Sponsor or such employee association or relatives of such person just listed. Under ERISA, a Plan fiduciary is prohibited from causing the Plan

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to engage in the following transactions with a party-in-interest, with certain conditional exemptions provided by ERISA:

- A sale, exchange or lease of property;
- A loan or other extension of credit;
- The furnishing of goods, services or facilities;
- A transfer of plan assets to a party-in-interest for the use or benefit of a party-in-interest; or
- An acquisition of employer securities or real property.

A fiduciary is also generally prohibited from using the Plan's assets for his or her own interest or account, acting in any Plan transactions on behalf of a party whose interests are adverse to those of the Plan or its participants and receiving consideration for his or her own account from a party dealing with the Plan in connection with a transaction involving the Plan's assets.

The Plan has not engaged in any prohibited transactions in the years ended December 31, 2001 or 2000.

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KEY ENERGY SERVICES, INC. 401(k) SAVINGS AND RETIREMENT PLAN
 Notes to Financial Statements
 For the Years Ended December 31, 2001, 2000 and 1999

NOTE 3: INVESTMENTS

Components of the Plan's investments are presented below. Individual investments that represent 5 percent or more of the Plan's net assets are separately identified with an asterisk (*). Investments at fair value as determined by quoted market price are identified with "QMP." Investments at estimated fair value are identified with "Est." Key Energy Stock Fund is a nonparticipant-directed fund identified by (**).

	Fair Value Determined By	2001	
	-----	-----	-----
* Stock Index Fund	QMP	\$ 2,222,464	\$
* Janus Worldwide Account	QMP	1,804,311	
* Fidelity Advisor Growth Opportunities	QMP	3,857,711	
* Balanced-Wellington Management	QMP	2,969,407	
* INVESCO Dynamics	QMP	2,204,302	
Other Funds	QMP	6,925,140	
		-----	-----
Mutual funds		19,983,335	2
		-----	-----
* Key Energy Stock Fund	QMP	** 3,682,038	**

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* CIGNA Guaranteed Income Account	Est	15,580,961	1
		-----	---
Other investments		19,262,999	1
		-----	---
Investments, at fair value		\$ 39,246,334	\$ 3
		=====	=====

During the years ended December 31, 2001, 2000, and 1999 the Plan's investments in participant directed funds (including gains and losses realized and unrealized) appreciated/(depreciated) in value by (\$2,693,775), (\$1,867,359), and \$2,767,702 respectively.

During the years ended December 31, 2001, 2000, and 1999 the Plan's investments in nonparticipant-directed investments, Key Energy Stock Fund, (including gains and losses realized and unrealized) appreciated/(depreciated) in value by (\$396,409), \$197,630, and \$0 respectively.

INVESTMENT CONTRACT WITH INSURANCE COMPANY. The plan has entered into an investment contract with CIGNA (Guaranteed Income Fund). CIGNA maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses charged by CIGNA. The contract is included in the financial statements at fair value as reported to the plan by CIGNA. Fair value is deemed to approximate contract value which represents contributions made under the contracts, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct withdrawal or transfer all or a portion of their investment at contract value, however, CIGNA has the right to defer such withdrawals or transfers.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yield and interest rates were approximately 5.12% for 2001 and 2000. The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed on a semi-annual basis for resetting.

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KEY ENERGY SERVICES, INC. 401(k) SAVINGS AND RETIREMENT PLAN
Notes to Financial Statements
For the Years Ended December 31, 2001, 2000 and 1999

NOTE 4: PLAN MERGERS

During the years ended December 31, 2000 and 1999, certain employee benefit plans sponsored by the companies that had been previously acquired by Key Energy Services, Inc. were merged into the Plan. In connection with these mergers, investments of \$24,877 and \$9,829,877 respectively, were transferred into the Plan. In addition participant loans of \$1,041,855 were transferred into the Plan for the year ended December 31, 1999

NOTE 5: RELATED PARTY TRANSACTIONS

The Employer pays certain administrative expenses of the Plan. In addition, the

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Employer provides certain administrative services to the Plan at no cost. The amounts of these expenses for the years ended December 31, 2001, 2000, and 1999 were not significant.

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KEY ENERGY SERVICES, INC. 401(k) SAVINGS AND RETIREMENT PLAN

SUPPLEMENTARY SCHEDULE

FOR THE YEAR ENDED:
DECEMBER 31, 2001

SUPPLEMENTAL SCHEDULE I:

KEY ENERGY SERVICES, INC.
 401(k) SAVINGS AND RETIREMENT PLAN
 Schedule H Line 4i - Schedule of Assets Held for Investment Purposes
 as of December 31, 2001

(a)	(b) Identity of issue, borrower, lessor or similar party [1]	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value
*	Connecticut General Life Insurance Company	Guaranteed Income Fund
*	Connecticut General Life Insurance Company	Pooled Separate Accounts with CIGNA Stock Index Fund Fidelity Advisor Value Strategies A Janus Worldwide Account State Street Global Advisors Intermediate Bond Account Templeton Foreign Account Fidelity Advisor Growth Opportunities Wellington Management Balanced John A. Levin Large Cap Value Putnam Large Cap Growth Morgan Stanley Large Cap Growth Janus Advisor Growth Account INVESCO Dynamics BERGER Small Cap Value Timesquare Small Cap Growth INVESCO Small Company Growth Account
*	National Financial Services	Key Energy Employer Stock Fund

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Loans to Participants (1)

* An asterisk (*) in column "a" indicates a party-in-interest to the Plan.

[1] Participant loans are aggregated and presented with a general description of terms and interest rates.

[2] Cost information is omitted with respect to participant and/or beneficiary-directed transactions.

See accompanying INDEPENDENT AUDITORS' REPORT.

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