FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] **QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2001

OR

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____________ to ____________

Commission File Number 1-10945

OCEANEERING INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	95-2628227
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11911 FM 529
Houston, Texas
77041
(Address of principal executive offices)
(Zip Code)

(713) 329-4500
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 2, 2001
Common Stock, $.25 Par Value	23,633,646 shares

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

OCEANEERING INTERNATIONAL, INC. & SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

	Sept. 30, 2001	Dec. 31, 2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,579	$ 9,911
Accounts receivable, net of allowance for doubtful accounts of $1,349 and $510	158,409	107,417
Prepaid expenses and other	29,509	27,019
Total current assets	192,497	144,347
Property and Equipment, at cost	569,385	523,385
Less: accumulated depreciation	218,296	187,025
Net property and equipment	351,089	336,360
Goodwill, net of amortization of $8,485 and $7,526	14,369	11,493
Other Assets	22,951	20,484
TOTAL ASSETS	$580,906	$512,684
LIABILITIES and SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts and notes payable	$ 28,722	$ 25,149
Accrued liabilities	72,929	60,139
Income taxes payable	15,399	8,736
Total current liabilities	117,050	94,024
Long-term Debt, net of current portion	190,000	180,000
Other Long-term Liabilities	34,828	31,766
Commitments and Contingencies		
Shareholders' Equity	239,028	206,894
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$580,906	$512,684

See Notes to Consolidated Financial Statements.

OCEANEERING INTERNATIONAL, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenues	$141,681	$100,464	$378,158	$315,546
Cost of Services	112,636	82,091	303,568	264,323
Selling, General and Administrative Expenses	10,876	10,393	32,011	30,617
Income from operations	18,169	7,980	42,579	20,606
Interest Income	120	96	325	356
Interest Expense, net of capitalized interest of $107 and $938, and $2,037 and $2,317	(2,752)	(1,950)	(7,255)	(5,037)
Other Income, Net	373	303	140	414
Income before income taxes	15,910	6,429	35,789	16,339
Provision for Income Taxes	(5,568)	(2,317)	(12,526)	(5,885)
Net Income	$ 10,342	$ 4,112	$ 23,263	$ 10,454
Basic Earnings per Share	$0.44	$0.18	$0.99	$0.46
Diluted Earnings per Share	$0.43	$0.18	$0.97	$0.45
Weighted average number of common shares	23,596	22,941	23,407	22,860
Incremental shares from stock options	377	280	475	300
Weighted average number of common shares and equivalents	23,973	23,221	23,882	23,160

See Notes to Consolidated Financial Statements.

OCEANEERING INTERNATIONAL, INC. & SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Nine Months Ended September 30,	
	2001	2000
Cash Flows from Operating Activities:		
Net Income	$ 23,263	$ 10,454
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,890	30,010
Currency translation adjustments and other	365	(858)
Increase in accounts receivable	(50,992)	(6,980)
Increase in prepaid expenses and other current assets	(2,490)	(2,530)
Increase in other assets	(1,279)	(2,716)
Increase (decrease) in current liabilities	22,286	(11,244)
Increase in other long-term liabilities	2,832	10,576
Total adjustments to net income	3,612	16,258
Net Cash Provided by Operating Activities	26,875	26,712
Cash Flows from Investing Activities:		
Purchases of property and equipment and other	(50,745)	(95,999)
Net Cash Used in Investing Activities	(50,745)	(95,999)
Cash Flows from Financing Activities:		
Net proceeds from revolving credit and other long-term debt	9,942	61,975
Proceeds from issuance of common stock	8,737	2,842
Purchases of treasury stock	(141)	(754)
Net Cash Provided by Financing Activities	18,538	64,063
Net Decrease in Cash and Cash Equivalents	(5,332)	(5,224)
Cash and Cash Equivalents - Beginning of Year	9,911	11,104
Cash and Cash Equivalents - End of Period	$ 4,579	$ 5,880

See Notes to Consolidated Financial Statements.

OCEANEERING INTERNATIONAL, INC. & SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

These consolidated financial statements are unaudited and have been prepared pursuant to instructions for the Quarterly Report on Form 10-Q required to be filed with the Securities and Exchange Commission and do not include all information and footnotes normally included in financial statements prepared in accordance with generally accepted accounting principles. These financial statements reflect all adjustments that Oceaneering's management believes are necessary to present fairly Oceaneering's financial position at September 30, 2001 and its results of operations and cash flows for the periods presented. All such adjustments are of a normal and recurring nature. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Oceaneering's Report on Form 10-K for the period ended December 31, 2000. The results for interim periods are not necessarily indicative of annual results.

2. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	Sept. 30, 2001	Dec. 31, 2000
	(in thousands)	
Spare parts for remotely operated vehicles	$ 13,675	$ 10,568
Inventories, primarily raw materials	7,225	8,848
Other	8,609	7,603
	$ 29,509	$ 27,019

3. Shareholders' Equity

Shareholders' Equity consisted of the following:

	Sept. 30, 2001	Dec. 31, 2000
	(in thousands)	
Common Stock, par value $0.25; 90,000,000 shares authorized; 24,017,046 shares issued	$ 6,004	$ 6,004
Additional paid-in capital	82,376	78,945
Treasury stock; 410,878 and 979,285 shares, at average cost	(5,513)	(13,123)
Retained earnings	175,069	151,806
Accumulated other elements of comprehensive income	(18,908)	(16,738)
Total shareholders' equity	$239,028	$206,894

4. Income Taxes

Cash taxes paid were $6.7 million and $4.1 million for the nine months ended September 30, 2001 and 2000, respectively.

5. Business Segment Information

Oceaneering supplies a comprehensive range of technical services and specialty products to a variety of industries. Oceaneering's Offshore Oil and Gas business consists of four business segments: Remotely Operated Vehicles ("ROVs"), Subsea Products, Mobile Offshore Production Systems and Other Services. Oceaneering's Advanced Technologies business is a separate segment that provides project management, engineering services and equipment for applications outside the oil and gas industry.

There are no differences in the basis of segmentation or in the basis of measurement of segment profit or loss from those used in Oceaneering's consolidated financial statements for the period ended December 31, 2000. The following summarizes certain financial data by business segment:

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2001	Sept. 30, 2000	June 30, 2001	Sept. 30, 2001	Sept. 30, 2000
			(in thousands)		
Revenues					
Offshore Oil and Gas					
ROVs	$ 39,956	$ 27,634	$ 40,584	$112,774	$ 75,028
Subsea Products	39,409	21,057	27,194	88,764	69,953
Mobile Offshore Production Systems	9,031	5,281	11,130	27,140	17,126
Other Services	26,836	20,851	27,722	74,325	71,471
Total Offshore Oil and Gas	115,232	74,823	106,630	303,003	233,578
Advanced Technologies	26,449	25,641	25,593	75,155	81,968
Total	$141,681	$100,464	$132,223	$378,158	$315,546
Gross Margins					
Offshore Oil and Gas					
ROVs	$ 10,925	$ 7,003	$ 12,544	$ 33,301	$ 18,806
Subsea Products	7,086	2,519	259	10,373	7,957
Mobile Offshore Production Systems	3,967	2,168	2,591	8,412	5,687
Other Services	2,552	2,249	4,659	9,283	3,644
Total Offshore Oil and Gas	24,530	13,939	20,053	61,369	36,094
Advanced Technologies	4,515	4,434	4,688	13,221	15,129
Total	$ 29,045	$ 18,373	$ 24,741	$ 74,590	$ 51,223

6. Comprehensive Income

Comprehensive income is the total of net income and all nonowner changes in equity. The amounts of comprehensive income for each of the three- and nine-month periods ended September 30, 2001 and 2000 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
		(in thousands)		
Net Income per Consolidated Statements of Income	$10,342	$ 4,112	$23,263	$ 10,454
Foreign Currency Translation Gains (Losses)	3,159	(2,516)	(2,170)	(6,372)
Comprehensive Income	$13,501	$ 1,596	$21,093	$ 4,082

Amounts comprising other elements of comprehensive income in Shareholders' Equity:

	September 30, 2001	December 31, 2000
	(in thousands)	
Accumulated Net Foreign Currency Translation Losses	$(18,908)	$(16,738)

7. New Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires the use of the purchase method of accounting for all business combinations entered into after June 30, 2001. SFAS No. 141 also specifies criteria intangible assets must meet to be recognized and reported apart from goodwill. SFAS No. 142 changes the accounting method for goodwill from an amortization to an impairment-only approach. SFAS No. 142 will be effective for Oceaneering's quarter ended March 31, 2002, and early adoption of this statement is not permitted. Oceaneering, therefore, will continue to amortize goodwill existing at June 30, 2001 pursuant to existing pronouncements until December 31, 2001. The new standards are immediately effective for any business combination Oceaneering completes after June 30, 2001, which includes an acquisition it completed during the three months ended September 30, 2001. Oceaneering will account for any transition charges it recognizes upon implementation of SFAS No. 142 as a cumulative effect of a change in accounting principle. Oceaneering is currently evaluating the possible effects of the adoption of these standards on its financial position and results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

All statements in this Form 10-Q, other than statements of historical facts, including, without limitation, statements regarding our business strategy, plans for future operations and industry conditions, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to various risks, uncertainties and assumptions, including those we refer to under the headings "Business — Risks and Insurance" and "Cautionary Statement Concerning Forward-Looking Statements" in Part I of our Report on Form 10-K for the period ended December 31, 2000. Although we believe that the expectations reflected in such forward-looking statements are reasonable, because of the inherent limitations in the forecasting process, as well as the relatively volatile nature of the industries in which we operate, we can give no assurance that those expectations will prove to be correct. Accordingly, evaluation of our future prospects must be made with caution when relying on forward-looking information.

Material Changes in Financial Condition

We consider our liquidity and capital resources adequate to support our operations and capital commitments. At September 30, 2001, we had working capital of $75 million, including $5 million of unrestricted cash, and we had $40 million of borrowing capacity available under our bank revolving credit facility.

Our capital expenditures were $51 million during the nine months ended September 30, 2001, as compared to $108 million during the corresponding period of last year. Capital expenditures in the current year consisted of the final costs related to the conversion of a jackup drilling rig to a mobile offshore production unit, modifications to the FPSO *Ocean Producer* and additions to our fleet of ROVs. Prior year expenditures consisted of the start of conversion of the jackup drilling rig, additions to our fleet of ROVs and multiservice vessel construction.

Commitments for capital expenditures at September 30, 2001 were the remaining $3 million of a total of approximately $14 million for modification of the FPSO *Ocean Producer.* These modifications are required for the new seven-year contract that we discuss below.

Results of Operations

We operate in five business segments. The segments are contained within two businesses - services and products provided to the offshore oil and gas industry ("Offshore Oil and Gas") and all other services and products ("Advanced Technologies"). Our segments within the Offshore Oil and Gas business are Remotely Operated Vehicles ("ROVs"), Subsea Products, Mobile Offshore Production Systems and Other Services. We report our Advanced Technologies business as one segment.

Consolidated revenue and margin information is as follows:

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2001	Sept. 30, 2000	June 30, 2001	Sept. 30, 2001	Sept. 30, 2000
	(in thousands, except for percentages)				
Revenues	$141,681	$100,464	$132,223	$378,158	$315,546
Gross margin	29,045	18,373	24,741	74,590	51,223
Gross margin %	21%	18%	19%	20%	16%
Operating margin %	13%	8%	11%	11%	7%

We generate a material amount of our consolidated revenue from contracts for marine services in the Gulf of Mexico and North Sea, which are usually more active from April through November compared to the rest of the year. Our exit from the diving sector in the North Sea in early 1998 and the substantial number of multi-year ROV drill support contracts that we entered into since calendar year 1997 have reduced the seasonality of our ROV and Other Services operations. As a result of the normal seasonality of offshore activity, we anticipate a decline in the fourth quarter of 2001. Revenues in our Mobile Offshore Production Systems, Subsea Products and Advanced Technologies segments are generally not seasonal.

Our Offshore Oil and Gas business results are influenced by the level of capital spending by oil and gas companies in the offshore sector, particularly in deepwater, that is, at water depths of 1,000 feet or more. During 2001 we have seen an increase in deepwater activity and this trend is expected to continue. However, oil and gas companies have not announced their capital budgets for 2002, and the degree to which deepwater spending will differ from 2001 is uncertain.

Offshore Oil and Gas

The table below sets forth our revenues and gross margins for our Offshore Oil and Gas business for the periods indicated.

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2001	Sept. 30, 2000	June 30, 2001	Sept. 30, 2001	Sept. 30, 2000
	(in thousands, except for percentages)				
ROVs					
Revenues	$ 39,956	$ 27,634	$ 40,584	$112,774	$ 75,028
Gross margin	10,925	7,003	12,544	33,301	18,806
Gross margin %	27%	25%	31%	30%	25%
Work class utilization %	79%	71%	79%	77%	65%
Subsea Products					
Revenues	$ 39,409	$ 21,057	$ 27,194	$ 88,764	$ 69,953
Gross margin	7,086	2,519	259	10,373	7,957
Gross margin %	18%	12%	1%	12%	11%
Mobile Offshore Production Systems					
Revenues	$ 9,031	$ 5,281	$ 11,130	$ 27,140	$ 17,126
Gross margin	3,967	2,168	2,591	8,412	5,687
Gross margin %	44%	41%	23%	31%	33%
Other Services					
Revenues	$ 26,836	$ 20,851	$ 27,722	$ 74,325	$ 71,471
Gross margin	2,552	2,249	4,659	9,283	3,644
Gross margin %	10%	11%	17%	12%	5%
Total Offshore Oil and Gas					
Revenues	$115,232	$ 74,823	$106,630	$303,003	$233,578
Gross margin	24,530	13,939	20,053	61,369	36,094
Gross margin %	21%	19%	19%	20%	15%

ROV segment operating income has been increasing due to both additional units available for service and higher utilization rates. The higher utilization rates have resulted from the return to service of more floating deepwater drilling rigs and a rise in offshore construction-related activities. Operating income for the quarter ended September 30, 2001 was less than the immediately preceding quarter, as our margin percentage returned to more historic levels on reduced construction work and normal repair and maintenance costs.

Our Subsea Products results were improved because our umbilical plants have started to produce under contracts which were awarded in improved market conditions. During the second quarter, we completed the largest contract we undertook during the prior period of lesser demand, a large steel tube umbilical order, at a loss. The completion of this project also freed up capacity at our U.K. plant for profitable work. Gross margin in the quarter ended June 30, 2001 included a loss of $3.5 million recognized on the steel tube umbilical order.

Our Mobile Offshore Production Systems gross margins were higher in the third quarter of 2001 compared to both the immediately preceding quarter and the quarter ended September 30, 2000, as we received partial dayrate revenue from the *Ocean Legend* for a portion of the first quarter and full dayrate starting mid-second quarter of 2001. The financial contribution from this segment for the three and nine months ended September 30, 2001 would have been better, if not for a problem encountered during the gas injection commissioning phase in July, when the gas compression equipment module on the *Ocean Legend* failed to perform up to design specifications. The manufacturer has effected the necessary repairs and modifications, and the cost was covered by warranty. We are testing the re-installed gas compression system and we expect to have it fully functional in early November. While the system was out of service, production continued at a reduced rate determined by our customer, with gas being flared rather than reinjected. While the contract provides for us to remain on full dayrate during such period, we did not record the $1.1 million of revenue questioned by our customer during the quarter. Discussions are ongoing, and our relations with the customer remain harmonious.

In the second quarter of 2001, we entered into a contract for the FPSO *Ocean Producer* for seven years at another field in Angola. We disconnected the *Ocean Producer* from its location in May 2001 and moved it to a shipyard for modification, life extension and repair as required for the new location. The modifications will have a net cost of approximately $14 million and will include an upgraded mooring system, the addition of water injection equipment and preparation for the future addition of gas injection equipment. The shipyard portion of the modifications was completed in the quarter ended September 30, 2001. The *Ocean Producer* commenced operations under the new contract at the end of October 2001.

Although the prior year included a full year of operation of the *Ocean Producer* and a total of $1.8 million of net gain from two sales and a writedown of out-of-service equipment, we anticipate that our Mobile Offshore Production Systems revenues and margins will be higher in 2001 than those of 2000 as a result of operations of the *Ocean Legend*.

Increased offshore activity in the Gulf of Mexico contributed to the significant improvement in gross margins for the nine months ended September 30, 2001 in our Other Services segment. The comparison of results for this segment to its results for the corresponding period of the prior year also reflects the benefits from our exit in 2000 from non-U.S. oilfield diving and vessel activities, which usually consisted of light construction jobs performed at low margins. We experienced a decline in Gulf of Mexico diving and vessel results in the third quarter of 2001 compared to the immediately preceding quarter, caused by various competitive factors in offshore construction-related activity.

Advanced Technologies

Revenue and gross margin information is as follows:

	For the Three Months Ended			For the Nine Months Ended	
	Sept. 30, 2001	Sept. 30, 2000	June 30, 2001	Sept. 30, 2001	Sept. 30, 2000
	(in thousands, except for percentages)				
Revenues	$ 26,449	$ 25,641	$ 25,593	$ 75,155	$ 81,968
Gross margin	4,515	4,434	4,688	13,221	15,129
Gross margin %	17%	17%	18%	18%	18%

Advanced Technologies revenues and margins were fairly consistent for the three-month periods shown above. The results in the first nine months of 2001 were lower than those achieved in the first nine months of 2000, as the prior year period included a large outfall job in Southeast Asia, which we performed using resources associated with our Other Services segment. The related assets were among those we later exchanged for ROVs. Our Advanced Technologies segment results depend in part on the level of government funding for NASA and U.S. Navy programs in which we currently participate or are pursuing.

Other

Interest expense for the nine months ended September 30, 2001 increased compared to the corresponding period of the prior year as we had higher debt levels. This debt had been incurred to fund the acquisition of additional equipment and expansion of our Subsea Products production capacity. Before capitalized interest, interest costs for the three months ended September 30, 2001 were slightly less than the year-earlier period, as lower interest rates more than offset the impact of higher debt levels for the quarter. Interest expense of $2,752,000 and $7,255,000 for the three and nine months ended September 30, 2001 was net of capitalized interest of $107,000 and $2,037,000, respectively.

Our equity in the earnings of our telecommunications joint venture was $266,000 and $988,000 for the three and nine months ended September 30, 2001, respectively, compared to income of $90,000 and a loss of $48,000 for the three and nine months ended September 30, 2000, respectively. The improved results were accomplished with better utilization of equipment and execution of projects. The outlook for the near-term joint venture results is negative, as industry conditions indicate that demand for subsea cable installation activity will be substantially lower for the near future.

Other expense in the first nine months of 2001 included the first quarter writeoff of $600,000 related to the shares of Friede Goldman Halter, Inc. we received as proceeds for the sale of an out-of-service jackup rig in the fourth quarter of 1999. Friede Goldman Halter, Inc. filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code on April 19, 2001. Friede Goldman Halter, Inc. was delisted from the New York Stock Exchange on April 19, 2001. It now trades on the Over-the-Counter Bulletin Board of NASDAQ (OTCBB) under the symbol FGHLQ.

The provisions for income taxes were related to U.S. income taxes that we estimated at annual effective rates using assumptions as to earnings and other factors that would affect the tax calculation for the remainder of the year and to the operations of foreign branches and subsidiaries subject to local income and withholding taxes.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There are no material changes from the information provided in Item 7A of our Report on Form 10-K for the period ended December 31, 2000.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

		Registration or File Number	Form or Report	Report Date	Exhibit Number
* 3.01	Restated Certificate of Incorporation	1-10945	10-Q	Sept. 2000	3.01
* 3.02	Amended and Restated By-Laws	1-10945	10-Q	Mar. 2001	3.02

* Indicates exhibit previously filed with the Securities and Exchange Commission as indicated and incorporated herein by reference.

(b) We filed the following reports on Form 8-K during the quarter for which this report is filed:

Date	Description
July 18, 2001	Information furnished under Item 9 regarding the posting of a presentation on our Web site.
August 9, 2001	Information furnished under Item 9 regarding the posting of a presentation on our Web site.

SIGNATURES

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

OCEANEERING INTERNATIONAL, INC.
(Registrant)

Date: November 8, 2001 By: //s// JOHN R. HUFF
John R. Huff
Chairman and Chief Executive Officer

Date: November 8, 2001 By: //s// MARVIN J. MIGURA
Marvin J. Migura
Senior Vice President and Chief Financial Officer

Date: November 8, 2001 By: //s// JOHN L. ZACHARY
John L. Zachary
Controller and Chief Accounting Officer