

HELMERICH & PAYNE, INC.

FORM 10-K (Annual Report)

Filed 12/23/03 for the Period Ending 09/30/03

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
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Symbol	HP
SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil & Gas Drilling
Sector	Energy
Fiscal Year	09/30

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Telephone	918-742-5531
CIK	0000046765
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	09/30

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003 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 1-4221

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

73-0679879
(I.R.S. employer
identification no.)

UTICA AT TWENTY-FIRST STREET, TULSA, OKLAHOMA 74114

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code (918) 742-5531

Securities registered pursuant to Section 12(b) of the Act:

Table with 2 columns: TITLE OF EACH CLASS, NAME OF EXCHANGE ON WHICH REGISTERED. Rows include Common Stock (\$0.10 par value) and Common Stock Purchase Rights, both registered on the New York Stock Exchange.

Securities registered Pursuant to Section 12(g) of the Act: NONE

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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No []

At March 31, 2003, the aggregate market value of the voting stock held by non-affiliates was \$1,218,694,981.

Number of shares of common stock outstanding at December 15, 2003: 50,168,655.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the following documents have been incorporated by reference into this Form 10-K as indicated:

Documents

10-K Parts

- (1) Annual Report to Stockholders for the fiscal year ended September 30, 2003
 - (2) Proxy Statement for Annual Meeting of Stockholders to be held March 3, 2004
-

Parts I and II
Part III

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

THIS REPORT INCLUDES “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED IN THIS REPORT, INCLUDING, WITHOUT LIMITATION, STATEMENTS REGARDING THE REGISTRANT’S FUTURE FINANCIAL POSITION, BUSINESS STRATEGY, BUDGETS, PROJECTED COSTS AND PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, ARE FORWARD-LOOKING STATEMENTS. IN ADDITION, FORWARD-LOOKING STATEMENTS GENERALLY CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS “MAY”, “WILL”, “EXPECT”, “INTEND”, “ESTIMATE”, “ANTICIPATE”, “BELIEVE”, OR “CONTINUE” OR THE NEGATIVE THEREOF OR SIMILAR TERMINOLOGY. ALTHOUGH THE REGISTRANT BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CAN GIVE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE REGISTRANT’S EXPECTATIONS ARE DISCLOSED IN THIS REPORT UNDER THE CAPTION “RISK FACTORS” BEGINNING ON PAGE 5, AS WELL AS IN MANAGEMENT’S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION ON PAGES 10 THROUGH 33 OF THE COMPANY’S ANNUAL REPORT. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE REGISTRANT, OR PERSONS ACTING ON ITS BEHALF, ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY SUCH CAUTIONARY STATEMENTS. THE REGISTRANT ASSUMES NO DUTY TO UPDATE OR REVISE ITS FORWARD-LOOKING STATEMENTS BASED ON CHANGES IN INTERNAL ESTIMATES OR EXPECTATIONS OR OTHERWISE.

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PART I

ITEM 1. BUSINESS

Helmerich & Payne, Inc. (the “Company”), was incorporated under the laws of the State of Delaware on February 3, 1940, and is successor to a business originally organized in 1920. The Company is primarily engaged in contract drilling of oil and gas wells for others. The contract drilling business accounts for the major portion of its operating revenues. The Company is also engaged in the ownership, development, and operation of commercial real estate.

The Company is organized into two separate autonomous operating entities, being contract drilling and real estate. Both businesses operate independently of the other. Both the contract drilling and real estate businesses are conducted through wholly owned subsidiaries. Operating decentralization is balanced by a centralized finance division, which handles all accounting, information technology, budgeting, insurance, cash management, and related activities.

The Company’s contract drilling business is composed of three business segments: domestic land drilling, domestic offshore platform drilling and international drilling. The Company’s domestic contract drilling is conducted primarily in Oklahoma, Texas, Wyoming, and Louisiana, and offshore from platforms in the Gulf of Mexico and California. The Company also operated during fiscal 2003 in seven international locations: Venezuela, Ecuador, Colombia, Argentina, Bolivia, Equatorial Guinea, and Hungary.

The Company’s real estate investments are located in Tulsa, Oklahoma, where the Company maintains its executive offices.

Prior to October 1, 2002, the Company was engaged in the exploration, production and sale of crude oil and natural gas business (“exploration and production business”). During fiscal 2002, the Company transferred the assets and liabilities of its exploration and production business to its wholly owned subsidiary, Cimarex Energy Co. On September 30, 2002, the Company distributed the common stock of Cimarex Energy Co. to the Company’s stockholders and completed a merger of Key Production Company, Inc. with a subsidiary of Cimarex Energy Co. As a result of this transaction, Cimarex Energy Co. became a separate publicly-traded company that owned and operated the exploration and production business. The Company does not own any common stock of Cimarex Energy Co.

CONTRACT DRILLING

The Company believes that it is one of the major land and offshore platform drilling contractors in the western hemisphere. Operating principally in North and South America, the Company specializes in medium to deep drilling in major gas producing basins of the United States and in drilling for oil and gas in international locations. In the United States, the Company draws its customers primarily from the major oil companies and the larger independents. In South America, the Company’s current customers include the Venezuelan state petroleum company and major international oil companies.

In fiscal 2003, the Company received approximately 68% of its consolidated revenues from the Company’s ten largest contract drilling customers. BP plc, Shell Oil Company, and ExxonMobil Corporation (respectively, “BP”, “Shell” and “ExxonMobil”), including their affiliates, are the Company’s three largest contract drilling customers. The Company performs drilling services for BP, Shell, and ExxonMobil on a world-wide basis. Revenues from drilling services performed for BP, Shell and ExxonMobil in fiscal 2003 accounted for approximately 16%, 15% and 11%, respectively, of the Company’s consolidated revenues from continuing operations for the same period.

The Company provides drilling rigs, equipment, personnel, and camps on a contract basis. These services are provided so that the Company’s customers may explore for and develop oil and gas from onshore areas and from fixed platforms, tension-leg platforms and spars in offshore areas. Each of the drilling rigs consists of engines, drawworks, a mast, pumps, blowout preventers, a drillstring, and related equipment. The intended well depth and the drilling site conditions are

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the principal factors that determine the size and type of rig most suitable for a particular drilling job. A land drilling rig may be moved from location to location without modification to the rig. A helicopter rig is one that can be disassembled into component part loads of approximately 4,000-20,000 pounds and transported to remote locations by helicopter, cargo plane, or other means. A platform rig is specifically designed to perform drilling operations upon a particular platform. While a platform rig may be moved from its original platform, significant expense is incurred to modify a platform rig for operation on each subsequent platform. In addition to traditional platform rigs, the Company operates self-moving minimum-space platform drilling rigs and drilling rigs to be used on tension-leg platforms and spars. The minimum-space rig is designed to be moved without the use of expensive derrick barges. The tension-leg platforms and spars allow drilling operations to be conducted in much deeper water than traditional fixed platforms.

During fiscal 1998, the Company put to work a new generation of six highly mobile/depth flexible rigs (individually the "FlexRig")*. The FlexRig has been able to significantly reduce average rig move times compared to similar depth-rated traditional land rigs. In addition, the FlexRig allows a greater depth flexibility of between 8,000 to 18,000 feet and provides greater operating efficiency. The original six rigs were designated as FlexRig1 rigs. Subsequently, the Company built and completed 12 new FlexRig2 rigs. During fiscal 2001, the Company announced that it would build an additional 25 new FlexRigs. These new rigs, known as "FlexRig3", are the next generation of FlexRigs which incorporate new drilling technology and new environmental and safety design. This new design includes integrated top drive, AC electric drive, hydraulic BOP handling system, hydraulic tubular make-up and break-out system, split crown and traveling blocks and an enlarged drill floor that enables simultaneous crew activities. All 25 of these FlexRigs were completed by June of 2003. During fiscal 2003, the Company began constructing seven more FlexRig3s at an approximate cost of \$11,250,000 each. Two of the seven were completed in fiscal year 2003. The other five will be completed by March 2004. All FlexRigs will be available for work in the Company's domestic and international drilling operations.

The Company's drilling contracts are obtained through competitive bidding or as a result of negotiations with customers, and sometimes cover multi-well and multi-year projects. Each drilling rig operates under a separate drilling contract. Most of the contracts are performed on a "daywork" basis, under which the Company charges a fixed rate per day, with the price determined by the location, depth, and complexity of the well to be drilled, operating conditions, the duration of the contract, and the competitive forces of the market. The Company has previously performed contracts on a combination "footage" and "daywork" basis, under which the Company charged a fixed rate per foot of hole drilled to a stated depth, usually no deeper than 15,000 feet, and a fixed rate per day for the remainder of the hole. Contracts performed on a "footage" basis involve a greater element of risk to the contractor than do contracts performed on a "daywork" basis. Also, the Company has previously accepted "turnkey" contracts under which the Company charges a fixed sum to deliver a hole to a stated depth and agrees to furnish services such as testing, coring, and casing the hole which are not normally done on a "footage" basis. "Turnkey" contracts entail varying degrees of risk greater than the usual "footage" contract. The Company did not accept any "footage" or "turnkey" contracts during fiscal 2003. The Company believes that under current market conditions "footage" and "turnkey" contract rates do not adequately compensate contractors for the added risks. The duration of the Company's drilling contracts are "well-to-well" or for a fixed term. "Well-to-well" contracts are cancelable at the option of either party upon the completion of drilling at any one site. Fixed-term contracts customarily provide for termination at the election of the customer, with an "early termination payment" to be paid to the contractor if a contract is terminated prior to the expiration of the fixed term.

While current fixed term contracts are for one to five year periods, some fixed term and well-to-well contracts are expected to be continued for longer periods than the original terms. However, the contracting parties have no legal obligation to extend the contracts. Contracts generally contain renewal or extension provisions exercisable at the option of the customer at prices mutually agreeable to the Company and the customer. In most instances contracts provide for additional payments for mobilization and demobilization.

* The term "FlexRig" as used herein is a Company trademark registered in the U.S. Patent and Trademark Office.

DOMESTIC LAND DRILLING

The Company believes it is a major land drilling contractor in the domestic market. At the end of September 2003, the Company had 83 of its land rigs available for work in the United States. The 17-rig increase from fiscal 2002 to 2003 was due to the delivery of 19 new FlexRigs and the transfer of two rigs to the Company's international operations. The Company's land operations contributed approximately 53% of the Company's consolidated revenues during fiscal 2003. Rig utilization in fiscal 2003 was 81%, down from 84% in fiscal 2002. However, the 22,588 activity days in fiscal 2003 were up from the fiscal 2002 total of 17,478 due to the increase in rig count. The Company's fleet of FlexRigs and highly mobile rigs maintained an average utilization of approximately 95% during fiscal 2003 while the Company's conventional rigs had an average utilization rate of approximately 58%. At the close of fiscal 2003, 68 land rigs were working out of 83 available rigs.

DOMESTIC OFFSHORE PLATFORM DRILLING

The Company's offshore platform operations contributed approximately 22% of the Company's consolidated revenues during fiscal 2003. Rig utilization in fiscal 2003 was 51%, down from 83% in fiscal 2002. At the end of this fiscal year, the Company had five of its 12 offshore platform rigs under contract and it continued to work under management contracts for three customer-owned rigs. It is likely during the first six months of calendar 2004 that two platform rigs will be placed on standby status and will receive lower standby rates.

INTERNATIONAL DRILLING

General

The Company's international drilling operations began in 1958 with the acquisition of Sinclair Oil Company's drilling rigs in Venezuela. Helmerich & Payne de Venezuela, C.A., a wholly owned subsidiary of the Company, is one of the leading drilling contractors in Venezuela. Beginning in 1972, with the introduction of its first helicopter rig, the Company expanded into other Latin American countries.

The Company's international operations contributed approximately 21% of the Company's consolidated revenues during fiscal 2003. Rig utilization in fiscal 2003 was 39%, down from 51% in fiscal 2002.

Venezuela

Venezuelan operations continue to be a significant part of the Company's operations. During fiscal 2003, the Company sold three workover/drilling rigs, leaving the Company with 11 land drilling rigs in Venezuela at the end of fiscal 2003. The Company worked exclusively for the Venezuelan state petroleum company during fiscal 2003, and revenues from this work accounted for approximately 6% of the Company's consolidated revenues during the fiscal year. The Company had six rigs working in Venezuela at the end of fiscal 2003.

The Company's rig utilization rate in Venezuela has decreased from approximately 41% during fiscal 2002 to approximately 33% in fiscal 2003. Even though the Company is, at this time, unable to predict future fluctuations in its utilization rates during fiscal 2004, the Company believes that the prospects are good for returning at least two of its idle rigs back to work in Venezuela during fiscal 2004.

Ecuador

At the end of fiscal 2003, the Company owned eight rigs in Ecuador. The Company's utilization rate was approximately 85% during fiscal 2003, down from approximately 93% in fiscal 2002. Revenues generated by Ecuadorian drilling operations contributed approximately 10% of the Company's consolidated revenues during fiscal 2003. The Ecuadorian drilling contracts are primarily with large international oil companies.

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Colombia

During fiscal 2003, the Company owned three drilling rigs in Colombia. The Company's utilization rate in Colombia was approximately 21% during fiscal 2003, down from approximately 31% in fiscal 2002. The revenues generated by Colombian drilling operations contributed approximately 1% of the Company's consolidated revenues in fiscal 2003. At the end of fiscal 2003, the Company was operating one rig in Colombia, which has since ceased operations.

Other Locations

In addition to its operations in Venezuela, Ecuador and Colombia, in fiscal 2003, the Company owned six rigs in Bolivia and two rigs in Argentina. At the end of fiscal 2003, no rigs were operating in Bolivia or Argentina. However, as of the end of November, 2003, one rig was operating in each of Bolivia and Argentina.

During fiscal 2003, the Company continued operations under a management contract for a customer-owned platform rig located offshore Equatorial Guinea. Also, during the fiscal year, the Company moved one FlexRig each to Hungary and Chad. The rig in Hungary began operations in July 2003 and the rig in Chad is currently expected to commence drilling operations in December of 2003.

REAL ESTATE OPERATIONS

The Company's real estate operations are conducted exclusively within the metropolitan area of Tulsa, Oklahoma. Its major holding is Utica Square Shopping Center, consisting of 15 separate buildings, with parking and other common facilities covering an area of approximately 30 acres. The Company in fiscal 2003, with the assistance of an architectural consulting firm, has determined that the gross usable area within the buildings of the shopping center is 441,588 square feet, composed of retail space of 382,801 usable square feet, office space of 39,400 usable square feet, storage space of 2,404 usable square feet and common area space of 16,983 usable square feet. The Company's real estate operations occupy approximately 4,140 square feet of general office and storage space. In calendar 2003, the Company renovated and converted a vacated department store to multi-tenant retail, office, and storage space. Occupancy in the shopping center increased from 80% in fiscal 2002 to 85% in fiscal 2003 with the addition of a children's clothing store located within the newly-renovated space.

Following the demolition of an eight-story medical office building in 2002, the Company undertook a redevelopment of that site, adding two new restaurant locations. Two new upscale restaurants containing 8,305 and 7,143 square feet, respectively, have been completed and are operating at such locations.

At the end of the 2003 fiscal year, the Company owned 11 of a total of 73 units in The Yorktown, a 16-story luxury residential condominium with approximately 150,940 square feet of living area located on a six-acre tract adjacent to Utica Square Shopping Center. Seven of the Company's units are currently leased.

The Company owns an eight-story office building located diagonally across the street from Utica Square Shopping Center, containing approximately 87,000 square feet of net leasable general office space. This building houses the Company's principal executive offices. The Company has leased from a third party approximately 114,000 square feet of office space and intends to relocate its principal executive offices to such space by the end of calendar 2003. Following the relocation, the Company intends, during calendar 2004, to raze the former headquarters building. Thereafter, the Company will investigate future development opportunities for this site.

The Company owns and leases to third parties multi-tenant warehouse space. Three warehouses known as Space Center, each containing approximately 165,000 square feet of net leasable space, are situated in the southeast part of Tulsa at the intersection of two major limited-access highways. Present occupancy is 98%, which is down from 100% in fiscal 2002. The Company also owns approximately 1.5 acres of undeveloped land lying adjacent to such warehouses.

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In July of 2003, the Company sold approximately 14.91 acres of undeveloped land in Southpark. The sales price totaled approximately \$2.2 million. Southpark is located in a high growth area of southeast Tulsa and is suitable for mixed commercial and light industrial development. Subsequent to such sale and at the end of fiscal 2003, the Company owned approximately 220 acres in Southpark consisting of approximately 207 acres of undeveloped real estate and approximately 13 acres of multi-tenant warehouse area. The warehouse area is known as Space Center East and consists of two warehouses, one containing approximately 90,000 square feet and the other containing approximately 112,500 square feet. Present occupancy is 96%, which is up from 93% in fiscal 2002. The Company believes that a high quality office park, with peripheral commercial, office/warehouse, and hotel sites, is the best development use for the remaining land. However, no development plans are currently pending.

The Company owns a five-building complex called Tandem Business Park. The project is located adjacent to and east of the Space Center East facility and contains approximately six acres, with approximately 88,084 square feet of office/warehouse space. Occupancy has increased from 80% to 84% during fiscal 2003. The Company also owns a 12 building complex, consisting of approximately 204,600 square feet of office/warehouse space, called Tulsa Business Park. The project is located south and east of the Space Center facility, separated by a city street, and contains approximately 12 acres. During fiscal 2003, occupancy has decreased from 96% to 86%.

The Company owns two service center properties located adjacent to arterial streets in south central Tulsa. The first, called Maxim Center, consists of one office/warehouse building containing approximately 40,800 square feet and located on approximately 2.5 acres. During fiscal 2003, occupancy has remained at 94%. The second, called Maxim Place, consists of one office/warehouse building containing approximately 33,750 square feet and located on approximately 2.25 acres. During fiscal 2003, occupancy has remained at 17%.

FINANCIAL

Information relating to Revenue and Operating Profit by Business Segments may be found on pages 58 through 60 of the Company's Annual Report.

EMPLOYEES

The Company had 2,929 employees within the United States (10 of which were part-time employees) and 1,008 employees in international operations as of September 30, 2003.

RISK FACTORS

In addition to the risks and factors discussed elsewhere in the Company's Annual Report, the Company cautions that the following "Risk Factors" could affect its actual results in the future.

1. Competition

Competition in the Contract Drilling Business

The contract drilling business is highly competitive. Competition in contract drilling involves such factors as price, rig availability, efficiency, condition of equipment, reputation, operating safety, and customer relations. Competition is primarily on a regional basis and may vary significantly by region at any particular time. Land drilling rigs can be readily moved from one region to another in response to changes in levels of activity, and an oversupply of rigs in any region may result, leading to increased price competition.

Although many contracts for drilling services are awarded based solely on price, the Company has been successful in establishing long-term relationships with certain customers which have allowed the Company to secure drilling work even though the Company may not have been the lowest bidder for such work. The Company has continued to

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attempt to differentiate its services based upon its engineering design expertise, operational efficiency, safety and environmental awareness. This strategy is less effective when lower demand for drilling services intensifies price competition and makes it more difficult or impossible to compete on any other basis than price.

Competition in the Real Estate Business

The Company has numerous competitors in the multi-tenant leasing business. The size and financial capacity of these competitors range from one-property sole proprietors to large international corporations. The primary competitive factors include price, location, and configuration of space. The Company's competitive position is enhanced by the location of its properties, its financial capability and the long-term ownership of its properties. However, many competitors have financial resources greater than the Company and have more contemporary facilities.

2. Operating Risks

The drilling operations of the Company are subject to the many hazards inherent in the business, including inclement weather, blowouts and well fires. These hazards could cause personal injury, suspend drilling operations, seriously damage or destroy the equipment involved, and cause substantial damage to producing formations and the surrounding areas. The Company's offshore platform drilling operations are also subject to potentially greater environmental liability, adverse sea conditions and platform damage or destruction due to collision with aircraft or marine vessels.

3. Indemnification and Insurance Coverage

The Company believes that it has adequate insurance coverage for comprehensive general liability, public liability, property damage, workers compensation, and employer's liability. No insurance is carried against loss of earnings or business interruption. The Company is unable to obtain significant amounts of insurance to cover risks of underground reservoir damage, however, the Company is generally indemnified under its drilling contracts from this risk. The majority of the Company's insurance coverage has been purchased through fiscal 2004. No assurance can be given that all or a portion of the Company's coverage will not be cancelled during fiscal 2004 or that insurance coverage will continue to be available at rates considered reasonable. Additionally, no assurance can be given that the Company's insurance and indemnification arrangements will adequately protect it against all liabilities that could result from the hazards of its drilling operations. Incurring a liability for which the Company is not fully insured or indemnified could materially affect the Company's results of operations.

4. Volatility of Oil and Gas Prices

The Company's operations can be materially affected by low oil and gas prices. The Company believes that any significant reduction in oil and gas prices could depress the level of exploration and production activity and result in a corresponding decline in demand for the Company's services. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for, and the supply of, oil and gas. Fluctuations during the last few years in the demand and supply of oil and gas have contributed to, and are likely to continue to contribute to, price volatility. Any prolonged reduction in demand for the Company's services could have a material and adverse effect on the Company.

5. International Uncertainties and Local Laws

International operations are subject to certain political, economic, and other uncertainties not encountered in domestic operations, including increased risks of terrorism, kidnapping of employees, expropriation of equipment as well as expropriation of a particular oil company operator's property and drilling rights, taxation policies, foreign exchange restrictions, currency rate fluctuations, and general hazards associated with foreign sovereignty over certain areas in which operations are conducted. There can be no assurance that there will not be changes in local laws, regulations,

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and administrative requirements or the interpretation thereof which could have a material adverse effect on the profitability of the Company's operations or on the ability of the Company to continue operations in certain areas.

Because of the impact of local laws, the Company's future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which the Company holds only a minority interest, or pursuant to arrangements under which the Company conducts operations under contract to local entities. While the Company believes that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on the Company's operations or revenues, there can be no assurance that the Company will in all cases be able to structure or restructure its operations to conform to local law (or the administration thereof) on terms acceptable to the Company.

Although the Company attempts to minimize the potential impact of such risks by operating in more than one geographical area, during fiscal 2003, approximately 21% of the Company's consolidated revenues were generated from the international contract drilling business. Approximately 86% of the international revenues were from operations in South America and approximately 87% of South American revenues were from Venezuela and Ecuador.

6. Currency Risk

General

Contracts for work in foreign countries generally provide for payment in United States dollars, except for amounts required to meet local expenses. However, government owned petroleum companies are more frequently requesting that a greater proportion of these payments be made in local currencies. Based upon current information, the Company believes that exposure to potential losses from currency devaluation is minimal in Colombia, Ecuador, Bolivia, and Equatorial Guinea. In those countries, all receivables and payments are currently in U.S. dollars. Cash balances are kept at a minimum which assists in reducing exposure.

Argentina

In 2002, Argentina suffered a 60% devaluation of the peso. As a consequence, the Company secured agreements with its customers that limited the portion of the accounts receivable that will be paid in pesos with the balance of such accounts receivable to be paid in U.S. dollars. The Company did not experience Argentine currency losses in fiscal 2003.

Venezuela

The Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. In Venezuela, approximately 60% of the Company's invoice billings are in U.S. dollars and 40% are in the local currency, the bolivar. The significance of this arrangement is that even though the dollar-based invoices may be paid in bolivars, the Company, historically, has usually been able to convert the bolivars into U.S. dollars in a timely manner and thus avoid, in large measure, devaluation losses pertaining to the dollar-based invoices. However, this arrangement is effective only in the absence of exchange controls. In January 2003, the Venezuelan government put into effect exchange controls that fixed the exchange rate at 1600 bolivars to one U.S. dollar and also prohibited the Company, as well as other companies, from converting the bolivar into U.S. dollars through the Central Bank. As a result of these exchange controls, the Company has been unable since January 2003 to convert its bolivar cash balances into U.S. dollars. As of September 30, 2003, the Company's bolivar balance was approximately 14 billion bolivars or approximately \$8.8 million. Historically, the Company has kept bolivar cash balances at necessary minimum levels. Absent existing exchange controls, the Company would have converted approximately 95% of the bolivars (13.3 billion bolivars) into \$8.3 million.

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As part of the exchange controls regulation, the Venezuelan government provided a mechanism by which companies could request conversion of bolivars into U.S. dollars. In compliance with such regulations, the Company on October 1, 2003, submitted a request to the Venezuelan government seeking permission to dividend earnings, which effectively will convert 14 billion bolivars into U.S. dollars. The Company is unable to predict if or when this request will be approved.

As stated above, the Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. From August of 2002 to August of 2003, there was a 13% devaluation of the bolivar. As a result, the Company experienced a \$624,000 devaluation loss. This 13% devaluation loss may not be reflective of the actual potential for future devaluation losses because of the exchange controls that are currently in place. While the Company is unable to predict future devaluation in Venezuela, if fiscal 2004 activity levels are similar to fiscal 2003 and if a 25% to 50% devaluation would occur, the Company could experience potential currency devaluation losses ranging from approximately \$3,200,000 to \$5,100,000.

In late August 2003, the Venezuelan state petroleum company agreed, on a prospective basis, to pay a portion of the Company's dollar-based invoices in U.S. dollars. While this is a positive development in light of the existing exchange controls, there is no guarantee as to how long this arrangement will continue. Were this agreement to end, the Company would revert back to receiving these payments in bolivars and thus increase bolivar cash balances and exposure to devaluation.

7. Governmental Instability in Venezuela

Governmental instability continues to exist in Venezuela. In the event that extended labor strikes occur or turmoil increases, the Company could experience shortages in material and supplies necessary to operate some or all of its Venezuelan drilling rigs.

During the mid-1970s, the Venezuelan government nationalized the exploration and production business. At the present time it appears the Venezuelan government will not nationalize the contract drilling business. Any such nationalization could result in the Company's loss of all or a portion of its assets and business in Venezuela.

8. Government Regulation and Environmental Risks

Many aspects of the Company's operations are subject to government regulation, including those relating to drilling practices and methods and the level of taxation. In addition, various countries (including the United States) have environmental regulations which affect drilling operations. Drilling contractors may be liable for damages resulting from pollution. Under United States regulations, drilling contractors must establish financial responsibility to cover potential liability for pollution of offshore waters. Generally, the Company is indemnified under drilling contracts from liability arising from pollution, except in certain cases of surface pollution. However, the enforceability of indemnification provisions in foreign countries may be questionable.

The Company believes that it is in substantial compliance with all legislation and regulations affecting its operations in the drilling of oil and gas wells and in controlling the discharge of wastes. To date, compliance has not materially affected the capital expenditures, earnings, or competitive position of the Company, although these measures may add to the costs of operating drilling equipment in some instances. Additional legislation or regulation may reasonably be anticipated, and the effect thereof on operations cannot be predicted.

9. Interest Rate Risk

In 2002, the Company entered into a \$200,000,000 intermediate-term unsecured debt obligation with staged maturities from five to 12 years with varying fixed interest rates for each maturity series. There was \$200 million outstanding

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at September 30, 2003, of which \$25 million is due in 2007 and the remaining \$175 million is due 2009 through 2014. The average interest rate during the next four years on this debt is 6.3%, after which it increases to 6.4%. The fair value of this debt at September 30, 2003 was approximately \$226.5 million.

At September 30, 2003, the Company had in place a committed unsecured line of credit totaling \$125,000,000. There was \$30,000,000 borrowed against the line of credit and \$13,747,260 of outstanding letters of credit as of September 30, 2003. The Company's line of credit interest rate is based on LIBOR plus 87 to 112.5 basis points based on the Company's EBITDA to net debt ratio. As the Company draws on this line of credit, it is subject to the interest rates prevailing during the term at which the Company had outstanding borrowings. Although market interest rates were at historical lows during fiscal year 2003, interest rates could rise for a number of various reasons in the future and increase the Company's total interest expense, depending upon the amount borrowed against the credit line.

10. Equity Price Risk

At September 30, 2003, the Company owned stocks in other publicly held companies with a total market value of \$169,546,000. These securities are subject to a wide variety of market-related risks that could substantially reduce or increase the market value of the Company's holdings. Except for the Company's holdings in its equity affiliate, Atwood Oceanics, Inc., the portfolio is recorded at fair value on its balance sheet with changes in unrealized after-tax value reflected in the equity section of its balance sheet. Any reduction in market value would have an impact on the Company's debt ratio and financial strength.

11. Reliance on Small Number of Customers

In fiscal 2003, the Company received approximately 68% of its consolidated revenues from the Company's ten largest contract drilling customers and approximately 42% of its consolidated revenues from the Company's three largest customers (including their affiliates). The Company believes that its relationship with all of these customers is good; however, the loss of one or more of its larger customers would have a material adverse effect on the Company's results of operations.

12. Key Personnel

The Company utilizes highly skilled personnel in operating and supporting its businesses. In times of high utilization, it can be difficult to find qualified individuals. Although to date the Company's operations have not been materially affected by competition for personnel, an inability to obtain a sufficient number of qualified personnel could materially impact the Company's results of operations.

13. Changes in Technologies

Although the Company takes measures to ensure that it uses advanced oil and natural gas drilling technology, changes in technology or in the Company's competitors' equipment could make the Company's equipment less competitive or require significant capital investments to keep its equipment competitive.

14. Concentration of Credit

The concentration of the Company's customers in the energy industry could cause them to be similarly affected by changes in industry conditions and, as a result, could impact the Company's exposure to credit risk. The Company cannot offer assurances that losses due to uncollectible receivables will be consistent with expectation.

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ITEM 2. PROPERTIES

CONTRACT DRILLING

The following table sets forth certain information concerning the Company's domestic drilling rigs as of September 30, 2003:

Location	Rig	Optimum Depth	Rig Type	Drawworks: Horsepower
<i>FLEXRIGS</i>				
Texas	164	18,000	SCR (FlexRig1)	1,500
Texas	165	18,000	SCR (FlexRig1)	1,500
Texas	166	18,000	SCR (FlexRig1)	1,500
Texas	169	18,000	SCR (FlexRig1)	1,500
Texas	178	18,000	SCR (FlexRig2)	1,500
Wyoming	179	18,000	SCR (FlexRig2)	1,500
Wyoming	180	18,000	SCR (FlexRig2)	1,500
Texas	181	18,000	SCR (FlexRig2)	1,500
Texas	182	18,000	SCR (FlexRig2)	1,500
Texas	183	18,000	SCR (FlexRig2)	1,500
Texas	184	18,000	SCR (FlexRig2)	1,500
Texas	185	18,000	SCR (FlexRig2)	1,500
Texas	186	18,000	SCR (FlexRig2)	1,500
Texas	187	18,000	SCR (FlexRig2)	1,500
Texas	188	18,000	SCR (FlexRig2)	1,500
Oklahoma	189	18,000	SCR (FlexRig2)	1,500
Texas	210	18,000	AC (FlexRig3)	1,500
Texas	211	18,000	AC (FlexRig3)	1,500
Texas	212	18,000	AC (FlexRig3)	1,500
Texas	213	18,000	AC (FlexRig3)	1,500
Texas	214	18,000	AC (FlexRig3)	1,500
Colorado	215	18,000	AC (FlexRig3)	1,500
Texas	216	18,000	AC (FlexRig3)	1,500
Texas	217	18,000	AC (FlexRig3)	1,500
Texas	218	18,000	AC (FlexRig3)	1,500
Texas	219	18,000	AC (FlexRig3)	1,500
Texas	220	18,000	AC (FlexRig3)	1,500
Louisiana	221	18,000	AC (FlexRig3)	1,500
Oklahoma	222	18,000	AC (FlexRig3)	1,500
Texas	223	18,000	AC (FlexRig3)	1,500
Texas	224	18,000	AC (FlexRig3)	1,500
Oklahoma	225	18,000	AC (FlexRig3)	1,500
Louisiana	226	18,000	AC (FlexRig3)	1,500
Texas	227	18,000	AC (FlexRig3)	1,500
Texas	228	18,000	AC (FlexRig3)	1,500
Texas	229	18,000	AC (FlexRig3)	1,500
Texas	230	18,000	AC (FlexRig3)	1,500
Texas	231	18,000	AC (FlexRig3)	1,500

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Location	Rig	Optimum Depth	Rig Type	Drawworks: Horsepower
Texas	232	18,000	AC (FlexRig3)	1,500
Texas	233	18,000	AC (FlexRig3)	1,500
Texas	234	18,000	AC (FlexRig3)	1,500
Texas	235	18,000	AC (FlexRig3)	1,500
Texas	236	18,000	AC (FlexRig3)	1,500
HIGHLY MOBILE RIGS				
Oklahoma	158	10,000	SCR	900
Texas	156	12,000	Mechanical	1,200
Wyoming	159	12,000	Mechanical	1,200
Texas	141	14,000	Mechanical	1,200
Texas	142	14,000	Mechanical	1,200
Texas	143	14,000	Mechanical	1,200
Texas	145	14,000	Mechanical	1,200
Texas	155	14,000	SCR	1,200
Texas	146	16,000	SCR	1,200
Texas	147	16,000	SCR	1,200
Wyoming	154	16,000	SCR	1,500
CONVENTIONAL RIGS				
Texas	110	12,000	SCR	700
Oklahoma	96	16,000	SCR	1,000
Texas	118	16,000	SCR	1,200
Texas	119	16,000	SCR	1,200
Texas	120	16,000	SCR	1,200
Louisiana	162	18,000	SCR	1,500
Oklahoma	80	20,000	SCR	1,500
Oklahoma	89	20,000	SCR	1,500
Oklahoma	92	20,000	SCR	1,500
Oklahoma	94	20,000	SCR	1,500
Oklahoma	98	20,000	SCR	1,500
Texas	122	16,000	SCR	1,700
Louisiana	79	20,000	SCR	2,000
Texas	97	26,000	SCR	2,000
Texas	99	26,000	SCR	2,000
Texas	137	26,000	SCR	2,000
Texas	149	26,000	SCR	2,000
Texas	191	26,000	SCR	2,000
Texas	192	26,000	SCR	2,000
Texas	170	26,000	SCR (Heli Rig)	3,000
Texas	72	30,000	SCR	3,000
Texas	73	30,000	SCR	3,000
Texas	125	30,000	SCR	3,000
Texas	134	30,000	SCR	3,000
Louisiana	136	30,000	SCR	3,000

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Location	Rig	Optimum Depth	Rig Type	Drawworks: Horsepower
Texas	157	30,000	SCR	3,000
Louisiana	161	30,000	SCR	3,000
Louisiana	163	30,000	SCR	3,000
Texas	139	30,000+	SCR	3,000
OFFSHORE PLATFORM RIGS				
Texas	108	18,000	Self-Erecting	1,500
Louisiana	91	20,000	Conventional	3,000
Gulf of Mexico	203	20,000	Self-Erecting	2,500
Gulf of Mexico	205	20,000	Tension-leg	2,000
Louisiana	206	20,000	Self-Erecting	1,500
Louisiana	100	30,000	Conventional	3,000
Louisiana	105	30,000	Conventional	3,000
Louisiana	106	30,000	Conventional	3,000
Louisiana	107	30,000	Conventional	3,000
Gulf of Mexico	201	30,000	Tension-leg	3,000
Gulf of Mexico	202	30,000	Tension-leg	3,000
Gulf of Mexico	204	30,000	Tension-leg	3,000

The following table sets forth information with respect to the utilization of the Company's domestic drilling rigs for the periods indicated:

Years ended September 30,	1999	2000	2001	2002	2003
Number of rigs owned at end of period	50	48	59	78	95
Average rig utilization rate during period*	75%	87%	97%	83%	77%

* A rig is considered to be utilized when it is operated or being moved, assembled, or dismantled under contract.

The following table sets forth certain information concerning the Company's international drilling rigs as of September 30, 2003:

Location	Rig	Optimum Depth	Rig Type	Drawworks: Horsepower
Argentina	174	30,000	SCR	3,000
Argentina	177	30,000	SCR	3,000
Bolivia	171	16,000	Mechanical	1,000
Bolivia	172	16,000	Mechanical	1,000
Bolivia	173	20,000	Mechanical	2,000
Bolivia	123	26,000	SCR	2,100
Bolivia	151	30,000	SCR	3,000
Bolivia	175	30,000	SCR	3,000
Chad	167	18,000	SCR (FlexRig1)	1,500
Colombia	133	30,000	SCR	3,000
Colombia	135	30,000	SCR	3,000
Colombia	152	30,000+	SCR	3,000
Ecuador	22	18,000	SCR (Heli Rig)	1,700

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Location	Rig	Optimum Depth	Rig Type	Draw-Works: Horsepower
Ecuador	23	18,000	SCR (Heli Rig)	1,500
Ecuador	132	18,000	SCR	1,500
Ecuador	176	18,000	SCR	1,500
Ecuador	121	20,000	SCR	1,700
Ecuador	117	26,000	SCR	2,500
Ecuador	138	26,000	SCR	2,500
Ecuador	190	26,000	SCR	2,000
Hungary	168	18,000	SCR (FlexRig1)	1,500
Venezuela	140	10,000	Mechanical	900
Venezuela	148	26,000	SCR	2,000
Venezuela	160	26,000	SCR	2,000
Venezuela	113	30,000	SCR	3,000
Venezuela	115	30,000	SCR	3,000
Venezuela	116	30,000	SCR	3,000
Venezuela	127	30,000	SCR	3,000
Venezuela	128	30,000	SCR	3,000
Venezuela	129	30,000	SCR	3,000
Venezuela	150	30,000	SCR	3,000
Venezuela	153	30,000+	SCR	3,000

The following table sets forth information with respect to the utilization of the Company's international drilling rigs for the periods indicated:

Years ended September 30,	1999	2000	2001	2002	2003
Number of rigs owned at end of period	39	40	37	33	32
Average rig utilization rate during period*†	53%	47%	56%	51%	39%

* A rig is considered to be utilized when it is operated or being moved, assembled, or dismantled under contract.

† Does not include rigs returned to United States for major modifications and upgrades.

REAL ESTATE OPERATIONS

See Item 1. BUSINESS, pages 4 through 5 of this Report.

STOCK PORTFOLIO

Information required by this item regarding the stock portfolio held by the Company may be found on page 28 of the Company's Annual Report under the caption, "Management's Discussion and Analysis of Results of Operations and Financial Condition."

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, results of operations, or liquidity of the Company. The Company is not a party to, and none of its property is subject to, any material pending legal proceedings.

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

None.

EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the names and ages of the Company's executive officers, together with all positions and offices held with the Company by such executive officers. Officers are elected to serve until the meeting of the Board of Directors following the next Annual Meeting of Stockholders and until their successors have been elected and have qualified or until their earlier resignation or removal.

W. H. Helmerich, III, 80

Chairman of the Board

Director since 1949; Chairman of the Board since 1960

Hans Helmerich, 45

President and Chief Executive Officer

Director since 1987; President and Chief Executive Officer since 1989

George S. Dotson, 62

Vice President

Director since 1990; Vice President since 1977 and President and Chief Operating Officer of Helmerich & Payne International Drilling Co. since 1977

Douglas E. Fears, 54

Vice President and Chief Financial Officer

since 1988

Steven R. Mackey, 52

Vice President, Secretary and General Counsel

Secretary since 1990; Vice President and General Counsel since 1988

Gordon K. Helm, 50

Controller

Chief Accounting Officer of the Company; Controller since December 10, 1993

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The principal market on which the Company's common stock is traded is the New York Stock Exchange. The high and low sale prices per share for the common stock for each quarterly period during the past two fiscal years as reported in the NYSE-Composite Transaction quotations follow:

Quarter	2002		2003	
	High*	Low*	High	Low
First	\$35.25	\$24.70	\$30.23	\$23.45
Second	41.31	27.70	28.94	22.60
Third	43.24	33.70	32.80	24.72
Fourth	38.35	28.90	30.30	25.70

*Market prices for 2002 are prior to distribution of 100% of common stock of Cimarex Energy Co. (See Note 2 of the Consolidated Financial Statements).

The Registrant paid quarterly cash dividends during the past two years as shown in the following table:

Quarter	Paid per Share Fiscal		Total Payment Fiscal	
	2002	2003	2002	2003
First	\$0.075	\$0.080	\$3,738,220	\$4,000,982
Second	0.075	0.080	3,739,680	4,002,239
Third	0.075	0.080	3,743,587	4,002,971
Fourth	0.080	0.080	3,999,597	4,009,076

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The Company paid a cash dividend of \$.080 per share on December 1, 2003, to stockholders of record on November 14, 2003. Payment of future dividends will depend on earnings and other factors.

As of December 15, 2003, there were 1,017 record holders of the Company's common stock as listed by the transfer agent's records.

SUMMARY OF ALL EXISTING EQUITY COMPENSATION PLANS

The following chart sets forth information concerning the compensation plans under which equity securities of the Company are authorized for issuance as of September 30, 2003.

Plan Category:	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders ⁽¹⁾	4,327,388	\$21.408	1,596,950
Equity compensation plans not approved by security holders ⁽²⁾	—	—	—
Total	4,327,388	\$21.408	1,596,950

(1) Includes the 1990 Stock Option Plan, the 1996 Stock Incentive Plan and the 2000 Stock Incentive Plan of the Company.

(2) The Company does not maintain any equity compensation plans that have not been approved by the stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The following table summarizes selected financial information and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto and the related Management's Discussion and Analysis of Results of Operations and Financial conditions contained at pages 10 through 33 of the Company's Annual Report. On September 30, 2002, the Company spun off Cimarex Energy Co. The historical financial data for the business conducted by Cimarex Energy Co. for 2002 has been reported as discontinued operations.

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	1999	2000	2001	2002	2003
	(in thousands)				
Sales, operating, and other revenues	\$ 439,118	\$ 416,272	\$ 542,571	\$ 551,879	\$ 515,284
Income from continuing operations	32,115	36,470	80,467	53,706	17,873
Income from continuing operations per common share:					
Basic	0.65	0.74	1.61	1.08	0.36
Diluted	0.65	0.73	1.58	1.07	0.35
Total assets	1,073,465	1,200,854	1,300,121	1,227,313	1,415,835
Long-term debt	50,000	50,000	50,000	100,000	200,000
Cash dividends declared per common share	0.28	0.285	0.30	0.31	0.32

ITEM 7. MANAGEMENT’S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Information required by this item may be found on pages 10 through 33 of the Company’s Annual Report under the caption “Management’s Discussion & Analysis of Results of Operations and Financial Condition.”

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item may be found on the following pages of the Company’s Annual Report under Management’s Discussion & Analysis of Results of Operations and Financial Condition and in Notes to Consolidated Financial Statements:

MARKET RISK	PAGE
• Foreign Currency Exchange Rate Risk	29-31
• Commodity Price Risk	31-32
• Interest Rate Risk	32-33
• Equity Price Risk	33

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item may be found on pages 35 through 61 of the Company’s Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

a) Evaluation of disclosure controls and procedures. As of the end of the period covered by this Annual Report on Form 10-K, the Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based on that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer believe that:

- The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms; and
- The Company’s disclosure controls and procedures operate such that important information flows to appropriate collection and disclosure points in a timely manner and are effective to ensure that such information is accumulated and communicated to the Company’s management, and made known to the Company’s Chief Executive Officer and Chief Financial Officer, particularly during the period when this Annual Report on Form 10-K was prepared, as appropriate to allow timely decision regarding the required disclosure.

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b) Changes in internal controls. There have been no changes in the Company's internal control over financial reporting during the Company's last fiscal quarter of 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Information required under this item with respect to Directors and with respect to delinquent filers pursuant to Item 405 of Regulation S-K is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 3, 2004, to be filed with the Commission not later than 120 days after September 30, 2003. The information required by this Item with respect to the Company's Executive Officers appears on page 14 of this Report.

The Company has adopted a Code of Ethics for Principal Executive Officers and Senior Financial Officers. The text of such Code is located on the Company's website under "Investor Relations - Corporate Governance." The Company's Internet address is www.hpinc.com.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 3, 2004, to be filed with the Commission not later than 120 days after September 30, 2003.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 3, 2004, to be filed with the Commission not later than 120 days after September 30, 2003.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 3, 2004, to be filed with the Commission not later than 120 days after September 30, 2003.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 3, 2004, to be filed with the Commission not later than 120 days after September 30, 2003.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

- a) 1. Financial Statements: The following appear in the Company's Annual Report at the pages indicated below and are incorporated herein by reference.

Report of Independent Auditors	34
Consolidated Statements of Income for the Years Ended September 30, 2003, 2002 and 2001	35
Consolidated Balance Sheets at September 30, 2003 and 2002	36-37
Consolidated Statements of Shareholders' Equity for the Years Ended September 30, 2003, 2002 and 2001	38
Consolidated Statements of Cash Flows for the Years Ended September 30, 2003, 2002 and 2001	39
Notes to Consolidated Financial Statements	40-61

2. Financial Statement Schedules: All schedules are omitted as inapplicable or because the required information is contained in the financial statements or included in the notes thereto.
3. Exhibits. The following documents are included as exhibits to this Form 10-K. Exhibits incorporated by reference herein are duly noted as such. Unless so noted, each exhibit is filed herewith.

3.1 Restated Certificate of Incorporation and Amendment to Restated Certificate of Incorporation of the Company are incorporated herein by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC file No. 001-04221.

3.2 Amended and Restated By-Laws of the Company are incorporated herein by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended March 31, 2002, SEC File No. 001-04221.

4.1 Rights Agreement dated as of January 8, 1996, between the Company and The Liberty National Bank and Trust Company of Oklahoma City, N.A. is incorporated herein by reference to the Company's Form 8-A, dated January 18, 1996, SEC File No. 001-04221.

***10.1** Consulting Services Agreement between W. H. Helmerich, III, and the Company effective January 1, 1990, as amended is incorporated herein by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

***10.2** Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

***10.3** Helmerich & Payne, Inc. 1990 Stock Option Plan is incorporated herein by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

***10.4** Form of Nonqualified Stock Option Agreement for the 1990 Stock Option Plan is incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 33-55239 on Form S-8, dated August 26, 1994.

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- *10.5** Supplemental Savings Plan for Salaried Employees of Helmerich and Payne, Inc. is incorporated herein by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1999, SEC File No. 001-04221.
- *10.6** Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.
- *10.7** Form of Nonqualified Stock Option Agreement for the Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.
- *10.8** Form of Restricted Stock Agreement for the Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1997, SEC File No. 001-04221.
- *10.9** Helmerich & Payne, Inc. 2000 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement No. 333-63124 on Form S-8 dated June 15, 2001.
- *10.10** Form of Agreements for Helmerich & Payne, Inc. 2000 Stock Incentive Plan being (i) Restricted Stock Award Agreement, (ii) Incentive Stock Option Agreement and (iii) Nonqualified Stock Option Agreement are incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 333-63124 on Form S-8 dated June 15, 2001.
- 10.11** Distribution Agreement dated as of February 23, 2002, by and between Helmerich & Payne, Inc. and Cimarex Energy Co. is incorporated herein by reference to Exhibit 10.1 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.
- 10.12** Tax Sharing Agreement dated as of February 23, 2002, by and between Helmerich & Payne, Inc. and Cimarex Energy Co. is incorporated herein by reference to Exhibit 10.2 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.
- *10.13** Form of Director Nonqualified Stock Option Agreement for the 2000 Helmerich & Payne, Inc. Stock Incentive Plan is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.
- *10.14** Form of Change of Control Agreement for Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.
- 10.15** Second Amendment to Credit Agreement, dated as of July 16, 2002, by and among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc. and Bank One, Oklahoma, N.A. is incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.
- 10.16** Credit Agreement, dated as of July 16, 2002, among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc., the several lenders from time to time party thereto, and Bank of Oklahoma, National Association is incorporated herein by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.
- 10.17** Note Purchase Agreement dated as of August 15, 2002, among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc. and various insurance companies is incorporated herein by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 2002, SEC File No. 001-04221.
- 10.18** Office Lease dated May 30, 2003, between K/B Fund IV and Helmerich & Payne, Inc.

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23.1 Consent of Independent Auditors.

31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Compensatory plan or arrangement

(b) Reports on Form 8-K

The Company filed two reports on Form 8-K during the last quarter of fiscal 2003 as follows:

- Form 8-K dated July 15, 2003, disclosing certain revisions to the Helmerich & Payne, Inc. Employees Retirement Plan.
- Form 8-K dated July 24, 2003, containing a Press Release with attached Unaudited Consolidated Condensed Balance Sheets, Consolidated Statements of Income and Financial Results – Lines of Business, announcing the Company's third quarter 2003 earnings.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized:

HELMERICH & PAYNE, INC.

By /s/ Hans Helmerich

Hans Helmerich, President and Chief Executive Officer
Date: December 23, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated:

By /s/ William L. Armstrong

William L. Armstrong, Director
Date: December 23, 2003

By /s/ George S. Dotson

George S. Dotson, Director
Date: December 23, 2003

By /s/ W.H. Helmerich, III

W. H. Helmerich, III, Director
Date: December 23, 2003

By /s/ Edward B. Rust, Jr.

Edward B. Rust, Jr., Director
Date: December 23, 2003

By /s/ John D. Zeglis

John D. Zeglis, Director
Date: December 23, 2003

By /s/ Glenn A. Cox

Glenn A. Cox, Director
Date: December 23, 2003

By /s/ Hans Helmerich

Hans Helmerich, Director and CEO
Date: December 23, 2003

By /s/ L. F. Rooney, III

L. F. Rooney, III, Director
Date: December 23, 2003

By /s/ Paula Marshall-Chapman

Paula Marshall-Chapman, Director
Date: December 23, 2003

By /s/ Douglas E. Fears

Douglas E. Fears, (Principal Financial Officer)
Date: December 23, 2003

By /s/ Gordon K. Helm

Gordon K. Helm, Controller (Principal Accounting Officer)

Date: December 23, 2003

EXHIBIT INDEX

The following documents are included as exhibits to this Form 10-K. Exhibits incorporated by reference herein are duly noted as such. Unless so noted, each exhibit is filed herewith.

3.1 Restated Certificate of Incorporation and Amendment to Restated Certificate of Incorporation of the Company are incorporated herein by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC file No. 001-04221.

3.2 Amended and Restated By-Laws of the Company are incorporated herein by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended March 31, 2002, SEC File No. 001-04221.

4.1 Rights Agreement dated as of January 8, 1996, between the Company and The Liberty National Bank and Trust Company of Oklahoma City, N.A. is incorporated herein by reference to the Company's Form 8-A, dated January 18, 1996, SEC File No. 001-04221.

***10.1** Consulting Services Agreement between W. H. Helmerich, III, and the Company effective January 1, 1990, as amended is incorporated herein by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

***10.2** Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

***10.3** Helmerich & Payne, Inc. 1990 Stock Option Plan is incorporated herein by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

***10.4** Form of Nonqualified Stock Option Agreement for the 1990 Stock Option Plan is incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 33-55239 on Form S-8, dated August 26, 1994.

***10.5** Supplemental Savings Plan for Salaried Employees of Helmerich and Payne, Inc. is incorporated herein by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1999, SEC File No. 001-04221.

***10.6** Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.

***10.7** Form of Nonqualified Stock Option Agreement for the Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.

***10.8** Form of Restricted Stock Agreement for the Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1997, SEC File No. 001-04221.

***10.9** Helmerich & Payne, Inc. 2000 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement No. 333-63124 on Form S-8 dated June 15, 2001.

***10.10** Form of Agreements for Helmerich & Payne, Inc. 2000 Stock Incentive Plan being (i) Restricted Stock Award Agreement, (ii) Incentive Stock Option Agreement and (iii) Nonqualified Stock Option Agreement are incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 333-63124 on Form S-8 dated June 15, 2001.

10.11 Distribution Agreement dated as of February 23, 2002, by and between Helmerich & Payne, Inc. and Cimarex Energy Co. is incorporated herein by reference to Exhibit 10.1 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.

10.12 Tax Sharing Agreement dated as of February 23, 2002, by and between Helmerich & Payne, Inc. and Cimarex Energy Co. is incorporated herein by reference to Exhibit 10.2 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.

10.13 Form of Director Nonqualified Stock Option Agreement for the 2000 Helmerich & Payne, Inc. Stock Incentive Plan is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.

***10.14** Form of Change of Control Agreement for Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File

No. 001-04221.

10.15 Second Amendment to Credit Agreement, dated as of July 16, 2002, by and among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc. and Bank One, Oklahoma, N.A. is incorporated herein by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.

10.16 Credit Agreement, dated as of July 16, 2002, among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc., the several lenders from time to time party thereto, and Bank of Oklahoma, National Association is incorporated herein by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.

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* Compensatory plan or arrangement

EXHIBIT 10.18

OFFICE LEASE

BOULDER TOWERS

1437 South Boulder
Tulsa, OK 74119

between

K/B FUND IV

("Landlord")

and

HELMERICH & PAYNE, INC.

("Tenant")

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Certain exhibits which detail leasehold parking and other information have been omitted herefrom; however, the Registrant will furnish supplementally a copy of any such omitted exhibit free of charge upon request.

LEASE

LEASE, effective as of the ____ day of May, 2003 ("Effective Date") between K/B FUND IV, a Delaware general partnership, with an office at 1437 South Boulder, Tulsa, Oklahoma 74119 ("Landlord"), and HELMERICH & PAYNE, INC., a Delaware corporation ("Tenant").

ARTICLE ONE - LEASE OF PREMISES

Section 1.01 Lease of Premises.

(a) Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, upon and subject to the covenants, agreements, terms, provisions and conditions of this Lease, for the term and at the rent hereinafter stated, the premises referred to in subsection (b) below (the "Leased Premises" and "Premises") in the building, together with parking spaces as hereinafter provided and certain non-exclusive rights to the parking garage and related improvements known as the Boulder Towers, 1437 South Boulder, Tulsa, Oklahoma 74119 (the "Building").

(b) The Premises shall include a total of 92,344 rentable square feet (rsf) of demised office space as more particularly described on the Floor Plans attached hereto as Exhibit "A-1" ("Office Space"), approximately 3,617 rentable square feet of data center space in the basement level of the Building as more particularly described on Exhibit A-1 hereto ("Data Center Space"), and approximately 18,724 rentable square feet of storage space as more particularly described on Exhibit "A-2" hereto ("Storage Space"). The Office Space shall include all of the fourteenth (14th) floor of the Building (approximately 30,447 rsf), all of the thirteenth (13th) floor of the Building (approximately 30,447 rsf), and all of the fourth (4th) floor of the Building (approximately 31,450 rsf (each a "Full Floor")). The Premises shall also include any additional space Tenant may lease at the Building pursuant to any provision of this Lease (when added to the Premises) and all fixtures, equipment, improvements, installations and appurtenances which at the commencement of or during the term of this Lease are attached to, situated or located in, or used in connection with such space leased by Tenant, but excluding any personal property or trade fixtures of Tenant. The rentable area of the Premises (including the Office Space, Data Center Space and the Storage Space) described above is approximately 114,685 rentable square feet. The rentable area of the Building is 521,802 rentable square feet. The terms "rentable square feet" and "rentable area" shall be computed by measuring from the outside face of the exterior of the Premises for full floors and for partial floors from the exterior face of the Premises to the center of partitions which separate the Premises from adjoining premises. Notwithstanding the foregoing, Tenant shall have the right to measure the Premises within sixty (60) days from the Effective Date using the same standards (i.e. add-on factors and other similar assumptions) as used by Landlord. Upon Landlord's verification of Tenant's measurement, the rental area of the Premises will be adjusted and rent shall be adjusted for the entire term of this Lease based on Tenant's measurement.

(c) This Lease includes the right of Tenant to use the Common Building Facilities (as defined below) in common with other tenants in the Building and the parking spaces in the Building Parking Garage and Additional Parking Area (as provided for in Article Six).

(d) The term "Common Building Facilities" shall mean all of the common facilities in or around the Building designed and intended for use by all tenants in the Building in common with Landlord and each other, including, but not limited to, the parking garage constructed on the land as described on Exhibit J hereto (the "Building Parking Garage") the other parking areas as described on Exhibit K hereto (the "Additional Parking Area"), hallways, elevators, fire stairs, telephone and electric closets, aisles, walkways, truck docks, plazas, courts, restrooms, service areas, lobbies, landscaped areas, and all other common and service areas of the land and the Building intended for such use. Floors wholly occupied by Tenant shall not have any facilities which shall be used in common with other tenants, except for (i) fire stairs and (ii) mechanical, equipment and janitorial rooms (iii) HVAC System including fans and ducts, and (iv) general service areas for Landlord's exclusive use serving the Building generally. Use of the Common Building Facilities is subject to rules and regulations reasonably promulgated and generally applied to all tenants uniformly by the Landlord. The rules and regulations promulgated by Landlord shall not modify or amend or be inconsistent with the provisions of this Lease, nor shall such rules or regulations require the payment or expenditure of additional monies by Tenant.

(e) The term "Boulder Towers" and "Building" means all of the land and improvements thereon included within the office projects known as the Boulder Towers, 1437 South Boulder Street, Tulsa, Oklahoma as described on Exhibit "A".

The words "The Boulder Towers Complex" and "Complex" mean the Building, Common Building Facilities and any and all driveways, roadways, sidewalks, landscaped area and other facilities and amenities from time to time located within The Boulder Towers Complex which are all for the common use of all occupants and business visitors of The Boulder Towers.

(f) Landlord is the owner of fee simple title to the Building and the Complex and the person executing this Lease on behalf of Landlord has the full authority to execute this Lease.

ARTICLE TWO - TERM

Section 2.01 Initial Term. This Lease is effective as of the date hereof. The initial term of this Lease (the "Initial Term") shall commence on the Term Commencement Date (as defined in Section 3.01 below) and shall terminate on midnight of last day of the seventy-second (72nd) month following the (i) the Term Commencement Date, if the Term Commencement Date occurs on the first day of a calendar month, or (ii) if not, the first day of the calendar month immediately following the calendar month containing the Term Commencement Date (the "Expiration Date") or on such earlier date on which the term may expire or be terminated pursuant to the provisions of this Lease or pursuant to law.

Section 2.02 Renewal Term.

(a) Provided Tenant is not then in default in any of its material obligations under this Lease after applicable notice and curative periods have expired, Tenant shall have the option to renew the term of this Lease as to all of the Premises for a one (1) five (5) year renewal term (the "Renewal Term"). Such option shall be exercised by written notice to Landlord given at least nine (9) months prior to the expiration of the Initial Term. The Renewal Term shall be on the

same covenants, agreements, terms, provisions and conditions as are contained herein for the Initial Term, except as expressly provided herein to the contrary and except for such as are, by their terms, inapplicable to a Renewal Term. Tenant shall have no further renewal options following the Renewal Term. The rent payable during the Renewal Term shall be as provided in Article 4 and the amount of the rent payable during the Renewal Term for Office Space shall be the Fair Market Value Rate for comparable buildings in the Tulsa area as provided in Exhibit "E" hereto; provided, however, such Fair Market Value Rate shall not in any event exceed \$15.00 per rentable square foot per year. Additionally, in the event Tenant exercises its renewal option as set forth in this Paragraph 2.02, then upon the commencement of the Renewal Term, Landlord shall immediately pay Tenant an allowance of \$344,055 to be used by Tenant for any purpose, including the reduction of Annual Rental or Additional Rental under this Lease.

(b) At any time after the Renewal Term has become effective and the rent payable during such Renewal Term determined, Landlord and Tenant, upon request of either, shall execute an agreement supplementary hereto setting out the date to which such Renewal Term shall extend, the Annual Rental payable during such Renewal Term and the Premises for such Renewal Term.

Section 2.03 Term of this Lease. The words "Term of this Lease" and "Term" shall mean the Initial Term and the Renewal Term which may become effective pursuant to Section 2.02.

ARTICLE THREE - TERM COMMENCEMENT DATE

Section 3.01 Term Commencement Date.

(a) Subject to Sections 3.01(c) and (d) of this Lease, Rent shall commence and the Term Commencement Date shall occur fourteen (14) days following the Substantial Completion of the Tenant Improvements in accordance with Exhibit B hereto (such date being the "Term Commencement Date"). Notwithstanding the foregoing, upon the Substantial Completion of the Tenant Improvements in portions of the Premises, Landlord shall deliver such completed portions of the Premises (but only in Half Floor or Full Floor increments) to Tenant for Tenant to move furniture and equipment into such completed portions of the Premises. Prior to the Term Commencement Date Tenant shall not pay any Rent while moving or installing furniture and equipment in such completed portions of the Premises. Notwithstanding anything in this Lease to the contrary, if at any time prior to the Term Commencement Date, Tenant commences business operations from any completed portion of the Premises, then all terms and provisions of the Lease shall be in full force and effect and Tenant shall pay a proportionate share of the Rent for the use of such completed portion of the Premises; provided, however, that such commencement of business operations from any completed portion of the Premises shall not trigger the Term Commencement Date. If Tenant commences business operations from any portion of the Premises prior to the Term Commencement Date, then all other provisions of the Lease (except for the full payment of Rent [Tenant will only be paying a proportionate share of the Rent for the use of the portion of the Premises being used by Tenant] and the commencement of the Term Commencement Date) shall apply and be in full force and effect.

(b) Intentionally Deleted

(c) Landlord hereby agrees to use good faith diligent efforts to Substantially Complete the Tenant Improvements on or before the Completion Date (defined below). If Landlord does not Substantially Complete the Tenant Improvements by the Completion Date, then Tenant, as Tenant's sole and exclusive remedy (except as otherwise set forth in the following sentence), shall be to receive from Landlord a rent credit equal to one (1) day of free Annual Rental for every one (1) day that the Tenant Improvements are not Substantially Completed following the Completion Date. Additionally, Tenant shall have the right to terminate this Lease by giving Landlord ten (10) days prior written notice in the event that Landlord fails to Substantially Complete the Tenant Improvements for the Premises within ninety (90) days following the Completion Date; provided, however, Tenant shall provide such prior written notice to Landlord prior to Landlord Substantially Completing the Tenant Improvements. The term "Completion Date" shall mean that date which is 200 days from the date of approval of the "Final Plans" (as defined in Exhibit "B") by both Tenant and Landlord; provided, however, the Completion Date shall be postponed one (1) day for each day of Tenant Delay and one (1) day for each day that one or more Force Majeure Events are experienced by Landlord and/or its contractors, subcontractors and employees.

(d) Notwithstanding anything in Paragraph 3.01(b) to the contrary, if Landlord does not Substantially Complete the Tenant Improvements on or before October 15, 2003 for any reason other than Tenant Delays, then Tenant shall have the right, in its sole and absolute discretion, to notify Landlord in writing on or before November 1, 2003, that Tenant will not move into the Premises during the last two (2) and one-half months of the calendar year 2003, and in such event, except for any portions of the Premises in which Tenant has commenced business operations, the Term Commencement Date shall be January 1, 2004 and Tenant shall not pay Rent for the Premises until January 1, 2004 (provided the Tenant Improvements are Substantially Completed prior to January 1, 2004). If Landlord does not Substantially Complete the Tenant Improvements on or before October 15, 2003 because of Tenant Delays, then Tenant shall not have the right to delay the Term Commencement Date and/or receive an abatement of Rent for the Premises until January 1, 2004, and in such event, the Term Commencement Date and the payment of Rent shall commence upon the delivery of the Premises to Tenant with the Tenant Improvements being Substantially Complete.

(e) Intentionally Deleted

(f) Intentionally Deleted.

(g) Landlord shall have no obligation to do any demolition, construction or improvement work with respect to the Premises, except as provided in Exhibit "B". Landlord makes no express or implied warranties as to the current condition of the Premises (or any other space subsequently leased by Tenant) or its suitability for the conduct of Tenant's business, except as otherwise expressly provided in this Lease including Exhibit "F".

ARTICLE FOUR - RENTAL

Section 4.01 Annual Rental. Tenant shall pay to Landlord as rent, at the office of the Building or elsewhere as directed from time to time by Landlord's written notice to Tenant, a base rental (the "Annual Rental") in the amounts set forth on Exhibit "C". The Annual Rental shall be payable in equal monthly installments, in advance, on the first day of each and every

month of the Term of this Lease, the first such payment becoming due and payable on the Term Commencement Date as to the space leased by Tenant on the Term Commencement Date. Also, a prorated monthly installment shall be paid, if the Term Commencement Date is other than the first day of a month or if the Term of this Lease terminates on a day other than the last day of a month.

Section 4.02 Additional Rental.

(a) For calendar year 2004 and for each calendar year thereafter Tenant shall pay as additional rental (together with all sums other than Annual Rental payable by Tenant under this Lease), (the "Additional Rental") for each Operating Expense Year (as hereinafter defined) Tenant's Share (as hereinafter defined) of the increase, if any, in Operating Expenses as defined in Exhibit "D" hereto paid, or incurred by Landlord for the operation, repair and maintenance of the Building, Building Parking Garage, Common Building Facilities, and the Additional Parking Area in excess of the Operating Expense Base as hereinafter defined. As of the Effective Date of this Lease, the total rentable area of the leasable space within the Building is 518,185 square feet (exclusive of the Data Center Space); therefore, as of the effective date of this Lease, the initial Tenant's Share is 21.29%. Such Additional Rental shall be payable by Tenant to Landlord as hereinafter provided.

(b) The term "Operating Expense Year" shall mean the calendar year 2004. If a Term Commencement Date for space leased by Tenant occurs on a date other than January 1 or the Term of this Lease terminates or expires on a date other than December 31, the Additional Rental for the pertinent Operating Expense Year for such space shall be prorated based upon the number of days in such Operating Expense Year occurring after such Term Commencement Date or before the termination or expiration of the Term of this Lease, as applicable.

(c) The term "Tenant's Share" shall mean that number, stated as a percentage above in Section 4.02(a). In the event of any change in the area of the Premises or the Building, Tenant's Share shall be adjusted to reflect such change or event on a prorated, daily basis, determined by dividing the number of rentable square feet in the Premises by the actual number of square feet of rentable area then leased in the Building.

(d) The term "Operating Expense Base" shall mean the amount of Operating Expenses (as defined in Exhibit "D" hereto) for the calendar year 2003. On or before April 1, 2004, Landlord will submit a statement setting forth the computation of Operating Expenses for the calendar year 2003.

(e) Landlord's "Operating Statement" shall mean a statement setting forth (1) the Operating Expenses for such Operating Expense Year, showing in detail the amount of each item included in Operating Expenses, (2) a detailed computation of any Additional Rental for such Operating Expense Year and (3) a reconciliation of the actual Additional Rental payable by Tenant for such year with the estimated Additional Rental paid by Tenant for such year. Each Operating Statement shall be furnished by Landlord to Tenant not later than April 1 of the calendar year following the Operating Expense Year to which such statement relates.

(f) Beginning with January 1, 2005, and for each calendar year thereafter during the Term of this Lease, Landlord shall provide Tenant on or before April 1 of such year with a comparison of the projected Operating Expenses for the year and the Operating Expense Base and the projected Tenant's Share (subject to the five percent (5%) per year limitation set forth in Section 4.02(g) below) of any positive differences between them. Commencing on January 1 of each year, Tenant shall pay one-twelfth (1/12th) of Tenant's Share of such positive difference each month during the year. If Tenant's Additional Rental for Operating Expenses reflected in the Operating Statement for any Operating Expense Year is greater than the amounts actually paid by Tenant for such Operating Expense Year, Tenant shall pay Landlord Tenant's Share of such difference within thirty (30) days of receipt of the Operating Statement for such Operating Expense Year. If Tenant's Additional Rental for Operating Expenses reflected in the Operating Statement for any Operating Expense Year is less than the amounts actually paid by Tenant for such Operating Expense Year, such difference shall be credited to Tenant's next payment(s) of Annual Rental, unless the Term has expired, in which event such difference shall be paid by Landlord to Tenant within thirty (30) days of delivery of the Operating Statement.

(g) As defined in Exhibit "D", Operating Expenses include taxes, utilities and insurance payable by Landlord with respect to The Boulder Towers Complex. In no event shall the dollar amount of Tenant's Share of increases in Operating Expenses during the Term of this Lease exceed the percentage of five percent (5%) per year over equivalent amount for the base amount established in 2003. The Operating Statement to be provided by Landlord for each Operating Expense Year shall separately set forth all Operating Expenses and then shall apply the five percent (5%) cap as set forth above, if applicable, and such sum shall be the Operating Expenses for such Operating Expense Year for the purposes of this Lease. In no event shall Tenant's Annual Rental be reduced, nor shall Landlord owe any amount to Tenant, if, for any reason, Operating Expenses for any Operating Expense Year are less than the Operating Expense Base.

(h) Landlord shall permit Tenant, at any reasonable time after reasonable notice, to inspect and do a complete audit at Tenant's sole expense of all of the books of accounts and records of Landlord to the extent reasonably required to establish Operating Expenses. Tenant may not request such an audit more than once per calendar year. If Tenant shall ask for an audit to be made, and if Operating Expenses for any period shall be found to be overstated or understated, then Landlord shall pay Tenant the amount of overpayment, or Tenant shall pay to Landlord the amount of the underpayment (less Tenant's actual third party audit costs up to a maximum amount of \$5,000), as the case may be, together with interest thereon at the rate specified in Section 8.02 (b) of this Lease, from the date of such overpayment or underpayment to the date the overpayment or underpayment is refunded or paid. Tenant's right to make such an audit with respect to any calendar year shall expire eighteen (18) months after Landlord's Operating Statement for the calendar year shall have been delivered to Tenant, and each such Operating Statement shall be final and binding on Tenant and shall, as between the parties, be conclusively deemed correct, at the end of such eighteen (18) months, unless prior thereto Tenant has served Landlord with a notice challenging the accuracy of same. In no event shall Tenant conduct an audit of Operating Expenses using an accountant or other third party who is being paid, compensated or reimbursed on a contingency fee basis.

(i) Additional Rental shall also include any other sums due Landlord from Tenant under the provisions of this Lease other than Annual Rental.

(j) The term "Rent" shall mean Annual Rental and Additional Rental.

Section 4.03 Real Estate Taxes, Assessed Valuation.

(a) If Landlord fails to pay any real estate tax or assessment includable in Operating Expenses prior to the time that any penalty or interest may be charged, any penalty or interest levied shall not be included by Landlord in Operating Expenses for purposes of calculating Tenant's Additional Rental.

(b) Landlord may petition for reduction of the assessed valuation of the Building and the land comprising the Boulder Towers Complex, claim a refund of real estate taxes or assessments or otherwise challenge the validity or applicability of any real estate tax, assessment or similar or related laws. Tenant shall receive its proportionate share of any refund of real estate taxes or assessments within 30 days from the date Landlord receives the same, or, in its sole discretion, Tenant may apply such refund against Annual Rental or Additional Rental under this Lease.

ARTICLE FIVE - SERVICES

Section 5.01 Standard of Operations.

(a) Landlord shall at all times operate, repair and maintain the Building and the Building Parking Garage in a first class manner and in accordance with a standard at least as high as conducted and customarily followed in the operation and maintenance of office buildings similar to the Building and with similar tenants in the Tulsa area ("Comparable Buildings") and, without limiting the foregoing, shall provide the specific facilities, utilities and services set forth in this Article. Notwithstanding the foregoing in this Section 5.01(a), Landlord shall, at a minimum, operate and maintain the Building and the Complex in the same manner as the Building is operated and maintained on the Effective Date.

(b) The office space in the Building, other than the space occupied by Tenant, shall be leased only to tenants who are similar in character to those commonly found in Comparable Buildings. Ground floor retail space, if any, may be leased to commercial occupants of the following character: banks, restaurants, department stores, general office use, telephone switch sites, and retail merchants and other tenants commonly found in office and retail space in Comparable Buildings. Landlord may (but shall not be obligated to) lease space in the Building to a first-class club facility.

(c) Tenant shall be entitled to utilize the large conference room and the two smaller break-out rooms located on the ground floor of the Building for its periodic special business meetings. Tenants use of these facilities shall be free of any room charge. Tenant shall be responsible for all set-up and clean up required by Tenant's use. Tenant's rights shall be subject to availability and advance scheduling with Landlord and shall be exercised in common with Landlord and other tenants in the Building. Landlord may relocate or alter the meeting rooms; provided however that any altered or relocated meeting rooms shall contain substantially similar

seating capacities and finishes as the current meeting rooms. Subject to Landlord's prior written consent, such consent not to be unreasonably withheld or delayed, Tenant shall have the right to install remote cameras in the elevator lobbies on those Full Floors of the Leased Premises.

(d) Landlord shall at all times operate, maintain and repair the Additional Parking Areas in a first class manner and in accordance with standards at least as high as similar parking areas in Comparable Buildings. Landlord will install and maintain reasonable lighting in the Building Parking Garage and in the Additional Parking Areas with at least the same illumination as exist in similar parking areas in Comparable Buildings.

(e) Landlord's failure to comply with its obligations in Section

5.01 (a) only shall be deemed an interruption of Building Services as set forth in Section 5.08(a) of this Lease, which shall entitle Tenant to all remedies expressly set forth in Section 5.08(a) of this Lease.

Section 5.02 Heating, Ventilating and Air Conditioning.

(a) Landlord shall provide a heating, ventilating and air conditioning system ("HVAC") meeting the requirements of Exhibit "F". Landlord shall furnish HVAC services as reasonably required for Tenant's comfortable general office use of the Premises from 7:00 a.m. to 7:00 p.m. (Landlord shall turn on the HVAC system of the Building by 6:00 a.m. on Tenant's floors to enable the comfortable use and normal occupancy of the Premises to be met by 7:00 a.m.) Mondays through Fridays (excluding holidays) and from 8:00 a.m. to 1:00 p.m. on Saturday ("Business Hours"). Notwithstanding anything in this Lease to the contrary, Tenant shall not create within the Premises a working environment with a density greater than six (6) persons per 1,000 square feet of rentable area. For purposes of this Lease, holidays shall be indicated in writing by Landlord annually (the "Building Holiday Schedule") which shall not exceed nine (9) holidays a year unless consented to by Tenant. Tenant shall make arrangements for building services at least twenty-four (24) hours in advance if the Building is scheduled to be closed.

(b) Landlord shall, upon 24 hours' advance notice from Tenant, furnish Tenant HVAC services at any time or times other than the Business Hours specified above in accordance with Exhibit "I" hereto.

(c) Except as otherwise expressly provided in this Section 5.02(c), for HVAC and humidity control systems requiring special operating hours or other conditions which necessitate the use of self-contained units (the "Special Systems"), Landlord shall furnish electrical power to Tenant for Tenant's use in installing and operating, at Tenant's expense, one or more Special Systems. Tenant shall bear any extra expense incurred by Landlord in furnishing such power from the Building's system or in expanding the Building's system, if necessary, to provide such electrical power, including the cost to Landlord of providing direct and separate metering if either Landlord or Tenant requests separate metering. Such expansion of the Building's system, if necessary, shall be subject to the approval of Landlord, which shall not be unreasonably withheld or delayed. Landlord shall review Tenant's HVAC plans prior to construction of Tenant's interior improvements and notify Tenant prior to commencement of such construction if Landlord will charge Tenant for the installation and or use of any Special Systems. If Landlord fails to notify Tenant of such charge prior to commencement of such construction, then

there shall be no charge to Tenant from Landlord for installation and/or use of the Special Systems. Notwithstanding anything herein to the contrary, Tenant shall have the right to install at anytime up to 15 supplemental HVAC units (not to exceed 2 tons each) in conference rooms and offices in the Premises. Such supplemental units shall not be considered Special Systems and Tenant shall not bear any expense incurred by Landlord in furnishing power to such supplemental units. Such supplemental units shall be in addition to any supplemental units servicing the Data Center Space. Landlord shall repair and maintain such supplemental units in the manner required by Section 5.01(a) of this Lease.

Section 5.03 Electrical Service.

(a) Landlord shall provide an electrical distribution system for the Building meeting the requirements of Paragraph II of Exhibit "F". Landlord shall cause to be furnished and pay for all electricity used in the Premises or in operating any and all facilities serving the Premises (the cost of same to be Operating Expenses); provided, however, that Tenant shall not create within the Premises a working environment with a density of greater than six (6) persons per 1,000 square feet of rentable area. If Tenant requests excess power for the Premises in excess of that necessary for general office use in the Premises, then Tenant shall be responsible for the actual costs incurred by Landlord in providing for such excess power, including the cost to Landlord of providing any separate metering, if necessary in Landlord's reasonable discretion. If separate meters are not used, the amounts chargeable to Tenant under the preceding provision shall be Landlord's average cost of electric power multiplied by Tenant's excess usage, as reasonably determined by Landlord's professional engineer and approved by Tenant's professional engineer.

(b) Landlord will notify Tenant at least seventy-two (72) hours in advance of any planned shut down of the electrical system for repairs or maintenance. Landlord will attempt to schedule such shut downs for weekends starting on Friday evenings. Any such shut downs shall not entitle Tenant to any abatement of Rent during the scheduled shut down period; provided however, in the event that any such shutdown shall cause the Premises to be without electrical service during Business Hours for more than one (1) business day in any Lease Year then Rent shall abate until service is restored. Also, such planned shutdowns will not exceed four (4) per calendar year.

Section 5.04 Elevators.

(a) Landlord shall provide at least four (4) passenger elevators to serve the Premises during the Term of this Lease. The passenger elevators shall be available during all Business Hours, and, at all other times, there shall be at least one passenger elevator available to serve the Premises subject to events beyond Landlord's reasonable control and emergencies which may arise. In the event of such interruption, Landlord shall, as promptly as is practical under the circumstances, use its best efforts to cause such service to be reinstated.

(b) Subject to repairs and/or replacement of the freight elevators, Landlord will provide a designated freight elevator in the Building during Business Hours during the Term of this Lease. Tenant shall provide Landlord with twenty-four (24) hours' advance notice of its need for a freight elevator and Landlord shall endeavor to make the freight elevator available to

Tenant. Upon such 24 hour notice, Landlord will use reasonable efforts to provide the freight elevator during Business Hours for thirty (30) consecutive days for Tenant's initial move into and final move out of the Building. Tenant's use of the freight elevator is limited by the Building's Rules and Regulations, which are subject to change, as provided in this Lease. Failure to provide said notice shall relieve Landlord of its obligation to provide a dedicated freight elevator.

Section 5.05 Light Bulbs and Water. Landlord shall furnish and/or install as an Operating Expense all initial and replacement fluorescent and incandescent light bulbs and ballast in the Premises, Common Building Facilities and Building Parking Garage, provided that they are the Building's standard bulbs and ballasts. Tenant will comply with all of Landlord's reasonable standards for energy efficient lighting fixtures. Landlord shall review Tenant's lighting plans prior to construction of Tenant's leasehold improvements. Landlord shall notify Tenant prior to the commencement of such construction if any of Tenant's lighting is not Building standard. If Landlord fails to timely notify Tenant, then Tenant's lighting will be deemed to be Building standard. Landlord shall amortize the expense over the useful life of the fixtures as an Operating Expense. Subject to repairs and/or replacements, Landlord shall furnish water 24 hours for every day of the Term, including chilled and heated water, at those points of supply provided for general use of all tenants in the Building as required for lavatory and drinking purposes and such other uses as are permitted pursuant to Section 7.01. The fire stand pipe water system shall comply with the National Fire Protection Agency "NFPA Code" and applicable local laws.

Section 5.06 Access Control.

(a) Landlord shall install and maintain access control for the Building and Building Parking Garage. Landlord will provide Tenant and its employees all necessary instructions for use of the access control system to gain entry to the Building or Building Parking Garage. Such access control may include electronic access control to the Building and Premises. Landlord's access control system shall comply with the requirements of all Applicable Laws.

(b) EXCEPT FOR LOSSES OR DAMAGES CAUSED BY THE GROSS NEGLIGENCE OF LANDLORD OR ITS EMPLOYEES, LANDLORD SHALL NOT BE LIABLE TO TENANT OR ITS EMPLOYEES FOR LOSSES DUE TO THEFT OR BURGLARY, OR FOR DAMAGES OR INJURIES CAUSED BY THE ENTRY OF UNAUTHORIZED PERSONS TO THE BUILDING, BUILDING PARKING GARAGE, THE PREMISES OR OTHER PORTIONS OF THE BUILDING.

(c) Tenant, at its expense and with the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed, may install such additional safety, access control and security systems or devices within or controlling access to the Premises (but not in any lobbies or other common areas on multi-tenant floors), including, without limitation, smoke detectors, electronic security devices and auxiliary emergency electric power supplies, as Tenant may deem reasonably appropriate. Tenant shall have the right by installation of a card or key system, to control access from all public elevators to floors wholly occupied by Tenant; provided that (i) Tenant's use of such system shall not interfere with Landlord's obligations to provide services or perform any work under this Lease, (ii) Tenant's use of such system does not

interrupt ingress and egress of other tenants on multi-tenant floors; and (iii) Landlord shall have reasonable access to the Premises in emergencies and provided that such system does not interfere with the proper operating of the elevator system or require the Landlord to incur additional costs to retrofit or maintain the elevators in order to accommodate such a system.

(d) Tenant, at its sole cost and expense, may employ a licensed, armed security guard within the Premises ("Guard"). Tenant agrees to indemnify, protect, defend and hold the Landlord, and its agents, representative, employees and contractors harmless from and against any and all actions, claims, demands, costs and expenses, including reasonable attorney's fees and expenses for the defense thereof, to the extent arising from the negligence and/or willful misconduct of the Guard.

(e) Any additional safety or security systems installed by Tenant shall be compatible with Landlord's security and safety systems, programs and procedures and shall comply with all Applicable Laws.

Section 5.07 Janitorial Services.

(a) Landlord shall provide, as an Operating Expense, the cleaning and janitorial services ("Janitorial Services") and window cleaning services set forth in Exhibit "G" hereto. All such Janitorial Services are to be performed during non-Business Hours. Tenant shall have the right to approve the company doing the Janitorial Services in the Premises, such approval not to be unreasonably withheld or delayed. Tenant, at its sole cost and expense, shall have the right to hire third parties to perform additional janitorial services within the Premises. Notwithstanding the foregoing, if Tenant is at any time dissatisfied with the Janitorial Services for any reason whatsoever, then Tenant shall have the right to employ its own janitorial company to provide janitorial services to the Premises and in such event, Landlord shall deduct the cost of the Janitorial Services for the Premises from the Operating Expenses charged to Tenant (including a deduction of such costs included in the Operating Expense Base).

Section 5.08 Interruption of Building Services.

(a) If, for any reason within Landlord's reasonable control there is a failure to furnish the facilities, utilities or services specified in Sections 5.01(a), 5.02(a), (b) and (c), 5.03(a), 5.04(a) and (b), 5.05, and 5.06(a) (collectively the "Building Services"), and, after written notice thereof by Tenant to Landlord, Landlord does not remedy same within seven (7) days following delivery of such written notice Landlord shall not be deemed to be in default of its obligations to provide the Building Services, and Tenant shall have no remedy hereunder except as may be provided in Section 5.08(a-d) hereof, provided Landlord has commenced such cure within said seven (7) day period and thereafter continuously and diligently prosecutes such cure to completion. Notwithstanding the previous sentence, in the event Landlord has not remedied the same within thirty (30) days of Tenant's written notice, Tenant shall have the option to provide such Building Services for its own account until Landlord remedies the default and performs such obligations in accordance with this Lease, or, if the failure of Landlord to provide the Building Services materially and adversely affects Tenant's use of the Premises for thirty (30) consecutive days, then Tenant may, by written notice to Landlord given at any time prior to the full resumption of Building Services, terminate this Lease, and, upon giving such notice, this

Lease shall terminate and expire on the date set forth in such notice, which date shall not be more than one hundred eighty (180) days after the date of such notice. Notwithstanding anything in this paragraph to the contrary, should the interruption of Building Services be caused by either (i) fire or other casualty or (ii) condemnation or eminent domain proceeding, then the provisions of Article 9 herein (in the event of a fire or other casualty) or Article 12 herein (in the event of a condemnation or eminent domain proceeding), shall prevail in determining Tenant's rights to abatement and termination and Tenant shall not have a right to an abatement or a right to terminate this Lease under this paragraph.

(b) In addition to Tenant's self-help remedies described in subsection (a) above, if for any reason within Landlord's reasonable control there is a failure to furnish the Building Services required to be furnished by this Lease and such failure results in an imminent threat to persons, Tenant's property or Tenant's business, Tenant may, after providing Landlord with such notice and the first right to remedy such failure as is practical under the circumstances, provide for its own account such Building Services to the extent necessary to remove the threat to persons or property.

(c) Any reasonable sums expended by Tenant in exercising its remedies described in Sections 5.08(a) or 5.08(b) above shall be reimbursed by Landlord within thirty (30) days of Tenant's invoice therefor together with invoices and paid receipts and other reasonable evidence of such costs.

(d) If any impairment or cessation of Building Services pursuant to Section 5.08(a) or Section 5.08(b) adversely affects Tenant's use of part or all of the Premises for more than one (1) business day, Rent shall thereafter abate as to the portion of the Premises affected until such service is reinstated.

(e) The remedies set forth in subsections (a)-(d) above shall be Tenant's sole and exclusive remedies for interruption of Building Services resulting from Landlord's negligent acts or omissions and failure to provide essential services for reasons within the control of Landlord. If an impairment or cessation of Building Services results from the failure of any utility company or other third party service provider to furnish such services, or other event beyond Landlord's reasonable control, Landlord shall have no liability to Tenant except as otherwise expressly provided in this Lease and, except as provided below, Rent shall not abate, provided Landlord immediately notifies the service provider of such impairment or cessation and thereafter employs its best efforts to cause such services to be reinstated. If such impairment or cessation of Building Services resulting from the failure of any utility company or other third party service provider to furnish such services or other events beyond Landlord's reasonable control adversely affects part or all of the Premises for the normal conduct of Tenant's business for more than three (3) consecutive business days, Rent shall thereafter abate as to the portion of the Premises adversely affected until such Building Service is fully reinstated. Notwithstanding the foregoing, if any such interruption of Building Services which results from the failure of any utility company or other third party service provider to furnish such services or other events beyond Landlord's reasonable control materially and adversely affects the Premises for the normal conduct of Tenant's business for thirty (30) consecutive days from the commencement of the Rent abatement period, Tenant may at any time after such thirty (30) consecutive days, but during the Rent abatement period, terminate this Lease by written notice to Landlord which

notice shall specify the effective date of termination which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination. Notwithstanding anything in this paragraph to the contrary, should the interruption of facilities, utilities or services be caused by either (i) fire or other casualty or (ii) a condemnation or eminent domain proceeding, then the provisions of Article 9 herein (in the event of a fire or other casualty), or Article 12 herein (in the event of a condemnation or eminent domain proceeding), shall prevail in determining Tenant's rights to abatement and termination and Tenant shall not have a right to an abatement or a right to terminate this Lease under this paragraph.

Section 5.09 Personnel. Landlord shall employ and/or contract with persons of sufficient number and experience to maintain the Building and Common Building Facilities and to perform the services which Landlord is required to perform under this Lease.

Section 5.10 Insurance.

(a) Tenant shall maintain at its sole cost, at all times during the terms of this Lease the insurance coverage set forth below.

(i) Workers' Compensation Insurance as required by laws and regulations applicable to and covering employees of Tenant;

(ii) Employers' Liability Insurance protecting Tenant against common law liability in the absence of statutory liability, for employee bodily injury arising out of the master-servant relationship with a limit of not less than \$1,000,000;

(iii) Commercial General Liability Insurance with limits of not less than \$500,000 per occurrence and \$1,000,000 in the aggregate,

(iv) Automobile Liability Insurance including non-owned and hired vehicle coverage with limits of liability of not less than \$500,000;

(v) Excess Liability Insurance over Automobile Liability, Commercial General Liability, and Employers' Liability coverage afforded by the primary policies described above with minimum limits of \$4,000,000 in excess of specified limits;

(vi) All-Risk Property Insurance for the replacement value of the leasehold improvements in the Premises, including Tenant's initial tenant improvements as set forth on Exhibit "B" and all other additions, alterations and/or installations made by Tenant in the Premises and for all contents and all personal property of Tenant in the Premises.

(b) The Commercial General Liability Insurance and Excess Liability Insurance required by the above shall cover the contractual liability (to the extent available under such policies) assumed under the provisions set forth in this Lease.

(c) Prior to commencement of the Lease and upon the written request of Landlord, a certificate evidencing the required coverage shall be delivered to Landlord. If commercially available, the Workers' Compensation policy shall be endorsed to provide waiver of subrogation rights in favor of Landlord and all partners, agents and affiliates. Such insurance may be carried under a blanket policy covering the Premises and other locations of Tenant. Landlord and its designated property management firm shall be named as an additional insured on the liability coverages described in Section 5.10 (ii)-(v) for those liabilities expressly assumed within the Premises by Tenant under the Lease. Notwithstanding the foregoing, Landlord's additional insured status shall be limited to (i) property damage incurred within the Premises only and personal injury or death occurring with the Premises only, and (ii) the limits of insurance required to be carried under Section 5.10(ii)-(v).

(d) Tenant agrees to comply with all material terms of the insurance contracts referenced in this section. Failure of Tenant to keep the required insurance policies in full force and effect during the term of this Lease and during any extensions, shall constitute a breach of this Lease. In such event, Landlord will provide Tenant written notice of such failure to keep required insurance policies. In the event Tenant has not cured such failure within thirty (30) days of the receipt of such notice, then Landlord shall have the right, in addition to any other rights, upon ten (10) days notice, to provide such insurance for Tenant and to include such insurance costs in the next installment of Annual Rental. Nothing contained in these provisions relating to coverage and amounts set out herein shall operate as a limitation of tenant's liability in tort or contract under the terms of this Lease.

(e) Tenant shall have the right to Self-Insure for the insurance required in this Paragraph 5.10, subject to and in accordance with the following terms and conditions:

(1) (A) "Self-insure" shall mean that Tenant is itself acting as though it were the insurance company providing the insurance required under the provisions hereof and Tenant shall pay any amounts due in lieu of insurance proceeds which would have been payable if the insurance policies had been carried, which amounts shall be treated as insurance proceeds for all purposes under this lease. Notwithstanding the foregoing with regard to the insurance required by

Section 5.10(a) of this Lease, Tenant shall have the right to maintain such deductibles and/or self insured retentions as are included from time to time in Tenant's insurance policies covering Tenant's businesses and such deductibles and/or self insured retentions shall not be considered self-insurance for the purpose of this subsection 5.10(e).

(B) All amounts which Tenant pays or is required to pay and all loss of damages resulting from risks for which Tenant has elected to self-insure shall be subject to the waiver of subrogation provisions of Paragraph 9.02 hereof and shall not limit Tenant's indemnification obligations set forth in this Lease.

(C) Tenant's right to self-insure and to continue to self-insure is conditioned upon and subject to:

(I) Tenant now having and hereafter maintaining a tangible net worth of at least Fifty Million Dollars (\$50,000,000.00).

(D) In the event Tenant fails to fulfill the requirements of (C) above, then Tenant shall immediately lose the right to self-insure and shall be required to provide the insurance specified in this Paragraph 5.10, provided, however that Tenant's self-insurance shall continue in full force and effect until the insurance specified in Paragraph 5.10 is issued by a qualifying insurance company.

(E) In the event that Tenant elects to self-insure and an event or claim occurs for which a defense and/or coverage would have been available from the insurance company, then Tenant shall:

(I) undertake the defense of any such claim, including a defense of Landlord, at Tenant's sole cost and expense; and

(II) use its own funds to pay any claim or replace any property or otherwise provide the funding which would have been available from insurance proceeds but for such election by Tenant to self-insure.

(2) If Tenant elects to self-insure, it shall provide Landlord with a letter to that effect, and Landlord shall acknowledge, in writing, Tenant's election to self-insure. In the event of a casualty loss or other event for which Tenant is otherwise liable under this Lease that would have been covered by the insurance required to be maintained by Tenant hereunder, Tenant shall make funds available in the same manner as an insurance carrier would have made such funds available to the extent required by the terms of this Lease.

Section 5.11 Landlord's Insurance.

(a) Landlord shall as an Operating Expense maintain at all times during the Term of this Lease the insurance coverage set forth below with companies reasonably satisfactory to Tenant and with a Best rating of at least A/XII.

(i) Workers' Compensation Insurance as required by laws and regulations applicable to and covering employees of Landlord and the Building Management entity;

(ii) Employers' Liability Insurance protecting Landlord against common law liability in the absence of statutory liability, for employee bodily injury arising out of the master-servant relationship with a limit of not less than \$1,000,000;

(iii) Commercial General Liability Insurance (with a maximum of \$25,000 deductible or retained loss limit) including products and completed

operations with limits of not less than \$500,000 per occurrence and \$1,000,000 in the aggregate,

(iv) Automobile Liability Insurance (with a maximum of \$10,000 deductible or retained loss limit) including non-owned and hired vehicle coverage with limits of liability of not less than \$500,000;

(v) Excess Liability Insurance over Automobile Liability, Commercial General Liability, and Employers' Liability coverage afforded by the primary policies described above with minimum limits of \$8,000,000 in excess of specified limits and such limit shall be subject to increase to amounts as may be reasonably determined by Landlord;

(vi) All-Risk Property Insurance (with a maximum of \$50,000 deductible or retained loss limits) for at least one hundred percent (100%) of replacement value of the Building and Complex excluding any leasehold improvements, additions, alterations and/or installations of Tenant in the Premises and all contents in leased areas.

(b) The Commercial General Liability Insurance and Excess Liability Insurance required by the above shall cover the contractual liability of Landlord (to the extent available under such policies) assumed under the provisions set forth in this Lease.

(c) Tenant shall be named as an additional insured on the liability coverages described in Section 5.11(a)(ii)-(v); provided, however, Tenant's additional insured status shall not extend to property damage or personal injury or death occurring within the Premises. Prior to commencement of the Lease, a certificate evidencing the required coverage shall be delivered to Tenant naming Tenant as additional insured as aforesaid. This certificate shall provide that any change restricting or reducing coverage or the cancellation of any policies under which certificates are issued shall not be valid as respects Tenant's interest therein until Tenant has received thirty (30) days' written notice of such change or cancellation. Further, such insurance policies shall provide primary coverage to Tenant and shall not be concurrent or in excess over other valid insurance which may be available to Tenant. If commercially available, the Workers' Compensation policy shall be endorsed to provide waiver of subrogation rights in favor of Tenant and all agents and affiliates and their respective officers, directors and employees. Such insurance may be carried under a blanket policy covering the Premises and other locations of Landlord, provided that amount of insurance coverage required to be carried by Landlord in this Lease is not reduced by payments under the blanket policy for other locations.

(d) Landlord agrees to comply with all terms of the insurance contracts referenced in this section. Failure of Landlord to keep the required insurance policies in full force and effect during the Term of this Lease and during any extensions, shall constitute a breach of this Lease and Tenant shall have the right, in addition to any other rights, upon ten (10) days notice, to cancel and terminate this Lease without further cost to Tenant. Nothing contained in these provisions relating to coverage and amounts set out herein shall operate as limitation of Landlord's liability in tort or contract under the terms of this Lease.

ARTICLE SIX - TENANT'S PARKING

Section 6.01 Tenant's Parking.

(a) At all times during the Term Landlord, at its expense, will provide Tenant with free parking spaces in an amount equal to 256 spaces, fifty-five (55) of which shall be reserved covered parking located in the Building Parking Garage and specifically identified on Exhibit "J", and the remaining 201 parking spaces shall be located on surface lots numbered 1 through 15 on Exhibit "K". Landlord shall clearly mark (using Tenant's name) each of the 55 spaces within the Building Parking Garage as reserved for Tenant. There shall be no charge for such parking spaces. In the event the rentable square footage of Tenant's Premises is increased or decreased, the parking for Tenant shall be proportionally adjusted. Tenant shall have no claim on any additional parking not expressly assigned to it in this paragraph. Both the Building Parking Garage and at least 201 parking spaces in the Additional Parking Area shall be available for use 24 hours a day. Landlord shall keep and maintain the Additional Parking Area in a clean and first-class condition. In addition, Landlord shall provide at least 50 visitor parking spaces for the use of all tenants in the Building as depicted on Exhibit "L". Landlord shall not be obligated to provide personnel to perform parking service but shall provide access control to the Building Parking Garage, provided Landlord shall not be liable to Tenant for losses due to the theft or burglary, or for injury to persons or property done by unauthorized persons. Currently the parking configuration at the Building and for the Additional Parking Area is on an open, first come, first serve basis.

(b) If Tenant, its permitted assignees or subtenants and/or their respective employees, licensees and guests at any time during the Term are not able to use the Building Parking Garage and/or Additional Parking Area for the parking spaces provided, Landlord shall take whatever steps are necessary to provide Tenant with the required number of parking spaces as set forth in Section 6.01(a). Except in the event of a casualty or condemnation as set forth in paragraph (e) below, if at any time during the Term, (i) Landlord grants reserved parking spaces in the Additional Parking Area to any tenant in the Building, or (ii) Landlord does not provide Tenant with the required 201 parking spaces in the Additional Parking Area, and if Landlord, within forty-eight (48) hours following written notice from Tenant, does not provide Tenant with the 201 parking spaces as required by this Lease, then, instead of the first come, first serve open parking system at the Building for Tenant, Landlord shall reserve for Tenant's sole use, 201 parking spaces in the Additional Parking Area (excluding the visitor parking areas as set forth on Exhibit K hereto) which are located closest to the twenty-four (24) hour ingress and egress entrance to and from the Building ("Reserved Spaces"). The parties hereby acknowledge and agree that Landlord shall be deemed to have not provided Tenant with the required 201 parking spaces in the Additional Parking Area as set forth in romanette (ii) in the preceding sentence, if, and only if, two (2) times in any calendar month during the Term, Tenant notifies Landlord that there is not adequate parking for Tenant's employees in the Additional Parking Area, Landlord's property manager or designee confirms that there is not adequate parking for Tenant's employees in the Additional Parking Area, and Landlord does not provide such required parking within the forty-eight (48) hour cure period as set forth in the preceding sentence.

(c) The parties hereby acknowledge and agree that Landlord shall be deemed to have not provided Tenant with the required 55 spaces in the Building Parking Garage if and only if

two times in any calendar month during the Term Tenant provides written notification to Landlord that the required 55 spaces are not available for use by Tenant's employees in the Building Parking Garage, Landlord's property manager or designee confirms that the required 55 spaces are not available for use by Tenant's employees in the Building Parking Garage, and Landlord does not provide such required parking spaces within 48 hours of delivery of Tenant's written notification. If the Landlord is deemed to have not provided Tenant and its employees with the required 55 parking spaces in the Building Parking Garage as aforesaid, then the Rent shall abate for the Premises until Tenant is provided the use of such 55 parking spaces in the Building Parking Garage; provided further, if Landlord fails to provide the required 55 spaces in the Building Parking Garage for the use of Tenant and its employees for 30 consecutive days, then Tenant may, at any time after such 30 consecutive days, but during the rent abatement period, terminate this Lease by written notice to Landlord, which notice shall specify the effective date of termination, and which date shall not be more than 180 days after the date of Tenant's notice of termination.

(d) After Tenant is granted the Reserved Spaces as provided in the previous paragraph, and Landlord fails to provide to Tenant for Tenant's use 201 parking spaces in the Additional Parking Area in the Reserved Spaces following 48 hours prior written notice from Tenant, then such failure to provide to Tenant for Tenant's use 201 parking spaces in the Additional Parking Area in the Reserved Spaces shall result in Rent abating for the Premises until Tenant is provided the use of such 201 parking spaces in the Additional Parking Area in the Reserved Spaces. Additionally, if Landlord fails to provide to Tenant for Tenant's use 201 parking spaces in the Additional Parking Area in the Reserved Spaces following 48 hours prior written notice from Tenant, and such failure to provide to Tenant for Tenant's use 201 parking spaces in the Additional Parking Area in the Reserved Spaces continues for thirty (30) consecutive days, then Tenant may at any time after such thirty (30) consecutive days, but during the Rent abatement period, terminate this Lease by written notice to Landlord which notice shall specify the effective date of termination which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination.

(e) Notwithstanding the foregoing, if a casualty or condemnation adversely affects the Building Parking Garage and/or Additional Parking Area, then Landlord can relocate (i) the Building Parking Garage spaces to visitor parking spaces described in Exhibit L hereto, or other visitor parking spaces designated by Landlord from time to time (provided that such visitor lot(s) shall be moved to either Lot 2 and/or Lot 7, at Landlord's reasonable discretion), for up to one hundred eighty (180) days, and (ii) the surface parking spaces in the Additional Parking Area within a one (1) mile radius of Building for up to ninety (90) days. If Tenant's original parking spaces are not restored within (i) one hundred eighty (180) days for those Tenant parking spaces located within the Building Parking Garage, or (ii) ninety (90) days for those Tenant parking spaces located within the Additional Parking Area, then Tenant shall have right to terminate this Lease, prior to the restoration of such original parking spaces, by providing written notice to Landlord, which notice shall specify the effective date of termination which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination. Notwithstanding anything to the contrary in this Section 6, in the event Tenant is not able to use the Additional Parking Area for the parking spaces provided herein due to a casualty or condemnation, then Landlord, at its sole cost and expense, shall use its best efforts to immediately provide alternative parking for Tenant within a one (1) mile radius of the Building

(with a reasonable number of parking shuttles to transport Tenant's employees to and from such parking areas and the Building) until Tenant is once again able to use the Additional Parking Area for the parking spaces provided herein. Notwithstanding anything to the contrary in this Section 6, if Landlord immediately provides such alternative parking for Tenant (i) in the visitor parking area described in Exhibit L hereto, or other visitor parking spaces as described above, for the parking spaces within the Building Parking Garage, and (ii) within a one (1) mile radius of the Building (with a reasonable number of parking shuttles, at Landlord's cost and expense, to transport Tenant's employees to and from such parking areas and the Building) for the parking spaces within the Additional Parking Area, then Landlord shall be deemed to have provided Tenant with the required parking under this Lease; provided, however, Tenant shall still have the right to terminate this Lease as provided above in this paragraph if Tenant's original fifty-five (55) parking spaces are not restored within (i) one hundred eighty (180) days for Tenant's parking spaces located within Building Parking Garage, or (ii) ninety (90) days for Tenant's two hundred and one (201) parking spaces located within the Additional Parking Area. In the event Tenant is not able to use the Building Parking Garage and/or Additional Parking Area for the parking spaces provided in this Lease due to a casualty or condemnation, and if Landlord is unable to immediately provide (i) alternative parking in the visitor parking area described in Exhibit L hereto, or other visitor parking spaces as described above, for the Tenant parking spaces located within the Building Parking Garage, and/or (ii) alternative parking within a one (1) mile radius of the Building for the Tenant parking spaces located within the Additional Parking Area, then such failure to immediately provide parking in the Building Parking Garage and/or Additional Parking Area, as applicable, shall result in Rent abating for the Premises until Tenant is provided the use of such parking spaces in the Additional Parking Area and the Building Parking Garage, and if such failure continues for thirty (30) consecutive days, then Tenant may at any time after such thirty (30) consecutive days, but during the Rent abatement period, terminate this Lease by written notice to Landlord which notice shall specify the effective date of termination which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination.

(f) Landlord covenants to Tenant that it will not separately (without also selling the Building and Building Parking Garage and other Additional Parking Area) (i) sell or convey any of the Additional Parking Area set forth on Exhibit K hereto to any other party, or (ii) enter into a ground lease for any of the Additional Parking Area set forth on Exhibit K hereto with any other party; provided, however, (i) Landlord may sell or convey, or enter into a ground lease for, any of the Additional Parking Area, if Landlord provides to Tenant substitute parking at no greater distance than the Additional Parking Area lot that is being sold or leased, and (ii) subject to Section 6.01(a) Landlord may, in its sole and absolute discretion, enter into a ground lease for lots 1, 5 and 12 in the Additional Parking Area that is terminable by Landlord, in its sole discretion, upon thirty (30) days notice.

(g) Except as otherwise expressly provided in this Section 6.01, Landlord shall not be financially liable for the unauthorized use of Tenant's parking, provided that it has immediately taken reasonable measures to insure the availability of such parking. Tenant shall use reasonable efforts to ensure that its employees restrict their use of parking to Tenant's parking spaces. In the event Landlord fails within forty-eight (48) hours of Tenant's written notice to remove an unauthorized vehicle from the parking area's provided for tenants of the Building or from Tenant's contiguous covered parking spaces, Tenant at its risk may cause such vehicle to be

towed by a licensed car towing company at the expense of Landlord. Landlord shall keep and maintain the Additional Parking Area in a safe condition.

(h) Landlord hereby agrees to reserve seven (7) parking spaces in the visitor parking area described in Exhibit L hereto (five (5) spaces in the front row and two (2) spaces in the second row) for Tenant's sole use. Landlord shall have the right during the Lease Term if the visitor parking area described in Exhibit L hereto is routinely full to reallocate up to fifteen (15) parking spaces in the Additional Parking Area to be used for visitor parking for the Building.;

ARTICLE SEVEN - USE AND ACCESS

Section 7.01 Use.

(a) Tenant, its Affiliates (as defined in Section 16.01), and permitted assignees and subtenants, shall have the right to use the Premises for general office purposes, including data centers and storage consistent with general office use.

(b) To the extent Tenant's use as set forth in subsection (a) above or any other special uses to which Tenant is permitted by Landlord for the Premises require a specific Certificate of Occupancy, or a special entry on the general Certificate of Occupancy for the Building, Tenant shall obtain the same at its sole expense and shall provide Landlord with a copy upon request; and Tenant shall be responsible for obtaining any special health, safety or other governmental permit, approval or license required in connection with any such specific use as well as the building permits for Tenant's work and Certificate of Occupancy (if required) for the Premises. Landlord shall cooperate with Tenant and shall execute all applications, authorizations and other instruments reasonably required to enable Tenant to fulfill its responsibilities under this subsection. Notwithstanding the foregoing, Landlord will obtain all necessary permits, approvals and licenses, including all certificates of occupancy for the construction of the Tenant Improvements (as defined in Exhibit B). Tenant shall use the Premises so that (i) no unreasonable noise, smell (including those resulting from food preparation) or vibrations will emanate from the Premises into common areas or areas leased by other tenants or occupants of the Building;

(ii) other occupants of the Building are not unreasonably disturbed or interfered with in their use and enjoyment of their premises, the Building or the Common Building Facilities; (iii) all Applicable Laws will be complied with;

(iv) such use will not create design load or other problems for the structural, mechanical, electrical, plumbing or HVAC systems of the Building; (v) ventilation, fire hazard and special waste disposal problems are addressed to Landlord's reasonable satisfaction; and (vi) Landlord's other concerns for the safe and efficient operation, maintenance and repair of the Building and Common Building Facilities are addressed to Landlord's reasonable satisfaction.

Section 7.02 Environmental.

(a) As of the Effective Date, Landlord represents and warrants to Tenant that the Premises are free of any exposed toxic and hazardous materials in concentrations, or levels sufficient that by current applicable governmental standards to cause the specific material to be classified or identified as toxic or hazardous material. Prior to commencement of construction of any improvements above the ceiling grid in the Premises, Tenant shall deliver to Landlord and

Landlord shall review all of Tenant's plans and construction documents and determine whether such construction (as set forth in the plans and construction documents) will disturb or expose any encapsulated, sealed or enclosed hazardous materials located in the Building or Complex. If Landlord determines that such plans and/or construction will disturb any such hazardous materials, then Tenant will use reasonable efforts to modify its plans and/or construction documents so as not to disturb such hazardous materials. If Tenant is unable through reasonable efforts to successfully modify such plans and/or documents or if such modifications will require additional cost or delay in construction of Tenant's leasehold improvements, then Tenant shall not perform such leasehold improvements to the Premises and in the case of the Tenant Improvements this Lease will automatically terminate without liability to either party. In the case of other improvements to the Premises other than Tenant Improvements, Tenant shall have the right to construct such improvements if it elects to accept such additional costs or delays. Except in the case of an emergency (when Tenant shall provide such plans (if any) and/or construction documents to Landlord as soon as reasonably possible) and prior to the commencement of the work to be performed by Landlord pursuant to Exhibit "B", Tenant shall provide Landlord reasonable documentation of any alteration or addition to be made above the ceiling grid by Tenant to the Premises. Landlord, within ten (10) days of its receipt of such documentation, will determine whether such alteration or addition will disturb or expose any encapsulated hazardous substances.

(b) Tenant its contractors, agents and their respective employees shall not incorporate into or use, or otherwise place, expose, disturb or dispose of at the Premises or within the Boulder Towers Complex any hazardous materials in concentrations or levels sufficient so that by the then applicable EPA, OSHA or other applicable governmental standards the specific materials would be classified or identified as toxic or hazardous materials except for the limited purposes of use and storage only where (i) such materials are in small quantities, properly labeled and contained, (ii) such materials are handled and disposed of in accordance with the generally accepted industry standard for safety, storage, use and disposal, (iii) such materials are used for use in the ordinary course of business (i.e., as with office cleaning supplies), (iv) Tenant complies with Landlord's Hazard Communication Program (a copy of which is available at the Landlord's office).

(c) Landlord its contractors, property manager, agents and their respective employees shall not dispose of at the Premises or disturb or expose or incorporate into or use or otherwise place any toxic or hazardous materials in the Building in concentration or levels sufficient that by then applicable governmental standards cause the specific material so identified to be classified or identified as toxic or hazardous materials and shall otherwise deal with all existing toxic or hazardous materials (as described in Section 7.02(a)) at the Premises and in the Building in a manner that will not adversely affect Tenant's access, use or occupancy of the Premises and the Building Parking Garage and Additional Parking Areas. Any remediation or control at the Premises or the Building will be in accordance with all applicable governmental laws, rules, and regulations. If Landlord ever has knowledge of the presence in the Premises or the Building of such toxic or hazardous materials which affect the Premises, Landlord shall notify Tenant in writing promptly after receiving such knowledge. If Tenant ever has knowledge of the presence in the Premises of such toxic or hazardous materials which affect the Premises, Tenant shall notify Landlord in writing promptly after receiving such knowledge. For purposes of this Lease, hazardous or toxic materials shall mean hazardous or toxic chemicals or any materials or wastes

containing hazardous or toxic chemicals or materials at levels or content which causes such materials or wastes to be classified as hazardous or toxic as then prescribed by the then current levels or contents as set from time to time by EPA or OSHA or as identified under 29-CFR-1910 or 29-CFR-1925 or other applicable governmental laws, rules and regulations.

Except for any breach or failure by Tenant to comply with its obligations as set forth in Sections 7.02(a), 7.02(b), 7.02(c) and 7.02(d) of this Lease, Landlord shall be responsible and liable for the existence of and remediation of all hazardous materials which may exist now or in the future in the Premises or the Building, the Complex or the Building Parking Garage or Additional Parking Areas.

(d) If Tenant its agents, contractors or their respective employees shall ever violate the provisions of Paragraph (b) above (that apply to Tenant regarding toxic or hazardous materials), or if Tenant's acts, negligence, breach of this provision or business operations materially expand the scope of or materially worsen any contamination from toxic or hazardous materials installed or introduced by Tenant in the Building, then Tenant shall clean up, remove and dispose of the material causing the violation, in compliance with all applicable governmental standards, laws, rules and regulations and repair any damage to the Premises or any part of the Building or The Boulder Towers Complex within such period as may be reasonable under the circumstances after written notice by Landlord, provided that such work shall commence not later than fifteen (15) days from such notice and be diligently and continuously carried to completion by Tenant or Tenant's designated contractors.

Tenant shall notify Landlord of its method, time and procedure for any clean-up or removal of toxic or hazardous materials under this provision; and Landlord shall have the right to require reasonable changes in such method, time or procedure or to require the same to be done after normal business hours or when the Building or The Boulder Towers Complex is otherwise closed (i.e., weekends and holidays).

(e) If Landlord, its agents, contractors, property manager or their respective employees shall ever violate the provisions of Paragraph (c) above (that apply to Landlord regarding toxic or hazardous materials), or if Landlord's acts, negligence, breach of this provision or business operations materially expand the scope of or materially worsen any contamination from toxic or hazardous materials installed or introduced by Landlord (including the Tenant Improvements described in Exhibit "B") or existing in the Building, then Landlord shall clean up, remove and dispose of the material causing the violation, in compliance with all applicable governmental standards, laws, rules and regulations and repair any damage to the Premises or any part of the Building or The Boulder Towers Complex within such period as may be reasonable under the circumstances after written notice by Tenant, provided that such work shall commence not later than fifteen (15) days from such notice and be diligently and continuously carried to completion by Landlord or Landlord's designated contractors.

Landlord shall notify Tenant of its method, time and procedure for any clean-up or removal of toxic or hazardous materials under this provision; and Tenant shall have the right to require reasonable changes in such method, time or procedure or to require the same to be done after normal business hours or when the Building or The Boulder Towers Complex is otherwise closed (i.e., weekends and holidays). Notwithstanding the foregoing in this Section 7.02, in the

event that Landlord's clean-up or removal pursuant to this subsection (e) ("Clean Up or Removal") adversely affects all or any portion of the Premises for more than one (1) business day, the Rent shall abate as to the portion of the Premises so affected until the affected portion of the Premises can be used again for normal business purposes. If such Clean Up or Removal materially and adversely affects Tenant's use of the Premises for thirty (30) consecutive days, then Tenant shall have the right to terminate this Lease after written notice to Landlord (but in all events prior to the substantial completion of such Clean Up or Removal), which notice shall specify the effective date of termination and which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination.

Section 7.03 Access. Subject to events beyond Landlord's reasonable control and emergencies which may arise, Tenant, its permitted subtenants and their employees, licensees and guests, shall have access to the Premises at all times, 24 hours per day, every day of the year, except if the Building is closed due to an emergency or the Building is closed by governmental order, or the Building is closed by Landlord for security or safety concerns. Except in the event a lack of access is caused by a casualty or condemnation, a lack of access as required hereunder shall be deemed an interruption of Building Services as set forth in Section 5.08 hereof, which shall entitle Tenant to all abatement and termination remedies specified in Section 5.08. Notwithstanding anything in this paragraph to the contrary, a lack of access as required hereunder due to an emergency beyond Landlord's reasonable control (but only for and up to a maximum of three (3) business days) shall not be deemed an interruption of Building Services as set forth in Section 5.08 hereof, and shall not entitle Tenant to any abatement and/or termination remedies specified in

Section 5.08; provided, however that a lack of access due to an emergency in excess of three (3) business days shall be deemed an interruption of Building Services under Section 5.08 hereof. Notwithstanding anything in this paragraph to the contrary, should the Tenant's lack of access to the Premises be caused by either (i) fire or other casualty or (ii) condemnation or eminent domain proceeding, then the provisions of Article 9 herein (in the event of a fire or other casualty), or Article 12 herein (in the event of a condemnation or eminent domain proceeding), shall prevail in determining Tenant's rights to abatement and termination and Tenant shall not have a right to an abatement of Rent or a right to terminate this Lease under this paragraph.

Section 7.04 Storage Space. Tenant shall have the right to lease the Storage Space on the basement level of the Building at a rate during the Initial Term as set forth in Exhibit "C" hereto and during the Renewal Term at an amount equal to the Fair Market Value Rate for onsite storage which shall not in any event exceed \$6.50 per square foot per year. Landlord upon request shall advise Tenant of the availability of any additional existing storage space in the basement and the rental rate for such additional space shall be the same as the rental rate for the Storage Space. The storage space leased to Tenant shall be subject to reasonable rules and regulations by Landlord which shall not modify or amend or be inconsistent with the provisions of this Lease, nor shall such rules or regulations require the payment or expenditure of additional monies by Tenant, and shall be provided by Landlord on an "AS IS" basis with limited services appropriate for storage space.

Section 7.05 Building Directory. Landlord, at its expense, shall maintain a Building directory in the lobby of the Building for all tenants of the Building. Landlord shall also provide floor signage in the elevator lobby of each of Tenant's floors as requested by Tenant at Tenant's

expense. The exact size, location, and design of such signage to be approved by Landlord which approval shall not be unreasonably withheld. Landlord shall list Tenant on such directory at no charge for the initial listing, such initial listings on the directory as Tenant shall reasonably require up to Tenant's pro rata share of the available listings. All changes, additions and subtractions to and from Tenant's initial listings shall be at Tenant's sole expense, and Tenant shall pay Landlord's reasonable cost for the same. Landlord reserves the right to modify or replace the directory at any time in the future in its sole discretion.

Section 7.06 Tenant Interior Signage. At Tenant's sole cost of installation and maintenance, Tenant shall have the right to install, affix or display its name and logo on any door, window or wall of the Premises without obtaining the consent of Landlord, provided that such name or logo is not visible from the exterior of the Building. In addition, Tenant shall, at Tenant's sole cost of installation and maintenance, have the right to install, affix or display its name or logo in the common areas on the floors of the Premises subject to the approval of Landlord, which approval will not be unreasonably withheld or delayed.

ARTICLE EIGHT - REPAIRS AND MAINTENANCE

Section 8.01 Landlord's obligation to Repair and Maintain. Landlord shall, at its sole cost and expense, such cost and expense to be Operating Expenses, keep and maintain in good repair and working order and make all repairs to and perform necessary maintenance upon the Complex, Building, the base building systems within the Premises and the Common Building Facilities and all parts thereof, including, but not limited to, the ceilings, lighting, base building HVAC, plumbing, walls, floors, corridors, lobbies, and base building equipment within and serving the Premises and the Building (including the Building Parking Garage and Additional Parking Area) which are required in the normal maintenance and operation of the Premises and the Building and in accordance with Landlord's operational requirements as set forth in this Lease.

Section 8.02 Tenant's obligations.

(a) Subject to the terms and provisions of Section 17.02 of this Lease, Tenant shall maintain the Premises (except the Common Building Facilities contained therein), including all of Tenant's additions, alterations, installations, improvements and trade fixtures, the diesel motor for the Data Center Space located outside the Building, and other Special Systems installed by or on behalf of Tenant, and all of Tenant's property within the Premises and shall repair any and all damage caused by it to the Premises, ordinary wear and tear, damage by fire or other casualty, damage arising out of condemnation or eminent domain proceedings and damage caused by others for whom Tenant is not responsible excepted. Upon termination of this Lease, Tenant shall surrender and deliver up the Premises in the same condition in which existed at the commencement of this Lease, except for ordinary wear and tear, Tenant's alterations, additions, installations and improvements, repairs and maintenance assumed by Landlord, damage arising from fire or other casualty, damage arising out of condemnation or eminent domain proceedings and damage caused by others for whom Tenant is not responsible and which damage Tenant is otherwise not obligated to repair or restore under this Lease. Notwithstanding the foregoing in this Section 8.02(a), Tenant, at Landlord's sole risk and cost, shall maintain the Liebert units currently located in the Data Center Space ("Liebert Units"), and the diesel motor for the Data

Center Space located outside the Building ("Diesel Motor"). Tenant shall enter into quarterly maintenance contracts with a contractor reasonably acceptable to both Landlord and Tenant for the maintenance of the Liebert Units and the Diesel Motor. Landlord shall reimburse Tenant within thirty (30) days of delivery of an invoice from Tenant for all maintenance costs incurred by Tenant for maintenance of the Liebert Units, and the Diesel Motor. If Tenant fails to enter into such quarterly maintenance contracts for the Liebert Units and the Diesel Motor, then Tenant shall be solely responsible for all maintenance, repair and replacement costs for the Liebert Units and the Diesel Motor. Notwithstanding the foregoing in this Section 8.02(a), Landlord shall pay all maintenance, repair and replacement costs of the Liebert Units and the Diesel Motor.

(b) If Tenant fails to perform any maintenance or repair required under this Section 8.02, Landlord may, following thirty (30) days' written notice to Tenant, perform the same and Tenant shall reimburse Landlord for the reasonable cost of such maintenance and/or repair within thirty (30) days of Landlord's invoice therefore, together with invoices and paid receipts and other reasonable evidence of such costs. If such amounts are not paid by Tenant within the thirty (30) day period, interest shall accrue on such sums based on Chase Manhattan Bank's New York published prime rate or in the event Chase Manhattan Bank no longer publishes a prime rate, another major bank substituted by Landlord, plus 150 basis points (the "Default Rate"). In addition, if Tenant's failure to maintain or repair causes an imminent threat to persons or property, Landlord may, after providing Tenant with such notice as is reasonable under the circumstances, perform such maintenance or repair and Tenant shall reimburse Landlord for the reasonable cost of such maintenance and/or repair within thirty (30) days of Landlord's invoice therefor, together with invoices and paid receipts and other reasonable evidence of such costs. If such amounts are not paid by Tenant within the thirty (30) day period, interest shall accrue on such sums until paid at the Default Rate.

ARTICLE NINE - FIRE AND CASUALTY

Section 9.01 Damage or Destruction.

(a) If the Building or any part thereof should be destroyed or damaged by fire or other casualty during the Term of this Lease, then (unless this Lease is terminated by Landlord or Tenant as hereinafter provided) Landlord shall within sixty (60) days of the date of the casualty, proceed to diligently and continuously reconstruct, restore and repair the Building and the base building systems and Building standard improvements contained in the Premises, as the case may be, to a condition substantially equivalent to their former condition. If Landlord fails to commence or diligently and continuously proceed with such action within this period of time or if the restoration is not substantially completed within one-hundred and eighty (180) days of the casualty, then Tenant, as its sole and exclusive remedy for such failure (in addition to Section 9.01 (c)), may forthwith terminate this Lease (effective no later than one hundred eighty (180) days after the date of Tenant's notice) prior to the substantial completion of such restoration.

(b) Notwithstanding anything to the contrary in Section 9.01 (a), Landlord's obligation to restore shall be limited to the insurance proceeds it receives; provided however, such limitation shall not impair or limit Tenant's right to terminate the Lease for Landlord's failure to timely commence or to complete restoration as provided in Section 9.01 (a).

(c) Commencing with the date of such damage, the Rent provided for herein shall abate pro rata to the extent that, and for so long as, any portion of the Premises is adversely affected for the use described in Section 7.01(a) or for so long as damage to Common Building Facilities adversely affects the performance of Tenant's business; provided however that upon substantial completion by Landlord of its restoration work, Rent shall commence on the expiration of a reasonable time thereafter required for Tenant to substantially complete its restoration work under Section 9.01 (e).

(d) It is agreed that if the Building is totally destroyed by any cause or is so substantially destroyed such that reconstruction would require more than one hundred eighty (180) days, as reasonably estimated by Landlord's architect or contractor, either Landlord or Tenant may elect to terminate this Lease by giving the other party written notice of such election within thirty (30) days after the giving of the notice from Landlord hereinafter provided. Such termination shall be effective as of the date of such election. In the event of any substantial casualty, Landlord shall within thirty (30) days thereafter, give Tenant written notice of the estimated time required to repair the same as reasonably estimated by Landlord's contractor or architect.

(e) For any casualty to the Premises only, or any casualty to the Building and Premises in which Landlord is obligated to restore the Building or otherwise elects to restore the Building, Tenant, subject to Sections 9.01(a), (c) and (d) above, shall promptly commence and diligently prosecute to completion the restoration of all leasehold improvements, alterations, installations, additions and trade fixtures which are damaged or destroyed to a completion substantially equivalent to their condition on the date of the casualty; provided, however, that in the event such casualty referred to in this Section 9.01(e) shall occur in the last two Lease Years, then Tenant shall have the right to terminate this Lease within thirty (30) days following such casualty upon written notice to Landlord, which notice shall specify the effective date of termination and which date will not be more than one hundred eighty (180) days after the date of Tenant's notice of termination.

Notwithstanding anything to the contrary in this Paragraph 9.01, Landlord and Tenant agree to the following:

(1) In the event that a casualty materially and adversely affects Tenant's use of the Data Center Space for 150 consecutive days ("150 Day Period"), then Landlord, at its sole cost and expense, shall have the right prior to the expiration of the 150 Day Period to relocate the Data Center Space to other space in the Building and to construct new Data Center Space. In such event, Landlord, at its sole cost and expense, shall construct such new Data Center Space within the 150 Day Period so that such space shall be in substantially the same condition as existed in the original Data Center Space prior to the casualty. Such new Data Center Space shall include the Liebert Units, Diesel Motor and electronic switching equipment located in the Data Center Space (the "Switching Equipment"), and Landlord shall insure that the new Data Center Space shall be located within 300 feet of Tenant's satellite dishes, or Landlord shall move such satellite dishes to a location mutually acceptable to Landlord and Tenant which is within 300 feet of the new Data Center Space. During the construction of the new Data Center Space, Rent for the Data Center Space shall abate. Upon substantial completion of construction of such new Data Center Space within the 150 Day Period and the commencement of operations in the

Data Center Space, (i) the term "Data Center Space" as defined in Section 1.01(b) of this Lease shall be amended to be the new Data Center Space, and any necessary adjustments to Annual Rental for the Data Center Space shall be made in accordance with Exhibit "C" to this Lease; and (ii) Tenant shall no longer have the right to an abatement of Rent or the right to terminate this Lease under this Section 9.01 because of the casualty affecting the Data Center Space.

(2) In the event that a casualty materially and adversely affects Tenant's use of the Storage Space for 120 consecutive days (120 Day Period), then Landlord, at its sole cost and expense, shall have the right prior to the expiration of the 120 Day Period to relocate the Storage Space to other space in the Building. In such event, Landlord, at its sole cost and expense, shall construct such new Storage Space within the 120 Day Period so that such space shall be in substantially the same condition as existed in the original Storage Space prior to the casualty. During the construction of the new Storage Space, Rent for the Storage Space shall abate. Upon substantial completion of construction of such new Storage Space within the 120 Day Period, (i) the term "Storage Space" as defined in Section 1.01(b) of this Lease shall be amended to be the new Storage Space, and any necessary adjustments to Annual Rental for the Storage Space shall be made in accordance with Exhibit "C" to this Lease; and (ii) Tenant shall no longer have the right to an abatement of Rent or the right to terminate this Lease under this Section 9.01 because of the casualty affecting the Storage Space.

(3) In the event Landlord fails to complete the new Data Center Space or Storage Space within the 150 Day Period or 120 Day Period respectively, then Tenant may terminate this Lease at any time prior to the Substantial Completion of the Data Center Space (either the old or new Data Center Space) or the Storage Space (either the old or new Storage Space), such termination date to be no more than one hundred eighty (180) days after the date of Tenant's termination notice to Landlord.

Section 9.02 Waiver of Subrogation Rights. Notwithstanding anything in this Lease to the contrary, Landlord, Tenant, and all parties claiming under them, each mutually waive, release and discharge each other from responsibility for any and all rights of recovery, claim, action or cause of action against the other for any loss or damage that may occur to the Premises, the Building, the Complex, the Common Building Facilities, or any personal property of Landlord or Tenant, arising from any cause that would be insured against under the terms of any insurance required to be carried hereunder. The foregoing waiver, release and discharge shall apply regardless of the cause or origin of such claim, including, but not limited to, the negligence of a party, or such party's agents, officers, employees or contractors. Any fire, extended coverage or property insurance policy required to be maintained by Tenant in this Lease with respect to the Premises, or Landlord with respect to the Building, the Complex, the Common Building Facilities, shall contain, in the case of Tenant's policies, a waiver of subrogation provision or endorsement in favor of Landlord (but only for liabilities expressly assumed by Tenant in this Lease), and in the case of Landlord's policies, a waiver of subrogation provision or endorsement in favor of Tenant, or, in the event that such insurers cannot or shall not include or attach such waiver of subrogation provision or endorsement, Tenant and Landlord shall obtain the approval and consent of their respective insurers, in writing, to the terms of this Lease. Tenant agrees to indemnify, protect, defend and hold harmless each and all of the Landlord Indemnitees (defined below) from and against any claim, suit or cause of action asserted or brought by Tenant's insurers for, on behalf of, or in the name of Tenant, including, but not limited to, claims for

contribution, indemnity or subrogation, brought in contravention of this paragraph. Landlord agrees to indemnify, protect, defend and hold harmless each and all of the Tenant Indemnitees (defined below) from and against any claim, suit or cause of action asserted or brought by Landlord's insurers for, on behalf of, or in the name of Landlord, including, but not limited to, claims for contribution, indemnity or subrogation, brought in contravention of this paragraph. The mutual releases, discharges and waivers contained in this provision shall apply EVEN IF THE LOSS OR DAMAGE TO WHICH THIS PROVISION APPLIES IS CAUSED SOLELY OR IN PART BY THE NEGLIGENCE OF LANDLORD INDEMNITEES OR TENANT INDEMNITEES.

ARTICLE TEN - LIABILITY

Section 10.01 Indemnity by Tenant. To the extent permitted by law, Tenant agrees to indemnify, protect, defend and hold Landlord, its affiliates and their respective agents, employees, officers and directors (the "Landlord's Indemnitees") harmless against any and all actions, claims, demands, costs and expenses, including reasonable attorney's fees and expenses for the defense thereof, to the extent arising from Tenant's negligence, from the undertaking of any alterations, work or repairs to the Premises or the Complex (if any) by Tenant or from any willful or negligent act of Tenant, its agents, contractors, servants, employees, customers or invitees, in or about the Premises, but only to the extent of Landlord's liability, if any, in excess of amounts, if any, paid to Landlord under insurance covering such claims or liabilities. In case of any action or proceeding brought against the Landlord's Indemnitees by reason of any such claim, upon notice from Landlord, Tenant covenants to defend such action or proceeding by counsel reasonably satisfactory to Landlord.

Section 10.02 Indemnity by Landlord. To the extent permitted by law, Landlord agrees to indemnify, protect defend and hold the Tenant, its affiliates and their respective agents, employees, officers and directors ("Tenant's Indemnitees") harmless against any and all actions, claims, demands, costs and expenses, including reasonable attorney's fees and expenses for the defense thereof, arising from Landlord's negligence, from the undertaking of any alterations, work or repairs to the Premises or the Complex by Landlord, its contractors, agents, or their respective employees, or from any willful or negligent act of Landlord, its agents, contractors, servants, employees, customers or invitees, in or about the Premises and the Complex, but only to the extent of Tenant's liability, if any, in excess of amounts, if any, paid to Tenant under the insurance required to be carried pursuant to the terms of this Lease and covering such claims or liabilities. In case of any action or proceeding brought against the Tenant's Indemnities by reason of any such claim, upon notice from Tenant, Landlord covenants to defend such action or proceeding by counsel reasonably satisfactory to Tenant.

Section 10.03 Disclaimer of Consequential Damage. Notwithstanding anything in this Lease to the contrary, neither Landlord nor Tenant shall in any event or occurrence be liable to the other for special, indirect or consequential damages resulting or arising out of this Lease, including without limitation, loss of use, profit or business, however caused. The provisions of this Section shall control over any conflicting provision of this Lease.

ARTICLE ELEVEN - ALTERATIONS AND FIXTURES

Section 11.01 Alterations by Tenant and Landlord.

(a) Tenant may make such alterations in or additions to the Premises as it shall from time to time elect to make without obtaining the consent of Landlord; provided, however, that any material alteration in or addition to the Premises (it being expressly agreed that decorations, redecorating, substitutions and nonstructural changes which are not visible from the exterior of the Building and do not adversely affect the base building HVAC or mechanical, electrical or plumbing systems or penetrate above the ceiling grid shall not be deemed material the "Permitted Alterations") shall be subject to the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld or delayed, except as to changes visible from the exterior of the Building or changes which impair or cause load design problems for the structural, HVAC, mechanical, electrical or plumbing systems of the Building, as to which Landlord may withhold consent in its sole discretion. Subject to the approval of Landlord, which will not be unreasonably withheld, Tenant may use contractors of its own selection and there shall be no overhead or supervision fees to Landlord for any such work. Tenant shall reimburse Landlord for any reasonable out-of-pocket fees or expenses paid to third-party architects, engineers, consultants and/or other professionals in evaluating any alteration requested by Tenant pursuant to this Section 11.01. Notwithstanding the foregoing, Tenant shall not make any material alterations or changes to the Liebert Units, Diesel Motor and Switching Equipment and the Building systems, including the fire suppression system, located within the Data Center Space.

(b) In addition to the work to be performed by Landlord pursuant to Exhibit "B", any other alterations or additions made by Tenant in the Premises shall be constructed and completed in a good and workmanlike manner at Tenant's expense by contractors approved by Landlord, such approval not to be unreasonably withheld or delayed. Except for Permitted Alterations, Tenant shall furnish to Landlord in advance the plans and specifications for any alterations and/or additions to the Premises and any other information which Landlord may reasonably request pertaining to such alterations or additions. Landlord shall determine (within the time period specified in Section 7.02(a)) whether or not such proposed alterations or additions will disturb the areas in the Building which are identified as possibly containing enclosed hazardous materials as referred to in Section 7.02. If Landlord reasonably determines that such plans and/or construction will disturb any such hazardous materials, then Tenant shall have the right to modify its plans and/or alterations and/or additions to the Premises so as to not disturb such hazardous materials. If Tenant elects not to modify such plans and/or documents or if such modifications will require additional cost or delay (which is not acceptable to Tenant) in construction of Tenant's alterations or additions, then Tenant shall not perform alterations or additions to the Premises. Tenant shall obtain all necessary governmental permits, licenses and approvals and shall comply with all Applicable Laws and the reasonable requirements of Landlord as to work schedule, noise abatement, safety, security, elevator access, trash removal and other activities to minimize disruption and annoyance to other tenants in the Building.

(c) Tenant shall pay all taxes and assessments levied with respect to Tenant's above standard leasehold improvements, alterations, additions, installations, trade fixtures and personal property in the Premises.

(d) Tenant shall indemnify and hold harmless Landlord from and against any and all losses, damages, costs and expenses (includes costs of suit and attorneys' fees), liabilities, or causes of action arising out of or relating to mechanics, materialmen's or other liens or claims (and all costs or expenses associated therewith) asserted, filed or arising out of any alterations, additions, installations, or improvements made by Tenant to the Premises (not including the work to be performed by Landlord on behalf of Tenant pursuant to Exhibit "B" hereto). All contracts with materialmen, contractors, artisans, mechanics, laborers and other parties hereafter contracting with Tenant for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Premises must provide that they look solely to Tenant for payment for same.

Section 11.02 Tenant's Property.

(a) Tenant, at its expense, may, at any time and from time to time, install in and remove from the Premises its trade fixtures, logos, trade names, equipment, movable partitions, walls and wall systems (excluding the Virginia Panel Wall System which shall remain the property of Landlord), furniture and furnishings and all of Tenant's other personal property, provided such installation or removal is accomplished without material damage to the Premises or the Building and Tenant promptly repairs any damage thereto.

(b) Upon the expiration of this Lease, Tenant shall remove all of Tenant's personal property and trade fixtures and Tenant shall promptly repair any damage to the Premises or the Building. If Tenant fails to remove any personal property of Tenant that Tenant may remove upon the termination of this Lease, any such property not so removed shall, at Landlord's election, become the property of Landlord or be removed by Landlord at Tenant's expense. Notwithstanding the foregoing Tenant shall have no obligation to remove walls, wall systems, ceilings or floor coverings in the Premises. Notwithstanding anything in the Lease to the contrary, if requested by Landlord in writing, Tenant, shall be responsible, at its sole cost and expense, for removing the internal stairwell between the thirteenth (13th) and fourteenth (14th) floors upon the completion or earlier termination of this Lease and Tenant shall promptly restore such floor area to substantially the same condition that existed prior to installation of such stairwell.

ARTICLE TWELVE - CONDEMNATION

Section 12.01 Total Taking. If all of the Building or the Premises shall be taken by condemnation or in any other manner for any public or quasi-public use or purpose (other than for temporary use or occupancy), the Term of this Lease shall terminate as of the date of vesting of title (the "Date of the Taking"), and, subject to a proration and apportionment of Annual Rental and proration, apportionment and reconciliation of Additional Rental and other sums due hereunder as of the Date of the Taking, no further Rent shall be due hereunder.

Section 12.02 Partial Taking. If a part of the Premises shall be so taken, then Landlord shall give Tenant prompt written notice thereof and the part so taken shall no longer constitute part of the Premises, but this Lease shall continue in force and effect as to the part not so taken; provided, however, that Tenant may elect to terminate this Lease (a) if a partial taking of the Premises occurs and Landlord is not able to provide alternate premises in the Building

reasonably acceptable to Tenant for the normal conduct of Tenant's business for the portion of the Premises taken or if, in the good faith, reasonable judgment of Tenant, the remaining portion of the Premises cannot be economically and practicably used by Tenant for the conduct of its business or (b) if a partial taking has a material and adverse effect upon (i) the normal conduct by Tenant of its business in the Premises, or (ii) the parking for Tenant and its visitors and Landlord does not relocate such parking pursuant to Section 6.01(d) of this Lease. Tenant shall give notice of any election to terminate to Landlord not later than sixty (60) days after notice of such taking is given by Landlord to Tenant. Upon the date specified in Tenant's notice (which shall be a date as soon thereafter as is practical for Tenant to relocate from the Building, but in no event more than one hundred eighty (180) days thereafter), the Term of this Lease shall terminate and, subject to a proration and apportionment of Annual Rental and proration, apportionment and reconciliation of Additional Rental and other sums due hereunder as of the date of the termination, no further rent shall be due hereunder. Upon a partial taking and the Term of this Lease continuing in force as to any part of the Premises, the Annual Rental or any Additional Rental shall be reduced proportionately based upon the part or parts of the Premises and/or other parts of the Building so taken. If a part of the Building is taken, and either (i) Landlord's architect or contractor reasonably estimates that reconstruction would require more than one hundred eighty (180) days; (ii) in Landlord's good faith, reasonable judgment the remaining portion of the Building cannot be restored to a functional whole or cannot be restored so as to be efficient and economically viable to own, operate and maintain as a commercial office building or (iii) the cost of restoration will require more than the condemnation proceeds paid to Landlord, then Landlord may elect to terminate this Lease by delivering written notice of such election to Tenant not later than sixty (60) days following the Date of the Taking, and this Lease shall terminate as of a date mutually acceptable to Landlord and Tenant, but in no event more than one hundred eighty (180) days following such notice, subject to a proration and apportionment of Annual Rental and proration, apportionment and reconciliation of Additional Rental and other sums due hereunder.

Section 12.03 Claims of Landlord and Tenant. Landlord shall be entitled to receive the entire award in any proceeding with respect to any taking (other than for temporary use and occupancy) provided for in this Article and Tenant shall receive no part of such award, except as hereinafter expressly provided. Tenant shall have the right to make a separate claim with the condemning authority for (a) any moving expenses incurred by Tenant as a result of such condemnation; (b) any costs incurred and paid by Tenant in connection with the layout work, tenant's work or any alteration or improvement made by and paid for by Tenant to the Premises including the work performed by Landlord on behalf of Tenant pursuant to Exhibit "B"; (c) the value of any of Tenant's property taken; and (d) any other separate claim which Tenant may hereafter be permitted to make. Notwithstanding the foregoing, Tenant's separate claim shall not be reduced or adversely affected by the amount of Landlord's award. If Tenant shall not be permitted to make a separate claim in such proceeding, Landlord will at Tenant's request, prosecute all claims in such proceeding on behalf of both Landlord and Tenant in which event Tenant may, if it so elects and at its expense, join with Landlord in such proceeding, retain co-counsel, attend hearings, present arguments and generally participate in the conduct of the proceeding; provided, however, that if Landlord incurs any additional expense because of Tenant's exercising its rights under this sentence, Tenant will bear such additional expense.

Section 12.04 Distribution of the Award. The aggregate amount of all awards received in any proceeding relating to any taking (other than awards to Tenant pursuant to Section 12.03 or for temporary use or occupancy) is hereinafter called the "Award." The Award shall be distributed to the parties based on the apportionment of the Award in such proceeding.

Section 12.05 Temporary Taking of Premises. If all or any part of the Premises shall be temporarily taken by condemnation or otherwise for any public or quasi-public use or purpose (unless Tenant shall have elected to terminate the Term of this Lease in accordance with the option provided in the last sentence of this Section), this Lease shall nevertheless remain in full force and effect. Tenant shall continue to be responsible for all of its obligations hereunder insofar as such obligations are not affected by such taking; provided, however, that Tenant shall not be liable for the payment of Rent or other sums for the part of the Premises so temporarily taken. The Award claims of Landlord and Tenant shall be handled as provided in Section 12.03. In the event of a temporary taking which meets the requirement of subsection (a) or (b) of Section 12.02 for a period in excess of seventy-five (75) consecutive days, Tenant may terminate the Term of this Lease upon notice to Landlord given within thirty (30) days after such taking or, in the case of an indefinite temporary taking under subsection (a) of Section 12.02, within thirty (30) days after such seventy-five (75) day period has expired.

Section 12.06 Landlord's Obligation to Restore.

(a) In the event of a taking which taking does not result in the termination of this Lease, Landlord shall, at its expense to the extent of the amount of the Award or Awards to Landlord (subject to Landlord's right of termination of Section 12.02), proceed with due diligence to repair, alter and/or restore the remaining part of the Building and the base building systems and Building standard improvements within the Premises substantially to their former condition to the extent feasible to constitute a complete and tenable Building and Premises (assuming Tenant performs its restoration pursuant to Section 12.06(b)). Upon the expiration of any temporary taking which did not result in a termination of this Lease, Landlord, with due diligence, shall restore the base building systems and Building standard improvements within the Premises to their former condition as aforesaid.

(b) In the event of a taking which does not result in the termination of this Lease and to the extent that any Award or Awards to Tenant shall be sufficient for the purpose, Tenant shall restore, with due diligence, Tenant's alterations, improvements, installations, additions and trade fixtures in the remaining portion of the Premises. Upon the expiration of or temporary taking of the Premises which did not result in a termination of this Lease, Tenant shall restore, with due diligence, Tenant's above Building standard alterations, additions, installations and trade fixtures as aforesaid. Tenant shall not be obligated to commence its restoration until Landlord has substantially completed its restoration obligation.

(c) During any period of restoration of the Building and the base building systems or Building standard improvements or Tenant's alterations, improvements, installations, additions and trade fixtures within the Premises pursuant to subsection (a) above, the Rent provided for herein shall abate pro rata to the extent that, and for so long as Tenant's use or occupancy of any portion of the Premises is adversely affected.

ARTICLE THIRTEEN - REMEDIES AND DEFAULTS

Section 13.01 Default by Tenant.

(a) Any of the following shall be an "Event of Default" by Tenant under this Lease:

(i) Tenant fails or refuses to pay any installment of Annual Rental or Additional Rental and such failure or refusal continues for more than ten (10) days following delivery of written notice to Tenant; provided, however, following the fourth (4th) notice of nonpayment of Annual Rental and/or Additional Rental given by Landlord in any lease year, Landlord shall not be required to give any written notice for any subsequent failure of Tenant to timely pay any installment of Annual Rental or Additional Rental occurring during such calendar year; or

(ii) Tenant fails or refuses to perform any of its other covenants under this Lease, and such failure or refusal continues beyond a reasonable time to cure such nonperformance, not to exceed thirty (30) days after the receipt by Tenant of written notice from Landlord unless additional time, up to a maximum of ninety (90) days in the aggregate is required to cure the default which despite diligent and continuous effort, cannot by its very nature be cured within thirty (30) days, provided cure is commenced as soon as commercially reasonable and is diligently prosecuted to completion.

(b) Following an Event of Default and which is not cured within the cure periods set out above, Landlord shall have the following remedies in addition to those other remedies at law or in equity which are not inconsistent therewith:

(i) Landlord may terminate this Lease and forthwith repossess the Premises and be entitled to recover forthwith as damages a sum of money equal to the total of (a) the cost of recovering the Premises, (b) the unpaid rent earned through the date of termination, plus interest thereon at the Default Rate from the due date, and (c) any other sum of money and damages owed by Tenant to Landlord under this Lease at the time of termination.

(ii) Landlord may terminate Tenant's right of possession (but not the Lease) and may repossess the leased premises by self-help, forcible entry or detainer suit or otherwise, without demand or notice of any kind to Tenant and without terminating this Lease, in which event Landlord may relet the same for the account of Tenant, such right to relet being on the following terms and conditions: (a) Landlord shall only relet on commercially reasonable terms and rent, and if the Premises are relet in whole or in part, Tenant shall be entitled to a credit in the net amount of the Annual Rental or Additional Rental received by Landlord as a result (after deducting all reasonable costs incurred by Landlord in finding a new tenant, including brokerage fees, agent's commissions, redecorating costs, construction

allowance, lease concessions, parking, attorneys' fees and any other reasonable costs and expenses incident thereto). Tenant shall remain obligated to pay the amount of any deficiency in the Annual Rental or any Additional Rental obtained on such reletting, but if the Annual Rental or any Additional Rental obtained on such reletting is greater than that provided for herein plus Landlord's costs, such excess rentals shall be the sole property of Landlord, and (b) Landlord shall have the right to collect from Tenant amounts equal to said deficiencies provided for above by suits or proceedings brought from time to time on one or more occasions without Landlord being obligated to wait until the expiration of the term of this Lease; provided, however, Landlord shall not have the right to accelerate payments of future rents. Any rentals not paid by Tenant when due shall bear interest at the Default Rate. No such reletting or other action of Landlord shall be construed as an election on the part of Landlord to terminate this Lease unless a written notice of such intention is given to Tenant by Landlord. Notwithstanding the foregoing in this

Section 13.01(b)(ii), Landlord will use reasonable efforts to mitigate its damages resulting from Tenant's default.

(c) An election by Landlord of its remedies to terminate Tenant's right of possession under Section 13.01(b)(ii) shall not prohibit Landlord from subsequently exercising its rights to terminate the Lease under Section 13.01(b)(i).

Section 13.02 Default by Landlord. Landlord shall be in default hereunder ("Landlord's Default") in the event Landlord fails or refuses to perform any of its obligations hereunder beyond (i) the specific times provided in this Lease for the performance of its obligation(s) or (ii) a reasonable time to cure such nonperformance not to exceed thirty (30) days following the receipt by Landlord of written notice from Tenant of the alleged failure to perform (or such shorter time period in the event of an emergency) unless additional time up to a maximum of ninety (90) days in the aggregate is required to cure the default which despite diligent and continuous effort, cannot by its very nature be cured within thirty (30) days, provided such cure is commenced as soon as commercially reasonable and is diligently prosecuted to completion. In the event of a Landlord's Default which has not been cured by Landlord following notice from Tenant, Tenant may, at anytime prior to such default being cured, terminate this Lease no later than one hundred eighty (180) days from the date of Tenant's written notice of termination to Landlord. In addition to the right to terminate this Lease, Tenant may pursue any remedy at law or equity available to it under the circumstances and arising directly from Landlord's Default.

ARTICLE FOURTEEN - BANKRUPTCY

Section 14.01 Bankruptcy by Tenant. If at any time during the Term of this Lease a petition in bankruptcy or insolvency or for reorganization or for the appointment of a receiver or trustee of all or substantially all of Tenant's assets is filed against Tenant in any court pursuant to any statute either of the United States or of any state and Tenant fails to secure a discharge thereof within ninety (90) days, or if Tenant voluntarily files a petition in bankruptcy or makes an assignment for the benefit of creditors covering all or substantially all of

Tenant's assets or petitions for or enters into an arrangement with creditors covering all or substantially all of Tenant's assets, the term of this Lease, at the option of Landlord, exercised within thirty (30) days after notice of the happening of any one or more of such events, shall terminate on such date as Landlord shall specify by notice to Tenant, with the same effect as if the date of termination were the Expiration Date of this Lease, but Tenant shall remain liable for rent and/or damages attorneys' fees as provided in Article Thirteen and other damages as may be provided to landlords under the United States Bankruptcy Code (or any successor thereto). However, if a petition for reorganization or for an arrangement is filed by or against Tenant, Landlord may not terminate the term of this Lease so long as Tenant is not in default hereunder and, provided this Lease is assumed or affirmed in such reorganization or arrangement proceeding within the time periods provided by law.

ARTICLE FIFTEEN - COMPLIANCE WITH LAWS

Section 15.01 Tenant's Compliance with Laws. Tenant, at, its expense, shall comply with all applicable laws, rules, orders, ordinance, regulations and other requirements, present or future (collectively, "Applicable Laws"), affecting the non-structural portions of the Premises that are promulgated by any governmental authority or agency having jurisdiction over the Premises and/or the Building. Tenant shall not at any time use or occupy the Premises so as to violate the Certificate of Occupancy for the Building or the Complex. Nothing contained in this Section 15.01, however, shall be deemed to impose any obligation upon Tenant to make any structural changes to the Premises or Building or repairs to the Building (unless necessitated by reason of a particular use by Tenant of the Premises other than those uses specified in Section 7.01(a) of this Lease) or Complex or to any changes or modifications to the Building or Complex outside of the Premises. Tenant shall be responsible for compliance with all current and future requirements for handicap accessibility within the Premises.

Section 15.02 Landlord's Compliance with Laws. Landlord shall be responsible for complying with all Applicable Laws affecting the Building, the Common Building Facilities and the Complex (excluding the non-structural portions of the Premises) or relating to the performance by Landlord of any duties or obligations to be performed by it hereunder. Without limiting the foregoing, Landlord shall comply or cause the Building (excluding the non-structural portions of the Premises) to comply with all present and future environmental, energy conservation and fire and safety laws, handicap requirements, and other mandatory regulations and codes, as the same are interpreted from time to time.

ARTICLE SIXTEEN - ASSIGNMENT AND SUBLETTING

Section 16.01 Assignment and Subletting by Tenant.

(a) Except as permitted pursuant to this Section 16.01, any attempted assignment or subletting by Tenant of this Lease of all or any part of the Premises shall be null and void.

(b) Except for an assignment to an "Affiliate" pursuant to Section

16.01 (c) below, if Tenant desires to assign this Lease or sublease all or any part of the Premises, Tenant shall notify Landlord in writing at least thirty

(30) days prior to the effective date of any proposed assignment or sublease, describing the terms of the proposed assignment or sublease and the identity of the proposed assignee or sublessee and available financial information concerning the

business and history of the proposed assignee or sublessee (and any additional information which Landlord may reasonably request). Landlord shall have fifteen

(15) days from receipt of all of the foregoing to elect to (i) reject such proposed assignment or sublease; or (ii) consent to the proposed assignment or sublease; provided, however, Landlord will not unreasonably withhold its consent to a proposed assignment or sublease.

(c) Tenant (and any permitted subtenant or assignee) shall have the right, without the consent of Landlord, to assign this Lease or sublet the Premises or any portion thereof to, or to permit occupancy of any portion of the Premises by, any Affiliate (as hereinafter defined), any entity that acquires substantially all of the assets of Tenant, any entity into which Tenant is merged and any entity resulting from a consolidation of Tenant with some other entity. The term "Affiliate" shall mean any corporation or other entity controlled by, under common control with or which controls Tenant or in which Tenant, directly or indirectly, has a fifty (50%) percent or greater voting or ownership interest. However, such subletting or assignment shall not relieve Tenant of any of its obligations under this Lease. Tenant shall provide written notice to Landlord within thirty (30) days of any assignment or subletting of any portion of the Premises to any Affiliate.

(d) Any assignee of this Lease must execute a written assumption agreement assuming all of the obligations of Tenant accruing from and after the date of assignment.

(e) No assignment or sublease shall relieve the Tenant which was the assignor or sublessor from any of its obligations or liabilities under this Lease; the original Tenant and any subsequent assignee of Tenant's interest under this Lease shall always remain liable under this Lease.

(f) Anything to the contrary notwithstanding any and all sums collected by Tenant (Assignor or Sublessor) in excess of Annual Rental and Additional Rentals payable hereunder and after deducting all reasonable costs incurred by Tenant including brokerage fees, agents' commissions, redecorating costs, construction allowance, lease concessions and other necessary expenditures, such excess shall be shared in equal amounts between Tenant and Landlord.

Section 16.02 Assignment by Landlord. Landlord shall have the continuing right to transfer, sell and/or assign all of its rights and obligations under this Lease and in the Building, land and Common Building Facilities and to assign, in whole or in part, (but only if Landlord sells the Building) the Rent payable by Tenant under this Lease (subject to the terms of this Lease). Upon the transfer of the entire estate and interest of Landlord under this Lease, the transferor shall have no liability for obligations to Tenant relating to events occurring after and to claims occurring after the date of such transfer provided that transferee has signed a written agreement to assume liability for such obligations and Tenant has been provided with a copy of such agreement. Transferor shall remain responsible for its unfilled obligations and liabilities to Tenant under this Lease based on events occurring prior to the transfer. "Landlord" shall mean the then-current owner of Landlord's.

Section 16.03 No Personal Liability. Tenant specifically agrees to look solely to Landlord's interest in the Building and the Complex for the recovery of any judgment from Landlord, its officers, employees or agents, it being agreed that Landlord shall never be

personally liable for any such judgment. In addition, Landlord specifically agrees to limit any right of recovery from Tenant, and its affiliates and their respective officers, directors, employees, or agents to the amount of the limitation imposed upon Tenant in the above sentence and Tenant, and its affiliates and their respective officers, directors, employees, or agents shall not be personally liable for any judgment in excess of such limitation. The provisions contained in the foregoing sentence is not intended to, and shall not, limit any right that either party might otherwise have to obtain injunctive relief against the other party or its successors in interest.

ARTICLE SEVENTEEN - LANDLORD'S ACCESS

Section 17.01 Landlord's Right to Use Certain Facilities. Landlord may install, use and maintain utility and other pipes, ducts, lines, flues and conduits in and through the Premises and serving other portions of the Building and/or Premises, provided that except for the water and sewer lines in the Data Center Space, such installations are concealed within the permanent walls, floors, columns and ceilings of the Premises and in the shafts provided in the Premises for such installations, not damaging the appearance or reducing the floor area of the Premises or affecting Tenant's layout, and provided further, that the installation work is performed in accordance with Section 5.01 of this Lease. Any damage to the Premises resulting from Landlord's exercise of the foregoing rights shall be repaired by Landlord, at Landlord's expense. In the event such work adversely affects Tenant's use of the Premises all Rent shall abate for the portions of the Premises so affected as provided in Section 5.08 (d).

Section 17.02 Data Center Space. Notwithstanding the foregoing in this Article 17, Landlord, at its sole cost, risk and expense, shall encapsulate prior to August 1, 2003 (to the reasonable satisfaction of Tenant) all exposed sewer and water piping which exists in the Data Center Space as of the Effective Date in such a manner so as to prevent water damage to Tenant's computer and satellite wiring and equipment located in the Data Center Space. Notwithstanding anything to the contrary in this Lease, Landlord shall be fully liable and responsible for any and all damage to Tenant's computer and satellite wiring and equipment in the Data Center Space caused by leaks, seepage or a bursting of Landlord's water and sewer lines in the Data Center Space. Notwithstanding anything in this Lease to the contrary, in the event of any such damage, Tenant's sole and exclusive remedy shall be that Landlord, at its sole cost and expense, shall (i) immediately repair and/or replace any such computer and satellite wiring and/or equipment located in the Data Center Space and (ii) shall reimburse Tenant for all rental costs of a main frame computer for Tenant's use during the time period necessary for Landlord's repair or replacement of such computer equipment or wiring which is damaged or destroyed due to leaks, seepage or bursting of Landlord's water and sewer lines in the Data Center Space. Notwithstanding anything in this Lease to the contrary, Landlord shall not be liable to Tenant for special, indirect or consequential damages resulting or arising out of any damage or destruction to any computer wiring and/or equipment located in the Data Center Space, including without limitation, loss of use, profit or business, however caused.

Section 17.03 Other Data Center Space Renovations. Prior to Substantial Completion, Landlord, at Landlord's sole cost and expense, shall (i) perform such improvements to the Data Center Space as are necessary so that the Data Center Space complies with the City of Tulsa Fire Code, and (ii) remove the stored documents currently existing in the Data Center Space and more particularly located in those crosshatched areas set forth on Exhibit M hereto.

Section 17.04 Emergency Main Frame. In the event there is any damage or casualty adversely affecting the Data Center Space, Landlord acknowledges and agrees that Tenant, at its sole cost and expense, shall be allowed to place a main frame computer in the loading dock for the Building, or in in that location set forth on Exhibit N hereto, for use by Tenant until the Data Center Space is once again functioning and operating in substantially the same condition that existed prior to such damage or casualty.

Section 17.05 Generator.

(a) Notwithstanding anything to the contrary contained in the Lease, and subject to the conditions listed below, Landlord hereby grants Tenant the right to install, at Tenant's sole cost and expense, a portable emergency generator ("Generator") to provide an emergency power supply to the Premises on a 24 hour, 7-day per week basis. The Generator is to be on a trailer located in the Building Parking Garage in the location that is described on Exhibit "O" hereto. The placement and installation of the Generator shall be subject to the following terms and conditions:

(1) Tenant, at its sole cost and expense, shall install, maintain, repair, replace and operate the Generator in good working condition and in a first class manner.

(2) Tenant must obtain (and provide Landlord with copies of) all necessary approvals, permits and licenses from all governmental authorities having jurisdiction over the Generator. Tenant shall use, operate, maintain and repair the Generator throughout the Term in accordance with all applicable local, state and federal laws, rules and regulations (including any environmental laws, rules or regulations).

(b) In the event that the Generator causes soil, oil, fumes or other debris to accumulate on the Building's brick or glass, Tenant shall immediately clean such debris at its sole cost and expense upon receipt of notice from Landlord.

(c) Tenant shall disconnect and remove the Generator at or prior to the termination or expiration of this Lease and restore the Premises and all other areas (including greenery and landscaping) in or about the Building where any portion of the Generator is located to substantially its original condition as of the Commencement Date, reasonable wear and tear excepted and to repair any damage covered by such disconnection and/or removal.

Section 17.06 Landlord's Access to Premises. Landlord, and Landlord's employees, agents and contractors, shall have the right to enter and pass through the Premises or any part or parts thereof (i) during non-Business Hours, to examine the Premises and to show them to underlying or ground lessees or mortgagees and to prospective purchasers, mortgagees, lessees (during the last year of the term of this Lease) or insurers, (and in all such cases accompanied by a designated representative of Tenant if requested by Tenant) and (ii) subject to 5.08 of this Lease, for maintenance and making such repairs or changes in or to the Premises or in or to the Building or its facilities as may be provided for or permitted by this Lease or as may be mutually agreed upon by the parties or as Landlord may be required to make by laws and requirements of

public authorities, provided, however, that the foregoing shall be done upon prior notice to Tenant, in a manner so as to cause little interference with Tenant's business operations and, if required by Tenant, accompanied by a designated representative of Tenant; (iii) during non-Business Hours to perform Janitorial Services; and (iv) in emergencies. Tenant may designate one or more areas in the Premises as secure areas, and Landlord shall have no access thereto without being accompanied by a designated representative of Tenant, except in the case of an emergency where life or property is threatened.

ARTICLE EIGHTEEN - NAME OF BUILDING AND TENANTS EXTERIOR SIGNAGE

Section 18.01 Name.

(a) It is acknowledged that the name of the Building is "Boulder Towers". Landlord shall not, during the Term of this Lease change the name of the Building.

(b) Subject to Addendum Two of this Lease, no sign, notice or other advertisement shall be inscribed, painted, affixed, or displayed on the exterior of the Complex which is visible from the exterior of the Complex without Landlord's prior written consent, which consent will not be unreasonably delayed or withheld.

ARTICLE NINETEEN - QUIET ENJOYMENT

Section 19.01 Landlord's Covenant of Quiet Enjoyment. Landlord covenants and agrees, provided Tenant performs all terms, conditions and covenants of this Lease, Tenant shall quietly hold and enjoy the Premises for the Term of this Lease, without hindrance, claim or molestation by Landlord, subject to the terms and provisions of this Lease.

ARTICLE TWENTY - NON-WAIVER

Section 20.01 Non-Waiver By Either Party. Failure by either party to complain of any action, nonaction or default of the other party shall not constitute a waiver of any aggrieved party's rights hereunder. Waiver by either party of any right for any default of the other party shall not constitute a waiver of any right for either a subsequent default of the same obligation or for any other default, past, present or future.

ARTICLE TWENTY-ONE - NOTICES

Section 21.01 Notices to Landlord or Tenant. Any notice or communication to Landlord or Tenant required or permitted to be given under this Lease shall be effectively given only if in writing and sent by Federal Express or other national overnight express courier service, or sent by United States Registered or Certified Mail, postage prepaid, return receipt requested, addressed as follows:

IF TO TENANT, AS FOLLOWS: Helmerich & Payne, Inc. Utica at Twenty-first Tulsa, Oklahoma 74114 Attention: Vice President/General Counsel

WITH COPY TO: With a copy to:
Real Estate Manager
Utica Square Shopping Center
1709 East 21st Street, Suite 220
Tulsa, Oklahoma 74114
Attn: Real Estate Manager

IF TO LANDLORD,
ADDRESSED AS FOLLOWS: K/B FUND IV
c/o Koll Bren Schreiber Realty Advisors,
Inc.
4343 Von Karman Avenue
Newport Beach, California 92660
Attention: Rodney Richerson

WITH COPY TO: Mayer, Brown, Rowe & Maw
700 Louisiana, Suite 3600
Houston, Texas 77002
Attention: Ronald M. Shoss

WITH A COPY TO: CB Richard Ellis
Attn: Peggy Perceful
1437 S. Boulder, Suite 170
Tulsa, Oklahoma 74119-3601

If notices, demands or requests are sent by registered or certified mail, said notices, demands or requests shall be effective upon being deposited in the United States mail. However, the time period in which a response to any such notice, demand or request must be given shall commence to run from the date of receipt on the return receipt of the notice, demand or request by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of notice, demand or request sent. Notices may also be served by messenger to the addresses set forth in this Section 21.01. In the case of delivery by Federal Express or other overnight courier service, notices shall be effective upon delivery to the addresses set forth in this Section 21.01.

Either party shall have the right to change the address to which notices shall thereafter be sent by giving notice to the other party as aforesaid.

ARTICLE TWENTY-TWO - PARTIAL INVALIDITY

Section 22.01 Severability Clause. If any term, covenant, condition or provision of this Lease or the application thereof to any person or circumstance, shall ever be held to be invalid or unenforceable, then in each such event the remainder of this Lease or the application of such term, covenant, condition or provision to any other person or any other circumstance (other than those as to which it shall be invalid or unenforceable) shall not be thereby affected, and each term, covenant, condition and provision hereof shall remain valid and enforceable to the fullest extent permitted by law.

ARTICLE TWENTY-THREE - BROKERAGE

Section 23.01 Brokerage. Landlord and Tenant mutually represent to each other that the only broker with whom they have dealt with respect to this Lease is Trammell Crow Company ("Broker") and Landlord agrees to pay all commissions that may be owing to such Broker under the commission agreements between Landlord and Broker. Landlord agrees to indemnify and hold Tenant harmless against any claims for commissions that may be asserted in connection with this Lease based upon acts, conversations or communications of Landlord that may be asserted in connection with the lease of premises hereunder by any broker other than the Broker named above. Tenant agrees to indemnify and hold Landlord harmless against any claims for commissions that may be asserted in connection with this Lease based upon acts, conversations or communications by Tenant that may be asserted in connection with this Lease by any broker other than the Broker named above.

ARTICLE TWENTY-FOUR - SUBORDINATION, NONDISTURBANCE

Section 24.01 Subordination. Landlord may, from time to time, grant first and secondary lien deeds of trust, mortgages or other lien security interests covering its estate in the land and the Building (herein, collectively, a "First Mortgage") and any subordinate liens as Landlord may elect. Tenant, subject to the provisions of Section 24.02, agrees that this Lease shall be subject and subordinate to each First Mortgage, including any modifications, substitutions, extensions or renewals thereof and advances thereunder from time to time in effect. Upon the request of Landlord, and subject to the provisions of Section 24.02. Tenant agrees to execute a subordination agreement incorporating the provisions of this Article Twenty-Four and otherwise in form reasonably acceptable to Tenant and Landlord.

Section 24.02 Nondisturbance. The subordination of this Lease to any First Mortgage pursuant to Section 24.01 is expressly conditioned upon the holder thereof expressly agreeing in the First Mortgage, or a separate instrument recorded contemporaneously with or at a reasonable time after the recordation of the First Mortgage, that (i) Tenant will not be named or joined in any proceeding (or trustee's sale) to enforce the First Mortgage unless such be required by law in order to perfect the proceeding (or sale), (ii) enforcement of any First Mortgage shall not terminate this Lease or disturb Tenant in the quiet possession and use of the Premises (except in the case where Tenant is in default beyond the period, if any, provided in this Lease to remedy such default), and (iii) any party succeeding to the interest of Landlord as a result of the enforcement of any First Mortgage shall be bound to Tenant as to obligations and liabilities of the Landlord as provided in this Lease, and Tenant shall be bound to it, under all the terms, covenants, and conditions of this Lease, including Renewal Terms, with the same force and effect as if such party were the original Landlord under this Lease.

ARTICLE TWENTY-FIVE - RULES AND REGULATIONS

Section 25.01 General. (a) Annexed hereto as Exhibit "H" are Landlord's Rules and Regulations for the Building. Tenant shall faithfully observe and comply with such Rules and Regulations and such reasonable and necessary changes therein as Landlord at any time or times hereafter may make and communicate in writing to Tenant, provided any changes to such Rules and Regulations shall not amend or be inconsistent with the provisions of this Lease and/or shall

not require the payment or expenditure of additional monies by Tenant. The Rules and Regulations, as changed in accordance with this Section from time to time, are hereinafter called the "Rules and Regulations." The provision of this Lease shall control over any conflicting provisions of said Rules and Regulations.

ARTICLE TWENTY-SIX - MISCELLANEOUS

Section 26.01 Certain Miscellaneous Provisions. This Lease (including the Exhibits referred to herein) contains the entire agreement between the parties and all prior negotiations and agreements are merged into this Lease. This Lease may not be changed, modified or amended, in whole or in part, except by a writing, executed by the party against whom enforcement of the change, modification or amendment is to be sought. The Article and Section headings or titles in this Lease are inserted for convenience only and are not to be given any effect in its construction. Wherever appropriate in this Lease, personal pronouns shall be deemed to include the other genders and the singular to include the plural. The covenants and agreements contained herein shall inure to and be binding upon Landlord, its successors and assigns, and Tenant, its successors and assigns.

Section 26.02 Holding Over. If without the written consent of Landlord, Tenant holds over in all or any part of the Premises for at least thirty (30) days after the expiration or termination of this Lease (or partial/termination as to the portion of the Premises in which Tenant is holding over), Tenant shall pay as liquidated damages one hundred fifty (150%) of the monthly rental amounts then applicable to the Premises (or applicable portion thereof). No such holding over shall extend the Lease and Tenant shall indemnify Landlord from any and all claims resulting from such holding over, including those of any other tenant to which or whom Landlord may have leased such space and any purchaser of the Boulder Towers Complex. Tenant shall be a tenant at will and at sufferance of Landlord for any unauthorized holding over.

Section 26.03 Estoppel Certificate. Upon the written request of the other, Landlord and Tenant each agree to execute from time to time certificates stating (a) if true, that the Lease is in full force and effect; (b) if true, that the certifying party is not in default under the Lease and has no knowledge of any default of the other party; (c) the then applicable rentable area of the Premises, Annual Rental Additional Rental and the expiration date of the Lease; (d) the date through which rent has been paid; (e) a covenant to send notices of default by the other party to a designated person or entity; and (f) such other information as is reasonably requested.

Section 26.04 Attorneys' and Professional Fees. In the event any dispute between Landlord and Tenant is resolved by a judgment in a court of law or by arbitration, the prevailing party shall be entitled to all of its court costs reasonable professional's fees and reasonable attorneys' fees incurred in connection with such action.

Section 26.05 Governing Law. This Lease shall be governed in all respects by the laws of the State of Oklahoma without reference to those laws dealing with conflicts of law.

Section 26.06 Dish.

(a) Tenant at its sole expense shall have the right to erect, install, operate and maintain three (3) communication dishes (each dish not to exceed 4.5 meters in diameter) and

two (2) additional communication dishes (not to exceed 1.8 meters and 36 inches in diameter respectively) (the "Communication Equipment") upon the roof of the Building in the location described on Exhibit "P" hereto. The Communication Equipment and all areas where the related connections, cables and ancillary facilities are located shall be deemed for all purposes of the Lease (other than Rent) to be a part of the Premises for liability, insurance, compliance with law, indemnity and other applicable lease provisions. The Communication Equipment and their signals shall not be permitted to interfere, disrupt or hinder the operation and function of any other dish or communication device existing prior to the Effective Date. In the installment, maintenance, repair and/or replacement of any Communication Equipment on the roof of the Building, Tenant hereby acknowledges and agrees to use Landlord's roofing contractor so that any penetrations into the roof will not void Landlord's roof warranty.

(b) If Landlord, its agents, contractors, property manager or their respective employees damage the Communication Equipment, then Landlord shall immediately repair the damaged Communication Equipment. If Landlord, its agents, contractors, property manager or their respective employees damage the Communication Equipment and such Communication Equipment is not repaired or replaced within two (2) business days following delivery of written notice from Tenant of such damage, then Tenant shall receive a pro rata abatement of Rent (depending on the impact on Tenant's business operations in the Premises) until such Communication Equipment is repaired or replaced. If Landlord, its agents, contractors, property manager or their respective employees damage the Communication Equipment and such Communication Equipment is not repaired or replaced within thirty (30) days following delivery of written notice from Tenant of such damage, then Tenant shall have the right to terminate this Lease prior to the repair or replacement of the Communication Equipment by delivering written notice to Landlord, which notice shall specify the effective date of termination, which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination.

(c) On or after the Effective Date hereof, (i) Landlord shall not allow the installation or operation of any dish or other communication equipment on the Building or Complex that would interfere with the operation, maintenance or function of the Communication Equipment, (ii) Landlord shall not allow any dish or other communication equipment existing in the Complex prior to the Effective Date to have its location or signal changed if such change would interfere with the operation, maintenance or function of the Communication Equipment, or (iii) Landlord, its agents, contractors, property manager or their respective employees shall not damage or destroy the Communication Equipment or interfere with the operation, maintenance or function of the Communication Equipment (collectively "Landlord Control Obligations"). If Landlord breaches any of the Landlord Control Obligations, then Landlord, at its sole cost risk and expense, shall cure such interruption within two (2) business days of Tenant's delivery of written notice to Landlord. If Landlord does not cure such interruption (caused by a Landlord Control Obligation) within two (2) business days of the delivery of Tenant's written notice to Landlord, then Landlord, at its sole cost and expense, shall relocate the Communication Equipment to a new location (which is mutually acceptable to Landlord and Tenant) on the Building roof which is within 300 feet of the Data Center Space. If Landlord breaches any of the Landlord Control Obligations and the interruption of such Communication Equipment is not cured or relocated and operating within two (2) business days following delivery of written notice from Tenant of such interruption, then Tenant shall receive a pro rata abatement of Rent (depending on the impact on Tenant's business operations in the Premises) until the interruption

of such Communication Equipment is either cured or such Communication Equipment is relocated as set forth in the preceding sentence. If Landlord breaches any of the Landlord Control Obligations and the interruption of such Communication Equipment is not cured or relocated and operating within thirty (30) days following delivery of written notice from Tenant of such interruption, then Tenant shall have the right to terminate this Lease prior to the curing of the interference of the Communication Equipment by delivering written notice to Landlord, which notice shall specify the effective date of termination, which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination.

(d) Tenant shall be solely responsible for the costs and expenses of the installation, operation, and removal of the dish and all related wiring or cables, and shall protect and hold Landlord harmless from any costs, expenses or claims arising therefrom. Notwithstanding anything in this Lease or Section to the contrary, in no event shall Landlord ever be liable to Tenant for special, indirect or consequential damages resulting or arising out of any damage or destruction to the Communication Equipment, including without limitation, loss of use, profit or business, however caused.

(e) Landlord represents and warrants to Tenant that as of the Effective Date of this Lease, no additional communications equipment has been installed on the roof of the Building Parking Garage or the Building since January 1, 2003.

(f) Tenant shall have the right to install on the Building or Building Parking Garage in a location mutually acceptable to Landlord and Tenant up to three (3) additional communication antennas so that Tenant may communicate with its nearby shopping center. The size, type, method of installation and other similar terms shall be mutually agreed to by Landlord and Tenant at the time of installation of such communication antennas. The installation, maintenance, operation, repair and replacement of such communication antennas shall be performed by Tenant, at the sole cost and expense of Tenant. Upon the termination or earlier expiration of this Lease, Tenant shall remove such communication antennas from the Building and/or Building Parking Garage and shall repair any damage to the Building or Building Parking Garage caused by the installation or removal of such communication antennas. The communication antennas and all areas where the related connections, cables and ancillary facilities are located shall be deemed for all purposes of the Lease (other than Rent) to be a part of the Premises for liability, insurance, compliance with law, indemnity and other applicable lease provisions. The communication antennas and their signals shall not be permitted to interfere, disrupt or hinder the operation and function of any other dish or communication device existing prior to the Effective Date.

Section 26.07 Force Majeure Event. Subject to Articles 5, 9 and 12 any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, acts of war, terrorism, terrorist activities, inability to obtain services, labor, or materials or reasonable substitutes therefore, governmental actions, civil commotions, fire, flood, earthquake or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other charges to be paid by Tenant or amounts to be paid by Landlord pursuant to this Lease (each a "Force Majeure Event"), shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of

either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure Event. Notwithstanding the foregoing and subject to Articles 5, 9 and 12 of this Lease, in the event such Force Majeure Event materially and adversely affects the Premises for 75 consecutive days, then Tenant shall have the right to terminate this Lease after written notice to Landlord (but in all events such notice must be prior to the end of the Force Majeure Event), which notice shall specify the effective date of termination which date shall not be more than one hundred eighty (180) days after the date of Tenant's notice of termination.

Section 26.08 Signage Rights. Landlord warrants that on the Effective Date there are no signs on the north, east and south sides of the Building above the top of the third (3rd) floor of the Building. Landlord shall have the right to grant to any tenant leasing more than 75,000 square feet of space in the Building signage rights on the top of the west side of the Building similar to those signage rights granted to Tenant in Addendum One of this Lease. Additionally, Landlord shall have the right to grant to any tenant at the Building signage rights on (i) any monument or other sign located on ground level outside the Building, and (ii) on any side of the Building from the ground floor of the Building to the top of the third floor of the Building. With the exception of the foregoing in this Section 26.08 and subject to Landlord's limited right to terminate the Exclusive Right (as set forth in Addendum One hereto), Landlord will have no other signage rights on the north, south and east sides of the Building above the top of the third (3rd) floor of the Building.

Section 26.09 Lease Termination. Except as otherwise expressly set forth in this Lease, upon termination of this Lease pursuant to the terms hereof, neither Tenant nor Landlord will have any obligation or liability occurring under this Lease after the termination of this Lease. Both Tenant and Landlord shall retain all rights under the Lease for all times prior to the termination of this Lease.

Section 26.10 15th Floor Sublease and Assignment Rights. With regard to the Offered Space (as defined in Addendum Two to this Lease) only, Landlord hereby acknowledges and agrees that if the tenant leasing the Offered Space ("15th Floor Tenant") (currently Oxley Petroleum) requests Landlord's consent to any sublease or assignment of any portion of the Offered Space, then Landlord shall immediately notify Tenant of such request and Landlord shall promptly forward the terms of the proposed assignment or sublease to Tenant ("Proposed Deal"). Tenant shall promptly (within five (5) business days of Tenant's receipt of such proposed terms) notify Landlord if Tenant is interested in the Proposed Deal and if Tenant is interested in the Proposed Deal, Landlord and Tenant shall jointly contact the 15th Floor Tenant to attempt to persuade the 15th Floor Tenant to enter in the Proposed Deal with Tenant. Tenant acknowledges and agrees that under the 15th Floor Tenant's lease with Landlord, Landlord must consent to any reasonable assignment or sublease request by the 15th Floor Tenant, and that Tenant may assign or sublease all or a portion of the Offered Space to an "Affiliate" of the 15th Floor Tenant (as such term is defined in the 15th Floor Tenant's lease with Landlord) without the consent or approval of Landlord. Notwithstanding the foregoing, if any requested Proposal Deal (which requires Landlord's consent) is not "reasonable", as reasonably determined by Landlord, then Landlord shall not consent to such Proposed Deal.

This LEASE is hereby executed and delivered effective as of the date and year first above written.

"LANDLORD"

K/B FUND IV, a Delaware general partnership

By: Koll Bren Schreiber Realty Advisors, Inc.,
a Delaware corporation, as agent

By:

Rodney Richerson, Senior Vice President

"TENANT"

HELMERICH & PAYNE, INC., a Delaware
corporation

By: _____ Printed Name: _____ Title:

EXHIBIT B

WORK LETTER (ALLOWANCE)

THIS WORK LETTER is attached as Exhibit "B" to Office Lease between K/B FUND IV, as Landlord, and HELMERICH & PAYNE, INC., as Tenant, and constitutes the further agreement between Landlord and Tenant as follows:

(a) Tenant Improvements. Landlord, at Tenant's cost and expense, agrees to furnish or perform those items of construction and those improvements (the "Tenant Improvements") specified in the Final Plans to be agreed to by Landlord and Tenant as set forth in Paragraph (b) below; provided, however, Landlord shall pay for the cost of such Tenant Improvements up to the extent of the Tenant Improvement Allowance as set forth in Paragraph (e) below. Landlord and its contractors shall construct and complete the Tenant Improvements in a good and workmanlike manner consistent with good construction industry practice.

(b) Space Planner. Tenant has retained a space planner (the "Space Planner") to prepare certain plans, drawings and specifications (the "Temporary Plans") for the construction of Tenant Improvements to be installed in the Premises by a general contractor to be mutually selected and agreed to by Landlord and Tenant pursuant to this Work Letter. Tenant and Landlord are working with the Space Planner to finalize and complete the Temporary Plans. The parties hereto agree to work in good faith to approve and finalize the Temporary Plans as soon as reasonably possible, but in no event later than May 15, 2003. Each party shall have five (5) business days after its receipt of the proposed Temporary Plans to review the same and notify the other party in writing of any comments or required changes, or to otherwise give its approval or disapproval of such proposed Temporary Plans. If either party fails to give written comments to or approve the Temporary Plans within such five (5) business day period, then such party shall be deemed to have approved the Temporary Plans as submitted. The Space Planner shall redraw the proposed Temporary Plans in compliance with each party's request and resubmit the same for to both Landlord and Tenant for their final review and approval or comment within five (5) business days of the Space Planner's receipt of such revised plans. Such process shall be repeated until final approval by both parties of the proposed Temporary Plans has been obtained. Once the Temporary Plans have been approved by Landlord and Tenant, then the approved Temporary Plans shall be thereafter known as the "Final Plans". The Final Plans shall include the complete and final layout, plans and specifications for the Premises showing all doors, light fixtures, electrical outlets, telephone outlets, wall coverings, plumbing improvements (if any), data systems wiring, floor coverings, wall coverings, painting, any other improvements to the Premises beyond the shell and core improvements provided by Landlord and any demolition of existing improvements in the Premises. The improvements shown in the Final Plans shall (i) utilize Landlord's building standard or better materials and methods of construction, (ii) be compatible with the shell and core improvements and the design, construction and equipment of the Premises, and (iii) comply with all applicable laws, rules, regulations, codes and ordinances.

(c) Bids. As soon as practicable following the approval of the Final Plans, Landlord and Tenant shall (i) obtain at least three (3) written non-binding itemized estimates of the costs of all Tenant Improvements shown in the Final Plans as prepared by general contractors selected

and mutually approved by Landlord and Tenant, and (ii) if required by applicable law, codes or ordinances, submit the Final Plans to the appropriate governmental agency for the issuance of a building permit or other required governmental approvals prerequisite to commencement of construction of such Tenant Improvements ("Permits"). Both Landlord and Tenant acknowledge that any cost estimates that are prepared by the general contractors shall only be estimates and neither party shall be liable to the other for any inaccuracy in any such estimate. Landlord and Tenant shall mutually review such bids and mutually select a general contractor. Both parties shall signify their final approval by signing a copy of each sheet or page of the Final Plans and delivering such signed copy to Landlord. The construction contract to be entered into by Landlord and the general contractor mutually selected by Landlord and Tenant will be a cost plus contract with a total cost cap. The construction contract will be mutually approved by Landlord and Tenant.

(d) Construction. Landlord shall commence construction of the Tenant Improvements within ten (10) days following the later of (i) the approval of the Final Plans, or (ii) Landlord's receipt of any necessary Permits. Landlord shall diligently and continuously pursue completion of construction of the Tenant Improvements (as per the Final Plans) and use its commercially reasonable efforts to complete construction of the Tenant Improvements as soon as reasonably practicable. Landlord shall provide Tenant with a Tenant Improvement Allowance in an amount up to \$1,439,415.00 for the Office Space and the Data Center Space ("Office Space Allowance"), and an amount up to \$18,724 for the Storage Space ("Storage Space Allowance"). The Office Space Allowance, Data Center Space Allowance and the Storage Space Allowance shall collectively be known as the "Tenant Improvement Allowance". Additionally, if any portion of the (i) third floor of the Building is included in the Premises, Landlord shall also be responsible for upgrading the ceiling and lighting on the third floor at Landlord's sole cost and expense and not as a part of the Office Space Allowance and (ii) thirteenth floor of the Building is included in the Premises, Landlord shall be responsible, at Landlord's sole cost and expense, and not as a part of the Office Space Allowance, for the demolition and removal of the existing improvements on the thirteenth floor and preparation of a "white box" suitable to receive Tenant Improvements.

(e) Tenant Improvement Allowance. Subject to the terms and provisions of this Work Letter, Landlord shall pay the cost of the Tenant Improvements ("Work") up to the amount the Tenant Improvement Allowance. If the amount of the lowest qualified bid to perform the Work exceeds the Tenant Improvement Allowance, Tenant shall bear the cost of such excess and shall pay the cost of such excess to Landlord when such amounts become due and owing to the contractors. If the cost of the Work is less than such amount, then Tenant shall receive the remaining balance of the Tenant Improvement Allowance as a credit against Annual Rental in the first year of the Initial Term of this Lease. All remaining amounts due to Landlord shall be paid upon the earlier of Substantial Completion of the Tenant Improvements or presentation of a written statement of the sums due. The cost of the Work shall not include a construction management fee and shall not include any other fees payable to Landlord nor shall Tenant be responsible for any such fees. Landlord shall indemnify and hold harmless Tenant from and against any and all losses, damages, costs and expenses (includes costs of suit and attorneys' fees), liabilities, or causes of action arising out of or relating to any mechanics, materialmen's or other liens or claims (and all costs or expenses associated therewith) asserted or filed against the

Premises arising out of the construction of the Tenant Improvements as set forth in this Exhibit "B".

(f) Change Order. If Landlord shall desire any changes to the Final Plans, Landlord shall first obtain Tenant's prior consent to such change. If Tenant shall desire any changes to the Final Plans (a "Tenant Change Order"), Tenant shall so advise Landlord in writing and such change shall be automatically approved by Landlord unless such change shall (i) adversely impact the Building's mechanical, electrical or heating, ventilation or air conditioning systems, or (ii) adversely impact the structure of the Building, or (iii) be visible from the exterior of the Building or (iv) result in the penetration or puncturing of the roof or floor, in which event such approval shall not be automatic and Landlord must approve such change in writing, such approval by Landlord not to be unreasonably withheld or delayed. Any and all out-of-pocket third party costs of reviewing any Tenant Change Orders, and any and all out-of-pocket third party costs of making any Tenant Change Orders shall be at Tenant's sole cost and expense and shall be paid to Landlord upon demand and before execution of the change order. In the event of any change to the Final Plans or the Tenant Improvements pursuant to a Tenant Change Order, Tenant shall instruct the Space Planner, at Tenant's sole cost and expense, to complete all working drawings necessary to show the change, addition or alteration being requested by Tenant. The construction contract shall include a change order mechanism stating that any change orders to the Final Plans or the Work can only be made with the prior written consent of Landlord, Tenant and the general contractor; provided, however, that any such change order and the cost of any such change order must be pre-approved by Tenant. All such proposed change orders shall contain a specific cost attributable to such change order.

(g) Substantial Completion. "Substantial Completion" of construction of the Tenant Improvements shall be defined as the date upon which the Space Planner determines that the Tenant Improvements have been substantially completed in full compliance with the Final Plans, except for such items that constitute minor defects or adjustments which can be completed within thirty (30) days after occupancy without adversely affecting Tenant's use of all or any portion of the Premises (so called "Punch List" items), unless the completion of such improvements was delayed due to any Tenant Delay (defined below), in which case the date of Substantial Completion shall be the date such improvements would have been completed, but for the Tenant Delays. After the completion of the Tenant Improvements, Tenant shall, upon demand, execute and deliver to Landlord a letter of acceptance of improvements performed on the Premises. The term "Tenant Delay" shall include, without limitation, any delay in the completion of construction of Tenant Improvements resulting from (i) any delay caused by Tenant's failure to comply with the provisions of this Work Letter, (ii) delay in work caused by submission by Tenant of any Tenant Change Orders, which in the aggregate result in the delay in the construction of the Tenant Improvements for more than thirty (30) days, or (iii) any delay by Tenant in timely submitting comments or approvals to the Temporary Plans or Final Plans or any delay caused by Tenant in the initial delivery of the Temporary Plans to Landlord on or before May 15, 2003, or (iv) any delay caused by Tenant's commencement of business operations in the Premises prior to the Term Commencement Date. The failure of Tenant to take possession of or to occupy the Premises solely due to Tenant Delay shall not serve to relieve Tenant of obligations arising on the Term Commencement Date or delay the payment of Rent by Tenant.

EXHIBIT C

ANNUAL RENTAL

Base Rent Schedule

The foregoing rental rates shall be applicable from and after the Term Commencement Date.

For purposes of this Lease, the total Annual Rental for the Office Space payable by Tenant under this Lease for the Initial Term is as follows:

<u>Lease Period</u>	<u>Amount per RSF</u>	<u>Annual Total Rental</u>	<u>Monthly Installment</u>
Months 1 to 24, inclusive	\$ 8.25	\$ 761,838.00	\$ 63,486.50
Months 25 to 72, inclusive	\$13.50	\$1,246,644.00	\$103,887.00

For purposes of this Lease, the total Annual Rental for the Data Center Space payable by Tenant under this Lease for the Initial Term is as follows:

<u>Lease Period</u>	<u>Amount per RSF</u>	<u>Annual Data Center Rent</u>	<u>Monthly Installment</u>
Months 1 to 72	\$8.50	\$30,744.50	\$2,562.04

For purposes of this Lease, the total Annual Rental for the Storage Space payable by Tenant under this Lease for the Initial Term is as follows:

<u>Lease Period</u>	<u>Amount per RSF</u>	<u>Annual Total Rental</u>	<u>Monthly Installment</u>
Months 1 to 18, inclusive	\$5.25	\$ 98,301.00	\$8,191.75
Months 19 to 72, inclusive	\$5.75	\$107,663.00	\$8,971.92

For purposes of this Lease, the total Annual Rental payable by Tenant for Office Space under this Lease during the Renewal Term shall be the Fair Market Value Rate for Comparable Buildings in the Tulsa area as determined as provided in Exhibit "E" hereto; provided, however, such Fair Market Value Rate shall not in any event exceed \$15.00 per rentable square foot per year.

For purposes of this Lease, the total Annual Rental payable by Tenant during the Renewal Term for the (i) Data Center Space shall be \$8.50 per RSF and (ii) Storage Space shall be equal to the amounts specified in Section 7.04 of this Lease.

Annual Rental is payable monthly in advance to Landlord and is in addition to Additional Rental.

EXHIBIT D

OPERATING EXPENSES

"Operating Expenses" as used in Section 4.02 shall mean the costs and expenses specified below in Category A actually incurred by Landlord (without additional markup or a handling fee on such actual costs) for a given Operating Expense Year, to the extent properly allocable (in accordance with generally accepted accounting principles consistently applied "GAAP") to the operation, repair, maintenance and access control for the Building and Complex, exclusive of the Data Center Space and special systems for other tenants in the Building. It is agreed that any cost allocable to the items specified below in Category B shall be excluded from Operating Expenses. Any local real estate tax incentives or abatements which relate to any Operating Expense Year received by Landlord from local authorities as to real estate taxes includable in Operating Expenses shall be promptly passed through to Tenant to the extent of Tenant's Share.

A. Items Included in Operating Expense:

All costs and expenses incurred by Landlord in the operation, repair, maintenance and access control for the Building, Common Building Facilities (which includes, without limitation, the Building Parking Garage and the Additional Parking Area), exclusive of the Data Center Space, and special systems for other tenants in the Building, and the costs and expenses of the operation, repair, maintenance and access control for The Boulder Towers Complex of whatever kind or nature (but excluding those items specified in category B below) and including, without limitation, the following:

(1) real estate and improvement taxes and assessments, whether ordinary or extraordinary, anticipated or unanticipated, and all utility district charges, rents and assessments, assessed by any governmental or quasi-governmental body, whether federal, state, county or municipal and whether now existing or hereafter created, and the costs and expenses incurred in any contest of such taxes on application for reduction in same, and any assessments and dues of any private property owner's association for property including the Building, which are assessed, levied or charged against the Building, Common Building Facilities, land, and/or Additional Parking Area and those assessed, levied and/or charged against The Boulder Towers Complex or the rental and any changes and substitutions thereto resulting from a change in law;

(2) wages, salaries, taxes, insurance and benefits (collectively, "Personnel Costs") of all full time persons exclusively engaged in the operation, maintenance, repair, and/or access control for the Building and/or Common Building Facilities, Personnel Costs incurred in providing traffic control to the Building, Common Building Facilities, and/or Additional Parking Area incurred in the operation, maintenance, repair and access control for the Building and The Boulder Towers Complex. Personnel costs shall not include personnel above the grade of Building Manager and/or equally held positions;

- (3) the cost of materials and supplies used in the operation, repair and maintenance of the Building, Common Building Facilities and Additional Parking Area and such costs incurred with respect to The Boulder Towers;
- (4) the cost of replacements for tools and equipment (the full cost of which is included in Operating Expenses at the time of purchase) used in the operation, repair, maintenance and access control for the Building and Common Building Facilities and Additional Parking Area, and the costs incurred with respect to The Boulder Towers Complex, it being agreed that such equipment shall not include major air conditioning equipment, boilers, elevators or any similar major items and provided that any sales proceeds or trade in credit for such equipment reduce Operating Expenses;
- (5) amounts charged to Landlord by independent contractors for services (including full or part-time labor), materials, supplies, tools and equipment furnished in connection with the operation, repair, maintenance and access control for any part of the Building, Common Building Facilities and the Additional Parking Area and the heating, air conditioning, ventilating, plumbing, electrical and elevator systems of the Building, Building Facilities and the Additional Parking Area and the amounts charged by independent contractors for services of a similar nature with respect to The Boulder Towers Complex;
- (6) amounts paid by Landlord, or charged to Landlord by independent contractors, for window cleaning and janitorial, rubbish removal and porter services;
- (7) water charges and sewer rents;
- (8) [Intentionally omitted]
- (9) holiday and other decorations for the lobby and other public portions of the Building below the second floor, the exterior of the Building, the Common Building Facilities and the Additional Parking Area;
- (10) the cost of telephone service, postage, office supplies, maintenance and repair and replacement of office equipment, telex, facsimile and photocopying charges, furniture costs, rent (not exceeding market rates) and similar charges directly related to operation of the Building managers office and which relate solely to the operation of the Complex (whether located on-site or off-site within the Building);
- (11) the cost of licenses, permits and similar fees and charges related to the operation, repair and maintenance and access control of the Building (including the leased areas thereof), Common Building Facilities and the Additional Parking Area and the cost of the same with respect to The Boulder Towers Complex;
- (12) premiums for property insurance, liability insurance, employer's liability insurance, workers compensation insurance (provided that only that portion of the premium attributable to the personnel described in A(2) is included as an Operating Expense), boiler and machinery insurance, rental abatement insurance required by Section 5.11 of the Lease and such other insurance as is customarily carried by prudent owners of Comparable Buildings, in amounts and with companies as Landlord reasonably determines, with respect to the Building,

Common Building Facilities and the Additional Parking Area and The Boulder Towers Complex;

(13) fees for the management of the Building and Complex, not exceeding the greater of Three Percent (3%) of gross rentals of the Building, or the fees customarily charged for Comparable Buildings and excluding any leasing commissions or compensations;

(14) amortization of the cost of capital investment items which reduce operating costs or which are required by governmental authority under laws, rules or regulations. All such costs shall be amortized over the reasonable life of the capital investment items, with the reasonable life and amortization schedule being determined in accordance with general accepted accounting principles and in no event to extend beyond the reasonable life of the Building. In the case of installations for the purpose of reducing operating costs, Landlord shall provide a cost justification for its practicality; and

(15) charges (including applicable taxes) for water, sewage, electricity, gas, steam and all other utilities required in the operation, heating, air conditioning and ventilation of the Building (including tenanted areas thereon), the Common Building Facilities and the Additional Parking Area, and the same with respect to The Boulder Towers Complex.

Operating Expenses shall be "net" of any reimbursement, refund or credit received by Landlord (net of the reasonable costs and expenses of obtaining the same, if any) with respect to any item of cost that is included in Operating Expenses.

B. Items Excluded from Operating Expenses:

(1) the cost of any work or service performed for any specific tenant (including Tenant) at such tenant's cost (except pursuant to tenant pass-throughs);

(2) the cost of correcting material defects in the construction of the Building or in the Building equipment;

(3) except as otherwise includable under A(2) above, salaries of employees, officers and executives of Landlord,

(4) except with respect to the Common Building Facilities, The Boulder Towers Complex and the Additional Parking Area, the cost of any work or service performed for the exclusive benefit of any facility other than the Building;

(5) the cost of any items for which Landlord is reimbursed by insurance proceeds;

(6) the cost of any repairs, alterations, additions, changes, replacements, improvements and other items which under generally accepted accounting principles are properly classified as major capital expenditures or which are made in order to prepare for a new tenant's occupancy;

- (7) the cost of any capital repair in accordance with Articles Nine and Twelve of this Lease;
- (8) interest on debt or amortization payments on any mortgage and rental under any ground lease or other underlying lease;
- (9) any real estate brokerage commissions or other costs incurred in procuring tenants;
- (10) charges (including applicable taxes) for extra electricity, steam and other utilities for which Landlord is entitled to direct reimbursement from any tenant;
- (11) except as provided in Category A above, any costs of painting or decorating of Landlord's space in the Building (except for the management office) or any occupied part of the Building;
- (12) any expenses for repairs or maintenance if and to the extent reimbursed pursuant to warranties and service contracts in existence on the Term Commencement Date.
- (13) the cost of changes in the Building that are required by laws, rules or regulations due to acts or failure to act by Landlord, including without limitation alterations required in connection with the grant of any permit or approval to Landlord.
- (14) depreciation of the Building and the Boulder Towers Complex.
- (15) remediation and clean up costs of hazardous materials pursuant to Section 7.02 of the Lease.
- (16) the cost for bringing the Building into compliance with Applicable Laws in effect as of the Term Commencement Date.
- (17) the cost of vehicles.

Helmerich & Payne, Inc.

ANNUAL REPORT FOR FISCAL 2003

Helmerich & Payne, Inc.

Helmerich & Payne, Inc. is the holding Company for Helmerich & Payne International Drilling Co., an international drilling contractor with land and offshore platform operations in the United States, South America, Africa, and Europe. Holdings also include commercial real estate properties in the Tulsa, Oklahoma, area and an energy-weighted portfolio of publicly-traded securities valued at approximately \$170 million as of September 30, 2003. At the end of 2002, the Company completed the spin-off of Cimarex Energy Co. to shareholders. Cimarex, the Company's former exploration and production division, was merged with Key Production Company, Inc. and currently trades on the New York Stock Exchange under the symbol XEC.



FINANCIAL HIGHLIGHTS

Years Ended September 30,	2003	2002
	(in thousands, except per share amounts)	
Revenues	\$ 515,284	\$ 551,879
Net Income from Continuing Operations	17,873	53,706
Net Income	17,873	63,517
Diluted Earnings per Share from Continuing Operations	0.35	1.07
Diluted Earnings per Share	0.35	1.26
Dividends Paid per Share	0.32	0.305
Capital Expenditures	246,301	312,064
Total Assets	1,415,835	1,227,313

President's Letter

To the Co-owners of Helmerich & Payne, Inc.

It seems every year the oil and gas business plays an important role on the stage of political and economic events. Few years can match 2003 for the sheer number of headline stories. In the heart of the Middle East, Operation Iraqi Freedom brought the quick overthrow of Saddam Hussein. During the time leading up to the war, Venezuela sustained a crippling two-month nationwide strike, threatening an important source of U.S. crude oil. In the spring, record low natural gas inventories and declining production rates prompted Federal Reserve Chairman Alan Greenspan to warn of a potential natural gas shortage and the serious consequences it posed to economic recovery. Later in the summer, the Northeast sustained a sweeping electrical blackout that stranded 50 million customers.

With this backdrop, the President hoped to sign legislation representing the first serious effort in decades at shaping a national energy policy. Before failing by two votes to another Democratic filibuster, the energy bill had mushroomed to over a thousand pages and an estimated cost of some \$100 billion, bearing only a weak resemblance to the President's original request.

The energy bill represented an unworkable combination: too much pork and too little beef. Pork barrel spending included increased subsidies for ethanol and soybean based fuel mandates, add-ons like aid for an energy efficient shopping mall in Syracuse, and even money for a pet rainforest project in Iowa. While spending ballooned to more than three times the Administration's stated limit, one of the President's priorities, the approval for exploration in Alaska's Arctic National Wildlife Refuge, was thrown overboard early in the Congressional

negotiations. In the end, too little was done to streamline and open access to high potential natural gas exploratory plays on Federal lands, and to promote nuclear power, and to develop clean burning coal technology. All three are important components to a balanced U.S. energy supply.

What are the prospects for the passage of an energy bill during the upcoming election year?

Any attempt should speak clearly to the practical challenges of fueling the world's largest economy. Lewis Lehrman finds that voice in his piece, "*Energetic America*," where he argues for an energy policy that promotes a diverse supply base that is both affordable and dependable. He points out that we are in a time when effective economic and energy policies are indispensable to national security issues, and states, "Combined with President Bush's supply-side tax policy, an unselfconscious supply-side energy and regulatory policy will lead to abundant and cheaper energy, growth of economic opportunity, and full employment."

However future politics get sorted out, oil and gas will remain at the center of the energy picture for years to come. Your Company plays an important role in providing new supplies to help meet this growing demand. As we go forward, we look to the opportunities ahead.

Sincerely,



Hans Helmerich
President

December 15, 2003

Contract Drilling Operations

The Company's first full year as a stand-alone drilling contractor was accompanied by a number of unusual factors: high oil and natural gas prices, a second war in the Persian Gulf, and a major strike in Venezuela, which resulted in turmoil within PDVSA, the Company's largest customer in South America. The Baker Hughes U.S. Land Rig Count increased by over 30 percent in fiscal 2003, but the journey was bumpy and cautious. The Company delivered 19 third generation FlexRigs* to the U.S. market in 2003, expanding its capacity in this segment by nearly one-third. One of the uncertainties ahead is the U.S. offshore platform market, which softened considerably in 2003. The Company's South American markets also remain weak due in large part to socio-economic and political factors. During 2003, the Company introduced its first generation FlexRig into two new international markets.

U.S. Land Operations

On average, the Company worked 14 more rigs during the year than in 2002, but lower dayrates, combined with higher training and depreciation expenses associated with the FlexRig3 project, muted financial results for 2003 compared to 2002. At the close of the year, 68 out of 83 available rigs were working. The Company's fleet of 43 FlexRigs and 11 highly mobile rigs maintained an average utilization of 95 percent during the year, while the remaining 29 conventional rigs had an average utilization rate of 58 percent. Demand continues to be weakest in the deep-drilling end of the business where soft rates are under increasing price competition. Out of the Company's 16 deep-rated conventional rigs, 11 were idle at the close of the fiscal year. By contrast, the Company had only one idle

* The term "FlexRig" used throughout this Annual Report is a Company trademark Registered in the U.S. Patent and Trademark Office.

rig out of the remaining 13 conventional rigs rated at 20,000 feet or less. The FlexRig, with its flexible depth capacity range of 8,000 to 18,000 feet, has shifted the Company's fleet capability toward the larger medium-depth segment of the drilling market, and this is having a positive impact on the Company's activity rate.

At the close of 2003, the Company had 27 FlexRig3s operating, and the results in the field continue to prove their value. Of the 173 wells completed by FlexRig3s this past year, better than two out of three have come in ahead of customer-estimated drilling times. The Company's investment in employee screening, training, and team building for the FlexRig3 is also paying dividends. Eighteen months into the FlexRig3 project, the Company has achieved a retention rate of 78 percent on the initial training effort. Well-trained and stable crews have enabled the project to achieve outstanding field results, and more customers and their non-operating partners are seeing how FlexRigs can lower well costs, reduce well cycle times, and increase productivity. Throughout 2003, FlexRig3s were nearly 100 percent utilized and working at premium dayrates.

Overall, the U.S. land market appears to be in the early stages of a cyclical transition. Drilling services, as well as other oilfield services and supplies, typically gain more pricing power as supply and demand tighten because of reduced industry capacity. It is in this market phase that the distinct advantages of the FlexRig technology will be most apparent to customers as they begin to refocus on total project costs.

U.S. Offshore Operations

Activity in the offshore platform segment declined by almost one-third during 2003, with five of the Company's 12 offshore platform rigs under contract in the Gulf of Mexico at year-end. The Company also operated one rig in the Gulf of Mexico and two rigs offshore California under management contracts during 2003. The overall profit margin in the offshore segment is likely to come under increasing pressure during the coming year as some of the working rigs are on long-term projects that have reached the full development stage and will likely alternate between operating rates and the lower standby rates. Out of the seven rigs that are idle in the Company's fleet, six are capable of returning to work on short notice and the seventh will require shipyard maintenance. The Company retains a large share of the offshore platform market and has considerable design and construction experience in conventional, spar, and deep-water tension-leg platform rigs. The Company is well positioned to compete for any opportunities that emerge in the coming year; however, we expect that any recovery in the platform market will be slow due to long project lead times.

International Operations

An average of 12 rigs were fully employed in 2003, compared to 16 rigs in 2002. Ecuador remained the most active country with an average of seven rigs working, followed by Venezuela with an average of four rigs, and Colombia and Bolivia each with less than a full rig year of activity. Operations in Venezuela are improving as seven rigs were working shortly after the close of the fiscal year, and an eighth rig is expected to start work in the second quarter. Despite numerous challenges presented in Venezuela, we are encouraged by the recent increase in activity.

Venezuela still has promising growth potential, and the Company has the best-equipped and maintained rig fleet in the country.

Two first generation FlexRigs were committed to short-term international contracts in 2003. The first is working for a U.S. based independent in Hungary where, at year-end, it was drilling its third well after a smooth, incident-free start-up. Having previously used a FlexRig in U.S. operations, the customer desired to see the technology, versatility, and mobility of these rigs employed in an important international project. The second FlexRig was deployed for a major international operator under a multi-well contract in the central African nation of Chad. This project is scheduled to begin drilling in December 2003.

Outlook

Looking to 2004 and beyond, we see significant opportunities for a growing international business and believe the Company brings a distinctive combination of experience and innovation to this market. The FlexRig will play an important role in capturing this potential, as we endeavor to introduce this unique technology to international markets. While this transition year was not what we had hoped for financially, the Company improved operating performance, expanded its capacity, and is well positioned in high potential markets to participate in future opportunities. The most critical dimension of quality is our performance in the area of health, safety, and the environment (HSE) and, during 2003, the Company logged one of its best years on record. After the close of the fiscal year, two of our largest customers, ExxonMobil and Royal Dutch Shell, separately recognized the Company's land and offshore operations for leadership and excellence in HSE.

Financial & Operating Review

Years Ended September 30

	2003	2002	2001
SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME*†			
Operating Revenues ^①	507,331	523,803	531,604
Operating Costs ^①	345,537	361,669	330,181
Depreciation	82,513	61,447	49,532
Operating Income ^①	79,281	100,687	151,891
Income from Investments	7,953	28,076	10,967
Interest Expense	12,289	980	1,701
General and Administrative Expense ^①	41,003	36,563	28,180
Income from Continuing Operations	17,873	53,706	80,467
Net Income	17,873	63,517	144,254
Diluted Earnings Per Common Share:			
Income from Continuing Operations	0.35	1.07	1.58
Net Income	0.35	1.26	2.84

*\$000's omitted, except per share data.

① Certain prior year amounts have been reclassified to conform to current year classifications. (see note 1)

† All data excludes discontinued operations except net income.

SUMMARY FINANCIAL DATA*

Cash**	38,189	46,883	128,826
Working Capital**	108,913	105,852	223,980
Investments	158,770	150,175	203,271
Plant, Property, and Equipment, Net**	1,058,205	897,445	650,051
Total Assets	1,415,835	1,227,313	1,300,121
Long-term Debt	200,000	100,000	50,000
Shareholders' Equity	917,251	895,170	1,026,477
Capital Expenditures**	246,301	312,064	184,668

*\$000's omitted.

** Excludes discontinued operations.

RIG FLEET SUMMARY

Drilling Rigs –			
United States Land – FlexRigs	43	26	13
United States Land – Conventional	40	40	36
United States Offshore Platform	12	12	10
International	32	33	37
Total Rig Fleet	127	111	96
Rig Utilization Percentage –			
United States Land – FlexRigs	97	96	100
United States Land – Conventional	67	78	96
United States Land – All Rigs	81	84	97
United States Offshore Platform	51	83	98
International	39	51	56

2000	1999	1998	1997	1996	1995	1994	1993
384,762	431,741	479,592	353,355	274,208	229,316	206,991	167,956
248,568	290,048	322,861	228,958	184,703	158,815	148,210	114,858
77,317	70,092	58,187	48,291	39,592	37,364	31,038	29,397
58,877	71,601	98,544	76,106	49,913	33,137	27,743	23,701
32,063	7,422	45,152	11,746	5,992	11,279	6,944	9,494
2,730	5,389	336	34	678	407	385	925
23,306	24,629	21,299	15,636	15,222	14,019	14,126	12,422
36,470	32,115	80,790	48,801	25,844	18,464	13,216	8,978
82,300	42,788	101,154	84,186	72,566	9,751	24,971	24,550
.73	.65	1.60	.97	.52	.38	.27	.18
1.64	.86	2.00	1.67	1.46	.20	.51	.50
107,632	21,758	24,476	27,963	16,892	19,543	29,447	61,656
179,884	82,893	49,179	65,802	48,128	50,038	76,238	104,085
307,425	240,891	200,400	323,510	229,809	156,908	87,414	84,945
526,723	553,769	548,555	392,489	329,377	286,678	235,067	209,877
1,200,854	1,073,465	1,053,200	987,432	786,351	707,061	624,827	610,935
50,000	50,000	50,000	—	—	—	—	3,600
955,703	848,109	793,148	780,580	645,970	562,435	524,334	508,927
65,820	78,357	217,597	114,626	83,411	89,709	59,379	27,823
6	6	6	—	—	—	—	—
32	34	30	29	30	30	36	31
10	10	10	9	11	11	11	11
40	39	44	39	36	35	29	29
88	89	90	77	77	76	76	71
99	79	100	—	—	—	—	—
82	68	94	99	88	73	66	48
85	69	94	99	88	73	66	48
94	95	99	63	70	66	79	70
47	53	88	91	85	84	88	68

Management's Discussion & Analysis of Results of Operations and Financial Condition

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere herein. The Company's future operating results may be affected by various trends and factors, which are beyond the Company's control. These include, among other factors, fluctuations in oil and natural gas prices, expiration or termination of drilling contracts, currency exchange gains and losses, changes in general economic conditions, rapid or unexpected changes in technologies, risks of foreign operations, uninsured risks, and uncertain business conditions that affect the Company's businesses. Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

With the exception of historical information, the matters discussed in Management's Discussion & Analysis of Results of Operations and Financial Condition include forward-looking statements. These forward-looking statements are based on various assumptions. The Company cautions that, while it believes such assumptions to be reasonable and makes them in good faith, assumed facts almost always vary from actual results. The differences between assumed facts and actual results can be material. The Company is including this cautionary statement to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. The factors identified in this cautionary statement and those factors discussed under Risk Factors beginning on page 5 of the Company's Report on Form 10-K for fiscal 2003 are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

SPIN-OFF AND MERGER TRANSACTIONS

On September 30, 2002, Helmerich & Payne, Inc. completed its distribution of 100 percent of the common stock of Cimarex Energy Co. to the Company's shareholders and the merger of Key Production Company, Inc. into a subsidiary of Cimarex making Key a wholly owned subsidiary of Cimarex. The Cimarex Energy Co. stock distribution was recorded as a dividend and resulted in a decrease to consolidated stockholders' equity of approximately \$152.2 million. The Company and its subsidiaries continue to own and operate contract drilling and real estate businesses, while Cimarex Energy Co. is a separate, publicly traded company that owns and operates an exploration and production business. The Company does not own any common stock of Cimarex Energy Co. (See note 2 of the Consolidated Financial Statements for complete description of the transaction.) As a result of the transaction, the Company is reporting the results of its former exploration and production division (Cimarex Energy Co.) as discontinued operations.

RESULTS OF OPERATIONS

All per share amounts included in the Results of Operations discussion are stated on a diluted basis. Helmerich & Payne, Inc.'s net income for 2003 was \$17,873,000 (\$0.35 per share), compared with net income of \$63,517,000 (\$1.26 per share) in 2002, and \$144,254,000 (\$2.84 per share) in 2001. Included in net income was income from discontinued operations of \$9,811,000 (\$0.19 per share) in 2002, and \$63,787,000 (\$1.26 per share) in 2001. Also included in the Company's net income, but not related to its operations, were after-tax gains from the sale of investment securities of \$3,346,000 (\$0.07 per share) in 2003, \$15,206,000 (\$0.30 per share) in 2002, and \$691,000 (\$0.01 per share)

in 2001. Also included in net income is the Company's portion of income or loss from its equity affiliates, Atwood Oceanics, Inc. and a 50-50 joint venture with Atwood called Atwood Oceanics West Tuna Pty. Ltd. (dissolved in 2003). From equity affiliates, the Company recorded a loss of \$0.03 per share in 2003, and net income of \$0.06 and \$0.04 per share in 2002 and 2001, respectively.

Consolidated revenues were \$515,284,000 in 2003, \$551,879,000 in 2002, and \$542,571,000 in 2001. From 2001 to 2003 revenues attributable to contract drilling operations fell slightly each year. However, total revenues increased from 2001 to 2002 due to a larger gain realized on the sale of a portion of the Company's equity portfolio. U.S. land revenues rose steadily from 2001 to 2003, while international drilling revenues declined significantly during the same period. Although U.S. offshore platform revenues were relatively flat from 2001 to 2002, there was a drop of approximately 15 percent in offshore platform revenues from 2002 to 2003. Revenue reductions in the offshore platform business were mainly due to a drop in rig utilization to 51 percent in 2003, from 83 percent in 2002, and 98 percent in 2001. The increase in U.S. land revenues was fueled by the Company's increasing rig fleet due to the construction of FlexRigs over the three-year period. The average number of U.S. land rigs available was 76 in 2003, 57 in 2002, and 42 in 2001. Although rig availability increased, rig utilizations fell for the Company's U.S. land rig fleet to 81 percent in 2003, compared with 84 percent in 2002, and 97 percent in 2001. International rig revenues declined as rig utilizations in that sector fell to 39 percent in 2003, from 51 percent in 2002, and 56 percent in 2001. The Company's international rig utilization was impacted by significant reductions in activity in Venezuela and Colombia since 2001. Cutbacks in drilling budgets for the government-

owned oil company, PDVSA, reduced drilling in Venezuela. In Colombia, completion of development of a customer's major oilfield has dramatically reduced drilling activity there.

Revenues from investments were \$7,953,000 in 2003, \$28,076,000 in 2002, and \$10,967,000 in 2001. Included in revenues was the aggregate of pre-tax gains, losses, and write-downs relating to the Company's portfolio of equity securities which were \$5,529,000 in 2003, \$24,820,000 in 2002, and \$1,189,000 in 2001. Interest and dividend income fell in each year due to reduced cash positions, lower interest rates, and a reduction in the Company's equity portfolio. Total interest and dividend income was \$2,467,000 in 2003, \$3,624,000 in 2002, and \$9,128,000 in 2001.

Direct operating costs in 2003 were \$345,537,000 or 68 percent of operating revenues, compared with \$361,669,000 or 69 percent of operating revenues in 2002, and \$330,181,000 or 62 percent of operating revenues in 2001. Direct operating costs were lower as a percentage of revenues in 2001, primarily due to the higher average revenue per day and lower daily direct operating costs per day during 2001 in the U.S. land rig segment. Industry rig activity was relatively high in 2001, resulting in higher dayrates for the Company.

Depreciation expense was \$82,513,000 in 2003, \$61,447,000 in 2002, and \$49,532,000 in 2001. Depreciation rose significantly over the two-year period as the Company placed into service 13 new rigs in 2002, and 19 new rigs in 2003. The Company anticipates depreciation expense to increase again during 2004, as a full year of depreciation expense is incurred on rigs placed into service in 2003, and as new rigs are constructed and employed in the field.

The Company's methodology of reporting business segments and general and administrative expenses has been changed in 2003. This change was driven by last year's spin-off of our Exploration and Production Company and to better reflect the way the Company manages its contract drilling businesses.

The number of contract drilling business segments reported have increased to three to reflect the Company's U.S. offshore platform operations separately from the U.S. land rig operations. Formerly, the combined U.S. segments were reported as one segment. It is important to note that total operating profit for U.S. operations and the international contract drilling segment has not changed. U.S. Land and Offshore Platform segments have simply been separated.

Expenses within the Company's contract drilling business segments have been broken out to delineate direct operating costs from associated general and administrative costs. Formerly, both costs were included in operating costs on the consolidated statements of income. The associated general and administrative costs of the contract drilling segments have been reclassified to general and administrative expense on the consolidated statements of income. These general and administrative costs are still included in the applicable contract drilling segment. No other numbers on the consolidated statements of income were changed or affected by this reclassification.

With the reclassifications, general and administrative expenses totaled \$41,003,000 for 2003, \$36,563,000 for 2002, and \$28,180,000 for 2001. The 30 percent increase from 2001 to 2002 was primarily the

result of increases in employee benefits relating to pension, medical insurance, and 401(k) matching. Employee salaries and bonuses also contributed to the increase, as well as increases in property and casualty insurance costs. With the construction of the FlexRigs, training expenses were also a contributor to the increase from 2001 to 2002. General and administrative expenses rose again from 2002 to 2003 due to additional increases in pension and medical insurance expense, along with increases in property and casualty insurance costs.

Interest expense rose to \$12,289,000 in 2003, compared with \$980,000 in 2002, and \$1,701,000 in 2001. The Company issued a total of \$200,000,000 of intermediate-term debt, half of which was placed just prior to the end of fiscal year 2002, and the other half placed at the very beginning of fiscal year 2003. Additionally, the Company also drew on its bank line of credit during 2003, with \$30,000,000 drawn at the end of the year.

The provision for income taxes totaled \$14,649,000 in 2003, \$40,573,000 in 2002, and \$54,689,000 in 2001. Effective income tax rates on income from continuing operations were 43 percent in 2003, 44 percent in 2002, and 41 percent in 2001. The increase in effective tax rates from 2001 to 2002 was a result of currency fluctuations, primarily in Venezuela, resulting in additional taxes for inflationary gains and monetary corrections in 2002. There was less of such an effect in 2003, but international income at higher effective tax rates combined with the impact of state income taxes, kept the overall Company tax rate at a relatively high level.

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002	% Change
(in thousands, except operating statistics)			
U.S. LAND OPERATIONS			
Revenues	\$273,993	\$232,446	17.9%
Intersegment elimination	—	(809)	—
Direct operating expenses	201,398	165,394	21.8
Intersegment elimination	—	(648)	—
General and administrative expense	9,304	10,087	(7.8)
Depreciation	44,726	26,311	70.0
Operating profit	<u>\$ 18,565</u>	<u>\$ 30,493</u>	(39.1)
Operating Statistics:			
Activity days	22,588	17,478	29.2%
Average rig revenue per day	\$ 11,436	\$ 12,397	(7.8)
Average rig expense per day	\$ 8,221	\$ 8,561	(4.0)
Average rig margin per day	\$ 3,215	\$ 3,836	(16.2)
Number of owned rigs at end of period	83	66	25.8
Rig utilization	81%	84%	(3.6)

Operating statistics for per day revenue, expense and margin do not include reimbursements of “out-of-pocket” expenses.

The Company’s operating profit in its U.S. land rig operations fell by 39 percent from 2002 to 2003, despite the fact that commodity prices were very strong during the year. Historically high crude oil and natural gas prices, and an increasing industry rig count in the United States were all strong signals for an up cycle that could benefit oil service and contract drilling companies. However, in spite of increasing rig activity, average dayrates and margins per rig day fell during the year. Even with higher industry rig counts, the additional capacity added by companies like Helmerich & Payne, along with intense rig-on-rig price competition, delayed improvements in dayrates and margins. More specifically with Helmerich & Payne, 2002 dayrates were aided by the remaining term left on some of the contracts for work relating to FlexRig2s that were completed and commenced work during 2001. Those relatively high dayrates and

margins did not continue at those levels during 2003 after contracts expired. The Company's increase in rig capacity was brought about by its FlexRig3 construction program that began during 2002 and extended through 2003. During 2003, 19 FlexRig3s were completed and put into service. Two first generation FlexRig's were sent overseas for work in Hungary and Chad. As a result of the construction program, the Company's investment in drilling equipment rose significantly, thereby resulting in an increase in depreciation expense. Although the Company will have more rigs available for service next year, and although industry fundamentals are positive going in to 2004, a drop in dayrates or rig utilization could cause U.S. land rig operating profit to decrease next year.

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002	% Change
(in thousands, except operating statistics)			
U.S. OFFSHORE PLATFORM OPERATIONS			
Revenues	\$112,633	\$132,249	(14.8)%
Direct operating expenses	60,589	79,301	(23.6)
General and administrative expense	2,939	3,451	(14.8)
Depreciation	12,799	10,809	18.4
Operating profit	<u>\$ 36,306</u>	<u>\$ 38,688</u>	(6.2)
Operating Statistics:			
Activity days	2,233	3,286	(32.0)%
Average rig revenue per day	\$ 38,239	\$ 30,424	25.7
Average rig expense per day	\$ 17,822	\$ 16,263	9.6
Average rig margin per day	\$ 20,417	\$ 14,161	44.2
Number of owned rigs at end of period	12	12	0.0
Rig utilization	51%	83%	(38.6)

Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses and exclude the effects of offshore platform management contracts.

During the year, the Company continued to experience a reduction in activity days and rig utilization in its U.S. offshore platform rig operations. Total revenue and revenue per day during 2003 were aided by the recognition of revenue due to early termination of contracts. During the fourth quarter of 2003, one platform rig was stacked and two rigs that were working at full dayrate were changed to standby status, thereby likely causing a reduction of the first quarter 2004 operating profit for the U.S. offshore rig segment of approximately 50 percent from that of the fourth quarter of 2003. Capital expenditures were reduced dramatically due to the fact that there were no new platform rigs under construction during 2003, whereas two new platform rigs were completed during 2002. It is anticipated that during 2004, the U.S. offshore platform market will continue to be soft, unless and until commodity pricing or other circumstances significantly increase demand for platform rigs.

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002	% Change
(in thousands, except operating statistics)			
INTERNATIONAL OPERATIONS			
Revenues	\$109,812	\$151,392	(27.5)%
Direct operating expenses	81,461	115,294	(29.3)
General and administrative expense	3,110	2,634	18.1
Depreciation	20,092	20,336	(1.2)
Operating profit	\$ 5,149	\$ 13,128	(60.8)
Operating Statistics:			
Activity days	4,515	5,956	(24.2)%
Average rig revenue per day	\$ 19,603	\$ 21,161	(7.4)
Average rig expense per day	\$ 14,140	\$ 14,599	(3.1)
Average rig margin per day	\$ 5,463	\$ 6,562	(16.7)
Number of owned rigs at end of period	32	33	(3.0)
Rig utilization	39%	51%	(23.5)

Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses and exclude the effects of offshore platform management contracts.

Rig activity, revenues, and operating profit in the Company's international operations declined from 2002 to 2003. The general softness in the international markets was broad based and resulted in lower utilizations in each of the countries in which the Company operated during the 2002-2003 period. The Company's Venezuelan operations, where the largest number of Company international rigs are located, were also hampered by an attempted coup, which resulted in a strike by workers at PDVSA, the government-owned oil company.

During 2002, the Company recorded an estimated devaluation loss totaling \$1,200,000 in Argentina when that country experienced a dramatic economic collapse. As a result of the collapse, the government stopped the outflow of dollars from the country and required that former dollar obligations be paid in Argentina pesos. During 2003, the Company was able to reduce its 2002 estimated loss by approximately \$980,000 relating to the Argentina currency devaluation.

In Venezuela, approximately 60 percent of the Company's billings are in U.S. dollars and 40 percent are in bolivars, the local currency. As a result, the Company is exposed to risk of currency devaluation in Venezuela. Devaluation losses for Venezuelan operations totaled \$624,000 in 2003 and \$4,393,000 in 2002. The Company anticipates devaluation losses in Venezuela during 2004, but is unable to predict the extent of the devaluation. If 2004 rig activity levels are similar to 2003, and if a 25 percent to 50 percent devaluation would occur, the Company could experience potential devaluation losses ranging from approximately \$3,200,000 to \$5,100,000. (See MD&A section entitled Foreign Currency Exchange Rate Risk for important details regarding potential devaluation losses.)

In addition to potential devaluation, next year's average dayrate and profit margin per rig, as well as rig utilizations are difficult to predict and, while not expected to decline during 2004, are subject to unpredictable markets that could produce significant volatility.

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2003 AND 2002

	2003	2002	% Change
	(in thousands)		
REAL ESTATE			
Revenues	\$10,893	\$8,525	27.8%
Direct operating expenses	1,789	1,617	10.6
Depreciation	2,535	1,844	37.5
Operating profit	\$ 6,569	\$5,064	29.7

Operating profit increased by approximately 30 percent from 2002 to 2003 in the Company's Real Estate division, primarily due to the sale of approximately 15 acres of raw land from the Company's Southpark investment. Pre-tax profit from the sale of land was approximately \$2.2 million. Depreciation expense increased in 2003 due to the acceleration of depreciation on the Company's headquarters building, which will be razed in 2004. Overall combined occupancy and resulting revenues generated from all the other real estate properties did not materially fluctuate from 2002 to 2003.

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001	% Change
(in thousands, except operating statistics)			
U.S. LAND OPERATIONS			
Revenues	\$232,446	\$226,344	2.7%
Intersegment elimination	(809)	(4,487)	(82.0)
Direct operating expenses	165,394	133,650	23.8
Intersegment elimination	(648)	(2,553)	(74.6)
General and administrative expense	10,087	6,479	55.7
Depreciation	26,311	16,701	57.5
Operating profit	<u>\$ 30,493</u>	<u>\$ 67,580</u>	(54.9)
Operating Statistics:			
Activity days	17,478	15,098	15.8%
Average rig revenue per day	\$ 12,397	\$ 14,315	(13.4)
Average rig expense per day	\$ 8,561	\$ 8,175	4.7
Average rig margin per day	\$ 3,836	\$ 6,140	(37.5)
Number of owned rigs at end of period	66	49	34.7
Rig utilization	84%	97%	(13.4)

Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses.

U.S. land operating profit declined by 55 percent from 2001 to 2002 as overall industry rig counts declined from a cyclical high brought on by a spike in natural gas prices during 2001. The significant reduction in industry rig counts that followed during 2002 brought about lower dayrates, rig margins, and rig utilizations compared with 2001 levels. Although utilization rates declined during 2002, activity days increased due to an additional 17 rigs put into service in the U.S. land rig market. This increase was due to FlexRig construction and movement of land rigs from South American operations to the U.S. During 2002, the Company completed the final five rigs of its 12-rig FlexRig2 program commenced in 2001. It also placed eight FlexRig3s into service and added four more rigs to the U.S. fleet that were moved from South American operations. Capital spending in U.S. land rig operations

increased as the Company embarked on its FlexRig3, 25-rig construction project. As a result of capital expenditures for U.S. land operations of \$236.3 million in 2002, compared with \$136.7 million in 2001, depreciation expense rose by approximately 58 percent during 2002.

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001	% Change
(in thousands, except operating statistics)			
U.S. OFFSHORE PLATFORM OPERATIONS			
Revenues	\$132,249	\$128,459	3.0%
Direct operating expenses	79,301	75,810	4.6
General and administrative expense	3,451	2,962	16.5
Depreciation	10,809	9,576	12.9
Operating profit	<u>\$ 38,688</u>	<u>\$ 40,111</u>	(3.5)
Operating Statistics:			
Activity days	3,286	3,572	(8.0)%
Average rig revenue per day	\$ 30,424	\$ 28,995	4.9
Average rig expense per day	\$ 16,263	\$ 15,734	3.4
Average rig margin per day	\$ 14,161	\$ 13,261	6.8
Number of owned rigs at end of period	12	10	20.0
Rig utilization	83%	98%	(15.3)

Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses and exclude the effects of offshore platform management contracts.

Two new offshore platform rigs were completed and placed in service during 2002 at high dayrates, but with short-term contracts. As a result, average rig revenue per day and average margins per day improved from 2001 to 2002. More than offsetting this improvement was a decline in activity days of eight percent, the beginning signs of an overall reduction in that market that continued into 2003.

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001	% Change
(in thousands, except operating statistics)			
INTERNATIONAL OPERATIONS			
Revenues	\$151,392	\$170,270	(11.1)%
Direct operating expenses	115,294	120,845	(4.6)
General and administrative expense	2,634	2,112	24.7
Depreciation	20,336	18,838	8.0
Operating profit	<u>\$ 13,128</u>	<u>\$ 28,475</u>	(53.9)
Operating Statistics:			
Activity days	5,956	7,283	(18.2)%
Average rig revenue per day	\$ 21,161	\$ 19,683	7.5
Average rig expense per day	\$ 14,599	\$ 13,334	9.5
Average rig margin per day	\$ 6,562	\$ 6,349	3.4
Number of owned rigs at end of period	33	37	(10.8)
Rig utilization	51%	56%	(8.9)

Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses and exclude the effects of offshore platform management contracts.

Rig utilization, total activity days, and total revenues declined from 2001 to 2002, resulting in operating profit declining by approximately 54 percent. The most significant declines in activity and profitability were in Company operations located in Colombia and Argentina. Colombia's rig utilizations fell from 69 percent during 2001 to 31 percent during 2002. Additionally, the number of rigs available in Colombia fell from seven during the first quarter of 2001 to three by the end of 2001. Those four rigs were moved to the United States. Accordingly, profitability in Colombia declined sharply during 2002. Operating profit for Company operations in Venezuela and Argentina also declined during 2002. Devaluation losses in Venezuela were \$4,393,000 in 2002, and \$796,000 in 2001. (See MD&A section entitled Foreign Currency Exchange Risk for more detail regarding potential devaluation losses.)

COMPARISON OF THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001	% Change
		(in thousands)	
REAL ESTATE			
Revenues	\$8,525	\$11,018	(22.6)%
Direct operating expenses	1,617	2,419	(33.2)
Depreciation	1,844	2,284	(19.3)
Operating profit	\$5,064	\$ 6,315	(19.8)

Revenues and operating profit declined from 2001 to 2002 in the Company's Real Estate division, due to a sale of raw land which resulted in approximately \$2 million of operating profit during 2001. Depreciation was higher in 2001 due to the acceleration of depreciation for a building that was razed during 2002. Earnings from ongoing leasing operations were up only slightly from 2001 to 2002.

CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. The following is a discussion of the critical accounting policies related to property, plant and equipment, impairment of long-lived assets, self-insurance accruals, and revenue recognition. Other significant accounting policies are summarized in Note 1 in the notes to the consolidated financial statements.

Property, plant and equipment, including renewals and betterments, are stated at cost, while maintenance and repairs are expensed currently. Interest costs applicable to the construction of qualifying assets are capitalized as a component of the cost of such assets. The Company provides for the depreciation of property, plant and equipment using the straight-line method over the estimated useful lives of the assets.

Upon retirement or other disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are recorded in results of operations.

The Company reviews its long-lived assets, including property and equipment, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value, which is determined based on the present value of estimated cash flows from the asset and appraisals or sales prices of comparable assets. There were no long-lived asset impairment losses in the Company's continuing operations during the years ended September 30, 2003, 2002, and 2001. However, should industry market conditions deteriorate from those existing currently, impairment losses could be recorded in the future. All of the Company's drilling rigs are transportable and are therefore not limited to one area or country. Drilling rigs can be moved from countries where demand is low to countries experiencing high demand for drilling services. When making determinations of location for drilling rigs, the Company considers both long and short-term views of demand and other reasonable business considerations.

The Company is self-insured or maintains high deductibles for certain losses relating to worker's compensation, general, product, and auto liabilities. Generally, deductibles are \$2 million per occurrence on claims that fall under these coverages. Insurance is also purchased on rig properties and generally deductibles are \$1 million per occurrence.

Excess insurance is purchased over these coverages to limit the Company's exposure to catastrophic claims, but there can be no assurance that such coverage will respond or be adequate in all circumstances. Retained losses are estimated and accrued based upon our estimates of the aggregate liability for claims incurred, and using the Company's historical loss experience and estimation methods that are believed to be reliable.

Revenues and costs on daywork contracts are recognized daily as the work progresses. For certain contracts, we receive lump-sum payments for the mobilization of rigs and other drilling equipment. Revenues earned, net of direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract. Other lump-sum payments received from customers relating to specific contracts are deferred and amortized to income as services are performed. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital spending for continuing operations was \$246,301,000 for 2003, \$312,064,000 in 2002, and \$184,668,000 in 2001. Net cash provided from operating activities for those same time periods were \$96,504,000 in 2003, \$151,774,000 in 2002, and \$127,435,000 in 2001. In addition to the net cash provided by operating activities, the Company also generated net proceeds from the sale of portfolio securities of \$18,215,000 in 2003, \$47,146,000 in 2002, and \$24,438,000 in 2001.

During 2000, the Company announced a program (FlexRig2 program) under which it would construct 12 new FlexRigs at an approximate cost

of between \$7.5 and \$8.25 million each. During 2001, the Company completed construction on seven of those 12 rigs. Additionally, the Company announced in 2001 that it would embark on another construction project (FlexRig3 program) to build an additional 25 FlexRigs at an approximate cost of \$11 million each. During 2002, the Company completed the remaining five rigs in the FlexRig2 program and the first eight rigs in the FlexRig3 program. During 2003, the remaining 17 rigs originally planned in the FlexRig3 program were completed. Another seven FlexRig3s were scheduled for construction, two of which were completed by the end of fiscal 2003, and five are scheduled to be completed by March, 2004.

The Company expects to fund its 2004 capital spending of approximately \$100,000,000 with internally generated cash flows, its bank line of credit and/or from funds generated by the sale of stock from its investment portfolio. In August 2002, the Company entered into a \$200 million intermediate-term unsecured debt obligation with staged maturities from five to 12 years and a weighted average interest rate of 6.31 percent. Funding of the notes occurred on August 15, 2002, and October 15, 2002, in equal amounts of \$100 million. The terms of the debt obligations require the Company to maintain a minimum ratio of debt to total capitalization. Proceeds from the intermediate-term debt were used to repay the balance of the Company's outstanding debt of \$50 million in September 2002, help fund the Company's rig construction program and for other general corporate purposes.

On September 30, 2003, the Company had a committed unsecured line of credit totaling \$125 million, with short-term loans totaling \$30 million and letters of credit totaling \$13.7 million outstanding against the line.

The line of credit matures in July 2004 and bears interest of LIBOR + .87 percent to 1.125 percent depending on certain financial ratios of the Company. The Company must maintain certain financial ratios including debt to total capitalization and debt to earnings before interest, taxes, depreciation, and amortization, and maintain certain levels of liquidity and tangible net worth.

The strength of the Company's balance sheet is substantial, with current ratios for September 30, 2003, and 2002 at 2.2 and 2.5, respectively, and with debt to total capitalization of 18 percent and 10 percent, respectively. Additionally, the Company manages a large portfolio of marketable securities that, at the close of 2003, had a market value of \$169,546,000. The Company's investments in Atwood Oceanics, Inc., Schlumberger, Ltd., and ConocoPhillips made up almost 90 percent of the portfolio's market value on September 30, 2003. The value of the portfolio is subject to fluctuation in the market and may vary considerably over time. Excluding the Company's equity-method investments, the portfolio is recorded at fair value on the Company's balance sheet for each reporting period. During 2003, the Company paid a dividend of \$0.32 per share, or a total of \$16,015,268, representing the 31st consecutive year of dividend increases.

STOCK PORTFOLIO HELD BY THE COMPANY

September 30, 2003	Number of Shares	Cost Basis	Market Value
		(in thousands, except share amounts)	
Atwood Oceanics, Inc.	3,000,000	\$56,655	\$ 71,970
Schlumberger, Ltd.	1,480,000	23,511	71,632
ConocoPhillips	140,000	3,486	7,665
Other		6,303	18,279
Total		\$89,955	\$169,546

MATERIAL COMMITMENTS

The Company has no off balance sheet arrangements, as defined by SEC rules. The Company's contractual obligations as of September 30, 2003, including payments due by year are as follows (in thousands):

	Total	2004	2005	2006	2007	2008	After 2008
Short-term loans (a)	\$ 30,000	\$ 30,000	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt (a)	200,000	—	—	—	25,000	—	175,000
Operating leases (b)	8,146	1,285	1,048	1,311	1,385	1,385	1,732
Purchase obligations	36,415	35,530	530	355	—	—	—
Total Contractual Obligations	\$ 274,561	\$ 66,815	\$ 1,578	\$ 1,666	\$ 26,385	\$ 1,385	\$ 176,732

(a) See Note 3 "Long-term Debt" to the Company's Consolidated Financial Statements.

(b) See Note 14 "Commitments and Contingencies" to the Company's Consolidated Financial Statements.

An actuarial study of the Company's pension plan projects that no funding will be required in fiscal years 2004 or 2005. After 2005, funding requirements, if any, will be subject to returns on plan assets and other external factors.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk. The Company has international operations in Hungary, Chad, and in several South American countries, as well as a labor contract for work off the coast of Equatorial Guinea. With the exception of Venezuela, the Company's exposure to currency valuation losses is usually minimal due to the fact that virtually all billings and receipts in other countries are in U.S. dollars. Even though the Company's contract with its customers in Argentina was in U.S. dollars, the Company recorded a devaluation loss as Argentina experienced a dramatic economic collapse during 2002. As a result of the economic collapse, the government stopped the outflow of dollars from the country and required that former dollar obligations be paid in Argentina pesos,

resulting in the Company recording an estimated loss of \$1,200,000 in 2002. The Company was able to reduce this estimated loss by approximately \$980,000 during 2003. At the present time, the Company has two rigs located in Argentina, one of which will begin working during early 2004.

The Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. In Venezuela, while approximately 60 percent of the Company's invoice billings to the Venezuelan state oil company, PDVSA, are in U.S. dollars and 40 percent are in the local currency, the bolivar, PDVSA typically pays all amounts owed in bolivars. The Company, historically, has usually been able to convert the bolivars received in payment of the dollar-based billings into dollars in a timely manner and thus avoid, in large measure, devaluation losses pertaining to these dollar-based invoices. In January 2003, the Venezuelan government put into effect exchange controls that fixed the exchange rate at 1600 Bolivars to one U.S. dollar and also prohibited the Company, as well as other companies, from converting the bolivar into U.S. dollars through the central bank. As a result of these exchange controls, the Company has been unable since January 2003 to convert its bolivar cash balances into U.S. dollars. As of September 30, 2003, the Company's bolivar balance was approximately 14 billion bolivars or approximately \$8.8 million. Historically, the Company has kept bolivar cash balances at necessary minimum levels to fund local operating costs.

As part of the exchange controls regulation, the Venezuelan government provided a mechanism by which companies could request conversion of bolivars into U.S. dollars. In compliance with such regulations, the

Company on October 1, 2003, submitted a request to the Venezuelan government seeking permission to dividend earnings, which effectively will convert 14 billion bolivars into approximately \$8.8 million. The Company is unable to predict if or when this request will be approved.

From August of 2002 to August of 2003, there was a 13 percent devaluation of the bolivar. As a result, the Company experienced a \$624,000 devaluation loss for 2003. This 13 percent devaluation loss may not be reflective of the actual potential for future devaluation losses because of the exchange controls that are currently in place. While the Company is unable to predict future devaluation in Venezuela, if fiscal 2004 activity levels are similar to fiscal 2003 and if a 25 percent to 50 percent devaluation should occur, the Company could experience potential currency devaluation losses ranging from approximately \$3,200,000 to \$5,100,000.

In late August 2003, the Venezuelan state petroleum company agreed, on a prospective basis, to pay a portion of the Company's dollar-based invoices in U.S. dollars. While this is a positive development in light of the existing exchange controls, there is no guarantee as to how long this arrangement will continue. Were this agreement to end, the Company would revert back to receiving these payments in bolivars and thus increase bolivar cash balances and exposure to devaluation.

Commodity Price Risk. The demand for contract drilling services is a result of exploration and production companies spending money to explore and develop drilling prospects in search for crude oil and natural gas. Their appetite for such spending is driven by their cash flow and financial strength, which is very dependent, among other things, on crude oil and natural gas commodity prices. Crude oil

prices are determined by a number of factors including supply and demand, worldwide economic conditions, and geopolitical factors. Crude oil and natural gas prices have been volatile and very difficult to predict. This difficulty has led many exploration and production companies to base their capital spending on much more conservative estimates of commodity prices. As a result, demand for contract drilling services is not always purely a function of the movement of commodity prices.

Interest Rate Risk. The Company's interest rate risk exposure results primarily from short-term rates, mainly LIBOR-based on borrowings from its commercial banks. To reduce the impact of fluctuations in interest rates, the Company maintains a portion of its total debt portfolio in fixed-rate debt. On September 30, 2003, the amount of the Company's fixed-rate debt was approximately 87 percent of total debt. In the past, the Company has entered into financial instruments such as interest rate swaps and may consider this and other financial instruments in the future to manage the portfolio mix between fixed and floating rate debt and to mitigate the impact of changes in interest rates based on management's assessment of future interest rates, volatility of the yield curve, and the Company's ability to access the capital markets in a timely manner.

Based on the outstanding borrowings under variable-rate debt instruments on September 30, 2003, a change in the average interest rate of 100 basis points would result in a change in net income and cash flows before income taxes on an annual basis of approximately \$0.2 million and \$0.3 million, respectively.

The following tables provide information as of September 30, 2003 and 2002 about the Company's interest rate risk sensitive instruments:

INTEREST RATE RISK (dollars in thousands)

	2004	2005	2006	2007	2008	After 2008	Total	Fair Value @ 9/30/03
Fixed Rate Debt	—	—	—	\$ 25,000	—	\$ 175,000	\$ 200,000	\$ 226,500
Average Interest Rate	—	—	—	5.5%	—	6.4%	6.4%	—
Variable Rate Debt	\$ 30,000	—	—	—	—	—	\$ 30,000	\$ 30,000
Average Interest Rate (a)	—	—	—	—	—	—	(a)	—

(a) LIBOR plus an increment of .875% to 1.25% depending on certain financial ratios.

INTEREST RATE RISK (dollars in thousands)

	2003	2004	2005	2006	2007	After 2007	Total	Fair Value @ 9/30/02
Long Term Debt								
Fixed Rate	—	—	—	—	\$ 12,500	\$ 87,500	\$ 100,000	\$ 109,700
Average Interest Rate	—	—	—	—	5.5%	6.4%	6.4%	—
Interest Rate Swap (b)	—	—	—	—	—	—	(b)	(1,700)

(b) At September 30, 2002, the Company held an interest rate swap on \$50 million face value debt to receive variable interest payments based on 30-day LIBOR rates and pay fixed interest payments of 5.4% through October 27, 2003.

Equity Price Risk. On September 30, 2003, the Company owned stocks in other publicly held companies with a total market value of \$169,546,000. These securities are subject to a wide variety and number of market-related risks that could substantially reduce or increase the market value of the Company's holdings. Except for the Company's holdings in its equity affiliate, Atwood Oceanics, Inc., the portfolio is recorded at fair value on its balance sheet with changes in unrealized after-tax value reflected in the equity section of its balance sheet. Any reduction in market value would have an impact on the Company's debt ratio and financial strength. The total market value of the portfolio of securities was \$175,668,000 at September 30, 2002.

Report of Independent Auditors

The Board of Directors and Shareholders
Helmerich & Payne, Inc.

We have audited the accompanying consolidated balance sheets of Helmerich & Payne, Inc. as of September 30, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Helmerich & Payne, Inc. at September 30, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2003, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Tulsa, Oklahoma
November 19, 2003

Consolidated Statements of Income

Years Ended September 30,	2003	2002	2001
	(in thousands, except per share amounts)		
REVENUES			
Operating revenues	\$507,331	\$523,803	\$531,604
Income from investments	7,953	28,076	10,967
	<u>515,284</u>	<u>551,879</u>	<u>542,571</u>
COSTS AND EXPENSES			
Direct operating costs	345,537	361,669	330,181
Depreciation	82,513	61,447	49,532
General and administrative	41,003	36,563	28,180
Interest	12,289	980	1,701
	<u>481,342</u>	<u>460,659</u>	<u>409,594</u>
Income from continuing operations before income taxes and equity in income (loss) of affiliates	33,942	91,220	132,977
Provision for income taxes	14,649	40,573	54,689
Equity in income (loss) of affiliates net of income taxes	(1,420)	3,059	2,179
	<u>17,873</u>	<u>53,706</u>	<u>80,467</u>
Income from continuing operations	17,873	53,706	80,467
Income from discontinued operations	—	9,811	63,787
	<u>17,873</u>	<u>63,517</u>	<u>144,254</u>
NET INCOME	\$ 17,873	\$ 63,517	\$144,254
Basic earnings per common share:			
Income from continuing operations	\$ 0.36	\$ 1.08	\$ 1.61
Income from discontinued operations	—	0.19	1.27
	<u>\$ 0.36</u>	<u>\$ 1.27</u>	<u>\$ 2.88</u>
Diluted earnings per common share:			
Income from continuing operations	\$ 0.35	\$ 1.07	\$ 1.58
Income from discontinued operations	—	0.19	1.26
	<u>\$ 0.35</u>	<u>\$ 1.26</u>	<u>\$ 2.84</u>
Average common shares outstanding (in thousands)			
Basic	50,039	49,825	50,096
Diluted	50,596	50,345	50,772

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

ASSETS

September 30,	2003	2002
	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 38,189	\$ 46,883
Accounts receivable, less reserve of \$1,319 in 2003 and \$1,337 in 2002	91,088	92,604
Inventories	22,533	22,511
Prepaid expenses and other	45,721	16,753
	<u>197,531</u>	<u>178,751</u>
INVESTMENTS	158,770	150,175
	<u>1,679,210</u>	<u>1,439,322</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Contract drilling equipment	1,490,389	1,235,784
Construction in progress	45,004	72,303
Real estate properties	56,247	48,925
Other	87,570	82,310
	<u>1,679,210</u>	<u>1,439,322</u>
Less-accumulated depreciation and amortization	621,005	541,877
	<u>1,058,205</u>	<u>897,445</u>
OTHER ASSETS	1,329	942
	<u>\$1,415,835</u>	<u>\$1,227,313</u>
TOTAL ASSETS	\$1,415,835	\$1,227,313

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

September 30,	2003	2002
	(in thousands, except share data)	
CURRENT LIABILITIES:		
Notes payable	\$ 30,000	\$ —
Accounts payable	29,630	41,045
Accrued liabilities	28,988	31,854
	<u>88,618</u>	<u>72,899</u>
NONCURRENT LIABILITIES:		
Long-term notes payable	200,000	100,000
Deferred income taxes	181,737	131,401
Other	28,229	27,843
	<u>409,966</u>	<u>259,244</u>
SHAREHOLDERS' EQUITY:		
Common stock, \$.10 par value, 80,000,000 shares authorized, 53,528,952 shares issued	5,353	5,353
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	—	—
Additional paid-in capital	83,302	82,489
Retained earnings	840,776	838,929
Unearned compensation	(10)	(190)
Accumulated other comprehensive income	33,668	16,180
	<u>963,089</u>	<u>942,761</u>
Less treasury stock, 3,388,588 shares in 2003 and 3,518,282 shares in 2002, at cost	45,838	47,591
	<u>917,251</u>	<u>895,170</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$1,415,835</u>	<u>\$1,227,313</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

	Common Stock		Additional	Unearned	Retained
	Shares	Amount	Paid-in Capital	Compensation	Earnings
	(in thousands, except per share amounts)				
Balance, September 30, 2000	53,529	\$5,353	\$66,090	\$(3,277)	\$ 813,885
Comprehensive Income:					
Net Income					144,254
Other comprehensive loss:					
Unrealized losses on available-for sale securities, net					
Derivatives instruments losses, net					
Total other comprehensive loss					
Total comprehensive income					
Cash dividends (\$.30 per share)					(15,047)
Exercise of stock options			7,965		
Purchase of stock for treasury					
Tax benefit of stock-based awards			6,269		
Amortization of deferred compensation				1,465	13
Balance, September 30, 2001	53,529	5,353	80,324	(1,812)	943,105
Comprehensive Income:					
Net Income					63,517
Other comprehensive (loss):					
Unrealized losses on available-for sale securities, net					
Derivatives instruments losses, net					
Minimum pension liability adjustment, net					
Total other comprehensive loss					
Total comprehensive income					
Distribution of Cimarex Energy Co. Stock					(152,201)
Cash dividends (\$.31 per share)					(15,492)
Exercise of stock options			1,099		
Forfeiture of Restricted Stock Award			88	156	
Tax benefit of stock-based awards			978		
Amortization of deferred compensation				1,466	
Balance, September 30, 2002	53,529	5,353	82,489	(190)	838,929
Comprehensive Income:					
Net Income					17,873
Other comprehensive income:					
Unrealized gains on available-for sale securities, net					
Derivatives instruments amort., net					
Minimum pension liability adjustment, net					
Total other comprehensive gain					
Comprehensive income					
Cash dividends (\$.32 per share)					(16,026)
Exercise of stock options			441		
Tax benefit of stock-based awards			372		
Amortization of deferred compensation				180	
Balance, September 30, 2003	53,529	\$5,353	\$83,302	\$ (10)	\$ 840,776

[Additional columns below]

[Continued from above table, first column(s) repeated]

	Treasury Stock		Accumulated Other	Total
	Shares	Amount	Comprehensive Income (Loss)	
	(in thousands, except per share amounts)			
Balance, September 30, 2000	3,548	\$(32,412)	\$106,064	\$ 955,703
Comprehensive Income:				

Net Income				144,254
Other comprehensive loss:				
Unrealized losses on available-for sale securities, net			(55,769)	(55,769)
Derivatives instruments losses, net			(986)	(986)
Total other comprehensive loss				(56,755)
Total comprehensive income				87,499
Cash dividends (\$.30 per share)				(15,047)
Exercise of stock options	(646)	5,808		13,773
Purchase of stock for treasury	774	(23,198)		(23,198)
Tax benefit of stock-based awards				6,269
Amortization of deferred compensation				1,478
Balance, September 30, 2001	3,676	(49,802)	49,309	1,026,477
Comprehensive Income:				
Net Income				63,517
Other comprehensive (loss):				
Unrealized losses on available-for sale securities, net			(25,449)	(25,449)
Derivatives instruments losses, net			(68)	(68)
Minimum pension liability adjustment, net			(7,612)	(7,612)
Total other comprehensive loss				(33,129)
Total comprehensive income				30,388
Distribution of Cimarex Energy Co. Stock				(152,201)
Cash dividends (\$.31 per share)				(15,492)
Exercise of stock options	(181)	2,455		3,554
Forfeiture of Restricted Stock Award	23	(244)		
Tax benefit of stock-based awards				978
Amortization of deferred compensation				1,466
Balance, September 30, 2002	3,518	(47,591)	16,180	895,170
Comprehensive Income:				
Net Income				17,873
Other comprehensive income:				
Unrealized gains on available-for sale securities, net			15,005	15,005
Derivatives instruments amort., net			982	982
Minimum pension liability adjustment, net			1,501	1,501
Total other comprehensive gain				17,488
Comprehensive income				35,361
Cash dividends (\$.32 per share)				(16,026)
Exercise of stock options	(129)	1,753		2,194
Tax benefit of stock-based awards				372
Amortization of deferred compensation				180
Balance, September 30, 2003	3,389	\$(45,838)	\$ 33,668	\$ 917,251

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Years Ended September 30,	2003	2002	2001
	(in thousands)		
OPERATING ACTIVITIES:			
Income from continuing operations	\$ 17,873	\$ 53,706	\$ 80,467
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation	82,513	61,447	49,532
Equity in (income) loss of affiliates before income taxes	2,290	(5,014)	(3,593)
Amortization of deferred compensation	180	1,122	1,135
Gain on sales of securities and non-monetary investment loss, net	(5,529)	(24,347)	(1,189)
Gain on sale of property, plant and equipment	(3,689)	(1,392)	(4,201)
Other – net	336	791	876
Change in assets and liabilities:			
Accounts receivable	1,516	24,148	(49,405)
Inventories	251	1,042	(68)
Prepaid expenses and other	(29,355)	24,381	(11,411)
Accounts payable	(11,415)	(3,769)	29,290
Accrued liabilities	(1,281)	955	18,435
Deferred income taxes	41,225	24,133	15,291
Other noncurrent liabilities	1,589	(5,429)	2,276
	78,631	98,068	46,968
Net cash provided by operating activities	96,504	151,774	127,435
INVESTING ACTIVITIES:			
Capital expenditures	(246,301)	(312,064)	(184,668)
Acquisition of business, net of cash acquired	—	—	(2,279)
Proceeds from sale of property, plant and equipment	6,720	4,135	11,984
Purchase of investments	—	(5,656)	—
Proceeds from sale of securities	18,215	47,146	24,438
Net cash used in investing activities	(221,366)	(266,439)	(150,525)
FINANCING ACTIVITIES:			
Proceeds from notes payable	151,331	100,000	—
Payments on notes payable	(21,331)	(50,000)	—
Dividends paid	(16,026)	(15,221)	(15,047)
Purchases of stock for treasury	—	—	(23,198)
Proceeds from exercise of stock options	2,194	3,554	13,601
Net cash provided by (used in) financing activities	116,168	38,333	(24,644)
DISCONTINUED OPERATIONS:			
Net cash provided by operating activities	—	62,792	157,286
Net cash (used in) investing activities	—	(55,232)	(88,813)
Cash of discontinued operations at spinoff	—	(13,171)	—
Net cash provided by (used in) discontinued operations	—	(5,611)	68,473
Net increase (decrease) in cash and cash equivalents	(8,694)	(81,943)	20,739
Cash and cash equivalents, beginning of period	46,883	128,826	108,087
Cash and cash equivalents, end of period	\$ 38,189	\$ 46,883	\$ 128,826

The accompanying notes are an integral part of these statements.



Notes to Consolidated Financial Statements

September 30, 2003, 2002 and 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Helmerich & Payne, Inc. (the Company), and all of its wholly-owned subsidiaries. Fiscal years of the Company's foreign consolidated operations end on August 31 to facilitate reporting of consolidated results.

BASIS OF PRESENTATION

On September 30, 2002, the Company distributed 100 percent of the common stock of Cimarex Energy Co. to the Company's shareholders. Cimarex Energy Co. held the Company's exploration and production business and has been accounted for as discontinued operations in the accompanying consolidated financial statements. Unless indicated otherwise, the information in the notes to consolidated financial statements relates to the continuing operations of the Company (see Note 2).

As described below, the Company increased the number of business segments it is reporting and how it classifies certain general and administrative expenses in 2003. These changes were driven by the new organization of the Company as a result of last year's spin-off of the exploration and production business and to better reflect the way the Company now manages its contract drilling businesses. All prior periods reflect these changes.

The number of contract drilling business segments reported have increased to three to reflect the Company's U.S. Offshore Platform operations separately from the U.S. Land operations. Formerly, the combined U.S. segments were reported as one segment. Total operating profit for U.S. operations and the International contract drilling segment has not changed. Prior year segment disclosures have been changed to reflect the increased number of reported segments for all periods presented (see Note 15).

General and administrative expenses within the Company's contract drilling business segments have been reclassified to delineate direct operating costs from associated general and administrative costs. Formerly, both costs were included in operating costs on the consolidated statements of income. The associated general and administrative costs of the contract drilling segments of \$15,353,000, \$16,172,000, and \$11,553,000 for 2003, 2002 and 2001, respectively have been reclassified to general and administrative expense on the consolidated statements of income for all periods presented. General and administrative costs within the contract drilling segments continue to be included in segment operating profit. No other amounts on the consolidated statements of income were changed or affected by this reclassification.

Prior year amounts for Investments and Other Assets have been reclassified to conform to current year classification.

Included in the Company's operating revenues for the fiscal year ended September 30, 2003 are reimbursements for "out-of-pocket" expenses of \$31.0 million. Previously, the Company recognized reimbursements received as a reduction to the related operating costs. Emerging Issues Task Force (EITF) No. 01-14, "Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred" requires that reimbursements received for "out-of-pocket" expenses be included in operating revenues. The effect of EITF 01-14 resulted in a reclassification to fiscal year 2002 and 2001, that increased operating revenues and direct operating costs by \$41.0 million and \$33.3 million, respectively. These reclassifications had no impact on net income.

TRANSLATION OF FOREIGN CURRENCIES

The Company has determined that the functional currency for its foreign subsidiaries is the U.S. dollar. Foreign currency transaction gain (losses) were \$422,000, (\$5,473,000) and (\$494,000), for 2003, 2002 and 2001, respectively. These amounts are included in direct operating costs.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Substantially all property, plant and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets (contract drilling equipment, 4-15 years; real estate buildings and equipment, 10-50 years; and other, 3-33 years). The Company charges the cost of maintenance and repairs to direct operating cost, while betterments and refurbishments are capitalized.

VALUATION OF LONG-LIVED ASSETS

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets, when events or circumstances warrant such a review. The Company recognizes impairment losses for long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows expected to be generated by the asset are not sufficient to recover the carrying amount of the asset. On October 1, 2002 the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," which did not impact the Company's results of operations or financial position.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in banks and investments readily convertible into cash which mature within three months from the date of purchase.

Currently, the Company is unable to convert bolivar cash balances in Venezuela into U.S. dollars or to transfer any such funds out of Venezuela as a result of exchange controls put in place by the Venezuelan government. (See Note 12 for further discussion.)

INVENTORIES AND SUPPLIES

Inventory and supplies are primarily replacement parts and supplies held for use in our drilling operations. Inventory and supplies are valued at the lower of cost (moving average or actual) or market value.

DRILLING REVENUES

Contract drilling revenues are comprised primarily of daywork drilling contracts for which the related revenues and expenses are recognized as work progresses. For certain contracts, the Company receives lump-sum payments for the mobilization of rigs and other drilling equipment. Revenues earned, net of direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred.

INVESTMENTS

The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold. Net income in 2002 and 2001 includes a loss of approximately \$0.5 million, \$0.01 per share on a diluted basis, and \$1.4 million, \$0.03 per share on a diluted basis, respectively, resulting from the Company's assessment that the decline in market value of certain available-for-sale securities below their financial cost basis was other than temporary. There were no losses in 2003 as the result of a decline in market values that were considered other than temporary by the Company.

Investments in companies owned from 20 to 50 percent are accounted for using the equity method with the Company recognizing its proportionate share of the income or loss of each investee. The Company owned approximately 21.7% of Atwood Oceanics, Inc. (Atwood) at both September 30, 2003 and 2002. The quoted market value of the Company's investment was \$71,970,000 and \$87,750,000 at September 30, 2003 and 2002, respectively. Retained earnings at September 30, 2003 includes approximately \$28,306,000 of undistributed earnings of Atwood.

Summarized financial information of Atwood is as follows:

September 30	2003	2002	2001
		(in thousands)	
Gross revenues	\$144,766	\$149,157	\$147,541
Costs and expenses	157,568	120,872	120,195
Net income (loss)	\$ (12,802)	\$ 28,285	\$ 27,346
Helmerich & Payne, Inc.'s equity in net income (loss), net of income taxes	\$ (1,414)	\$ 4,206	\$ 3,596
Current assets	\$ 72,182	\$ 71,813	\$ 45,891
Noncurrent assets	447,464	372,717	304,857
Current liabilities	40,504	24,416	19,144
Noncurrent liabilities	215,757	143,981	85,948
Shareholders' equity	263,385	276,133	245,656
Helmerich & Payne, Inc.'s investment	\$ 56,655	\$ 58,937	\$ 52,153

INCOME TAXES

Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of the Company's assets and liabilities.

OTHER POST EMPLOYMENT BENEFITS

The Company sponsors a health care plan that provides post retirement medical benefits to retired employees. Employees who retire after November 1, 1992 and elect to participate in the plan pay the entire estimated cost of such benefits.

The Company has accrued a liability for estimated workers compensation claims incurred. The liability for other benefits to former or inactive employees after employment but before retirement is not material.

EARNINGS PER SHARE

Basic earnings per share is based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of stock options and restricted stock.

EMPLOYEE STOCK-BASED AWARDS

Employee stock-based awards are accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Fixed plan common stock options generally do not result in compensation expense, because the exercise price of the options issued by the Company equals the market price of the underlying stock on the date of grant. The plans under which the Company issues stock based awards are described more fully in Note 5. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation."

September 30	2003	2002	2001
		(in thousands)	
Net income, as reported	\$17,873	\$63,517	\$144,254
Add: Stock-based employee compensation expense included in the Consolidated Statements of Income, net of related tax effects	112	909	908
Deduct: Total stock based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(4,387)	(3,354)	(5,951)
Pro forma net income	\$13,598	\$61,072	\$139,211
Earnings per share:			
Basic-as reported	\$ 0.36	\$ 1.27	\$ 2.88
Basic-pro forma	\$ 0.27	\$ 1.23	\$ 2.78
Diluted-as reported	\$ 0.35	\$ 1.26	\$ 2.84
Diluted-pro forma	\$ 0.27	\$ 1.21	\$ 2.74

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

TREASURY STOCK

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to additional paid-in-capital using the average-cost method.

CAPITALIZATION OF INTEREST

The Company capitalizes interest on major projects during construction. Interest is capitalized on borrowed funds, with the rate based on the average interest rate on related debt. Capitalized interest for 2003, 2002 and 2001 was \$1.8 million, \$2.5 million and \$1.1 million, respectively.

INTEREST RATE RISK MANAGEMENT

The Company uses derivatives as part of an overall operating strategy to moderate certain financial market risks and is exposed to interest rate risk from long-term debt. To manage this risk, in October 1998, the Company entered into an interest rate swap to exchange floating rate for fixed rate interest payments through October 2003, the remaining life of the debt. The difference to be paid or received is accrued and recognized as an adjustment of interest expense. As of September 30, 2003, the Company's interest rate swap had a notional principal amount of \$50 million.

The Company's accounting policy for these instruments is based on its designation of such instruments as hedging transactions. An instrument is designated as a hedge based in part on its effectiveness in risk reduction and one-to-one matching of derivative instruments to underlying transactions. The Company records all derivatives on the balance sheet at fair value.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income in stockholders' equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The change in value of the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the risk being hedged, if any, is recognized in the current earnings during the period of change.

Gains and losses from termination of interest rate swap agreements are deferred and amortized as an adjustment to interest expense over the original term of the terminated swap agreement.

The Company has one derivative, an interest rate swap, that is discussed further in Note 3.

NOTE 2 DISCONTINUED OPERATIONS

On September 30, 2002, the Company's distribution of 100 percent of the common stock of Cimarex Energy Co. and the merger of Key Production Company, Inc. with Cimarex was completed. In connection with the distribution, approximately 26.6 million shares of the Cimarex Energy Co. common stock on a diluted basis were distributed to shareholders of the Company of record on September 27, 2002. The Cimarex Energy Co. stock distribution was recorded as a dividend and resulted in a decrease to consolidated shareholders' equity of approximately \$152.2 million. The Company does not own any common stock of Cimarex Energy Co.

Under terms of a tax sharing agreement, each party has agreed to indemnify the other in respect of all taxes for which it is responsible under the tax sharing agreement. Cimarex is responsible for all taxes related to the exploration and production business for all of past and future periods, including all taxes arising from the Cimarex business prior to the time that Cimarex was formed, and agrees to hold the Company harmless in respect of those taxes. Cimarex is entitled to receive all refunds and credits of taxes previously paid with respect to the exploration and production business. Cimarex will not receive the benefit of any loss or similar tax attribute arising during the time that losses from the Cimarex business are included in the Company's consolidated federal income tax return. The Company remains responsible for all taxes related to the business of the Company other than the exploration and production business and has agreed to indemnify Cimarex in respect of any liability for any such taxes.

Summarized results of discontinued operations for the years ended September 30, 2002 and 2001, are as follows:

September 30	2002	2001
	(in thousands)	
Revenues	\$172,827	\$317,580
Income from operations:		
Income before income taxes	15,138	102,125
Tax provision	5,327	38,338
	<u>9,811</u>	<u>63,787</u>
Income from discontinued operations	\$ 9,811	\$ 63,787

NOTE 3 NOTES PAYABLE AND LONG-TERM DEBT

At September 30, 2003, the Company had \$200 million in long-term debt outstanding at fixed rates and maturities as summarized in the following table. Funding of the notes occurred on August 15, 2002 and October 15, 2002 in equal amounts of \$100 million.

(In thousands) Issue Amount	Maturity Date	Interest Rate
\$25,000	August 15, 2007	5.51%
\$25,000	August 15, 2009	5.91%
\$75,000	August 15, 2012	6.46%
\$75,000	August 15, 2014	6.56%

The terms of the debt obligations require the Company to maintain a minimum ratio of debt to total capitalization. The proceeds of the debt issuances were used to repay \$50 million of outstanding debt, fund the Company's rig construction program and for other general corporate purposes.

At September 30, 2003, the Company had a committed unsecured line of credit totaling \$125 million. Short-term loans totaling \$30 million and letters of credit totaling \$13.7 million were outstanding against the line, leaving \$81.3 million available to borrow. The weighted average interest rate on short-term loans at September 30, 2003 was 2.0 percent. Under terms of the line of credit, the Company must maintain certain financial ratios including debt to total capitalization and debt to earnings before interest, taxes, depreciation, and amortization, and maintain certain levels of liquidity and tangible net worth. A non-use fee of 0.15 percent per annum is calculated on the average daily unused amount, payable quarterly. The interest rate varies based on LIBOR plus .875 to 1.125 percent depending on ratios described above. The line of credit matures in July, 2004. Subsequent to September 30, 2003, the Company has paid \$10 million of short-term debt.

At September 30, 2003, the Company held an unassociated interest rate swap tied to 30-day LIBOR in the amount of \$50 million which matured on October 27, 2003. The swap instrument was originally designated as a hedge of a \$50 million loan that was paid off in September 2002. The swap liability was valued at approximately \$0.1 million on September 30, 2003.

The interest rate swap liability was valued at approximately \$1.7 million on the date the \$50 million debt was paid off. The \$1.7 million is being amortized over the remaining life of the swap as interest expense. In fiscal 2003, \$1.6 million was amortized and included in interest expense. Changes to the value of the interest rate swap subsequent to the date the \$50 million debt was paid are recorded to income.

NOTE 4 INCOME TAXES

The components of the provision (benefit) for income taxes from continuing operations are as follows:

Years Ended September 30,	2003	2002	2001
(In thousands)			
CURRENT:			
Federal	\$ (34,495)	\$ 13,324	\$ 28,911
Foreign	6,870	5,080	8,870
State	883	1,022	2,651
	<u>(26,742)</u>	<u>19,426</u>	<u>40,432</u>
DEFERRED:			
Federal	42,835	16,019	8,850
Foreign	(3,383)	3,732	4,701
State	1,939	1,396	706
	<u>41,391</u>	<u>21,147</u>	<u>14,257</u>
TOTAL PROVISION:	<u>\$ 14,649</u>	<u>\$ 40,573</u>	<u>\$ 54,689</u>

The amounts of domestic and foreign income from continuing operations are as follows:

Years Ended September 30,	2003	2002	2001
(In thousands)			
Income from continuing operations before income taxes and equity in income (loss) of affiliates:			
Domestic	\$ 31,164	\$ 82,012	\$106,163
Foreign	2,778	9,208	26,814
	<u>\$ 33,942</u>	<u>\$ 91,220</u>	<u>\$132,977</u>

Effective income tax rates on income from continuing operations as compared to the U.S. Federal income tax rate are as follows:

Years Ended September 30,	2003	2002	2001
U.S. Federal income tax rate	35%	35%	35%
Effect of foreign taxes	4	7	4
State income taxes	4	2	2
Effective income tax rate	<u>43%</u>	<u>44%</u>	<u>41%</u>

The components of the Company's net deferred tax liabilities are as follows:

September 30,	2003	2002
(In thousands)		
Deferred tax liabilities:		
Property, plant and equipment	\$153,736	\$111,822
Available-for-sale securities	25,106	18,170
Equity investments	17,349	18,216
Total deferred tax liabilities	<u>196,191</u>	<u>148,208</u>
Deferred tax assets:		
Financial accruals	6,079	7,196
Pension reserve	4,917	2,802
Other	3,458	6,809
Total deferred tax assets	<u>14,454</u>	<u>16,807</u>

Net deferred tax liabilities

\$181,737 \$131,401

NOTE 5 SHAREHOLDERS' EQUITY

In December 2001, the board of directors authorized the repurchase of up to 2,000,000 shares per calendar year of the Company's common stock in the open market or private transactions. The repurchased shares will be held in treasury and used for general corporate purposes including use in the Company's benefit plans. During fiscal 2001 the Company purchased 773,800 shares at a cost of approximately \$23,198,000 under previous authorizations from the board of directors. The Company did not purchase any shares in fiscal 2003 or 2002.

The Company has several plans providing for common-stock based awards to employees and to non-employee directors. The plans permit the granting of various types of awards including stock options and restricted stock. Restricted stock may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than market price of the underlying stock on the date of grant. Stock options expire ten years after grant.

In March 2001, the Company adopted the 2000 Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan was effective December 6, 2000 and will terminate December 6, 2010. Under this plan, the Company is authorized to grant options for up to 3,000,000 shares of the Company's common stock at an exercise price not less than the fair market value of the common stock on the date of grant. Up to 450,000 shares of the total authorized may be granted to participants as restricted stock awards. In fiscal 2003 and 2002, 610,700 and 819,800 options, respectively, were granted under the 2000 plan. There were no restricted stock grants in fiscal 2003 or 2002. There was no activity under this plan during fiscal 2001.

On September 30, 2002, the Company distributed 100 percent of the common stock of Cimarex Energy Co. to the Company's shareholders. The distribution was recorded as a dividend and resulted in a decrease to consolidated shareholders equity of approximately \$152.2 million. Any options held by Cimarex employees at the distribution date were automatically forfeited per the terms of the Company's stock incentive plans. Both vested and unvested options held by remaining participants at September 30, 2002 were adjusted (the number of options and exercise price) to reflect the change in the value of Company common stock as the result of the spin-off of Cimarex. The adjustment was made in such a way that the aggregate intrinsic value of the options and the ratio of the exercise price per share to the market value per share remained the same.

The following summary reflects the stock option activity for the Company's common stock and related information for 2003, 2002, and 2001. (shares in thousands):

	2003		2002		2001	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at October 1,	3,875	\$20.28	3,136	\$25.78	2,955	\$22.94
Granted	611	27.74	820	29.89	844	32.36
Exercised	(130)	16.93	(181)	19.61	(644)	21.34
Adjustment for Cimarex spinoff	—	—	926	—	—	—
Forfeited/Expired	(29)	23.85	(826)	28.15	(19)	25.57
Outstanding on September 30,	4,327	\$21.41	3,875	\$20.28	3,136	\$25.78
Exercisable on September 30,	2,575	19.34	1,935	\$19.07	1,078	\$23.82
Shares available to grant	1,597		2,195		3,000	

The following table summarizes information about stock options at September 30, 2003 (shares in thousands):

Range of Exercise Prices	Outstanding Stock Options			Exercisable Stock Options	
	Options	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
\$10.22 to \$12.78	380	1.9	\$10.58	380	\$10.58
\$12.79 to \$19.84	1,376	5.2	\$17.03	1,195	\$16.76
\$19.85 to \$28.04	2,571	7.5	\$25.35	1,000	\$25.74
\$10.22 to \$28.04	4,327	6.3	\$21.41	2,575	\$19.34

The weighted-average fair values of options at their grant date during 2003, 2002, and 2001 was \$10.72, \$12.47, and \$13.01, respectively. The estimated fair value of each option granted is calculated using the Black-Scholes option-pricing model. The following summarizes the weighted-average assumptions used in the model:

	2003	2002	2001
Expected years until exercise	4.5	4.5	4.5
Expected stock volatility	45%	48%	43%
Dividend yield	.75%	.8%	.8%
Risk-free interest rate	3.1%	4.0%	5.2%

On September 30, 2003, the Company had 50,140,364 outstanding common stock purchase rights ("Rights") pursuant to terms of the Rights Agreement dated January 8, 1996. Under the terms of the Rights Agreement each Right entitled the holder thereof to purchase from the Company one half of one unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock ("Preferred Stock"), without par value, at a price of \$90 per unit. The exercise price and the number of units of Preferred Stock issuable on exercise of the Rights are subject to adjustment in certain cases to prevent dilution. The Rights will be attached to the common stock certificates and are not exercisable or transferrable apart from the common stock, until ten business days after a person acquires 15 percent or more of

the outstanding common stock or ten business days following the commencement of a tender offer or exchange offer that would result in a person owning 15 percent or more of the outstanding common stock. In the event the Company is acquired in a merger or certain other business combination transactions (including one in which the Company is the surviving corporation), or more than 50 percent of the Company's assets or earning power is sold or transferred, each holder of a Right shall have the right to receive, upon exercise of the Right, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The Rights are redeemable under certain circumstances at \$0.01 per Right and will expire, unless earlier redeemed, on January 31, 2006. As long as the Rights are not separately transferrable, the Company will issue one half of one Right with each new share of common stock issued.

NOTE 6 EARNINGS PER SHARE

A reconciliation of the weighted-average common shares outstanding on a basic and diluted basis is as follows:

	2003	2002	2001
	_____	_____	_____
		(in thousands)	
Basic weighted-average shares	50,039	49,825	50,096
Effect of dilutive shares:			
Stock options	555	508	644
Restricted stock	2	12	32
	_____	_____	_____
	557	520	676
	_____	_____	_____
Diluted weighted-average shares	50,596	50,345	50,772
	_____	_____	_____

At September 30, 2003, options to purchase 1,030,791 shares of common stock at a weighted-average price of \$27.86 were outstanding, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

Restricted stock of 44,675 shares at a weighted-average price of \$30.38 and options to purchase 451,421 shares of common stock at a weighted-average price of \$27.98 were outstanding at September 30, 2002, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

At September 30, 2001, restricted stock of 120,018 shares at a weighted-average price of \$37.73 and options to purchase 1,250,750 shares of common stock at a price of \$33.84 were outstanding, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

NOTE 7 FINANCIAL INSTRUMENTS

The Company had \$200 million of long-term debt outstanding at September 30, 2003, which had an estimated fair value of \$226.5 million. The debt was valued based on the prices of similar securities with similar terms and credit ratings. The Company used the expertise of an outside investment banking firm to assist with the estimate of the fair value of the long-term debt. The Company's line of credit and notes payable bear interest at market rates and are carried at cost which approximates fair value. The estimated fair value of the Company's interest rate swap is a liability of \$0.1 million at September 30, 2003, based on forward-interest rates derived from the year-end yield curve as calculated by the financial institution that is a counterparty to the swap. The estimated fair value of the Company's available-for-sale securities is primarily based on market quotes.

The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting (see Note 1):

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
	(in thousands)			
Equity Securities:				
September 30, 2003	\$33,300	\$64,276	\$ 0	\$97,576
September 30, 2002	\$46,325	\$43,846	\$3,772	\$86,399

During the years ended September 30, 2003, 2002, and 2001, marketable equity available-for-sale securities with a fair value at the date of sale of \$18,215,000, \$46,692,000, and \$24,438,000, respectively, were sold. The gross realized gains on such sales of available-for-sale securities totaled \$8,582,000, \$25,893,000, and \$3,314,000, respectively, and the gross realized losses totaled \$3,053,000, \$232,000, and \$0, respectively.

NOTE 8 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below presents changes in the components of accumulated other comprehensive income (loss).

	Unrealized Appreciation (Depreciation) on Securities	Interest Rate Swap	Minimum Pension Liability	Total
	(in thousands)			
Balance at September 30, 2000	\$106,064	\$ —	\$ —	\$106,064
2001 Change:				
Pre-income tax amount	(88,762)	(1,590)	—	(90,352)
Income tax provision	33,730	604	—	34,334
Realized gains in net income (net of \$452 income tax)	(737)	—	—	(737)
	<u>(55,769)</u>	<u>(986)</u>	<u>—</u>	<u>(56,755)</u>
Balance at September 30, 2001	<u>50,295</u>	<u>(986)</u>	<u>—</u>	<u>49,309</u>
2002 Change:				
Pre-income tax amount	(16,228)	(127)	(12,277)	(28,632)
Income tax provision	6,167	48	4,665	10,880
Amortization of swap (net of \$7 income tax benefit)	—	11	—	11
Realized gains in net income (net of \$9,431 income tax)	(15,388)	—	—	(15,388)
	<u>(25,449)</u>	<u>(68)</u>	<u>(7,612)</u>	<u>(33,129)</u>
Balance at September 30, 2002	<u>24,846</u>	<u>(1,054)</u>	<u>(7,612)</u>	<u>16,180</u>
2003 Change:				
Pre-income tax amount	29,731	—	2,421	32,152
Income tax provision	(11,298)	—	(920)	(12,218)
Amortization of swap (net of \$602 income tax benefit)	—	982	—	982
Realized gains in net income (net of \$2,101 income tax)	(3,428)	—	—	(3,428)
	<u>15,005</u>	<u>982</u>	<u>1,501</u>	<u>17,488</u>
Balance at September 30, 2003	<u>\$ 39,851</u>	<u>\$ (72)</u>	<u>\$ (6,111)</u>	<u>\$ 33,668</u>

NOTE 9 EMPLOYEE BENEFIT PLANS

In July 2003, the Company revised the Helmerich & Payne, Inc. Employee Retirement Plan (“Pension Plan”) to close the Pension Plan to new participants effective October 1, 2003, and reduce benefit accruals for current participants through September 30, 2006, at which time benefit accruals will be discontinued and the plan frozen. These revisions to the Pension Plan had no effect upon pension expense accruals for fiscal 2003.

The following tables set forth the Company’s disclosures required by SFAS No. 132, “Employers’ Disclosures About Pensions and Other Postretirement Benefits.”

Change in benefit obligation:

Years Ended September 30,	2003	2002
	(in thousands)	
Benefit obligation at beginning of year	\$68,134	\$51,733
Service cost	5,401	4,769
Interest cost	4,423	3,835
Curtailments	(8,444)	(1,232)
Actuarial loss	6,269	11,036
Benefits paid	(4,609)	(2,007)
Benefit obligation at end of year	\$71,174	\$68,134

Change in plan assets:

Years Ended September 30,	2003	2002
	(in thousands)	
Fair value of plan assets at beginning of year	\$ 48,286	\$ 53,987
Actual gain (loss) on plan assets	9,958	(3,694)
Benefits paid	(4,609)	(2,007)
Fair value of plan assets at end of year	\$ 53,635	\$ 48,286
Funded status of the plan	\$(17,539)	\$(19,848)
Unrecognized net actuarial loss	15,052	24,929
Unrecognized prior service cost	20	284
Accumulated other comprehensive loss (before tax)	(9,856)	(12,277)
Accrued benefit cost	\$(12,323)	\$ (6,912)

Weighted-average assumptions:

Years Ended September 30,	2003	2002	2001
Discount rate	6.25%	6.75%	7.50%
Expected return on plan assets	8.00%	8.00%	9.00%
Rate of compensation increase	5.00%	5.00%	5.00%

COMPONENTS OF NET PERIODIC PENSION EXPENSE:

Years Ended September 30,	2003	2002	2001
		(in thousands)	
Service cost	\$ 5,401	\$ 4,769	\$ 3,851
Interest cost	4,423	3,835	3,330
Expected return on plan assets	(3,807)	(4,804)	(5,415)
Amortization of prior service cost	180	238	238
Amortization of transition asset	—	(540)	(540)
Curtailment gain	1,550	120	17
Recognized net actuarial loss	84	—	—
Net pension expense	\$ 7,831	\$ 3,618	\$ 1,481

DEFINED CONTRIBUTION PLAN

Substantially all employees on the United States payroll of the Company may elect to participate in the Company sponsored Thrift/401(k) Plan by contributing a portion of their earnings. The Company contributes amounts equal to 100 percent of the first five percent of the participant's compensation subject to certain limitations. Expensed Company contributions were \$5,568,000, \$5,226,000, and \$4,499,000 in 2003, 2002, and 2001, respectively.

NOTE 10 OTHER CURRENT ASSETS AND ACCRUED LIABILITIES

Prepaid expenses and other consist of the following:

September 30,	2003	2002
	(in thousands)	
Time deposits	\$ 322	\$ 337
Income tax receivable	32,619	9,304
Deferred mobilization	2,993	—
Other	9,787	7,112
	<u>\$45,721</u>	<u>\$16,753</u>

Accrued liabilities consist of the following:

September 30,	2003	2002
	(in thousands)	
Taxes payable – operations	\$ 8,386	\$ 7,660
Workers compensation claims	2,820	2,506
Payroll and employee benefits	6,768	7,032
Deferred income	1,535	6,016
Other	9,479	8,640
	<u>\$28,988</u>	<u>\$31,854</u>

NOTE 11 SUPPLEMENTAL CASH FLOW INFORMATION

Years Ended September 30,	2003	2002	2001
	(in thousands)		
Cash payments:			
Interest paid, net of amount capitalized	\$11,375	\$ 477	\$ 1,546
Income taxes paid	\$ 5,838	\$9,779	\$42,523

NOTE 12 RISK FACTORS

CONCENTRATION OF CREDIT

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The Company places temporary cash investments with established financial institutions and invests in a diversified portfolio of highly rated, short-term money market instruments. The Company's trade receivables are primarily with companies in the oil and gas industry and are typically not secured by collateral. The Company provides an allowance for doubtful accounts, when necessary, to cover estimated credit losses. Such an allowance is based on managements knowledge of customer accounts. No significant credit losses have been experienced by the Company.

SELF-INSURANCE

The Company self-insures a significant portion of its expected losses under its worker's compensation, general, and automobile liability programs in the United States. Insurance coverage has been purchased for individual claims that exceed \$2 million. The Company records estimates for incurred outstanding liabilities for unresolved worker's compensation, general liability claims and for claims that are incurred but not reported. Estimates are based on historic experience and statistical methods that the Company believes are reliable. Nonetheless, insurance estimates include certain assumptions and management judgments regarding the frequency and severity of claims, claims development, and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

CONTRACT DRILLING OPERATIONS

International drilling operations are significant contributors to the Company's revenues and net profit. It is possible that operating results could be affected by the risks of such activities, including economic conditions in the international markets in which the Company operates, political and economic instability, fluctuations in currency exchange rates, changes in international regulatory requirements, international employment issues, and the burden of complying with foreign laws. These risks may adversely affect the Company's future operating results and financial position.

The Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. In Venezuela, while approximately 60 percent of the Company's billings to the Venezuelan oil company, PDVSA, are in U.S. dollars and 40 percent are in the local currency, the bolivar, PDVSA typically pays all amounts owed in bolivars. The Company, historically, has usually been able to convert the bolivars received in payment of the dollar-based billings into U.S. dollars in a timely manner. In January 2003, the Venezuelan government put into effect exchange controls that fixed the exchange rate at 1600 bolivars to one U.S. dollar and also prohibited the Company, as well as other companies, from converting the bolivar into U.S. dollars. As a result of these exchange controls, the Company has been unable since January 2003 to convert its bolivar cash balances into U.S. dollars. As of September 30, 2003, the Company's bolivar balance was approximately 14 billion bolivars or approximately \$8.8 million. Historically, the Company has kept bolivar cash balances at necessary minimum levels to fund local operating costs. In compliance with applicable

regulations the Company on October 1, 2003, submitted a request to the Venezuelan government seeking permission to convert existing bolivar balances into U.S. dollars. The Company is unable to predict if or when this request will be approved.

As stated above, the Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. From August of 2002 to August of 2003, there was a 13 percent devaluation of the bolivar. As a result, the Company experienced a \$624,000 devaluation loss. This 13 percent devaluation loss may not be reflective of the actual potential for future devaluation losses because of the exchange controls that are currently in place. While the Company is unable to predict future devaluation in Venezuela, if fiscal 2004 activity levels are similar to fiscal 2003 and if a 25 to 50 percent devaluation would occur, the Company could experience potential currency devaluation losses ranging from approximately \$3,200,000 to \$5,100,000.

In late August 2003, the Venezuelan state petroleum company agreed, on a go-forward basis, to pay a portion of the Company's dollar-based invoices in U.S. dollars. While this is a positive development in light of the existing exchange controls, there is no guarantee as to how long this arrangement will continue. Were this agreement to end, The Company would revert back to receiving these payments in Bolivars and thus increase Bolivar cash balances and exposure to devaluation.

Recent events in Venezuela have created greater governmental instability. In the event that extended labor strikes occur or turmoil increases, the Company could experience shortages in material and supplies necessary to operate some or all of its Venezuelan drilling rigs.

The Company believes that its rig fleet is not currently impaired based on an assessment of future cash flows of the assets in question. However, it is possible that the Company's assessment that it will recover the carrying amount of its rig fleet from future operations may change in the near term.

NOTE 13 NEW ACCOUNTING STANDARDS

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. There was no impact on the Company's results of operations and financial position upon adopting SFAS No. 143 on October 1, 2002.

NOTE 14 CONTINGENT LIABILITIES AND COMMITMENTS

COMMITMENTS

The Company, on a regular basis, makes commitments for the purchase of contract drilling equipment. At September 30, 2003, the Company has commitments of approximately \$35 million for the purchase of drilling equipment.

LEASES

In May 2003, the Company signed a six-year lease for approximately 114,000 square feet of office space near downtown Tulsa. The lease will be effective as the Company moves during the first quarter of fiscal 2004. Future annual minimum lease payments under this noncancelable lease and other noncancelable leases as of September 30, 2003 were as follows: (in thousands)

Fiscal Year	Amount
2004	\$1,285
2005	1,048
2006	1,311
2007	1,385
2008	1,385
Thereafter	1,732
Total	\$8,146

Total rent expense was \$1,108,000, \$1,027,000 and \$736,000 for 2003, 2002 and 2001, respectively.

NOTE 15 SEGMENT INFORMATION

The Company operates principally in the contract drilling industry. The Company's contract drilling business includes the following operating segments: U.S. Land, U.S. Offshore Platform, and International. The contract drilling operations consist primarily of contracting Company-owned drilling equipment primarily to major oil and gas exploration companies. The Company's primary international areas of operation include Venezuela, Colombia, Ecuador, Argentina and Bolivia. The Company also has a Real Estate segment whose operations are conducted exclusively in the metropolitan area of Tulsa, Oklahoma. The primary areas of operations include a major shopping center and several multi-tenant warehouses. Each reportable segment is a strategic business unit which is managed separately. Other includes Investments and corporate operations. As described in Note 2 the Company's oil and gas operations were distributed to Company shareholders on September 30, 2002. Such operations have been treated as discontinued operations and have been excluded from these segment disclosures.

The Company evaluates performance of its segments based upon operating profit or loss from operations before income taxes which includes revenues from external and internal customers; direct operating costs;

depreciation; and allocated general and administrative costs; but excludes corporate costs for other depreciation and other income and expense. General and administrative costs are allocated to the segments based primarily on specific identification, and to the extent that such identification was not practical, on other methods which the Company believes to be a reasonable reflection of the utilization of services provided. The accounting policies of the segments are the same as those described in Note 1, Summary of Accounting Policies. Intersegment sales are accounted for in the same manner as sales to unaffiliated customers.

Summarized financial information of the Company's reportable segments for each of the years ended September 30, 2003, 2002, and 2001 is shown in the following table:

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit	Depreciation	Total Assets	Additions to Long-Lived Assets
2003:							
Contract Drilling							
U.S. Land	\$273,993	\$ —	\$273,993	\$ 18,565	\$44,726	\$ 728,707	\$216,590
U.S. Offshore Platform	112,633	—	112,633	36,306	12,799	170,580	7,191
International Services	109,812	—	109,812	5,149	20,092	243,918	12,733
	<u>496,438</u>	<u>—</u>	<u>496,438</u>	<u>60,020</u>	<u>77,617</u>	<u>1,143,205</u>	<u>236,514</u>
Real Estate	10,893	1,439	12,332	6,569	2,535	31,472	7,628
Other	7,953	—	7,953	—	2,361	241,158	2,159
Eliminations	—	(1,439)	(1,439)	—	—	—	—
Total	<u>\$515,284</u>	<u>\$ —</u>	<u>\$515,284</u>	<u>\$ 66,589</u>	<u>\$82,513</u>	<u>\$1,415,835</u>	<u>\$246,301</u>
2002:							
Contract Drilling							
U.S. Land	\$231,637	\$ 809	\$232,446	\$ 30,493	\$26,311	\$ 555,137	\$236,254
U.S. Offshore Platform	132,249	—	132,249	38,688	10,809	173,474	48,273
International Services	151,392	—	151,392	13,128	20,336	254,940	23,157
	<u>515,278</u>	<u>809</u>	<u>516,087</u>	<u>82,309</u>	<u>57,456</u>	<u>983,551</u>	<u>307,684</u>
Real Estate	8,525	1,491	10,016	5,064	1,844	26,562	3,181
Other	28,076	—	28,076	—	2,147	217,200	1,199
Eliminations	—	(2,300)	(2,300)	—	—	—	—
Total	<u>\$551,879</u>	<u>\$ —</u>	<u>\$551,879</u>	<u>\$ 87,373</u>	<u>\$61,447</u>	<u>\$1,227,313</u>	<u>\$312,064</u>
2001:							
Contract Drilling							
U.S. Land	\$221,857	\$ 4,487	\$226,344	\$ 67,580	\$16,701	\$ 366,193	\$136,740
U.S. Offshore Platform	128,459	—	128,459	40,111	9,576	139,980	7,323
International Services	170,270	—	170,270	28,475	18,838	268,947	38,022
	<u>520,586</u>	<u>4,487</u>	<u>525,073</u>	<u>136,166</u>	<u>45,115</u>	<u>775,120</u>	<u>182,085</u>
Real Estate	11,018	1,545	12,563	6,315	2,284	22,621	1,190
Other	10,967	—	10,967	—	2,133	367,123	1,393
Eliminations	—	(6,032)	(6,032)	—	—	—	—
Total	<u>\$542,571</u>	<u>\$ —</u>	<u>\$542,571</u>	<u>\$142,481</u>	<u>\$49,532</u>	<u>\$1,164,864</u>	<u>\$184,668</u>

The following table reconciles segment operating profit per the table on page 59 to income before taxes and equity in income (loss) of affiliates as reported on the Consolidated Statements of Income (in thousands).

Years Ended September 30,	2003	2002	2001
Segment operating profit	\$ 66,589	\$ 87,373	\$142,481
Unallocated amounts:			
Income from investments	7,953	28,076	10,967
Corporate and administrative expense	(25,650)	(20,391)	(16,627)
Interest expense	(12,289)	(980)	(1,701)
Corporate depreciation	(2,361)	(2,147)	(2,133)
Other corporate expense	(300)	(711)	(10)
Total unallocated amounts	(32,647)	3,847	(9,504)
Income before income taxes and equity in income (loss) of affiliates	\$ 33,942	\$ 91,220	\$132,977

The following tables present revenues from external customers and long-lived assets by country based on the location of service provided (in thousands).

Years Ended September 30,	2003	2002	2001
Revenues			
United States	\$ 405,472	\$400,487	\$372,301
Venezuela	31,763	50,763	49,163
Ecuador	50,783	47,501	37,839
Colombia	6,081	11,612	28,886
Other Foreign	21,185	41,516	54,382
Total	\$ 515,284	\$551,879	\$542,571
Long-Lived Assets			
United States	\$ 867,365	\$698,316	\$448,119
Venezuela	75,179	72,630	84,856
Ecuador	46,778	49,353	33,520
Colombia	12,984	14,339	16,195
Other Foreign	55,899	62,807	67,361
Total	\$1,058,205	\$897,445	\$650,051

Long-lived assets are comprised of property, plant and equipment.

Revenues from one company doing business with the contract drilling segment accounted for approximately 15.7 percent, 16.3 percent, and 23.9 percent of the total consolidated revenues during the years ended September 30, 2003, 2002, and 2001, respectively. Revenues from another company doing business with the contract drilling segment accounted for approximately 14.6 percent, 14.7 percent, and 12.8 percent of total consolidated revenues in the years ended September 30, 2003, 2002, and 2001, respectively. Revenues from another company doing business with the contract drilling segment accounted for approximately 11.5 percent, 12.3 percent, and 8.4 percent of total consolidated revenues in the years ended September 30, 2003, 2002, and 2001, respectively. Collectively, the receivables from these customers were approximately \$36.0 million and \$35.0 million at September 30, 2003 and 2002, respectively.

NOTE 16 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

2003	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$113,313	\$126,320	\$137,025	\$138,626
Gross profit	14,021	19,024	26,788	27,401
Net income	607	2,574	8,162	6,530
Basic net income per common share:	.01	.05	.16	.13
Diluted net income per common share:	.01	.05	.16	.13
<hr/>				
2002	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$143,883	\$132,344	\$152,049	\$123,603
Gross profit	37,378	24,093	47,477	19,815
Income from continuing operations	18,127	8,129	22,551	4,899
Net income	15,604	10,872	28,218	8,823
Basic earnings per common share:				
Income from continuing operations	.36	.16	.46	.10
Net income	.31	.22	.57	.18
Diluted earnings per common share:				
Income from continuing operations	.36	.16	.45	.10
Net income	.31	.22	.56	.17

Gross profit represents total revenues less operating costs and depreciation.

The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to changes in the average number of common shares outstanding.

Net income in the fourth quarter of 2003 includes after-tax gains on sale of available-for-sale securities of \$3.2 million, \$0.06 per share, on a diluted basis.

Net income in the fourth quarter of 2003 includes an after-tax equity loss in loss of affiliates of \$2 million, \$0.04 per share, on a diluted basis.

Net income in the third quarter of 2002 includes after-tax gains on sale of available-for-sale securities of \$15.2 million, \$0.30 per share, on a diluted basis.

Directors

W. H. Helmerich, III
Chairman of the Board
Tulsa, Oklahoma

Hans Helmerich
President and Chief Executive Officer
Tulsa, Oklahoma

William L. Armstrong(***)**
Chairman
Transland Financial Services, Inc.
Denver, Colorado

Glenn A. Cox*(*)**
President and Chief Operating Officer, Retired
Phillips Petroleum Company
Bartlesville, Oklahoma

George S. Dotson
Vice President,
President of Helmerich & Payne
International Drilling Co.
Tulsa, Oklahoma

Paula Marshall-Chapman(***)**
President and Chief Executive Officer
The Bama Companies, Inc.
Tulsa, Oklahoma

L. F. Rooney, III*(*)**
Chief Executive Officer
Manhattan Construction Company
Tulsa, Oklahoma

Edward B. Rust, Jr.*(*)**
Chairman and Chief Executive Officer
State Farm Insurance Companies
Bloomington, Illinois

John D. Zeglis(***)**
Chairman and Chief Executive Officer
AT&T Wireless Services
Basking Ridge, New Jersey

* Member, Audit Committee

** Member, Human Resources Committee

*** Member, Nominating and Corporate Governance Committee

Stockholders' Meeting

The annual meeting of stockholders will be held on March 3, 2004. A formal notice of the meeting, together with a proxy statement and form of proxy will be mailed to shareholders on or about January 27, 2004.

Stock Exchange Listing

Helmerich & Payne, Inc. Common Stock is traded on the New York Stock Exchange with the ticker symbol "HP." The newspaper abbreviation most commonly used for financial reporting is "HelmP." Options on the Company's stock are also traded on the New York Stock Exchange.

Stock Transfer Agent and Registrar

Officers

W. H. Helmerich, III
Chairman of the Board

Hans Helmerich
President and Chief Executive Officer

George S. Dotson
Vice President,
President of Helmerich & Payne
International Drilling Co.

Douglas E. Fears
Vice President and
Chief Financial Officer

Steven R. Mackey
Vice President, Secretary,
and General Counsel

Gordon K. Helm
Controller

As of December 15, 2003, there were 1,017 record holders of Helmerich & Payne, Inc. common stock as listed by the transfer agent's records.

Our Transfer Agent is responsible for our shareholder records, issuance of stock certificates, and distribution of our dividends and the IRS Form 1099. Your requests, as shareholders, concerning these matters are most efficiently answered by corresponding directly with The Transfer Agent at the following address:

UMB Bank
Security Transfer Division
928 Grand Blvd., 13th Floor
Kansas City, MO 64106
Telephone: (800) 884-4225
(816) 860-5000

Additional Information

Quarterly reports on Form 10-Q, earnings releases, and financial statements are made available on the investor relations section of the Company's Web site. Also located on the investor relations section of the Company's Web site are certain corporate governance documents, including the following: the charters of the committees of the Board of Directors; the Company's Corporate Governance Guidelines; the Code of Ethics for Principal Executive Officer and Senior Financial Officers; certain Audit Committee Practices and a description of the means by which employees and other interested persons may communicate certain concerns to the Company's Board of Directors, including the communication of such concerns confidentially and anonymously via the Company's ethics hotline at 1-800-205-4913. Quarterly reports, earnings releases, financial statements and the various corporate governance documents are also available free of charge upon written request.

Direct Inquiries To:

Investor Relations
Helmerich & Payne, Inc.
1437 South Boulder Avenue
Tulsa, Oklahoma 74119
Telephone: (918) 742-5531

Internet Address: <http://www.hpinc.com>

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Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Helmerich & Payne, Inc.

Subsidiaries of Helmerich & Payne, Inc.
Helmerich & Payne International Drilling Co. (Incorporated in Delaware)

Subsidiaries of Helmerich & Payne International Drilling Co.
Helmerich & Payne (Africa) Drilling Co. (Incorporated in Cayman Islands, British West Indies) Helmerich & Payne (Colombia) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Gabon) Drilling Co. (Incorporated in Cayman Islands, British West Indies) Helmerich & Payne (Argentina) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Boulder) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Peru) Drilling Co., Sucursal del Peru, Lima (Lima Branch - Incorporated in Peru) Helmerich & Payne (Peru) Drilling Co., Sucursal del Peru

(Iquitos Branch - Incorporated in Peru)

Helmerich & Payne (Australia) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne del Ecuador, Inc. (Incorporated in Oklahoma)
Helmerich & Payne de Venezuela, C.A. (Incorporated in Venezuela)
Helmerich & Payne Rasco, Inc. (Incorporated in Oklahoma) H&P Finco (Incorporated in Cayman Islands, British West Indies)
H&P Invest Ltd. (Incorporated in Cayman Islands), British West Indies, doing business as H&P (Yemen) Drilling Co.

Subsidiary of H&P Invest Ltd.

Turrum Pty. Ltd. (Incorporated in Papua,
New Guinea)

The Space Center, Inc. (Incorporated in Oklahoma) Helmerich & Payne Properties, Inc. (Incorporated in Oklahoma) Utica Square Shopping
Center, Inc. (Incorporated in Oklahoma)

Subsidiaries of Utica Square Shopping Center, Inc. Fishercorp, Inc. (Incorporated in Oklahoma)

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Helmerich & Payne, Inc. of our report dated November 19, 2003, included in the 2003 Annual Report to Shareholders of Helmerich & Payne, Inc.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-55239, 333-34939 and 333-63124) pertaining, respectively, to the Helmerich & Payne, Inc. 1990 Stock Option Plan, 1996 Stock Incentive Plan, and 2000 Stock Incentive Plan of our report dated November 19, 2003, with respect to the consolidated financial statements of Helmerich & Payne, Inc. incorporated by reference in the Annual Report (Form 10-K) for the year ended September 30, 2003.

ERNST & YOUNG LLP

Tulsa, Oklahoma
December 19, 2003

CERTIFICATION

I, Hans Helmerich, certify that:

1. I have reviewed this annual report on Form 10-K of Helmerich & Payne, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - c) disclosed in this annual report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Hans Helmerich

Hans Helmerich, Chief Executive Officer
December 23, 2003

CERTIFICATION

I, Douglas E. Fears, certify that:

1. I have reviewed this annual report on Form 10-K of Helmerich & Payne, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures [as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)] for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
 - c) disclosed in this annual report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Douglas E. Fears

Douglas E. Fears, Chief Financial Officer
December 23, 2003

Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Helmerich & Payne, Inc. (the "Company") on Form 10-K for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Hans Helmerich, as Chief Executive Officer of the Company, and Douglas E. Fears, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Hans Helmerich

Hans Helmerich
Chief Executive Officer
December 23, 2003

/s/ Douglas E. Fears

Douglas E. Fears
Chief Financial Officer
December 23, 2003

End of Filing

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