

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 11/16/05 for the Period Ending 11/16/05

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
CIK	0000046765
Symbol	HP
SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil & Gas Drilling
Sector	Energy
Fiscal Year	09/30

HELMERICH & PAYNE INC

FORM 8-K (Unscheduled Material Events)

Filed 11/16/2005 For Period Ending 11/16/2005

Address	UTICA AT 21ST ST TULSA, Oklahoma 74114
Telephone	918-742-5531
CIK	0000046765
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	09/30

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

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

DATE OF EARLIEST EVENT REPORTED: November 16, 2005

HELMERICH & PAYNE, INC.
(Exact name of registrant as specified in its charter)

State of Incorporation: Delaware

COMMISSION FILE NUMBER 1-4221

Internal Revenue Service — Employer Identification No. 73-0679879

**1437 South Boulder Avenue, Suite 1400, Tulsa, Oklahoma 74119
(918) 742-5531**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On November 16, 2005, Helmerich & Payne, Inc. (“Registrant”) issued a press release announcing its financial results for its fiscal year ended September 30, 2005. A copy of the press release is attached as Exhibit 99 to this Report on Form 8-K. This information is being furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly authorized the undersigned to sign this report on its behalf.

HELMERICH & PAYNE, INC.
(Registrant)

/s/ Steven R. Mackey
Steven R. Mackey
Vice President

DATE: November 16, 2005

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99	Helmerich & Payne, Inc. earnings press release dated November 16, 2005

November 16, 2005

HELMERICH & PAYNE, INC. ANNOUNCES FISCAL YEAR EARNINGS AND MORE CONTRACTS

Tulsa, OK — Helmerich & Payne, Inc. announced net income of \$127,606,000 (\$2.45 per diluted share) from operating revenues of \$800,726,000 for its fiscal year ended September 30, 2005, compared with net income of \$4,359,000 (\$0.09 per diluted share) from operating revenues of \$589,056,000 for the previous fiscal year. Net income includes gains from the sale of portfolio securities of \$0.32 per share for 2005, and \$0.31 per share for 2004. Net income for fiscal 2004 includes a non-cash charge of \$51,516,000 (\$0.63 per diluted share) for impairment of a portion of the Company's Gulf of Mexico offshore platform rigs.

Net income for the fourth quarter of fiscal 2005 was \$36,121,000 (\$0.68 per diluted share) from operating revenues of \$233,210,000. Included in this year's fourth quarter net income was \$0.01 per share from gains from the sale of portfolio securities. Including the impairment charge mentioned above, the Company recorded a loss for its fourth quarter of fiscal 2004 of \$12,624,000 (\$0.25 per diluted share) from operating revenues of \$164,068,000. During the fourth quarter of 2004, the Company recorded \$0.16 per share of gains from the sale of portfolio securities.

Helmerich & Payne, Inc. also announced today that it had signed separate term agreements with two exploration and production companies to operate a total of nine new FlexRig4s®. Each rig agreement includes a minimum term of at least three years and construction costs are estimated at slightly over \$11 million per rig. Other terms and customer names were not disclosed. This brings to 50, the total number of new FlexRigs to be built by H&P with at least three-year commitments that have been announced by the Company since March of this year.

Company President and C.E.O., Hans Helmerich commented, "We are pleased to reach the milestone of our 50th new-build order. This latest announcement will bring our total number of FlexRigs to 100 once completed, or 71% of our entire U.S. land rig fleet. This strong organic growth further establishes our belief that the Company's overall fleet is the newest and most uniform in the land drilling industry. Customers continue to respond favorably to the proven performance that establishes these rigs as what we believe are best in class. We also believe the market will continue to push demand, not only for more available rigs, but for more capable rigs as well.

"Our 2005 results benefited from the strongest U.S. land market environment in over 20 years as average cash margins per day increased to \$9,317. The robust ramp-up in the energy industry has brought to bear its own challenges, including additional pressure on costs and people. Nonetheless, we are confident this energy cycle will continue to present exciting opportunities going forward."

Operations Summary

Operating income in the Company's U.S. land rig operations increased to \$56,028,000 for the fourth quarter of fiscal 2005, from \$13,856,000 for the same period last year, and from \$47,244,000 for this year's third quarter. Average revenue per rig day rose to \$18,563 and cash margins per rig day to \$9,317 for this year's fourth quarter, compared with \$16,658 revenue per rig day and \$8,219 cash margins per rig day for the previous quarter. U.S. land rig operating

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expense per day increased by 9.6% from this year's third quarter to this year's fourth quarter. The rise in expenses resulted from labor, materials, and supply cost increases. Average U.S. land rig utilization during the fourth quarter of 2005 was 95%, compared with 92% during last year's fourth quarter, and 94% during this year's third quarter.

The Company's offshore platform rig business reported operating income of \$4,720,000 for the fourth quarter of fiscal 2005, compared with \$4,648,000 for the third quarter of 2005, and an operating loss of \$47,540,000 for the fourth quarter 2004. For quarterly comparisons, the offshore operations would have reported an operating profit of \$3,976,000 for the fourth quarter of 2004, without the \$51,516,000 impairment charge. Rig utilization was 65% during this year's fourth quarter, compared with 54% during last year's fourth quarter, and 45% during this year's third quarter. This year's fourth quarter was negatively impacted by lost operating income of approximately \$600,000 due to damage from Hurricane Katrina to offshore platform Rig 201. Seven platform rigs are currently operating and one additional rig is scheduled for work commencing the second fiscal quarter of 2006. It is anticipated that Rig 201 will not return to service during fiscal 2006.

International operating income declined during the fourth quarter of 2005 to \$3,910,000, from \$5,185,000 for last year's fourth quarter, and \$5,284,000 for this year's third quarter. During the quarter, it was discovered the Company had not adequately reserved for future government stipulated deferred compensation payments to Venezuelan rig employees. As a result, \$1,865,000 was expensed during this year's fourth quarter for those previously earned, but unpaid future obligations. Rig utilization for international operations rose to 85% for the quarter, up from 57% during last year's fourth quarter, and 80% during this year's third quarter.

Helmerich & Payne, Inc. is a contract drilling company that owns 90 U.S. land rigs, 11 U.S. platform rigs located in the Gulf of Mexico, and 27 international rigs, for a total of 128 rigs. Included in the total fleet of 128 rigs are 50 H&P-designed and operated FlexRigs. The Company has reached contractual agreements with customers that will result in the construction of 50 additional FlexRigs.

Helmerich & Payne, Inc.'s conference call/webcast is scheduled for this morning and can be accessed at <http://www.hpinc.com> under Investors and will begin at 11:00 a.m. Eastern Time (10:00 a.m. Central Time). If you are unable to participate during the live webcast, the call will be archived for a year on H&P's website indicated above.

The information to be disclosed in the conference call and webcast shall include forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Such forward-looking statements are subject to certain risks and uncertainties, as disclosed by H&P from time to time in its filings with the Securities and Exchange Commission. As a result of these factors, H&P's actual results may differ materially from those indicated or implied by such forward-looking statements.

* FlexRig® is a registered trademark of Helmerich & Payne, Inc.

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(more)

HELMERICH & PAYNE, INC.
Unaudited
 (in thousands, except per share data)

<u>CONSOLIDATED STATEMENTS OF OPERATIONS</u>	Three Months Ended			Fiscal Year Ended	
	June 30 2005	September 30 2005 2004		September 30 2005 2004	
Operating Revenues:					
Drilling — U.S. Land	\$138,720	\$157,335	\$100,055	\$527,637	\$346,015
Drilling — U.S. Offshore	19,905	26,011	23,601	84,921	84,238
Drilling — International	46,030	47,180	38,029	177,480	148,788
Real Estate	2,732	2,684	2,383	10,688	10,015
	<u>207,387</u>	<u>233,210</u>	<u>164,068</u>	<u>800,726</u>	<u>589,056</u>
Operating costs and expenses:					
Operating costs	121,470	137,188	113,423	484,231	417,716
Depreciation	23,419	25,643	24,821	96,274	94,425
Asset impairment	—	—	51,516	—	51,516
General and administrative	11,680	10,496	9,254	41,015	37,661
	<u>156,569</u>	<u>173,327</u>	<u>199,014</u>	<u>621,520</u>	<u>601,318</u>
Operating income (loss)	50,818	59,883	(34,946)	179,206	(12,262)
Other income (expense):					
Interest and dividend income	1,671	1,984	476	5,809	1,965
Interest expense	(3,127)	(2,960)	(3,247)	(12,642)	(12,695)
Gain on sale of investment securities	—	656	13,442	26,969	25,418
Income from asset sales	603	1,160	3,639	13,550	5,377
Other	29	(610)	66	(235)	197
	<u>(824)</u>	<u>230</u>	<u>14,376</u>	<u>33,451</u>	<u>20,262</u>
Income (loss) before income taxes and equity in income of affiliates	49,994	60,113	(20,570)	212,657	8,000
Income tax provision (benefit)	20,627	24,553	(7,772)	87,463	4,365
Equity in income of affiliates net of income taxes	458	561	174	2,412	724
NET INCOME (LOSS)	<u>\$ 29,825</u>	<u>\$ 36,121</u>	<u>\$ (12,624)</u>	<u>\$127,606</u>	<u>\$ 4,359</u>
Earnings (loss) per common share:					
Basic	\$ 0.58	\$ 0.70	\$ (0.25)	\$ 2.50	\$ 0.09
Diluted	\$ 0.57	\$ 0.68	\$ (0.25)	\$ 2.45	\$ 0.09
Average common shares outstanding:					
Basic	51,233	51,616	50,426	51,087	50,312
Diluted	52,236	52,748	50,883	52,033	50,833

(more)

HELMERICH & PAYNE, INC.
Unaudited
(in thousands)

CONSOLIDATED CONDENSED BALANCE SHEETS	9/30/05	9/30/04
ASSETS		
Cash and cash equivalents	\$ 288,752	\$ 65,296
Other current assets	212,294	180,034
Total current assets	<u>501,046</u>	<u>245,330</u>
Investments	178,452	161,532
Net property, plant, and equipment	981,965	998,674
Other assets	3,136	1,308
TOTAL ASSETS	<u>\$1,664,599</u>	<u>\$1,406,844</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total current liabilities	\$ 90,730	\$ 59,903
Total noncurrent liabilities	294,631	232,831
Long-term notes payable	200,000	200,000
Total shareholders' equity	<u>1,079,238</u>	<u>914,110</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$1,664,599</u>	<u>\$1,406,844</u>

(more)

HELMERICH & PAYNE, INC.
Unaudited
(in thousands)

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS	Years Ended September 30	
	2005	2004
OPERATING ACTIVITIES:		
Net Income	\$127,606	\$ 4,359
Depreciation	96,274	94,425
Asset impairment charge	—	51,516
Changes in assets and liabilities	33,091	18,260
Gain on sale of assets and investment securities	(40,519)	(28,143)
Non-monetary investment gain	—	(2,521)
Other	(4,214)	(1,256)
Net cash provided by operating activities	212,238	136,640
INVESTING ACTIVITIES:		
Capital expenditures	(86,805)	(90,212)
Purchase of investments	(5,000)	—
Proceeds from sale of assets and investment securities	94,531	21,974
Net cash provided by (used in) investing activities	2,726	(68,238)
FINANCING ACTIVITIES:		
Net payments on short-term notes	—	(30,000)
Dividends paid	(16,866)	(16,222)
Proceeds from exercise of stock options	25,358	4,927
Net cash provided by (used in) financing activities	8,492	(41,295)
Net increase in cash and cash equivalents	223,456	27,107
Cash and cash equivalents, beginning of period	65,296	38,189
Cash and cash equivalents, end of period	\$288,752	\$ 65,296

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SEGMENT REPORTING

	Three Months Ended			Fiscal Year Ended	
	June 30	September 30		September 30	
	2005	2005	2004	2005	2004
(in thousands, except days and per day amounts)					
U.S. LAND OPERATIONS					
Revenues	\$138,720	\$157,335	\$100,055	\$527,637	\$346,015
Direct operating expenses	74,639	82,852	68,960	294,164	246,177
General and administrative expense	2,346	2,543	2,142	8,594	7,765
Depreciation	14,491	15,912	15,097	60,222	56,528
Operating income	\$ 47,244	\$ 56,028	\$ 13,856	\$164,657	\$ 35,545
Activity days	7,797	7,994	7,363	30,968	27,472
Average rig revenue per day	\$ 16,658	\$ 18,563	\$ 12,437	\$ 15,941	\$ 11,635
Average rig expense per day	\$ 8,439	\$ 9,246	\$ 8,214	\$ 8,403	\$ 8,001
Average rig margin per day	\$ 8,219	\$ 9,317	\$ 4,223	\$ 7,538	\$ 3,634
Rig utilization	94%	95%	92%	94%	87%
U.S. OFFSHORE OPERATIONS					
Revenues	\$ 19,905	\$ 26,011	\$ 23,601	\$ 84,921	\$ 84,238
Direct operating expenses	11,504	17,443	15,653	52,786	52,987
General and administrative expense	1,071	1,103	968	3,825	3,256
Depreciation	2,682	2,745	3,004	10,602	12,107
Asset impairment	—	—	51,516	—	51,516
Operating income (loss)*	\$ 4,648	\$ 4,720	\$ (47,540)	\$ 17,708	\$ (35,628)
Activity days	455	654	601	2,122	2,088
Average rig revenue per day	\$ 32,614	\$ 29,782	\$ 27,777	\$ 29,228	\$ 29,070
Average rig expense per day	\$ 16,426	\$ 17,838	\$ 17,377	\$ 15,967	\$ 16,509
Average rig margin per day	\$ 16,188	\$ 11,944	\$ 10,400	\$ 13,261	\$ 12,561
Rig utilization	45%	65%	54%	53%	48%

*NOTE: The following is a reconciliation of the operating income (loss) for the U.S. Offshore segment for the fourth quarter of 2004, which is provided to assist with quarterly comparisons.

Operating Loss	\$(47,540)
Impairment charge	<u>51,516</u>
Operating income, as adjusted	<u>\$ 3,976</u>

(more)

SEGMENT REPORTING

	Three Months Ended			Fiscal Year Ended	
	June 30	September 30		September 30	
	2005	2005	2004	2005	2004
(in thousands, except days and per day amounts)					
INTERNATIONAL OPERATIONS					
Revenues	\$46,030	\$47,180	\$38,029	\$177,480	\$148,788
Direct operating expenses	35,192	36,870	27,050	135,837	113,988
General and administrative expense	619	794	527	2,563	2,144
Depreciation	4,935	5,606	5,267	20,107	20,530
Operating income	\$ 5,284	\$ 3,910	\$ 5,185	\$ 18,973	\$ 12,126
Activity days	1,916	2,024	1,692	7,491	6,266
Average rig revenue per day	\$19,536	\$19,168	\$18,746	\$ 19,332	\$ 19,580
Average rig expense per day	\$14,633	\$14,416	\$12,739	\$ 14,039	\$ 14,279
Average rig margin per day	\$ 4,903	\$ 4,752	\$ 6,007	\$ 5,293	\$ 5,301
Rig utilization	80%	85%	57%	77%	54%

Per day calculations for international operations exclude gains and losses from translation of foreign currency transactions.

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

Reimbursed amounts were as follows:

U.S. Land Operations	\$ 8,838	\$ 8,943	\$ 8,478	\$ 33,989	\$ 26,367
U.S. Offshore Operations	\$ 2,412	\$ 4,213	\$ 1,680	\$ 9,506	\$ 6,012
International Operations	\$ 4,115	\$ 4,207	\$ 2,481	\$ 15,215	\$ 11,731

REAL ESTATE

Revenues	\$ 2,732	\$ 2,684	\$ 2,383	\$ 10,688	\$ 10,015
Direct operating expenses	838	583	1,760	3,622	4,564
Depreciation	628	589	589	2,352	2,253
Operating income	\$ 1,266	\$ 1,512	\$ 34	\$ 4,714	\$ 3,198

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The following table reconciles operating income (loss) per the information above to income (loss) before income taxes and equity in income of affiliates as reported on the Consolidated Statements of Operations (in thousands).

SEGMENT REPORTING

	Three Months Ended			Fiscal Year Ended	
	June 30	September 30		September 30	
	2005	2005	2004	2005	2004
Operating income (loss)					
U.S. Land	\$47,244	\$56,028	\$13,856	\$164,657	\$35,545
U.S. Offshore	4,648	4,720	(47,540)	17,708	(35,628)
International	5,284	3,910	5,185	18,973	12,126
Real Estate	1,266	1,512	34	4,714	3,198
Segment operating income (loss)	\$58,442	\$66,170	\$(28,465)	\$206,052	\$15,241
Corporate general and administrative	(7,644)	(6,056)	(5,617)	(26,033)	(24,496)
Other depreciation	(683)	(791)	(864)	(2,991)	(3,007)
Inter-segment elimination	703	560	—	2,178	—
Operating income (loss)	\$50,818	\$59,883	\$(34,946)	\$179,206	\$(12,262)
Other income (expense):					
Interest and dividend income	1,671	1,984	476	5,809	1,965
Interest expense	(3,127)	(2,960)	(3,247)	(12,642)	(12,695)
Gain on sale of investment securities	—	656	13,442	26,969	25,418
Income from asset sales	603	1,160	3,639	13,550	5,377
Other	29	(610)	66	(235)	197
Total other income (expense)	(824)	230	14,376	33,451	20,262
Income (loss) before income taxes and equity in income of affiliates	\$49,994	\$60,113	\$(20,570)	\$212,657	\$8,000

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