

HELMERICH & PAYNE, INC.

FORM 10-Q (Quarterly Report)

Filed 05/14/99 for the Period Ending 03/31/99

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 10-Q (Quarterly Report)

Filed 5/14/1999 For Period Ending 3/31/1999

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

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 30549

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

For quarterly period ended: MARCH 31, 1999

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 I.D. Number)

UTICA AT TWENTY-FIRST STREET, TULSA, OKLAHOMA 74114

(Address of principal executive office) (Zip Code)

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

Former name, former address and former fiscal year, if changed since last report:

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

--- ---

CLASS
Common Stock, .10 par value

OUTSTANDING AT MARCH 31, 1999
49,432,536

TOTAL NUMBER OF PAGES 17

HELMERICH & PAYNE, INC.

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PART I. FINANCIAL INFORMATION

HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands)

	(Unaudited) March 31 1999	September 30 1998
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20,706	\$ 24,476
Short-term investments	240	262
Accounts receivable, net	112,442	119,395
Inventories	26,489	25,401
Prepaid expenses and other	22,181	14,811
	-----	-----
Total Current Assets	182,058	184,345
	-----	-----
Investments	217,197	200,400
Property, Plant and Equipment, net	703,620	692,371
Other Assets	12,840	13,314
	-----	-----
Total Assets	\$ 1,115,715	\$ 1,090,430
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 26,635	\$ 41,851
Accrued liabilities	38,232	38,833
Notes payable	59,500	44,800
	-----	-----
Total Current Liabilities	124,367	125,484
	-----	-----
Noncurrent Liabilities		
Long-term notes payable	50,000	50,000
Deferred income taxes	108,175	103,469
Other	16,290	18,329
	-----	-----
Total Noncurrent Liabilities	174,465	171,798
	-----	-----
SHAREHOLDERS' EQUITY		
Common stock, par value \$.10 per share	5,353	5,353
Preferred stock, no shares issued	--	--
Additional paid-in capital	59,323	59,004
Retained earnings	730,200	716,875
Unearned compensation	(5,195)	(5,605)
Accumulated other comprehensive income	63,924	54,689
	-----	-----
853,605		830,316
Less treasury stock, at cost	36,722	37,168
	-----	-----
Total Shareholders' Equity	816,883	793,148
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 1,115,715	\$ 1,090,430
	=====	=====

See accompanying notes to financial statements.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

(in thousands except per share data)

	Quarter Ended March 31		Six Months Ended March 31	
	1999	1998	1999	1998
	-----	-----	-----	-----
REVENUES:				
Sales and other operating revenues	\$ 154,042	\$ 140,822	\$ 296,560	\$ 284,934
Income from investments	1,332	1,567	2,678	9,278
	-----	-----	-----	-----
	155,374	142,389	\$ 299,238	294,212
	-----	-----	-----	-----
COST AND EXPENSES:				
Operating costs	96,291	81,382	182,905	157,872
Depreciation, depletion and amortization	33,371	19,186	57,370	37,837
Dry holes and abandonments	2,134	3,169	3,893	7,306
Taxes, other than income taxes	6,654	5,783	13,075	10,977
General and administrative	4,527	3,839	8,117	6,395
Interest	1,877	34	3,479	59
	-----	-----	-----	-----
	144,854	113,393	268,839	220,446
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE	10,520	28,996	30,399	73,766
INCOME TAX EXPENSE	4,035	11,218	11,897	28,040
EQUITY IN INCOME OF AFFILIATE, net of income taxes	867	1,559	1,661	2,776
	-----	-----	-----	-----
NET INCOME	\$ 7,352	\$ 19,337	\$ 20,163	\$ 48,502
	=====	=====	=====	=====
EARNINGS PER COMMON SHARE:				
Basic	\$ 0.15	\$ 0.39	\$ 0.41	\$ 0.97
Diluted	0.15	\$ 0.38	\$ 0.41	\$ 0.95
CASH DIVIDENDS (Note 2)	\$ 0.07	\$ 0.07	\$ 0.14	\$ 0.14
AVERAGE COMMON SHARES OUTSTANDING:				
Basic	49,198	50,052	49,190	50,029
Diluted	49,594	50,609	49,629	50,837

The accompanying notes are an integral part of these statements.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(Unaudited)

(in thousands)

	Six Months Ended	
	03/31/99	03/31/98
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 20,163	\$ 48,502
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	57,370	37,837
Dry holes and abandonments	3,893	7,306
Equity in income of affiliate before income taxes	(2,679)	(4,477)
Amortization of deferred compensation	781	591
Gain on sale of securities	(116)	(6,012)
Gain on sale of property, plant & equipment	(5,735)	(1,446)
Other, net	974	268
Change in assets and liabilities-		
Accounts receivable	6,953	(21,990)
Inventories	(1,088)	(2,516)
Prepaid expenses and other	(6,896)	(4,500)
Accounts payable	(15,216)	(1,515)
Accrued liabilities	(601)	(8,067)
Deferred income taxes	(954)	3,345
Other noncurrent liabilities	(2,039)	11,418
Total adjustments	34,647	10,242
NET CASH PROVIDED BY OPERATING ACTIVITIES	54,810	58,744
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including dry hole costs	(74,002)	(101,387)
Proceeds from sales of property, plant and equipment	7,195	11,999
Purchase of investments	(3)	(52)
Proceeds from sale of investments	53	21,070
Proceeds from sale of short-term investments	22	40
NET CASH USED IN INVESTING ACTIVITIES	(66,735)	(68,330)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	69,000	71,000
Payments made on notes payable	(54,300)	(48,000)
Dividends paid	(6,920)	(6,776)
Proceeds from exercise of stock options	375	1,038
NET CASH PROVIDED BY FINANCING ACTIVITIES	8,155	17,262
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,770)	7,676
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	24,476	27,963
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 20,706	\$ 35,639

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands - except per share data)

	Common Stock		Additional Paid-In Capital	Unearned Compensation
	Shares	Amount		
Balance, September 30, 1998	53,529	\$ 5,353	\$59,004	\$ (5,605)
Comprehensive Income:				
Net Income				
Other comprehensive income, net of tax				
Unrealized gains on available- for-sale securities				
Comprehensive income				
Cash dividends (\$0.14 per share)				
Exercise of Stock Options			182	
Stock issued under Restricted Stock Award Plan			137	(289)
Amortization of deferred compensation				699
Balance, March 31, 1999	53,529	\$ 5,353	\$59,323	\$ (5,195)

	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income	Total
		Shares	Amount		
Balance, September 30, 1998	\$ 716,875	4,146	\$(37,168)	\$54,689	\$793,148
Comprehensive Income:					
Net Income	20,163				20,163
Other comprehensive income, net of tax					
Unrealized gains on available- for-sale securities				9,235	9,235
Comprehensive income					29,398
Cash dividends (\$0.14 per share)	(6,920)				(6,920)
Exercise of Stock Options		(33)	294		476
Stock issued under Restricted Stock Award Plan		(17)	152		
Amortization of deferred compensation	82				781
Balance, March 31, 1999	\$ 730,200	4,096	\$(36,722)	\$63,924	\$816,883

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the results of the periods presented. The results of operations for the three and six months ended March 31, 1999, and March 31, 1998, are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 1998 Annual Report on Form 10-K.

2. The \$.07 cash dividend declared in December, 1998, was paid March 1, 1999. On March 3, 1999, a cash dividend of \$.07 per share was declared for shareholders of record on May 15, 1999, payable June 1, 1999.

3. Inventories consist of materials and supplies.

4. Income from investments includes \$116,000 and \$6,012,000 from gains on sales of available-for-sale securities during the first six months of 1999 and 1998, respectively.

5. The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting. The Company's investment in securities accounted for under the equity method is \$38,100,000.

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Est. Fair Value
	(in thousands)			
Equity Securities 03/31/99	\$75,994	\$109,729	\$6,626	\$179,097
Equity Securities 09/30/98	\$76,770	\$ 93,364	\$5,156	\$164,978

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

6. Comprehensive Income - Comprehensive income, net of related tax, is as follows:

	Three Months Ended		Six Months Ended	
	March 31		March 31	
	1999	1998	1999	1998

Net Income	\$ 7,352	\$ 19,337	\$ 20,163	\$ 48,502
Unrealized gains(losses) on available-for-sale securities	10,746	816	9,235	(5,248)

Comprehensive Income	\$ 18,098	\$ 20,153	\$ 29,398	\$ 43,254
	=====			

7. Notes payable and Long-term Debt - At March 31, 1999, the Company had committed bank lines of credit totaling \$110 million; \$110 million may be borrowed through May 1999, \$60 million may be borrowed through May 2000, and \$50 million may be borrowed through October 2003. Additionally, the Company had uncommitted credit facilities totaling \$63 million. Collectively, the Company had \$109.5 million in outstanding borrowings and outstanding letters of credit totaling \$8.2 million at March 31, 1999. The average rate on the borrowings at March 31, 1999, was 5.3 percent, including the estimated effect of an interest rate swap described below.

Concurrent with a \$50 million borrowing under one of its committed facilities, the Company has entered into a 5-year, \$50 million interest rate swap, which closely correlates with the terms and maturity of the facility. The swap effectively fixes the interest rate on this facility at 5.38% for the entire 5 year term of the note.

The Company will not renew a \$50 million committed facility that expires in May 1999. The Company is in the process of increasing existing bank lines and adding new bank lines, and anticipates that it will fully replace the \$50 million expiring facility.

8. 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.

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

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

(in thousands)	Three Months Ended March 31		Six Months Ended March 31	
	1999	1998	1999	1998
Basic weighted-average shares	49,198	50,052	49,190	50,029
Effect of dilutive shares:				
Stock options	382	557	427	770
Restricted stock	14	--	12	38
	-----	-----	-----	-----
	396	557	439	808
	-----	-----	-----	-----
Diluted weighted-average shares	49,594	50,609	49,629	50,837
	=====	=====	=====	=====

Restricted stock of 180,000 shares at a weighted-average price of \$37.73 and options to purchase 919,000 shares of common stock at a weighted-average price of \$32.40 were outstanding at March 31, 1999, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive, as the exercise prices of the options exceed the average market price of the common shares.

9. New Accounting Pronouncements - The Financial Accounting Standards Board has issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", (SFAS 133) which is effective for fiscal years beginning after June 15, 1999. This standard requires that all derivatives be recognized as assets or liabilities in the balance sheet and that those instruments be measured at fair value. The Company has not yet determined what the effect of SFAS 133 will be on the results of operations and the financial position of the Company.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information". This statement, which is effective for fiscal years beginning after December 15, 1997, expands or modifies disclosures and will have no impact on the Company's consolidated financial position, results of operations or cash flows.

The American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP)98-5, "Reporting on the Costs of Start-Up Activities", effective for fiscal years beginning after December 15, 1998. The SOP requires that all start-up costs be expensed and that the effect of adopting the SOP be reported as the cumulative effect of a change in accounting principle. The effect of this SOP on the Company's results of operations and financial position is not expected to be material.

10. Restricted Stock Awards - In the first quarter of fiscal year 1999, the Company issued to certain employees 17,000 shares of treasury stock as restricted stock awards under the 1996 Stock Incentive Plan. The Company recognized unearned compensation of \$289,000, which was the fair market value of the stock at the time of issuance. Treasury stock was reduced by the book value of the shares issued (\$152,396) with the difference recognized as an increase in paid-in-capital. The unearned compensation is being amortized over a five-year period as compensation expense.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
REVENUES AND INCOME BY BUSINESS SEGMENTS
(UNAUDITED)

(in thousands)

	1st Qtr	Fiscal Year 1999 2nd Qtr	Six Mos.	FY 1998 Six Mos.
	-----			-----
SALES AND OTHER REVENUES:				
Contract Drilling-Domestic	\$ 45,985	\$ 72,150	\$ 118,135	\$ 84,340
Contract Drilling-International	54,685	49,853	104,538	113,671
	-----			-----
Total Contract Drilling Div	100,670	122,003	222,673	198,011
	-----			-----
Exploration and Production	26,428	18,849	45,277	54,401
Natural Gas Marketing	13,175	11,481	24,656	28,155
	-----			-----
Total Oil & Gas Division	39,603	30,330	69,933	82,556
	-----			-----
Real Estate Division	2,193	2,095	4,288	4,232
Investment and Other	1,398	946	2,344	9,413
	-----			-----
Total Revenues	\$ 143,864	\$ 155,374	\$ 299,238	\$ 294,212
	=====			=====
OPERATING PROFIT(LOSS):				
Contract Drilling-Domestic	\$ 7,664	\$ 11,704	\$ 19,368	\$ 17,646
Contract Drilling-International	9,941	9,082	19,023	28,858
	-----			-----
Total Contract Drilling Div	17,605	20,786	38,391	46,504
	-----			-----
Exploration and Production	4,505	(6,270)	(1,765)	21,495
Natural Gas Marketing	941	1,039	1,980	1,035
	-----			-----
Total Oil & Gas Division	5,446	(5,231)	215	22,530
	-----			-----
Real Estate Division	1,391	1,270	2,661	2,720
	-----			-----
Total Operating Profit	24,442	16,825	41,267	71,754
	-----			-----
OTHER	(4,563)	(6,305)	(10,868)	2,012
	-----			-----
INCOME BEFORE INCOME TAXES AND	-----			-----
EQUITY IN INCOME OF AFFILIATE	\$ 19,879	\$ 10,520	\$ 30,399	\$ 73,766
	=====			=====

See accompanying notes to financial statements.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 1999

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the consolidated financial statements, notes and management's narrative analysis contained in the Company's 1998 Annual Report on Form 10-K and the condensed 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 natural gas and crude oil prices, expiration or termination of drilling contracts, currency exchange losses, changes in general economic conditions, rapid or unexpected changes in technologies 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 includes 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 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.

RESULTS OF OPERATIONS

The Company reported net income of \$7,352,000 (\$0.15 per share) from revenues of \$155,374,000 for the second quarter ended March 31, 1999, compared with net income of \$19,337,000 (\$0.38 per share) from revenues of \$142,389,000 for the second quarter of the prior fiscal year. Net income for the first six months of this fiscal year totaled \$20,163,000 (\$0.41 per share) from revenues of \$299,238,000, compared with net income of \$48,502,000 (\$0.95 per share) from revenues of \$294,212,000 recorded for the same period last year. The first six months of last year included \$3,673,000 (\$0.07 per share) from the sale of investment securities.

The Company's Exploration and Production Division reported an operating loss of \$6,270,000 and \$1,765,000 for the second quarter and six months ended March 31, 1999, respectively, compared with an operating profit of \$6,636,000 and \$21,495,000, respectively, for the same periods in fiscal 1998.

The decrease in operating profit for the second quarter of fiscal 1999, compared with the same quarter of fiscal 1998, is primarily the result of lower oil and gas revenues, increased operating expense and increased depreciation and depletion offset by decreased dryhole costs.

Oil and gas revenues were \$18,767,000 and \$40,374,000 in the second quarter and first six months of fiscal 1999, respectively, compared with \$22,068,000 and \$53,906,000 for the same periods of fiscal 1998, with significantly lower gas prices being the main reason for the decrease in revenues. Crude oil prices for the second quarter and first six months of fiscal 1999 averaged \$11.40 per bbl and \$11.14 per bbl, respectively, compared with \$14.53 per bbl and \$16.76

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 1999
(Continued)

per bbl in the same periods of 1998. Crude oil volumes for the same periods averaged 1,558 bbls/d and 1,757 bbls/d for 1999, and 1,776 bbls/d and 2,000 bbls/d for 1998. Natural gas prices for the second quarter and first six months of fiscal 1999 averaged \$1.49 per mcf and \$1.64 per mcf, respectively, compared with \$1.89 per mcf and \$2.25 per mcf in the the same periods of 1998. Natural gas volumes for the second quarter and first six months of fiscal 1999 averaged 126.5 mmcf/d and 122.9 mmcf/d, respectively, compared with 115.6 mmcf/d and 116.4 mmcf/d in the same periods of 1998.

Depreciation and depletion increased \$10.2 million in the second quarter of fiscal 1999, compared with the second quarter of fiscal 1998. The increase included an impairment charge of \$8.9 million in connection with the drilling and completion of a pinnacle reef well with reserve values significantly below its carrying cost. The impairment charge reduced second quarter after-tax earnings by approximately \$0.11 per share. Dryhole expense was \$5,000 in the second quarter of fiscal 1999, compared with \$1,941,000 in the same period of fiscal 1998. Dryhole expense for the first six months of fiscal 1999 and 1998 was \$22,000 and \$4,522,000, respectively.

Operating profits from the Company's domestic drilling operations for the second quarter of fiscal 1999 and 1998 were \$11,704,000 and \$8,275,000, respectively. Although fundamentals in the drilling industry have continued to deteriorate, second quarter domestic results were helped by increased earnings from offshore platform rig operations, including a full quarter of income from Rig 204, the transfer of Rig 91 from offshore Venezuela to U.S. operations, and an increase in offshore labor contract income. Domestic results also included \$25,250,000 of revenue and \$1,850,000 of operating profit from the Jade offshore construction project in the second quarter.

During the second quarter, U.S. land rig utilization dropped to 74%, from 85% during the first quarter of this year, and 96% during the second quarter of 1998. Revenue days and average dayrates for land rigs were down approximately 10% from last year's second quarter. Continued softening of land dayrates and rig utilization are expected for the remainder of the fiscal year.

Operating profits from the Company's international drilling operations for the second quarter of fiscal 1999 and 1998 were \$9,082,000 and \$14,803,000, respectively. Revenues for the same periods were \$49,853,000 and \$61,677,000. The Company's international rig utilization fell to 56%, compared with 65% during the first quarter of this year, and 95% during last year's second quarter. With international rig utilization and dayrates continuing to decline, especially in Venezuela and Colombia, third quarter international operating income is projected to be less than half that of the second quarter. It is also likely that fourth quarter operating income could decline even further.

YEAR 2000 COMPLIANCE

THE COMPANY'S STATE OF READINESS

The following information shall constitute the Company's "Year 2000 Readiness Disclosure" within the meaning of the Year 2000 Information Readiness Act.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 1999
(Continued)

The Company has undertaken various initiatives in an attempt to ensure that its hardware, software and equipment will function properly with respect to dates before and after January 1, 2000. For this purpose, the phrase "hardware, software and equipment" includes systems that are commonly thought of as Information Technology ("IT") systems, as well as those Non-Information Technology ("Non-IT") systems and equipment which include embedded technology. IT systems include computer hardware and software, and other related systems. Non-IT systems include certain oil and gas drilling and production equipment, security systems and other miscellaneous systems. The Non-IT systems present the greatest compliance challenge since identification of embedded technology is difficult and because the Company is, to a great extent, reliant on third parties for Non-IT compliance.

The Company has formed a Year 2000 ("Y2K") Project team which is chaired by the Director of IT. The team includes IT staff, corporate staff and representatives from the Company's business units. The Company has organized its compliance efforts into a four-phase approach as follows:

Phase 1: Identification - Identify and inventory mission critical components of Company operations and systems which may be affected.

Phase 2: Assessment - Determine which hardware, software and equipment must be modified, upgraded or replaced.

Phase 3: Remediation - Modify, upgrade or replace non-compliant hardware, software and equipment.

Phase 4: Testing - Fully test all IT systems which are material to the Company's operations. Selectively test those Non-IT systems and equipment which are material to the Company's operations.

For the purposes of the Y2K Project material items are those items the Company believes to have a risk involving safety of individuals, damage to the environment, material effect on revenues or material damage to property.

The following represents the status of the Company's IT and Non-IT Compliance Project:

IT		STATUS OF COMPLETION -----	TARGET FOR COMPLETION -----
--			
o	Core accounting and operational (mainframe) systems	Phases 1,2,3 & 4 Completed	Completed
o	Human Resources & Payroll Systems	Phases 1,2,3 & 4 Completed	Completed

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 1999
(Continued)

	STATUS OF COMPLETION -----	TARGET FOR COMPLETION -----
IT --		
o Network	Completed	Completed
o Desktop Computer Hardware	Phases 1,2 & 3 completed for North America; Phases 1 & 2 completed and Phase 3 in progress for South America	July 31, 1999
o Standard Company Desktop Computer Software	Phases 1,2 & 3 completed for North America; Phases 1 & 2 completed and Phase 3 in progress for South America	July 31, 1999
o Business Unit User Software	Phase 1 completed; Phases 2 & 3 in progress; Phase 4 being planned	September 30, 1999
Non-IT -----		
o Systems and Equipment	Phase 1 completed; Phases 2 & 3 in progress; Phase 4 being planned	September 30, 1999

As reflected in the above table, the Company is in the process of assessing embedded technology and determining the extent to which such technology is Y2K compliant. As part of this process, the Company has mailed letters to its significant vendors and service providers to confirm that the products and services purchased from or by such entities are Y2K compliant. Also, the Company is in the process of obtaining information from significant customers regarding the extent to which Y2K issues may affect the amount of business the Company currently conducts with such customers. As of May 1, 1999, the Company had received responses from approximately 66% of such vendors and service providers. A follow-up mailing to significant vendors and services providers that did not initially respond, or whose responses were deemed unsatisfactory, has been completed as well as a second follow-up for the non-responders. As a result of these activities, the Company is conducting discussions with the vendors or manufacturers of such mission critical equipment to determine the most effective solutions to Y2K compliance issues.

THE COST TO ADDRESS Y2K ISSUES

The Company believes that the cost of its Y2K Project should not exceed \$1,000,000, including costs of employees working on the Y2K Project. Costs incurred for new software and hardware purchases are being capitalized, and other costs are being expensed as incurred. The costs relating to the Company's Y2K

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
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MARCH 31, 1999
(Continued)

Project are paid from the Company's general funds. To date, the Company has incurred Y2K Project costs of approximately \$800,000. This expenditure mainly relates to repair, upgrading or replacement of existing software and hardware, and solicitation and evaluation of information received from significant vendors, service providers, or customers. The \$1,000,000 figure includes the costs of independent consultants engaged to review selected Y2K issues.

THE COMPANY'S CONTINGENCY PLAN

The Company is in the process of developing its contingency plans on a business unit and departmental basis. These plans are projected to be completed by July 31, 1999. These contingency plans will include, but not be limited to: development of backup and recovery procedures for IT Systems; remediation of existing systems or equipment; installation of new systems or equipment; stockpiling of Y2K compliant goods and supplies; stockpiling old equipment which does not contain embedded technology; replacement of current services with temporary manual processes; finding non-technological alternatives or sources for information; or identification of alternative customers, suppliers or outsourcing subcontractors who stand ready to receive or provide critical goods, equipment and services. The Company has engaged a computer recovery services contractor as a potential source of alternative computer systems as part of its contingency plan.

THE RISKS OF THE COMPANY'S Y2K ISSUES

The Company is in the process of completing an analysis of the operational problems and costs (including loss of revenues) that would be reasonably likely to result from the failure by the Company and certain third parties to complete efforts necessary to achieve Y2K compliance on a timely basis. The Company presently believes that the Y2K issue will not pose significant operational problems for the Company. However, if all significant Y2K issues are not properly identified, or assessment, remediation and testing are not effected timely, there can be no assurance that the Y2K issue will not materially and adversely impact the Company's results of operations, liquidity and financial condition or materially and adversely affect the Company's relationships with customers, vendors, or others. Additionally, there can be no assurance that the lack of Y2K compliance by other entities will not have a material and adverse impact on the Company's operations or financial condition.

The preceding Y2K disclosure is based upon certain forward-looking information including, but not limited to, the dates on which the Company believes that various phases of the Y2K Project will be completed. This forward-looking information is based on Management's good faith estimates. These estimates were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third-party plans and other factors. However, there can be no guarantee that these estimates will be achieved, or that there will not be a delay in, or increased costs associated with, the implementation of the Y2K Project. Specific factors that might cause differences between the estimates and actual results include, but are not limited to, the availability and cost of personnel trained in these areas, the ability to locate and correct all relevant computer code, timely responses to and corrections by third-parties and suppliers, the ability to implement interfaces between the new systems and the systems not being replaced, and similar uncertainties. Due to the general uncertainty inherent in Y2K issues, including the uncertainty of third party Y2K compliance, the Company cannot ensure its ability to timely and cost-effectively resolve problems associated with Y2K issues that may affect its operations and business, or expose it to third party liability.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
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LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$54,810,000 for the first six months of fiscal 1999, compared with \$58,744,000 for the same period in 1998. Capital expenditures were \$74,002,000 and \$101,387,000 for the first six months of fiscal 1999 and 1998, respectively.

It is anticipated for fiscal 1999 that capital expenditures will approach \$135 million, which is less than the Company's projected internally generated cash flow. The Company would, if necessary, borrow under its line of credit agreement to fund capital expenditures in excess of cash flows. The Company reduced borrowings by \$14,000,000 during the current quarter. The Company's indebtedness totaled \$109,500,000 as of March 31, 1999, as described in Note 7 to the Consolidated Condensed Financial Statements.

There were no other significant changes in the Company's financial position since September 30, 1998.

PART II. OTHER INFORMATION
HELMERICH & PAYNE, INC.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of Helmerich & Payne, Inc. was held on March 3, 1999, for the purpose of electing three members of the Board of Directors. No other matters were submitted for vote to the stockholders. Proxies for the meeting were solicited by and on behalf of the management of Helmerich & Payne, Inc., and there was no solicitation in opposition to management's solicitation. Each of management's incumbent nominees for directorship were elected by the affirmative vote of a plurality of the shares of voted common stock. The number of votes for and withheld from each Director, respectively, were as follows: William L. Armstrong, 45,285,451 for and 256,367 shares withheld; L. F. Rooney, III, 45,287,351 for and 254,467 shares withheld; and John D. Zeglis, 45,277,983 for and 263,835 shares withheld. There were no broker non-votes nor other abstentions. The other Directors whose term of office as Director continued after the meeting are W. H. Helmerich, III, Glenn

A. Cox, Edward B. Rust, Jr., Hans Helmerich, George S. Dotson and George A. Schaefer.

Item 6(b) Reports on Form 8-K

There were no reports on Form 8K for the three months ended March 31, 1999.

PART II. OTHER INFORMATION
HELMERICH & PAYNE, INC.

SIGNATURES

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

Date: MAY 14, 1999 /s/ DOUGLAS E FEARS

Douglas E. Fears, Chief Financial Officer

Date: MAY 14, 1999 /s/ HANS C. HELMERICH

Hans C. Helmerich, President

INDEX TO EXHIBITS

EXHIBIT NO. -----	DESCRIPTION -----
27	Financial Data Schedule

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 30 1999
PERIOD START	OCT 01 1998
PERIOD END	MAR 31 1999
CASH	20,706
SECURITIES	217,197
RECEIVABLES	115,850
ALLOWANCES	3,408
INVENTORY	26,489
CURRENT ASSETS	182,058
PP&E	1,422,070
DEPRECIATION	718,450
TOTAL ASSETS	1,115,715
CURRENT LIABILITIES	124,367
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	5,353
OTHER SE	811,530
TOTAL LIABILITY AND EQUITY	1,115,715
SALES	296,560
TOTAL REVENUES	299,238
CGS	247,780
TOTAL COSTS	247,780
OTHER EXPENSES	9,463
LOSS PROVISION	0
INTEREST EXPENSE	3,479
INCOME PRETAX	30,399
INCOME TAX	11,897
INCOME CONTINUING	20,163
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	20,163
EPS PRIMARY	0.41
EPS DILUTED	0.41

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