

HELMERICH & PAYNE, INC.

FORM 10-Q (Quarterly Report)

Filed 05/11/01 for the Period Ending 03/31/01

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 5/11/2001 For Period Ending 3/31/2001

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, 2001

OR

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

For the transition period from to

Commission File Number: 1-4221

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 NO
--- ---

CLASS
Common Stock, .10 par value

OUTSTANDING AT MARCH 31, 2001
50,609,349

TOTAL NUMBER OF PAGES 19

HELMERICH & PAYNE, INC.

INDEX

PART I.	FINANCIAL INFORMATION	
	Consolidated Condensed Balance Sheets - March 31, 2001 and September 30, 2000	3
	Consolidated Condensed Statements of Income - Three Months and Six Months Ended March 31, 2001 and 2000	4
	Consolidated Condensed Statements of Cash Flows - Six Months Ended March 31, 2001 and 2000	5
	Consolidated Condensed Statement of Shareholders' Equity Six Months Ended March 31, 2001	6
	Notes to Consolidated Condensed Financial Statements . . .	7 - 13
	Management's Discussion and Analysis of Results of Operations and Financial Condition	14 - 18
PART II.	OTHER INFORMATION	18 - 19
	Signature Page	19

PART I. FINANCIAL INFORMATION

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

	(Unaudited) March 31, 2001	September 30, 2000
	-----	-----
ASSETS		

Current Assets		
Cash and cash equivalents	\$ 146,641	\$ 108,087
Accounts receivable, net	121,429	106,630
Inventories	27,870	25,598
Prepaid expenses and other	23,964	24,829
	-----	-----
Total Current Assets	319,904	265,144
	-----	-----
Investments	251,883	304,326
Property, Plant and Equipment, net	717,207	673,605
Other Assets	15,761	16,417
	-----	-----
Total Assets	\$ 1,304,755	\$ 1,259,492
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		

Current Liabilities		
Accounts payable	\$ 32,066	\$ 32,279
Accrued liabilities	49,208	46,615
	-----	-----
Total Current Liabilities	81,274	78,894
	-----	-----
Noncurrent Liabilities		
Long-term notes payable	50,000	50,000
Deferred income taxes	146,181	156,650
Other	19,033	18,245
	-----	-----
Total Noncurrent Liabilities	215,214	224,895
	-----	-----
SHAREHOLDERS' EQUITY		

Common stock, par value \$.10 per share	5,353	5,353
Preferred stock, no shares issued	-	-
Additional paid-in capital	80,009	66,090
Retained earnings	881,915	813,885
Unearned compensation	(2,545)	(3,277)
Accumulated other comprehensive income	70,326	106,064
	-----	-----
Total Shareholders' Equity	1,035,058	988,115
	-----	-----
Less treasury stock, at cost	26,791	32,412
	-----	-----
Total Shareholders' Equity	1,008,267	955,703
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 1,304,755	\$ 1,259,492
	=====	=====

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,	
	2001	2000	2001	2000
	-----		-----	
REVENUES:				
Sales and other operating revenues	\$ 218,817	\$ 140,241	\$ 408,565	\$ 275,435
Income from investments	2,752	11,607	5,554	25,994
	-----		-----	
	221,569	151,848	414,119	301,429
	-----		-----	
COST AND EXPENSES:				
Operating costs	107,076	75,715	201,122	152,412
Depreciation, depletion and amortization	22,784	27,702	40,762	53,840
Dry holes and abandonments	6,704	4,445	18,748	6,827
Taxes, other than income taxes	12,066	7,730	20,934	14,242
General and administrative	4,646	3,334	8,213	6,155
Interest	68	801	675	1,622
	-----		-----	
	153,344	119,727	290,454	235,098
	-----		-----	
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE	68,225	32,121	123,665	66,331
INCOME TAX EXPENSE	27,118	13,883	49,153	28,142
EQUITY IN INCOME OF AFFILIATE, net of income taxes	642	1,035	1,077	1,545
	-----		-----	
NET INCOME	\$ 41,749	\$ 19,273	\$ 75,589	\$ 39,734
	=====		=====	
EARNINGS PER COMMON SHARE:				
Basic	\$ 0.83	\$ 0.39	\$ 1.51	\$ 0.80
Diluted	0.82	\$ 0.39	\$ 1.49	\$ 0.80
CASH DIVIDENDS (Note 3)	\$ 0.075	\$ 0.07	\$ 0.15	\$ 0.14
AVERAGE COMMON SHARES OUTSTANDING:				
Basic	50,197	49,442	50,005	49,434
Diluted	51,139	49,828	50,783	49,796

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	
	03/31/01	03/31/00
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 75,589	\$ 39,734
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	40,762	53,840
Dry holes and abandonments	18,748	6,827
Equity in income of affiliate before income taxes	(2,152)	(2,494)
Amortization of deferred compensation	746	763
Gain on sale of securities and non-monetary investment income	(138)	(22,804)
Gain on sale of property, plant & equipment	(3,949)	(784)
Other, net	327	242
Change in assets and liabilities-		
Accounts receivable	(14,799)	8,731
Inventories	(2,544)	751
Prepaid expenses and other	1,475	(3,630)
Accounts payable	(213)	469
Accrued liabilities	8,625	(1,142)
Deferred income taxes	10,474	12,444
Other noncurrent liabilities	788	(1,148)
Total adjustments	58,150	52,065
NET CASH PROVIDED BY OPERATING ACTIVITIES	133,739	91,799
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including dry hole costs	(110,503)	(47,411)
Proceeds from sales of property, plant and equipment	7,395	1,270
Proceeds from sale of investments	2,159	12,569
NET CASH USED IN INVESTING ACTIVITIES	(100,949)	(33,572)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments made on notes payable	-	(5,000)
Dividends paid	(7,572)	(6,945)
Purchase of stock for treasury	-	(450)
Proceeds from exercise of stock options	13,336	1,382
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	5,764	(11,013)
NET INCREASE IN CASH AND CASH EQUIVALENTS	38,554	47,214
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	108,087	21,758
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 146,641	\$ 68,972

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	Retained Earnings
	Shares	Amount			
Balance, September 30, 2000	53,529	\$5,353	\$66,090	\$(3,277)	\$813,885
Comprehensive Income:					
Net Income					75,589
Other comprehensive income, Unrealized losses on available- for-sale securities, net Derivatives instruments losses, net					
Total other comprehensive income					
Comprehensive income					
Cash dividends (\$0.15 per share)					(7,572)
Exercise of stock options			7,715		
Tax benefit of stock-based awards					
Stock issued under Restricted Stock Award Plan			6,204		
Amortization of deferred compensation				732	13
Balance, March 31, 2001	53,529	\$5,353	\$80,009	\$(2,545)	\$881,915

	Treasury Stock		Accumulated Other Comprehensive Income	Total
	Shares	Amount		
Balance, September 30, 2000	3,548	\$(32,412)	\$106,064	\$ 955,703
Comprehensive Income:				
Net Income				75,589
Other comprehensive income, Unrealized losses on available- for-sale securities, net Derivatives instruments losses, net			(35,710) (28)	(35,710) (28)
Total other comprehensive income			(35,738)	(35,738)
Comprehensive income				39,851
Cash dividends (\$0.15 per share)				(7,572)
Exercise of stock options	(628)	5,621		13,336
Tax benefit of stock-based awards				6,204
Stock issued under Restricted Stock Award Plan				
Amortization of deferred compensation				745
Balance, March 31, 2001	2,920	\$(26,791)	\$ 70,326	\$1,008,267

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, which consists only of those of a normal recurring nature, necessary to present fairly the results of the periods presented. The results of operations for the three and six months ended March 31, 2001, and March 31, 2000, 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 2000 Annual Report on Form 10-K and the Company's 2001 First Quarter Report on Form 10-Q.

2. Effective October 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities", as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133, as amended, requires that all derivatives be recorded on the balance sheet at fair value. Upon adoption at October 1, 2000, the effect of complying with SFAS 133, as amended, resulted in a cumulative transition adjustment to accumulated other comprehensive income of approximately \$1.4 million.

3. The \$.075 cash dividend declared in December, 2000, was paid March 1, 2001. On March 7, 2001, a cash dividend of \$.075 per share was declared for shareholders of record on May 15, 2001, payable June 1, 2001.

4. Inventories consist of materials and supplies.

5. Income from investments includes \$-0- and \$74,000 after-tax gains from sales of available-for-sale securities during the second quarter and first six months of fiscal 2001, respectively. After-tax gains from security sales were \$5,996,000 and \$7,750,000 for the same periods in fiscal 2000. Also included in income from investments for the first six months of fiscal 2000 were gains related to a non-monetary dividend (\$9,509,000) and a non-monetary gain (\$719,000) on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired. Net income from these two transactions was approximately \$6.3 million (\$0.13 per diluted share).

6. 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 \$53,715,000.

	Cost	Unrealized Gains	Unrealized Losses	Fair Value

	(in thousands)			
Equity Securities 03/31/01	\$84,694	\$114,592	\$1,118	\$198,168
Equity Securities 09/30/00	\$86,901	\$173,137	\$2,065	\$257,973

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

7. Comprehensive Income -

The components of comprehensive income, net of related tax, are as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
Net Income	\$ 41,749	\$ 19,273	\$ 75,589	\$ 39,734
Other comprehensive income:				
Net unrealized gain(loss) on securities	(27,265)	21,133	(35,710)	24,947
Net unrealized loss on derivative instruments	(726)	-	(28)	-
Other comprehensive income	(27,991)	21,133	(35,738)	24,947
Comprehensive income	\$ 13,758	\$ 40,406	\$ 39,851	\$ 64,681

The components of accumulated other comprehensive income, net of related taxes, are as follows (in thousands):

	03/31/01	09/30/00
Unrealized gains on securities, net	\$70,354	\$106,064
Unrealized loss on derivative instruments	(28)	-
Accumulated other comprehensive income	\$70,326	\$106,064

8. At March 31, 2001, the Company had committed bank lines of credit totaling \$85 million; \$35 million expires in May 2001 and \$50 million expires in October 2003. The Company had \$50 million in variable-rate borrowings under its committed bank line of credit that expires in October 2003. The Company also has outstanding letters of credit totaling \$8.2 million against these lines at March 31, 2001. The average rate on the borrowings at March 31, 2001, was 5.56 percent. However, concurrent with a \$50 million borrowing under one of its committed facilities, the Company entered into a 5-year, \$50 million interest rate swap. The swap effectively fixes the interest rate on this facility at 5.38% for the entire 5-year term of the note.

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

9. 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 include 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:

(in thousands)	Three Months Ended		Six Months Ended	
	March 31, 2001	2000	March 31, 2001	2000
Basic weighted-average shares	50,197	49,442	50,005	49,434
Effect of dilutive shares:				
Stock options	889	377	746	356
Restricted stock	53	9	32	6
	942	386	778	362
Diluted weighted-average shares	51,139	49,828	50,783	49,796

10. Change in Depreciable Lives - As a result of a recently completed economic evaluation of the useful lives of its drilling equipment, the Company has extended the depreciable life of its rig equipment from 10 to 15 years. This change will provide a better matching of revenues and depreciation expense over the useful life of the equipment. This change, effective October 1, 2000, reduced depreciation expense during the three months and six months ended March 31, 2001, by approximately \$7.5 million and \$15.0 million, respectively.

11. Impairment - Depreciation, depletion and amortization increased in the current quarter as the result of an impairment charge of approximately \$3.8 million for proved Exploration and Production properties. After-tax, the impairment charge reduced the second quarter net income by approximately \$2.4 million, \$0.05 per share on a diluted basis.

12. Stock Option Plan - In March 2001, the Company adopted the Helmerich & Payne, Inc. 2000 Stock Incentive Plan (the "Stock Incentive Plan"). Options will not be awarded nor restricted stock granted after December 6, 2000, under any of the previously adopted plans.

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

The Stock Incentive Plan authorizes the Company to grant non-qualified stock options, incentive stock options and restricted stock awards to key employees and non-employee Directors subject to conditions set forth in the Stock Incentive Plan. The Board has reserved 3,000,000 shares of common stock of the Corporation for grant to participants under the Stock Incentive Plan. Subject to the adjustment provisions of the Stock Incentive Plan, in no event shall more than 450,000 shares of common stock be awarded to participants as restricted stock awards.

13. 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, the Company has entered into an interest rate swap to exchange floating rate for fixed rate interest payments over the remaining life of the debt. As of March 31, 2001, the Company had an interest rate swap outstanding with a notional principal amount of \$50 million. (See Note 8)

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.

The Company's interest rate swap has been designated as a cash flow hedge and is expected to be 100% effective in hedging the exposure of variability in the future interest payments attributable to the debt because the terms of the interest swap correlate with the terms of the debt.

14. Segment Information - 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; operating costs; depreciation, depletion and amortization; dry holes and abandonments and taxes other than income taxes. Intersegment sales are accounted for in the same manner as sales to unaffiliated customers. Other includes investments in available-for-sale securities, equity owned investments, as well as corporate operations.

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

Summarized financial information of the Company's reportable segments for the six months ended March 31, 2001, and 2000, is shown in the following table:

(in thousands)	External Sales	Inter- Segment	Total Sales	Operating Profit

March 31, 2001				
CONTRACT DRILLING				
Domestic	\$135,453	\$ 1,612	\$137,065	\$ 37,690
International	73,819	-	73,819	11,353
	-----	-----	-----	-----
	209,272	1,612	210,884	49,043

OIL & GAS OPERATIONS				
Exploration & Prod.	132,563	-	132,563	71,115
Natural Gas Mktg.	60,153	-	60,153	4,666
	-----	-----	-----	-----
	192,716	-	192,716	75,781

REAL ESTATE	6,576	776	7,352	4,304
OTHER	5,555	-	5,555	-
ELIMINATIONS	-	(2,388)	(2,388)	-
	-----	-----	-----	-----
TOTAL	\$414,119	\$ -	\$414,119	\$129,128
	=====			
(in thousands)	External Sales	Inter- Segment	Total Sales	Operating Profit

March 31, 2000				
CONTRACT DRILLING				
Domestic	\$103,636	\$ 1,201	\$104,837	\$ 14,672
International	66,368	-	66,368	3,813
	-----	-----	-----	-----
	170,004	1,201	171,205	18,485

OIL & GAS OPERATIONS				
Exploration & Prod.	64,258	-	64,258	25,139
Natural Gas Mktg.	36,149	-	36,149	2,784
	-----	-----	-----	-----
	100,407	-	100,407	27,923

REAL ESTATE	4,480	775	5,255	2,728
OTHER	26,538	-	26,538	-
ELIMINATIONS	-	(1,976)	(1,976)	-
	-----	-----	-----	-----
TOTAL	\$301,429	\$ -	\$301,429	\$ 49,136
	=====			

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

Summarized financial information of the Company's reportable segments for the quarters ended March 31, 2001, and 2000, is shown in the following table:

(in thousands)	External Sales	Inter- Segment	Total Sales	Operating Profit

March 31, 2001				
CONTRACT DRILLING				
Domestic	\$ 73,159	\$ 671	\$ 73,830	\$20,644
International	35,128	-	35,128	3,805
	-----	-----	-----	-----
	108,287	671	108,958	24,449

OIL & GAS OPERATIONS				
Exploration & Prod.	74,835	-	74,835	44,095
Natural Gas Mktg.	31,474	-	31,474	(33)
	-----	-----	-----	-----
	106,309	-	106,309	44,062

REAL ESTATE	4,245	387	4,632	2,929
OTHER	2,728	-	2,728	-
ELIMINATIONS	-	(1,058)	(1,058)	-
	-----	-----	-----	-----
TOTAL	\$221,569	\$ -	\$221,569	\$71,440
	=====			
(in thousands)	External Sales	Inter- Segment	Total Sales	Operating Profit

March 31, 2001				
CONTRACT DRILLING				
Domestic	\$ 53,417	\$ 692	\$ 54,109	\$ 8,161
International	32,167	-	32,167	1,303
	-----	-----	-----	-----
	85,584	692	86,276	9,464

OIL & GAS OPERATIONS				
Exploration & Prod.	34,140	-	34,140	12,445
Natural Gas Mktg.	17,834	-	17,834	1,834
	-----	-----	-----	-----
	51,974	-	51,974	14,279

REAL ESTATE	2,238	387	2,625	1,343
OTHER	12,052	-	12,052	-
ELIMINATIONS	-	(1,079)	(1,079)	-
	-----	-----	-----	-----
TOTAL	\$151,848	\$ -	\$151,848	\$25,086
	=====			

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

The following table reconciles segment operating profit per the table above to income before income taxes and equity in income of affiliate as reported on the Consolidated Condensed Statements of Income (in thousands).

	Quarter Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
----- Segment operating profit	\$ 71,440	\$ 25,086	\$129,128	\$ 49,136
Unallocated amounts:				
Income from investments	2,752	11,607	5,554	25,994
General corporate expense	(4,646)	(3,334)	(8,213)	(6,155)
Interest expense	(68)	(801)	(675)	(1,622)
Corporate depreciation	(505)	(417)	(976)	(804)
Other corporate expense	(748)	(20)	(1,153)	(218)
----- Total unallocated amounts	(3,215)	7,035	(5,463)	17,195
----- Income before income taxes and equity in income of affiliate	\$ 68,225	\$ 32,121	\$123,665	\$ 66,331
	=====			

The following table presents revenues from external customers by country based on the location of service provided (in thousands).

	Quarter Ended March 31,		Six Months Ended March 31,	
	2001	2000	2001	2000
----- Revenues				
United States	\$186,441	\$119,681	\$340,300	\$235,061
Venezuela	9,150	8,835	17,831	17,882
Colombia	6,299	11,204	14,066	23,448
Other Foreign	19,679	12,128	41,922	25,038
----- Total	\$221,569	\$151,848	\$414,119	\$301,429
	=====			

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 2001

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 2000 Annual Report on Form 10-K and the Company's 2001 First Quarter Report on Form 10-Q 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 and political 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

SECOND QUARTER 2001 VS SECOND QUARTER 2000

The Company reported net income of \$41,749,000 (\$0.82 per share) from revenues of \$221,569,000 for the second quarter ended March 31, 2001, compared with net income of \$19,273,000 (\$0.39 per share) from revenues of \$151,848,000 for the second quarter of the prior fiscal year. Net income in the second quarter of fiscal 2001 and 2000 included \$74,000 and \$5,996,000 (\$0.12 per share), respectively, from the sale of investment securities.

EXPLORATION AND PRODUCTION

Exploration and Production reported operating profit of \$44.1 million for the second quarter compared with \$12.4 million for the same period of fiscal 2000. Oil & gas revenues increased to \$74.8 million from \$34.1 million as gas prices increased significantly during the second quarter of fiscal 2001. Natural gas revenues increased \$41.1 million to \$69 million for the quarter, due primarily to higher gas prices, partially offset by lower volumes. Oil revenues decreased \$.7 million, or 10.5 percent, as oil volumes dropped 9% compared to last year. Natural gas prices averaged \$6.46 per mcf and \$2.28 per mcf for the second quarter of fiscal 2001 and 2000, respectively. Natural gas volumes averaged 118.4 mmcf/d and 135.8 mmcf/d, respectively. Crude oil prices averaged \$27.78 per bbl and \$27.80 per bbl for the second quarter of fiscal 2001 and 2000, respectively. Crude oil volumes averaged 2,258 bbls/d and 2,483 bbls/d, respectively.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 2001
(Continued)

Exploration expenses increased \$1.6 million in the second quarter of fiscal 2001, compared with the same period of last year as a result of increased dry hole costs. Also in the quarter, the natural gas marketing segment reported an operating loss of \$33,000 compared with an operating profit of \$1.8 million in the second quarter of fiscal 2000, as higher priced inventory was sold during January 2001 as spot prices declined rapidly.

During the second quarter, the Company participated in the drilling of 40 wells, 33 of which are producing, completing or waiting on pipeline connections, and seven were dry holes. The Company expects to participate in the drilling of approximately 85 wells during the remainder of fiscal 2001, bringing the total wells drilled during the fiscal year to approximately 150. The capital expenditures estimated for the Oil and Gas operations for fiscal 2001 is \$75 million for drilling and \$24 million for land and seismic investments.

DOMESTIC DRILLING

Domestic Drilling's operating profit increased to \$20.6 million from \$8.2 million in the second quarter of fiscal 2000. The sharp increase is mainly due to a significant improvement in the Company's land operations. Also impacting the operating profit increase was a reduction in depreciation expense due to the change in the Company's estimated useful life for drilling equipment. The previously announced change from a 10-year depreciation term, to a 15-year depreciation term, resulted in a \$3.8 million improvement in operating profit in the second quarter of fiscal 2001 compared with the same period in fiscal 2000. An overall increase in U.S. land rig dayrates of 19% over the previous quarter and 60% over last year's second quarter, helped push operating profit for the U.S. land rigs up by 21% over the previous quarter and over last year's second quarter by 106%, after adjusting for the change in depreciation.

U.S. land rig utilization averaged 96% for this year's second quarter, compared with 82% during last year's second quarter. Offshore platform rig utilization was 100% and 92% for the second quarter of fiscal 2001 and 2000, respectively. During the quarter the Company announced plans to construct an additional fifteen new FlexRigs, a highly mobile 8,000-18,000' land rig. The Company will take delivery of the new rigs from March 2002 to February 2003 with an investment of approximately \$9 million per rig.

INTERNATIONAL DRILLING

International Drilling's operating profit increased to \$3.8 million from \$1.3 million. Revenues increased to \$35.1 million from \$32.2 million. The increase in operating profit is due primarily to lower depreciation of \$3.7 million as the result of the Company changing the estimated useful life for drilling equipment as discussed above. International rig utilization averaged 49% during the second quarter and 45% during last year's second quarter. International operations still suffer from sluggish rig demand in South America, especially in Venezuela. While management expects activity to pick up in the fourth quarter of this year, the direction and extent of any increased demand in South America is still very difficult for the Company to predict.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 2001
(Continued)

OTHER

Other revenues decreased approximately \$9 million from last year, with \$9.6 million due to decreased gains from the sale of available-for-sale securities, offset by a \$.6 million increase in interest income. Interest expense decreased to \$.1 million from \$.8 million because of increased capitalized interest and the reversal of \$.4 million of interest expense related to a lawsuit. Corporate general and administrative expenses increased to \$4.6 million from \$3.3 million mainly due to labor and benefits and increased professional services.

The Company's effective income tax rate decreased to 39.7% for the quarter compared to 43% for the second quarter of last year. The decrease is due primarily to a larger proportionate income in the Company's U.S. operations instead of international drilling operations.

SIX MONTHS ENDED MARCH 31, 2001 VS SIX MONTHS ENDED MARCH 31, 2000 The Company reported net income of \$75,589,000 (\$1.49 per share) from revenues of \$414,119,000 for the six months ended March 31, 2001, compared with net income of \$39,734,000 (\$0.80 per share) from revenues of \$301,429,000 for the first six months of the prior fiscal year. Net income in the first six months of fiscal 2001 and 2000 included \$155,000 and \$7,750,000 (\$0.16 per share), respectively, from the sale of investment securities. Revenues for the first six months of fiscal 2000 also included gains related to a non-monetary dividend (\$9.5 million) and a non-monetary gain (\$.7 million) on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired.

EXPLORATION AND PRODUCTION

Exploration and Production reported an operating profit of \$71,115,000 for the first six months of fiscal 2001 compared with \$25,139,000 for the same period of fiscal 2000. Oil & gas revenues increased to \$132.6 million from \$64.3 million. Natural gas revenues were \$119.5 million for the first six months of fiscal 2001 compared with \$54 million for the same period of fiscal 2000 as gas prices increased significantly, partially offset by lower gas volumes. Oil revenues increased \$2.7 million to \$12.7 million for the first six months of fiscal 2001. Natural gas prices averaged \$5.59 per mcf and \$2.28 per mcf for the first six months of fiscal 2001 and 2000, respectively. Natural gas volumes averaged 117.4 mmcf/d and 129.7 mmcf/d, respectively. Crude oil prices averaged \$29.70 per bbl and \$25.94 per bbl for the first six months of fiscal 2001 and 2000, respectively. Crude oil volumes averaged 2,345 bbls/d and 2,184 bbls/d, respectively.

Additional exploration activity increased exploration expenses. Geophysical, dry hole and abandonment expenses were \$21.8 million for the first six months of fiscal 2001, \$12.5 million higher than in the same period of last year. Also in fiscal 2001 was an impairment charge of approximately \$3.8 million for proved Exploration and Production properties. After-tax, the impairment charge reduced the first six months net income by approximately \$2.4 million, \$0.05 per share, on a diluted basis. Production expenses also increased to \$19.2 million for fiscal 2001 from \$12.1 million in fiscal 2000 as both production taxes and ad valorem taxes increased with higher natural gas prices.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 2001
(Continued)

DOMESTIC DRILLING

Domestic Drilling's operating profit increased \$23 million, due primarily to increased dayrates, margins and rig utilization in land operations and a reduction in depreciation expense as the Company changed the estimated useful life for its drilling equipment.

As previously announced, the Company has extended the depreciable life of its rig equipment from 10 to 15 years, as the result of a recently completed economic evaluation of the useful lives of its drilling equipment. This will provide a better matching of revenues and depreciation expense over the useful life of the equipment. This change, effective October 1, 2000, is expected to reduce depreciation expense in fiscal 2001 for total contract drilling by an estimated \$30 million (\$15 million each for Domestic and International segments). The change increased domestic operating profit in the first six months of fiscal 2001 by approximately \$7.5 million.

Domestic land operations in the first six months of fiscal 2001 improved significantly over the same period in fiscal 2000. Average revenues per day for fiscal 2001 increased 40% over last year to \$11,884 per day. Rig utilization for land rigs was 94% in fiscal 2001 compared to 79% in fiscal 2000. Offshore activity was 95.7% for the first six months of fiscal 2001 compared with 96% in the same period of fiscal 2000.

The Company's U.S. land fleet is expected to reach a total of 46 rigs by April 15 and approach 52 rigs by December 31. Earnings for the remainder of fiscal 2001 are expected to be positively impacted by both the number of operating rigs and increasing dayrates.

INTERNATIONAL DRILLING

International Drilling's operating profit for the first six months of fiscal 2001 increased to \$11.3 million from \$3.8 million for the same period last year. Revenues increased to \$73.8 million for the first six months of fiscal 2001 from \$66.4 million for the same period in fiscal 2000. The increase in operating profit is due primarily to lower depreciation of \$7.4 million as the result of the Company changing the estimated useful life for drilling equipment. Rig utilization averaged 51% during the first six months and 46% during last year's first six months. There are currently 32 land rigs in South America with five of those rigs undergoing modifications. Some improvement in Venezuela is projected for the fourth quarter of fiscal 2001, but the timing and number of additional rigs is difficult to predict.

OTHER

Other revenues decreased approximately \$21 million over last year, with \$12.4 million due to decreased gains from the sale of available-for-sale securities, offset by a \$1.8 million increase in interest income due to increased cash balances. Revenues for the first six months of fiscal 2000 also included gains related to a non-monetary dividend (\$9.5 million) and a non-monetary gain (\$.7 million) on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired. Interest expense for the first six months of fiscal 2001 was \$0.7 million compared with \$1.6 for the same period in fiscal 2000. The decrease is the

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF OPERATIONS AND FINANCIAL CONDITION
MARCH 31, 2001
(Continued)

result of an increase in capitalized interest and the reversal of \$.4 million of interest expense related to a lawsuit. Corporate general and administrative expense increased from \$6.2 million in the first six months of fiscal 2000 to \$8.2 million in the same period of fiscal 2001. The increase is related to labor and employee benefits, advertising costs and professional services related to establishing the Company's Exploration and Production Division as a separate public entity. The Company's effective income tax rate decreased to 39.7% for the six months compared to 43% for the first six months of fiscal 2000. The decrease is due primarily to a larger proportionate income in the Company's U.S. operations instead of international drilling operations.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$133,739,000 for the first six months of fiscal 2001, compared with \$91,799,000 for the same period in 2000. Capital expenditures were \$110,503,000 and \$47,411,000 for the first six months of fiscal 2001 and 2000, respectively.

The Company anticipates capital expenditures to be approximately \$295 million for fiscal 2001. Internally generated cash flows are projected to be approximately \$270 million for fiscal 2001 and cash balances were \$146 at March 31, 2001. The Company's indebtedness totaled \$50,000,000 as of March 31, 2001, as described in note 8 to the Consolidated Condensed Financial Statements. There were no other significant changes in the Company's financial position since September 30, 2000.

PART II. OTHER INFORMATION
HELMERICH & PAYNE, INC.
March 31, 2001

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

The Annual Meeting of Stockholders of Helmerich & Payne, Inc. was held on March 7, 2001, for the purpose of electing three members of the Board of Directors and to consider and vote upon approval of the Helmerich & Payne, Inc. Stock Incentive Plan ("Plan"). 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 was 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, were as follows: Hans Helmerich, 45,091,840 for and 635,715 withheld; George S. Dotson, 45,367,431 for and 360,124 withheld; and George A. Schaefer, 45,358,616 for and 368,939 withheld. There were no broker non-votes or other abstentions. The other Directors whose term of office as Director continued after the meeting are W.H. Helmerich, III, Edward B. Rust, Jr., Glenn A. Cox, William L. Armstrong, L. F. Rooney, III, and John D. Zeglis. The number of votes in favor of, against and withheld on the Plan proposal were 24,753,180; 16,691,213; and 310,051, respectively. Broker non-votes totaled 3,973,111 on the Plan proposal.

PART II. OTHER INFORMATION
HELMERICH & PAYNE, INC.

March 31, 2001
(continued)

Item 6(b) Reports on Form 8-K

There were no reports on Form 8-K for the three months ended March 31, 2001.

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 11, 2001 /S/ DOUGLAS E. FEARS

Douglas E. Fears, Chief Financial Officer

Date: MAY 11, 2001 /S/ HANS C. HELMERICH

Hans C. Helmerich, President

-19-

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