

# HELMERICH & PAYNE, INC.

## FORM 10-Q (Quarterly Report)

Filed 05/13/94 for the Period Ending 03/31/94

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 5/13/1994 For Period Ending 3/31/1994

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

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

For quarterly period ended: MARCH 31, 1994

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  
(Address of principal executive office)

74114

(Zip Code)

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

NONE

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

CLASS  
-----  
Common Stock, .10 par value

OUTSTANDING AT MARCH 31, 1994  
-----  
24,667,482

AUTHORIZED AT MARCH 31, 1994  
-----  
26,764,476

**Total Number of Pages 11**

# HELMERICH & PAYNE, INC. AND SUBSIDIARIES

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**PART I FINANCIAL INFORMATION**

**HELMERICH & PAYNE, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS**  
(Thousands of Dollars)

	March 31 1994	September 30 1993
	-----	-----
ASSETS		
-----		
Current Assets		
Cash and Cash Equivalents	\$ 67,676	\$ 61,656
Short-term Investments	8,997	9,109
Accounts Receivable, net	59,107	56,305
Inventories	18,754	17,646
Other Current Assets	7,880	5,783
	-----	-----
Total Current Assets	\$ 162,414	\$ 150,499
Investments	86,764	84,945
Property, Plant and Equipment, Net	358,381	358,798
Other Assets	17,652	16,693
	-----	-----
Total Assets	\$ 625,211	\$ 610,935
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
-----		
Current Liabilities		
Current maturities of long-term debt	\$ 1,219	\$ 5,679
Accounts Payable	25,278	23,836
Accrued Liabilities	20,250	16,899
	-----	-----
Total Current Liabilities	\$ 46,747	\$ 46,414
	-----	-----
Non-Current Liabilities		
Long-term debt, less current maturities	\$ 6,000	\$ 3,600
Deferred Federal income taxes	44,563	44,723
Other	6,588	7,271
	-----	-----
Total Non-Current Liabilities	\$ 57,151	\$ 55,594
	-----	-----
Shareholders' Equity		
Common Stock, Par Value .10 per share	\$ 2,677	\$ 2,677
Preferred stock, no shares issued	-	-
Additional paid-in capital	47,893	47,412
Retained earnings	493,977	482,405
	-----	-----
Total Shareholders' Equity	\$ 544,547	\$ 532,494
Less Treasury stock, at cost	23,234	23,567
	-----	-----
Total Shareholders' Equity	\$ 521,313	\$ 508,927
	-----	-----
	\$ 625,211	\$ 610,935
	=====	=====

See accompanying notes to financial statements.

**HELMERICH & PAYNE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENT OF INCOME**  
(Unaudited)

(Thousands of Dollars Except per Share Data)

	Quarter Ended		Six Months Ended	
	3/31/94	3/31/93	3/31/94	3/31/93
REVENUES				
Sales and other operating revenues	\$ 86,359	\$ 81,245	\$ 167,003	\$ 161,247
Income from investments	1,524	2,106	3,066	5,102
	-----	-----	-----	-----
	87,883	83,351	170,069	166,349
	-----	-----	-----	-----
COSTS AND EXPENSES				
Operating costs	56,439	50,200	106,950	98,852
General and administrative	2,241	1,749	4,923	3,516
Interest	41	85	223	407
Depreciation, depletion and amortization	13,444	12,802	25,262	25,655
Dry holes and abandonments	1,306	1,910	2,616	5,150
Taxes, other than Federal income taxes	3,993	4,005	8,391	7,665
	-----	-----	-----	-----
	77,464	70,751	148,365	141,245
	-----	-----	-----	-----
INCOME BEFORE FEDERAL INCOME TAXES, EQUITY IN INCOME(LOSS) OF AFFILIATE AND CHANGE IN ACCOUNTING PRINCIPLE	10,419	12,600	21,704	25,104
FEDERAL INCOME TAX EXPENSE	4,460	5,147	8,643	10,247
EQUITY IN INCOME(LOSS) OF AFFILIATE net of income taxes	196	(185)	347	(370)
	-----	-----	-----	-----
INCOME BEFORE CHANGE IN ACCOUNTING PRINCIPLE	6,155	7,268	13,408	14,487
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	-	-	4,000	-
	-----	-----	-----	-----
NET INCOME	\$ 6,155	\$ 7,268	\$ 17,408	\$ 14,487
	=====	=====	=====	=====
INCOME PER COMMON SHARE BEFORE CHANGE IN ACCOUNTING PRINCIPLE	\$0.25	\$0.30	\$0.55	\$0.60
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$0.00	\$0.00	\$0.16	\$0.00
INCOME PER COMMON SHARE	\$0.25	\$0.30	\$0.71	\$0.60
AVERAGE COMMON SHARES OUTSTANDING	24,407,649/24,268,234/24,376,861/24,257,700			
CASH DIVIDENDS PER COMMON SHARE (Note 3)	\$0.12	\$0.12	\$0.24	\$0.24

See accompanying notes to financial statements.

**HELMERICH & PAYNE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS**  
(Unaudited)

(Thousands of Dollars)

	Six Months Ended March 31	
	1994	1993
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
-----		
Net Income	\$ 17,408	\$ 14,487
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation, depletion and amortization	25,262	25,655
Abandonments and surrendered leases	2,180	1,932
Cumulative effect of a change in accounting principle	( 4,000)	-
Equity in (income)loss of affiliate before income taxes	( 559)	400
Amortization of deferred compensation	897	858
Gain on sale of securities	-	( 2,160)
Other, net	( 548)	(449)
Change in assets and liabilities-		
Increase in accounts receivables	( 2,802)	(18,723)
(Increase)Decrease in inventories	( 1,108)	781
Increase in prepaid expenses/other	( 3,056)	( 6,382)
Increase in accounts payables	1,442	4,059
Increase in accrued liabilities	5,641	7,365
Increase in deferred Federal income taxes	1,550	1,745
Decrease in other non-current liabilities	( 683)	( 969)
	-----	-----
Total Adjustments	\$ 24,216	\$ 14,112
	-----	-----
Net cash provided by operating activities	\$ 41,624	\$ 28,599
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
-----		
Capital expenditures	\$(28,505)	\$(19,920)
Proceeds from sales of property, plant and equipment	2,265	954
Purchase of investments	( 1,500)	( 400)
Proceeds from sale of investments	-	4,547
Purchase of short-term investments	( 12)	( 21)
Proceeds from sale of short-term investments	124	5,034
	-----	-----
Net cash used in investing activities	\$(27,628)	\$ (9,806)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
-----		
Proceeds from issuance of long-term debt	\$ 2,750	\$ 2,070
Payments made on long-term debt	( 4,810)	( 576)
Dividends paid	( 5,916)	(5,901)
Proceeds from exercise of stock options	-	432
	-----	-----
Net cash used in financing activities	\$( 7,976)	\$ (3,975)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 6,020	\$ 14,818
	-----	-----
CASH AND CASH EQUIVALENTS, beginning of period	\$ 61,656	\$ 37,586
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 67,676	\$ 52,404
	=====	=====

# HELMERICH & PAYNE, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of March 31, 1994, and September 30, 1993, and the results of operations for the six months ended March 31, 1994, and 1993, and changes in financial position for the six months then ended.
2. The results of operations for the six months ended March 31, 1994, and March 31, 1993, are not necessarily indicative of the results to be expected for the full year.
3. The \$.12 cash dividend declared in December was paid March 1, 1994. On March 2, 1994, a cash dividend of \$.12 per share was declared for shareholders of record on May 16, 1994, payable June 1, 1994. The dividend was included in accounts payable on the consolidated balance sheet at March 31, 1994.
4. Inventories consisted of the following (in thousands of dollars):

	03-31-94	09-30-93
	-----	-----
Raw Materials	\$ 33	\$ 163
Works in Progress	200	210
Finished Goods	733	1,041
Materials & Supplies	17,788	16,232
	-----	-----
	\$ 18,754	\$ 17,646
	=====	=====

5. Income from investments include no gains on sales of securities during the first six months of 1994, and \$2,160,000 during the first six months of 1993.
6. In February 1992, the Financial Accounting Standards Board issued Statement No. 109, Accounting for Income Taxes (Statement 109). Statement 109 represents a new method of accounting for income taxes. It generally requires that deferred taxes be provided using a liability approach at currently enacted income tax rates, rather than the deferred approach at historical rates which had been required.  
  
Effective October 1, 1993, the Company adopted the provisions of SFAS 109. The cumulative effect on prior years of adopting the change was recorded in the quarter ended December 31, 1993, as provided by SFAS 109, and increased net income for the quarter by \$4.0 million.



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

	March 31 1994	December 31 1993
	-----	-----
	(in thousands)	
Deferred Tax Liability:		
Differences between book and tax basis of property, plant and equipment	\$ 42,361	\$ 46,508
Pension provision	4,566	4,548
Other	4,156	1,842
	-----	-----
Deferred tax liability	51,083	52,898
	-----	-----
Deferred Tax Asset:		
Alternative minimum tax credit carryforward	679	1,652
Foreign tax credit carryforward	935	1,325
Deferred compensation	1,050	1,312
Insurance provisions	1,764	1,391
Deferred expenses - international	1,736	2,103
Other	1,291	1,807
	-----	-----
Subtotal	7,455	9,500
	-----	-----
Valuation allowance	( 935)	( 1,325)
	-----	-----
Deferred tax asset	6,520	8,175
	-----	-----
Net Deferred Tax Liability	\$ 44,563	\$ 44,723
	=====	=====

7. As of May 6, 1994, the Company's investment portfolio had an aggregate market value of \$147,882,000. Each of the Company's major holdings had market values above their cost basis, including the Company's equity affiliate, Atwood Oceanics, Inc.

**HELMERICH & PAYNE, INC. AND SUBSIDIARIES**  
**REVENUES AND INCOME BY BUSINESS SEGMENTS**  
(Thousands of Dollars)

	FISCAL YEAR 1994			FY 1993
	1st Qtr	2nd Qtr	Six Mos.	Six Mos.
Sales and Other Revenues:				
Contract Drilling-Domestic	\$19,817	\$ 21,249	\$ 41,066	\$ 29,382
Contract Drilling-International	22,319	23,128	45,447	43,987
	-----	-----	-----	-----
Total Contract Drilling Division	42,136	44,377	86,513	\$ 73,369
	-----	-----	-----	-----
Oil and Gas Division	16,626	17,794	34,420	38,348
Gas Marketing Division	14,820	15,607	30,427	37,415
Real Estate Division	1,836	2,302	4,138	3,811
Chemical Division	5,046	6,129	11,175	8,070
Investments and Other Income	1,722	1,674	3,396	5,336
	-----	-----	-----	-----
Total Revenues	\$82,186	\$ 87,883	\$ 170,069	\$ 166,349
	=====	=====	=====	=====
INCOME (LOSS) BEFORE FEDERAL INCOME TAX, EQUITY IN INCOME (LOSS) OF AFFILIATE AND A CHANGE IN ACCOUNTING PRINCIPLE:				
Contract Drilling-Domestic	\$ 1,252	\$ 935	\$ 2,187	\$ 292
Contract Drilling-International	3,590	2,209	5,799	9,474
	-----	-----	-----	-----
Total Contract Drilling Division	4,842	3,144	7,986	9,766
	-----	-----	-----	-----
Oil and Gas Division	4,997	4,236	9,233	10,430
Gas Marketing Division	287	401	688	480
Real Estate Division	987	1,350	2,337	1,978
Chemical Division	1,791	2,773	4,564	2,397
Other	(1,619)	(1,485)	(3,104)	53
	-----	-----	-----	-----
INCOME BEFORE FEDERAL INCOME TAX, EQUITY IN INCOME (LOSS) OF AFFILIATE AND A CHANGE IN ACCOUNTING PRINCIPLE	\$11,285	\$ 10,419	\$ 21,704	\$ 25,104
	=====	=====	=====	=====

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
MARCH 31, 1994**

The Company reported net income of \$6,155,000 (\$0.25 per share) on revenues of \$87,883,000 for the second quarter of fiscal year 1994, compared with net income of \$7,268,000 (\$0.30 per share) on revenues of \$83,351,000 during the second quarter of fiscal 1993. Net income for the first six months totaled \$17,408,000 (\$0.71 per share), compared with \$14,487,000 (\$0.60 per share) last year. This year's first six months net income includes the cumulative effect on prior years' income (\$.016 per share) caused by the change in accounting method for deferred taxes as required by FASB Statement 109.

Net income for the six months ended March 31, 1994, includes no after-tax gains from the sale of securities compared with \$1,340,000 (\$0.06 per share) for the same period in 1993.

The Contract Drilling Division reported a pre-tax income of \$3,144,000 for the second quarter of fiscal 1994, compared with \$6,245,000 for the same period of fiscal 1993. Pre-tax income for the comparable six month periods was \$7,986,000 and \$9,766,000, respectively.

Results from our domestic drilling operations were improved from the prior year, with pre-tax income of \$2,167,000 for the first six months of fiscal 1994, compared with \$292,000 for the same period in fiscal 1993. This improvement was due to increased offshore rig activity in both the Gulf of Mexico and offshore California. Pre-tax income from international drilling operations was \$5,799,000 for the first six months of fiscal 1994, compared with \$9,474,000 for the same period last year. Improvement in results from Venezuela, Ecuador and Trinidad was more than offset by a decrease in pre-tax income in Colombia. Revenues in Colombia were down \$2,300,000 (10%) from last year and expenses were up \$3,700,000 (25%) compared with last year. The increase in expenses was the result of extremely difficult drilling conditions over a number of months, however, steps are being taken to reduce operating costs.

Oil and Gas pre-tax income decreased to \$9,233,000 for the six months ended March 31, 1994, compared with \$10,430,000 for the same period last year. Revenues declined from \$38,348,000 to \$34,420,000 for the comparable six month periods. Oil revenues declined \$2,655,000 (33%) due to the average oil price for the six months ended March 31, 1994, being \$13.11 per barrel compared with \$18.39 per barrel last year. Average natural gas prices for the six months ended March 31, 1994, were \$1.84 (per mcf) compared with \$1.81 (per mcf) last year. Volumes declined slightly to 86,075 (mcf/day) from 90,638 (mcf/day) last year. Dry hole expense for the first six months of fiscal 1994 was \$436,000 compared with \$3,218,000 for the same period in fiscal 1993.

The Company's Chemical Division reported pre-tax income for the six months ended March 31, 1994, of \$4,584,000 compared with \$2,397,000 for the same period in fiscal 1993. Increased product prices were the main reason for the significant increase in pre-tax income.

Deferred Federal income taxes were reduced in the first quarter of fiscal 1994, as required by adoption of Financial Accounting Standards Board Statement No. 109.

There were no significant changes in the Company's financial position since September 30, 1993. Capital expenditures, as projected, for the remainder of fiscal 1994 will most likely be funded out of operating cash flows.

## **PART II. OTHER INFORMATION**

### **HELMERICH & PAYNE, INC. AND SUBSIDIARIES**

#### **Item 1. Legal Proceedings**

The Registrant is not currently involved in any legal proceedings which, in the judgement of the registrant, subject it to liability that would be material and are not adequately covered by insurance.

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

The Annual Meeting of Stockholders of Helmerich & Payne, Inc. was held on March 2, 1994, 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 numbers of votes for and withheld from each Director, respectively, were as follows: W. H. Helmerich, III, 20,829,001 for, and 41,334 withheld; William L. Armstrong, 20,829,726 for, and 40,609 withheld; and Glenn A. Cox, 20,829,326 for, and 41,009 withheld. There were no broker non-votes nor other abstentions. The other Directors whose term of office as Director continued after the meeting are Hans Helmerich, George S. Dotson, George A. Schaefer, C. W. Flint, Jr., H. W. Todd and John D. Zeglis.

#### **Item 6(a) Exhibits**

None

#### **Item 6(b) Reports on Form 8-K**

There was one report on Form 8-K filed for the three months ended March 31, 1994. Such Form 8-K was filed on January 28, 1994, and disclosed that on January 18, 1994, the District Court of Harris County, Texas dismissed without prejudice the lawsuit styled Theresa Arceneaux, et al, v. Natural Gas Odorizing, Inc., Case Number 93-568602, District Court Harris County, Texas, 165th Judicial District. Prior to dismissal, plaintiffs had sought actual damages of \$500 million dollars and punitive damages of \$500 billion dollars against Registrant's wholly owned subsidiary, Natural Gas Odorizing, 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.

### HELMERICH & PAYNE, INC.

Date: MAY 13 1994 DOUGLAS E. FEARS

Douglas E. Fears, Chief Financial Officer

Date: MAY 13 1994 HANS C. HELMERICH

Hans C. Helmerich, President

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