

# HELMERICH & PAYNE, INC.

## **FORM 8-K** (Current report filing)

Filed 01/26/06 for the Period Ending 01/26/06

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



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

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**FORM 8-K**

**CURRENT REPORT**

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

**DATE OF EARLIEST EVENT REPORTED: January 26, 2006**

**HELMERICH & PAYNE, INC.**

**(Exact name of registrant as specified in its charter)**

**State of Incorporation: Delaware**

**COMMISSION FILE NUMBER 1-4221**

**Internal Revenue Service – Employer Identification No. 73-0679879**

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

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

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

## ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On January 26, 2006, Helmerich & Payne, Inc. ("Registrant") issued a press release announcing its financial results for its first quarter ended December 31, 2005. A copy of the press release is attached as Exhibit 99 to this Report on Form 8-K. This information is being furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

## ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

### (d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99	Helmerich & Payne, Inc. earnings press release dated January 26, 2006

## SIGNATURES

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

HELMERICH & PAYNE, INC.  
(Registrant)

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

DATE: January 26, 2006

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99	Helmerich & Payne, Inc. earnings press release dated January 26, 2006



January 26, 2006

**H&P ANNOUNCES FIRST QUARTER EARNINGS AND MORE RIG CONSTRUCTION**

Helmerich & Payne, Inc. reported record net income of \$50,814,000 (\$0.96 per diluted share) from operating revenues of \$255,388,000 for its first fiscal quarter ended December 31, 2005, compared with net income of \$39,310,000 (\$0.77 per diluted share) from operating revenues of \$174,679,000 during last year's first fiscal quarter ended December 31, 2004.

Included in this year's first quarter net income are gains from the sale of portfolio securities of \$1,721,000 (\$0.03 per diluted share). Last year's first quarter net income included \$16,060,000 of gains from the sale of portfolio securities and \$5,500,000 net income from the sale of two drilling rigs, or a total of \$21,560,000 (\$0.42 per diluted share).

Income from the Company's U.S. land rig operations continued to rise significantly, with cash margins per rig day increasing by 18% over the previous quarter. Pre-tax operating income for this year's first quarter in the U.S. land rig operations was \$70,991,000, compared with \$25,588,000 for last year's first quarter, and \$56,028,000 for last year's fourth quarter. Average revenue per rig day rose to \$20,198 and cash margins per rig day to \$11,019 for this year's first quarter, compared with \$13,363 revenue per rig day and \$5,563 cash margin per rig day for the first quarter of last year. During the fourth quarter of fiscal 2005, average rig revenue per day was \$18,563 and average rig margin per day was \$9,317. Average U.S. land rig utilization during the first quarter of FY 2006 was 97%, compared with 92% during last year's first quarter, and 95% during last year's fourth quarter.

U.S. offshore platform operating income increased to \$5,111,000, compared with \$4,168,000 for last year's first quarter, and \$4,720,000 for last year's fourth fiscal quarter. Although active during the fourth quarter of 2005, three rigs that were at various stages of mobilization during that quarter began regular drilling operations at higher revenue and margins per day during the first quarter of fiscal 2006. The more profitable activity helped offset the loss of activity and income of Rig 201 which was damaged by Hurricane Katrina. Utilization for the first quarter of fiscal year 2006 was 64%, compared with 56% during last year's first quarter, and 65% for last year's fourth quarter.

International operating income rose to \$9,302,000 for the first quarter of 2006, compared with \$6,197,000 for the first quarter of fiscal year 2005, and \$3,910,000 during the fourth quarter of fiscal 2005. Most of the sequential improvement in operating income is a result of improved profitability in Ecuador and Venezuela during the first quarter, and lower fourth quarter income resulting from a \$1.9 million non-recurring accounting adjustment. Utilization for the first quarter of fiscal year 2006 was 83%, compared with 71% during last year's first quarter, and 85% for last year's fourth quarter.

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**January 26, 2006**  
**News Release**

The first quarter of fiscal 2006 is the first period that the Company is required, according to FAS 123(R), to include stock-based compensation expense in its financial statements. As a result, general and administrative expense for the first quarter included \$2.7 million of pre-tax stock-based compensation expense. Pre-tax stock-based compensation expense for the second, third, and fourth quarters of 2006 is expected to total approximately \$3.9 million, \$1.6 million, and \$1.6 million, respectively. The first two quarters of fiscal 2006 include expense amortization acceleration brought about by the previously announced retirement of a Company executive on March 1, 2006.

The Company also announced today that the number of customer commitments for the construction of additional FlexRigs<sup>®</sup> continues to increase. A total of 14 exploration and production companies have now committed to 54 new FlexRigs. These include ten new FlexRig3s and 44 new FlexRig4s, all of which will be built as a result of contracts executed with durations of at least three years. The total investment required for the construction of the 54 new rigs is estimated at \$609 million. The first of the 54 new rigs commenced operations earlier this month in western Colorado. Approximately 30 new FlexRigs are expected to be completed by September 30, 2006, the end of the Company's fiscal year. At that time, the Company expects to be delivering new FlexRigs at the rate of four per month.

Company President and C.E.O., Hans Helmerich commented, "The Company experienced solid increases in operating income across the board in its three business segments. We are very upbeat about Helmerich & Payne's position in this strong up cycle. Including the newest FlexRig4 that recently commenced operations in Colorado, the 54 announced new builds will provide a 42% increase in total units to our entire drilling fleet over the next 18 months. Market leadership in new build technology and the resulting orders for new rigs provide exciting shareholder growth prospects and outstanding investment returns with attractive, fixed contract terms."

Helmerich & Payne, Inc. is a contract drilling company that owns 91 U.S. land rigs, 11 U.S. platform rigs located in the Gulf of Mexico, and 27 international rigs, for a total of 129 rigs. Included in the total fleet of 129 rigs are 51 H&P-designed and operated FlexRigs.

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

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**January 26, 2006**  
**News Release**

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

\*FlexRig<sup>®</sup> is a registered trademark of Helmerich & Payne, Inc.

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

**CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended		
	September 30 2005	December 31 2005	December 31 2004
<b>Operating revenues:</b>			
Drilling – U.S. Land	\$ 157,335	\$172,754	\$109,188
Drilling – U.S. Offshore	26,011	29,520	20,356
Drilling — International	47,180	50,257	42,471
Real Estate	2,684	2,857	2,664
	<u>233,210</u>	<u>255,388</u>	<u>174,679</u>
<b>Operating costs and expenses:</b>			
Operating costs	137,188	140,596	111,252
Depreciation	25,643	22,923	23,262
General and administrative	10,496	11,938	9,246
	<u>173,327</u>	<u>175,457</u>	<u>143,760</u>
<b>Operating income</b>	<b>59,883</b>	<b>79,931</b>	<b>30,919</b>
<b>Other income (expense):</b>			
Interest and dividend income	1,984	2,530	961
Interest expense	(2,960)	(2,580)	(3,309)
Gain on sale of investment securities	656	2,720	26,349
Income from asset sales	1,160	973	10,816
Other	(610)	(513)	(2)
	<u>230</u>	<u>3,130</u>	<u>34,815</u>
Income before income taxes and equity in income of affiliates	60,113	83,061	65,734
Income tax provision	24,553	32,802	27,130
Equity in income of affiliates net of income taxes	561	555	706
<b>NET INCOME</b>	<b><u>\$ 36,121</u></b>	<b><u>\$ 50,814</u></b>	<b><u>\$ 39,310</u></b>
<b>Earnings per common share:</b>			
Basic	\$ 0.70	\$ 0.98	\$ 0.78
Diluted	\$ 0.68	\$ 0.96	\$ 0.77
<b>Average common shares outstanding:</b>			
Basic	51,616	51,993	50,543
Diluted	52,748	53,087	51,256

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands)**

**CONSOLIDATED CONDENSED BALANCE SHEETS**

	<u>12/31/05</u>	<u>9/30/05</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 301,578	\$ 288,752
Other current assets	<u>245,673</u>	<u>211,045</u>
Total current assets	<u>547,251</u>	<u>499,797</u>
Investments	192,166	178,452
Net property, plant, and equipment	1,018,971	981,965
Other assets	<u>3,387</u>	<u>3,136</u>
<b>TOTAL ASSETS</b>	<b><u>\$1,761,775</u></b>	<b><u>\$1,663,350</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Total current liabilities	\$ 116,227	\$ 89,481
Total noncurrent liabilities	303,076	294,631
Long-term notes payable	200,000	200,000
Total shareholders' equity	<u>1,142,472</u>	<u>1,079,238</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$1,761,775</u></b>	<b><u>\$1,663,350</u></b>

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands)**

**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**

	Three Months Ended December 31	
	2005	2004
<b>OPERATING ACTIVITIES:</b>		
Net income	\$ 50,814	\$ 39,310
Depreciation	22,923	23,262
Changes in assets and liabilities	(11,529)	10,546
Gain on sale of assets	(3,557)	(37,165)
Other	1,823	(1,140)
<b>Net cash provided by operating activities</b>	<b>60,474</b>	<b>34,813</b>
<b>INVESTING ACTIVITIES:</b>		
Capital expenditures	(53,654)	(10,507)
Proceeds from sale of assets	4,528	87,553
<b>Net cash provided by (used in) investing activities</b>	<b>(49,126)</b>	<b>77,046</b>
<b>FINANCING ACTIVITIES:</b>		
Dividends paid	(4,291)	(4,166)
Proceeds from exercise of stock options	3,718	4,535
Excess tax benefit from stock-based compensation	2,051	—
<b>Net cash provided by financing activities</b>	<b>1,478</b>	<b>369</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,826</b>	<b>112,228</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>288,752</b>	<b>65,296</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$301,578</b>	<b>\$177,524</b>

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**SEGMENT REPORTING**

	<b>Three Months Ended</b>		
	<b>September 30, 2005</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
	(in thousands except days and per day amounts)		
<b>U.S. LAND OPERATIONS</b>			
Revenues	\$ 157,335	\$172,754	\$109,188
Direct operating expenses	82,852	84,215	66,978
General and administrative expense	2,543	3,082	1,866
Depreciation	15,912	14,466	14,756
Operating income	\$ 56,028	\$ 70,991	\$ 25,588
Activity days	7,994	8,035	7,588
Average rig revenue per day	\$ 18,563	\$ 20,198	\$ 13,363
Average rig expense per day	\$ 9,246	\$ 9,179	\$ 7,800
Average rig margin per day	\$ 9,317	\$ 11,019	\$ 5,563
Rig utilization	95%	97%	92%
<b>U.S. OFFSHORE OPERATIONS</b>			
Revenues	\$ 26,011	\$ 29,520	\$ 20,356
Direct operating expenses	17,443	20,308	12,847
General and administrative expense	1,103	1,437	834
Depreciation	2,745	2,664	2,507
Operating Income	\$ 4,720	\$ 5,111	\$ 4,168
Activity days	654	644	563
Average rig revenue per day	\$ 29,782	\$ 36,339	\$ 25,793
Average rig expense per day	\$ 17,838	\$ 22,986	\$ 14,251
Average rig margin per day	\$ 11,944	\$ 13,353	\$ 11,542
Rig utilization	65%	64%	56%

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SEGMENT REPORTING

	Three Months Ended		
	September 30, 2005	December 31, 2005	2004
	(in thousands except days and per day amounts)		
<b>INTERNATIONAL OPERATIONS</b>			
Revenues	\$ 47,180	\$50,257	\$42,471
Direct operating expenses	36,870	35,693	30,855
General and administrative expense	794	606	653
Depreciation	5,606	4,656	4,766
Operating income	\$ 3,910	\$ 9,302	\$ 6,197
Activity days	2,024	2,028	1,823
Average rig revenue per day	\$ 19,168	20,285	\$19,208
Average rig expense per day	\$ 14,416	13,512	\$13,346
Average rig margin per day	\$ 4,752	6,773	\$ 5,862
Rig utilization	85%	83%	71%

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

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

Reimbursed amounts were as follows:

U.S. Land Operations	\$ 8,943	\$10,463	\$ 7,789
U.S. Offshore Operations	\$ 4,213	\$ 3,753	\$ 1,471
International Operations	\$ 4,207	\$ 5,125	\$ 3,099

**REAL ESTATE**

Revenues	\$ 2,684	\$ 2,857	\$ 2,664
Direct operating expenses	583	801	1,027
Depreciation	589	603	562
Operating income	\$ 1,512	\$ 1,453	\$ 1,075

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

	Three Months Ended		
	September 30, 2005	December 31, 2005	2004
<b>Operating income</b>			
U.S. Land	\$ 56,028	\$70,991	\$25,588
U.S. Offshore	4,720	5,111	4,168
International	3,910	9,302	6,197
Real Estate	1,512	1,453	1,075
<b>Segment operating income</b>	<b>\$ 66,170</b>	<b>\$86,857</b>	<b>\$37,028</b>
Corporate general & administrative	(6,056)	(6,813)	(5,893)
Other depreciation	(791)	(534)	(671)
Inter-segment elimination	560	421	455
<b>Operating income</b>	<b>\$ 59,883</b>	<b>\$79,931</b>	<b>\$30,919</b>
<b>Other income (expense):</b>			
Interest and dividend income	1,984	2,530	961
Interest expense	(2,960)	(2,580)	(3,309)
Gain on sale of investment securities	656	2,720	26,349
Income from asset sales	1,160	973	10,816
Other	(610)	(513)	(2)
Total other income (expense)	230	3,130	34,815
<b>Income before income taxes and equity in income of affiliates</b>	<b>\$ 60,113</b>	<b>\$83,061</b>	<b>\$65,734</b>

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