

HELMERICH & PAYNE, INC.

FORM 10-K/A (Amended Annual Report)

Filed 07/28/06 for the Period Ending 09/30/05

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

HELMERICH & PAYNE INC

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Filed 7/28/2006 For Period Ending 9/30/2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

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

For the fiscal year ended September 30, 2005

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 identification no.)

1437 S. Boulder Ave., Suite 1400, Tulsa, Oklahoma

(Address of principal executive offices)

74119-3623

(Zip code)

Registrant's telephone number, including area code

(918) 742-5531

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Exchange On Which Registered</u>
Common Stock (\$0.10 par value)	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At March 31, 2005, the aggregate market value of the voting stock held by non-affiliates was \$1,945,419,202.

Number of shares of common stock outstanding at December 2, 2005: 52,011,465.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the following documents have been incorporated by reference into this Form 10-K as indicated:

Documents

10-K Parts

- (1) Annual Report to Stockholders for the fiscal year Ended September 30, 2005
- (2) Proxy Statement for Annual Meeting of Stock-Holders to be held March 1, 2006

Parts I and II
Part III

EXPLANATORY NOTE

Helmerich & Payne, Inc. (the “Company”) is filing this Annual Report on Form 10-K/A for the year ended September 30, 2005 (the “Amended Annual Report”), to amend its Annual Report on Form 10-K for the year ended September 30, 2005 (the “Original Annual Report”), which was filed with the Securities and Exchange Commission (the “SEC”) on December 13, 2005. The Company is filing the Amended Annual Report in response to comments received from the SEC regarding the Company’s Original Annual Report.

The Amended Annual Report revises various disclosures in the Original Annual Report generally as follows: (i) with respect to the Form 10-K, revision was made to the cover page under the caption “Title of Each Class,” certain incorporation by reference notations were added in relation to the Annual Report which is Exhibit 13 to the Form 10-K, and the “Other” line item in the table under Item 6. — Selected Financial Data, was removed; (ii) with respect to Management’s Discussion & Analysis of Results of Operations and Financial Condition contained in the Company’s Annual Report which is Exhibit 13 to the Form 10-K, (a) under the caption “Results of Operations,” certain references to “operating income” in the tables pertaining to summarized business segment operations were re-captioned as “segment operating income” to reflect the Company’s segment reporting, (b) revisions were made to the disclosure under the caption “Liquidity and Capital Resources,” as well as the table under the heading “Material Commitments” regarding purchase obligations, and (c) additional disclosure was made pertaining to depreciation under the caption “Critical Accounting Policies and Estimates”; (iii) with respect to the Company’s financial statements and the accompanying notes contained in the Company’s Annual Report which is Exhibit 13 to the Form 10-K, (a) certain line items in the table captioned “Financial and Operating Review” were revised to match the Company’s presentation in the Consolidated Statements of Income,” (b) under the “Consolidated Statements of Income,” “Income from asset sales” was reclassified into “Operating Costs and Expenses,” (c) a portion of Note 1 captioned “Drilling Revenues” was revised, (d) the text of Note 14, “Segment Reporting,” was revised, as were the tables thereto (reportable segments were not changed) as well as Note 16; and (iv) with respect to the certifications contained in Exhibits 31.1 and 31.2, certain introductory wording contained therein was modified.

The Original Annual Report is hereby amended, as described above, and for convenience of reference is restated in its entirety as set forth herein (except that exhibits previously filed with the Original Annual Report

are not being re-filed in this Amended Annual Report). The information contained in the Original Annual Report is not otherwise updated or amended by this Amended Annual Report and this Amended Annual Report does not reflect events occurring after the filing of the Original Annual Report.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

THIS REPORT INCLUDES “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED IN THIS REPORT, INCLUDING, WITHOUT LIMITATION, STATEMENTS REGARDING THE REGISTRANT’S FUTURE FINANCIAL POSITION, BUSINESS STRATEGY, BUDGETS, PROJECTED COSTS AND PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, ARE FORWARD-LOOKING STATEMENTS. IN ADDITION, FORWARD-LOOKING STATEMENTS GENERALLY CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS “MAY”, “WILL”, “EXPECT”, “INTEND”, “ESTIMATE”, “ANTICIPATE”, “BELIEVE”, OR “CONTINUE” OR THE NEGATIVE THEREOF OR SIMILAR TERMINOLOGY. ALTHOUGH THE REGISTRANT BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CAN GIVE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE REGISTRANT’S EXPECTATIONS ARE DISCLOSED IN THIS REPORT UNDER THE CAPTION “RISK FACTORS” BEGINNING ON PAGE 15, AS WELL AS IN MANAGEMENT’S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION ON PAGES 7 THROUGH 33 OF THE COMPANY’S ANNUAL REPORT. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE REGISTRANT, OR PERSONS ACTING ON ITS BEHALF, ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY SUCH CAUTIONARY STATEMENTS. THE REGISTRANT ASSUMES NO DUTY TO UPDATE OR REVISE ITS FORWARD-LOOKING STATEMENTS BASED ON CHANGES IN INTERNAL ESTIMATES OR EXPECTATIONS OR OTHERWISE.

HELMERICH & PAYNE, INC.
FORM 10-K/A
YEAR ENDED DECEMBER 31, 2005
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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

Annual Report Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

For the Fiscal Year Ended September 30, 2005

PART I

Item 1. BUSINESS

Helmerich & Payne, Inc. (the "Company"), was incorporated under the laws of the State of Delaware on February 3, 1940, and is successor to a business originally organized in 1920. The Company is primarily engaged in contract drilling of oil and gas wells for others. The contract drilling business accounts for almost all of the Company's operating revenues. The Company is also engaged in the ownership, development, and operation of commercial real estate.

The Company is organized into two separate operating entities, contract drilling and real estate. Both businesses operate independently of the other through wholly owned subsidiaries. Operating decentralization is balanced by a centralized finance division, which handles all accounting, information technology, budgeting, insurance, cash management, and related activities.

The Company's contract drilling business is composed of three business segments: U.S. land drilling, U.S. offshore platform drilling and international drilling. The Company's U.S. land drilling is conducted primarily in Oklahoma, Texas, Wyoming, Colorado, and Louisiana, and offshore from platforms in the Gulf of Mexico and California. The Company also operated in seven international locations during fiscal

2005: Venezuela, Ecuador, Colombia, Argentina, Bolivia, Equatorial Guinea, and Hungary. In addition, the Company provided drilling consulting services for one customer in Russia.

The Company's real estate investments are located in Tulsa, Oklahoma, where the Company maintains its executive offices.

Prior to October 1, 2002, the Company was engaged in the exploration, production and sale of crude oil and natural gas business ("exploration and production business"). During fiscal 2002, the Company transferred the assets and liabilities of its exploration and production business to its wholly owned subsidiary, Cimarex Energy Co. On September 30, 2002, the Company distributed the common stock of Cimarex Energy Co. to the Company's stockholders and completed a merger of Key Production Company, Inc. with a subsidiary of Cimarex Energy Co. As a result of this transaction, Cimarex Energy Co. became a separate publicly-traded company that owned and operated the exploration and production business. The Company does not own any common stock of Cimarex Energy Co.

CONTRACT DRILLING

The Company believes that it is one of the major land and offshore platform drilling contractors in the western hemisphere. Operating principally in North and South America, the Company specializes in medium to deep drilling in major oil and gas producing basins of the United States and in drilling for oil and gas in international locations. In the United States, the Company draws its customers primarily from the major oil companies and the larger independents. In South America, the Company's

current customers include the Venezuelan state petroleum company and major international oil companies.

In fiscal 2005, the Company received approximately 59 percent of its consolidated operating revenues from the Company's ten largest contract drilling customers. BP plc, ExxonMobil Corporation, and Petroleos de Venezuela S.A. (respectively, "BP", "ExxonMobil" and "PDVSA"), including their affiliates, are the Company's three largest contract drilling customers. The Company performs drilling services for BP and ExxonMobil on a world-wide basis and PDVSA in Venezuela. Revenues from drilling services performed for BP, ExxonMobil and PDVSA in fiscal 2005 accounted for approximately 11 percent, 9 percent and 8 percent, respectively, of the Company's consolidated operating revenues for the same period.

The Company provides drilling rigs, equipment, personnel, and camps on a contract basis. These services are provided so that the Company's customers may explore for and develop oil and gas from onshore areas and from fixed platforms, tension-leg platforms and spars in offshore areas. Each of the drilling rigs consists of engines, drawworks, a mast, pumps, blowout preventers, a drillstring, and related equipment. The intended well depth and the drilling site conditions are the principal factors that determine the size and type of rig most suitable for a particular drilling job. A land drilling rig may be moved from location to location without modification to the rig. A helicopter rig is one that can be disassembled into component part loads of approximately 4,000-20,000 pounds and transported to remote locations by helicopter, cargo plane, or other means. A platform rig is specifically designed to perform drilling operations upon a particular platform. While a platform rig may be moved from its

original platform, significant expense is incurred to modify a platform rig for operation on each subsequent platform. In addition to traditional platform rigs, the Company operates self-moving minimum-space platform drilling rigs and drilling rigs to be used on tension-leg platforms and spars. The minimum-space rig is designed to be moved without the use of expensive derrick barges. The tension-leg platforms and spars allow drilling operations to be conducted in much deeper water than traditional fixed platforms.

During fiscal 1998, the Company put to work a new generation of six highly mobile/depth flexible land drilling rigs (individually the "FlexRig®"). The FlexRig has been able to significantly reduce average rig move times compared to similar depth-rated traditional land rigs. In addition, the FlexRig allows a greater depth flexibility of between 8,000 to 18,000 feet and provides greater operating efficiency. The original six rigs were designated as FlexRig1 rigs. Subsequently, the Company built and completed 12 new FlexRig2 rigs. During fiscal 2001, the Company announced that it would build an additional 25 new FlexRigs. These new rigs, known as "FlexRig3", were the next generation of FlexRigs which incorporated new drilling technology and new environmental and safety design. This new design included integrated top drive, AC electric drive, hydraulic BOP handling system, hydraulic tubular make-up and break-out system, split crown and traveling blocks and an enlarged drill floor that enables simultaneous crew activities. All 25 of these FlexRig3s were completed by June of 2003. Subsequently, the Company constructed seven more FlexRig3s at an approximate cost of \$11.2 million each. Construction of these rigs was completed by

March of 2004. All FlexRigs are available for work in the Company's U.S. and international drilling operations.

During fiscal 2005 and the first quarter of fiscal 2006, the Company entered into separate drilling contracts with 12 exploration and production companies to build and operate a total of 50 new FlexRigs. Of the 50 FlexRigs, eight are FlexRig3s and 42 are FlexRig4s (described below). Each of the drilling contracts provides for a minimum fixed contract term of at least three years, with drilling services to be performed on a daywork contract basis. The FlexRig3 construction cost is approximately \$14 million each and the FlexRig4 cost is approximately \$11 million each. While the Company experienced an approximate 30-day construction schedule delay due to Hurricanes Katrina and Rita, approximately 30 FlexRigs should be completed during fiscal 2006 and the remainder by the end of fiscal 2007. This 50 rig new-build project represents the single largest rig construction project in the Company's history.

While the new FlexRig3s are similar to the Company's existing FlexRig3s, the FlexRig4s are designed to efficiently drill shallower depth wells of between 4,000 and 14,000 feet. The FlexRig4 design includes a trailerized version and a skidding version, which incorporate new environmental and safety design. This new design includes a pipe handling system which allows the rig to be operated by a reduced crew and eliminates the need for a casing stabber in the mast.

While the trailerized version provides for more efficient well site to well site rig moves, the skidding version allows for drilling of up to 22 wells from a single pad which will result in reduced environmental impact.

The Company utilizes a lean manufacturing process in the construction of its FlexRigs. This approach minimizes the amount of equipment and supplies that must be inventoried. However, after experiencing delays resulting from Hurricanes Katrina and Rita, the Company will temporarily inventory increased amounts of equipment and supplies to reduce future delays.

The Company's drilling contracts are obtained through competitive bidding or as a result of negotiations with customers, and sometimes cover multi-well and multi-year projects. Each drilling rig operates under a separate drilling contract. During fiscal 2005, all drilling services were performed on a "daywork" contract basis, under which the Company charges a fixed rate per day, with the price determined by the location, depth and complexity of the well to be drilled, operating conditions, the duration of the contract, and the competitive forces of the market. The Company has previously performed contracts on a combination "footage" and "daywork" basis, under which the Company charged a fixed rate per foot of hole drilled to a stated depth, usually no deeper than 15,000 feet, and a fixed rate per day for the remainder of the hole. Contracts performed on a "footage" basis involve a greater element of risk to the contractor than do contracts performed on a "daywork" basis. Also, the Company has previously accepted "turnkey" contracts under which the Company charges a fixed sum to deliver a hole to a stated depth and agrees to furnish services such as testing, coring, and casing the hole which are not normally done on a "footage" basis. "Turnkey" contracts entail varying degrees of risk greater than the usual "footage" contract. The Company did not accept any "footage" or "turnkey" contracts during fiscal 2005. The Company believes that under current market conditions "footage" and "turnkey" contract

rates do not adequately compensate contractors for the added risks. The duration of the Company's drilling contracts are "well-to-well" or for a fixed term. "Well-to-well" contracts are cancelable at the option of either party upon the completion of drilling at any one site. Fixed-term contracts customarily provide for termination at the election of the customer, with an "early termination payment" to be paid to the contractor if a contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances such as destruction of a drilling rig or sustained unacceptable performance, no early termination payment would be paid to the contractor.

Excluding the fixed term contracts covering the 50 FlexRig new-build project, the Company has 33 rigs under fixed term contracts as of the end of November 2005. While the duration for these current fixed-term contracts are for six month to three year periods, some fixed-term and well-to-well contracts are expected to be continued for longer periods than the original terms. However, the contracting parties have no legal obligation to extend the contracts. Contracts generally contain renewal or extension provisions exercisable at the option of the customer at prices mutually agreeable to the Company and the customer. In most instances contracts provide for additional payments for mobilization and demobilization.

U.S. Land Drilling

At the end of September, 2005 and 2004, the Company had 91 and 87, respectively, of its land rigs available for work in the United States. The total number of rigs owned at the end of the period increased by a net of four rigs, resulting from six rigs moving back from the Company's international fleet during fiscal year 2005, and the sale of two conventional rigs in November of 2004. The Company's U.S. land

operations contributed approximately 66 percent of the Company's consolidated operating revenues during fiscal 2005, compared with approximately 59 percent of consolidated operating revenues during fiscal 2004 and approximately 54 percent of consolidated operating revenues during fiscal 2003. Rig utilization in fiscal 2005 was approximately 94 percent, up from approximately 87 percent in fiscal 2004. The Company's fleet of FlexRigs and highly mobile rigs maintained an average utilization of approximately 99 percent during fiscal 2005 while the Company's conventional rigs had an average utilization rate of approximately 82 percent. At the close of fiscal 2005, 87 land rigs were working out of 91 available rigs.

U.S. Offshore Platform Drilling

The Company's offshore platform operations contributed approximately 11 percent of the Company's consolidated operating revenues during fiscal 2005, compared with approximately 14 percent of consolidated operating revenues during fiscal 2004 and approximately 22 percent of consolidated operating revenues during fiscal 2003. Rig utilization in fiscal 2005 was approximately 53 percent, up from approximately 48 percent in fiscal 2004. At the end of this fiscal year, the Company had seven of its 11 offshore platform rigs (excluding Rig 201) under contract and continued to work under management contracts for two customer-owned rigs. Revenues from drilling services performed for the Company's largest offshore platform drilling customer totaled approximately 73 percent of U.S. offshore platform revenues during fiscal 2005.

The Company's offshore platform Rig 201 sustained significant damage from Hurricane Katrina. Specific equipment damage assessment has not been completed. The Company does not anticipate Rig 201 returning to service during fiscal 2006. The

rig was insured at a value that approximated replacement cost. Excluding Rig 201, seven platform rigs are under contract as of the end of November 2005, and one additional rig is expected to be contracted for work commencing the second fiscal quarter of 2006.

International Drilling

General

The Company's international drilling operations began in 1958 with the acquisition of Sinclair Oil Company's drilling rigs in Venezuela. Helmerich & Payne de Venezuela, C.A., a wholly owned subsidiary of the Company, is one of the leading drilling contractors in Venezuela. Beginning in 1972, with the introduction of its first helicopter rig, the Company expanded into other Latin American countries.

The Company's international operations contributed approximately 22 percent of the Company's consolidated operating revenues during fiscal 2005, compared with approximately 25 percent of consolidated operating revenues during fiscal 2004 and approximately 22 percent of consolidated operating revenues during fiscal 2003. Rig utilization in fiscal 2005 was 77 percent, up from 54 percent in fiscal 2004.

Venezuela

Venezuelan operations continue to be a significant part of the Company's operations. During fiscal 2005, the Company moved a highly mobile rig to the United States, reducing the rig count to 12 in Venezuela. The Company worked for the Venezuelan state petroleum company, PDVSA, during fiscal 2005 and revenues from this work accounted for approximately 8 percent of the Company's consolidated operating revenues during the fiscal year and approximately 38 percent of international

operating revenues. Revenues generated from all Venezuelan drilling operations contributed approximately 8 percent of the Company's consolidated operating revenues during 2005, compared with approximately 10 percent of consolidated operating revenues during fiscal 2004 and 6 percent of consolidated operating revenues during 2003. The Company had nine rigs working in Venezuela at the end of fiscal 2005.

The Company's rig utilization rate in Venezuela has increased from approximately 65 percent during fiscal 2004 to approximately 72 percent in fiscal 2005. The Company has contracted to return one idle rig back to work during the second quarter of fiscal 2006. At this time, the Company is unable to predict future fluctuations in its utilization rates.

Ecuador

At the end of fiscal 2005, the Company owned eight rigs in Ecuador. The Company's utilization rate was approximately 97 percent during fiscal 2005, up from approximately 74 percent in fiscal 2004. Revenues generated by Ecuadorian drilling operations contributed approximately 8 percent of the Company's consolidated operating revenues during fiscal 2005, as compared with approximately 7 percent of consolidated operating revenues during fiscal 2004 and approximately 10 percent of consolidated operating revenues during fiscal 2003. Revenues from drilling services performed for the Company's largest customer in Ecuador totaled approximately 3 percent of consolidated operating revenues and approximately 13 percent of international operating revenues during fiscal 2005. The Ecuadorian drilling contracts are primarily with large international oil companies.

Colombia

During fiscal 2005, the Company owned two rigs in Colombia. The Company's utilization rate in Colombia was approximately 87 percent during fiscal 2005, up from approximately 13 percent in fiscal 2004. The revenues generated by Colombian drilling operations contributed approximately 2 percent of the Company's consolidated operating revenues in fiscal 2005, as compared with approximately 1 percent of consolidated operating revenues during fiscal 2004 and fiscal 2003. At the end of fiscal 2005, the Company was operating two rigs in Colombia.

Other Locations

In addition to its operations in Venezuela, Ecuador and Colombia, at the end of fiscal 2005, the Company owned two rigs in Bolivia, and two rigs in Argentina. During fiscal 2005, one rig was moved to the United States from Hungary.

At the end of November 2005, two rigs were working in Argentina with an additional rig moving to Argentina from the United States. This rig is under contract and expected to begin work during the second quarter of fiscal 2006. One rig has moved from Bolivia to Chile and started drilling operations, and one rig is under contract in Bolivia. It is expected to begin work during the second quarter of fiscal 2006.

During fiscal 2005, the Company continued operations under a management contract for a customer-owned platform rig located offshore Equatorial Guinea. Also, during the fiscal year, the Company completed a drilling consulting services contract in Russia. The Company continues to pursue opportunities in Russia.

REAL ESTATE OPERATIONS

The Company's real estate operations are conducted exclusively within the metropolitan area of Tulsa, Oklahoma. Its major holding is Utica Square Shopping

Center, consisting of 15 separate buildings, with parking and other common facilities covering an area of approximately 30 acres. Utica Square contains approximately 441,588 usable square feet, composed of retail space of 379,018 usable square feet, office space of 38,785 usable square feet, storage space of 6,600 usable square feet and common area space of 17,185 usable square feet. The Company's real estate operations occupy approximately 4,140 square feet of general office and storage space within the shopping center. Occupancy in the shopping center was approximately 91 percent in fiscal 2005 and fiscal 2004.

At the end of the 2005 fiscal year, the Company owned 11 of a total of 73 units in The Yorktown, a 16-story luxury residential condominium with approximately 150,940 square feet of living area located on a six-acre tract adjacent to Utica Square Shopping Center. Nine of the Company's units are currently leased.

The Company owns and leases to third parties multi-tenant warehouse space. Three warehouses known as Space Center, each containing approximately 165,000 square feet of net leasable space, are situated in the southeast part of Tulsa at the intersection of two major limited-access highways. Present occupancy is approximately 89 percent, which is up from approximately 82 percent one year ago. The increase in occupancy is due to the addition of three new tenants. The Company also owns approximately 1.5 acres of undeveloped land lying adjacent to such warehouses.

Southpark is an undeveloped tract of land located in a high growth area of southeast Tulsa and is suitable for mixed commercial and light industrial use. At the end of fiscal 2005, the Company owned approximately 218 acres in Southpark consisting of approximately 205 acres of undeveloped real estate and approximately 13

acres of multi-tenant warehouse area. The warehouse area is known as Space Center East and consists of two warehouses, one containing approximately 90,000 square feet and the other containing approximately 112,500 square feet. Occupancy increased to approximately 89 percent in 2005 from approximately 82 percent in fiscal 2004 due to the addition of two new tenants. The Company believes that a high quality office park, with peripheral commercial, office/warehouse, and hotel sites, is the best development use for the remaining land. The Company has contracted with a professional engineering and planning firm to prepare a topographic survey and preliminary site engineering plan to aid in the possible future development of Southpark.

The Company owns a five-building complex called Tandem Business Park. The property is located adjacent to and east of the Space Center East facility and contains approximately six acres, with approximately 88,084 square feet of office/warehouse space. Occupancy has increased from approximately 69 percent in 2004 to approximately 76 percent during fiscal 2005 due to the addition of three tenants. The Company also owns a 12-building complex, consisting of approximately 204,600 square feet of office/warehouse space, called Tulsa Business Park. The property is located south and east of the Space Center facility, separated by a city street, and contains approximately 12 acres. During fiscal 2005, occupancy has decreased from approximately 81 percent to approximately 69 percent due to the loss of one tenant.

The Company owns two service center properties located adjacent to arterial streets in south central Tulsa. The first, called Maxim Center, consists of one office/warehouse building containing approximately 40,800 square feet and is located on approximately 2.5 acres. During fiscal 2005, occupancy has decreased to

approximately 56 percent from approximately 94 percent due to the loss of one large tenant. The second, called Maxim Place, consists of one office/warehouse building containing approximately 33,750 square feet and is located on approximately 2.25 acres. During fiscal 2005, occupancy has increased from approximately 44 percent to approximately 63 percent with the addition of one new tenant. The Company's offsite disaster recovery center occupies approximately 3,517 square feet of office and computer equipment space in this property.

During fiscal 2005, the Company completed the demolition and site reclamation of its former headquarters building. No development plans for the site are pending.

FINANCIAL

Information relating to revenues, total assets and operating income or loss by business segments may be found on, and is incorporated by reference to, pages 58 through 61 of the Company's Annual Report (Exhibit 13 to this Form 10-K/A).

EMPLOYEES

The Company had 3,615 employees within the United States (six of which were part-time employees) and 1,186 employees in international operations as of September 30, 2005.

AVAILABLE INFORMATION

Information relating to the Company's internet address and the Company's SEC filings may be found on, and is incorporated by reference to, page 63 of the Company's Annual Report (Exhibit 13 to this Form 10-K/A).

RISK FACTORS

In addition to the risk factors discussed elsewhere in this Report, the Company cautions that the following “Risk Factors” could affect its actual results in the future.

1. Competition

Competition in the Contract Drilling Business

The contract drilling business is highly competitive. Competition in contract drilling involves such factors as price, rig availability, efficiency, condition of equipment, reputation, operating safety, and customer relations. Competition is primarily on a regional basis and may vary significantly by region at any particular time. Land drilling rigs can be readily moved from one region to another in response to changes in levels of activity, and an oversupply of rigs in any region may result, leading to increased price competition.

Although many contracts for drilling services are awarded based solely on price, the Company has been successful in establishing long-term relationships with certain customers which have allowed the Company to secure drilling work even though the Company may not have been the lowest bidder for such work. The Company has continued to attempt to differentiate its services based upon its engineering design expertise, operational efficiency, and safety and environmental awareness. This strategy is less effective when lower demand for drilling services intensifies price competition and makes it more difficult or impossible to compete on any basis other than price. Also, future improvements in operational efficiency and safety by the Company’s competitors could negatively affect the Company’s ability to differentiate its services.

Competition in the Real Estate Business

The Company has numerous competitors in the multi-tenant leasing business. The size and financial capacity of these competitors range from one property sole proprietors to large international corporations. The primary competitive factors include price, location, and configuration of space. The Company's competitive position is enhanced by the location of its properties, its financial capability and the long-term ownership of its properties. However, many competitors have financial resources greater than the Company and have more contemporary facilities. Also, current economic conditions have encouraged prospective tenants to construct owner-occupied buildings rather than lease third party space.

2. Operating and Rig Construction Risks

The drilling operations of the Company are subject to the many hazards inherent in the business, including inclement weather, blowouts and well fires. These hazards could cause personal injury, suspend drilling operations, seriously damage or destroy the equipment involved, and cause substantial damage to producing formations and the surrounding areas. The Company's offshore platform drilling operations are also subject to potentially greater environmental liability, adverse sea conditions and platform damage or destruction due to collision with aircraft or marine vessels.

The Company's new-build rig assembly facility is located near the Houston, Texas ship channel. Also, certain of the Company's fabricators and other vendors are located in the Gulf Coast region. Due to their location, these facilities are exposed to potentially greater hurricane damage.

3. Fixed Term Contract Risk

Fixed term drilling contracts customarily provide for termination at the election of the customer, with an “early termination payment” to be paid to the Company if a contract is terminated prior to the expiration of the fixed term. However, under certain limited circumstances, such as destruction of a drilling rig or sustained unacceptable performance by the Company, no early termination payment would be paid to the Company.

4. Indemnification and Insurance Coverage

The Company has insurance coverage for comprehensive general liability, public liability, automobile liability, worker’s compensation, employer’s liability, and property damage. Generally, deductibles range from \$1 million or \$2 million per occurrence, depending on whether a claim occurs inside or outside of the United States. The Company maintains certain other insurance coverages with \$5 million deductibles. Insurance is purchased over these deductibles to limit the Company’s exposure to catastrophic events. In fiscal 2005, the Company obtained property insurance for 85 percent of the aggregate estimated replacement cost of its land rigs in excess of a \$1 million deductible. The Company self-insured the remaining 15 percent of such land rig value. No insurance is carried against loss of earnings or business interruption. The Company is unable to obtain significant amounts of insurance to cover risks of underground reservoir damage; however, the Company is generally indemnified under its drilling contracts from this risk.

The Company retains a significant portion of its expected losses under its worker’s compensation, general, and automobile liability programs. The Company records estimates for incurred outstanding liabilities for unresolved worker’s

compensation, general liability claims and for claims that are incurred but not reported. Estimates are based on historic experience and statistical methods that the Company believes are reliable. Nonetheless, insurance estimates include certain assumptions and management judgments regarding the frequency and severity of claims, claim development, and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

The majority of the Company's insurance coverage has been purchased through fiscal 2006. Multiple hurricanes in the Gulf of Mexico during August and September had a severe impact on the availability and price of the Company's rig property insurance coverage for 2006. As a result, the Company was able to place only 85 percent of its rig property coverage excess of a \$1 million per occurrence deductible. In addition, the Company could share in losses up to a maximum of \$5 million should loss levels exceed a set percentage of excess property premium. No assurance can be given that all or a portion of the Company's coverage will not be cancelled during fiscal 2006 or that insurance coverage will continue to be available at rates considered reasonable. No assurance can be given that the Company's insurance and indemnification arrangements will adequately protect it against all liabilities that could result from the hazards of its drilling operations. Incurring a liability for which the Company is not fully insured or indemnified could materially affect the Company's results of operations.

5. Availability of Equipment and Supplies

The contract drilling business is highly cyclical. During periods of increased demand for contract drilling services, delays in delivery and shortages of drilling

equipment and supplies can occur. These risks are intensified during periods when the industry experiences significant new drilling rig construction or refurbishment.

6. Volatility of Oil and Gas Prices

The Company's operations can be materially affected by low oil and gas prices. The Company believes that any significant reduction in oil and gas prices could depress the level of exploration and production activity and result in a corresponding decline in demand for the Company's services. Worldwide military, political and economic events, including initiatives by the Organization of Petroleum Exporting Countries, may affect both the demand for, and the supply of, oil and gas. Fluctuations during the last few years in the demand and supply of oil and gas have contributed to, and are likely to continue to contribute to, price volatility. Any prolonged reduction in demand for the Company's services could have a material and adverse effect on the Company.

7. International Uncertainties and Local Laws

International operations are subject to certain political, economic, and other uncertainties not encountered in U.S. operations, including increased risks of terrorism, kidnapping of employees, expropriation of equipment as well as expropriation of a particular oil company operator's property and drilling rights, taxation policies, foreign exchange restrictions, currency rate fluctuations, and general hazards associated with foreign sovereignty over certain areas in which operations are conducted. There can be no assurance that there will not be changes in local laws, regulations, and administrative requirements or the interpretation thereof which could have a material adverse effect on the profitability of the Company's operations or on the ability of the Company to continue operations in certain areas.

Because of the impact of local laws, the Company's future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which the Company holds only a minority interest, or pursuant to arrangements under which the Company conducts operations under contract to local entities. While the Company believes that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on the Company's operations or revenues, there can be no assurance that the Company will in all cases be able to structure or restructure its operations to conform to local law (or the administration thereof) on terms acceptable to the Company.

Although the Company attempts to minimize the potential impact of such risks by operating in more than one geographical area, during fiscal 2005, approximately 22 percent of the Company's consolidated operating revenues were generated from the international contract drilling business. Approximately 85 percent of the international operating revenues were from operations in South America and approximately 84 percent of South American operating revenues were from Venezuela and Ecuador.

8. Currency Risk

General

Contracts for work in foreign countries generally provide for payment in United States dollars, except for amounts required to meet local expenses. However, government owned petroleum companies are more frequently requesting that a greater proportion of these payments be made in local currencies. Based upon current information, the Company believes that exposure to potential losses from currency devaluation is minimal in Colombia, Ecuador, Bolivia, and Equatorial Guinea. In those

countries, all receivables and payments are currently in U.S. dollars. Cash balances are kept at a minimum which assists in reducing exposure.

Argentina

In 2002, Argentina suffered a 60 percent devaluation of the peso. As a consequence, the Company secured agreements with its customers that limited the portion of the accounts receivable that was paid in pesos with the balance of such accounts receivable paid in U.S. dollars. The Company experienced minimal Argentine currency losses in fiscal 2005.

Venezuela

The Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. In Venezuela, approximately 40 percent of the Company's invoice billings are in U.S. dollars and 60 percent are in the local currency, the bolivar. The significance of this arrangement is that even though the dollar-based invoices may be paid in bolivares, the Company, historically, has usually been able to convert the bolivares into U.S. dollars in a timely manner and thus avoid, in large measure, devaluation losses pertaining to the dollar-based invoices. However, this arrangement is effective only in the absence of exchange controls. In January 2003, the Venezuelan government put into effect exchange controls that fixed the exchange rate and also prohibited the Company, as well as other companies, from converting the bolivar into U.S. dollars through the Central Bank.

As part of the exchange controls regulation, the Venezuelan government provided a mechanism by which companies could request conversion of bolivares into U.S. dollars. In compliance with such regulations, the Company, in October of 2003,

submitted a request to the Venezuelan government seeking permission to dividend earnings, which would convert 14 billion bolivares into U.S. dollars. In January 2004, the Venezuelan government approved the Company's request to convert bolivar cash balances to U.S. dollars and allowed the remittance of \$8.8 million U.S. dollars as dividends to the U.S. based parent. As a consequence, the Company's exposure to currency devaluation was reduced by this amount.

As stated above, the Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. As a result of a 12 percent devaluation of the bolivar during fiscal 2005, the Company experienced total devaluation losses of \$0.6 million during that same period.

These devaluation losses may not be reflective of the actual potential for future devaluation losses because of the exchange controls that are currently in place. While the Company is unable to predict future devaluation in Venezuela, if fiscal 2006 activity levels are similar to fiscal 2005, and if a 10 percent to 20 percent devaluation were to occur, the Company could experience potential currency devaluation losses ranging from approximately \$1.6 million to \$2.9 million.

In late August 2003, the Venezuelan state petroleum company agreed, on a prospective basis, to pay a portion of the Company's dollar-based invoices in U.S. dollars. Were this agreement to end, the Company would again receive these payments in bolivares and thus increase bolivar cash balances and exposure to devaluation.

On September 28, 2005, the Company made application with the Venezuelan government requesting the approval to convert bolivar cash balances to U.S. dollars. Upon approval from the Venezuelan government, the Company's Venezuelan

subsidiary will remit those dollars as a dividend to its U.S. based parent, thus reducing the Company's exposure to currency devaluation.

9. Governmental Instability in Venezuela

Venezuela has a history of governmental instability. In the event that extended labor strikes or turmoil occurs, the Company could experience shortages in material and supplies necessary to operate some or all of its Venezuelan drilling rigs.

During the mid-1970s, the Venezuelan government nationalized the exploration and production business. At the present time it appears the Venezuelan government will not nationalize the contract drilling business. Any such nationalization could result in the Company's loss of all or a portion of its assets and business in Venezuela.

10. Government Regulation and Environmental Risks

Many aspects of the Company's operations are subject to government regulation, including those relating to drilling practices and methods and the level of taxation. In addition, the United States and various other countries have environmental regulations which affect drilling operations. Drilling contractors may be liable for damages resulting from pollution. Under United States regulations, drilling contractors must establish financial responsibility to cover potential liability for pollution of offshore waters. Generally, the Company is indemnified under drilling contracts from liability arising from pollution, except in certain cases of surface pollution. However, the enforceability of indemnification provisions in foreign countries may be questionable.

The Company believes that it is in substantial compliance with all legislation and regulations affecting its operations in the drilling of oil and gas wells and in controlling the discharge of wastes. To date, compliance has not materially affected the capital

expenditures, earnings, or competitive position of the Company, although these measures may add to the costs of drilling operations. Additional legislation or regulation may reasonably be anticipated, and the effect thereof on operations cannot be predicted.

11. Interest Rate Risk

The Company has a \$200 million intermediate-term unsecured debt obligation with staged maturities from August 2007 to August 2014, with varying fixed interest rates for each maturity series. There was \$200 million outstanding at September 30, 2005, of which \$25 million is due in 2007 and the remaining \$175 million is due 2009 through 2014. The average interest rate during the next four years on this debt is 6.4 percent, after which it increases to 6.5 percent. The fair value of this debt at September 30, 2005 was approximately \$215 million.

At September 30, 2005, the Company had in place a committed unsecured line of credit totaling \$50 million with no outstanding borrowings. The Company, as of September 30, 2005, had letters of credit totaling \$14 million outstanding against such line of credit. The Company's line of credit interest rate is based on LIBOR plus 87.5 to 112.5 basis points or prime minus 175 to 150 basis points based on the Company's EBITDA to net debt ratio. As the Company draws on this line of credit, it is subject to the interest rates prevailing during the term at which the Company had outstanding borrowings. Interest rates could rise for various reasons in the future and increase the Company's total interest expense, depending upon the amount borrowed against the credit line.

12. Equity Price Risk

At September 30, 2005, the Company owned stocks in other publicly held companies with a total market value of \$293.4 million. These securities are subject to a wide variety of market-related risks that could substantially reduce or increase the market value of the Company's holdings. Except for the Company's holdings in Atwood Oceanics, Inc., the portfolio is recorded at fair value on its balance sheet with changes in unrealized after-tax value reflected in the equity section of its balance sheet. Any reduction in market value would have an impact on the Company's debt ratio and financial strength. In October 2004, the Company sold 1,000,000 shares of its position in Atwood Oceanics, Inc. as part of a 2,175,000 share public offering by Atwood. The sale generated \$15.9 million (\$0.31 per diluted share) of net income in fiscal 2005. The Company currently owns 2,000,000 shares of Atwood.

13. Reliance on Small Number of Customers

In fiscal 2005, the Company received approximately 59 percent of its consolidated operating revenues from the Company's ten largest contract drilling customers and approximately 28 percent of its consolidated operating revenues from the Company's three largest customers (including their affiliates). The Company believes that its relationship with all of these customers is good; however, the loss of one or more of its larger customers would have a material adverse effect on the Company's results of operations.

14. Key Personnel

The Company utilizes highly skilled personnel in operating and supporting its businesses. In times of high utilization, it can be difficult to find qualified individuals. Although to date the Company's operations have not been materially affected by

competition for personnel, an inability to obtain a sufficient number of qualified personnel could materially impact the Company's results of operations.

15. Changes in Technologies

Although the Company takes measures to ensure that it uses advanced oil and natural gas drilling technology, changes in technology or improvements in competitors' equipment could make the Company's equipment less competitive or require significant capital investments to keep its equipment competitive.

16. Concentration of Credit

The concentration of the Company's customers in the energy industry could cause them to be similarly affected by changes in industry conditions and, as a result, could impact the Company's exposure to credit risk. The Company cannot offer assurances that losses due to uncollectible receivables will be consistent with expectations.

Item 2. PROPERTIES

CONTRACT DRILLING

The following table sets forth certain information concerning the Company's U.S. drilling rigs as of September 30, 2005:

<u>Location</u>	<u>Rig</u>	<u>Optimum Depth</u>	<u>Rig Type</u>	<u>Drawworks: Horsepower</u>
FLEXRIGS				
TEXAS	164	18,000	SCR (FlexRig1)	1,500
TEXAS	165	18,000	SCR (FlexRig1)	1,500
TEXAS	166	18,000	SCR (FlexRig1)	1,500
TEXAS	167	18,000	SCR (FlexRig1)	1,500
TEXAS	168	18,000	SCR (FlexRig1)	1,500
TEXAS	169	18,000	SCR (FlexRig1)	1,500
TEXAS	178	18,000	SCR (FlexRig2)	1,500
WYOMING	179	18,000	SCR (FlexRig2)	1,500
WYOMING	180	18,000	SCR (FlexRig2)	1,500
TEXAS	181	18,000	SCR (FlexRig2)	1,500
TEXAS	182	18,000	SCR (FlexRig2)	1,500
TEXAS	183	18,000	SCR (FlexRig2)	1,500
TEXAS	184	18,000	SCR (FlexRig2)	1,500
TEXAS	185	18,000	SCR (FlexRig2)	1,500
TEXAS	186	18,000	SCR (FlexRig2)	1,500
TEXAS	187	18,000	SCR (FlexRig2)	1,500
TEXAS	188	18,000	SCR (FlexRig2)	1,500
OKLAHOMA	189	18,000	SCR (FlexRig2)	1,500
TEXAS	210	18,000	AC (FlexRig3)	1,500
TEXAS	211	18,000	AC (FlexRig3)	1,500
TEXAS	212	18,000	AC (FlexRig3)	1,500
TEXAS	213	18,000	AC (FlexRig3)	1,500
TEXAS	214	18,000	AC (FlexRig3)	1,500
COLORADO	215	18,000	AC (FlexRig3)	1,500
TEXAS	216	18,000	AC (FlexRig3)	1,500
TEXAS	217	18,000	AC (FlexRig3)	1,500
TEXAS	218	18,000	AC (FlexRig3)	1,500
TEXAS	219	18,000	AC (FlexRig3)	1,500
TEXAS	220	18,000	AC (FlexRig3)	1,500
LOUISIANA	221	18,000	AC (FlexRig3)	1,500
OKLAHOMA	222	18,000	AC (FlexRig3)	1,500
TEXAS	223	18,000	AC (FlexRig3)	1,500
TEXAS	224	18,000	AC (FlexRig3)	1,500
TEXAS	225	18,000	AC (FlexRig3)	1,500
TEXAS	226	18,000	AC (FlexRig3)	1,500
TEXAS	227	18,000	AC (FlexRig3)	1,500
TEXAS	228	18,000	AC (FlexRig3)	1,500
TEXAS	229	18,000	AC (FlexRig3)	1,500
TEXAS	230	18,000	AC (FlexRig3)	1,500
TEXAS	231	18,000	AC (FlexRig3)	1,500

Location	Rig	Optimum Depth	Rig Type	Drawworks: Horsepower
TEXAS	232	18,000	AC (FlexRig3)	1,500
TEXAS	233	18,000	AC (FlexRig3)	1,500
TEXAS	234	18,000	AC (FlexRig3)	1,500
TEXAS	235	18,000	AC (FlexRig3)	1,500
TEXAS	236	18,000	AC (FlexRig3)	1,500
TEXAS	237	18,000	AC (FlexRig3)	1,500
TEXAS	238	18,000	AC (FlexRig3)	1,500
COLORADO	239	18,000	AC (FlexRig3)	1,500
TEXAS	240	18,000	AC (FlexRig3)	1,500
COLORADO	241	18,000	AC (FlexRig3)	1,500

**HIGHLY MOBILE
RIGS**

OKLAHOMA	140	10,000	Mechanical	900
Oklahoma	158	10,000	SCR	900
TEXAS	156	12,000	Mechanical	1,200
WYOMING	159	12,000	Mechanical	1,200
TEXAS	141	14,000	Mechanical	1,200
TEXAS	142	14,000	Mechanical	1,200
OKLAHOMA	143	14,000	Mechanical	1,200
TEXAS	145	14,000	Mechanical	1,200
TEXAS	155	14,000	SCR	1,200
WYOMING	146	16,000	SCR	1,200
TEXAS	147	16,000	SCR	1,200
WYOMING	154	16,000	SCR	1,500

**CONVENTIONAL
RIGS**

TEXAS	110	12,000	SCR	700
OKLAHOMA	96	16,000	SCR	1,000
TEXAS	118	16,000	SCR	1,200
OKLAHOMA	119	16,000	SCR	1,200
TEXAS	120	16,000	SCR	1,200
TEXAS	171	16,000	Mechanical	1,000
WYOMING	172	16,000	Mechanical	1,000
TEXAS	122	16,000	SCR	1,700
TEXAS	162	18,000	SCR	1,500
LOUISIANA	79	20,000	SCR	2,000
OKLAHOMA	80	20,000	SCR	1,500
TEXAS	89	20,000	SCR	1,500
OKLAHOMA	92	20,000	SCR	1,500
OKLAHOMA	94	20,000	SCR	1,500
OKLAHOMA	98	20,000	SCR	1,500

Location	Rig	Optimum Depth	Rig Type	Drawworks: Horsepower
TEXAS	173	20,000	Mechanical	2,000
TEXAS	97	26,000	SCR	2,000
TEXAS	99	26,000	SCR	2,000
TEXAS	137	26,000	SCR	2,000
TEXAS	149	26,000	SCR	2,000
LOUISIANA	72	30,000	SCR	3,000
OKLAHOMA	73	30,000	SCR	3,000
TEXAS	125	30,000	SCR	3,000
TEXAS	134	30,000	SCR	3,000
LOUISIANA	136	30,000	SCR	3,000
TEXAS	157	30,000	SCR	3,000
LOUISIANA	161	30,000	SCR	3,000
LOUISIANA	163	30,000	SCR	3,000
TEXAS*	139	30,000+	SCR	3,000

**OFFSHORE
PLATFORM RIGS**

LOUISIANA	91	20,000	Conventional	3,000
GULF OF MEXICO	203	20,000	Self-Erecting	2,500
GULF OF MEXICO	205	20,000	Tension-leg	2,000
GULF OF MEXICO	206	20,000	Self-Erecting	1,500
GULF OF MEXICO	100	30,000	Conventional	3,000
LOUISIANA	105	30,000	Conventional	3,000
LOUISIANA	106	30,000	Conventional	3,000
GULF OF MEXICO	107	30,000	Conventional	3,000
GULF OF MEXICO	201	30,000	Tension-leg	3,000
GULF OF MEXICO	202	30,000	Tension-leg	3,000
GULF OF MEXICO	204	30,000	Tension-leg	3,000

* Rig moved to Argentina in November, 2005

The following table sets forth information with respect to the utilization of the Company's U.S. land and offshore drilling rigs for the periods indicated:

	Years ended September 30,				
	2001	2002	2003	2004	2005
U.S. Land Rigs					
Number of rigs owned at end of period	49	66	83	87	91
Average rig utilization rate during period (1)	97%	84%	81%	87%	94%
U.S. Offshore Platform Rigs					
Number of rigs owned at end of period	10	12	12	11	11
Average rig utilization rate during period (1)	98%	83%	51%	48%	53%

(1) A rig is considered to be utilized when it is operated or being moved, assembled, or dismantled under contract.

The following table sets forth certain information concerning the Company's international drilling rigs as of September 30, 2005:

Location	Rig	Optimum Depth	Rig Type	Drawworks: Horsepower
Argentina	175	30,000	SCR	3,000
Argentina	177	30,000	SCR	3,000
Bolivia*	123	26,000	SCR	2,100
Bolivia	151	30,000+	SCR	3,000
Argentina	175	30,000	SCR	3,000
Colombia	133	30,000	SCR	3,000
Colombia	152	30,000+	SCR	3,000
Ecuador	22	18,000	SCR (Heli Rig)	1,700
Ecuador	23	18,000	SCR (Heli Rig)	1,500
Ecuador	132	18,000	SCR	1,500
Ecuador	176	18,000	SCR	1,500
Ecuador	121	20,000	SCR	1,700
Ecuador	117	26,000	SCR	2,500
Ecuador	138	26,000	SCR	2,500
Ecuador	190	26,000	SCR	2,000
Venezuela	148	26,000	SCR	2,000
Venezuela	160	26,000	SCR	2,000
Venezuela	113	30,000	SCR	3,000
Venezuela	115	30,000	SCR	3,000
Venezuela	116	30,000	SCR	3,000
Venezuela	127	30,000	SCR	3,000
Venezuela	128	30,000	SCR	3,000
Venezuela	129	30,000	SCR	3,000
Venezuela	135	30,000	SCR	3,000
Venezuela	150	30,000	SCR	3,000
Venezuela	174	30,000	SCR	3,000
Venezuela	153	30,000+	SCR	3,000

* Rig moved to Chile in the first quarter of fiscal 2006

The following table sets forth information with respect to the utilization of the Company's international drilling rigs for the periods indicated:

	Years ended September 30,				
	2001	2002	2003	2004	2005
Number of rigs owned at end of Period	37	33	32	32	26
Average rig utilization rate during period (1)(2)	56%	51%	39%	54%	77%

(1) A rig is considered to be utilized when it is operated or being moved, assembled, or dismantled under contract.

(2) Does not include rigs returned to United States for major modifications and upgrades.

REAL ESTATE OPERATIONS

See Item 1. BUSINESS, pages 11 through 14 of this Report.

STOCK PORTFOLIO

Information required by this item regarding the stock portfolio held by the Company may be found on, and is incorporated by reference to, page 25 of the Company's Annual Report (Exhibit 13 to this Form 10-K/A) under the caption, "Management's Discussion & Analysis of Results of Operations and Financial Condition."

Item 3. LEGAL PROCEEDINGS

The Company is subject to various claims that arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position, results of operations, or

liquidity of the Company. The Company is not a party to, and none of its property is subject to, any material pending legal proceedings.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 4A. EXECUTIVE OFFICERS OF THE COMPANY

The following table sets forth the names and ages of the Company's executive officers, together with all positions and offices held with the Company by such executive officers. Officers are elected to serve until the meeting of the Board of Directors following the next Annual Meeting of Stockholders and until their successors have been elected and have qualified or until their earlier resignation or removal.

W. H. Helmerich, III, 82 Chairman of the Board	Director since 1949; Chairman of the Board since 1960
Hans Helmerich, 47 President and Chief Executive Officer	Director since 1987; President and Chief Executive Officer since 1989
George S. Dotson, 64 Vice President	Director since 1990; Vice President since 1977 and President and Chief Operating Officer of Helmerich & Payne International Drilling Co. since 1977
Douglas E. Fears, 56	Vice President and Chief Financial Officer since 1988
Steven R. Mackey, 54 Vice President, Secretary and General Counsel	Secretary since 1990; Vice President and General Counsel since 1988

Effective March 1, 2006, following the retirement of George S. Dotson, John W. Lindsay and M. Alan Orr will serve as Executive Vice Presidents for Helmerich & Payne International Drilling Co. Mr. Lindsay will become Executive Vice President, U.S. and International Operations, and Mr. Orr will serve as Executive Vice President, Engineering and Development.

Mr. Lindsay, age 45, joined the Company in 1987 as a drilling engineer. He has since served in various positions including operations manager for the Company's Mid-Continent region and division manager of U.S. Land Operations. In 1997, Mr. Lindsay was appointed to his present position of Vice President, U.S. Land Operations, for Helmerich & Payne International Drilling Co. Mr. Lindsay graduated in 1986 from the University of Tulsa, where he earned a Bachelor of Science degree in Petroleum Engineering.

Mr. Orr, age 54, joined the Company in 1975 as a roughneck. In his 30-year career, Mr. Orr has held various supervisory positions in the Company's domestic and international operations. In 1992, Mr. Orr was appointed to his present position as Vice President and Chief Engineer for Helmerich & Payne International Drilling Co. Mr. Orr graduated from the United States Military Academy at West Point in 1973, with a Bachelor of Science degree in General Engineering.

PART II

Item 5. MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market on which the Company's common stock is traded is the New York Stock Exchange under the symbol "HP". The high and low sale prices per share for the common stock for each quarterly period during the past two fiscal years as reported in the NYSE-Composite Transaction quotations follow:

<u>Quarter</u>	<u>2004</u>		<u>2005</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First	\$ 28.37	\$ 23.77	\$ 34.16	\$ 27.66
Second	30.61	27.02	41.10	31.57
Third	29.55	24.25	46.92	37.38
Fourth	29.07	24.01	61.12	47.61

The Registrant paid quarterly cash dividends during the past two years as shown in the following table:

<u>Quarter</u>	<u>Paid per Share</u>		<u>Total Payment</u>	
	<u>Fiscal</u>		<u>Fiscal</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
First	\$.080	\$.0825	\$ 4,011,879	\$ 4,165,965
Second	.080	.0825	4,017,204	4,213,594
Third	.080	.0825	4,032,709	4,226,835
Fourth	.0825	.0825	4,160,221	4,259,852

The Company paid a cash dividend of \$0.0825 per share on December 1, 2005, to shareholders of record on November 15, 2005. Payment of future dividends will depend on earnings and other factors.

As of December 5, 2005, there were 808 record holders of the Company's common stock as listed by the transfer agent's records.

Summary of All Existing Equity Compensation Plans

The following chart sets forth information concerning the equity compensation plans of the Company as of September 30, 2005.

EQUITY COMPENSATION PLAN INFORMATION

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</u>
Equity compensation plans approved by security holders (1)	3,244,073	\$ 24.566	754,505
Equity compensation plans not approved by security holders (2)	—	—	—
Total	3,244,073	\$ 24.566	754,505

(1) Includes the 1990 Stock Option Plan, the 1996 Stock Incentive Plan and the 2000 Stock Incentive Plan of the Company.

(2) The Company does not maintain any equity compensation plans that have not been approved by the stockholders.

Item 6. SELECTED FINANCIAL DATA

The following table summarizes selected financial information and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto and the related Management's Discussion & Analysis of Results of Operations and Financial Condition contained on pages 7 through 33 of the Company's Annual Report. On September 30, 2002, the Company spun off Cimarex Energy Co. The historical financial data for the business conducted by Cimarex Energy Co. for 2002 has been

reported as discontinued operations which is not included in the five-year summary of selected financial data.

Five-year Summary of Selected Financial Data

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(in thousands except per share amounts)				
Operating revenues	\$ 528,187	\$ 523,418	\$ 504,223	\$ 589,056	\$ 800,726
Asset Impairment Charge	—	—	—	51,516	—
Income from continuing operations	80,467	53,706	17,873	4,359	127,606
Income from continuing operations per common share:					
Basic	1.61	1.08	0.36	0.09	2.50
Diluted	1.58	1.07	0.35	0.09	2.45
Total assets	1,300,121	1,227,313	1,417,770	1,406,844	1,663,350
Long-term debt	50,000	100,000	200,000	200,000	200,000
Cash dividends declared per common share	0.30	0.31	0.32	0.3225	0.33

Item 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Information required by this item may be found on, and is incorporated by reference to, pages 7 through 33 of the Company's Annual Report (Exhibit 13 to this Form 10-K/A) under the caption "Management's Discussion & Analysis of Results of Operations and Financial Condition."

Item 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required by this item may be found under the caption “Risk Factors” beginning on page 15 of this Report and on, and is incorporated by reference to, the following pages of the Company’s Annual Report (Exhibit 13 to this Form 10-K/A) under Management’s Discussion & Analysis of Results of Operations and Financial Condition and in Notes to Consolidated Financial Statements:

<u>Market Risk</u>	<u>Page</u>
• Foreign Currency Exchange Rate Risk	30-32
• Commodity Price Risk	32
• Interest Rate Risk	32-33
• Equity Price Risk	33

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item may be found on, and is incorporated by reference to, pages 35 through 62 of the Company’s Annual Report (Exhibit 13 to this Form 10-K/A).

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9(A). CONTROLS AND PROCEDURES

- a) Evaluation of Disclosure Controls and Procedures.

As of the end of the period covered by this Annual Report on Form 10-K/A, the Company’s management, under the supervision and with the participation of

the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer believe that:

- the Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and
- the Company's disclosure controls and procedures operate such that important information flows to appropriate collection and disclosure points in a timely manner and are effective to ensure that such information is accumulated and communicated to the Company's management, and made known to the Company's Chief Executive Officer and Chief Financial Officer, particularly during the period when this Annual Report on Form 10-K was prepared, as appropriate to allow timely decision regarding the required disclosure.

b) Management's Report of Internal Control over Financial Reporting.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide

reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and the Board of Directors of the Company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any

evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, conducted its evaluation of the effectiveness of internal controls over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal controls over financial reporting, based on the Company's evaluation, management has concluded that the Company's internal controls over financial reporting were effective as of September 30, 2005.

The Company's registered public accounting firm that audited the Company's financial statements, Ernst & Young LLP, has issued a report on management's assessment of the Company's internal control over financial reporting. This report appears below.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders of Helmerich & Payne, Inc.

We have audited management's assessment, included in the accompanying Management's Report of Internal Control over Financial Reporting, that Helmerich & Payne, Inc. maintained effective internal control over financial reporting as of September 30, 2005, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Helmerich and Payne, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Helmerich & Payne, Inc. maintained effective internal control over financial reporting as of September 30, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Helmerich & Payne, Inc. maintained, in all material respects, effective internal control over financial reporting as of September 30, 2005, based on the COSO criteria .

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Helmerich & Payne, Inc. as of September 30, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2005 and our report dated December 1, 2005, except for Note 15, as to which the date is December 7, 2005, expressed an unqualified opinion thereon.

Ernst & Young LLP

Tulsa, Oklahoma
December 1, 2005

c) Changes in Internal Controls.

There have been no changes in the Company's internal controls over financial reporting during the Company's last fiscal quarter of 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9(B). OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Information required under this item with respect to Directors and with respect to delinquent filers pursuant to Item 405 of Regulation S-K is incorporated by reference

from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 1, 2006, to be filed with the Commission not later than 120 days after September 30, 2005. The information required by this Item with respect to the Company's Executive Officers appears on pages 32 and 33 of this Report and is incorporated herein by reference.

The Company has adopted a Code of Ethics for Principal Executive Officers and Senior Financial Officers. The text of such Code is located on the Company's website under "Investor Relations – Corporate Governance." The Company's Internet address is www.hpinc.com.

Item 11. EXECUTIVE COMPENSATION

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 1, 2006, to be filed with the Commission not later than 120 days after September 30, 2005.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 1, 2006, to be filed with the Commission not later than 120 days after September 30, 2005.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 1, 2006, to be filed with the Commission not later than 120 days after September 30, 2005.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 1, 2006, to be filed with the Commission not later than 120 days after September 30, 2005.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- a) 1. Financial Statements: The following appear in the Company's Annual Report on the pages indicated below and are incorporated herein by reference:
- | | |
|---|-------|
| Report of Independent Registered Public Accounting Firm | 34 |
| Consolidated Statements of Income for the Years Ended September 30, 2005, 2004 and 2003 | 35 |
| Consolidated Balance Sheets at September 30, 2005 and 2004 | 36-37 |
| Consolidated Statements of Shareholders' Equity for the Years Ended September 30, 2005, 2004 and 2003 | 38 |
| Consolidated Statements of Cash Flows for the Years Ended September 30, 2005, 2004 and 2003 | 39 |
| Notes to Consolidated Financial Statements | 40-62 |
2. Financial Statement Schedules: All schedules are omitted as inapplicable or because the required information is contained in the financial statements or included in the notes thereto.
3. Exhibits. The following documents are included as exhibits to this Annual Report. Exhibits incorporated by reference or which are otherwise not included herein are available free of charge upon written request.

- 3.1 Restated Certificate of Incorporation and Amendment to Restated Certificate of Incorporation of the Company are incorporated herein by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.
- 3.2 Amended and Restated By-Laws of the Company are incorporated herein by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended March 31, 2002, SEC File No. 001-04221.
- 4.1 Rights Agreement dated as of January 8, 1996, between the Company and The Liberty National Bank and Trust Company of Oklahoma City, N.A. is incorporated herein by reference to the Company's Form 8-A, dated January 18, 1996, SEC File No. 001-04221.
- 4.2 Amendment to Rights Agreement dated December 8, 2005, between the Company and UMB Bank, N.A. is incorporated herein by reference to Exhibit 4 of the Company's Form 8-K filed on December 12, 2005.
- *10.1 Consulting Services Agreement between W. H. Helmerich, III, and the Company effective January 1, 1990, is incorporated herein by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

- *10.2 Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.6 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.
- *10.3 Helmerich & Payne, Inc. 1990 Stock Option Plan is incorporated herein by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.
- *10.4 Form of Nonqualified Stock Option Agreement for the 1990 Stock Option Plan is incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 33-55239 on Form S-8, dated August 26, 1994.
- *10.5 Supplemental Savings Plan for Salaried Employees of Helmerich and Payne, Inc. is incorporated herein by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1999, SEC File No. 001-04221.
- *10.6 Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.
- *10.7 Form of Nonqualified Stock Option Agreement for the Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference

to Exhibit 99.2 to the Company's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.

- *10.8 Form of Restricted Stock Agreement for the Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1997, SEC File No. 001-04221.
- *10.9 Helmerich & Payne, Inc. 2000 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to the Company's Registration Statement No. 333-63124 on Form S-8 dated June 15, 2001.
- *10.10 Form of Agreements for Helmerich & Payne, Inc. 2000 Stock Incentive Plan being (i) Restricted Stock Award Agreement, (ii) Incentive Stock Option Agreement and (iii) Nonqualified Stock Option Agreement are incorporated by reference to Exhibit 99.2 to the Company's Registration Statement No. 333-63124 on Form S-8 dated June 15, 2001.
- *10.11 Form of Director Nonqualified Stock Option Agreement for the 2000 Helmerich & Payne, Inc. Stock Incentive Plan is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.
- *10.12 Form of Change of Control Agreement for Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.3 of the

Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.

- 10.13 Credit Agreement, dated as of July 16, 2002, among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc., the several lenders from time to time party thereto, and Bank of Oklahoma, N.A. is incorporated herein by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended June 30, 2002, SEC File No. 001-04221.
- 10.14 First Amendment to Credit Agreement dated July 15, 2003, among Helmerich & Payne, Inc., Helmerich & Payne International Drilling Co., and Bank of Oklahoma, N.A.
- 10.15 Second Amendment to Credit Agreement dated May 4, 2004, among Helmerich & Payne, Inc., Helmerich & Payne International Drilling Co., and Bank of Oklahoma, N.A.
- 10.16 Third Amendment to Credit Agreement dated July 13, 2004, among Helmerich & Payne, Inc., Helmerich & Payne International Drilling Co., and Bank of Oklahoma, N.A.
- 10.17 Fourth Amendment to Credit Agreement dated July 12, 2005, among Helmerich & Payne, Inc., Helmerich & Payne International Drilling Co., and Bank of Oklahoma, N.A. is incorporated herein by

reference to Exhibit 10.1 of the Company's Form 8-K filed on July 13, 2005, SEC File No. 001-04221.

- 10.18 Note Purchase Agreement dated as of August 15, 2002, among Helmerich & Payne International Drilling Co., Helmerich & Payne, Inc. and various insurance companies is incorporated herein by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 2002, SEC File No. 001-04221.
- 10.19 Office Lease dated May 30, 2003, between K/B Fund IV and Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 2003, SEC File No. 001-04221.
- *10.20 Helmerich & Payne, Inc. Director Deferred Compensation Plan is incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on September 9, 2004.
- 10.21 Shareholders Agreement and Registration Rights Agreement dated July 19, 2004 between Helmerich & Payne International Drilling Co. and Atwood Oceanics, Inc. is incorporated herein by reference to Exhibit 1.1 of the Company's Amended Schedule 13D filed on July 21, 2004.
- 10.22 Underwriting Agreement dated October 13, 2004, between Helmerich & Payne International Drilling Co. and various

underwriters is incorporated herein by reference to Exhibit 1.1 of the Company's Form 8-K filed on October 14, 2004.

- *10.23 Amended and restated Helmerich & Payne, Inc. Annual Bonus Plan for Executive Officers, together with fiscal 2005 Executive Officer Compensation, is incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K filed on December 9, 2005.
- 13. The Company's Annual Report to Shareholders for fiscal 2005.
- 21. List of Subsidiaries of the Company.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32. Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management or Compensatory Plan or Arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized:

HELMERICH & PAYNE, INC.

By /s/ Hans Helmerich
Hans Helmerich, President and
Chief Executive Officer
Date: July 28, 2006

INDEX TO EXHIBITS

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 - 10.22 Underwriting Agreement dated October 13, 2004, between Helmerich & Payne International Drilling Co. and various
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- 32. Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management or Compensatory Plan or Arrangement.

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made and entered into effective as of July 15, 2003 (the "Effective Date"), by and among HELMERICH & PAYNE INTERNATIONAL DRILLING CO., a Delaware corporation (the "Borrower"), HELMERICH & PAYNE, INC., a Delaware corporation (the "Parent"), the Persons identified as a "Lender" on the signature pages of this Amendment (the "Lenders"), and BANK OF OKLAHOMA, NATIONAL ASSOCIATION, as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent"), with reference to the following:

RECITALS

A. The Borrower, the Parent, the Lenders and the Administrative Agent are parties to that certain Credit Agreement dated July 16, 2002 (the "Credit Agreement"). Capitalized terms used in this Amendment and not otherwise defined herein have the respective meanings assigned to them in the Credit Agreement, and the rules of construction set forth in the Credit Agreement shall also govern the construction and interpretation of this Amendment.

B. Pursuant to the Credit Agreement, the Lenders established the Facility in favor of the Borrower.

C. The Borrower has requested that the Lenders (i) extend the Revolving Commitment Termination Date to July 13, 2004, (ii) extend the Facility Maturity Date to June 30, 2006, and (iii) increase the LOC Committed Amount from \$25,000,000 to \$35,000,000.

D. The Lenders have agreed to the foregoing requests, subject to the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby amend the Credit Agreement as follows:

1. EXTENSION OF THE FACILITY. As of the Effective Date:

(i) the Revolving Commitment Termination Date as defined in Section 1.1 of the Credit Agreement is extended to July 13, 2004 and the definition of "Revolving Commitment Termination Date" appearing in Section 1.1 of the Credit Agreement is amended in its entirety to read as follows:

"*Revolving Commitment Termination Date*" means July 13, 2004, or such later date to which the Revolving Commitment Termination Date may be extended from time to time pursuant to Section 2.5(c).

(ii) the Facility Maturity Date is extended to June 30, 2006, and the reference to "June 30, 2005" appearing in the definition of "Facility Maturity Date" in Section 1.1 of the Credit Agreement is amended to read "June 30, 2006";

2. INCREASE OF LOC COMMITTED AMOUNT. As of the Effective Date, the amount of the LOC Committed Amount shall be increased to \$35,000,000. Accordingly, the reference to "\$25,000,000" appearing in the definition of "LOC Committed Amount" in Section 1.1 of the Credit Agreement is amended to read "\$35,000,000."

3. CONDITIONS PRECEDENT. The modifications to the Credit Agreement set forth in this Amendment shall be effective from and after the Effective Date, but only when each of the following conditions precedent shall have been satisfied:

A. *Execution of Documents*. This Amendment and such other documents or instruments as may be contemplated by this Amendment or as may be reasonably necessary to effectuate the intent and purposes of this Amendment shall have been duly and validly authorized, and executed by the parties thereto and delivered to the Administrative Agent, all in form and substance satisfactory to the Lenders.

B. *No Defaults*. There shall not have occurred or be continuing any Default or Event of Default.

C. *Legal Matters*. All legal matters incident to this Amendment and the transactions contemplated hereby shall be satisfactory to the Administrative Agent and each of the Lenders.

4. REPRESENTATIONS AND WARRANTIES. The Borrower and the Parent confirm that (i) except as forth in Schedules 6.12(ii) and 6.13(d) attached hereto (relating to the representations and warranties set forth in Sections 6.12(ii) and 6.13(d), respectively, of the Credit Agreement) and except for the fact that the spin-off of Cimarex Energy Co. and related entities was consummated on September 30, 2002, all representations and warranties made by each of the Borrower and the Parent for themselves or on behalf of a Credit Party in Article VI of the Credit Agreement are and will be true and correct on the Effective Date (with the dates appearing in the first sentence of Section 6.5 thereof being changed to read September 30, 2000, September 30, 2001, and September 30, 2002, and March 31, 2003, respectively, and the date appearing in the final sentence of Section 6.5 thereof being changed to read September 30, 2002), and all of such representations and warranties are hereby remade and restated as of the date hereof and shall survive the execution and delivery of this Amendment, and (ii) except as set forth in Schedules 2.6(a) and 7.6 attached hereto, all of the schedules incorporated into and forming a part of the Credit Agreement are true, accurate and complete in all material respects as of the Effective Date.

5. GENERAL.

A. *Effect of Amendment*. The terms of this Amendment shall be incorporated into and form a part of the Credit Agreement. Except as amended, modified and supplemented by this Amendment, the Credit Agreement shall continue in full force and effect in accordance with its

original stated terms, all of which are hereby reaffirmed in every respect as of the date hereof. In the event of any irreconcilable inconsistency between the terms of this Amendment and the terms of the Credit Agreement or any other Credit Document, the terms of this Amendment shall control and govern, and the agreements shall be interpreted so as to carry out and give full effect to the intent of this Amendment. All references to the "Credit Agreement" appearing in any of the Credit Documents shall hereafter be deemed references to the Credit Agreement as amended, modified and supplemented by this Amendment. The Borrower and the Parent each hereby reaffirm all Credit Documents to which it is a party, and acknowledge that such Credit Documents will continue in full force and effect, unabated and uninterrupted, and will remain its valid and binding obligations, enforceable in accordance with their terms.

B. *Schedules*. Schedules 6.12(ii) and 6.13(d) attached hereto are hereby incorporated into the Credit Agreement with the same designations, and Schedules 2.6(a) and 7.6 attached hereto are hereby substituted for the corresponding schedules to the Credit Agreement.

C. *Revolving Commitment Amount*. The amount of each Lender's Revolving Commitment shall remain the same and is set forth on the signature pages to this Amendment.

D. *No Course of Dealing*. This Amendment shall not establish a course of dealing or be construed as evidence of any willingness on any of the Lenders' part to grant other or future extensions or modifications, should any be requested.

E. *Descriptive Headings*. The descriptive headings of the several sections of this Amendment are inserted for convenience only and shall not be used in the construction of the content of this Amendment.

F. *Governing Law*. This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Oklahoma.

G. *Reimbursement of Expenses*. The Borrower and the Parent agree, jointly and severally, to pay the reasonable fees and out-of-pocket expenses of Crowe & Dunlevy, counsel to the Administrative Agent, incurred in connection with the preparation of this Amendment and the consummation of the transactions contemplated hereby and thereby.

H. *Counterpart Execution*. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof and all of which shall be but one and the same original instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK. SIGNATURE
PAGES TO FOLLOW.]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written, effective as of the Effective Date.

BORROWER:

HELMERICH & PAYNE INTERNATIONAL
DRILLING CO.,
a Delaware corporation

By: /s/ Douglas E. Fears
Name: Douglas E. Fears
Title: Vice President

PARENT:

HELMERICH & PAYNE, INC.,
a Delaware corporation

By: /s/ Douglas E. Fears
Name: Douglas E. Fears
Title: Vice President

ADMINISTRATIVE AGENT:

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION

By: /s/ John M. Tyson
Name: John M. Tyson
Title: Vice President

LENDERS:

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION

By: /s/ John M. Tyson
Name: John M. Tyson
Title: Vice President

Revolving Commitment:
\$50,000,000

WELLS FARGO BANK TEXAS, N.A.

By: /s/ Philip C. Lauinger III
Name: Philip C. Lauinger III
Title: Vice President

Revolving Commitment :
\$30,000,000

MIDFIRST BANK

By: /s/ J. Ed Fariss
Name: J. Ed Fariss
Title: S.V.P.

Revolving Commitment :
\$20,000,000

UMB BANK, N.A.

By: /s/ Richard J. Lehrter
Name: Richard J. Lehrter
Title: Community Bank President

Revolving Commitment :
\$15,000,000

COMMERCE BANK, N.A.

By: /s/ Dennis R. Block
Name: Dennis R. Block
Title: Senior Vice President

Revolving Commitment :
\$10,000,000

List of Additional and Replacement Schedules

Schedule 2.6(a)	-	Existing Letters of Credit
Schedule 6.12(ii)	-	ERISA Matters
Schedule 6.13(d)	-	Regulation O
Schedule 7.6	-	Insurance

John M. Tyson
Vice President
(918) 595-3189
(918) 280-3368 (fax)

May 4, 2004

Helmerich & Payne International Drilling Co.
1437 South Boulder Avenue
Tulsa, Oklahoma 74119

Attention: Mr. Douglas E. Fears, Vice President

Re: ***Second Amendment to Credit Agreement***

Gentlemen/Ladies:

Reference is made to the Credit Agreement dated July 16, 2002, between Helmerich & Payne International Drilling Co. (the "Borrower"), Helmerich & Payne, Inc., the several Lenders from time to time thereto (the "Lenders") and Bank of Oklahoma, National Association, as Administrative Agent (the "Administrative Agent"), as amended by that certain First Amendment to Credit Agreement dated July 15, 2003 (the Credit Agreement, as amended by the First Amendment thereto, is hereinafter referred to as the "Credit Agreement"). Capitalized terms used in this letter and not otherwise defined have the meanings assigned to them in the Credit Agreement. "BOK" refers to Bank of Oklahoma, National Association, as a Lender under the Credit Agreement.

This letter will serve to confirm that (i) pursuant to Section 2.5(a) of the Credit Agreement, the Borrower has given proper written notice to the Administrative Agent of the Borrower's intent to reduce the Aggregate Revolving Committed Amount from \$125,000,000.00 to \$50,000,000.00, effective as of May 4, 2004, and that (ii) effective as of May 4, 2004, each of the Lenders (other than BOK) has transferred and assigned to BOK all of their rights and obligations under the Credit Agreement, including the Notes originally executed and delivered to such other Lenders pursuant to the Credit Agreement. Accordingly, as of May 4, 2004: (i) the Aggregated Revolving Committed Amount is \$50,000,000.00; (ii) BOK is the sole lender under the Credit Agreement, having a Revolving Committed Amount of \$50,000,000.00; (iii) the Notes executed and delivered by the Borrower to each of the other Lenders have been assigned to BOK and will be cancelled by BOK; and (iv) the Borrower's Note dated July 16, 2002, payable to the order of BOK in the stated principal amount of \$50,000,000.00 is the only Note outstanding under the Credit Agreement evidencing the Revolving Loans.

Further, the Credit Agreement is amended as follows, effective immediately:

- (A) the Non-Use Fee described in Section 3.2(a) of the Credit Agreement is hereby deleted;
- (B) Section 7.12 (Liquidity Maintenance) of the Credit Agreement is hereby deleted; and
- (C) All references in the Credit Agreement to the Swingline Commitment, the Swingline Loans and the Swingline Commitment, and all provisions of the Credit Agreement pertaining to the Swingline Commitment and the Swingline Loans (including Section 2.1(c), will have no further force or effect for so long as BOK is the only Lender under the Credit Agreement.

This letter agreement is intended to be and shall be construed as an amendment to the Credit Agreement. The remaining terms, provisions and conditions set forth in the Credit Agreement shall remain in full force and effect.

Please indicate your concurrence with the foregoing where indicated below. This letter agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute a single agreement. This letter agreement may be executed in counterparts. Transmission by facsimile of an executed counterpart of this letter agreement shall be deemed to constitute due and sufficient delivery of such counterpart and such facsimile shall be deemed to be an original counterpart of this letter agreement.

Very truly yours,

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION, as Lender and as Administrative
Agent

By: /s/ John M. Tyson
John M. Tyson, Vice President

ACCEPTED AND AGREED TO EFFECTIVE AS OF MAY 4, 2004:

HELMERICH & PAYNE INTERNATIONAL DRILLING CO.

By: /s/ Douglas E. Fears
Name: Douglas E. Fears
Title: Vice President

ACCEPTED AND AGREED TO EFFECTIVE AS OF MAY 4, 2004:

HELMERICH & PAYNE, INC.

By: /s/ Douglas E. Fears
Name: Douglas E. Fears
Title: Vice President

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made and entered into effective as of July 13, 2004 (the "Effective Date"), by and among HELMERICH & PAYNE INTERNATIONAL DRILLING CO., a Delaware corporation (the "Borrower"), HELMERICH & PAYNE, INC., a Delaware corporation (the "Parent"), and BANK OF OKLAHOMA, NATIONAL ASSOCIATION, as Lender (in such capacity, the "Lender") and as Administrative Agent (in such capacity, the "Administrative Agent"), with reference to the following:

RECITALS

A. The Borrower, the Parent, the Lender and the Administrative Agent are parties to that certain Credit Agreement dated July 16, 2002, as amended by that certain First Amendment to Credit Agreement dated July 15, 2003, and as further amended by that certain Second Amendment to Credit Agreement dated May 4, 2004 (the Credit Agreement, as amended by the First and Second Amendments thereto, is hereinafter referred to as the "Credit Agreement"). Capitalized terms used in this Amendment and not otherwise defined herein have the respective meanings assigned to them in the Credit Agreement, and the rules of construction set forth in the Credit Agreement shall also govern the construction and interpretation of this Amendment.

B. Pursuant to the Credit Agreement, the Lender established the Facility in favor of the Borrower.

C. The Borrower has requested that the Lender (i) extend the Revolving Commitment Termination Date from July 13, 2004, to July 12, 2005, and (ii) extend the Facility Maturity Date from June 30, 2006, to June 30, 2007.

D. The Lender has agreed to the foregoing requests, subject to the terms and conditions set forth in this Amendment.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby amend the Credit Agreement as follows:

1. EXTENSION OF THE FACILITY. As of the Effective Date:

(i) the Revolving Commitment Termination Date is extended from July 13, 2004, to July 12, 2005, and the definition of "Revolving Commitment Termination Date" appearing in Section 1.1 of the Credit Agreement is amended in its entirety to read as follows:

"Revolving Commitment Termination Date" means July 12, 2005, or such later date to which the Revolving Commitment Termination Date may be extended from time to time pursuant to Section 2.5(c).

(ii) the Facility Maturity Date is extended from June 30, 2006, to June 30, 2007, and the definition of "Facility Maturity Date" appearing in Section 1.1 of the Credit Agreement is amended in its entirety to read as follows:

"*Facility Maturity Date*" means June 30, 2007, or such later date to which the Facility Maturity Date may be extended from time to time pursuant to Section 2.5(c).

2. CONDITIONS PRECEDENT. The modifications to the Credit Agreement set forth in this Amendment shall be effective from and after the Effective Date, but only when each of the following conditions precedent shall have been satisfied:

A. *Execution of Documents*. This Amendment and such other documents or instruments as may be contemplated by this Amendment or as may be reasonably necessary to effectuate the intent and purposes of this Amendment shall have been duly and validly authorized and executed by the parties thereto and delivered to the Administrative Agent, all in form and substance satisfactory to the Lender.

B. *No Defaults*. There shall not have occurred or be continuing any Default or Event of Default.

C. *Legal Matters*. All legal matters incident to this Amendment and the transactions contemplated hereby shall be satisfactory to the Administrative Agent and the Lender.

3. REPRESENTATIONS AND WARRANTIES. The Borrower and the Parent confirm that, to the best of their knowledge, without inquiry: (i) except as forth in Schedule 6.12(ii) attached hereto (relating to the representations and warranties set forth in Sections 6.12 (ii) of the Credit Agreement) and except for the fact that the spin-off of Cimarex Energy Co. and related entities was consummated on September 30, 2002, all representations and warranties made by each of the Borrower and the Parent for themselves or on behalf of a Credit Party in Article VI of the Credit Agreement are and will be true and correct in all material respects on the Effective Date (with the dates appearing in the first sentence of Section 6.5 thereof being changed to read September 30, 2001, September 30, 2002, September 30, 2003, and March 31, 2004, respectively, and the date appearing in the final sentence of Section 6.5 thereof being changed to read September 30, 2003), and (ii) except as set forth in Schedules 2.6(a) and 7.6 attached hereto, all of the schedules incorporated into and forming a part of the Credit Agreement are true, accurate and complete in all material respects as of the Effective Date.

4. GENERAL.

A. *Effect of Amendment*. The terms of this Amendment shall be incorporated into and form a part of the Credit Agreement. Except as amended, modified and supplemented by this Amendment, the Credit Agreement shall continue in full force and effect in accordance with its original stated terms, all of which are hereby reaffirmed in every respect as of the date hereof. In

the event of any irreconcilable inconsistency between the terms of this Amendment and the terms of the Credit Agreement or any other Credit Document, the terms of this Amendment shall control and govern, and the agreements shall be interpreted so as to carry out and give full effect to the intent of this Amendment. All references to the "Credit Agreement" appearing in any of the Credit Documents shall hereafter be deemed references to the Credit Agreement as amended, modified and supplemented by this Amendment. The Borrower and the Parent each hereby reaffirm all Credit Documents to which it is a party, and acknowledge that such Credit Documents will continue in full force and effect, unabated and uninterrupted, and will remain its valid and binding obligations, enforceable in accordance with their terms.

B. *Schedules*. Schedules 2.6(a), 6.12(ii) and 7.6 attached hereto are hereby substituted for the corresponding schedules to the Credit Agreement.

C. *No Course of Dealing*. This Amendment shall not establish a course of dealing or be construed as evidence of any willingness on the Lender's part to grant other or future extensions or modifications, should any be requested.

D. *Descriptive Headings*. The descriptive headings of the several sections of this Amendment are inserted for convenience only and shall not be used in the construction of the content of this Amendment.

E. *Governing Law*. This Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Oklahoma.

F. *Reimbursement of Expenses*. The Borrower and the Parent agree, jointly and severally, to pay the reasonable fees and out-of-pocket expenses of Crowe & Dunlevy, counsel to the Administrative Agent, incurred in connection with the preparation of this Amendment and the consummation of the transactions contemplated hereby and thereby.

G. *Counterpart Execution*. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original hereof and all of which shall be but one and the same original instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK. SIGNATURE PAGES TO FOLLOW.]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Amendment to be duly executed and delivered as of the date first above written, effective as of the Effective Date.

BORROWER:

HELMERICH & PAYNE INTERNATIONAL
DRILLING CO.,
a Delaware corporation

By: /s/ Douglas E. Fears

Name: Douglas E. Fears

Title: Vice President

PARENT:

HELMERICH & PAYNE, INC.,
a Delaware corporation

By: /s/ Douglas E. Fears

Name: Douglas E. Fears

Title: Vice President

ADMINISTRATIVE AGENT:

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION

By: /s/ John M. Tyson

Name: John M. Tyson

Title: Vice President

LENDER:

BANK OF OKLAHOMA, NATIONAL
ASSOCIATION

By: /s/ John M. Tyson

Name: John M. Tyson

Title: Vice President

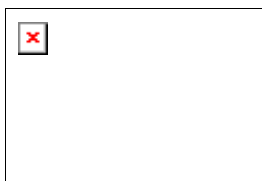
Revolving Commitment :
\$50,000,000

List of Additional and Replacement Schedules

- Schedule 2.6(a) - Existing Letters of Credit
- Schedule 6.12(ii) - ERISA Matters
- Schedule 7.6 - Insurance

Helmerich & Payne, Inc.

Helmerich & Payne, Inc. is the holding Company for Helmerich & Payne International Drilling Co., an international drilling contractor with land and offshore platform operations in the United States, South America, and Africa. Holdings also include commercial real estate properties in the Tulsa, Oklahoma, area and an energy-weighted portfolio of publicly-traded securities valued at approximately \$293 million as of September 30, 2005.



FINANCIAL HIGHLIGHTS

<u>Years Ended September 30,</u>	<u>2005</u>	<u>2004</u>
	(in thousands, except per share amounts)	
Operating Revenues	\$ 800,726	\$ 589,056
Net Income	127,606	4,359
Diluted Earnings per Share	2.45	.09
Dividends Paid per Share	.33	.3225
Capital Expenditures	86,805	90,212
Total Assets	1,663,350	1,406,844

To the Co-owners of Helmerich & Payne, Inc.

The Company's 2005 performance represents an all-time high in our 85-year history in terms of income from continuing operations. We reached another important milestone with the announcement of our 50th new-build order for FlexRigs®. Seventy-five percent of our fleet has been built since 1995, and these new rigs will only improve on that strength.

Our goal can be plainly stated and is consistent with a long-term, Company-wide resolve: To provide our customers with the most innovative and advanced rigs in the industry for the purpose of driving their well costs down. Combined with best in field execution – performance, safety, and reliability – we believe H&P delivers a compelling value proposition.

Those satisfied customers, in turn, provide us with unique growth opportunities and improved shareholder returns. The operators' willingness to make long-term commitments provides an encouraging lens on how customers perceive the unusual and potential longevity of this current cycle. Our financial strength and ample liquidity also enable us to fund organic growth going forward.

The meaningfulness of that internally generated growth is underscored by these 50 new-builds, which will increase our total domestic land fleet by more than 50 percent. Over 70 percent of our U.S. land fleet will then be comprised of these 100 FlexRigs. That distinctive fleet profile allows us to present our customers an across the board quality offering and fleet uniformity that I believe is unmatched in the land drilling industry.

U.S. Land Operations

Compared to last year, the Company had approximately ten additional rigs working for a full year in 2005, as average utilization increased from 87 to 94 percent in our U.S. land operations segment. At the close of 2005, the segment had only one uncommitted rig, and its fleet was 97 percent utilized. Revenue and operating income increased by 52 percent and 363 percent, respectively, over the prior year. Dayrates increased substantially in 2005, and they've continued to escalate during the first quarter of 2006.

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

The Company's 32 FlexRig3s consistently lead the industry in field performance and strong pricing. The Company also announced 50 additional new-build orders, each with a three or four-year term contract. These new rigs represent a 100 percent expansion of our existing FlexRig fleet and a 56 percent expansion of our U.S. land rig fleet. Prices for drilling machinery are increasing drastically, and the Company is fortunate to have 50 FlexRigs in the field today and a timely start on the next 50. Managing our assembly operation allows us to better control total cost, delivery schedule, and field performance. We plan to deliver the first new FlexRig in December and to continue delivering FlexRigs at a rate of two per month. Our plans are to increase the production rate to three FlexRigs per month in the spring and to four FlexRigs per month in the summer of 2006.

U.S. Offshore Operations

Despite a slowdown in recent years, the Gulf of Mexico remains a critical North American producing basin. Hurricanes Katrina and Rita, and a year before them, Ivan, caused significant damage to the oil and gas infrastructure in the Gulf, and this has caused considerable uncertainty in commodity markets and with future investment plans. The Company had five rigs active on customers' offshore platforms at the close of fiscal 2005, including H&P Rig 201, which was significantly damaged by Hurricane Katrina. We do not anticipate that Rig 201 will return to service during 2006.

Revenue increased only slightly in 2005, as rig activity was essentially unchanged from 2004. Operating income was \$17.7 million in 2005, compared with a loss in 2004, which was due primarily to an asset impairment charge. Three additional rigs were mobilized in the last quarter of 2005 and have commenced drilling operations during the first quarter of 2006. A ninth rig is committed and is expected to start drilling operations during the second fiscal quarter of 2006. The two remaining rigs have been bid-on projects that could begin operations by the fourth quarter of 2006.

International Operations

At the close of the year, the Company had 12 rigs in Venezuela, eight in Ecuador, and two each in Argentina, Bolivia, and Colombia. The Company also has a management contract for a platform rig offshore Equatorial Guinea, West Africa.

Approximately 21 land rigs worked the full year, compared with 17 rigs in 2004. Accordingly, international revenue and operating income increased 19 percent and 56 percent, respectively, for the year. Ecuador and Venezuela continue to be the most active markets and Colombia and Argentina experienced some encouraging growth in 2005 as well. Two idle rigs will begin working in Chile and Argentina during the first quarter of 2006, and two more rigs will commence operations in Venezuela and Argentina during the second quarter. In addition to South America, the Company continues to pursue other international opportunities.

Summary

The progress made in 2005 is a credit to the inspiration, dedication, and hard work of our employees. I want to thank all of our people for their effort and also express appreciation to George Dotson, who will retire March 1, 2006, for over 35 years of invaluable service and leadership to the Company.

Sincerely,

/s/ Hans Helmerich

Hans Helmerich
President

December 7, 2005

Financial & Operating Review
HELMERICH & PAYNE, INC.

Years Ended September 30,	2005	2004	2003
SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME* ...			
Operating Revenues	\$ 800,726	\$ 589,056	\$ 504,223
Operating Costs, excluding depreciation	484,231	417,716	346,259
Depreciation**	96,274	145,941	82,513
General and Administrative Expense	41,015	37,661	41,003
Operating Income (loss)	192,756	(6,885)	38,137
Interest and Dividend Income	5,809	1,965	2,467
Gain on Sale of Investment Securities	26,969	25,418	5,529
Interest Expense	12,642	12,695	12,289
Income from Continuing Operations	127,606	4,359	17,873
Net Income	127,606	4,359	17,873
Diluted Earnings Per Common Share:			
Income from Continuing Operations	2.45	.09	.35
Net Income	2.45	.09	.35

* \$000's omitted, except per share data

... All data excludes discontinued operations except net income.

** 2004 includes an asset impairment of \$51,516 and depreciation of \$94,425

SUMMARY FINANCIAL DATA*			
Cash**	\$ 288,752	\$ 65,296	\$ 38,189
Working Capital**	410,316	185,427	110,848
Investments	178,452	161,532	158,770
Property, Plant, and Equipment, Net**	981,965	998,674	1,058,205
Total Assets	1,663,350	1,406,844	1,417,770
Long-term Debt	200,000	200,000	200,000
Shareholders' Equity	1,079,238	914,110	917,251
Capital Expenditures	86,805	90,212	242,912

* \$000's omitted

** Excludes discontinued operations.

Rig Fleet Summary

Drilling Rigs –			
U. S. Land – FlexRigs	50	48	43
U. S. Land – Highly Mobile	12	11	11
U. S. Land – Conventional	29	28	29
U. S. Offshore Platform	11	11	12
International	26	32	32
Total Rig Fleet	128	130	127
Rig Utilization Percentage –			
U. S. Land – FlexRigs	100	99	97
U. S. Land – Highly Mobile	99	91	89
U. S. Land – Conventional	82	67	58
U. S. Land – All Rigs	94	87	81
U. S. Offshore Platform	53	48	51
International	77	54	39

Years Ended September 30,	2002	2001	2000	1999	1998	1997	1996	1995
SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME* ...								
Operating Revenues	\$ 523,418	\$ 528,187	\$ 383,898	\$ 430,475	\$ 476,750	\$ 351,710	\$ 275,096	\$ 227,646
Operating Costs, excluding depreciation	362,133	331,063	249,318	288,969	321,798	227,921	185,210	159,073
Depreciation**	61,447	49,532	77,317	70,092	58,187	48,291	39,592	37,364
General and Administrative Expense	36,563	28,180	23,306	24,629	21,299	15,636	15,222	14,019
Operating Income (loss)	64,667	123,613	34,826	49,024	78,077	61,740	34,736	18,245
Interest and Dividend Income	3,624	9,128	18,215	4,830	5,942	6,740	5,216	5,149
Gain on Sale of Investment Securities	24,820	1,189	13,295	2,547	38,421	4,697	566	5,697
Interest Expense	980	1,701	2,730	5,389	336	34	678	407
Income from Continuing Operations	53,706	80,467	36,470	32,115	80,790	48,801	25,844	18,464
Net Income	63,517	144,254	82,300	42,788	101,154	84,186	72,566	9,751
Diluted Earnings Per Common Share:								
Income from Continuing Operations	1.07	1.58	.73	.65	1.60	.97	.52	.38
Net Income	1.26	2.84	1.64	.86	2.00	1.67	1.46	.20

* \$000's omitted, except per share data

... All data excludes discontinued operations except net income.

** 2004 includes an asset impairment of \$51,516 and depreciation of \$94,425

SUMMARY FINANCIAL DATA*

Cash**	\$ 46,883	\$ 128,826	\$ 107,632	\$ 21,758	\$ 24,476	\$ 27,963	\$ 16,892	\$ 19,543
Working Capital**	105,852	223,980	179,884	82,893	49,179	65,802	48,128	50,038
Investments	150,175	203,271	307,425	240,891	200,400	323,510	229,809	156,908
Property, Plant, and Equipment, Net**	897,445	650,051	526,723	553,769	548,555	392,489	329,377	286,678
Total Assets	1,227,313	1,300,121	1,200,854	1,073,465	1,053,200	987,432	786,351	707,061
Long-term Debt	100,000	50,000	50,000	50,000	50,000	—	—	—
Shareholders' Equity	895,170	1,026,477	955,703	848,109	793,148	780,580	645,970	562,435
Capital Expenditures	312,064	184,668	65,820	78,357	217,597	114,626	83,411	89,709

* \$000's omitted

** Excludes discontinued operations.

Rig Fleet Summary

Drilling Rigs –								
U. S. Land – FlexRigs	26	13	6	6	6	—	—	—
U. S. Land – Highly Mobile	11	11	10	11	7	7	7	8
U. S. Land – Conventional	29	25	22	23	23	22	23	22
U. S. Offshore Platform	12	10	10	10	10	9	11	11
International	33	37	40	39	44	39	36	35
Total Rig Fleet	111	96	88	89	90	77	77	76
Rig Utilization Percentage –								
U. S. Land – FlexRigs	96	100	99	79	100	—	—	—
U. S. Land – Highly Mobile	97	89	95	90	100	100	87	76
U. S. Land – Conventional	70	99	77	61	92	99	88	72
U. S. Land – All Rigs	84	97	85	69	94	99	88	73
U. S. Offshore Platform	83	98	94	95	99	63	70	66
International	51	56	47	53	88	91	85	84

Management's Discussion & Analysis of Results of Operations and Financial Condition

Helmerich & Payne, Inc.

Risk Factors and Forward-Looking Statements

The following discussion should be read in conjunction with the 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 oil and natural gas prices, expiration or termination of drilling contracts, currency exchange gains and losses, changes in general economic conditions, rapid or unexpected changes in technologies, risks of foreign operations, uninsured risks, 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 include 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 and those factors discussed under Risk Factors beginning on page 15 of the Company's Annual Report on Form 10K 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. The Company undertakes no duty to update or revise its forward-looking statements based on changes of internal estimates or expectations or otherwise.

Executive Summary

Helmerich & Payne, Inc. is primarily a contract drilling company which owned and operated a total of 128 drilling rigs at September 30, 2005. The Company's contract drilling business includes the U.S. land rig business in which the Company owned 91 rigs, the U.S. offshore platform rig business in which the Company owned 11 offshore platform rigs, and the international land rig business in which the Company owned 26 rigs at year end. Crude oil and natural gas prices have continued to rise due to the uncertainty of both commodities. The recent hurricanes in the Gulf of Mexico contributed to the instability of these markets because of a concern of a possible shortage of deliverable natural gas to meet the prospective total demand in the U.S. Because of these dynamics, the overall demand for drilling rig services has increased in all segments.

Results of Operations

All per share amounts included in the Results of Operations discussion are stated on a diluted basis. Helmerich & Payne, Inc.'s net income for 2005 was \$127.6 million (\$2.45 per share), compared with \$4.4 million (\$0.09 per share) for 2004 and \$17.9 million (\$0.35 per share) for 2003. Included in 2004 net income was a pre-tax asset impairment charge (discussed in detail later) of \$51.5 million (\$31.9 million after-tax or \$0.63 per share). Included in the Company's net income, but not related to its operations, were after-tax gains from the sale of investment securities of \$16.4 million (\$0.32 per share) in 2005, \$14.1 million

(\$0.28 per share) in 2004, and \$3.3 million (\$0.07 per share) in 2003. In addition to income from security sales, the Company recorded net income during 2004 of \$1.5 million (\$0.03 per share) from non-monetary investment gains. Also included in net income is the Company's portion of income or loss from its equity affiliates, Atwood Oceanics, Inc. and a 50-50 joint venture with Atwood called Atwood Oceanics West Tuna Pty. Ltd. (dissolved in 2003). From equity affiliates, the Company recorded net income of \$0.05 per share in 2005, \$0.01 per share in 2004 and a loss of \$0.03 per share in 2003. (See Liquidity section of MD&A for discussion of the sale of a portion of the Company's Atwood Oceanic stock in October 2004.)

Consolidated operating revenues were \$800.7 million in 2005, \$589.1 million in 2004, and \$504.2 million in 2003. Over the three-year period, U.S. land revenues increased due to the addition of FlexRigs combined with significant increases in dayrates. The average number of U.S. land rigs available was 90 rigs in 2005, 86 rigs in 2004 and 76 rigs in 2003. U.S. land rig utilizations for the Company were 94 percent in 2005, 87 percent in 2004 and 81 percent in 2003. Revenue in the offshore platform business remained steady in 2005 from 2004 after a decline in 2003. International rig revenues increased from 2003 to 2005, as rig utilizations improved from 39 percent in 2003, 54 percent in 2004 and 77 percent in 2005.

Gains from the sale of investment securities were \$27.0 million in 2005, \$25.4 million in 2004, and \$5.5 million in 2003. Interest and dividend income fell from \$2.5 million in 2003 to \$2.0 million in 2004 due to reduced cash positions, lower interest rates, and a reduction in the Company's equity portfolio. In 2005, interest and dividend income increased to \$5.8 million due to increased

cash positions generated from the sale of equity securities, sale of two U.S. land rigs and increased cash flow.

Direct operating costs in 2005 were \$484.2 million or 60 percent of operating revenues, compared with \$417.7 million or 71 percent of operating revenues in 2004, and \$346.3 million or 69 percent of operating revenues in 2003. The 2005 expense to revenue percentage decreased from 2004 and 2003 due to higher U.S. land revenue per day.

Depreciation expense was \$96.3 million in 2005, \$94.4 million in 2004 and \$82.5 million in 2003. Depreciation expense increased over the three-year period as the Company placed into service 13 new rigs in 2002, 19 new rigs in 2003, and 5 new rigs in 2004. The Company anticipates 2006 depreciation expense to increase from 2005 as the rigs currently under construction are placed into service. (See Liquidity and Capital Resources.)

Yearly, management performs an analysis of the general industry market conditions in each drilling segment. Based on this analysis, management determines if an impairment is required. In 2005 and 2003, no impairment was recorded. In 2004, management determined that the carrying value of certain offshore rigs exceeded the estimated undiscounted future cash flows associated with these assets. Accordingly, a pre-tax asset impairment charge of \$51.5 million was recorded in the fourth quarter of fiscal 2004 to reduce the carrying value of the assets to their estimated fair value. The fair value of drilling rigs is determined based on quoted market prices, if available. Otherwise it is determined based upon estimated discounted future cash flows and rig utilization. Cash flows are estimated by management considering factors such as prospective market demand, recent changes in rig technology and its effect on each rig's marketability, any cash

investment required to make a rig marketable, suitability of rig size and makeup to existing platforms, and new competitive dynamics due to lower industry utilization.

General and administrative expenses totaled \$41.0 million in 2005, \$37.7 million in 2004, and \$41.0 million for 2003. The increase from 2004 to 2005 was the result of increases in employee benefits relating to medical insurance and 401(k) matching expenses, professional services associated with Sarbanes-Oxley and employee salaries and bonuses. The decrease in total general and administrative expenses from 2003 to 2004 was primarily from a reduction in pension expense due to a decrease in the benefit accrual, reduced field training expense as the FlexRig training program was completed, and lower salary and bonus expense. These reductions were partially offset by increases in property, casualty and health insurance expenses.

Interest expense was \$12.6 million in 2005, \$12.7 million in 2004 and \$12.3 million in 2003. The interest expense in each year is primarily attributable to the \$200 million of intermediate debt outstanding. Included in 2004 and 2003 is interest for short-term borrowings. Capitalized interest was \$.3 million, \$.5 million and \$1.8 million in 2005, 2004 and 2003, respectively.

The provision for income taxes totaled \$87.5 million in 2005, \$4.4 million in 2004, and \$14.6 million in 2003. Effective income tax rates were 41 percent in 2005, 55 percent in 2004, and 43 percent in 2003. Effective income tax rates are higher for the Company's international operations than for its U.S. operations. As a result, the aggregate effective rate is higher in years when international operations make up a higher percentage of financial operating income. International operating income, as a percent of the Company's total operating income, was 11 percent in 2005, 31

percent in 2004 (excluding the asset impairment charge from total operating income), and 14 percent in 2003. (See Note 4 of the Financial Statements for additional income tax disclosures.)

The following tables summarize operations by business segment. Segment operating income is described in detail in Note 14 to the financial statements.

Comparison of the years ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
	(in thousands, except operating statistics)		
<u>U.S. LAND OPERATIONS</u>			
Operating revenues	\$ 527,637	\$ 346,015	52.5%
Direct operating expenses	294,164	246,177	19.5
General and administrative expense	8,594	7,765	10.7
Depreciation	60,222	56,528	6.5
Segment operating income	<u>\$ 164,657</u>	<u>\$ 35,545</u>	363.2
<u>Operating Statistics:</u>			
Activity days	30,968	27,472	12.7%
Average rig revenue per day	\$ 15,941	\$ 11,635	37.0
Average rig expense per day	\$ 8,403	\$ 8,001	5.0
Average rig margin per day	\$ 7,538	\$ 3,634	107.4
Number of owned rigs at end of period	91	87	4.6
Rig utilization	94%	87%	8.0

Operating statistics for per day revenue, expense and margin do not include reimbursements of “out-of-pocket” expenses.

The Company’s U.S. land rig segment operating income increased to \$164.7 million in 2005 from \$35.5 million in 2004. During the fourth quarter of fiscal 2004, the Company began to experience an improvement in revenue and margin per day due to higher levels of U.S. land rig activity and higher dayrates. The improvement continued during 2005, as crude oil and natural gas prices remained at historical high levels. Rig utilization increased to 94 percent in 2005 from 87 percent in 2004. The increase in utilization is a result of higher rig activity. Average rig expense per day increased 5 percent as the energy industry

experienced demands on both costs and labor. The total number of rigs available at September 30, 2005 was 91 compared to 87 rigs at September 30, 2004. The increase is due to six rigs moving to U.S. land operations from the Company's international fleet during 2005 and the sale of two conventional rigs in November 2004. Depreciation in 2005 increased 6.5 percent from 2004 due to the increase in available rigs.

During 2005 and subsequent to September 30, 2005, the Company announced plans to build 50 new FlexRigs. All of the new rigs will be operated by the Company under minimum fixed contract term agreements with at least a three-year term. The drilling services will be performed on a daywork contract basis. The first new FlexRig will be delivered to the field in December 2005, and thereafter at a rate of two per month, with delivery expected to increase to four per month by the fourth quarter of fiscal 2006. As a result of the new FlexRigs, the Company anticipates depreciation expense to increase in fiscal 2006.

Comparison of the years ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
	(in thousands, except operating statistics)		
U.S. OFFSHORE OPERATIONS			
Operating revenues	\$ 84,921	\$ 84,238	.8%
Direct operating expenses	52,786	52,987	(.4)
General and administrative expense	3,825	3,256	17.5
Depreciation	10,602	12,107	(12.4)
Asset impairment charge	—	51,516	
Segment operating income (loss)	<u>\$ 17,708</u>	<u>\$ (35,628)</u>	149.7

Operating Statistics:

Activity days	2,122	2,088	1.6%
Average rig revenue per day	\$ 29,228	\$ 29,070	.5
Average rig expense per day	\$ 15,967	\$ 16,509	(3.3)
Average rig margin per day	\$ 13,261	\$ 12,561	5.6
Number of owned rigs at end of period	11	11	—
Rig utilization	53%	48%	10.4

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

Segment operating income in the Company’s U.S. offshore platform rig operations increased from a loss of \$35.6 million in 2004, to income of \$17.7 million in 2005. The loss in 2004 was due primarily to the asset impairment charge of \$51.5 million. Excluding the asset impairment charge, segment operating income would have been \$15.9 million for 2004. Lower depreciation expense in 2005 was a result of the asset impairment.

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
	(in millions)		
Segment operating income (loss), as reported	\$ 17.7	(35.6)	
Asset impairment charge	—	51.5	
Segment operating income, excluding asset impairment charge	<u>\$ 17.7</u>	<u>15.9</u>	<u>11.5%</u>

Note: This table is a reconciliation of segment operating income (loss) for the offshore platform segment for fiscal 2005 and 2004, which is provided to assist with yearly comparisons.

Segment operating income in the Company's U.S. offshore operations, excluding the asset impairment charge in fiscal 2004, increased 11.5 percent in 2005 from 2004. On September 30, 2004, one of the Company's older rigs was written down to its salvage value and removed from the active rig count. As a result, rig utilization increased to 53 percent in 2005, from 48 percent in 2004. During the fourth quarter of fiscal 2005, the Company's Rig 201 was damaged by Hurricane Katrina. Fiscal 2005 segment operating income was negatively impacted by approximately \$.6 million due to the rig being removed from service during the fourth quarter. The Company does not anticipate Rig 201 returning to work during fiscal 2006. The rig was insured at a value that approximated replacement cost and therefore the Company expects to record a gain resulting from the receipt of insurance proceeds. Because the damage assessment has not been completed, the Company is unable to estimate the amount or timing of the gain.

Comparison of the years ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
	(in thousands, except operating statistics)		
<u>INTERNATIONAL OPERATIONS</u>			
Operating revenues	\$ 177,480	\$ 148,788	19.3%
Direct operating expenses	135,837	113,988	19.2
General and administrative expense	2,563	2,144	19.5
Depreciation	20,107	20,530	(2.1)
Segment operating income	<u>\$ 18,973</u>	<u>\$ 12,126</u>	56.5
Operating Statistics:			
Activity days	7,491	6,266	19.5%
Average rig revenue per day	\$ 19,332	\$ 19,580	(1.3)
Average rig expense per day	\$ 14,039	\$ 14,279	(1.7)
Average rig margin per day	\$ 5,293	\$ 5,301	(.2)
Number of owned rigs at end of period	26	32	(18.8)
Rig utilization	77%	54%	42.6

Operating statistics of per day revenue, expense and margin do not include reimbursements of “out-of-pocket” expenses and exclude the effects of management contracts and currency revaluation expense.

Segment operating income for the Company’s international operations increased 56.5 percent from 2004 to 2005 due to higher rig activity. Rig utilization for international operations averaged 77 percent in 2005, compared with 54 percent in 2004. Operations in Colombia and Ecuador improved due to increased demand in these countries. Two deep rigs worked in Colombia at 87 percent activity during 2005, compared to 13 percent activity during the previous year. Ecuador’s rig utilization was 97 percent for 2005, with an average of 7.8 rigs worked during 2005, compared with 74 percent and an average of 5.9 rigs worked in 2004. Despite the increase in segment operating income and rig activity, rig margins for international operations decreased slightly in 2005. The decrease is attributable to higher labor costs, including a fourth quarter expense due to the Company not having an adequate reserve for government stipulated deferred compensation payments to Venezuela rig employees.

In Venezuela, the Company had nine deep rigs working for PDVSA at the end of fiscal 2005. One additional rig is under contract and will begin operations in the second quarter of fiscal 2006. Two rigs remain idle in Venezuela. Ecuador and Colombia remain at 100% rig utilization. Argentina currently has two rigs working and a third rig is relocating to Northern Argentina from the U.S. land operations and is expected to begin work during the second quarter of fiscal 2006. Chile began operations in the first quarter of fiscal 2006. Bolivia has one rig contracted and is expected to begin work during the second quarter of fiscal 2006. Operations in Hungary ceased in 2005.

Comparison of the years ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u> (in thousands)	<u>% Change</u>
REAL ESTATE			
Operating revenues	\$ 10,688	\$ 10,015	6.7%
Direct operating expenses	3,622	4,564	(20.6)
Depreciation	2,352	2,253	4.4
Segment operating income	<u>\$ 4,714</u>	<u>\$ 3,198</u>	47.4

Segment operating income in the Company's Real Estate division increased 47.4 percent from 2004 to 2005. Direct operating expenses decreased in 2005 from 2004 due to reduced building expenses and lower demolition costs relating to the razing of the Company's former headquarters building, which started in 2004, and was completed in 2005.

Comparison of the years ended September 30, 2004 and 2003

	<u>2004</u> (in thousands, except operating statistics)	<u>2003</u>	<u>% Change</u>
U.S. LAND OPERATIONS			
Operating revenues	\$ 346,015	\$ 273,179	26.7%
Direct operating expenses	246,177	201,398	22.2
General and administrative expense	7,765	9,304	(16.5)
Depreciation	56,528	44,726	26.4
Segment operating income	<u>\$ 35,545</u>	<u>\$ 17,751</u>	100.2

Operating Statistics:

Activity days	27,472	22,588	21.6%
Average rig revenue per day	\$ 11,635	\$ 11,400	2.1
Average rig expense per day	\$ 8,001	\$ 8,222	(2.7)
Average rig margin per day	\$ 3,634	\$ 3,178	14.3
Number of owned rigs at end of period	87	83	4.8
Rig utilization	87%	81%	7.4

Operating statistics for per day revenue, expense and margin do not include reimbursements of "out-of-pocket" expenses.

The Company's segment operating income in its U.S. land rig operations increased by 100.2 percent from 2003 to 2004. This increase was due to improved rig utilization experienced by the

Company, the increased number of rigs available during 2004, and the improvement in average rig margin per day during the year. The improved margins were a result of slightly increased average dayrates and lower expenses per rig day experienced during 2004. The lower expense per day in 2004 was due to the elimination of excess crew overages that occurred in 2003 in connection with placing 19 new rigs into service. During the fourth quarter of fiscal 2004, the Company began to experience a more significant improvement in revenue and margin per day due to higher levels of U.S. land rig activity. The total number of rigs owned at the end of 2004 as compared to 2003 increased by a net of four rigs, resulting from five additional FlexRigs being completed during the year and removing from service one older conventional rig. As a result of the new rigs put in service, and a full year of depreciation of rigs put in service during 2003, total U.S. land rig depreciation increased 26.4 percent from 2003 to 2004.

Comparison of the years ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
	(in thousands, except operating statistics)		
U.S. OFFSHORE OPERATIONS			
Operating revenues	\$ 84,238	\$ 112,259	(25.0)%
Direct operating expenses	52,987	60,589	(12.5)
General and administrative expense	3,256	2,939	10.8
Depreciation	12,107	12,799	(5.4)
Asset impairment charge	51,516	—	
Segment operating income (loss)	<u>\$ (35,628)</u>	<u>\$ 35,932</u>	(199.2)
Operating Statistics:			
Activity days	2,088	2,233	(6.5)
Average rig revenue per day	\$ 29,070	\$ 38,076	(23.7)
Average rig expense per day	\$ 16,509	\$ 17,823	(7.4)
Average rig margin per day	\$ 12,561	\$ 20,253	(38.0)
Number of owned rigs at end of period	11	12	(8.3)
Rig utilization	48%	51%	(5.9)

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

Segment operating income in the Company’s U.S. offshore platform rig operations fell from \$35.9 million during 2003 to a loss of \$35.6 million in 2004 due primarily to the asset impairment charge of \$51.5 million. Excluding the asset impairment charge, segment operating income would have been \$15.9 million for 2004 which is a \$20.0 million decline from 2003.

Financial performance during 2004 was hindered by continued softness in the offshore platform rig market which kept rig utilizations at an average of 48 percent for 2004. More importantly, total operating revenues and revenue per day declined due to changes in the nature of contract terms on several of the Company’s rigs. During 2003, contracts for two of the Company’s newest rigs terminated and were renegotiated at lower dayrates just prior to the end of the year. Additionally, two other rigs that were working at full dayrates during fiscal 2003 were changed to standby status, thereby reducing total operating revenues and profitability. These specific transactions, coupled with an overall softening in the market, caused average rig revenue and margin per day to decline during 2004.

Comparison of the years ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
	(in thousands, except operating statistics)		
INTERNATIONAL OPERATIONS			
Operating revenues	\$ 148,788	\$ 109,517	35.9%
Direct operating expenses	113,988	81,461	39.9
General and administrative expense	2,144	3,110	(31.1)
Depreciation	20,530	20,092	2.2
Segment operating income	<u>\$ 12,126</u>	<u>\$ 4,854</u>	149.8
Operating Statistics:			
Activity days	6,266	4,515	38.8%
Average rig revenue per day	\$ 19,580	\$ 19,538	.2
Average rig expense per day	\$ 14,279	\$ 14,140	1.0
Average rig margin per day	\$ 5,301	\$ 5,398	(1.8)
Number of owned rigs at end of period	32	32	—
Rig utilization	54%	39%	38.5

Operating statistics of per day revenue, expense and margin do not include reimbursements of “out-of-pocket” expenses, the effects of management contracts, or the effect of currency revaluation expense.

Segment operating income for the Company’s international operations increased 149.8 percent from 2003 to 2004 due to higher rig activity and lower general and administrative expense resulting from reduced salary, bonus and travel expense. Rig activity improved primarily due to increased demand in the Company’s largest international operation in Venezuela. Venezuelan operations improved substantially as the government-owned oil company, PDVSA, increased their spending in an attempt to improve overall production rates following the reduction in production caused by workers’ strike and attempted coup in Venezuela during 2003. Despite overall improvement of conditions in Venezuela, the currency there was devalued during the year, resulting in a loss of \$1.9 million for 2004. (See MD&A Section on Foreign Currency Exchange Rate Risk for more discussion.)

Comparison of the years ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u> (in thousands)	<u>% Change</u>
REAL ESTATE			
Operating revenues	\$ 10,015	\$ 9,268	8.1 %
Direct operating expenses	4,564	2,811	62.4
Depreciation	2,253	2,535	(11.1)
Segment operating income	<u>\$ 3,198</u>	<u>\$ 3,922</u>	(18.5)

Segment operating income decreased by 18.5 percent from 2003 to 2004 in the Company's Real Estate division. Direct operating expenses increased in 2004 due to demolition costs of over \$.8 million relating to the razing of the Company's former headquarters building and an increase in advertising expense. Depreciation in 2003 was higher than 2004 due to the acceleration of depreciation on the razed building.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital spending for operations was \$86.8 million in 2005, \$90.2 million in 2004, and \$242.9 million in 2003. Net cash provided from operating activities for those same time periods was \$212.2 million in 2005, \$136.6 million in 2004 and \$93.1 million in 2003. The Company's 2006 capital spending estimate is approximately \$500 million, an increase from the budgeted \$95 million in 2005, due to the construction of new FlexRigs.

The Company has historically financed operations primarily through internally generated cash flows. In periods when internally generated cash flows are not sufficient to meet liquidity needs, the Company will either borrow from an available unsecured line or, if market conditions are favorable, sell portfolio securities. Likewise, if the Company is generating excess cash flows, the Company may invest in additional portfolio securities or short-term investments. In 2005, the Company made investments of \$5.0

million of which \$2.0 million were sold prior to the end of the fiscal year.

The Company manages a portfolio of marketable securities that, at the close of 2005, had a market value of \$293.4 million. The Company's investments in Atwood Oceanics, Inc., and Schlumberger, Ltd., made up almost 93 percent of the portfolio's market value on September 30, 2005. The value of the portfolio is subject to fluctuation in the market and may vary considerably over time. Excluding the Company's equity-method investments, the portfolio is recorded at fair value on the Company's balance sheet for each reporting period. The Company currently owns 2,000,000 shares or approximately 13.0 percent of the outstanding shares of Atwood.

The Company generated net proceeds from the sale of portfolio securities of \$46.7 million in 2005, \$30.9 million in 2004, and \$18.2 million in 2003. Of the \$30.9 million of sales in 2004, \$16.8 million related to sales with a trade date in fiscal 2004 but the cash was not received until fiscal 2005.

In 2005, proceeds were primarily from the sale of 1,000,000 shares of Atwood Oceanics, Inc. (Atwood), the Company's equity affiliate. In July 2004, Atwood filed a Registration Statement covering all 3,000,000 shares of Atwood stock owned by the Company. On October 19, 2004, Atwood completed a secondary public offering of shares in which the Company sold 1,000,000 of its Atwood shares and received \$45.6 million.

In 2004, proceeds were primarily from the sale of 250,000 shares of Schlumberger, 140,000 shares of Conoco-Phillips and various smaller investments. The proceeds were used for operations.

In 2003, proceeds were primarily from the sale of 100,000 shares of Conoco-Phillips, 286,528 shares of Transocean Sedco Forex and various smaller investments. The proceeds from sales were used for operations. Demand for contract drilling was weak in 2003 with soft drilling rates under increased price competition.

The Company has historically been as long-term holder of investment securities. However, circumstances may arise such as cash flow needs or the above referenced Atwood offering that result in security sales that were not previously contemplated.

The Company's proceeds from asset sales totaled \$28.9 million in 2005, \$7.9 million in 2004 and \$6.7 million in 2003. In 2005, the Company sold two large domestic land rigs, Rig 191 and Rig 192. The rigs were idle at the time of the sale and with the Company's emphasis on FlexRig technology, the Company took advantage of the opportunity to sell the conventional rigs. The sale generated a gain of approximately \$9.0 million and proceeds of approximately \$23.3 million. In 2004, a damaged mast on a rig in the international segment was sold generating a gain of approximately \$1.7 million and proceeds of approximately \$2.4 million. Additionally, undeveloped land owned by the Company's Real Estate Division was sold to developers in 2004 and 2003 with proceeds of approximately \$1.1 million and \$2.7 million, respectively.

During 2003, 19 rigs from the FlexRig3 program were completed and another five were completed by March, 2004. During 2005 and subsequent to September 30, 2005, the Company announced contracts to operate eight new FlexRig3s and 42 new FlexRig4s for 12 exploration and production companies. The first rig is scheduled for completion in December 2005, with the remaining rigs expected to be delivered at a rate of two per month, with delivery expected to increase to four per month by the fourth quarter of fiscal

2006. Projected rig construction is expected to average approximately \$11.0 million to \$14.0 million per rig depending on equipment requirements. Each agreement has at least a three-year commitment by the operator under a minimum fixed contract. The drilling services will be performed on a daywork contract basis.

Current cash, investments in short-term money market securities, and projected cash generated from operating activities are anticipated to meet the Company's current estimated capital expenditures, including rig construction, and other expected cash requirements for fiscal 2006.

The Company has \$200 million intermediate-term unsecured debt obligations with staged maturities from August, 2007 to August, 2014. The annual average interest rate through maturity will be 6.43 percent. The terms of the debt obligations require the Company to maintain a minimum ratio of debt to total capitalization.

On September 30, 2005, the Company had a committed unsecured line of credit totaling \$50 million, with no money drawn and letters of credit totaling \$14 million outstanding against the line. The line of credit matures in 2006 and bears interest of LIBOR plus .875 percent to 1.125 percent or prime minus 1.75 percent to prime minus 1.50 percent depending on certain financial ratios of the Company. The Company must maintain certain financial ratios including debt to total capitalization and debt to earnings before interest, taxes, depreciation, and amortization, and a certain level of tangible net worth.

Current ratios for September 30, 2005 and 2004 were 5.6 and 4.1, respectively. The debt to total capitalization ratio was 16

percent and 18 percent at September 30, 2005 and 2004, respectively.

During 2005, the Company paid a dividend of \$0.33 per share, or a total of \$16.9 million, representing the 33rd consecutive year of dividend increases.

STOCK PORTFOLIO HELD BY THE COMPANY

<u>September 30, 2005</u>	<u>Number of Shares</u>	<u>Cost Basis</u>	<u>Market Value</u>
	(in thousands, except share amounts)		
Atwood Oceanics, Inc.	2,000,000	\$ 46,533	\$ 168,420
Schlumberger, Ltd.	1,230,000	19,539	103,787
Other		11,398	21,150
Total		<u>\$ 77,470</u>	<u>\$ 293,357</u>

Material Commitments

The Company has no off balance sheet arrangements other than operating leases. The Company's contractual obligations as of September 30, 2005, are summarized in the table below:

	<u>Payments due by year</u>						
	<u>Total</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>After 2010</u>
	(in thousands)						
Long-term debt (a)	\$ 200,000	\$ —	\$ 25,000	\$ —	\$ 25,000	\$ —	\$ 150,000
Operating leases (b)	9,231	3,095	2,470	1,615	1,569	482	—
Purchase obligations (c)	96,280	96,280	—	—	—	—	—
Total Contractual Obligations	<u>\$ 305,511</u>	<u>\$ 99,375</u>	<u>\$ 27,470</u>	<u>\$ 1,615</u>	<u>\$ 26,569</u>	<u>\$ 482</u>	<u>\$ 150,000</u>

(a) See Note 3 "Notes Payable and Long-term Debt" to the Company's Consolidated Financial Statements.

(b) See Note 13 "Contingent Liabilities and Commitments" to the Company's Consolidated Financial Statements.

(c) See Note 13 "Contingent Liabilities and Commitments" to the Company's Consolidated Financial Statements.

The above table does not include obligations for the Company's pension plan, for which the recorded liability at September 30, 2005 is \$27.1 million. Based on current information available from plan actuaries, the Company anticipates contributions of approximately \$2.8 million will be made in 2006. Future contributions beyond 2006 are difficult to estimate due to multiple variables involved.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. On an on-going basis, the Company evaluates the estimates, including those related to inventories, long-lived assets, and accrued insurance losses. The estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following is a discussion of the critical accounting policies, which relate to property, plant and equipment, impairment of long-lived assets, self-insurance accruals, and revenue recognition. Other significant accounting policies are summarized in Note 1 in the notes to the consolidated financial statements.

Property, plant and equipment, including renewals and betterments, are stated at cost, while maintenance and repairs are expensed as incurred. Interest costs applicable to the construction of qualifying assets are capitalized as a component of the cost of such assets. The Company provides for the depreciation of property, plant and equipment using the straight-line method over

the estimated useful lives of the assets. Depreciation is determined considering the estimated salvage value of the property, plant and equipment. Both the estimated useful lives and salvage values require the use of management estimates. Certain events, such as unforeseen changes in operations or technology or market conditions, could occur that would materially affect the Company's estimates and assumptions related to depreciation. Management believes that these estimates have been materially accurate in the past. For the years presented in this report, no significant changes were made to the Company's useful lives or salvage values, other than reflected in the 2004 impairment of certain offshore equipment. Upon retirement or other disposal of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses are recorded in net income.

The Company's management assesses the potential impairment of its long-lived assets whenever events or changes in conditions indicate that the carrying value of an asset may not be recoverable. Changes that trigger such an assessment may include equipment obsolescence, changes in the market demand for a specific asset, periods of relatively low rig utilizations, declining revenue per day, declining cash margin per day, completion of specific contracts, and/or overall changes in general market conditions. If a review of the long-lived assets indicates that the carrying value of certain of these assets is more than the estimated undiscounted future cash flows, an impairment charge is made to adjust the carrying value to the estimated fair market value of the asset. See additional discussion of impairment assumptions, including determination of fair value, under Results of Operations. Use of different assumptions could result in an impairment charge different from that reported.

The Company is self-insured or maintains high deductibles for certain losses relating to worker's compensation, general, product, and auto liabilities. Generally, deductibles range from \$1.0 million or \$2.0 million per occurrence depending on whether a claim occurs inside or outside of the United States. Insurance is also purchased on rig properties and generally deductibles are \$1.0 million per occurrence. Excess insurance is purchased over these coverages to limit the Company's exposure to catastrophic claims, but there can be no assurance that such coverage will respond or be adequate in all circumstances. Retained losses are estimated and accrued based upon our estimates of the aggregate liability for claims incurred, and using the Company's historical loss experience and estimation methods that are believed to be reliable. Nonetheless, insurance estimates include certain assumptions and management judgments regarding the frequency and severity of claims, claim development, and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

The Company's pension benefit costs and obligations are dependent on various actuarial assumptions. The Company makes assumptions relating to discount rates, rate of compensation increase, and expected return on plan assets. The Company bases its discount rate assumption on current yields on AA-rated corporate long-term bonds. The rate of compensation increase assumption reflects actual experience and future outlook. The expected return on plan assets is determined based on historical portfolio results and future expectations of rates of return. Actual results that differ from estimated assumptions are accumulated and amortized over the estimated future working life of the plan participants

and could therefore affect expense recognized and obligations in future periods.

Revenues and costs on daywork contracts are recognized daily as the work progresses. For certain contracts, lump-sum payments are received for the mobilization of rigs and other drilling equipment. Revenues earned, net of direct costs incurred for the mobilization, are deferred and recognized over the term of the related drilling contract. Other lump-sum payments received from customers relating to specific contracts are deferred and amortized to income as services are performed. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred.

NEW ACCOUNTING STANDARD

In December, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), "Share-Based Payment", which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation". Statement 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and amends FASB Statement No. 95, "Statement of Cash Flows". The statement requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair value. The statement is effective at the beginning of the first interim or annual period beginning after June 15, 2005, with the SEC allowing for implementation at the beginning of the first fiscal year beginning after June 15, 2005. The Company plans to adopt the new standard the first quarter of fiscal 2006, beginning October 1, 2005, under the modified-prospective-transition method. The Company will recognize compensation cost for share-based payments to employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first

applied. Measurement and attribution of compensation cost for awards that were granted but not vested prior to the date the Company adopts the new standard will be based on the same estimate of the grant-date fair value and the same attribution method used previously under Statement 123 for pro forma disclosure. For those awards that are granted, modified or settled after the Company adopts the Statement, compensation cost will be measured and recognized in the financial statements in accordance with the provision of Statement 123(R). The Company expects to incur additional pre-tax compensation expense of approximately \$1.3 million related to options currently outstanding in the first quarter of fiscal 2006 as a result of adopting Statement 123(R). Statement 123(R) also requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. The Company cannot estimate what those amounts will be in the future because they depend on, among other things, when employees exercise stock options

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Rate Risk The Company has international operations in several South American countries, as well as a labor contract for work in Equatorial Guinea. With the exception of Venezuela, the Company's exposure to currency valuation losses is usually minimal due to the fact that virtually all invoice billings and receipts in other countries are in U.S. dollars.

The Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. In Venezuela, approximately 40 percent of the Company's invoice billings to the Venezuelan state oil

company, PDVSA, are in U.S. dollars and 60 percent are in the local currency, the bolivar. In compliance with applicable regulations the Company on October 1, 2003, submitted a request to the Venezuelan government seeking permission to convert existing bolivar balances into U.S. dollars. In January 2004, the Venezuelan government approved the conversion of bolivar cash balances to U.S. dollars and the remittance of \$8.8 million U.S. dollars as dividends by the Company's Venezuelan subsidiary to the U.S. based parent. As a consequence, the Company's exposure to currency devaluation was reduced by this amount.

As stated above, the Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. The exchange rate increased to 2150 bolivares during 2005 from 1920 bolivares at September 30, 2004. As a result of the 12 percent devaluation of the bolivar during fiscal 2005 (from September 2004 through August 2005), the Company experienced total devaluation losses of \$.6 million during that same period. This 12 percent devaluation loss may not be reflective of the actual potential for future devaluation losses because of the exchange controls that are currently in place. While the Company is unable to predict future devaluation in Venezuela, if fiscal 2006 activity levels are similar to fiscal 2005 and if a 10 percent to 20 percent devaluation were to occur, the Company could experience potential currency devaluation losses ranging from approximately \$1.6 million to \$2.9 million.

In late August 2003, the Venezuelan state petroleum company agreed, on a prospective basis, to pay a portion of the Company's dollar-based invoices in U.S. dollars. There is no guarantee as to how long this arrangement will continue. Were this agreement to end, the Company would revert back to receiving payments in

bolivares and thus increase bolivar cash balances and exposure to devaluation.

On September 28, 2005, the Company made application with the Venezuelan government requesting the approval to convert bolivar cash balances to U.S. dollars. Upon approval from the Venezuelan government, the Company's Venezuelan subsidiary will remit those dollars as a dividend to its U.S. based parent, thus reducing the Company's exposure to currency devaluation.

Commodity Price Risk The demand for contract drilling services is a result of exploration and production companies spending money to explore and develop drilling prospects in search for crude oil and natural gas. Their appetite for such spending is driven by their cash flow and financial strength, which is very dependent, among other things, crude oil and natural gas commodity prices. Crude oil prices are determined by a number of factors including supply and demand, worldwide economic conditions, and geopolitical factors. Crude oil and natural gas prices have been volatile and very difficult to predict. This difficulty has led many exploration and production companies to base their capital spending on much more conservative estimates of commodity prices. As a result, demand for contract drilling services is not always purely a function of the movement of commodity prices.

Interest Rate Risk The Company's interest rate risk exposure results primarily from short-term rates, mainly LIBOR-based on borrowings from its commercial banks. The Company currently maintains all of its debt portfolio in fixed-rate debt. Due to the fact that all of the Company's debt at year-end has fixed rate interest obligations, there is no current risk due to interest rate fluctuation.

The following tables provide information as of September 30, 2005 and 2004 about the Company's interest rate risk sensitive instruments:

INTEREST RATE RISK AS OF SEPTEMBER 30, 2005 (dollars in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>After 2010</u>	<u>Total</u>	<u>Fair Value at 9/30/05</u>
Fixed Rate Debt	\$ —	\$ 25,000	\$ —	\$ 25,000	\$ —	\$ 150,000	\$ 200,000	\$ 215,000
Average Interest Rate	—	5.5%	—	5.9%	—	6.5%	6.4%	

INTEREST RATE RISK AS OF SEPTEMBER 30, 2004 (dollars in thousands)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>After 2009</u>	<u>Total</u>	<u>Fair Value at 9/30/04</u>
Fixed Rate Debt	\$ —	\$ —	\$ 25,000	\$ —	\$ 25,000	\$ 150,000	\$ 200,000	\$ 216,400
Average Interest Rate	—	—	5.5%	—	5.9%	6.5%	6.3%	

Equity Price Risk On September 30, 2005, the Company owned stocks in other publicly held companies with a total market value of \$293.4 million. The Company's investments in Atwood Oceanics, Inc. and Schlumberger, Ltd. made up almost 93 percent of the portfolio's market value at September 30, 2005. Although the Company sold portions of its positions in Schlumberger in 2004 and Atwood in the first quarter of fiscal 2005, the Company has no specific plans to sell additional securities, but may sell additional securities based on market conditions and other circumstances. These securities are subject to a wide variety and number of market-related risks that could substantially reduce or increase the market value of the Company's holdings. Except for the Company's holdings in its equity affiliate, Atwood Oceanics, Inc., the portfolio is recorded at fair value on its balance sheet with changes in unrealized after-tax value reflected in the equity section of its balance sheet. Any reduction in market value would have an impact on the Company's debt ratio and financial strength. The total market value of the portfolio of securities was \$240.7 million at September 30, 2004.

Report of Independent Registered Public Accounting Firm
HELMERICH & PAYNE, INC.

The Board of Directors and Shareholders
Helmerich & Payne, Inc.

We have audited the accompanying consolidated balance sheets of Helmerich & Payne, Inc. as of September 30, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Helmerich & Payne, Inc. at September 30, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Helmerich & Payne Inc.'s internal control over financial reporting as of September 30, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated December 1, 2005 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Tulsa, Oklahoma
December 1, 2005
except for Note 15, as to which the date is
December 7, 2005

Consolidated Statements of Income
HELMERICH & PAYNE, INC.

Years Ended September 30,	2005	2004	2003
	(in thousands, except per share amounts)		
Operating revenues			
Drilling — U.S. Land	\$ 527,637	\$ 346,015	\$ 273,179
Drilling — U.S. Offshore	84,921	84,238	112,259
Drilling - International	177,480	148,788	109,517
Real Estate	10,688	10,015	9,268
	<u>800,726</u>	<u>589,056</u>	<u>504,223</u>
Operating costs and expenses			
Operating costs, excluding depreciation	484,231	417,716	346,259
Depreciation	96,274	94,425	82,513
Asset impairment	—	51,516	—
General and administrative	41,015	37,661	41,003
Income from asset sales	(13,550)	(5,377)	(3,689)
	<u>607,970</u>	<u>595,941</u>	<u>466,086</u>
Operating income (loss)	192,756	(6,885)	38,137
Other income (expense)			
Interest and dividend income	5,809	1,965	2,467
Interest expense	(12,642)	(12,695)	(12,289)
Gain on sale of investment securities	26,969	25,418	5,529
Other	(235)	197	98
	<u>19,901</u>	<u>14,885</u>	<u>(4,195)</u>
Income before income taxes and equity in income (loss) of affiliates	212,657	8,000	33,942
Income tax provision	87,463	4,365	14,649
Equity in income (loss) of affiliates net of income taxes	2,412	724	(1,420)
NET INCOME	<u>\$ 127,606</u>	<u>\$ 4,359</u>	<u>\$ 17,873</u>
Earnings per common share:			
Basic	\$ 2.50	\$ 0.09	\$ 0.36
Diluted	\$ 2.45	\$ 0.09	\$ 0.35
Average common shares outstanding (in thousands):			
Basic	51,087	50,312	50,039
Diluted	52,033	50,833	50,596

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets
HELMERICH & PAYNE, INC.

Assets

<u>September 30,</u>	<u>2005</u>	<u>2004</u>
	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ 288,752	\$ 65,296
Accounts receivable, less reserve of \$1,791 in 2005 and \$1,265 in 2004	162,646	133,262
Inventories	21,313	20,826
Deferred income taxes	8,765	4,346
Prepaid expenses and other	18,321	21,600
Total current assets	<u>499,797</u>	<u>245,330</u>
INVESTMENTS	<u>178,452</u>	<u>161,532</u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Contract drilling equipment	1,549,112	1,531,937
Construction in progress	34,774	1,228
Real estate properties	57,489	56,307
Other	96,614	93,640
	<u>1,737,989</u>	<u>1,683,112</u>
Less- Accumulated depreciation and amortization	756,024	684,438
Net property, plant and equipment	<u>981,965</u>	<u>998,674</u>
OTHER ASSETS	<u>3,136</u>	<u>1,308</u>
TOTAL ASSETS	<u>\$ 1,663,350</u>	<u>\$ 1,406,844</u>

The accompanying notes are an integral part of these statements.

Liabilities and Shareholders' Equity

September 30,	2005	2004
	(in thousands, except share data)	
CURRENT LIABILITIES:		
Accounts payable	\$ 44,854	\$ 28,012
Accrued liabilities	44,627	31,891
Total current liabilities	<u>89,481</u>	<u>59,903</u>
NONCURRENT LIABILITIES:		
Long-term notes payable	200,000	200,000
Deferred income taxes	246,975	194,573
Other	47,656	38,258
Total noncurrent liabilities	<u>494,631</u>	<u>432,831</u>
SHAREHOLDERS' EQUITY:		
Common stock, \$.10 par value, 80,000,000 shares authorized, 53,528,952 shares issued	5,353	5,353
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	—	—
Additional paid-in capital	112,297	85,466
Retained earnings	939,380	828,763
Unearned compensation	(134)	—
Accumulated other comprehensive income	47,544	36,252
	1,104,440	955,834
Less treasury stock, 1,594,362 shares in 2005 and 3,083,516 shares in 2004, at cost	25,202	41,724
Total shareholders' equity	<u>1,079,238</u>	<u>914,110</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 1,663,350</u>	<u>\$ 1,406,844</u>

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity
HELMERICH & PAYNE, INC.

	Common Stock		Additional Paid-In Capital	Retained Earnings	Unearned Compensation	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
	Shares	Amount					Shares	Amount	
(in thousands, except per share amounts)									
Balance, September 30, 2002	53,529	\$ 5,353	\$ 82,489	\$ 838,929	\$ (190)	\$ 16,180	3,518	\$ (47,591)	\$ 895,170
Comprehensive Income:									
Net Income					17,873				17,873
Other comprehensive income:									
Unrealized gains on available- for-sale securities, net						15,005			15,005
Derivatives instruments Amortization, net						982			982
Minimum pension liability adjustment, net						1,501			1,501
Total other comprehensive gain									17,488
Total comprehensive income									35,361
Cash dividends (\$.32 per share)					(16,026)				(16,026)
Exercise of stock options				441			(129)	1,753	2,194
Tax benefit of stock-based awards				372					372
Amortization of deferred compensation					180				180
Balance, September 30, 2003	53,529	\$ 5,353	\$ 83,302	\$ 840,776	\$ (10)	\$ 33,668	3,389	\$ (45,838)	\$ 917,251
Comprehensive Income:									
Net Income					4,359				4,359
Other comprehensive income (loss):									
Unrealized gains on available- for-sale securities, net						3,721			3,721
Derivatives instruments Amortization, net						72			72
Minimum pension liability adjustment, net						(1,209)			(1,209)
Total other comprehensive gain									2,584
Total comprehensive income									6,943
Cash dividends (\$.3225 per share)					(16,372)				(16,372)
Exercise of stock options				813			(305)	4,114	4,927
Tax benefit of stock-based awards				1,351					1,351
Amortization of deferred compensation					10				10
Balance, September 30, 2004	53,529	\$ 5,353	\$ 85,466	\$ 828,763	\$ —	\$ 36,252	3,084	\$ (41,724)	\$ 914,110
Comprehensive Income:									
Net Income					127,606				127,606
Other comprehensive income (loss):									
Unrealized gains on available- for-sale securities, net						14,708			14,708
Minimum pension liability adjustment, net						(3,416)			(3,416)
Total other comprehensive gain									11,292
Total comprehensive income									138,898
Capital adjustment of equity investee				2,682					2,682
Stock issued under Restricted Stock Award Plan				93			(5)	67	—
Cash dividends (\$.33 per share)					(16,989)				(16,989)
Exercise of stock options				8,903			(1,485)	16,455	25,358
Tax benefit of stock-based awards				15,153					15,153
Amortization of deferred compensation					26				26
Balance, September 30, 2005	53,529	\$ 5,353	\$ 112,297	\$ 939,380	\$ (134)	\$ 47,544	1,594	\$ (25,202)	\$ 1,079,238

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows
HELMERICH & PAYNE, INC.

Years Ended September 30,	2005	2004	2003
		(in thousands)	
OPERATING ACTIVITIES:			
Net income	\$ 127,606	\$ 4,359	\$ 17,873
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	96,274	94,425	82,513
Asset impairment charge	—	51,516	—
Equity in (income) loss of affiliates before income taxes	(3,891)	(1,168)	2,290
Amortization of deferred compensation	26	10	180
Gain on sale of investment securities	(26,969)	(22,766)	(5,529)
Non-monetary investment gain	—	(2,521)	—
Gain on sale of assets	(13,550)	(5,377)	(3,689)
Deferred income tax expense	38,014	5,934	41,391
Other - net	(349)	(98)	336
Change in assets and liabilities:			
Accounts receivable	(46,223)	(25,335)	1,516
Inventories	(487)	1,707	251
Prepaid expenses and other	1,451	24,142	(29,355)
Accounts payable	8,517	(378)	(14,804)
Accrued liabilities	12,736	2,870	(1,281)
Deferred income taxes	16,557	2,323	(166)
Other noncurrent liabilities	2,526	6,997	1,589
Net cash provided by operating activities	<u>212,238</u>	<u>136,640</u>	<u>93,115</u>
INVESTING ACTIVITIES:			
Capital expenditures	(86,805)	(90,212)	(242,912)
Proceeds from asset sales	28,992	7,941	6,720
Purchase of investments	(5,000)	—	—
Proceeds from sale of investments	65,539	14,033	18,215
Net cash provided by (used in) investing activities	<u>2,726</u>	<u>(68,238)</u>	<u>(217,977)</u>
FINANCING ACTIVITIES:			
Proceeds from long-term debt	—	—	100,000
Decrease (increase) in short-term notes	—	(30,000)	30,000
Dividends paid	(16,866)	(16,222)	(16,026)
Proceeds from exercise of stock options	25,358	4,927	2,194
Net cash provided by (used in) financing activities	<u>8,492</u>	<u>(41,295)</u>	<u>116,168</u>
Net increase (decrease) in cash and cash equivalents	223,456	27,107	(8,694)
Cash and cash equivalents, beginning of period	65,296	38,189	46,883
Cash and cash equivalents, end of period	<u>\$ 288,752</u>	<u>\$ 65,296</u>	<u>\$ 38,189</u>

The accompanying notes are an integral part of these statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION -

The consolidated financial statements include the accounts of Helmerich & Payne, Inc. (the Company), and its wholly-owned subsidiaries. Fiscal years of the Company's foreign consolidated operations end on August 31 to facilitate reporting of consolidated results. There were no significant intervening events which materially affected the financial statements.

BASIS OF PRESENTATION -

Certain amounts in the accompanying consolidated financial statements for prior periods have been reclassified to conform to current year presentation.

TRANSLATION OF FOREIGN CURRENCIES -

The Company has determined that the functional currency for its foreign subsidiaries is the U.S. dollar. Foreign currency transaction gains (losses) were \$(.8) million, \$(2.2) million and \$.4 million for 2005, 2004, and 2003, respectively. These amounts are included in direct operating costs.

USE OF ESTIMATES -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

PROPERTY, PLANT AND EQUIPMENT -

Property, plant and equipment are stated at cost less accumulated depreciation. Substantially all property, plant and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets (contract drilling equipment, 4-15 years; real estate buildings and equipment, 10-50 years; and other, 3-33 years). The Company charges the cost of maintenance and repairs to direct operating cost, while betterments and refurbishments are capitalized.

CAPITALIZATION OF INTEREST -

The Company capitalizes interest on major projects during construction. Interest is capitalized based on the average interest rate on related debt. Capitalized interest for 2005, 2004, and 2003 was \$.3 million, \$.5 million, and \$1.8 million, respectively.

VALUATION OF LONG-LIVED ASSETS -

The Company periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets, when events or circumstances warrant such a review. The Company recognizes impairment losses equal to the excess of the carrying value over the estimated fair value of long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows expected to be generated by the asset are not sufficient to recover the carrying amount of the asset.

CASH AND CASH EQUIVALENTS -

Cash and cash equivalents consist of cash in banks and investments readily convertible into cash which mature within three months from the date of purchase.

RESTRICTED CASH AND CASH EQUIVALENTS -

The Company had restricted cash and cash equivalents of \$4.2 million and \$2.0 million at September 30, 2005 and 2004, respectively. All restricted cash is for the purpose of potential insurance claims in the Company's wholly-owned captive insurance company. Of the total, \$2.0 million is from the initial capitalization of the captive and management has elected to restrict an additional \$2.2 million. The restricted amounts are primarily invested in short-term money market securities.

The restricted cash and cash equivalents is reflected in the balance sheet as follows (in thousands):

<u>September 30,</u>	<u>2005</u>	<u>2004</u>
Other current assets	\$ 2,195	\$ 2,000
Other assets	\$ 2,000	\$ —

INVENTORIES AND SUPPLIES -

Inventories and supplies are primarily replacement parts and supplies held for use in the Company's drilling operations. Inventories and supplies are valued at the lower of cost (moving average or actual) or market value.

DRILLING REVENUES -

Contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed. For certain contracts, the Company receives lump-sum payments contractually designated, for the mobilization of rigs and other drilling equipment. Mobilization payments received, and direct costs incurred for the mobilization are deferred and recognized on a straight line basis over the term of the related drilling contract. Costs incurred to relocate rigs and other drilling equipment to areas in which a contract has not been secured are expensed as incurred. Reimbursements received by the Company for out-of-pocket expenses are recorded as revenues and direct costs.

RENT REVENUES -

The Company enters into leases with tenants in its rental properties consisting primarily of retail and multi-tenant warehouse space. The lease terms of tenants occupying space in the retail centers and warehouse buildings range from one to eleven years. Minimum rents are recognized on a straight-line basis over the term of the related leases. Overage and percentage rents are based on tenants' sales volume. Recoveries from tenants for property taxes and operating expenses are recognized as Real Estate revenues in the Consolidated Statements of Income. The Company's rent revenues are as follows:

<u>Years Ended September 30,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in thousands)		
Minimum rents	\$ 7,606	\$ 7,490	\$ 7,333
Overage and percentage rents	\$ 1,162	\$ 1,207	\$ 768

At September 30, 2005, minimum future rental income to be received on noncancelable operating leases were as follows (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 6,887
2007	6,134
2008	4,840
2009	3,532
2010	2,901
Thereafter	4,765
Total	\$ 29,059

Leasehold improvement allowances are capitalized and amortized over the lease term.

INVESTMENTS -

The Company maintains investments in equity securities of unaffiliated companies. The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold. Net income in 2004 includes approximately \$1.5 million, \$0.03 per share on a diluted basis, on gains related to non-monetary transactions within the Company's available-for-sale investment portfolio which were accounted for at fair value.

The Company regularly reviews investment securities for impairment based on criteria that include the extent to which the investment's carrying value exceeds its related market value, the duration of the market decline and the financial strength and specific prospects of the issuer of the security. Unrealized losses that are other than temporary are recognized in earnings.

Investments in companies owned from 20 to 50 percent are accounted for using the equity method with the Company recognizing its proportionate share of the income or loss of each investee. The Company owned approximately 21.7 percent of Atwood Oceanics, Inc. (Atwood) at September 30, 2004. In October 2004, the Company sold 1,000,000 shares of its position in Atwood as part of a 2,175,000 share public offering of Atwood. The sale generated \$15.9 million (\$0.31 per diluted share) of net income in fiscal 2005. As a result of Atwood's capital transaction, the Company's equity investment increased by \$4.3 million, deferred income taxes payable increased \$1.6 million and additional paid-in-capital increased \$2.7 million. With its remaining 2,000,000 shares of Atwood, the Company owns approximately 13.0 percent of Atwood. The Company continues to account for Atwood on the equity method as the Company continues to have significant influence through its board of director seats.

The quoted market value of the Company's investment was \$168.4 million and \$142.6 million at September 30, 2005 and 2004, respectively. Retained earnings at September 30, 2005 and 2004 includes approximately \$24.3 million and \$29.0 million, respectively of undistributed earnings of Atwood.

Summarized financial information of Atwood is as follows:

<u>September 30,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(in thousands)	
Gross revenues	\$ 176,156	\$ 163,454	\$ 144,766
Costs and expenses	149,785	155,867	157,568
Net income (loss)	<u>\$ 26,371</u>	<u>\$ 7,587</u>	<u>\$ (12,802)</u>
Helmerich & Payne, Inc.'s equity in net income (loss), net of income taxes	<u>\$ 2,412</u>	<u>\$ 724</u>	<u>\$ (1,414)</u>
Current assets	\$ 93,283	\$ 92,966	\$ 76,012
Noncurrent assets	403,641	405,970	446,662
Current liabilities	56,159	60,053	49,949
Noncurrent liabilities	78,268	167,294	209,258
Shareholders' equity	<u>362,497</u>	<u>271,589</u>	<u>263,467</u>
Helmerich & Payne, Inc.'s investment	<u>\$ 46,533</u>	<u>\$ 57,824</u>	<u>\$ 56,655</u>

INCOME TAXES -

Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of the Company's assets and liabilities.

POST EMPLOYMENT AND OTHER BENEFITS -

The Company sponsors a health care plan that provides post retirement medical benefits to retired employees. Employees who retire after November 1, 1992 and elect to participate in the plan pay the entire estimated cost of such benefits.

The Company has accrued a liability for estimated worker's compensation claims incurred. The liability for other benefits to former or inactive employees after employment but before retirement is not material.

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.

EMPLOYEE STOCK-BASED AWARDS -

Employee stock-based awards are currently accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Fixed plan common stock options generally do not result in compensation expense, because the exercise price of the options issued by the Company equals the market price of the underlying stock on the

date of grant. The plans under which the Company issues stock based awards are described more fully in Note 5. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation".

	September 30,		
	2005	2004	2003
	(in thousands, except per share amounts)		
Net income, as reported	\$ 127,606	\$ 4,359	\$ 17,873
Stock-based employee compensation expense included in the Consolidated Statements of Income, net of related tax effects	16	6	112
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	<u>(3,563)</u>	<u>(4,172)</u>	<u>(4,387)</u>
Pro forma net income	<u>\$ 124,059</u>	<u>\$ 193</u>	<u>\$ 13,598</u>
Earnings per share:			
Basic-as reported	\$ 2.50	\$ 0.09	\$ 0.36
Basic-pro forma	<u>\$ 2.43</u>	<u>\$ 0.00</u>	<u>\$ 0.27</u>
Diluted-as reported	\$ 2.45	\$ 0.09	\$ 0.35
Diluted-pro forma	<u>\$ 2.34</u>	<u>\$ 0.00</u>	<u>\$ 0.27</u>

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period and additional options may be granted in future years.

TREASURY STOCK -

Treasury stock purchases are accounted for under the cost method whereby the cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to additional paid-in-capital using the average-cost method.

NEW ACCOUNTING STANDARD -

In December, 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), "Share-Based Payment", which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation". Statement 123(R) supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and amends FASB Statement No. 95, "Statement of Cash Flows". The statement requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair value. The statement is effective at the beginning of the first interim or annual period beginning after June 15, 2005, with the SEC allowing for implementation at the beginning of the first fiscal year beginning after June 15, 2005. The Company plans to adopt the new standard the first quarter of fiscal 2006, beginning October 1, 2005, under the modified-prospective-transition method. The Company will recognize compensation cost for share-based payments to employees based on their grant-date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. Measurement and attribution of compensation cost for awards that were granted but not vested prior to the date the Company adopts the new standard will be based on the same estimate of the grant-date fair value and the same attribution method used previously under

Statement 123 for pro forma disclosure. For those awards that are granted, modified or settled after the Company adopts the Statement, compensation cost will be measured and recognized in the financial statements in accordance with the provision of Statement 123(R). The Company expects to incur additional pre-tax compensation expense of approximately \$1.3 million related to options currently outstanding in the first quarter of fiscal 2006 as a result of adopting Statement 123(R). Statement 123(R) also requires that the benefits of tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. The Company cannot estimate what those amounts will be in the future because they depend on, among other things, when employees exercise stock options.

NOTE 2 IMPAIRMENT OF LONG-LIVED ASSETS

The Company periodically evaluates long-lived assets when events or circumstances indicate, in management's judgment, that the carrying value of such assets may not be recoverable. Changes that could trigger such an assessment may include a significant decline in revenue or cash margin per day, extended periods of low rig utilization, changes in market demand for a specific asset, obsolescence, completion of specific contracts, and/or overall general market conditions. If a review of the long-lived assets indicates that the carrying value of certain of these assets is more than the estimated undiscounted future cash flows, an impairment charge is made to adjust the carrying value to the estimated fair market value of the asset.

Based on its analysis, the Company recorded a \$51.5 million pre-tax impairment charge to the Offshore Platform segment in the fourth quarter of fiscal 2004. In conjunction with the impairment charge, the Company retired rig 108 at September 30, 2004, which brought the number of available platform rigs to eleven. The Company also reduced the depreciable lives of five platform rigs to four years and the salvage value of each of the offshore rigs to \$1.0 million. As a result of the impairment charge and the change in depreciable lives and salvage values, depreciation expense in the Offshore Platform segment was reduced by approximately \$1.5 million in fiscal year 2005.

NOTE 3 NOTES PAYABLE AND LONG-TERM DEBT

At September 30, 2005, the Company had \$200 million in unsecured long-term debt outstanding at fixed rates and maturities as summarized in the following table.

<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
\$25,000,000	August 15, 2007	5.51%
\$25,000,000	August 15, 2009	5.91%
\$75,000,000	August 15, 2012	6.46%
\$75,000,000	August 15, 2014	6.56%

The terms of the debt obligations require the Company to maintain a minimum ratio of debt to total capitalization. The debt is held by various entities, including \$8 million held by a company affiliated with one of the Company's Board members.

At September 30, 2005, the Company had a committed unsecured line of credit totaling \$50 million. Letters of credit totaling \$14 million were outstanding against the line, leaving \$36 million available to borrow. Under terms of the line of credit, the Company must maintain certain financial ratios including debt to total capitalization and debt to earnings before interest, taxes, depreciation, and amortization, and a certain level of tangible net worth. The interest rate varies based on LIBOR plus .875 to 1.125 percent or prime minus 1.75 percent to prime minus 1.50 percent depending on ratios described above. At September 30, 2005 and 2004, no balances were outstanding under the line of credit. The revolving credit commitment expires July 11, 2006.

NOTE 4 INCOME TAXES

The components of the provision (benefit) for income taxes are as follows:

<u>Years Ended September 30,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(in thousands)	
Current:			
Federal	\$ 39,139	\$ (5,997)	\$ (34,495)
Foreign	8,185	4,622	6,870
State	2,125	(194)	883
	<u>49,449</u>	<u>(1,569)</u>	<u>(26,742)</u>
Deferred:			
Federal	31,573	4,037	42,835
Foreign	4,863	1,902	(3,383)
State	1,578	(5)	1,939
	<u>38,014</u>	<u>5,934</u>	<u>41,391</u>
Total provision (benefit)	<u>\$ 87,463</u>	<u>\$ 4,365</u>	<u>\$ 14,649</u>

The amounts of domestic and foreign income before income taxes and equity in income (loss) of affiliates are as follows:

<u>Years Ended September 30,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
		(in thousands)	
Domestic	\$ 195,978	\$ (2,565)	\$ 31,638
Foreign	16,679	10,565	2,304
	<u>\$ 212,657</u>	<u>\$ 8,000</u>	<u>\$ 33,942</u>

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities.

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

<u>September 30,</u>	<u>2005</u>	<u>2004</u>
	(in thousands)	
Deferred tax liabilities:		
Property, plant and equipment	\$ 210,861	\$ 188,240
Available-for-sale securities	31,929	28,203
Equity investments	20,915	17,793
Other	1,715	1,714
Total deferred tax liabilities	<u>265,420</u>	<u>235,950</u>
Deferred tax assets:		
Pension reserves	10,310	7,283
Insurance reserves	3,943	4,452
Net operating loss and foreign tax credit carryforwards	32,567	56,213
Minimum tax credit carryforwards	428	3,748
Financial accruals	11,295	7,848
Other	12	1,315
Total deferred tax assets	<u>58,555</u>	<u>80,859</u>
Valuation allowance	<u>31,345</u>	<u>35,136</u>
Net deferred tax assets	<u>27,210</u>	<u>45,723</u>
Net deferred tax liabilities	<u>\$ 238,210</u>	<u>\$ 190,227</u>

Reclassifications have been made to the fiscal 2004 balances for certain components of deferred tax assets and liabilities in order to conform to the current year's presentation.

As of September 30, 2005 the Company had foreign net operating loss carryforwards for income tax purposes of \$4.9 million, of which a significant portion can be carried forward indefinitely, and foreign tax credit carryforwards of approximately \$31.0 million which will expire in years 2010 through 2014. The valuation allowance is primarily attributable to foreign operating loss carryforwards and foreign tax credit carryforwards for which utilization is uncertain. At this time the Company has no plans to utilize the repatriation provision under the American Jobs Creation Act.

Effective income tax rates as compared to the U.S Federal income tax rate are as follows:

<u>Years Ended September 30,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
U.S. Federal income tax rate	35%	35%	35%
Effect of foreign taxes	3	18	4
State income taxes	3	—	4
Other	—	2	—
Effective income tax rate	<u>41%</u>	<u>55%</u>	<u>43%</u>

NOTE 5 SHAREHOLDERS' EQUITY

The Company has several plans providing for common-stock based awards to employees and to non-employee directors. The plans permit the granting of various types of awards including stock options and restricted stock. Restricted stock may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than market price of the underlying stock on the date of grant. Stock options expire ten years after grant.

Vesting requirements are determined by the Human Resources Committee of the Company's Board of Directors. Options granted December 6, 1995, began vesting December 6, 1998, with 20 percent of the options vesting for five consecutive years. Options granted December 4, 1996, began vesting December 4, 1997, with 20 percent of the options vesting for five consecutive years. Options granted since December 3, 1997, began vesting one year after the grant date with 25 percent of the options vesting for four consecutive years.

In March 2001, the Company adopted the 2000 Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan was effective December 6, 2000 and will terminate December 6, 2010. Under this plan, the Company is authorized to grant options for up to 3,000,000 shares of the Company's common stock at an exercise price not less than the fair market value of the common stock on the date of grant.

Up to 450,000 shares of the total authorized may be granted to participants as restricted stock awards. In 2005, 5,000 shares of restricted stock awards were granted. There were no restricted stock grants in fiscal 2004 or 2003.

The following summary reflects the stock option activity for the Company's common stock and related information for 2005, 2004, and 2003 (shares in thousands):

	2005		2004		2003	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at October 1,	4,457	\$ 22.03	4,327	\$ 21.41	3,875	\$ 20.28
Granted	463	32.02	469	24.18	611	27.74
Exercised	(1,611)	19.57	(305)	16.15	(130)	16.93
Forfeited/Expired	(65)	27.22	(34)	25.38	(29)	23.85
Outstanding on September 30,	3,244	\$ 24.57	4,457	\$ 22.03	4,327	\$ 21.41
Exercisable on September 30,	2,027	\$ 22.74	2,997	\$ 20.62	2,575	\$ 19.34
Shares available to grant	755		1,158		1,597	

The following table summarizes information about stock options at September 30, 2005 (shares in thousands):

Range of Exercise Prices	Outstanding Stock Options			Exercisable Stock Options	
	Options	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
\$12.79 to \$19.83	595	3.5	\$ 16.35	595	\$ 16.35
\$22.66 to \$24.59	1,366	6.5	\$ 23.73	867	\$ 23.79
\$26.11 to \$32.02	1,283	6.6	\$ 29.26	565	\$ 27.86
\$12.79 to \$32.02	3,244	6.0	\$ 24.57	2,027	\$ 22.74

The weighted-average fair value of options at their grant date during 2005, 2004, and 2003 was \$12.17, \$10.24, and \$10.72, respectively. The estimated fair value of each option granted is calculated using the Black-Scholes option-pricing model. The following summarizes the weighted-average assumptions used in the model:

	2005	2004	2003
Risk-free interest rate	4.2%	3.7%	3.1%
Expected stock volatility	40.3%	44.0%	45.0%
Dividend yield	1.0%	.8%	.8%
Expected years until exercise	5.0	5.5	4.5

On September 30, 2005, the Company had 51,934,590 outstanding common stock purchase rights ("Rights") pursuant to terms of the Rights Agreement dated January 8, 1996. Under the terms of the

Rights Agreement each Right entitled the holder thereof to purchase from the Company one half of one unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock ("Preferred Stock"), without par value, at a price of \$90 per unit. The exercise price and the number of units of Preferred Stock issuable on exercise of the Rights are subject to adjustment in certain cases to prevent dilution. The Rights will be attached to the common stock certificates and are not exercisable or transferrable apart from the common stock, until ten business days after a person acquires 15 percent or more of the outstanding common stock or ten business days following the commencement of a tender offer or exchange offer that would result in a person owning 15 percent or more of the outstanding common stock. In the event the Company is acquired in a merger or certain other business combination transactions (including one in which the Company is the surviving corporation), or more than 50 percent of the Company's assets or earning power is sold or transferred, each holder of a Right shall have the right to receive, upon exercise of the Right, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The Rights are redeemable under certain circumstances at \$0.01 per Right and will expire, unless earlier redeemed, on January 31, 2006. As long as the Rights are not separately transferrable, the Company will issue one half of one Right with each new share of common stock issued.

NOTE 6 EARNINGS PER SHARE

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in thousands)		
Basic weighted-average shares	51,087	50,312	50,039
Effect of dilutive shares:			
Stock options	945	521	555
Restricted stock	1	—	2
	<u>946</u>	<u>521</u>	<u>557</u>
Diluted weighted-average shares	<u>52,033</u>	<u>50,833</u>	<u>50,596</u>

At September 30, 2005, all options outstanding were included in the computation of diluted earnings per common share.

At September 30, 2004, options to purchase 1,027,680 shares of common stock at a weighted-average price of \$27.84 were outstanding, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

At September 30, 2003, options to purchase 1,030,791 shares of common stock at a weighted-average price of \$27.86 were outstanding but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

NOTE 7 FINANCIAL INSTRUMENTS

The Company had \$200 million of long-term debt outstanding at September 30, 2005 which had an estimated fair value of \$215 million. The debt was valued based on the prices of similar securities with similar terms and credit ratings. The Company used the expertise of an outside investment banking firm to assist with the estimate of the fair value of the long-term debt. The Company's line of credit and notes payable bear interest at market rates and the cost of borrowings, if any, would approximate fair value. The estimated fair value of the Company's available-for-sale securities is primarily based on market quotes.

The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting (see Note 1) and assets held in a Non-qualified Supplemental Savings Plan:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Fair Value</u>
	(in thousands)			
Equity Securities:				
September 30, 2005	\$ 30,937	\$ 94,000	\$ —	\$ 124,937
September 30, 2004	\$ 27,811	\$ 70,448	\$ 170	\$ 98,089

During the years ended September 30, 2005, 2004, and 2003, marketable equity available-for-sale securities with a fair value at the date of sale of \$46.7 million, \$30.9 million, and \$18.2 million, respectively, were sold. For the same years, the gross realized gains on such sales of available-for-sale securities totaled \$27.0 million, \$22.8 million, and \$8.6 million, respectively, and the gross realized losses totaled \$7 thousand in fiscal 2004 and \$3.1 million in fiscal 2003.

The assets held in a Non-qualified Supplemental Savings Plan are valued at fair market which totaled \$7.0 million and \$5.6 million at September 30, 2005 and 2004, respectively.

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those investments.

The carrying value of other assets, accrued liabilities and other liabilities approximated fair value at September 30, 2005 and 2004.

NOTE 8 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below presents changes in the components of accumulated other comprehensive income (loss).

	Unrealized Appreciation (Depreciation) on Securities	Interest Rate Swap	Minimum Pension Liability	Total
	(in thousands)			
Balance at September 30, 2002	\$ 24,846	\$ (1,054)	\$ (7,612)	\$ 16,180
2003 Change:				
Pre-income tax amount	29,731	—	2,421	32,152
Income tax provision	(11,298)	—	(920)	(12,218)
Amortization of swap (net of \$602 income tax benefit)	—	982	—	982
Realized gains in net income (net of \$2,101 income tax)	(3,428)	—	—	(3,428)
	<u>15,005</u>	<u>982</u>	<u>1,501</u>	<u>17,488</u>
Balance at September 30, 2003	<u>39,851</u>	<u>(72)</u>	<u>(6,111)</u>	<u>33,668</u>
2004 Change:				
Pre-income tax amount	31,420	—	(1,951)	29,469
Income tax provision	(11,940)	—	742	(11,198)
Amortization of swap (net of \$45 income tax benefit)	—	72	—	72
Realized gains in net income (net of \$9,659 income tax)	(15,759)	—	—	(15,759)
	<u>3,721</u>	<u>72</u>	<u>(1,209)</u>	<u>2,584</u>
Balance at September 30, 2004	<u>43,572</u>	<u>—</u>	<u>(7,320)</u>	<u>36,252</u>
2005 Change:				
Pre-income tax amount	24,588	—	(5,510)	19,078
Income tax provision	(9,343)	—	2,094	(7,249)
Realized gains in net income (net of \$328 income tax)	(537)	—	—	(537)
	<u>14,708</u>	<u>—</u>	<u>(3,416)</u>	<u>11,292</u>
Balance at September 30, 2005	<u>\$ 58,280</u>	<u>\$ —</u>	<u>\$ (10,736)</u>	<u>\$ 47,544</u>

NOTE 9 EMPLOYEE BENEFIT PLANS

The Company maintains a noncontributory defined pension plan for substantially all U.S. employees who meet certain age and service requirements. In July 2003, the Company revised the Helmerich & Payne, Inc. Employee Retirement Plan (“Pension Plan”) to close the Pension Plan to

new participants effective October 1, 2003, and reduce benefit accruals for current participants through September 30, 2006 at which time benefit accruals will be discontinued and the Pension Plan frozen.

The following table and other information in this footnote provide information at September 30 as to the Company sponsored domestic defined pension plan as required by SFAS No. 132 (Revised 2003), "Employers' Disclosures About Pensions and Other Postretirement Benefits".

Change in benefit obligation:

Years Ended September 30,	2005	2004
	(in thousands)	
Benefit obligation at beginning of year	\$ 82,222	\$ 71,174
Service cost	3,480	3,943
Interest cost	4,617	4,403
Actuarial loss	3,408	5,985
Benefits paid	(3,510)	(3,283)
Benefit obligation at end of year	\$ 90,217	\$ 82,222

Change in plan assets:

Years Ended September 30,	2005	2004
	(in thousands)	
Fair value of plan assets at beginning of year	\$ 56,650	\$ 53,635
Actual gain on plan assets	7,565	6,298
Employer contribution	2,250	—
Benefits paid	(3,510)	(3,283)
Fair value of plan assets at end of year	\$ 62,955	\$ 56,650
Funded status of the plan	\$ (27,262)	\$ (25,572)
Unrecognized net actuarial loss	17,445	18,211
Unrecognized prior service cost	1	1
Accumulated other comprehensive loss (before tax)	(17,317)	(11,807)
Accrued benefit cost	\$ (27,133)	\$ (19,167)

Weighted-average assumptions:

Years Ended September 30,	2005	2004	2003
Discount rate	5.50%	5.75%	6.25%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%	5.00%

The Company anticipates funding of its Pension Plan will be approximately \$2.8 million in fiscal 2006.

Components of net periodic pension expense:

<u>Years Ended September 30,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in thousands)		
Service cost	\$ 3,480	\$ 3,943	\$ 5,401
Interest cost	4,617	4,403	4,423
Expected return on plan assets	(4,378)	(4,232)	(3,807)
Amortization of prior service cost	—	19	180
Recognized net actuarial loss	987	761	1,550
Curtailement gain	—	—	84
Net pension expense	<u>\$ 4,706</u>	<u>\$ 4,894</u>	<u>\$ 7,831</u>

The following table reflects the expected benefits to be paid from the Pension Plan in each of the next five fiscal years, and in the aggregate for the five years thereafter.

<u>Years Ended September 30,</u>						
(in thousands)						
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011-2015</u>	<u>Total</u>
\$ 4,640	\$ 4,606	\$ 4,524	\$ 4,558	\$ 4,533	\$ 26,368	\$ 49,229

Included in the Pension Plan is an unfunded supplemental executive retirement plan.

The accumulated benefit obligation for the defined Pension Plan was \$90.1 million, \$75.7 million and \$66.1 million at September 30, 2005, 2004, and 2003, respectively.

The Company evaluates the Pension Plan to determine whether any additional minimum liability is required. As a result of changes in the interest rates, an adjustment to the minimum pension liability was required. The adjustment to the liability is recorded as a charge to accumulated other comprehensive loss, net of tax, in shareholders' equity in the consolidated balance sheets.

INVESTMENT STRATEGY AND ASSET ALLOCATION -

The Company's investment policy and strategies are established with a long-term view in mind. The investment strategy is intended to help pay the cost of the Plan while providing adequate security to meet the benefits promised under the Plan. The Company maintains a diversified asset mix to minimize the risk of a material loss to the portfolio value that might occur from devaluation of any one investment. In determining the appropriate asset mix, the Company's financial strength and ability to fund potential shortfalls are considered.

The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset classes in the Plans' investment portfolio after analyzing historical experience and future expectations of the return and volatility of various asset classes.

The target allocation for 2006 and the asset allocation for the domestic Pension Plan at the end of fiscal 2005 and 2004, by asset category, follows:

Asset Category	Target Allocation 2006	Percentage of Plan Assets At September 30,	
		2005	2004
U.S. equities	56%	58%	57%
International equities	14	16	15
Fixed income	25	24	27
Real estate and other	5	2	1
Total	100%	100%	100%

The fair value of plan assets was \$63.0 million and \$56.7 million at September 30, 2005 and 2004, respectively, and the expected long-term rate of return on these plan assets was 8 percent in 2005 and 2004.

DEFINED CONTRIBUTION PLAN -

Substantially all employees on the United States payroll of the Company may elect to participate in the Company sponsored 401(k)/Thrift Plan by contributing a portion of their earnings. The Company contributes amounts equal to 100 percent of the first 5 percent of the participant's compensation subject to certain limitations. Expensed Company contributions were \$6.1 million, \$5.6 million, and \$5.6 million in 2005, 2004, and 2003, respectively.

NOTE 10 SUPPLEMENTAL BALANCE SHEET INFORMATION

The following reflects the activity in the Company's reserve for bad debt for 2005, 2004 and 2003:

September 30,	2005	2004	2003
		(in thousands)	
Reserve for bad debt:			
Balance at October 1,	\$ 1,265	\$ 1,319	\$ 1,337
Provision for bad debt	530	15	45
Write-off of bad debt	(4)	(69)	(63)
Balance at September 30,	<u>\$ 1,791</u>	<u>\$ 1,265</u>	<u>\$ 1,319</u>

Accounts receivable, prepaid expenses, and accrued liabilities at September 30 consist of the following:

<u>September 30,</u>	<u>2005</u>	<u>2004</u>
	(in thousands)	
Accounts receivable:		
Trade receivables	\$ 162,646	\$ 116,423
Investment sales receivables	—	16,839
	<u>\$ 162,646</u>	<u>\$ 133,262</u>
Prepaid expenses and other:		
Prepaid value added tax	\$ 5,960	\$ 1,514
Restricted cash	2,195	2,000
Income tax asset	2,080	5,831
Prepaid insurance	1,949	1,329
Deferred mobilization	654	2,846
Other	5,483	8,080
	<u>\$ 18,321</u>	<u>\$ 21,600</u>
Accrued liabilities:		
Taxes payable — operations	\$ 10,263	\$ 6,531
Workers' compensation liabilities	3,830	2,877
Payroll and employee benefits	20,277	8,678
Deferred income/prepays	—	2,844
Other	10,257	10,961
	<u>\$ 44,627</u>	<u>\$ 31,891</u>

NOTE 11 SUPPLEMENTAL CASH FLOW INFORMATION

<u>Years Ended September 30,</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(in thousands)		
Cash payments:			
Interest paid, net of amounts capitalized	\$ 12,707	\$ 12,653	\$ 11,375
Income taxes paid	\$ 29,715	\$ 7,010	\$ 5,838

NOTE 12 RISK FACTORS

CONCENTRATION OF CREDIT -

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The Company places temporary cash investments with established financial institutions and invests in a diversified portfolio of highly rated, short-term money market instruments. The Company's trade receivables are primarily with established companies in the oil and gas industry and are typically not secured by collateral. The Company provides an allowance for doubtful accounts, when

necessary, to cover estimated credit losses. Such an allowance is based on management's knowledge of customer accounts. No significant credit losses have been experienced by the Company.

SELF-INSURANCE -

The Company self-insures a significant portion of its expected losses under its worker's compensation, general, and automobile liability programs. Insurance coverage has been purchased for individual claims that exceed \$1 million or \$2 million, depending on whether a claim occurs inside or outside of the United States. The Company records estimates for incurred outstanding liabilities for unresolved worker's compensation, general liability claims and for claims that are incurred but not reported. Estimates are based on historic experience and statistical methods that the Company believes are reliable. Nonetheless, insurance estimates include certain assumptions and management judgments regarding the frequency and severity of claims, claim development, and settlement practices. Unanticipated changes in these factors may produce materially different amounts of expense that would be reported under these programs.

The Company formed a wholly-owned captive insurance company, White Eagle Assurance Company (White Eagle), to provide property damage insurance for company-owned drilling rigs. The Company obtained 85 percent of land rig property insurance from a third party insurance provider in 2005 that carried a \$1.0 million deductible. The Company is self insured through White Eagle for the remaining 15 percent of land rig property coverage and the \$1.0 million deductible on all rig property. Additionally, the Company is self insured for up to \$1.0 million per occurrence deductible under workers compensation, general, and automobile liability insurance policies for its international operations. Premiums paid to White Eagle by the drilling segments have been included in the drilling segment expenses but eliminated, along with the premium earned income, in the Consolidated Statements of Income.

CONTRACT DRILLING OPERATIONS -

International drilling operations are significant contributors to the Company's revenues and net profit. It is possible that operating results could be affected by the risks of such activities, including economic conditions in the international markets in which the Company operates, political and economic instability, fluctuations in currency exchange rates, changes in international regulatory requirements, international employment issues, and the burden of complying with foreign laws. These risks may adversely affect the Company's future operating results and financial position.

The Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. In Venezuela, approximately 40 percent of the Company's billings to the Venezuelan oil company, PDVSA, are in U.S. dollars and 60 percent are in the local currency, the bolivar. In January 2003, the Venezuelan government put into effect exchange controls that fixed the exchange rate at 1600 bolivares to one U.S. dollar and also prohibited the Company, as well as other companies, from converting the bolivar into U.S. dollars. In compliance with applicable regulations, the Company on October 1, 2003 submitted a request to the Venezuelan government seeking permission to convert existing bolivar balances into U.S. dollars. In January 2004, the Venezuelan government approved the conversion of bolivar cash

balances to U.S. dollars and the remittance of those U.S. dollars as dividends by the Company's Venezuelan subsidiary to the U.S. based parent. The Company was able to remit \$8.8 million of such dividends in January 2004. This reduced the Company's exposure to currency devaluation in Venezuela.

As stated above, the Company is exposed to risks of currency devaluation in Venezuela primarily as a result of bolivar receivable balances and bolivar cash balances. The exchange rate was 2150 bolivares and 1920 bolivares at September 30, 2005 and 2004, respectively. As a result of the 12 percent devaluation of the bolivar during fiscal 2005 (from September 2004 through August 2005), the Company experienced total devaluation losses of \$.6 million during that same period. This 12 percent devaluation loss may not be reflective of the potential for future devaluation losses because of the exchange controls that are currently in place. However, the exact amount and timing of such devaluation is uncertain. While the Company is unable to predict future devaluation in Venezuela, if fiscal 2006 activity levels are similar to fiscal 2005 and if a 10 percent to 20 percent devaluation would occur, the Company could experience potential currency devaluation losses ranging from approximately \$1.6 million to \$2.9 million.

In late August 2003, the Venezuelan state petroleum company agreed, on a go-forward basis, to pay a portion of the Company's dollar-based invoices in U.S. dollars. Were this agreement to end, the Company would revert back to receiving these payments in bolivares and thus increase bolivar cash balances and exposure to devaluation.

On September 28, 2005, the Company made application with the Venezuelan government requesting the approval to convert bolivar cash balances to U.S. dollars. Upon approval from the Venezuelan government, the Company's Venezuelan subsidiary will remit those dollars as a dividend to its U.S. based parent, thus reducing the Company's exposure to currency devaluation.

Venezuela continues to experience significant governmental instability. In the event that extended labor strikes occur or turmoil increases, the Company could experience shortages in material and supplies necessary to operate some or all of its Venezuelan drilling rigs.

NOTE 13 CONTINGENT LIABILITIES AND COMMITMENTS

COMMITMENTS -

During fiscal year 2005, the Company entered into separate drilling contracts with eight exploration and production customers to build and operate a total of 25 new FlexRigs (see Note 15 Subsequent Events regarding construction of an additional 25 new FlexRigs). The construction cost is estimated to average approximately \$11 million to \$14 million per rig, depending on equipment requirements. The construction began in the third quarter of fiscal 2005 and is estimated to continue into the fourth quarter of fiscal 2007. During construction, rig construction costs will be recorded in construction in progress and then transferred to contract drilling equipment when the rig is placed in the field for service. Equipment, parts and supplies are

ordered in advance to promote efficient construction progress. At September 30, 2005, the Company had commitments outstanding of approximately \$96.2 million for the purchase of drilling equipment.

LEASES -

In May 2003, the Company signed a six-year lease for approximately 114,000 square feet of office space near downtown Tulsa, Oklahoma. The lease agreement contains rent escalation clauses, which have been included in the future minimum lease payments below, and a renewal option. Leasehold improvements made at the inception of the lease were capitalized and are being amortized over the initial lease term. The Company also conducts certain operations in leased premises and leases telecommunication equipment. Future minimum lease payments required under noncancelable operating leases as of September 30, 2005 are as follows (in thousands):

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$3,095
2007	2,470
2008	1,615
2009	1,569
2010	482
Thereafter	—
Total	<u>\$9,231</u>

Total rent expense was \$2.3 million, \$2.0 million and \$1.1 million for 2005, 2004 and 2003, respectively.

CONTINGENCIES -

In August 2005, the Company's Rig 201, which operates on an operator's tension-leg platform in the Gulf of Mexico, lost its entire derrick and suffered significant damage as a result of Hurricane Katrina. Pre-tax cash flow from the platform rig was approximately \$5.4 million in fiscal 2005. The Company is still in the process of assessing the damage to the rig and does not anticipate that it will return to service in 2006. The rig was insured at a value that approximated replacement cost to cover the net book value and any additional losses. Therefore, the Company expects to record a gain resulting from the receipt of insurance proceeds. Because the damage assessment has not been completed, the Company is unable to estimate the amount or timing of the gain. Capital costs incurred in conjunction with any repairs will be capitalized and depreciated as described in Note 1 Summary of Significant Accounting Policies.

NOTE 14 SEGMENT INFORMATION

The Company operates principally in the contract drilling industry. The Company's contract drilling business includes the following operating segments: U.S. Land, U.S. Offshore, and International. The contract drilling operations consist mainly of contracting Company-owned drilling equipment primarily to major oil and gas exploration companies. The Company's primary international areas of operation include Venezuela, Colombia, Ecuador, and Argentina. The international operations have similar services, have similar types of customers, operate in a consistent manner and have similar economic and regulatory characteristics. Therefore, the Company has aggregated its international operations into one reportable segment. The Company also has a Real Estate segment whose operations are conducted exclusively in the metropolitan area of Tulsa, Oklahoma. The key areas of operation include a shopping center and

several multi-tenant warehouses. Each reportable segment is a strategic business unit which is managed separately. Other includes investments and corporate operations.

The Company evaluates segment performance based on income or loss from operations (segment operating income) before income taxes which includes:

- revenues from external and internal customers
- direct operating costs
- depreciation and
- allocated general and administrative costs

but excludes corporate costs for other depreciation, income from asset sales and other corporate income and expense.

General and administrative costs are allocated to the segments based primarily on specific identification and, to the extent that such identification is not practical, on other methods which the Company believes to be a reasonable reflection of the utilization of services provided.

Segment operating income for all segments is a non-GAAP financial measure of the Company's performance, as it excludes general and administrative expenses, corporate depreciation, income from asset sales and other corporate income and expense. The Company considers segment operating income to be an important supplemental measure of operating performance for presenting trends in the Company's core businesses. This measure is used by the Company for planning and budgeting purposes and to facilitate period-to-period comparisons in operating performance of the Company's reportable segments in the aggregate by eliminating items that affect comparability between periods. The Company believes that segment operating income is useful to investors because it provides a means to evaluate the operating performance of the segments and the Company on an ongoing basis using criteria that are used by our internal decision makers. Additionally, it highlights operating trends and aids analytical comparisons. However, segment operating income has limitations and should not be used as an alternative to operating income or loss, a performance measure determined in accordance with GAAP, as it excludes certain costs that may affect the Company's operating performance in future periods.

Summarized financial information of the Company's reportable segments for each of the years ended September 30, 2005, 2004, and 2003 is shown in the following table:

(in thousands)	External Sales	Inter-Segment	Total Sales	Segment Operating Income (Loss)	Depreciation	Total Assets	Additions to Long-Lived Assets
2005							
Contract Drilling							
U.S. Land	\$ 527,637	\$ —	\$ 527,637	\$ 164,657	\$ 60,222	\$ 809,403	\$ 70,297
U.S. Offshore	84,921	—	84,921	17,708	10,602	95,108	1,058
International	177,480	—	177,480	18,973	20,107	239,087	12,438
	790,038	—	790,038	201,338	90,931	1,143,598	83,793
Real Estate	10,688	761	11,449	4,714	2,352	32,203	1,517
	800,726	761	801,487	206,052	93,283	1,175,801	85,310
Other	—	—	0	—	2,991	487,549	1,495
Eliminations	—	(761)	(761)	—	—	—	—
Total	<u>\$ 800,726</u>	<u>\$ —</u>	<u>\$ 800,726</u>	<u>\$ 206,052</u>	<u>\$ 96,274</u>	<u>\$ 1,663,350</u>	<u>\$ 86,805</u>
2004:							
Contract Drilling							
U.S. Land	\$ 346,015	\$ —	\$ 346,015	\$ 35,545	\$ 56,528	\$ 742,642	\$ 69,920
U.S. Offshore	84,238	—	84,238	(35,628)	12,107	102,557	1,512
International	148,788	—	148,788	12,126	20,530	261,893	9,513
	579,041	—	579,041	12,043	89,165	1,107,092	80,945
Real Estate	10,015	897	10,912	3,198	2,253	33,044	3,538
	589,056	897	589,953	15,241	91,418	1,140,136	84,483
Other	—	—	—	—	3,007	266,708	5,729
Eliminations	—	(897)	(897)	—	—	—	—
Total	<u>\$ 589,056</u>	<u>\$ —</u>	<u>\$ 589,056</u>	<u>\$ 15,241</u>	<u>\$ 94,425</u>	<u>\$ 1,406,844</u>	<u>\$ 90,212</u>
2003:							
Contract Drilling							
U.S. Land	\$ 273,179	\$ —	\$ 273,179	\$ 17,751	\$ 44,726	\$ 730,642	\$ 213,201
U.S. Offshore	112,259	—	112,259	35,932	12,799	170,580	7,191
International	109,517	—	109,517	4,854	20,092	243,918	12,733
	494,955	—	494,955	58,537	77,617	1,145,140	233,125
Real Estate	9,268	1,439	10,707	3,922	2,535	31,472	7,628
	504,223	1,439	505,662	62,459	80,152	1,176,612	240,753
Other	—	—	—	—	2,361	241,158	2,159

Eliminations	—	(1,439)	(1,439)	—	—	—	—
Total	\$ 504,223	\$ —	\$ 504,223	\$ 62,459	\$ 82,513	\$ 1,417,770	\$ 242,912

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

Years Ended September 30,	2005	2004	2003
Segment operating income	\$ 206,052	\$ 15,241	\$ 62,459
Income from asset sales	13,550	5,377	3,689
Corporate general and administrative costs and corporate depreciation	(26,846)	(27,503)	(28,011)
Operating income (loss)	192,756	(6,885)	38,137
Other income (expense)			
Interest and dividend income	5,809	1,965	2,467
Interest expense	(12,642)	(12,695)	(12,289)
Gain on sale of investment securities	26,969	25,418	5,529
Other	(235)	197	98
Total unallocated amounts	19,901	14,885	(4,195)
Income before income taxes and equity in income (loss) of affiliates	\$ 212,657	\$ 8,000	\$ 33,942

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

Years Ended September 30,	2005	2004	2003
Revenues			
United States	\$ 623,246	\$ 440,268	\$ 394,706
Venezuela	66,824	56,297	31,816
Ecuador	60,946	43,363	50,463
Colombia	12,792	3,698	6,062
Other Foreign	36,918	45,430	21,176
Total	<u>\$ 800,726</u>	<u>\$ 589,056</u>	<u>\$ 504,223</u>
Long-Lived Assets			
United States	\$ 810,489	\$ 799,207	\$ 867,365
Venezuela	84,461	85,336	75,179
Ecuador	44,250	46,809	46,778
Colombia	9,213	9,336	12,984
Other Foreign	33,552	57,986	55,899
Total	<u>\$ 981,965</u>	<u>\$ 998,674</u>	<u>\$ 1,058,205</u>

Long-lived assets are comprised of property, plant and equipment.

Revenues from one company doing business with the contract drilling segment accounted for approximately 11.1 percent, 11.4 percent, and 16.0 percent of the total operating revenues during the years ended September 30, 2005, 2004, and 2003, respectively. Revenues from another company doing business with the contract drilling segment accounted for approximately 8.7 percent, 11.3 percent, and 11.7 percent of total operating revenues in the years ended September 30, 2005, 2004, and 2003, respectively. Revenues from a third company doing business with the contract drilling segment accounted for approximately 7.7 percent, 8.9 percent, and 14.9 percent of total operating revenues in the years ended September 30, 2005, 2004, and 2003, respectively. Collectively, the receivables from these customers were approximately \$38.5 million and \$28.6 million at September 30, 2005 and 2004, respectively.

NOTE 15 SUBSEQUENT EVENTS

In October and November, 2005, the Company announced three-year term contracts had been reached with five exploration and production companies to operate 20 new FlexRig4s and 5 new FlexRig3s. The rigs are scheduled for delivery to the field beginning in the third quarter of fiscal 2006 through the fourth quarter of fiscal 2007. With these contracts, the Company has now committed to build a total of 50 new FlexRigs.

On December 6, 2005, a cash dividend of \$.0825 per share was declared for shareholders of record on February 15, 2006, payable March 1, 2006.

On December 6, 2005, the Board of Directors approved Amendment No. 1 to the Rights Agreement dated January 8, 1996. Among other things, Amendment No. 1 amends the Rights Agreement to extend the Final Expiration Date of the Rights to January 31, 2016, and to increase the exercise price of the Rights to \$250 per Right.

NOTE 16 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
2005				
Operating revenues	\$ 174,679	\$ 185,450	\$ 207,387	\$ 233,210
Operating income	41,735	38,557	51,421	61,043
Net income	39,310	22,350	29,825	36,121
Basic net income per common share	.78	.44	.58	.70
Diluted net income per common share	.77	.43	.57	.68
2004				
Operating revenues	\$ 134,273	\$ 143,024	\$ 147,691	\$ 164,068
Asset impairment charge	—	—	—	51,516
Operating income (loss)	10,003	5,638	8,781	(31,307)
Net income (loss)	6,588	6,048	4,347	(12,624)
Basic net income (loss) per common share	.13	.12	.09	(.25)
Diluted net income (loss) per common share	.13	.12	.09	(.25)

The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to changes in the average number of common shares outstanding.

In the first quarter of fiscal 2005, the net income includes an after-tax gain on sale of available-for-sale securities of \$16.0 million, \$0.31 per share, on a diluted basis.

In the fourth quarter of fiscal 2005, the net income includes an after-tax gain on sale of available for-sale securities of \$.4 million, \$0.01 per share on a diluted basis.

In the first quarter of fiscal 2004, the net income includes a non-monetary investment gain on the conversion of shares of common stock of a company investee pursuant to that investee being acquired of \$1.2 million, \$0.02 per share, on a diluted basis.

In the fourth quarter of fiscal 2004, the net loss includes an after-tax gain on sale of available-for-sale securities of \$8.1 million, \$0.16 per share, on a diluted basis.

In the fourth quarter of fiscal 2004, the net loss includes an after-tax asset impairment charge of approximately \$32.0 million, \$0.63 per share, on a diluted basis.

Directors

W. H. Helmerich, III

Chairman of the Board
Tulsa, Oklahoma

Hans Helmerich

President and Chief Executive Officer
Tulsa, Oklahoma

William L. Armstrong (***)**

Chairman
Cherry Creek Mortgage Company
Denver, Colorado

Glenn A. Cox* (*)**

President and Chief Operating Officer, Retired Phillips Petroleum Company
Bartlesville, Oklahoma

George S. Dotson

Vice President,
President of Helmerich & Payne International Drilling Co.
Tulsa, Oklahoma

Paula Marshall-Chapman (***)**

Chief Executive Officer, The Bama Companies, Inc., Tulsa, Oklahoma

Edward B. Rust, Jr.* (*)**

Chairman and Chief Executive Officer
State Farm Mutual Automobile Insurance Company
Bloomington, Illinois

John D. Zeglis* ()(***)**

Chairman and Chief Executive Officer, Retired AT&T Wireless Services, Inc.
Basking Ridge, New Jersey
* Member, Audit Committee
** Member, Human Resources Committee
*** Member, Nominating and Corporate Governance Committee

Officers

W. H. Helmerich, III

Chairman of the Board

Hans Helmerich

President and Chief Executive Officer

George S. Dotson

Vice President,
President of Helmerich & Payne International Drilling Co.

Douglas E. Fears

Vice President and Chief Financial Officer

Steven R. Mackey

Vice President, Secretary,
and General Counsel

Stockholders' Meeting

The annual meeting of stockholders will be held on March 1, 2006. A formal notice of the meeting, together with a proxy statement and form of proxy will be mailed to shareholders on or about January 26, 2006.

Stock Exchange Listing

Helmerich & Payne, Inc. Common Stock is traded on the New York Stock Exchange with the ticker symbol "HP." The newspaper abbreviation most commonly used for financial reporting is "HelmP." Options on the Company's stock are also traded on the New York Stock Exchange.

Stock Transfer Agent and Registrar

As of December 5, 2005, there were 808 record holders of Helmerich & Payne, Inc. common stock as listed by the transfer agent's records.

Our Transfer Agent is responsible for our shareholder records, issuance of stock certificates, and distribution of our dividends and the IRS Form 1099. Your requests, as shareholders, concerning these matters are most efficiently answered by corresponding directly with The Transfer Agent at the following address:

UMB Bank
Security Transfer Division
928 Grand Blvd., 13th Floor
Kansas City, MO 64106
Telephone: (800) 884-4225
(816) 860-5000

Available Information

Quarterly reports on Form 10-Q, earnings releases, and financial statements are made available on the investor relations section of the Company's Web site. Also located on the investor relations section of the Company's Web site are certain corporate governance documents, including the following: the charters of the committees of the Board of Directors; the Company's Corporate Governance Guidelines and Code of Business Conduct and Ethics; the Code of Ethics for Principal Executive Officer and Senior Financial Officers; certain Audit Committee Practices and a description of the means by which employees and other interested persons may communicate certain concerns to the Company's Board of Directors, including the communication of such concerns confidentially and anonymously via the Company's ethics hotline at 1-800-205-4913. Quarterly reports, earnings releases, financial statements and the various corporate governance documents are also available free of charge upon written request.

Annual CEO Certification

The annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual was provided to the New York Stock Exchange on or about March 22, 2005.

Direct Inquiries To:

Investor Relations
Helmerich & Payne, Inc.
1437 South Boulder Avenue
Tulsa, Oklahoma 74119
Telephone: (918) 742-5531
Internet Address: <http://www.hpinc.com>

SUBSIDIARIES OF THE REGISTRANT

Helmerich & Payne, Inc.

Subsidiaries of Helmerich & Payne, Inc.

White Eagle Assurance Company (Incorporated in Vermont)
Helmerich & Payne International Drilling Co. (Incorporated in Delaware)

Subsidiaries of Helmerich & Payne International Drilling Co.

Helmerich & Payne (Africa) Drilling Co. (Incorporated in Cayman Islands, British West Indies)
Helmerich & Payne (Colombia) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Gabon) Drilling Co. (Incorporated in Cayman Islands, British West Indies)
Helmerich & Payne (Argentina) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Boulder) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Peru) Drilling Co., Sucursal del Peru, Lima (Lima Branch - Incorporated in Peru)
Helmerich & Payne (Peru) Drilling Co., Sucursal del Peru (Iquitos Branch - Incorporated in Peru)
Helmerich & Payne (Australia) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne del Ecuador, Inc. (Incorporated in Oklahoma)
Helmerich & Payne de Venezuela, C.A. (Incorporated in Venezuela)
Helmerich & Payne Rasco, Inc. (Incorporated in Oklahoma)
H&P Finco (Incorporated in Cayman Islands, British West Indies)
H&P Invest Ltd. (Incorporated in Cayman Islands), British
West Indies, doing business as H&P (Yemen) Drilling Co.

Subsidiary of H&P Invest Ltd.

Turum Pty. Ltd. (Incorporated in Papua, New Guinea)

The Space Center, Inc. (Incorporated in Oklahoma)
Helmerich & Payne Properties, Inc. (Incorporated in Oklahoma)
Utica Square Shopping Center, Inc. (Incorporated in Oklahoma)

Subsidiaries of Utica Square Shopping Center, Inc.

Fishercorp, Inc. (Incorporated in Oklahoma)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in this Annual Report (Form 10-KA) of Helmerich & Payne, Inc. of our report dated December 1, 2005, except for Note 15 as to which the date is December 7, 2005, with respect to the consolidated financial statements of Helmerich & Payne, Inc., included in the 2005 Annual Report to Shareholders of Helmerich & Payne, Inc.

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-34939) pertaining to the Helmerich & Payne, Inc. 1996 Stock Incentive Plan, and
- (2) Registration Statement (Form S-8 No. 333-63124) pertaining to the Helmerich & Payne, Inc. 2000 Stock Incentive Plan;

of our report dated December 1, 2005, except for Note 15 as to which the date is December 7, 2005, with respect to the consolidated financial statements of Helmerich & Payne, Inc. incorporated herein by reference, and our report dated December 1, 2005, with respect to Helmerich & Payne, Inc. management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Helmerich & Payne, Inc., included herein.

/s/Ernst & Young LLP

Tulsa, Oklahoma
July 26, 2006

CERTIFICATION

I, Hans Helmerich, certify that:

1. I have reviewed this annual report on Form 10-K/A of Helmerich & Payne, Inc. (the “Company”);
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company , including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
-

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors (or persons performing the equivalent function):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 28, 2006

/s/ Hans Helmerich
Hans Helmerich
President and Chief Executive Officer

CERTIFICATION

I, Douglas E. Fears, certify that:

1. I have reviewed this annual report on Form 10-K/A of Helmerich & Payne, Inc. (the “Company”);
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
 4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and we have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
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5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Audit Committee of the Company's Board of Directors (or persons performing the equivalent function):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial data information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: July 28, 2006

/s/ Douglas E. Fears
Douglas E. Fears
Vice President and Chief Financial Officer

**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Helmerich & Payne, Inc. (the "Company") on Form 10-K/A for the period ending September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Hans Helmerich, as President and Chief Executive Officer of the Company, and Douglas E. Fears, as Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

- (1) The Report fully complies with the requirements of Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Hans Helmerich
Hans Helmerich
President and
Chief Executive Officer
Date: July 28, 2006

/s/ Douglas E. Fears
Douglas E. Fears
Vice President and
Chief Financial Officer
Date: July 27, 2006
