

# HELMERICH & PAYNE, INC.

## FORM 10-Q (Quarterly Report)

Filed 08/12/94 for the Period Ending 06/30/94

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

# HELMERICH & PAYNE INC

## FORM 10-Q (Quarterly Report)

Filed 8/12/1994 For Period Ending 6/30/1994

Address	UTICA AT 21ST ST TULSA, Oklahoma 74114
Telephone	918-742-5531
CIK	0000046765
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	09/30

# FORM 10-Q

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 30549

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

For quarterly period ended: June 30, 1994

OR

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

For the transition period from to

*Commission File Number: 1-4221*

### HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of incorporation or organization)

73-0679879  
(I.R.S. Employer I.D. Number)

UTICA AT TWENTY-FIRST STREET, TULSA, OKLAHOMA  
(Address of principal executive office)

74114  
(Zip Code)

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

NONE

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

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

Yes  No

CLASS  
Common Stock, .10 par value

OUTSTANDING AT JUNE 30, 1994  
24,702,416

AUTHORIZED AT JUNE 30, 1994  
26,764,476

Total number of Pages 11

# HELMERICH & PAYNE, INC. AND SUBSIDIARIES

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**PART I. FINANCIAL INFORMATION**

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

	June 30 1994	September 30 1993
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 44,972	\$ 61,656
Short-term investments	8,997	9,109
Accounts receivable, net	55,145	56,305
Inventories	20,936	17,646
Other current assets	5,359	5,783
	-----	-----
Total Current Assets	\$135,679	\$150,499
Investments	86,873	84,945
Property, Plant and Equipment, Net	381,027	358,798
Other Assets	17,897	16,693
	-----	-----
Total Assets	\$621,476	\$610,935
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$ 1,492	\$ 5,679
Accounts payable	19,184	23,836
Accrued liabilities	21,137	16,899
	-----	-----
Total Current Liabilities	\$ 41,813	\$ 46,414
	-----	-----
Non-Current Liabilities		
Long-term debt, less current maturities	\$ 5,200	\$ 3,600
Deferred Federal income taxes	44,038	44,723
Other	6,194	7,271
	-----	-----
Total Non-Current Liabilities	\$ 55,432	\$ 55,594
	-----	-----
Shareholders' Equity		
Common stock, par value .10 per share	\$ 2,677	\$ 2,677
Preferred stock, no shares issued	--	--
Additional paid-in capital	48,327	47,412
Retained earnings	496,131	482,405
	-----	-----
	\$547,135	\$532,494
Less treasury stock, at cost	22,904	23,567
	-----	-----
Total Shareholders' Equity	\$524,231	\$508,927
	-----	-----
	\$621,476	\$610,935
	=====	=====

See accompanying notes to financial statements.

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

(Thousands of Dollars Except per Share Data)

	Quarter Ended		Nine Months Ended	
	6/30/94	6/30/93	6/30/94	6/30/93
	-----	-----	-----	-----
REVENUES:				
Sales and other operating revenues	\$77,052	\$72,095	\$244,055	\$233,342
Income from investments	1,646	1,512	4,712	6,614
	-----	-----	-----	-----
	78,698	73,607	248,767	239,956
	-----	-----	-----	-----
COST AND EXPENSES:				
Operating costs	\$51,952	\$46,440	\$158,902	\$145,292
General and administrative	1,842	1,704	6,765	5,220
Interest	111	308	334	715
Depreciation, depletion and amortization	12,337	11,893	37,599	37,548
Dry holes and abandonments	2,055	1,267	4,671	6,417
Taxes, other than Federal income taxes	3,666	3,793	12,057	11,458
	-----	-----	-----	-----
	71,963	65,405	220,328	206,650
	-----	-----	-----	-----
INCOME BEFORE FEDERAL INCOME TAXES EQUITY IN INCOME (LOSS) OF AFFILIATE AND CHANGE IN ACCOUNTING PRINCIPLE	\$ 6,735	\$ 8,202	\$ 28,439	\$ 33,306
FEDERAL INCOME TAX EXPENSE	2,141	3,091	10,784	13,338
EQUITY IN INCOME (LOSS) OF AFFILIATE, net of income taxes	66	(180)	413	(550)
	-----	-----	-----	-----
INCOME BEFORE CHANGE IN ACCOUNTING PRINCIPLE	\$ 4,660	\$ 4,931	\$ 18,068	\$ 19,418
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	--	--	4,000	--
	-----	-----	-----	-----
NET INCOME	\$ 4,660	\$ 4,931	\$ 22,068	\$ 19,418
	=====	=====	=====	=====
INCOME PER COMMON SHARE BEFORE CHANGE IN ACCOUNTING PRINCIPLE	\$ 0.19	\$ 0.20	\$ 0.74	\$ 0.80
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	\$ 0.00	\$ 0.00	\$ 0.16	\$ 0.00
INCOME PER COMMON SHARE	\$ 0.19	\$ 0.20	\$ 0.90	\$ 0.80
AVERAGE COMMON SHARES OUTSTANDING	24,442,212/24,344,864		24,398,645/24,286,754	
CASH DIVIDENDS PER COMMON SHARE (Note 3)	\$ 0.12	\$ 0.12	\$ 0.36	\$ 0.36

See accompanying notes to financial statements.

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

(Thousands of Dollars)

	Nine Months Ended June 30	
	1994	1993
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 22,068	\$ 19,418
Adjustments to reconcile net income to net cash provided by operating activities --		
Depreciation, depletion and amortization	37,599	37,548
Abandonments and surrendered leases	3,694	3,147
Cumulative effect of a change in accounting principle	(4,000)	--
Equity in (income) loss of affiliates before income taxes	(667)	595
Amortization of deferred compensation	1,356	1,288
Gain on sale of securities	--	(2,110)
Other, net	(684)	(382)
Change in assets and liabilities --		
Decrease (Increase) in accounts receivable	166	(16,870)
(Increase) Decrease in inventories	(3,290)	991
Increase in prepaid expenses/other	(780)	(2,806)
(Decrease) Increase in accounts payable	(4,652)	2,255
Increase in accrued liabilities	4,962	6,780
Increase in deferred Federal income taxes	3,315	2,198
Decrease in other non-current liabilities	(1,077)	(1,367)
Total Adjustments	\$ 35,942	\$ 31,267
Net cash provided by operating activities	\$ 58,010	\$ 50,685
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	\$(65,569)	\$(30,017)
Proceeds from sales of property, plant and equipment	\$ 2,962	\$ 3,278
Purchase of investments	(1,500)	(2,400)
Proceeds from sale of investments	--	6,518
Purchase of short-term investments	(12)	(3,026)
Proceeds from sale of short-time investments	124	7,042
Net cash used in investing activities	\$(63,995)	\$(18,605)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of long-term debt	\$ 2,750	\$ 2,070
Payments made on long-term debt	(5,336)	(1,270)
Dividends paid	(8,877)	(8,852)
Proceeds from exercise of stock options	764	1,223
Net cash used in financing activities	\$(10,699)	\$ (6,829)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$(16,684)	\$ 25,251
CASH AND CASH EQUIVALENTS, beginning of period	\$ 61,656	\$ 37,586
CASH AND CASH EQUIVALENTS, end of period	\$ 44,972	\$ 62,837

# HELMERICH & PAYNE, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 1994, and September 30, 1993, and the results of operations for the nine months ended June 30, 1994, and 1993, and changes in financial position for the nine months then ended.

2. The results of operations for the nine months ended June 30, 1994, and June 30, 1993, are not necessarily indicative of the results to be expected for the full year.

3. The \$.12 cash dividend declared in March was paid June 1, 1994. On June 1, 1994, a cash dividend of \$.125 per share was declared for shareholders of record on August 15, 1994, payable September 1, 1994. The dividend was included in accounts payable on the consolidated balance sheet at June 30, 1994.

4. Inventories consisted of the following (in thousands of dollars):

	06-30-94	09-30-93
Raw Materials	\$ 65	\$ 163
Works in Progress	228	210
Finished Goods	881	1,041
Materials & Supplies	19,762	16,232
	-----	-----
	\$20,936	\$17,646
	=====	=====

5. Income from investments includes no gains on sales of securities during the first nine months of 1994, and \$2,110,000 during the first nine months of 1993.

6. In February 1992, the Financial Accounting Standards Board issued Statement No. 109, Accounting for Income Taxes (Statement 109). Statement 109 represents a new method of accounting for income taxes. It generally requires that deferred taxes be provided using a liability approach at currently enacted income tax rates, rather than the deferred approach at historical rates which had been required.

Effective October 1, 1993, the Company adopted the provisions of SFAS 109. The cumulative effect on prior years of adopting the change was recorded in the quarter ended December 31, 1993, as provided by SFAS 109, and increased net income for the quarter by \$4.0 million.



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

	June 30 1994	December 31 1993
	-----	-----
	(in thousands)	
Deferred Tax Liability:		
Differences between book and tax basis of property, plant and equipment	\$43,335	\$46,508
Pension provision	4,585	4,548
Other	4,211	1,842
	-----	-----
Deferred tax liability	52,131	52,898
	-----	-----
Deferred Tax Asset:		
Alternative minimum tax credit carry forward	1,284	1,652
Foreign tax credit carry forward	624	1,325
Deferred compensation	1,668	1,312
Insurance provisions	1,985	1,391
Deferred expenses -- international	1,522	2,013
Other	1,634	1,807
	-----	-----
Subtotal	8,717	9,500
	-----	-----
Valuation allowance	(624)	(1,325)
	-----	-----
Deferred tax asset	8,093	8,175
	-----	-----
Net Deferred Tax Liability	\$44,038	\$44,723
	=====	=====

7. As of August 5, 1994, the Company's investment portfolio had an aggregate market value of \$147,678,000. Each of the Company's major holdings had market values above their cost basis, including the Company's equity affiliate, Atwood Oceanics, Inc.

**HELMERICH & PAYNE, INC. AND SUBSIDIARIES**  
**REVENUES AND INCOME BY BUSINESS SEGMENTS**  
(THOUSANDS OF DOLLARS)

	FISCAL YEAR 1994				FY 1993
	1ST QTR.	2ND QTR.	3RD QTR.	NINE MOS.	NINE MOS.
Sales and Other Revenues:					
Contract Drilling-Domestic.....	\$19,817	\$21,249	\$20,289	\$ 61,355	\$ 44,163
Contract Drilling-International.....	22,319	23,128	25,891	71,338	66,239
Total Contract Drilling.....	42,136	44,377	46,180	132,693	110,402
Oil and Gas.....	16,626	17,794	13,147	47,567	54,705
Gas Marketing.....	14,820	15,607	11,972	42,399	51,504
Real Estate.....	1,836	2,302	1,830	5,968	5,729
Chemical.....	5,046	6,129	3,753	14,928	10,620
Investments and other income.....	1,722	1,674	1,816	5,212	6,996
Total Revenues.....	\$82,186	\$87,883	\$78,698	\$248,767	\$239,956
INCOME (LOSS) BEFORE FEDERAL INCOME TAX, EQUITY IN INCOME (LOSS) OF AFFILIATE AND A CHANGE IN ACCOUNTING PRINCIPLE:					
Contract Drilling-Domestic.....	\$ 1,252	\$ 935	\$ 1,832	\$ 4,019	\$ 904
Contract Drilling-International.....	3,590	2,209	4,127	9,926	12,817
Total Contract Drilling.....	4,842	3,144	5,959	13,945	13,721
Oil and Gas.....	4,997	4,236	5	9,238	14,584
Gas Marketing.....	287	401	230	918	528
Real Estate.....	987	1,350	997	3,334	2,967
Chemical.....	1,791	2,773	575	5,139	2,434
Other.....	(1,619)	(1,485)	(1,031)	(4,135)	(928)
INCOME BEFORE FEDERAL INCOME TAX, EQUITY IN INCOME (LOSS) OF AFFILIATE AND A CHANGE IN ACCOUNTING PRINCIPLE.....	\$11,285	\$10,419	\$ 6,735	\$ 28,439	\$ 33,306

## HELMERICH & PAYNE, INC. AND SUBSIDIARIES

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

JUNE 30, 1994

The Company reported net income of \$4,660,000 (\$0.19 per share) on revenues of \$78,698,000 for the third quarter of fiscal year 1994, compared with net income of \$4,931,000 (\$0.20 per share) on revenues of \$73,607,000 during the third quarter of fiscal 1993. Net income for the first nine months totaled \$22,068,000 (\$0.90 per share), compared with \$19,418,000 (\$0.80 per share) last year. This year's first nine months' net income includes the cumulative effect on prior years' income (\$0.016 per share) caused by the change in accounting method for deferred taxes as required by FASB Statement 109.

Net income for the nine months ended June 30, 1994, includes no after-tax gains from the sale of securities, compared with \$1,309,000 (\$0.05 per share) for the same period in 1993.

Results from domestic drilling operations continued to show a significant improvement over the prior year, with pre-tax income of \$4,019,000 for the nine months ended June 30, 1994, compared with \$904,000 for the same period in fiscal 1993. The improvement is due primarily to increased land and offshore platform rig utilization at higher profit margins. On June 30, 1994, the Company purchased twelve land drilling rigs and a yard facility located in Alice, Texas, from ENSCO Drilling Company. The purchase is reflected in the Balance Sheet and Cash Flow Statement at June 30, 1994. Operating results will be reflected beginning in July, 1994.

Pre-tax income from international drilling operations was \$9,926,000 for the nine months ended June 30, 1994, compared with \$12,817,000 for the same nine months of fiscal 1993. Lower operating margins in Colombia due to increased expenses was the major factor in the 22.5% decrease in pre-tax income. Venezuela pre-tax income was down for the quarter due mainly to currency exchange losses recorded resulting from temporary bank closures in that country during May.

Oil and Gas pre-tax income for the nine months ended June 30, 1994, was \$9,238,000, compared with \$14,584,000 for the same period in fiscal 1993. Pre-tax income for the third quarter was \$5,000, compared with \$4,154,000 last year. Revenues for the quarter and nine months ended June 30, 1994, were \$13,147,000 and \$47,567,000, compared with \$16,357,000 and \$54,705,000 for the same periods last year. The decrease in both pre-tax income and revenues was due to lower natural gas prices and production volumes.

For the nine month period ended June 30, 1994, average natural gas prices were \$1.78 (per mcf), compared with \$1.84 (per mcf) last year. Natural gas production volumes were 78,784 (mcf/day) for 1994, compared with 83,474 (mcf/day) for 1993. Oil prices for the nine months were \$14.05 (per bbl), compared with \$18.20 (per bbl) last year. Dry hole expense was \$977,000 for the nine months ended June 30, 1994, compared with \$3,270,000 for the comparable period in fiscal 1993. Because of lower than expected natural gas prices, gas volumes will remain lower in the fourth quarter.

Deferred Federal income taxes were reduced in the first quarter of fiscal 1994, as required by adoption of SFAS 109.

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

## **PART II. OTHER INFORMATION HELMERICH & PAYNE, INC. AND SUBSIDIARIES**

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

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

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

None

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

None

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

There was one report on Form 8-K filed for the three month period ended June 30, 1994. Such Form 8-K was filed on April 7, 1994, and disclosed the dismissal of Arthur Andersen & Co. and the appointment of Ernst & Young as the Registrant's certifying accountant. This Form 8-K also disclosed that the District Court of Harris County, Texas dismissed without prejudice the lawsuit styled Theresa Arceneaux, et al, v. Natural Gas Ordorizing, Inc., Case Number 93-568602, District Court Harris County, Texas, 165th Judicial District.

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

**SIGNATURES**

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

**HELMERICH & PAYNE, INC.**

*Date: AUGUST 11, 1994*

*/s/ DOUGLAS E. FEARS  
Douglas E. Fears, Chief Financial Officer*

*Date: AUGUST 11, 1994*

*/s/ HANS C. HELMERICH  
Hans C. Helmerich, President*

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**End of Filing**

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