

# HELMERICH & PAYNE, INC.

## FORM 10-Q (Quarterly Report)

Filed 02/13/01 for the Period Ending 12/31/00

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 2/13/2001 For Period Ending 12/31/2000

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: DECEMBER 31, 2000

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

*Commission File Number: 1-4221*

### HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of incorporation or organization)

73-0679879

(I.R.S. Employer I.D. Number)

**UTICA AT TWENTY-FIRST STREET, TULSA, OKLAHOMA 74114**

(Address of principal executive office) (Zip Code)

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

Former name, former address and former fiscal year, if changed since last  
report:  
NONE

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

requirements for the past 90 days. YES  NO

CLASS  
Common Stock, .10 par value

OUTSTANDING AT DECEMBER 31, 2000  
50,093,802

**TOTAL NUMBER OF PAGES 16**

# HELMERICH & PAYNE, INC.

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**PART I. FINANCIAL INFORMATION**

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

	Unaudited December 31 2000	September 30 2000
	-----	-----
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 126,538	\$ 108,087
Accounts receivable, net	125,283	106,630
Inventories	25,228	25,598
Prepaid expenses and other	23,389	24,829
	-----	-----
Total Current Assets	300,438	265,144
	-----	-----
Investments	296,762	304,326
Property, Plant and Equipment, net	685,481	673,605
Other Assets	17,166	16,417
	-----	-----
Total Assets	\$ 1,299,847	\$ 1,259,492
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 31,712	\$ 32,279
Accrued liabilities	62,153	46,615
	-----	-----
Total Current Liabilities	93,865	78,894
	-----	-----
Noncurrent Liabilities		
Long-term notes payable	50,000	50,000
Deferred income taxes	157,035	156,650
Other	18,395	18,245
	-----	-----
Total Noncurrent Liabilities	225,430	224,895
	-----	-----
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, par value \$.10 per share	5,353	5,353
Preferred stock, no shares issued	--	--
Additional paid-in capital	67,190	66,090
Retained earnings	843,981	813,885
Unearned compensation	(2,911)	(3,277)
Accumulated other comprehensive income	98,317	106,064
	-----	-----
Total Shareholders' Equity	980,552	955,703
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 1,299,847	\$ 1,259,492
	=====	=====

The accompanying notes are an integral part of these statements.

**PART I. FINANCIAL INFORMATION**  
**HELMERICH & PAYNE, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF INCOME**  
(Unaudited)

(in thousands except per share data)

	Three Months Ended	
	12/31/00	12/31/99
REVENUES:		
Sales and other operating revenues	\$ 189,748	\$ 135,194
Income from investments	2,802	14,387
	192,550	149,581
COST AND EXPENSES:		
Operating costs	94,046	76,697
Depreciation, depletion and amortization	17,978	26,138
Dry holes and abandonments	12,044	2,382
Taxes, other than income taxes	8,868	6,512
General and administrative	3,567	2,821
Interest	607	821
	137,110	115,371
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATES	55,440	34,210
INCOME TAX EXPENSE	22,035	14,259
EQUITY IN INCOME OF AFFILIATES, net of income taxes	435	510
NET INCOME	\$ 33,840	\$ 20,461
EARNINGS PER COMMON SHARE:		
Basic	\$ 0.68	\$ 0.41
Diluted	\$ 0.67	\$ 0.41
CASH DIVIDENDS (Note 3)	\$ 0.075	\$ 0.07
AVERAGE COMMON SHARES OUTSTANDING:		
Basic	49,818	49,427
Diluted	50,431	49,764

The accompanying notes are an integral part of these statements.

**PART I. FINANCIAL INFORMATION**  
**HELMERICH & PAYNE, INC.**  
**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS**  
(Unaudited)

(in thousands)

	Three Months Ended	
	12/31/00	12/31/99
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 33,840	\$ 20,461
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	17,978	26,138
Dry holes and abandonments	12,044	2,382
Equity in income of affiliate before income taxes	(910)	(823)
Amortization of deferred compensation	379	377
Gain on sale of securities and non-monetary investment income	--	(13,089)
Gain on sale of property, plant & equipment	(1,614)	(24)
Other, net	97	300
Change in assets and liabilities-		
Accounts receivable	(18,653)	2,879
Inventories	98	766
Prepaid expenses and other	1,389	(4,564)
Accounts payable	5,872	74
Accrued liabilities	9,099	2,786
Deferred income taxes	4,600	6,347
Other noncurrent liabilities	150	350
Total adjustments	30,529	23,899
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>64,369</b>	<b>44,360</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures, including dry hole costs	(48,687)	(22,377)
Proceeds from sales of property, plant and equipment	4,488	304
Proceeds from sale of investments	--	2,833
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(44,199)</b>	<b>(19,240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments made on notes payable	--	(5,000)
Dividends paid	(3,757)	(3,476)
Proceeds from exercise of stock options	2,038	142
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,719)</b>	<b>(8,334)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>18,451</b>	<b>16,786</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>108,087</b>	<b>21,758</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 126,538</b>	<b>\$ 38,544</b>

**PART I. FINANCIAL INFORMATION**  
**HELMERICH & PAYNE, INC.**  
**CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY**  
(in thousands - except per share data)

	Common Stock		Additional Paid-In Capital	Unearned Compensation	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income	
	Shares	Amount				Shares	Amount	Income	Total
Balance, September 30, 2000	53,529	\$ 5,353	\$ 66,090	\$ (3,277)	\$813,885	3,548	\$ (32,412)	\$106,064	\$955,703
Comprehensive Income:									
Net Income					33,840				33,840
Other comprehensive income,									
Unrealized gains on available-								(8,445)	(8,445)
for-sale securities, net								698	698
Derivatives instruments gains, net									
Total other comprehensive income								(7,747)	(7,747)
Comprehensive income									26,093
Cash dividends (\$0.075 per share)					(3,757)				(3,757)
Exercise of Stock Options			1,100			(113)	1,034		2,134
Stock issued under Restricted Stock Award Plan									
Amortization of deferred compensation				366	13				379
Balance, December 31, 2000	53,529	\$ 5,353	\$ 67,190	\$ (2,911)	\$843,981	3,435	\$ (31,378)	\$ 98,317	\$980,552

**PART I. FINANCIAL INFORMATION**  
**HELMERICH & PAYNE, INC.**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS**

1. In the opinion of the Company, the accompanying unaudited condensed financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary to present fairly the results of the periods presented. The results of operations for the three months ended December 31, 2000, and December 31, 1999, are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 2000 Annual Report on Form 10K.

2. Effective October, 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities", as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133, as amended, requires that all derivatives be recorded on the balance sheet at fair value. Upon adoption at October 1, 2000, the effect of complying with SFAS 133, as amended, resulted in a cumulative transition adjustment to accumulated other comprehensive income of approximately \$1.4 million (see Note 7).

3. The \$.075 cash dividend declared in September, 2000, was paid December 1, 2000. On December 6, 2000, a cash dividend of \$.075 per share was declared for shareholders of record on February 15, 2001, payable March 1, 2001.

4. Inventories consist of materials and supplies.

5. Income from investments includes \$-0- and \$2,861,000 from gains on sales of available-for-sale securities during the first quarter of fiscal years 2001 and 2000, respectively. Also included in income from investments for the first quarter of fiscal 2000 were gains related to a non-monetary dividend (\$9,509,000) and a non-monetary gain (\$719,000) on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired. Net income from these two transactions was approximately \$6.3 million (\$0.13 per diluted share).

6. The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting. The recorded amount for investments accounted for under the equity method is \$52,473,000.

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Est. Fair Value
	-----	-----	-----	-----
Equity Securities 12/31/00	\$ 86,840	\$ 157,888	\$ 439	\$ 244,289
Equity Securities 09/30/00	\$ 86,901	\$ 173,137	\$ 2,065	\$ 257,973

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

7. Comprehensive Income - The components of comprehensive income, net of related tax, are as follows (in thousands):

	Three Months Ended	
	12/31/00	12/31/99
Net Income	\$ 33,840	\$ 20,461
Other comprehensive income:		
Net unrealized gain(loss) on securities	(8,445)	3,814
Net unrealized gain on derivative instruments	698	--
Other comprehensive income	(7,747)	3,814
Comprehensive income	\$ 26,093	\$ 24,275

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

	12/31/00	09/30/00
Unrealized gains on securities, net	\$ 97,619	\$ 106,064
Unrealized gains on derivative instruments	698	--
Accumulated other comprehensive income	\$ 98,317	\$ 106,064

The following table summarizes activity in other comprehensive income related to derivatives held by the Company during the period from October 1, 2000 through December 31, 2000 (in thousands):

	Three Months Ended 12/31/00
Cumulative effect of adopting SFAS 133	\$ 1,444
Change in fair value of derivative, net of tax effect of \$540	(882)
Gains reclassified from OCI, net into interest exp.	136
Accumulated derivative gain, December 31, 2000	\$ 698

The \$698,000 recorded in other comprehensive income at the end of the period relates to the interest rate swap that the Company expects to accrete into earnings over the remaining life of the debt instrument it is hedging (October 2003).

8. At December 31, 2000, the Company had committed bank lines of credit totaling \$85 million; \$35 million expires in May 2001 and \$50 million expires in October 2003. The Company had \$50 million in variable-rate borrowings under its committed bank line of credit that expires in October 2003. The Company also has outstanding letters of credit totaling \$8.2 million against these lines at December 31, 2000. The average rate on the borrowings at December 31, 2000, was 7.15 percent. However, concurrent with a \$50 million borrowing under one of its committed facilities, the Company entered into a 5-year, \$50 million interest rate swap. The swap effectively fixes the interest rate on this facility at 5.38% for the entire 5-year term of the note.

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

9. Earnings per Share - Basic earnings per share is based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share include the dilutive effect of stock options and restricted stock.

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

(in thousands)	Three Months Ended 12-31-00	12-31-99
	-----	-----
Basic weighted-average shares	49,818	49,427
Effect of dilutive shares:		
Stock options	603	335
Restricted stock	10	2
	-----	-----
	613	337
	-----	-----
Diluted weighted-average shares	50,431	49,764
	=====	=====

Restricted stock of 180,000 shares at a weighted-average price of \$37.73 and options to purchase 523,250 shares of common stock at a weighted-average price of \$36.84 were outstanding at December 31, 2000, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive, as the exercise prices of the options exceed the average market price of the common shares over the three-month period ended December 31, 2000.

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

11. Stock Option Plan -

The Board adopted, subject to stockholder approval at the Annual Meeting of Stockholders on March 7, 2001, the Helmerich & Payne, Inc. 2000 Stock Incentive Plan (the "Stock Incentive Plan"). Options will not be awarded nor restricted stock granted after December 6, 2000, under any of the previously adopted plans. The Stock Incentive Plan authorizes the Company to grant non-qualified stock options, incentive stock options and restricted stock awards to key employees and non-employee Directors subject to conditions set forth in the Stock Incentive Plan. The Board has reserved 3,000,000 shares of common stock of the Corporation for grant to participants under the Stock Incentive Plan. Subject to the adjustment provisions of the Stock Incentive Plan, in no event shall more than 450,000 shares of common stock be awarded to participants as restricted stock awards.

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

12. Interest Rate Risk Management - The Company uses derivatives as part of an overall operating strategy to moderate certain financial market risks and is exposed to interest rate risk from long-term debt. To manage this risk, the Company has entered into an interest rate swap to exchange floating rate for fixed rate interest payments over the remaining life of the debt. As of December 31, 2000, the Company had an interest rate swap outstanding with a notional principal amount of \$50 million. (See Note 8)

The Company's accounting policy for these instruments is based on its designation of such instruments as hedging transactions. An instrument is designated as a hedge based in part on its effectiveness in risk reduction and one-to-one matching of derivative instruments to underlying transactions. The Company records all derivatives on the balance sheet at fair value.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure of variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income in stockholders' equity and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The change in value of the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the risk being hedged, if any, is recognized in the current earnings during the period of change.

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

13. Segment Information - The Company evaluates performance of its segments based upon operating profit or loss from operations before income taxes, which includes revenues from external and internal customers; operating costs; depreciation, depletion and amortization; dry holes and abandonments and taxes other than income taxes. Intersegment sales are accounted for in the same manner as sales to unaffiliated customers. Other includes investments in available-for-sale securities, equity owned investments, as well as corporate operations.

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

Summarized financial information of the Company's reportable segments for the quarter ended December 31, 2000, and 1999, is shown in the following table:

(in thousands)	External Sales	Inter- Segment	Total Sales	Operating Profit
<b>DECEMBER 31, 2000</b>				
Contract Drilling				
Domestic	\$ 62,294	\$ 941	\$ 63,235	\$ 17,046
International	38,691	--	38,691	7,548
	-----	-----	-----	-----
	100,985	941	101,926	24,594
	-----	-----	-----	-----
Oil & Gas Operations				
Exploration & Prod.	57,728		57,728	27,020
Natural Gas Marketing	28,679	--	28,679	4,699
	-----	-----	-----	-----
	86,407	--	86,407	31,719
	-----	-----	-----	-----
Real Estate	2,331	389	2,720	1,375
Other	2,827	--	2,827	--
Eliminations	--	(1,330)	(1,330)	--
	-----	-----	-----	-----
Total	\$ 192,550	\$ --	\$ 192,550	\$ 57,688
	=====	=====	=====	=====
(in thousands)	External Sales	Inter- Segment	Total Sales	Operating Profit
<b>DECEMBER 31, 1999</b>				
Contract Drilling				
Domestic	\$ 50,219	\$ 509	\$ 50,728	\$ 6,511
International	34,201	--	34,201	2,510
	-----	-----	-----	-----
	84,420	509	84,929	9,021
	-----	-----	-----	-----
Oil & Gas Operations				
Exploration & Prod.	30,118	--	30,118	12,694
Natural Gas Marketing	18,315	--	18,315	950
	-----	-----	-----	-----
	48,433	--	48,433	13,644
	-----	-----	-----	-----
Real Estate	2,242	388	2,630	1,385
Other	14,486	--	14,486	--
Eliminations	--	(897)	(897)	--
	-----	-----	-----	-----
Total	\$ 149,581	\$ --	\$ 149,581	\$ 24,050
	=====	=====	=====	=====

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

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

(in thousands)	Quarter Ended	
-----	12/31/00	12/31/99
-----	-----	-----
Segment operating profit	\$ 57,688	\$ 24,050
Unallocated amounts:		
Income from investments	2,802	14,387
General corporate expense	(3,567)	(2,821)
Interest expense	(607)	(821)
Corporate depreciation	(471)	(405)
Other corporate expense	(405)	(180)
	-----	-----
Total unallocated amounts	(2,248)	10,160
	-----	-----
Income before income taxes and equity in income of affiliate	\$ 55,440	\$ 34,210
	=====	=====

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

(in thousands)	Quarter Ended	
-----	12/31/00	12/31/99
-----	-----	-----
Revenues		
United States	\$ 153,859	\$ 115,380
Venezuela	8,681	9,047
Colombia	7,767	12,244
Other Foreign	22,243	12,910
	-----	-----
Total	\$ 192,550	\$ 149,581
	=====	=====

**PART I. FINANCIAL INFORMATION**  
**HELMERICH & PAYNE, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS**  
**OF OPERATIONS AND FINANCIAL CONDITION**  
DECEMBER 31, 2000

**RISK FACTORS AND FORWARD-LOOKING STATEMENTS**

The following discussion should be read in conjunction with the consolidated condensed financial statements and related notes included elsewhere herein and the consolidated financial statements and notes thereto included in the Company's 2000 Annual Report on Form 10-K. The Company's future operating results may be affected by various trends and factors, which are beyond the Company's control. These include, among other factors, fluctuations in natural gas and crude oil prices, expiration or termination of drilling contracts, currency exchange losses, changes in general economic and political conditions, rapid or unexpected changes in technologies and uncertain business conditions that affect the Company's businesses. Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

With the exception of historical information, the matters discussed in Management's Discussion & Analysis of Results of Operations and Financial Condition includes forward-looking statements. These forward-looking statements are based on various assumptions. The Company cautions that, while it believes such assumptions to be reasonable and makes them in good faith, assumed facts almost always vary from actual results. The differences between assumed facts and actual results can be material. The Company is including this cautionary statement to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. The factors identified in this cautionary statement are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

**RESULTS OF OPERATIONS**

**FIRST QUARTER 2001 VS. FIRST QUARTER 2000**

The Company reported net income of \$33,840,000 (\$0.67 per share) from revenues of \$192,550,000 for the first quarter ended December 31, 2000, compared with net income of \$20,461,000 (\$0.41 per share) from revenues of \$149,581,000 for the first quarter of fiscal year 2000. Net income in the first quarter of fiscal 2001 included no gains from the sale of investment securities compared with \$1,754,000 (\$0.04 per share) in the same period of last year. Last year's net income for the first quarter also included approximately \$6.3 million (\$0.13 per share) of gains related to a non-monetary dividend received and a gain on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired.

As discussed in Note 10, the Company extended the depreciable life of its rig equipment from 10 to 15 years. The change will reduce depreciation expense in fiscal 2001 by an estimated \$30 million, resulting in an earnings increase of approximately \$0.36 per share, or \$0.09 per share per quarter.

**EXPLORATION and PRODUCTION**

Exploration and Production reported operating profit of \$27,020,000 for the first quarter compared with \$12,694,000 for the same period of fiscal 2000. Oil & gas revenues increased to \$57.7 million from \$30.1 million last year. Natural gas revenues increased \$24.4 million, or 93 percent, to \$50.5 million as gas prices more than doubled from last year. Natural gas production was down 6 percent from last

**PART I. FINANCIAL INFORMATION**  
**HELMERICH & PAYNE, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS**  
**OF OPERATIONS AND FINANCIAL CONDITION**  
DECEMBER 31, 2000  
(continued)

year, primarily due to pipeline interruptions and no significant new production during the current quarter. Oil revenues increased to \$7.1 million from \$3.8 million as both price per barrel and total production increased significantly from last year.

Natural gas prices averaged \$4.72 per mcf and \$2.28 per mcf for the first quarter of fiscal 2001 and 2000, respectively. Natural gas volumes averaged 116.4 mmcf/d and 123.7 mmcf/d, respectively. Crude oil prices averaged \$31.04 and \$23.52 per bbl for the first quarter of fiscal 2001 and 2000, respectively. Crude oil volumes averaged 2,502 bbls/d and 1,888 bbls/d, respectively.

Although revenues were up substantially, the quarter's performance was impacted by geophysical, dry hole and abandonment expenses of \$14.4 million, \$10.9 million higher than last year's first quarter. Production taxes also increased \$1.6 million over last year in line with higher revenues. Also in the first quarter of fiscal 2001, the Natural Gas Marketing segment reported operating profit of \$4.7 million compared to \$1.0 million for the same period last year, as spot market prices were very favorable in both November and December.

During the first quarter, the Company participated in the drilling of 25 wells, 12 of which are producing or waiting on pipeline connections, 5 are in the process of completion, and 8 were dry holes. The cost of the 8 dry holes was \$8.5 million, \$7.2 million of which was associated with 3 high-potential, high-risk wells located in south Texas, west Texas, and southwest Louisiana. The Company expects to participate in the drilling of approximately 140 wells during the remainder of fiscal 2001, 40 to 50 percent of which will be development wells in the areas where the Company currently has proven reserves. The E&P capital expenditure estimate for fiscal 2001 is \$65 million for drilling and \$21 million for acreage and seismic.

#### **DOMESTIC DRILLING**

Domestic Drilling's operating profit increased \$10.5 million, due primarily to higher dayrates, margins and rig utilization in land operations, and a significant reduction in depreciation expense as the Company changed the estimated useful life for its drilling equipment (see Note 10).

As previously announced, the Company has extended the depreciable life of its rig equipment from 10 to 15 years, as the result of a recently completed economic evaluation of the useful lives of its drilling equipment. This will provide a better matching of revenues and depreciation expense over the useful life of the equipment. This change, effective October 1, 2000, will reduce depreciation expense for total contract drilling by an estimated \$30 million (\$15 million each for Domestic and International segments). The change affected domestic operating profit in the first quarter by \$3.8 million.

Domestic land operations in the first quarter of fiscal 2001 improved significantly over the same period in fiscal 2000. Average revenues per day for fiscal 2001 increased 33 percent over last year to \$10,700 per day, with margins doubling from the first quarter of fiscal 2000. Rig utilization for land rigs was 93 percent in fiscal 2001 compared to 75 percent in fiscal 2000. Offshore activity declined from 100 percent during last year's first quarter to 92 percent during this year's first quarter, as offshore earnings were down slightly from last year.

The total Domestic land rig fleet will be increasing during the next several quarters with the inclusion of two new FlexRigs per quarter. Additionally, a rig has recently

**PART I. FINANCIAL INFORMATION**  
**HELMERICH & PAYNE, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS**  
**OF OPERATIONS AND FINANCIAL CONDITION**  
DECEMBER 31, 2000  
(continued)

returned to the U.S. from Venezuela which will be put to work by April 15 and, during February, the Company will ship three rigs from Colombia to the U.S.

The Company's U.S. land fleet should reach a total of 46 rigs by April 15 and approach 52 rigs by December 31. Earnings for the remainder of 2001 should be positively impacted by both the increase in the number of rigs and the increasing dayrates in the U.S.

**INTERNATIONAL DRILLING**

International Drilling's operating profit increased to \$7.5 million from \$2.5 million. Revenues increased to \$38.7 million from \$34.2 million. The increase in operating profit is due primarily to lower depreciation of \$3.7 million as the result of the Company changing the estimated useful life for drilling equipment as discussed above. There was also slight improvement in operating profit from Ecuador and Venezuela as compared to fiscal 2000. International rig activity was 53 percent during the first quarter, compared with 47 percent for the first quarter of fiscal 2000. We are forecasting only a slight improvement in international operations for the remainder of fiscal 2001, as the timing of improvements in rates and utilization are difficult to predict.

**OTHER**

Revenues decreased approximately \$11.7 million from last year. This year's other revenues include no gains from the sale of available-for-sale securities, compared with \$2.8 million in the same period last year. Last year's first quarter revenues also included gains related to a non-monetary dividend (\$9.5 million) and a non-monetary gain (\$0.7 million) on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired. Interest income was \$1.6 million in the first quarter of fiscal 2001, compared with \$0.4 million in the first quarter of last year because of a substantial increase in the Company's cash balances.

Corporate general and administrative expenses increased from \$2.8 million in the first quarter of fiscal 2000 to \$3.6 million in the first quarter of fiscal 2001. The increase is related to labor and benefits and additional legal and advertising costs.

The Company's effective income tax rate decreased to 39.7 percent for the quarter compared to 41.6 percent for the first quarter of fiscal 2000. The decrease is due primarily to a larger proportionate income from the Company's U.S. operations.

**LIQUIDITY AND CAPITAL RESOURCES**

Net cash provided by operating activities was \$64,369,000 for the first quarter of fiscal 2001, compared with \$44,360,000 for the same period in 2000. Capital expenditures were \$48,687,000 and \$22,377,000 for the first quarter of fiscal 2001 and 2000, respectively.

The Company anticipates capital expenditures to be approximately \$229 million for fiscal 2001, which is less than projected internally generated cash flows. The Company's indebtedness remained \$50,000,000 as of December 31, 2000, as described in Note 8 to the Consolidated Condensed Financial Statements.

There were no other significant changes in the Company's financial position since September 30, 2000.

**PART II. OTHER INFORMATION**  
**HELMERICH & PAYNE, INC.**

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

There were no reports on Form 8-K for the three months ended December 31, 2000.

**SIGNATURES**

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

Date: February 13, 2001  
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/s/ DOUGLAS E. FEARS  
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Douglas E. Fears, Chief Financial Officer

Date: February 13, 2001  
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/s/ HANS C. HELMERICH  
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Hans C. Helmerich, President

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**End of Filing**

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