HELMERICH & PAYNE, INC.

FORM 10-Q
(Quarterly Report)

Filed 02/14/02 for the Period Ending 12/31/01

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 2/14/2002 For Period Ending 12/31/2001

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. 20549

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

For quarterly period ended: DECEMBER 31, 2001

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 [X] NO [ ]

CLASS	OUTSTANDING AT DECEMBER 31, 2001
Common Stock, $0.10 par value	49,860,447

TOTAL NUMBER OF PAGES - 16

HELMERICH & PAYNE, INC.

INDEX

PART I.FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands)

	Unaudited December 31, 2001	September 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 77,724	$ 122,962
Accounts receivable, net	134,580	147,235
Inventories	24,744	28,934
Prepaid expenses and other	30,553	32,281
Total current assets	267,601	331,412
Investments	230,057	200,286
Property, plant and equipment, net	860,684	818,404
Other assets	13,489	14,405
Total assets	$ 1,371,831	$ 1,364,507
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 28,816	$ 67,595
Accrued liabilities	51,021	53,626
Total current liabilities	79,837	121,221
Noncurrent liabilities:		
Long-term notes payable	50,000	50,000
Deferred income taxes	162,337	144,439
Other	23,646	22,370
Total noncurrent liabilities	235,983	216,809
SHAREHOLDERS' EQUITY		
Common stock, par value $.10 per share	5,353	5,353
Preferred stock, no shares issued	--	--
Additional paid-in capital	80,202	80,324
Retained earnings	954,962	943,105
Unearned compensation	(1,446)	(1,812)
Accumulated other comprehensive income	66,638	49,309
	1,105,709	1,076,279
Less treasury stock, at cost	49,698	49,802
Total shareholders' equity	1,056,011	1,026,477
Total liabilities and shareholders' equity	$ 1,371,831	$ 1,364,507

The accompanying notes are an integral part of these statements.

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

(in thousands, except per share data)

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000
REVENUES:		
Sales and other operating revenues	$ 172,797	$ 189,748
Income from investments	1,350	2,802
	174,147	192,550
COST AND EXPENSES:		
Operating costs	102,331	94,046
Depreciation, depletion and amortization	26,993	17,978
Dry holes and abandonments	5,812	12,044
Taxes, other than income taxes	8,959	8,868
General and administrative	4,568	3,567
Interest	374	607
	149,037	137,110
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATES	25,110	55,440
PROVISION FOR INCOME TAXES	10,598	22,035
EQUITY IN INCOME OF AFFILIATES, net of income taxes	1,092	435
NET INCOME	$ 15,604	$ 33,840
EARNINGS PER COMMON SHARE:		
Basic	$ 0.31	$ 0.68
Diluted	$ 0.31	$ 0.67
CASH DIVIDENDS (Note 2)	$ 0.075	$ 0.075
AVERAGE COMMON SHARES OUTSTANDING:		
Basic	49,736	49,818
Diluted	50,078	50,431

The accompanying notes are an integral part of these statements.

HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 15,604	$ 33,840
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	26,993	17,978
Dry holes and abandonments	5,812	12,044
Equity in income of affiliates before income taxes	(1,970)	(910)
Amortization of deferred compensation	366	379
Gain on sale of property, plant & equipment	(683)	(1,614)
Other, net	(91)	97
Change in assets and liabilities-		
Receivables	12,655	(18,653)
Inventories	4,190	98
Prepaid expenses and other	2,644	1,389
Accounts payable	(34,966)	5,872
Accrued liabilities	(2,605)	9,099
Deferred income taxes	7,278	4,600
Other noncurrent liabilities	1,395	150
Total adjustments	21,018	30,529
NET CASH PROVIDED BY OPERATING ACTIVITIES	36,622	64,369
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including dry hole costs	(79,842)	(48,687)
Proceeds from sales of property, plant and equipment	1,609	4,488
NET CASH USED IN INVESTING ACTIVITIES	(78,233)	(44,199)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(3,747)	(3,757)
Proceeds from exercise of stock options	120	2,038
NET CASH USED IN FINANCING ACTIVITIES	(3,627)	(1,719)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	(45,238)	18,451
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	122,962	108,087
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 77,724	$ 126,538

The accompanying notes are an integral part of these statements.

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

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Unearned Compensation	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, September 30, 2001	53,529	$5,353	$ 80,324	$ (1,812)	$943,105	3,676	$(49,802)	$ 49,309	$ 1,026,477
Comprehensive Income:									
Net Income					15,604				15,604
Other comprehensive income, Unrealized gains on available-for-sale securities, net								17,255	17,255
Derivatives instruments gains, net								74	74
Total other comprehensive income								17,329	17,329
Comprehensive income									32,933
Cash dividends ($0.075 per share)					(3,747)				(3,747)
Exercise of Stock Options			16			(7)	104		120
Tax benefit of stock-based awards			(138)						(138)
Amortization of deferred compensation				366					366
Balance, December 31, 2001	53,529	$5,353	$ 80,202	$ (1,446)	$954,962	3,669	$(49,698)	$ 66,638	$ 1,056,011

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. In the opinion of the Company, the accompanying unaudited consolidated 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, 2001, and December 31, 2000, are not necessarily indicative of the results to be expected for the full year. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 2001 Annual Report on Form 10K.

2. The $.075 cash dividend declared in September, 2001, was paid December 3, 2001. On December 5, 2001, a cash dividend of $.075 per share was declared for shareholders of record on February 15, 2002, payable March 1, 2002.

3. Inventories consist of materials and supplies.

4. There were no gains from sales of available-for-sale securities during the first quarter of fiscal years 2002 and 2001.

5. 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 $57.4 million.

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Est. Fair Value
		(in thousands)		
Equity Securities 12/31/01	$ 63,748	$ 109,431	$ 479	$ 172,700
Equity Securities 09/30/01	$ 63,778	$ 84,257	$ 3,136	$ 144,899

6. Comprehensive Income - Comprehensive income, net of related tax, is as follows (in thousands):

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000
Net Income	$ 15,604	$ 33,840
Other comprehensive income(loss):		
Net unrealized gain (loss) on securities	17,255	(8,445)
Net unrealized gain on derivative instruments	74	698
Other comprehensive income (loss)	17,329	(7,747)
Comprehensive income	$ 32,933	$ 26,093

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

	December 31, 2001	September 30, 2001
Unrealized gain on securities, net	$ 67,550	$ 50,295
Unrealized loss on derivative instruments	(912)	(986)
Accumulated other comprehensive income	$ 66,638	$ 49,309

7. At December 31, 2001, the Company had committed bank lines totaling $85 million; $35 million expires May 2002 and $50 million expires October 2003. Additionally, the Company had uncommitted credit facilities totaling $10 million. Collectively, the Company had $50 million in outstanding borrowings and outstanding letters of credit totaling $10.6 million against these lines at December 31, 2001. Concurrent with $50 million borrowing under the facility that expires October 2003, the Company entered into an interest rate swap with a notional value of $50 million and an expiration date of October 2003. The swap effectively converts this $50 million facility from a floating rate of LIBOR plus 50 basis points to a fixed effective rate of 5.38 percent. Excluding the impact of the interest rate swap, the average interest rate for the borrowings at December 31, 2001, was approximately 2.43 percent on a 360 day basis.

Under the various credit agreements, the Company must meet certain requirements regarding levels of debt, net worth and earnings. The Company met all requirements at December 31, 2001.

8. 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:

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000
	(in thousands)	
Basic weighted-average shares	49,736	49,818
Effect of dilutive shares:		
Stock options	335	603
Restricted stock	7	10
	342	613
Diluted weighted-average shares	50,078	50,431

Restricted stock of 60,012 shares at a weighted-average price of $37.73 and options to purchase 2,050,750 shares of common stock at a weighted-average price of $32.25 were outstanding at December 31, 2001, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

9. Income Taxes -

The Company's effective tax rate was 42.2% in the first quarter of fiscal 2002. Costs and expenses, related to certain foreign locations for which the Company does not receive a tax benefit, resulted in the current year estimated effective tax rate. The two major reasons for the effective tax rate increase are that the Company had larger net operating loss carry forwards from Venezuela in fiscal 2001, and the Company does not receive a tax benefit from the devaluation losses in Argentina.

10. 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, with a $50 million notional principal amount, to exchange floating rate for fixed rate interest payments through October 2003, the remaining life of the debt. (See Note 7)

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.

11. Impairment -

Included in depreciation, depletion and amortization for the three months ended December 31, 2001, were impairment charges of $5.4 million for proved Exploration & Production properties. After-tax, the impairment charges reduced the first quarter net income by approximately $3.3 million ($0.07 per share). There were no impairment charges in the first quarter of fiscal 2001.

12. Argentina Devaluation -

In the first quarter of fiscal 2002, the Company incurred a pre-tax loss of $1.2 million related to devaluation of the Argentina peso. With current conditions in Argentina, there is significant uncertainty regarding economic, banking and currency stability. Based on a peso exchange rate of between 2.0 and 3.0, the Company could be exposed for additional losses of between $3 and $6 million during this fiscal year due to currency devaluation. The Company currently has two rigs located in Argentina, one of which is working with almost a year remaining under contract. The other rig is contracted for approximately 90 more days of work.

13. Contingent Liabilities and Commitments -

Litigation Settlement -

The Company is a defendant in Verdin v. R&B Falcon Drilling USA, Inc., et al., a civil action in the United States District Court, Galveston, Texas. In May 2001, the Company reached an agreement in principle with Plaintiff's counsel to settle all claims pending court approval of the settlement. In the third quarter of fiscal 2001, the Company accrued $3.25 million to contract drilling expense based on the pending settlement. The total settlement liability is $10 million of which $6.75 million will be paid by the Company's insurer. The Court has scheduled an April 18, 2002 hearing to consider approval of the settlement. If final approval is obtained from the Court, payment of the settlement proceeds is expected in May 2002.

The Company, on a regular basis, makes commitments for the purchase of contract drilling equipment. At December 31, 2001, the Company had commitments outstanding of approximately $200 million for the purchase of drilling equipment.

14. 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.

Summarized financial information of the Company's reportable segments for the quarter ended December 31, 2001, and 2000, is shown in the following tables:

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit
DECEMBER 31, 2001				
Contract Drilling				
Domestic	$ 92,123	$ 342	$ 92,465	$ 27,816
International	39,053	--	39,053	3,877
	131,176	342	131,518	31,693
Oil & Gas Operations				
Exploration & Prod.	24,791	--	24,791	(3,959)
Natural Gas Marketing	14,321	--	14,321	460
	39,112	--	39,112	(3,499)
Real Estate	2,495	379	2,874	1,397
Other	1,364	--	1,364	--
Eliminations	--	(721)	(721)	--
Total	$ 174,147	$ --	$ 174,147	$ 29,591

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit
DECEMBER 31, 2000				
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

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

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000
	(in thousands)	
Segment operating profit	$ 29,591	$ 57,688
Unallocated amounts:		
Income from investments	1,350	2,802
General corporate expense	(4,568)	(3,567)
Interest expense	(374)	(607)
Corporate depreciation	(483)	(471)
Other corporate expense	(406)	(405)
Total unallocated amounts	(4,481)	(2,248)
Income before income taxes and equity in income of affiliates	$ 25,110	$ 55,440

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

	Three Months Ended December 31, 2001	Three Months Ended December 31, 2000
	(in thousands)	
Revenues		
United States	$ 135,094	$ 153,859
Venezuela	15,289	8,681
Colombia	3,781	7,767
Other Foreign	19,983	22,243
Total	$ 174,147	$ 192,550

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

DECEMBER 31, 2001

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 2001 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

THREE MONTHS ENDED DECEMBER 31, 2001 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2000

The Company reported net income of $15.6 million ($0.31 per share) from revenues of $174.1 million for the first quarter of fiscal 2002, compared with net income of $33.8 million ($0.67 per share) from revenues of $192.6 million for the first quarter of fiscal year 2001.

OIL & GAS DIVISION

EXPLORATION and PRODUCTION reported an operating loss of $4.0 million for the first quarter of 2002, compared with an operating profit of $27.0 million for the same period of fiscal 2001. Oil & gas revenues decreased to $24.8 million from $57.7 last year. Natural gas revenues decreased to $20.7 million from $50.5 as both gas prices and volumes declined from last year. Natural gas prices averaged $2.05 per mcf and $4.73 per mcf for the first quarter of fiscal 2002 and 2001, respectively. Natural gas volumes averaged 109.3 mmcf/d and 116.5 mmcf/d for the first quarter of fiscal 2002 and 2001, respectively. Oil revenues decreased to $3.7 million in the first quarter of 2002, compared with $7.1 million in the first quarter of the previous year. Crude oil prices averaged $18.97 and $31.44 per bbl for the first quarter of fiscal 2002 and 2001, respectively. Crude oil volumes averaged 2,132 bbls/d and 2,429 bbls/d for the first quarter of fiscal 2002 and 2001, respectively.

Dry Hole, abandonments, geophysical, and other exploration expense totaled $7.7 million for this year's first quarter, compared with $15.5 million for the first quarter of last year. Dry holes decreased approximately $6.0 million to $2.5 million in the first quarter of 2002 and geophysical expense decreased $1.4 million to $.9 million in the first quarter of 2002. The decreases were a result of a decline in exploration activity in the first quarter of fiscal 2002.

In the first quarter of 2002, the Company recognized an impairment charge of approximately $5.4 million for producing properties, which is included in depreciation, depletion and amortization expense.

NATURAL GAS MARKETING segment reported an operating profit of $0.5 million in the first quarter of 2002, compared to $4.7 million in the same period of last year. In the first quarter of fiscal 2001, spot market prices were very favorable in both November and December 2000 as gas prices were increasing to record levels. In the first quarter of fiscal 2002, gas prices were substantially lower with fluctuating prices. Additionally in the first quarter of 2002, the Company charged $900,000 to its reserve for bad debts in connection with anticipated uncollectible receivables from Enron Corporation. The Natural Gas Marketing segment recorded a charge of $.7 million and Exploration and Production recorded a charge for $.2 million.

As previously announced, an investment banking firm is currently assisting the Company in its effort to establish the Oil and Gas Division as a separate public entity and to potentially expand that operation through a business combination. The Company is currently holding discussions and negotiations toward that end. Although hopeful of announcing a deal in the second quarter, there is no assurance that an agreement will be reached.

CONTRACT DRILLING

DOMESTIC DRILLING'S operating profit increased $10.8 million to $27.8 million in the first quarter of fiscal 2002, compared with $17.0 million in last year's first quarter. The increase was primarily the result of increased U.S. land dayrates and operating days.

Domestic land operations in the first quarter of fiscal 2002 improved significantly over the same period in fiscal 2001. Average revenue per day for fiscal 2002 increased 29% over last year to $14,192 per day, with margins up 33% from the first quarter of fiscal 2001. Rig utilization for land rigs was 89% in fiscal 2002 compared to 93% in fiscal 2001. Offshore utilization increased from 92% during last year's first quarter to 100% during this year's first quarter, as offshore earnings were up 17% from last year.

Currently, the Company has 54 U.S. land rigs and ten U.S. platform rigs located in the Gulf of Mexico. As previously announced, the Company is currently engaged in its FlexRigs III construction program wherein 25 new rigs will be built over the next two years, with ten to be completed in fiscal 2002 and 15 to be completed in fiscal 2003. Additionally, the Company has two offshore rigs under construction that will begin working in the Gulf of Mexico in June 2002.

The Company has revised downward its guidance for fiscal year 2002 earnings as the result of expected lower oil and gas prices and significantly lower U.S. land dayrates for the remainder of fiscal 2002. The revised assumptions for Domestic Drilling operations, for the remaining three-quarters of the Company's fiscal year ending September 30, 2002, are average U.S. land rig dayrates of $10,660, U.S. land rig utilization of 81%, and 88% rig utilization for U.S. offshore platforms.

INTERNATIONAL DRILLING'S operating profit decreased to $3.9 million in the first quarter of fiscal 2002, from $7.5 million in last year's first quarter. Revenues increased to $39.1 million in the first quarter of fiscal 2002, from $38.7 million in last year's first quarter. Rig utilization for international operations averaged 55% for this year's first quarter, compared with 53% for the first quarter of fiscal 2001. Operating profit in Colombia declined $1.8 million in the current quarter compared to the first quarter of 2001, with only one rig working currently versus three rigs working in the first quarter of 2001. First quarter of 2002 operating profit was also impacted by approximately $1.9 million for rig moving expenses in Venezuela.

Additionally, the Company incurred a pre-tax loss of $1.2 million due to devaluation of the Argentina peso. With current conditions in Argentina, there is significant uncertainty regarding economic, banking and currency stability. Based on a peso exchange rate of between 2.0 and 3.0, the Company could be exposed to additional losses of between $3 and $6 million during this fiscal year due to currency devaluation. The Company currently has two rigs located in Argentina, one of which is working with almost a year remaining under contract. The other rig is contracted for approximately 90 more days of work.

OTHER

Other revenues decreased approximately $1.4 million from last year. Interest income was $0.7 million in the first quarter of fiscal 2002, compared with $1.6 million in the same period of 2001, as both interest rates and cash balances were lower. Dividend income decreased $0.4 million in the first quarter of 2002, compared with first quarter of 2001 as the result of security sales in the second and third quarters of fiscal 2001.

Corporate general and administrative expenses increased from $3.6 million in the first quarter of fiscal 2001 to $4.6 million in the first quarter of fiscal 2002. The increase is related to labor and benefits, additional legal and professional services related to the efforts to establish the Oil and Gas Division as a separate public entity, and higher pension expense.

The Company's effective income tax rate increased to 42.2% for the quarter compared to 39.7% for the first quarter of last year due to the impact of net operating loss carry forwards from Venezuela in fiscal 2001, and certain costs and expenses related to foreign locations for which the Company does not receive a tax benefit.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $36.6 million for the first quarter of fiscal 2002, compared with $64.4 million for the same period in 2001. Capital expenditures were $79.8 million and $48.7 million for the first quarter of fiscal 2002 and 2001, respectively.

The Company anticipates capital expenditures to be approximately $355 million for fiscal 2002, which is lower than originally projected, primarily due to delays in steel shipments. This has reduced the number of new rigs that will be completed in fiscal 2002 and has lowered the projected Contract Drilling Division capital expenditures from $340 million to $300 million. Internally generated cash flows are projected to be approximately $160 million for fiscal 2002 and cash balances were $78 million at December 31, 2001. The Company's indebtedness totaled $50 million as of December 31, 2001, as described in Note 7 to the Consolidated Condensed Financial Statements. It is anticipated that the Company will secure additional borrowing in fiscal 2002 and possibly sell a portion of its investment portfolio to fund projected capital expenditures.

The Company's Board of Directors, at its December 5, 2001 quarterly Board meeting, approved the purchase in the open market or in private transactions, the common stock of the Company in an aggregate amount not to exceed two million (2,000,000) shares per calendar year. The repurchased shares will be held in treasury for use in the Company's benefit plans or for any other appropriate general corporate purposes.

There were no other significant changes in the Company's financial position since September 30, 2001.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For a description of the Company's market risks, see "Item 7 (a). Quantitative and Qualitative Disclosures About Market Risk" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001, and Note 10 to the Consolidated Condensed Financial Statements contained in Part I hereof.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The discussion of legal proceedings disclosed in Note 13 to the Consolidated Condensed Financial Statements contained in Part I hereof is hereby incorporated by reference.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(b) Reports on Form 8-K

For the three quarters ended December 31, 2001, registrant furnished, on November 13, 2001, one Form 8-K reporting under Item 9, Regulation for Disclosure, attaching a press release announcing results of operations and certain supplemental information, including financial statements.

SIGNATURES

HELMERICH & PAYNE, INC.

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 14, 2002 — */s/ DOUGLAS E. FEARS*
Douglas E. Fears, Chief Financial Officer

Date: February 14, 2002 — */s/ HANS C. HELMERICH*
Hans C. Helmerich, President