HELMERICH & PAYNE, INC.

FORM 10-Q
(Quarterly Report)

Filed 05/15/02 for the Period Ending 03/31/02

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 5/15/2002 For Period Ending 3/31/2002

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: March 31, 2002

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 MARCH 31, 2002
Common Stock, $0.10 par value	49,896,735

TOTAL NUMBER OF PAGES - 24

HELMERICH & PAYNE, INC.

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PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.

Item 1. FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED BALANCE SHEETS

(in thousands)

	(Unaudited) March 31, 2002	September 30, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,899	$ 122,962
Accounts receivable, net	128,105	147,235
Inventories	27,349	28,934
Prepaid expenses and other	22,716	32,281
Total current assets	223,069	331,412
Investments	231,823	200,286
Property, plant and equipment, net	919,301	818,404
Other assets	15,153	14,405
Total assets	$ 1,389,346	$ 1,364,507
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 29,012	$ 67,595
Accrued liabilities	47,068	53,626
Total current liabilities	76,080	121,221
Noncurrent liabilities:		
Long-term notes payable	50,000	50,000
Deferred income taxes	170,683	144,439
Other	24,549	22,370
Total noncurrent liabilities	$ 245,232	$ 216,809
SHAREHOLDERS' EQUITY		
Common stock, par value $.10 per share	5,353	5,353
Preferred stock, no shares issued	--	--
Additional paid-in capital	80,704	80,324
Retained earnings	962,092	943,105
Unearned compensation	(1,079)	(1,812)
Accumulated other comprehensive income	70,171	49,309
	1,117,241	1,076,279
Less treasury stock, at cost	49,207	49,802
Total shareholders' equity	1,068,034	1,026,477
Total liabilities and shareholders' equity	$ 1,389,346	$ 1,364,507

See accompanying notes to financial statements.

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

(in thousands, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
REVENUES:				
Sales and other operating revenues	$153,959	$218,817	$326,756	$408,565
Income from investments	1,617	2,752	2,967	5,554
	155,576	221,569	329,723	414,119
COST AND EXPENSES:				
Operating costs	96,919	107,076	199,250	201,122
Depreciation, depletion and amortization	21,893	22,784	48,886	40,762
Dry holes and abandonments	4,311	6,704	10,123	18,748
Taxes, other than income taxes	9,154	12,066	18,113	20,934
General and administrative	5,358	4,646	9,926	8,213
Interest	342	68	716	675
	137,977	153,344	287,014	290,454
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATES	17,599	68,225	42,709	123,665
PROVISION FOR INCOME TAXES	7,497	27,118	18,095	49,153
EQUITY IN INCOME OF AFFILIATES, net of income taxes	770	642	1,862	1,077
NET INCOME	$ 10,872	$ 41,749	$ 26,476	$ 75,589
EARNINGS PER COMMON SHARE:				
Basic	$ 0.22	$ 0.83	$ 0.53	$ 1.51
Diluted	0.22	$ 0.82	$ 0.53	$ 1.49
CASH DIVIDENDS (Note 2)	$ 0.075	$ 0.075	$ 0.15	$ 0.15
AVERAGE COMMON SHARES OUTSTANDING:				
Basic	49,788	50,197	49,762	50,005
Diluted	50,265	51,139	50,171	50,783

The accompanying notes are an integral part of these statements.

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

(in thousands)

	Six Months Ended March 31, 2002	Six Months Ended March 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 26,476	$ 75,589
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	48,886	40,762
Dry holes and abandonments	10,123	18,748
Equity in income of affiliate before income taxes	(3,420)	(2,152)
Amortization of deferred compensation	733	746
Gain on sale of securities	(539)	(138)
Gain on sale of property, plant & equipment	(727)	(3,949)
Other, net	922	327
Change in assets and liabilities-		
Accounts receivable	19,130	(14,799)
Inventories	1,585	(2,544)
Prepaid expenses and other	8,817	1,475
Accounts payable	(34,770)	(213)
Accrued liabilities	(7,531)	8,625
Deferred income taxes	13,458	10,474
Other noncurrent liabilities	3,770	788
NET CASH PROVIDED BY OPERATING ACTIVITIES	86,913	133,739
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including dry hole costs	(165,653)	(110,503)
Proceeds from sales of property, plant and equipment	2,658	7,395
Proceeds from sale of investments	4,670	2,159
NET CASH USED IN INVESTING ACTIVITIES	(158,325)	(100,949)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid	(7,489)	(7,572)
Proceeds from exercise of stock options	838	13,336
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(6,651)	5,764
NET INCREASE (DECREASE)IN CASH AND CASH EQUIVALENTS	(78,063)	38,554
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	122,962	108,087
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 44,899	$ 146,641

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					26,476				26,476
Other comprehensive income, Unrealized gains on available-for-sale securities, net of deferred taxes of $12,552								20,479	20,479
Derivatives instruments gains, net of deferred taxes of $235								383	383
Total other comprehensive income								20,862	20,862
Comprehensive income									47,338
Cash dividends ($0.15 per share)					(7,489)				(7,489)
Exercise of stock options			243			(44)	595		838
Tax benefit of stock-based awards			137						137
Amortization of deferred compensation				733					733
Balance, March 31, 2002	53,529	$5,353	$80,704	$(1,079)	$962,092	3,632	$(49,207)	$70,171	$1,068,034

HELMERICH & PAYNE, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)

1. In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which consists 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 and six months ended March 31, 2002, and March 31, 2001, 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 2001 Annual Report on Form 10-K and the Company's 2002 First Quarter Report on Form 10-Q.

2. The $.075 cash dividend declared in December, 2001, was paid March 1, 2002. On March 6, 2002, a cash dividend of $.075 per share was declared for shareholders of record on May 15, 2002, payable June 3, 2002.

3. Inventories consist of materials and supplies.

4. Income from investments includes $324,000 after-tax gains from sales of available-for-sale securities during the second quarter and first six months of fiscal 2002. After-tax gains from security sales were $74,000 for the same periods in fiscal 2001.

5. The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting. At March 31, 2002, the Company's investment in securities accounted for under the equity method is $58,807,000.

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Equity Securities 03/31/02	$58,864	$114,185	$ 33	$173,016
Equity Securities 09/30/01	$63,778	$ 84,257	$3,136	$144,899

6. Comprehensive Income -

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Net Income	$ 10,872	$ 41,749	$ 26,476	$ 75,589
Other comprehensive income:				
Net unrealized gain (loss) on securities	3,224	(27,265)	20,479	(35,710)
Net unrealized gain (loss) on derivative instruments	309	(726)	383	(28)
Other comprehensive income (loss)	3,533	(27,991)	20,862	(35,738)
Comprehensive income	$ 14,405	$ 13,758	$ 47,338	$ 39,851

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

	March 31, 2002	Sept.30, 2001
Unrealized gains on securities, net	$70,774	$50,295
Unrealized loss on derivative instruments	(603)	(986)
Accumulated other comprehensive income	$70,171	$ 9,309

7. At March 31, 2002, the Company had committed bank lines of credit totaling $100 million; $50 million expires in February 2003 and $50 million expires in 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 March 31, 2002. Concurrent with a $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 March 31, 2002, was approximately 2.40 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 March 31, 2002.

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 (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Basic weighted-average shares	49,788	50,197	49,762	50,005
Effect of dilutive shares:				
Stock options	469	889	402	746
Restricted stock	8	53	7	32
	477	942	409	778
Diluted weighted-average shares	50,265	51,139	50,171	50,783

9. Income Taxes -

The Company's effective tax rate was 42.4% in the first six months of fiscal 2002 compared to 39.7% in the same period of fiscal 2001. 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 of 42.4%. 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 and Venezuela.

10. Interest Rate Risk Management -

The Company uses derivatives as part of an overall operating strategy to moderate certain financial market risks and its exposure 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 March 31, 2002, the Company had an interest rate swap outstanding with a notional principal amount of $50 million. (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. Currency Devaluation -

The uncertainty regarding economic, banking and currency stability continues without improvement in Argentina. The development of a solution to the crisis is uncertain, increasing the potential for additional currency declines in the near term. The Argentine peso currently trades in the range of 3 to 3.5 pesos to one U.S. dollar. The Company has recorded $1.2 million in pre-tax currency devaluation losses related to the peso during the first quarter of fiscal 2002. The Company could be exposed to additional currency losses of between $2 million and $4 million during the remainder of fiscal 2002. The Company currently has one rig under contract and working in Argentina.

Also, as a result of a severe decline in the value of the Venezuelan bolivar due to political instability and a change in the Venezuelan government's exchange policy, pre-tax currency devaluation losses of $2.3 million were recorded in the second quarter of fiscal 2002. Subsequent to March 31, 2002, the bolivar has improved in value relative to the U.S. dollar. Should an additional devaluation of the bolivar occur, the Company could be exposed to additional currency losses of between $0.5 million and $1.4 million during the remainder of fiscal 2002. The Company currently has three rigs under contract and working in Venezuela.

12. 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 incurred a net charge of $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 approved the settlement on April 25, 2002. Payment of the settlement proceeds is expected in June 2002.

Other Matters -

The Company is the defendant to claims of drainage of oil and gas from properties offsetting oil and gas wells it operates. The plaintiffs have filed suit on behalf of themselves and a class of similarly situated owners. The Company is in the early stages of its response to the claim, and is unable to estimate the loss, if any, that it might incur related to this matter.

The Company, on a regular basis, makes commitments for the purchase of contract drilling equipment. At March 31, 2002, the Company had commitments outstanding of approximately $200 million for the purchase of drilling equipment.

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.

Summarized financial information of the Company's reportable segments for the six months ended March 31, 2002, and 2001, is shown in the following table:

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit
MARCH 31, 2002				
Contract Drilling				
Domestic	$ 170,793	$ 538	$ 171,331	$ 41,349
International	78,263	--	78,263	8,293
	249,056	538	249,594	49,642
Oil & Gas Operations				
Exploration & Production	47,847	--	47,847	(953)
Natural Gas Marketing	25,802	--	25,802	1,439
	73,649	--	73,649	486
Real Estate	4,460	760	5,220	2,733
Other	2,558	--	2,558	--
Eliminations	--	(1,298)	(1,298)	--
Total	$ 329,723	$ --	$ 329,723	$ 52,861

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit
MARCH 31, 2001				
Contract Drilling				
Domestic	$ 135,453	$ 1,612	$ 137,065	$ 37,690
International	73,819	--	73,819	11,353
	209,272	1,612	210,884	49,043
Oil & Gas Operations				
Exploration & Production	132,563	--	132,563	71,115
Natural Gas Marketing	60,153	--	60,153	4,666
	192,716	--	192,716	75,781
Real Estate	6,576	776	7,352	4,304
Other	5,555	--	5,555	--
Eliminations	--	(2,388)	(2,388)	--
Total	$ 414,119	$ --	$ 414,119	$ 129,128

Summarized financial information of the Company's reportable segments for the quarters ended March 31, 2002, and 2001, is shown in the following table:

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit
MARCH 31, 2002				
Contract Drilling				
Domestic	$ 78,670	$ 196	$ 78,866	$ 13,533
International	39,210	--	39,210	4,416
	117,880	196	118,076	17,949
Oil & Gas Operations				
Exploration & Production	23,056	--	23,056	3,006
Natural Gas Marketing	11,481	--	11,481	979
	34,537	--	34,537	3,985
Real Estate	1,965	381	2,346	1,336
Other	1,194	--	1,194	--
Eliminations	--	(577)	(577)	--
Total	$ 155,576	$ --	$ 155,576	$ 23,270

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit
MARCH 31, 2001				
Contract Drilling				
Domestic	$ 73,159	$ 671	$ 73,830	$ 20,644
International	35,128	--	35,128	3,805
	108,287	671	108,958	24,449
Oil & Gas Operations				
Exploration & Production	74,835	--	74,835	44,095
Natural Gas Marketing	31,474	--	31,474	(33)
	106,309	--	106,309	44,062
Real Estate	4,245	387	4,632	2,929
Other	2,728	--	2,728	--
Eliminations	--	(1,058)	(1,058)	--
Total	$ 221,569	$ --	$ 221,569	$ 71,440

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 March 31, 2002	Quarter Ended March 31, 2001	Six Months Ended March 31, 2002	Six Months Ended March 31, 2001
Segment operating profit	$ 23,270	$ 71,440	$ 52,861	$ 129,128
Unallocated amounts:				
Income from investments	1,617	2,752	2,967	5,554
General corporate expense	(5,358)	(4,646)	(9,926)	(8,213)
Interest expense	(342)	(68)	(716)	(675)
Corporate depreciation	(506)	(505)	(989)	(976)
Other corporate expense	(1,082)	(748)	(1,488)	(1,153)
Total unallocated amounts	(5,671)	(3,215)	(10,152)	(5,463)
Income before income taxes and equity in income of affiliates	$ 17,599	$ 68,225	$ 42,709	$ 123,665

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

	Quarter Ended March 31, 2002	Quarter Ended March 31, 2001	Six Months Ended March 31, 2002	Six Months Ended March 31, 2001
Revenues:				
United States	$116,366	$186,441	$251,460	$340,300
Venezuela	14,929	9,150	30,218	17,831
Ecuador	11,059	6,952	22,210	15,797
Colombia	2,250	6,299	6,031	14,066
Other Foreign	10,972	12,727	19,804	26,125
Total	$155,576	$221,569	$329,723	$414,119

14. Impairment -

Included in depreciation, depletion and amortization for the three and six month periods ended March 31, 2002 were impairment charges of $19,000 and $5,444,000, respectively for proved Exploration and Production properties. After tax, the impairment charges reduced net income by approximately $12,000 and $3,375,000 ($0.00 and $0.07 per share) for the three and six month periods ended March 31, 2002, respectively. Included in depreciation, depletion and amortization for both the three and six month periods ended March 31, 2001 were impairment charges of $3,808,000 for proved Exploration and Production properties. After tax, the impairment charges reduced net income by approximately $2,400,000($0.05 per share) for the three and six month periods ended March 31, 2001, respectively.

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

MARCH 31, 2002

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the consolidated financial statements, notes and management's narrative analysis contained in the Company's 2001 Annual Report on Form 10-K and the Company's fiscal 2002 First Quarter Report on Form 10-Q and the condensed 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 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

SECOND QUARTER 2002 VS SECOND QUARTER 2001

The Company reported net income of $10,872,000 ($0.22 per share) from revenues of $155,576,000 for the second quarter ended March 31, 2002, compared to net income of $41,749,000 ($0.82 per share) from revenues of $221,569,000 for the second quarter of the prior fiscal year. Net income in the second quarter of fiscal 2002 and 2001 included $324,000 ($0.01 per share) and $74,000, respectively, from the sale of investment securities.

OIL & GAS DIVISION

EXPLORATION and PRODUCTION reported operating profit of $3.0 million for the second quarter compared to $44.1 million for the same period of fiscal 2001. Oil & gas revenues decreased to $23.1 million from $74.8 million as commodity prices were significantly lower than in the second quarter of fiscal 2001.

Natural gas revenues decreased $49.8 million to $19.2 million for the current quarter, due primarily to lower gas prices. Oil revenues decreased $1.8 million, or 33.2 percent, as both volumes and price decreased compared to last year.

Natural gas prices averaged $2.03 per mcf and $6.46 per mcf for the second quarter of fiscal 2002 and 2001, respectively. Natural gas volumes averaged 104.5 mmcf/d and 118.4 mmcf/d, respectively. Crude oil prices averaged $19.86 per bbl and $27.78 per bbl for the second quarter of fiscal 2002 and 2001, respectively. Crude oil volumes averaged 2,018 bbls/d and 2,258 bbls/d, respectively.

Exploration expenses decreased to $2.5 million for the second quarter of 2002 from $5.3 million in the second quarter of fiscal 2001. The decrease was primarily the result of a $1.9 million decrease in dry hole costs and a $.6 million decrease in geophysical expenses, as the result of reduced exploration activity compared to the second quarter of fiscal 2001.

Production expenses were $7.6 million for the second quarter of fiscal 2002 compared with $11.0 million in the same period of fiscal 2001. The $3.4 million decrease was primarily the result of lower production taxes resulting from significantly lower gas prices in the second quarter of fiscal 2002 compared with the same period in 2001.

Depreciation, depletion and amortization expense was $7.0 million for the second quarter of fiscal 2002 compared with $11.0 million in the same period of 2001. The $4.0 million decrease is due primarily to a $3.8 million impairment charge for producing properties in the second quarter of fiscal 2001. After-tax, the impairment charge reduced net income by approximately $2.4 million, $0.05 per share, on a diluted basis.

During the second quarter, the Company participated in the drilling of 8 wells, 6 of which are producing, completing or waiting on pipeline connections, and 2 are temporarily abandoned.

NATURAL GAS MARKETING segment reported an operating profit of $1.0 million in the current quarter compared to an operating loss of $33 thousand in the second quarter of fiscal 2001. The operating loss in the second quarter of 2001 was the result of selling higher priced inventory in January of 2001 as spot gas prices declined rapidly. In the second quarter of 2002, steadily rising prices benefited the marketing segment.

OIL AND GAS DIVISION SPINOFF AND MERGER

As announced on February 25, 2002, the Company and Key Production Company, Inc. (Key) have signed a definitive agreement that provides for Helmerich & Payne to contribute the assets and liabilities of the Oil and Gas Division to a newly formed subsidiary, Cimarex Energy Co., and distribute on a pro-rata basis all of the shares of stock of Cimarex to the shareholders of Helmerich & Payne. Cimarex would then merge with Key. Cimarex Energy Co. will be a new publicly traded exploration and production company. The transaction will close after receipt of necessary Key shareholder and regulatory approvals, including the receipt of a favorable letter ruling from the Internal Revenue Service. Closing will likely occur in the third calendar quarter of 2002.

DOMESTIC DRILLING

DOMESTIC DRILLING'S operating profit decreased to $13.5 million from $20.6 million in the second quarter of fiscal 2001. The decrease is mainly due to a significant decline in the Company's land operations results. Average U.S. land rig revenue per day for the second quarter was $12,386, down 6% from $13,154 in the second quarter of fiscal 2001. Margins also declined, with expenses rising slightly during the quarter, as the Company started to incur costs associated with placing into service new rigs from the FlexRig3 construction program. U.S. land rig utilization for the second quarter of 2002 was 76%, compared with 96% in the same period of 2001. The rig utilization rate was impacted by the inclusion of an additional four rigs that recently became available after significant modifications. The Company currently has 58 U.S. land rigs.

Depreciation expense increased $3.0 million to $8.8 million in the second quarter of fiscal 2002. The 53% increase is the result of capital expenditures made in the last six months of fiscal 2001 and in the first six months of fiscal 2002.

As previously announced, the Company is currently in its FlexRig3 construction program wherein a total of 25 new rigs are expected to be built over the next 18 months. It is anticipated that the Company will commence operations on ten of the 25 rigs prior to the end of the fiscal year 2002, and that the remainder will commence operations during fiscal year 2003. The first rig from the FlexRig3 project is scheduled to be completed next month.

Dayrates for the Company's U.S. offshore platform rigs remained steady, but utilization dropped to 89% in the second quarter of fiscal 2002 compared with 100% in the second quarter of fiscal 2001 as work on two rigs ended in February 2002 without replacement contracts. The Company anticipates that its newly constructed platform rigs, 205 and 206, will commence operations in May and June, respectively.

INTERNATIONAL DRILLING

INTERNATIONAL DRILLING'S operating profit increased to $4.4 million in the second quarter of fiscal 2002 from $3.8 million in the same period of 2001. Revenues increased to $39.2 million from $35.1 million for the same periods. The increase in operating profit was the result of improved profitability in Ecuador and Argentina, partially offset by reduced operating profit in Venezuela and Bolivia. Venezuela's second quarter results were negatively impacted by $2,379,000 of currency devaluation losses resulting from a severe decline in the value of the Venezuelan bolivar due to a change in its government exchange rate policy. The value of the bolivar has improved relative to the dollar since the end of the quarter but there is still uncertainty as to the direction of the Venezuelan government, regarding currency policies (See Note 11).

Rig utilization for the international operations averaged 58% for the second quarter of fiscal 2002 compared to 49% for the second quarter of 2001.

OTHER

Other revenues decreased approximately $1.5 million from last year, with $.4 million due to reduced dividend income and $1.1 million due to decreased interest income. The decrease in dividend income is the result of reduced equity holdings of Occidental Petroleum and Kerr-McGee in the second quarter of fiscal 2002 compared to fiscal 2001. Interest income decreased as the result of reduced cash balances and significantly reduced interest rates in the second quarter of fiscal 2002.

Corporate general and administrative expenses increased to $5.4 million in the second quarter of 2002 from $4.6 million in the same period of 2001. The $0.8 million increase is related to labor and benefits, higher pension expense and aircraft maintenance.

The Company's effective income tax rate increased to 42.6% for the second quarter of fiscal 2002 compared to 39.7% for the same period of 2001. The increase is due primarily to certain costs and expenses related to foreign locations for which the Company does not receive a tax benefit, including currency devaluation losses.

SIX MONTHS ENDED MARCH 31, 2002 VS SIX MONTHS ENDED MARCH 31, 2001

The Company reported net income of $26,476,000 ($0.53 per share) from revenues of $329,723,000 for the six months ended March 31, 2002, compared to net income of $75,589,000 ($1.49 per share) from revenues of $414,119,000 for the first six months of the prior fiscal year. Net income in the first six months of fiscal 2002 and 2001 included $324,000 ($0.01 per share) and $155,000, respectively, from the sale of investment securities.

OIL AND GAS DIVISION

EXPLORATION AND PRODUCTION reported an operating loss of $1.0 million for the first six months of fiscal 2002 compared to an operating profit of $71.1 million for the same period of fiscal 2001. Oil & gas revenues decreased to $47.8 million from $132.6 million in 2001.

Natural gas revenues were $39.9 million for the first six months of fiscal 2002 compared to $119.5 million for the same period of fiscal 2001, as gas prices decreased significantly. Oil revenues decreased to $7.4 million compared to $12.7 million for the first six months of fiscal 2001, as both oil prices and volumes decreased. Natural gas prices averaged $2.05 per mcf and $5.59 per mcf for the first six months of fiscal 2002 and 2001, respectively. Natural gas volumes averaged 106.7 mmcf/d and 117.4 mmcf/d, respectively. Crude oil prices averaged $19.72 per bbl and $29.70 per bbl for the first six months of fiscal 2002 and 2001, respectively. Crude oil volumes averaged 2,064 bbls/d and 2,345 bbls/d, respectively.

During the first six months of fiscal 2002, exploration related expenses decreased significantly from the same period of fiscal 2001. Geophysical, dry hole and abandonment expenses were $11.1 million for the first six months of fiscal 2002, $10.7 million lower than in the same period of last year with reduced dry holes of $7.8 million being the primary item. Reduced exploration activity and exploratory drilling is the primary reason for the decrease in exploration expenses.

Production expenses decreased to $15.3 million for the first six months of fiscal 2002 compared with $19.2 million in the same period of fiscal 2001. Lower production taxes was the primary reason for the decrease as the result of significantly lower natural gas prices in the first six months of fiscal 2002.

During the first six months of fiscal 2002, the Company participated in the drilling of 22 wells, 15 of which are producing, completing or waiting on pipeline connections, and 2 are temporarily abandoned and 5 are dry holes. With the current increase in product prices, drilling expenditures will increase with anticipated drilling of 94 gross wells for fiscal 2002 for a net expenditure of approximately $47 million.

NATURAL GAS MARKETING segment reported an operating profit of $1.4 million in the first six months of fiscal 2002 compared to $4.7 million in the same period of fiscal 2001. The significant decrease was the result of very favorable spot market gas prices in both November and December of 2000, as gas prices were increasing to record levels. Those same conditions did not occur during the first six months of fiscal 2002.

DOMESTIC DRILLING

DOMESTIC DRILLING'S operating profit increased to $41.3 million in the first six months of 2002 from $37.7 million in the first six months of fiscal 2001. Average U.S. land rig revenue per day for the first six months of 2002 was $13,245 per day compared to $11,884 per day for the same period of 2001. Rig utilization for U.S. land rigs was 83% for the first six months of fiscal 2002 compared to 94% in the same period of 2001 as demand for land rigs decreased in 2002 as the result of lower natural gas prices. In March 2002, land rig revenue per day was $12,197 and rig utilization was 79% as dayrates were still drifting lower.

The Company's U.S. offshore platform rigs operating results were slightly improved in the six months ended March 31, 2002 compared with the same period of fiscal 2001. Rig utilization was 95% for the first six months of fiscal 2002 compared to 96% in the same period of 2001. Two newly constructed platform rigs, 205 and 206, are scheduled to commence operations in the Gulf of Mexico in May and June, respectively.

Depreciation expense was $16.8 million in the first six months of fiscal 2002 compared to $10.9 million in the same period of fiscal 2001. The $5.9 million increase is the result of new rig investment during the period April, 2001 to March 2002.

Although difficult to predict, the Company's estimated revenue per day for U.S. land rigs in the last six months of fiscal 2002 is approximately $10,600 per day and rig utilization is 85%. Margins will be somewhat lower in the second half of 2002, as expenses have not decreased with lower revenues. As previously stated, ten new FlexRigs will be added in the last six months of fiscal 2002.

INTERNATIONAL DRILLING

INTERNATIONAL DRILLING'S operating profit decreased to $8.3 million from $11.3 million. Revenues increased to $78.3 million from $73.8 million. Improved profitability in Ecuador and Argentina helped offset reduced operating profit in Colombia and Bolivia. In the first six months of fiscal 2002, devaluation losses in both Argentina and Venezuela negatively impacted operating profit. Venezuela recorded devaluation losses of $2.3 million resulting from a severe decline in the value of the Venezuelan bolivar due to a change in its government exchange policy. Subsequent to March 31, 2002, the bolivar has improved in value relative to the U.S. dollar. Should an additional devaluation of the bolivar occur, the Company could be exposed to additional currency losses of between $0.5 million and $1.4 million during the remainder of fiscal 2002.

Argentina also recorded a devaluation loss of $1.2 million in the first six months of 2002 due to devaluation of the Argentina peso. With current conditions in Argentina, there is still significant uncertainty regarding economic, banking and currency stability. Based on a peso exchange of 3.0 and 3.5, the Company could be exposed to additional losses of between $2 and $4 million during this fiscal year due to currency devaluation.

OTHER

Interest income was $1.1 million in the first six months of 2002 compared to $3.1 million in the same period of 2001. The decrease is the result of lower interest rates and decreased cash balances in 2002. Dividend income was $1.4 million in the first six months of fiscal 2002 compared to $2.2 million in 2001. The decrease is the result of reduced equity holdings in Kerr-McGee and Occidental Petroleum and in money market investments in fiscal 2002.

Interest expense for the first six months of fiscal 2002 was $0.7 million compared with $0.7 million for the same period in fiscal 2001. Corporate general and administrative expense was $9.9 million in the first six months of fiscal 2002 compared to $8.2 million for the same period of 2001. The $1.7 million increase is related to labor and benefits, higher pension and insurance costs and legal and professional services related to efforts to establish the Oil and Gas Division as a separate public entity.

The Company's effective income tax rate increased to 42.4% for the first six months of fiscal 2002 compared to 39.7% for the same period of 2001. The increase is due primarily to 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 $86.9 million for the first six months of fiscal 2002, compared to $133.7 million for the same period in 2001. The decrease in cash flows was the result of significantly lower cash flow from the Exploration and Production segment due to decreased gas prices. Capital expenditures were $165.7 million and $110.5 million for the first six months of fiscal 2002 and 2001, respectively.

The Company anticipates capital expenditures to be approximately $357 million for fiscal 2002. Internally generated cash flows are projected to be approximately $165 million for fiscal 2002 and cash balances were $45 million at March 31, 2002. The Company's indebtedness totaled $50,000,000 as of March 31, 2002, as described in note 7 to the Consolidated Condensed Financial Statements. It is anticipated that the Company will secure additional borrowing in the last six months of fiscal 2002 and possibly sell a portion of its investment portfolio to fund projected capital expenditures.

In the second quarter of fiscal 2002, the Company sold its remaining 150,000 shares of Occidental Petroleum for approximately $4.2 million.

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 under the heading "Litigation Settlement" as disclosed in Note 12 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

(a) Exhibits

The following documents are included as exhibits to this Form 10-Q. Those exhibits below incorporated by reference herein are indicated as such. If not so indicated, such exhibits are filed herewith.

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of February 23, 2002, by and among Helmerich & Payne, Inc., Cimarex Energy Co., Mountain Acquisition Co. and Key Production Company, Inc. is incorporated herein by reference to Exhibit 2.1 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.
3.2	Amended and Restated By-laws of the Registrant.
10.1	Distribution Agreement, dated as of February 23, 2002, by and between Helmerich & Payne, Inc. and Cimarex Energy Co. is incorporated herein by reference to Exhibit 10.1 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.
10.2	Tax Sharing Agreement, dated as of February 23, 2002, by and between Helmerich & Payne, Inc. and Cimarex Energy Co. is incorporated herein by reference to Exhibit 10.2 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.
10.3	Employee Benefits Agreement, dated as of February 23, 2002, by and between Helmerich & Payne, Inc. and Cimarex Energy Co. is incorporated herein by reference to Exhibit 10.3 to the Cimarex Energy Co. Registration Statement No. 333-87948 on Form S-4 filed May 9, 2002.

(b) Reports on Form 8-K

For the three months ended March 31, 2002, registrant furnished, on January 23, 2002, 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. In addition, registrant filed on February 25, 2002 one Form 8-K reporting events under Item 5 of the Form 8-K regarding execution of a merger agreement and a related press release and another Form 8-K reporting events under Item 5 of the Form 8-K regarding currency devaluation in connection with registrant's operations in Venezuela.

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:	*May 15 2002*	*/s/ DOUGLAS E. FEARS*
		Douglas E. Fears, Chief Financial Officer
Date:	*May 15 2002*	*/s/ HANS C. HELMERICH*
		Hans C. Helmerich, President

EXHIBIT INDEX

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EXHIBIT 3.2

AMENDED AND RESTATED BY-LAWS

OF

HELMERICH & PAYNE, INC.

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OFFICES

1. The principal office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is The Corporation Trust Company.

2. The corporation may also have offices at Tulsa, Oklahoma, and at such other places as the Board of Directors may from time to time appoint or the business of the corporation may require.

SEAL

3. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

STOCKHOLDERS' MEETINGS

4. All meetings of the stockholders for the election of Directors shall be held at the principal office of the corporation in Tulsa, Oklahoma. Special meetings of stockholders for any other purpose may be held at such place and time as shall be stated in the notice of the meeting.

5. An annual meeting of stockholders, after the year 1940, shall be held on the first Wednesday of March in each year if not a legal holiday, and if a legal holiday, then on the next secular day following, at 12:00 o'clock noon, when they shall elect by a plurality vote, by ballot, a Board of Directors, and transact such other business as may properly be brought before the meeting.

6. The holders of a majority of the stock issued and outstanding, and entitled to vote thereat, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, by the Certificate of Incorporation or by these By-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person, or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present, or represented, any business may be transacted which might have been transacted at the meeting as originally notified. Unless otherwise provided by statute, a plurality of the votes cast at any meeting

of the stockholders at which a quorum is present shall be necessary for the authorization of any action or the transaction of any business at such meeting and, except as provided in Section 5 above for the election of Directors, the vote need not be by ballot unless a vote by ballot is demanded by a stockholder present at the meeting.

7. At any meeting of the stockholders every stockholder having the right to vote shall be entitled to vote in person, or by proxy appointed by an instrument in writing subscribed by such stockholder and bearing a date not more than three years prior to said meeting, unless said instrument provides for a longer period. Each stockholder shall have one vote for each share of stock having voting power, registered in his name on the books of the corporation, and except where the transfer books of the corporation shall have been closed or a date shall have been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election of Directors which shall have been transferred on the books of the corporation within twenty days next preceding such election of Directors.

8. Written notice of the annual meeting shall be served upon or mailed to each stockholder entitled to vote thereat at such address as appears on the stock books of the corporation, at least ten (10) days prior to the meeting.

9. A complete list of the stockholders entitled to vote at the ensuing election, arranged in alphabetical order, with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary and filed in the office where

the election is to be held, at least ten days before every election, and shall at all times during the usual hours for business and during the whole time of said election, be open to the examination of any stockholder.

10. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting.

11. Business transacted at all special meetings shall be confined to the objects stated in the call.

12. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed at least ten

(10) days before such meeting to each stockholder entitled to vote thereat at such address as appears on the books of the corporation.

12.1 Without limiting any other notice requirements imposed by law, the Certificate of Incorporation or these By-laws, any nomination for election to the Board of Directors or other proposal to be presented by any stockholder at a stockholder meeting will be properly presented only if written notice of such stockholder's intent to make such nomination or proposal has been delivered or mailed to and received by the Secretary, not later than (i) for an annual meeting to be held on the first Wednesday in March or an annual meeting to be held on any other date for which the corporation gives at least 90 days prior notice of such date to stockholders, not less than 50 nor more than 75 days prior to such meeting, or

(ii) for any other annual meeting or a special meeting, the close of business on the tenth day after notice of such meeting is first given to stockholders. Such notice by the stockholder to the corporation shall set forth in reasonable detail information concerning the nominee (in the case of a nomination for election to the Board of Directors) or the substance of the proposal (in the case of any other stockholder proposal), and shall include, without limiting the foregoing: (a) the name and address of the stockholder who intends to present the nomination or other proposal and of the person or persons, if any, to be nominated; (b) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the nomination or other proposal specified in the notice; (c) a description of all arrangements or understandings between the stockholder and any other person or persons (naming such person or persons) pursuant to which the nomination or other proposal is to be made by the stockholder; (d) such other information regarding each proposal and each nominee as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nomination or other proposal been made by the Board of Directors; and (e) the consent of each nominee, if any, to serve as a Director of the corporation if elected. The chairman of the meeting may, in his sole discretion, refuse to acknowledge a nomination or other proposal presented by any person that does not comply with the foregoing procedure.

13. A. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action, the meeting and vote of stockholders may be dispensed with to the extent permitted by law, if all the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken. A minute of any such corporate action consented to in writing by all the stockholders shall be inserted in the records of the corporation as of the date such action was taken. The minute shall state that such action was taken in lieu of an annual or a special meeting or other action required to be taken by the stockholders, and the written consent of all the stockholders shall either appear at the foot of such minute or be filed with the records of the corporation with such minute.

B. The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting shall be fixed by the Board of Directors. Any stockholder seeking to have the stockholders authorize or take corporate action by written consent without a meeting shall, by written notice, request the Board of Directors to fix a record date. Within ten days after receiving such a notice, the Board of Directors shall fix as a record date for such proposed action by written consent such date as the Board shall consider appropriate in the circumstances.

DIRECTORS

14. A. The number of Directors which shall con-stitute the entire Board shall be ten, which number may from time to time be increased or decreased by a majority of the entire Board of Directors, but shall in no event be less than three. If the number of Directors be increased, as hereinabove provided or otherwise pursuant to law, such increase shall be deemed to create vacancies to be filled as hereinafter prescribed. Directors need not be stockholders. No person shall be eligible to be nominated to be a Director who will have attained the age of 72 years on or before the Annual Meeting of Stockholders at which he or she is to be elected nor shall any Director be eligible to be appointed by the Board of Directors to fill a vacancy if he or she has or shall have attained the age of 72 years at the time of appointment. No Officer of the Company, other than a person who is or has been Chairman of the Board or President, shall become nor may remain a Member of the Board of Directors after ceasing to be an officer.

B. The Board of Directors shall be divided into three classes: one class of Directors composed of three Directors and known as the First Class shall be those Directors elected for a three-year term at the Annual Meeting of Stockholders held March 5, 1980; another class of Directors composed of three Directors and known as the Second Class shall be those Directors elected for a three-year term at the Annual Meeting of Stockholders held March 1, 1978; and another class of Directors composed of three Directors and known as the Third Class shall be those Directors elected for a three-year term at the Annual Meeting of Stockholders held March

7, 1979, and one additional Director elected at the Special Meeting of the Board of Directors held May 13, 1980, as the third member of the Third Class. At each succeeding Annual Meeting of Stockholders successors to the class of Directors whose term expires in that year will be elected for a three-year term. Vacancies in any class that occur prior to the expiration of the then current term of such class if filled by the Board of Directors shall be filled for the remainder of the full term of such class. If the number of Directors is changed, any increase or decrease of Directors shall be apportioned among the classes so as to establish or maintain equality in number among the classes and any additional Director elected to any class shall hold office for a term which shall coincide with the term of such class. Where the number of Directors constituting the whole Board is such that it is impossible to establish or maintain complete equality in number among the classes, the increase or decrease in Directors shall be apportioned among the classes so as to maintain all classes as nearly equal in number as possible, and so that the Third Class does not have more members than either the First or Second Class and the Second Class does not have more members than the First Class. Except as otherwise provided for filling vacancies, the Directors of the Company shall be elected by class at the Annual Meeting of Stockholders to serve until their successors are elected and qualified.

15. The Directors may hold their meetings and keep the books of the corporation, except the original or duplicate stock ledger,

outside of Delaware at such places as they may from time to time determine.

16. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, a majority of the remaining Directors, though less than a quorum, shall choose a successor or successors, who shall hold office for the unexpired term in respect to which such vacancy occurred or until the next election of Directors.

17. The property and business of the corporation shall be managed by its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-laws directed or required to be exercised or done by the stockholders.

COMMITTEES OF DIRECTORS

18. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more of the Directors of the corporation, which, to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have power to authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

19. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

COMPENSATION OF DIRECTORS

20. Directors, as such, shall not receive any stated salary for their services, but by resolution of the Board, a fixed sum and expenses of attendance, if any, may be allowed for attendance at each regular or special meeting of the Board; provided that nothing herein contained shall be construed to preclude any Director from serving the corporation in any other capacity and receiving compensation therefor.

21. Members of special or standing committees may be allowed like compensation for attending committee meetings.

MEETINGS OF THE BOARD

22. The first meeting of each newly elected Board shall be held at such time and place either within or without the State of Delaware as shall be fixed by the vote of the stockholders at the annual meeting, and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting; provided a majority of the whole Board shall be present; or they may meet at such place and time as shall be fixed by the consent in writing of all the Directors.

23. Regular meetings of the Board may be held without notice at such time and place either within or without the State of Delaware as shall from time to time be determined by the Board.

24. Special meetings may be called by the Chairman of the Board, the President or the Secretary on no less than twenty-four (24) hours notice to each Director, either personally, by mail (regular or express), facsimile transmission, e-mail, telegram or by any combination thereof. Special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of a majority of the Board of Directors. Notice of the calling of any special meeting may be disseminated in any manner set forth above by the person calling the meeting or the Secretary or any Assistant Secretary provided such notice indicates the person who has duly called the same. Each such notice shall state the time and place of the meeting to be so held. Except as otherwise specifically provided in these By-laws, no notice of the objects or purposes of any special meeting of the Board of Directors need be given and, unless otherwise indicated in the notice thereof, any and all business may be transacted at any such special meeting.

25. At all meetings of the Board four (4) Directors shall constitute a quorum for the transaction of business, and the act of a majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, expect as may be otherwise specifically provided by statute or by the Certificate of Incorporation, or by these By-laws.

OFFICERS

26. The officers of the corporation shall be chosen by the Directors, who at any time, may elect a Chairman of the

Board, a Chief Executive Officer, a Chief Operating Officer, a President, one or more Vice-Presidents, a Secretary, and a Treasurer. The Directors may also designate any one or more Vice-Presidents, as Executive Vice-Presidents, Senior Vice-Presidents, Financial Vice-President or otherwise and may elect or appoint such additional officers, including Assistant Secretaries and Assistant Treasurers, and agents as the Directors may deem advisable. Any two or more offices may be held by the same person, except the offices of Chairman of the Board and Secretary and the offices of President and Secretary.

27. The Board of Directors, at its first meeting after each annual meeting of stockholders, or as soon as conveniently possible, shall choose the principal officers, none of whom, except the Chairman of the Board, need be a member of the Board.

28. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors. No officer or agent shall be ineligible to receive such salary by reason of the fact that he is also a Director of the corporation and receiving compensation therefor.

29. The officers of the corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors.

30. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

CHAIRMAN OF THE BOARD

31. The Chairman of the Board shall preside at all meetings of the stockholders and the Board of Directors. Except where, by law, the signature of the President is required, the Chairman shall possess the same power as the President to sign all certificates, contracts, and other instruments of the corporation which may be authorized by the Board of Directors. He shall have such other powers and perform such other duties as the Board of Directors or its Executive Committee may from time to time prescribe.

CHIEF EXECUTIVE OFFICER

32. The Chief Executive Officer shall have general active management of the business of the corporation, and in the absence of the Chairman of the Board, shall preside at all meetings of the shareholders and the Board of Directors; and shall see that all orders and resolutions of the Board of Directors are carried into effect. He shall have such other powers and perform such other duties as the Board of Directors or its Executive Committee may from time to time prescribe.

CHIEF OPERATING OFFICER

33. In the event that the Board of Directors shall have chosen a Chief Executive Officer, they may choose a Chief Operating Officer. The Chief Operating Officer, shall have general direction of the supervision over the ordinary details relating to the corporation's production and exploration, drilling, chemicals, real estate, and administrative departments; he shall always proceed, however, pursuant to the

instructions of the Chief Executive Officer. It shall be the duty of the Chief Operating Officer to report to the Chief Executive Officer daily the exact nature, extent, terms and conditions of all business, contracts and commitments; to render promptly such statements and reports touching upon the business of the corporation in his charge as may be called for from time to time by the Chief Executive Officer or by the Board of Directors; and to perform such other duties as may be prescribed from time to time by the Board of Directors.

THE PRESIDENT

34. The President, in the absence of the Chairman of the Board and the Chief Executive Officer, shall preside at all meetings of the stockholders and the Board of Directors. He shall have, subject to the authority of the Chairman of the Board and/or the Chief Executive Officer, general supervision of the affairs of the corporation, shall sign or countersign all certificates, contracts, or other instruments of the corporation as authorized by the Board of Directors or as required by law, shall make reports to the Board of Directors and stockholders, and shall perform any and all other duties as are incident to his office or are properly required of him by the Board of Directors.

VICE-PRESIDENTS

35. The Vice-Presidents, in the order designated by the Board of Directors, shall, in the absence or disability of the President, or at his request, perform the duties and exercise the powers of the President and shall perform such other duties

as from time to time the Board of Directors shall prescribe.

THE SECRETARY AND THE TREASURER

36. The Secretary and the Treasurer shall perform those duties as are incident to their offices, or are properly required of them by the Board of Directors, or are assigned to them by the Certificate of Incorporation or these By-Laws. The Assistant Secretaries, in the order of their seniority, shall, in the absence of the Secretary perform the duties and exercise the powers of the Secretary, and shall perform any other duties as may be assigned by the Board of Directors, Chairman of the Board, Chief Executive Officer, President, or the Secretary. The Assistant Treasurers, in the order of their seniority, shall, in the absence of the Treasurer perform the duties and exercise the powers of the Treasurer, and shall perform any other duties as may be assigned by the Board of Directors, Chairman of the Board, Chief Executive Officer, President, or the Treasurer.

OTHER SUBORDINATE OFFICERS

37. Other subordinate officers appointed by the Board of Directors shall exercise any powers and perform any duties as may be delegated to them by the resolutions appointing them, or by subsequent resolutions adopted from time to time.

ABSENCE OR DISABILITY

38. In case of the absence or disability of any officer of the corporation and of any person authorized to act in his or her place during such period of absence or disability, the Board of Directors may from time to time delegate the powers

and duties of that officer to any other officer, or any director, or any other person whom it may select.

VOTING CORPORATION'S SECURITIES

39. Unless otherwise ordered by the Board of Directors, the Chairman of the Board, the Chief Executive Officer, or the President, in that order, or in the event of their inability to act, the Vice-President designated by the Board of Directors to act in the absence of the Chairman of the Board, the Chief Executive Officer or the President, shall have full power and authority on behalf of the corporation to attend and to act and to vote at any meetings of security holders of corporations in which the corporation may hold securities, and at such meetings shall possess and may exercise any and all rights and powers incident to the ownership of such securities, and which as the owner thereof the corporation might have possessed and exercised, if present. The Board of Directors by resolution from time to time may confer like powers upon any other person or persons.

CERTIFICATES OF STOCK

40. The certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the chairman or vice-chairman of the board of directors or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary. If the corporation has a transfer agent or an assistant transfer agent or a

transfer clerk acting on its behalf and a registrar, the signature of any such officer may be a facsimile.

TRANSFERS OF STOCK

41. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

CLOSING OF TRANSFER BOOKS

42. The board of Directors shall have power to close the stock transfer books of the corporation for a period not exceeding sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period of not exceeding sixty days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the

stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

43. The corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

LOST CERTIFICATE

44. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be

lost. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed. The Board of Directors need not act specifically upon the replacement of each lost or destroyed certificate, but may delegate to the officers of the corporation the power to authorize, in writing, without further authority of the Board of Directors, the transfer agent of the corporation to issue a new certificate or certificates of stock in replacement of certificates alleged to have been lost, stolen, or destroyed; provided, however, that no replacement certificates shall be issued unless there shall first have been furnished to the corporation or its transfer agent satisfactory proof of such loss, theft, or destruction, and adequate protection to the corporation and its transfer agent under an appropriate bond of indemnity under which they shall be named as Obligee, and which bond shall be in an amount and form satisfactory to the officer of the corporation issuing the written authorization.

CHECKS

45. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such

other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

46. The fiscal year shall begin the first day of October in each year.

DIVIDENDS

47. Dividends upon the capital stock of the corporation subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock.

48. Before payment of any dividend there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Directors shall think conducive to the interest of the corporation, and the Directors may abolish any such reserve in the manner in which it was created.

DIRECTORS' ANNUAL STATEMENT

49. The Board of Directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the corporation.

NOTICES

50. Whenever under the provisions of these By-laws notice

is required to be given to any Director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, by depositing the same in the post office or letter box, in a post-paid sealed wrapper, addressed to such Director or stockholder at such address as appears on the books of the corporation, or, in default of other address, to such Director or stockholder at the General Post Office in the City of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus mailed.

51. Any notice required to be given under these By-laws may be waived in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein. Consent in writing to any action by all of the stockholders pursuant to By-law 13 shall be deemed a waiver by such stockholder of all notice in respect to such action.

AMENDMENTS

52. These By-laws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration or repeal

be

contained in the notice of such special meeting; provided, however, that no change of the time or place for the election of Directors shall be made within sixty days next before the day on which such election is to be held, and that in case of any change of such time or place, notice thereof shall be given to each stockholder in person or by letter mailed to his last known post office address at least twenty days before the election is held.

APPROVED by the Board of Directors of the Corporation on December 5, 2001 and March 6, 2002.
