HELMERICH & PAYNE, INC.

FORM 10-K
(Annual Report)

Filed 12/27/01 for the Period Ending 09/30/01

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-K
(Annual Report)

Filed 12/27/2001 For Period Ending 9/30/2001

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 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 identification no.)
UTICA AT TWENTY-FIRST STREET, TULSA, OKLAHOMA (Address of principal executive offices)	74114 (Zip code)

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

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

TITLE OF EACH CLASS	NAME OF EXCHANGE ON WHICH REGISTERED
Common Stock ($0.10 par value)	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

Securities registered Pursuant to Section 12(g) of the Act: 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 [ ]

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

At December 14, 2001, the aggregate market value of the voting stock held by non-affiliates was $1,402,779,905.

Number of shares of common stock outstanding at December 14, 2001:
49,859,297.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Annual Report to Shareholders for the fiscal year ended September 30, 2001 -- Parts I, II, and IV.

(2) Proxy Statement for Annual Meeting of Security Holders to be held March 6, 2002 -- Part III.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

THIS REPORT INCLUDES "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE SECURITIES ACT OF 1933, AS AMENDED, AND THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS INCLUDED IN THIS REPORT, INCLUDING, WITHOUT LIMITATION, STATEMENTS REGARDING THE REGISTRANT'S FUTURE FINANCIAL POSITION, BUSINESS STRATEGY, BUDGETS, PROJECTED COSTS AND PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, ARE FORWARD-LOOKING STATEMENTS. IN ADDITION, FORWARD-LOOKING STATEMENTS GENERALLY CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY", "WILL", "EXPECT", "INTEND", "ESTIMATE", "ANTICIPATE", "BELIEVE", OR "CONTINUE" OR THE NEGATIVE THEREOF OR SIMILAR TERMINOLOGY. ALTHOUGH THE REGISTRANT BELIEVES THAT THE EXPECTATIONS REFLECTED IN SUCH FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CAN GIVE NO ASSURANCE THAT SUCH EXPECTATIONS WILL PROVE TO BE CORRECT. IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THE REGISTRANT'S EXPECTATIONS ARE DISCLOSED IN ITEM 1. BUSINESS "REGULATIONS AND HAZARDS", AND "MARKET FOR OIL AND GAS", AS WELL AS IN MANAGEMENT'S DISCUSSION & ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION ON PAGES 10 THROUGH 17 IN REGISTRANT'S ANNUAL REPORT TO THE SHAREHOLDERS FOR FISCAL 2001 AND IN THE REMAINDER OF THIS REPORT. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO THE REGISTRANT, OR PERSONS ACTING ON ITS BEHALF, ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY SUCH CAUTIONARY STATEMENTS. THE REGISTRANT ASSUMES NO DUTY TO UPDATE OR REVISE ITS FORWARD-LOOKING STATEMENTS BASED ON CHANGES IN INTERNAL ESTIMATES OR EXPECTATIONS OR OTHERWISE.

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended September 30, 2001

PART I

Item 1. BUSINESS

Helmerich & Payne, Inc. (the "Registrant"), was incorporated under the laws of the State of Delaware on February 3, 1940, and is successor to a business originally organized in 1920. Registrant is primarily engaged in the exploration, production, and sale of crude oil and natural gas and in contract drilling of oil and gas wells for others. These activities account for the major portion of its operating revenues. The Registrant is also engaged in the ownership, development, and operation of commercial real estate.

The Registrant is organized into three separate autonomous operating divisions being contract drilling; oil & gas exploration and production operations; and real estate. While there is a limited amount of intercompany activity, each division operates essentially independently of the others. Each of the divisions, except exploration and production, conducts their respective business through wholly owned subsidiaries. Operating decentralization is balanced by a centralized finance division, which handles all accounting, data processing, budgeting, insurance, cash management, and related activities.

Most of the Registrant's current exploration efforts are concentrated in Louisiana, Oklahoma, Texas, and the Hugoton Field of western Kansas. The Registrant also explores from time to time in the Rocky Mountain area, New Mexico, Alabama, Michigan, and Mississippi. Substantially all of the Registrant's gas production is sold to and resold by its marketing subsidiary. This subsidiary also purchases gas from unaffiliated third parties for resale.

The Registrant's domestic contract drilling is conducted primarily in Oklahoma, Texas, Wyoming, and Louisiana, and offshore from platforms in the Gulf of Mexico and offshore California. The Registrant has also operated during fiscal 2001 in six international locations: Venezuela, Ecuador, Colombia, Argentina, Bolivia and Equatorial Guinea.

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

CONTRACT DRILLING

The Registrant believes that it is one of the major land and offshore platform drilling contractors in the western hemisphere. Operating principally in North and South America, the Registrant specializes primarily in deep drilling in major gas producing basins of the United States and in drilling for oil and gas in remote international areas. For its international operations, the Registrant operates certain rigs which are transportable by helicopter. In the United States, the Registrant draws its customers primarily from the major oil companies and the larger independents. The Registrant also drills for its own oil and gas division. In South America, the Registrant's current customers include the Venezuelan state petroleum company and major international oil companies.

In fiscal 2001, Registrant received approximately 45% of its consolidated revenues from the Registrant's ten largest contract drilling customers. BP and Shell Oil Co., including their affiliates, (respectively, "BP" and "Shell") are the Registrant's two largest contract drilling customers. The

Registrant performs drilling services for BP and Shell on a world-wide basis. Revenues from drilling services performed for BP and Shell in fiscal 2001 accounted for approximately 15% and 8%, respectively, of the Registrant's consolidated revenues for the same period. While the Registrant believes that its relationship with all of these customers is good, the loss of BP or Shell or a simultaneous loss of several of its larger customers would have a material adverse effect on the drilling subsidiary and the Registrant.

The Registrant provides drilling rigs, equipment, personnel, and camps on a contract basis. These services are provided so that Registrant's customers may explore for and develop oil and gas from onshore areas and from fixed and tension leg platforms in offshore areas. Each of the drilling rigs consists of engines, drawworks, a mast, pumps, blowout preventers, a drillstring, and related equipment. The intended well depth and the drilling site conditions are the principal factors that determine the size and type of rig most suitable for a particular drilling job. A land drilling rig may be moved from location to location without modification to the rig. Conversely, a platform rig is specifically designed to perform drilling operations upon a particular platform. While a platform rig may be moved from its original platform, significant expense is incurred to modify a platform rig for operation on each subsequent platform. In addition to traditional platform rigs, Registrant operates self-moving minimum space platform drilling rigs and drilling rigs to be used on tension leg platforms. The minimum space rig is designed to be moved without the use of expensive derrick barges. The tension leg platform rig allows drilling operations to be conducted in much deeper water than traditional fixed platforms. A helicopter rig is one that can be disassembled into component part loads of approximately 4,000-20,000 pounds and transported to remote locations by helicopter, cargo plane, or other means.

The Registrant's workover rigs are equipped with engines, drawworks, a mast, pumps, and blowout preventers. A workover rig is used to complete a new well after the hole has been drilled by a drilling rig, and to remedy various downhole problems that occur in producing wells.

During fiscal 1998, Registrant put to work a new generation of six highly mobile/depth flexible new rigs (individually the "FlexRig"TM). The FlexRig has the potential to reduce rig move times by at least 50%. In addition, the FlexRig allows a greater depth flexibility of between 8,000 to 18,000 feet and provides greater operating efficiency. During fiscal 2000, the Registrant ordered 12 new FlexRigs at an approximate cost of between $7.5 million and $8.25 million each. The Registrant took delivery of nine new FlexRigs through October 2001, and expects the final three FlexRigs to be delivered by the end of calendar 2001. During fiscal 2001, the Registrant ordered an additional 25 new FlexRigs at an approximate cost of $10 million each. These new rigs are the next generation of FlexRigs which incorporate new drilling technology and new safety design. The FlexRigs will be available for work in the Registrant's domestic and international drilling operations. The Registrant expects that approximately 15 of these next generation rigs will be delivered between March and September, 2002, with the remaining rigs expected to be delivered by the end of fiscal 2003.

The Registrant's drilling contracts are obtained through competitive bidding or as a result of negotiations with customers, and sometimes cover multi-well and multi-year projects. Each drilling rig operates under a separate drilling contract. Most of the contracts are performed on a "daywork" basis, under which the Registrant charges a fixed rate per day, with the price determined by the location, depth, and complexity of the well to be drilled, operating conditions, the duration of the contract, and the competitive forces of the market. The Registrant has previously performed contracts on a combination "footage" and "daywork" basis, under which the Registrant charged a fixed rate per foot of hole drilled to a stated depth, usually no deeper than 15,000 feet, and a fixed rate per day for the remainder of the hole. Contracts performed on a "footage" basis involve a greater element of risk to the contractor than do contracts performed on a "daywork" basis. Also, the Registrant has previously accepted "turnkey" contracts under which the Registrant charges a fixed sum to deliver a hole to a stated depth and agrees to furnish services such as testing, coring, and casing the hole which are not normally done on a "footage" basis. "Turnkey" contracts entail varying degrees of risk greater than the usual "footage" contract. Registrant did not accept a "footage" or "turnkey" contract during fiscal 2001. The Registrant believes that under current market conditions "footage" and "turnkey" contract rates do not adequately compensate contractors for the added risks. The duration of the Registrant's drilling contracts are "well-to-well" or for a fixed term. "Well-to-well" contracts are cancelable at the option of either party upon the completion of drilling at any one site. Fixed-term contracts customarily provide for termination at the election of the customer, with an "early termination payment" to be paid to the contractor if a contract is terminated prior to the expiration of the fixed term.

While current fixed term contracts are for one to five year periods, some fixed term and well-to-well contracts are expected to be continued for longer periods than the original terms. However, the contracting parties have no legal obligation to extend the contracts. Contracts generally contain renewal or extension provisions exercisable at the option of the customer at prices mutually agreeable to the Registrant and the customer. In most instances contracts provide for additional payments for mobilization and demobilization. Contracts for work in foreign countries generally provide for payment in United States dollars, except for amounts required to meet local expenses. However, government owned petroleum companies are more frequently requesting that a greater proportion of these payments be made in local currencies. See Regulations and Hazards, page I-8.

Domestic Drilling

The Registrant believes it is a major land and offshore platform drilling contractor in the domestic market. At the end of September, 2001, the Registrant had 59 of its rigs (49 land rigs and 10 platform rigs) operating in the United States and had management contracts for three customer-owned rigs. The 11 rig increase from fiscal 2000 to 2001 is due to the delivery of seven new FlexRigs, transfer of three rigs from Registrant's international operations, and the assembly of one rig from existing components.

During fiscal 2001, Registrant was awarded one term contract for the construction and operation of one self-moving platform rig in the Gulf of Mexico for a major oil company. Registrant expects that this rig will commence drilling operations during calendar year 2002. Also, during fiscal 2001, Registrant signed a letter of intent for the construction and operation of one self-moving platform rig in the Gulf of Mexico for another major oil company. If a contract is awarded, it is expected that drilling operations would commence during calendar year 2002.

International Drilling

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

Venezuelan operations continue to be a significant part of the Registrant's operations. At the end of fiscal 2001, the Registrant owned and operated 14 land drilling rigs in Venezuela with a utilization rate of 37% for such fiscal year. The Registrant worked for the Venezuelan state petroleum company during fiscal 2001, and revenues from this work accounted for approximately 3.5% of the

Registrant's consolidated revenues during the fiscal year. During fiscal year 2001, Registrant moved three rigs from Venezuela to Houston, Texas, for modifications and upgrades.

Registrant's rig utilization rate in Venezuela has increased from approximately 32% during the 2000 fiscal year to approximately 37% in fiscal 2001. Even though the Registrant is, at this time, unable to predict future fluctuations in its utilization rates during fiscal 2002, the Registrant believes that the prospects are good for returning at least three of its idle rigs back to work during fiscal 20021.

The Venezuelan government, in early 1996, permitted foreign exploration and production companies to acquire rights to explore for and produce oil and gas in Venezuela. Registrant has performed contract drilling services in Venezuela for three independent oil companies during fiscal 2001.

At the end of fiscal 2001, the Registrant owned and operated seven rigs in Ecuador. The Registrant's utilization rate was 92% during fiscal 2001. Revenues generated by Ecuadorian drilling operations contributed approximately 4.3% of the Registrant's consolidated revenue. The contracts are with large international oil companies. During fiscal 2001, one rig was moved into Ecuador from Venezuela.

At the end of fiscal 2001, the Registrant owned and operated three drilling rigs in Colombia. The Registrant's utilization rate in Colombia was 69% during fiscal 2001. During fiscal 2001 the revenues generated by Colombian drilling operations contributed approximately 3.3% of the Registrant's consolidated revenues. During fiscal 2001, the Registrant moved four rigs from Colombia to Houston, Texas, for modifications and upgrades. The Registrant expects continued reduction in activity and revenues from Colombia.

In addition to its operations in Venezuela, Ecuador and Colombia, the Registrant in fiscal 2001 owned and operated six rigs in Bolivia and two rigs in Argentina. In Bolivia and Argentina, the contracts are with large international oil companies. During fiscal 2001, the Registrant continued operations under a management contract for a customer-owned platform rig located offshore Equatorial Guinea.

Competition

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

Although many contracts for drilling services are awarded based solely on price, the Registrant has been successful in establishing long-term relationships with certain customers which have allowed the Registrant to secure drilling work even though the Registrant may not have been the lowest bidder for such work. The Registrant has continued to attempt to differentiate its services based upon its engineering design expertise, operational efficiency, safety and environmental awareness.

Regulations and Hazards

The drilling operations of the Registrant are subject to the many hazards inherent in the business, including blowouts and well fires. These hazards could cause personal injury, suspend drilling operations, seriously damage or destroy the equipment involved, and cause substantial damage to producing formations and the surrounding areas.

The Registrant believes that it has adequate insurance coverage for comprehensive general liability, public liability, property damage (including insurance against loss by fire and storm, blowout, and cratering risks), workers compensation and employer's liability. No insurance is carried against loss of earnings or business interruption. The Registrant is unable to obtain significant amounts of insurance to cover risks of underground reservoir damage; however, the Registrant is generally indemnified under its drilling contracts from this risk. The majority of the Registrant's insurance coverage has been purchased through fiscal 2002, however, rates and deductibles increased substantially for a number of coverages due to general hardening in the energy insurance market as well as the events of September 11, 2001. In view of these present conditions, no assurance can be given that all or a portion of the Registrant's coverage will not be cancelled during fiscal 2002 nor that insurance coverage will continue to be available at rates considered reasonable.

International operations are subject to certain political, economic, and other uncertainties not encountered in domestic operations, including increased risks of terrorism, expropriation of equipment as well as expropriation of a particular oil company operator's property and drilling rights, taxation policies, foreign exchange restrictions, currency rate fluctuations, and general hazards associated with foreign sovereignty over certain areas in which operations are conducted. There can be no assurance that there will not be changes in local laws, regulations, and administrative requirements or the interpretation thereof which could have a material adverse effect on the profitability of the Registrant's operations or on the ability of the Registrant to continue operations in certain areas. Because of the impact of local laws, the Registrant's future operations in certain areas may be conducted through entities in which local citizens own interests and through entities (including joint ventures) in which the Registrant holds only a minority interest, or pursuant to arrangements under which the Registrant conducts operations under contract to local entities. While the Registrant believes that neither operating through such entities nor pursuant to such arrangements would have a material adverse effect on the Registrant's operations or revenues, there can be no assurance that the Registrant will in all cases be able to structure or restructure its operations to conform to local law (or the administration thereof) on terms acceptable to the Registrant. The Registrant further attempts to minimize the potential impact of such risks by operating in more than one geographical area and by attempting to obtain indemnification from operators against expropriation, nationalization, and deprivation.

During fiscal 2001, approximately 18.7% of the Registrant's consolidated revenues were generated from the international contract drilling business. Approximately 93% of the international revenues were from operations in South America and 51% of South American revenues were from Venezuela and Ecuador. Exposure to potential losses from currency devaluation is minimal in Colombia, Ecuador, Bolivia and Argentina. In those countries, all receivables and payments are currently in U.S. dollars. Cash balances are kept at a minimum which assists in reducing exposure.

In Venezuela, approximately 50% of the Registrant's invoice billings are in U.S. dollars and the other 50% are in the local currency, the bolivar. The Registrant is exposed to risks of currency devaluation in Venezuela as a result of bolivar receivable balances and necessary bolivar cash balances. In 1994, the Venezuelan government established a fixed exchange rate in hopes of stemming economic problems caused by a high rate of inflation. During the first week of December, 1995, the government established a new exchange rate, resulting in further devaluation of the bolivar. In April of 1996, the bolivar was again devalued when the government decided to abolish its fixed rate policy and to allow a floating market exchange rate. During fiscal 2000, the Registrant experienced losses of approximately US$687,000 and in fiscal 2001 it experienced losses of US$796,000 as a result of the devaluation of the bolivar. Registrant is unable to predict future devaluation in Venezuela. In the event that fiscal 2002 activity levels are similar to fiscal 2001 and if a 25% to 50% devaluation would occur, the Registrant could experience potential currency valuation losses ranging from approximately US$1,600,000 to US$2,600,000.

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

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

The Registrant believes that it is in substantial compliance with all legislation and regulations affecting its operations in the drilling of oil and gas wells and in controlling the discharge of wastes. To date, compliance has not materially affected the capital expenditures, earnings, or competitive position of the Registrant, although these measures may add to the costs of operating drilling equipment in some instances. Additional legislation or regulation may reasonably be anticipated, and the effect thereof on operations cannot be predicted.

OIL & GAS EXPLORATION AND PRODUCTION OPERATIONS

The Registrant engages in the origination of prospects; the identification, acquisition, exploration, and development of prospective and proved oil and gas properties; the production and sale of crude oil, condensate, and natural gas; and the marketing of natural gas. The Registrant considers itself a medium-sized independent producer. All of the Registrant's oil and gas operations are conducted in the United States.

Most of the Registrant's current exploration and drilling effort is concentrated in Oklahoma, Kansas, Texas, and Louisiana. The Registrant also explores from time to time in New Mexico, Alabama, Michigan, Mississippi, and the Rocky Mountain area.

The Registrant's exploration and production division includes geographical exploitation/exploration teams comprised of geological, engineering, and land personnel. These personnel primarily develop in-house oil and gas prospects as well as review outside prospects and acquisitions for their respective geographical areas. The Registrant believes that this structure allows each team to gain greater expertise in its respective geographical area and reduces risk in the development of prospects.

The Registrant has been focusing on developing prospects using 3D seismic technology. Currently, the Registrant is involved in 3D surveys covering more than 1,480 square miles, of which approximately 1,180 square miles are proprietary. Approximately 1,100 square miles of land covered by such surveys is located near the Texas and Louisiana onshore Gulf Coast.

Registrant's exploration and development program has covered a range of prospects, from shallow "bread and butter" programs to deep, expensive, high risk/high return wells. The Registrant continued its drilling program in Oklahoma, Kansas, west Texas, south Texas and south Louisiana, participating in a total of 123 wells during fiscal 2001.

Of the 123 well total, 47 wells were development wells drilled in areas where reserves were previously booked, and 29 wells were dry holes. Registrant increased its development of proved undeveloped reserves in fiscal 2001 as the result of high natural gas prices during the last half of calendar 2000. The focus of this drilling was the Redfork play in western Oklahoma, additional development of Ashland Field in southeastern Oklahoma and the Hugoton Field in Kansas, as well as additional drilling in the panhandle of Texas and in southern Louisiana. Registrant's participation in these 47 development wells resulted in the addition of approximately 15.7 BCF of gas and 75,826 barrels of oil previously classified as proved undeveloped.

Of the remaining 76 wells drilled during the year, 40 were wildcat wells, 20 of which were successfully completed. These drilling efforts resulted in new discoveries of approximately 12.8 BCF of gas and 1,145,195 barrels of oil and condensate.

A total of $80,040,769 was spent in the Registrant's exploration and development program during fiscal 2001. This figure includes $7,838,770 of geophysical expense, but is exclusive of expenditures for acreage and acquisition of proved oil and gas reserves. The Registrant's total company-wide acquisition cost for acreage in fiscal 2001 was $18,611,957.

The Registrant also spent $737,500 for the acquisition of proved oil and gas reserves during fiscal 2001. The reserves associated with these acquisitions were 495,888 MCF of gas and 434 barrels of oil.

The Registrant's fiscal 2002 exploration and production budget has been reduced to approximately $50 million due to lower product prices, higher service company costs and high-grading of existing prospects in order to reduce finding costs. This is a 47.6% reduction from actual exploration and production expenditures in fiscal 2001.

During fiscal 2001, the Registrant continued to work with its investment banker, Petrie Parkman & Co., to analyze strategic alternatives with regard to the Registrant's oil and gas division. It is contemplated that a successful transaction could, among other things, lead to the spinoff of the Company's exploration and production business and the subsequent merger of such business with a third party. The Registrant is unable to predict if and when such a transaction may occur.

Market for Oil and Gas

The Registrant does not refine any of its production. The availability of a ready market for such production depends upon a number of factors, including the availability of other domestic production, price, crude oil imports, the proximity and capacity of oil and gas pipelines, and general fluctuations in supply and demand. The Registrant does not anticipate any unusual difficulty in contracting to sell its production of crude oil and natural gas to purchasers and end-users at prevailing market prices and under arrangements that are usual and customary in the industry. The Registrant and its subsidiary, Helmerich & Payne Energy Services, Inc., have successfully developed markets with end-users, local distribution companies, and natural gas brokers for gas produced from successful wildcat wells and development wells. Substantially all of Registrant's gas production is sold to and resold by Helmerich & Payne Energy Services, Inc. During fiscal 2001, the price that Registrant received for the sale of its natural gas has fluctuated. Registrant's average per MCF natural gas sales price in fiscal 2001 for each of the first through fourth quarters was $4.73, $6.49, $4.27 and $2.66, respectively.

The Registrant is of the opinion that during the next 12 to 18 months, the natural gas market will continue to be characterized by high volatility and relatively lower or moderating prices as compared to the average prices of natural gas in fiscal 2001.

Last year's record high natural gas prices spawned an increase of productive capacity and a dramatic increase in drilling. This increase in productive capacity combined with a slowing economy and record storage levels is expected to result in excess gas supplies for the next 12 to 18 months. During the next two to three years, Registrant believes that there will be a more balanced supply and demand of natural gas as the economy recovers and productive capacity continues to decline.

In the long-term, natural gas prices will be impacted by the decline in deliverability of domestic supply; increased use of natural gas for electrical generation; a recovery of U.S. economic growth; the increased usage and better management of natural gas storage; seasonal usage; fuel switching; usage of gas as a feed stock; and importation of gas from Canada and Mexico. All these factors will continue to influence the cyclical nature of the supply/demand balance and will continue to occur as drilling activity and productive capacity respond to the changing prices.

Historically, the Registrant has had no long-term sales contracts for its crude oil and condensate production. The Registrant continues its practice of contracting for the sale of its Kansas and Oklahoma and portions of its west Texas crude oil for terms of six to twelve months in an attempt to assure itself of the best price in the area for crude oil production. During fiscal 2001, the price that Registrant received for the sale of its crude oil has steadily decreased. Registrant's average per barrel crude oil sales price in fiscal 2001 for each of the first through fourth quarters was $31.44, $28.09, $26.12 and $25.33, respectively.

Mid-East tensions, disputes among OPEC and non-OPEC countries over production quotas, and sluggish economies have created a continued mixed market in crude oil trading. Although a change in any of these factors could dramatically affect pricing, it is anticipated that crude oil prices may remain in the low $20's over the coming year.

Competition

The Registrant competes with numerous other companies and individuals in the acquisition of oil and gas properties and the marketing of oil and gas. The Registrant believes that it should continue to prepare for increased exploration activity without committing to a definite drilling timetable. The Registrant also believes that competition for the acquisition of gas producing properties will continue. Considering the Registrant's conservative acquisition strategy, the Registrant believes that it may be unable to acquire significant proved developed producing reserves from third parties. The Registrant intends to continue its review of properties in areas where the Registrant has expertise. The

Registrant's competitors include major oil companies, other independent oil companies, and individuals. Many of these competitors have financial resources, staffs, and facilities substantially larger than those of the Registrant. The effect of these competitive factors on the Registrant cannot be predicted.

Title to Oil and Gas Properties

The Registrant undertakes title examination and performs curative work at the time properties are acquired. The Registrant believes that title to its oil and gas properties is generally good and defensible in accordance with standards acceptable in the industry.

Oil and gas properties in general are subject to customary royalty interests contracted for in connection with the acquisitions of title, liens incident to operating agreements, liens for current taxes, and other burdens and minor encumbrances, easements, and restrictions. The Registrant believes that the existence of such burdens will not materially detract from the general value of its leasehold interests.

Governmental Regulation in the Oil and Gas Industry

The Registrant's domestic operations are affected from time to time in varying degrees by political developments and federal and state laws and regulations. In particular, oil and gas production operations and economics are affected by price control, tax, and other laws relating to the petroleum industry; by changes in such laws; and by constantly changing administrative regulations. Most states in which the Registrant conducts or may conduct oil and gas activities regulate the production and sale of oil and natural gas, including regulation of the size of drilling and spacing units or proration units, the density of wells which may be drilled, and the unitization or pooling of oil and gas properties. In addition, state conservation laws establish maximum rates of production from oil and natural gas wells, generally prohibit the venting or flaring of natural gas, and impose certain requirements regarding the ratability of production. The effect of these regulations is to limit the amounts of oil and natural gas the Registrant can produce from its wells, and to limit the number of wells or locations at which the Registrant can drill. In addition, legislation affecting the natural gas and oil industry is under constant review. Inasmuch as such laws and regulations are frequently expanded, amended, or reinterpreted, the Registrant is unable to predict the future cost or impact of complying with such regulations. The Registrant believes that compliance with existing federal, state and local laws, rules and regulations will not have a material adverse effect upon its capital expenditures, earnings or competitive position.

Regulatory Controls

Historically, the transportation and sale for resale of natural gas in interstate commerce have been regulated under the Natural Gas Act ("NGA") and the regulations promulgated thereunder. Furthermore, the various states have regulated the production of natural gas and the gathering of natural gas, i.e., those activities which are not subject to Federal jurisdiction.

Specifically, as to sales by the Registrant, under the NGA prior to November 1978 the Federal Power Commission and its successor, the Federal Energy Regulatory Commission ("FERC"), established ceiling prices for sales of natural gas for resale in interstate commerce by the Registrant. In November 1978, the U.S. Congress enacted the Natural Gas Policy Act ("NGPA") which adopted certain FERC ceiling prices and established additional price ceiling categories (such ceiling prices called maximum lawful prices - "MLPs"). In addition, the NGPA provided for a phased removal of certain ceiling prices.

In 1989, the U.S. Congress enacted the Natural Gas Wellhead Decontrol Act which provided a process for the phased decontrol of all first sales of natural gas, with complete removal of price ceilings on first sales by January 1, 1993. Since the Registrant believes that all of its sales of natural gas are first sales, such sales are no longer subject to Federal regulation. However, there may still be issues of compliance with price ceilings as to prior periods. At this point, the only such issue, that the Registrant is aware of, relates to the Registrant's collection of reimbursement from certain interstate pipelines of Kansas ad valorem taxes paid by Registrant for sales prior to decontrol.

Prior to decontrol of first sales, the Registrant made first sales to several interstate pipelines for which it received reimbursement for Kansas ad valorem taxes based upon the understanding (supported by prior agency case law) that such reimbursements were permitted under NGPA Section 110. In September 1997, FERC reversed its prior rulings and found that the Kansas ad valorem tax was not a tax which was reimbursable under Section 110 of the NGPA. Therefore, FERC found that to the extent that a producer collected an amount for a first sale in excess of the applicable MLP, as a result of reimbursement for Kansas ad valorem taxes, then such producer was required to make refunds, with interest, to the interstate pipeline purchaser which had paid the reimbursements. The pipeline was then required to disburse such refunds to its customers.

Initially, reports of the affected pipelines listed refund liabilities of the Registrant based upon the total sales from wells which Registrant operated. Initial claims against the Registrant, as operator, totaled in excess of $13 million. During this period, Registrant estimated that its share of such refund liability totaled approximately $6.7 million. Subsequently, FERC issued clarifying orders providing that a producer was only responsible for refunds attributable to its own working interest ownership (and the related royalty interests) in production sold. Based upon that clarification, the interstate pipelines subsequently adjusted their refund claims to reflect only the respective producers' working interest share (with related royalty). Subsequently the pipelines made further adjustments to the claims based on corrected data.

In response to the pipeline claims and prior to FERC's clarification as discussed above, the Registrant paid, under protest, approximately $1,379,000 to four interstate pipelines and placed approximately $6,384,000 in an escrow account pending FERC's and the courts' decisions on various related legal issues and challenges. During calendar years 2000 and 2001, settlement negotiations have occurred among the affected pipelines, producers, and other interested parties. Settlement agreements resolving the refund claims have been reached in connection with four of the five pipelines which have made claims against the Registrant. Those settlements, with Colorado Interstate Gas Company, Northern Natural Gas Company, Williams Gas Pipelines Central, Inc. and Panhandle Eastern Pipe Line Company, are final and the settlement payments have been made by the Registrant out of the escrow account. Since the aggregate amount of the four settlements were less than the amounts escrowed for such liability, the Registrant, in May of 2001, was refunded approximately $3,240,252 of excess escrowed funds. A settlement in the fifth case, with Kinder Morgan Interstate Gas Transmission, LLC, is being negotiated. Based upon the total potential liability of the Registrant in the Kinder Morgan case, Registrant believes there is more than sufficient funds remaining in the Registrant's escrow account to cover any settlement liability therein.

Commencing in 1992, FERC implemented a requirement that interstate pipelines must provide open access transportation of natural gas. Interstate pipelines have implemented this requirement by modifying their tariffs and implementing new services and rates. These changes have provided the Registrant with additional market access and more fairly applied transportation services and rates. FERC continues to review and modify its open access and other regulations applicable to interstate pipelines.

Under the NGA, natural gas gathering facilities are expressly exempt from FERC jurisdiction; what constitutes "gathering" under the NGA has evolved through FERC decisions and judicial review of such decisions. The Registrant believes that its gathering systems meet the test for non-jurisdictional "gathering" systems under the NGA. Therefore, the Registrant believes that its gathering facilities are not subject to Federal NGA regulation. A number of states have either enacted new laws or are considering the adequacy of existing laws affecting gathering rates and/or services that are not Federally regulated under the NGA. Although exempt from Federal regulatory oversight, the Registrant's natural gas gathering systems and services may receive regulatory scrutiny by state agencies.

In addition, the Registrant may use third-party gathering services or interstate transmission facilities (owned and operated by interstate pipelines) to ship the Registrant's gas to markets. In the past decade, FERC has approved the shift of certain interstate transmission facilities to unregulated gathering through the approval of abandonment of the jurisdictional facilities. The subsequent owner/operator of the gathering facilities may be an independent entity or an affiliate of the interstate pipeline company. This shift of a facility from a jurisdictional transmission facility to a non-jurisdictional gathering facility could result in the ability of the unregulated gathering entities to compete more effectively, and could result in changes in services and/or rates. It is not possible to predict the ultimate affect of these shifts on the Registrant's own gathering services or on the Registrant's use of third-party gathering/transmission facilities.

In February, 1994, the Kansas Corporation Commission issued an order which modified allowables applicable to wells within the Hugoton Gas Field so that those proration units upon which infill wells had been drilled would be assigned a larger allowable than those units without infill wells. As a consequence of this order, the Registrant has participated in the drilling of 160 infill wells.

Additional proposals and proceedings that might affect the oil and gas industry are pending before the U. S. Congress, FERC, state legislatures, state agencies, and the courts. The Registrant cannot predict when or whether any such proposals may become effective and what effect they will have on operations of the Registrant. Notwithstanding the foregoing, the Registrant does not anticipate that compliance with existing Federal, state and local laws, rules or regulations will have a material adverse effect upon the capital expenditures, earnings or competitive position of the Registrant.

Federal Income Taxation

The Registrant's oil and gas operations, and the petroleum industry in general, are affected by certain federal income tax laws. The Registrant has considered the effects of such federal income tax laws on its operations and does not anticipate that there will be any material impact on the capital expenditures, earnings or competitive position of the Registrant.

Environmental Laws

The Registrant's activities are subject to existing federal and state laws and regulations governing environmental quality and pollution control. Such laws and regulations may substantially increase the costs of exploring, developing, or producing oil and gas and may prevent or delay the commencement or continuation of a given operation. In the opinion of the Registrant's management, its operations substantially comply with applicable environmental legislation and regulations. The Registrant believes that compliance with existing federal, state, and local laws, rules, and regulations regulating the discharge of materials into the environment or otherwise relating to the protection of the environment will not have any material effect upon the capital expenditures, earnings, or competitive position of the Registrant.

Natural Gas Marketing

Helmerich & Payne Energy Services, Inc. ("HPESI") continues its emphasis on the purchase of the Registrant's natural gas production. In addition, HPESI purchases third-party gas for resale and provides compression, gathering services and processing for a fee. During fiscal year 2001, HPESI's sales of third-party gas constituted approximately 12% of the Registrant's consolidated revenues.

HPESI sells natural gas to markets in the Midwest and Rocky Mountain areas. HPESI's term gas sales contracts are for varied periods ranging from three months to seven years. However, recent contracts have tended toward shorter terms. The remainder of HPESI's gas is sold under spot market contracts having a duration of 30 days or less. For fiscal 2001, HPESI's term gas sales contracts provided for the sale of approximately 17 BCF of gas at prices which were indexed to market prices. For fiscal 2002, HPESI currently has approximately 7 BCF contracted at prices which are indexed to market prices. The balance of HPESI's gas is selling at spot prices or is not yet contracted. HPESI presently intends to fulfill such term sales contracts with a portion of the gas reserves purchased from the Registrant as well as from its purchases of third-party gas. See pages I-14 through I-21 regarding the market, competition, and regulation of natural gas.

REAL ESTATE OPERATIONS

The Registrant's real estate operations are conducted exclusively within the metropolitan area of Tulsa, Oklahoma. Its major holding is Utica Square Shopping Center, consisting of fifteen separate buildings, with parking and other common facilities covering an area of approximately 30 acres. Fourteen of these buildings provide approximately 405,709 square feet of net leasable retail sales and storage space (97% of which is currently leased) and approximately 18,590 square feet of net leasable general office space (99% of which is currently leased). Approximately 24% of the general office space is occupied by the Registrant's real estate operations. The fifteenth building is an eight-story medical office building which provides approximately 76,379 square feet of net leasable medical office space (44% of which is currently leased). Due to increased operating costs and related business considerations, the Registrant intends to close the Medical Building in January 2002. All tenant leases in the Medical Building shall have expired prior to such date. The Registrant has not decided as to the future use of the area upon which the Medical Building is located.

In September, 2001, the Registrant purchased one of its long-time Utica Square Shopping Center tenants, Miss Jackson's. Miss Jackson's is a retailer of fine women's clothing, accessories and gifts. The purchase price was $4,500,000.

At the end of the 2001 fiscal year the Registrant owned 11 of a total of 73 units in The Yorktown, a 16-story luxury residential condominium with approximately 150,940 square feet of living area located on a six-acre tract adjacent to Utica Square Shopping Center. Ten of the Registrant's units are currently leased.

The Registrant owns an eight-story office building located diagonally across the street from Utica Square Shopping Center, containing approximately 87,000 square feet of net leasable general office space. This building houses the Registrant's principal executive offices. Approximately 11% of this building was leased to a third party during fiscal 2001. However, such third party's lease was not renewed and it vacated the leased premises in November of 2001. The vacated space will be used as general office space by Registrant.

Registrant leases approximately 29,000 square feet of office space in Tulsa for Registrant's oil and gas division.

The Registrant also owns and leases multi-tenant warehouse space. Three warehouses known as Space Center, each containing approximately 165,000 square feet of net leasable space, are situated in the southeast part of Tulsa at the intersection of two major limited-access highways. Present occupancy is 100%. The Registrant also owns approximately 1.5 acres of undeveloped land lying adjacent to such warehouses.

Registrant owns approximately 253.5 acres in Southpark consisting of approximately 240.5 acres of undeveloped real estate and approximately 13 acres of multi-tenant warehouse area. The warehouse area is known as Space Center East and consists of two warehouses, one containing approximately 90,000 square feet and the other containing approximately 112,500 square feet. Occupancy has decreased from 100% to 93%. The Registrant believes that a high quality office park, with peripheral commercial, office/warehouse, and hotel sites, is the best development use for the remaining land. However, no development plans are currently pending.

Registrant is a party to a condemnation proceeding initiated during fiscal 2000 by the Oklahoma Department of Transportation ("ODOT") which seeks to acquire approximately 15.14 acres of undeveloped real property adjacent to a major expressway in Southpark. In this proceeding, court appointed appraisers estimated the value of this tract to equal $2,800,000. ODOT, in January of 2001, was required to pay Registrant this amount, but continues to litigate the fair market value of this tract. If ODOT was successful at trial, Registrant would be required to reimburse up to $750,000 of such proceeds. It is expected that this matter will be concluded during calendar 2002.

The Registrant also owns a five-building complex called Tandem Business Park. The project is located adjacent to and east of the Space Center East facility and contains approximately six acres, with approximately 88,084 square feet of office/warehouse space. Occupancy has decreased from 100% to 94% during fiscal 2001. The Registrant also owns a twelve-building complex, consisting of approximately 204,600 square feet of office/warehouse space, called Tulsa Business Park. The project is located south of the Space Center facility, separated by a city street, and contains approximately 12 acres. During fiscal 2001, occupancy has remained steady at 93%. However, on October 1, 2001, Registrant added a new tenant and increased total occupancy to 96%.

The Registrant also owns two service center properties located adjacent to arterial streets in south central Tulsa. The first, called Maxim Center, consists of one office/warehouse building containing approximately 40,800 square feet and located on approximately 2.5 acres. During fiscal 2001, occupancy has decreased from 94% to 79%. On October 1, 2001, Registrant added one new tenant bringing the occupancy to 94%. The second, called Maxim Place, consists of one office/warehouse building containing approximately 33,750 square feet and located on approximately 2.25 acres. During fiscal 2000, this property was 100% occupied by one tenant. During fiscal 2001, this tenant significantly reduced the size of its operation with such property presently being 17% occupied.

Competition

The Registrant has numerous competitors in the multi-tenant leasing business. The size and financial capacity of these competitors range from one property sole proprietors to large international corporations. The primary competitive factors include price, location and configuration of space. Registrant's competitive position is enhanced by the location of its properties, its financial capability and the long-term ownership of its properties. However, many competitors have financial resources greater than Registrant and have more contemporary facilities.

FINANCIAL

Information relating to Revenue and Operating Profit by Business Segments may be found on pages 9 and 31 through 32 of the Registrant's Annual Report to Shareholders for fiscal 2001, which is incorporated herein by reference.

EMPLOYEES

The Registrant had 3,043 employees within the United States (11 of which were part-time employees) and 1,202 employees in international operations as of September 30, 2001.

Item 2. PROPERTIES

CONTRACT DRILLING

The following table sets forth certain information concerning the Registrant's domestic drilling rigs as of September 30, 2001:

Rig Designation	Registrant's Classification	Optimum Working Depth in Feet	Present Location
158	Medium Depth	10,000	Wyoming
110	Medium Depth	12,000	Oklahoma
156	Medium Depth	12,000	Texas
159	Medium Depth	12,000	Wyoming
141	Medium Depth	14,000	Texas
142	Medium Depth	14,000	Texas
143	Medium Depth	14,000	Texas
145	Medium Depth	14,000	Texas
155	Medium Depth	14,000	Texas
96	Medium Depth	16,000	Oklahoma
118	Medium Depth	16,000	Texas
119	Medium Depth	16,000	Texas
120	Medium Depth	16,000	Texas
146	Medium Depth	16,000	Texas
147	Medium Depth	16,000	Texas
154	Medium Depth	16,000	Wyoming
162	Medium Depth	16,000	Texas
164	Medium Depth	16,000	Texas
165	Medium Depth	16,000	Texas
166	Medium Depth	16,000	Texas
167	Medium Depth	16,000	Oklahoma
168	Medium Depth	16,000	Texas
169	Medium Depth	16,000	Texas
108	Medium Depth	18,000	Gulf of Mexico
178	Medium Depth	18,000	Texas
179	Medium Depth	18,000	Wyoming
180	Medium Depth	18,000	Wyoming
181	Medium Depth	18,000	Texas
182	Medium Depth	18,000	Texas
183	Medium Depth	18,000	Texas
184	Medium Depth	18,000	Texas
79	Deep	20,000	Louisiana
80	Deep	20,000	Oklahoma
89	Deep	20,000	Texas

Rig Designation	Registrant's Classification	Optimum Working Depth in Feet	Present Location
91	Deep	20,000	Gulf of Mexico
92	Deep	20,000	Oklahoma
94	Deep	20,000	Texas
98	Deep	20,000	Oklahoma
122	Deep	20,000	Texas
203	Deep	20,000	Gulf of Mexico
97	Deep	26,000	Texas
99	Deep	26,000	Texas
137	Deep	26,000	Texas
149	Deep	26,000	Texas
170	Deep (Heli Rig)	26,000	Texas
72	Very Deep	30,000	Mississippi
73	Very Deep	30,000	Texas
100	Very Deep	30,000	Gulf of Mexico
105	Very Deep	30,000	Gulf of Mexico
106	Very Deep	30,000	Gulf of Mexico
107	Very Deep	30,000	Gulf of Mexico
134	Very Deep	30,000	Texas
136	Very Deep	30,000	Louisiana
157	Very Deep	30,000	Texas
161	Very Deep	30,000	Louisiana
163	Very Deep	30,000	Louisiana
201	Very Deep	30,000	Gulf of Mexico
202	Very Deep	30,000	Gulf of Mexico
204	Very Deep	30,000	Gulf of Mexico

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

	Years ended September 30,				
	1997	1998	1999	2000	2001
Number of rigs owned at end of period	38	46	50	48	59
Average rig utilization rate during period (1)	88%	95%	75%	87%	97%

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

The following table sets forth certain information concerning the Registrant's international drilling rigs as of September 30, 2001:

Rig Designation	Registrant's Classification	Optimum Working Depth in Feet	Present Location
14	Workover/drilling	6,000	Venezuela
19	Workover/drilling	6,000	Venezuela
20	Workover/drilling	6,000	Venezuela
140	Medium Depth	10,000	Venezuela
171	Medium Depth	16,000	Bolivia
172	Medium Depth	16,000	Bolivia
22	Medium Depth (Heli Rig)	18,000	Ecuador
23	Medium Depth (Heli Rig)	18,000	Ecuador
132	Medium Depth	18,000	Ecuador
176	Medium Depth	18,000	Ecuador
121	Deep	20,000	Ecuador
173	Deep	20,000	Bolivia
117	Deep	26,000	Ecuador
123	Deep	26,000	Bolivia
138	Deep	26,000	Ecuador
148	Deep	26,000	Venezuela
160	Deep	26,000	Venezuela
190*	Deep	26,000	Texas
191*	Deep	26,000	Texas
192*	Deep	26,000	Texas
113	Very Deep	30,000	Venezuela
115	Very Deep	30,000	Venezuela
116	Very Deep	30,000	Venezuela
125*	Very Deep	30,000	Texas
127	Very Deep	30,000	Venezuela
128	Very Deep	30,000	Venezuela
129	Very Deep	30,000	Venezuela
133	Very Deep	30,000	Colombia
135	Very Deep	30,000	Colombia
150	Very Deep	30,000	Venezuela
151	Very Deep	30,000	Bolivia
152	Very Deep	30,000	Colombia
153	Very Deep	30,000	Venezuela
174	Very Deep	30,000	Argentina
175	Very Deep	30,000	Bolivia
177	Very Deep	30,000	Argentina
139*	Super Deep	30,000+	Texas

*Rigs returned to the United States for major modifications and upgrades.

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

	Years ended September 30,				
	1997	1998	1999	2000	2001
Number of rigs owned at end of period	39	44	39	40	37
Average rig utilization rate during period (1)(2)	91%	88%	53%	47%	56%

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

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

OIL AND GAS DIVISION

All of the Registrant's oil and gas operations and holdings are located within the continental United States.

Crude Oil Sales

The Registrant's net sales of crude oil and condensate for the fiscal years 1999 through 2001 are shown below:

Year	Net Barrels	Average Sales Price per Barrel	Average Lifting Cost per Barrel
1999	649,370	$14.60	$7.02
2000	880,304	$27.95	$6.06
2001	818,356	$27.88	$7.76

Natural Gas Sales

The Registrant's net sales of natural and casinghead gas for the three fiscal years 1999 through 2001 are as follows:

Year	Net MCF	Average Sales Price per MCF	Average Lifting Cost per MCF
1999	44,240,332	$1.83	$0.3300
2000	46,922,752	$2.79	$0.3704
2001	42,386,796	$4.55	$0.6019

Following is a summary of the net wells drilled by the Registrant for the fiscal years ended September 30, 1999, 2000, and 2001:

	Exploratory Wells			Development Wells		
	1999	2000	2001	1999	2000	2001
Productive	2.917	9.735	9.0382	13.846	23.862	43.4622
Dry	2.615	5.7017	9.9618	4.502	3.403	7.0031

On September 30, 2001, the Registrant was in the process of drilling or completing eight gross or 4.6342 net wells.

Acreage Holdings

The Registrant's holdings of acreage under oil and gas leases, as of September 30, 2001, were as follows:

	Developed Acreage		Undeveloped Acreage	
	Gross	Net	Gross	Net
Arkansas	3,068.23	1,725.11	-0-	-0-
Colorado	-0-	-0-	320.00	160.00
Kansas	119,633.07	84,079.86	13,081.82	12,752.60
Louisiana	3,481.48	1,589.14	80,020.27	23,166.46
Michigan	-0-	-0-	4,123.64	4,123.64
Montana	1,997.19	377.99	2,708.95	969.73
Nebraska	480.00	168.00	-0-	-0-
Nevada	-0-	-0-	4,864.04	4,864.04
New Mexico	760.00	96.63	121.88	40.22
North Dakota	200.00	11.52	-0-	-0-
Oklahoma	123,559.86	49,647.24	27,138.98	16,664.45
Texas	87,692.92	43,885.47	190,421.95	87,554.14
Wyoming	-0-	-0-	440.00	105.59
Total	340,872.75	181,580.96	323,241.53	150,400.87

Acreage is held under leases which expire in the absence of production at the end of a prescribed primary term, and is, therefore, subject to fluctuation from year to year as new leases are acquired, old leases expire, and other leases are allowed to terminate by failure to pay annual delay rentals. As shown in the above table, the Registrant has a significant portion of its undeveloped acreage in Texas, with nine major project areas accounting for 40,517 net acres. The average minimum remaining term of leases in these nine project areas is approximately 16 months.

Productive Wells

The Registrant's total gross and net productive wells as of September 30, 2001, were as follows:

Oil Wells		Gas Wells	
Gross	Net	Gross	Net
3,438	168	1,026	493

Additional information required by this item with respect to the Registrant's oil and gas operations may be found on pages I-11 through I-22 of Item 1. BUSINESS, and pages 23 through 34 of the Registrant's Annual Report to Shareholders for fiscal 2001, "Notes to Consolidated Financial Statements" and "Note 15 Supplementary Financial Information for Oil and Gas Producing Activities."

Estimates of oil and gas reserves, future net revenues, and present value of future net revenues were prepared by Netherland, Sewell & Associates, Inc., 4950 Three Allen Center, 333 Clay Street, Houston, Texas 77002. Total oil and gas reserve estimates do not differ by more than 5% from the total reserve estimates filed with any other federal authority or agency.

REAL ESTATE OPERATIONS

See Item 1. BUSINESS, pages I-22 through I-25.

STOCK

As of December 14, 2001:

The Registrant owned 312,546 shares of the common stock of SUNOCO, Inc. and 150,000 shares of Kerr McGee Corporation.

The Registrant owned 3,000,000 shares of the common stock of Atwood Oceanics, Inc., a Houston, Texas based company engaged in offshore contract drilling. The Registrant owns approximately 22% of Atwood.

The Registrant owned 1,480,000 shares of the common stock of Schlumberger, Ltd.

The Registrant owned 240,000 shares of the common stock of Phillips Petroleum Company, Inc.

The Registrant owned 150,000 shares of the common stock of Occidental Petroleum Corporation, Inc.

The Registrant owned 175,000 shares of the common stock of Banc One Corporation.

The Registrant owned 450,000 shares of the common stock of ONEOK Inc.

The Registrant owned 286,528 shares of the common stock of Transocean Sedco Forex, Inc., which it received in a merger between Transocean Offshore and the contract drilling division of Schlumberger.

The Registrant owned 168,350 shares of the common stock of Protein Design Labs, Inc.

The Registrant also owned lesser holdings in several other publicly traded corporations.

Item 3. LEGAL PROCEEDINGS

There are no material legal proceedings pending against the Registrant or its subsidiaries.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

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

W. H. Helmerich, III, 78 Chairman of the Board	Director since 1949; Chairman of the Board since 1960
Hans Helmerich, 43 President	Director since 1987; President and Chief Executive Officer since 1989
George S. Dotson, 60 Vice President	Director since 1990; Vice President, Drilling since 1977 and President and Chief Operating Officer of Helmerich & Payne International Drilling Co. since 1977
Douglas E. Fears, 52 Vice President	Vice President, Finance, since 1988
Steven R. Mackey, 50 Vice President and Secretary	Secretary since 1990; Vice President and General Counsel since 1988
Steven R. Shaw, 50 Vice President	Vice President, Production, since 1985; Vice President, Exploration and Production since 1996
Gordon K. Helm, 48 Controller	Chief Accounting Officer of the Registrant; Controller since December 10, 1993

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER

MATTERS

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

	2000		2001	
Quarter	High	Low	High	Low
First	27.44	19.13	44.19	28.94
Second	31.00	20.00	58.51	39.63
Third	37.75	29.06	51.23	30.82
Fourth	38.31	30.06	32.77	23.74

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

	Paid per Share		Total Payment	
	Fiscal		Fiscal	
Quarter	2000	2001	2000	2001
First	$0.070	$0.075	$3,474,612	$3,748,896
Second	0.070	0.075	3,475,623	3,776,612
Third	0.070	0.075	3,484,189	3,796,489
Fourth	0.075	0.075	3,740,863	3,765,488

The Registrant paid a cash dividend of $.075 per share on December 3, 2001, to shareholders of record on November 15, 2001. Payment of future dividends will depend on earnings and other factors.

As of December 14, 2001, there were 1,090 record holders of the Registrant's common stock as listed by the transfer agent's records.

Item 6. SELECTED FINANCIAL DATA

Five-year Summary of Selected Financial Data

	1997	1998	1999	2000	2001
			(in thousands)		
Sales, operating, and other revenues	$ 517,859	$636,640	$ 564,319	$ 631,095	$ 826,854
Income from continuing operations	84,186	101,154	42,788	82,300	144,254
Income from continuing operations per common share:					
Basic	1.69	2.03	0.87	1.66	2.88
Diluted	1.67	2.00	0.86	1.64	2.84
Total assets	1,033,595	1,090,430	1,109,699	1,259,492	1,364,507
Long-term debt	-0-	50,000	50,000	50,000	50,000
Cash dividends declared per common share	0.26	0.275	0.28	0.285	0.30

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

Information required by this item may be found on pages 10 through 17, Management's Discussion & Analysis of Results of Operations and Financial Condition, in the Registrant's Annual Report to Shareholders for fiscal 2001, which is incorporated herein by reference.

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

Information required by this item may be found on the following pages of Management's Discussion & Analysis of Results of Operations and Financial Condition and in Notes to Consolidated Financial Statements, in the Registrant's Annual Report to Shareholders for fiscal 2001, which is incorporated herein by reference:

	Market Risk	Page
o	Foreign Currency Exchange Rate Risk	13-14, 23
o	Commodity Price Risk	14-15, 29
o	Interest Rate Risk	17, 24
o	Equity Price Risk	17, 23

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item may be found on pages 18 through 34 in the Registrant's Annual Report to Shareholders for fiscal 2001, which is incorporated herein by reference.

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

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required under this item with respect to Directors and with respect to delinquent filers pursuant to Item 405 of Regulation S-K is incorporated by reference from the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 6, 2002, to be filed with the Commission not later than 120 days after September 30, 2001. See page I-34 for information covering the Registrant's Executive Officers.

Item 11. EXECUTIVE COMPENSATION

This information is incorporated by reference from the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 6, 2002, to be filed with the Commission not later than 120 days after September 30, 2001.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information is incorporated by reference from the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 6, 2002, to be filed with the Commission not later than 120 days after September 30, 2001.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference from the Registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 6, 2002, to be filed with the Commission not later than 120 days after September 30, 2001.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Document List

1. The financial statements called for by Item 8 are incorporated herein by reference from the Registrant's Annual Report to Shareholders for fiscal 2001.

2. Exhibits required by Item 601 of Regulation S-K:

Exhibit Number:

3.1 Restated Certificate of Incorporation and Amendment to Restated Certificate of Incorporation of the Registrant are incorporated herein by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

3.2 By-Laws of the Registrant are incorporated herein by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

4.1 Rights Agreement dated as of January 8, 1996, between the Registrant and The Liberty National Bank and Trust Company of Oklahoma City, N.A. is incorporated herein by reference to the Registrant's Form 8-A, dated January 18, 1996, SEC File No. 001-04221.

* 10.1 Consulting Services Agreement between W. H. Helmerich, III, and the Registrant effective January 1, 1990, as amended is incorporated herein by reference to Exhibit 10.3 of the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

* 10.2 Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc. is incorporated herein by reference to Exhibit 10.6 of the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.

* 10.3 Helmerich & Payne, Inc. 1990 Stock Option Plan is incorporated herein by reference to Exhibit 10.7 of the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001- 04221.

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* Compensatory Plan or Arrangement.

* 10.4 Form of Nonqualified Stock Option Agreement for the 1990 Stock Option Plan is incorporated by reference to Exhibit 99.2 to the Registrant's Registration Statement No. 33-55239 on Form S-8, dated August 26, 1994.

* 10.5 Supplemental Savings Plan for Salaried Employees of Helmerich and Payne, Inc. is incorporated herein by reference to Exhibit 10.6 to the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1999, SEC File No. 001-04221.

* 10.6 Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to Registrant's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.

* 10.7 Form of Nonqualified Stock Option Agreement for Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference to Exhibit 99.2 to Registrant's Registration Statement No. 333-34939 on Form S-8 dated September 4, 1997.

* 10.8 Form of Restricted Stock Agreement for Helmerich & Payne, Inc. 1996 Stock Incentive Plan is incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1997, SEC File No. 001-04221.

* 10.9 Helmerich & Payne, Inc. 2000 Stock Incentive Plan is incorporated herein by reference to Exhibit 99.1 to the Registrant's Registration Statement No. 333- 63124 on Form S-8 dated June 15, 2001.

* 10.10 Form of Agreements for Helmerich & Payne, Inc. 2000 Stock Incentive Plan being (i) Restricted Stock Award Agreement, (ii) Incentive Stock Option Agreement and
(iii) Nonqualified Stock Option Agreement are incorporated by reference to Exhibit 99.2 to Registrant's Registration Statement No. 333-63124 on Form S-8 dated June 15, 2001.

13. The Registrant's Annual Report to Shareholders for fiscal 2001.

21. Subsidiaries of the Registrant.

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* Compensatory Plan or Arrangement.

23.1 Consent of Independent Auditors.

(b) Report on Form 8-K

None.

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* Compensatory Plan or Arrangement.

SIGNATURES

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

HELMERICH & PAYNE, INC.

By Hans Helmerich

Hans Helmerich, President
(Chief Executive Officer)

Date: December 27, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

```
By  William L. Armstrong                   By  Glenn A. Cox
    -----------------------------------        -----------------------------------
    William L. Armstrong, Director             Glenn A. Cox, Director
    Date:  December 27, 2001                   Date:  December 27, 2001

By  George S. Dotson                       By  Hans Helmerich
    -----------------------------------        -----------------------------------
    George S. Dotson, Director                 Hans Helmerich, Director and CEO
    Date:  December 27, 2001                   Date:  December 27, 2001

By  W. H. Helmerich, III                   By  L. F. Rooney, III
    -----------------------------------        -----------------------------------
    W. H. Helmerich, III, Director             L. F. Rooney, III, Director
    Date:  December 27, 2001                   Date:  December 27, 2001

By  Edward B. Rust, Jr.                    By  George A. Schaefer
    -----------------------------------        -----------------------------------
    Edward B. Rust, Jr., Director              George A. Schaefer, Director
    Date:  December 27, 2001                   Date:  December 27, 2001

By  John D. Zeglis                         By  Douglas E. Fears
    -----------------------------------        -----------------------------------
    John D. Zeglis, Director                   Douglas E. Fears
    Date:  December 27, 2001                   (Principal Financial Officer)
                                               Date:  December 27, 2001

By  Gordon K. Helm
    -----------------------------------
    Gordon K. Helm, Controller
    (Principal Accounting Officer)
    Date:  December 27, 2001
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INDEX TO EXHIBITS

EXHIBIT NUMBER		DESCRIPTION
	3.1	Restated Certificate of Incorporation and Amendment to Restated Certificate of Incorporation of the Registrant are incorporated herein by reference to Exhibit 3.1 of the Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1996, SEC File No. 001-04221.
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13.	The Registrant's Annual Report to Shareholders for fiscal 2001.
21.	Subsidiaries of the Registrant.
23.1	Consent of Independent Auditors.

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* Compensatory Plan or Arrangement.

EXHIBIT 13

HELMERICH & PAYNE, INC. ANNUAL REPORT FOR 2001

REVENUE BREAKDOWN FOR 2001

[PIE CHART]

CONTRACT DRILLING:	
International	19%
Domestic	40%
OIL AND GAS:	
Natural Gas Marketing	12%
Exploration & Production	26%
Real Estate	1%
Investments and Other Income	2%

FINANCIAL HIGHLIGHTS

Years Ended September 30,	2001	2000
Revenues	$ 826,854,000	$ 631,095,000
Net Income	$ 144,254,000	$ 82,300,000
Diluted Earnings Per Share	$ 2.84	$ 1.64
Dividends Paid Per Share	$ .30	$ .285
Capital Expenditures	$ 274,670,000	$ 131,932,000
Total Assets	$1,364,507,000	$ 1,259,492,000

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

Sometimes risk factors are difficult to identify, much less quantify. Unthinkable risks confronted each of us and our families in the aftermath of the terrorist attacks on the World Trade Center and Pentagon. Dinner table conversations at home and discussions at work contemplated possible threats of anthrax exposure, bioterror, and even nuclear "dirty bomb" strikes on civilians.

Today we are a nation at war, facing a real and present danger to our basic freedoms and liberty. We are also a nation united and determined. A renewed patriotic spirit has raised a standard against the evil that struck at our core values. We have witnessed acts of untold heroism and sacrifice, along with a flood of prayers and support from friends of freedom around the globe.

We have been inspired by the leadership of President Bush: "The course of this conflict is not known, yet its outcome is certain. Freedom and fear, justice and cruelty have always been at war and we know that God is not neutral between them. The advance of human freedom now depends on us. We will rally the world to this cause by our efforts, by our courage. We will not tire, we will not falter, and we will not fail."

The President has urged all Americans to take up the fight, in part, by leading our lives. That is what your Company intends to do. Each of our employees plays a proud part in an industry vital to our country's energy security.

Remarkably, energy prices are falling at the end of 2001, even in the face of the current geopolitical situation in the Middle East. Will a "smoking gun" surface to further implicate Iraq in terrorist sponsorship? Will a bloody and volatile Palestinian-Israeli conflict deteriorate further?

How should markets price the possible risk of a far-reaching supply disruption?

We're confident the market will sort it all out. That time-tested dynamic of free markets is one of the many enduring principles worth fighting for and defending. All the while, your Company will stand prepared and financially fit for the challenges and opportunities ahead.

Sincerely,

/s/ HANS HELMERICH

Hans Helmerich
President

December 14, 2001

SUMMARY Both oil and natural gas prices increased substantially at the beginning of the year, resulting in higher demand for land rigs in the United States. Industry census data produced by Reed-Hycalog indicates that 93 percent of all U.S. land rigs were active during 2001, a level of activity not achieved since the early 1980s. The resulting impact of this environment on the Company's 2001 financial performance was significant. Contract drilling revenues increased 39 percent, and earnings before interest, taxes, depreciation, and amortization (EBITDA) increased by over 50 percent, driven primarily by increased activity in the U.S. land market.

FIVE-YEAR OPERATING SUMMARY

	2001	2000	1999	1998	1997
	(Dollar figures in thousands)				
UNITED STATES					
Revenues	$332,399	$214,531	$213,647	$177,059	$140,294
EBITDA	$133,968	$ 71,163	$ 61,498	$ 60,053	$ 44,066
Operating Profit ...	$107,691	$ 35,808	$ 30,154	$ 35,817	$ 24,437
Activity Days	18,656	15,083	12,509	14,237	12,872
Rig Utilization	97%	87%	75%	95%	88%
INTERNATIONAL					
Revenues	$154,890	$136,549	$182,987	$253,072	$176,651
EBITDA	$ 47,313	$ 47,853	$ 66,075	$ 82,650	$ 69,621
Operating Profit ...	$ 28,475	$ 9,753	$ 29,845	$ 50,834	$ 43,118
Activity Days	7,283	7,067	8,442	12,832	12,253
Rig Utilization	56%	47%	53%	88%	91%

At the close of fiscal 2001, Helmerich & Payne International Drilling Co. owned ten offshore platform rigs located in the Gulf of Mexico, and 81 land rigs located in the United States (49), Venezuela (14), Ecuador (7), Bolivia (6), Colombia (3), and Argentina (2). The Company also had five international land rigs undergoing major upgrades in the U.S., as well as five land rigs and two offshore platform rigs at various stages of new construction at year-end.

Additionally, the Company operates four management contracts on customer-owned platform rigs, three offshore California and one offshore Equatorial Guinea, West Africa.

UNITED STATES OPERATIONS Rig utilization averaged 97 and 98 percent, respectively, for land and offshore platform rigs during the year. The Company worked an average of 41 land rigs and ten offshore platform rigs for the whole year, up from 32 land and nine offshore platform rigs in 2000. A total of 11 rigs were added to the land fleet in 2001, seven new FlexRigs(TM), one reconditioned medium depth rig, and three deep rigs that were transferred from international operations.

The Company plans to complete the construction of 20 FlexRigs during 2002, which will be available for work in the U.S. or international markets. The highly mobile FlexRig, named for its flexible drilling range of 8,000 to 18,000 feet, offers significant drilling efficiencies through improved technology, including disc-brakes, block control system, and the Company's patented round mud tank system. The FlexRig design has reduced the average moving time by more than one-half of that for a conventional 1500 horsepower rig. The FlexRig design includes many health, safety, and environmental (HSE) improvements and features reducing HSE hazards. These include noise abatement, enhanced anti-fall protection, and an integrated fluid containment system around the rig floor.

During 2001, the Company received commitments to build and operate two new self-moving platform rigs in the Gulf of Mexico, one each from Shell Exploration & Production Co. and BP. These rigs are scheduled to commence operations in the third quarter of 2002.

(TM) FlexRig is a trademark of Helmerich & Payne International Drilling Co.

INTERNATIONAL OPERATIONS Rig utilization averaged 56 percent in 2001, compared with 47 percent in 2000, primarily because the Company moved eight rigs to the U.S. for drilling opportunities or refurbishment during 2001. Revenues increased 13 percent over last year, but EBITDA decreased slightly as improvements in Venezuela, Equatorial Guinea, Ecuador, and Argentina were offset by declines in Colombia and Bolivia. Increased operating profit was primarily the result of reduced depreciation expense caused by rig transfers from international to domestic operations, as well as a change in the estimated useful life of drilling equipment, increasing it from ten to 15 years.

OUTLOOK The Company has lowered its expectations for drilling activity in the coming year because of the precipitous drop in both oil and natural gas prices caused by reduced economic activity and mild weather in the U.S. Because the present downturn does not appear to be due to excessive supplies, the Company anticipates that it will be short-lived, improving as energy demand rises in response to U.S. and world economic recovery. This is the second volatile drilling cycle in four years and, with each downturn, the industry loses experienced employees and momentum on capital projects, many of which require long lead times to bring to fruition. The inevitable upturn in the cycle is likely to become even more pronounced, stretching the already thin human, technological, and financial resources of the industry. The Company has focused its investment efforts on delivering the latest in equipment and technology to the field and in training our people to operate safely and effectively. Our primary goal remains to deliver high quality equipment and services that will add measurable value to a customer's drilling operation.

SUMMARY Helmerich & Payne, Inc. explores for and produces oil and natural gas primarily in Kansas, Louisiana, Oklahoma, and Texas. The Company also provides natural gas marketing services through its wholly owned subsidiary, Helmerich & Payne Energy Services, Inc. A substantial increase in the price of natural gas produced record financial results for the Exploration and Production segment in 2001. Revenues and operating profit grew 38 percent and 44 percent, respectively, over 2000 levels. Helmerich & Payne Energy Services, Inc.'s revenues increased 24 percent in 2001, although operating profit remained flat for the year. Oil production declined seven percent to average 2,242 barrels per day in 2001, while prices remained flat at $27.88 per barrel compared with $27.95 per barrel in 2000. Natural gas production also declined to 116,128 thousand cubic feet (Mcf) per day, compared with 128,204 Mcf per day in 2000. Natural gas prices increased 63 percent to average $4.55 per Mcf in 2001, compared with $2.79 per Mcf in 2000.

FIVE-YEAR OPERATING SUMMARY

	2001	2000	1999	1998	1997
		(Revenues and operating profit in thousands)			
Revenues	$ 217,194	$ 157,583	$ 95,953	$ 98,696	$ 111,512
Operating Profit	$ 95,579	$ 66,604	$ 11,245	$ 28,088	$ 55,191
Average Oil Price per barrel	$ 27.88	$ 27.95	$ 14.60	$ 14.74	$ 20.77
Oil Production (barrels)	818,356	880,304	649,370	701,180	985,633
Proved Oil Reserves (barrels)	5,931,595	6,305,137	4,833,898	4,761,313	5,805,386
Average Natural Gas Prices per Mcf	$ 4.55	$ 2.79	$ 1.83	$ 2.04	$ 2.24
Natural Gas Production (Mcf)	42,386,796	46,922,752	44,240,332	42,862,300	40,463,374
Proved Natural Gas Reserves (Bcf)	216.3	262.5	239.6	251.6	263.2
Gross Wells Completed	123.0	81.0	49.0	62.0	100.0
Net Wells Completed	69.5	42.7	23.9	35.7	49.3
Net Dry Holes	17.0	9.1	7.1	4.2	9.6

EXPLORATION RESULTS Even though the Company had a record financial performance, it was a disappointing year for the exploration effort. Proved reserves declined from 300 billion cubic feet equivalent (Bcfe) to 252 Bcfe during 2001. Almost half of this decline was the result of the lower natural gas price used in the reserve calculation, which was $1.90 per Mcf in 2001, compared with $5.13 per Mcf in 2000.

The Company participated in 123 (69.5 net) wells in 2001, 29 (17 net) of which were dry holes. Given the high natural gas prices, additional emphasis was placed on developing proved undeveloped reserves during the year. Forty-seven gross wells were drilled for this purpose in 2001. The remaining wells included
40 (19 net) wildcat wells, five of which exposed the Company to over 250 Bcfe in net potential reserve additions.

OUTLOOK Given that oil and gas prices have declined substantially, the Company plans to be highly selective with regard to drilling prospects in 2002, and will reduce capital expenditures by as much as half of what they were in 2001. With the assistance of the investment bank of Petrie Parkman & Co., the Company is continuing to explore strategic alternatives for the Oil and Gas Division. These alternatives include combining the Company's oil and gas operations with another of similar size to form a separate, stand-alone exploration and production company. The Company engaged in discussions with a number of companies during the past year and plans to continue these efforts into 2002.

REVENUES AND OPERATING PROFIT BY BUSINESS SEGMENTS

HELMERICH & PAYNE, INC.

Years Ended September 30,	2001	2000	1999
		(in thousands)	
SALES AND OTHER REVENUES:			
Contract Drilling - Domestic	$332,399	$214,531	$213,647
Contract Drilling - International	154,890	136,549	182,987
Total Contract Drilling	487,289	351,080	396,634
Exploration and Production	217,194	157,583	95,953
Natural Gas Marketing	100,111	80,907	55,259
Total Oil and Gas Operations	317,305	238,490	151,212
Real Estate	11,018	8,999	8,671
Other	11,242	32,526	7,802
Total Revenues	$826,854	$631,095	$564,319
OPERATING PROFIT:			
Contract Drilling - Domestic	$107,691	$ 35,808	$ 30,154
Contract Drilling - International	28,475	9,753	29,845
Total Contract Drilling	136,166	45,561	59,999
Exploration and Production	95,579	66,604	11,245
Natural Gas Marketing	5,254	5,271	4,418
Total Oil and Gas Operations	100,833	71,875	15,663
Real Estate	6,315	5,346	5,338
Total Operating Profit	243,314	122,782	81,000
OTHER:			
Income from investments	10,592	31,973	7,757
General and administrative expense	(15,415)	(11,578)	(14,198)
Interest expense	32	(3,076)	(6,481)
Corporate depreciation	(2,043)	(2,152)	(1,565)
Other corporate expense	(1,378)	(1,186)	(1,575)
Total Other	(8,212)	13,981	(16,062)
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATES	$235,102	$136,763	$ 64,938

Note: See Note 14 (pages 30, 31 and 32) for complete segment disclosure.

HELMERICH & PAYNE, INC.

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

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

With the exception of historical information, the matters discussed in Management's Discussion & Analysis of Results of Operations and Financial Condition include forward-looking statements. These forward-looking statements are based on various assumptions. The Company cautions that, while it believes such assumptions to be reasonable and makes them in good faith, assumed facts almost always vary from actual results. The differences between assumed facts and actual results can be material. The Company is including this cautionary statement to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. The factors identified in this cautionary statement 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

All per share amounts included in the Results of Operations discussion are stated on a diluted basis. Helmerich & Payne, Inc.'s net income for 2001 was $144,254,000 ($2.84 per share), compared with net income of $82,300,000 ($1.64 per share) in 2000, and $42,788,000 ($0.86 per share) in 1999. Included in the Company's net income, but not related to its operations, were after-tax gains from the sale of investment securities of $691,000 ($0.01 per share) in 2001, $8,152,000 ($0.16 per share) in 2000, and $1,562,000 ($0.03 per share) in 1999. In addition to income from security sales, the Company also recorded net income during 2000 of $6,637,000 ($0.13 per share) from gains relating to non-monetary dividends received. Also included in net income is the Company's portion of income from its equity affiliates, which totaled $0.04 per share in 2001, $0.06 in 2000, and $0.07 in 1999. The Company's equity affiliates are Atwood Oceanics, Inc. and a 50-50 joint venture with Atwood called Atwood Oceanics West Tuna Pty. Ltd., which owns an offshore platform rig.

Consolidated revenues were $826,854,000 in 2001, $631,095,000 in 2000, and $564,319,000 in 1999. The 31 percent increase from 2000 to 2001 was due to significant increases in revenues from all of the operating divisions. Revenues from investments decreased by $21,381,000. Contract Drilling Division revenues increased by 39 percent due to the strengthening of the U.S. land rig market. This resulted in higher utilization of the Company's rigs and higher dayrates. Oil and Gas Division revenues rose 33 percent over 2000 due primarily to higher oil and natural gas prices. The 12 percent increase in consolidated revenues from 1999 to 2000 was primarily due to higher oil and natural gas prices resulting in an increase of $87,278,000 in Oil and Gas Division revenues and increased investment revenues of $24,216,000. Partially offsetting these increases was a reduction of international contract drilling revenues of $46,438,000.

Revenues from investments were $10,592,000 in 2001, $31,973,000 in 2000, and $7,757,000 in 1999. Included in revenues were pre-tax gains from the sale of investment securities of $1,189,000 in 2001, $13,295,000 in 2000, and $2,547,000 in 1999. Interest income from short-term investments increased in 2001 and 2000 because the Company's cash and cash equivalent balances increased in each of these years. Dividend income decreased in 2001, primarily because in 2000, the Company recognized $10,706,000 of non-monetary dividends when three Company investees spun-off subsidiaries to their shareholders.

Costs and expenses in 2001 were $591,752,000, 72 percent of revenues, compared with 78 percent in 2000, and 88 percent in 1999. Operating costs, as a percentage of operating revenues, were 51 percent in 2001, 53 percent in 2000, and 60 percent in 1999. Operating costs, as a percentage of operating revenues, declined each of the last two years, primarily due to proportionately higher revenues.

Effective October 1, 2000, the Company changed the estimated useful life of its drilling equipment from ten years to 15 years, resulting in lower annual depreciation expense of approximately $30 million in 2001. Excluding write-downs of producing properties, depreciation expense was $78,400,000 in 2001, $106,815,000 in 2000, and $99,108,000 in 1999. Producing property write-downs totaled $8,909,000 in 2001, $4,036,000 in 2000, and $10,059,000 in 1999.

General and administrative expenses increased by 33 percent from 2000 to 2001, to a total of $15,415,000, compared with $11,578,000 in 2000, and $14,198,000 in 1999. Expenses rose this past year due to costs associated with legal, accounting, and investment banking fees related to the potential spin-off of the Oil and Gas Division, settlements of lawsuits, higher pension expense accrual, and higher labor and bonus charges, compared with 2000. General and administrative expenses decreased in 2000, compared to 1999, due to the inclusion in 1999 of reduced allocations of charges to operations and unusually high expenses relating to corporate aircraft maintenance. Income taxes, as a percentage of pre-tax income, were 40 percent in 2001, 42 percent in 2000, and 40 percent in 1999.

Interest expense for the Company was negative $32,000 in 2001, $3,076,000 in 2000, and $6,481,000 in 1999. Most of the expense reduction from 2000 to 2001 resulted from a reversal of interest expense previously accrued relating to an ad valorem tax dispute that was settled for less interest costs than accrued. The specific case was settled during 2001, resulting in a reversal of interest expense of $2,280,000 that had been accrued in 1999. Additionally, the Company reduced its overall debt position during the last half of 1999 and early 2000, resulting in less debt related interest expense booked in the last three years.

CONTRACT DRILLING DIVISION revenues, which include both domestic and international segment revenues, increased 39 percent to $487,289,000 during 2001, from $351,080,000 in 2000. Revenues for 2000 were 11 percent lower than in 1999. Division operating profit of $136,166,000 was almost triple that of the $45,461,000 recorded in 2000. Operating profit for 2000 was 24 percent lower than in 1999.

Domestic segment revenues were $332,399,000 in 2001, $214,531,000 in 2000, and $213,647,000 in 1999. Domestic segment operating profit was $107,691,000 in 2001, $35,808,000 in 2000, and $30,154,000 in 1999. Rig utilization for the U.S. land fleet was 97 percent in 2001, 85 percent in 2000, and 69 percent in 1999. Domestic platform rig utilization was 98 percent in 2001, 94 percent in 2000, and 95 percent in 1999.

Both U.S. land rig and U.S. platform rig revenues increased in 2001 over 2000. Dayrates for U.S. land rigs and total operating days for the U.S. land rig segment increased dramatically during 2001. Operating profit for the domestic operation improved dramatically from 2000 to 2001, mostly on the strength of average land rig dayrates, which improved more than 50 percent, and the resulting improvement in profit margins. The previously discussed change in the estimated useful life of drilling equipment increased domestic operating profit by approximately $15 million in 2001. U.S. platform rig dayrates did not improve, but total operating days helped boost revenues for the year. Improvements in revenues and operating profit from 1999 to 2000 were primarily the result of average U.S. land rig dayrates and profit margins moving up, while the platform business improved only slightly. During 1999, there were approximately $40 million of revenues recorded as a result of a rig construction project that was completed in early 2000.

International segment revenues increased by 13 percent from 2000 to 2001, after falling by 25 percent from 1999 to 2000. International operating profit rose to $28,475,000 in 2001, from $9,753,000 in 2000. Operating profit for 1999 was $29,845,000. International rig utilization averaged 56 percent during 2001, 47 percent in 2000, and 53 percent in 1999. International operating profit improved during 2001, mainly due to lower depreciation expenses resulting from a change in the estimated useful life of the Company's drilling equipment, as previously discussed. The impact of the change added approximately $15 million to international operating profit in 2001. Revenues in Venezuela increased 24 percent during 2001, and the Company expects to see activity improve slightly in 2002. The Company's labor contract in Equatorial Guinea added $6,054,000 to international revenues in 2001. The decline in operating profit from 1999 to 2000 was primarily due to reduced activity in Colombia where the Company had previously employed ten rigs. Activity in Colombia continued to decline in 2000 and 2001, and currently, the Company has one rig working out of the three remaining in that country. Conversely, Ecuador's rig count has grown from three in 1999 to seven in 2001, and an eighth, newly refurbished rig will be shipped during the second quarter of 2002, to begin work under a one-year contract.

The Company has international operations in several South American countries. With the exception of Venezuela, the Company believes that its exposure to currency valuation losses is minimal due to the fact that virtually all billings and payments are in U.S. dollars. In Venezuela, approximately 50 percent of the Company's billings are in U.S. dollars and 50 percent are in bolivars, the local currency. As a result, the Company is exposed to risks of currency devaluation in Venezuela because of the bolivar denominated receivables. During 2001, the Company experienced a loss of $796,000 due to devaluation of the bolivar, compared with a $687,000 loss in 2000, and a $712,000 loss in 1999. The Company anticipates additional devaluation losses in Venezuela during 2002, but is unable to predict the extent of either the devaluation or its financial impact. Should Venezuela experience a 25 to 50 percent devaluation, Company losses could range from approximately $1,600,000 to $2,600,000.

OIL AND GAS DIVISION operating results include those from its Exploration and Production segment, as depicted in the following table. The Natural Gas Marketing segment will be discussed separately.

Exploration & Production	2001	2000	1999
Revenues (in 000's)	$ 217,194	$ 157,583	$ 95,953
Operating Profit (in 000's)	$ 95,579	$ 66,604	$ 11,245
Natural Gas Production (Mmcf per day)	116.1	128.2	121.2
Average Natural Gas Price (per Mcf)	$ 4.55	$ 2.79	$ 1.83
Crude Oil Production (barrels per day) ...	2,242	2,405	1,779
Average Crude Oil Price (per barrel)	$ 27.88	$ 27.95	$ 14.60

Exploration and Production segment revenues and operating profit increased significantly this year as average prices received for the Company's natural gas production rose dramatically. Average prices received for natural gas increased by 63 percent, while average crude oil prices remained flat, compared to 2000. Natural gas and crude oil production for the Company decreased by nine percent and seven percent, respectively. Increased exploration drilling resulted in dry hole and abandonment charges rising to $33.5 million in 2001, compared with $22.6 million in 2000, and $11.4 million in 1999. Revenues and operating profit for 2000 were up substantially from 1999 due to significant increases in both commodity price levels and Company production volumes for natural gas and crude oil. Average prices for natural gas increased by 52 percent and average crude oil prices increased by 91 percent from 1999 to 2000. In 2000, natural gas and crude oil production increased by six percent and 35 percent, respectively, over 1999 levels. Producing property impairment write-downs totaled $8,909,000 in 2001, $4,036,000 in 2000, and $10,059,000 in 1999.

During 2002, the Company's Oil and Gas Division intends to decrease its capital spending over the previous year. However, dry hole, abandonment, and geophysical expenses are difficult to predict and will continue to impact operating profit for the coming year. Additionally, with a reduced capital spending budget, it is expected that the Company's production volumes for natural gas and crude oil will decline during the year.

The Company has retained the investment banking firm of Petrie Parkman & Co. to analyze, develop, and facilitate possible strategic options for the Oil and Gas Division. It is uncertain whether such a transaction will occur or, if so, when.

The Company's Natural Gas Marketing segment, Helmerich & Payne Energy Services, Inc., (HPESI) derives most of its revenues from selling natural gas produced by other unaffiliated companies. Total Natural Gas Marketing segment revenues were $100,111,000 in 2001, $80,907,000 in 2000, and $55,259,000 in 1999. Operating profit was $5,254,000 in 2001, $5,271,000 in 2000, and $4,418,000 in 1999. The operating profit margin declined to 5.2 percent in 2001, from 6.5 percent in 2000, and 8 percent in 1999. A rapid decline in natural gas prices over the last three-quarters of the year as well as an increasingly competitive gas marketing environment was primarily responsible for lower margins in 2001. Most of the natural gas owned and produced by the Exploration and Production segment is sold through HPESI to third parties at variable prices based on industry pricing publications or exchange quotations. Revenues for the Company's own natural gas production are reported by the Exploration and Production segment with the Natural Gas Marketing segment retaining a market-based fee from the sale of such production. HPESI sells most of its natural gas with monthly or daily contracts tied to industry market indices, such as Inside FERC Gas Market Report. The Company, through HPESI, has natural gas delivery commitments for periods of less than a year for approximately 59 percent of its total natural gas production. At times, the Exploration and Production segment may direct HPESI to enter into fixed price natural gas sales contracts on its behalf for a small portion (normally less than 20 percent) of its natural gas sales for periods of less than 12 months to guarantee a certain price. In 2001, HPESI had approximately three percent of its natural gas sales portfolio dedicated to such fixed price sales contracts compared to 13.6 percent in 2000. As of September 30, 2001, HPESI had no long-term fixed contracts.

REAL ESTATE DIVISION revenues totaled $11,018,000 for 2001, $8,999,000 for 2000, and $8,671,000 for 1999. Operating profit was $6,315,000 in 2001, $5,346,000 in 2000, and $5,338,000 in 1999. The increase in revenues and operating profit in 2001 was due to the sale of a small parcel of raw land. Occupancy rates, revenues, and operating profit remained solid in 2001 due to the continued strength of the Tulsa economy. No material changes are anticipated in the Real Estate Division in 2002.

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective October 1, 2000, which required that all derivatives be recognized as assets or liabilities in the balance sheet and that these instruments be measured at fair value. The effect of SFAS No. 133 on the Company's results of operations and financial position was not material for fiscal year 2001, and is not expected to be material in 2002.

In 2001, the Financial Standards Board (FASB) issued SFAS No. 143, "Accounting for Asset Retirement Obligations," and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-lived Assets." The Company does not anticipate that these pronouncements will have an immediate material impact on its results of operations or financial position. More information on these pronouncements can be found in Note 12 on page 30 of this Annual Report.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital spending was $274,670,000 in 2001, $131,932,000 in 2000, and $122,951,000 in 1999. Net cash provided from operating activities for those same time periods were $278,856,000 in 2001, $201,836,000 in 2000, and $158,694,000 in 1999. In addition to the net cash provided by operating activities, the Company also generated net proceeds from the sale of portfolio securities of $24,439,000 in 2001, $12,569,000 in 2000, and $2,803,000 in 1999.

During 2000, the Company announced a program (FlexRig II program) under which it would construct 12 new FlexRigs at an approximate cost of between $7.5 and $8.25 million each. During 2001, the Company completed construction on seven of those 12 rigs. Additionally, the Company announced in 2001 that it would embark on another construction project (FlexRig III program) to build an additional 25 FlexRigs at an approximate cost of $10.2 million each. It is expected that the Company will complete construction on 15 of those 25 rigs under the FlexRig III program during 2002. During 2001, the Company also announced that it had reached agreement with two operators for offshore platform rig operations in the Gulf of Mexico. This will result in the Company spending approximately $50 million to construct two offshore platform rigs that should commence operations in the Company's third quarter of 2002.

These projects, along with ongoing remodification and refurbishment of existing equipment, plus additional drill pipe and other expenditures, should bring Contract Drilling capital expenditures to approximately $340 million in 2002. Additionally, the Oil and Gas Division has estimated its capital spending needs for the coming year to be approximately $50 million. These capital expenditures, along with miscellaneous real estate and corporate capital expenditures, should bring total Company capital spending for 2002 close to $400 million. Funding for this significant increase in Company capital expenditures will come from existing cash balances, internally generated cash flow, additional bank borrowings, and proceeds from securities sales.

As described in Note 2 of Notes to Consolidated Financial Statements, in October 1998, the Company obtained $50 million in long-term debt proceeds. The $50 million of long-term debt matures in October 2003. The interest rate on this debt fluctuates based on the 30-day London Interbank Offered Rate (LIBOR). However, simultaneous to receiving the $50 million in long-term debt proceeds, the Company entered into a $50 million interest rate swap agreement with a major national bank. The swap effectively fixes the interest rate on this facility at 5.38 percent for the entire five-year term of the note. The Company's interest rate risk exposure is limited to its potential short-term borrowings, and results predominately from fluctuations in short-term interest rates as measured by 30-day LIBOR. This exposure should increase during 2002, as the Company secures additional debt financing.

The strength of the Company's balance sheet is substantial, with current ratios for 2001 and 2000 at 2.7 and 3.4, respectively, and with total bank borrowings less than four percent of total assets at September 30, 2001. Additionally, the Company manages a large portfolio of marketable securities that, at the close of 2001, had a market value of $226,134,000, with a cost basis of $119,165,000. The portfolio, heavily weighted in energy stocks, is subject to fluctuation in the market and may vary considerably over time. Excluding the Company's equity-method investments, the portfolio is marked to market on the Company's balance sheet for each reporting period. During 2001, the Company paid a dividend of $0.30 per share, or a total of $15,047,000, representing the 30th consecutive year of dividend increases.

STOCK PORTFOLIO HELD BY THE COMPANY

September 30, 2001	Number of Shares	Cost Basis	Market Value
	(in thousands, except share amounts)		
Atwood Oceanics, Inc.	3,000,000	$ 52,152	$ 78,000
Schlumberger, Ltd.	1,480,000	23,511	67,636
Transocean Sedco Forex, Inc.	286,528	9,509	7,564
SUNOCO, Inc.	312,546	2,873	11,127
Phillips Petroleum Company	240,000	5,976	12,946
BANK ONE CORPORATION	175,000	1,969	5,507
Kerr-McGee Corporation	150,000	3,983	7,787
Occidental Petroleum Corporation	150,000	3,566	3,651
ONEOK, Inc.	450,000	2,751	7,452
Other		12,875	24,464
Total		$ 119,165	$ 226,134

CONSOLIDATED BALANCE SHEETS

HELMERICH & PAYNE, INC.

ASSETS

September 30,	2001	2000
	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 122,962	$ 108,087
Accounts receivable, less reserve of $1,661 in 2001 and $2,003 in 2000	147,235	106,630
Inventories	28,934	25,598
Prepaid expenses and other	32,281	24,829
Total current assets	331,412	265,144
INVESTMENTS	200,286	304,326
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Contract drilling equipment	1,028,015	891,749
Oil and gas properties	521,673	457,724
Real estate properties	50,579	50,649
Other	86,300	80,268
	1,686,567	1,480,390
Less--Accumulated depreciation, depletion and amortization	868,163	806,785
Net property, plant and equipment	818,404	673,605
OTHER ASSETS	14,405	16,417
TOTAL ASSETS	$1,364,507	$1,259,492

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

September 30,	2001	2000
	(in thousands, except share data)	
CURRENT LIABILITIES:		
Accounts payable	$ 67,595	$ 32,279
Accrued liabilities	53,626	46,615
Total current liabilities	121,221	78,894
NONCURRENT LIABILITIES:		
Long-term notes payable	50,000	50,000
Deferred income taxes	144,439	156,650
Other	22,370	18,245
Total noncurrent liabilities	216,809	224,895
SHAREHOLDERS' EQUITY:		
Common stock, $.10 par value, 80,000,000 shares authorized, 53,528,952 shares issued	5,353	5,353
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued	--	--
Additional paid-in capital	80,324	66,090
Retained earnings	943,105	813,885
Unearned compensation	(1,812)	(3,277)
Accumulated other comprehensive income	49,309	106,064
	1,076,279	988,115
Less treasury stock, 3,676,155 shares in 2001 and 3,548,480 shares in 2000, at cost	49,802	32,412
Total shareholders' equity	1,026,477	955,703
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,364,507	$ 1,259,492

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

HELMERICH & PAYNE, INC.

Years Ended September 30,	2001	2000	1999
		(in thousands, except per share amounts)	
REVENUES:			
Sales and other operating revenues	$ 816,262	$ 599,122	$ 556,562
Income from investments	10,592	31,973	7,757
	826,854	631,095	564,319
COSTS AND EXPENSES:			
Operating costs	413,378	316,933	332,330
Depreciation, depletion and amortization	87,309	110,851	109,167
Dry holes and abandonments	34,042	22,692	11,727
Taxes, other than income taxes	41,640	29,202	25,478
General and administrative	15,415	11,578	14,198
Interest	(32)	3,076	6,481
	591,752	494,332	499,381
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATES	235,102	136,763	64,938
INCOME TAX EXPENSE	93,027	57,684	25,706
EQUITY IN INCOME OF AFFILIATES net of income taxes	2,179	3,221	3,556
NET INCOME	$ 144,254	$ 182,300	$ 42,788
EARNINGS PER COMMON SHARE:			
BASIC	$ 2.88	$ 1.66	$ 0.87
DILUTED	$ 2.84	$ 1.64	$ 0.86
AVERAGE COMMON SHARES OUTSTANDING:			
BASIC	50,096	49,534	49,243
DILUTED	50,772	50,035	49,817

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

HELMERICH & PAYNE, INC.

	Common Stock		Additional	Unearned		Treasury Stock		Accumulated Other	
	Shares	Amount	Paid-in Capital	Comp-pensation	Retained Earnings	Shares	Amount	Comprehensive Income (Loss)	Total
				(in thousands, except per share amounts)					
Balance, Sept. 30, 1998	53,529	$5,353	$59,004	$(5,605)	$716,875	4,146	$(37,168)	$ 54,689	$ 793,148
Comprehensive income:									
Net income	--	--	--	--	42,788	--	--	--	42,788
Other comprehensive income									
Unrealized gains on available-for-sale securities, net	--	--	--	--	--	--	--	20,493	20,493
Comprehensive income									63,281
Cash dividends ($.28 per share)	--	--	--	--	(13,866)	--	--	--	(13,866)
Exercise of stock options	--	--	2,201	--	--	(226)	1,710	--	3,911
Tax benefit of stock-based awards ..	--	--	69	--	--	--	--	--	69
Stock issued under Restricted Stock Award Plan	--	--	137	(289)	--	(17)	152	--	--
Amortization of deferred compensation	--	--	--	1,407	159	--	--	--	1,566
Balance, Sept. 30, 1999	53,529	5,353	61,411	(4,487)	745,956	3,903	(35,306)	75,182	848,109
Comprehensive income:									
Net income	--	--	--	--	82,300	--	--	--	82,300
Other comprehensive income,									
Unrealized gains on available-for-sale securities, net	--	--	--	--	--	--	--	30,882	30,882
Comprehensive income									113,182
Cash dividends ($.285 per share) ...	--	--	--	--	(14,448)	--	--	--	(14,448)
Exercise of stock options	--	--	4,491	--	--	(366)	3,253	--	7,744
Purchase of stock for treasury	--	--	--	--	--	21	(450)	--	(450)
Tax benefit of stock-based awards ..	--	--	31	--	--	--	--	--	31
Stock issued under Restricted Stock Award Plan	--	--	157	(248)	--	(10)	91	--	--
Amortization of deferred compensation	--	--	--	1,458	77	--	--	--	1,535
Balance, Sept. 30, 2000	53,529	5,353	66,090	(3,277)	813,885	3,548	(32,412)	106,064	955,703
Comprehensive income:									
Net income	--	--	--	--	144,254	--	--	--	144,254
Other comprehensive income,									
Unrealized gains on available-for-sale securities,net	--	--	--	--	--	--	--	(55,769)	(55,769)
Derivatives instruments losses, net	--	--	--	--	--	--	--	(986)	(986)
Total other comprehensive income.........................									(56,755)
Comprehensive income									87,499
Cash dividends ($.30 per share)	--	--	--	--	(15,047)	--	--	--	(15,047)
Exercise of stock options	--	--	7,965	--	--	(646)	5,808	--	13,773
Purchase of stock for treasury	--	--	--	--	--	774	(23,198)	--	(23,198)
Tax benefit of stock-based awards ..	--	--	6,269	--	--	--	--	--	6,269
Amortization of deferred compensation	--	--	--	1,465	13	--	--	--	1,478
Balance, Sept. 30, 2001	53,529	$5,353	$80,324	$(1,812)	$943,105	3,676	$(49,802)	$ 49,309	$ 1,026,477

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

HELMERICH & PAYNE, INC.

Years Ended September 30,	2001	2000	1999
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 144,254	$ 182,300	$ 42,788
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	87,309	110,851	109,167
Dry holes and abandonments	34,042	22,692	11,727
Equity in income of affiliates before income taxes	(4,383)	(5,196)	(5,735)
Amortization of deferred compensation	1,478	1,535	1,566
Gain on sale of securities and non-monetary investment income	(1,189)	(24,000)	(2,547)
Gain on sale of property, plant and equipment	(4,895)	(2,479)	(6,900)
Other - net	906	944	2,148
Change in assets and liabilities:			
Accounts receivable	(39,747)	(7,032)	19,797
Inventories	(2,062)	(411)	214
Prepaid expenses and other	(4,874)	(7,780)	(5,079)
Accounts payable	34,840	6,575	(16,147)
Accrued liabilities	9,065	7,557	2,367
Deferred income taxes	21,641	21,133	559
Other noncurrent liabilities	2,471	(4,853)	4,769
	134,602	119,536	115,906
Net cash provided by operating activities	278,856	201,836	158,694
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, including dry hole costs	(274,670)	(131,932)	(122,951)
Acquisition of business, net of cash acquired	(2,279)	--	--
Proceeds from sale of property, plant and equipment	13,173	18,044	9,990
Purchase of investments	--	--	(537)
Proceeds from sale of securities	24,439	12,569	2,803
Net cash used in investing activities	(239,337)	(101,319)	(110,695)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	--	--	102,000
Payments made on notes payable	--	(5,000)	(141,800)
Dividends paid	(15,047)	(14,175)	(13,849)
Purchases of stock for treasury	(23,198)	(450)	--
Proceeds from exercise of stock options	13,601	5,437	2,932
Net cash used in financing activities	(24,644)	(14,188)	(50,717)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,875	86,329	(2,718)
CASH AND CASH EQUIVALENTS, beginning of period	108,087	21,758	24,476
CASH AND CASH EQUIVALENTS, end of period	$ 122,962	$ 108,087	$ 21,758

The accompanying notes are an integral part of these statements.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

CONSOLIDATION -

The consolidated financial statements include the accounts of Helmerich & Payne, Inc. (the Company), and all of its wholly-owned subsidiaries. Fiscal years of the Company's foreign consolidated operations end on August 31 to facilitate reporting of consolidated results.

TRANSLATION OF FOREIGN CURRENCIES -

The Company has determined that the functional currency for its foreign subsidiaries is the U.S. dollar. The foreign currency transaction loss for 2001, 2000, and 1999 was $494,000, $664,000, and $21,000, respectively.

USE OF ESTIMATES -

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

PROPERTY, PLANT AND EQUIPMENT -

The Company follows the successful efforts method of accounting for oil and gas properties. Under this method, the Company capitalizes all costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells which find proved reserves and to drill and equip development wells. Geological and geophysical costs, delay rentals and costs to drill exploratory wells which do not find proved reserves are expensed. Capitalized costs of producing oil and gas properties are depreciated and depleted by the unit-of-production method based on proved oil and gas reserves as determined by the Company and its independent engineers. Reserves are recorded for capitalized costs of undeveloped leases based on management's estimate of recoverability. Costs of surrendered leases are charged to the reserve.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," the Company recognizes impairment losses for long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the carrying amount of the asset. The Company recognized impairment charges of approximately $8.9 million, $4.0 million and $10.1 million in 2001, 2000, and 1999, respectively, for proved Exploration and Production properties which are included in depreciation, depletion, and amortization expense. After-tax, the impairment charge reduced 2001, 2000, and 1999 net income by approximately $5.5 million, $2.5 million, and $6.2 million, respectively. On a diluted basis the impairment charges reduced earnings per share in 2001, 2000, and 1999 by $0.11, $0.05, and $0.13, respectively. The Company evaluates impairment of exploration and production assets on a field by field basis. Fair value on all long-lived assets is based on discounted future cash flows or information provided by sales and purchases of similar assets.

Substantially all property, plant and equipment other than oil and gas properties is depreciated using the straight-line method based on the following estimated useful lives:

	YEARS
Contract drilling equipment	4-15
Real estate buildings and equipment	10-50
Other	3-33

As a result of an economic evaluation of useful lives of its drilling equipment, the Company extended the depreciable life of its rig equipment from ten to 15 years. This change will provide a better matching of revenues and depreciation expense over the useful life of the equipment. This change, effective October 1, 2000, reduced depreciation expense for 2001 by approximately $30 million.

CASH AND CASH EQUIVALENTS -

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

INVENTORIES -

Inventories, primarily materials and supplies, are valued at the lower of cost (moving average or actual) or market.

SHIPPING COSTS -

The Company's shipping and handling costs are included under operating costs for all periods presented.

DRILLING REVENUES -

Contract drilling revenues are comprised primarily of daywork drilling contracts for which the related revenues and expenses are recognized as work progresses. Fiscal 2000 and 1999 contract drilling revenues also include revenues of $4,109,000, and $40,790,000, respectively, from a rig construction contract for which revenues were recognized based on the percentage-of-completion method, measured by the percentage that incurred costs to date bear to total estimated costs. The Company does not currently have any third party rig construction contracts.

GAS IMBALANCES -

The Company recognizes revenues from gas wells on the sales method, and a liability is recorded for permanent imbalances resulting from gas wells in which the Company has sold more production than it is entitled.

INVESTMENTS -

The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold. Net income in 2001 includes a loss of approximately $1.4 million, $0.03 per share on a diluted basis, resulting from the Company's assessment that the decline in market value of certain available-for-sale securities below their financial cost basis was other than temporary. Net income in 2000 included approximately $6.6 million, $0.13 per share on a diluted basis, on gains related to non-monetary transactions within the Company's available-for-sale security invested portfolio which were accounted for at fair value.

Investments in companies owned from 20 to 50 percent are accounted for using the equity method with the Company recognizing its proportionate share of the income or loss of each investee. The Company owned approximately 22% of Atwood Oceanics, Inc. (Atwood) at both September 30, 2001 and 2000. The quoted market value of the Company's investment was $78,000,000 and $125,063,000 at September 30, 2001 and 2000, respectively. Retained earnings at September 30, 2001 includes approximately $25,514,000 of undistributed earnings of Atwood.

Summarized financial information of Atwood is as follows:

	2001	2000	1999
		(in thousands)	
Gross revenues	$ 147,540	$ 134,514	$ 150,009
Costs and expenses	120,395	111,366	122,289
Net income	$ 27,145	$ 23,148	$ 27,720
Helmerich & Payne, Inc.'s equity in net income, net of income taxes	$ 3,596	$ 3,221	$ 3,556
Current assets	$ 45,891	$ 63,951	$ 50,532
Noncurrent assets	304,857	248,334	243,072
Current liabilities	19,144	17,484	19,013
Noncurrent liabilities	85,948	77,332	82,362
Shareholders' equity	245,656	217,469	192,229
Helmerich & Payne, Inc.'s investment	$ 52,153	$ 46,353	$ 41,157

INCOME TAXES -

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

OTHER POST EMPLOYMENT BENEFITS -

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

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

EARNINGS PER SHARE -

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

EMPLOYEE STOCK-BASED AWARDS -

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

TREASURY STOCK -

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

CAPITALIZATION OF INTEREST -

The Company capitalizes interest on major projects during construction. Interest is capitalized on borrowed funds, with the rate based on the average interest rate on related debt. Capitalized interest for 2001, 2000, and 1999 was $1.3 million, $0.4 million, and $0.1 million, respectively.

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, in October 1998, the Company entered into an interest rate swap to exchange floating rate for fixed rate interest payments through October 2003, the remaining life of the debt. The difference to be paid or received is accrued and recognized as an adjustment of interest expense. As of September 30, 2001, the Company's interest rate swap had a notional principal amount of $50 million.

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 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.

Gains and losses from termination of interest rate swap agreements are deferred and amortized as an adjustment to interest expense over the original term of the terminated swap agreement.

NOTE 2 NOTES PAYABLE AND LONG-TERM DEBT

At September 30, 2001, the Company had committed bank lines totaling $85 million; $50 million expires October 2003 and $35 million expires May 2002. 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 September 30, 2001. As described above, 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 September 30, 2001, was approximately 5.66 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.

NOTE 3 INCOME TAXES

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

Years Ended September 30,	2001	2000	1999
		(in thousands)	
CURRENT:			
Federal	$ 57,607	$ 325,736	$ 9,684
Foreign	8,870	8,766	15,963
State	6,680	3,366	1,744
	73,157	37,868	27,391
DEFERRED:			
Federal	14,020	12,318	(842)
Foreign	4,701	6,146	(771)
State	1,149	1,352	(72)
	19,870	19,816	(1,685)
TOTAL PROVISION:	$ 93,027	$ 57,684	$ 25,706

The amounts of domestic and foreign income are as follows:

Years Ended September 30,	2001	2000	1999
		(in thousands)	
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATES:			
Domestic	$ 208,288	$ 129,373	$ 41,693
Foreign	26,814	7,390	23,245
	$ 235,102	$ 136,763	$ 64,938

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

Years Ended September 30,	2001	2000	1999
U.S. Federal income tax rate	35%	35%	35%
Dividends received deduction	--	--	(1)
Effect of foreign taxes	2	5	5
Non-conventional fuel source credits utilized	--	--	(1)
Other, net	3	2	2
Effective income tax rate	40%	42%	40%

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

September 30,	2001	2000
	(in thousands)	
DEFERRED TAX LIABILITIES:		
Property, plant and equipment	$ 101,674	$ 75,653
Available-for-sale securities	33,937	72,583
Pension provision	3,194	4,075
Equity investments	15,637	12,734
Other	506	1,217
Total deferred tax liabilities	154,948	166,262
DEFERRED TAX ASSETS:		
Financial accruals	6,746	9,612
Other	3,763	--
Total deferred tax assets	10,509	9,612
NET DEFERRED TAX LIABILITIES	$ 144,439	$ 156,650

NOTE 4 SHAREHOLDERS' EQUITY

In January 2000, the board of directors authorized the repurchase of up to 1,000,000 shares of the Company's common stock in the open market or private transactions. The repurchased shares will be held in treasury and used for general corporate purposes including use in the Company's benefit plans. During fiscal 2001, the Company purchased 773,800 shares at a cost of approximately $23,198,000 and in fiscal 2000 purchased 20,600 shares at a cost of approximately $450,000. The Company did not purchase any shares is fiscal 1999. As of September 30, 2001, the Company is authorized to repurchase up to 205,600 additional shares.

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

The Company has reserved 3,135,509 shares of its treasury stock to satisfy the exercise of stock options issued under the 1990 and 1996 Stock Option Plans. Effective after December 6, 2000, additional options are no longer granted under these Plans. Options granted under the 1996 Plan vest over a four-year period. In fiscal 2001, 843,800 options were granted under the 1996 Plan.

In March 2001, the Company adopted the 2000 Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan was effective December 6, 2000, and will terminate December 6, 2010. Under this plan, the Company is authorized to grant options for up to 3,000,000 shares of the Company's common stock at an exercise price not less than the fair market value of the common stock on the date of grant. Up to 450,000 shares of the total authorized may be granted to participants as restricted stock awards. There was no activity under this plan during fiscal 2001.

In fiscal 2000 and 1999, 10,000 and 17,000 shares of restricted stock, respectively, were granted at a weighted-average price of $24.75 and $17.00, respectively, which approximated fair market value at the date of grant. Unearned compensation of $248,000 and $289,000 for fiscal 2000 and 1999, respectively, is being amortized over a five-year period as compensation expense. There were no restricted stock grants in fiscal 2001.

The following summary reflects the stock option activity and related information (shares in thousands):

	2001		2000		1999	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at October 1,	2,955	$22.94	2,574	$21.34	2,090	$22.09
Granted	844	32.36	767	24.75	726	16.81
Exercised	(644)	21.34	(364)	15.44	(238)	14.28
Forfeited/Expired	(19)	25.57	(22)	23.00	(4)	13.51
Outstanding on September 30,	3,136	$25.78	2,955	$22.94	2,574	$21.34
Exercisable on September 30,	1,078	$23.82	1,046	$22.40	782	$20.13
Shares available on September 30, for options that may be granted	3,000		1,777		2,537	

The following table summarizes information about stock options at September 30, 2001 (shares in thousands):

	Outstanding Stock Options			Exercisable Stock Options	
Range of Exercise Prices	Options	Weighted-Average Remaining Contractural Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
$12.00 to $16.50	374	3.7 years	$13.78	284	$13.77
$16.51 to $26.50	1,511	7.3 years	$22.08	511	$22.18
$26.51 to $38.31	1,251	8.2 years	$33.84	283	$36.85
$12.00 to $38.31	3,136	7.2 years	$25.78	1,078	$23.82

The following table reflects pro forma net income and earnings per share had the Company elected to adopt the fair value method of SFAS No. 123, "Accounting for Stock-Based Compensation," in measuring compensation cost beginning with 1997 employee stock-based awards.

Years Ended September 30,	2001	2000	1999
	(in thousands, except per share data)		
Net Income:			
As reported	$ 144,254	$ 82,300	$ 42,788
Pro forma	$ 139,211	$ 78,788	$ 40,268
Basic earnings per share:			
As reported	$ 2.88	$ 1.66	$ .87
Pro forma	$ 2.78	$ 1.59	$ .82
Diluted earnings per share:			
As reported	$ 2.84	$ 1.64	$ .86
Pro forma	$ 2.74	$ 1.57	$ .81

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

The weighted-average fair values of options at their grant date during 2001, 2000, and 1999 were $13.01, $10.80, and $6.81, respectively. The estimated fair value of each option granted is calculated using the Black-Scholes option-pricing model. The following summarizes the weighted-average assumptions used in the model:

	2001	2000	1999
Expected years until exercise	4.5	5.5	5.5
Expected stock volatility	43%	41%	38%
Dividend yield	.8%	.8%	1.2%
Risk-free interest rate	5.2%	6.0%	6.0%

On September 30, 2001, the Company had 49,852,797 outstanding common stock purchase rights ("Rights") pursuant to terms of the Rights Agreement dated January 8, 1996. Under the terms of the Rights Agreement each Right entitled the holder thereof to purchase from the Company one half of one unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock ("Preferred Stock"), without par value, at a price of $90 per unit. The exercise price and the number of units of Preferred Stock issuable on exercise of the Rights are subject to adjustment in certain cases to prevent dilution. The Rights will be attached to the common stock certificates and are not exercisable or transferrable apart from the common stock, until ten business days after a person acquires 15% or more of the outstanding common stock or ten business days following the commencement of a tender offer or exchange offer that would result in a person owning 15% or more of the outstanding common stock. In the event the Company is acquired in a merger or certain other business combination transactions (including one in which the Company is the surviving corporation), or more than 50% of the Company's assets or earning power is sold or transferred, each holder of a Right shall have the right to receive, upon exercise of the Right, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The Rights are redeemable under certain circumstances at $0.01 per Right and will expire, unless earlier redeemed, on January 31, 2006. As long as the Rights are not separately transferrable, the Company will issue one half of one Right with each new share of common stock issued.

NOTE 5 EARNINGS PER SHARE

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

(in thousands)	2001	2000	1999
Basic weighted-average shares	50,096	49,534	49,243
Effect of dilutive shares:			
Stock options	644	492	561
Restricted stock	32	9	13
	676	501	574
Diluted weighted-average shares	50,772	50,035	49,817

Restricted stock of 180,000 shares at a weighted-average price of $37.73 and options to purchase 1,250,750 shares of common stock at a weighted-average price of $33.84 were outstanding at September 30, 2001 but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

At September 30, 2000, restricted stock of 180,000 shares at a weighted-average price of $37.73 and options to purchase 533,000 shares of common stock at a price of $36.84 were outstanding but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

At September 30, 1999, restricted stock of 180,000 shares at a weighted-average price of $37.73 and options to purchase 540,000 shares of common stock at a price of $36.84 were outstanding but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive.

NOTE 6 FINANCIAL INSTRUMENTS

Notes payable bear interest at market rates and are carried at cost which approximates fair value. The estimated fair value of the Company's interest rate swap is ($1,590,553) at September 30, 2001, based on forward-interest rates derived from the year-end yield curve as calculated by the financial institution that is a counterparty to the swap. The estimated fair value of the Company's available-for-sale securities is primarily based on market quotes.

The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting (see Note 1):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)		
Equity Securities:				
September 30, 2001	$63,778	$ 84,257	$3,136	$144,899
September 30, 2000	$86,901	$173,137	$2,065	$257,973

During the years ended September 30, 2001, 2000, and 1999, marketable equity available-for-sale securities with a fair value at the date of sale of $24,439,000, $12,640,000, and $2,803,000, respectively, were sold. The gross realized gains on such sales of available-for-sale securities totaled $3,314,000, $12,576,000, and $2,547,000, respectively, and the gross realized losses totaled $0, $0, and $0 respectively.

NOTE 7 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Unrealized Appreciation (Depreciation) on Securities	Interest Rate Swap	Total
Balance at September 30, 1998	$ 54,689	$ --	$ 54,689
1999 Change:			
Pre-income tax amount	35,600	--	35,600
Income tax provision	(13,528)	--	(13,528)
Realized gains in net income (net of $968 income tax)	(1,579)	--	(1,579)
	20,493	--	20,493
Balance at September 30, 1999	75,182	--	75,182
2000 Change:			
Pre-income tax amount	73,810	--	73,810
Income tax provision	(28,048)	--	(28,048)
Realized gains in net income (net of $9,120 income tax)	(14,880)	--	(14,880)
	30,882	--	30,882
Balance at September 30, 2000	106,064	--	106,064
2001 Change:			
Pre-income tax amount	(88,762)	(1,590)	(90,352)
Income tax provision	33,730	604	34,334
Realized gains in net income (net of $452 income tax)	(737)	--	(737)
	(55,769)	(986)	(56,755)
Balance at September 30, 2001	$ 50,295	$ (986)	$ 49,309

NOTE 8 EMPLOYEE BENEFIT PLANS

The following tables set forth the Company's disclosures required by SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits".

CHANGE IN BENEFIT OBLIGATION:

Years ended September 30,	2001	2000
	(in thousands)	
Benefit obligation at beginning of year	$44,838	$36,995
Service cost	3,851	3,427
Interest cost	3,330	2,741
Actuarial loss	903	3,059
Benefits paid	(1,189)	(1,384)
Benefit obligation at end of year	$51,733	$44,838

CHANGE IN PLAN ASSETS:

Years ended September 30,	2001	2000
	(in thousands)	
Fair value of plan assets at beginning of year	$60,611	$ 58,517
Actual return (loss) on plan assets	(5,435)	3,478
Benefits paid	(1,189)	(1,384)
Fair value of plan assets at end of year	$53,987	$ 60,611
Funded status of the plan	$ 2,254	$ 15,773
Unrecognized net actuarial (gain) loss	6,720	(5,016)
Unrecognized prior service cost	548	786
Unrecognized net transition asset	(540)	(1,079)
Prepaid benefit cost	$ 8,982	$(10,464)

WEIGHTED-AVERAGE ASSUMPTIONS:

Years Ended September 30,	2001	2000	1999
Discount rate	7.50%	7.50%	7.50%
Expected return on plan	9.00%	9.00%	9.00%
Rate of compensation increase	5.00%	5.00%	5.00%

COMPONENTS OF NET PERIODIC PENSION EXPENSE:

Years Ended September 30,	2001	2000	1999
		(in thousands)	
Service cost	$ 3,851	$ 3,427	$ 3,700
Interest cost	3,330	2,741	2,468
Expected return on plan assets	(5,415)	(5,226)	(4,606)
Amortization of prior service cost	238	238	238
Amortization of transition asset	(540)	(540)	(540)
Recognized net actuarial gain	17	(303)	14
Net pension expense	$ 1,481	$ (337)	$ 1,274

DEFINED CONTRIBUTION PLAN:

Substantially all employees on the United States payroll of the Company may elect to participate in the Company sponsored Thrift/401(k) Plan by contributing a portion of their earnings. The Company contributes amounts equal to 100 percent of the first five percent of the participant's compensation subject to certain limitations. Expensed Company contributions were $4,935,000, $3,545,000, and $3,315,000 in 2001, 2000, and 1999, respectively.

NOTE 9 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

September 30,	2001	2000
	(in thousands)	
Royalties payable	$13,527	$18,918
Taxes payable - operations	9,996	6,861
Ad valorem tax	354	7,783
Income taxes payable	739	--
Workers compensation claims	2,585	2,840
Payroll and employee benefits	5,676	4,055
Loss contingency (see note 13)	10,000	--
Other	10,749	6,158
	$53,626	$46,615

NOTE 10 SUPPLEMENTAL CASH FLOW INFORMATION

Years Ended September 30,	2001	2000	1999
		(in thousands)	
CASH PAYMENTS:			
Interest paid	$ 5,030	$ 2,491	$ 5,705
Income taxes paid	$73,039	$39,673	$27,843

NOTE 11 RISK FACTORS

CONCENTRATION OF CREDIT -

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The Company places temporary cash investments with established financial institutions and invests in a diversified portfolio of highly rated, short-term money market instruments. The Company's trade receivables are primarily with companies in the oil and gas industry. The Company normally does not require collateral except for certain receivables of customers in its natural gas marketing operations.

CONTRACT DRILLING OPERATIONS -

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

The Company believes that its rig fleet is not currently impaired based on an assessment of future cash flows of the assets in question. However, it is possible that the Company's assessment that it will recover the carrying amount of its rig fleet from future operations may change in the near term.

OIL AND GAS OPERATIONS -

In estimating future cash flows attributable to the Company's exploration and production assets, certain assumptions are made with regard to commodity prices received and costs incurred. Due to the volatility of commodity prices, it is possible that the Company's assumptions used in estimating future cash flows for exploration and production assets may change in the near term.

NOTE 12 NEW ACCOUNTING STANDARDS

Effective October 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133, as amended, requires that all derivatives be recorded on the balance sheet at fair value. Upon adoption at October 1, 2000, the effect of complying with SFAS 133, as amended, was immaterial to the Company's results of operations and financial position.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs and amends FASB Statement No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies." The Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made, and that the associated asset retirement costs be capitalized as part of the carrying amount of the long-lived asset. The Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The effect of this standard on the Company's results of operations and financial position is being evaluated.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" and amends Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The Statement retains the basic framework of SFAS No. 121, resolves certain implementation issues of SFAS No. 121, extends applicability to discontinued operations, and broadens the presentation of discontinued operations to include a component of an entity. The Statement will be applied prospectively and is effective for financial statements issued for fiscal years beginning after December 15, 2001. Adoption of the Statement is not expected to have any initial impact on the Company's results of operations or financial position.

NOTE 13 CONTINGENT LIABILITIES AND COMMITMENTS

LITIGATION SETTLEMENT -

As previously discussed in the Company's filings on Forms 8-K dated March 16, 2001, and June 13, 2001, and in the Company's Form 10-Q filed on August 13, 2001, 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. The lawsuit alleges, among other things, that the company and many other defendant companies whose collective operations represent a substantial majority of the U.S. offshore drilling industry, conspired to fix wages and benefits paid to drilling employees. Plaintiff contends that this alleged conduct violates federal and state antitrust laws. Plaintiff sought treble damages, attorneys' fees and costs on behalf of himself and an alleged class of offshore workers.

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 Company does not believe that the settlement will have a material adverse affect on its business or financial position.

KANSAS AD VALOREM SETTLEMENT -

In fiscal 1997, the Company was assessed with approximately $6.7 million of Kansas ad valorem taxes which had been reimbursed to the Company for the period from October 1983 through June 1988 by interstate pipelines transporting natural gas to end users. In fiscal 1997, based on the assessment, natural gas revenues were reduced by $2.7 million and interest expense was increased by $4.0 million. In March 1998, approximately $6.1 million of the unpaid assessment was placed in an escrow account pending resolution of this matter. Since March 1998, the escrow account and the related liability continued to accrue interest income and interest expense of approximately $1.0 million.

The Federal Energy Regulatory Commission approved settlements between the Company and three of the pipelines. The last of these settlements was final in May 2001. The Company paid approximately $3.9 million out of its escrow account for the settlement of all three pipeline proceedings. The three settlements were approximately $3.1 million less than the amount the Company accrued for this liability. The impact of these settlements in the third quarter of fiscal 2001 was to increase natural gas revenues by approximately $1.1 million, reduce interest expense by approximately $2.0 million and reduce the liability by $3.1 million. At September 30, 2001, the Company continues to escrow approximately $337,000 to cover reimbursement liability in the remaining two pipeline proceedings. The Company believes this amount will be adequate to cover future reimbursement liability.

COMMITMENTS -

The Company, on a regular basis, makes commitments for the purchase of contract drilling equipment. At September 30, 2001, the Company has commitments of approximately $230 million for the purchase of drilling equipment.

NOTE 14 SEGMENT INFORMATION

The Company operates principally in the contract drilling industry, which includes a Domestic segment and an International segment, and in the oil and gas industry, which includes an Exploration and Production segment and a Natural Gas Marketing segment. The contract drilling operations consist of contracting Company-owned drilling equipment primarily to major oil and gas exploration companies. The Company's primary international areas of operation include Venezuela, Colombia, Ecuador, Argentina and Bolivia. Oil and gas activities include the exploration for and development of productive oil and gas properties located primarily in Oklahoma, Texas, Kansas, and Louisiana, as well as, the marketing of natural gas for third parties. The Natural Gas Marketing segment also markets most of the natural gas produced by the Exploration and Production segment retaining a market based fee from the sale of such production. The Company also has a Real Estate segment whose operations are conducted exclusively in the metropolitan area of Tulsa, Oklahoma. The primary areas of operations include a major shopping center and several multi-tenant warehouses. Each reportable segment is a strategic business unit which is managed separately as an autonomous business. Other includes investments in available-for-sale securities and corporate operations. The "other" component of Total Assets also includes the Company's investment in equity-owned investments.

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. The accounting policies of the segments are the same as those described in Note 1, Summary of Accounting Policies. Intersegment sales are accounted for in the same manner as sales to unaffiliated customers.

Summarized financial information of the Company's reportable segments for each of the years ended September 30, 2001, 2000, and 1999 is shown in the following table:

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit	Depreciation Depletion & Amortization	Total Assets	Additions to Long-Lived Assets
2001:							
CONTRACT DRILLING							
Domestic	$332,399	$ 4,487	$336,886	$107,691	$ 25,890	$ 506,173	$144,063
International Services	154,890	--	154,890	28,475	18,838	268,947	38,022
	487,289	4,487	491,776	136,166	44,728	775,120	182,085
OIL & GAS OPERATIONS							
Exploration and Production	217,194	--	217,194	95,579	38,104	190,907	89,733
Natural Gas Marketing	100,111	--	100,111	5,254	170	14,598	269
	317,305	--	317,305	100,833	38,274	205,505	90,002
REAL ESTATE	11,018	1,545	12,563	6,315	2,264	22,621	1,190
OTHER	11,242	--	11,242	--	2,043	361,261	1,393
ELIMINATIONS	--	(6,032)	(6,032)	--	--	--	--
TOTAL	$826,854	$ --	$826,854	$243,314	$ 87,309	$1,364,507	$274,670
2000:							
CONTRACT DRILLING							
Domestic	$214,531	$ 3,048	$217,579	$ 35,808	$ 35,310	$ 342,278	$ 40,722
International	136,549		136,549	9,753	38,096	259,892	13,825
	351,080	3,048	354,128	45,561	73,406	602,170	54,547
OIL & GAS OPERATIONS							
Exploration and Production	157,583	--	157,583	66,604	33,462	174,466	65,804
Natural Gas Marketing	80,907	--	80,907	5,271	164	21,897	175
	238,490	--	238,490	71,875	33,626	196,363	65,979
REAL ESTATE	8,999	1,545	10,544	5,346	1,598	24,235	2,909
OTHER	32,526	--	32,526	--	2,221	436,724	8,497
ELIMINATIONS	--	(4,593)	(4,593)	--	--	--	--
TOTAL	$631,095	$ --	$631,095	$122,782	$110,851	$1,259,492	$131,932
1999:							
CONTRACT DRILLING							
Domestic	$213,647	$ 2,457	$216,104	$ 30,154	$ 31,164	$ 371,766	$ 57,975
International	182,987	--	182,987	29,845	36,178	271,746	17,293
	396,634	2,457	399,091	59,999	67,342	643,512	75,268
OIL & GAS OPERATIONS							
Exploration and Production	95,953	--	95,953	11,245	38,658	151,898	44,333
Natural Gas Marketing	55,259	--	55,259	4,418	174	15,156	261
	151,212	--	151,212	15,663	38,832	167,054	44,594
REAL ESTATE	8,671	1,531	10,202	5,338	1,427	22,816	1,445
OTHER	7,802	--	7,802	--	1,566	276,317	1,644
ELIMINATIONS	--	(3,988)	(3,988)	--	--	--	--
TOTAL	$564,319	$ --	$564,319	$ 81,000	$109,167	$1,109,699	$122,951

The following table reconciles segment operating profit per the table on page 31 to income before taxes and equity in income of affiliate as reported on the Consolidated Statements of Income (in thousands).

Years Ended September 30,	2001	2000	1999
Segment operating profit	$243,314	$122,782	$ 81,000
Unallocated amounts:			
Income from investments	10,592	31,973	7,757
General and administrative expense	(15,415)	(11,578)	(14,198)
Interest expense	32	(3,076)	(6,481)
Corporate depreciation	(2,043)	(2,152)	(1,565)
Other corporate expense	(1,378)	(1,186)	(1,575)
Total unallocated amounts	(8,212)	13,981	(16,062)

Income before income taxes and equity in income of affiliates	$235,102	$136,763	$ 64,938
	========	========	========

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

Years Ended September 30,	2001	2000	1999
Revenues			
United States	$ 671,964	$ 494,546	$ 381,332
Venezuela	43,409	34,922	59,481
Colombia	27,045	42,509	60,838
Other Foreign	84,436	59,118	62,668
Total	$ 826,854	$ 631,095	$ 564,319
Long-Lived Assets			
United States	$ 616,472	$ 477,593	$ 479,753
Venezuela	84,856	37,001	62,931
Colombia	16,195	26,361	46,621
Other Foreign	100,881	132,650	101,910
Total	$ 818,404	$ 673,605	$ 691,215

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

Revenues from one company doing business with the contract drilling segment accounted for approximately 14.9 percent, 15.2 percent, and 17.5 percent of the total consolidated revenues during the years ended September 30, 2001, 2000 and 1999, respectively. Revenues from another company doing business with the contract drilling segment accounted for approximately 8.0 percent, 7.4 percent, and 12 percent of total consolidated revenues in the years ended September 30, 2001, 2000, and 1999, respectively. Collectively, the receivables from these customers were approximately $32.6 million and $17.4 million at September 30, 2001 and 2000, respectively.

NOTE 15 SUPPLEMENTARY FINANCIAL INFORMATION FOR OIL AND GAS PRODUCING ACTIVITIES

All of the Company's oil and gas producing activities are located in the United States.

Results of Operations from Oil and Gas Producing Activities -

Years Ended September 30,	2001	2000	1999
		(in thousands)	
Revenues	$ 217,194	$ 157,583	$ 95,953
Production costs	37,418	26,685	23,058
Exploration expense and valuation provisions	46,093	30,832	22,992
Depreciation, depletion and amortization	38,104	33,462	38,658
Income tax expense	34,986	23,447	3,437
Total cost and expenses	156,601	114,426	88,145
Results of operations (excluding corporate overhead and interest costs)	$ 60,593	$ 43,157	$ 7,808

Capitalized Costs -

September 30,	2001	2000
	(in thousands)	
Proved properties	$ 486,772	$ 430,675
Unproved properties	34,901	27,050
Total costs	521,673	457,725
Less - Accumulated depreciation, depletion and amortization	357,094	314,091
Net	$ 164,579	$ 143,634

Costs Incurred Relating to Oil and Gas Producing Activities -

Years Ended September 30,	2001	2000	1999
		(in thousands)	
Property acquisition:			
Proved	$ 738	$ 105	$ 89
Unproved	18,612	11,040	14,385
Exploration	44,166	43,833	22,292
Development	41,459	18,843	19,167
Total	$ 104,975	$ 73,821	$ 55,933

Estimated Quantities of Proved Oil and Gas Reserves (Unaudited) -

Proved reserves are estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those which are expected to be recovered through existing wells with existing equipment and operating methods. The following is an analysis of proved oil and gas reserves as estimated by Netherland, Sewell & Associates, Inc. at September 30, 2001 and 2000. Amounts at September 30, 1999 were estimated by the Company and reviewed by independent engineers.

	OIL (Bbls)	GAS (Mmcf)
Proved reserves at September 30, 1998	4,761,313	251,626
Revisions of previous estimates	570,126	11,771
Extensions, discoveries and other additions	151,829	22,491
Production	(649,370)	(44,240)
Purchases of reserves-in-place	--	77
Sales of reserves-in-place	--	(2,105)
Proved reserves at September 30, 1999	4,833,898	239,620
Revisions of previous estimates	1,316,714	17,363
Extensions, discoveries and other additions	1,119,314	52,569
Production	(880,304)	(46,923)
Purchases of reserves-in-place	1,502	242
Sales of reserves-in-place	(85,987)	(373)
Proved reserves at September 30, 2000	6,305,137	262,498
Revisions of previous estimates	(700,329)	(17,018)
Extensions, discoveries and other additions	1,144,709	12,748
Production	(818,356)	(42,387)
Purchases of reserves-in-place	434	496
Sales of reserves-in-place	--	--
Proved reserves at September 30, 2001	5,931,595	216,337
Proved developed reserves at		
September 30, 1999	4,828,071	229,765
September 30, 2000	5,847,217	217,334
September 30, 2001	4,865,569	198,103

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves (Unaudited) -

The "Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves" (Standardized Measure) is a disclosure requirement under Financial Accounting Standards Board Statement No. 69 "Disclosures About Oil and Gas Producing Activities". The Standardized Measure does not purport to present the fair market value of a company's proved oil and gas reserves. This would require consideration of expected future economic and operating conditions, which are not taken into account in calculating the Standardized Measure.

Under the Standardized Measure, future cash inflows were estimated by applying year-end prices to the estimated future production of year-end proved reserves. Future cash inflows were reduced by estimated future production and development costs based on year-end costs to determine pre-tax cash inflows. Future income taxes were computed by applying the statutory tax rate to the excess of pre-tax cash inflows over the Company's tax basis in the associated proved oil and gas properties. Tax credits and permanent differences were also considered in the future income tax calculation. Future net cash inflows after income taxes were discounted using a ten percent annual discount rate to arrive at the Standardized Measure.

At September 30,	2001	2000
	(in thousands)	
Future cash inflows	$ 467,886	$ 1,377,922
Future costs -		
Future production and development costs	(174,703)	(317,898)
Future income tax expense	(81,253)	(331,672)
Future net cash flows	211,930	728,352
10% annual discount for estimated timing of cash flows	(67,891)	(240,281)
Standardized Measure of discounted future net cash flows	$ 144,039	$ (488,071)

Changes in Standardized Measure Relating to Proved Oil and Gas Reserves
(Unaudited)

Years Ended September 30,	2001	2000	1999
		(in thousands)	
Standardized Measure - Beginning of year	$ 488,071	$ 232,618	$ 125,927
Increases (decreases) -			
Sales, net of production costs	(179,776)	(130,898)	(72,895)
Net change in sales prices, net of production costs	(400,679)	261,926	142,970
Discoveries and extensions, net of related future development and production costs	29,387	156,840	38,164
Changes in estimated future development costs	10,667	(36,994)	(11,095)
Development costs incurred	17,311	13,587	16,558
Revisions of previous quantity estimates	(15,298)	57,730	17,713
Accretion of discount	68,021	30,951	16,700
Net change in income taxes	160,776	(114,762)	(40,671)
Purchases of reserves-in-place	619	542	96
Sales of reserves-in-place	--	(700)	(1,390)
Changes in production rates and other	(35,060)	17,231	541
Standardized Measure - End of year	$(144,039	$ 488,071	$ 232,618

NOTE 16 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

2001	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$192,550	$221,569	$217,222	$195,513
Gross profit	59,614	72,939	67,607	50,325
Net income	33,840	41,749	40,437	28,228
Basic net income per share	.68	.83	.80	.56
Diluted net income per share	.67	.82	.79	.56

2000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$149,581	$151,848	$151,968	$177,698
Gross profit	37,852	36,256	32,605	44,704
Net income	20,461	19,273	18,557	24,009
Basic net income per share	.41	.39	.37	.48
Diluted net income per share	.41	.39	.37	.48

Gross profit represents total revenues less operating costs, depreciation, depletion and amortization, dry holes and abandonments, and taxes, other than income taxes.

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

Net income in the second quarter of 2001 includes an after-tax charge of $2.4 million ($0.05 per share, on a diluted basis) related to the write-down of producing properties in accordance with SFAS No. 121.

Net income in the third quarter of 2001 includes an after-tax gain of approximately $1.9 million ($0.04 per share, on a diluted basis) related to a 1997 Kansas ad valorem assessment that was settled at less than the original liability. The after-tax gain increased natural gas revenues by approximately $.7 million and decreased interest expense by approximately $1.2 million.

Net income in the fourth quarter of 2001 includes an after-tax charge of $2.8 million ($0.06 per share, on a diluted basis) related to the write-down of producing properties in accordance with SAFS No. 121.

Net income in the first quarter of 2000 includes approximately $6.3 million ($0.13 per share, on a diluted basis) on gains related to a non-monetary dividend received and a gain on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired.

Net income in the fourth quarter of 2000 includes an after-tax charge of $2.5 million ($0.05 per share, on a diluted basis) related to the write-down of producing properties in accordance with SFAS No. 121.

REPORT OF INDEPENDENT AUDITORS

HELMERICH & PAYNE, INC.

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

We have audited the accompanying consolidated balance sheets of Helmerich & Payne, Inc. as of September 30, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Helmerich & Payne, Inc. at September 30, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ERNST & YOUNG LLP

Tulsa, Oklahoma
November 19, 2001

STOCK PRICE INFORMATION

	Closing Market Price Per Share			
	2001		2000	
QUARTERS	HIGH	LOW	HIGH	LOW
First	$ 44.19	$ 28.94	$ 27.44	$ 19.13
Second	58.51	39.63	31.00	20.00
Third	51.23	30.82	37.75	29.06
Fourth	32.77	23.74	38.31	30.06

DIVIDEND INFORMATION

	Paid Per Share		Total Payment	
QUARTERS	2001	2000	2001	2000
First	$.075	$.070	$3,748,896	$3,474,612
Second	.075	.070	3,776,612	3,475,623
Third	.075	.070	3,796,489	3,484,189
Fourth	.075	.075	3,765,488	3,740,863

STOCKHOLDERS' MEETING

The annual meeting of stockholders will be held on March 6, 2002. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about January 25, 2002.

STOCK EXCHANGE LISTING

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

STOCK TRANSFER AGENT AND REGISTRAR

As of December 14, 2001, there were 1,090 record holders of Helmerich & Payne, Inc. common stock as listed by the transfer agent's records.

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

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

FORM 10-K

The Company's Annual Report on Form 10-K, which has been submitted to the Securities and Exchange Commission, is available free of charge upon written request.

ADDITIONAL INFORMATION

In a continuing effort to find timely and cost effective communications solutions to serve the needs of our shareholders, we are discontinuing the printing and distribution of our traditional quarterly shareholder reports. Effective the first quarter ending December 31, 2001, quarterly reports on Form 10-Q, earnings releases and financial statements will be made available on the investor relations section of the Company's Web site. Quarterly reports on Form 10-Q, earnings releases and financial statements will also be available free of charge upon written request.

DIRECT INQUIRIES TO:
Investor Relations
Helmerich & Payne, Inc.
Utica at Twenty-First
Tulsa, Oklahoma 74114
Telephone: (918) 742-5531

Internet Address: http://www.hpinc.com

ELEVEN-YEAR FINANCIAL REVIEW

HELMERICH & PAYNE, INC.

Years Ended September 30,	2001	2000	1999
REVENUES AND INCOME*(2)			
Contract Drilling Revenues	484,927	349,992	394,715
Crude Oil Sales	22,815	24,601	9,479
Natural Gas Sales	192,962	131,056	81,533
Gas Marketing Revenues	99,140	78,921	54,263
Real Estate Revenues	9,066	8,991	8,663
Dividend Income	3,909	14,482	3,569
Other Revenues	14,035	23,052	12,097
Total Revenues+	826,854	631,095	564,319
Net Cash Provided by Continuing Operations+	278,856	201,836	158,694
Income from Continuing Operations	144,254	82,300	42,788
Net Income	144,254	82,300	42,788
PER SHARE DATA			
Income from Continuing Operations(1):			
Basic	2.88	1.66	.87
Diluted	2.84	1.64	.86
Net Income(1):			
Basic	2.88	1.66	.87
Diluted	2.84	1.64	.86
Cash Dividends	.30	.285	.28
Shares Outstanding*	49,853	49,980	49,626
FINANCIAL POSITION			
Net Working Capital*	210,191	186,250	88,720
Ratio of Current Assets to Current Liabilities	2.73	3.36	2.23
Investments*	200,286	304,326	238,475
Total Assets*	1,364,507	1,259,492	1,109,699
Long-Term Debt*	50,000	50,000	50,000
Shareholders' Equity*	1,026,477	955,703	848,109
CAPITAL EXPENDITURES*			
Contract Drilling Equipment	173,856	49,774	68,639
Wells and Equipment	74,580	54,764	29,947
Real Estate	1,144	2,880	1,435
Other Assets (includes undeveloped leases)	28,904	24,514	22,930
Discontinued Operations	--	--	--
Total Capital Outlays	278,484	131,932	122,951
PROPERTY, PLANT AND EQUIPMENT AT COST*			
Contract Drilling Equipment	1,028,015	891,749	881,269
Producing Properties	486,772	430,674	421,552
Undeveloped Leases	34,901	27,050	25,337
Real Estate	50,579	50,649	49,065
Other	86,300	80,268	71,139
Discontinued Operations	--	--	--
Total Property, Plant and Equipment	1,686,567	1,480,390	1,448,362

* 000's omitted.

+ Chemical operations were sold August 30, 1996. Prior year amounts have been restated to exclude discontinued operations.

(1) Includes $13.6 million ($.28 per share, on a diluted basis) effect of impairment charge for adoption of SFAS No. 121 in 1995 and cumulative effect of change in accounting for income taxes of $4,000,000 ($.08 per share, on a diluted basis) in 1994.

(2) See Note 14 for segment presentation of revenues.

Years Ended September 30,	1998	1997	1996	1995
REVENUES AND INCOME*(2)				
Contract Drilling Revenues	427,713	315,327	244,338	203,325
Crude Oil Sales	10,333	20,475	15,378	13,227
Natural Gas Sales	87,646	87,737	60,500	33,851
Gas Marketing Revenues	52,469	66,306	57,817	34,729
Real Estate Revenues	8,587	8,224	8,076	7,560
Dividend Income	4,117	5,268	3,650	3,389
Other Revenues	45,775	14,522	3,496	10,640
Total Revenues+	636,640	517,859	393,255	306,721
Net Cash Provided by Continuing Operations+	113,533	165,568	121,420	84,010
Income from Continuing Operations	101,154	84,186	45,426	5,788
Net Income	101,154	84,186	72,566	9,751
PER SHARE DATA				
Income from Continuing Operations(1):				
Basic	2.03	1.69	.92	.12
Diluted	2.00	1.67	.91	.12
Net Income(1):				
Basic	2.03	1.69	1.47	.20
Diluted	2.00	1.67	1.46	.20
Cash Dividends	.275	.26	.2525	.25
Shares Outstanding*	49,383	50,028	49,771	49,529
FINANCIAL POSITION				
Net Working Capital*	58,861	62,837	51,803	50,038
Ratio of Current Assets to Current Liabilities	1.47	1.66	1.83	1.74
Investments*	200,400	323,510	229,809	156,908
Total Assets*	1,090,430	1,033,595	821,914	707,061
Long-Term Debt*	50,000	--	--	--
Shareholders' Equity*	793,148	780,580	645,970	562,435
CAPITAL EXPENDITURES*				
Contract Drilling Equipment	206,794	109,036	79,269	80,943
Wells and Equipment	38,970	35,024	21,142	19,384
Real Estate	854	1,095	752	873
Other Assets (includes undeveloped leases)	19,681	16,022	7,003	9,717
Discontinued Operations	--	--	1,581	859
Total Capital Outlays	266,299	161,177	109,747	111,776
PROPERTY, PLANT AND EQUIPMENT AT COST*				
Contract Drilling Equipment	829,217	643,619	568,110	501,682
Producing Properties	414,770	395,812	392,562	384,755
Undeveloped Leases	20,977	14,109	9,242	8,051
Real Estate	48,451	47,682	46,970	46,642
Other	65,120	59,659	53,547	55,655
Discontinued Operations	--	--	--	13,937
Total Property, Plant and Equipment	1,378,535	1,160,881	1,070,431	1,010,722

Years Ended September 30,	1994	1993	1992	1991
REVENUES AND INCOME*(2)				
Contract Drilling Revenues	182,781	149,661	112,833	105,364
Crude Oil Sales	13,161	15,392	16,369	17,374
Natural Gas Sales	45,261	52,446	38,370	35,628
Gas Marketing Revenues	51,874	63,786	40,410	10,055
Real Estate Revenues	7,396	7,620	7,541	7,542
Dividend Income	3,621	3,535	4,050	5,285
Other Revenues	6,058	8,283	6,646	20,020
Total Revenues+	310,152	300,723	226,219	201,268
Net Cash Provided by Continuing Operations+	74,463	72,493	60,414	50,006
Income from Continuing Operations	17,108	22,158	8,973	19,608
Net Income	24,971	24,550	10,849	21,241
PER SHARE DATA				
Income from Continuing Operations(1):				
Basic	.35	.46	.19	.41
Diluted	.35	.45	.19	.41
Net Income(1):				
Basic	.51	.51	.22	.44
Diluted	.51	.50	.22	.44
Cash Dividends	.2425	.24	.2325	.23
Shares Outstanding*	49,420	49,275	49,152	48,976
FINANCIAL POSITION				
Net Working Capital*	76,238	104,085	82,800	108,212
Ratio of Current Assets to Current Liabilities	2.63	3.24	3.31	4.19
Investments*	87,414	84,945	87,780	96,471
Total Assets*	621,689	610,504	585,504	575,168
Long-Term Debt*	--	3,600	8,339	5,693
Shareholders' Equity*	524,334	508,927	493,286	491,133
CAPITAL EXPENDITURES*				

Contract Drilling Equipment	53,752	24,101	43,049	56,297
Wells and Equipment	40,916	23,142	21,617	34,741
Real Estate	902	436	690	2,104
Other Assets (includes undeveloped leases)	9,695	5,901	16,984	6,793
Discontinued Operations	618	629	158	2,594
Total Capital Outlays	105,883	54,209	82,498	102,529
PROPERTY, PLANT AND EQUIPMENT AT COST*				
Contract Drilling Equipment	444,432	418,004	404,155	370,494
Producing Properties	377,371	340,176	329,264	312,438
Undeveloped Leases	11,729	10,010	12,973	5,552
Real Estate	47,827	47,502	47,286	46,671
Other	48,612	45,085	43,153	36,423
Discontinued Operations	13,131	12,545	11,962	11,838
Total Property, Plant and Equipment	943,102	873,322	848,793	783,416

HELMERICH & PAYNE, INC.

Years Ended September 30,	2001	2000	1999
CONTRACT DRILLING			
Drilling Rigs, United States	59	48	46
Drilling Rigs, International	32	40	44
Contract Wells Drilled, United States	346	335	242
Total Footage Drilled, United States*	4,415	4,058	2,938
Average Depth per Well, United States	12,761	12,115	12,142
Percentage Rig Utilization, United States	97	87	75
Percentage Rig Utilization, International	56	47	53
PETROLEUM EXPLORATION AND DEVELOPMENT			
Gross Wells Completed	123	81	49
Net Wells Completed	69.5	42.7	23.9
Net Dry Holes	17.0	9.1	7.1
PETROLEUM PRODUCTION			
Net Crude Oil and Natural Gas Liquids Produced (barrels daily)	2,242	2,405	1,779
Net Oil Wells Owned-- Primary Recovery	113	107.1	124
Net Oil Wells Owned-- Secondary Recovery	55	55.5	54
Secondary Oil Recovery Projects	4	3	5
Net Natural Gas Produced (thousands of cubic feet daily)	116,128	128,204	121,206
Net Gas Wells Owned	493	453	439
REAL ESTATE MANAGEMENT			
Gross Leasable Area (square feet)*	1,652	1,652	1,652
Percentage Occupancy	93	91	95
TOTAL NUMBER OF EMPLOYEES			
Helmerich & Payne, Inc. and Subsidiaries	4,245	3,606	3,440

000's omitted.

Years Ended September 30,	1998	1997	1996	1995	1994
CONTRACT DRILLING					
Drilling Rigs, United States	46	38	41	41	47
Drilling Rigs, International	44	39	36	35	29
Contract Wells Drilled, United States	242	246	233	212	162
Total Footage Drilled, United States*	2,938	2,753	2,499	1,933	1,842
Average Depth per Well, United States	12,142	11,192	10,724	9,119	11,367
Percentage Rig Utilization, United States	95	88	82	71	69
Percentage Rig Utilization, International	88	91	85	84	88
PETROLEUM EXPLORATION AND DEVELOPMENT					
Gross Wells Completed	62	100	63	59	44
Net Wells Completed	35.7	49.3	35.3	27.4	15
Net Dry Holes	4.2	9.6	7.3	5.9	1.7
PETROLEUM PRODUCTION					
Net Crude Oil and Natural Gas Liquids Produced (barrels daily)	1,921	2,700	2,212	2,214	2,431
Net Oil Wells Owned-- Primary Recovery	124	133	176.9	186	202
Net Oil Wells Owned-- Secondary Recovery	53	49	63.8	64	71
Secondary Oil Recovery Projects	5	5	12	12	14
Net Natural Gas Produced (thousands of cubic feet daily)	117,431	110,859	94,358	72,387	72,953
Net Gas Wells Owned	436	410	378	354	341
REAL ESTATE MANAGEMENT					
Gross Leasable Area (square feet)*	1,652	1,652	1,654	1,652	1,652
Percentage Occupancy	97	95	94	87	83
TOTAL NUMBER OF EMPLOYEES					
Helmerich & Payne, Inc. and Subsidiaries	3,340	3,627	3,309	3,245	2,787

Years Ended September 30,	1993	1992	1991
CONTRACT DRILLING			
Drilling Rigs, United States	42	39	46
Drilling Rigs, International	29	30	25
Contract Wells Drilled, United States	128	100	106
Total Footage Drilled, United States*	1,504	1,085	1,301
Average Depth per Well, United States	11,746	10,853	12,274
Percentage Rig Utilization, United States	53	42	47
Percentage Rig Utilization, International	68	69	69
PETROLEUM EXPLORATION AND DEVELOPMENT			
Gross Wells Completed	42	54	45
Net Wells Completed	15.9	17.8	20.2
Net Dry Holes	4.3	4.3	4.3
PETROLEUM PRODUCTION			
Net Crude Oil and Natural Gas Liquids Produced (barrels daily)	2,399	2,334	2,152
Net Oil Wells Owned-- Primary Recovery	202	220	227
Net Oil Wells Owned-- Secondary Recovery	71	74	55
Secondary Oil Recovery Projects	14	14	12
Net Natural Gas Produced (thousands of cubic feet daily)	78,023	75,470	66,617
Net Gas Wells Owned	307	289	278
REAL ESTATE MANAGEMENT			
Gross Leasable Area (square feet)*	1,656	1,656	1,664
Percentage Occupancy	86	87	86
TOTAL NUMBER OF EMPLOYEES			
Helmerich & Payne, Inc. and Subsidiaries	2,389	1,928	1,758

DIRECTORS OFFICERS

W. H. HELMERICH, III
Chairman of the Board
Tulsa, Oklahoma

HANS HELMERICH
President and Chief Executive Officer
Tulsa, Oklahoma

WILLIAM L. ARMSTRONG**
Chairman
Transland Financial Services, Inc.
Denver, Colorado

GLENN A. COX*
President and Chief Operating Officer, Retired
Phillips Petroleum Company
Bartlesville, Oklahoma

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

L. F. ROONEY, III*
Chief Executive Officer
Manhattan Construction Company
Tulsa, Oklahoma

EDWARD B. RUST, JR.*
Chairman and Chief Executive Officer
State Farm Insurance Companies
Bloomington, Illinois

GEORGE A. SCHAEFER**
Chairman and Chief Executive Officer, Retired
Caterpillar Inc.
Peoria, Illinois

JOHN D. ZEGLIS**
Chairman and Chief Executive Officer
AT&T Wireless Services
Basking Ridge, New Jersey

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* Member, Audit Committee
** Member, Human Resources Committee

W. H. HELMERICH, III
Chairman of the Board

HANS HELMERICH
President and Chief Executive Officer

GEORGE S. DOTSON
Vice President,
President of Helmerich & Payne
International Drilling Co.

DOUGLAS E. FEARS
Vice President and
Chief Financial Officer

STEVEN R. MACKEY
Vice President, Secretary,
and General Counsel

STEVEN R. SHAW
Vice President,
Exploration & Production

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Helmerich & Payne, Inc.

Subsidiaries of Helmerich & Payne, Inc.

Helmerich & Payne Properties, Inc. (Incorporated in Oklahoma) Utica Square Shopping Center, Inc. (Incorporated in Oklahoma) The Hardware Store of Utica Square, Inc. (Incorporated in Oklahoma) The Space Center, Inc. (Incorporated in Oklahoma) H&P DISC, Inc. (Incorporated in Oklahoma) Helmerich & Payne Coal Co. (Incorporated in Oklahoma) Helmerich & Payne Energy Services, Inc. (Incorporated in Oklahoma) Helmerich & Payne International Drilling Co. (Incorporated in Delaware)

Subsidiaries of Utica Square Shopping Center, Inc.

Fishercorp, Inc. (Incorporated in Oklahoma)

Subsidiaries of Helmerich & Payne International Drilling Co.

Helmerich & Payne (Africa) Drilling Co. (Incorporated in Cayman Islands, British West Indies) Helmerich & Payne Drilling (Bolivia) S.A.

(Incorporated in Bolivia)

Helmerich & Payne (Colombia) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Gabon) Drilling Co. (Incorporated in Cayman Islands, British West Indies) Helmerich & Payne (Argentina) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Peru) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Peru) Drilling Co., Sucursal del Peru, Lima (Lima Branch - Incorporated in Peru) Helmerich & Payne (Peru) Drilling Co., Sucursal del Peru

(Iquitos Branch - Incorporated in Peru)

Helmerich & Payne (Australia) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne del Ecuador, Inc. (Incorporated in Oklahoma)
Helmerich & Payne de Venezuela, C.A. (Incorporated in Venezuela)
Helmerich & Payne, C.A. (Incorporated in Venezuela) Helmerich & Payne Rasco, Inc. (Incorporated in Oklahoma) H&P Finco (Incorporated in Cayman Islands, British West Indies)
H&P Invest Ltd. (Incorporated in Cayman Islands), British West Indies, doing business as H&P (Yemen) Drilling Co.

Subsidiary of H&P Invest Ltd.

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

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Helmerich & Payne, Inc. of our report dated November 19, 2001, included in the 2001 Annual Report to Shareholders of Helmerich & Payne, Inc.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-55239, 333-34939 and 333-63124) pertaining, respectively, to the 1990 Stock Option Plan, 1996 Stock Incentive Plan and 2000 Stock Incentive Plan of our report dated November 19, 2001, with respect to the consolidated financial statements of Helmerich & Payne, Inc. incorporated by reference in the Annual Report (Form 10-K) for the year ended September 30, 2001.

ERNST & YOUNG LLP

Tulsa, Oklahoma
December 27, 2001
