

HELMERICH & PAYNE, INC.

FORM 10-K (Annual Report)

Filed 12/27/96 for the Period Ending 09/30/96

| | |
|-------------|---|
| 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 12/27/1996 For Period Ending 9/30/1996

| | |
|-------------|---|
| 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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996

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

73-0679879
(I.R.S. employer
identification no.)
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 16, 1996, the aggregate market value of the voting stock held by non-affiliates was \$1,215,990,753.

Number of shares of common stock outstanding at December 16, 1996:

24,914,891.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Annual Report to Shareholders for the fiscal year ended September 30, 1996 -- Parts I, II, and IV.

(2) Proxy Statement for Annual Meeting of Security Holders to be held March 5, 1997 -- Part III.



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, 1996

PART I

Item 1. BUSINESS

Helmerich & Payne, Inc. (the "Registrant"), incorporated under the laws of the State of Delaware on February 3, 1940, and successor to a business originally organized in 1920, is engaged primarily 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 and was until August 30, 1996, engaged in the manufacture and distribution of odorants for use in the gas transmission and distribution industry.

The Registrant is organized into three separate autonomous operating divisions being contract drilling; oil and gas exploration, production and natural gas marketing; 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, conduct 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, Florida, 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 Alabama, Oklahoma, Texas, Mississippi, and Louisiana, and offshore from platforms in the Gulf of Mexico and offshore California. The Registrant has also operated during fiscal 1996 in five international locations: Venezuela, Ecuador, Colombia, Trinidad and Tobago, and Bolivia.

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 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 also constructs and operates 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 companies and major international oil companies.

British Petroleum Company, P.L.C., including its affiliates, ("BP") is the Registrant's largest single customer. The Registrant performs drilling services for BP, both domestically and internationally. Each drilling rig operates under a separate contract. The Registrant believes that its relationship with BP is good. Revenues from drilling services performed for BP in fiscal 1996 accounted for approximately 19% of the Registrant's consolidated revenues for the same period.

The Registrant provides drilling equipment, personnel, and camps for others on a contract basis for exploration and development of onshore areas and for development from fixed platforms in offshore areas. Each of the drilling rigs consists of engines, drawworks, a mast, pumps to circulate the drilling fluid, 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 to each subsequent platform. A helicopter rig is one that can be disassembled into component part loads of 4,000 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.

The Registrant's contracts for drilling are obtained through competitive bidding or as a result of negotiations with customers, and sometimes cover multi-well and multi-year projects. 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. Current market conditions involve an oversupply of drilling rigs for the work available. As a consequence, the Registrant is and will be performing and bidding for contracts on a combination "footage" and "daywork" basis, under which the Registrant charges 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. Market conditions have also led the Registrant to accept "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. The Registrant believes that under current market conditions "daywork" basis contract rates are too low to adequately compensate contractors and that "footage" and "turnkey" basis contract rates do not

adequately compensate contractors for the added risks. Contracts for use of the Registrant's drilling equipment 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 three year periods, some fixed term and well-to-well contracts are expected to be continued for longer periods than the original terms, although the contracting parties have no legal obligation to do so. Contracts generally contain renewal or extension provisions exercisable at the option of the customer at prices mutually agreeable to the Registrant and the customer, and in most instances 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, increasingly government owned petroleum companies are requesting that a greater proportion of these payments be made in local currencies. See Regulations and Hazards, page I-9.

Domestic Drilling

The Registrant believes it is a major land and offshore platform drilling contractor in the domestic market. At the end of September, 1996, the Registrant had 33 (27 land rigs and 6 platform rigs) of a total of 41 available rigs operating in the United States and had management contracts for three operator owned rigs in offshore California.

The Registrant believes that it is competitively strongest in deep drilling rigs. Twenty-four of its existing rigs are capable of drilling to depths in excess of 20,000 feet.

In March of 1995, the Registrant was awarded a three-year term drilling contract by a major oil company to construct and operate a new generation rig upon a tension leg platform ("TLP") located in the Gulf of Mexico. This is the first rig that the Registrant has operated on a TLP. The TLP concept allows drilling operations to be conducted in water depths of up to approximately 5,000 feet using current technology. Drilling operations on traditional fixed platforms have been limited to depths of no more than approximately 1,400 feet. Registrant commenced drilling operations on the TLP in May of 1996.

During fiscal 1996 the same major oil company awarded the Registrant three additional term contracts for construction and operation of a self-moving minimum space fixed platform rig and two TLP rigs. These rigs are to be located in the Gulf of Mexico.

The self-moving minimum space rig is designed to be moved without the use of expensive derrick barges. This rig is expected to commence drilling operations in March, 1997, under an 18-month term drilling contract.

The second TLP rig is expected to commence drilling in May of 1997, under a three-year term drilling contract. The third TLP rig is scheduled to commence drilling in September of 1998, and it, too, will be under a three-year term drilling contract.

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. The Registrant presently owns and operates 21 drilling rigs in Venezuela. The Registrant had a utilization rate of 94% for these rigs during fiscal 1996. The Registrant worked for all three government owned producing companies in Venezuela (Corpoven, Maraven and Lagoven) during the fiscal year ended September 30, 1996. Collectively, revenues from the three producing companies accounted for approximately 13% of the Registrant's consolidated revenues during fiscal 1996. Although the Registrant believes its relationship with such producing companies is good, the loss of this business could have an adverse effect on Registrant.

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.

The Registrant presently owns and operates ten drilling rigs in Colombia. The Registrant's utilization rate for such rigs was 90% during fiscal 1996. During fiscal 1996 the revenue generated by Colombian drilling operations contributed approximately 17% of the Registrant's consolidated revenues.

In addition to its operations in Venezuela and Colombia, the Registrant in fiscal 1996 owned and operated four rigs in Ecuador, one rig in Trinidad and

Tobago, and two rigs in Bolivia. During 1996, the rig located in Trinidad and Tobago was moved to Venezuela and one rig operated in Ecuador was retired. In Ecuador, Trinidad and Tobago, and Bolivia, the contracts are with large international oil companies.

In August of 1994, a venture owned 50% by the Registrant and 50% by Atwood Oceanics, Inc., was awarded a term contract in Australia for the design, construction and operation of a new generation offshore platform rig. The rig, which incorporates some of the latest technology in instrumentation and remote control mechanization of drilling equipment, has been shipped to Australia and is in the process of being mobilized to its location. It is expected that drilling operations will commence in January of 1997.

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.

The Registrant specializes in deep drilling for natural gas. During the past several years, it appears that the demand for deep drilling for gas has decreased.

Regulations and Hazards

The drilling operations of the Registrant are subject to the many hazards inherent in the business, including blowouts and well fires, which 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 Registrant's present insurance coverage has been contracted through fiscal 1997. However, in view of conditions generally in the liability insurance industry, no assurance can be given that the Registrant's present coverage will not be cancelled during fiscal 1997 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 risks of

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, any of which changes 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, in certain areas the Registrant's operations may, in the future, 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 or pursuant to such arrangements nor the restructuring of existing operations along such lines 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 1996, approximately 34% of the Registrant's consolidated revenues were generated from international contract drilling operations. Over

95% of the international revenues were from Venezuela, Colombia, and Ecuador. Exposure to potential losses from currency devaluation is minimal in the countries of Colombia and Ecuador. 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 65% of the Registrant's invoice billings are in U.S. dollars and the other 35% 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 1996, the Registrant experienced losses of approximately US\$2 million as a result of the devaluation of the bolivar. These losses were more than offset by gains realized from the purchase of local currency through a government approved mechanism ("Brady Bonds") which permitted the Registrant to purchase local currency at favorable market exchange rates. The exchange rate has only increased by approximately 2% from April of 1996 to November of 1996, and the Registrant is unable to predict future devaluation. If the bolivar is devalued significantly during the balance of fiscal 1997, the Registrant could experience material devaluation losses.

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 environmental damages, except in certain cases of surface pollution, but 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. Further legislation or regulation may reasonably be anticipated, and the effect thereof on operations cannot be predicted.

OIL AND GAS DIVISION

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, Florida, Michigan, Mississippi, and the Rocky Mountain area.

The Registrant's exploration and production division includes geographical exploitation teams comprised of geological, engineering, and land personnel who primarily develop in-house oil and gas prospects as well as review a limited number of 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. Registrant has recently hired two geologists and two geophysicists to supplement its exploration activities.

The Registrant's Rocky East prospect located in Washita County, Oklahoma, contained the Registrant's most significant wildcat discovery during fiscal 1996. The Registrant owns a 100% working interest in the discovery well and possesses a working interest ranging from 81% to 100% in each of the five development wells that have been drilled in this prospect. During fiscal 1996 the Rocky East prospect produced approximately 3.3 bcf (gross) of gas with current daily natural gas production of approximately 20,000 mcf.

During fiscal 1996 the Registrant owned an interest in several wells drilled in the Masters Creek area of the Austin Chalk in Louisiana. The Registrant possessed an overriding royalty interest in three wells drilled by a major oil company, and possessed a carried working interest in one well drilled by the same major oil company and one well drilled by a large independent. Positive outcomes have resulted in the participation by the

Registrant with a 16% working interest in two additional wells in the Masters Creek area. The Registrant will evaluate the results of these wells and determine the amount of its participation, if any, in additional drilling in the area and the extent of its continued payment of annual rentals covering its approximate 2,300-acre net leasehold interest in the Masters Creek area. Just west of this area, the Registrant owns 13,000 acres in the Artillery Range prospect. The Registrant possesses a carried working interest in two wells drilled in this prospect during fiscal 1996. A third well has been proposed, and if such well is drilled, the Registrant intends to participate with a carried working interest. During fiscal 1996, the Registrant spent \$1,182,000 in drilling and completion costs in the Austin Chalk area. Depending on the Registrant's continued analysis of the Austin Chalk area, fiscal year 1997 exploration expenditures could range from \$6 to \$11 million.

The 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. During fiscal 1996, the Registrant participated in 41 development and/or wildcat wells, which resulted in new discoveries of approximately 21.3 bcf of gas and 298,986 barrels of oil and condensate. The Registrant participated in 22 additional development wells, which resulted in the development of approximately 5.7 bcf of gas and 12,370 barrels of oil and condensate which was previously classified as proved undeveloped or proved developed nonproducing reserves. A total of \$24,005,000 was spent in the Registrant's exploration and development program during fiscal 1996. This figure is exclusive of expenditures for acreage and acquisitions of proved oil

and gas reserves. The Registrant's total company-wide acquisition cost for acreage in fiscal 1996 was \$3,178,214.

The Registrant spent \$255,598 for the acquisition of proved oil and gas reserves during fiscal 1996. Reserves from such acquisitions totaled approximately 0.6 bcf of natural gas and 21,912 barrels of crude oil and condensate. In addition, the Registrant sold 10 properties for \$403,198. The reserves associated with these sales were approximately 266,000 mcf of natural gas and 1,477 barrels of crude oil.

The Registrant's fiscal 1997 exploration and production budget of approximately \$32,800,000 is 38% greater than its actual exploration and production expenditures in fiscal 1996.

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, 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 wholly owned 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 or development wells. Although the market for natural gas has been in a state of over-supply for the past several years, the Registrant is of the opinion that the supply/demand for natural gas

is moving towards a state of equilibrium. As demonstrated by the winter of 1995-1996, winter demand and its effect on gas storage has a significant effect on natural gas pricing. The stability of short-term prices for natural gas will largely depend upon the demand during the heating season and the utilization of storage throughout the United States. Other causes affecting supply/demand imbalances may be federal regulation of the market; large quantities of developed gas reserves in Canada (and subsequent pipeline expansions) and Mexico available for export by pipelines to the United States; fuel switching between fuel oil and natural gas; development of coalbed methane; and development of large quantities of liquefied natural gas in Trinidad and Tobago and Africa available for export to the United States.

Historically, the Registrant has had no long-term sales contracts for its crude oil and condensate production. The Registrant continues its recent 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 higher than posted prices for such crude oil production.

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 prepare for increased exploration activity without committing to a definite drilling timetable involving large expenditures. The Registrant also believes that the competition for the acquisition of gas producing properties will continue. Due to the recent increase in oil and gas prices and considering the Registrant's conservative acquisition strategy, the Registrant believes that it may be unable to acquire

significant proved developed producing reserves. However, 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 whom 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 with certainty.

The Registrant intends to continue to pursue the purchase of proven producing properties and to avail itself of the opportunities for drilling and development.

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

The Registrant is subject to regulation by the Federal Energy Regulatory Commission ("FERC") with respect to various aspects of its domestic natural gas operations under the Natural Gas Act ("NGA") and the Natural Gas Policy Act of 1978.

The Natural Gas Wellhead Decontrol Act of 1989 amended both the price and non-price decontrol provisions of the Natural Gas Policy Act of 1978 for the purpose of providing complete decontrol of first sales of natural gas by January 1, 1993. The Registrant believes that substantially all of its gas is decontrolled.

On April 8, 1992; August 3, 1992; and November 27, 1992, the FERC issued Order 636, Order 636-A, and Order 636-B (collectively, "Order 636"), respectively, which requires interstate pipelines to provide transportation unbundled from their sales of gas. Also, such pipelines must provide open-access transportation on a basis that is equal for all gas supplies. Order 636 has been implemented through individual interstate pipeline restructuring proceedings. Although Order 636 has provided the Registrant with additional market access and more fairly applied transportation service rates, it has also subjected the Registrant to more restrictive pipeline imbalance tolerances and greater penalties for violation of those tolerances. Order No. 636 and certain related proceedings were the subject of an appeal to the United States Court of Appeals for the District of Columbia Circuit. That court recently issued its decision in the appeal of Order No. 636 and largely upheld the fundamental tenets of the order. Rehearing has since been denied, however, the court's decision is still subject to potential applications for a writ of certiorari to the United States Supreme Court. In addition, several appeals in individual pipeline proceedings and related dockets remain pending. It is therefore not possible for the Registrant to predict what effect, if any, the ultimate outcome of these regulatory and judicial review proceedings will have on the FERC's open-access regulations or the Registrant's operations. Assuming that Order 636

is upheld in its entirety, the Registrant believes that it will benefit from the provisions of such Order.

The FERC has announced its intention to re-examine certain of its transportation-related policies, including the manner in which interstate pipelines release transportation capacity under Order 636 and the use of market-based rates for interstate gas transportation. While any resulting FERC action would affect the Registrant only indirectly, these inquiries are intended to further enhance competition in the natural gas markets. In addition, the FERC issued a policy statement on how interstate natural gas pipelines can recover the cost of new pipeline facilities. While this policy statement in its present form affects the Registrant only indirectly, the new policy should enhance competition in natural gas markets and facilitate construction of gas supply laterals.

Under the NGA, natural gas gathering facilities are exempt from FERC jurisdiction. The Registrant believes that its gathering systems meet the traditional tests that the FERC has used to establish a pipeline's status as a gatherer. Commencing in May 1994, the FERC has issued a series of orders in individual cases that delineate its gathering policy. Among other matters, the FERC slightly narrowed its statutory tests for establishing gathering status and reaffirmed that it does not have jurisdiction over natural gas gathering facilities and services and that such facilities and services are properly regulated by state authorities. A number of states have either enacted new laws or are considering the adequacy of existing laws affecting gathering rates and/or services. Thus, natural gas gathering may receive greater regulatory scrutiny by state agencies. In addition, the FERC has approved several

transfers by interstate pipelines of gathering facilities to unregulated gathering companies, including affiliates. This could allow such companies to compete more effectively with independent gatherers. An appellate court recently upheld, in large part, several of the initial FERC orders delineating its gathering policy. It is not possible at this time to predict the ultimate effect of the policy, although it could affect access to and rates charged for interstate gathering services. However, the Registrant does not presently believe the status of its facilities would be affected by modification to the statutory criteria.

The Registrant's natural gas gathering operations may become subject to additional safety and operational regulations relating to the design, installation, testing, construction, operation, replacement, and management of facilities. Pipeline safety issues have recently become the subject of increasing focus in various political and administrative arenas at both the state and federal levels. For example, at the federal level, in October of 1996, the President signed the Accountable Pipeline Safety and Partnership Act of 1996, which, among other things, gives the public an opportunity to comment on pipeline risk management programs, promotes communication regarding safety issues to residents along pipeline right-of-ways, and encourages the examination of remote control valves along pipelines. The Registrant believes that the adoption of additional pipeline safety legislation will not materially affect the Registrant in light of its relatively minor gathering operations.

On February 2, 1994, the Kansas Corporation Commission ("KCC") 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 drilled 80 infill wells and believes that it will be necessary in the next two fiscal years to drill an additional 58 wells with the total costs to the Registrant ranging from \$5 to \$6 million. Several of these wells will be drilled to a depth of 5,500 feet in search of additional reserve-bearing formations.

Additional proposals and proceedings that might affect the oil and gas industry are pending before the Congress, the FERC, and the courts. The Registrant cannot predict when or whether any such proposals may become effective. In the past, the natural gas industry has been very heavily regulated. There is no assurance that the current regulatory approach pursued by the FERC will continue. Notwithstanding the foregoing, it is anticipated that compliance with existing federal, state and local laws, rules and regulations will not 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, in particular the Tax Reform Act of 1986, which was amended by the Energy Policy Act of 1992 and the Revenue Reconciliation Act of 1993. The Registrant has considered the effects of such federal income tax laws on its operations and does not anticipate that there will be no material impact on its liquidity, capital expenditures, or international operations.

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 into its eighth year of business with emphasis on the purchase and marketing of the Registrant's natural gas production. In addition, HPESI purchases third-party gas for resale and provides compression and gathering services for a fee. During fiscal year 1996, HPESI's sales of third-party gas constituted approximately 14.9% of the Registrant's consolidated revenues.

HPESI sells natural gas to markets in the Midwest and Rocky Mountain areas. Term gas sales contracts are for varied periods ranging from four months to seven years. However, recent contracts have tended toward shorter terms. The remainder of the Registrant's gas is sold under spot market contracts having a duration of 30 days or less. For fiscal 1997, HPESI's term gas sales contracts provide for the sale of approximately 6 bcf of gas. 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-15 through I-24 regarding the market, competition, and regulation of natural gas.

CHEMICAL OPERATIONS

On August 23, 1996, the Registrant and its wholly-owned subsidiary, Natural Gas Odorizing, Inc. ("NGO"), together with Occidental Petroleum Corporation ("Buyer"), and its wholly-owned subsidiary, OPC Acquisition Corp. ("OPC"), entered into an Agreement and Plan of Merger pursuant to which Buyer agreed to purchase all of the Registrant's chemical business located in Baytown, Texas (the "Business") pursuant to a tax-free merger between NGO and OPC. On August 30, 1996 ("Closing"), the sale of the Business was consummated such that OPC was merged with and into NGO with NGO being the surviving corporation. In consideration of such disposition, the Registrant received 2,018,928 shares of Buyer's common stock which equaled approximately \$48 million as of Closing.

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 (98% 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 (77% of which is currently leased). The Registrant has a two-level parking garage located in the southwest corner of Utica Square that can accommodate approximately 250 cars.

At the end of the 1996 fiscal year the Registrant owned 18 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. Fourteen 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 and retail space. This building houses the Registrant's principal executive offices. Approximately 11% of this building was leased to third parties during fiscal 1996.

The Registrant is also engaged in the business of leasing 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 95%. The Registrant also owns approximately 1 1/2 acres of undeveloped land lying adjacent to such warehouses.

The Registrant also owns a 270 acre tract known as Southpark located in the high-growth area of southeast Tulsa and consisting of approximately 257 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 remained at 100%. 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.

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 increased from 68% to 79% during fiscal 1996 due primarily to the addition of several new tenants. 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. Occupancy is currently at 92%.

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 1996, occupancy increased from 65% to 88% primarily due to the addition of one new tenant. 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 1996, occupancy remained at 81%.

FINANCIAL

Information relating to Revenue and Income by Business Segments may be found on page 10 of the Registrant's Annual Report to Shareholders for fiscal 1996, which is incorporated herein by reference.

EMPLOYEES

The Registrant had 1,697 employees within the United States (6 of which were part-time employees) and 1,612 employees in international operations as of September 30, 1996.

Item 2. PROPERTIES

CONTRACT DRILLING

The following table sets forth certain information concerning the Registrant's domestic drilling rigs as of September 30, 1996:

| Rig Designation | Registrant's Classification | Optimum Working Depth in Feet | Present Location |
|-----------------|-----------------------------|-------------------------------|-----------------------|
| 110 | Medium Depth | 12,000 | Texas |
| 141 | Medium Depth | 14,000 | Texas |
| 142 | Medium Depth | 14,000 | Texas |
| 143 | Medium Depth | 14,000 | Texas |
| 145 | Medium Depth | 14,000 | Texas |
| 157 | Medium Depth | 14,000 | Texas |
| 95 | Medium Depth | 16,000 | 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 |
| 147 | Medium Depth | 16,000 | Texas |
| 154 | Medium Depth | 16,000 | Texas |
| 79 | Deep | 20,000 | Louisiana |
| 80 | Deep | 20,000 | Oklahoma |
| 89 | Deep | 20,000 | Alabama |
| 92 | Deep | 20,000 | Oklahoma |
| 94 | Deep | 20,000 | Texas |
| 98 | Deep | 20,000 | Oklahoma |
| 122 | Deep | 26,000 | Louisiana |
| 97 | Deep | 26,000 | Texas |
| 99 | Deep | 26,000 | Texas |
| 137 | Deep | 26,000 | Texas |
| 149 | Deep | 26,000 | Texas |
| 72 | Very Deep | 30,000 | Louisiana |
| 73 | Very Deep | 30,000 | Louisiana |
| 101 | Medium Depth | 16,000 | * Gulf of Mexico |
| 104 | Medium Depth | 16,000 | * Offshore California |
| 108 | Medium Depth | 16,000 | * Gulf of Mexico |
| 91 | Deep | 20,000 | * Gulf of Mexico |
| 102 | Deep | 20,000 | * Offshore California |
| 103 | Deep | 20,000 | * Offshore California |
| 105 | Deep | 20,000 | * Gulf of Mexico |
| 100 | Deep | 26,000 | * Gulf of Mexico |
| 106 | Deep | 26,000 | * Gulf of Mexico |
| 107 | Deep | 26,000 | * Gulf of Mexico |
| 201 | Deep | 26,000 | * Gulf of Mexico |
| 155 | Medium Depth | 14,000 | Texas |
| 161 | Very Deep | 30,000 | Louisiana |
| 162 | Deep | 20,000 | Texas |
| 163 | Very Deep | 30,000 | Oklahoma |

* Offshore platform rig

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, | | | | |
|--|---------------------------|------|------|------|------|
| | 1992 | 1993 | 1994 | 1995 | 1996 |
| Number of rigs owned at end of period | 39 | 42 | 47 | 41 | 41 |
| Average rig utilization rate during period (1) | 42% | 53% | 69% | 71% | 82% |

(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, 1996:

| Rig Designation | Registrant's Classification | Optimum Working Depth in Feet | Present Location |
|-----------------|-----------------------------|-------------------------------|------------------|
| 14 | Workover/drilling | 6,000 | Venezuela |
| 18 | Workover/drilling | 6,000 | Venezuela |
| 19 | Workover/drilling | 6,000 | Venezuela |
| 20 | Workover/drilling | 6,000 | Venezuela |
| 140 | Medium Depth | 10,000 | Venezuela |
| 158 | Medium Depth | 10,000 | Venezuela |
| 159 | Medium Depth | 12,000 | Venezuela |
| 132 | Medium Depth | 16,000 | Ecuador |
| 22 | Deep (helicopter rig) | 18,000 | Bolivia |
| 23 | Deep (helicopter rig) | 18,000 | Ecuador |
| 121 | Deep | 20,000 | Colombia |
| 45 | Deep | 26,000 | Venezuela |
| 82 | Deep | 26,000 | Venezuela |
| 83 | Deep | 26,000 | Venezuela |
| 117 | Deep | 26,000 | Venezuela |
| 123 | Deep | 26,000 | Bolivia |
| 138 | Deep | 26,000 | Ecuador |
| 148 | Deep | 26,000 | Venezuela |
| 160 | Deep | 26,000 | Venezuela |
| 115 | Very Deep | 30,000 | Venezuela |
| 116 | Very Deep | 30,000 | Venezuela |
| 125 | Very Deep | 30,000 | Colombia |
| 113 | Very Deep | 30,000 | Venezuela |
| 128 | Very Deep | 30,000 | Venezuela |
| 129 | Very Deep | 30,000 | Venezuela |
| 133 | Very Deep | 30,000 | Colombia |
| 134 | Very Deep | 30,000 | Colombia |
| 127 | Very Deep | 30,000 | Venezuela |

| Rig Designation | Registrant's Classification | Optimum Working Depth in Feet | Present Location |
|--------------------|--------------------------------|----------------------------------|---------------------|
| 156 | Medium Depth | 14,000 | Venezuela |
| 135 | Very Deep | 30,000 | Colombia |
| 136 | Very Deep | 30,000 | Colombia |
| 150 | Very Deep | 30,000 | Venezuela |
| 151 | Very Deep | 30,000 | Colombia |
| 152 | Super Deep | 30,000+ | Colombia |
| 153 | Super Deep | 30,000+ | Colombia |
| 139 | Super Deep | 30,000+ | Colombia |

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, | | | | |
|--|---------------------------|------|------|------|------|
| | 1992 | 1993 | 1994 | 1995 | 1996 |
| Number of rigs owned at end of period | 30 | 29 | 29 | 35 | 36 |
| Average rig utilization rate during period (1) | 69% | 68% | 88% | 84% | 85% |

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

OIL AND GAS DIVISION

All of the Registrant's oil and gas operations and holdings are domestic.

Crude Oil Sales

The Registrant's net sales of crude oil and condensate for the fiscal years 1994 through 1996 are shown below:

| Year | Net Barrels | Average Sales Price per barrel | Average Lifting Cost per Barrel |
|------|-------------|-----------------------------------|------------------------------------|
| 1994 | 887,455 | \$14.83 | \$7.74 |
| 1995 | 808,058 | \$16.37 | \$7.86 |
| 1996 | 809,571 | \$19.00 | \$7.90 |

Natural Gas Sales

The Registrant's net sales of natural and casinghead gas for the three fiscal years 1994 through 1996 are as follows:

| Year ---- | Net Mcf ----- | Average Sales Price per Mcf ----- | Average Lifting Cost per Mcf ----- |
|--------------|------------------|---|--|
| 1994 | 26,627,776 | \$1.72 | \$0.3760 |
| 1995 | 26,421,434 | \$1.27 | \$0.3640 |
| 1996 | 34,535,184 | \$1.75 | \$0.3292 |

Following is a summary of the net wells drilled by the Registrant for the fiscal years ended September 30, 1994, 1995, and 1996:

| | Exploratory Wells ----- | | | Development Wells ----- | | |
|------------|----------------------------|--------------|--------------|----------------------------|--------------|--------------|
| | 1994 ---- | 1995 ---- | 1996 ---- | 1994 ---- | 1995 ---- | 1996 ---- |
| Productive | 1.021 | 0.7 | 4.448 | 12.334 | 20.7695 | 23.625 |
| Dry | 1.436 | 2.596 | 5.250 | 0.233 | 3.2867 | 2.000 |

On September 30, 1996, the Registrant was in the process of drilling or completing six gross or 1.778 net wells.

Acreage Holdings

The Registrant's holdings of acreage under oil and gas leases, as of September 30, 1996, were as follows:

| | Developed Acreage | | Undeveloped Acreage | |
|--------------|-------------------|------------|---------------------|------------|
| | Gross | Net | Gross | Net |
| Alabama | 480.00 | 112.21 | 146.00 | 18.12 |
| Arkansas | 3,068.23 | 1,725.11 | -0- | -0- |
| Kansas | 122,861.88 | 85,446.35 | 15,561.60 | 12,407.10 |
| Louisiana | 10,046.29 | 2,898.34 | 162,888.10 | 88,301.46 |
| Michigan | -0- | -0- | 14,915.93 | 14,862.32 |
| Mississippi | -0- | -0- | 0.83 | 0.10 |
| Montana | 2,037.19 | 381.54 | 4,668.95 | 1,476.17 |
| Nebraska | 480.00 | 168.00 | -0- | -0- |
| Nevada | -0- | -0- | 38,665.68 | 29,987.71 |
| New Mexico | 960.00 | 54.86 | 161.88 | 38.85 |
| North Dakota | 279.96 | 11.52 | 178.16 | 61.60 |
| Oklahoma | 138,424.27 | 51,114.65 | 40,948.55 | 22,952.43 |
| Texas | 88,443.43 | 41,874.04 | 10,220.43 | 5,143.51 |
| Wyoming | -0- | -0- | 1,667.94 | 316.43 |
| Total | 367,081.25 | 183,786.62 | 290,024.05 | 175,565.80 |

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.

Productive Wells

The Registrant's total gross and net productive wells as of September 30, 1996, were as follows:

| Oil Wells | | Gas Wells | |
|-----------|-----|-----------|-----|
| Gross | Net | Gross | Net |
| 3,340 | 241 | 860 | 378 |

Additional information required by this item with respect to the Registrant's oil and gas operations may be found on pages I-12 through I-24 of

Item 1. BUSINESS, and pages 28 through 30 of the Registrant's Annual Report to Shareholders for fiscal 1996, "Notes to Consolidated Financial Statements" and "Note 12 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 audited by Southmayd & Associates, Inc., independent consultants, 6450 South Lewis Avenue, Suite 220, Tulsa, Oklahoma, 74136. 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-24 through I-26.

STOCK

At the end of fiscal 1996:

The Registrant owned 466,451 shares of the common stock of Sun Company, Inc., and 329,053 shares of the Sun Company, Inc. preferred series "A". The Registrant owned 625,000 shares of Oryx Energy Company, Inc.

The Registrant owned 1,600,000 shares of the common stock of Atwood Oceanics, Inc., a Houston, Texas based company engaged in offshore contract drilling. The Registrant's ownership of Atwood is approximately 24%.

The Registrant owned 740,000 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 2,018,928 shares of the common stock of Occidental Petroleum Corporation, Inc.

The Registrant owned 225,000 shares of the common stock of ONEOK.

The Registrant owned 395,000 shares of the common stock of Liberty Bancorp, Inc., formerly Banks of Mid-America, Inc. Liberty Bancorp, Inc., is a bank holding company which owns Liberty Bank and Trust Company of Tulsa, N.A., and Liberty Bank and Trust Company of Oklahoma City, N.A. The Registrant's ownership of Liberty Bancorp, Inc., is approximately 4%.

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.

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.

| | |
|--|---|
| <p>W. H. Helmerich, III, 73 Chairman of the Board</p> <p>Hans Helmerich, 38 President</p> <p>George S. Dotson, 55 Vice President</p> <p>Douglas E. Fears, 47 Vice President</p> <p>Steven R. Mackey, 45 Vice President and Secretary</p> <p>Steven R. Shaw, 45 Vice President</p> <p>Gordon K. Helm, 43 Controller</p> | <p>Director since 1949; Chairman of the Board since December 1, 1960</p> <p>Director since March 4, 1987; President and Chief Executive Officer since December 6, 1989</p> <p>Director since March 7, 1990; Vice President, Drilling, since February 14, 1977 and President and Chief Operating Officer of Helmerich & Payne International Drilling Co. since February 14, 1977</p> <p>Vice President, Finance, since March 11, 1988</p> <p>Secretary since March 7, 1990; Vice President and General Counsel since March 11, 1988</p> <p>Vice President, Production, since July 8, 1985; Vice President, Exploration and Production since March 6, 1996</p> <p>Chief Accounting Officer of the Registrant; appointed Controller effective December 10, 1993; and Manager of Internal Audit from September 13, 1991</p> |
|--|---|

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:

| Quarter ----- | 1995 | | 1996 | |
|------------------|--------|--------|--------|--------|
| | High | Low | High | Low |
| First | 31 1/4 | 25 5/8 | 30 1/8 | 24 1/2 |
| Second | 27 1/2 | 24 1/2 | 34 1/2 | 27 |
| Third | 31 | 26 5/8 | 38 1/4 | 33 |
| Fourth | 30 | 27 5/8 | 43 5/8 | 34 3/4 |

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

| Quarter ----- | Paid per Share | | Total Payment | |
|------------------|----------------|---------|---------------|-------------|
| | Fiscal | | Fiscal | |
| | 1995 | 1996 | 1995 | 1996 |
| First | \$0.125 | \$0.125 | \$3,089,758 | \$3,095,578 |
| Second | 0.125 | 0.125 | 3,087,958 | 3,100,568 |
| Third | 0.125 | 0.125 | 3,092,973 | 3,104,724 |
| Fourth | 0.125 | 0.130 | 3,094,813 | 3,229,596 |

The Registrant paid a cash dividend of \$0.13 per share on December 2, 1996, to shareholders of record on November 15, 1996. Payment of future dividends will depend on earnings and other factors.

As of December 16, 1996, there were 1,514 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 | | | | |
|--|--|-----------|-----------|-----------|-----------|
| | 1992 | 1993 | 1994 | 1995 | 1996 |
| Sales, operating, and other revenues | \$226,219 | \$300,723 | \$310,152 | \$306,721 | \$393,255 |
| Income from con- tinuing operations | 8,973 | 22,158 | 17,108 | 5,788 | 45,426 |
| Income from con- tinuing operations per common share | 0.37 | 0.91 | 0.70 | 0.24 | 1.84 |
| Total assets | 585,504 | 610,935 | 624,827 | 707,061 | 821,914 |
| Long-term debt | 8,339 | 3,600 | -0- | -0- | -0- |
| Cash dividends declared per common share | 0.47 | 0.48 | 0.49 | 0.50 | 0.51 |

The Five-year Summary of Selected Financial Data described above excludes results of NGO operations. See page I-24 "CHEMICAL OPERATIONS" for a discussion of the NGO transaction.

The following Five-year Summary of Selected Financial Data includes only the results of NGO operations.

| | Five-year Summary of Selected Financial Data for NGO | | | | |
|--|--|----------|----------|----------|----------|
| | 1992 | 1993 | 1994 | 1995 | 1996 |
| Sales, operating, and other revenues | \$13,481 | \$14,374 | \$18,849 | \$19,055 | \$19,540 |
| Income from con- tinuing operations | 1,876 | 2,392 | 3,863 | 3,963 | 3,090 |
| Income from con- tinuing operations per common share | 0.08 | 0.10 | 0.16 | 0.16 | 0.13 |

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

Information required by this item may be found on pages 11 through 16, Management's Discussion & Analysis of Results of Operations and Financial Condition, in the Registrant's Annual Report to Shareholders for fiscal 1996, which is incorporated herein by reference.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item may be found on pages 17 through 30 in the Registrant's Annual Report to Shareholders for fiscal 1996, which is incorporated herein by reference.

Item 9. CHANGES IN AND DISAGREEMENTS 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 5, 1997, to be filed with the Commission not later than 120 days after September 30, 1996. See pages I-34 through I-35 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 5, 1997, to be filed with the Commission not later than 120 days after September 30, 1996.

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 5, 1997, to be filed with the Commission not later than 120 days after September 30, 1996.

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 5, 1997, to be filed with the Commission not later than 120 days after September 30, 1996.

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 1996.

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.
- 3.2 By-Laws of the Registrant.
- 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 17, 1996.
- * 10.1 Incentive Stock Option Plan is incorporated herein by reference to Exhibit 4.2 to the Registrant's Registration Statement No. 33-16771 on Form S-8.
- * 10.2 Form of Incentive Stock Option Plan Stock Option Contract for the Incentive Stock Option Plan.
- * 10.3 Consulting Services Agreement between W. H. Helmerich, III, and the Registrant effective January 1, 1990, as amended.
- * 10.4 Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc.
- * 10.5 Form of Restricted Stock Award Agreement for the Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc., together with all amendments thereto.

* Compensatory Plan or Arrangement.

- * 10.6 Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc.
- * 10.7 Helmerich & Payne, Inc. 1990 Stock Option Plan.
- * 10.8 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 24, 1994.
- * 10.9 Supplemental Savings Plan for Salaried Employees of Helmerich and Payne, Inc., is incorporated herein by reference from Registrant's Annual Report on Form 10-K to the Securities and Exchange Commission for fiscal 1993.
- * 10.10 Agreement and Plan of Merger is incorporated herein by reference from Registrant's Report on Form 8-K filed with the Securities and Exchange Commission on September 12, 1996.
- 13. The Registrant's Annual Report to Shareholders for fiscal 1996.
- 22. Subsidiaries of the Registrant.
- 23.1 Consent of Independent Auditors.
- 27. Financial Data Schedule.

(b) Report on Form 8-K

Form 8-K with attached Agreement and Plan of Merger and Proforma Financial Information covering the NGO transaction was filed with the Securities and Exchange Commission on September 12, 1996.

* 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 18, 1996

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

William L. Armstrong, Director
Date: December 18, 1996

By Glenn A. Cox

Glenn A. Cox, Director
Date: December 18, 1996

By George S. Dotson

George S. Dotson, Director
Date: December 18, 1996

By Hans Helmerich

Hans Helmerich, Director and CEO
Date: December 18, 1996

By W. H. Helmerich, III

W. H. Helmerich, III, Director
Date: December 18, 1996

By L. F. Rooney, III

L. F. Rooney, III, Director
Date: December 18, 1996

By George A. Schaefer

George A. Schaefer, Director
Date: December 18, 1996

By John D. Zeglis

John D. Zeglis, Director
Date: December 18, 1996

By Douglas E. Fears

Douglas E. Fears
(Principal Financial Officer)
Date: December 18, 1996

By Gordon K. Helm

Gordon K. Helm, Controller
(Principal Accounting Officer)
Date: December 18, 1996

INDEX TO EXHIBITS NOT INCORPORATED BY REFERENCE

| EXHIBIT NUMBER ----- | DESCRIPTION ----- | PAGE ----- |
|----------------------------|--|---------------|
| 3.1 | Restated Certificate of Incorporation and Amendment to Restated Certificate of Incorporation of the Registrant. | |
| 3.2 | By-Laws of the Registrant. | |
| * 10.2 | Form of Incentive Stock Option Plan Stock Option Contract for the Incentive Stock Option Plan. | |
| * 10.3 | Consulting Services Agreement between W. H. Helmerich, III, and the Registrant effective January 1, 1990, as amended. | |
| * 10.4 | Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc. | |
| * 10.5 | Form of Restricted Stock Award Agreement for the Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc., together with all amendments thereto. | |
| * 10.6 | Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc. | |
| * 10.7 | Helmerich & Payne, Inc. 1990 Stock Option Plan. | |
| 13. | The Registrant's Annual Report to Shareholders for fiscal 1996. | |
| 22. | Subsidiaries of the Registrant. | |
| 23.1 | Consent of Independent Auditors. | |
| 27. | Financial Data Schedule. | |

* Compensatory Plan or Arrangement.

Exhibit 3.1
(Part 1/2)

RESTATED

**CERTIFICATE OF INCORPORATION
OF
HELMERICH & PAYNE, INC.**

HELMERICH & PAYNE, INC. (hereinafter called the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, by Certificate of Incorporation issued on February 3, 1940, DOES HEREBY CERTIFY THAT:

ONE: By action of the Board of Directors of the Corporation at a Regular Meeting of the Board of Directors, held on December 11, 1987, a

resolution was adopted setting forth a Restated Certificate of Incorporation and declaring that said Restated Certificate of Incorporation is advisable and that it only restates and integrates and does not further amend the provisions of the Corporation's Restated Certificate of Incorporation of March 7, 1979, as theretofore amended or supplemented, and that there is no discrepancy between those provisions and the provisions of this newly Restated Certificate. The newly Restated certificate of Incorporation is as follows:

**RESTATED
CERTIFICATE OF INCORPORATION
of
HELMERICH & PAYNE, INC.**

FIRST. The name of the corporation is HELMERICH & PAYNE, INC.

SECOND. Its registered office in the State of Delaware is located at No. 1209 Orange Street, in the City of Wilmington, County of New Castle. The name and address of its registered agent is The Corporation Trust Company, No. 1209 Orange Street, Wilmington, Delaware.

THIRD. The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

(a) To carry on the business of producing, procuring, acquiring, buying, selling and otherwise disposing of and turning to account, and dealing in petroleum, crude oil and gas of all grades, asphalt, paraffin, bitumen and bituminous substances of all kinds, coal, natural gas, carbon and hydrocarbon products of all kinds, together with any other substances or by-products, and in general subsoil products and surface products of every nature and description; and to acquire, hold, and use any and all leases, licenses, easements, rights, grants, concessions and real and personal property necessary or required for such purposes;

(b) To prospect, explore and drill for, discover, produce, extract, mine, mill, separate, convert, smelt, refine, dissolve, reduce, treat, manufacture, store or otherwise turn to account, sell, exploit, transfer and otherwise dispose of petroleum, oil and gas and each and every of the substances specified in the foregoing clause (a), either in its natural form or in any altered or manufactured form, or subdivided or by-product form;

(c) To build, construct, purchase or otherwise acquire and to conduct, operate and maintain any plant or plants, machinery, devices, appliances and equipment for the extraction or manufacture of gasoline, naphtha or other substance or by-products from natural gas, casinghead gas or crude oil, and to purchase or otherwise acquire, hold, own and use or dispose of any inventions, devices, formulae, processes for the manufacture or extraction of gasoline, naphtha, or other substances or products from gas, casinghead gas or crude oil, together with any letters patent thereon and any and all improvements thereon; and to purchase or otherwise acquire any and all natural gas and casinghead gas and crude oil necessary to the use and operation of said plant or plants, and to vend, sell or otherwise dispose of any and all of the products of such plant or plants, and to purchase, lease or otherwise acquire, hold and use any and all real estate and lands necessary for the sites and locations of said plant or plants and the use and operation thereof;

(d) To purchase, buy, or otherwise acquire, hold, or prospect, develop, sell, assign and deal in or otherwise dispose of oil, gas and mineral leases and oil, gas and mineral rights, grants, royalties and privileges, together with all personal property and equipment used in connection therewith; and to purchase, buy, or otherwise acquire, and to hold, use, sell or otherwise dispose of, any and all real estate and lands which may be necessary or required for the uses and purposes of this corporation subject to the laws of the jurisdiction where said lands and real estate are located;

(e) To apply for, obtain, register, purchase, devise, adopt, lease or otherwise acquire, hold, own, use, operate, develop, introduce, lease, assign, pledge or otherwise dispose of and contract with reference to any and all letters patent, copyrights and trademarks, and any and all registrations or applications for registration thereof, and any and all inventions, improvements, apparatus, appliances, processes, formulae, designs, trade names or similar rights, whether used in connection with or secured under letters patent of the United States of America or of any other government or country, or otherwise; and to use, exercise, develop, exploit or grant licenses with respect to or otherwise turn to account any of the same, and to carry on any business (manufacturing, merchandising or otherwise), which may be deemed to aid, effectuate or develop the same, or any of them directly or indirectly;

(f) To acquire by lease, purchase, contract, concession or otherwise, and to own, develop, explore, exploit, improve, operate, lease, enjoy, control, manage or otherwise turn to account, mortgage, grant, sell, exchange, convey or otherwise dispose of, either within or without the State of Delaware and in any country, domestic or foreign, any and all real estate,

lands, options, concessions, grants, land patents, franchises, deposits, mines, mining rights, quarries, locations, claims, rights, privileges, easements, tenements, estates, hereditaments, interests and properties of every description and nature whatsoever which the corporation may deem wise and proper in connection with the conduct of any business or businesses enumerated in any of the clauses of this Article THIRD:

(g) To construct, build, purchase, lease, equip or otherwise acquire, and to hold, own, improve, develop, manage, maintain, control, lease, mortgage, create liens upon, sell, convey or otherwise dispose of and turn to account:

(1) any and all plants, machinery, works, refineries, implements and things or property, real or personal, of every kind and descriptions incidental to, connected with or suitable or convenient for any of the purposes enumerated in any of the clauses of this Article THIRD;

(2) any and all pipe lines, transmission lines, pumping stations, terminals, storage tanks or reservoirs and all appurtenances relative thereto and necessary or convenient in connection with any of the businesses enumerated in any of the clauses of this Article THIRD;

(3) any and all tracks, locomotives, railroad cars, tank cars, motor cars, motor trucks and vehicles of any and every description necessary or convenient in connection with any of the businesses enumerated in any of the clauses of this Article THIRD;

(4) any and all ships, docks, boats, floats, barges and vessels (whether operated by steam, electric, oil, gasoline or any other power), docks, wharves, dry docks, repair shops, elevators, piers, terminals, warehouses and storage plants, facilities, connections and installations necessary

or convenient for any of the businesses enumerated in any of the clauses of this Article THIRD;

(h) To manufacture, purchase or otherwise acquire, own, mortgage, pledge, sell, assign and transfer, or otherwise dispose of, to invest, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description;

(i) To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, all or any part of the goodwill, rights, assets and property of any person, firm, association or corporation; to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation; to hold or in any manner dispose of the whole or any part of the rights and property so acquired; to conduct in any lawful manner the whole or any part of any business so acquired, and to exercise all the powers necessary or convenient and about the conduct and management of such business;

(j) To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of shares of the capital stock, bonds, debentures, notes, obligations or evidences of indebtedness or other securities created, issued or incurred by any other corporation or corporations organized under the laws of this state or any other state, country, nation or government, or by joint stock companies, trustees or other business organizations or entities, or by any domestic or foreign state, government or governmental authority, or by any political or administrative subdivision or department thereof, and to issue in payment or exchange therefor, in whole or in part, its own shares, bonds, debentures, notes or other obligations, or to make payment therefor by any other lawful means, and, while the owner thereof, to exercise all the rights, powers and privileges of ownership, including the right to vote thereon;

(k) To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state,

body politic or government or colony or dependency thereof;

(l) To borrow or raise moneys for any of the purposes of the corporation, and, from time to time, without limit as to amount, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

(m) To buy, sell or otherwise deal in notes, open accounts, and other similar evidences of debt, or to loan money and take notes, open accounts, and other similar evidences of debt as collateral security therefor;

(n) To purchase, hold, sell and transfer the shares of its own capital stock; provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly;

(o) To have one or more offices, to carry on all or any of its operations and business and without restriction or limit as to amount to purchase or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description in any of the States, Districts, Territories or Colonies of the United States, and in any and all foreign countries, subject to the laws of such State, District, Territory, Colony or Country;

(p) To do and perform any or all of the above enumerated functions, purposes and acts, either as

principal or as agent, broker, contractor, independent contractor, representative or otherwise, specifically including (without limiting the generality of the foregoing) the right to carry on a general drilling contracting business;

(q) To investigate, develop, consummate, undertake and carry on any enterprise, business, transactions, or operation, commonly carried on or undertaken by contractors, syndicates, merchants, importers, exporters, manufacturers, printers, publishers, warehousemen, brokers, or transporters, and generally, to institute, enter into, carry on, assist, promote and participate in financial, commercial, mercantile, and other business, works, contracts, undertakings and operations, but only to the extent permitted by law.

(r) To carry on, and license others to carry on, all or any part of the several businesses enumerated in this paragraph, to-wit: The business of: manufacturers, merchants, traders, importers, exporters, contractors, printers, publishers, warehousemen, and dealers in and with goods, wares, and merchandise of every kind and description; of establishing, developing, operating and carrying on industrial, commercial, trading, manufacturing, mechanical, metallurgical, engineering, building, construction, contracting, mining, smelting, quarrying, refining, chemical, ice, real estate, logging, lumbering, agricultural, plantation, dairying, advertising, automotive, aviation, supply, cold storage, drug (both ethical and proprietary), cleaning, electrical, electronic, management, food, food products, foundry, appliance, furniture, laundry, machinery, machine shop, restaurant, equipment, instrument, instrumentation, baking, brewing, distilling, apparel, packing, textile, amusement, entertainment, undertakings, propositions, concessions or franchises; of constructing, developing, equipping and improving, public, quasi-public, and private works and conveniences; and, also, so far as necessary or incidental to, or connected with any one or more or all of the corporate purposes herein enumerated, to undertake any lawful business transaction or operation undertaken or carried on by merchants,

traders, manufacturers, contractors, importers, exporters, entertainers, printers, publishers, warehousemen, commission men and agents.

(s) In general, to carry on any other business in connection with the foregoing, and to have and exercise all the powers conferred by the laws of Delaware upon corporations formed under the General Corporation Law of the State of Delaware, and to do any or all of the things hereinbefore set forth to the same extent as natural persons might or could do.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in no wise limited or restricted by reference to, or inference from, the terms of any other clause in this certificate of incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

FOURTH. The total number of shares of all classes of stock which the Corporation shall have authority to issue is 81,000,000 of which 1,000,000 shares shall be Preferred Stock without par value, and the remaining 80,000,000 shares shall be Common Stock of the par value of ten cents (.10) per share.

The following is a statement of the designations, powers, preferences, and rights and the qualifications, limitations or restrictions thereof, of the classes of stock of the Corporation and the authority of the Board of Directors to fix the same.

I.

(1) Shares of Preferred Stock may be issued from time to time in one or more series as may be determined from time to time by the Board of Directors, each such series to be distinctly designated. All shares of any one series of Preferred Stock so designated by the Board of Directors shall be alike in every particular. The voting rights, if any, of each such series, dividend rates, and preferences and relative, participating, optional and other special rights of each such series and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding; and, subject to the

provisions of Paragraphs (4) through (8) of this Part I, the Board of Directors of the Corporation is hereby expressly granted authority to fix, by resolutions duly adopted prior to the issuance of any shares of a particular series of Preferred Stock so designated by the Board of Directors, the voting powers of stock of such series, if any, and the designations, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions of such series, including, but without limiting the generality of the foregoing, the following:

- (a) The rate and times at which, and the terms and conditions on which, dividends on Preferred Stock of such series will be paid;
- (b) The right, if any, of the holders of Preferred Stock of such series to convert the same into, or exchange the same for, shares of other classes or series of stock of the Corporation and the terms and conditions of such conversion or exchange;
- (c) The redemption price or prices and the time or time at which, and the terms and conditions on which, Preferred Stock of such series may be redeemed;
- (d) The rights of the holders of Preferred Stock of such series upon the voluntary or involuntary liquidation, dissolution, or winding-up, or merger, consolidation, distribution or sale of assets, of the Corporation;
- (e) The terms of the sinking fund or redemption or purchase account, if any, to be provided for the Preferred Stock of such series; and
- (f) Provisions, if any, for the vote or consent of the holders of a stated percentage of the outstanding shares of Preferred Stock of such series with respect to changes in the rights, preferences or limitations of the shares of such series, or the designation or issuance of series of the Preferred Stock by the Board of Directors, or the authorization or issuance of other classes or series of Preferred Stock;

provided, however, that the holders of shares of Preferred Stock shall have no right to participate with the holders of Common Stock in any distribution of dividends in excess of the preferential dividend fixed for such Preferred Stock or in the assets of the Corporation available for distribution to stockholders in excess of the preferential amount fixed for such Preferred Stock.

(2) Until requirements that have matured with respect to preferential dividends on the Preferred Stock (fixed in accordance with the provisions of Paragraph (1) of this Part I) shall have been met and until the Corporation shall have complied with all such requirements, if any, with respect to the setting aside of sums as sinking funds or redemption or purchase accounts with respect to the Preferred Stock (fixed in accordance with the provisions of Paragraph (1) of this Part I) , no dividend or distribution shall be paid or declared upon or in respect of any Common Stock.

(3) Until distribution in full of the preferential amount to be distributed to the holders of Preferred Stock (fixed in accordance with the provisions of Paragraph (1) of this Part I) in the event of voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, no such distribution shall be made to the holders of Common Stock.

(4) No holder of Preferred Stock of the Corporation shall have any preemptive or preferential right of subscription to any shares of any stock of the Corporation of any class, now or hereafter authorized, or to any obligations convertible into stock of the Corporation, issued or sold, nor any right of subscription to any thereof other than such, if any, as the Board of Directors of the Corporation in its discretion from time to time may determine, and at such price as the Board of Directors from time to time may fix, pursuant to the authority hereby conferred by the Certificate of Incorporation, and the Board of Directors may issue stock of the Corporation, or obligations convertible into stock, without offering such issue of stock or such obligations either in whole or in part, to the holders of Preferred Stock of the Corporation.

(5) The powers and rights of the holders of Common Stock shall be subordinated to the powers, preferences and rights of the holders of Preferred Stock. The relative powers, preferences and

rights of each series of Preferred Stock in relation to the powers, preferences and rights of each other series of Preferred Stock shall, in each case, be as fixed from time to time by the Board of Directors pursuant to authority granted in the Certificate of Incorporation; provided, however, that except as may be provided by law and except as set forth in Paragraph (6) and Paragraph (7) of this Part I, no holder of shares of Preferred Stock of any series shall be entitled to more than one vote in respect of each share of such stock held by him on any matter voted on by stockholders other than elections of directors, in which case the Board of Directors may accord cumulative voting rights to holders of shares of any Preferred Stock.

(6) Notwithstanding the provisions of Paragraph (5) of this Part I, the Board of Directors, acting pursuant to authority granted in this Certificate of Incorporation in respect of any series of Preferred Stock, may provide that if this Corporation shall have defaulted in the payment of dividends on any such series of Preferred Stock in an amount equivalent to or exceeding six full quarterly dividends (whether or not consecutive) or the Corporation shall have defaulted in making any two mandatory sinking fund payments on any such series of Preferred Stock, the holders of one or more or all of such series of Preferred Stock in respect of which any such default shall have occurred (voting as a single class) shall be entitled to elect, in the aggregate, not more than two directors.

(7) The issuance of shares of any series of Preferred Stock by the Board of Directors of the Corporation shall be subject to such limitations and restrictions as may be provided for in the Certificate of Incorporation or by the Board of Directors, pursuant to authority granted in the Certificate of Incorporation, including provision for the consent, by class vote, of the holders of a stated percentage of the outstanding shares of any series of Preferred Stock.

(8) Subject to the provisions of Paragraph (7) of this Part I, shares of any series of Preferred Stock may be authorized or issued, in aggregate amounts not exceeding the total number of shares of Preferred Stock authorized by the Certificate of Incorporation, from time to time as the Board of Directors of the Corporation shall determine and for such consideration as shall be fixed by the Board of Directors.

II.

Subject to the prior and superior rights of the Preferred Stock, and on the conditions set forth in the foregoing Part I or in any resolution of the Board of Directors providing for the issuance of any particular series of Preferred Stock, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be determined by the Board of Directors may be declared and paid on the Common Stock from time to time of any funds legally available therefor.

The holders of the Common Stock shall be entitled to one vote for each share held at all meetings of the stockholders of the Corporation.

After payment shall have been made in full to the holders of the Preferred Stock in the event of any liquidation, dissolution or winding up of the affairs of the Corporation, the remaining assets and funds of the Corporation shall be distributed among the holders of the Common Stock according to their respective shares.

III.

Ownership of shares of any class of the capital stock of the Corporation shall not entitle the holders thereof to any preemptive right to subscribe for or purchase any additional shares of capital stock of any class of the Corporation or any securities convertible into any class of capital stock of the Corporation, however acquired, issued or sold by the corporation, it being the purpose and intent that the Board of Directors shall have full right, power and authority to offer for subscription or sell or to make any disposal of any or all unissued shares of the capital stock of the corporation or any securities convertible into stock of any or all shares of stock or convertible securities issued and thereafter acquired by the corporation, for such consideration, not less than the par value thereof, in money or property, as the Board of Directors shall determine.

IV.

The Corporation shall be entitled to treat the person in whose name any share, right or option is registered as the owner thereof, for all purposes, and shall not be bound to recognize any equitable

or other claim to, or interest in, such share, right or option on the part of any other person, whether or not the corporation shall have notice thereof, save as may be expressly provided by laws of the State of Delaware.

FIFTH. The Corporation is to have perpetual existence.

SIXTH. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatever.

SEVENTH. In furtherance and not in limitation of the powers conferred by statute, and in addition to the powers which may be conferred by the By-Laws, the Board of Directors of the Corporation shall have the following expressly stipulated powers and authority, to-wit:

To make, alter or repeal the By-Laws of the Corporation.

To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation.

To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created.

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

When and as authorized by the affirmative vote of the holders of a majority of the stock issued and outstanding having voting power given at a stockholders meeting duly called for that purpose, or when authorized by the written

consent of the holders of a majority of the voting stock issued and outstanding, to sell, lease or exchange all of the property and assets of the corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may be in whole or in part shares of stock in, and/or other securities of, any other corporation or corporations, as its Board of Directors shall deem expedient and for the best interests of the corporation.

Also, the corporation may in its By-Laws confer powers upon its Board of Directors in addition to the foregoing, and in addition to the powers and authorities expressly conferred upon it by statute.

EIGHTH. The corporation shall be entitled to treat the person in whose name any share is registered as the owner thereof for all purposes, and shall not be bound to recognized any equitable or other claims to, or interest in, such share on the part of any other person, whether or not the corporation shall have notice thereof, except as otherwise expressly provided by the statutes of the State of Delaware.

NINTH. The number of Directors which constitute the whole Board of Directors of the Corporation shall be such as from time to time shall be fixed by or in the manner provided in the By-Laws, but in no case shall the number be less than three. Vacancies in the Board of Directors, whether created by increase in the number of Directors or otherwise, shall be filled in the manner provided in the By-Laws. The Directors shall be divided into three classes. At the Annual Meeting of Stockholders in 1970, one class of Directors, composed of three Directors to be known as the "first class", shall be elected for a one-year term; one class composed of two directors to be known as the "second class" shall be elected for a two-year term; and one class, composed of two directors, to be known as the "third class", shall be elected for a three-year term. At each succeeding Annual Meeting of Stockholders, successors to the class of Directors, whose term expires in that year, will be elected for a three-year term. Vacancies in any class that occur prior to the expiration of the then current term of such class, if filled by the Board of Directors, shall be filled for the remainder of the full term of such class. If the number of Directors is hereafter changed, any increase or decrease in Directors shall be apportioned among the classes so as to establish

or maintain equality in number among the classes and any additional Director elected to any class shall hold office for a term which shall coincide with the term of such class. Where the number of Directors constituting the whole board is such that it is impossible to establish or maintain complete equality in number among the classes, the increase or decrease in Directors shall be apportioned among the classes so as to maintain all classes as nearly equal in number as possible and so that the third class does not have more members than either the first or second class, and the second class does not have more members than the first class.

TENTH. Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 43 of the General Corporation Law of the State Delaware, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement, and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

ELEVENTH. No contract or other transaction of the Corporation with any other corporation or with any association, partnership, firm, trustee, syndicate or individual shall be affected or invalidated by reason of the fact that any of the directors of the Corporation is or are parties to or interested in such contract or transaction or such other corporation or such association,

partnership, firm, trustee, syndicate or individual; any director of the Corporation may be a party to any contract or transaction with the Corporation, or may be pecuniarily or otherwise interested in any contract or other transaction of the Corporation with any other corporation or with any association, partnership, firm, trustee, syndicate or individual, provided that the fact that he shall be a party to such contract or transaction or shall be so interested shall have been disclosed or shall have been known to the Board of Directors of the Corporation, or to the approving majority thereof; and any director of the Corporation who is a party to or is pecuniarily or otherwise interested in such contract or transaction may be included in determining the existence of a quorum at any meeting of the Board of Directors which shall authorize, ratify or approve any such contract or transaction, and may vote thereat to authorize, ratify or approve such contract or transaction, with like force and effect as if he were not a party to or so interested in such contract or transaction.

TWELFTH. Meetings of stockholders may be held without the State of Delaware, if the By-Laws so provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be from time to time designated by the Board of Directors.

THIRTEENTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

FOURTEENTH:

1. Elimination of Certain Liability of Directors. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.

2. Indemnification and Insurance.

(a) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators: PROVIDED, HOWEVER, that, except as provided in paragraph (b) hereof, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the board of directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition: PROVIDED, HOWEVER, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which

service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(b) Right of Claimant to Bring Suit. If a claim under paragraph (1) of this Section is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the said amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard or conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) Non-Exclusivity of Rights. The right to indemnification and the payment of expense incurred in defending a proceeding in advance of its final disposition conferred in this

Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, by- law, agreement, vote of stockholders or disinterested directors or otherwise.

(d) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

FIFTEENTH. The affirmative vote of at least two-thirds of the total outstanding stock of the Corporation entitled to vote thereon shall be required in order for the Corporation to:

(a) Merge, and/or consolidate with any other corporation except in those cases where at least 90% of the outstanding shares of each class of stock of such other corporation is owned by this Corporation; or

(b) Sell, lease, exchange, transfer or otherwise dispose of all or substantially all of its assets or business.

The affirmative vote of at least three-fourths of the total outstanding stock of the Corporation entitled to vote thereon shall be required in order for the Corporation to:

(a) Sell, lease, exchange, transfer or otherwise dispose of all or substantially all of its assets or business to a related corporation or an affiliate of a related corporation; or

(b) Merge with a related corporation or an affiliate of a related corporation; or

(c) Enter into a combination or majority share acquisition in which this Corporation is the acquiring corporation and its voting shares are issued or transferred to a related corporation or an affiliate of a related corporation or to stockholders of a related corporation or an affiliate of a related corporation.

For the purpose of this Article FIFTEENTH, (i) a "related corporation" in respect of a given transaction shall be any corporation which, together with its affiliates and associated persons, owns of record or beneficially, directly or indirectly, more than 5% of the shares of any outstanding class of stock of this Corporation entitled to vote upon such transaction, as of the record date used to determine the stockholders of the Corporation entitled to vote upon such transaction; (ii) an "affiliate" of a related corporation shall be any individual, joint venturer, trust, partnership or corporation which directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with the related corporation; (iii) an "associated person" of a related corporation shall be any officer or director or any beneficial owner, directly or indirectly, of 10% or more of any class of equity security, of such related corporation or any of its affiliates. The determination of the Board of Directors of this Corporation and made in good faith shall be conclusive as to whether any corporation is a related corporation as defined in this Article FIFTEENTH.

TWO: Said amendment was duly adopted in accordance with the provisions of Section 245 of the General Corporation Law of the State of Delaware, as amended, and said amendment does not affect a change in the issued shares of the Corporation, and the capital of the Corporation will not be reduced under or by reason thereof, and henceforth the provisions of the Certificate of Incorporation shall be as provided in the newly Restated Certificate of Incorporation set forth hereinabove.

IN WITNESS WHEREOF, said HELMERICH & PAYNE, INC. has caused its corporate seal to be hereto affixed and this Certificate to be signed by W. H. Helmerich, III, its President, and Leon C. Gavras, its Secretary, this 11th day of December, 1987.

HELMERICH & PAYNE, INC.

/S/ W. H. Helmerich, III

W. H. HELMERICH, III,
Chairman and C.E.O.

ATTEST:

/S/ Leon C. Gavras

LEON C. GAVRAS, Secretary

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

Be it remembered, that on this 11th day of December, 1987, personally came before me, the undersigned, a Notary Public in and for said County and State, W. H. HELMERICH, III, Chairman and C.E.O. of Helmerich & Payne, Inc., a corporation of the State of Delaware, party to the foregoing Certificate, known to me personally to be such, and acknowledged the said Certificate to be his own act and deed, and the act and deed of said corporation; that the signature of the Chairman and C.E.O. is in his own proper handwriting; that the seal affixed is the corporate seal of said Helmerich & Payne, Inc.; and that his act of sealing, executing and delivering said Certificate was duly authorized by resolution of the directors of said Helmerich & Payne, Inc.

Given under my hand and seal of office the day and year aforesaid.

/s/

Notary Public

My Commission Expires:



Exhibit 3.1
(Part 2/2)

**CERTIFICATE OF DESIGNATION, PREFERENCES
AND RIGHTS OF SERIES A JUNIOR
PARTICIPATING PREFERRED STOCK**

of

HELMERICH & PAYNE, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

The undersigned officer of Helmerich & Payne, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DOES HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation of the said Corporation, the said Board of Directors on January 8, 1996 adopted the following resolution creating a series of 60,000 shares of Preferred Stock designated as Series A Junior Participating Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Certificate of Incorporation, a series of Preferred Stock of the Corporation be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 60,000.

Section 2. Dividends and Distributions.

(A) The holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and

if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$125 or (b) subject to the provision for adjustment hereinafter set forth, 1,000 times the aggregate per share amount of all cash dividends, and 1,000 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$0.10 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after January 8, 1996 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in Paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$125 per share on the Series A Junior Partic-

ipating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of

Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right.

At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice-President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this Paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him or her at his or her last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in

default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Pre-ferred Stock outstanding. Notwithstanding the provisions of this Paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the certificate of incorporation or by-laws irrespective of any increase made pursuant to

the provisions of Paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or by-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to

the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized

but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$1,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1,000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity

with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of

shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. Amendment. The Restated Certificate of Incorporation of the Corporation shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 10. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holders fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, I have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 8th day of January, 1996.

HELMERICH & PAYNE, INC.

/S/ Hans Helmerich

Name: Hans Helmerich
Title: President

Exhibit 3.2

BY-LAWS

OF

HELMERICH & PAYNE, INC.

---oOo---

OFFICES

1. The principal office shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the resident agent in charge thereof is The Corporation Trust Company.
2. The corporation may also have offices at Tulsa, Oklahoma, and at such other places as the Board of Directors may from time to time appoint or the business of the corporation may require.

SEAL

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

STOCKHOLDERS' MEETINGS

4. All meetings of the stockholders for the election of Directors shall be held at the principal office of the corporation in Tulsa, Oklahoma. Special meetings of stockholders for any other purpose may be held at such place and time as shall be stated in the notice of the meeting.
5. An annual meeting of stockholders, after the year 1940, shall be held on the first Wednesday of March in each year if not a legal holiday, and if a legal holiday, then on the next secular day following, at 12:00 o'clock noon, when they shall elect by a plurality vote, by ballot, a Board of Directors, and transact such other business as may properly be brought before the meeting.
6. The holders of a majority of the stock issued and outstanding, and entitled to vote thereat, present in person, or represented by proxy, shall be requisite and shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute, by the Certificate of Incorporation or by these By-laws. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person, or by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At

such adjourned meeting at which a quorum shall be present, or represented, any business may be transacted which might have been transacted at the meeting as originally notified. Unless otherwise provided by statute, a plurality of the votes cast at any meeting of the stockholders at which a quorum is present shall be necessary for the authorization of any action or the transaction of any business at such meeting and, except as provided in Section 5 above for the election of Directors, the vote need not be by ballot unless a vote by ballot is demanded by a stockholder present at the meeting.

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

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

9. A complete list of the stockholders entitled to vote at the ensuing election, arranged in alphabetical order, with the residence of each and the number of voting shares held by each, shall be prepared by the Secretary and filed in the office where the election is to be held, at least ten days before every election, and shall at all times during the usual hours for business and during the whole time of said election, be open to the examination of any stockholder.

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

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

12. Written notice of a special meeting of stockholders, stating the time and place and object thereof, shall be served upon or mailed at least ten (10) days before such meeting to each

stockholder entitled to vote thereat at such address as appears on the books of the corporation.

12.1 Without limiting any other notice requirements imposed by law, the Certificate of Incorporation or these By-laws, any nomination for election to the Board of Directors or other proposal to be presented by any stockholder at a stockholder meeting will be properly presented only if written notice of such stockholder's intent to make such nomination or proposal has been delivered or mailed to and received by the Secretary, not later than (i) for an annual meeting to be held on the first Wednesday in March or an annual meeting to be held on any other date for which the corporation gives at least 90 days prior notice of such date to stockholders, not less than 50 nor more than 75 days prior to such meeting, or (ii) for any other annual meeting or a special meeting, the close of business on the tenth day after notice of such meeting is first given to stockholders. Such notice by the stockholder to the corporation shall set forth in reasonable detail information concerning the nominee (in the case of a nomination for election to the Board of Directors) or the substance of the proposal (in the case of any other stockholder proposal), and shall include, without limiting the foregoing: (a) the name and address of the stockholder who intends to present the nomination or other proposal and of the person or persons, if any, to be nominated; (b) a

representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the nomination or other proposal specified in the notice; (c) a description of all arrangements or understandings between the stockholder and any other person or persons (naming such person or persons) pursuant to which the nomination or other proposal is to be made by the stockholder; (d) such other information regarding each proposal and each nominee as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nomination or other proposal been made by the Board of Directors; and (e) the consent of each nominee, if any, to serve as a Director of the corporation if elected. The chairman of the meeting may, in his sole discretion, refuse to acknowledge a nomination or other proposal presented by any person that does not comply with the foregoing procedure.

13. A. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action, the meeting and vote of stockholders may be dispensed with to the extent permitted by law, if all the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such

corporate action being taken. A minute of any such corporate action consented to in writing by all the stockholders shall be inserted in the records of the corporation as of the date such action was taken. The minute shall state that such action was taken in lieu of an annual or a special meeting or other action required to be taken by the stockholders, and the written consent of all the stockholders shall either appear at the foot of such minute or be filed with the records of the corporation with such minute.

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

DIRECTORS

14. A. The number of Directors which shall constitute the entire Board shall be ten, which number may from time to time be increased and if increased may be decreased by a majority of the

entire Board of Directors, but shall in no event be less than three. If the number of Directors be increased, as hereinabove provided or otherwise pursuant to law, such increase shall be deemed to create vacancies to be filled as hereinafter prescribed. Directors need not be stockholders. No person shall be eligible to be nominated to be a Director who will have attained the age of 72 years on or before the Annual Meeting of Stockholders at which he or she is to be elected nor shall any Director be eligible to be appointed by the Board of Directors to fill a vacancy if he or she has or shall have attained the age of 72 years at the time of appointment. None of the foregoing age restrictions shall be applicable to Messrs. William L. Naumann and Roger S. Randolph, members of the First Class of Directors, each of whom shall be eligible to be elected a Director without limitation as to his age at the Annual Meeting of Stockholders to be held March 1, 1989. No Officer of the Company, other than a person who is or has been Chairman of the Board or President, shall become nor may remain a Member of the Board of Directors after ceasing to be an officer.

B. The Board of Directors shall be divided into three classes:

one class of Directors composed of three Directors and known as the First Class shall be those Directors elected for a three-year term at the Annual Meeting of Stockholders held March 5, 1980; another class of Directors composed of three Directors and

known as the Second Class shall be those Directors elected for a three-year term at the Annual Meeting of Stockholders held March 1, 1978; and another class of Directors composed of three Directors and known as the Third Class shall be those Directors elected for a three-year term at the Annual Meeting of Stockholders held March 7, 1979, and one additional Director elected at the Special Meeting of the Board of Directors held May 13, 1980, as the third member of the Third Class. At each succeeding Annual Meeting of Stockholders successors to the class of Directors whose term expires in that year will be elected for a three-year term. Vacancies in any class that occur prior to the expiration of the then current term of such class if filled by the Board of Directors shall be filled for the remainder of the full term of such class. If the number of Directors is changed, any increase or decrease of Directors shall be apportioned among the classes so as to establish or maintain equality in number among the classes and any additional Director elected to any class shall hold office for a term which shall coincide with the term of such class. Where the number of Directors constituting the whole Board is such that it is impossible to establish or maintain complete equality in number among the classes, the increase or decrease in Directors shall be apportioned among the classes so as to maintain all classes as nearly equal in number as possible, and so that the Third Class

does not have more members than either the First or Second Class and the Second Class does not have more members than the First Class. Except as otherwise provided for filling vacancies, the Directors of the Company shall be elected by class at the Annual Meeting of Stockholders to serve until their successors are elected and qualified.

15. The Directors may hold their meetings and keep the books of the corporation, except the original or duplicate stock ledger, outside of Delaware at such places as they may from time to time determine.

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

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

COMMITTEES OF DIRECTORS

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

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

COMPENSATION OF DIRECTORS

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

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

MEETINGS OF THE BOARD

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

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

24. Special meetings of the Board may be called by the President on no less than twenty-four (24) hours notice to each Director, either personally or by mail or by telegram; special meetings shall be called by the President or Secretary in like manner and on like notice on the written request of a majority of the Board of Directors.

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

OFFICERS

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

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

except the Chairman of the Board, need be a member of the Board.

28. The salaries of all officers and agents of the corporation shall be fixed by the Board of Directors. No officer or agent shall be ineligible to receive such salary by reason of the fact that he is also a Director of the corporation and receiving compensation therefor.
29. The officers of the corporation shall hold office until their successors are chosen and qualify in their stead. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors.
30. If the office of any officer becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

CHAIRMAN OF THE BOARD

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

perform such other duties as the Board of Directors or its Executive Committee may from time to time prescribe.

CHIEF EXECUTIVE OFFICER

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

CHIEF OPERATING OFFICER

33. In the event that the Board of Directors shall have chosen a Chief Executive Officer, they may choose a Chief Operating Officer. The Chief Operating Officer, shall have general direction of the supervision over the ordinary details relating to the corporation's production and exploration, drilling, chemicals, real estate, and administrative departments; he shall always proceed, however, pursuant to the instructions of the Chief Executive Officer. It shall be the duty of the Chief Operating Officer to report to the Chief Executive Officer daily the exact nature, extent, terms and conditions of all business, contracts and commitments; to

render promptly such statements and reports touching upon the business of the corporation in his charge as may be called for from time to time by the Chief Executive Officer or by the Board of Directors; and to perform such other duties as may be prescribed from time to time by the Board of Directors.

THE PRESIDENT

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

VICE-PRESIDENTS

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

the powers of the President and shall perform such other duties as from time to time the Board of Directors shall prescribe.

THE SECRETARY AND THE TREASURER

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

OTHER SUBORDINATE OFFICERS

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

ABSENCE OR DISABILITY

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

VOTING CORPORATION'S SECURITIES

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

CERTIFICATES OF STOCK

40. The certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by the chairman or vice-chairman of the board of directors or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary. If the corporation has a transfer agent or an assistant transfer agent or a transfer clerk acting on its behalf and a registrar, the signature of any such officer may be a facsimile.

TRANSFERS OF STOCK

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

CLOSING OF TRANSFER BOOKS

42. The board of Directors shall have power to close the stock transfer books of the corporation for a period not exceeding fifty days preceding the date of any meeting of

stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period of not exceeding fifty days in connection with obtaining the consent of stockholders for any purpose; provided, however, that in lieu of closing the stock transfer books as aforesaid, the Board of Directors may fix in advance a date, not exceeding fifty days preceding the date of any meeting of stockholders or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders, and only such stockholders as shall be stockholders of record on the date so fixed, shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to

exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

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

LOST CERTIFICATE

44. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the corporation a bond in such

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

CHECKS

45. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

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

DIVIDENDS

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

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

DIRECTORS' ANNUAL STATEMENT

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

NOTICES

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

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

AMENDMENTS

52. These By-laws may be altered or repealed at any regular meeting of the stockholders or at any special meeting of the stockholders at which a quorum is present or represented, provided notice of the proposed alteration or

repeal be contained in the notice of such special meeting, by the affirmative vote of a majority of the stock entitled to vote at such meeting and present or represented thereat, or by the affirmative vote of a majority of the Board of Directors at any regular meeting of the Board or at any special meeting of the Board if notice of the proposed alteration or repeal be contained in the notice of such special meeting; provided, however, that no change of the time or place for the election of Directors shall be made within sixty days next before the day on which such election is to be held, and that in case of any change of such time or place, notice thereof shall be given to each stockholder in person or by letter mailed to his last known post office address at least twenty days

before the election is held.

Exhibit 10.2
HELMERICH & PAYNE, INC.

INCENTIVE STOCK OPTION PLAN

STOCK OPTION CONTRACT

THIS CONTRACT made and entered into this ____ day of _____, 19__, by and between HELMERICH & PAYNE, INC., a Delaware corporation with its principal office at Utica at 21st, Tulsa, Oklahoma, hereinafter called the "Company", and _____, an individual of _____, Oklahoma, hereinafter called "Employee", an employee of the Company or one of its subsidiaries.

At a meeting held _____, the Board of Directors authorized the grant to the Employee, on _____, pursuant to the Incentive Stock Option Plan (the "Plan") of the Company, of the right to purchase shares of common stock of the Company, as hereinafter set forth, and authorized the execution and delivery of this Contract.

Accordingly, the parties hereto agree as follows:

1. The Employee, as a matter of separate inducement and agreement in connection with his employment by the Company or one of its subsidiaries, and not in lieu of any salary or other compensation for his services, is granted the right to purchase from the Company, pursuant to said Incentive Stock Option Plan, upon the terms and conditions set forth in this Contract, all or any part of ____ shares of common stock of the Company at _____ Dollars (\$____) per share.
2. The ____ shares subject to this right shall become purchasable in installments over a period of ten (10) years from the date of this Contract. No shares shall be purchasable hereunder prior to _____, nor subsequent to _____. The date upon which each installment shall mature and become purchasable and the number of shares comprising such installment are as follows:

| Date | Number of Shares |
|-------|------------------|
| ---- | ----- |
| ----- | --- |
| ----- | --- |
| ----- | --- |
| ----- | --- |

The shares comprising each installment may be purchased by the Employee at his option, in whole or in part, at any time after such installment matures and becomes purchasable until the termination

of this right. This right shall terminate on _____, and any shares not purchased on or before such date may not thereafter be purchased hereunder.

3. Upon each exercise of this right, the Employee shall give written notice to the Company specifying the number of shares to be purchased and accompanied by payment in cash or a certified check of the aggregate purchase price thereof. The Employee, with the written consent of the Board of Directors of the Company or the Committee referred to in Section 3(b) of the Plan, may pay for the shares by tendering stock of the company already owned by the Employee, with such stock to be valued on the date of the exercise by application of the method set out in Section 5 of the Plan. Such exercise shall be effective upon receipt by the Company of such notice and payment.

No holder of this right shall be entitled to any rights of a stockholder of the Company in respect to any shares covered by this right until such shares have been paid for in full and issued to him.

4.(a) This Contract shall not affect in any way the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting the common stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceedings, whether of a similar character or otherwise.

(b) The shares with respect to which options are granted hereunder are shares of the common stock of the Company as presently constituted, but if, and whenever, prior to the delivery by the Company of all of the shares of the common stock which are subject to this Contract, the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend or other increase or reduction of the number of shares of the common stock outstanding without receiving compensation therefor in money, services, or property, the number of shares of common stock with respect to which options granted hereunder may thereafter be exercised shall

(i) in the event of an increase in the number of shares, be proportionately increased, and the cash consideration payable per share shall be proportionately reduced; and (ii) in the event of a reduction in the number of shares, be proportionately reduced, and the cash consideration payable per share shall be proportionately increased.

(c) If the Company is reorganized, or merged or consolidated with, or sells or otherwise disposes of substantially all its assets to another corporation or if at least 80% of the outstanding common stock of the Company is acquired by another corporation (in exchange for stock or other securities of such other corporation), while unexercised options remain outstanding under this Contract, there shall be substituted for the shares subject to the unexercised portions hereof an appropriate number of shares, if any, of each class of stock or other securities of the reorganized, merged, consolidated or acquiring corporation which were distributed or issued to the shareholders

of the Company in respect of such shares and, in the case of any reorganization, merger, or consolidation wherein the Company is not the surviving corporation, or any sale or disposition of substantially all of the assets of the Company to another corporation or the acquisition of at least 80% of the outstanding common stock of the Company by another corporation (in exchange for stock or other securities of such other corporation), the Board may accelerate the unmatured installments of such options to the end that such options shall be exercisable in full during a specified period prior to the effective date of such reorganization, merger, consolidation, sale, disposition, or acquisition of stock (and thereafter, upon assumption of such options by the reorganized, merged, consolidated or acquiring corporation as herein contemplated) without regard to the installment provisions set forth in

Section 2 hereof; provided, however, that all such options may be cancelled by the Board as of the effective date of any such reorganization, merger, consolidation, sale, or other disposition of assets, or of any such acquisition of stock, by giving notice to the Employee or his legal representative of its intention to do so and by permitting the purchase during the thirty-day period next preceding such effective date of all of the shares subject hereto, without regard to the installment provisions set forth in such Section 2.

(d) Except as hereinabove expressly provided in this Section 4, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of common stock subject to options granted hereunder.

5. This right is granted on the condition that the purchases of shares subject hereto shall be for investment purposes only and not with a view to resale or distribution, except that in the event the shares subject to this right are registered under the Securities Act of 1933, as amended, (which the Company intends to do) or in the event a resale of such shares without such registration would otherwise be permissible, this condition shall be inoperative if in the opinion of counsel for the Company this condition is not required under the Securities Act of 1933, as amended, or any other applicable law, regulation, or rule of any governmental agency. To the extent that aforesaid investment covenant is necessary, each payment by the Employee to the Company of the purchase price for shares hereunder shall constitute a representation by the Employee to the Company that his purchase of such shares is for investment and not with a view to or for sale in connection with any distribution thereof.

6. This right may be exercised solely by the Employee except as hereinafter provided in the case of his death. During the lifetime of the Employee, this right shall not be transferred, assigned, pledged, or hypothecated by him in any way whether by operation of law or otherwise and shall not be subject to execution, attachment, or similar processes.

7. This option shall terminate if the Employee, for any reason whatsoever, including discharge by the Company, ceases to be a full-time employee of the Company or of a subsidiary, except that:

(a) if the employee dies while in the employ of the Company or of a subsidiary and after _____, and he shall have been in continuous employment on a full-time basis since _____, then the option as to all installments that matured prior to the death of the Employee shall be exercisable, but only within one year after the date of death and in any event not after _____, by the estate of the Employee or by such person or persons as shall have acquired the Employee's rights under the option by bequest, inheritance, or operation of law;

(b) if he retires under the provisions of the pension plan of the Company or of any subsidiary after _____, and he shall have been in continuous employment on a full-time basis since _____, the option, as to all installments that matured prior to such retirement, shall be exercisable by him or his legal representative only within three months after such retirement, but not after _____; and

(c) if he terminates his employment after _____, and he shall have been in continuous employment on a full-time basis since _____, the option, as to all installments that matured prior to such termination, shall be exercisable by him or his legal representative but only within three months after such termination, but not after _____.

8. The Board of Directors, with the consent of the Employee, may amend or modify this Contract at any time for the purpose of meeting any changes in pertinent law or governmental regulations or for any other purpose permitted by law. In no event, however, shall any such action of the Board result in (a) any increase except as provided in Section 4 in the number of shares which may be purchased hereunder, nor (b) any change in the price at which shares may be purchased except as provided in Section 4.

Notwithstanding any provision hereof, the obligation of the Company to sell and deliver shares hereunder shall be subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchange as may be required, and the Employee agrees that he will not exercise any option granted hereunder, and that the Company will not be obligated to issue any shares hereunder if the exercise thereof or if the issuance of such shares shall constitute a violation by the Employee or the Company of any applicable law or regulation.

9. All notices hereunder shall be in writing and if to the Company shall be delivered personally to the Secretary of the Company or mailed to its principal office, Utica at 21st, Tulsa, Oklahoma 74114, addressed to the attention of the Secretary, and if to the Employee shall be delivered personally or mailed to the Employee at

Helmerich & Payne, Inc. Utica at 21st Tulsa, Oklahoma 74114

Such addresses may be changed at any time by notice from one party to the other.

10. Nothing herein contained shall affect the right of the Company or any of its subsidiaries to terminate the Employee's services, responsibilities, duties, and authority to represent the Company or any of its subsidiaries at any time for any reason whatsoever.

11. This right may not be exercised by the Employee, or in the event of his death by his estate or by such person or persons as shall have acquired his rights hereunder by bequest or inheritance or by reason of his death, while there is outstanding (within the meaning of Sections 422(b)(7) and 422 A(c)(7) of the Internal Revenue Code) to the Employee any incentive stock option granted previous to the date of this option to purchase the common stock of the Company or in a corporation which is a parent or subsidiary of the Company.

12. The Board of Directors of the Company shall determine any questions of interpretations of this Contract, and such determinations shall be final and binding on the Company and the Employee. The Board of Directors of the Company and the Committee referred to in Section 3(b) of the Plan reserves the right to amend this Contract and the Plan pursuant to which it was issued to permit and continue qualification of the Contract and the Plan as "incentive stock options" within the meaning of the Economic Recovery Tax Act of 1981, as the same may from time to time be amended.

13. This Contract shall bind and inure to the benefit of the parties hereto and the successors and assigns of the Company and to the extent provided in Section 7, the executors, administrators, legatees, and heirs of the Employee.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

HELMERICH & PAYNE, INC.

By
President

"Employee"

Exhibit 10.3
(Part 1/2)

CONSULTING SERVICES AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of March, 1990, by and between HELMERICH & PAYNE, INC., ("H&P") and WALTER H. HELMERICH, III, ("WHH").

WHEREAS H&P is a diversified energy company which, among other things, is engaged in the acquisition and management of real estate and the management of cash and equity investments;

WHEREAS WHH has the requisite expertise and experience to provide consulting services to H&P; and

WHEREAS H&P desires to retain WHH's services as described herein,

NOW, THEREFORE, in consideration of the premises and mutual covenants, agreements, and obligations herein, the parties hereto agree as follows:

1. WHH hereby accepts H&P's offer to render such consulting services as may be reasonably requested by H&P. It is recognized that WHH shall consult primarily in the areas of real estate acquisition and management and portfolio investment and management, and that such consulting will be in addition to WHH's serving as Chairman of H&P's Board of Directors. WHH agrees to prepare such written or oral reports as H&P may deem necessary and to submit the

same to H&P's president. The foregoing may be referred to hereafter as "Services."

2. As consideration for Services, H&P shall, during the term hereof, (i) pay WHH the annual sum of One Hundred Fifty-four Thousand Eight Hundred Dollars (\$154,800), payable in monthly installments of Twelve Thousand Nine Hundred Dollars (\$12,900) on the first day of each month; (ii) allow WHH the use of H&P aircraft as necessary for the performance of Services hereunder; (iii) pay or reimburse WHH for all of his monthly membership fees in the Summit Club, Tulsa Club, and Southern Hills Country Club; and (iv) reimburse WHH for all reasonable and necessary direct out-of-pocket expenses incurred in the performance of Services hereunder.

3. This Agreement shall be effective as of January 1, 1990, and shall expire at midnight on December 31, 1990, unless renewed by the parties prior to such date. Notwithstanding the foregoing in this paragraph 3, in the event of death, disability, or other occurrence which renders WHH incapable of performing his duties hereunder, H&P shall have the right to terminate this Agreement by giving thirty (30) days' notice to WHH, his heirs, or his personal representative.

4. The parties hereto agree that WHH is an independent contractor and not an agent of H&P, and that WHH at all times shall

maintain control of the manner and means by which services are performed. The rights, obligations, and liabilities of the parties shall be several and not joint or collective. No party shall have the right to act for or obligate the other party except as expressly otherwise provided herein or by written consent and authorization of the specific act by the other party. It is not the intention of the parties to create, nor shall this Agreement be construed as creating, any agency, joint venture, partnership, or association which would effectively render said parties liable as partners.

5. All data and information obtained by WHH by virtue of the performance of Services hereunder are deemed confidential and shall remain the sole and exclusive property of H&P. All such data and information, in whatever form, shall be delivered to H&P upon its request, or in any event at the termination of this Agreement. WHH shall not disclose any proprietary or confidential data or information, or the results of any Services performed hereunder, to any person, firm, corporation, or other entity without the prior written consent of H&P, unless compelled to do so pursuant to court order.

6. WHH represents and warrants that his performance of Services hereunder will not constitute a conflict of interest or

breach of contract between WHH or any of his agents or employees and any third party and that, to the best of his knowledge and belief, no information he or his agents or employees provide H&P hereunder involves any subject matter which is the proprietary property of any third party.

7. This Agreement shall not prohibit WHH from pursuing such other business opportunities as may arise during the term hereof which are not in conflict with this Agreement.

8. This Agreement is deemed personal in nature. WHH shall neither assign this Agreement, in whole or in part, nor delegate any of the duties or obligations hereunder without the prior written consent of H&P.

9. Subject to the provisions hereof limiting WHH's rights to assign or delegate this Agreement and any rights, duties, and obligations hereunder, this Agreement shall be binding upon and inure to the benefit of both of the parties hereunder and their assigns and other successors in interest.

10. This Agreement contains the entire agreement between WHH and H&P relating to the subject matter hereof.

11. This Agreement shall be governed by the laws of the State of Oklahoma.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in duplicate on the date first above written.

"H&P"
HELMERICH & PAYNE, INC.

By: /S/ Hans Helmerich

Hans Helmerich
President

"WHH"

/S/ W. H. Helmerich, III

WALTER H. HELMERICH, III

STATE OF OKLAHOMA)
) SS.
COUNTY OF TULSA)

Before me, the undersigned, a Notary Public in and for said County and State, personally appeared Hans Helmerich, to me known to be the identical person who subscribed his name to the foregoing Consulting Services Agreement as President of Helmerich & Payne, Inc., and he acknowledged to me that he executed the same as his free and voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth.

Subscribed and sworn to before me this 30th day of March, 1990.

/S/ Roberta A. Montgomery

Notary Public

My commission expires:
January 20, 1993

STATE OF OKLAHOMA)
) SS.
COUNTY OF TULSA)

Before me, the undersigned, a Notary Public in and for said County and State, personally appeared Walter H. Helmerich, III, to me known to be the identical person who subscribed his name to the foregoing Consulting Services Agreement, and he acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Subscribed and sworn to before me this 30th day of March, 1990.

/S/ Roberta A. Montgomery

Notary Public

My commission expires:

January 20, 1993

Exhibit 10.3
(Part 2/2)

AMENDMENT TO CONSULTING SERVICES AGREEMENT

THIS AMENDMENT TO CONSULTING SERVICES AGREEMENT ("Amendment") is made and entered into this 26th day of December, 1990, and effective as of January 1, 1991, by and between Helmerich & Payne, Inc., ("H&P") and Walter H. Helmerich, III, ("WHH").

Paragraph 3 of the Consulting Services Agreement dated December 30, 1990, is hereby deleted, with the following to be substituted therefor:

"3. This Agreement shall be effective as of January 1, 1991, and shall be automatically renewed for subsequent one-year terms unless H&P or WHH shall terminate the same upon thirty (30) days' prior written notice."

Except as amended hereby, all the terms, conditions, and provisions of the Consulting Services Agreement shall remain valid and binding.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment in duplicate on the date first written above.

"H&P"
HELMERICH & PAYNE, INC.

By: /s/ Steven R. Mackey

Steven R. Mackey
Vice President

"WHH"

/s/ Walter H. Helmerich, III

WALTER H. HELMERICH, III

Exhibit 10.4

RESTRICTED STOCK PLAN FOR SENIOR EXECUTIVES OF HELMERICH & PAYNE, INC.

I. CERTAIN DEFINITIONS

"Award" means an award of shares of Common Stock as provided in Paragraph V.

"Award Agreement" means a written agreement or agreements as described in Paragraph X hereof between the Company and a Participant evidencing an Award.

"Award Date" means for a Participant the date on which an Award is granted to the Participant.

"Board of Directors" means the Board of Directors of the Company, a majority of the Directors of which acting in the matter are not Participants or eligible to participate in the Plan.

"Committee" means the Human Resources Committee of the Board of Directors described in Paragraph III hereof, or any other Committee of the Board authorized by the Board of Directors to act hereunder and meeting the requirements of Paragraph III hereof.

"Common Stock" means shares of the Company's presently authorized common stock, except as this definition may be modified as provided in Paragraph IX.

"Company" means Helmerich & Payne, Inc., a Delaware corporation.

"Disability" means a medically determined physical or mental impairment which renders a Participant unable to function effectively as an elected officer of the Company or a senior executive Employee.

"Employees" means persons (including officers, whether or not they are also directors) employed by the Company, or a subsidiary thereof, on a full time basis and who are compensated for such employment by a regular salary.

"Participant" means an individual who satisfies the conditions of eligibility set forth in Paragraph IV and who accepts an Award or, upon the Participant's death or incapacity, his estate, personal representative or beneficiary.

"Plan" means this Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc.

II. PURPOSE

The purposes of the Plan are to attract and retain selected senior executives and to increase their proprietary interest in the Company by awarding them shares of the Common Stock subject to the terms and conditions set forth below.

III. ADMINISTRATION

The Plan shall be administered by the Human Resources Committee of the Board of Directors which shall consist of not fewer than three members, and which shall consist only of directors who

are ineligible to participate in the Plan. The interpretation and construction by the Committee of any provision of the Plan or of any Award Agreement shall be final and conclusive unless otherwise determined by the Board of Directors, and in any such event such determination by the Board of Directors shall be final and conclusive. If, for any reason, the Human Resources Committee shall be unable to act or shall cease to qualify hereunder, or if the Board of Directors shall, for any reason, deem it desirable, the Board of Directors may constitute and authorize a further committee of directors as the Committee, provided that such committee meets the qualifications set forth in the first sentence of this Paragraph III. Further, the Board of Directors reserves the right to take any and all action hereunder where it may deem such action advisable, including where the Committee may be unable to act.

IV. ELIGIBILITY

The individuals who shall be Participants shall be such elected officers of the Company and other senior executive Employees who are approved as Participants by the Committee from time to time.

V. AWARDS

Subject to the provisions of Paragraph VIII hereof, Participants shall be granted Awards of such number of shares of Common Stock as may be approved by the Committee. Such shares shall be awarded subject to the restrictions provided for herein and, except for such restrictions, for no additional consideration.

VI. TERMS AND CONDITIONS OF AWARDS

A. Restrictions

All Awards of shares of Common Stock (the "Restricted Shares") shall be subject to the restrictions provided for in this Paragraph VI. Certificates for Restricted Shares shall be registered in the Participant's name but shall be held in custody by the Company for the Participant's account. While held by the Company, the Participant shall have the right to receive dividends on and the right to vote the Restricted Shares, but shall not have any other rights and privileges of a stockholder and, without limitation, shall not have the right to sell, transfer, assign, pledge or otherwise encumber or dispose of the Restricted Shares.

B. Expiration of Restrictions

The restrictions set forth in subparagraph A with respect to each Award of Restricted Shares to a Participant (the "Restrictions") shall expire on the earlier of the following:

(i) If the Participant shall have been continuously in the employment of the Corporation or one of its subsidiaries for a period of three years from the date of grant of a Restricted Stock Award, the Corporation shall deliver to the Participant on or about the third anniversary thereof a certificate, registered in the name of the Participant and free of restrictions hereunder, representing 20% of the total number of shares granted to the Participant pursuant to this Agreement. Similarly, if the Participant shall be so continuously employed on each of the fourth, fifth, sixth and seventh anniversaries thereof, the Corporation on or about each such anniversary shall deliver additional certificates representing 20% of the total number of such shares. No payment shall be required from the Participant in connection with any delivery to the Participant of shares hereunder.

C. Forfeiture of Restricted Shares

Except as next provided, at the time a Participant ceases to be an Employee for any reason, whether due to resignation, termination, retirement, disability, death or otherwise, all Restricted Shares held by the Company for such Participant's account and as to which the Restrictions have not expired in accordance with subparagraph B, shall be forfeited to the Company (the "forfeited Shares"). In the event of a Participant's disability, death or retirement from the Company or a subsidiary and, in each instance, at or after having attained age 62 and having continued as an Employee for at least one year from his Award Date, the Restricted Shares for which the Restrictions have not then expired shall continue to be held in accordance with subparagraphs A and B until the Restrictions expire. In the event of death, the Restricted Shares may be re-registered in the name of the deceased Participant's designated beneficiary or successor by will or law.

D. Delivery of Restricted or Forfeited Shares

As promptly as is reasonable following such time as the Restrictions shall expire, the Company will deliver to the Participant (including a beneficiary, estate or designated representative, if appropriate a certificate or certificates for the shares of Common Stock for which the Restrictions have expired. Such shares delivered to the Participant (or beneficiary, estate or designated representative) shall no longer be subject to any restrictions and he shall enjoy all rights and privileges of a stockholder as to such shares. At such time as the Restricted Shares shall be forfeited, the Forfeited Shares shall be returned to the Company to be held as treasury shares or to be canceled as the Company shall at any time determine. The Participant shall have no rights and privileges as a stockholder or otherwise as to the Forfeited Shares.

E. Restrictions upon Additional Awards

No Participant shall be entitled to be granted additional Awards until the Restrictions upon all shares of Common Stock with respect to his previous Award have expired in full.

F. Right to Remove Restrictions

The Committee, in its sole discretion, may authorize the acceleration of the expiration of the Restrictions as to any or all Participants but in no event as to any Participant earlier than six months from the Award Date.

VII. STOCK AND NUMBER OF SHARES AVAILABLE

The shares of Common Stock available for awards shall be either shares of authorized but unissued Common Stock or shares of Common Stock reacquired by the Company. Subject to the provisions of Paragraph IX, the number of shares of Common Stock available for Awards shall not exceed 400,000 shares of the presently authorized Common Stock. In the event that any Restricted Shares become Forfeited Shares, such shares of Common Stock may again be subject to an Award.

VIII. REGULATORY COMPLIANCE AND LISTING

The issuance or delivery of any Restricted Shares or of any shares as to which the Restrictions have expired, may be postponed by the Company for such periods as may be required to comply with any applicable requirements under the federal securities laws, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the

issuance or delivery of such shares, and the Company shall not be obligated to issue or deliver any Restricted Shares if the issuance or delivery of such shares shall constitute a violation of any provision of any law or of any regulation of any governmental authority or any national securities exchange.

IX. ADJUSTMENT IN EVENT OF CHANGES IN CAPITALIZATION

In the event of recapitalization, stock split, stock dividend, combination or exchange of shares, merger, consolidation, rights offering, separation, reorganization or liquidation, or any other change in the corporate structure or shares of Common Stock, the Committee or the Board of Directors may make such equitable adjustments, to prevent dilution or enlargement of rights, as may be deemed appropriate in the number and class of shares authorized to be granted as Restricted Shares.

X. TERMS AND CONDITIONS OF AWARD AGREEMENTS

Award Agreements shall be in such form as the Committee, from time to time, shall approve, including provisions as to

- (a) the prohibitions upon transfer and assignment of Restricted Shares,
- (b) the transfer to the Company of all Forfeited Shares, including provision for stock powers,
- (c) the agreement of the Participant to remain in the employ of and to render to the Company or a subsidiary his services for a period of at least one year from the Award Date,
- (d) the designation of a beneficiary, and
- (e) such other matters as the Committee may deem advisable.

XI. EXCULPATION

Each member of the Board of Directors or of the Committee, and each officer and employee of the Company shall be fully justified in relying or acting upon any information furnished in connection with the administration of the Plan by a person or persons other than himself. In no event shall any person who is or shall have been a member of the Board of Directors or of the Committee, or an officer or employee of the Company be liable for any determination made or other action taken or any omission to act in reliance upon any such information or for any action (including the furnishing of information) taken or any failure to act, if in good faith.

XII. TERMINATION OR AMENDMENT OF THE PLAN

The Committee or the Board of Directors may at any time terminate the plan and may from time to time alter or amend the Plan or any part thereof (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Paragraph VIII), provided that, unless otherwise required by law, the rights of a Participant with respect to Restricted Shares awarded prior to such termination, alteration or amendment may not be impaired without the consent of such Participant and further, provided that any amendment that would (i) materially increase the benefits accruing to Participants under the Plan, (ii) materially increase the securities of the Company which may be issued under the Plan or (iii) materially modify the requirements as to eligibility for participation in the Plan, shall be subject to the requisite approval of the Company's stockholders, except that any Plan amendment resulting from or implementing any

increase or modification that may result from adjustments authorized by Paragraph IX shall not require such approval.

XIII. MISCELLANEOUS

A. Right to Dismiss Employees

Neither the establishment of the Plan, the designation of any Participant, the taking of any action hereunder, nor any provisions of the plan shall be construed as giving a Participant the right to be retained in the employ of the Company or a subsidiary or in any particular capacity with the Company or a subsidiary.

B. Taxes

The Company shall have the right to require, prior to the issuance or delivery of any Restricted Shares or of any shares for which the Restrictions have expired, payment by the Participant of any taxes required by law with respect to the issuance or delivery of such shares.

C. Applicable Law

The Plan shall be interpreted and construed in accordance with the laws of the State of Delaware.

D. No Assignment

No right under the Plan, including the right to receive Restricted Shares and dividends in accordance with the terms hereof, shall be assignable or transferable except by will or by the laws of descent and distribution.

E. Gender

Wherever any words are used herein in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

XIV. EFFECTIVE DATE OF THE PLAN

The Plan shall become effective on January 2, 1990, subject to the adoption of the plan by the Company's stockholders.

Exhibit 10.5
(Part 1/3)

**RESTRICTED STOCK AWARD AGREEMENT FOR
THE RESTRICTED STOCK PLAN FOR SENIOR EXECUTIVES OF
HELMERICH & PAYNE, INC.**

THIS RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") is entered into as of the 1st day of December, 1993, by and between Helmerich & Payne, Inc., (the "Company") and _____, an individual, (the "Participant");

WITNESSETH:

WHEREAS, the Participant is a senior executive employed by the Company,

WHEREAS, the Company desires to encourage the Participant to remain in the employ of the Company in the future, and

WHEREAS, in consideration of future services to be rendered by the Participant to the Company, the Company desires to provide the Participant the opportunity to acquire additional shares of Common Stock of the Company in exchange for the Participant performing future services for the Company,

NOW, THEREFORE, BE IT RESOLVED that the Participant and the Company agree as follows:

1. The Plan. The Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc., (the "Plan"), a copy of which is attached hereto as Exhibit "A," is hereby incorporated herein by reference and made a part hereof for all purposes, and when taken with this Agreement shall govern the rights of the Participant and the Company with respect to the Award, as hereinafter defined. All capitalized terms shall have the same meanings as contained in the Plan unless stated to the contrary herein.
2. Grant of Award. The Company hereby grants to the Participant an award (the "Award") of TEN THOUSAND (10,000) shares of Company Common Stock (the "Restricted Shares") on the terms and conditions set forth herein and in the Plan.

3. Terms of Award.

(a) Vesting and Release of Restricted Shares. Certificates representing the Restricted Shares subject to the Award will be issued in the name of the Participant and will be delivered to the Secretary of the Company as escrow agent (the "Agent"). Subject to the terms of this Agreement, the Plan, and any agreement entered into with the Agent, the Participant shall be deemed vested and entitled to receive the number of the Restricted Shares within the Award within a reasonable length of time after the expiration of the vesting dates (the "Vesting Dates") described in Subsection (b) below.

(b) Vesting Dates. If the Participant shall have been continuously in the employment of the Company or one of its Subsidiaries for a period of three years from the date of grant of the Award, the Company shall deliver to the Participant on or about the third anniversary thereof a certificate, registered in the name of the Participant and free of Restrictions hereunder, representing 20% of the total number of Restricted Shares granted to the Participant pursuant to this Agreement. Similarly, if the Participant shall be so continuously employed on each of the fourth, fifth, sixth, and seventh anniversaries thereof, the Company on or about each such anniversary shall deliver additional certificates representing 20% of the total number of such Restricted Shares.

The following sets forth the vesting schedule described hereinabove:

| Vesting Date | Percentage of Shares of Stock within an Award To Be Distributed |
|------------------|---|
| December 1, 1996 | 20% |
| December 1, 1997 | 20% |
| December 1, 1998 | 20% |
| December 1, 1999 | 20% |
| December 1, 2000 | 20% |
| | ---- |
| Total | 100% |
| | ==== |

No payment shall be required from the Participant in connection with any delivery to the Participant of Restricted Shares hereunder other than the payment of income tax withholding and other employment taxes that may be due with respect to the issuance or delivery of such shares.

(c) Delivery of Restricted or Forfeited Shares. As promptly as is reasonable following such time as the Restrictions shall expire, the Company will deliver to the Participant (including a beneficiary, estate, or designated representative, if appropriate) a certificate or certificates for the Restricted Shares for which the Restrictions have expired, and such Restricted Shares delivered to the Participant (or beneficiary, estate, or designated representative) shall no longer be subject to any restrictions and he shall enjoy all rights and privileges of a stockholder as to such shares. At such time as the Restricted Shares shall be forfeited, the forfeited shares shall be returned to the Company to be held as treasury shares or to be canceled as the Company shall at any time determine. The Participant shall have no rights and privileges as a stockholder or otherwise as to the forfeited shares.

(d) Additional Restrictions. In addition to the restrictions imposed under the foregoing Subsection 3(a), no Participant shall be entitled to be granted additional Awards until the Restrictions upon all shares of Common Stock with respect to his previous Award have expired in full.

4. Delivery by the Agent. As promptly as is practicable after the expiration of the appropriate Vesting Dates specified in Subsection 3(b) above, the Agent will deliver to the Participant a certificate evidencing the number of Restricted Shares to which he is entitled. Such certificate shall be issued in the Participant's name.

5. Nontransferability of Award. With respect to unvested Restricted Shares held by the Agent, the Participant for whose benefit such shares are held shall not have the right to sell, assign, transfer, convey, dispose of, pledge, hypothecate, burden, encumber, or charge such unvested Restricted Shares or any interest therein in any manner whatsoever.

6. Notices. All notices or other communications relating to the Plan and this Agreement as it relates to the Participant shall be in writing and shall be mailed (U.S. Mail) by the Company to the Participant at the following address:

Tulsa, Oklahoma 740__

or such other address as the Participant may advise the Company in writing.

7. Restrictive Legend. The Participant acknowledges that the certificate representing the Restricted Shares shall bear the following legend:

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED STOCK, HAVE BEEN ISSUED PURSUANT TO THE RESTRICTED STOCK PLAN FOR SENIOR EXECUTIVES OF HELMERICH & PAYNE, INC. (THE 'PLAN'), ARE SUBJECT TO THE TERMS AND PROVISIONS OF THE PLAN ADOPTED BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS ON MARCH 7, 1990, AND BEAR THE RESTRICTIONS ON ALIENATION SET FORTH IN THE PLAN. COPIES OF THE PLAN MAY BE OBTAINED FROM THE OFFICE OF THE SECRETARY OF THE COMPANY."

The Participant acknowledges and agrees that violation of the foregoing restrictive legend shall result in immediate forfeiture of all Restricted Shares.

8. Other Restrictions on Transferability. The Participant acknowledges that the holding and transfer of all Restricted Shares received by the Participant will be subject to all applicable state and federal securities laws.

9. Stock Powers and the Beneficiary. The Participant hereby agrees to execute and deliver to the Secretary of the Company a stock power (endorsed in blank) covering his Award and authorizes the Secretary of the Company to deliver to the Company any and all Restricted Shares that are forfeited under the provisions of the Plan. The Participant designates his spouse as the beneficiary

under this Agreement, and if the Participant has no spouse, then the Participant's estate shall be the designated beneficiary of the Participant.

10. Further Assurances. The Participant hereby agrees to execute and deliver all such instruments and take all such action as the Company may from time to time reasonably request, including, but not limited to, acknowledging the forfeiture of the Restricted Shares in accordance with the Plan, in order to fully effectuate the purposes of this Agreement.

11. Binding Effect and Governing Law. This Agreement shall be (i) binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, and assigns except as may be limited by the Plan, and (ii) governed and construed under the laws of the State of Oklahoma.

12. Acceleration of Vesting upon Change of Control. Notwithstanding anything to the contrary herein, in the event that a Change of Control (as hereinafter defined) has occurred with respect to the Company at least six months after the Award Date, any and all Restricted Shares will become automatically fully vested and the Restrictions shall immediately expire with respect to the Restricted Shares without the requirement of any further act by either the Company or the Participant. For the purposes of this Section 12, the term "Change of Control" shall mean:

(a) The acquisition by an individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"), provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company but excluding for this purpose any acquisition which occurs within six months after a threatened Change of Control which is in direct response to such threatened Change of Control, (ii) any

acquisition by the Company, or (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(b) When individuals who, as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors, provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the Board of Directors then comprising the Incumbent Board shall be considered to have been a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than members of the Board of Directors.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

"COMPANY" HELMERICH & PAYNE, INC.,

a Delaware corporation

By

Hans Helmerich President

"PARTICIPANT"

Exhibit 10.5
(Part 2/3)

**FIRST AMENDMENT TO THE RESTRICTED STOCK AWARD AGREEMENT
FOR THE RESTRICTED STOCK PLAN FOR
SENIOR EXECUTIVES OF HELMERICH & PAYNE, INC.**

THIS FIRST AMENDMENT TO THE RESTRICTED STOCK AWARD AGREEMENT FOR THE RESTRICTED STOCK PLAN FOR SENIOR EXECUTIVES OF HELMERICH & PAYNE, INC., (the "First Amendment") is entered into as of the 7th day of June, 1990, by and between Helmerich & Payne, Inc., (the "Company") and _____, an individual, (the "Participant").

WITNESSETH:

WHEREAS, the parties have entered into a Restricted Stock Award Agreement for the Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc., (the "Restricted Agreement") dated March 7, 1990, (the "Award Date") in accordance with that certain Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc., (the "Plan");

WHEREAS, in accordance with Article VI, Section F, of the Plan, the Committee has authorized the acceleration of the expiration of the Restrictions with respect to the Participant in the event of a "change of control" of the Company, as hereinafter provided;

WHEREAS, the parties desire to amend the Restricted Agreement in order to reflect such acceleration of the expiration of the Restrictions in the event of a "change in control"; and

WHEREAS, all capitalized terms used herein shall have the same meanings as in the Plan, unless stated to the contrary herein,

NOW, THEREFORE, in consideration of the premises, covenants, and agreements set forth in the Restricted Agreement, the parties hereto agree that the Restricted Agreement is hereby amended to add a new Section 12, to read as follows:

12. Acceleration of Vesting upon Change of Control. Notwithstanding anything to the contrary herein, in the event that a Change of Control (as hereinafter defined) has occurred with respect to the Company at least six months after the Award Date, any and all Restricted Shares will become automatically fully vested and the Restrictions shall immediately expire with respect to the Restricted Shares without the requirement of any further act by either the Company or the Participant. For the purposes of this Section 12, the term "Change of Control" shall mean

(a) The acquisition by an individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of

directors (the "Outstanding Company Voting Securities"), provided however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company but excluding for this purpose any acquisition which occurs within six months after a threatened Change of Control which is in direct response to such threatened Change of Control, (ii) any acquisition by the Company, or (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(b) When individuals who, as of the date hereof, constitute the Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors, provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the Board of Directors then comprising the Incumbent Board shall be considered to have been a member of the Incumbent Board, but excluding for this purpose any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than members of the Board of Directors.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the day and year first above written.

"Company"

**HELMERICH & PAYNE, INC.,
A Delaware Corporation**

By:
Steven R. Mackey

(Print Name)

Vice President

"Participant"

(Print Name)

Exhibit 10.5
(Part 3/3)

**SECOND AMENDMENT TO THE RESTRICTED STOCK AWARD AGREEMENT
FOR THE RESTRICTED STOCK PLAN FOR
SENIOR EXECUTIVES OF HELMERICH & PAYNE, INC.**

THIS SECOND AMENDMENT TO THE RESTRICTED STOCK AWARD AGREEMENT FOR THE RESTRICTED STOCK PLAN FOR SENIOR EXECUTIVES OF HELMERICH & PAYNE, INC., (the "Second Amendment") is entered into as of the 15th day of January, 1991, by and between Helmerich & Payne, Inc., (the "Company") and _____, an individual, (the "Participant").

All capitalized terms used herein shall have the same meanings as in that certain Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc., ("the Plan") unless stated to the contrary herein.

WITNESSETH:

WHEREAS, the parties have entered into a Restricted Stock Award Agreement for the Restricted Stock Plan for Senior Executives of Helmerich & Payne, Inc., (the "Restricted Agreement") dated March 7, 1990, in accordance with the Plan;

WHEREAS, in accordance with Article VI, Section F, of the Plan, the Committee has previously authorized the acceleration of the expiration of the Restrictions with respect to the Participant in the event of a "change of control" of the Company, as hereinafter provided;

WHEREAS, the parties amended the Restricted Agreement on June 7, 1990, to accelerate the expiration of the Restrictions in the event of a "change in control";

WHEREAS, the Company's Board of Directors on December 5, 1990, amended its Rights Agreement ("Amended Agreement") to provide, among other things, for a single trigger mechanism by which an acquiring shareholder becomes an "Acquiring Person" once such person has acquired 15% of the Company's outstanding shares; and

WHEREAS, the Board of Directors on December 5, 1990, authorized all of the Company's benefit and compensation plans to

be amended so as to be consistent with the terms, conditions, and provisions of the Amended Agreement,

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree that paragraph 12 of the Restricted Agreement is hereby amended as follows:

The reference to "20%" in the eighth line of Section 12(a) shall be deleted, and "15%" shall be substituted therefor.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the day and year first above written.

"Company"

**HELMERICH & PAYNE, INC.,
A Delaware Corporation**

By:

Steven R. Mackey Vice President

"Participant"

Exhibit 10.6

**SUPPLEMENTAL RETIREMENT INCOME PLAN
FOR SALARIED EMPLOYEES OF
HELMERICH & PAYNE, INC.**

THE SUPPLEMENTAL RETIREMENT INCOME PLAN FOR SALARIED EMPLOYEES OF HELMERICH & PAYNE, INC. is hereby adopted under the following terms and conditions.

NOW, THEREFORE, in consideration of the terms and provisions hereafter set forth, the Company hereby adopts the Plan pursuant to the terms and provisions set forth below:

ARTICLE I

NAME AND PURPOSE OF PLAN

1.1 Name of Plan. This Plan shall be hereafter known as THE SUPPLEMENTAL RETIREMENT INCOME PLAN FOR SALARIED EMPLOYEES OF HELMERICH & PAYNE, INC.

1.2 Purpose. The Plan is established and maintained by Helmerich & Payne, Inc. solely for the purpose of providing benefits for certain of its salaried employees who participate in the Helmerich & Payne, Inc. Employees Retirement Plan in excess of the limitations on benefits imposed by Sections 415 and 401(a)(17) of the Internal Revenue Code of 1986, as amended, on qualified plans to which those Sections are applicable.

ARTICLE II

DEFINITIONS

2.1 Definitions. Where the following capitalized words and phrases appear in this instrument, they shall have the respective meanings set forth below unless a different context is clearly expressed herein.

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations relating thereto.

(c) "Company" means Helmerich & Payne, Inc., a Delaware corporation, or, to the extent provided in Section 8.8 below, any successor corporation or other entity resulting from a merger or consolidation into or with the Company or a transfer or sale of substantially all of the assets of the Company.

(d) "Limitations on Benefits" means the limitations imposed by Sections 415 and 401(a)(17) of the Code on the accrual of the Qualified Plan Retirement Benefits under the Qualified Plan.

(e) "Normal Retirement Date" means the first day of the month coinciding with or next following a Participant's 65th birthday.

(f) "Participant" means (i) a key management salaried employee of the Company who is a participant under the Qualified Plan (or any successor or replacement retirement plan qualified under Section 401(a) and 501(a) of the Code) and to whom or with respect to whom a benefit is payable under the Plan and (ii) who has been selected by the Board to participate in the Plan. The initial participants are listed on Exhibit "A" attached hereto.

(g) "Plan" means this "Supplemental Retirement Income Plan for Salaried Employees of Helmerich & Payne, Inc."

(h) "Qualified Plan" means the "Helmerich & Payne, Inc. Employees Retirement Plan" amended and restated effective October 1, 1987, and each predecessor, successor or replacement employees retirement plan qualified under Section 401(a) and 501(a) of the Code.

(i) "Qualified Plan Retirement Benefit" means the aggregate benefit payable at any point in time to a Participant pursuant to the Qualified Plan and all annuities purchased for or benefits paid to the Participant under all Qualified Plans (whether or not terminated) by reason of the Participant's termination of employment with the Company and all Subsidiaries for any reason other than death.

(j) "Qualified Plan Surviving Spouse Benefit" means the aggregate benefit payable at any point in time to the

Surviving Spouse of a Participant pursuant to all Qualified Plans and all annuities purchased for or benefits paid to the Participant under all Qualified Plans (whether or not terminated) in the event of the death of the Participant at any time prior to commencement of payment of his Qualified Plan Retirement Benefit.

(k) "Subsidiary" means any corporation with 80% or more of its voting common stock being owned by the Company.

(l) "Supplemental Retirement Benefit" means the benefit payable to a Participant pursuant to the Plan by reason of such Participant's termination of employment with the Company and all Subsidiaries for any reason other than death.

(m) "Supplemental Surviving Spouse Benefit" means the benefit payable to a Surviving Spouse pursuant to the Plan.

(n) "Surviving Spouse" means a person who is married to a Participant at the date of his death and for at least one year prior thereto.

2.2 Construction. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, unless the context clearly indicates to the contrary. Any word appearing herein in the plural shall include the singular, where appropriate, and likewise the singular shall include the plural, unless the context clearly indicates to the contrary.

ARTICLE III

ELIGIBILITY

A Participant who is eligible to receive a Qualified Plan Retirement Benefit, but the amount of such benefit is reduced by reason of the application of the Limitations on Benefits, as in effect on the date of commencement of the Qualified Plan Retirement Benefit, or as in effect at any time thereafter, shall be eligible to receive a Supplemental Retirement Benefit. The Surviving Spouse of a Participant described in the preceding sentence who dies prior to commencement of payment of his Qualified Plan Retirement Benefit shall be eligible to receive a Supplemental Surviving Spouse Benefit.

ARTICLE IV

SUPPLEMENTAL RETIREMENT BENEFIT

4.1 Amount. The Supplemental Retirement Benefit payable to an eligible Participant shall (i) be in the form of a straight life annuity over the lifetime of the Participant only, (ii) be calculated as of the date of his termination of employment as if payment was to commence on such Participant's Normal Retirement Date, and (iii) be a monthly amount equal to the difference between (a) minus (b) below:

(a) the monthly amount of the Qualified Plan Retirement Benefit to which the Participant would have been entitled under the Qualified Plan if such benefit were computed without giving effect to the Limitations on Benefits;

Less

(b) the monthly amount of the Qualified Plan Retirement Benefit actually payable to the Participant under the Qualified Plan at the applicable point in time.

4.2 Form of Benefit. The Supplemental Retirement Benefit payable to a Participant shall be paid in the same form under which the Qualified Plan Retirement Benefit is payable to the Participant. The Participant's election under the Qualified Plan of any optional form of payment of his Qualified Plan Retirement Benefit (with the valid consent of his Surviving Spouse where required under the Qualified Plan) shall also be applicable to the payment of his Supplemental Retirement Benefit.

4.3 Commencement of Benefit. Payment of the Supplemental Retirement Benefit to a Participant shall commence on the same date as payment of the Qualified Plan Retirement Benefit to the Participant commences. Any election under the Qualified Plan made by the Participant with respect to the commencement of payment of his Qualified Plan Retirement Benefit shall also be applicable with respect to the commencement of payment of his Supplemental Retirement Benefit.

4.4 Approval Of Company. Notwithstanding the provisions of Sections 4.2 and 4.3 above, an election made by the

Participant under the Qualified Plan with respect to the form of payment of his Qualified Plan Retirement Benefit (with the valid consent of his Surviving Spouse where required under the Qualified Plan), or the date for commencement of payment thereof, shall not be effective with respect to the form of payment or date for commencement of payment of his Supplemental Retirement Benefit hereunder unless such election is expressly approved in writing by the Company with respect to his Supplemental Retirement Benefit. If the Company shall not approve such election in writing, then, the form of payment or date for commencement of payment of the Participant's Supplemental Retirement Benefit shall be selected by the Company in its sole discretion.

4.5 Actuarial Equivalent. A Supplemental Retirement Benefit which is payable in any form other than straight life annuity over the lifetime of the Participant, or which commences at any time prior to the Participant's Normal Retirement Date, shall be the actuarial equivalent of the Supplemental Retirement Benefit set forth in Section 4.1 above as determined by the same actuarial adjustments as those specified in the Qualified Plan with respect to determination of the amount of the Qualified Plan Retirement Benefit on the date for commencement of payment hereunder.

ARTICLE V

SUPPLEMENTAL SURVIVING SPOUSE BENEFIT

5.1. Amount. If a Participant dies prior to commencement of payment of his Qualified Plan Retirement Benefit under circumstances in which a Qualified Plan Surviving Spouse Benefit is payable to his Surviving Spouse, then, a Supplemental Surviving Spouse Benefit is payable to his Surviving Spouse as hereinafter provided. The monthly amount of the Supplemental Surviving Spouse Benefit payable to a Surviving Spouse shall be equal to the difference between (a) minus (b) below:

(a) the monthly amount of the Qualified Plan Surviving Spouse Benefit to which the Surviving Spouse would have been entitled under the Qualified Plan if such Benefit were computed without giving effect to the Limitations on Benefits;

Less

(b) the monthly amount of the Qualified Plan Surviving Spouse Benefit actually payable to the Surviving Spouse under the Qualified Plan.

5.2. Form and Commencement of Benefit. A Supplemental Surviving Spouse Benefit shall be payable over the lifetime of the Surviving Spouse only in monthly installments commencing on the date for commencement of payment of the Qualified Plan Surviving Spouse Benefit to the Surviving Spouse and terminating on the date of the last payment of the Qualified Plan Surviving Spouse Benefit made before the Surviving Spouse's death.

ARTICLE VI

ADMINISTRATION OF THE PLAN

6.1. Administration by the Company. The Company shall be responsible for the general operation and administration of the Plan and for carrying out the provisions thereof.

6.2. General Powers of Administration. All provisions set forth in the Qualified Plan with respect to the administrative powers and duties of the company, expenses of administration, and procedures for filing claims shall also be applicable with respect to the Plan. The Company shall be entitled to reply conclusively upon all tables, valuations, certificates, opinions and reports furnished by any actuary, accountant, controller, counsel or other person employed or engaged by the Company with respect to the Plan.

ARTICLE VII

AMENDMENT OR TERMINATION

7.1 Amendment or Termination. The Company intends the Plan to be permanent but reserves the right to amend or terminate the Plan when, in the sole opinion of the Company, such amendment or termination is advisable. Any such amendment or termination shall be made pursuant to a resolution of the Board and shall be effective as of the date of such resolution.

7.2 Effect of Amendment or Termination. No amendment to or termination of the Plan shall directly or indirectly deprive any current or former Participant or Surviving Spouse of all or any portion of any Supplemental Retirement Benefit or Supplemental Surviving Spouse Benefit payment of which has accrued prior to the effective date of such amendment or termination or which would be payable if the Participant terminated employment for any reason, including death, on such effective date of amendment or termination.

ARTICLE VIII

GENERAL PROVISIONS

8.1 Funding. The Plan at all times shall be entirely unfunded and no provision shall at any time be made with respect to segregating any assets of the Company for payment of any benefits hereunder. No Participant, Surviving Spouse or any other person shall have any interest in any particular assets of the Company by reason of the right to receive a benefit under the Plan and any such Participant, Surviving Spouse or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan. No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefit. If any Participant or Surviving Spouse under this Plan should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit hereunder or under the Plan, then such right or benefit shall, in the discretion of the Company, cease and determine, and, in such event, the Company may hold or apply the same or any part thereof for the benefit of such Participant or his Surviving Spouse, and in such portion as the Company, in its sole and absolute discretion, may deem proper.

8.2. General Conditions. Except as otherwise expressly provided herein, all terms and conditions of the Qualified Plan applicable to a Qualified Plan Retirement Benefit or a Qualified Plan Surviving Spouse Benefit shall also be applicable to a

Supplemental Retirement Benefit or a Supplemental Surviving Spouse Benefit payable hereunder. Any Qualified Plan Retirement Benefit or Qualified Plan Surviving Spouse Benefit, or any other benefit payable under the Qualified Plan, shall be paid solely in accordance with the terms and conditions of the Qualified Plan and nothing in this Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Qualified Plan.

8.3 No Guaranty of Benefits. Nothing contained in the Plan shall constitute a guaranty by the Company or any other entity or person that the assets of the Company will be sufficient to pay any benefit hereunder.

8.4 No Enlargement of Employee Rights. No Participant or Surviving Spouse shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. The establishment of the Plan shall not be construed to give any Participant the right to be retained in the employment service of the Company.

8.5 Spendthrift Provision. No action under this Plan by the Company or its Board shall be construed as creating a trust, escrow or other secured or segregated fund in favor of the Participant, his Surviving Spouse, or any other persons otherwise entitled to his Supplemental Retirement Benefit. The status of the Participant and his Surviving Spouse with respect to any liabilities assumed by the Company hereunder shall be solely those of unsecured creditors of the Company and its Subsidiaries who employ such Participant. Any asset acquired or held by the Company and its Subsidiaries in connection with liabilities assumed by it hereunder, shall not be deemed to be held under any trust, escrow or other secured or segregated fund for the benefit of the Participant or his Surviving Spouse or to be security for the performance of the obligations of the Company or any Subsidiary, but shall be, and remain a general, unpledged, unrestricted asset of the Company and its Subsidiaries at all times subject to the claims of general creditors of the Company and its Subsidiaries.

8.6 Small Benefits. If the actuarial value of any Supplemental Retirement Benefit or Supplemental Surviving Spouse Benefit is less than \$3,500, the Company may pay the actuarial

value of such benefit to the Participant or Surviving Spouse in a single lump sum in lieu of any further benefit payments here-under.

8.7 Incapacity of Recipient. If any person entitled to a benefit payment under the Plan is deemed by the Company to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until claim therefor shall have been made by a duly appointed guardian or other legal representative of such person, the Company may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company and the Plan therefor.

8.8 Corporate Successors. The Plan shall not be automatically terminated by a transfer or sale of assets of the Company or by the merger or consolidation of the Company into or with any other corporation or other entity, but the Plan shall be continued after such sale, merger or consolidation only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event that the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall terminate subject to the provisions of Section 7.2.

8.9 Unclaimed Benefit. Each Participant shall keep the Company informed of his current address and the current address of his spouse. The Company shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Company within three

(3) years after the date on which payment of the Participant's Supplemental Retirement Benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed, or, within three years after the actual death of a Participant, the Company is unable to locate any Surviving Spouse of the Participant, then the Company shall have no further obligation to pay any benefit hereunder to such Participant or Surviving Spouse or any other person and such benefit shall be irrevocably forfeited.

8.10 Limitations on Liability. Notwithstanding any of the preceding provisions of the Plan, neither the Company nor any individual acting as an employee or agent of the Company shall be liable to any Participant, former Participant, Surviving Spouse or any other person for any claim, loss, liability or expense incurred in connection with the Plan.

8.11 Withholding and other Employment Taxes. The Company shall comply with all federal and state laws and regulations respecting the withholding, deposit and payment of any income or other taxes relating to any payments made under this Plan.

8.12 Applicable Law. The Plan shall be construed and administered under the laws of the State of Oklahoma.

8.13 Binding Effect. To the extent provided in this Plan, the Plan shall be binding upon the Company and its successors and assigns.

8.14 Effective Date. The effective date of this Plan shall be January 1, 1991.

HELMERICH & PAYNE, INC., a
Delaware corporation

ATTEST:

/S/ Steven R. Mackey

By /S/ Hans Helmerich

Secretary

President

[SEAL]

Exhibit 10.7
HELMERICH & PAYNE, INC.
1990 STOCK OPTION PLAN

ARTICLE 1

General Provisions

1.1 Purpose. The purpose of the HELMERICH & PAYNE, INC. 1990 STOCK OPTION PLAN shall be to attract, retain and motivate key employees (the "Participants") of Helmerich & Payne, Inc. (the "Company") and its subsidiaries by way of granting (i) nonqualified stock options ("Stock Options") and (ii) incentive stock options ("ISO Options"). For the purpose of this Plan, Stock Option and ISO Options are sometimes collectively herein called "Options." Options may only be granted to Participants. The ISO Options to be granted under the Plan are intended to be qualified pursuant to Section 422A of the Internal Revenue Code of 1986 as amended (the "Code"); and, the Stock Options to be granted are intended to be "nonqualified stock options" as described in Sections 83 and 421 of the Code. Further, under the Plan, the term "parent" and "subsidiary" shall have the same meaning as set forth in Subsections (e), (f) and (g) of Section 425 of the Code unless the context herein clearly indicates to the contrary.

1.2 General. The terms and provisions of this Article I shall be applicable to Stock Options and ISO Options unless the context herein clearly indicates to the contrary.

1.3 Administration of the Plan. The Plan shall be administered by the Human Resources Committee ("Committee") appointed by the Board of Directors ("Board") of the Company and consisting of not less than three members from the Board. The members of the Committee shall serve at the pleasure of the Board and shall be ineligible to participate under the Plan. No Director may become a member of the Committee who has been eligible, during the year preceding appointment, to participate under the Plan or any other plan of the Company or its affiliates entitling Participants therein to acquire stock, stock options or stock appreciation rights. The Committee shall have the power where consistent with the general purpose and intent of the Plan to (i) modify the requirements of the Plan to conform with the law or to meet special circumstances not anticipated or covered in the Plan, (ii) suspend or discontinue the

Plan, (iii) establish policies and (iv) adopt rules and regulations and prescribe forms for carrying out the purposes and provisions of the Plan including the form of any "stock option agreements" ("Stock Option Agreements"). Unless otherwise provided in the Plan, the Committee shall have the authority to interpret and construe the Plan, and determine all questions arising under the Plan and any agreement made pursuant to the Plan. Any interpretation, decision or determination made by the Committee shall be final, binding and conclusive. A majority of the Committee shall constitute a quorum, and an act of the majority of the members present at any meeting at which a quorum is present shall be the act of the Committee.

1.4 Shares Subject to the Plan. Shares of stock ("Stock") covered by Stock Options and ISO Options shall consist of One million (1,000,000) shares of the voting common stock of the Company. Either authorized and unissued shares or treasury shares may be delivered pursuant to the Plan. If any Option for shares of Stock granted to a Participant lapses, or is otherwise terminated, the Committee may grant Stock Options or ISO Options for such shares of Stock to other Participants.

1.5 Participation in the Plan. The Committee shall determine from time to time those Participants who are to be granted Stock Options and ISO Options and the number of shares of Stock covered thereby. Directors who are not employees of the Company or of a subsidiary shall not be eligible to participate in the Plan.

1.6 Determination of Fair Market Value. As used in the Plan, "fair market value" shall mean the average of the highest and lowest sales prices of the common stock of the Company as reported by the New York Stock Exchange, or successor exchange, listing of composite transactions as of the granting date, exercise date, or other relevant date.

1.7 Adjustments Upon Changes in Capitalization. The aggregate number of shares of Stock under Stock Options and ISO Options granted under the Plan, the Option Price and the ISO Price (as such term is defined in Section 3.1(a)) and the total number of shares of Stock which may be purchased by a Participant on exercise of a Stock Option and an ISO Option shall be appropriately adjusted by the Committee to reflect any recapitalization, stock split, stock dividend or similar transaction involving the Company.

1.8 Amendment and Termination of the Plan. The Plan shall terminate at midnight, December 4, 2000, but prior thereto may be altered, changed, modified, amended or terminated by written amendment approved by the Board. Provided, that no action of the Board may, without the approval of the shareholders, increase the aggregate number of shares of Stock which may be purchased under Stock Options or ISO Options granted under the Plan; withdraw the administration of the Plan from the Committee; permit a Director to be a member of the Committee if he has been eligible for the year preceding his appointment to participate under the Plan or any similar plan; permit any person while a member of the Committee to be eligible to receive or hold a Stock Option or an ISO Option under the Plan; amend or alter the Option Price (as such term is defined in Section 2.1(b)) or ISO Price, as applicable; or amend the Plan in any manner which would impair the applicability of Rule 16b-3 as promulgated under the Securities Exchange Act of 1934, as amended, to the Plan. Except as provided in this Article I, no amendment, modification or termination of the Plan shall in any manner adversely affect any Stock Option or ISO Option theretofore granted under the Plan without the consent of the affected Participant.

1.9 Effective Date. The Plan shall become effective upon approval by the holders of a majority of the voting common stock of the Company present, or represented, and entitled to vote at a meeting called for such purpose, and upon the issuance of either a favorable ruling from the Internal Revenue Service or a favorable opinion of counsel with respect to certain tax consequences of the Plan as it affects Stock Options and ISO Options.

1.10 Securities Law Requirements. The Company shall have no liability to issue any Stock hereunder unless such shares are listed on the applicable stock exchange(s) on which the Company's shares are listed at the time and the issuance of such shares would comply with any applicable federal or state securities laws or any other applicable law or regulations thereunder.

1.11 Separate Certificates. Separate certificates representing the common stock of the Company to be delivered to a Participant upon the exercise of any Stock Option or ISO Option will be issued to such Participant.

1.12 Payment for Stock. Payment for shares of Stock purchased under this Plan shall be made in full and in cash or check made payable to the Company. Provided, payment for shares of Stock purchased under this Plan may also be made in common stock of the Company or a combination of cash and common stock of the Company. In the event that common stock of the Company is utilized in consideration for the purchase of Stock upon the exercise of a Stock Option or an ISO Option, then, such common stock shall be valued at the "fair market value" as defined in Section 1.6 of the Plan. In addition to the foregoing procedure which may be available for the exercise of any Stock Option or ISO Option, the Participant may deliver to the Company a notice of exercise including an irrevocable instruction to the Company to deliver the stock certificate representing the shares subject to an option to a broker authorized to trade in the common stock of the Company. Upon receipt of such notice, the Company will acknowledge receipt of the executed notice of exercise and forward this notice to the broker. Upon receipt of the copy of the notice which has been acknowledged by the Company, and without waiting for issuance of the actual stock certificate with respect to the exercise of the Option, the broker may sell the Stock (or that portion of the Stock necessary to cover the Option Price and any withholding taxes due). Upon receipt of the stock certificate from the Company, the broker will deliver directly to the Company that portion of the sales proceeds to cover the Option Price and any withholding taxes. Further, the broker may also facilitate a loan to the Participant upon receipt of the exercise notice in advance of the receipt for issuance of the actual stock certificate as an alternative means of financing and facilitating the exercise of any Option. For all purposes of effecting the exercise of an Option, the date on which the Participant gives the notice of exercise to the Company will be the date he becomes bound contractually to take and pay for the shares of Stock underlying the Option.

1.13 Stock Options and ISO Options Granted Separately. Since the Committee is authorized to grant Stock Options and ISO Options to Participants, the grants thereof and Stock Option Agreements relating thereto will be made separately and totally independently of each other. Except as it relates to the total number of shares of Stock which may be issued under the Plan, the grant or exercise of Stock Options shall in no manner affect the grant and exercise of any ISO Options. Similarly, the grant and exercise of any ISO

Options shall in no manner affect the grant and exercise of any Stock Options.

1.14 Grants of Options and Stock Option Agreement. Each Stock Option and ISO Option granted under this Plan shall be evidenced by the minutes of a meeting of the Committee or by the written consent of the Committee and by a written Stock Option Agreement effective on the date of grant and executed by the Company and the Participant. Each Option granted hereunder shall contain such terms, restrictions and conditions as the Committee may determine, which terms, restrictions and conditions may or may not be the same in each case. Provided, however, each Option must contain the terms, provisions and language necessary to maintain the status as an Option as required under the Code.

1.15 Use of Proceeds. The proceeds received by the Company from the sale of Stock pursuant to the exercise of Options granted under the Plan shall be added to the Company's general funds and used for general corporate purposes.

1.16 Non-Transferability of Options. Except as otherwise herein provided, any Option granted shall not be transferable otherwise than by will or the laws of descent and distribution, and the Option may be exercised, during the lifetime of the Participant, only by him. More particularly (but without limiting the generality of the foregoing), the Option may not be assigned, transferred (except as provided above), pledged or hypothecated in any way, shall not be assignable by operation of law and shall not be subject to execution, attachment, or similar process. Any attempted assignment, transfer, pledge, hypothecation, or other disposition of the Option contrary to the provisions hereof shall be null and void and without effect.

1.17 Additional Documents on Death of Participant. No transfer of an Option by the Participant by will or the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice and an unauthenticated copy of the will and/or such other evidence as the Committee may deem necessary to establish the validity of the transfer and the acceptance by the successor to the Option of the terms and conditions of such Option.

1.18 Changes in Employment. So long as the Participant shall continue to be an employee of the Company or its parent or one of its subsidiaries, any Option granted to him shall not be affected by any change of duties or position. Nothing in the Plan or in any Stock Option Agreement which relates to the Plan shall confer upon any Participant any right to continue in the employ of the Company or its parent or of any of its subsidiaries, or interfere in any way with the right of the Company or its parent or of any of its subsidiaries to terminate his employment at any time.

1.19 Shareholder Rights. No Participant shall have a right as a shareholder with respect to any shares of Stock subject to an Option prior to the purchase of such shares of Stock by exercise of the Option.

1.20 Right to Exercise Upon Company Ceasing to Exist. Where dissolution or liquidation of the Company or any merger, consolidation or combination in which the Company is not the surviving corporation occurs, the Participant shall have the right immediately prior to such dissolution, liquidation, merger, consolidation or combination, as the case may be, to exercise, in whole or in part, his then remaining Options whether or not then exercisable. Provided, that for the purposes of this Section 1.20, if any merger, consolidation or combination occurs in which the Company is not the surviving corporation and is the result of a mere change in the identity, form, or place of organization of the Company accomplished in accordance with Section 368(a)(1)(F) of the Code, then, such event will not cause an acceleration of the exercisability of any such Options granted hereunder.

1.21 Payment of Withholding Taxes. Upon the exercise of any Stock Option as provided herein, no such exercise shall be permitted, nor shall any Stock be issued to any Participant until the Company receives full payment for the Stock purchased which shall include any required state and federal withholding taxes. Further, upon the exercise of any Stock Option, the Participant may direct the Company to retain from the shares of Stock to be issued upon exercise of the Stock Option that number of initial shares of Stock (based on fair market value) that would be necessary to satisfy the requirements for withholding any amounts of taxes due upon the exercise of such Stock Option.

1.22 Assumption of Outstanding Options. To the extent permitted by the then applicable provisions of the Code, any successor to the Company succeeding to, or assigned the business of, the Company as the result of or in connection with a corporate merger, consolidation, combination, reorganization, liquidation or other corporate transaction shall assume Options outstanding under the Plan or issue new Options in place of outstanding Options under the Plan with such assumption to be made on a fair and equivalent basis in accordance with the applicable provisions of Section 425(a) of the Code; provided, in no event will such assumption result in a modification of any ISO Option as defined in Section 425(h) of the Code.

ARTICLE II

Terms of Stock Options and Exercise

2.1 General Terms.

(a) Grant and Terms for Stock Options. Stock Options shall be granted by the Committee on the following terms and conditions: Except as specifically provided in Subsection 2.1(c) hereof, with regard to the death of a Participant, no Stock Option shall be exercisable within six months from nor more than ten years after the date of grant. Subject to such limitation, the Committee shall have the discretion to fix the period (the "Option Period") during which any Stock Option may be exercised. Stock Options granted shall not be transferable except by will or by the laws of descent and distribution. Stock Options shall be exercisable only by the Participant while actively employed by the Company or a subsidiary, except that (i) any such Stock Option granted and which is otherwise exercisable, may be exercised by the personal representative of a deceased Participant within 12 months after the death of such Participant and (ii) if a Participant terminates his employment with the Company or a subsidiary, such Participant may exercise any Stock Option which is otherwise exercisable at any time within three months of such date of termination. If a Participant should die during the applicable three month period following the date of such Participant's termination, the rights of the personal representative of such deceased Participant as such relate to any Stock Options granted to such deceased Participant shall be governed in accordance with Subsection 2.1(a)(i) of this Article II.

(b) Option Price. The option price ("Option Price") for shares of Stock subject to a Stock Option shall be determined by the Committee, but in no event shall such Option Price be less than the greater of (a) the "fair market value" of the Stock on the date of grant or (b) the par value of the Stock.

(c) Acceleration of Otherwise Unexercisable Stock Option on Termination of Employment or Death. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment with the Company or a subsidiary or (ii) the personal representative of a deceased Participant, to exercise and purchase (within three months of such date of termination of employment or 12 months in the case of a deceased Participant) all or any part of the shares subject to Stock Option on the date of the Participant's death or termination, notwithstanding that all installments, if any, with respect to such Stock Option, had not accrued on such date. Provided, such discretionary authority of the Committee may not be exercised with respect to any Stock Option (or portion thereof) if the applicable six month waiting period for exercise had not expired except in the event of the death of the Participant when the personal representative of the deceased Participant may, with the consent of the Committee, exercise such Stock Option notwithstanding the fact that the applicable six month waiting period had not yet expired.

(d) Number of Stock Options Granted. Participants may be granted more than one Stock Option. In making any such determination, the Committee shall obtain the advice and recommendation of the officers of the Company or a subsidiary which have supervisory authority over such Participants. The granting of a Stock Option under the Plan shall not affect any outstanding Stock Option previously granted to a Participant under the Plan.

(e) Notice to Exercise Stock Option. Upon exercise of a Stock Option, a Participant shall give written notice to the Secretary of the Company, or other officer designated by the Committee, at the Company's main office in Tulsa, Oklahoma.

ARTICLE III

Granting of ISO Options

3.1 General. With respect to ISO Options granted on or after the effective date of the Plan the following provisions in this Article III shall apply to the exclusion of any inconsistent provision in any other Article in this Plan since the ISO Options to be granted under the Plan are intended to qualify as "incentive stock options" as defined in Section 422A of the Code.

3.2 Grant and Terms of ISO Options. No ISO Options shall be granted to any person who is not eligible to receive "incentive stock options" as provided in Section 422A of the Code. No ISO Options shall be granted to any key employee if, immediately before the grant of an ISO Option, such employee owns more than 10% of the total combined voting power of all classes of stock of the Company or its subsidiaries (as determined in accordance with the stock attribution rules contained in Section 422A and Section 425(d) of the Code). Provided, the preceding sentence shall not apply if, at the time the ISO Option is granted, the ISO Price is at least 110% of the "fair market value" of the Stock subject to the ISO Option, and such ISO Option by its terms is not exercisable after the expiration of five years from the date such ISO Option is granted.

(a) ISO Option Price. The option price for shares of Stock subject to an ISO Option ("ISO Price") shall be determined by the Committee, but in no event shall such ISO Price be less than the greater of (a) the "fair market value" of the Stock on the date of grant or (b) the par value of the Stock.

(b) Annual Limitation on Exercise of ISO Options. With respect to ISO Options granted under the Plan, and notwithstanding any other provision in this Plan to the contrary, in no event during any calendar year will the aggregate "fair market value" (determined as of the time the ISO Option is granted) of the Stock for which any Participant may first have the right to exercise under an ISO Option (including incentive stock options granted under all "incentive stock option" plans qualified under Section 422A of the Code which are sponsored by the Company, its parent and its subsidiary corporations) exceed \$100,000.

(c) Terms of ISO Options. ISO Options shall be granted on the following terms and conditions: Except as specifically provided in Subsection 3.2(d) hereof, no ISO Option shall be exercisable within six months from nor more than ten years after the date of grant. Subject to such limitation, the Committee shall have the discretion to fix the period (the "ISO Period") during which any ISO Option may be exercised. ISO Options granted shall not be transferable except by will or by the laws of descent and distribution. ISO Options shall be exercisable only by the Participant while actively employed by the Company or a subsidiary, except that (i) any such ISO Option granted and which is otherwise exercisable, may be exercised by the personal representative of a deceased Participant within 12 months after the death of such Participant (but not beyond the expiration date of such ISO Option), and (ii) if a Participant terminates his employment with the Company or a subsidiary, such Participant may exercise any ISO Option which is otherwise exercisable at any time within three months of such date of termination. If a Participant should die during the applicable three month period following the date of such Participant's termination, then the rights of the personal representative of such deceased Participant as such relate to any ISO Options granted to such deceased Participant shall be governed in accordance with Subsection 3.1(c)(i) of this Article III.

(d) Acceleration of Otherwise Unexercisable ISO Option on Termination of Employment or Death. The Committee, in its sole discretion, may permit (i) a Participant who terminates employment with the Company or a subsidiary or (ii) the personal representative of a deceased Participant, to exercise and purchase (within three months of such date of termination of employment or 12 months in the case of a deceased Participant) all or any part of the shares subject to ISO Option on the date of the Participant's death or termination, notwithstanding that all installments, if any, had not accrued on such date. Provided, such discretionary authority of the Committee may not be exercised with respect to any ISO Option (or portion thereof) if the applicable six-month waiting period for exercise had not expired as of such date except in the event of the death of the Participant when the personal representative of such deceased Participant, may, with the consent of the Committee, exercise such ISO Option notwithstanding the fact that the applicable six-month waiting period had not yet expired. Provided further, in no event will the Committee permit the acceleration of

all or any portion of an ISO Option pursuant to this Subsection (d) to exceed the specific limitations as described in Subsection 3.2(b) above which limits the number of ISO Options which may be first exercisable during any calendar year; and, any acceleration of the date of exercise of any ISO Option to be made pursuant to this Subsection 3.2(d) will only be made after the Committee has determined that such acceleration will not cause a violation of the limitations contained in Subsection 3.2(b) above.

(e) Number of ISO Options Granted. Subject to the applicable limitations contained in the Plan with respect to ISO Options, Participants may be granted more than one ISO Option. In making any such determination, the Committee shall obtain the advice and recommendation of the officers of the Company or a subsidiary which have supervisory authority over such Participants. The granting of an ISO Option under the Plan shall not affect any outstanding ISO Option previously granted to a Participant under the Plan.

(f) Notice to Exercise ISO Option. Upon exercise of an ISO Option, a Participant shall give written notice to the Secretary of the Company, or other officer designated by the Committee, at the Company's main office in Tulsa, Oklahoma.

ARTICLE IV

Acceleration of Options on Change of Control

4.1 Acceleration of Options Upon Change of Control. In the event that a Change of Control (as defined herein) has occurred with respect to the Company, any and all ISO Options and Stock Options will become automatically fully vested and immediately exercisable with such acceleration to occur without the requirement of any further act by either the Company or the Participant. For the purposes of this Section 4.1, the term "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 15% or more of either (i) the then outstanding shares of common stock of the Company (the

"Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company; or (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

ARTICLE V

Options Not Qualifying as Incentive Stock Options

5.1 Nonqualifying Options. With respect to all or any portion of any option granted under the Plan not qualifying as an "incentive stock option" under Section 422A of the Code, such option shall be considered as a Stock Option granted under this Plan for all purposes.

HELMERICH & PAYNE, INC. ANNUAL REPORT FOR 1996

[REVENUE BREAKDOWN FOR 1996 PIE CHART]

International Contract Drilling - 34% Domestic Contract Drilling - 28% Oil & Gas Exploration & Production - 19%

Natural Gas Marketing - 15%
Investments and Other Income - 2%
Real Estate - 2%

FINANCIAL HIGHLIGHTS

| Years Ended September 30, | 1996 | 1995 |
|--|---------------|---------------|
| Revenues | \$393,255,000 | \$306,721,000 |
| Income from Continuing Operations | \$ 45,426,000 | \$ 5,788,000 |
| Income per Share from Continuing Operations | \$ 1.84 | \$.24 |
| Net Income | \$ 72,566,000 | \$ 9,751,000 |
| Earnings Per Share | \$ 2.94 | \$.40 |
| Dividends Paid Per Share | \$.505 | \$.50 |
| Capital Expenditures | \$109,747,000 | \$111,776,000 |
| Total Assets | \$821,914,000 | \$707,061,000 |

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

The character issue was supposed to play a deciding role in the 1996 presidential election. Yet while nearly two-thirds of the electorate expressed deep concerns over character flaws and the lack of truthfulness, Bill Clinton was returned to the White House. With a strong economy at home and relative peace abroad, our Faustian bargain seemed somewhat offset by the counterforce of a Republican Congress. But an uneasy feeling lingers as we wonder if we did the right thing.

Stretching for a positive spin, The New York Times said, "Scandals present an opportunity in the second term for Bill Clinton to get back in touch with integrity and honesty." If only it were that easy. Those virtues are foundational building blocks of strong character, not last minute add-ons. It is sad that we have come to expect so little from our political leadership. Neither party was able to win the trust of the voter, and the widespread cynicism produced the lowest turnout since 1928.

In the real world, character is important. We make careful judgment calls on a person's character because it is the primary predictor of future performance.

Our own future performance as a Company is invariably linked to the measure of our character. As we focus on growing the Company, we must continue to win and retain customers by diligently earning their confidence and trust. That means making sure we match our words with our actions on a daily basis. If mistakes are made, they are faced up to and made right, not endlessly rationalized away. Doing our best to correct problems, working hard to exceed expectations, and dealing with people honestly wins customer loyalty.

New technology and better solutions are transforming the oil patch. The best companies look hard for innovative ideas and productive alliances. They know finding a trustworthy partner that can complement their own team's effort provides the best opportunity to create value. Delivering on that value requires that we continue to excel at building the right team.

From the very beginning, we interview potential employees knowing how much character matters. Once on the team, they will play a role in winning our customers' trust, so first they must win ours. Of course, that works both ways. Before we can hope to build relationships based on trust with customers, trust must be shared within the Company. That happens on a daily basis, one brick at a time.

Like building the house on the rock, we still believe holding one another to high personal standards of character is the right thing to do.

Sincerely,

Hans Helmerich December 15, 1996 President

SUMMARY Helmerich & Payne International Drilling Co., a wholly-owned subsidiary of Helmerich & Payne, Inc., owns and operates a drilling rig fleet consisting of 66 land rigs located in the United States and South America, and 11 offshore platform rigs located in the Gulf of Mexico and offshore California. Revenues and operating profit increased 19 and 46 percent respectively in 1996, and earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 29 percent. Over the past decade, the Company has put over \$400 million back into its contract drilling business, maintaining a modern and technologically advanced fleet of drilling rigs in each of its key markets. The Company also continues to have a leadership position in the U.S. offshore platform rig market and has established a dominant and expanding presence in the active South American land drilling markets of Venezuela and Colombia.

OFFSHORE OPERATIONS At the close of the year, the Company had 11 offshore platform rigs, eight in the Gulf of Mexico and three offshore California. Utilization averaged 70 percent in 1996, compared with 66 percent in 1995. In addition, the Company has labor contracts on three Exxon-owned platform rigs offshore California and, with Atwood Oceanics, Inc., is half owner of a newly constructed and highly automated platform rig scheduled to begin operations in 1997 for Esso in the Bass Straits offshore Australia.

Rig 201, the Company's first rig to be deployed on a tension leg platform (TLP), began work in May on Shell Offshore Inc.'s (SOI) Mars TLP in 2,933 feet of water. TLP technology utilizes a hull structure which floats on the surface of the water and is tied with flexible steel tendons to a foundation which has been piled into the sea floor. TLP technology opens up several oil and gas prospects around the world which were previously thought to be undevelopable because of water depth. The Company is in the design and construction process for two additional platform

rigs for SOI TLPs in the Gulf of Mexico. The Ram/Powell TLP (rig 202) will begin work in 1997 in 3,200 feet of water, and the Ursa TLP (rig 204) is scheduled to begin operations in 1998 in approximately 4,000 feet of water. Each of the new TLP rigs will be outfitted with the leading drilling technology including top-drives and automated tubular handling systems. Additionally, the Company received a third contract in 1996 to design, build, and operate a minimum area, self-moving rig for an SOI fixed platform which will be located in the Garden Banks block in the Gulf of Mexico. Rig 203 is scheduled to deploy in early 1997 and will be used to develop SOI's subsalt discovery called Enchilada.

UNITED STATES LAND OPERATIONS The U.S. land market remains the largest single drilling market in the world with over 700 active land rigs. Consequently this market is very competitive, and while margins are significantly better today than they were ten years ago, most of the active rigs continue to earn at levels insufficient to replenish the dwindling asset base. Recent census figures show that the number of operable land rigs in the U.S. is less than half that of a decade ago. Equipment wear and tear and migration toward more profitable international markets will continue to reduce the number of land rigs in the U.S., but because the market is large and has few barriers to entry, a quick and sustainable return to high levels of profitability is unlikely.

An average of 24 of the Company's land rigs worked continuously throughout 1996, and in the last month of the year 27 rigs out of the fleet of 30 were working. The Company's rig fleet ranks among the newest and most modern in the United States, and although the market is difficult in terms of profitability, several operators are demanding the kinds of premium services provided by Helmerich & Payne International Drilling Co.

INTERNATIONAL OPERATIONS The proliferation of drilling activity in South America, coupled with the Company's long experience in the region, has provided ample opportunities for expansion over the past ten years. At the close of 1996, Helmerich & Payne International Drilling Co. had 36 land rigs in the countries of Venezuela (21), Colombia (10), Ecuador (3), and Bolivia (2), with an average utilization of 85 percent. Revenues and operating profit increased 23 percent and 48 percent respectively over the 1995 mark, largely the result of a full year of service from new rigs sent to Colombia and Venezuela during 1995.

Approximately 48 percent of international revenues comes from Colombia, where the Company has ten rigs working on BP Exploration's Cusiana/Cupiagua field development. Another 42 percent of international revenues comes from activities in Venezuela where the major customers are Corpoven, S.A., and Lagoven, S.A., subsidiaries of Petroleos de Venezuela, S.A. A growing number of customers in Venezuela are international companies who have recently started operations after the country reopened portions of its prolific reserve basin to foreign investment. The Company moved three additional rigs to Venezuela during 1996, two from the U.S. and one from Trinidad. At the close of the year, helicopter rig 22 was in the process of being relocated from Bolivia to Peru and is scheduled to begin working in January under a multi-well contract with Shell Prospecting and Development Peru B.V.

SUMMARY Keeping the focus on the customer and providing the highest quality in personnel, safety, service, and equipment will remain the Company's major objective. There have been definite improvements in the industry, but the environment is still very competitive across all market segments. Sustaining growth and profitability will continue to require exemplary performance and the commitment of human and financial resources that our customers have come to expect from Helmerich & Payne International Drilling Co.

Helmerich & Payne, Inc. explores for, acquires, and produces oil and natural gas primarily in the states of Kansas, Louisiana, Oklahoma, and Texas. Higher oil and natural gas prices combined with a 31 percent increase in natural gas sales volumes produced a 60 percent increase in exploration and production revenues in 1996, compared with 1995. Operating profit increased sharply to \$26.3 million in 1996, compared with a loss of \$24 million in 1995, which included an impairment charge of \$20 million under Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets." Earnings before interest, taxes, depreciation, and impairment charges increased nearly three-fold to \$47 million in 1996, from \$16 million in 1995. The Company also engages in natural gas marketing activities through its wholly-owned subsidiary Helmerich & Payne Energy Services, Inc., which matches purchasers of natural gas with production belonging to the Company and other third party producers. Revenues and operating profit from this Division also increased sharply in 1996.

EXPLORATION AND DRILLING ACTIVITIES At the close of the year, the Company had proved reserves of approximately 272.3 billion cubic feet (Bcf) of natural gas and 6.5 million barrels of oil. The Company participated in the drilling of 63 (35 net) wells in 1996, 55 (28 net) of which were productive and 8 (7 net) were dry holes. The highlight of the year was the Rocky East prospect which is located in Washita County, Oklahoma, along a subterranean mountain front known as the Wichita Uplift. The Company drilled six wells in the prospect with an average working interest of 93 percent. Cumulative net production from the Rocky East prospect was 2.6 Bcf of natural gas in 1996, approximately seven percent of the year's total natural gas production. At the close of the year, these wells were flowing at a combined gross rate approximating 20,000 thousand cubic feet (Mcf) per day. The Company is in the early stages of exploring a

geologically similar prospect southeast of Rocky East called Oakdale South. An initial exploration well is being drilled and the Company has a 12.5 percent working interest. Helmerich & Payne, Inc. has a significant acreage position in the area with offset working interests ranging from 40 to 100 percent.

The Company continues to hold an acreage position in two Louisiana Austin Chalk prospect areas. The Company has been involved in five wells in the Masters Creek prospect located in Rapides Parish, Louisiana. The results from these wells led the Company to participate in two additional wells with 16 percent working interests. West of Masters Creek is the Artillery Range prospect where the Company is participating with carried interests in two wells, and has plans for a third in 1997. The drilling in each of these areas is deep, complex, and expensive, but the results so far have been encouraging enough to warrant additional participation in the coming year. The Company has net undeveloped leasehold interests in 2,300 acres in the Masters Creek prospect area and 13,000 net undeveloped acres in the Artillery Range.

SUMMARY At the end of 1995, the Company began to restructure its exploration and production group into geographically focused teams which are responsible for exploring and developing key regions, primarily in the Mid-continent and Gulf Coast areas. Although one year is not sufficient time to gauge the outcome of the new structure, much has been accomplished during this period. The 1996 exploration and development program led to the addition of more reserves through drilling than in any other year this past decade. The Company's strategic focus will continue to be the profitable growth of its reserve base and production capacity, primarily from exploration and development drilling.

Helmerich & Payne Properties, Inc., a wholly-owned subsidiary of Helmerich & Payne, Inc., owns, manages, and develops commercial real estate exclusively in the Tulsa, Oklahoma, area. The Company's properties have approximately 1.7 million square feet of leasable space and include one retail shopping center, two office buildings, and six industrial warehouse and combination office-warehouse developments. Overall occupancy improved to an average of 94 percent in 1996, compared with 87 percent in 1995. Revenue increased seven percent, with most of the improvement coming from the six warehouse developments where average occupancy jumped to 94 percent from 82 percent the prior year. Operating profit increased 134 percent to \$5.1 million in 1996, compared with \$2.2 million in 1995 which included a \$2 million charge related to Statement of Financial Accounting Standards No. 121.

The key holding in the Company's real estate portfolio is Utica Square Shopping Center, which has approximately 400,000 square feet of retail space and is centrally located in midtown Tulsa near Helmerich & Payne, Inc. headquarters. During the year, Bath & Body Works and Gloria Jean's Gourmet Coffee joined the many fine merchants in Utica Square which include Williams-Sonoma, Saks Fifth Avenue, Miss Jackson's, Ann Taylor, and Banana Republic.

Effective August 30, 1996, Helmerich & Payne, Inc. sold Natural Gas Odorizing, Inc. (NGO) to a wholly-owned subsidiary of Occidental Petroleum Corporation in exchange for 2,018,928 shares of Occidental common stock. The divestiture coincides with increasing capital demands in the Company's contract drilling and exploration and production businesses and closes a very productive and profitable relationship with NGO which spanned almost four decades. The impact of this transaction is reflected as discontinued operations in the Company's consolidated financial statements.

REVENUES AND INCOME BY BUSINESS SEGMENTS
HELMERICH & PAYNE, INC.

| Years Ended September 30, | 1996 | 1995 | 1994 |
|---|----------------|------------|------------|
| ----- | | | |
| | (in thousands) | | |
| SALES AND OTHER REVENUES: | | | |
| Contract Drilling - Domestic | \$ 108,336 | \$ 93,890 | \$ 86,521 |
| Contract Drilling - International | 135,695 | 110,695 | 98,111 |
| | ----- | ----- | ----- |
| Total Contract Drilling Division | 244,031 | 204,585 | 184,632 |
| | ----- | ----- | ----- |
| Exploration and Production | 76,643 | 47,986 | 58,884 |
| Natural Gas Marketing | 58,507 | 35,301 | 51,889 |
| | ----- | ----- | ----- |
| Total Oil and Gas Division | 135,150 | 83,287 | 110,773 |
| | ----- | ----- | ----- |
| Real Estate Division | 8,082 | 7,570 | 7,803 |
| Investments and Other Income | 5,992 | 11,279 | 6,944 |
| | ----- | ----- | ----- |
| Total Revenues | \$ 393,255 | \$ 306,721 | \$ 310,152 |
| | ===== | ===== | ===== |
| OPERATING PROFIT (LOSS): | | | |
| Contract Drilling - Domestic | \$ 10,066 | \$ 7,127 | \$ 5,874 |
| Contract Drilling - International | 31,176 | 21,110 | 14,645 |
| | ----- | ----- | ----- |
| Total Contract Drilling Division | 41,242 | 28,237 | 20,519 |
| | ----- | ----- | ----- |
| Exploration and Production | 26,333 | (23,961) | 3,245 |
| Natural Gas Marketing | 3,415 | 1,892 | 1,525 |
| | ----- | ----- | ----- |
| Total Oil and Gas Division | 29,748 | (22,069) | 4,770 |
| | ----- | ----- | ----- |
| Real Estate Division | 5,055 | 2,157 | 4,460 |
| | ----- | ----- | ----- |
| Total Operating Profit | 76,045 | 8,325 | 29,749 |
| | ----- | ----- | ----- |
| OTHER: | | | |
| Miscellaneous operating | (1,663) | (1,624) | (1,292) |
| Income from investments | 5,782 | 10,846 | 6,303 |
| General corporate expense | (9,083) | (8,801) | (8,908) |
| Interest expense | (678) | (407) | (385) |
| Corporate depreciation | (860) | (851) | (1,162) |
| | ----- | ----- | ----- |
| Total Other | (6,502) | (837) | (5,444) |
| | ----- | ----- | ----- |
| INCOME FROM CONTINUING OPERATIONS BEFORE | | | |
| INCOME TAXES, EQUITY IN INCOME OF AFFILIATE | | | |
| AND CUMULATIVE EFFECT OF CHANGE IN | | | |
| ACCOUNTING PRINCIPLE | \$ 69,543 | \$ 7,488 | \$ 24,305 |
| | ===== | ===== | ===== |
| ----- | | | |

Note: This schedule is an integral part of Note 11 (pages 27-28) of the financial statements that follow.

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

HELMERICH & PAYNE, INC.

BUSINESS ENVIRONMENT AND RISK FACTORS

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, changes in general economic conditions, rapid or unexpected changes in technologies and uncertain business conditions that affect the Company's businesses. Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

With the exception of historical information, the matters discussed below under the headings "Results of Operations" and "Liquidity and Capital Resources" may include forward-looking statements that involve risks and uncertainties. The Company wishes to caution readers that a number of important factors discussed in this report and in the Company's other reports filed with the Securities and Exchange Commission, could affect the Company's actual results and cause actual results to differ materially from those in the forward-looking statements.

RESULTS OF OPERATIONS

Helmerich & Payne, Inc.'s net income for 1996 was \$72,566,000 (\$2.94 per share), compared with net income of \$9,751,000 (\$.40 per share) in 1995, and \$24,971,000 (\$1.02 per share) in 1994. Included in 1996 is \$24,050,000 (\$0.97 per share) of income from the sale of the Company's chemical subsidiary, Natural Gas Odorizing, Inc. (NGO). Net income in 1995 included a non-cash, non-recurring charge of \$13,600,000 (\$0.55 per share) as a result of the Company's adoption of 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. Results for 1994 included \$4 million (\$0.16 per share) of income due to a one-time reduction in the Company's deferred income taxes from the cumulative effect of adopting SFAS No. 109, Accounting for Income Taxes.

Included in the Company's net income, but not related to its operations, were after-tax gains from the sale of investment securities of \$346,000 (\$0.01 per share) in 1996, and \$3,481,000 (\$0.14 per share) in 1995. Also included was the Company's portion of income of its equity affiliate,

Atwood Oceanics, Inc., which was \$0.07 per share of income in 1996 and \$0.04 per share in both 1995 and 1994.

Company revenues from continuing operations increased to \$393,255,000 in 1996, from \$306,721,000 in 1995, and \$310,152,000 in 1994. Total revenues increased by 28 percent from 1995 to 1996 as a result of increases in exploration and production (60 percent), natural gas marketing (66 percent), international drilling (23 percent) and domestic drilling (15 percent) segments. Contract drilling revenues rose by 11 percent from 1994 to 1995. Oil and gas division revenues declined by almost 25 percent for the same time period due primarily to lower natural gas prices and production volumes.

Revenues from investments declined to \$5,782,000 in 1996, after increasing to \$10,846,000 in 1995, from \$6,303,000 in 1994. Gains from the sale of investment securities were \$566,000 in 1996, \$5,697,000 in 1995, and \$124,000 in 1994. Dividend income was stable during 1996, 1995 and 1994, but interest income steadily decreased as cash balances and interest rates declined during these periods.

Costs and expenses from continuing operations in 1996 were \$323,712,000, 82 percent of total revenues, compared with 98 percent in 1995, and 92 percent in 1994. Total costs for 1995 were abnormally high due to the adoption of SFAS No. 121 which resulted in a total pre-tax impairment charge of \$22,000,000 recorded as additional depreciation, depletion, and amortization. Operating costs as a percentage of operating revenues declined to 59 percent in 1996, compared to 64 percent in 1995, and 66 percent in 1994.

General and administrative expenses increased to \$9,083,000 (3 percent) in 1996, from \$8,801,000 in 1995, and \$8,908,000 in 1994. Income tax expense, as a percentage of pre-tax income, remained at 37 percent for 1996 and 1995. A lower effective tax rate of 33 percent in 1994 was caused by the usage of foreign tax credit carryforwards, tight sands tax credits, and a reduction in Venezuelan taxes as a result of the monetary correction tax law enacted there.

CONTRACT DRILLING DIVISION revenues increased by 19 percent from 1995 to 1996, following an 11 percent increase from 1994 to 1995. Domestic drilling operating profit increased to \$10,066,000 in 1996, from \$7,127,000 in 1995, and \$5,874,000 in 1994. The Company's total domestic revenues and operating earnings increased this past year due primarily to the addition of offshore platform rig 201 (which commenced operations in May for Shell's Mars Tension Leg Platform (TLP)); increased revenues and earnings from the Company's three offshore labor contracts; and a slight improvement in revenues and

margins from U.S. land rig operations. This year's revenues and earnings increased in both the offshore platform and land rig segments as rig utilizations for 1996 were 70 percent and 88 percent, respectively. From 1994 to 1995, offshore platform rig revenues and earnings declined as utilization fell from 79 percent in 1994 to 66 percent in 1995. However, U.S. land rig dayrates and margins improved as utilization for that segment rose from 66 percent in 1994, to 73 percent in 1995.

During the fourth quarter of 1996, three of the Company's platform rigs became inactive. Another became inactive during the first quarter of fiscal 1997. Due to the negative impact of those rigs not working, it is anticipated that domestic contract drilling revenues and operating profit for the first half of 1997 could be the same or lower than that of the last half of 1996.

Revenues and operating profit should improve during the last half of 1997 with the commencement of work in the spring for H&P rig 203 on Shell's Enchilada platform and for H&P rig 202 on Shell's Ram/Powell TLP. Additionally, it is anticipated that operating costs and dayrates for U.S. land rigs will increase during the year as costs to maintain adequate rig crews will likely increase. Most, if not all, of these costs will be passed on to customers through increased dayrates. It is uncertain at this time whether dayrates can be increased enough to improve land rig profit margins.

International revenues climbed to \$135,695,000 in 1996, from \$110,695,000 in 1995, and \$98,111,000 in 1994. Operating profit for the international contract drilling sector improved by 48 percent to \$31,176,000 for 1996, compared with \$21,110,000 for 1995, and \$14,645,000 for 1994. During 1995, six additional rigs were shipped to Venezuela and three to Colombia. In 1996, three more rigs were shipped to Venezuela. Revenues and operating profits generated by these new rigs accounted for a significant portion of the international revenue and earning increases the past two years. Additionally, H&P offshore platform rig 200, a joint venture with the Company's investment affiliate, Atwood Oceanics, began receiving a standby rate during the year which helped increase profits. Although the Company expects international revenues and earnings to continue to grow, it does not anticipate the level of growth experienced during 1995 and 1996 to occur in 1997 because the Company does not expect to ship as many rigs to international markets this year.

In Venezuela, approximately 65 percent of the Company's billings are in U.S. dollars and the other 35 percent are in bolivars, the local currency. As a result, the Company is exposed to risks of currency devaluation in Venezuela because of the positive bolivar net working capital balances

created by the local currency billings. Over the past three years, total net devaluation losses in Venezuela have not been material because the Company has been able to offset such losses through the purchase of Brady Bonds. A Brady Bond is a dollar-denominated Venezuelan government debt that is guaranteed by the U.S. government and traded on the world's major stock markets during periods when Venezuela's currency was set at fixed exchange rates. Gains on the bonds were realized because, soon after their initial availability, they were trading at a premium of 30 to 50 percent above the official exchange rate. Brady Bonds are no longer available and the currency is again allowed, within a range, to float at market rates. Although devaluation losses will likely occur, the Company does not presently believe that such losses will have a material impact on the Company. However, if the country experiences extreme economic difficulty, accompanied by severe devaluation and/or inflation, the Company could experience material losses.

OIL AND GAS DIVISION revenues and operating profit increased dramatically this year as average prices received for the Company's production rose to \$19.00 per barrel of oil and \$1.75 per Mcf of natural gas, from \$16.37 per barrel and \$1.27 per Mcf last year. In 1994, average prices were \$14.83 per barrel and \$1.72 per Mcf. Although oil production was flat over the past two years, average natural gas production increased by 31 percent over last year to 94.4 million cubic feet per day (Mmcfd) during 1996, compared with 72.4 Mmcfd in 1995, and 73 Mmcfd in 1994. The Company's natural gas production grew as a result of allowing more of its existing reserves to be delivered to the market and by virtue of discoveries and production of new natural gas reserves. The most significant discovery was in southwestern Oklahoma in the Rocky East field where a total of six wells were completed by the end of 1996 which added a combined average of approximately 15 Mmcfd of total net production to the Company. Due to the significant increases in product prices and natural gas production volume, exploration and production revenues increased by 60 percent to \$76,643,000 in 1996, from \$47,986,000 in 1995, and \$58,884,000 in 1994. Exploration and production operating profit increased to \$26,333,000 in 1996, compared with a loss of \$23,961,000 in 1995, and a profit of \$3,245,000 in 1994.

In 1995, the Company elected to adopt SFAS No. 121, resulting in a pre-tax, non-cash charge of \$19,982,000 to the Oil and Gas Division. Earnings for 1996 were also aided by lower dry hole and abandonment charges, lower geophysical expense and reduced depletion per production unit than in the previous two years. During the past three years the Company has not hedged any of its oil or natural gas production and does not intend to do so during 1997. Therefore, increases or decreases in its product prices will affect its ongoing results accordingly.

A lawsuit was filed in an Oklahoma state court in November of 1995 against Helmerich & Payne, Inc., in which five named plaintiffs, on behalf of themselves and other unnamed plaintiffs, are demanding their royalty share of a gas contract settlement. The plaintiffs are attempting to certify a class which would contain certain of the Company's lessors and certain other mineral owners who own an interest in wells covered by such gas contract settlement. If a certified class is awarded a royalty share of the gas contract settlement, then any such award could have a material impact on income from continuing operations for the applicable quarter. Management believes that any such award should not exceed approximately \$2.7 million.

Natural gas marketing revenues, which are primarily derived from selling natural gas produced by other companies (third party), increased to \$58,507,000 in 1996, from \$35,301,000 in 1995, and \$51,889,000 in 1994. Operating profit was \$3,415,000 in 1996, \$1,892,000 in 1995, and \$1,525,000 in 1994. The Company's approach has been to use the existing capacity of its personnel and facilities to derive additional profit from matching its customers with third party producers when the marketing situation is not conducive to the sale of the Company's own natural gas. Although revenues are likely to increase during periods of rising natural gas prices, it is expected that competition will continue to limit fees and premiums for third party natural gas sales.

REAL ESTATE DIVISION revenues of \$8,082,000 for 1996 were up slightly over 1995 and 1994, and operating profit improved to \$5,055,000 during 1996 as occupancy levels increased, particularly in the Company's industrial properties. Operating profit for 1995 was down from normal levels due to a \$2,000,000 charge to two properties in connection with the adoption of SFAS No. 121. No major changes are anticipated in the Real Estate Division for 1997.

On August 30 of this year, the Company exchanged all of the stock in its wholly-owned subsidiary and chemical division, Natural Gas Odorizing, Inc. (NGO), for 2,018,928 shares of Occidental Petroleum Corporation common stock in a tax-free transaction valued at \$48 million. The sale yielded a gain of \$24.1 million (net of deferred income taxes of approximately \$14.8 million) which is reported as gain on sale of discontinued operations. Prior period operating results for the division are reported as discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company has maintained a very strong balance sheet for many years with current ratios above 1.74 for the last three years. During 1996, the Company reduced its committed line of credit from \$75 million

to \$50 million. At year-end, the Company had borrowed \$5,000,000 under this line of credit and had letters of credit outstanding in the amount of \$6,991,000. At the end of 1995, the Company had borrowed \$21,700,000. The borrowing in 1995 was the first time the Company had gone to outside sources for capital funding since the early 1980's.

Capital expenditures for each of the last three years were over \$100 million and exceeded the funds generated internally during 1994 and 1995. Cash provided by operating activities totaled \$124,923,000 for 1996, \$88,572,000 for 1995, and \$79,909,000 for 1994. It is anticipated that during 1997 capital expenditures will be approximately \$130 million and, although internally generated cash is projected to be slightly higher in 1997 than in 1996, additional borrowing may be necessary. Capital expenditures budgeted for 1997 include continued exploration and development drilling activities and major offshore platform rig construction projects for Gulf of Mexico operations. Capital expenditure totals could be significantly increased by additional projects now being considered. Additional borrowings and/or portfolio liquidations would fund the potential increase in spending.

The Company manages a large portfolio of marketable securities which had a cost basis of \$138,599,000 at September 30, 1996, and a total market value at that time of \$274,994,000, including its investment in Atwood Oceanics, Inc. During 1995, the Company adopted SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, which resulted in a balance sheet adjustment to market values for investments in companies owned less than 20 percent. Accordingly, a deferred tax estimate was added to deferred taxes under the liability section and the net unrealized holding gains were reflected in the shareholders' equity section of the balance sheet. During 1996, the Company paid a dividend of \$.505 per share which represented the 25th consecutive year of dividend increases.

STOCK PORTFOLIO HELD BY THE COMPANY

| September 30, 1996 | Number of Shares | Book Value | Market Value |
|----------------------------------|--------------------------------------|------------|--------------|
| | (in thousands, except share amounts) | | |
| Occidental Petroleum | 2,018,928 | \$ 48,000 | \$ 47,192 |
| Atwood Oceanics, Inc. | 1,600,000 | 25,215 | 70,400 |
| Schlumberger, Ltd. | 740,000 | 23,511 | 62,530 |
| Sun Company, Inc. | 466,451 | 5,742 | 10,728 |
| Sun Company PFD A | 329,053 | 3,192 | 7,897 |
| Phillips Petroleum Company | 240,000 | 5,976 | 10,260 |
| Liberty Bancorp | 395,000 | 5,743 | 15,010 |
| Oryx Energy Company | 625,000 | 6,032 | 11,094 |
| Oneok | 225,000 | 2,751 | 6,188 |
| Other | | 12,437 | 33,695 |
| | | ----- | ----- |
| Total | | \$ 138,599 | \$ 274,994 |
| | | ===== | ===== |

CONSOLIDATED STATEMENTS OF INCOME

HELMERICH & PAYNE, INC.

| Years Ended September 30, | 1996 | 1995 | 1994 |
|---|-----------|-----------|-----------|
| (in thousands, except per share amounts) | | | |
| REVENUES: | | | |
| Sales and other operating revenues | \$387,473 | \$295,875 | \$303,849 |
| Income from investments | 5,782 | 10,846 | 6,303 |
| | ----- | ----- | ----- |
| | 393,255 | 306,721 | 310,152 |
| COSTS AND EXPENSES: | | | |
| Operating costs | 229,584 | 188,497 | 201,637 |
| Depreciation, depletion and amortization | 59,442 | 76,443 | 49,414 |
| Dry holes and abandonments | 7,986 | 10,095 | 10,369 |
| Taxes, other than income taxes | 16,939 | 14,990 | 15,134 |
| General and administrative | 9,083 | 8,801 | 8,908 |
| Interest | 678 | 407 | 385 |
| | ----- | ----- | ----- |
| | 323,712 | 299,233 | 285,847 |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EQUITY IN INCOME OF AFFILIATE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | | | |
| | 69,543 | 7,488 | 24,305 |
| INCOME TAX EXPENSE | 25,803 | 2,786 | 8,101 |
| EQUITY IN INCOME OF AFFILIATE net of income taxes | 1,686 | 1,086 | 904 |
| | ----- | ----- | ----- |
| INCOME FROM CONTINUING OPERATIONS | 45,426 | 5,788 | 17,108 |
| INCOME FROM DISCONTINUED OPERATIONS | 3,090 | 3,963 | 3,863 |
| GAIN ON SALE OF DISCONTINUED OPERATIONS | 24,050 | -- | -- |
| | ----- | ----- | ----- |
| INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 72,566 | 9,751 | 20,971 |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | -- | -- | 4,000 |
| | ----- | ----- | ----- |
| NET INCOME | \$ 72,566 | \$ 9,751 | \$ 24,971 |
| | ===== | ===== | ===== |
| PER COMMON SHARE: | | | |
| INCOME FROM CONTINUING OPERATIONS | \$ 1.84 | \$.24 | \$.70 |
| INCOME FROM DISCONTINUED OPERATIONS | .13 | \$.16 | \$.16 |
| GAIN ON SALE OF DISCONTINUED OPERATIONS | .97 | -- | -- |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | -- | -- | .16 |
| | ----- | ----- | ----- |
| NET INCOME | \$ 2.94 | \$.40 | \$ 1.02 |
| | ===== | ===== | ===== |
| AVERAGE COMMON SHARES OUTSTANDING | 24,690 | 24,536 | 24,416 |
| | ===== | ===== | ===== |

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS

HELMERICH & PAYNE, INC.

ASSETS

| | September 30, | 1996 | 1995 |
|--|---------------|----------------|------------|
| | | (in thousands) | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | \$ 16,892 | \$ 19,543 |
| Short-term investments | | 1,005 | 8,989 |
| Accounts receivable, less reserve of \$712 and \$489 | | 75,374 | 57,034 |
| Inventories | | 16,915 | 19,329 |
| Prepaid expenses and other | | 4,182 | 5,628 |
| Net assets of discontinued operations | | | 6,836 |
| | | ----- | ----- |
| Total current assets | | 114,368 | 117,359 |
| | | ----- | ----- |
| INVESTMENTS | | 229,809 | 156,908 |
| | | ----- | ----- |
| PROPERTY, PLANT AND EQUIPMENT, at cost: | | | |
| Contract drilling equipment | | 568,110 | 501,682 |
| Oil and gas properties | | 401,804 | 392,806 |
| Real estate properties | | 46,970 | 46,642 |
| Other | | 53,547 | 55,655 |
| | | ----- | ----- |
| | | 1,070,431 | 996,785 |
| Less--Accumulated depreciation, depletion and amortization | | 606,935 | 578,492 |
| | | ----- | ----- |
| Net property, plant and equipment | | 463,496 | 418,293 |
| | | ----- | ----- |
| OTHER ASSETS | | 14,241 | 14,501 |
| | | ----- | ----- |
| TOTAL ASSETS | | \$ 821,914 | \$ 707,061 |
| | | ===== | ===== |

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

| September 30, | 1996 | 1995 |
|--|-----------|-----------|
| (in thousands) | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 25,622 | \$ 25,462 |
| Accrued liabilities | 31,943 | 20,159 |
| Notes payable | 5,000 | 21,700 |
| Total current liabilities | 62,565 | 67,321 |
| NONCURRENT LIABILITIES: | | |
| Deferred income taxes | 98,335 | 66,062 |
| Other | 15,044 | 11,243 |
| Total noncurrent liabilities | 113,379 | 77,305 |
| SHAREHOLDERS' EQUITY: | | |
| Common stock, \$.10 par value, 80,000,000 shares authorized, 26,764,476 shares issued | 2,677 | 2,677 |
| Preferred stock, no par value, 1,000,000 shares authorized, no shares issued | | |
| Additional paid-in capital | 50,410 | 48,436 |
| Net unrealized holding gains | 56,550 | 38,004 |
| Retained earnings | 557,543 | 495,692 |
| Lesstreasury stock, 1,878,840 shares in 1996 and 1,999,856 shares in 1995, at cost | 667,180 | 584,809 |
| Total shareholders' equity | 21,210 | 22,374 |
| Total shareholders' equity | 645,970 | 562,435 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$821,914 | \$707,061 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

HELMERICH & PAYNE, INC.

| | Common Stock | | Additional Paid-In Capital | Net Unrealized Holding Gains | Retained Earnings | Treasury Stock | |
|--|----------------|----------|----------------------------------|---------------------------------------|----------------------|----------------|-------------|
| | Shares | Amount | | | | Shares | Amount |
| | (in thousands) | | | | | | |
| Balance, September 30, 1993 | 26,764 | \$ 2,677 | \$ 47,412 | \$-- | \$ 482,405 | 2,127 | \$ (23,567) |
| Cash dividends (\$.49 per share) | -- | -- | -- | -- | (12,097) | -- | -- |
| Exercise of stock options | -- | -- | 549 | -- | -- | (43) | 415 |
| Lapse of restrictions on Restricted Stock Awards | -- | -- | (246) | -- | -- | -- | -- |
| Stock issued under Restricted Stock Award Plan | -- | -- | 481 | -- | (814) | (30) | 333 |
| Amortization of deferred compensation | -- | -- | -- | -- | 1,815 | -- | -- |
| Net income | -- | -- | -- | -- | 24,971 | -- | -- |
| Balance, September 30, 1994 | 26,764 | 2,677 | 48,196 | -- | 496,280 | 2,054 | (22,819) |
| Adjustment to beginning balance for change in accounting method, net of income taxes of \$21,106 | -- | -- | -- | 34,435 | -- | -- | -- |
| Change in net unrealized holding gains, net of income taxes of \$2,187 | -- | -- | -- | 3,569 | -- | -- | -- |
| Cash dividends (\$.50 per share) | -- | -- | -- | -- | (12,372) | -- | -- |
| Exercise of stock options | -- | -- | 859 | -- | -- | (69) | 615 |
| Lapse of restrictions on Restricted Stock Awards | -- | -- | (229) | -- | -- | -- | -- |
| Forfeiture of Restricted Stock Award .. | -- | -- | (390) | -- | 560 | 15 | (170) |
| Amortization of deferred compensation | -- | -- | -- | -- | 1,473 | -- | -- |
| Net income | -- | -- | -- | -- | 9,751 | -- | -- |
| Balance, September 30, 1995 | 26,764 | 2,677 | 48,436 | 38,004 | 495,692 | 2,000 | (22,374) |
| Change in net unrealized holding gains, net of income taxes of \$11,367 | -- | -- | -- | 18,546 | -- | -- | -- |
| Cash dividends (\$.51 per share) | -- | -- | -- | -- | (12,670) | -- | -- |
| Exercise of stock options | -- | -- | 2,197 | -- | -- | (131) | 1,274 |
| Lapse of restrictions on Restricted Stock Awards | -- | -- | (61) | -- | -- | -- | -- |
| Forfeiture of Restricted Stock Award .. | -- | -- | (162) | -- | 272 | 10 | (110) |
| Amortization of deferred compensation | -- | -- | -- | -- | 1,683 | -- | -- |
| Net income | -- | -- | -- | -- | 72,566 | -- | -- |
| Balance, September 30, 1996 | 26,764 | \$ 2,677 | \$ 50,410 | \$ 56,550 | \$ 557,543 | 1,879 | \$ (21,210) |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

HELMERICH & PAYNE, INC.

| | Years Ended September 30, | 1996 | 1995 | 1994 |
|--|---------------------------|-----------|----------------|-----------|
| | | | (in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | | \$ 72,566 | \$ 9,751 | \$ 24,971 |
| Adjustments to reconcile net income to net cash provided by operating activities- | | | | |
| Discontinued operations | | (27,140) | (3,963) | (3,863) |
| Depreciation, depletion and amortization | | 59,442 | 76,443 | 49,414 |
| Dry holes and abandonments | | 7,986 | 10,095 | 10,369 |
| Cumulative effect of change in accounting principle | | -- | -- | (4,000) |
| Equity in income of affiliate before income taxes | | (2,720) | (1,752) | (1,458) |
| Amortization of deferred compensation | | 1,683 | 1,473 | 1,815 |
| Gain on sale of securities | | (566) | (5,697) | (124) |
| Loss (gain) on sale of property, plant and equipment, other | | 776 | (1,195) | (2,539) |
| Change in assets and liabilities: | | | | |
| Accounts receivable | | (18,340) | 275 | (3,864) |
| Inventories | | 2,435 | 86 | (3,260) |
| Prepaid expenses and other | | 1,706 | (2,768) | 5,047 |
| Accounts payable | | (1,115) | 3,030 | (1,317) |
| Accrued liabilities | | 14,237 | (2,701) | 1,023 |
| Deferred income taxes | | 6,668 | (1,630) | 4,106 |
| Other noncurrent liabilities | | 3,802 | 2,563 | (1,857) |
| Total adjustments | | 48,854 | 74,259 | 49,492 |
| Net cash provided by continuing activities | | 121,420 | 84,010 | 74,463 |
| Net cash provided by discontinued operations | | 3,503 | 4,562 | 5,446 |
| Net cash provided by operating activities | | 124,923 | 88,572 | 79,909 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Capital expenditures, including dry hole costs, from continuing operations | | (109,985) | (109,901) | (102,264) |
| Proceeds from sale of property, plant and equipment | | 3,987 | 2,923 | 5,971 |
| Purchase of investments | | (1,196) | (12,858) | (1,500) |
| Proceeds from sale of investments | | 619 | 11,713 | 373 |
| Discontinued operations | | (2,746) | (977) | (619) |
| Purchase of short-term investments | | -- | -- | (12) |
| Proceeds from sale of short-term investments | | 7,984 | 7 | 124 |
| Net cash used in investing activities | | (101,337) | (109,093) | (97,927) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Payments made on long-term debt | | -- | -- | (3,139) |
| Proceeds from notes payable | | 35,000 | 37,100 | -- |
| Payments made on notes payable | | (51,700) | (15,400) | -- |
| Dividends paid | | (12,530) | (12,365) | (11,965) |
| Proceeds from exercise of stock options | | 2,993 | 1,282 | 913 |
| Net cash provided by (used in) financing activities | | (26,237) | 10,617 | (14,191) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (2,651) | (9,904) | (32,209) |
| CASH AND CASH EQUIVALENTS, beginning of period | | 19,543 | 29,447 | 61,656 |
| CASH AND CASH EQUIVALENTS, end of period | | \$ 16,892 | \$ 19,543 | \$ 29,447 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HELMERICH & PAYNE, INC. September 30, 1996, 1995 and 1994

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. Foreign currency transaction gains for 1996 and 1995 were \$764,000 and \$1,845,000, respectively, with a loss of \$2,764,000 for 1994.

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 developed oil and gas reserves determined by the Company and reviewed by independent engineers. Undeveloped leases are amortized based on management's estimate of recoverability. Costs of surrendered leases are charged to the amortization reserve.

Effective July 1, 1995, the Company adopted 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", which requires impairment losses to be evaluated for long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the assets carrying amount. Adoption of SFAS No. 121 resulted in a before-tax impairment charge of \$22 million which is included in depreciation, depletion and amortization expense. After-tax, the impairment charge reduced 1995 net income by \$13.6 million, \$.55 per share. The before-tax impairment charges included \$20 million for proved Exploration and Production properties and \$2 million for Real Estate properties. The Company evaluates impairment of exploration and production assets on a field by field basis. Fair values on all long-lived assets are 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 | 4-10 |
| Real estate buildings and equipment | 10-50 |
| Other | 3-33 |

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.

DRILLING REVENUE -

Substantially all drilling contracts are daywork contracts and drilling revenues and expenses are recognized as work progresses.

GAS IMBALANCES -

The Company recognizes revenues from gas wells on the sales method, and a liability is recorded for permanent imbalances.

INVESTMENTS -

The Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", effective October 1, 1994. SFAS No. 115 requires that available-for-sale securities be carried at their fair value determined based on quoted market prices. Upon adoption of

SFAS No. 115, the Company recorded an increase to shareholders' equity of \$34 million, which was net of income taxes of \$21 million.

The cost of securities used in determining realized gains and losses is based on average cost of the security sold.

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 23.9 percent and 24.14 percent of Atwood Oceanics, Inc. (Atwood) at September 30, 1996 and 1995, respectively. The quoted market value of the Company's investment was \$70,400,000 and \$32,100,000 at September 30, 1996 and 1995, respectively. Retained earnings at September 30, 1996 include approximately \$13,034,000 of undistributed earnings of Atwood.

Summarized financial information of Atwood is as follows:

| | 1996 | 1995 | 1994 |
|--|----------------|-----------|-----------|
| | (in thousands) | | |
| Gross revenues | \$ 84,760 | \$ 77,315 | \$ 68,045 |
| Costs and expenses | 73,392 | 70,255 | 62,045 |
| Net income | \$ 11,368 | \$ 7,060 | \$ 6,000 |
| Helmerich & Payne, Inc.'s equity in net income, net of income taxes | \$ 1,686 | \$ 1,086 | \$ 904 |
| Current assets | \$ 44,170 | \$ 34,266 | \$ 37,965 |
| Noncurrent assets | 115,139 | 118,587 | 115,065 |
| Current liabilities | 18,019 | 20,505 | 13,752 |
| Noncurrent liabilities | 35,736 | 37,456 | 53,000 |
| Shareholders' equity | 105,554 | 94,892 | 86,278 |
| Helmerich & Payne, Inc.'s investment | \$ 25,215 | \$ 22,495 | \$ 20,743 |

INCOME TAXES -

Effective October 1, 1993, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes." Under Statement No. 109, 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 the Company's coverage 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 -

Earnings per share are based on the weighted average number of shares of common stock outstanding during the year. Common stock equivalents are insignificant, and therefore, have not been considered in the earnings per share computation.

NOTE 2 SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

The Company maintains a line of credit agreement with certain banks which provides for maximum borrowing of \$50,000,000 at adjustable interest rates. Under the agreement, \$50,000,000 may be borrowed through May 1997, and \$10,000,000 may be borrowed through May 1998. As of September 30, 1996, the Company had borrowed \$5,000,000 at a rate of 8.25% and had letters of credit outstanding in the amount of \$6,991,000, leaving an unused portion of \$38,009,000. Under the line of credit agreement the Company must meet certain requirements regarding levels of debt, net worth and earnings.

The Company has an additional \$14.0 million line of credit with a bank to be used primarily for letters of credit. As of September 30, 1996, the Company had letters of credit outstanding in the amount of \$2,547,222 leaving an unused portion of \$11,452,778.

NOTE 3 INCOME TAXES

Effective October 1, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by FASB Statement No. 109, "Accounting for Income Taxes." The cumulative effect of adopting Statement No. 109 as of October 1, 1993 was to increase net income by \$4,000,000.

The components of the provision (credit) for income taxes from continuing operations are as follows:

| | Years Ended September 30, | 1996 | 1995 | 1994 |
|----------|---------------------------|------|------|------|
| | (in thousands) | | | |
| CURRENT: | | | | |

| | | | |
|------------------------|-----------|----------|----------|
| Federal | \$ 8,909 | \$ (802) | \$ 1,451 |
| Foreign | 11,037 | 6,104 | 2,677 |
| State | 1,050 | 276 | 649 |
| | ----- | ----- | ----- |
| | 20,996 | 5,578 | 4,777 |
| | ----- | ----- | ----- |
| DEFERRED: | | | |
| Federal | 3,757 | (3,083) | (29) |
| Foreign | 725 | 534 | 3,430 |
| State | 325 | (243) | (77) |
| | ----- | ----- | ----- |
| | 4,807 | (2,792) | 3,324 |
| | ----- | ----- | ----- |
| TOTAL PROVISION: | \$ 25,803 | \$ 2,786 | \$ 8,101 |
| | ===== | ===== | ===== |
| | ----- | ----- | ----- |

The amounts of domestic and foreign income are as follows:

| | Years Ended September 30, | | |
|--|---------------------------|------------|-----------|
| | 1996 | 1995 | 1994 |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EQUITY IN INCOME OF AFFILIATE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE: | | | |
| Domestic | \$ 41,299 | \$(11,399) | \$ 11,885 |
| Foreign | 28,244 | 18,887 | 12,420 |
| | \$ 69,543 | \$ 7,488 | \$ 24,305 |

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

| | Years Ended September 30, | | |
|--|---------------------------|------|------|
| | 1996 | 1995 | 1994 |
| U.S. Federal income tax rate | 35% | 35% | 35% |
| Dividends received deduction | (1) | (8) | (3) |
| Excess statutory depletion | -- | (3) | (1) |
| Effect of higher foreign tax rates | 2 | 19 | 4 |
| Non-conventional fuel source credits utilized | (1) | (8) | (2) |
| Other, net | 2 | 2 | -- |
| Effective income tax rate | 37% | 37% | 33% |

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

| | At September 30, | |
|--------------------------------------|------------------|-----------|
| | 1996 | 1995 |
| | (in thousands) | |
| DEFERRED TAX LIABILITIES: | | |
| Property, plant and equipment | \$ 46,706 | \$ 39,921 |
| Available-for-sale securities | 49,889 | 23,293 |
| Pension provision | 4,720 | 4,774 |
| Equity investment | 4,840 | 3,920 |
| Other | 709 | 919 |
| Total deferred tax liabilities | 106,864 | 72,827 |
| DEFERRED TAX ASSETS: | | |
| Financial accruals | 5,213 | 4,733 |
| Other | 3,316 | 2,032 |
| Total deferred tax assets | 8,529 | 6,765 |
| NET DEFERRED TAX LIABILITIES | \$ 98,335 | \$ 66,062 |

NOTE 4 STOCK OPTIONS, AWARD PLAN AND RIGHTS

The Company has reserved 1,179,962 shares of its treasury stock to satisfy the exercise of stock options issued under the 1982 and 1990 Stock Option Plans. Options awarded under these plans are granted at prices equal to at least market price on the date of grant. Options granted under the 1982 plan have a term of nine years while options granted under the 1990 plan have a term of seven years. Options granted under both plans become exercisable in increments as outlined in the plans.

Activity for the incentive stock option plans, was as follows:

| | Years Ended September 30, | | |
|---------------------------------|---------------------------|----------|----------|
| | 1996 | 1995 | 1994 |
| Outstanding at October 1, | 841,271 | 835,879 | 780,079 |
| Granted | 247,000 | 107,750 | 110,250 |
| Exercised | (140,015) | (78,094) | (46,510) |

| | | | |
|--|----------|----------|----------|
| Cancelled | (94,146) | (24,264) | (7,940) |
| | ----- | ----- | ----- |
| Outstanding at September 30, | 854,110 | 841,271 | 835,879 |
| | ===== | ===== | ===== |
| Exercisable at September 30, | 74,224 | 110,399 | 70,889 |
| | ===== | ===== | ===== |
| Weighted average exercise price of options outstanding | \$ 27.25 | \$ 26.39 | \$ 25.65 |
| | ===== | ===== | ===== |
| Weighted average exercise price of options exercised | \$ 23.51 | \$ 19.68 | \$ 21.77 |
| | ===== | ===== | ===== |
| ----- | | | |

The Financial Accounting Standards Board has issued a new accounting standard, FAS No. 123 "Accounting for Stock-Based Compensation", effective for fiscal years beginning after December 15, 1995. As provided for in the standard, the Company will not adopt the recognition provisions and will provide the pro forma net income and earnings-per-share disclosures required by the standard in its annual financial statements for the year ending September 30, 1997. The Company currently follows Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees". Under this standard, because the exercise price of the Company's fixed plan common stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

As of September 30, 1996, the Company has issued 360,000 shares of treasury stock under a Restricted Stock Award Plan (the "Plan"). The Company recognized deferred compensation totalling \$12,832,000, which was the fair market value of the stock at the time of issuance, as a reduction of retained earnings. Treasury stock was reduced by the book value of the shares issued, \$4,058,000. The difference was recognized as an increase in paid-in capital. The deferred compensation is being amortized over a seven-year period as compensation expense. The unamortized balance at September 30, 1996 and 1995 was \$1,235,000 and \$3,189,000, respectively. Restrictions lapsed with respect to 68,000 shares, 61,000 shares and 61,000 shares in 1996, 1995 and 1994, respectively, and the shares were released to Plan participants. There were forfeitures of 10,000 and 15,000 shares in 1996 and 1995, respectively.

On January 8, 1996, the Company extended the benefits afforded by its existing rights plan by adopting a new stockholder rights plan. On September 30, 1996, the Company had 24,885,636 outstanding common stock purchase rights ("Rights"). Under the terms of the new plan each Right entitled the holder thereof to purchase from the Company a 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 10 business days after a person acquires 15% or more of the outstanding common stock or 10 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 \$.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 Right with each new share of common stock issued.

NOTE 5 FINANCIAL INSTRUMENTS

Short-term investments consist mainly of U.S. treasury notes carried at cost, which approximates fair value. Notes payable bear interest at market rates and are carried at cost which approximates fair value.

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, 1996 | \$ 113,384 | \$92,081 | \$871 | \$204,594 |
| September 30, 1995 | \$ 64,804 | \$61,455 | \$158 | \$126,101 |

During the years ended September 30, 1996, 1995, and 1994, marketable equity available-for-sale securities with a fair value at the date of sale of \$619,000, \$11,713,000 and \$373,000, respectively, were sold. The gross realized gains on such sales of available-for-sale securities totaled \$596,000, \$5,734,000 and \$124,000, respectively, and the gross realized losses totaled \$30,000, \$37,000 and \$0, respectively.

NOTE 6 DISCONTINUED OPERATIONS

Effective August 30, 1996, Helmerich & Payne, Inc. exchanged all of the common stock of its wholly-owned subsidiary, Natural Gas Odorizing, Inc. (NGO), to Occidental Petroleum Corporation (OPC) for 2,018,928 shares of OPC common stock with a fair market value of approximately \$48 million. The sale yielded a gain of \$24.1 million (net of deferred income taxes of approximately \$14.8 million) which is reported as gain on sale of discontinued operations. NGO comprised the Company's chemical operations. Prior period operating results for such operations are reported as discontinued operations. Summarized operating results of discontinued operations are as follows:

| | Years Ended September 30, | 1996 | 1995 | 1994 |
|--|---------------------------|------|------|------|
| | ----- | | | |
| | (in thousands) | | | |

| | | | |
|---|----------|----------|----------|
| Revenues | \$19,540 | \$19,055 | \$18,849 |
| Operating Profit | 5,656 | 6,221 | 5,994 |
| Provision for income taxes | 2,566 | 2,258 | 2,131 |
| Income from discontinued operations | 3,090 | 3,963 | 3,863 |

The assets and liabilities that were transferred to OPC in the sale are presented in the Consolidated Balance Sheet on a net basis at September 30, 1995. Net assets consist of current assets (\$4.5 million), net property, plant and equipment (\$5.4 million), less current liabilities (\$2.3 million) and other liabilities (\$0.8 million).

NOTE 7 EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT PLANS:

The Company has noncontributory pension plans covering substantially all of its employees, including certain employees in foreign countries. The Company makes annual contributions to the plans equal to the maximum amount allowable for tax reporting purposes. Future service benefits are determined using a 1.5 percent career average formula.

The net periodic pension expense (credit) included the following components:

| Years Ended September 30, | 1996 | 1995 | 1994 |
|--|----------------|----------|----------|
| | (in thousands) | | |
| Service cost-benefits earned during the year | \$ 1,979 | \$ 1,589 | \$ 1,557 |
| Interest cost on projected benefit obligations | 1,553 | 1,301 | 1,191 |
| Return on plan assets | (3,214) | (2,798) | (2,639) |
| Net amortization and deferral | (304) | (301) | (302) |
| Net pension expense (credit) | \$ 14 | \$ (209) | \$ (193) |

The discount rates used in determining the actuarial value of the projected benefit obligation for 1996, 1995 and 1994 were 7.75%, 7.25% and 7.5%, respectively. The average expected rate of return on plan assets was 8.5% for 1996, 1995 and 1994. The assumed rate of increase in compensation was 5.0% for 1996, 1995 and 1994.

The following table sets forth the plans' funded status and amounts recognized in the balance sheet:

| At September 30, | 1996 | 1995 |
|---|----------------|-----------|
| | (in thousands) | |
| Actuarial present value of benefit obligations: | | |
| Vested benefit obligation | \$ 17,376 | \$ 16,199 |
| Accumulated benefit obligation | \$ 20,675 | \$ 19,215 |
| Projected benefit obligation | \$ 23,534 | \$ 21,735 |
| Plan assets at fair value, primarily listed stocks, U.S. Government securities and guaranteed insurance contracts | \$ 42,609 | \$ 38,114 |
| Projected benefit obligation less than plan assets | \$ 19,075 | \$ 16,379 |
| Unrecognized net gain, including unrecognized net assets existing at October 1, 1987 | (8,430) | (5,959) |
| Unrecognized prior service cost | 1,740 | 1,978 |
| Prepaid pension cost | \$ 12,385 | \$ 12,398 |

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 \$1,908,000, \$1,735,000 and \$1,588,000 in 1996, 1995 and 1994, respectively.

NOTE 8 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

| At September 30, | 1996 | 1995 |
|---|----------------|----------|
| | (in thousands) | |
| Accrued royalties payable | \$ 7,709 | \$ 5,977 |
| Accrued taxes payable - operations | 4,645 | 2,521 |
| Accrued income taxes payable | 4,915 | 388 |
| Accrued workers compensation claims | 2,561 | 1,280 |
| Accrued equipment cost | 2,197 | 4,017 |

| | | |
|-------------|----------|----------|
| Other | 9,916 | 5,976 |
| | ----- | ----- |
| | \$31,943 | \$20,159 |
| | ===== | ===== |

NOTE 9 SUPPLEMENTAL CASH FLOW INFORMATION

| Years Ended September 30, | 1996 | 1995 | 1994 |
|-------------------------------|----------|----------|----------|
| (in thousands) | | | |
| Cash payments: | | | |
| Interest paid | \$ 798 | \$ 408 | \$ 371 |
| Income taxes paid: | | | |
| Continuing operations | 15,491 | 2,102 | 7,059 |
| Discontinued operations | 2,563 | 2,522 | 2,457 |
| Noncash investing activity: | | | |
| Accrued equipment cost | \$ 2,197 | \$ 4,016 | \$ 3,000 |

NOTE 10 RISK FACTORS**CONCENTRATIONS 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 its temporary cash investments with high quality financial institutions and limits the amount of credit exposure to any one financial institution. The Company's trade receivables are primarily with a variety of companies in the oil and gas industry. Management requires collateral for certain receivables of customers in its natural gas marketing operations.

INTERNATIONAL 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.

NOTE 11 SEGMENT INFORMATION

The Company operates principally in the contract drilling and oil and gas industries. 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 and Ecuador. Oil and gas activities consist of ownership of mineral interests in productive oil and gas leases and undeveloped leases located primarily in Oklahoma, Texas, Kansas and Louisiana. Intersegment sales, which are accounted for in the same manner as sales to unaffiliated customers, are not material. Operating profit is total revenue less operating expenses. In computing operating profit, the following items have not been considered: equity in income of affiliate; income from investments; general corporate expenses; interest expense; and domestic and foreign income taxes. Identifiable assets by segment are those assets that are used in the Company's operations in each segment. Corporate assets are principally cash and cash equivalents, short-term investments and investments in marketable securities.

Revenues from one company doing business with the contract drilling segment accounted for approximately 19 percent, 18 percent, and 14 percent of the total consolidated revenues during the years ended September 30, 1996, 1995 and 1994, respectively. Collectively, revenues from three companies controlled by the Venezuelan government accounted for approximately 12.8 percent and 13.4 percent of total consolidated revenues for the year ended September 30, 1996 and 1995, respectively.

Summarized revenues and operating profit by industry segment for the years ended September 30, 1996, 1995 and 1994 are located on page 10. Additional financial information by industry segment is as follows:

| Years Ended September 30, | 1996 | 1995 | 1994 |
|---|-----------|----------|-----------|
| (in thousands) | | | |
| Net Income (loss): | | | |
| Contract Drilling - Domestic | \$ 6,796 | \$ 4,506 | \$ 3,697 |
| Contract Drilling - International | 17,693 | 12,106 | 8,459 |
| Exploration and Production | 17,335 | (13,906) | 2,710 |
| Natural Gas Marketing | 2,247 | 1,230 | 869 |
| Real Estate Division | 3,121 | 1,324 | 2,751 |
| Other | (3,452) | (558) | (2,282) |
| Equity in income of affiliate | 1,686 | 1,086 | 904 |
| Net income from Continuing Operations | \$ 45,426 | \$ 5,788 | \$ 17,108 |
| Change in accounting principle | -- | -- | 4,000 |
| Discontinued operations | 27,140 | 3,963 | 3,863 |

| | | | |
|------------------|-----------|----------|-----------|
| Net Income | \$ 72,566 | \$ 9,751 | \$ 24,971 |
| | ===== | ===== | ===== |

| Years Ended September 30, | 1996 | 1995 | 1994 |
|--|-----------|-----------|-----------|
| (in thousands) | | | |
| Identifiable assets: | | | |
| Contract drilling - Domestic | \$169,363 | \$138,359 | \$132,804 |
| Contract drilling - International | 213,171 | 188,587 | 131,767 |
| Exploration and Production | 141,058 | 142,474 | 175,003 |
| Natural Gas Marketing | 15,602 | 10,192 | 8,846 |
| Real Estate division | 23,628 | 24,380 | 26,958 |
| Corporate and other | 259,092 | 196,233 | 133,442 |
| Discontinued operations | -- | 6,836 | 12,869 |
| | ----- | ----- | ----- |
| | \$821,914 | \$707,061 | \$621,689 |
| | ===== | ===== | ===== |
| Depreciation, depletion and amortization: | | | |
| Contract drilling - Domestic | \$ 13,879 | \$ 12,111 | \$ 10,990 |
| Contract drilling - International | 22,120 | 19,557 | 15,722 |
| Exploration and Production | 20,299 | 39,895 | 19,523 |
| Natural Gas Marketing | 725 | 298 | 290 |
| Real Estate division | 1,455 | 3,623 | 1,624 |
| Corporate and other | 964 | 959 | 1,265 |
| | ----- | ----- | ----- |
| Continuing operations | 59,442 | 76,443 | 49,414 |
| Discontinued operations | 754 | 672 | 654 |
| | ----- | ----- | ----- |
| | \$ 60,196 | \$ 77,115 | \$ 50,068 |
| | ===== | ===== | ===== |
| Capital expenditures: | | | |
| Contract drilling - Domestic | \$ 57,004 | \$ 32,503 | \$ 31,692 |
| Contract drilling - International | 24,801 | 55,044 | 25,723 |
| Exploration and Production | 24,320 | 20,956 | 45,809 |
| Natural Gas Marketing | 435 | 252 | 76 |
| Real Estate division | 776 | 907 | 916 |
| Corporate and other | 830 | 1,255 | 1,048 |
| | ----- | ----- | ----- |
| Continuing operations | 108,166 | 110,917 | 105,264 |
| Discontinued operations | 1,581 | 859 | 619 |
| | ----- | ----- | ----- |
| | \$109,747 | \$111,776 | \$105,883 |
| | ===== | ===== | ===== |

NOTE 12 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, | 1996 | 1995 | 1994 |
|--|-----------|-------------|-----------|
| (in thousands) | | | |
| Revenues | \$ 76,643 | \$ 47,986 | \$ 58,884 |
| Production costs | 20,080 | 18,035 | 18,854 |
| Exploration expense and valuation provisions | 9,931 | 14,017 | 17,262 |
| Depreciation, depletion and amortization | 20,299 | 39,895 | 19,523 |
| Income tax expense (benefit) | 9,187 | (7,243) | 890 |
| | ----- | ----- | ----- |
| Total cost and expenses | 59,497 | 64,704 | 56,529 |
| | ----- | ----- | ----- |
| Results of operations (excluding corporate overhead and interest costs) | \$ 17,146 | \$ (16,718) | \$ 2,355 |
| | ===== | ===== | ===== |

Capitalized Costs -

| At September 30, | 1996 | 1995 |
|-----------------------------|-----------|-----------|
| (in thousands) | | |
| Properties being amortized: | | |
| Proved properties | \$392,562 | \$384,755 |

| | | |
|---|-----------|-----------|
| Unproved properties | 9,242 | 8,051 |
| | ----- | ----- |
| Total costs being amortized | 401,804 | 392,806 |
| Less - Accumulated depreciation, depletion and amortization | 269,994 | 257,988 |
| | ----- | ----- |
| Net | \$131,810 | \$134,818 |
| | ===== | ===== |
| ----- | | |

Costs Incurred Relating to Oil and Gas Producing Activities -

| | Years Ended September 30, | | |
|-----------------------|---------------------------|----------|----------|
| | 1996 | 1995 | 1994 |
| | (in thousands) | | |
| Property acquisition: | | | |
| Proved | \$ 256 | \$ 1,228 | \$23,115 |
| Unproved | 3,178 | 1,565 | 4,893 |
| Exploration | 9,874 | 13,497 | 12,418 |
| Development | 14,131 | 9,703 | 12,888 |
| | | | |
| Total | \$27,439 | \$25,993 | \$53,314 |
| | ===== | ===== | ===== |

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 the Company and reviewed by independent engineers.

| | OIL (Bbls.) | GAS (Mmcf) |
|---|-------------|------------|
| Proved reserves at September 30, 1993 | 6,883,199 | 289,445 |
| Revisions of previous estimates | 302,200 | (819) |
| Extensions, discoveries and other additions | 261,114 | 8,818 |
| Production | (887,455) | (26,628) |
| Purchases of reserves-in-place | 159,580 | 19,900 |
| Sales of reserves-in-place | (8,427) | (64) |
| | ----- | ----- |
| Proved reserves at September 30, 1994 | 6,710,211 | 290,652 |
| Revisions of previous estimates | 124,361 | 5,222 |
| Extensions, discoveries and other additions | 328,539 | 8,775 |
| Production | (808,058) | (26,421) |
| Purchases of reserves-in-place | 310 | 1,934 |
| Sales of reserves-in-place | (26,251) | (116) |
| | ----- | ----- |
| Proved reserves at September 30, 1995 | 6,329,112 | 280,046 |
| Revisions of previous estimates | 629,154 | 5,098 |
| Extensions, discoveries and other additions | 298,986 | 21,311 |
| Production | (809,571) | (34,535) |
| Purchases of reserves-in-place | 21,912 | 647 |
| Sales of reserves-in-place | (1,477) | (266) |
| | ----- | ----- |
| Proved reserves at September 30, 1996 | 6,468,116 | 272,301 |
| | ===== | ===== |
| Proved developed reserves at | | |
| September 30, 1994 | 6,649,672 | 267,688 |
| | ===== | ===== |
| September 30, 1995 | 6,270,216 | 262,319 |
| | ===== | ===== |
| September 30, 1996 | 6,441,803 | 261,519 |
| | ===== | ===== |

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. 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

| | At September 30, | 1996 | 1995 |
|--|------------------|----------------|------------|
| | | (in thousands) | |
| Future cash inflows | | \$ 549,033 | \$ 429,259 |
| Future costs - | | | |
| Future production and development costs | | (193,047) | (173,633) |
| Future income tax expense | | (98,158) | (63,183) |
| Future net cash flows | | 257,828 | 192,443 |
| 10% annual discount for estimated timing of cash flows | | (103,964) | (81,509) |
| Standardized Measure of discounted future net cash flows ... | | \$ 153,864 | \$ 110,934 |

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

| | Years Ended September 30, | 1996 | 1995 | 1994 |
|---|---------------------------|----------------|-----------|-----------|
| | | (in thousands) | | |
| Standardized Measure - Beginning of year | | \$110,934 | \$124,623 | \$178,757 |
| Increases (decreases) - | | | | |
| Sales, net of production costs | | (56,563) | (29,951) | (40,030) |
| Net change in sales prices, net of production costs ... | | 59,479 | (12,917) | (80,347) |
| Discoveries and extensions, net of related future development and production costs | | 29,189 | 8,179 | 9,653 |
| Changes in estimated future development costs | | (6,651) | (4,672) | (14,571) |
| Development costs incurred | | 14,050 | 9,703 | 12,888 |
| Revisions of previous quantity estimates | | 5,731 | 2,825 | 483 |
| Accretion of discount | | 14,362 | 16,171 | 23,678 |
| Net change in income taxes | | (31,158) | (7,538) | 20,942 |
| Purchases of reserves-in-place | | 643 | 1,202 | 11,219 |
| Sales of reserves-in-place | | (124) | (51) | (62) |
| Other | | 13,972 | 3,360 | 2,013 |
| Standardized Measure - End of year | | \$153,864 | \$110,934 | \$124,623 |

NOTE 13 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

| | 1996 | | | |
|--|----------------|----------------|----------------|----------------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Revenues | \$ 88,427 | \$ 95,213 | \$101,358 | \$108,257 |
| Gross profit | 16,971 | 17,897 | 23,256 | 21,180 |
| Income from continuing operations | 9,468 | 9,802 | 12,650 | 13,506 |
| Income (loss) from discontinued operations ... | 1,625 | 1,225 | 508 | (268) |
| Gain on sale of discontinued operations | -- | -- | -- | 24,050 |
| Net income | 11,093 | 11,027 | 13,158 | 37,288 |
| Earnings (loss) per share: | | | | |
| Continuing operations | .38 | .40 | .51 | .55 |
| Discontinued operations | .07 | .05 | .02 | (.01) |
| Gain on sale of discontinued operations | -- | -- | -- | .97 |
| Net income | .45 | .45 | .53 | 1.51 |
| | ===== | | | |
| | 1995 | | | |
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Revenues | \$ 73,993 | \$ 73,350 | \$ 74,648 | \$ 84,730 |
| Gross profit (loss) | 6,273 | 8,818 | 8,760 | (7,155) |
| Income (loss) from continuing operations | 2,736 | 4,127 | 4,114 | (5,189) |
| Income from discontinued operations | 1,680 | 1,693 | 470 | 120 |
| Net income (loss) | 4,416 | 5,820 | 4,584 | (5,069) |
| Earnings (loss) per share: | | | | |
| Continuing operations | .11 | .17 | .17 | (.21) |
| Discontinued operations | .07 | -- | .02 | -- |
| Net income | .18 | .24 | .19 | (.21) |

Gross profit (loss) represents total revenues less operating costs, depreciation, depletion and amortization, dry holes and abandonments, and

taxes, other than income taxes.

Net income in the fourth quarter of 1996 includes the gain from sale of discontinued operations (see Note 6). All quarters presented have been restated to reflect discontinued operations. Net loss from continuing operations for the fourth quarter of 1995 includes an after-tax charge of \$13.6 million (\$.55 per share) related to the Company adopting SFAS No 121 (see note 1).

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, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 1996. 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 generally accepted auditing standards. 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, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective July 1, 1995, the Company adopted 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". As discussed in Note 1 to the financial statements, effective October 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and as discussed in Note 3 to the financial statements, effective October 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes."

/s/ ERNST & YOUNG L.L.P.

Tulsa, Oklahoma
November 15, 1996

STOCK PRICE INFORMATION

| QUARTERS | Closing Market Price Per Share | | | |
|-------------|--------------------------------|-----------|-----------|----------|
| | 1996 | | 1995 | |
| | HIGH | LOW | HIGH | LOW |
| First..... | \$ 30 1/8 | \$ 24 1/2 | \$ 31 1/4 | \$25 5/8 |
| Second..... | 34 1/2 | 27 | 27 1/2 | 24 1/2 |
| Third..... | 38 1/4 | 33 | 31 | 26 5/8 |
| Fourth..... | 43 5/8 | 34 3/4 | 30 | 27 5/8 |

DIVIDEND INFORMATION

| QUARTERS | Paid Per Share | | Total Payment | |
|-------------|----------------|--------|---------------|-------------|
| | 1996 | 1995 | 1996 | 1995 |
| | First..... | \$.125 | \$.125 | \$3,095,578 |
| Second..... | .125 | .125 | 3,100,568 | 3,087,958 |
| Third..... | .125 | .125 | 3,104,724 | 3,092,973 |
| Fourth..... | .130 | .125 | 3,229,596 | 3,094,813 |

STOCKHOLDERS' MEETING

The annual meeting of stockholders will be held on March 5, 1997. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about January 27, 1997.

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 16, 1996, there were 1,514 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 Liberty Bank of Oklahoma City at the following address:

The Liberty National Bank and Trust Company of Oklahoma City Stock Transfer Department
P.O. Box 25848
Oklahoma City, Oklahoma 73125-0848
Telephone: (405) 231-6325

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.

DIRECT INQUIRIES TO:

President
Helmerich & Payne, Inc.
Utica at Twenty- First
Tulsa, Oklahoma 74114
Telephone: (918) 742-5531

ELEVEN-YEAR FINANCIAL REVIEW

HELMERICH & PAYNE, INC.

| | Years Ended September 30, | | |
|--|---------------------------|-----------|---------|
| | 1996 | 1995 | 1994 |
| REVENUES AND INCOME* | | | |
| Contract Drilling Revenues | 244,338 | 203,325 | 182,781 |
| Crude Oil Sales | 15,378 | 13,227 | 13,161 |
| Natural Gas Sales | 60,500 | 33,851 | 45,261 |
| Gas Marketing Revenues | 57,817 | 34,729 | 51,874 |
| Real Estate Revenues | 8,076 | 7,560 | 7,396 |
| Dividend Income | 3,650 | 3,389 | 3,621 |
| Other Revenues | 3,496 | 10,640 | 6,058 |
| Total Revenues++ | 393,255 | 306,721 | 310,152 |
| Net Cash Provided by Continuing Operations++ ... | 121,420 | 84,010 | 74,463 |
| Income from Continuing Operations | 45,426 | 5,788 | 17,108 |
| Net Income(3)..... | 72,566 | 9,751 | 24,971 |
| PER SHARE DATA | | | |
| Income from Continuing Operations | 1.84 | .24 | .70 |
| Net Income(3)..... | 2.94 | .40 | 1.02 |
| Cash Dividends | .505 | .50 | .485 |
| Shares Outstanding* | 24,886 | 24,765 | 24,710 |
| FINANCIAL POSITION | | | |
| Net Working Capital* | 51,803 | 50,038 | 76,238 |
| Ratio of Current Assets to Current Liabilities . | 1.83 | 1.74 | 2.63 |
| Investments* | 229,809 | 156,908 | 87,414 |
| Total Assets* | 821,914 | 707,061 | 621,689 |
| Long-Term Debt* | -- | -- | -- |
| Shareholders' Equity* | 645,970 | 562,435 | 524,334 |
| CAPITAL EXPENDITURES* | | | |
| Contract Drilling Equipment | 79,269 | 80,943 | 53,752 |
| Wells and Equipment | 21,142 | 19,384 | 40,916 |
| Real Estate | 752 | 873 | 902 |
| Other Assets (includes undeveloped leases) | 7,003 | 9,717 | 9,695 |
| Discontinued Operations | 1,581 | 859 | 618 |
| Total Capital Outlays | 109,747 | 111,776 | 105,883 |
| PROPERTY, PLANT AND EQUIPMENT AT COST* | | | |
| Contract Drilling Equipment | 568,110 | 501,682 | 444,432 |
| Producing Properties | 392,562 | 384,755 | 377,371 |
| Undeveloped Leases | 9,242 | 8,051 | 11,729 |
| Real Estate | 46,970 | 46,642 | 47,827 |
| Other | 53,547 | 55,655 | 48,612 |
| Discontinued Operations | -- | 13,937 | 13,131 |
| Total Property, Plant and Equipment | 1,070,431 | 1,010,722 | 943,102 |

* 000's omitted

++ Chemical operations were sold August 30, 1996 (see note 6). Prior year amounts have been restated to exclude discontinued operations.

(3) Includes \$13.6 million (.55 per share) 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 (\$.16 per share) in 1994.

| 1993 | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 |
|---------|---------|---------|---------|---------|---------|---------|---------|
| 149,661 | 112,833 | 105,364 | 90,974 | 78,315 | 75,985 | 64,718 | 68,220 |
| 15,392 | 16,369 | 17,374 | 16,058 | 14,821 | 14,001 | 15,223 | 20,020 |
| 52,446 | 38,370 | 35,628 | 37,697 | 33,013 | 26,154 | 17,251 | 21,308 |
| 63,786 | 40,410 | 10,055 | 10,566 | -- | -- | -- | -- |
| 7,620 | 7,541 | 7,542 | 7,636 | 7,778 | 7,878 | 7,561 | 6,839 |
| 3,535 | 4,050 | 5,285 | 7,402 | 9,127 | 10,069 | 9,757 | 11,033 |
| 8,283 | 6,646 | 20,020 | 56,131 | 17,371 | 15,206 | 34,757 | 29,261 |
| 300,723 | 226,219 | 201,268 | 226,464 | 160,425 | 149,293 | 149,267 | 156,681 |
| 72,493 | 60,414 | 50,006 | 53,288 | 65,474 | 54,959 | 36,999 | 53,477 |
| 22,158 | 8,973 | 19,608 | 45,489 | 20,715 | 17,746 | 20,575 | 6,249 |
| 24,550 | 10,849 | 21,241 | 47,562 | 22,700 | 20,150 | 22,016 | 7,025 |
| ----- | | | | | | | |
| .91 | .37 | .81 | 1.88 | .86 | .73 | .85 | .25 |
| 1.01 | .45 | .88 | 1.97 | .94 | .83 | .91 | .28 |
| .48 | .465 | .46 | .44 | .42 | .40 | .38 | .36 |
| 24,637 | 24,576 | 24,488 | 24,485 | 24,173 | 24,166 | 24,187 | 24,187 |
| ----- | | | | | | | |
| 104,085 | 82,800 | 108,212 | 146,741 | 114,357 | 135,275 | 135,139 | 108,331 |
| 3.24 | 3.31 | 4.19 | 3.72 | 3.12 | 6.10 | 6.68 | 5.61 |
| 84,945 | 87,780 | 96,471 | 99,574 | 130,443 | 133,726 | 140,431 | 158,311 |
| 610,935 | 585,504 | 575,168 | 582,927 | 591,229 | 576,473 | 571,348 | 563,236 |
| 3,600 | 8,339 | 5,693 | 5,648 | 49,087 | 70,715 | 74,732 | 79,340 |
| 508,927 | 493,286 | 491,133 | 479,485 | 443,396 | 430,804 | 420,833 | 408,185 |
| ----- | | | | | | | |
| 24,101 | 43,049 | 56,297 | 18,303 | 17,901 | 19,110 | 13,993 | 23,673 |
| 23,142 | 21,617 | 34,741 | 16,489 | 30,673 | 25,936 | 27,402 | 11,767 |
| 436 | 690 | 2,104 | 1,467 | 878 | 3,095 | 6,128 | 1,409 |
| 5,901 | 16,984 | 6,793 | 5,448 | 6,717 | 2,496 | 2,012 | 2,026 |
| 629 | 158 | 2,594 | 1,153 | 815 | 815 | 336 | 281 |
| 54,209 | 82,498 | 102,529 | 42,860 | 56,984 | 51,452 | 49,871 | 39,156 |
| ----- | | | | | | | |
| 418,004 | 404,155 | 370,494 | 324,293 | 323,313 | 313,289 | 309,865 | 307,199 |
| 340,176 | 329,264 | 312,438 | 287,248 | 279,768 | 251,445 | 228,214 | 215,488 |
| 10,010 | 12,973 | 5,552 | 5,507 | 5,441 | 3,305 | 4,197 | 7,294 |
| 47,502 | 47,286 | 46,671 | 44,928 | 48,016 | 47,165 | 44,070 | 38,131 |
| 45,085 | 43,153 | 36,423 | 32,135 | 29,716 | 27,798 | 28,274 | 28,454 |
| 12,545 | 11,962 | 11,838 | 9,270 | 8,156 | 7,370 | 6,602 | 6,286 |
| 873,322 | 848,793 | 783,416 | 703,381 | 694,410 | 650,372 | 621,222 | 602,852 |

ELEVEN-YEAR OPERATING REVIEW

HELMERICH & PAYNE, INC.

| | Years Ended September 30, | 1996 | 1995 | 1994 |
|---|---------------------------|--------|--------|--------|
| CONTRACT DRILLING | | | | |
| Drilling Rigs, United States | | 41 | 41 | 47 |
| Drilling Rigs, International | | 36 | 35 | 29 |
| Contract Wells Drilled, United States | | 233 | 212 | 162 |
| Total Footage Drilled, United States* | | 2,499 | 1,933 | 1,842 |
| Average Depth per Well, United States | | 10,724 | 9,119 | 11,367 |
| Percentage Rig Utilization, United States ... | | 82% | 71 | 69 |
| Percentage Rig Utilization, International ... | | 85% | 84 | 88 |
| PETROLEUM EXPLORATION AND DEVELOPMENT | | | | |
| Gross Wells Completed | | 63 | 59 | 44 |
| Net Wells Completed | | 35.3 | 27.4 | 15 |
| Net Dry Holes | | 7.3 | 5.9 | 1.7 |
| PETROLEUM PRODUCTION | | | | |
| Net Crude Oil and Natural Gas Liquids | | | | |
| Produced (barrels daily) | | 2,212 | 2,214 | 2,431 |
| Net Oil Wells Owned-- Primary Recovery | | 176.9 | 186 | 202 |
| Net Oil Wells Owned-- Secondary Recovery | | 63.8 | 64 | 71 |
| Secondary Oil Recovery Projects | | 12 | 12 | 14 |
| Net Natural Gas Produced | | | | |
| (thousands of cubic feet daily) | | 94,358 | 72,387 | 72,953 |
| Net Gas Wells Owned | | 378 | 354 | 341 |
| NATURAL GAS ODORANTS AND OTHER CHEMICALS++ | | | | |
| Chemicals Sold (pounds)* | | 9,823 | 7,670 | 8,071 |
| REAL ESTATE MANAGEMENT | | | | |
| Gross Leasable Area (square feet)* | | 1,654 | 1,652 | 1,652 |
| Percentage Occupancy | | 94 | 87 | 83 |
| TOTAL NUMBER OF EMPLOYEES | | | | |
| Helmerich & Payne, Inc. and Subsidiaries+ ... | | 3,309 | 3,245 | 2,787 |

* 000's omitted.

+ 1986-1989 include U.S. employees only

++ Chemical operations were sold August 30, 1996 (see note 6).

| 1993 | 1992 | 1991 | 1990 | 1989 | 1988 | 1987 | 1986 |
|--------|--------|--------|--------|--------|--------|--------|--------|
| 42 | 39 | 46 | 49 | 49 | 48 | 50 | 48 |
| 29 | 30 | 25 | 20 | 20 | 18 | 19 | 19 |
| 128 | 100 | 106 | 119 | 108 | 115 | 110 | 110 |
| 1,504 | 1,085 | 1,301 | 1,316 | 1,350 | 1,284 | 1,182 | 1,384 |
| 11,746 | 10,853 | 12,274 | 11,059 | 12,500 | 11,165 | 10,745 | 12,582 |
| 53 | 42 | 47 | 50 | 44 | 45 | 39 | 44 |
| 68 | 69 | 69 | 45 | 46 | 30 | 16 | 30 |
| 42 | 54 | 45 | 36 | 45 | 45 | 18 | 27 |
| 15.9 | 17.8 | 20.2 | 15.3 | 15.2 | 14.6 | 5.2 | 10.3 |
| 4.3 | 4.3 | 4.3 | 3.4 | 2.8 | 1.6 | .5 | 3.6 |
| 2,399 | 2,334 | 2,152 | 2,265 | 2,486 | 2,463 | 2,578 | 3,077 |
| 202 | 220 | 227 | 223 | 201 | 202 | 199 | 234 |
| 71 | 74 | 55 | 46 | 214 | 222 | 237 | 235 |
| 14 | 14 | 12 | 12 | 17 | 21 | 20 | 18 |
| 78,023 | 75,470 | 66,617 | 65,147 | 57,490 | 45,480 | 31,752 | 32,392 |
| 307 | 289 | 278 | 194 | 205 | 197 | 180 | 180 |
| 7,930 | 8,452 | 8,155 | 8,255 | 7,702 | 8,507 | 8,165 | 7,554 |
| 1,656 | 1,656 | 1,664 | 1,664 | 1,669 | 1,670 | 1,595 | 1,433 |
| 86 | 87 | 86 | 85 | 90 | 90 | 94 | 95 |
| 2,389 | 1,928 | 1,758 | 1,864 | 1,100 | 1,156 | 1,026 | 844 |

DIRECTORS

OFFICERS

=====

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

W. H. HELMERICH, III
Chairman of the Board

HANS HELMERICH
President and Chief Executive Officer,
Tulsa, Oklahoma

HANS HELMERICH
President and Chief Executive Officer

WILLIAM L. ARMSTRONG
Chairman, Ambassador Media Corporation,
Denver, Colorado

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

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

DOUGLAS E. FEARS
Vice President,
Finance

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

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

L. F. ROONEY, III*
Chairman,
Manhattan Construction Company
Tulsa, Oklahoma

STEVEN R. SHAW
Vice President,
Exploration & Production

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

JOHN D. ZEGLIS
Senior Vice President and General Counsel,
American Telephone & Telegraph Co.,
Basking Ridge, New Jersey

***Member, Audit Committee**

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 Helmerich & Payne International Drilling Co.

Helmerich & Payne (Africa) Drilling Co. (Incorporated in Cayman Islands, British West Indies) Helmerich & Payne (Colombia) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Gabon) Drilling Co. (Incorporated in Cayman Islands, British West Indies) Helmerich & Payne (Guatemala) Drilling Co. (Incorporated in Oklahoma)
Helmerich & Payne (Peru) Drilling Co. (Incorporated in Oklahoma) 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 15, 1996, included in the 1996 Annual Report to Shareholders of Helmerich & Payne, Inc.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-16771 and 33-55239) pertaining, respectively, to the Helmerich & Payne, Inc. Incentive Stock Option Plan and 1990 Stock Option Plan of our report dated November 15, 1996, 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, 1996.

ERNST & YOUNG LLP

Tulsa, Oklahoma

December 27, 1996

ARTICLE 5

MULTIPLIER: 1,000

| PERIOD TYPE | YEAR |
|----------------------------|-------------|
| FISCAL YEAR END | SEP 30 1996 |
| PERIOD START | OCT 01 1995 |
| PERIOD END | SEP 30 1996 |
| CASH | 16,892 |
| SECURITIES | 229,809 |
| RECEIVABLES | 76,086 |
| ALLOWANCES | 712 |
| INVENTORY | 16,915 |
| CURRENT ASSETS | 114,368 |
| PP&E | 1,070,431 |
| DEPRECIATION | 606,935 |
| TOTAL ASSETS | 821,914 |
| CURRENT LIABILITIES | 62,565 |
| BONDS | 0 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 2,677 |
| OTHER SE | 643,293 |
| TOTAL LIABILITY AND EQUITY | 821,914 |
| SALES | 387,473 |
| TOTAL REVENUES | 393,255 |
| CGS | 313,951 |
| TOTAL COSTS | 313,951 |
| OTHER EXPENSES | 9,083 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 678 |
| INCOME PRETAX | 69,543 |
| INCOME TAX | 25,803 |
| INCOME CONTINUING | 45,426 |
| DISCONTINUED | 27,140 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 72,566 |
| EPS PRIMARY | 2.94 |
| EPS DILUTED | 2.94 |

End of Filing

Powered By **EDGAR**
Online

© 2005 | EDGAR Online, Inc.