

# HELMERICH & PAYNE, INC.

## FORM 10-Q (Quarterly Report)

Filed 02/14/94 for the Period Ending 12/31/93

|             |   |
|-------------|---|
| Address     | 1437 S. BOULDER AVE. SUITE 1400<br>TULSA, OK, 74119 |
| Telephone   | 918-742-5531  |
| CIK         | 0000046765  |
| Symbol      | HP  |
| SIC Code    | 1381 - Drilling Oil and Gas Wells                   |
| Industry    | Oil & Gas Drilling                                  |
| Sector      | Energy  |
| Fiscal Year | 09/30   |

# HELMERICH & PAYNE INC

## FORM 10-Q (Quarterly Report)

Filed 2/14/1994 For Period Ending 12/31/1993

|             |   |
|-------------|---|
| Address     | UTICA AT 21ST ST<br>TULSA, Oklahoma 74114 |
| Telephone   | 918-742-5531                              |
| CIK         | 0000046765                                |
| Industry    | Oil Well Services & Equipment             |
| Sector      | Energy                                    |
| Fiscal Year | 09/30                                     |

# FORM 10-Q

## SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 30549

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

For quarterly period ended: DECEMBER 31, 1993  
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

(Exact name of registrant as specified in its charter)

DELAWARE 73-0679879  
(State or other jurisdiction of incorporation (I.R.S. Employer I.D. Number)  
or organization)

UTICA AT TWENTY-FIRST STREET, TULSA, OKLAHOMA 74114  
(Address of principal executive office) (Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

CLASS  
Common Stock, .10 par value

OUTSTANDING AT DECEMBER 31, 1993  
24,667,482

AUTHORIZED AT DECEMBER 31, 1993  
26,764,476

Total Number of Pages 10

# HELMERICH & PAYNE, INC. AND SUBSIDIARIES

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**PART I FINANCIAL INFORMATION**

**HELMERICH & PAYNE, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS**

**Unaudited**

(Thousands of Dollars)

|   | December 31<br>1993 | September 30<br>1993 |
|---|---------------------|----------------------|
|   | -----               | -----                |
| <b>ASSETS</b>   |                     |                      |
| -----   |                     |                      |
| Current Assets  |                     |                      |
| Cash and cash equivalents   | \$ 54,109           | \$ 61,656            |
| Short-term investments  | 9,009               | 9,109                |
| Accounts receivable, net  | 61,283              | 56,305               |
| Inventories   | 18,843              | 17,646               |
| Other current assets  | 11,792              | 5,783                |
|   | -----               | -----                |
| Total Current Assets  | \$ 155,036          | \$ 150,499           |
| Investments   | 85,188              | 84,945               |
| Property, Plant and Equipment, Net  | 358,238             | 358,798              |
| Other Assets  | 17,528              | 16,693               |
|   | -----               | -----                |
| Total Assets  | \$ 615,990          | \$ 610,935           |
|   | =====               | =====                |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                     |                     |                      |
| -----   |                     |                      |
| Current Liabilities   |                     |                      |
| Current maturities of long-term debt  | \$ 1,714            | \$ 5,679             |
| Accounts payable  | 22,184              | 23,836               |
| Accrued liabilities   | 20,480              | 16,899               |
|   | -----               | -----                |
| Total Current Liabilities   | \$ 44,378           | \$ 46,414            |
|   | -----               | -----                |
| Non-Current Liabilities   |                     |                      |
| Long-term debt, less current maturities   | \$ 6,000            | \$ 3,600             |
| Deferred Federal income taxes   | 40,903              | 44,723               |
| Other   | 7,049               | 7,271                |
|   | -----               | -----                |
| Total Non-Current Liabilities   | \$ 53,952           | \$ 55,594            |
|   | -----               | -----                |
| Shareholders' Equity  |                     |                      |
| Common stock, par value \$.10 per share   | \$ 2,677            | \$ 2,677             |
| Preferred stock, no par value, 1,000,000<br>shares authorized, no shares issued | -                   | -                    |
| Additional paid-in capital  | 47,893              | 47,412               |
| Retained earnings   | 490,324             | 482,405              |
|   | -----               | -----                |
| Total Shareholders' Equity  | \$ 540,894          | \$ 532,494           |
| Less-Treasury stock, at cost  | 23,234              | 23,567               |
|   | -----               | -----                |
| Total Shareholders' Equity  | \$ 517,660          | \$ 508,927           |
|   | -----               | -----                |
|   | \$ 615,990          | \$ 610,935           |
|   | =====               | =====                |

See accompanying notes to financial statements.

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

(Thousands of Dollars Except per Share Data)

|   | Three Months Ended<br>December 31 |            |
|---|-----------------------------------|------------|
|   | 1993                              | 1992       |
|   | ----                              | ----       |
| REVENUES:   |                                   |            |
| Sales and other operating revenues  | \$ 80,644                         | \$ 80,002  |
| Income from investments   | 1,542                             | 2,996      |
|   | -----                             | -----      |
|   | 82,186                            | 82,998     |
|   | -----                             | -----      |
| COST AND EXPENSES:  |                                   |            |
| Operating costs   | \$ 50,511                         | \$ 48,652  |
| General and administrative  | 2,682                             | 1,767      |
| Interest  | 182                               | 322        |
| Depreciation, depletion and amortization  | 11,818                            | 12,853     |
| Dry holes and abandonments  | 1,310                             | 3,240      |
| Taxes, other than Federal income taxes  | 4,398                             | 3,660      |
|   | -----                             | -----      |
|   | 70,901                            | 70,494     |
|   | -----                             | -----      |
| INCOME BEFORE FEDERAL INCOME TAXES, EQUITY<br>IN INCOME (LOSS) OF AFFILIATE AND<br>CHANGE IN ACCOUNTING PRINCIPLE | \$ 11,285                         | \$ 12,504  |
| FEDERAL INCOME TAX EXPENSE  | 4,183                             | 5,100      |
| EQUITY IN INCOME (LOSS) OF AFFILIATE,<br>net of income taxes  | 151                               | ( 185)     |
|   | -----                             | -----      |
| INCOME BEFORE CHANGE IN ACCOUNTING<br>PRINCIPLE   | \$ 7,253                          | \$ 7,219   |
| CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING<br>PRINCIPLE  | 4,000                             | -          |
|   | -----                             | -----      |
| NET INCOME  | 11,253                            | \$ 7,219   |
|   | =====                             | =====      |
| INCOME PER COMMON SHARE BEFORE CHANGE<br>IN ACCOUNTING PRINCIPLE  | \$ .30                            | \$ .30     |
| CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING<br>PRINCIPLE  | \$ .16                            | \$ .00     |
| INCOME PER COMMON SHARE   | \$ .46                            | \$ .30     |
| AVERAGE COMMON SHARES OUTSTANDING   | 24,368,482                        | 24,247,394 |
| CASH DIVIDENDS PER COMMON SHARE (NOTE 3)  | \$ .12                            | \$ .12     |

See accompanying notes to financial statements.

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

(Thousands of Dollars)

|   | Three Months Ended<br>December 31 |             |
|---|-----------------------------------|-------------|
|   | 1993                              | 1992        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |                                   |             |
| <hr style="border-top: 1px dashed black;"/>                                       |                                   |             |
| Net Income  | \$ 11,253                         | \$ 7,219    |
| Adjustments to reconcile net income to net cash provided by operating activities- |                                   |             |
| Depreciation, depletion and amortization  | 11,818                            | 12,853      |
| Abandonments and surrendered leases   | 1,236                             | 1,220       |
| Cumulative effect of a change in accounting principle                             | ( 4,000)                          | -           |
| Equity in (income) loss of affiliate before income taxes                          | ( 243)                            | 200         |
| Amortization of deferred compensation   | 439                               | 429         |
| Gain on sale of securities  | -                                 | ( 1,570)    |
| Other, net  | ( 11)                             | ( 263)      |
| Change in assets and liabilities-   |                                   |             |
| Increase in accounts receivable   | ( 5,702)                          | (12,332)    |
| (Increase)Decrease in inventories   | ( 1,197)                          | 67          |
| Increase in prepaid exps/other  | ( 6,844)                          | ( 2,805)    |
| Increase(Decrease) in accounts payable  | ( 1,652)                          | 6,736       |
| Increase in accrued liabilities   | 4,305                             | 4,676       |
| Increase(Decrease) in deferred Federal Income Taxes                               | 180                               | ( 520)      |
| Decrease in other non-current liabilities   | ( 222)                            | ( 573)      |
| Total Adjustments   | \$ ( 1,893)                       | \$ 8,118    |
| Net cash provided by operating activities   | \$ 9,360                          | \$ 15,337   |
| <hr style="border-top: 1px dashed black;"/>                                       |                                   |             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                      |                                   |             |
| <hr style="border-top: 1px dashed black;"/>                                       |                                   |             |
| Capital expenditures  | \$ (13,435)                       | \$ (10,929) |
| Proceeds from sales of property, plant and equipment                              | 949                               | 400         |
| Purchase of investments   | -                                 | ( 400)      |
| Proceeds from sale of investments   | -                                 | 3,449       |
| Purchase of short-term investments  | ( 12)                             | ( 10)       |
| Proceeds from sale of short-term investments                                      | 112                               | 2,012       |
| Net cash used in investing activities   | \$ (12,386)                       | \$ ( 5,478) |
| <hr style="border-top: 1px dashed black;"/>                                       |                                   |             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                      |                                   |             |
| <hr style="border-top: 1px dashed black;"/>                                       |                                   |             |
| Proceeds from issuance of long-term debt  | \$ 2,750                          | \$ 2,070    |
| Payments made on long-term debt   | ( 4,315)                          | ( 385)      |
| Dividends paid  | ( 2,956)                          | ( 2,949)    |
| Proceeds from exercise of stock options   | -                                 | 25          |
| Net cash used in financing activities   | \$ ( 4,521)                       | \$ ( 1,239) |
| <hr style="border-top: 1px dashed black;"/>                                       |                                   |             |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS                              | \$ ( 7,547)                       | \$ 8,620    |
| CASH AND CASH EQUIVALENTS, beginning of period                                    | \$ 61,656                         | \$ 37,586   |
| CASH AND CASH EQUIVALENTS, end of period  | \$ 54,109                         | \$ 46,206   |

# HELMERICH & PAYNE, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

1. In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of December 31, 1993, and September 30, 1993, and the results of operations for the three months ended December 31, 1993, and 1992, and changes in financial position for the three months then ended.
2. The results of operations for the three months ended December 31, 1993, and December 31, 1992, are not necessarily indicative of the results to be expected for the full year.
3. The \$.12 cash dividend declared in September was paid December 1, 1993. On December 1, 1993, a cash dividend of \$.12 per share was declared for shareholders of record on February 15, 1994, payable March 1, 1994. The dividend was included in accounts payable on the consolidated balance sheet at December 31, 1993.
4. Inventories consisted of the following (in thousands of dollars):

|                      | 12-31-93  | 09-30-93  |
|----------------------|-----------|-----------|
|                      | -----     | -----     |
| Raw Materials        | \$ 167    | \$ 163    |
| Works in Progress    | 197       | 210       |
| Finished Goods       | 980       | 1,041     |
| Materials & Supplies | 17,499    | 16,232    |
|                      | \$ 18,843 | \$ 17,646 |

5. Income from investments include no gains on sales of securities during the first quarter of 1994, and \$1,570,000 during the first quarter of 1993.

6. In February 1992, the Financial Accounting Standards Board issued Statement No. 109, Accounting for Income Taxes (Statement 109). Statement 109 represents a new method of accounting for income taxes. It generally requires that deferred taxes be provided using a liability approach at currently enacted income tax rates, rather than the deferred approach at historical rates which has been required.

Effective October 1, 1993, the Company adopted the provisions of SFAS 109. The cumulative effect on prior years of adopting the change was recorded in the quarter ended December 31, 1993, as provided by SFAS 109, and increased net income for the quarter by \$4.0 million.



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

|   | December 31,<br>1993 | October 1,<br>1993 |
|---|----------------------|--------------------|
|   | -----                | -----              |
|   | (in thousands)       |                    |
| Deferred Tax Liability:   |                      |                    |
| Differences between book and tax basis of property, plant and equipment | \$ 40,915            | \$ 46,508          |
| Pension provision   | 4,551                | 4,548              |
| Other   | 3,910                | 1,842              |
|   | -----                | -----              |
| Deferred tax liability  | 49,376               | 52,898             |
|   | -----                | -----              |
| Deferred Tax Asset:   |                      |                    |
| Alternative minimum tax credit carryforward                             | 1,652                | 1,652              |
| Foreign tax credit carryforward   | 935                  | 1,325              |
| Deferred compensation   | 1,561                | 1,312              |
| Insurance provisions  | 1,390                | 1,391              |
| Deferred expenses - internat'l  | 2,563                | 2,013              |
| Other   | 1,307                | 1,807              |
|   | -----                | -----              |
| Subtotal  | 9,408                | 9,500              |
|   | -----                | -----              |
| Valuation allowance   | ( 935)               | ( 1,325)           |
|   | -----                | -----              |
| Deferred tax asset  | 8,473                | 8,175              |
|   | -----                | -----              |
| Net Deferred Tax Liability  | \$ 40,903            | \$ 44,723          |
|   | =====                | =====              |

7. On December 31, 1993, the Company owned 1,600,000 shares of Atwood Oceanics, Inc. The Company's total carrying value of the investment (\$19,528,000) exceeded the market value (\$18,400,000) by \$1,128,000 at January 28, 1994. Management has reviewed Atwood's financial strength and cash flow trends and believes that the market value of the affiliate will improve to levels equaling or exceeding the carrying value within the foreseeable future. The Company currently has no plans to liquidate any of its holdings in Atwood. At December 31, 1993, the total carrying value of all the Company's equity securities totaled \$85,188,000. Total market value of those investments were approximately \$144,628,000 as of January 28, 1994.

**HELMERICH & PAYNE, INC. AND SUBSIDIARIES**  
**REVENUES AND INCOME BY BUSINESS SEGMENTS**  
(Thousands of Dollars)

|  | FY 1994  |          | Fiscal 1993 |          |          |
|--|----------|----------|-------------|----------|----------|
|  | 1st Qtr  | 4th Qtr  | 3rd Qtr     | 2nd Qtr  | 1st Qtr  |
|  | -----    | -----    | -----       | -----    | -----    |
| SALES AND OTHER REVENUES:  |          |          |             |          |          |
| Contract Drilling-Domestic   | \$19,817 | \$16,165 | \$14,781    | \$14,750 | \$14,632 |
| Contract Drilling-Internat'l   | 22,319   | 23,379   | 22,252      | 23,745   | 20,242   |
|  | -----    | -----    | -----       | -----    | -----    |
| Total Contract Drilling<br>Division  | 42,136   | 39,544   | 37,033      | 38,495   | 34,874   |
|  | -----    | -----    | -----       | -----    | -----    |
| Oil and Gas Division   | 16,626   | 15,090   | 16,357      | 17,881   | 20,467   |
| Energy Services Division   | 14,820   | 12,354   | 14,089      | 19,072   | 18,343   |
| Real Estate Division   | 1,836    | 1,901    | 1,918       | 1,903    | 1,908    |
| Chemical Division  | 5,046    | 3,754    | 2,550       | 3,772    | 4,298    |
| Investments and Other<br>Income  | 1,722    | 2,498    | 1,660       | 2,228    | 3,108    |
|  | -----    | -----    | -----       | -----    | -----    |
| Total Revenues   | \$82,186 | \$75,141 | \$73,607    | \$83,351 | \$82,998 |
|  | =====    | =====    | =====       | =====    | =====    |
| INCOME (LOSS) BEFORE FEDERAL INCOME<br>TAX, EQUITY IN INCOME (LOSS) OF<br>AFFILIATE AND A CHANGE IN ACCOUNTING<br>PRINCIPLE: |          |          |             |          |          |
| Contract Drilling-Domestic   | \$ 1,252 | \$( 742) | \$ 612      | \$ 177   | \$ 115   |
| Contract Drilling-Internat'l   | 3,590    | 2,464    | 3,343       | 6,068    | 3,406    |
|  | -----    | -----    | -----       | -----    | -----    |
| Total Contract Drilling<br>Division  | 4,842    | 1,722    | 3,955       | 6,245    | 3,521    |
|  | -----    | -----    | -----       | -----    | -----    |
| Oil and Gas Division   | 4,997    | 4,570    | 4,154       | 4,246    | 6,184    |
| Energy Services Division   | 287      | ( 26)    | 48          | 455      | 25       |
| Real Estate Division   | 987      | 989      | 989         | 965      | 1,013    |
| Chemical Division  | 1,791    | 1,150    | 37          | 1,044    | 1,353    |
| Other (Note 1)   | (1,619)  | 609      | ( 981)      | ( 355)   | 408      |
|  | -----    | -----    | -----       | -----    | -----    |
| INCOME BEFORE FEDERAL INCOME<br>TAX, EQUITY IN INCOME (LOSS)<br>OF AFFILIATE AND A CHANGE IN<br>ACCOUNTING PRINCIPLE         | \$11,285 | \$ 9,014 | \$ 8,202    | \$12,600 | \$12,504 |
|  | =====    | =====    | =====       | =====    | =====    |

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
DECEMBER 31, 1993**

The Company reported net income of \$11,253,000 (\$0.46 per share) on revenues of \$82,186,000 for the first quarter of fiscal year 1994, compared with net income of \$7,219,000 (\$0.30 per share) on revenues of \$82,998,000 during the first quarter of fiscal 1993. This year's first quarter net income includes the cumulative effect on prior years' income (\$.16 per share) caused by the change in accounting method for deferred taxes as required by FASB Statement 109.

This year's investment and other income declined because last year's pre-tax income included \$1,570,000 (\$.04 per share net income) from the sale of equity securities, while no security sales were made during the first quarter of this year.

The Contract Drilling Division reported a pre-tax income of \$4,842,000 for the first quarter, compared with \$3,521,000 for the same period in fiscal 1993. The 37% increase in pre-tax income was the result of increased activity of the Company's offshore rigs. This was also the first full quarter of revenue from two labor contracts with Exxon Offshore California. Revenues from domestic drilling operations were \$19,817,000 in the first quarter of 1994, compared with \$14,632,000 in the first quarter of 1993. Pre-tax income from international operations was \$3,590,000 in the first quarter of 1994, compared with \$3,406,000 in the first quarter of 1993. International operations should remain consistent through the remainder of fiscal 1994.

Oil and Gas pre-tax earnings decreased to \$4,997,000 for the quarter from \$6,184,000 during the same period last year. Average gas prices for the quarter were \$1.82 (per MCF), compared with \$1.97 (per MCF) last year. Volumes also declined to 82,214 (MCF/day), from 89,703 (MCF/day) last year. Oil prices dropped significantly compared with first quarter of fiscal 1993. The average oil price per barrel was \$14.23 in the first quarter of 1994, compared with \$18.69 in 1993. As a result of price and volume declines, revenues decreased 19% to \$16,626,000, compared with \$20,467,000 in the first quarter of 1993.

General and Administrative costs were \$2,682,000 for the first quarter of 1994, compared with \$1,767,000 for the first quarter of 1993. Approximately \$600,000 of the increase was for additional hospitalization expenses during the quarter. The Company expects General and Administrative expense for the remainder of fiscal 1994 to be moderately higher than fiscal 1993 levels for the same time period.

During the current quarter the Company paid the remaining debt associated with its real estate notes in the amount of \$3,139,000. The Company's remaining current and long-term debt of \$7,714,000 at December 31, 1993, is associated with guarantees on workmen's compensation and general liability insurance payments.

Deferred Federal income taxes were reduced \$4,000,000 during the quarter as required by adoption of Financial Accounting Standards Board Statement No. 109.

There were no other significant changes to the balance sheet or the Company's financial position since September 30, 1993.

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

**Item 1. Legal Proceedings**

On or about November 11, 1993, approximately 1,000 plaintiffs filed a lawsuit (styled Theresa Arceneaux, et al. v. Natural Gas Odorizing, Inc., Case Number 93-568602, District Court Harris County, Texas, 165th Judicial District) against the Registrant's wholly owned subsidiary Natural Gas Odorizing, Inc. ("NGO") alleging personal injury, wrongful death and property damage arising out of the operation of NGO's plant facility. Among other things, plaintiffs prayed for \$500 million dollars in actual damages and \$500 billion dollars in punitive damages. On January 18, 1994, the Harris County District Court dismissed this lawsuit without prejudice.

The Registrant is not currently involved in any legal proceedings which, in the judgement of the registrant, subjects it to liability that would be material and is not adequately covered by insurance.

**Item 6(a) Exhibits**

None

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

There were no reports on Form 8-K filed for the three months ended December 31, 1993.

**SIGNATURES**

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

**HELMERICH & PAYNE, INC.**

|       |      |   |
|-------|------|---|
| Date: | 1994 | DOUGLAS E. FEARS                          |
| ----- |      | Douglas E. Fears, Chief Financial Officer |

|       |      |                              |
|-------|------|------------------------------|
| Date: | 1994 | HANS C. HELMERICH            |
| ----- |      | Hans C. Helmerich, President |

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**End of Filing**

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