

HELMERICH & PAYNE, INC.

FORM 10-Q (Quarterly Report)

Filed 02/14/97 for the Period Ending 12/31/96

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-Q (Quarterly Report)

Filed 2/14/1997 For Period Ending 12/31/1996

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

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, 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)

73-0679879

(I.R.S. Employer I.D. Number)

UTICA AT TWENTY-FIRST STREET, TULSA, OKLAHOMA 74114

(Address of principal executive office) (zip code)

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

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

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

filing requirements for the past 90 days.	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>
	CLASS	OUTSTANDING AT DECEMBER 31, 1996		
Common Stock,	.10 par value	24,918,500		
		AUTHORIZED AT DECEMBER 31, 1996		
		26,764,476		

Total Number of Pages 13

HELMERICH & PAYNE, INC.

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PART I. FINANCIAL INFORMATION

HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands)

	(Unaudited) December 31 1996	September 30 1996
	-----	-----
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 27,494	\$ 16,892
Short-term investments	1,005	1,005
Accounts receivable, net	85,533	75,374
Inventories	16,839	16,915
Prepaid expenses and other	8,781	4,182
	-----	-----
Total Current Assets	139,652	114,368
	-----	-----
Investments	252,197	229,809
Property, Plant and Equipment, Net	480,766	463,496
Other Assets	13,026	14,241
	-----	-----
Total Assets	\$885,641	\$821,914
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 29,544	\$ 25,622
Accrued liabilities	39,296	31,943
Notes payable	15,000	5,000
	-----	-----
Total Current Liabilities	83,840	62,565
	-----	-----
Noncurrent Liabilities		
Deferred income taxes	106,679	98,335
Other	17,881	15,044
	-----	-----
Total Noncurrent Liabilities	124,560	113,379
	-----	-----
Shareholders' Equity		
Common stock, par value \$.10 per share	2,677	2,677
Preferred stock, no shares issued	--	--
Additional paid-in capital	50,955	50,410
Net unrealized holding gains	69,775	56,550
Retained earnings	574,793	557,543
	-----	-----
698,200	667,180	
Less treasury stock, at cost	20,959	21,210
	-----	-----
Total Shareholders' Equity	677,241	645,970
	-----	-----
	\$885,641	\$821,914
	=====	=====

See accompanying notes to financial statements.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(Unaudited)

(in thousands except per share data)

	Three Months Ended December 31	
	1996	1995
REVENUES:		
Sales and other operating revenues	\$116,726	\$ 87,260
Income from investments	1,536	1,167
	118,262	88,427
COST AND EXPENSES:		
Operating costs	63,900	53,263
Depreciation, depletion and amortization	15,472	13,573
Dry holes and abandonments	560	928
Taxes, other than income taxes	4,687	3,692
General and administrative	2,259	2,348
Interest	3	79
	86,881	73,883
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE	31,381	14,544
INCOME TAX EXPENSE	11,756	5,270
EQUITY IN INCOME OF AFFILIATE, net of income taxes	500	194
INCOME FROM CONTINUING OPERATIONS	20,125	9,468
INCOME FROM DISCONTINUED OPERATIONS	--	1,625
NET INCOME	\$ 20,125	\$ 11,093
	=====	=====
PER COMMON SHARE:		
Income from continuing operations	\$.81	\$.38
Income from discontinued operations	--	.07
NET INCOME	\$.81	\$.45
	=====	=====
CASH DIVIDENDS (Note 2)	\$.13	\$.125
AVERAGE COMMON SHARES OUTSTANDING	24,826	24,603

See accompanying notes to financial statements.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)

	Three Months Ended December 31	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 20,125	\$ 11,093
Adjustments to reconcile net income to net cash provided by operating activities--		
Discontinued operations	-	(1,625)
Depreciation, depletion, and amortization	15,472	13,573
Dry holes and abandonments	560	928
Equity in income of affiliate before income taxes	(806)	(313)
Amortization of deferred compensation	368	425
Loss (Gain) on sale of fixed assets, other	(438)	427
Change in assets and liabilities--		
Accounts receivable	(10,159)	(5,937)
Inventories	76	(148)
Prepaid expenses and other	(3,384)	(641)
Accounts payable	6,119	(668)
Accrued liabilities	7,353	5,670
Deferred income taxes	238	213
Other noncurrent liabilities	2,837	1,447
	18,236	13,351
Net cash provided by continuing operations	38,361	24,444
Net cash provided by discontinued operations	-	1,453
	38,361	25,897
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, including dry hole costs, from continuing operations	(36,319)	(35,616)
Proceeds from sales of property, plant, and equipment	1,283	72
Discontinued operations	-	(458)
Purchase of investments	(276)	-
	(35,312)	(36,002)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	15,000	22,000
Payments made on notes payable	(5,000)	(20,000)
Dividends paid	(3,243)	(3,095)
Proceeds from exercise of stock options	796	-
	7,553	(1,095)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	10,602	(11,200)
CASH AND CASH EQUIVALENTS, beginning of period	16,892	19,543
	\$ 27,494	\$ 8,343
	=====	=====

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Paid-In Capital	Net Unrlzed Holding Gains	Retained Earnings	Treasury Stock	
	Shares	Amount				Shares	Amount
Balance, September 30, 1996	26,764	\$2,677	\$50,410	\$56,550	\$557,543	1,879	\$(21,210)
Change in net unrealized holding gains, net of income taxes of \$8,106	-	-	-	13,225	-	-	-
Cash dividends (\$0.13 per share)	-	-	-	-	(3,243)	-	-
Exercise of stock options	-	-	545	-	-	(33)	251
Amortization of deferred compensation	-	-	-	-	368	-	-
Net income	-	-	-	-	20,125	-	-
Balance, December 31, 1996	26,764	\$2,677	\$50,955	\$69,775	\$574,793	1,846	\$(20,959)

See accompanying notes to financial statements.

**I. FINANCIAL INFORMATION
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 results of the periods presented. The results of operations for the three months ended December 31, 1996, and December 31, 1995, are not necessarily indicative of the results to be expected for the full year.

2. The \$.13 cash dividend declared in September was paid December 2, 1996. On December 4, 1996, a cash dividend of \$.13 per share was declared for shareholders of record on February 14, 1997, payable March 3, 1997.

3. Inventories consist of materials and supplies.

4. Income from investments does not include any gains or losses on sales of available-for-sale securities during the first quarter of 1997 or 1996.

5. The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting. The recorded investment in securities accounted for under the equity method is \$26,021,000.

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Est. Fair Value
	(in thousands)			
Equity Securities 12/31/96	\$113,635	\$113,358	\$817	\$226,176
Equity Securities 09/30/96	\$113,384	\$ 92,081	\$871	\$204,594

6. In May 1996 the Company renewed its line of credit agreement with certain banks. The new agreement provides for maximum borrowing of \$50,000,000 at adjustable interest rates based on London Interbank Offered Rates (LIBOR). The borrowings will mature either in May of 1997 or May of 1998. A \$40,000,000 portion of the line is for a 364 day term and a \$10,000,000 portion is for a two year term. As of December 31, 1996, the Company had borrowed \$15,000,000 against the line of credit, at a weighted average interest rate of 5.93%, and had letters of credit outstanding in the amount of \$7,671,000, leaving an unused portion of \$27,329,000. 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 December 31, 1996, the Company had letters of credit outstanding in the amount of \$2,547,222 leaving an unused portion of \$11,452,778.

PART I. FINANCIAL INFORMATION
HELMERICH & PAYNE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Continued)

7. Discontinued Operations

Effective August 30, 1996, the Company 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 at closing of approximately \$48 million. NGO comprised all of the Company's chemical operations. Prior period operating results for such operations are reported as discontinued operations. Summary operating results of discontinued operations for the quarter ending December 31, 1995 are as follows (in thousands):

Revenues	\$6,158
Operating Profit	\$2,739
Income Taxes	\$1,114
Net Income	\$1,625

I. FINANCIAL INFORMATION HELMERICH & PAYNE, INC.

REVENUES AND INCOME BY BUSINESS SEGMENTS

(in thousands)

	FY 1997 1ST QUARTER -----	FY 1996 1ST QUARTER -----
SALES AND OTHER REVENUES:		
Contract Drilling-Domestic	\$ 29,596	\$23,020
Contract Drilling-International	35,630	33,935
	-----	-----
Total Contract Drilling Division	65,226	56,955
	-----	-----
Exploration and Production	30,014	15,460
Natural Gas Marketing	18,991	12,786
	-----	-----
Total Oil & Gas Division	49,005	28,246
	-----	-----
Real Estate Division	2,412	2,008
Investment and Other	1,619	1,218
	-----	-----
Total Revenues	\$118,262 =====	\$88,427 =====
OPERATING PROFIT(LOSS):		
Contract Drilling-Domestic	\$ 4,210	\$ 1,915
Contract Drilling-International	6,907	8,309
	-----	-----
Total Contract Drilling Division	11,117	10,224
	-----	-----
Exploration and Production	18,274	4,075
Natural Gas Marketing	1,381	757
	-----	-----
Total Oil & Gas Division	19,655	4,832
	-----	-----
Real Estate Division	1,779	1,221
	-----	-----
Total Operating Profit	32,551	16,277
	-----	-----
OTHER	(1,170)	(1,733)
	-----	-----
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE	\$ 31,381 =====	\$14,544 =====

See accompanying notes to financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS DECEMBER 31, 1996

Business Environment and Risk Factor

The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere herein. The Company's future operating results may be affected by various trends and factors which are beyond the Company's control. These include, among other factors, fluctuations in natural gas prices, expiration or termination of drilling contracts, 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

The Company reported net income of \$20,125,000 (\$0.81 per share) from revenues of \$118,262,000 for the first quarter of fiscal 1997, compared with \$11,093,000 (\$0.45 per share) net income from revenues of \$88,427,000 during the first quarter of 1996.

The Company's Exploration and Production Division reported an operating profit of \$18,274,000 for the first quarter of fiscal 1997, compared with an operating profit of \$4,075,000 for the same period last year. Oil and gas revenues for the first quarter of 1997 were \$30,014,000, a 94% increase from last year's revenues of \$15,460,000. Natural gas revenues increased to \$24,147,000 in the first quarter of fiscal 1997 from \$12,254,000 in the first quarter of fiscal 1996. Oil revenues increased to \$5,661,000 in the first quarter of fiscal 1997 from \$3,229,000 in the first quarter of fiscal 1996. Increased prices and volumes for both oil and gas contributed to the increased revenues and operating profit.

Natural gas prices for the first quarter of fiscal 1997 averaged \$2.46 per mcf, a 64% increase over the \$1.50 per mcf received in the first quarter of fiscal 1996. Gas volumes increased nearly 20% to 106.8 mmcf/d for the quarter from 89.3 mmcf/d for the first quarter of fiscal 1996. A substantial

CONDITION AND RESULTS OF OPERATIONS
DECEMBER 31, 1996
(Continued)

portion of the increased natural gas volumes was produced from the Company's Rocky East Prospect which went on production in the third and fourth quarters of fiscal 1996. Although natural gas prices remain relatively strong into the second quarter of fiscal 1997, the Company expects that in the coming months natural gas prices and sales volumes will decrease in response to reduced seasonal demands.

Oil prices for the first quarter of fiscal 1997 averaged \$23.98 compared with \$16.42 for the same period in 1996. Oil volumes were 2,566 bbls/d and 2,171 bbls/d for the first quarter of 1997 and 1996, respectively. The increased volumes were the result of new wells in the Austin Chalk area in Louisiana going on production in the first quarter of fiscal 1997. Additional Austin Chalk wells are planned for the remainder of the year, but the timing and impact on production are not predictable.

The Contract Drilling Division reported an operating profit of \$11,117,000 in the first quarter of fiscal year 1997, compared with \$10,224,000 in the same period of 1996. Operating profit from the domestic drilling operations increased to \$4,210,000 for the quarter compared with \$1,915,000 for the first quarter of fiscal 1996. Increased utilization of land rigs (revenue days increased 20% from first quarter of 1996) and increased day rates for land rigs contributed to the increased operating profit. Also contributing substantially to earnings was the new Mars offshore platform rig which began drilling in the third quarter of fiscal 1996. The Mars rig more than offset the negative impact of two offshore rigs that were released from contract in the fourth quarter of 1996. Two additional rigs will commence operations for Shell Offshore Inc. by the third quarter of fiscal year 1997. The Company expects this will have a positive impact on domestic operating profit for the last six months of fiscal 1997.

Operating profit from international drilling operations decreased to \$6,907,000 in the first quarter of fiscal 1997 from \$8,309,000 in the same quarter last year. The first quarter of fiscal 1996 included foreign currency transaction gains in Venezuela of \$1 million. No such gains were realized in the first quarter of fiscal 1997 because of a more stable currency situation. Additional decreases were due to slightly higher operating expenses in Colombia for the first quarter of 1997, compared with the first quarter of fiscal 1996.

The Company's Real Estate Division increased operating profit to \$1,779,000 in the first quarter of fiscal 1997 from \$1,221,000 in the same quarter of fiscal 1996. The increase was primarily due to a gain on the sale of a small parcel of land during the quarter.

CONDITION AND RESULTS OF OPERATIONS
DECEMBER 31, 1996
(Continued)

Liquidity and Capital Resources

Net cash provided by continuing operations was \$38,361,000 for the first quarter of fiscal 1997, compared with \$24,444,000 for the same period in 1996. Capital expenditures were \$36,319,000 and \$35,616,000 for the first quarter of fiscal 1997 and 1996, respectively.

It is anticipated for fiscal 1997 that capital expenditures could possibly exceed internally generated cash flows and that the Company will borrow under its line of credit agreement or sell a portion of its investment portfolio to fund capital expenditures.

It was recently announced that Atwood Oceanics, Inc. (Atwood) had filed a Registration Statement for the offer and sale of 1.5 million shares of common stock of the company. In order to maintain its existing ownership interest in Atwood of 23.8%, Helmerich & Payne, Inc. (H&P) plans to purchase 25% of the shares to be offered. H&P's new investment would total between \$20-\$25 million.

There were no significant changes in the Company's financial position since September 30, 1996.

PART II. OTHER INFORMATION
HELMERICH & PAYNE, INC.

Item 1. Legal Proceedings

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.

Item 6(b) Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended December 31, 1996.

PART II. OTHER INFORMATION
HELMERICH & PAYNE, INC.

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.

Date: *FEBRUARY 14* *1997* */S/ DOUGLAS E. FEARS*

Douglas E. Fears, Chief Financial Officer

Date: *FEBRUARY 14* *1997* */S/ HANS C. HELMERICH*

Hans C. Helmerich, President

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
27	- Financial Data Schedule

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	SEP 30 1997
PERIOD START	OCT 01 1996
PERIOD END	SEP 30 1997
CASH	27,494
SECURITIES	252,197
RECEIVABLES	86,214
ALLOWANCES	681
INVENTORY	16,839
CURRENT ASSETS	139,652
PP&E	1,093,421
DEPRECIATION	612,655
TOTAL ASSETS	885,641
CURRENT LIABILITIES	83,840
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	2,677
OTHER SE	674,564
TOTAL LIABILITY AND EQUITY	885,641
SALES	116,726
TOTAL REVENUES	118,262
CGS	84,619
TOTAL COSTS	84,619
OTHER EXPENSES	2,259
LOSS PROVISION	0
INTEREST EXPENSE	3
INCOME PRETAX	31,381
INCOME TAX	11,756
INCOME CONTINUING	20,125
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	20,125
EPS PRIMARY	.81
EPS DILUTED	.81

End of Filing

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