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HELMERICH & PAYNE INC
Form 8-K
November 13, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report: November 13, 2001

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

| | | |
|------------------------------------------------------|-----------------------------|-----------------------------------------------|
| Delaware | 1-4221 | 73-0679879 |
| ----- | ----- | ----- |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification Number) |

| | |
|-----------------------------------------------|------------|
| Utica at Twenty-first Street, Tulsa, Oklahoma | 74114 |
| ----- | ----- |
| (Address of principal executive offices) | (Zip Code) |

(918) 742-5531

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

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Item 9. Other Events.

On November 13, 2001, Helmerich & Payne, Inc. issued the following press release:

"Tulsa, OK - Helmerich & Payne, Inc. announced record net income of \$144,254,000 (\$2.84 per share) from revenues of \$826,854,000 for the fiscal year ended September 30, 2001. Net income for the previous year was \$82,300,000 (\$1.64 per share) from revenues of \$631,095,000. Net income included gains from the sale of equity securities of \$0.01 per

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share for 2001, and \$0.16 per share for 2000. Also included in FY2000 net income was \$0.13 per share of gains related to a non-monetary dividend received, and a gain on the conversion of shares of common stock of a company investee pursuant to that investee being acquired.

Fourth quarter net income was \$28,228,000 (\$0.56 per share) from revenues of \$195,513,000, compared with net income of \$24,009,000 (\$0.48 per share) from revenues of \$177,698,000 for last year's fourth quarter. Included in this year's fourth quarter results is a loss of \$0.02 per share from non-cash write-downs related to its portfolio of other publicly held stocks. As required by FAS 115, several securities were written down as a result of their market value declining below their financial cost basis. There were no gains or losses reported during last year's fourth quarter from sales or write-downs of the Company's securities.

Driven by the increase in natural gas prices, the Oil & Gas Division reported a record operating profit of \$100.8 million, compared with \$71.9 million last year. During the twelve months ended September 30, 2001, there was significant volatility in natural gas prices, reaching record high average levels for the Company in January of \$8.73 per mcf, but declining throughout the rest of the spring and summer to \$2.03 per mcf in September. Natural gas prices for FY2001 averaged \$4.55 per mcf, a 63% increase over the \$2.79 per mcf averaged last year. Crude oil prices for the year averaged \$27.88 per barrel, compared with \$27.95 per barrel in the previous year. Natural gas production declined to an average of 116.1 mmcf/day during 2001, from 128.2 mmcf/day in 2000. Crude oil production averaged 2,242 barrels a day in 2001, compared with 2,405 barrels in 2000.

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Expenses were higher due to an increased exploration budget and higher operating service costs. Dry hole and abandonment expense for the Oil & Gas Division totaled \$33.5 million for 2001, compared with \$22.6 million for 2000. Additionally, producing property impairment write-downs totaled \$8.9 million in 2001, compared with \$4.0 million in 2000. Other expenses relating to the Division were up sharply over last year, mainly due to increases in geophysical expenses and a significant rise in ad valorem and production taxes due to higher revenues.

Total oil and gas reserves for the Company fell to 252 billion cubic feet equivalent (bcfe) of natural gas as of September 30, 2001, from 300 bcfe as of September 30, 2000. A large portion of the decline (23 bcfe) was a result of the lower natural gas price (\$1.90 per mcf) used in this year's calculation, versus \$5.13 per mcf used in last year's calculation.

As previously announced, an investment banking firm is currently assisting the Company in its effort to establish the Oil & Gas Division as a separate public entity and potentially expanding that operation through some sort of combination. The Company is continuing to hold serious discussions with selected companies and, while time consuming, the Company's selective process has produced viable candidates and substantive negotiations aimed toward maximizing shareholder value.

Driven by significantly higher U.S. land rig dayrates and profit margins, the Company's Contract Drilling Division recorded the highest level of operating profit in its 82-year history. Operating profit

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totaled \$136.2 million for 2001, compared with \$45.6 million in 2000. U.S. land rig revenue per day averaged \$14,230 for 2001, compared with \$9,080 in 2000. Average offshore platform revenue per day was flat compared with last year at just under \$28,500. U.S. land rig utilization averaged 97% for 2001, compared with 85% in 2000, while U.S. offshore platform utilization averaged 98% this year, compared with 94% last year.

Operating profit for contract drilling's international operations increased to \$28.5 million this year, compared with \$9.8 million last year. Improved performance in Venezuela, Ecuador and Argentina, and a full year of labor contract income in Equatorial Guinea, helped improve operating profits. Rig utilization improved to 56% in 2001, from an average of 47% in 2000.

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Also impacting total contract drilling operating profit was the reduction in depreciation expense due to the change in the Company's estimated useful life for drilling equipment. The previously announced change from a 10-year depreciation term, to a 15-year depreciation term effective October 1, 2000, resulted in a \$7.5 million and \$30.0 million improvement in contract drilling operating profit for the three month and twelve month periods ended September 30, 2001, respectively, and a \$0.09 and \$0.36 per share net income improvement during those same periods. The change affected quarterly domestic operating profit by \$3.8 million and international operating profit by \$3.7 million.

The Company President and CEO, Hans Helmerich, commented, "Natural gas prices and U.S. rig dayrates reached all-time highs during the past year, yet both are now experiencing demand driven declines. We believe these downward trends will be somewhat short-lived as in the last cycle, and that the Company is well positioned to benefit when the environment improves."

Fourth Quarter Review

During the fourth quarter, the Contract Drilling Division experienced its highest dayrates ever in the U.S. land rig sector, which resulted in a record \$48.9 million of operating profit for the Division. On the other hand, in the Oil & Gas Division natural gas prices fell dramatically during the fourth quarter and the Company experienced higher dry hole, abandonment, and impairment write-downs than in the previous year. Overall, the Company posted higher operating profit and net income for this year's fourth quarter compared to last year's fourth quarter.

Average natural gas prices for this year's fourth quarter were \$2.66 per mcf, compared with \$3.65 per mcf in last year's fourth quarter. Crude oil prices averaged \$25.33 per barrel during the fourth quarter of this year, compared with \$31.02 per barrel in last year's fourth quarter. Fourth quarter production for natural gas and oil declined compared to last year's fourth quarter. Natural gas production was 112.1 mmcf/day, compared with 125.8 mmcf/day last year. Oil production was 2,060 barrels per day this year, versus 2,813 barrels per day in last year's fourth quarter.

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In the recent fourth quarter, dry hole and abandonment charges for the Oil & Gas Division totaled \$8.3 million, geophysical expenses were \$1.8 million and property impairment charges totaled \$4.5 million.

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These expenses compare with last year's fourth quarter totals of \$8.0 million for dry hole and abandonment charges, \$0.8 million of geophysical charges and \$3.7 million of impairment charges. Other expenses were up for the fourth quarter due to higher ad valorem taxes and depreciation and depletion charges.

Contract Drilling operating profit was \$48.9 million for this year's fourth quarter, more than triple that of the \$15.2 million recorded for last year's fourth quarter. Both the U.S. land and offshore platform rigs experienced 100% utilization during this year's fourth quarter, compared with 94% utilization for both U.S. land and offshore rig fleets in last year's fourth quarter. International rig utilization was 62% for this year's fourth quarter versus 50% last year. Average U.S. land rig revenue per day rose to \$16,386, compared with \$9,842 during last year's fourth quarter. Platform rig dayrates were up slightly, as were average dayrates for international rigs. Improvements in operating earnings in Ecuador and Argentina helped push international operating profits substantially above those recorded for last year's fourth quarter.

Outlook

The Company also announced today new guidance for projected FY2002 net income. It is estimated that average oil and gas production levels for the coming year will possibly decline by 10% or more from those recorded in 2001, because of the reduced drilling capital expenditure program planned for FY2002. Estimated revenues and operating profit for the Oil & Gas Division are highly sensitive to natural gas prices. Based on average wellhead commodity prices for FY2002 of \$2.75 per mcf of natural gas and \$21.00 per barrel of oil, and based on 100 mmcf/d of natural gas production and 1,800 barrels per day of oil production, the Company projects an estimated \$32.0 million of operating profit for the Oil & Gas Division. Clearly this is a subjective number based on other variables such as dry hole costs, geophysical expenses, possible impairment charges, and other expenses.

Guidance for the Contract Drilling Division assumes an average U.S. land rig dayrate of \$12,300 per day and U.S. land rig utilization of 78%, offshore platform utilization of 85% and international rig utilization at 58%. Based on current capital expenditure plans for 2002, the Company anticipates that total U.S. land rigs available will rise from its current level of 51 to 74 by the end of FY2002, available offshore platform rigs will increase from 10 to 12, and the number of international rigs will remain at 32.

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Given these assumptions, it is estimated that operating profit for the U.S. contract drilling operations will range from \$75 to \$85 million for FY2002. International operating profit will range from \$25 to \$30 million.

Given these general assumptions, it is estimated that the Company's net income for FY2002 will range from \$1.50 to \$1.65, with significant sensitivity to natural gas and oil prices, rig dayrates, rig utilizations, taxes, and other variables.

The Company plans to add 18 more FlexRigs(TM) and 2 offshore platform rigs to its fleet during FY2002, and 10 FlexRigs in FY2003. Fleet additions for this year, along with refurbishment of existing rigs and other capital equipment, are estimated to bring total capital spending for the Contract Drilling Division for FY 2002 to approximately \$340 million. Capital spending for the Company's Oil & Gas Division, earlier estimated to be \$80 million for FY 2002, has been reduced to approximately \$50 million. It is anticipated that the total capital budget of \$390 million will be funded by a combination of existing cash on hand, operating cash flow, the sale of portfolio securities, and/or additional borrowing. During FY2001, capital spending totaled approximately \$182 million for the Contract Drilling Division and approximately \$95 million for the Oil & Gas Division.

Helmerich & Payne, Inc. (HP/NYSE) is an energy-oriented company engaged in contract drilling and oil and gas exploration and production. Currently, H&P has 51 U.S. land rigs, 10 U.S. platform rigs located in the Gulf of Mexico, 32 rigs located in South America, and 11 land rigs and 2 offshore platform rigs under construction or modification. The Company also holds substantial equity investments in several other publicly owned corporations.

Helmerich & Payne, Inc.'s conference call/webcast is scheduled for today at 3:30 p.m. ET (2:30 p.m. CT). To listen, go to www.videonewswire.com/HELMERICHPAYNE/111301/. If you are unable to participate during the live webcast, the call will be archived for 60 days on the website www.prnewswire.com.

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The information contained within this announcement is forward looking and involves risks and uncertainties that could significantly impact expected results. A discussion of these risks and uncertainties is contained in the Company's Form 10-Q filed with the Securities and Exchange Commission on August 13, 2001."

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HELMERICH & PAYNE, INC.
UNAUDITED
(IN THOUSANDS, EXCEPT PER SHARE DATA)

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| | 09/30/01 ----- | 09/30/00 ----- |
|------------------------------------------------|-------------------|-------------------|
| CONSOLIDATED CONDENSED BALANCE SHEETS ----- | | |
| ASSETS: | | |
| Total current assets | \$ 331,412 | \$ 265,144 |
| Investments | 200,286 | 304,326 |
| Net property, plant, and equipment | 818,404 | 673,605 |
| Other assets | 14,405 | 16,417 |
| | ----- | ----- |
| TOTAL ASSETS | \$ 1,364,507 | \$ 1,259,492 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Total current liabilities | \$ 121,221 | \$ 78,894 |
| Total noncurrent liabilities | 166,809 | 174,895 |
| Long-term debt | 50,000 | 50,000 |
| Total Shareholders' Equity | 1,026,477 | 955,703 |
| | ----- | ----- |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 1,364,507 | \$ 1,259,492 |
| | ===== | ===== |

| | THREE MONTHS ENDED SEPTEMBER 30 | | TWELVE MONTHS ENDED SEPTEMBER 30 | |
|-----------------------------------------------------------------|------------------------------------|---------------|-------------------------------------|---------------|
| | 2001 ----- | 2000 ----- | 2001 ----- | 2000 ----- |
| CONSOLIDATED STATEMENTS OF INCOME ----- | | | | |
| REVENUES: | | | | |
| Sales and other operating revenues | \$ 195,124 | \$ 173,927 | \$ 816,262 | \$ 599,124 |
| Income from investments | 389 | 3,771 | 10,592 | 31,977 |
| | ----- | ----- | ----- | ----- |
| | 195,513 | 177,698 | 826,854 | 631,099 |
| | ----- | ----- | ----- | ----- |
| COST AND EXPENSES: | | | | |
| Operating costs | 101,136 | 87,397 | 413,378 | 316,937 |
| Depreciation, depletion and amortization | 25,206 | 30,299 | 87,309 | 110,853 |
| Dry holes and abandonments | 8,416 | 8,054 | 34,042 | 22,697 |
| Taxes, other than income taxes | 10,430 | 7,244 | 41,640 | 29,200 |
| General and administrative | 3,753 | 2,957 | 15,415 | 11,577 |
| Interest | 919 | 687 | (32) | 3,077 |
| | ----- | ----- | ----- | ----- |
| | 149,860 | 136,638 | 591,752 | 494,333 |
| | ----- | ----- | ----- | ----- |
| INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE | 45,653 | 41,060 | 235,102 | 136,766 |
| INCOME TAX EXPENSE | 18,195 | 17,894 | 93,027 | 57,688 |
| EQUITY IN INCOME OF AFFILIATE, net of income taxes | 770 | 843 | 2,179 | 3,222 |
| | ----- | ----- | ----- | ----- |

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| | | | | |
|------------------------------------|-----------|-----------|------------|-----------|
| NET INCOME | \$ 28,228 | \$ 24,009 | \$ 144,254 | \$ 82,300 |
| EARNINGS PER COMMON SHARE: | | | | |
| Basic | \$ 0.56 | \$ 0.48 | \$ 2.88 | \$ 1.60 |
| Diluted | \$ 0.56 | \$ 0.48 | \$ 2.84 | \$ 1.60 |
| Average common shares outstanding: | | | | |
| Basic | 49,907 | 49,694 | 50,096 | 49,530 |
| Diluted | 50,267 | 50,319 | 50,772 | 50,030 |

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HELMERICH & PAYNE, INC.
UNAUDITED
(IN THOUSANDS)

| | THREE MONTHS ENDED SEPTEMBER 30 | | TWELVE MONTHS ENDED SEPTEMBER 30 | |
|---------------------------------------|------------------------------------|------------|-------------------------------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| FINANCIAL RESULTS - LINES OF BUSINESS | | | | |
| ----- | | | | |
| SALES AND OTHER REVENUES: | | | | |
| Contract Drilling - Domestic | \$ 103,630 | \$ 57,845 | \$ 332,399 | \$ 214,500 |
| Contract Drilling - International | 40,544 | 37,204 | 154,890 | 136,500 |
| Total Contract Drilling Division | 144,174 | 95,049 | 487,289 | 351,000 |
| Exploration and Production | 32,294 | 51,867 | 217,194 | 157,500 |
| Natural Gas Marketing | 16,450 | 24,748 | 100,111 | 80,900 |
| Total Oil and Gas Division | 48,744 | 76,615 | 317,305 | 238,400 |
| Real Estate Division | 2,192 | 2,315 | 11,018 | 8,900 |
| Investments and Other Income | 403 | 3,719 | 11,242 | 32,500 |
| Total Revenues | \$ 195,513 | \$ 177,698 | \$ 826,854 | \$ 631,000 |
| OPERATING PROFIT (LOSS): | | | | |
| Contract Drilling - Domestic | \$ 39,696 | \$ 11,089 | \$ 107,691 | \$ 35,800 |
| Contract Drilling - International | 9,164 | 4,121 | 28,475 | 9,700 |
| Total Contract Drilling Division | 48,860 | 15,210 | 136,166 | 45,500 |
| Exploration and Production | 532 | 24,550 | 95,579 | 66,600 |
| Natural Gas Marketing | 437 | 1,284 | 5,254 | 5,200 |

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| | | | | |
|--------------------------------|-----------|-----------|------------|----------|
| Total Oil and Gas Division | 969 | 25,834 | 100,833 | 71,8 |
| Real Estate Division | 1,003 | 1,329 | 6,315 | 5,3 |
| Total Operating Profit | 50,832 | 42,373 | 243,314 | 122,7 |
| OTHER | (5,179) | (1,313) | (8,212) | 13,9 |
| INCOME BEFORE INCOME TAXES AND | | | | |
| EQUITY IN INCOME OF AFFILIATE: | \$ 45,653 | \$ 41,060 | \$ 235,102 | \$ 136,7 |

AVERAGE PRODUCTION AND PRICES

PRODUCTION

| | | | | |
|---------------------------|---------|---------|---------|-------|
| Oil - Barrels Per Day | 2,060 | 2,813 | 2,242 | 2,4 |
| Natural Gas - Mcf Per Day | 112,058 | 125,782 | 116,128 | 128,2 |

SALES PRICES

| | | | | |
|--------------------------|-------|-------|-------|-----|
| Oil - \$ Per Barrel | 25.33 | 31.02 | 27.88 | 27. |
| Natural Gas - \$ Per Mcf | 2.66 | 3.65 | 4.55 | 2. |

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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.
(Registrant)

By: /s/ STEVEN R. MACKEY

Name: Steven R. Mackey
Title: Vice President

Dated: November 13, 2001

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