

HELMERICH & PAYNE INC
Form 10-Q
May 04, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For quarterly period ended: **March 31, 2012**

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

73-0679879
(I.R.S. Employer I.D. Number)

1437 South Boulder Avenue, Tulsa, Oklahoma,74119

(Address of principal executive office)(Zip Code)

(918) 742-5531

(Registrant's telephone number, including area code)

N/A

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

CLASS
Common Stock, \$0.10 par value

OUTSTANDING AT April 30, 2012
107,416,029

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(in thousands, except share and per share amounts)

ITEM 1. FINANCIAL STATEMENTS

	March 31, 2012	September 30, 2011
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 324,385	\$ 364,246
Accounts receivable, less reserve of \$746 at March 31, 2012 and \$776 at September 30, 2011	511,203	460,540
Inventories	61,410	54,407
Deferred income taxes	21,890	19,855
Prepaid expenses and other	72,910	49,736
Current assets of discontinued operations	7,562	7,529
Total current assets	999,360	956,313
Investments	444,365	347,924
Property, plant and equipment, net	3,975,239	3,677,070
Other assets	22,108	22,584
Total assets	\$ 5,441,072	\$ 5,003,891
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 98,007	\$ 103,852
Accrued liabilities	167,519	192,898
Long-term debt due within one year	115,000	115,000
Current liabilities of discontinued operations	5,198	4,979
Total current liabilities	385,724	416,729
Noncurrent liabilities:		
Long-term debt	235,000	235,000
Deferred income taxes	1,113,285	975,280
Other	102,603	104,285
Noncurrent liabilities of discontinued operations	2,364	2,550
Total noncurrent liabilities	1,453,252	1,317,115
Shareholders' equity:		
Common stock, \$.10 par value, 160,000,000 shares authorized, 107,564,656 shares and 107,243,473 shares issued as of March 31, 2012 and September 30, 2011, respectively and 107,411,279 and 107,086,324 shares outstanding as of March 31, 2012 and September 30, 2011, respectively	10,756	10,724
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued		

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Additional paid-in capital	225,917	210,909
Retained earnings	3,213,113	2,954,210
Accumulated other comprehensive income	158,804	98,908
Treasury stock, at cost	(6,494)	(4,704)
Total shareholders' equity	3,602,096	3,270,047
Total liabilities and shareholders' equity	\$ 5,441,072	\$ 5,003,891

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Operating revenues:				
Drilling U.S. Land	\$ 658,804	\$ 495,459	\$ 1,276,583	\$ 972,277
Drilling Offshore	43,421	50,586	94,213	95,453
Drilling International Land	64,088	54,684	124,823	123,638
Other	3,669	3,677	6,951	7,680
	769,982	604,406	1,502,570	1,199,048
Operating costs and other:				
Operating costs, excluding depreciation	448,208	340,039	839,240	670,085
Depreciation	90,934	76,161	177,222	149,341
General and administrative	27,805	24,406	53,968	44,295
Research and development	3,830	3,640	7,079	7,110
Income from asset sales	(7,820)	(4,105)	(12,503)	(6,774)
	562,957	440,141	1,065,006	864,057
Operating income from continuing operations	207,025	164,265	437,564	334,991
Other income (expense):				
Interest and dividend income	356	356	692	670
Interest expense	(2,421)	(5,513)	(4,882)	(9,964)
Other	(42)	232	(21)	398
	(2,107)	(4,925)	(4,211)	(8,896)
Income from continuing operations before income taxes	204,918	159,340	433,353	326,095
Income tax provision	75,155	60,379	159,293	122,769
Income from continuing operations	129,763	98,961	274,060	203,326
Loss from discontinued operations before income taxes	(125)	(176)	(136)	(391)
Income tax provision	(81)	(5)	(81)	(5)
Loss from discontinued operations	(44)	(171)	(55)	(386)
NET INCOME	\$ 129,719	\$ 98,790	\$ 274,005	\$ 202,940
Basic earnings per common share:				
Income from continuing operations	\$ 1.20	\$ 0.92	\$ 2.54	\$ 1.90
Loss from discontinued operations	\$	\$	\$	\$
Net income	\$ 1.20	\$ 0.92	\$ 2.54	\$ 1.90
Diluted earnings per common share:				

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Income from continuing operations	\$	1.18	\$	0.91	\$	2.51	\$	1.87
Loss from discontinued operations	\$		\$		\$		\$	
Net income	\$	1.18	\$	0.91	\$	2.51	\$	1.87

Weighted average shares outstanding:

Basic		107,385		106,515		107,285		106,270
Diluted		109,042		108,595		108,925		108,375

Dividends declared per common share	\$	0.07	\$	0.06	\$	0.14	\$	0.12
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The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Six Months Ended March 31,	
	2012	2011
OPERATING ACTIVITIES:		
Net income	\$ 274,005	\$ 202,940
Adjustment for loss from discontinued operations	55	386
Income from continuing operations	274,060	203,326
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	177,222	149,341
Provision for bad debt	2	3
Stock-based compensation	8,758	6,144
Other	2	(1)
Income from asset sales	(12,503)	(6,774)
Deferred income tax expense	100,143	95,619
Change in assets and liabilities-		
Accounts receivable	(50,665)	24,476
Inventories	(7,003)	(2,441)
Prepaid expenses and other	(22,719)	4,037
Accounts payable	(12,253)	(17,287)
Accrued liabilities	(14,083)	(14,952)
Deferred income taxes	205	243
Other noncurrent liabilities	(2,289)	10,399
Net cash provided by operating activities from continuing operations	438,877	452,133
Net cash used in operating activities from discontinued operations	(55)	(386)
Net cash provided by operating activities	438,822	451,747
INVESTING ACTIVITIES:		
Capital expenditures	(492,701)	(286,251)
Proceeds from asset sales	25,543	17,022
Acquisition of TerraVici Drilling Solutions		(4,000)
Net cash used in investing activities	(467,158)	(273,229)
FINANCING ACTIVITIES:		
Proceeds from line of credit		10,000
Payments on line of credit		(20,000)
Dividends paid	(15,070)	(12,784)
Exercise of stock options	1,895	11,115
Tax withholdings related to net share settlements of restricted stock	(1,514)	
Excess tax benefit from stock-based compensation	3,164	10,816
Net cash used in financing activities	(11,525)	(853)
Net increase (decrease) in cash and cash equivalents	(39,861)	177,665
Cash and cash equivalents, beginning of period	364,246	63,020
Cash and cash equivalents, end of period	\$ 324,385	\$ 240,685

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS' EQUITY

SIX MONTHS ENDED MARCH 31, 2012

(Unaudited)

(in thousands, except per share amounts)

	Common Stock		Additional	Retained	Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-In	Earnings	Other	Shares	Amount	Shareholders
			Capital		Comprehensive			Equity
					Income			
Balance, September 30, 2011	107,243	\$ 10,724	\$ 210,909	\$ 2,954,210	\$ 98,908	157	\$ (4,704)	\$ 3,270,047
Comprehensive Income:								
Net income				274,005				274,005
Other comprehensive income:								
Change in value on available-for-sale securities					58,817			58,817
Amortization of net periodic benefit costs-net of actuarial gain					1,079			1,079
Total comprehensive income								333,901
Cash dividends (\$0.14 per share)								
				(15,102)				(15,102)
Exercise of stock options	281	28	4,624			47	(2,757)	1,895
Tax benefit of stock-based awards, including excess tax benefits of \$3,417			4,111					4,111
Stock issued for vested restricted stock, net of shares withheld for employee taxes	41	4	(2,485)			(51)	967	(1,514)
Stock-based compensation			8,758					8,758
Balance, March 31, 2012	107,565	\$ 10,756	\$ 225,917	\$ 3,213,113	\$ 158,804	153	\$ (6,494)	\$ 3,602,096

The accompanying notes are an integral part of these statements.

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HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms the Company, we, us and our in these Notes to Consolidated Condensed Financial Statements refers to Helmerich & Payne, Inc. and its consolidated subsidiaries.

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (the Commission) pertaining to interim financial information. Accordingly, these interim financial statements do not include all information or footnote disclosures required by GAAP for complete financial statements and, therefore, should be read in conjunction with the Consolidated Financial Statements and notes thereto in our 2011 Annual Report on Form 10-K and other current filings with the Commission. In the opinion of management, all adjustments, consisting of those of a normal recurring nature, necessary to present fairly the results of the periods presented have been included. The results of operations for the interim periods presented may not necessarily be indicative of the results to be expected for the full year.

As more fully described in our 2011 Annual Report on Form 10-K, our contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed. For contracts that are terminated by customers prior to the expirations of their fixed term, contractual provisions customarily require early termination amounts to be paid to us. Revenues from early terminated contracts are recognized when all contractual requirements have been met.

2. Discontinued Operations

On June 30, 2010, the Official Gazette of Venezuela published the Decree of Venezuelan President Hugo Chavez, which authorized the forceful acquisition of eleven rigs owned by our Venezuelan subsidiary. The Decree also authorized the seizure of all the personal and real property and other improvements used by our Venezuelan subsidiary in its drilling operations. The seizing of our assets became effective June 30, 2010 and met the criteria established for recognition as discontinued operations under accounting standards for presentation of financial statements. Therefore, operations from the Venezuelan subsidiary, an operating segment within the International Land segment, have been classified as discontinued operations in our Consolidated Condensed Financial Statements.

Summarized operating results from discontinued operations are as follows:

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	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
	(in thousands)		(in thousands)	
Revenue	\$	\$	\$	\$
Loss before income taxes		(125)	(176)	(391)
Income tax provision		(81)	(5)	(5)
Loss from discontinued operations	\$	(44)	\$ (171)	\$ (386)

Significant categories of assets and liabilities from discontinued operations are as follows:

	March 31, 2012	September 30, 2011
	(in thousands)	
Other current assets	\$ 7,562	\$ 7,529
Total assets	\$ 7,562	\$ 7,529
Current liabilities	\$ 5,198	\$ 4,979
Noncurrent liabilities	2,364	2,550
Total liabilities	\$ 7,562	\$ 7,529

Other current assets consist of restricted cash to meet remaining in-country current obligations. Liabilities consist of municipal and income taxes payable and social obligations due within the country of Venezuela.

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3. Earnings per Share

Accounting Standards Codification (ASC) 260, *Earnings per Share*, requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. We have granted and expect to continue to grant restricted stock grants to employees that contain non-forfeitable rights to dividends. Such grants are considered participating securities under ASC 260. As such, we are required to include these grants in the calculation of our basic earnings per share and calculate basic earnings per share using the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings.

Basic earnings per share is computed utilizing the two-class method and is calculated based on weighted-average number of common shares outstanding during the periods presented.

Diluted earnings per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and nonvested restricted stock.

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The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Numerator:				
Income from continuing operations	\$ 129,763	\$ 98,961	\$ 274,060	\$ 203,326
Loss from discontinued operations	(44)	(171)	(55)	(386)
Net income	129,719	98,790	274,005	202,940
Adjustment for basic earnings per share:				
Earnings allocated to unvested shareholders	(530)	(300)	(1,009)	(599)
Numerator for basic earnings per share:				
From continuing operations	129,233	98,661	273,051	202,727
From discontinued operations	(44)	(171)	(55)	(386)
	129,189	98,490	272,996	202,341
Adjustment for diluted earnings per share:				
Effect of reallocating undistributed earnings of unvested shareholders	7	6	14	11
Numerator for diluted earnings per share:				
From continuing operations	129,240	98,667	273,065	202,738
From discontinued operations	(44)	(171)	(55)	(386)
	\$ 129,196	\$		