

HELMERICH & PAYNE INC
Form 10-Q/A
June 17, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For quarterly period ended: March 31, 2015

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
(Do not check if a smaller reporting company)

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, 2015
107,654,499

DOCUMENTS INCORPORATED BY REFERENCE

No documents are incorporated in this Form 10-Q/A (Amendment No. 1).

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (this Form 10-Q/A) to the Quarterly Report on Form 10-Q of Helmerich & Payne, Inc. (Company) for the second fiscal quarter of 2015, filed with the Securities and Exchange Commission (the SEC) on May 1, 2015 (the Original 10-Q) is being filed solely to correct certain average rig revenue per day information disclosed in the second narrative paragraph under the tables for U.S. Land Operations for the three and six months ended March 31, 2015 and 2014 (see Results of Operations in Part I Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations). Specifically, in the Original 10-Q the first sentence of the second paragraph under the table U.S. Land Operations Three Months Ended March 31, 2015 and 2014 states: Excluding early termination revenue of \$3,413, average rig revenue per day for the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014 decreased by \$462 to \$2,951. This sentence has been corrected to read: Excluding early termination per day revenue of \$3,413, average rig revenue per day for the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014 decreased by \$462 to \$27,575. Also, in the Original 10-Q the first sentence of the second paragraph under the table U.S. Land Operations Six Months Ended March 31, 2015 and 2014 states: Excluding early termination revenue of \$1,960, average rig revenue per day for the first six months of fiscal 2015 compared to the same period of fiscal 2014 decreased by \$91 to \$1,869. This sentence has been corrected to read: Excluding early termination per day revenue of \$1,960 and \$208 for the first six months of fiscal 2015 and 2014, respectively, average rig revenue per day in the first six months of fiscal 2015 compared to the first six months of fiscal 2014 increased by \$117 to \$28,158.

Except as described above, this Form 10-Q/A does not modify or update disclosure in, or exhibits to, the Original 10-Q. Furthermore, this Form 10-Q/A does not change any previously reported financial results, nor does it reflect events occurring after the date of the Original 10-Q. Information not affected by this Form 10-Q/A remains unchanged and reflects the disclosures made at the time the Original 10-Q was filed.

PART 1

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

March 31, 2015

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

The following discussion should be read in conjunction with the Consolidated Condensed Financial Statements and related notes included elsewhere herein and the Consolidated Financial Statements and notes thereto included in our 2014 Annual Report on Form 10-K. Our future operating results may be affected by various trends and factors which are beyond our control. These include, among other factors, fluctuations in natural gas and crude oil prices, the loss of one or a number of our largest customers, early termination of drilling contracts and failure to realize backlog drilling revenue, forfeiture of early termination payments under fixed term contracts due to sustained unacceptable performance, unsuccessful collection of receivables, inability to procure key rig components, failure to timely deliver rigs within applicable grace periods, disruption to or cessation of the business of our limited source vendors or fabricators, currency exchange losses, expropriation of assets and other international uncertainties, loss of well control, pollution of offshore waters and reservoir damage, operational risks that are not fully insured against or covered by adequate contractual indemnities, passage of laws or regulations including those limiting hydraulic fracturing, litigation and governmental investigations, failure to comply with the terms of our plea agreement with the United States Department of Justice, failure to comply with the United States Foreign Corrupt Practices Act, foreign anti-bribery laws and other governmental laws and regulations, a sluggish global economy, changes in general economic and political conditions, adverse weather conditions including hurricanes, rapid or unexpected changes in drilling or other technologies and uncertain business conditions that affect our businesses. Accordingly, past results and trends should not be used by investors to anticipate future results or trends. Our risk factors are more fully described in our 2014 Annual Report on Form 10-K and elsewhere in this Form 10-Q.

With the exception of historical information, the matters discussed in Management's Discussion & Analysis of Financial Condition and Results of Operations include forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, intend, estimate, anticipate, believe, or continue or the negative thereof or similar terminology. Forward-looking statements are based on various assumptions. We caution that, while we believe such assumptions to be reasonable and make them in good faith, assumptions about future events and conditions almost always vary from actual results. The differences between assumed facts and actual results can be material. We are including this cautionary statement to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by us or persons acting on our behalf. The factors identified in this cautionary statement are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by us or persons acting on our behalf. Except as required by law, we undertake no duty to update or revise our forward-looking statements based on changes of internal estimates on expectations or otherwise.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 vs. Three Months Ended March 31, 2014

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We reported net income of \$149.5 million (\$1.37 per diluted share) from operating revenues of \$883.1 million for the second quarter ended March 31, 2015, compared with net income from continuing operations of \$174.6 million (\$1.59 per diluted share) from operating revenues of \$893.4 million for the second quarter of fiscal year 2014. Net income for the second quarter of fiscal 2015 includes approximately \$1.9 million (\$0.02 per diluted share) of after-tax gains from the sale of assets. Net income for the second quarter of fiscal 2014 includes approximately \$12.9 million (\$0.12 per diluted share) of after-tax gains from the sale of investment securities and approximately \$2.7 million (\$0.02 per diluted share) of after-tax gains from the sale of assets.

The following tables summarize operations by reportable operating segment for the three months ended March 31, 2015 and 2014. Operating statistics in the tables exclude the effects of offshore platform and international management contracts, and do not include reimbursements of out-of-pocket expenses in revenue, expense and margin per day calculations. Per day calculations for international operations also exclude gains and losses from translation of foreign currency transactions. Segment operating income is described in detail in Note 11 to the Consolidated Condensed Financial Statements.

	Three Months Ended March 31,	
	2015	2014
(in thousands, except days and per day amounts)		
U.S. LAND OPERATIONS		
Revenues	\$ 718,463	\$ 741,791
Direct operating expenses	352,489	378,347
General and administrative expense	12,605	10,656
Depreciation	128,503	107,726
Segment operating income	\$ 224,866	\$ 245,062
Revenue days	20,802	24,300
Average rig revenue per day	\$ 30,988	\$ 28,037
Average rig expense per day	\$ 13,395	\$ 13,080
Average rig margin per day	\$ 17,593	\$ 14,957
Rig utilization	68%	86%

U.S. Land segment operating income decreased to \$224.9 million for the second quarter of fiscal 2015 compared to \$245.1 million in the same period of fiscal 2014. Revenues were \$718.5 million and \$741.8 million in the second quarter of fiscal 2015 and 2014, respectively. Included in U.S. land revenues for the three months ended March 31, 2015 and 2014 are reimbursements for out-of-pocket expenses of \$73.9 million and \$60.5 million, respectively. Also included in revenue for the three months ended March 31, 2015 is early termination revenue of \$71.0 million. We had no early termination fees during the same period of fiscal 2014.

Excluding early termination per day revenue of \$3,413, average rig revenue per day for the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014 decreased by \$462 to \$27,575. The decline in oil prices continues to have a negative effect on customer spending. As a result, some operators are not renewing contracts or are terminating their contracts early. Fixed-term contracts customarily provide for termination at the election of the customer, with an early termination payment to be paid to us if a contract is terminated prior to the expiration of the fixed term (except in limited circumstances including sustained unacceptable performance by us).

Depreciation increased \$20.8 million in the second quarter of fiscal 2015 compared to the second quarter of fiscal 2014. Included in depreciation are abandonments of \$9.9 million and \$1.5 million, respectively, for the three months ended March 31, 2015 and 2014. Included in abandonments for the three months ended March 31, 2015 is the decommissioning of all 17 of our SCR powered FlexRigs including 6 idle FlexRig1 rigs and 11 idle FlexRig2 rigs. With the continued downturn in the oil and gas industry, we believe when the demand for drilling rigs returns, our SCR powered FlexRigs will not meet the needs of our customers. Excluding abandonments, depreciation increased in the comparative periods due to the increase in available rigs as new FlexRigs were added to the segment in 2014 and 2015.

U.S. land rig utilization decreased to 68 percent for the second quarter of 2015 compared to 86 percent for the second quarter of fiscal 2014. U.S. land rig revenue days for the second quarter of fiscal 2015 were 20,802 compared with 24,300 for the same period of fiscal 2014, with an average of 231.1 and 270.0 rigs working during the second quarter of fiscal 2015 and 2014, respectively. We expect rig utilization to decrease in the third quarter of fiscal 2015 as customers continue to reduce their drilling activity and rigs are idled. Given the current trend, we could have less than 150 rigs contracted and generating revenue by June 30, 2015.

At March 31, 2015, 179 out of 332 existing rigs in the U.S. Land segment were contracted. Of the 179 contracted rigs, 145 were under fixed term contracts and 34 were working in the spot market. As of April 23, 2015, 165 rigs remain contracted in the segment excluding rigs that are in the process of stacking. Based on the early termination notices received since March 31, 2015, early termination revenue could exceed \$75 million during the third fiscal quarter of 2015.

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	Three Months Ended March 31,	
	2015	2014
(in thousands, except days and per day amounts)		
OFFSHORE OPERATIONS		
Revenues	\$ 62,626	\$ 63,276
Direct operating expenses	39,433	38,479
General and administrative expense	954	2,528
Depreciation	3,170	2,926
Segment operating income	\$ 19,069	\$ 19,343
Revenue days	794	720
Average rig revenue per day	\$ 49,783	\$ 64,242
Average rig expense per day	\$ 31,112	\$ 36,577
Average rig margin per day	\$ 18,671	\$ 27,665
Rig utilization	98%	89%

Offshore revenues include reimbursements for out-of-pocket expenses of \$5.3 million and \$4.9 million for the three months ended March 31, 2015 and 2014, respectively.

Average revenue per day and average rig margin per day decreased in the first quarter of fiscal 2015 compared to the first quarter of fiscal 2014 primarily due to a contractual decrease in the dayrate for one rig.

At the end of March 31, 2015 and March 31, 2014, eight platform rigs were active.

	Three Months Ended March 31,	
	2015	2014
(in thousands, except days and per day amounts)		
INTERNATIONAL LAND OPERATIONS		
Revenues	\$ 98,222	\$ 85,533
Direct operating expenses	77,452	63,688
General and administrative expense	1,019	964
Depreciation	13,423	9,713
Segment operating income	\$ 6,328	\$ 11,168
Revenue days	1,842	2,032
Average rig revenue per day	\$ 47,063	\$ 37,095
Average rig expense per day	\$ 36,166	\$ 26,177
Average rig margin per day	\$ 10,897	\$ 10,918
Rig utilization	52%	78%

International Land segment operating income for the second quarter of fiscal 2015 was \$6.3 million compared to \$11.2 million in the same period of fiscal 2014. Included in International land revenues for the three months ended March 31, 2015 and 2014 are reimbursements for out-of-pocket expenses of \$11.5 million and \$10.2 million, respectively. Also included in revenue for the three months ended March 31, 2015 is early termination revenue of \$0.7 million.

Rigs transferred into the segment in previous quarters that have begun operations favorably impacted revenue and average rig revenue per day during the second quarter of fiscal 2015. Average rig expense per day increased due to those same rigs incurring startup costs and idle rigs

incurring fixed costs while stacked. During the current quarter, an average of 20.5 rigs worked compared to an average of 22.6 rigs in the second quarter of fiscal 2014. Four of the rigs transferred into the segment during the first quarter of fiscal 2015 had not commenced operations by the end of the second quarter of fiscal 2015 which reduced the quarterly rig utilization. All four rigs are expected to begin work by the end of the third fiscal quarter.

RESEARCH AND DEVELOPMENT

For the three months ended March 31, 2015 and 2014, we incurred \$4.9 million and \$3.6 million, respectively, of research and development expenses related to ongoing development of a rotary steerable system.

