

Helmerich & Payne FlexRigs drill big quarter

by: JASON WOMACK World Staff Writer
11/16/2007 3:23 AM

Shares of Helmerich & Payne surged nearly 7 percent Thursday as the company beat fiscal fourth-quarter expectations and posted record annual earnings.

The stock price jumped \$2.14 to close at \$33.11 on the New York Stock Exchange.

Net income for the fourth quarter grew 18 percent to \$116.4 million, or \$1.10 per diluted share, from \$98.5 million, or 93 cents per diluted share, a year earlier, according to a company news release.

Analysts surveyed by Bloomberg News had expected earnings of 87 cents per share in the fiscal fourth quarter, which ended Sept. 30.

Operating revenue totaled \$449.4 million, a 25 percent jump from the fourth quarter of fiscal 2006.

H&P posted full-year net income of \$449.3 million, or \$4.27 per diluted share, compared with \$293.9 million, or \$2.77 per diluted share, last year.

Hans Helmerich, president and CEO, said the jump reflects the company's successful execution of its new build program, which delivered 48 of the company's FlexRigs during the 2007 fiscal year.

"Perhaps the year's most significant accomplishment is the on-time, on-cost execution of that aggressive program and our people's ability to daily deliver on the entire value chain involved -- design, manufacturing, commissioning, training and field performance," Helmerich said during a conference call.

The earnings report coincided with the announcement that H&P has agreed to build six additional FlexRigs for an unnamed exploration and production company. Terms of the six three-year agreements were not disclosed.

Since March 2005, the company has announced 83 such commitments for its high-tech drilling rig.

The FlexRig is billed as an efficient unit that reduces the overall well cost for H&P customers. The rigs are widely used in unconventional gas plays.

Several of the rigs are used by Oklahoma City-based Devon Energy Corp. in the Barnett Shale, the largest natural gas field in Texas. And Tulsa-based Williams Cos. Inc. uses 10 of the rigs in the Piceance Basin of western Colorado, that company's cornerstone for production and reserves growth.

The FlexRig fleet will reach 132 units when the company's remaining 11 commitments are completed by the 2008 fiscal third quarter.

H&P's U.S. land rig operations segment reported an average rig utilization rate of 95 percent, a 1 percent drop from the third quarter. However, the total rig activity days increased by 892.

International land segment operating income doubled during the fourth quarter, increasing to \$32.4 million from the same period last year despite rig utilization dropping to 81 percent from 95 percent in the 2006 quarter.

Juan Pablo Tardio, a spokesman for H&P, attributed the increase in income to an improving international market.

"You see the tightening of demand driving margins and day rates up," he said.

Rig utilization declined internationally due to changing oil and gas regulations in Latin American countries, Tardio said.

The offshore operations segment reported a 19 percent drop in operating income. Operating income for the segment declined to \$6.3 million.

The company operates a fleet of nine platform rigs. A pair of rigs are idle, five are active and the remaining platforms are either being prepared for work or being mobilized, H&P said.


Fred Russell, CEO of Fredric E. Russell Investment Management Co. in Tulsa, said H&P is in a state of "near perfection" with high daily rates and close to full rig utilization.

"Helmerich and Payne is in a very enviable position," he said.

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