
Helmerich & Payne, Inc. Annual Report for 1994

Highlights

Years Ended September 30,	1994	1993
Revenues	\$ 329,001,000	\$ 315,097,000
Net Income	\$ 24,971,000	\$ 24,550,000
Earnings Per Share	\$ 1.02	\$ 1.01
Dividends Paid Per Share	\$.485	\$.48
Capital Expenditures	\$ 105,883,000	\$ 54,209,000
Total Assets	\$ 624,827,000	\$ 610,935,000

HELMERICH & PAYNE, INC. IS A DIVERSIFIED, ENERGY-ORIENTED COMPANY ENGAGED IN CONTRACT DRILLING, OIL AND GAS EXPLORATION AND PRODUCTION, CHEMICALS MANUFACTURING, AND REAL ESTATE DEVELOPMENT AND MANAGEMENT. THE COMPANY ALSO HOLDS SUBSTANTIAL EQUITY INVESTMENTS IN SEVERAL OTHER PUBLICLY OWNED CORPORATIONS.

President's Letter

To the Co-owners of Helmerich & Payne, Inc.

As never before in my lifetime, the American people sent shock waves through the halls of Congress. Now the new Republican-controlled House and Senate have a chance not only to reduce spending and allow workers to keep more of their earnings, but to address a more imposing challenge. By a margin of nearly two-to-one, voters said the problems facing this country were not primarily economic in nature, but were rooted in a dramatic social and moral decline. In part, Washington, D.C. was held accountable for the role it has played in contributing to this decline. George Will observed that the voters simply said "Something is amiss when a government that does not adequately deliver the mail delivers condoms to children."

Years of irresponsibility have recklessly damaged the reputation of Congress, leaving only nineteen percent of the people confident that their elected representatives will do the right thing. The first order of business for this Congress will be to earn back the trust of ordinary Americans.

Whether the relationship is between representative government and the voters, between a business enterprise and its customers, or within our own families, the importance of trustworthiness and a good name is paramount to success. While a renewed commitment to these old-fashioned values would well serve the 104th Congress, it is also timely for us to reflect upon these values since 1995 marks the 75th anniversary of Helmerich & Payne, Inc.

My grandfather landed in the oil business by accident. After spending World War I as a young officer and instructor pilot, he left the service to manage an aerial circus until his small fleet of bi-planes were all but lost in a West Texas thunderstorm. What little survived, he traded for three cable-tool rigs in South Bend, Texas, where he and his partner would drill a discovery well in 1920.

Growing up, I loved hearing stories of the rough and tumble oil patch where the Company's history paralleled the early success of the industry in Oklahoma's Osage, Tonkawa, and Oklahoma City fields; down into East Texas; and over to the first efforts of New Mexico's Four Corners.



Deals were done over a handshake and a man's personal integrity was inseparable from the business enterprise itself. Even as the Company grew and prospered, keeping your word, working hard, doing the right thing, and caring about your people and the customer never went out of fashion. I have heard Dad say a thousand times that a good name is built over a lifetime, but lost in an instant.

Today on drilling rigs all over the world, in operating and marketing hundreds of oil and gas wells in the United States, and in supporting chemical and real estate operations, there is a deep appreciation and sense of responsibility that is shared by all of us who carry a trusted name and a hard-earned reputation into our daily operations.

Our pledge is to approach the next seventy-five years with these time-tested values etched clearly in our minds, remaining forever indebted to the thousands of loyal Helmerich & Payne, Inc. co-workers that have gone before us and kept the faith.

Sincerely,

Hans Helmerich
President

December 15, 1994

SUMMARY At the close of 1994, Helmerich & Payne International Drilling Co. owned 65 land rigs and 11 off-shore platform rigs which had an average utilization of 77 percent, compared with 69 percent the previous year. Higher domestic activity is credited for revenue and pre-tax income gains of 23 and 33 percent, respectively, in 1994. Pre-tax cash flow rose by 14 percent to \$48.4 million, compared with \$42.4 million in 1993.

DOMESTIC OPERATIONS Domestic land rig utilization averaged 66 percent for the year, compared with 48 percent in 1993. An average of 19 domestic land rigs were fully utilized during 1994, compared with 15 land rigs in 1993. In the third quarter, the Company acquired substantially all of the equipment and property of Energy Service Co.'s domestic land drilling operation based in Alice, Texas. The purchase included 12 land rigs which helped increase the Company's domestic land fleet to 36 rigs by year-end.

Offshore operations consist of eight platform rigs in the Gulf of Mexico, and three platform rigs plus two management contracts for Exxon-owned platform rigs offshore California. Utilization averaged 79 percent this year for the Company's 11 platform rigs, compared with 70 percent for nine rigs in 1993. A full year of activity for two additional rigs in the Gulf of Mexico and the Exxon management contracts contributed significantly to the improved financial performance in 1994.

INTERNATIONAL OPERATIONS At year-end, the Company owned 29 land rigs in the countries of Venezuela (15), Colombia (8), Ecuador (4), Trinidad (1), and Yemen (1). Utilization averaged 88 percent in 1994,

compared with 68 percent in 1993. Although revenue increased nine percent to \$98.1 million, pre-tax earnings declined by four percent due to higher operating costs in Colombia and foreign exchange losses suffered in Venezuela.

In 1994, the Company moved one rig to Colombia which joined the work on BP Exploration's Cusiana/Cupiagua development, one rig was added in Ecuador for Maxus, and two rigs were sent to Venezuela for Corpoven. For 1995, the Company received letters of intent for three-year contracts on three additional land rigs from BP Exploration in Colombia and one-year term contracts for three land rigs from Corpoven in Venezuela. The Company will utilize three existing domestic rigs as well as other equipment purchases for these projects.

The Company recently began work on a joint venture with Atwood Oceanics, Inc., a 24 percent owned affiliate, to build a new generation offshore platform rig incorporating the latest technology in instrumentation and remote control mechanization of drilling equipment. The Company will manage the design, construction, testing, and mobilization phases of the project. Rig operations are scheduled to begin in 1996, and will be managed by Atwood Oceanics, Inc., which has operated in Australia for a number of years.

The Company is well positioned to perform in a depressed and competitive environment. Whether the work is of a conventional nature or entails complex design and logistics, the Company will continue to focus on delivering value to our customers.

Exploration & Production

HELMERICH & PAYNE, INC.

SUMMARY Helmerich & Payne, Inc. engages in the exploration, production, and acquisition of oil and natural gas reserves primarily in the states of Oklahoma, Kansas, Texas, and Louisiana. At the close of 1994, the Company had proved oil and natural gas reserves of 6.7 million barrels and 290.7 billion cubic feet (Bcf), respectively. This compares with reserves of 6.9 million barrels of oil and 289.4 Bcf of natural gas in 1993.

PRODUCTION OVERVIEW In response to lower prices, the Company reduced its natural gas production to an average annual rate of 72,953 thousand cubic feet (Mcf) per day, from 78,023 Mcf per day in 1993. The average price received for natural gas fell to \$1.72 per Mcf compared with \$1.84 the prior year. Oil production increased slightly this year to 2,431 barrels per day from 2,399 barrels per day in 1993. However, the average price received for oil declined by over 15 percent to \$14.83 per barrel in 1994. Lower commodity prices and natural gas production, coupled with higher exploration expenses, contributed to a significant decline in revenue and pre-tax income this year.

ACQUISITIONS The Company invested \$23.1 million in 1994 to purchase producing properties which had estimated reserves of 19.9 Bcf of natural gas and 159,580 barrels of oil. Tight sands tax credits, high BTU content natural gas, and several development opportunities are also associated with these properties.

DRILLING AND EXPLORATION Of the 44 (15 net) wells which the Company participated in during the year, 37 (12.6 net) were classified as development and

seven (2.4 net) wells were classified as exploratory risks. Ten (4.7 net) wells were completed as oil wells, 29 (8.7 net) wells were completed as natural gas wells, and five (1.7 net) wells were dry holes. Exploration budget reductions by major oil companies in the lower 48 states have opened a number of attractive exploration opportunities in regions where technological advances like 3-D seismic have not been fully utilized. This is particularly true for some coastal regions in Louisiana where the Company has five new prospects. The Company added a total of six wildcat prospects in 1994 and participated in seven separate 3-D seismic programs. The actual drilling on many of these prospects will not begin until 1995.

A dual-leg horizontal well was completed during the year in the Company's Austin Chalk prospect in central Louisiana and it is apparent that the well is marginal. The Company is limiting its efforts to the western portion of this prospect where Occidental Petroleum Corporation has drilled a well which has produced significant hydrocarbons in the early stages. The Company intends to participate in an offset well in 1995 if the economic viability of Occidental's discovery well becomes more certain.

The strategy going forward remains focused on domestic onshore acquisition, development, and exploration opportunities, particularly in areas where the Company can employ new drilling and seismic technologies.

Real Estate

HELMERICH & PAYNE PROPERTIES, INC.

SUMMARY Helmerich & Payne Properties, Inc. is engaged in the leasing, acquisition, and development of commercial real estate exclusively in the metropolitan area of Tulsa, Oklahoma. At the close of 1994, the Company's property holdings consisted of approximately 1,652,311 leasable square feet which had an occupancy of 85 percent.

Financial Highlights

	Years Ended September 30,	1994	1993	1992
			(in thousands)	
Gross Revenues.....		\$ 7,803	\$ 7,630	\$ 7,550
Pre-Tax Income.....		4,460	4,149	4,263
Depreciation Expense.....		1,624	1,679	1,685
Capital Expenditures.....		916	458	697
Year-End Book Value.....		26,065	27,006	28,224
Average Occupancy.....		83%	86%	87%

UTICA SQUARE SHOPPING CENTER Consisting of 15 separate buildings including an eight-story medical complex, Utica Square Shopping Center covers 30 landscaped acres located approximately five minutes from downtown Tulsa. Nearly 70 distinguished shops and restaurants make up Utica Square's tenant roster, including Ann Taylor, The Gap, Laura Ashley, Miss Jackson's, The Olive Garden, Saks Fifth Avenue, and Williams-Sonoma.

A unique outdoor design allows Utica Square to host a number of seasonal events each year, some of which have become traditions in the Tulsa area. These attributes help make Utica Square a distinctive shopping environment and the cornerstone of the Company's real estate portfolio.

INDUSTRIAL PROPERTIES The Company’s industrial properties and undeveloped land holdings are located in the southeastern part of Tulsa close to major transportation arteries and key growth areas. Two of the properties are classified as bulk warehouse developments and the remaining four are combination office/warehouse properties. Sluggish economic growth and an oversupply of industrial space continues to hamper the occupancy and the rate structure in this market segment. Occupancy for these properties slipped to an average of 76 percent in 1994 from 80 percent the prior year.

The quality and location of the properties and land holdings place the Company in a unique position to benefit from growth in the Tulsa economy.

Summary of Property Owned

Property Name	Description	Square Feet
Utica Square Shopping Center	Upscale Retail	405,709
Utica Square Offices and Medical Center	Professional Offices	94,969
Plaza Office Building	Corporate Offices	86,899
Space Center	Industrial Warehouses	495,000
Space Center East	Industrial Warehouses	202,500
Tandem Business Park	Office/Warehouse Complex	88,084
Tulsa Business Park	Office/Warehouse Complex	204,600
Maxim Center	Office/Warehouse Complex	40,800
Maxim Place	Office/Warehouse Complex	33,750
Southpark	Undeveloped 257 Acres	—
	Total Square Feet	<u>1,652,311</u>

Chemicals

NATURAL GAS ODORIZING, INC.

SUMMARY Natural Gas Odorizing, Inc. (NGO), a wholly-owned subsidiary of Helmerich & Payne, Inc., is a leading producer and marketer of mercaptan-based products used primarily as warning odorants in natural and liquified petroleum gas (LPG). The Company also produces similarly composed products used as feedstocks and sulfiding agents in other segments of the chemical industry.

The Company's Baytown, Texas, facility obtains its primary raw materials, hydrogen sulfide and olefins, from a neighboring refinery. Raw materials are reacted and fractionated, and then blended with other ingredients to yield the final products. NGO's primary customers are LPG distributors and natural gas utility companies. Depending on the customer's needs, products are delivered in Company-operated tank trucks or shipped in non-returnable containers or reusable cylinders. Approximately eight percent of the Company's sales were made outside of North America in 1994, compared with 11 percent in 1993.

Price increases on LPG odorants helped the Company achieve record financial results for the second consecutive year in 1994. Although revenue and pre-tax income increased over 1993 levels by 31 and 64 percent, respectively, LPG odorant prices are expected to stabilize in the coming year.

Financial Highlights

	Years Ended September 30,	1994	1993	1992
			(in thousands)	
Gross Revenues		\$ 18,849	\$ 14,374	\$ 13,461
Pre-Tax Income		5,994	3,665	2,831
Depreciation Expense		654	594	560
Capital Expenditures		619	630	158
Pounds of Product Sold		8,071	7,930	8,452

Revenues and Income by Business Segments

HELMERICH & PAYNE, INC.

	Years Ended September 30,	1994	1993	1992
		(in thousands)		
SALES AND OTHER REVENUES:				
Contract Drilling - Domestic		\$ 86,521	\$ 60,328	\$ 41,171
Contract Drilling - International		98,111	89,618	72,250
Total Contract Drilling Division		<u>184,632</u>	<u>149,946</u>	<u>113,421</u>
Exploration and Production		58,884	69,795	54,525
Natural Gas Marketing		51,889	63,858	40,535
Total Oil and Gas Division		<u>110,773</u>	<u>133,653</u>	<u>95,060</u>
Chemical Division		18,849	14,374	13,461
Real Estate Division		7,803	7,630	7,550
Investments and Other Income		6,944	9,494	10,208
Total Revenues		<u>\$329,001</u>	<u>\$315,097</u>	<u>\$239,700</u>
OPERATING PROFIT:				
Contract Drilling - Domestic		\$ 5,874	\$ 122	\$ (5,358)
Contract Drilling - International		14,645	15,281	10,929
Total Contract Drilling Division		<u>20,519</u>	<u>15,403</u>	<u>5,571</u>
Exploration and Production		3,245	19,495	9,764
Natural Gas Marketing		1,525	667	1,864
Total Oil and Gas Division		<u>4,770</u>	<u>20,162</u>	<u>11,628</u>
Chemical Division		5,994	3,665	2,831
Real Estate Division		4,460	4,149	4,263
Total Operating Profit		<u>35,743</u>	<u>43,379</u>	<u>24,293</u>
OTHER:				
Miscellaneous operating		(1,292)	(687)	(711)
Income from investments		6,303	9,050	9,202
General corporate expense		(8,908)	(6,820)	(6,801)
Interest expense		(385)	(925)	(632)
Corporate depreciation		(1,162)	(766)	(725)
Total Other		<u>(5,444)</u>	<u>(148)</u>	<u>333</u>
INCOME BEFORE INCOME TAXES, EQUITY IN INCOME (LOSS) OF AFFILIATE, AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:.....		<u>\$ 30,299</u>	<u>\$ 43,231</u>	<u>\$ 24,626</u>

Note: This schedule is an integral part of Note 10 (page 27) of the financial statements that follow.

Management's Discussion & Analysis of Results of Operations and Financial Condition

HELMERICH & PAYNE, INC.

Results of Operations

Helmerich & Payne, Inc.'s net income for 1994 was \$24,971,000 (\$1.02 per share), compared with net income of \$24,550,000 (\$1.01 per share) in 1993, and \$10,849,000 (\$0.45 per share) in 1992. Net income in 1994 included a \$4 million (\$0.16 per share) one-time reduction in the Company's deferred income taxes from the cumulative effect of adopting Statement of Financial Accounting Standards No. 109. Included in the Company's net income, but not related to its operations, was net income from the sale of investment securities which was nominal in 1994, but totaled \$1,780,000 (\$0.07 per share) in 1993, and \$1,193,000 (\$0.05 per share) in 1992. Also included was the Company's portion of income or losses of its equity affiliate, Atwood Oceanics, Inc., ("Atwood") which were \$0.04 per share of income in 1994, and per share losses of \$0.02 in 1993, and \$0.19 in 1992.

Company revenues increased to \$329,001,000 in 1994, from \$315,097,000 in 1993, and \$239,700,000 in 1992. The 31 percent increase in total revenues from 1992 to 1993 resulted from increased revenues in every operating segment of the Company. The greatest revenue increases during 1993 were from domestic drilling (47 percent), international drilling (24 percent), exploration and production (28 percent) and natural gas marketing (58 percent). Total revenue increased by 4 percent from 1993 to 1994, primarily as a result of increases in domestic drilling (43 percent), international drilling (9 percent), and chemical (31 percent) segments.

Revenues from exploration and production (16 percent decrease) and natural gas marketing (19 percent decrease) fell appreciably in 1994 as oil and natural gas prices and natural gas production volume declined.

Income from investments declined to \$6,303,000 in 1994, from \$9,050,000 in 1993, and \$9,202,000 in 1992. From 1993 to 1994, dividend and interest income was stable, but income from the sale of investment securities dropped from \$2,914,000 to \$124,000 during that time. Interest and dividend income in 1994 was helped by higher market interest rates, even though cash

balances during the year were lower than the previous two years. From 1992 to 1993, dividend and interest income declined by \$1,143,000 while income from investment securities rose by \$991,000.

Costs and expenses in 1994 were \$298,702,000, 93 percent of total operating revenues, compared with 89 percent in 1993 and 93 percent in 1992. Operating costs as a percentage of operating revenues rose slightly to 66 percent in 1994, compared with 64 percent in 1993 and 63 percent in 1992. The increase from 1992 to 1993 was mainly due to Natural Gas Marketing revenues rising by \$23,323,000, while cost percentages for that division remained very high. Other divisions' operating cost percentages remained stable or improved. The operating cost percentages rose slightly in 1994 because of greater activity in the lower margin domestic land drilling business and an increase in operating expenses in the international contract drilling business.

General and administrative expenses increased to \$8,908,000 in 1994, from \$6,820,000 in 1993. There was little change from 1992 to 1993. The increase in 1994 was due primarily to increased costs of employee healthcare benefits and, to a lesser degree, a net increase in pension expense.

Income tax expense, as a percentage of pre-tax income, fell to 34 percent in 1994, from 42 percent in 1993, and 37 percent in 1992. The increase from 1992 to 1993 was the result of an increase in the corporate tax rate from 34 percent to 35 percent, a higher percentage of international income which is taxed at higher rates, and a decline in the deduction related to dividends received from domestic corporations. The effective tax rate for 1994 was substantially lower because of the usage of foreign tax credit carryforwards, tight sands tax credits, and a reduction in Venezuelan taxes as a result of monetary correction tax laws enacted there.

CONTRACT DRILLING DIVISION revenues increased by 23 percent from 1993 to 1994, and by 32 percent from 1992 to 1993. Domestic drilling pre-tax income increased to \$5,874,000 in 1994, from a \$5,358,000 pre-tax loss in 1992. During that period of time the U.S. offshore platform rig business has shown substantial improvement. The Company's performance in its domestic land rig operations has also improved. It is anticipated that domestic operations will continue to improve as rig demand remains firm in both the offshore platform and the land rig markets.

International revenues climbed to \$98,111,000 in 1994, from \$89,618,000 in 1993, and \$72,250,000 in 1992. Pre-tax income for the international contract drilling sector declined slightly to \$14,645,000 in 1994, after increasing to \$15,281,000 in 1993, from \$10,929,000 in 1992. This year's decline was due to increased operating expenses in the Company's Colombian operations, and a significant foreign currency loss recorded in Venezuela. The Company anticipates its pre-tax income from international operations will improve for the coming year based on higher activity levels in both Colombia and Venezuela. After the close of the year, the Company announced it was awarded letters of intent for three additional deep land rigs to work in Colombia on three-year term contracts and an additional three rigs for one-year term contracts in Venezuela. With these additions, rig counts in Colombia and Venezuela will increase to 11 and 18, respectively.

OIL AND GAS DIVISION revenue and operating income declined significantly in 1994, after increasing substantially from 1992 to 1993. Exploration and production revenues increased 28 percent to \$69,795,000 in 1993, from \$54,525,000 in 1992, and pre-tax income increased to \$19,495,000 from \$9,764,000. The variation mirrored natural gas prices and production volumes for the respective years. From 1992 to 1993, natural gas prices increased from \$1.39 per Mcf to \$1.84 per Mcf, while production increased from 75.5 million cubic feet per day (MMcf/d) to 78.0 MMcf/d. From 1993 to 1994, natural gas prices fell to \$1.72 per Mcf and production volumes declined to approximately 73.0 MMcf/d. Crude oil production increased 4 percent from 1992 to 1994, while the average price per barrel fell from \$19.16 in 1992, to \$17.58 in 1993, and to \$14.83 in 1994.

Consequently, exploration and production revenues decreased to \$58,884,000 for 1994. Pre-tax income for 1994, which fell to \$3,245,000, was also affected by higher geophysical expenses and an increase in leasehold abandonments, resulting primarily from a reduction in the carrying value of the Company's leasehold position in its Austin Chalk prospect in south central Louisiana. It is anticipated that higher geophysical charges will continue for the coming year. Additionally, the Company intends to drill a higher percentage of exploratory wells during 1995 and could incur higher dry hole charges.

Natural gas marketing revenues, which are primarily derived from selling natural gas produced by other companies (third party), declined to \$51,889,000 in 1994, from \$63,858,000 in 1993. Revenues were \$40,535,000 in 1992. Pre-tax income was \$1,525,000 in 1994, \$667,000 for 1993, and \$1,864,000 for 1992. During 1993, the natural gas marketing industry consolidated, causing dramatic downward pressure on income derived from third party natural gas sales. Industry conditions improved slightly in 1994. The Company's approach has been to use the existing capacity of its personnel and facilities to derive additional profit from matching its customers with third party producers when the marketing situation is not conducive for the sale of the Company's own natural gas. It is expected that competition will continue to limit fees and premiums for third party natural gas sales. Therefore, the Company does not anticipate significant growth in income from third party sales in the coming year.

CHEMICAL DIVISION revenues increased by 31 percent from 1993 to 1994, and by 7 percent from 1992 to 1993. Pre-tax income increased by 64 percent from 1993 to 1994, and by 29 percent from 1992 to 1993. Product price increases and improved margins account for the significant rise in revenues and income over the two years. It is anticipated that revenues and income will continue to improve during the coming year, but not as rapidly as this past year.

REAL ESTATE DIVISION revenues and income for 1994 were up slightly due to the sale of a small parcel of land which resulted in a \$450,000 gain. Revenues and income from operations were flat for the years 1993 and 1992. Occupancy and rental rates have been stable to soft over the past two years with no major changes expected for 1995.

FINANCIAL CONDITION

The Company has maintained a very strong balance sheet for many years. Current ratios for the last three years have exceeded 2.5, while long-term debt as a percentage of total capitalization has remained below 2 percent. During the first quarter of 1994, the Company paid off all of its remaining long-term debt. The only long-term liabilities that remain on the balance sheet are associated with workers compensation and general liability accruals, deferred income taxes, and other miscellaneous long-term payables and deferred items.

Net cash provided by operating activities was \$79,909,000 in 1994, \$74,619,000 in 1993, and \$63,331,000 in 1992. Capital expenditures were \$102,883,000 in 1994, \$54,209,000 in 1993, and \$82,498,000 in 1992. It is anticipated that capital expenditures in 1995 will exceed those of 1994. The Company has funded capital expenditures in excess of its cash flow internally over the past several years. However, the Company anticipates that it will either sell a portion of its investment portfolio or incur debt in order to fund planned capital expenditures for 1995. Capital expenditures budgeted for 1995 include expanded exploration activities, rig purchases and construction for Colombian and Venezuelan operations, as well as the Company's investment in a joint venture with its equity affiliate, Atwood. The joint venture will construct a new generation offshore platform rig for work offshore Australia.

The Company manages a large portfolio of marketable securities which had a book value of \$87,414,000 at September 30, 1994, and a total market value at that time of \$145,012,000, including its investment in Atwood. During 1994, the Company paid a dividend of \$.485 per share which represented its 23rd consecutive year of dividend increases.

Stock Portfolio Held by the Company

September 30, 1994	Number of Shares	Book Value	Market Value
		(in thousands, except share amounts)	
Schlumberger, Ltd.	740,000	\$ 23,511	\$ 40,238
Atwood Oceanics, Inc.	1,600,000	20,743	22,800
Sun Company, Inc.	907,164	10,637	26,081
Phillips Petroleum Company	300,000	7,470	10,275
Liberty Bancorp.	500,000	7,270	16,750
Oryx Energy Company	675,000	6,433	9,366
Oneok.....	225,000	2,751	3,796
Other		8,599	15,706
Total.....		<u>\$ 87,414</u>	<u>\$145,012</u>

Consolidated Statements of Income

HELMERICH & PAYNE, INC.

Years Ended September 30,	1994	1993	1992
	(in thousands, except per share amounts)		
REVENUES:			
Sales and other operating revenues	\$322,698	\$306,047	\$230,498
Income from investments	6,303	9,050	9,202
	329,001	315,097	239,700
COSTS AND EXPENSES:			
Operating costs	213,427	194,856	145,778
Depreciation, depletion and amortization	50,068	48,609	47,738
Dry holes and abandonments	10,369	6,893	3,214
Taxes, other than income taxes	15,545	13,763	10,911
General and administrative	8,908	6,820	6,801
Interest	385	925	632
	298,702	271,866	215,074
INCOME BEFORE INCOME TAXES, EQUITY IN INCOME (LOSS) OF AFFILIATE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	30,299	43,231	24,626
INCOME TAX EXPENSE	10,232	18,279	9,192
EQUITY IN INCOME (LOSS) OF AFFILIATE, net of income taxes	904	(402)	(4,585)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	20,971	24,550	10,849
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE ...	4,000	—	—
NET INCOME	\$ 24,971	\$ 24,550	\$ 10,849
PER COMMON SHARE:			
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	\$.86	\$ 1.01	\$.45
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE ...	.16	—	—
NET INCOME	\$ 1.02	\$ 1.01	\$.45
AVERAGE COMMON SHARES OUTSTANDING	24,416	24,307	24,210

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

HELMERICH & PAYNE, INC.

Assets

	September 30,	1994	1993
	(in thousands)		
CURRENT ASSETS:			
Cash and cash equivalents.....	\$	29,447	\$ 61,656
Short-term investments.....		8,997	9,109
Accounts receivable, less reserve of \$1,480 and \$608		59,897	56,305
Inventories		20,995	17,646
Prepaid expenses and other		3,603	5,783
Total current assets		122,939	150,499
 INVESTMENTS.....		87,414	84,945
 PROPERTY, PLANT AND EQUIPMENT, at cost:			
Contract drilling equipment		444,432	418,004
Oil and gas properties		389,100	350,186
Real estate properties		47,827	47,502
Other		61,743	57,630
		943,102	873,322
Less—Accumulated depreciation, depletion and amortization.....		542,451	514,524
Net property, plant and equipment		400,651	358,798
 OTHER ASSETS		13,823	16,693
 TOTAL ASSETS		\$624,827	\$610,935

The accompanying notes are an integral part of these statements.

Liabilities and Shareholders' Equity

	September 30,	1994	1993
(in thousands)			
CURRENT LIABILITIES:			
Accounts payable		\$ 22,645	\$ 23,836
Accrued liabilities		24,056	16,899
Current maturities of long-term debt		—	5,679
Total current liabilities		46,701	46,414
NONCURRENT LIABILITIES:			
Long-term debt, less current maturities		—	3,600
Deferred income taxes		44,462	44,723
Other		9,330	7,271
Total noncurrent liabilities		53,792	55,594
SHAREHOLDERS' EQUITY:			
Common stock, \$.10 par value, 80,000,000 shares authorized, 26,764,476 shares issued		2,677	2,677
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued		—	—
Additional paid-in capital		48,196	47,412
Retained earnings		496,280	482,405
		547,153	532,494
Less treasury stock, 2,054,364 shares in 1994 and 2,126,994 shares in 1993, at cost		22,819	23,567
Total shareholders' equity		524,334	508,927
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$624,827	\$610,935

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

HELMERICH & PAYNE, INC.

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	
	Shares	Amount			Shares	Amount
(in thousands)						
Balance, September 30, 1991	26,764	\$2,677	\$45,894	\$467,621	2,277	\$(25,059)
Cash dividends (\$.47 per share)	—	—	—	(11,533)	—	—
Exercise of stock options	—	—	527	—	(64)	675
Stock issued under Restricted Stock Award Plan	—	—	343	(619)	(25)	275
Amortization of deferred compensation	—	—	—	1,636	—	—
Net income	—	—	—	10,849	—	—
Balance, September 30, 1992	26,764	2,677	46,764	467,954	2,188	(24,109)
Cash dividends (\$.48 per share)	—	—	—	(11,815)	—	—
Exercise of stock options	—	—	888	—	(61)	542
Lapse of restrictions on Restricted Stock Awards	—	—	(240)	—	—	—
Amortization of deferred compensation	—	—	—	1,716	—	—
Net income	—	—	—	24,550	—	—
Balance, September 30, 1993	26,764	2,677	47,412	482,405	2,127	(23,567)
Cash dividends (\$.49 per share)	—	—	—	(12,097)	—	—
Exercise of stock options	—	—	549	—	(43)	415
Lapse of restrictions on Restricted Stock Awards	—	—	(246)	—	—	—
Stock issued under Restricted Stock Award Plan	—	—	481	(814)	(30)	333
Amortization of deferred compensation	—	—	—	1,815	—	—
Net income	—	—	—	24,971	—	—
Balance, September 30, 1994	26,764	\$2,677	\$48,196	\$496,280	2,054	\$(22,819)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

HELMERICH & PAYNE, INC.

	Years Ended September 30,		
	1994	1993	1992
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 24,971	\$ 24,550	\$ 10,849
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation, depletion and amortization.....	50,068	48,609	47,738
Dry holes and abandonments	10,369	6,893	3,214
Cumulative effect of change in accounting principle.....	(4,000)	—	—
Equity in (income) loss of affiliate before income taxes	(1,458)	435	4,956
Amortization of deferred compensation	1,815	1,716	1,636
Gain on sale of securities.....	(124)	(2,914)	(1,923)
(Gain) loss on sale of fixed assets, other	(2,465)	(557)	774
Change in assets and liabilities-			
Increase in accounts receivable.....	(3,592)	(13,486)	(5,287)
Increase in inventories.....	(3,349)	(35)	(914)
(Increase) decrease in prepaid expenses and other	5,050	(492)	(4,092)
Increase (decrease) in accounts payable	(1,191)	7,523	2,350
Increase (decrease) in accrued liabilities	1,617	(1,619)	411
Increase (decrease) in deferred income taxes	3,739	5,600	(2,900)
Increase (decrease) in other noncurrent liabilities	(1,541)	(1,604)	6,519
Total adjustments	54,938	50,069	52,482
Net cash provided by operating activities.....	79,909	74,619	63,331
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, including dry hole costs	(102,883)	(54,209)	(82,498)
Proceeds from sale of property, plant and equipment	5,971	4,801	2,701
Purchase of investments	(1,500)	(2,400)	(761)
Proceeds from sale of investments.....	373	7,904	6,283
Purchase of short-term investments	(12)	(3,036)	(5,204)
Proceeds from sale of short-term investments	124	7,055	20,603
Net cash used in investing activities.....	(97,927)	(39,885)	(58,876)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt.....	—	2,070	3,460
Payments made on long-term debt.....	(3,139)	(2,180)	(1,657)
Dividends paid.....	(11,965)	(11,808)	(11,400)
Proceeds from exercise of stock options.....	913	1,254	1,201
Net cash used in financing activities	(14,191)	(10,664)	(8,396)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....			
	(32,209)	24,070	(3,941)
CASH AND CASH EQUIVALENTS, beginning of period	61,656	37,586	41,527
CASH AND CASH EQUIVALENTS, end of period	\$ 29,447	\$ 61,656	\$ 37,586

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

HELMERICH & PAYNE, INC.

September 30, 1994, 1993 and 1992

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

CONSOLIDATION -

The consolidated financial statements include the accounts of Helmerich & Payne, Inc. (the Company), and all of its wholly-owned subsidiaries. Fiscal years of the Company's foreign consolidated operations are August 31 to facilitate reporting of consolidated accounts.

TRANSLATION OF FOREIGN CURRENCIES -

The Company has determined that the functional currency for its foreign subsidiaries is the U.S. dollar. Foreign currency transaction losses for the years 1994, 1993 and 1992 were \$2,764,000, \$493,000 and \$392,000, respectively.

PROPERTY, PLANT AND EQUIPMENT -

The Company follows the successful efforts method of accounting for oil and gas properties. Under this method, the Company capitalizes all costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells which find proved reserves and to drill and equip development wells. Geological and geophysical costs, delay rentals and costs to drill exploratory wells which do not find proved reserves are expensed. Capitalized costs of producing oil and gas properties are depreciated and depleted by the unit-of-production method based on proved developed oil and gas reserves determined by the Company and reviewed by independent engineers.

The Company reserves for impairment of its oil and gas properties whenever the net capitalized costs of total oil and gas properties exceed the estimated undiscounted future net revenues from proved reserves. Additionally, the estimated undiscounted future revenues of high-cost proved properties, based on prices at the time of the estimate, are evaluated prior to start-up of commercial production and any significant impairment is recognized currently. Undeveloped leases are amortized based on management's estimate of recoverability. Costs of surrendered leases are charged to the amortization reserve.

Substantially all other property, plant and equipment is depreciated using the straight-line method based on the following estimated useful lives:

	YEARS
Contract drilling equipment	4-10
Chemical plant and equipment	10-25
Real estate buildings and equipment	10-50
Other	3-33

CASH AND CASH EQUIVALENTS -

Cash and cash equivalents consist of cash in banks and investments readily convertible into cash which mature within three months from the date of purchase.

INVENTORIES -

Inventories, primarily materials and supplies, are valued at the lower of cost (moving average or actual) or market.

DRILLING REVENUE -

Substantially all drilling contracts are daywork contracts and drilling revenues and expenses are recognized as work progresses.

GAS IMBALANCES -

The Company recognizes revenues from gas wells on the sales method, and a liability is recorded for permanent imbalances.

INVESTMENTS -

Investments in companies owned less than 20 percent are carried at cost with income recognized as dividends are received. Investments in companies owned from 20 to 50 percent are accounted for using the equity method with the Company recognizing its proportionate share of the income or loss of each investee.

The Company owned 24.3 percent of Atwood Oceanics, Inc. (Atwood) at September 30, 1994 and 1993. The quoted market value of the Company's investment was \$22,800,000 and \$17,200,000 at September 30, 1994 and 1993, respectively. Retained earnings at September 30, 1994, include approximately \$8,563,000 of undistributed earnings of Atwood. Atwood is the only 20 to 50 percent owned affiliate at September 30, 1994 and 1993.

Summarized financial information of the affiliated company accounted for on the equity method is as follows:

	1994	1993	1992
		(in thousands)	
Gross revenues	\$ 68,045	\$ 54,219	\$ 47,525
Costs and expenses	(62,045)	(56,010)	(68,593)
Net income (loss)	<u>\$ 6,000</u>	<u>\$ (1,791)</u>	<u>\$ (21,068)</u>
Helmerich & Payne, Inc.'s equity in net income (loss) of affiliates, net of income taxes	<u>\$ 904</u>	<u>\$ (402)</u>	<u>\$ (4,585)</u>
Current assets	\$ 37,965	\$ 27,903	\$ 29,876
Noncurrent assets	115,065	122,356	135,566
Current liabilities	13,752	11,900	12,087
Noncurrent liabilities	53,000	58,609	71,269
Shareholders' equity	<u>86,278</u>	<u>79,750</u>	<u>82,086</u>
Helmerich & Payne, Inc.'s investment.....	<u>\$ 20,743</u>	<u>\$ 19,285</u>	<u>\$ 19,720</u>

INCOME TAXES -

Effective October 1, 1993, the Company adopted FASB Statement No. 109, "Accounting for Income Taxes." Under Statement No. 109, deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of assets and liabilities. For the years ended September 30, 1993 and 1992, deferred income taxes are computed using the deferred method and are provided on timing differences between financial and taxable income.

OTHER POST EMPLOYMENT BENEFITS -

The Company provides medical benefits to employees who retired before November 1, 1992. The Company does not provide any other benefits to these retirees and will not provide any post retirement benefits to any person retiring after that date. The liability for the benefits provided is not material.

The Company has accrued a liability for estimated workers compensation claims incurred. The liability for other benefits to former or inactive employees after employment but before retirement is not material.

EARNINGS PER SHARE -

Earnings per share are based on the weighted average number of shares of common stock outstanding during the year. Common stock equivalents are insignificant, and therefore, have not been considered in the earnings per share computation.

RECLASSIFICATIONS -

Certain reclassifications have been made in the 1993 and 1992 financial statements to conform to the 1994 presentation.

NOTE 2 LONG-TERM DEBT

Notes payable and long term debt consist of the following:

	At September 30,	1994	1993
		(in thousands)	
Mortgage notes payable (at interest rates ranging from 9.25% to 10%).....		\$ —	\$ 3,139
Other long-term debt (at interest rates ranging from 6% to 7%).....		—	6,140
Less - Current maturities of long-term debt		—	9,279
		<u>\$ —</u>	<u>\$ 3,600</u>

The Company has available a \$20,000,000 bank line of credit under an agreement that expires March 15, 1995.

NOTE 3 FEDERAL INCOME TAXES

Effective October 1, 1993, the Company changed its method of accounting for income taxes from the deferred method to the liability method required by FASB Statement No. 109, "Accounting for Income Taxes." The cumulative effect of adopting Statement No. 109 as of October 1, 1993 was to increase net income by \$4,000,000. As permitted under the new rules, prior years financial statements have not been restated.

The components of the provision for income taxes are as follows:

	Years Ended September 30,	1994	1993	1992
(in thousands)				
CURRENT:				
Federal		\$ 3,645	\$ 6,190	\$ 4,690
Foreign		2,763	5,106	6,985
State		777	911	551
		<u>7,185</u>	<u>12,207</u>	<u>12,226</u>
DEFERRED:				
Federal		(292)	3,174	(1,157)
Foreign		3,430	2,616	(1,834)
State		(91)	282	(43)
		<u>3,047</u>	<u>6,072</u>	<u>(3,034)</u>
TOTAL PROVISION:		<u>\$ 10,232</u>	<u>\$ 18,279</u>	<u>\$ 9,192</u>

The amounts of domestic and foreign income are as follows:

	Years Ended September 30,	1994	1993	1992
INCOME BEFORE INCOME TAXES, EQUITY IN INCOME (LOSS) OF AFFILIATE, AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:				
Domestic		\$ 17,513	\$ 29,051	\$ 12,993
Foreign		12,786	14,180	11,633
		<u>\$ 30,299</u>	<u>\$ 43,231</u>	<u>\$ 24,626</u>

Effective income tax rates as compared to the U.S. Federal income tax rate are as follows:

	Years Ended September 30,	1994	1993	1992
U.S. Federal income tax rate		35%	35%	34%
Dividends received deduction		(2)	(1)	(4)
Excess statutory depletion		(1)	(1)	-
Effect of higher foreign tax rates		3	7	5
Other, net		(1)	2	2
Effective income tax rate		<u>34%</u>	<u>42%</u>	<u>37%</u>

The components of the Company's net deferred tax liabilities are as follows:

	September 30, 1994
DEFERRED TAX LIABILITIES:	
Property, plant and equipment	\$ 42,406
Pension provision	4,632
Other	3,998
Total deferred tax liabilities	<u>51,036</u>
DEFERRED TAX ASSETS:	
Financial accruals	4,419
Other	2,155
Total deferred tax assets	<u>6,574</u>
Valuation allowance	<u>—</u>
Net deferred tax assets	<u>6,574</u>
NET DEFERRED TAX LIABILITIES	<u>\$ 44,462</u>

The deferred income tax provision (benefit) for 1993 and 1992 results from timing differences in the recognition of revenue and expense for income tax and financial reporting purposes. The sources of these differences and the related income tax effect of each, are as follows:

Years Ended September 30,	1993	1992
(in thousands)		
Effect of intangible development costs expensed for income tax purposes over (under) costs amortized for financial reporting purposes	\$ 1,302	\$(1,085)
Financial under income tax depreciation	2,134	857
Pension income	128	246
Geophysical expense.....	(51)	(532)
Insurance expense	(36)	376
Amortization of deferred compensation	(652)	(605)
Restricted stock options vesting	609	—
Deferred mobilization revenues	566	(1,745)
Sales of long-term investments	484	(76)
Excess depletion.....	589	519
Oil and gas revenue recognition timing differences	262	184
Other.....	737	(1,173)
	<u>\$ 6,072</u>	<u>\$(3,034)</u>

NOTE 4 STOCK OPTIONS, AWARD PLAN AND RIGHTS

The Company has reserved 1,461,645 shares of its treasury stock to satisfy the exercise of stock options issued under the 1982 and 1990 Stock Option Plans. Options awarded under these plans are granted at prices equal to at least market price on the date of grant. Options granted under the 1982 plan have a term of nine years while options granted under the 1990 plan have a term of seven years. Options granted under both plans become exercisable in increments as outlined in the plans. Activity for the incentive stock option plans, was as follows:

Years Ended September 30,	1994	1993	1992
Outstanding at October 1,	780,079	860,713	783,189
Granted.....	110,250	—	142,842
Exercised.....	(46,510)	(67,112)	(65,318)
Cancelled	(7,940)	(13,522)	—
Outstanding at September 30,	<u>835,879</u>	<u>780,079</u>	<u>860,713</u>
Exercisable at September 30,	<u>70,889</u>	<u>19,782</u>	<u>40,776</u>
Weighted average exercise price of options outstanding .	<u>\$ 25.65</u>	<u>\$ 25.20</u>	<u>\$ 24.93</u>
Weighted average exercise price of options exercised.....	<u>\$ 21.77</u>	<u>\$ 21.53</u>	<u>\$ 17.64</u>

As of September 30, 1994, the Company has issued 360,000 shares of treasury stock under a Restricted Stock Award Plan (the "Plan") including 30,000 shares during 1994. The Company recognized deferred compensation totalling \$12,832,000, which was the fair market value of the stock at the time of issuance, as a reduction of retained earnings. Treasury stock was reduced by the book value of the shares issued, \$4,058,000. The difference was recognized as an increase in paid-in capital. The deferred compensation is being amortized over a seven-year period as compensation expense. In both 1994 and 1993, restrictions lapsed with respect to 61,000 shares, and the shares were released to Plan participants.

On September 30, 1994, the Company had 24,710,112 outstanding common stock purchase rights ("Rights"). Each Right entitles the holder thereof, until January 8, 1996, to buy one share of common stock at an exercise price of \$60.00. The exercise price and the number of shares of common stock issuable upon the exercise of the Rights are subject to adjustment in certain cases to prevent dilution. The Rights are evidenced by the common stock certificates and are not exercisable or transferable apart from the common stock, until 15 days after a person acquires 15 percent or more of the common stock. In the event the Company is acquired in a merger or other business combination transaction (including one in which the Company is the surviving corporation), it is provided that each Right will entitle its holder to purchase, at the then current exercise price of the Right, that number of shares of common stock of the surviving company, which at the time of such transaction, would have a market value of two times the exercise price of the Right. The Rights do not have any voting rights and are redeemable, at the option of the Company, at a price of \$.05 per Right prior to any person or entity acquiring beneficial ownership of at least 15 percent of the common stock. The Rights expire on January 8, 1996. As long as the Rights are not separately transferable, the Company will issue one Right with each new share of common stock issued.

NOTE 5 INVESTMENTS

Short-term investments consist mainly of treasury notes carried at cost, which approximates fair value, and are pledged as collateral for a renewable letter of credit. The aggregate quoted market value of the marketable equity securities, excluding Atwood, was approximately \$122,212,000 and \$135,175,000 at September 30, 1994 and 1993, respectively. Aggregate cost, which is also carrying value, was \$66,671,000 and \$65,660,000 at September 30, 1994 and 1993, respectively.

At September 30, 1994, gross unrealized gains and unrealized losses applicable to the marketable equity securities were approximately \$55,653,000 and \$112,000, respectively. In 1994, 1993 and 1992, the Company realized gains from the sale of marketable equity securities of approximately \$124,000, \$2,914,000 and \$1,920,000, respectively.

Effective October 1, 1994, the Company will be required to adopt FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities." If the Company had adopted the new accounting standard effective September 30, 1994, investments would have increased \$55,541,000, deferred tax liabilities would have increased \$21,106,000 and shareholders' equity would have increased \$34,435,000.

NOTE 6 RETIREMENT PLANS

Defined Benefit Plans:

The Company has noncontributory pension plans covering substantially all of its employees, including certain employees in foreign countries. The Company makes annual contributions to the plans equal to the maximum amount allowable for tax reporting purposes. Future service benefits are determined using a 1.5 percent career average formula.

The net periodic pension credit included the following components:

Years Ended September 30,	1994	1993	1992
		(in thousands)	
Service cost-benefits earned during the year	\$ 1,557	\$ 1,304	\$ 1,172
Interest cost on projected benefit obligations	1,191	1,105	896
Return on plan assets.....	(2,639)	(522)	(3,517)
Net amortization and deferral	<u>(302)</u>	<u>(2,477)</u>	<u>726</u>
Net pension credit	<u>\$ (193)</u>	<u>\$ (590)</u>	<u>\$ (723)</u>

The discount rate used in determining the actuarial value of the projected benefit obligation for 1994, 1993 and 1992 was 7.5%, 7.0% and 7.5%, respectively. The average expected rate of return on plan assets was 8.5% for 1994, 1993 and 1992. The assumed rate of increase in compensation was 5.0% for 1994 and 5.5% for 1993 and 1992.

The following table sets forth the plans' funded status and amounts recognized in the balance sheet:

Years Ended September 30,	1994	1993
		(in thousands)
Actuarial present value of benefit obligations:		
Vested benefit obligation	<u>\$ 13,323</u>	<u>\$ 13,493</u>
Accumulated benefit obligation	<u>\$ 15,758</u>	<u>\$ 15,649</u>
Projected benefit obligation.....	<u>\$ 17,755</u>	<u>\$ 17,392</u>
Plan assets at fair value, primarily listed stocks, U.S. Government securities and guaranteed insurance contracts	<u>\$ 33,317</u>	<u>\$ 31,427</u>
Projected benefit obligation less than plan assets	\$ 15,562	\$ 14,035
Unrecognized net gain, including unrecognized net assets existing at October 1, 1987.....	(5,589)	(4,493)
Unrecognized prior service cost.....	<u>2,216</u>	<u>2,455</u>
Prepaid pension cost.....	<u>\$ 12,189</u>	<u>\$ 11,997</u>

Defined Contribution Plan:

Substantially all employees on the United States payroll of the Company may elect to participate in the Company sponsored Thrift/401(K) Plan by contributing a portion of their earnings. The Company contributes amounts equal to 100 percent of the first five percent of the participant's compensation subject to certain limitations. Expensed Company contributions were \$1,588,000, \$1,304,000 and \$1,216,000 in 1994, 1993 and 1992, respectively.

NOTE 7 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

Years Ended September 30,	1994	1993
		(in thousands)
Accrued royalties payable.....	\$ 6,293	\$ 8,179
Accrued taxes payable	4,669	3,004
Accrued workers compensation claims	2,364	1,100
Accrued equipment cost.....	3,000	—
Other accrued liabilities	<u>7,730</u>	<u>4,616</u>
	<u>\$ 24,056</u>	<u>\$ 16,899</u>

NOTE 8 SUPPLEMENTAL CASH FLOW INFORMATION

Years Ended September 30,	1994	1993	1992
		(in thousands)	
Cash payments:			
Interest paid	\$ 371	\$ 370	\$ 566
Income taxes paid.....	9,516	15,924	12,504
Noncash investing activity:			
Accrued equipment cost.....	\$ 3,000	\$ —	\$ —

NOTE 9 CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of temporary cash investments and trade receivables. The Company places its temporary cash investments with high credit financial institutions and limits the amount of credit exposure to any one financial institution. The Company's trade receivables are primarily with a variety of companies in the oil and gas industry. Management requires collateral for certain receivables of customers in its natural gas marketing operations.

NOTE 10 SEGMENT INFORMATION

The Company operates principally in the contract drilling and oil and gas industries. The contract drilling operations consist of contracting Company-owned drilling equipment primarily to major oil and gas exploration companies. Oil and gas activities consist of ownership of mineral interests in productive oil and gas leases and undeveloped leases located primarily in Oklahoma, Texas, Kansas and Louisiana. Intersegment sales, which are accounted for in the same manner as sales to unaffiliated customers, are not material. Operating profit is total revenue less operating expenses. In computing operating profit, the following items have not been considered: equity in earnings of Atwood Oceanics, Inc.; income from investments; general corporate expenses; interest expense; and domestic and foreign income taxes. Identifiable assets by segment are those assets that are used in the Company's operations in each segment. Corporate assets are principally cash and cash equivalents, short-term investments and investments in marketable securities.

Revenues from one company doing business with the contract drilling segment accounted for approximately 14 percent and 11.8 percent of the total consolidated revenues during the years ended September 30, 1994 and 1993, respectively. Collectively, revenues from three companies controlled by the Venezuelan government accounted for approximately 12.5 percent of total consolidated revenues for the year ended September 30, 1992.

Summarized revenues and operating profit by industry segment for the years ended September 30, 1994, 1993 and 1992 are located on page 11. Additional financial information by industry segment is as follows:

Years Ended September 30,	1994	1993	1992
		(in thousands)	
Identifiable assets:			
Contract drilling - Domestic.....	\$132,804	\$112,435	\$109,150
Contract drilling - International.....	131,767	113,844	109,920
Exploration and Production.....	175,003	162,618	163,123
Natural Gas Marketing.....	8,846	13,289	15,235
Chemical division.....	9,532	9,753	8,488
Real Estate division.....	26,958	27,845	29,017
Corporate and other.....	139,917	171,151	150,571
	<u>\$624,827</u>	<u>\$610,935</u>	<u>\$585,504</u>
Depreciation, depletion and amortization:			
Contract drilling - Domestic.....	\$ 11,085	\$ 10,126	\$ 10,076
Contract drilling - International.....	15,722	16,929	15,399
Exploration and Production.....	19,523	18,294	19,044
Natural Gas Marketing.....	290	279	268
Chemical division.....	654	594	560
Real Estate division.....	1,624	1,679	1,685
Corporate and other.....	1,265	864	817
Intersegment elimination.....	(95)	(156)	(111)
	<u>\$ 50,068</u>	<u>\$ 48,609</u>	<u>\$ 47,738</u>
Capital expenditures:			
Contract drilling - Domestic.....	\$ 31,692	\$ 16,261	\$ 14,956
Contract drilling - International.....	25,723	10,375	34,971
Exploration and Production.....	45,809	25,551	30,757
Natural Gas Marketing.....	76	205	58
Chemical division.....	619	630	158
Real Estate division.....	916	458	697
Corporate and other.....	1,048	729	901
	<u>\$105,883</u>	<u>\$ 54,209</u>	<u>\$ 82,498</u>

NOTE 11 SUPPLEMENTARY FINANCIAL INFORMATION FOR OIL AND GAS PRODUCING ACTIVITIES

All of the Company's oil and gas producing activities are located in the United States.

Results of Operations from Oil and Gas Producing Activities -

Years Ended September 30,	1994	1993	1992
		(in thousands)	
Revenues	<u>\$58,884</u>	<u>\$69,795</u>	<u>\$54,525</u>
Production costs	18,854	19,378	18,492
Exploration expense and valuation provisions	17,262	12,628	7,225
Depreciation, depletion and amortization	19,523	18,294	19,044
Income tax expense	890	6,481	3,173
Total cost and expenses.....	<u>56,529</u>	<u>56,781</u>	<u>47,934</u>
Results of operations (excluding corporate overhead and interest costs)	<u>\$ 2,355</u>	<u>\$13,014</u>	<u>\$ 6,591</u>

Capitalized Costs -

At September 30,	1994	1993
	(in thousands)	
Properties being amortized:		
Proved properties	\$377,371	\$340,176
Unproved properties	<u>11,729</u>	<u>10,010</u>
Total costs being amortized	389,100	350,186
Less-Accumulated depreciation, depletion and amortization.....	<u>225,902</u>	<u>203,908</u>
Net	<u>\$163,198</u>	<u>\$146,278</u>

Costs Incurred Relating to Oil and Gas Producing Activities -

Years Ended September 30,	1994	1993	1992
		(in thousands)	
Property acquisition:			
Proved	\$ 23,115	\$ 3,100	\$11,441
Unproved.....	4,893	2,409	9,140
Exploration.....	12,418	11,769	10,138
Development.....	12,888	13,964	4,656
Total.....	<u>\$53,314</u>	<u>\$31,242</u>	<u>\$35,375</u>

Estimated Quantities of Proved Oil and Gas Reserves (Unaudited) -

Proved reserves are estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those which are expected to be recovered through existing wells with existing equipment and operating methods. The following is an analysis of proved oil and gas reserves as estimated by the Company and reviewed by independent engineers.

	OIL (Bbls.)	GAS (Mmcf)
Proved reserves at September 30, 1991	7,074,405	296,229
Revisions of previous estimates	560,703	(211)
Extensions, discoveries and other additions	697,006	4,565
Production.....	(854,124)	(27,622)
Purchases of reserves-in-place	40,389	21,643
Sales of reserves-in-place	<u>(10,793)</u>	<u>(8)</u>
Proved reserves at September 30, 1992	7,507,586	294,596
Revisions of previous estimates	(15,550)	9,568
Extensions, discoveries and other additions	168,051	10,083
Production.....	(875,713)	(28,479)
Purchases of reserves-in-place	140,411	4,196
Sales of reserves-in-place	<u>(41,586)</u>	<u>(519)</u>
Proved reserves at September 30, 1993	6,883,199	289,445
Revisions of previous estimates	302,200	(819)
Extensions, discoveries and other additions	261,114	8,818
Production.....	(887,455)	(26,628)
Purchases of reserves-in-place	159,580	19,900
Sales of reserves-in-place	<u>(8,427)</u>	<u>(64)</u>
Proved reserves at September 30, 1994	<u>6,710,211</u>	<u>290,652</u>
Proved developed reserves at		
September 30, 1992.....	<u>6,477,661</u>	<u>277,169</u>
September 30, 1993.....	<u>6,882,783</u>	<u>282,033</u>
September 30, 1994.....	<u>6,649,672</u>	<u>267,688</u>

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves (Unaudited) -

The "Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves" (Standardized Measure) is a disclosure requirement under Financial Accounting Standards Board Statement No. 69. The Standardized Measure does not purport to present the fair market value of a company's proved oil and gas reserves. This would require consideration of expected future economic and operating conditions, which are not taken into account in calculating the Standardized Measure. Under the Standardized Measure, future cash inflows were estimated by applying year-end prices to the estimated future production of year-end proved reserves. Future cash inflows were reduced by estimated future production and development costs based on year-end costs to determine pre-tax cash inflows. Future income taxes were computed by applying the statutory tax rate to the excess of pre-tax cash inflows over the Company's tax basis in the associated proved oil and gas properties. Tax credits and permanent differences were also considered in the future income tax calculation. Future net cash inflows after income taxes were discounted using a ten percent annual discount rate to arrive at the Standardized Measure.

	At September 30,	1994	1993
		(in thousands)	
Future cash inflows.....		\$478,426	\$651,369
Future costs -			
Future production and development costs		(191,464)	(207,633)
Future income tax expense		<u>(71,320)</u>	<u>(119,070)</u>
Future net cash flows.....		215,642	324,666
10% annual discount for estimated timing of cash flows		<u>(91,019)</u>	<u>(145,909)</u>
Standardized Measure of discounted future net cash flows		<u>\$124,623</u>	<u>\$178,757</u>

Changes in Standardized Measure Relating to Proved Oil and Gas Reserves (Unaudited) –

Years Ended September 30,	1994	1993	1992
	(in thousands)		
Standardized Measure - Beginning of year.....	\$178,757	\$173,644	\$124,776
Increases (decreases) -			
Sales, net of production costs	(40,030)	(50,417)	(36,033)
Net change in sales prices, net of production costs	(80,347)	16,292	61,468
Discoveries and extensions, net of related future development and production costs	9,653	12,439	12,688
Changes in estimated future development costs	(14,571)	(7,624)	(2,252)
Development costs incurred	12,888	13,964	4,656
Revisions of previous quantity estimates	483	6,820	2,125
Accretion of discount	23,678	22,619	15,936
Net change in income taxes	20,942	(12,656)	(17,964)
Purchases of reserves-in-place	11,219	3,820	15,734
Sales of reserves-in-place	(62)	(652)	(57)
Timing and other	2,013	508	(7,433)
Standardized Measure - End of year	<u>\$124,623</u>	<u>\$178,757</u>	<u>\$173,644</u>

NOTE 12 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	Dec. 31, 1993	March 31, 1994	June 30, 1994	Sept. 30, 1994
	(in thousands, except per share amounts)			
Revenues	\$82,186	\$87,883	\$78,698	\$80,234
Gross profit	14,149	12,701	8,688	4,054
Income before cumulative effect of change in accounting principle	7,253	6,155	4,660	2,903
Net income	11,253	6,155	4,660	2,903
Earnings per common share before cumulative effect of change in accounting principle .....	.30	.25	.19	.12
Earnings per share .....	.46	.25	.19	.12

	Quarter Ended			
	Dec. 31, 1992	March 31, 1993	June 30, 1993	Sept. 30, 1993
	(in thousands, except per share amounts)			
Revenues	\$82,998	\$83,351	\$73,607	\$75,141
Gross profit	14,843	14,681	10,525	10,927
Net income	7,219	7,268	4,931	5,132
Earnings per share .....	.30	.30	.20	.21

Gross profit represents total revenues less operating costs, depreciation, depletion and amortization, dry holes and abandonments, and taxes, other than income taxes.

Report of Independent Auditors

HELMERICH & PAYNE, INC.

The Board of Directors and Shareholders
Helmerich & Payne, Inc.

We have audited the accompanying consolidated balance sheet of Helmerich & Payne, Inc. as of September 30, 1994, and the related consolidated statements of income, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated balance sheet as of September 30, 1993 and the consolidated statements of income, shareholder's equity, and cash flows for each of the two years in the period ended September 30, 1993, were audited by other auditors whose report dated November 16, 1993, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1994 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Helmerich & Payne, Inc. at September 30, 1994, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, effective October 1, 1993 the Company adopted Statement of Financial Accounting Standards No.109, "Accounting for Income Taxes."

Tulsa, Oklahoma
November 22, 1994

Ernst & Young LLP

Stock Price Information

QUARTERS	Closing Market Price Per Share			
	1994		1993	
	HIGH	LOW	HIGH	LOW
First	\$ 34 ¹ / ₂	\$ 26 ¹ / ₂	\$ 26 ³ / ₄	\$ 22 ¹ / ₄
Second	30	26	29 ³ / ₄	22 ³ / ₈
Third	27 ¹ / ₈	25 ¹ / ₈	37 ¹ / ₈	29 ¹ / ₄
Fourth	28 ¹ / ₈	25 ⁵ / ₈	36 ¹ / ₈	31 ¹ / ₂

Dividend Information

QUARTERS	Paid Per Share		Total Payment	
	1994	1993	1994	1993
	First	\$.120	\$.120	\$2,956,498	$2,949,291
Second .....	.120	.120	2,960,098	2,949,291
Third .....	.120	.120	2,960,314	2,953,006
Fourth .....	.125	.120	3,087,902	2,956,378

STOCKHOLDERS' MEETING

The annual meeting of stockholders will be held on March 1, 1995. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders about January 26, 1995.

STOCK EXCHANGE LISTING

Helmerich & Payne, Inc. Common Stock is traded on the New York Stock Exchange with the ticker symbol "HP." The newspaper abbreviation most commonly used for financial reporting is "HelmP." Options on the Company's stock are also traded on the New York Stock Exchange.

STOCK TRANSFER AGENT AND REGISTRAR

Our Transfer Agent is responsible for our shareholder records, issuance of stock certificates, and distribution of our dividends and the IRS Form 1099. Your requests, as shareholders, concerning these matters are most efficiently answered by corresponding directly with The Liberty Bank of Oklahoma City at the following address:

The Liberty National Bank and Trust Company
of Oklahoma City
Stock Transfer Department
P.O. Box 25848
Oklahoma City, Oklahoma 73125-0848
Telephone: (405) 231-6325

FORM 10-K

The Company's Annual Report on Form 10-K, which has been submitted to the Securities and Exchange Commission, is available free of charge upon written request.

DIRECT INQUIRIES TO:

President
Helmerich & Payne, Inc.
Utica at Twenty- First
Tulsa, Oklahoma 74114
Telephone: (918) 742-5531

Eleven-Year Financial Review

HELMERICH & PAYNE, INC.

	Years Ended September 30,		
	1994	1993	1992
REVENUES AND INCOME*			
Contract Drilling Revenues.....	182,781	149,661	112,833
Crude Oil Sales.....	13,161	15,392	16,369
Natural Gas Sales.....	45,261	52,446	38,370
Gas Marketing Revenues**.....	51,874	63,786	40,410
Chemical Sales.....	18,746	14,286	13,411
Real Estate Revenues.....	7,396	7,620	7,541
Dividend Income.....	3,621	3,535	4,050
Other Revenues.....	6,161	8,371	6,716
Total Revenues.....	329,001	315,097	239,700
Net Cash Provided by Operating Activities††.....	79,909	74,619	63,331
Net Income†.....	24,971	24,550	10,849
PER SHARE DATA			
Net Income†.....	1.02	1.01	.45
Cash Dividends.....	.485	.48	.465
Shares Outstanding***.....	24,710	24,637	24,576
FINANCIAL POSITION			
Net Working Capital*.....	76,238	104,085	82,800
Ratio of Current Assets to Current Liabilities.....	2.63	3.24	3.31
Investments*.....	87,414	84,945	87,780
Total Assets*.....	624,827	610,935	585,504
Long-Term Debt*.....	—	3,600	8,339
Shareholders' Equity*.....	524,334	508,927	493,286
CAPITAL EXPENDITURES*			
Contract Drilling Equipment.....	53,752	24,101	43,049
Wells and Equipment.....	40,916	23,142	21,617
Chemical Plant and Equipment.....	572	540	104
Real Estate.....	902	436	690
Other Assets (includes undeveloped leases).....	9,741	5,990	17,038
Total Capital Outlays.....	105,883	54,209	82,498
PROPERTY, PLANT AND EQUIPMENT AT COST*			
Contract Drilling Equipment.....	444,432	418,004	404,155
Producing Properties.....	377,371	340,176	329,264
Undeveloped Leases.....	11,729	10,010	12,973
Chemical Plant and Equipment.....	12,417	11,845	11,305
Real Estate.....	47,827	47,502	47,286
Other.....	49,326	45,785	43,810
Total Property, Plant and Equipment.....	943,102	873,322	848,793

* Thousand of dollars

** Gas Marketing activities began in 1990

*** 000's omitted

†† Funds generated by operations for 1984-1985

† Includes cumulative effect of change in accounting for income taxes of \$4,000,000 (\$.16 per share) for 1994

1991	1990	1989	1988	1987	1986	1985	1984
105,364	90,974	78,315	75,985	64,718	68,220	90,647	91,970
17,374	16,058	14,821	14,001	15,223	20,020	32,447	31,367
35,628	37,697	33,013	26,154	17,251	21,308	28,335	32,780
10,055	10,566	—	—	—	—	—	—
12,674	12,067	10,754	11,265	9,603	8,471	8,778	8,473
7,542	7,636	7,778	7,878	7,561	6,839	5,658	5,282
5,285	7,402	9,127	10,069	9,757	11,033	10,878	11,008
20,024	56,144	17,361	15,213	34,766	29,244	18,054	10,727
213,946	238,544	171,169	160,565	158,879	165,135	194,797	191,607
52,110	55,422	67,099	57,967	38,337	54,756	72,552	66,927
21,241	47,562	22,700	20,150	22,016	7,025	18,498	21,439
.88	1.97	.94	.83	.91	.28	.74	.85
.46	.44	.42	.40	.38	.36	.35	.34
24,488	24,485	24,173	24,166	24,187	24,187	25,146	25,146
108,212	146,741	114,357	135,275	135,139	108,331	118,340	84,880
4.19	3.72	3.12	6.10	6.68	5.61	4.58	3.27
96,471	99,574	130,443	133,726	140,431	158,311	163,045	182,174
575,168	582,927	591,229	576,473	571,348	563,236	616,034	610,011
5,693	5,648	49,087	70,715	74,732	79,340	85,532	87,114
491,133	479,485	443,396	430,804	420,833	408,185	427,860	418,163
56,297	18,303	17,901	19,110	13,993	23,673	27,777	8,682
34,741	16,489	30,673	25,936	27,402	11,767	9,527	41,657
2,478	1,089	745	688	307	232	175	108
2,104	1,467	878	3,095	6,128	1,409	9,782	1,190
6,909	5,512	6,787	2,623	2,041	2,075	5,397	4,969
102,529	42,860	56,984	51,452	49,871	39,156	52,658	56,606
370,494	324,293	323,313	313,289	309,865	307,199	287,641	264,801
312,438	287,248	279,768	251,445	228,214	215,488	218,102	212,475
5,552	5,507	5,441	3,305	4,197	7,294	10,403	15,477
11,202	8,723	7,635	6,889	6,201	5,894	5,662	5,507
46,671	44,928	48,016	47,165	44,070	38,131	36,538	26,930
37,059	32,682	30,237	28,279	28,675	28,846	28,345	28,378
783,416	703,381	694,410	650,372	621,222	602,852	586,691	553,568

Eleven-Year Operating Review

HELMERICH & PAYNE, INC.

	Years Ended September 30,	1994	1993	1992
CONTRACT DRILLING				
Drilling Rigs, United States		47	42	39
Drilling Rigs, International		29	29	30
Contract Wells Drilled, United States		162	128	100
Total Footage Drilled, United States*		1,842	1,504	1,085
Average Depth per Well, United States		11,367	11,746	10,853
Percentage Rig Utilization, United States		69	53	42
Percentage Rig Utilization, International		88	68	69
PETROLEUM EXPLORATION AND DEVELOPMENT				
Gross Wells Completed		44	42	54
Net Wells Completed		15	15.9	17.8
Net Dry Holes		1.7	4.3	4.3
PETROLEUM PRODUCTION				
Net Crude Oil and Natural Gas Liquids				
Produced (barrels daily)		2,431	2,399	2,334
Net Oil Wells Owned — Primary Recovery		202	202	220
Net Oil Wells Owned — Secondary Recovery		71	71	74
Secondary Oil Recovery Projects		14	14	14
Net Natural Gas Produced				
(thousands of cubic feet daily)		72,953	78,023	75,470
Net Gas Wells Owned		341	307	289
NATURAL GAS ODORANTS AND OTHER CHEMICALS				
Chemicals Sold (pounds)*		8,071	7,930	8,452
REAL ESTATE MANAGEMENT				
Gross Leasable Area (square feet)*		1,652	1,656	1,656
Percentage Occupancy		83	86	87
TOTAL NUMBER OF EMPLOYEES				
Helmerich & Payne, Inc. and Subsidiaries†		2,787	2,389	1,928

* 000's omitted.

† 1984-1989 include U.S. employees only

1991	1990	1989	1988	1987	1986	1985	1984
46	49	49	48	50	48	47	44
25	20	20	18	19	19	19	19
106	119	108	115	110	110	111	132
1,301	1,316	1,350	1,284	1,182	1,384	1,477	1,529
12,274	11,059	12,500	11,165	10,745	12,582	13,306	11,583
47	50	44	45	39	44	65	60
45	46	30	16	30	47	41	
45	36	45	45	18	27	42	41
20.2	15.3	15.2	14.6	5.2	10.3	19.5	17.1
4.3	3.4	2.8	1.6	.5	3.6	9.7	8.0
2,152	2,265	2,486	2,463	2,578	3,077	3,388	3,033
227	223	201	202	199	234	234	233
55	46	214	222	237	235	259	126
12	12	17	21	20	18	19	18
66,617	65,147	57,490	45,480	31,752	32,392	35,288	37,316
278	194	205	197	180	180	174	173
8,155	8,255	7,702	8,507	8,165	7,554	9,123	9,288
1,664	1,664	1,669	1,670	1,595	1,433	1,333	1,238
86	85	90	90	94	95	93	91
1,758	1,864	1,100	1,156	1,026	844	1,126	1,242

Directors

W. H. Helmerich, III

Chairman of the Board,
Tulsa, Oklahoma

Hans Helmerich

President and Chief Executive Officer,
Tulsa, Oklahoma

William L. Armstrong

Chairman, Ambassador Media Corporation,
Denver, Colorado

Glenn A. Cox*

President and Chief Operating Officer, Retired,
Phillips Petroleum Co.,
Bartlesville, Oklahoma

George S. Dotson

Vice President,
President of Helmerich & Payne
International Drilling Co.,
Tulsa, Oklahoma

C. W. Flint, Jr.*

Chairman,
Flint Industries, Inc.,
Tulsa, Oklahoma

George A. Schaefer

Chairman and Chief Executive Officer, Retired,
Caterpillar Inc.,
Peoria, Illinois

Harry W. Todd

Chairman, CEO, and President, Retired,
Rohr Industries, Inc.,
Chula Vista, California

John D. Zeglis

Senior Vice President and General Counsel,
American Telephone & Telegraph Co.,
Basking Ridge, New Jersey

*Member, Audit Committee

Officers

W. H. Helmerich, III

Chairman of the Board

Hans Helmerich

President and Chief Executive Officer

Allen S. Braumiller

Vice President,
Exploration

George S. Dotson

Vice President,
President of Helmerich & Payne
International Drilling Co.

Douglas E. Fears

Vice President,
Finance

Steven R. Mackey

Vice President, Secretary,
and General Counsel

James L. Payne

Vice President,
Real Estate

Steven R. Shaw

Vice President,
Production

Five-Year Production Review

Years Ended September 30,	1993	1992	1991	1990	1989
Barrels					
OIL AND LIQUIDS					
Annual Production	007,854,124	007,074,405	008,826,843	008,907,289	006,299,410
Per Day Production	2,334	2,152	2,265	2,486	2,463
Average Price per Barrel	\$19.16	\$22.12	\$19.42	\$16.34	\$15.54
Year-end Proved Reserves	7,507,586	7,074,405	8,102,761	8,618,850	6,299,410
Thousand Cubic Feet (mcf)					
NATURAL GAS					
Annual Production	27,622,018	24,310,155	23,778,690	20,983,983	16,600,054
Per Day Production	75,470	66,617	65,147	57,490	45,480
Average Price per Mcf	\$1.39	\$1.35	\$1.48	\$1.48	\$1.44
Year-end Proved Reserves	294,596,000	296,229,000	279,923,000	291,630,000	279,562,000

Financial Highlights

Years Ended September 30,	1993	1992
(in thousands)		
Gross Revenues	\$ 7,550	\$ 7,558
Pre-Tax Income	4,074	3,722
Depreciation Expense	1,685	1,633
Capital Expenditures	697	2,190
Year-end Book Value	28,234	29,194
Average Occupancy	87%	86%

Financial Highlights

Years Ended September 30,	1993	1992	1991
(in thousands)			
Gross Revenues	\$ 7,550	\$ 7,558	
Pre-Tax Income	4,074	3,722	
Non-Cash Charges	1,685	1,633	
Capital Expenditures	697	2,190	
Pounds of Product Sold	28,234	29,194	

Summary of Property Owned

Property Name	Description	Square Feet
Utica Square Shopping Center	Upscale Retail	406,260
Utica Square Offices and Medical Center	Professional Offices	94,969
Plaza Office Building	Corporate Offices	90,156
Space Center	Industrial Warehouses	495,000
Space Center East	Industrial Warehouses	202,500
Tandem Business Park	Office/Warehouse Complex	88,084
Tulsa Business Park	Office/Warehouse Complex	204,600
Maxim Center	Office/Warehouse Complex	40,800
Maxim Place	Office/Warehouse Complex	33,750
Southpark/100 East Industrial Park	Undeveloped 260 Acres	—
	Total Square Feet	<u>1,656,119</u>

Stock Portfolio Held by the Company

September 30, 1993	Number of Shares	Carrying Amount on Balance Sheet	Market Value at End of Fiscal Year
		(in thousands, except share amounts)	
Schlumberger, Ltd.	740,000	\$ 23,511	\$ 49,303
Atwood Oceanics, Inc.	1,600,000	19,285	17,200
Sun Company, Inc.	907,164	10,637	25,854
Phillips Petroleum Company.	300,000	7,470	10,125
Liberty Bancorp.	500,000	7,270	17,000
Oryx Energy Company	700,000	6,683	17,150
Oneok.....	225,000	2,751	5,006
Other		7,338	10,737
Total.....		\$ 84,945	\$152,375

On November 11, 1993 approximately 1,000 plaintiffs filed a lawsuit one of the Company's subsidiaries, alleging personal injury and property damage arising out of the operation of the subsidiary's facility. The plaintiffs allege that the subsidiary released dangerous chemicals and waste into the air and ground water and are seeking actual damages of \$500 million and punitive damages of \$500 billion. This lawsuit is one of three lawsuits filed simultaneously. A similar lawsuit has been filed against another company and a class action lawsuit was filed against virtually every chemical plant and oil refinery in the area.

Management believes that the lawsuit is without merit and that the ultimate monetary exposure is not material to the financial statements because they believe that the Company has complied in all material respects with applicable laws and regulations.

The Company is also a defendant in other litigation arising out of operations in the normal course of business. In the opinion of management, after taking into account existing legal reserves, none of the various other pending lawsuits and proceedings should have a material adverse effect upon the consolidated financial position or results of operations of the Company.