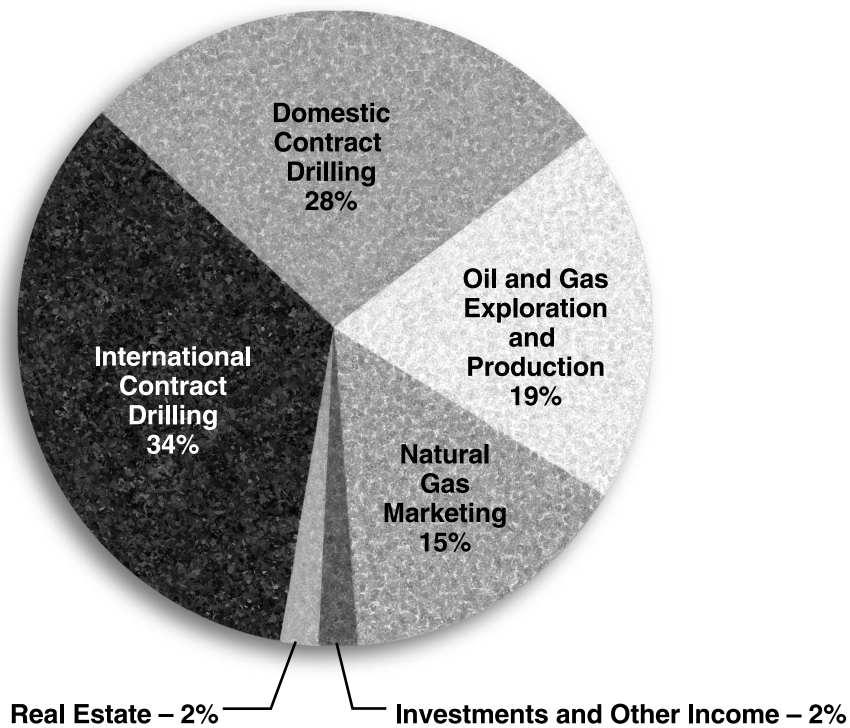
Helmerich & Payne, Inc. Annual Report for 1996

Revenue Breakdown for 1996



Financial Highlights

Years Ended September 30,	**1996**	1995
Revenues	**$ 393,255,000**	$ 306,721,000
Income from Continuing Operations	**$ 45,426,000**	$ 5,788,000
Income per Share from Continuing Operations	**$ 1.84**	$ .24
Net Income	**$ 72,566,000**	$ 9,751,000
Earnings Per Share	**$ 2.94**	$ .40
Dividends Paid Per Share	**$ .505**	$ .50
Capital Expenditures	**$ 109,747,000**	$ 111,776,000
Total Assets	**$ 821,914,000**	$ 707,061,000

President's Letter

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

The character issue was supposed to play a deciding role in the 1996 presidential election. Yet while nearly two-thirds of the electorate expressed deep concerns over character flaws and the lack of truthfulness, Bill Clinton was returned to the White House. With a strong economy at home and relative peace abroad, our Faustian bargain seemed somewhat offset by the counterforce of a Republican Congress. But an uneasy feeling lingers as we wonder if we did the right thing.

Stretching for a positive spin, *The New York Times* said, "Scandals present an opportunity in the second term for Bill Clinton to get back in touch with integrity and honesty." If only it were that easy. Those virtues are foundational building blocks of strong character, not last minute add-ons. It is sad that we have come to expect so little from our political leadership. Neither party was able to win the trust of the voter, and the widespread cynicism produced the lowest turnout since 1928.

In the real world, character is important. We make careful judgment calls on a person's character because it is the primary predictor of future performance.

Our own future performance as a Company is invariably linked to the measure of our character. As we focus on growing the Company, we must continue to win and retain customers by diligently earning their confidence and trust. That means making sure we match our words with our actions on a daily basis. If mistakes are made, they are faced up to and made right, not endlessly rationalized away. Doing our best to correct problems, working hard to exceed expectations, and dealing with people honestly wins customer loyalty.

New technology and better solutions are transforming the oil patch. The best companies look hard for innovative ideas and productive alliances. They know finding a trustworthy partner that can complement their own team's effort provides the best opportunity to create value. Delivering on that value requires that we continue to excel at building the right team.

From the very beginning, we interview potential employees knowing how much character matters. Once on the team, they will play a role in winning our customers' trust, so first they must win ours. Of course, that works both ways. Before we can hope to build relationships based on trust with customers, trust must be shared within the Company. That happens on a daily basis, one brick at a time.

Like building the house on the rock, we still believe holding one another to high personal standards of character is the right thing to do.

Sincerely,

Hans Helmerich
President

December 15, 1996

SUMMARY Helmerich & Payne International Drilling Co., a wholly-owned subsidiary of Helmerich & Payne, Inc., owns and operates a drilling rig fleet consisting of 66 land rigs located in the United States and South America, and 11 offshore platform rigs located in the Gulf of Mexico and offshore California. Revenues and operating profit increased 19 and 46 percent respectively in 1996, and earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 29 percent. Over the past decade, the Company has put over $400 million back into its contract drilling business, maintaining a modern and technologically advanced fleet of drilling rigs in each of its key markets. The Company also continues to have a leadership position in the U.S. offshore platform rig market and has established a dominant and expanding presence in the active South American land drilling markets of Venezuela and Colombia.

OFFSHORE OPERATIONS At the close of the year, the Company had 11 offshore platform rigs, eight in the Gulf of Mexico and three offshore California. Utilization averaged 70 percent in 1996, compared with 66 percent in 1995. In addition, the Company has labor contracts on three Exxon-owned platform rigs offshore California and, with Atwood Oceanics, Inc., is half owner of a newly constructed and highly automated platform rig scheduled to begin operations in 1997 for Esso in the Bass Straits offshore Australia.

Rig 201, the Company's first rig to be deployed on a tension leg platform (TLP), began work in May on Shell Offshore Inc.'s (SOI) Mars TLP in 2,933 feet of water. TLP technology utilizes a hull structure which floats on the surface of the water and is tied with flexible steel tendons to a foundation which has been piled into the sea floor. TLP technology opens up several oil and gas prospects around the world which were previously thought to be undevelopable because of water depth. The Company is in the design and construction process for two additional platform rigs for SOI TLPs in the Gulf of Mexico. The Ram/Powell TLP (rig 202) will begin work in 1997 in 3,200 feet of water, and the Ursa TLP (rig 204) is scheduled to begin operations in 1998 in approximately 4,000 feet of water. Each of the new TLP rigs will be outfitted with the leading drilling technology including top-drives and automated tubular handling systems. Additionally, the Company received a third contract in 1996 to design, build, and operate a minimum area, self-moving rig for an SOI fixed platform which will be located in the Garden Banks block in the Gulf of Mexico. Rig 203 is scheduled to deploy in early 1997 and will be used to develop SOI's subsalt discovery called Enchilada.

UNITED STATES LAND OPERATIONS The U.S. land market remains the largest single drilling market in the world with over 700 active land rigs. Consequently this market is very competitive, and while margins are significantly better today than they were ten years ago, most of the active rigs continue to earn at levels insufficient to replenish the dwindling asset base. Recent census figures show that the number of operable land rigs in the U.S. is less than half that of a decade ago. Equipment wear and tear and migration toward more profitable international markets will continue to reduce the number of land rigs in the U.S., but because the market is large and has few barriers to entry, a quick and sustainable return to high levels of profitability is unlikely.

An average of 24 of the Company's land rigs worked continuously throughout 1996, and in the last month of the year 27 rigs out of the fleet of 30 were working. The Company's rig fleet ranks among the newest and most modern in the United States, and although the market is difficult in terms of profitability, several operators are demanding the kinds of premium services provided by Helmerich & Payne International Drilling Co.

INTERNATIONAL OPERATIONS The proliferation of drilling activity in South America, coupled with the Company's long experience in the region, has provided ample opportunities for expansion over the past ten years. At the close of 1996, Helmerich & Payne International Drilling Co. had 36 land rigs in the countries of Venezuela (21), Colombia (10), Ecuador (3), and Bolivia (2), with an average utilization of 85 percent. Revenues and operating profit increased 23 percent and 48 percent respectively over the 1995 mark, largely the result of a full year of service from new rigs sent to Colombia and Venezuela during 1995.

Approximately 48 percent of international revenues comes from Colombia, where the Company has ten rigs working on BP Exploration's Cusiana/Cupiagua field development. Another 42 percent of international revenues comes from activities in Venezuela where the major customers are Corpoven, S.A., and Lagoven, S.A., subsidiaries of Petroleos de Venezuela, S.A. A growing number of customers in Venezuela are international companies who have recently started operations after the country reopened portions of its prolific reserve basin to foreign investment. The Company moved three additional rigs to Venezuela during 1996, two from the U.S. and one from Trinidad. At the close of the year, helicopter rig 22 was in the process of being relocated from Bolivia to Peru and is scheduled to begin working in January under a multi-well contract with Shell Prospecting and Development Peru B.V.

SUMMARY Keeping the focus on the customer and providing the highest quality in personnel, safety, service, and equipment will remain the Company's major objective. There have been definite improvements in the industry, but the environment is still very competitive across all market segments. Sustaining growth and profitability will continue to require exemplary performance and the commitment of human and financial resources that our customers have come to expect from Helmerich & Payne International Drilling Co.

Exploration & Production

Helmerich & Payne, Inc. explores for, acquires, and produces oil and natural gas primarily in the states of Kansas, Louisiana, Oklahoma, and Texas. Higher oil and natural gas prices combined with a 31 percent increase in natural gas sales volumes produced a 60 percent increase in exploration and production revenues in 1996, compared with 1995. Operating profit increased sharply to $26.3 million in 1996, compared with a loss of $24 million in 1995, which included an impairment charge of $20 million under Financial Accounting Standards No. 121 "Accounting for the Impairment of Long-Lived Assets." Earnings before interest, taxes, depreciation, and impairment charges increased nearly three-fold to $47 million in 1996, from $16 million in 1995. The Company also engages in natural gas marketing activities through its wholly-owned subsidiary Helmerich & Payne Energy Services, Inc., which matches purchasers of natural gas with production belonging to the Company and other third party producers. Revenues and operating profit from this Division also increased sharply in 1996.

EXPLORATION AND DRILLING ACTIVITIES At the close of the year, the Company had proved reserves of approximately 272.3 billion cubic feet (Bcf) of natural gas and 6.5 million barrels of oil. The Company participated in the drilling of 63 (35 net) wells in 1996, 55 (28 net) of which were productive and 8 (7 net) were dry holes. The highlight of the year was the Rocky East prospect which is located in Washita County, Oklahoma, along a subterranean mountain front known as the Wichita Uplift. The Company drilled six wells in the prospect with an average working interest of 93 percent. Cumulative net production from the Rocky East prospect was 2.6 Bcf of natural gas in 1996, approximately seven percent of the year's total natural gas production. At the close of the year, these wells were flowing at a combined gross rate approximating 20,000 thousand cubic feet (Mcf) per day. The Company is in the early stages of exploring a geologically similar prospect southeast of Rocky East called Oakdale South. An initial exploration well is being drilled and the Company has a 12.5 percent working interest. Helmerich & Payne, Inc. has a significant acreage position in the area with offset working interests ranging from 40 to 100 percent.

The Company continues to hold an acreage position in two Louisiana Austin Chalk prospect areas. The Company has been involved in five wells in the Masters Creek prospect located in Rapides Parish, Louisiana. The results from these wells led the Company to participate in two additional wells with 16 percent working interests. West of Masters Creek is the Artillery Range prospect where the Company is participating with carried interests in two wells, and has plans for a third in 1997. The drilling in each of these areas is deep, complex, and expensive, but the results so far have been encouraging enough to warrant additional participation in the coming year. The Company has net undeveloped leasehold interests in 2,300 acres in the Masters Creek prospect area and 13,000 net undeveloped acres in the Artillery Range.

SUMMARY At the end of 1995, the Company began to restructure its exploration and production group into geographically focused teams which are responsible for exploring and developing key regions, primarily in the Mid-continent and Gulf Coast areas. Although one year is not sufficient time to gauge the outcome of the new structure, much has been accomplished during this period. The 1996 exploration and development program led to the addition of more reserves through drilling than in any other year this past decade. The Company's strategic focus will continue to be the profitable growth of its reserve base and production capacity, primarily from exploration and development drilling.

Real Estate and Chemicals

Helmerich & Payne Properties, Inc., a wholly-owned subsidiary of Helmerich & Payne, Inc., owns, manages, and develops commercial real estate exclusively in the Tulsa, Oklahoma, area. The Company's properties have approximately 1.7 million square feet of leasable space and include one retail shopping center, two office buildings, and six industrial warehouse and combination office-warehouse developments. Overall occupancy improved to an average of 94 percent in 1996, compared with 87 percent in 1995. Revenue increased seven percent, with most of the improvement coming from the six warehouse developments where average occupancy jumped to 94 percent from 82 percent the prior year. Operating profit increased 134 percent to \$5.1 million in 1996, compared with \$2.2 million in 1995 which included a \$2 million charge related to Statement of Financial Accounting Standards No. 121.

The key holding in the Company's real estate portfolio is Utica Square Shopping Center, which has approximately 400,000 square feet of retail space and is centrally located in midtown Tulsa near Helmerich & Payne, Inc. headquarters. During the year, Bath & Body Works and Gloria Jean's Gourmet Coffee joined the many fine merchants in Utica Square which include Williams-Sonoma, Saks Fifth Avenue, Miss Jackson's, Ann Taylor, and Banana Republic.

Effective August 30, 1996, Helmerich & Payne, Inc. sold Natural Gas Odorizing, Inc. (NGO) to a wholly-owned subsidiary of Occidental Petroleum Corporaton in exchange for 2,018,928 shares of Occidental common stock. The divestiture coincides with increasing capital demands in the Company's contract drilling and exploration and production businesses and closes a very productive and profitable relationship with NGO which spanned almost four decades. The impact of this transaction is reflected as discontinued operations in the Company's consolidated financial statements.

Revenues and Income by Business Segments

HELMERICH & PAYNE, INC.

Years Ended September 30,	1996	1995	1994
		(in thousands)	
SALES AND OTHER REVENUES:			
Contract Drilling - Domestic	**$108,336**	$ 93,890	$ 86,521
Contract Drilling - International	**135,695**	110,695	98,111
Total Contract Drilling Division	**244,031**	204,585	184,632
Exploration and Production	**76,643**	47,986	58,884
Natural Gas Marketing	**58,507**	35,301	51,889
Total Oil and Gas Division	**135,150**	83,287	110,773
Real Estate Division	**8,082**	7,570	7,803
Investments and Other Income	**5,992**	11,279	6,944
Total Revenues	**$393,255**	$306,721	$310,152
OPERATING PROFIT (LOSS):			
Contract Drilling - Domestic	**$ 10,066**	$ 7,127	$ 5,874
Contract Drilling - International	**31,176**	21,110	14,645
Total Contract Drilling Division	**41,242**	28,237	20,519
Exploration and Production	**26,333**	(23,961)	3,245
Natural Gas Marketing	**3,415**	1,892	1,525
Total Oil and Gas Division	**29,748**	(22,069)	4,770
Real Estate Division	**5,055**	2,157	4,460
Total Operating Profit	**76,045**	8,325	29,749
OTHER:			
Miscellaneous operating	**(1,663)**	(1,624)	(1,292)
Income from investments	**5,782**	10,846	6,303
General corporate expense	**(9,083)**	(8,801)	(8,908)
Interest expense	**(678)**	(407)	(385)
Corporate depreciation	**(860)**	(851)	(1,162)
Total Other	**(6,502)**	(837)	(5,444)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EQUITY IN INCOME OF AFFILIATE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**$ 69,543**	$ 7,488	$ 24,305

Note: This schedule is an integral part of Note 11 (pages 27-28) of the financial statements that follow.

Business Environment and Risk Factors

The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere herein. The Company's future operating results may be affected by various trends and factors which are beyond the Company's control. These include, among other factors, changes in general economic conditions, rapid or unexpected changes in technologies and uncertain business conditions that affect the Company's businesses. Accordingly, past results and trends should not be used by investors to anticipate future results or trends.

With the exception of historical information, the matters discussed below under the headings "Results of Operations" and "Liquidity and Capital Resources" may include forward-looking statements that involve risks and uncertainties. The Company wishes to caution readers that a number of important factors discussed in this report and in the Company's other reports filed with the Securities and Exchange Commission, could affect the Company's actual results and cause actual results to differ materially from those in the forward-looking statements.

Results of Operations

Helmerich & Payne, Inc.'s net income for 1996 was $72,566,000 ($2.94 per share), compared with net income of $9,751,000 ($.40 per share) in 1995, and $24,971,000 ($1.02 per share) in 1994. Included in 1996 is $24,050,000 ($0.97 per share) of income from the sale of the Company's chemical subsidiary, Natural Gas Odorizing, Inc. (NGO). Net income in 1995 included a non-cash, non-recurring charge of $13,600,000 ($0.55 per share) as a result of the Company's adoption of Statement of Financial Accounting Standards (SFAS) No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*. Results for 1994 included $4 million ($0.16 per share) of income due to a one-time reduction in the Company's deferred income taxes from the cumulative effect of adopting SFAS No. 109, *Accounting for Income Taxes*.

Included in the Company's net income, but not related to its operations, were after-tax gains from the sale of investment securities of $346,000 ($0.01 per share) in 1996, and $3,481,000 ($0.14 per share) in 1995. Also included was the Company's portion of income of its equity affiliate, Atwood Oceanics, Inc., which was $0.07 per share of income in 1996 and $0.04 per share in both 1995 and 1994.

Company revenues from continuing operations increased to $393,255,000 in 1996, from $306,721,000 in 1995, and $310,152,000 in 1994. Total revenues increased by 28 percent from 1995 to 1996 as a result of increases in exploration and production (60 percent), natural gas marketing (66 percent), international drilling (23 percent) and domestic drilling (15 percent) segments. Contract drilling revenues rose by 11 percent from 1994 to 1995. Oil and gas division revenues declined by almost 25 percent for the same time period due primarily to lower natural gas prices and production volumes.

Revenues from investments declined to $5,782,000 in 1996, after increasing to $10,846,000 in 1995, from $6,303,000 in 1994. Gains from the sale of investment securities were $566,000 in 1996, $5,697,000 in 1995, and $124,000 in 1994. Dividend income was stable during 1996, 1995 and 1994, but interest income steadily decreased as cash balances and interest rates declined during these periods.

Costs and expenses from continuing operations in 1996 were $323,712,000, 82 percent of total revenues, compared with 98 percent in 1995, and 92 percent in 1994. Total costs for 1995 were abnormally high due to the adoption of SFAS No. 121 which resulted in a total pre-tax impairment charge of $22,000,000 recorded as additional depreciation, depletion, and amortization. Operating costs as a percentage of operating revenues declined to 59 percent in 1996, compared to 64 percent in 1995, and 66 percent in 1994.

General and administrative expenses increased to $9,083,000 (3 percent) in 1996, from $8,801,000 in 1995, and $8,908,000 in 1994. Income tax expense, as a percentage of pre-tax income, remained at 37 percent for 1996 and 1995. A lower effective tax rate of 33 percent in 1994 was caused by the usage of foreign tax credit carryforwards, tight sands tax credits, and a reduction in Venezuelan taxes as a result of the monetary correction tax law enacted there.

CONTRACT DRILLING DIVISION revenues increased by 19 percent from 1995 to 1996, following an 11 percent increase from 1994 to 1995. Domestic drilling operating profit increased to $10,066,000 in 1996, from $7,127,000 in 1995, and $5,874,000 in 1994. The Company's total domestic revenues and operating earnings increased this past year due primarily to the addition of offshore platform rig 201 (which commenced operations in May for Shell's Mars Tension Leg Platform (TLP)); increased revenues and earnings from the Company's three offshore labor contracts; and a slight improvement in revenues and margins from U.S. land rig operations. This year's revenues and earnings increased in both the offshore platform and lang rig segments as rig utilizations for 1996 were 70 percent and 88 percent, respectively. From 1994 to 1995, offshore platform rig revenues and earnings declined as utilization fell from 79 percent in 1994 to 66 percent in 1995. However, U.S. land rig dayrates and margins improved as utilization for that segment rose from 66 percent in 1994, to 73 percent in 1995.

During the fourth quarter of 1996, three of the Company's platform rigs became inactive. Another became inactive during the first quarter of fiscal 1997. Due to the negative impact of those rigs not working, it is anticipated that domestic contract drilling revenues and operating profit for the first half of 1997 could be the same or lower than that of the last half of 1996.

Revenues and operating profit should improve during the last half of 1997 with the commencement of work in the spring for H&P rig 203 on Shell's Enchilada platform and for H&P rig 202 on Shell's Ram/Powell TLP. Additionally, it is anticipated that operating costs and dayrates for U.S. land rigs will increase during the year as costs to maintain adquate rig crews will likely increase. Most, if not all, of these costs will be passed on to customers through increased dayrates. It is uncertain at this time whether dayrates can be increased enough to improve land rig profit margins.

International revenues climbed to $135,695,000 in 1996, from $110,695,000 in 1995, and $98,111,000 in 1994. Operating profit for the international contract drilling sector improved by 48 percent to $31,176,000 for 1996, compared with $21,110,000 for 1995, and $14,645,000 for 1994. During 1995, six additional rigs were shipped to Venezuela and three to Colombia. In 1996, three more rigs were shipped to Venezuela. Revenues and operating profits generated by these new rigs accounted for a significant portion of the international revenue and earning increases the past two years. Additionally, H&P offshore platform rig 200, a joint venture with the Company's investment affiliate, Atwood Oceanics, began receiving a standby rate during the year which helped increase profits. Although the Company expects international revenues and earnings to continue to grow, it does not anticipate the level of growth experienced during 1995 and 1996 to occur in 1997 because the Company does not expect to ship as many rigs to international markets this year.

In Venezuela, approximately 65 percent of the Company's billings are in U.S. dollars and the other 35 percent are in bolivars, the local currency. As a result, the Company is exposed to risks of currency devaluation in Venezuela because of the positive bolivar net working capital balances created by the local currency billings. Over the past three years, total net devaluation losses in Venezuela have not been material because the Company has been able to offset such losses through the purchase of Brady Bonds. A Brady Bond is a dollar-denominated Venezuelan government debt that is guaranteed by the U.S. government and traded on the world's major stock markets during periods when Venezuela's currency was set at fixed exchange rates. Gains on the bonds were realized because, soon after their initial availability, they were trading at a premium of 30 to 50 percent above the official exchange rate. Brady Bonds are no longer available and the currency is again allowed, within a range, to float at market rates. Although devaluation losses will likely occur, the Company does not presently believe that such losses will have a material impact on the Company. However, if the country experiences extreme economic difficulty, accompanied by severe devaluation and/or inflation, the Company could experience material losses.

OIL AND GAS DIVISION revenues and operating profit increased dramatically this year as average prices received for the Company's production rose to $19.00 per barrel of oil and $1.75 per Mcf of natural gas, from $16.37 per barrel and $1.27 per Mcf last year. In 1994, average prices were $14.83 per barrel and $1.72 per Mcf. Although oil production was flat over the past two years, average natural gas production increased by 31 percent over last year to 94.4 million cubic feet per day (Mmcf/d) during 1996, compared with 72.4 Mmcf/d in 1995, and 73 Mmcf/d in 1994. The Company's natural gas production grew as a result of allowing more of its existing reserves to be delivered to the market and by virtue of discoveries and production of new natural gas reserves. The most significant discovery was in southwestern Oklahoma in the Rocky East field where a total of six wells were completed by the end of 1996 which added a combined average of approximately 15 Mmcf/d of total net production to the Company. Due to the significant increases in product prices and natural gas production volume, exploration and production revenues increased by 60 percent to $76,643,000 in 1996, from $47,986,000 in 1995, and $58,884,000 in 1994. Exploration and production operating profit increased to $26,333,000 in 1996, compared with a loss of $23,961,000 in 1995, and a profit of $3,245,000 in 1994.

In 1995, the Company elected to adopt SFAS No. 121, resulting in a pre-tax, non-cash charge of $19,982,000 to the Oil and Gas Division. Earnings for 1996 were also aided by lower dry hole and abandonment charges, lower geophysical expense and reduced depletion per production unit than in the previous two years. During the past three years the Company has not hedged any of its oil or natural gas production and does not intend to do so during 1997. Therefore, increases or decreases in its product prices will affect its ongoing results accordingly.

A lawsuit was filed in an Oklahoma state court in November of 1995 against Helmerich & Payne, Inc., in which five named plaintiffs, on behalf of themselves and other unnamed plaintiffs, are demanding their royalty share of a gas contract settlement. The plaintiffs are attempting to certify a class which would contain certain of the Company's lessors and certain other mineral owners who own an interest in wells covered by such gas contract settlement. If a certified class is awarded a royalty share of the gas contract settlement, then any such award could have a material impact on income from continuing operations for the applicable quarter. Management believes that any such award should not exceed approximately $2.7 million.

Natural gas marketing revenues, which are primarily derived from selling natural gas produced by other companies (third party), increased to $58,507,000 in 1996, from $35,301,000 in 1995, and $51,889,000 in 1994. Operating profit was $3,415,000 in 1996, $1,892,000 in 1995, and $1,525,000 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 to the sale of the Company's own natural gas. Although revenues are likely to increase during periods of rising natural gas prices, it is expected that competition will continue to limit fees and premiums for third party natural gas sales.

REAL ESTATE DIVISION revenues of $8,082,000 for 1996 were up slightly over 1995 and 1994, and operating profit improved to $5,055,000 during 1996 as occupancy levels increased, particularly in the Company's industrial properties. Operating profit for 1995 was down from normal levels due to a $2,000,000 charge to two properties in connection with the adoption of SFAS No. 121. No major changes are anticipated in the Real Estate Division for 1997.

On August 30 of this year, the Company exchanged all of the stock in its wholly-owned subsidiary and chemical division, Natural Gas Odorizing, Inc. (NGO), for 2,018,928 shares of Occidental Petroleum Corporation common stock in a tax-free transaction valued at $48 million. The sale yielded a gain of $24.1 million (net of deferred income taxes of approximately $14.8 million) which is reported as gain on sale of discontinued operations. Prior period operating results for the division are reported as discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company has maintained a very strong balance sheet for many years with current ratios above 1.74 for the last three years. During 1996, the Company reduced its committed line of credit from $75 million to $50 million. At year-end, the Company had borrowed $5,000,000 under this line of credit and had letters of credit outstanding in the amount of $6,991,000. At the end of 1995, the Company had borrowed $21,700,000. The borrowing in 1995 was the first time the Company had gone to outside sources for capital funding since the early 1980's.

Capital expenditures for each of the last three years were over $100 million and exceeded the funds generated internally during 1994 and 1995. Cash provided by operating activities totaled $124,923,000 for 1996, $88,572,000 for 1995, and $79,909,000 for 1994. It is anticipated that during 1997 capital expenditures will be approximately $130 million and, although internally generated cash is projected to be slightly higher in 1997 than in 1996, additional borrowing may be necessary. Capital expenditures budgeted for 1997 include continued exploration and development drilling activities and major offshore platform rig construction projects for Gulf of Mexico operations. Capital expenditure totals could be significantly increased by additional projects now being considered. Additional borrowings and/or portfolio liquidations would fund the potential increase in spending.

The Company manages a large portfolio of marketable securities which had a cost basis of $138,599,000 at September 30, 1996, and a total market value at that time of $274,994,000, including its investment in Atwood Oceanics, Inc. During 1995, the Company adopted SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* which resulted in a balance sheet adjustment to market values for investments in companies owned less than 20 percent. Accordingly, a deferred tax estimate was added to deferred taxes under the liability section and the net unrealized holding gains were reflected in the shareholders' equity section of the balance sheet. During 1996, the Company paid a dividend of $.505 per share which represented the 25th consecutive year of dividend increases.

Stock Portfolio Held by the Company

September 30, 1996	Number of Shares	Book Value	Market Value
	(in thousands,except share amounts)		
Occidental Petroleum	2,018,928	$ 48,000	$ 47,192
Atwood Oceanics, Inc.	1,600,000	25,215	70,400
Schlumberger, Ltd.	740,000	23,511	62,530
Sun Company, Inc.	466,451	5,742	10,728
Sun Company PFD A	329,053	3,192	7,897
Phillips Petroleum Company	240,000	5,976	10,260
Liberty Bancorp.	395,000	5,743	15,010
Oryx Energy Company	625,000	6,032	11,094
Oneok	225,000	2,751	6,188
Other		12,437	33,695
Total		$138,599	$274,994

Consolidated Statements of Income

HELMERICH & PAYNE, INC.

Years Ended September 30,	1996	1995	1994
		(in thousands, except per share amounts)	
REVENUES:			
Sales and other operating revenues	**$387,473**	$295,875	$303,849
Income from investments	**5,782**	10,846	6,303
	393,255	306,721	310,152
COSTS AND EXPENSES:			
Operating costs	**229,584**	188,497	201,637
Depreciation, depletion and amortization	**59,442**	76,443	49,414
Dry holes and abandonments	**7,986**	10,095	10,369
Taxes, other than income taxes	**16,939**	14,990	15,134
General and administrative	**9,083**	8,801	8,908
Interest	**678**	407	385
	323,712	299,233	285,847
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EQUITY IN INCOME OF AFFILIATE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**69,543**	7,488	24,305
INCOME TAX EXPENSE	**25,803**	2,786	8,101
EQUITY IN INCOME OF AFFILIATE net of income taxes	**1,686**	1,086	904
INCOME FROM CONTINUING OPERATIONS	**45,426**	5,788	17,108
INCOME FROM DISCONTINUED OPERATIONS	**3,090**	3,963	3,863
GAIN ON SALE OF DISCONTINUED OPERATIONS	**24,050**	—	—
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**72,566**	9,751	20,971
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	—	—	4,000
NET INCOME	**$ 72,566**	$ 9,751	$ 24,971
PER COMMON SHARE:			
INCOME FROM CONTINUING OPERATIONS	**$ 1.84**	$ .24	$ .70
INCOME FROM DISCONTINUED OPERATIONS	**.13**	$ .16	$ .16
GAIN ON SALE OF DISCONTINUED OPERATIONS	**.97**	—	—
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	—	—	.16
NET INCOME	**$ 2.94**	$ .40	$ 1.02
AVERAGE COMMON SHARES OUTSTANDING	**24,690**	24,536	24,416

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

HELMERICH & PAYNE, INC.

Assets

September 30,	1996	1995
	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	**$ 16,892**	$ 19,543
Short-term investments	**1,005**	8,989
Accounts receivable, less reserve of $712 and $489	**75,374**	57,034
Inventories	**16,915**	19,329
Prepaid expenses and other	**4,182**	5,628
Net assets of discontinued operations	**—**	6,836
Total current assets	**114,368**	117,359
INVESTMENTS	**229,809**	156,908
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Contract drilling equipment	**568,110**	501,682
Oil and gas properties	**401,804**	392,806
Real estate properties	**46,970**	46,642
Other	**53,547**	55,655
	1,070,431	996,785
Less—Accumulated depreciation, depletion and amortization	**606,935**	578,492
Net property, plant and equipment	**463,496**	418,293
OTHER ASSETS	**14,241**	14,501
TOTAL ASSETS	**$821,914**	$707,061

The accompanying notes are an integral part of these statements.

Liabilities and Shareholders' Equity

September 30,	1996	1995
	(in thousands)	
CURRENT LIABILITIES:		
Accounts payable	**$ 25,622**	$ 25,462
Accrued liabilities	**31,943**	20,159
Notes payable	**5,000**	21,700
Total current liabilities	**62,565**	67,321
NONCURRENT LIABILITIES:		
Deferred income taxes	**98,335**	66,062
Other	**15,044**	11,243
Total noncurrent liabilities	**113,379**	77,305
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	**50,410**	48,436
Net unrealized holding gains	**56,550**	38,004
Retained earnings	**557,543**	495,692
	667,180	584,809
Less treasury stock, 1,878,840 shares in 1996 and 1,999,856 shares in 1995, at cost	**21,210**	22,374
Total shareholders' equity	**645,970**	562,435
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$821,914**	$707,061

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

HELMERICH & PAYNE, INC.

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Net Unrealized Holding Gains	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount
				(in thousands)			
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)
Adjustment to beginning balance for change in accounting method, net of income taxes of $21,106	—	—	—	34,435	—	—	—
Change in net unrealized holding gains, net of income taxes of $2,187	—	—	—	3,569	—	—	—
Cash dividends ($.50 per share)	—	—	—	—	(12,372)	—	—
Exercise of stock options	—	—	859	—	—	(69)	615
Lapse of restrictions on Restricted Stock Awards	—	—	(229)	—	—	—	—
Forfeiture of Restricted Stock Award	—	—	(390)	—	560	15	(170)
Amortization of deferred compensation	—	—	—	—	1,473	—	—
Net income	—	—	—	—	9,751	—	—
Balance, September 30, 1995	26,764	2,677	48,436	38,004	495,692	2,000	(22,374)
Change in net unrealized holding gains, net of income taxes of $11,367	—	—	—	18,546	—	—	—
Cash dividends ($.51 per share)	—	—	—	—	(12,670)	—	—
Exercise of stock options	—	—	2,197	—	—	(131)	1,274
Lapse of restrictions on Restricted Stock Awards	—	—	(61)	—	—	—	—
Forfeiture of Restricted Stock Award	—	—	(162)	—	272	10	(110)
Amortization of deferred compensation	—	—	—	—	1,683	—	—
Net income	—	—	—	—	72,566	—	—
Balance, September 30, 1996	26,764	$2,677	$50,410	$56,550	$557,543	1,879	$(21,210)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

HELMERICH & PAYNE, INC.

Years Ended September 30,	1996	1995	1994
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 72,566**	$ 9,751	$ 24,971
Adjustments to reconcile net income to net cash provided by operating activities-			
Discontinued operations	**(27,140)**	(3,963)	(3,863)
Depreciation, depletion and amortization	**59,442**	76,443	49,414
Dry holes and abandonments	**7,986**	10,095	10,369
Cumulative effect of change in accounting principle	**—**	—	(4,000)
Equity in income of affiliate before income taxes	**(2,720)**	(1,752)	(1,458)
Amortization of deferred compensation	**1,683**	1,473	1,815
Gain on sale of securities	**(566)**	(5,697)	(124)
Loss (gain) on sale of property, plant and equipment, other	**776**	(1,195)	(2,539)
Change in assets and liabilities:			
Accounts receivable	**(18,340)**	275	(3,864)
Inventories	**2,435**	86	(3,260)
Prepaid expenses and other	**1,706**	(2,768)	5,047
Accounts payable	**(1,115)**	3,030	(1,317)
Accrued liabilities	**14,237**	(2,701)	1,023
Deferred income taxes	**6,668**	(1,630)	4,106
Other noncurrent liabilities	**3,802**	2,563	(1,857)
Total adjustments	**48,854**	74,259	49,492
Net cash provided by continuing activities	**121,420**	84,010	74,463
Net cash provided by discontinued operations	**3,503**	4,562	5,446
Net cash provided by operating activities	**124,923**	88,572	79,909
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, including dry hole costs, from continuing operations	**(109,985)**	(109,901)	(102,264)
Proceeds from sale of property, plant and equipment	**3,987**	2,923	5,971
Purchase of investments	**(1,196)**	(12,858)	(1,500)
Proceeds from sale of investments	**619**	11,713	373
Discontinued operations	**(2,746)**	(977)	(619)
Purchase of short-term investments	**—**	—	(12)
Proceeds from sale of short-term investments	**7,984**	7	124
Net cash used in investing activities	**(101,337)**	(109,093)	(97,927)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments made on long-term debt	**—**	—	(3,139)
Proceeds from notes payable	**35,000**	37,100	—
Payments made on notes payable	**(51,700)**	(15,400)	—
Dividends paid	**(12,530)**	(12,365)	(11,965)
Proceeds from exercise of stock options	**2,993**	1,282	913
Net cash provided by (used in) financing activities	**(26,237)**	10,617	(14,191)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,651)**	(9,904)	(32,209)
CASH AND CASH EQUIVALENTS, beginning of period	**19,543**	29,447	61,656
CASH AND CASH EQUIVALENTS, end of period	**$ 16,892**	$ 19,543	$ 29,447

The accompanying notes are an integral part of these statements.

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 end on August 31 to facilitate reporting of consolidated results.

TRANSLATION OF FOREIGN CURRENCIES -
The Company has determined that the functional currency for its foreign subsidiaries is the U.S. dollar. Foreign currency transaction gains for 1996 and 1995 were $764,000 and $1,845,000, respectively, with a loss of $2,764,000 for 1994.

USE OF ESTIMATES -
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

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. Undeveloped leases are amortized based on management's estimate of recoverability. Costs of surrendered leases are charged to the amortization reserve.

Effective July 1, 1995, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", which requires impairment losses to be evaluated for long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the assets carrying amount. Adoption of SFAS No. 121 resulted in a before-tax impairment charge of $22 million which is included in depreciation, depletion and amortization expense. After-tax, the impairment charge reduced 1995 net income by $13.6 million, $.55 per share. The before-tax impairment charges included $20 million for proved Exploration and Production properties and $2 million for Real Estate properties. The Company evaluates impairment of exploration and production assets on a field by field basis. Fair values on all long-lived assets are based on discounted future cash flows or information provided by sales and purchases of similar assets.

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

	YEARS
Contract drilling equipment	4-10
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 -
The Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", effective October 1, 1994. SFAS No. 115 requires that available-for-sale securities be carried at their fair value determined based on quoted market prices. Upon adoption of SFAS No. 115, the Company recorded an increase to shareholders' equity of $34 million, which was net of income taxes of $21 million.

The cost of securities used in determining realized gains and losses is based on average cost of the security sold.

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 23.9 percent and 24.14 percent of Atwood Oceanics, Inc. (Atwood) at September 30, 1996 and 1995, respectively. The quoted market value of the Company's investment was $70,400,000 and $32,100,000 at September 30, 1996 and 1995, respectively. Retained earnings at September 30, 1996 include approximately $13,034,000 of undistributed earnings of Atwood.

Summarized financial information of Atwood is as follows:

	1996	1995	1994
		(in thousands)	
Gross revenues	$ 84,760	$ 77,315	$ 68,045
Costs and expenses	73,392	70,255	62,045
Net income	$ 11,368	$ 7,060	$ 6,000
Helmerich & Payne, Inc.'s equity in net income, net of income taxes	$ 1,686	$ 1,086	$ 904
Current assets	$ 44,170	$ 34,266	$ 37,965
Noncurrent assets	115,139	118,587	115,065
Current liabilities	18,019	20,505	13,752
Noncurrent liabilities	35,736	37,456	53,000
Shareholders' equity	105,554	94,892	86,278
Helmerich & Payne, Inc.'s investment	$ 25,215	$ 22,495	$ 20,743

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 the Company's assets and liabilities.

OTHER POST EMPLOYMENT BENEFITS -
The Company sponsors a health care plan that provides post retirement medical benefits to retired employees. Employees who retire after November 1, 1992 and elect the Company's coverage pay the entire estimated cost of such benefits.

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.

NOTE 2 SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

The Company maintains a line of credit agreement with certain banks which provides for maximum borrowing of $50,000,000 at adjustable interest rates. Under the agreement, $50,000,000 may be borrowed through May 1997, and $10,000,000 may be borrowed through May 1998. As of September 30, 1996, the Company had borrowed $5,000,000 at a rate of 8.25% and had letters of credit outstanding in the amount of $6,991,000, leaving an unused portion of $38,009,000. Under the line of credit agreement the Company must meet certain requirements regarding levels of debt, net worth and earnings.

The Company has an additional $14.0 million line of credit with a bank to be used primarily for letters of credit. As of September 30, 1996, the Company had letters of credit outstanding in the amount of $2,547,222 leaving an unused portion of $11,452,778.

NOTE 3 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.

The components of the provision (credit) for income taxes from continuing operations are as follows:

Years Ended September 30,	1996	1995	1994
		(in thousands)	
CURRENT:			
Federal	$ 8,909	$ (802)	$ 1,451
Foreign	11,037	6,104	2,677
State	1,050	276	649
	20,996	5,578	4,777
DEFERRED:			
Federal	3,757	(3,083)	(29)
Foreign	725	534	3,430
State	325	(243)	(77)
	4,807	(2,792)	3,324
TOTAL PROVISION:	$ 25,803	$ 2,786	$ 8,101

The amounts of domestic and foreign income are as follows:

Years Ended September 30,	1996	1995	1994
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, EQUITY IN INCOME OF AFFILIATE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:			
Domestic	$ 41,299	$ (11,399)	$ 11,885
Foreign	28,244	18,887	12,420
	$ 69,543	$ 7,488	$ 24,305

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

Years Ended September 30,	1996	1995	1994
U.S. Federal income tax rate	35%	35%	35%
Dividends received deduction	(1)	(8)	(3)
Excess statutory depletion	-	(3)	(1)
Effect of higher foreign tax rates	2	19	4
Non-conventional fuel source credits utilized	(1)	(8)	(2)
Other, net	2	2	-
Effective income tax rate	37%	37%	33%

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

At September 30,	1996	1995
	(in thousands)	
DEFERRED TAX LIABILITIES:		
Property, plant and equipment	$ 46,706	$ 39,921
Available-for-sale securities	49,889	23,293
Pension provision	4,720	4,774
Equity investment	4,840	3,920
Other	709	919
Total deferred tax liabilities	106,864	72,827
DEFERRED TAX ASSETS:		
Financial accruals	5,213	4,733
Other	3,316	2,032
Total deferred tax assets	8,529	6,765
NET DEFERRED TAX LIABILITIES	$ 98,335	$ 66,062

NOTE 4 STOCK OPTIONS, AWARD PLAN AND RIGHTS

The Company has reserved 1,179,962 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,	1996	1995	1994
Outstanding at October 1,	841,271	835,879	780,079
Granted	247,000	107,750	110,250
Exercised	(140,015)	(78,094)	(46,510)
Cancelled	(94,146)	(24,264)	(7,940)
Outstanding at September 30,	854,110	841,271	835,879
Exercisable at September 30,	74,224	110,399	70,889
Weighted average exercise price of options outstanding	$ 27.25	$ 26.39	$ 25.65
Weighted average exercise price of options exercised	$ 23.51	$ 19.68	$ 21.77

The Financial Accounting Standards Board has issued a new accounting standard, FAS No. 123 "Accounting for Stock-Based Compensation", effective for fiscal years beginning after December 15, 1995. As provided for in the standard, the Company will not adopt the recognition provisions and will provide the pro forma net income and earnings-per-share disclosures required by the standard in its annual financial statements for the year ending September 30, 1997. The Company currently follows Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees". Under this standard, because the exercise price of the Company's fixed plan common stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized.

As of September 30, 1996, the Company has issued 360,000 shares of treasury stock under a Restricted Stock Award Plan (the "Plan"). 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. The unamortized balance at September 30, 1996 and 1995 was $1,235,000 and $3,189,000, respectively. Restrictions lapsed with respect to 68,000 shares, 61,000 shares and 61,000 shares in 1996, 1995 and 1994, respectively, and the shares were released to Plan participants. There were forfeitures of 10,000 and 15,000 shares in 1996 and 1995, respectively.

On January 8, 1996, the Company extended the benefits afforded by its existing rights plan by adopting a new stockholder rights plan. On September 30, 1996, the Company had 24,885,636 outstanding common stock purchase rights ("Rights"). Under the terms of the new plan each Right entitled the holder thereof to purchase from the Company a unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock ("Preferred Stock"), without par value, at a price of $90 per unit. The exercise price and the number of units of Preferred Stock issuable on exercise of the Rights are subject to adjustment in certain cases to prevent dilution. The Rights will be attached to the common stock certificates and are not exercisable or transferrable apart from the common stock, until 10 business days after a person acquires 15% or more of the outstanding common stock or 10 business days following the commencement of a tender offer or exchange offer that would result in a person owning 15% or more of the outstanding common stock. In the event the Company is acquired in a merger or certain other business combination transactions (including one in which the Company is the surviving corporation), or more than 50% of the Company's assets or earning power is sold or transferred, each holder of a Right shall have the right to receive, upon exercise of the Right, common stock of the acquiring company having a value equal to two times the exercise price of the Right. The Rights are redeemable under certain circumstances at $.01 per Right and will expire, unless earlier redeemed, on January 31, 2006. As long as the Rights are not separately transferrable, the Company will issue one Right with each new share of common stock issued.

NOTE 5 FINANCIAL INSTRUMENTS

Short-term investments consist mainly of U.S. treasury notes carried at cost, which approximates fair value. Notes payable bear interest at market rates and are carried at cost which approximates fair value.

The following is a summary of available-for-sale securities, which excludes those accounted for under the equity method of accounting (see Note 1):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Equity Securities:				
September 30, 1996	$113,384	$92,081	$871	$204,594
September 30, 1995	$ 64,804	$61,455	$158	$126,101

During the years ended September 30, 1996, 1995, and 1994, marketable equity available-for-sale securities with a fair value at the date of sale of $619,000, $11,713,000 and $373,000, respectively, were sold. The gross realized gains on such sales of available-for-sale securities totaled $596,000, $5,734,000 and $124,000, respectively, and the gross realized losses totaled $30,000, $37,000 and $0, respectively.

NOTE 6 DISCONTINUED OPERATIONS

Effective August 30, 1996, Helmerich & Payne, Inc. exchanged all of the common stock of its wholly-owned subsidiary, Natural Gas Odorizing, Inc. (NGO), to Occidental Petroleum Corporation (OPC) for 2,018,928 shares of OPC common stock with a fair market value of approximately $48 million. The sale yielded a gain of $24.1 million (net of deferred income taxes of approximately $14.8 million) which is reported as gain on sale of discontinued operations. NGO comprised the Company's chemical operations. Prior period operating results for such operations are reported as discontinued operations.

Summarized operating results of discontinued operations are as follows:

Years Ended September 30,	1996	1995	1994
		(in thousands)	
Revenues	$19,540	$19,055	$18,849
Operating Profit	5,656	6,221	5,994
Provision for income taxes	2,566	2,258	2,131
Income from discontinued operations	3,090	3,963	3,863

The assets and liabilities that were transferred to OPC in the sale are presented in the Consolidated Balance Sheet on a net basis at September 30, 1995. Net assets consist of current assets ($4.5 million), net property, plant and equipment ($5.4 million), less current liabilities ($2.3 million) and other liabilities ($0.8 million).

NOTE 7 EMPLOYEE BENEFIT 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 expense (credit) included the following components:

Years Ended September 30,	1996	1995	1994
		(in thousands)	
Service cost-benefits earned during the year	$ 1,979	$ 1,589	$ 1,557
Interest cost on projected benefit obligations	1,553	1,301	1,191
Return on plan assets	(3,214)	(2,798)	(2,639)
Net amortization and deferral	(304)	(301)	(302)
Net pension expense (credit)	$ 14	$ (209)	$ (193)

The discount rates used in determining the actuarial value of the projected benefit obligation for 1996, 1995 and 1994 were 7.75%, 7.25% and 7.5%, respectively. The average expected rate of return on plan assets was 8.5% for 1996, 1995 and 1994. The assumed rate of increase in compensation was 5.0% for 1996, 1995 and 1994.

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

At September 30,	1996	1995
	(in thousands)	
Actuarial present value of benefit obligations:		
Vested benefit obligation	$ 17,376	$ 16,199
Accumulated benefit obligation	$ 20,675	$ 19,215
Projected benefit obligation	$ 23,534	$ 21,735
Plan assets at fair value, primarily listed stocks, U.S. Government securities and guaranteed insurance contracts	$ 42,609	$ 38,114
Projected benefit obligation less than plan assets	$ 19,075	$ 16,379
Unrecognized net gain, including unrecognized net assets existing at October 1, 1987	(8,430)	(5,959)
Unrecognized prior service cost	1,740	1,978
Prepaid pension cost	$ 12,385	$12,398

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 $1,908,000, $1,735,000 and $1,588,000 in 1996, 1995 and 1994, respectively.

NOTE 8 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

At September 30,	1996	1995
	(in thousands)	
Accrued royalties payable	$ 7,709	$ 5,977
Accrued taxes payable - operations	4,645	2,521
Accrued income taxes payable	4,915	388
Accrued workers compensation claims	2,561	1,280
Accrued equipment cost	2,197	4,017
Other	9,916	5,976
	$ 31,943	$ 20,159

NOTE 9 SUPPLEMENTAL CASH FLOW INFORMATION

Years Ended September 30,	1996	1995	1994
		(in thousands)	
Cash payments:			
Interest paid	$ 798	$ 408	$ 371
Income taxes paid:			
Continuing operations	15,491	2,102	7,059
Discontinued operations	2,563	2,522	2,457
Noncash investing activity:			
Accrued equipment cost	$ 2,197	$ 4,016	$ 3,000

NOTE 10 RISK FACTORS

CONCENTRATIONS OF CREDIT -
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 quality 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.

INTERNATIONAL OPERATIONS -
International drilling operations are significant contributors to the Company's revenues and net profit. It is possible that operating results could be affected by the risks of such activities, including economic conditions in the international markets in which the Company operates, political and economic instability, fluctuations in currency exchange rates, changes in international regulatory requirements, international employment issues, and the burden of complying with foreign laws. These risks may adversely affect the Company's future operating results and financial position.

NOTE 11 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. The Company's primary international areas of operation include Venezuela, Colombia and Ecuador. 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 income of affiliate; 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 19 percent, 18 percent, and 14 percent of the total consolidated revenues during the years ended September 30, 1996, 1995 and 1994, respectively. Collectively, revenues from three companies controlled by the Venezuelan government accounted for approximately 12.8 percent and 13.4 percent of total consolidated revenues for the year ended September 30, 1996 and 1995, respectively.

Summarized revenues and operating profit by industry segment for the years ended September 30, 1996, 1995 and 1994 are located on page 10. Additional financial information by industry segment is as follows:

Years Ended September 30,	1996	1995	1994
		(in thousands)	
Net Income (loss):			
Contract Drilling - Domestic	$ 6,796	$ 4,506	$ 3,697
Contract Drilling - International	17,693	12,106	8,459
Exploration and Production	17,335	(13,906)	2,710
Natural Gas Marketing	2,247	1,230	869
Real Estate Division	3,121	1,324	2,751
Other	(3,452)	(558)	(2,282)
Equity in income of affiliate	1,686	1,086	904
Net income from Continuing Operations	$ 45,426	$ 5,788	$ 17,108
Change in accounting principle	—	—	4,000
Discontinued operations	27,140	3,963	3,863
Net Income	$ 72,566	$ 9,751	$ 24,971

Years Ended September 30,	1996	1995	1994
		(in thousands)	
Identifiable assets:			
Contract drilling - Domestic	$169,363	$138,359	$132,804
Contract drilling - International	213,171	188,587	131,767
Exploration and Production	141,058	142,474	175,003
Natural Gas Marketing	15,602	10,192	8,846
Real Estate division	23,628	24,380	26,958
Corporate and other	259,092	196,233	133,442
Discontinued operations	—	6,836	12,869
	$821,914	$707,061	$621,689
Depreciation, depletion and amortization:			
Contract drilling - Domestic	$ 13,879	$ 12,111	$ 10,990
Contract drilling - International	22,120	19,557	15,722
Exploration and Production	20,299	39,895	19,523
Natural Gas Marketing	725	298	290
Real Estate division	1,455	3,623	1,624
Corporate and other	964	959	1,265
Continuing operations	59,442	76,443	49,414
Discontinued operations	754	672	654
	$ 60,196	$ 77,115	$ 50,068
Capital expenditures:			
Contract drilling - Domestic	$ 57,004	$ 32,503	$ 31,692
Contract drilling - International	24,801	55,044	25,723
Exploration and Production	24,320	20,956	45,809
Natural Gas Marketing	435	252	76
Real Estate division	776	907	916
Corporate and other	830	1,255	1,048
Continuing operations	108,166	110,917	105,264
Discontinued operations	1,581	859	619
	$109,747	$111,776	$105,883

NOTE 12 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,	1996	1995	1994
		(in thousands)	
Revenues	$ 76,643	$ 47,986	$58,884
Production costs	20,080	18,035	18,854
Exploration expense and valuation provisions	9,931	14,017	17,262
Depreciation, depletion and amortization	20,299	39,895	19,523
Income tax expense (benefit)	9,187	(7,243)	890
Total cost and expenses	59,497	64,704	56,529
Results of operations (excluding corporate overhead and interest costs)	$ 17,146	$(16,718)	$ 2,355

Capitalized Costs -

At September 30,	1996	1995
	(in thousands)	
Properties being amortized:		
Proved properties	$392,562	$384,755
Unproved properties	9,242	8,051
Total costs being amortized	401,804	392,806
Less - Accumulated depreciation, depletion and amortization	269,994	257,988
Net	$131,810	$134,818

Costs Incurred Relating to Oil and Gas Producing Activities -

Years Ended September 30,	1996	1995	1994
		(in thousands)	
Property acquisition:			
Proved	$ 256	$ 1,228	$23,115
Unproved	3,178	1,565	4,893
Exploration	9,874	13,497	12,418
Development	14,131	9,703	12,888
Total	$27,439	$25,993	$53,314

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, 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	(8,427)	(64)
Proved reserves at September 30, 1994	6,710,211	290,652
Revisions of previous estimates	124,361	5,222
Extensions, discoveries and other additions	328,539	8,775
Production	(808,058)	(26,421)
Purchases of reserves-in-place	310	1,934
Sales of reserves-in-place	(26,251)	(116)
Proved reserves at September 30, 1995	6,329,112	280,046
Revisions of previous estimates	629,154	5,098
Extensions, discoveries and other additions	298,986	21,311
Production	(809,571)	(34,535)
Purchases of reserves-in-place	21,912	647
Sales of reserves-in-place	(1,477)	(266)
Proved reserves at September 30, 1996	6,468,116	272,301
Proved developed reserves at		
September 30, 1994	6,649,672	267,688
September 30, 1995	6,270,216	262,319
September 30, 1996	6,441,803	261,519

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,	1996	1995
	(in thousands)	
Future cash inflows	$549,033	$429,259
Future costs -		
Future production and development costs	(193,047)	(173,633)
Future income tax expense	(98,158)	(63,183)
Future net cash flows	257,828	192,443
10% annual discount for estimated timing of cash flows	(103,964)	(81,509)
Standardized Measure of discounted future net cash flows	$153,864	$110,934

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

Years Ended September 30,	1996	1995	1994
		(in thousands)	
Standardized Measure - Beginning of year	$110,934	$124,623	$178,757
Increases (decreases) -			
Sales, net of production costs	(56,563)	(29,951)	(40,030)
Net change in sales prices, net of production costs	59,479	(12,917)	(80,347)
Discoveries and extensions, net of related future development and production costs	29,189	8,179	9,653
Changes in estimated future development costs	(6,651)	(4,672)	(14,571)
Development costs incurred	14,050	9,703	12,888
Revisions of previous quantity estimates	5,731	2,825	483
Accretion of discount	14,362	16,171	23,678
Net change in income taxes	(31,158)	(7,538)	20,942
Purchases of reserves-in-place	643	1,202	11,219
Sales of reserves-in-place	(124)	(51)	(62)
Other	13,972	3,360	2,013
Standardized Measure - End of year	$153,864	$110,934	$124,623

NOTE 13 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

1996	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$88,427	$95,213	$101,358	$108,257
Gross profit	16,971	17,897	23,256	21,180
Income from continuing operations	9,468	9,802	12,650	13,506
Income (loss) from discontinued operations	1,625	1,225	508	(268)
Gain on sale of discontinued operations	—	—	—	24,050
Net income	11,093	11,027	13,158	37,288
Earnings (loss) per share:				
Continuing operations	.38	.40	.51	.55
Discontinued operations	.07	.05	.02	(.01)
Gain on sale of discontinued operations	—	—	—	.97
Net income	.45	.45	.53	1.51

1995	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$73,993	$73,350	$74,648	$84,730
Gross profit (loss)	6,273	8,818	8,760	(7,155)
Income (loss) from continuing operations	2,736	4,127	4,114	(5,189)
Income from discontinued operations	1,680	1,693	470	120
Net income (loss)	4,416	5,820	4,584	(5,069)
Earnings (loss) per share:				
Continuing operations	.11	.17	.17	(.21)
Discontinued operations	.07	.07	.02	—
Net income	.18	.24	.19	(.21)

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

Net income in the fourth quarter of 1996 includes the gain from sale of discontinued operations (see Note 6). All quarters presented have been restated to reflect discontinued operations. Net loss from continuing operations for the fourth quarter of 1995 includes an after-tax charge of $13.6 million ($.55 per share) related to the Company adopting SFAS No 121 (see note 1).

Report of Independent Auditors

HELMERICH & PAYNE, INC.

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

We have audited the accompanying consolidated balance sheets of Helmerich & Payne, Inc. as of September 30, 1996 and 1995, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 1996. 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Helmerich & Payne, Inc. at September 30, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective July 1, 1995, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". As discussed in Note 1 to the financial statements, effective October 1, 1994, the Company adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and as discussed in Note 3 to the financial statements, effective October 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes."

Ernst & Young LLP

Tulsa, Oklahoma
November 15, 1996

Stock Price Information

	Closing Market Price Per Share			
	1996		1995	
QUARTERS	HIGH	LOW	HIGH	LOW
First	$ $30\frac{1}{8}$	$ $24\frac{1}{2}$	$ $31\frac{1}{4}$	$$25\frac{5}{8}$
Second	$34\frac{1}{2}$	27	$27\frac{1}{2}$	$24\frac{1}{2}$
Third	$38\frac{1}{4}$	33	31	$26\frac{5}{8}$
Fourth	$43\frac{5}{8}$	$34\frac{3}{4}$	30	$27\frac{5}{8}$

Dividend Information

	Paid Per Share		Total Payment	
	1996	1995	**1996**	1995
QUARTERS				
First	$.125	$.125	$3,095,578	$3,089,758
Second	.125	.125	3,100,568	3,087,958
Third	.125	.125	3,104,724	3,092,973
Fourth	.130	.125	3,229,596	3,094,813

STOCKHOLDERS' MEETING

The annual meeting of stockholders will be held on March 5, 1997. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about January 27, 1997.

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

As of December 16, 1996, there were 1,514 record holders of Helmerich & Payne, Inc. common stock as listed by the transfer agent's records.

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,	1996	1995	1994
REVENUES AND INCOME*			
Contract Drilling Revenues	**244,338**	203,325	182,781
Crude Oil Sales	**15,378**	13,227	13,161
Natural Gas Sales	**60,500**	33,851	45,261
Gas Marketing Revenues	**57,817**	34,729	51,874
Real Estate Revenues	**8,076**	7,560	7,396
Dividend Income	**3,650**	3,389	3,621
Other Revenues	**3,496**	10,640	6,058
Total Revenues††	**393,255**	306,721	310,152
Net Cash Provided by Continuing Operations††	**121,420**	84,010	74,463
Income from Continuing Operations	**45,426**	5,788	17,108
Net Income[3]	**72,566**	9,751	24,971
PER SHARE DATA			
Income from Continuing Operations	**1.84**	.24	.70
Net Income[3]	**2.94**	.40	1.02
Cash Dividends	**.505**	.50	.485
Shares Outstanding*	**24,886**	24,765	24,710
FINANCIAL POSITION			
Net Working Capital*	**51,803**	50,038	76,238
Ratio of Current Assets to Current Liabilities	**1.83**	1.74	2.63
Investments*	**229,809**	156,908	87,414
Total Assets*	**821,914**	707,061	621,689
Long-Term Debt*	—	—	—
Shareholders' Equity*	**645,970**	562,435	524,334
CAPITAL EXPENDITURES*			
Contract Drilling Equipment	**79,269**	80,943	53,752
Wells and Equipment	**21,142**	19,384	40,916
Real Estate	**752**	873	902
Other Assets (includes undeveloped leases)	**7,003**	9,717	9,695
Discontinued Operations	**1,581**	859	618
Total Capital Outlays	**109,747**	111,776	105,883
PROPERTY, PLANT AND EQUIPMENT AT COST*			
Contract Drilling Equipment	**568,110**	501,682	444,432
Producing Properties	**392,562**	384,755	377,371
Undeveloped Leases	**9,242**	8,051	11,729
Real Estate	**46,970**	46,642	47,827
Other	**53,547**	55,655	48,612
Discontinued Operations	—	13,937	13,131
Total Property, Plant and Equipment	**1,070,431**	1,010,722	943,102

* 000's omitted
†† Chemical operations were sold August 30, 1996 (see note 6). Prior year amounts have been restated to exclude discontinued operations.
[3] Includes $13.6 million (.55 per share) effect of impairment charge for adoption of SFAS No. 121 in 1995 and cumulative effect of change in accounting for income taxes of $4,000,000 ($.16 per share) in 1994.

1993	1992	1991	1990	1989	1988	1987	1986
149,661	112,833	105,364	90,974	78,315	75,985	64,718	68,220
15,392	16,369	17,374	16,058	14,821	14,001	15,223	20,020
52,446	38,370	35,628	37,697	33,013	26,154	17,251	21,308
63,786	40,410	10,055	10,566	—	—	—	—
7,620	7,541	7,542	7,636	7,778	7,878	7,561	6,839
3,535	4,050	5,285	7,402	9,127	10,069	9,757	11,033
8,283	6,646	20,020	56,131	17,371	15,206	34,757	29,261
300,723	226,219	201,268	226,464	160,425	149,293	149,267	156,681
72,493	60,414	50,006	53,288	65,474	54,959	36,999	53,477
22,158	8,973	19,608	45,489	20,715	17,746	20,575	6,249
24,550	10,849	21,241	47,562	22,700	20,150	22,016	7,025
.91	.37	.81	1.88	.86	.73	.85	.25
1.01	.45	.88	1.97	.94	.83	.91	.28
.48	.465	.46	.44	.42	.40	.38	.36
24,637	24,576	24,488	24,485	24,173	24,166	24,187	24,187
104,085	82,800	108,212	146,741	114,357	135,275	135,139	108,331
3.24	3.31	4.19	3.72	3.12	6.10	6.68	5.61
84,945	87,780	96,471	99,574	130,443	133,726	140,431	158,311
610,935	585,504	575,168	582,927	591,229	576,473	571,348	563,236
3,600	8,339	5,693	5,648	49,087	70,715	74,732	79,340
508,927	493,286	491,133	479,485	443,396	430,804	420,833	408,185
24,101	43,049	56,297	18,303	17,901	19,110	13,993	23,673
23,142	21,617	34,741	16,489	30,673	25,936	27,402	11,767
436	690	2,104	1,467	878	3,095	6,128	1,409
5,901	16,984	6,793	5,448	6,717	2,496	2,012	2,026
629	158	2,594	1,153	815	815	336	281
54,209	82,498	102,529	42,860	56,984	51,452	49,871	39,156
418,004	404,155	370,494	324,293	323,313	313,289	309,865	307,199
340,176	329,264	312,438	287,248	279,768	251,445	228,214	215,488
10,010	12,973	5,552	5,507	5,441	3,305	4,197	7,294
47,502	47,286	46,671	44,928	48,016	47,165	44,070	38,131
45,085	43,153	36,423	32,135	29,716	27,798	28,274	28,454
12,545	11,962	11,838	9,270	8,156	7,370	6,602	6,286
873,322	848,793	783,416	703,381	694,410	650,372	621,222	602,852

Eleven-Year Operating Review

HELMERICH & PAYNE, INC.

Years Ended September 30,	1996	1995	1994
CONTRACT DRILLING			
Drilling Rigs, United States	**41**	41	47
Drilling Rigs, International	**36**	35	29
Contract Wells Drilled, United States	**233**	212	162
Total Footage Drilled, United States*	**2,499**	1,933	1,842
Average Depth per Well, United States	**10,724**	9,119	11,367
Percentage Rig Utilization, United States	**82%**	71	69
Percentage Rig Utilization, International	**85%**	84	88
PETROLEUM EXPLORATION AND DEVELOPMENT			
Gross Wells Completed	**63**	59	44
Net Wells Completed	**35.3**	27.4	15
Net Dry Holes	**7.3**	5.9	1.7
PETROLEUM PRODUCTION			
Net Crude Oil and Natural Gas Liquids Produced (barrels daily)	**2,212**	2,214	2,431
Net Oil Wells Owned — Primary Recovery	**176.9**	186	202
Net Oil Wells Owned — Secondary Recovery	**63.8**	64	71
Secondary Oil Recovery Projects	**12**	12	14
Net Natural Gas Produced (thousands of cubic feet daily)	**94,358**	72,387	72,953
Net Gas Wells Owned	**378**	354	341
NATURAL GAS ODORANTS AND OTHER CHEMICALS††			
Chemicals Sold (pounds)*	**9,823**	7,670	8,071
REAL ESTATE MANAGEMENT			
Gross Leasable Area (square feet)*	**1,654**	1,652	1,652
Percentage Occupancy	**94**	87	83
TOTAL NUMBER OF EMPLOYEES			
Helmerich & Payne, Inc. and Subsidiaries†	**3,309**	3,245	2,787

* 000's omitted.
† 1986-1989 include U.S. employees only
†† Chemical operations were sold August 30, 1996 (see note 6).

1993	1992	1991	1990	1989	1988	1987	1986
42	39	46	49	49	48	50	48
29	30	25	20	20	18	19	19
128	100	106	119	108	115	110	110
1,504	1,085	1,301	1,316	1,350	1,284	1,182	1,384
11,746	10,853	12,274	11,059	12,500	11,165	10,745	12,582
53	42	47	50	44	45	39	44
68	69	69	45	46	30	16	30
42	54	45	36	45	45	18	27
15.9	17.8	20.2	15.3	15.2	14.6	5.2	10.3
4.3	4.3	4.3	3.4	2.8	1.6	.5	3.6
2,399	2,334	2,152	2,265	2,486	2,463	2,578	3,077
202	220	227	223	201	202	199	234
71	74	55	46	214	222	237	235
14	14	12	12	17	21	20	18
78,023	75,470	66,617	65,147	57,490	45,480	31,752	32,392
307	289	278	194	205	197	180	180
7,930	8,452	8,155	8,255	7,702	8,507	8,165	7,554
1,656	1,656	1,664	1,664	1,669	1,670	1,595	1,433
86	87	86	85	90	90	94	95
2,389	1,928	1,758	1,864	1,100	1,156	1,026	844

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

L. F. Rooney, III*
Chairman,
Manhattan Construction Company
Tulsa, Oklahoma

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

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

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

Steven R. Shaw
Vice President,
Exploration & 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	1,656,119

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.