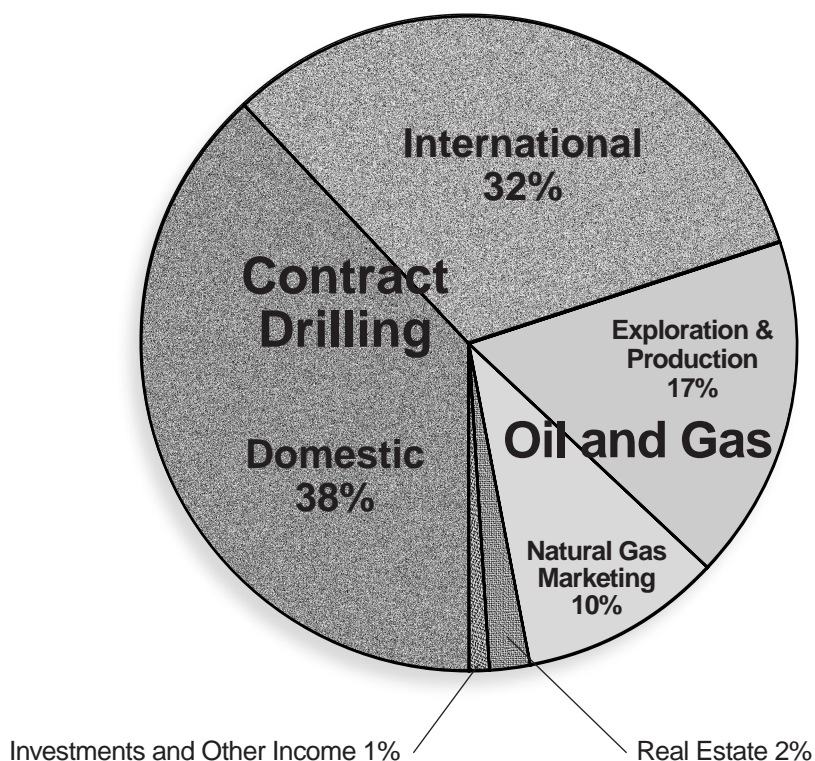


Helmerich & Payne, Inc. Annual Report for 1999

Revenue Breakdown for 1999



Financial Highlights

Years Ended September 30,	1999	1998
Revenues	\$ 564,319,000	\$ 636,640,000
Net Income	\$ 42,788,000	\$ 101,154,000
Diluted Earnings Per Share	\$.86	\$ 2.00
Dividends Paid Per Share	\$.28	\$.275
Capital Expenditures	\$ 122,951,000	\$ 266,299,000
Total Assets	\$1,109,699,000	\$1,090,430,000

President's Letter

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

At the closing of this century, dubbed by some “The Century of Oil,” energy continues to play a fascinating role on the world stage. Wars have been waged over its control and strategic advantage. Great machines of commerce, defense, and development have been fueled by its availability and abundance. It is hard to imagine turning through the pages of history for the last hundred years without the oil patch occupying a prominent place.

Your Company has been privileged to play a part of that story for eighty years. Perhaps by now, we should be able to figure out where things are going. But true to character, predicting the future of the energy business remains elusive. Earlier this year, prices plunged to a fifty-year, inflation-adjusted low, prompting seasoned observers, notably *The Economist*, to predict the specter of prolonged pricing pain in a range of \$5 per barrel. Within mere months, oil prices threatened to reach a \$30 threshold on the strength of OPEC solidarity and recovering worldwide demand. These dramatic price swings reflect the unprecedented shifts occurring in the industry at the change of the century.

What can be said as we move into the new millennium?

While no one is suggesting “The Century of Oil, Part Two,” future worldwide energy needs will continue to grow, even in a world of less steel and more E-commerce.

The global economy's appetite for more energy will be met primarily from OPEC's low cost supplies. While OPEC's market share will certainly grow, the non-OPEC countries must still provide around half of the demand, and their major fields continue to mature and deplete. New production will be supplied from expensive frontier and deepwater exploration efforts.

The need for new drilling is even more profound for declining natural gas production. Over the next ten years, the United States is expected to burn half again our current domestic reserves. Going forward, an emerging cycle of strong supply and demand fundamentals is taking shape. Like always before, there will be ups and downs and unforeseen surprises.

Predictably, financial strength and flexibility will be needed to cope with the industry's cyclical nature and constant change. Technology will continue to be a key driver in delivering added value and reducing costs. Yet the challenge that will determine the clearest strategic advantage is on the people side of the business.

From the beginning, our Company has succeeded on the skill, experience, and creative contributions of its people. At the same time, we operate in an industry that has lost over half of its workforce during the last twenty years and continues to suffer from an immeasurable drain of institutional knowledge. Thankfully, that is not the case at Helmerich & Payne, Inc. We are stronger and more talented throughout the organization than ever before. No annual report can capture the enterprise value found in the culture, shared values, and loyalty of its people. Perhaps that story is best told by customers, partners, suppliers, and competitors who know us best and with whom we earn our reputation everyday. As the calendar turns to the year 2000, your Company is confident and excited about the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Hans Helmerich". The signature is fluid and cursive, written in a professional style.

Hans Helmerich
President

December 15, 1999

SUMMARY Helmerich & Payne International Drilling Co. is a leading drilling contractor with a fleet of 89 drilling rigs worldwide. The Company owns 79 land rigs, 40 of which were located in the United States at year-end, and 39 located in the countries of Venezuela (18), Colombia (10), Bolivia (5), Ecuador (4), and Argentina (2). Additionally, the Company owns 10 offshore platform rigs in the Gulf of Mexico and jointly owns, with Atwood Oceanics, Inc., an offshore platform rig located in Australia. Helmerich & Payne International Drilling Co. also provides management services for two Exxon-owned platform rigs operating offshore California.

Low oil prices had a considerable negative impact on the financial performance of the Company, as well as on the contract drilling industry worldwide. Total contract drilling revenues slipped eight percent in 1999, interrupting a string of consecutive increases which began over a decade ago in 1987. Earnings before interest, taxes, depreciation, and amortization (EBITDA) fell ten percent to \$127.3 million, and pre-tax operating profit fell to \$60 million, from \$86.7 million in 1998.

INTERNATIONAL OPERATIONS Rig utilization fell to an average of 53 percent in 1999, compared to 88 percent in 1998. The Company's Venezuelan operation was the hardest hit during the year as rig activity fell to less than half of the previous year's level, resulting in revenue and EBITDA declines of 55 percent and 65 percent, respectively, in that country. As a leading member of OPEC, Venezuela sharply curtailed production and development activities in its effort to adhere to the revised quota arrangement set forth by the cartel. During 1999, the Company transferred four land rigs and one offshore platform rig from Venezuela to the United

States. One of the land rigs and the platform rig began working in the U.S. market during 1999, and another land rig is committed to stay in the U.S. Out of the two remaining land rigs, one was returned to Venezuela in November after refurbishment, and the other will return to the international market at the earliest opportunity.

The Company's operations in Colombia also slowed, with revenues and EBITDA there decreasing 23 percent and 18 percent, respectively. Improvements in the Venezuelan and Colombian drilling markets will likely correlate highly with the health of the world oil market. Additionally, both of these countries grapple with considerable socioeconomic and political challenges, which could also have a significant impact on the speed at which oil exploration and development activities resume to levels the Company has experienced in years past.

Increased activity in Argentina and Bolivia helped offset part of the decline experienced internationally in 1999. A significant portion of the drilling in Argentina and Bolivia is aimed at developing natural gas supplies for growing markets in the southern cone region of South America.

The Company completed the rig construction phase of Mobil's Jade project, which made a significant contribution to revenues and EBITDA during 1999. Separately, Helmerich & Payne International Drilling Co. was awarded a management contract for the Jade offshore platform, which is scheduled to begin early in calendar year 2000 in Equatorial Guinea, West Africa.

UNITED STATES OPERATIONS The weak crude oil market also factored into the U.S. drilling market during

1999, resulting in lower activity levels and dayrates. Utilization averaged 75 percent in 1999, compared with 95 percent in 1998. Lower activity, coupled with decreased dayrates, caused domestic land drilling revenues and EBITDA to decline by 26 percent and 64 percent, respectively. The U.S. land drilling market is becoming increasingly skewed toward natural gas, so future activity levels are likely to become more dependent on the price of this commodity and less on the price of crude oil. During 1999, the Company's active rigs drilled almost exclusively for natural gas.

The Company's ten offshore platform rigs remained highly active through most of the year, averaging a utilization rate of 95 percent. Domestic offshore revenues and EBITDA increased 24 percent and 39 percent, respectively, over the 1998 level.

OUTLOOK Two important factors drive the Company's operating strategy going forward. First, financial strength and flexibility are important in an industry where cycles are as severe as the one recently experienced. Second, customers will increasingly demand better rig equipment and technology, and higher standards for safety and operating performance in their drilling programs. Even under depressed industry conditions, when the dayrate seems to reign as the paramount component in a bid, the Company has quantified the significant impact that quality performance can have on the ultimate cost of a well. Safety and training programs, high standards for rig maintenance, and design, engineering, and construction experience are in and of themselves sound investments. The return on these investments comes in new projects, solid, long-term customer relationships, a well-recognized reputation for quality performance, and the highest rig utilization among our peers in key drilling markets.

Exploration & Production

HELMERICH & PAYNE, INC.

SUMMARY Helmerich & Payne, Inc. explores for and produces crude oil and natural gas primarily in the states of Kansas, Louisiana, Oklahoma, and Texas. Additionally, the Company provides natural gas marketing services through its wholly-owned subsidiary, Helmerich & Payne Energy Services, Inc.

Helmerich & Payne, Inc. produced an average of 1,779 barrels of oil per day in 1999, compared with 1,921 barrels per day in 1998. Although oil prices fell in 1999 to their lowest point in many years, the average price the Company received declined only slightly to \$14.60 per barrel, from \$14.74 per barrel in 1998. Natural gas production increased to 121,206 thousand cubic feet (Mcf) per day, from 117,431 Mcf per day. The average price received for natural gas fell ten percent to \$1.83 per Mcf, from \$2.04 per Mcf in 1998. Reductions in both oil production and natural gas prices pushed revenues down three percent, to \$96 million. Additionally, higher depreciation, geophysical, and lease abandonment expenses reduced operating profit to \$11.2 million in 1999, compared with \$28.1 million in 1998.

NATURAL GAS MARKETING Helmerich & Payne Energy Services, Inc. realized a three percent increase in revenues and an 83 percent increase in operating profit in 1999. The dramatic increase in operating profit resulted from favorable forward prices contracted on a small portion of marketed production prior to last year's mild winter.

EXPLORATION ACTIVITIES Helmerich & Payne, Inc. participated in the drilling of 49 (23.9 net) wells in 1999, of which 33 (15.5 net) were completed as natural gas wells, two (1.3 net) as oil wells, and 14 (7.1 net) as dry holes. A total of 15 (5.5 net) wells were exploratory and the remaining 34 (18.4 net) were development wells. Proved reserves at year-end were 4.8 million barrels of oil and 239.6 billion cubic feet (Bcf) of natural gas.

Over the past two years, the Company has focused on prospect development utilizing 3D seismic technology. The Company is presently involved in a number of 3D seismic surveys covering over 850 square miles in Texas and Louisiana. Three of these surveys encompassed 185 square miles in Jefferson County, Texas, where the Company has an acreage position with working interests ranging from 54 percent to 66 percent. Four successful wells were drilled in this area during 1999. The Company also participated in 65 square miles of 3D seismic in West Texas and a 94 square mile survey in Galveston County, Texas. Five wells were drilled on these prospects in 1999; two of four Galveston County wells were successful and the West Texas well was in progress at year-end. The Company also participated in a 200 square mile, 3D seismic survey on another south Texas prospect where a wildcat well was drilling at year-end. The Company could potentially participate in more than 20 wells in its Texas prospect areas alone during the first half of fiscal 2000.

In Louisiana, the Company purchased a 42 percent working interest in a prospect in Calcasieu Parish, as well as 50 square miles of 3D seismic in the area. At calendar year-end, the first wildcat well was nearing completion and a second well was about to spud.

OUTLOOK Due to the nature of the exploration business, many projects can take years to come to fruition. This makes it challenging to gauge the overall success of an effort, particularly when looking at annual reserve replacement and finding cost data. Over the past two years, the Company has invested almost \$35 million in acreage and seismic to develop a larger and more technologically-focused portfolio of promising prospects. With this significant amount of spadework completed, the Company is poised to participate in more exploratory drilling in fiscal 2000 than it has in several years.

Revenues and Operating Profit by Business Segments

HELMERICH & PAYNE, INC.

	Years Ended September 30,	1999	1998	1997
			(in thousands)	
SALES AND OTHER REVENUES:				
Contract Drilling - Domestic		\$213,647	\$177,059	\$140,294
Contract Drilling - International		182,987	253,072	176,651
Total Contract Drilling.....		396,634	430,131	316,945
Exploration and Production.....		95,953	98,696	111,512
Natural Gas Marketing		55,259	53,499	69,015
Total Oil and Gas Operations.....		151,212	152,195	180,527
Real Estate		8,671	8,922	8,641
Other.....		7,802	45,392	11,746
Total Revenues		\$564,319	\$636,640	\$517,859
OPERATING PROFIT:				
Contract Drilling - Domestic		\$ 30,154	\$ 35,817	\$ 24,437
Contract Drilling - International		29,845	50,834	43,118
Total Contract Drilling.....		59,999	86,651	67,555
Exploration and Production.....		11,245	28,088	55,191
Natural Gas Marketing		4,418	2,418	3,363
Total Oil and Gas Operations.....		15,663	30,506	58,554
Real Estate		5,338	5,371	5,615
Total Operating Profit		81,000	122,528	131,724
OTHER:				
Income from investments.....		7,757	44,603	11,437
General and administrative expense.....		(14,198)	(11,762)	(9,346)
Interest expense		(6,481)	(942)	(4,212)
Corporate depreciation		(1,565)	(1,280)	(919)
Other corporate expense		(1,575)	(927)	(1,269)
Total Other		(16,062)	29,692	(4,309)
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE.....		\$ 64,938	\$152,220	\$127,415

Note: See Note 13 (pages 31 and 32) for complete segment disclosure.

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

HELMERICH & PAYNE, INC.

RISK FACTORS AND FORWARD-LOOKING STATEMENTS

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, fluctuations in oil and natural gas prices, expiration or termination of drilling contracts, currency exchange gains and losses, 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 in Management's Discussion & Analysis of Results of Operations and Financial Condition include forward-looking statements. These forward-looking statements are based on various assumptions. The Company cautions that, while it believes such assumptions to be reasonable and makes them in good faith, assumed facts almost always vary from actual results. The differences between assumed facts and actual results can be material. The Company is including this cautionary statement to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. The factors identified in this cautionary statement are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, the Company.

RESULTS OF OPERATIONS

All per share amounts included in the Results of Operations discussion are stated on a diluted basis. Helmerich & Payne, Inc.'s net income for 1999 was \$42,788,000 (\$0.86 per share), compared with net income of \$101,154,000 (\$2.00 per share) in 1998, and \$84,186,000 (\$1.67 per share) in 1997. Included in the Company's net income, but not related to its operations, were after-tax gains from the sale of investment securities of \$1,562,000 (\$0.03 per share) in 1999, \$23,417,000 (\$0.46 per share) in 1998, and \$2,870,000 (\$0.06 per share) in 1997. Also included is the Company's portion of income from its equity affiliate, Atwood Oceanics, Inc., which was \$0.07 per share in 1999, \$0.11 per share in 1998, and \$0.05 per share in 1997. Net income also included non-cash charges of \$6,237,000 (\$0.13 per share) in 1999 and \$3,356,000 (\$0.07 per share) in 1998 related to the write-down of producing properties in accordance with 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*.

Consolidated revenues were \$564,319,000 in 1999, \$636,640,000 in 1998, and \$517,859,000 in 1997. The 11 percent decline from 1998 to 1999 was primarily due to the \$70,085,000 reduction in international contract drilling revenues. An increase in domestic contract drilling revenues of \$36,588,000 was offset by a decline in investment revenues of \$36,846,000. The 23 percent increase from 1997 to 1998 was due to higher dayrates and utilization in the contract drilling division and higher capital gains from the sales of equity securities. Significant increases in these areas helped offset lower revenues from the Exploration and Production Division due to lower crude oil and natural gas prices.

Revenues from investments were \$7,757,000 in 1999, \$44,603,000 in 1998, and \$11,437,000 in 1997. Included in revenues from investments were pre-tax gains from the sale of investment securities of \$2,547,000 in 1999, \$38,421,000 in 1998, and \$4,697,000 in 1997. Interest income was stable during 1999, 1998, and 1997, but dividend income declined slightly as the Company sold shares of dividend paying stocks during the last two years.

Costs and expenses in 1999 were \$499,381,000, 88 percent of revenues, compared with 76 percent in 1998, and 75 percent in 1997. Operating costs, as a percentage of operating revenues, were 60 percent in 1999, 58 percent in 1998, and 55 percent in 1997.

Depreciation, depletion, and amortization (DD&A) expense increased by approximately 24 percent in each of the last two years, due primarily to increases in capital investment made by the Company during the last several years. Also included in DD&A are SFAS 121 impairment charges of \$10,059,000 in 1999 and \$5,413,000 in 1998. There were no such charges in 1997.

General and administrative expenses increased by 21 percent to \$14,198,000 in 1999, compared with \$11,762,000 in 1998, and \$9,346,000 in 1997. Higher overall payroll costs and additional information technology staffing were primary reasons for the increases the last two years. Because of the impact of foreign taxes, income tax expense rose to 40 percent of pre-tax income in 1999, from 37 percent in 1998, and 36 percent in 1997.

Interest expense rose to \$6,481,000 in 1999, from \$942,000 in 1998, and \$4,212,000 in 1997. Outstanding bank loans rose at the end of 1998 and into the first half of 1999 as the Company completed a substantial capital expenditure program and, in 1998, repurchased some of its stock.

CONTRACT DRILLING DIVISION revenues, which include both domestic and international segment revenues, declined eight percent to \$396,634,000 during 1999, from \$430,131,000 in 1998. Revenues for 1998 were up 36 percent over the previous year. Division operating profit declined 31 percent to \$59,999,000 during 1999, compared with a 28 percent increase from 1997 to 1998.

Domestic segment revenues were \$213,647,000 in 1999, \$177,059,000 in 1998, and \$140,294,000 in 1997. Domestic segment operating profit was \$30,154,000 in 1999, \$35,817,000 in 1998, and \$24,437,000 in 1997. Domestic segment revenues were up for 1999 mainly due to \$40,790,000 of revenues from the Mobil Jade rig construction project and increased offshore platform rig revenues. Domestic operating profit was down because of lower land rig utilization and dayrates. However, operating profit for 1999 was bolstered by several non-recurring items such as income from the Jade construction project and from several capital reimbursements from operators for new rig equipment on existing rigs. Approximately \$7.5 million of operating profit from these sources will likely not occur in fiscal 2000. Domestic segment revenues and operating profit for 1998 increased over 1997 because of improved dayrates from both U.S. land and offshore rig operations and higher utilization of the Company's offshore platform rigs. Rig utilization for the U.S. land fleet was 69 percent in 1999, 94 percent in 1998, and 99 percent in 1997. Domestic platform rig utilization was 95 percent in 1999, 99 percent in 1998, and 63 percent in 1997. Revenues and operating profit for domestic operations could be lower in 2000 if rig demand remains soft.

International segment revenues fell 28 percent to \$182,987,000 during 1999, from \$253,072,000 in 1998. Revenues were \$176,651,000 in 1997. Operating profit for the international segment declined to \$29,845,000 in 1999, from \$50,834,000 in 1998, and \$43,118,000 in 1997. International rig utilization averaged 53 percent during 1999, 88 percent in 1998, and 91 percent in 1997. Revenues and operating profit increased significantly from 1997 to 1998 due to additional rigs and increased dayrates in Venezuela, Ecuador, Peru, and Bolivia. However, as crude oil prices declined, rig activity and profitability declined rapidly during the last half of 1999, particularly in Venezuela. It is anticipated that during 2000, international revenues and operating profit will be down substantially compared with 1999, because of low rig utilization, dayrates and profit margins, particularly in Venezuela and Colombia.

The Company has international operations in several South American countries. With the exception of Venezuela, the Company's exposure to currency valuation losses is immaterial due to the fact that virtually all billings and payments are in U.S. dollars. In Venezuela, approximately 60 percent of the Company's billings are in U.S. dollars and 40 percent are in bolivars, the local currency. As a result, the Company is exposed to risks of currency devaluation in Venezuela because of the bolivar denominated receivables. During 1999, the Company experienced a loss of \$711,566 due to devaluation of the bolivar, compared with a \$2,204,000 loss in 1998, and a \$579,000 loss in 1997. The Company anticipates additional devaluation losses in Venezuela during 2000, but it is unable to predict the extent of either the devaluation, or its financial impact. Should Venezuela experience a 25 to 50 percent devaluation, Company losses could range from approximately \$350,000 to \$600,000. Using the same assumptions in 1998 resulted in the Company estimating foreign currency losses in Venezuela for 1999 ranging from \$1,500,000 to \$2,700,000.

OIL AND GAS DIVISION includes operating results from its Exploration and Production segment, as depicted in the following table, and its Natural Gas Marketing segment.

Exploration & Production	1999	1998	1997
Revenues (in 000's)	\$95,953	\$98,696	\$111,512
Operating Profit (in 000's)	\$11,245	\$28,088	\$ 55,191
Natural Gas Production (mmcf per day)	121.2	117.4	110.9
Average Natural Gas Price (per mcf)	\$ 1.83	\$ 2.04	\$ 2.23
Crude Oil Production (barrels per day)	1,779	1,921	2,700
Average Crude Oil Price (per barrel)	\$ 14.60	\$ 14.74	\$ 20.77

Exploration and Production segment revenues and operating profit have declined the past two years as both crude oil and natural gas prices have fallen. Natural gas production increased slightly over the last two years, while oil production has decreased substantially. Much of the decline in oil production was due to the sale of the Company's Austin Chalk production in the first quarter of 1998.

Operating profit has been impacted the last three years by the Company's efforts to increase the quantity and quality of its exploration projects. Accordingly, geophysical expense and reserve for capitalized costs of undeveloped leases have increased. Also, the Company incurred pre-tax impairment charges as required by SFAS 121 of \$10,059,000 in 1999 and \$5,413,000 in 1998. No impairment charges were incurred in 1997.

During 2000, the Company intends to increase its capital spending over the previous year in order to participate in more exploratory opportunities. Therefore, operating profit for the coming year will be impacted by the results of those efforts. Geophysical expense, reserve for capitalized costs of undeveloped leases, and dry hole expense could be higher as a result of more exploration activity. Also, it is difficult to predict the movement of crude oil and natural gas prices and their impact on operating profit.

The Company's Natural Gas Marketing segment, Helmerich & Payne Energy Services, Inc., (HPESI) derives most of its revenues from selling natural gas produced by other unaffiliated companies. Total Natural Gas Marketing segment revenues were \$55,259,000 in 1999, \$53,499,000 in 1998, and \$69,015,000 in 1997. Operating profit was \$4,418,000 in 1999, \$2,418,000 in 1998, and \$3,363,000 in 1997. Most of the natural gas owned and produced by the Exploration and Production segment is sold through HPESI to third parties at variable prices based on industry pricing publications or exchange quotations. Revenues for the Company's own natural gas production are reported by the Exploration and Production segment with the Natural Gas Marketing segment retaining a market-based fee from the sale of such production. HPESI sells most of its natural gas with monthly or daily contracts tied to industry market indices, such as Inside FERC Gas Market Report. The Company, through HPESI, has natural gas delivery commitments for periods of less than a year for approximately 35 percent of its total natural gas production. At times, HPESI may enter into fixed price natural gas sales contracts on a small portion (less than ten percent) of its natural gas sales for periods of less than twelve months to guarantee a certain price. In 1999, HPESI had approximately 2.3 percent of its natural gas sales portfolio dedicated to such fixed price contracts. As of September 30, 1999, HPESI had fixed price contracts for approximately 10 percent of its projected monthly sales

for the months of November, 1999 through March, 2000, and fixed price contracts for less than four percent of its projected sales for the remainder of fiscal year 2000. There were no fixed price contracts in effect at September 30, 1998.

REAL ESTATE DIVISION revenues totaled \$8,671,000 for 1999, \$8,922,000 for 1998, and \$8,641,000 for 1997. Operating profit was \$5,338,000 in 1999, \$5,371,000 in 1998, and \$5,615,000 in 1997. The general economy in Tulsa continued to grow during the year resulting in occupancy rates, revenues, and operating profit remaining strong. Revenues and operating profit for 1997 also reflected the sale of a small parcel of land for a gain of \$400,000. No material changes are anticipated in the Real Estate Division in 2000.

YEAR 2000 COMPLIANCE

The Company's State of Readiness

THE FOLLOWING INFORMATION SHALL CONSTITUTE THE COMPANY'S "YEAR 2000 READINESS DISCLOSURE" WITHIN THE MEANING OF THE YEAR 2000 INFORMATION READINESS ACT.

The Company has undertaken various initiatives in an attempt to ensure that its hardware, software and equipment will function properly with respect to dates before and after January 1, 2000. For this purpose, the phrase "hardware, software and equipment" includes systems that are commonly thought of as Information Technology ("IT") systems, as well as those Non-Information Technology ("Non-IT") systems and equipment that include embedded technology. IT systems include computer hardware and software, and other related systems. Non-IT systems include certain oil and gas drilling and production equipment, security systems and other miscellaneous systems. The Non-IT systems present the greatest compliance challenge since identification of embedded technology is difficult and because the Company is, to a great extent, reliant on third parties for Non-IT compliance.

The Company has formed a Year 2000 ("Y2K") Project team that is chaired by the Director of IT. The team includes IT staff, corporate staff and representatives from the Company's business units. The Company has organized its compliance efforts into a four-phase approach as follows:

- Phase 1:** Identification - Identify and inventory mission critical components of Company operations and systems that may be affected.
- Phase 2:** Assessment - Determine which hardware, software and equipment must be modified, upgraded or replaced.
- Phase 3:** Remediation - Modify, upgrade or replace non-compliant hardware, software and equipment.
- Phase 4:** Testing - Fully test all IT systems which are material to the Company's operations. Selectively test those Non-IT systems and equipment which are material to the Company's operations.

For the purposes of the Y2K Project material items are those items the Company believes to have a risk involving safety of individuals, damage to the environment, material effect on revenues or material damage to property.

The following represents the status of the Company’s IT and Non-IT Y2K Compliance:

IT	STATUS OF COMPLETION
• Core accounting and operational (mainframe) systems	Phases 1, 2, 3 & 4 Completed
• Human Resources & Payroll Systems	Phases 1, 2, 3 & 4 Completed
• Network	Phases 1, 2, 3 & 4 Completed
• Desktop Computer Hardware	Phases 1, 2, 3 & 4 Completed
• Standard Company Desktop Computer Software	Phases 1, 2, 3 & 4 Completed
• Business Unit User Software	Phases 1, 2, 3 & 4 Completed
 NON-IT	
• Systems and Equipment	Phases 1, 2, 3 & 4 Completed

As reflected in the above table, the Company has completed the process of identifying embedded technology and determining the extent to which such technology is Y2K compliant. As part of this process, the Company mailed letters to its significant vendors and service providers to confirm that the products and services purchased from or by such entities are Y2K compliant. Also, the Company has obtained information from significant customers regarding the extent to which Y2K issues may affect the amount of business the Company currently conducts with such customers. As a result of these activities, the Company conducted discussions with the vendors or manufacturers of such mission critical equipment to determine the most effective solutions to Y2K compliance issues.

The Cost to Address Y2K Issues

The cost of the Company’s Y2K compliance Project was approximately \$800,000 which was well below the \$1,000,000 budgeted for this purpose. This cost included costs of employees working on the Y2K Project. Costs for new hardware and equipment are being capitalized, and other costs were expensed as incurred. The costs relating to the Company’s Y2K Project were paid from the Company’s general funds. This expenditure mainly relates to repair, upgrading or replacement of existing software and hardware, and solicitation and evaluation of information received from significant vendors, service providers, or customers. The total cost included the costs of independent consultants engaged to review selected Y2K issues.

The Company’s Contingency Plan

The Company has refined its contingency plans on a business unit and departmental basis. These contingency plans include, but are not limited to: backup and recovery procedures for IT Systems; remediation of existing systems or equipment; installation

of new systems or equipment; stockpiling of Y2K compliant goods and supplies; stockpiling old equipment which does not contain embedded technology; replacement of current services with temporary manual processes; finding non-technological alternatives or sources for information; or identification of alternative customers, suppliers or outsourcing subcontractors who stand ready to receive or provide critical goods, equipment and services. The Company has engaged a computer recovery services contractor as a source of alternative computer systems as part of its contingency plan.

The Risks of The Company's Y2K Issues

The Company completed an analysis of the operational problems and costs (including loss of revenues) that would be reasonably likely to result from the failure by the Company and certain third parties to complete efforts necessary to achieve Y2K compliance on a timely basis. The Company presently believes that the Y2K issue will not pose significant operational problems for the Company. However, if all significant Y2K issues were not properly identified or assessed, there can be no assurance that the Y2K issue will not materially and adversely impact the Company's results of operations, liquidity and financial condition or materially and adversely affect the Company's relationships with customers, vendors, or others. Additionally, there can be no assurance that the lack of Y2K compliance by other entities will not have a material and adverse impact on the Company's operations or financial condition.

The preceding Y2K disclosure is based upon certain forward-looking information. This forward-looking information is based on Management's good faith estimates. These estimates were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third-party plans and other factors. Due to the general uncertainty inherent in Y2K issues, including the uncertainty of third party Y2K compliance, the Company cannot ensure its ability to timely and cost-effectively resolve problems associated with Y2K issues that may affect its operations and business, or expose it to third party liability.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital spending for 1999 was \$122,951,000, less than half of 1998 capital expenditures of \$266,299,000, and 24 percent less than the \$161,177,000 spent in 1997. Net cash provided from operating activities for those same time periods were \$158,694,000 in 1999, \$113,533,000 in 1998, and \$165,568,000 in 1997. In addition to the net cash provided by operating activities, the Company also generated net proceeds from the sale of portfolio securities of \$2,803,000 in 1999, \$73,949,000 in 1998, and \$8,557,000 in 1997. In June 1998, the board of directors authorized the Company to repurchase up to 2,000,000 shares of its own stock during a period of one year. A total of 999,100 shares were repurchased in 1998 at a total cost of \$19,112,000. The Company plans to increase capital spending during 2000 in its Exploration and Production segment. The increase will likely be offset by a decrease in capital spending in the Company's Contract Drilling Division. The potential for new contract drilling projects requiring large amounts of capital is difficult to predict at this time.

Due to the need for additional funds during 1998 resulting from a reduction in operating cash flow, a significant increase in capital expenditures, and the stock buyback program, the Company increased its available short-term lines of credit and obtained long-term financing. On September 30, 1999, the Company had \$5 million in short-term debt borrowings, which had a weighted average maturity of 19 days and a weighted average interest rate of approximately 5.73 percent. As further described in Note 2 of Notes to Consolidated Financial Statements, in October 1998, the Company obtained an additional \$50 million in long-term debt proceeds which was used to pay off a portion of its short-term borrowings. The \$50 million of long-term debt matures in October 2003. The interest rate on this debt fluctuates based on 30-day London Interbank Offered Rate (LIBOR), however, simultaneous to receiving the \$50 million in long-term debt proceeds, the Company entered into a \$50 million interest rate swap agreement with a major national bank. The swap effectively fixes the interest rate on this facility at 5.38 percent for the entire 5-year term of the note. The estimated fair value of the interest rate swap is \$2,574,000 at September 30, 1999. The Company's interest rate risk exposure is limited to its short-term borrowings and results predominately from fluctuations in short-term interest rates as measured by 30-day LIBOR. The Company generally borrows for 30-day time periods, and can fix its interest rate for 30-day increments at spreads ranging from 35 to 50 basis points over LIBOR.

The strength of the Company's balance sheet is substantial, with current ratios for 1999 and 1998 at 2.2 and 1.5, respectively, and with total bank borrowings only 5 percent of total assets at September 30, 1999. Additionally, the Company manages a large portfolio of marketable securities that, at the close of 1999, had a market value of \$289,005,000, with a cost basis of \$117,214,000. The portfolio, heavily weighted in energy stocks, is subject to fluctuation in the market and may vary considerably over time. The portfolio is marked to market on the Company's balance sheet for each reporting period. During 1999, the Company paid a dividend of \$0.28 per share, or a total of \$13,849,000, representing the 28th consecutive year of dividend increases.

Stock Portfolio Held by the Company

September 30, 1999	Number of Shares	Book Value	Market Value
(in thousands, except share amounts)			
Occidental Petroleum Corporation	1,000,000	\$ 23,775	\$ 23,125
Atwood Oceanics, Inc.	3,000,000	41,157	91,687
Schlumberger, Ltd.	1,480,000	23,511	92,223
Sunoco, Inc.	312,546	3,192	8,556
Phillips Petroleum Company	240,000	5,976	11,700
Bank One Corporation	175,000	1,969	6,092
Kerr-McGee Corporation	184,500	4,899	10,159
ONEOK, Inc.	225,000	2,751	6,820
Other		9,984	38,643
Total		<u>\$117,214</u>	<u>\$289,005</u>

Consolidated Balance Sheets

HELMERICH & PAYNE, INC.

Assets

	September 30,	1999	1998
		(in thousands)	
CURRENT ASSETS:			
Cash and cash equivalents		\$ 21,758	\$ 24,476
Accounts receivable, less reserve of \$2,908 and \$1,908		99,598	119,395
Inventories		25,187	25,401
Prepaid expenses and other.....		14,081	15,073
Total current assets		<u>160,624</u>	<u>184,345</u>
 INVESTMENTS		 <u>238,475</u>	 200,400
 PROPERTY, PLANT AND EQUIPMENT, at cost:			
Contract drilling equipment		881,269	829,217
Oil and gas properties		446,889	435,747
Real estate properties		49,065	48,451
Other		71,139	65,120
		<u>1,448,362</u>	<u>1,378,535</u>
Less—Accumulated depreciation, depletion and amortization		757,147	686,164
Net property, plant and equipment		<u>691,215</u>	<u>692,371</u>
 OTHER ASSETS		 <u>19,385</u>	 13,314
 TOTAL ASSETS		 <u>\$ 1,109,699</u>	 <u>\$ 1,090,430</u>

The accompanying notes are an integral part of these statements.

Liabilities and Shareholders' Equity

	September 30,	1999	1998
		(in thousands, except share data)	
CURRENT LIABILITIES:			
Accounts payable	\$	25,704	\$ 41,851
Accrued liabilities		41,200	38,833
Notes payable.....		5,000	44,800
Total current liabilities		71,904	125,484
NONCURRENT LIABILITIES:			
Long-term notes payable		50,000	50,000
Deferred income taxes		116,588	103,469
Other		23,098	18,329
Total noncurrent liabilities		189,686	171,798
SHAREHOLDERS' EQUITY:			
Common stock, \$.10 par value, 80,000,000 shares authorized, 53,528,952 shares issued		5,353	5,353
Preferred stock, no par value, 1,000,000 shares authorized, no shares issued		—	—
Additional paid-in capital		61,411	59,004
Retained earnings		745,956	716,875
Unearned compensation.....		(4,487)	(5,605)
Accumulated other comprehensive income		75,182	54,689
		883,415	830,316
Less treasury stock, 3,903,286 shares in 1999 and 4,146,120 shares in 1998, at cost		35,306	37,168
Total shareholders' equity.....		848,109	793,148
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$1,109,699	\$1,090,430

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

HELMERICH & PAYNE, INC.

Years Ended September 30,	1999	1998	1997
	(in thousands, except per share amounts)		
REVENUES:			
Sales and other operating revenues	\$556,562	\$592,037	\$506,422
Income from investments	7,757	44,603	11,437
	564,319	636,640	517,859
COSTS AND EXPENSES:			
Operating costs	332,330	346,066	276,094
Depreciation, depletion and amortization	109,167	88,350	71,691
Dry holes and abandonments	11,727	11,572	7,783
Taxes, other than income taxes	25,478	25,728	21,318
General and administrative	14,198	11,762	9,346
Interest	6,481	942	4,212
	499,381	484,420	390,444
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE	64,938	152,220	127,415
INCOME TAX EXPENSE	25,706	56,677	45,511
EQUITY IN INCOME OF AFFILIATE net of income taxes	3,556	5,611	2,282
NET INCOME	\$ 42,788	\$101,154	\$ 84,186
EARNINGS PER COMMON SHARE:			
BASIC	\$ 0.87	\$ 2.03	\$ 1.69
DILUTED	\$ 0.86	\$ 2.00	\$ 1.67
AVERAGE COMMON SHARES OUTSTANDING:			
BASIC	49,243	49,948	49,779
DILUTED	49,817	50,565	50,561

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

HELMERICH & PAYNE, INC.

	Common Stock		Additional Paid-in Capital	Unearned Compensation	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				Shares	Amount		
(in thousands, except per share amounts)									
Balance, Sept. 30, 1996	53,529	\$5,353	\$47,734	\$ —	\$557,543	3,758	\$(21,210)	\$ 56,550	\$645,970
Comprehensive Income:									
Net Income	—	—	—	—	84,186	—	—	—	84,186
Other comprehensive income, net of tax—unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	57,904	57,904
Comprehensive income	—	—	—	—	—	—	—	—	142,090
Cash dividends (\$.26 per share) ..	—	—	—	—	(12,987)	—	—	—	(12,987)
Exercise of Stock Options	—	—	3,306	—	—	(257)	1,105	—	4,411
Lapse of restrictions on Restricted Stock Awards	—	—	276	—	—	—	—	—	276
Amortization of deferred Compensation	—	—	—	—	820	—	—	—	820
Balance, Sept. 30, 1997	53,529	5,353	51,316	—	629,562	3,501	(20,105)	114,454	780,580
Comprehensive Income:									
Net Income	—	—	—	—	101,154	—	—	—	101,154
Other comprehensive loss, net of tax—unrealized losses on available-for-sale securities	—	—	—	—	—	—	—	(59,765)	(59,765)
Comprehensive income	—	—	—	—	—	—	—	—	41,389
Cash dividends (\$.275 per share)	—	—	—	—	(14,007)	—	—	—	(14,007)
Exercise of Stock Options	—	—	1,833	—	—	(174)	1,015	—	2,848
Purchase of stock for treasury	—	—	—	—	—	999	(19,112)	—	(19,112)
Lapse of restrictions on Restricted Stock Awards	—	—	98	—	—	—	—	—	98
Stock issued under Restricted Stock Award Plan	—	—	5,757	(6,791)	—	(180)	1,034	—	—
Amortization of deferred Compensation	—	—	—	1,186	166	—	—	—	1,352
Balance, Sept. 30, 1998	53,529	5,353	59,004	(5,605)	716,875	4,146	(37,168)	54,689	793,148
Comprehensive Income:									
Net Income	—	—	—	—	42,788	—	—	—	42,788
Other comprehensive income, net of tax—unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	20,493	20,493
Comprehensive income	—	—	—	—	—	—	—	—	63,281
Cash dividends (\$.28 per share) ..	—	—	—	—	(13,866)	—	—	—	(13,866)
Exercise of Stock Options	—	—	2,201	—	—	(226)	1,710	—	3,911
Lapse of restrictions on Restricted Stock Awards	—	—	69	—	—	—	—	—	69
Stock issued under Restricted Stock Award Plan	—	—	137	(289)	—	(17)	152	—	—
Amortization of deferred Compensation	—	—	—	1,407	159	—	—	—	1,566
Balance, Sept. 30, 1999	53,529	\$5,353	\$61,411	\$(4,487)	\$745,956	3,903	\$(35,306)	\$ 75,182	\$848,109

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

HELMERICH & PAYNE, INC.

Years Ended September 30,	1999	1998	1997
	(in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 42,788	\$ 101,154	\$ 84,186
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization.....	109,167	88,350	71,691
Dry holes and abandonments	11,727	11,572	7,783
Equity in income of affiliate before income taxes	(5,735)	(9,050)	(3,680)
Amortization of deferred compensation	1,566	1,352	820
Gain on sale of securities.....	(2,547)	(38,421)	(4,697)
Gain on sale of property, plant and equipment.....	(6,900)	(2,951)	(4,545)
Other - net	2,148	974	1,897
Change in assets and liabilities:			
Accounts receivable	19,797	(20,698)	(23,323)
Inventories	214	(5,762)	(2,724)
Prepaid expenses and other	(5,079)	(4,682)	(5,020)
Accounts payable	(16,147)	(194)	18,619
Accrued liabilities	2,367	(8,692)	15,582
Deferred income taxes	559	(1,231)	7,506
Other noncurrent liabilities	4,769	1,812	1,473
	115,906	12,379	81,382
Net cash provided by operating activities	158,694	113,533	165,568
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, including dry hole costs	(122,951)	(266,299)	(161,177)
Proceeds from sale of property, plant and equipment	9,990	15,414	9,432
Purchase of investments	(537)	1,056	(1,404)
Proceeds from sale of securities	2,803	73,949	8,557
Net cash used in investing activities	(110,695)	(175,880)	(144,592)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	102,000	169,800	34,000
Payments made on notes payable.....	(141,800)	(80,000)	(34,000)
Dividends paid.....	(13,849)	(13,802)	(12,970)
Purchases of stock for treasury	—	(19,112)	—
Proceeds from exercise of stock options.....	2,932	1,974	3,065
Net cash provided by (used in) financing activities	(50,717)	58,860	(9,905)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(2,718)	(3,487)	11,071
CASH AND CASH EQUIVALENTS, beginning of period	24,476	27,963	16,892
CASH AND CASH EQUIVALENTS, end of period	\$ 21,758	\$ 24,476	\$ 27,963

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

HELMERICH & PAYNE, INC.

September 30, 1999, 1998 and 1997

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. The foreign currency transaction loss for 1999, 1998 and 1997 was \$21,000, \$1,953,000 and \$452,000, respectively.

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. Reserves are recorded for capitalized costs of undeveloped leases based on management's estimate of recoverability. Costs of surrendered leases are charged to the reserve.

In accordance with 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", the Company recognizes impairment losses for long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the carrying amount of the asset. In 1999, the Company recognized an impairment charge of approximately \$10.1 million for proved Exploration and Production properties which is included in depreciation, depletion and amortization expense. After-tax, the impairment charge reduced 1999 net income by approximately \$6.2 million, \$0.13 per share on a diluted basis. In 1998, the Company recognized an impairment charge of approximately \$5.4 million for proved Exploration and Production properties which is included in depreciation, depletion and

amortization expense. After-tax, the impairment charge reduced 1998 net income by approximately \$3.4 million, \$0.07 per share on a diluted basis. The Company evaluates impairment of exploration and production assets on a field by field basis. Fair value 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 -

Contract drilling revenues are comprised primarily of daywork drilling contracts for which the related revenues and expenses are recognized as work progresses. Fiscal 1999 contract drilling revenues also include revenues of \$40,790,000 from a rig construction contract for which revenues were recognized based on the percentage-of-completion method, measured by the percentage that incurred costs to date bear to total estimated costs. The rig construction contract was complete by September 30, 1999.

GAS IMBALANCES -

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

INVESTMENTS -

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 approximately 22 percent of Atwood Oceanics, Inc. (Atwood) at both September 30, 1999 and 1998. The quoted market value of the Company's investment was \$91,687,500 and \$62,437,500 at September 30, 1999 and 1998, respectively. Retained earnings at September 30, 1999 includes approximately \$18,697,000 of undistributed earnings of Atwood.

Summarized financial information of Atwood is as follows:

	1999	1998	1997
		(in thousands)	
Gross revenues	\$ 150,009	\$ 151,809	\$ 89,082
Costs and expenses	122,289	112,445	73,463
Net income	<u>\$ 27,720</u>	<u>\$ 39,364</u>	<u>\$ 15,619</u>
Helmerich & Payne, Inc.'s equity in net income, net of income taxes	<u>\$ 3,556</u>	<u>\$ 5,611</u>	<u>\$ 2,282</u>
Current assets	\$ 50,532	\$ 51,587	\$ 47,961
Noncurrent assets	243,072	230,150	168,279
Current liabilities	19,013	26,723	19,621
Noncurrent liabilities	82,362	91,248	73,930
Shareholders' equity	<u>192,229</u>	<u>163,766</u>	<u>122,689</u>
Helmerich & Payne, Inc.'s investment.....	<u>\$ 41,157</u>	<u>\$ 35,422</u>	<u>\$ 28,895</u>

INCOME TAXES -

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 to participate in the plan 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 -

Basic earnings per share is based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share includes the dilutive effect of stock options and restricted stock.

EMPLOYEE STOCK-BASED AWARDS -

Employee stock-based awards are accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related information. Fixed plan common stock options do not result in compensation expense, because the exercise price of the stock equals the market price of the underlying stock on the date of grant.

TREASURY STOCK -

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to additional paid-in-capital using the average-cost method.

DERIVATIVES -

As described in Note 2, the Company entered into an interest rate swap agreement in fiscal 1999. This agreement involves the exchange of an amount based on a fixed interest rate for an amount based on a variable interest rate without an exchange of the notional amount upon which the payments are based. The difference to be paid or received is accrued and recognized as an adjustment of interest expense. Gains and losses from termination of interest rate swap agreements are deferred and amortized as an adjustment to interest expense over the original term of the terminated swap agreement.

NOTE 2 NOTES PAYABLE AND LONG-TERM DEBT

At September 30, 1999, the Company had committed bank lines totaling \$120 million; \$50 million expires October 2003 and \$70 million expires May 2000. Additionally, the Company had uncommitted credit facilities totaling \$60 million. Collectively, the Company had \$55 million in outstanding borrowings and outstanding letters of credit totaling \$8.4 million against these lines at September 30, 1999. Concurrent with the \$50 million borrowing under the facility that expires October 2003, the Company entered into an interest rate swap with a notional value of \$50 million. The swap effectively converts this \$50 million facility from a floating rate to a fixed effective rate of 5.38 percent. The interest rate swap closely correlates with the terms and maturity of the \$50 million facility. Excluding the impact of the interest rate swap, the average interest rate for the borrowings at September 30, 1999, was approximately 5.9 percent. The interest rate swap reduces the average rate to approximately 5.4 percent on year-end borrowings.

Under the various credit agreements, the Company must meet certain requirements regarding levels of debt, net worth and earnings.

NOTE 3 INCOME TAXES

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

	Years Ended September 30,	1999	1998	1997
			(in thousands)	
CURRENT:				
Federal		\$ 9,684	\$ 36,705	\$ 18,582
Foreign		15,963	18,728	17,214
State		1,744	4,751	2,190
		<u>27,391</u>	<u>60,184</u>	<u>37,986</u>
DEFERRED:				
Federal		(842)	(4,108)	6,349
Foreign		(771)	927	603
State		(72)	(326)	573
		<u>(1,685)</u>	<u>(3,507)</u>	<u>7,525</u>
TOTAL PROVISION:		<u>\$ 25,706</u>	<u>\$ 56,677</u>	<u>\$ 45,511</u>

The amounts of domestic and foreign income are as follows:

	Years Ended September 30,	1999	1998	1997
			(in thousands)	
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE:				
Domestic		\$ 41,693	\$ 106,228	\$ 84,723
Foreign		23,245	45,992	42,692
		<u>\$ 64,938</u>	<u>\$ 152,220</u>	<u>\$127,415</u>

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

	Years Ended September 30,	1999	1998	1997
U.S. Federal income tax rate		35%	35%	35%
Dividends received deduction		(1)	-	(1)
Effect of higher foreign tax rates		5	2	1
Non-conventional fuel source credits utilized		(1)	-	-
Other, net		2	-	1
Effective income tax rate		<u>40%</u>	<u>37%</u>	<u>36%</u>

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

	September 30,	1999	1998	
			(in thousands)	
DEFERRED TAX LIABILITIES:				
Property, plant and equipment		\$ 59,695	\$ 59,413	
Available-for-sale securities		53,651	41,154	
Pension provision		3,951	4,602	
Equity investment		10,759	9,006	
Other		923	—	
Total deferred tax liabilities		<u>128,979</u>	<u>114,175</u>	
DEFERRED TAX ASSETS:				
Financial accruals		8,832	8,853	
Other		3,559	1,853	
Total deferred tax assets		<u>12,391</u>	<u>10,706</u>	
NET DEFERRED TAX LIABILITIES		<u>\$ 116,588</u>	<u>\$ 103,469</u>	

NOTE 4 SHAREHOLDERS' EQUITY

In June 1998, the board of directors authorized the repurchase of up to 2,000,000 shares of its common stock in open market or private transactions. The repurchased shares will be held in treasury and used for general corporate purposes including use in the Company's benefit plans. During fiscal 1998, the Company purchased 999,100 shares at a total cost of approximately \$19 million. The Company did not purchase any shares in fiscal 1999.

The Company has several plans providing for common stock-based awards to employees and to non-employee directors. The plans permit the granting of various types of awards including stock options and restricted stock. Awards may be granted for no consideration other than prior and future services. The purchase price per share for stock options may not be less than the market price of the underlying stock on the date of grant. Stock options expire 10 years after grant.

The Company has reserved 1,307,638 shares of its treasury stock to satisfy the exercise of stock options issued under the 1982 and 1990 Stock Option Plans. Effective December 4, 1996, additional options are no longer granted under these plans. Options granted under the 1982 plan vest over a period of nine years while options granted under the 1990 plan generally vest over a seven year period. Options granted under both plans become exercisable in increments as outlined in the plans.

In March 1997, the Company adopted the 1996 Stock Incentive Plan (the "Stock Incentive Plan"). The Stock Incentive Plan was effective December 4, 1996, and will terminate December 3, 2006. Under this plan the Company is authorized to grant options for up to 4,000,000 shares of the Company's common stock at an exercise price not less than the fair market value of the common stock on the date of grant. Up to 600,000 shares of the total authorized may be granted to participants as restricted stock awards. Options granted under the 1996 plan vest over a four-year period. On September 30, 1999, 2,537,000 shares were available for grant under the Stock Incentive Plan.

On September 30, 1999, 403,000 shares were available for grant under the Stock Incentive Plan as restricted stock awards. In fiscal 1999 and 1998, 17,000 and 180,000 shares of restricted stock, respectively, were granted at a weighted-average price of \$17.00 and \$37.73, respectively, which approximated fair market value at the date of grant. Unearned compensation of \$289,000 and \$6,791,000 for fiscal 1999 and 1998, respectively, is being amortized over a five-year vesting period as compensation expense.

The following summary reflects the stock option activity and related information (shares in thousands):

	1999		1998		1997	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at October 1,	2,090	\$22.09	1,745	\$16.44	1,708	\$13.63
Granted	726	16.81	544	36.84	393	26.07
Exercised	(238)	14.28	(175)	12.15	(270)	13.03
Forfeited/Expired	(4)	13.51	(24)	17.54	(86)	14.89
Outstanding on September 30,	2,574	\$21.34	2,090	\$22.09	1,745	\$16.44
Exercisable on September 30,	782	\$20.13	453	\$15.63	135	\$12.22
Shares available on September 30, for options that may be granted	2,537		3,280		4,000	

The following table summarizes information about stock options at September 30, 1999 (shares in thousands):

Range of Exercise Prices	Outstanding Stock Options			Exercisable Stock Options		
	Options	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	
\$12.00 to \$14.00	812	5.1 years	\$13.59	431	\$13.42	
\$14.01 to \$16.50	117	.9 years	\$16.34	66	\$16.34	
\$16.51 to \$26.50	1,105	8.5 years	\$19.99	150	\$26.06	
\$26.51 to \$37.00	540	8.2 years	\$36.84	135	\$36.84	
\$12.00 to \$37.00	2,574	7.0 years	\$21.34	782	\$20.13	

The following table reflects pro forma net income and earnings per share had the Company applied the fair value method of SFAS No. 123, "Accounting for Stock-Based Compensation", in measuring compensation cost beginning with 1997 employee stock-based awards.

	Years Ended September 30,	1999	1998	1997
		(in thousands, except per share data)		
Net Income:				
As reported		\$42,788	\$101,154	\$ 84,186
Pro forma		40,268	99,437	83,531
Basic earnings per share:				
As reported		.87	2.03	1.69
Pro forma		.82	1.99	1.68
Diluted earnings per share:				
As reported		.86	2.00	1.67
Pro forma		.81	1.97	1.65

These pro forma amounts may not be representative of future disclosures since the estimated fair value of stock options is amortized to expense over the vesting period, and additional options may be granted in future years.

The weighted-average fair values of options at their grant date during 1999, 1998 and 1997 were \$6.81, \$14.63, and \$9.50, respectively. The estimated fair value of each option granted is calculated using the Black-Scholes option-pricing model. The following summarizes the weighted-average assumptions used in the model:

	1999	1998	1997
Expected years until exercise	5.5	7.0	6.7
Expected stock volatility	38%	34%	27%
Dividend yield	1.2%	1.6%	1.0%
Risk-free interest rate	6.0%	5.9%	6.1%

On September 30, 1999, the Company had 49,625,666 outstanding common stock purchase rights ("Rights") pursuant to terms of the Rights Agreement dated January 8, 1996. Under the terms of the Rights Agreement each Right entitled the holder thereof to purchase from the Company one half of one 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 half of one Right with each new share of common stock issued.

NOTE 5 EARNINGS PER SHARE

A reconciliation of the weighted-average common shares outstanding on a basic and diluted basis is as follows:

(in thousands)	1999	1998	1997
Basic weighted-average shares	49,243	49,948	49,779
Effect of dilutive shares:			
Stock options	561	595	747
Restricted stock	13	22	35
	<u>574</u>	<u>617</u>	<u>782</u>
Diluted weighted-average shares	<u>49,817</u>	<u>50,565</u>	<u>50,561</u>

Restricted stock of 180,000 shares at a weighted-average price of \$37.73 and options to purchase 540,000 shares of common stock at a price of \$36.84 were outstanding at September 30, 1999, but were not included in the computation of diluted earnings per common share. Inclusion of these shares would be antidilutive, as the exercise prices of the options exceed the average market price of the common shares.

NOTE 6 FINANCIAL INSTRUMENTS

Notes payable bear interest at market rates and are carried at cost which approximates fair value. The estimated fair value of the Company's interest rate swap is \$2,574,000 at September 30, 1999, based on forward-interest rates derived from the year-end yield curve as calculated by the financial institution that is a counterparty to the swap. The estimated fair value of the Company's available-for-sale securities is primarily based on market quotes.

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, 1999	\$76,057	\$122,369	\$1,108	\$197,318
September 30, 1998	\$76,770	\$ 93,364	\$5,156	\$164,978

During the years ended September 30, 1999, 1998, and 1997, marketable equity available-for-sale securities with a fair value at the date of sale of \$2,803,000, \$62,792,000 and \$8,557,000, respectively, were sold. The gross realized gains on such sales of available-for-sale securities totaled \$2,547,000, \$30,820,000 and \$4,697,000, respectively, and the gross realized losses totaled \$0, \$1,034,000 and \$0 respectively.

NOTE 7 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below presents changes in the components of accumulated other comprehensive income (loss).

Years Ended September 30,	1999	1998	1997
		(in thousands)	
Balance, beginning of period	\$ 54,689	\$114,454	\$ 56,550
Unrealized gains (losses) on available-for-sale securities	35,600	(66,610)	98,091
Less: Reclassification adjustment for net gains realized in net income	(2,547)	(29,786)	(4,697)
Net unrealized gains (losses)	33,053	(96,396)	93,394
Tax benefit (expense)	(12,560)	36,631	(35,490)
Net-of-tax amount	20,493	(59,765)	57,904
Balance, end of period	\$ 75,182	\$ 54,689	\$114,454

NOTE 8 EMPLOYEE BENEFIT PLANS

The following tables set forth the Company's disclosures required by SFAS No. 132, "Employers' Disclosures About Pensions and Other Postretirement Benefits".

Change in benefit obligation:

Years ended September 30,	1999	1998
		(in thousands)
Benefit obligation at beginning of year	\$ 36,954	\$ 33,913
Service cost	3,700	2,836
Interest cost	2,468	2,430
Actuarial (gain) loss	(4,468)	231
Benefits paid	(1,659)	(2,456)
Benefit obligation at end of year	\$ 36,995	\$ 36,954

Change in plan assets:

Years Ended September 30,	1999	1998
		(in thousands)
Fair value of plan assets at beginning of year	\$ 51,572	\$ 53,834
Actual return on plan assets	8,604	194
Benefits paid	(1,659)	(2,456)
Fair value of plan assets at end of year	\$ 58,517	\$ 51,572
Funded status of the plan	\$ 21,522	\$ 14,618
Unrecognized net actuarial gain	(10,127)	(1,647)
Unrecognized prior service cost	1,025	1,263
Unrecognized net transition asset	(1,619)	(2,159)
Prepaid benefit cost	\$ 10,801	\$ 12,075

Weighted-average assumptions:

Years Ended September 30,	1999	1998	1997
Discount rate	7.50%	6.75%	7.25%
Expected return on plan	9.00%	8.50%	9.00%
Rate of compensation increase	5.00%	5.00%	5.50%

Components of net periodic (benefit) cost:

Years Ended September 30,	1999	1998	1997
		(in thousands)	
Service cost.....	\$ 3,700	\$ 2,836	\$ 2,114
Interest cost.....	2,468	2,430	1,797
Expected return on plan assets.....	(4,606)	(4,542)	(3,592)
Amortization of prior service cost.....	238	238	239
Amortization of transition asset.....	(540)	(540)	(540)
Recognized net actuarial gain.....	14	(65)	(66)
Net pension expense (credit).....	<u>\$ 1,274</u>	<u>\$ 357</u>	<u>\$ (48)</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 \$3,315,000, \$3,009,000 and \$2,255,000 in 1999, 1998 and 1997, respectively.

NOTE 9 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

September 30,	1999	1998
	(in thousands)	
Royalties payable.....	\$ 9,625	\$ 6,997
Taxes payable - operations.....	6,990	6,502
Ad valorem tax.....	7,177	5,907
Income taxes payable.....	3,278	4,487
Workers compensation claims.....	3,122	3,000
Payroll and employee benefits.....	3,970	5,576
Other.....	7,038	6,364
	<u>\$ 41,200</u>	<u>\$ 38,833</u>

NOTE 10 SUPPLEMENTAL CASH FLOW INFORMATION

Years Ended September 30,	1999	1998	1997
	(in thousands)		
Cash payments:			
Interest paid.....	\$ 5,705	\$ 1,721	\$ 357
Income taxes paid.....	\$ 27,843	\$ 61,056	\$ 36,347

NOTE 11 RISK FACTORS**CONCENTRATION 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 companies in the oil and gas industry. The Company normally does not require collateral except for certain receivables of customers in its natural gas marketing operations.

CONTRACT DRILLING 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.

During fiscal 1999, the Company's rig utilization rate decreased compared to the previous two years primarily as a result of reduced demand caused by a decline in the price of oil. The Company believes that its rig fleet is not currently impaired based on an assessment of future cash flows of the assets in question. However, it is possible that the Company's assessment that it will recover the carrying amount of its rig fleet from future operations may change in the near term.

OIL AND GAS OPERATIONS -

In estimating future cash flows attributable to the Company's exploration and production assets, certain assumptions are made with regard to commodity prices received and costs incurred. Due to the volatility of commodity prices, it is possible that the Company's assumptions used in estimating future cash flows for exploration and production assets may change in the near term.

NOTE 12 NEW ACCOUNTING STANDARDS

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", (SFAS 133). This statement is effective for fiscal years beginning after June 15, 2000 and requires that all derivatives be recognized as assets or liabilities in the balance sheet and that these instruments be measured at fair value. The Company has not completed the process of evaluating the impact of adopting SFAS 133.

The American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-Up Activities", effective for fiscal years beginning after December 15, 1998. The SOP requires that all start-up costs be expensed and that the effect of adopting the SOP be reported as the cumulative effect of a change in accounting principle. The Company will adopt this SOP effective October 1, 1999. The effect of this SOP on the Company's results of operations and financial position will not be material.

NOTE 13 SEGMENT INFORMATION

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 131, "Disclosures About Segments of an Enterprise and Related Information", during the fourth quarter of fiscal 1999. SFAS No. 131 establishes standards for reporting information about segments and related disclosures about products and services, geographical areas, and major customers. Prior year financial statements and notes have been reclassified to conform to the requirements of SFAS No. 131.

The Company operates principally in the contract drilling industry, which includes a Domestic segment and an International segment, and in the oil and gas industry, which includes an Exploration and Production segment and a Natural Gas Marketing segment. 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, Ecuador, Argentina and Bolivia. Oil and gas activities include the exploration for and development of productive oil and gas properties located primarily in Oklahoma, Texas, Kansas and Louisiana, as well as, the marketing of natural gas for third parties. The Natural Gas Marketing segment also markets most of the natural gas produced by the Exploration and Production segment retaining a market based fee from the sale of such production. The Company also has a Real Estate segment whose operations are conducted exclusively in the metropolitan area of Tulsa, Oklahoma. The primary areas of operations include a major shopping center and several multi-tenant warehouses. Each reportable segment is a strategic business unit which is managed separately as an autonomous business. Other includes investments in available-for-sale securities, equity owned investments, as well as corporate operations.

The Company evaluates performance of its segments based upon operating profit or loss from operations before income taxes which includes revenues from external and internal customers; operating costs; depreciation, depletion and amortization; dry holes and abandonments and taxes other than income taxes. The accounting policies of the segments are the same as those described in Note 1, Summary of Accounting Policies. Intersegment sales are accounted for in the same manner as sales to unaffiliated customers.

Summarized financial information of the Company's reportable segments for each of the years ended September 30, 1999, 1998, and 1997 is shown in the following table:

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit (Loss)	Depreciation Depletion & Amortization	Total Assets	Additions to Long-Lived Assets
1999:							
Contract Drilling							
Domestic	\$213,647	\$ 2,457	\$216,104	\$ 30,154	\$ 31,164	\$ 371,766	\$ 57,975
International	182,987	—	182,987	29,845	36,178	271,746	17,293
	396,634	2,457	399,091	59,999	67,342	643,512	75,268
Oil & Gas Operations							
Exploration and Production	95,953	—	95,953	11,245	38,658	151,898	44,333
Natural Gas Marketing	55,259	—	55,259	4,418	174	15,156	261
	151,212	—	151,212	15,663	38,832	167,054	44,594
Real Estate	8,671	1,531	10,202	5,338	1,427	22,816	1,445
Other	7,802	—	7,802	—	1,566	276,317	1,644
Eliminations	—	(3,988)	(3,988)	—	—	—	—
Total	\$564,319	\$ —	\$564,319	\$ 81,000	\$109,167	\$1,109,699	\$122,951

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit (Loss)	Depreciation Depletion & Amortization	Total Assets	Additions to Long-Lived Assets
1998:							
Contract Drilling							
Domestic	\$177,059	\$ 4,084	\$181,143	\$ 35,817	\$ 23,771	\$ 351,193	\$130,237
International	253,072	—	253,072	50,834	31,689	303,907	83,843
	430,131	4,084	434,215	86,651	55,460	655,100	214,080
Oil & Gas Operations							
Exploration and Production	98,696	—	98,696	28,088	29,817	156,582	48,066
Natural Gas Marketing	53,499	—	53,499	2,418	292	15,069	636
	152,195	—	152,195	30,506	30,109	171,651	48,702
Real Estate	8,922	1,526	10,448	5,371	1,501	22,937	875
Other	45,392	—	45,392	—	1,280	240,742	2,642
Eliminations	—	(5,610)	(5,610)	—	—	—	—
Total	\$636,640	\$ —	\$636,640	\$122,528	\$ 88,350	\$1,090,430	\$266,299

1997:							
Contract Drilling							
Domestic	\$140,294	\$ 2,218	\$142,512	\$ 24,437	\$ 17,916	\$ 257,505	\$ 95,277
International	176,651	—	176,651	43,118	26,458	210,976	16,900
	316,945	2,218	319,163	67,555	44,374	468,481	112,177
Oil & Gas Operations							
Exploration and Production	111,512	—	111,512	55,191	24,627	152,892	43,381
Natural Gas Marketing	69,015	—	69,015	3,363	258	18,884	3,170
	180,527	—	180,527	58,554	24,885	171,776	46,551
Real Estate	8,641	1,498	10,139	5,615	1,412	23,310	1,161
Other	11,746	—	11,746	—	1,020	370,028	1,288
Eliminations	—	(3,716)	(3,716)	—	—	—	—
Total	\$517,859	\$ —	\$517,859	\$131,724	\$ 71,691	\$1,033,595	\$161,177

The following table reconciles segment operating profit (loss) per the table on page 31 and 32 to income before taxes and equity in income of affiliate as reported on the Consolidated Statements of Income (in thousands).

	Years Ended September 30,	1999	1998	1997
Segment operating profit		\$81,000	\$122,528	\$131,724
Unallocated amounts:				
Income from investments		7,757	44,603	11,437
General corporate expense		(14,198)	(11,762)	(9,346)
Interest expense		(6,481)	(942)	(4,212)
Corporate depreciation		(1,565)	(1,280)	(919)
Other corporate expense		(1,575)	(927)	(1,269)
Total unallocated amounts		(16,062)	29,692	(4,309)
Income before income taxes and equity in income of affiliate		\$64,938	\$152,220	\$127,415

The following tables present revenues from external customers and long-lived assets by country based on the location of service provided (in thousands).

	Years Ended September 30,	1999	1998	1997
Revenues				
United States		\$381,332	\$383,568	\$341,208
Venezuela		59,481	131,137	77,858
Colombia		60,838	79,675	78,370
Other Foreign		62,668	42,260	20,423
Total		\$564,319	\$636,640	\$517,859
Long-Lived Assets				
United States		\$479,753	\$475,832	\$384,861
Venezuela		62,931	85,703	50,336
Colombia		46,621	59,848	69,340
Other Foreign		101,910	70,988	34,488
Total		\$691,215	\$692,371	\$539,025

Long-lived assets are comprised of property, plant and equipment.

Revenues from one company doing business with the contract drilling segment accounted for approximately 17.5 percent, 14.5 percent and 17 percent of the total consolidated revenues during the years ended September 30, 1999, 1998 and 1997, respectively. Revenues from another company doing business with the contract drilling segment accounted for approximately 12 percent and 10 percent of total consolidated revenues in the years ended September 30, 1999 and 1998. Collectively, revenues from companies controlled by the Venezuelan government accounted for approximately 5.6 percent, 16 percent and 12 percent of total consolidated revenues for the years ended September 30, 1999, 1998 and 1997, respectively. Collectively, the receivables from these customers were approximately \$35.6 million and \$60.6 million at September 30, 1999 and 1998, respectively.

NOTE 14 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,	1999	1998	1997
	(in thousands)		
Revenues	\$95,953	\$98,696	\$111,512
Production costs	23,058	21,786	21,750
Exploration expense and valuation provisions	22,992	19,005	9,943
Depreciation, depletion and amortization	38,658	29,817	24,628
Income tax expense	3,437	9,415	19,327
Total cost and expenses	<u>88,145</u>	<u>80,023</u>	<u>75,648</u>
Results of operations (excluding corporate overhead and interest costs)	<u>\$ 7,808</u>	<u>\$18,673</u>	<u>\$ 35,864</u>

Capitalized Costs -

September 30,	1999	1998
	(in thousands)	
Proved properties	\$421,552	\$414,770
Unproved properties	25,337	20,977
Total costs	<u>446,889</u>	<u>435,747</u>
Less - Accumulated depreciation, depletion and amortization	312,644	295,045
Net	<u>\$134,245</u>	<u>\$140,702</u>

Costs Incurred Relating to Oil and Gas Producing Activities -

Years Ended September 30,	1999	1998	1997
	(in thousands)		
Property acquisition:			
Proved	\$ 89	\$ 107	\$ 47
Unproved	14,385	9,096	8,358
Exploration	22,292	18,107	9,656
Development	19,167	28,259	27,808
Total	<u>\$55,933</u>	<u>\$55,569</u>	<u>\$45,869</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, 1996	6,468,116	272,301
Revisions of previous estimates	92,863	6,178
Extensions, discoveries and other additions	419,795	25,762
Production	(985,633)	(40,463)
Purchases of reserves-in-place	120	6
Sales of reserves-in-place	<u>(189,875)</u>	<u>(548)</u>
Proved reserves at September 30, 1997	5,805,386	263,236
Revisions of previous estimates	(331,280)	10,877
Extensions, discoveries and other additions	175,265	20,819
Production	(701,180)	(42,862)
Purchases of reserves-in-place	2,890	188
Sales of reserves-in-place	<u>(189,768)</u>	<u>(632)</u>
Proved reserves at September 30, 1998	4,761,313	251,626
Revisions of previous estimates	570,126	11,771
Extensions, discoveries and other additions	151,829	22,491
Production	(649,370)	(44,240)
Purchases of reserves-in-place	—	77
Sales of reserves-in-place	<u>—</u>	<u>(2,105)</u>
Proved reserves at September 30, 1999	<u>4,833,898</u>	<u>239,620</u>
Proved developed reserves at		
September 30, 1997	<u>5,787,116</u>	<u>256,443</u>
September 30, 1998	<u>4,754,319</u>	<u>249,376</u>
September 30, 1999	<u>4,828,071</u>	<u>229,765</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 "Disclosures About Oil and Gas Producing Activities". 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,	1999	1998
		(in thousands)	
Future cash inflows		\$688,766	\$404,549
Future costs -			
Future production and development costs		(188,579)	(137,068)
Future income tax expense		<u>(135,763)</u>	<u>(70,890)</u>
Future net cash flows		364,424	196,591
10% annual discount for estimated timing of cash flows		<u>(131,806)</u>	<u>(70,664)</u>
Standardized Measure of discounted future net cash flows		<u>\$232,618</u>	<u>\$125,927</u>

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

Years Ended September 30,	1999	1998	1997
		(in thousands)	
Standardized Measure - Beginning of year.....	\$125,927	\$205,035	\$153,864
Increases (decreases) -			
Sales, net of production costs	(72,895)	(76,910)	(89,762)
Net change in sales prices, net of production costs	142,970	(97,938)	77,789
Discoveries and extensions, net of related future			
Development and production costs	38,164	21,922	42,741
Changes in estimated future development costs	(11,095)	(14,142)	(16,570)
Development costs incurred.....	16,558	25,149	27,509
Revisions of previous quantity estimates	17,713	5,089	6,146
Accretion of discount.....	16,700	28,012	20,691
Net change in income taxes	(40,671)	30,436	(29,397)
Purchases of reserves-in-place.....	96	65	2
Sales of reserves-in-place.....	(1,390)	(2,875)	(1,551)
Other	541	2,084	13,573
Standardized Measure - End of year	<u>\$232,618</u>	<u>\$125,927</u>	<u>\$205,035</u>

NOTE 15 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

1999	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$143,864	\$155,374	\$131,799	\$133,282
Gross profit	25,071	16,924	23,532	20,090
Net income	12,811	7,352	12,196	10,429
Basic net income per share .....	.26	.15	.25	.21
Diluted net income per share .....	.26	.15	.24	.21

1998	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	\$151,823	\$142,389	\$177,136	\$165,292
Gross profit	47,351	32,869	55,098	29,606
Net income	29,165	19,337	33,861	18,791
Basic net income per share .....	.58	.39	.68	.38
Diluted net income per share .....	.57	.38	.67	.38

Gross profit 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 1998 includes an after-tax charge of \$3.1 million (\$0.06 per share, on a diluted basis) related to the write-down of producing properties in accordance with SFAS No. 121.

Net income in the second quarter of 1999 includes an after-tax charge of \$5.5 million (\$0.11 per share, on a diluted basis) in connection with the drilling and completion of a pinnacle reef well with reserve values significantly below its carrying cost.

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, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 1999. 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, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1999, in conformity with generally accepted accounting principles.

Tulsa, Oklahoma
November 19, 1999

Stock Price Information

QUARTERS	Closing Market Price Per Share			
	1999		1998	
	HIGH	LOW	HIGH	LOW
First	\$ 24.50	\$ 16.75	\$ 44.97	\$31.06
Second	23.94	16.06	33.19	24.56
Third	26.75	20.38	33.25	21.56
Fourth	30.19	23.00	24.38	16.25

Dividend Information

QUARTERS	Paid Per Share		Total Payment	
	1999	1998	1999	1998
	First	\$.070	\$.065	\$3,457,626	$3,256,874
Second .....	.070	.070	3,459,168	3,519,195
Third .....	.070	.070	3,464,109	3,521,332
Fourth .....	.070	.070	3,468,377	3,504,269

STOCKHOLDERS' MEETING

The annual meeting of stockholders will be held on March 1, 2000. 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, 2000.

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 15, 1999, there were 1,306 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 Transfer Agent at the following address:

UMB Bank
Security Transfer Division
928 Grand Blvd., 13th Floor
Kansas City, MO 64106
Telephone: (800) 884-4225
(816) 860-5000

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

Internet Address: <http://www.hpinc.com>

Eleven-Year Financial Review

HELMERICH & PAYNE, INC.

	Years Ended September 30,		
	1999	1998	1997
REVENUES AND INCOME*^②			
Contract Drilling Revenues.....	394,715	427,713	315,327
Crude Oil Sales.....	9,479	10,333	20,475
Natural Gas Sales.....	81,533	87,646	87,737
Gas Marketing Revenues.....	54,263	52,469	66,306
Real Estate Revenues.....	8,663	8,587	8,224
Dividend Income.....	3,569	4,117	5,268
Other Revenues.....	12,097	45,775	14,522
Total Revenues ^{††}	564,319	636,640	517,859
Net Cash Provided by Continuing Operations ^{††}	158,694	113,533	165,568
Income from Continuing Operations.....	42,788	101,154	84,186
Net Income.....	42,788	101,154	84,186
PER SHARE DATA			
Income from Continuing Operations ^① :			
Basic.....	.87	2.03	1.69
Diluted.....	.86	2.00	1.67
Net Income ^① :			
Basic.....	.87	2.03	1.69
Diluted.....	.86	2.00	1.67
Cash Dividends.....	.28	.275	.26
Shares Outstanding*.....	49,626	49,383	50,028
FINANCIAL POSITION			
Net Working Capital*.....	88,720	58,861	62,837
Ratio of Current Assets to Current Liabilities.....	2.23	1.47	1.66
Investments*.....	238,475	200,400	323,510
Total Assets*.....	1,109,699	1,090,430	1,033,595
Long-Term Debt*.....	50,000	50,000	—
Shareholders' Equity*.....	848,109	793,148	780,580
CAPITAL EXPENDITURES*			
Contract Drilling Equipment.....	68,639	206,794	109,036
Wells and Equipment.....	29,947	38,970	35,024
Real Estate.....	1,435	854	1,095
Other Assets (includes undeveloped leases).....	22,930	19,681	16,022
Discontinued Operations.....	—	—	—
Total Capital Outlays.....	122,951	266,299	161,177
PROPERTY, PLANT AND EQUIPMENT AT COST*			
Contract Drilling Equipment.....	881,269	829,217	643,619
Producing Properties.....	421,552	414,770	395,812
Undeveloped Leases.....	25,337	20,977	14,109
Real Estate.....	49,065	48,451	47,682
Other.....	71,139	65,120	59,659
Discontinued Operations.....	—	—	—
Total Property, Plant and Equipment.....	1,448,362	1,378,535	1,160,881

* 000's omitted.

††Chemical operations were sold August 30, 1996. Prior year amounts have been restated to exclude discontinued operations.

① Includes \$13.6 million (\$.28 per share, on a diluted basis) 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 (\$.08 per share, on a diluted basis) in 1994.

② See Note 13 for segment presentation of revenues.

1996	1995	1994	1993	1992	1991	1990	1989
244,338	203,325	182,781	149,661	112,833	105,364	90,974	78,315
15,378	13,227	13,161	15,392	16,369	17,374	16,058	14,821
60,500	33,851	45,261	52,446	38,370	35,628	37,697	33,013
57,817	34,729	51,874	63,786	40,410	10,055	10,566	—
8,076	7,560	7,396	7,620	7,541	7,542	7,636	7,778
3,650	3,389	3,621	3,535	4,050	5,285	7,402	9,127
3,496	10,640	6,058	8,283	6,646	20,020	56,131	17,371
393,255	306,721	310,152	300,723	226,219	201,268	226,464	160,425
121,420	84,010	74,463	72,493	60,414	50,006	53,288	65,474
45,426	5,788	17,108	22,158	8,973	19,608	45,489	20,715
72,566	9,751	24,971	24,550	10,849	21,241	47,562	22,700
.92	.12	.35	.46	.19	.41	.94	.43
.91	.12	.35	.45	.19	.41	.93	.43
1.47	.20	.51	.51	.22	.44	.98	.47
1.46	.20	.51	.50	.22	.44	.98	.47
.2525	.25	.2425	.24	.2325	.23	.22	.21
49,771	49,529	49,420	49,275	49,152	48,976	48,971	48,346
51,803	50,038	76,238	104,085	82,800	108,212	146,741	114,357
1.83	1.74	2.63	3.24	3.31	4.19	3.72	3.12
229,809	156,908	87,414	84,945	87,780	96,471	99,574	130,443
821,914	707,061	621,689	610,504	585,504	575,168	582,927	591,229
—	—	—	3,600	8,339	5,693	5,648	49,087
645,970	562,435	524,334	508,927	493,286	491,133	479,485	443,396
79,269	80,943	53,752	24,101	43,049	56,297	18,303	17,901
21,142	19,384	40,916	23,142	21,617	34,741	16,489	30,673
752	873	902	436	690	2,104	1,467	878
7,003	9,717	9,695	5,901	16,984	6,793	5,448	6,717
1,581	859	618	629	158	2,594	1,153	815
109,747	111,776	105,883	54,209	82,498	102,529	42,860	56,984
568,110	501,682	444,432	418,004	404,155	370,494	324,293	323,313
392,562	384,755	377,371	340,176	329,264	312,438	287,248	279,768
9,242	8,051	11,729	10,010	12,973	5,552	5,507	5,441
46,970	46,642	47,827	47,502	47,286	46,671	44,928	48,016
53,547	55,655	48,612	45,085	43,153	36,423	32,135	29,716
—	13,937	13,131	12,545	11,962	11,838	9,270	8,156
1,070,431	1,010,722	943,102	873,322	848,793	783,416	703,381	694,410

Eleven-Year Operating Review

HELMERICH & PAYNE, INC.

	Years Ended September 30,	1999	1998	1997
CONTRACT DRILLING				
Drilling Rigs, United States		50	46	38
Drilling Rigs, International		39	44	39
Contract Wells Drilled, United States		273	242	246
Total Footage Drilled, United States*		3,078	2,938	2,753
Average Depth per Well, United States		11,275	12,142	11,192
Percentage Rig Utilization, United States		75	95	88
Percentage Rig Utilization, International		53	88	91
PETROLEUM EXPLORATION AND DEVELOPMENT				
Gross Wells Completed		49	62	100
Net Wells Completed		23.9	35.7	49.3
Net Dry Holes		7.1	4.2	9.6
PETROLEUM PRODUCTION				
Net Crude Oil and Natural Gas Liquids				
Produced (barrels daily)		1,779	1,921	2,700
Net Oil Wells Owned — Primary Recovery		124	124	133
Net Oil Wells Owned — Secondary Recovery		54	53	49
Secondary Oil Recovery Projects		5	5	5
Net Natural Gas Produced				
(thousands of cubic feet daily)		121,206	117,431	110,859
Net Gas Wells Owned		439	436	410
REAL ESTATE MANAGEMENT				
Gross Leasable Area (square feet)*		1,652	1,652	1,652
Percentage Occupancy		95	97	95
TOTAL NUMBER OF EMPLOYEES				
Helmerich & Payne, Inc. and Subsidiaries†		3,440	3,340	3,627

* 000's omitted.

† 1988-1989 include U.S. employees only

1996	1995	1994	1993	1992	1991	1990	1989
41	41	47	42	39	46	49	49
36	35	29	29	30	25	20	20
233	212	162	128	100	106	119	108
2,499	1,933	1,842	1,504	1,085	1,301	1,316	1,350
10,724	9,119	11,367	11,746	10,853	12,274	11,059	12,500
82	71	69	53	42	47	50	44
85	84	88	68	69	69	45	46
63	59	44	42	54	45	36	45
35.3	27.4	15	15.9	17.8	20.2	15.3	15.2
7.3	5.9	1.7	4.3	4.3	4.3	3.4	2.8
2,212	2,214	2,431	2,399	2,334	2,152	2,265	2,486
176.9	186	202	202	220	227	223	201
63.8	64	71	71	74	55	46	214
12	12	14	14	14	12	12	17
94,358	72,387	72,953	78,023	75,470	66,617	65,147	57,490
378	354	341	307	289	278	194	205
1,654	1,652	1,652	1,656	1,656	1,664	1,664	1,669
94	87	83	86	87	86	85	90
3,309	3,245	2,787	2,389	1,928	1,758	1,864	1,100

Directors

W. H. Helmerich, III

Chairman of the Board
Tulsa, Oklahoma

Hans Helmerich

President and Chief Executive Officer
Tulsa, Oklahoma

William L. Armstrong**

Chairman
Transland Financial Services, Inc.
Denver, Colorado

Glenn A. Cox*

President and Chief Operating Officer, Retired
Phillips Petroleum Company
Bartlesville, Oklahoma

George S. Dotson

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

L. F. Rooney, III*

Chief Executive Officer
Manhattan Construction Company
Tulsa, Oklahoma

Edward B. Rust, Jr.

Chairman and Chief Executive Officer
State Farm Insurance Companies
Bloomington, Illinois

George A. Schaefer**

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

John D. Zeglis**

President
AT&T
Basking Ridge, New Jersey

* Member, Audit Committee

** Member, Human Resources 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 and
Chief Financial Officer

Steven R. Mackey

Vice President, Secretary,
and General Counsel

Steven R. Shaw

Vice President,
Exploration & Production