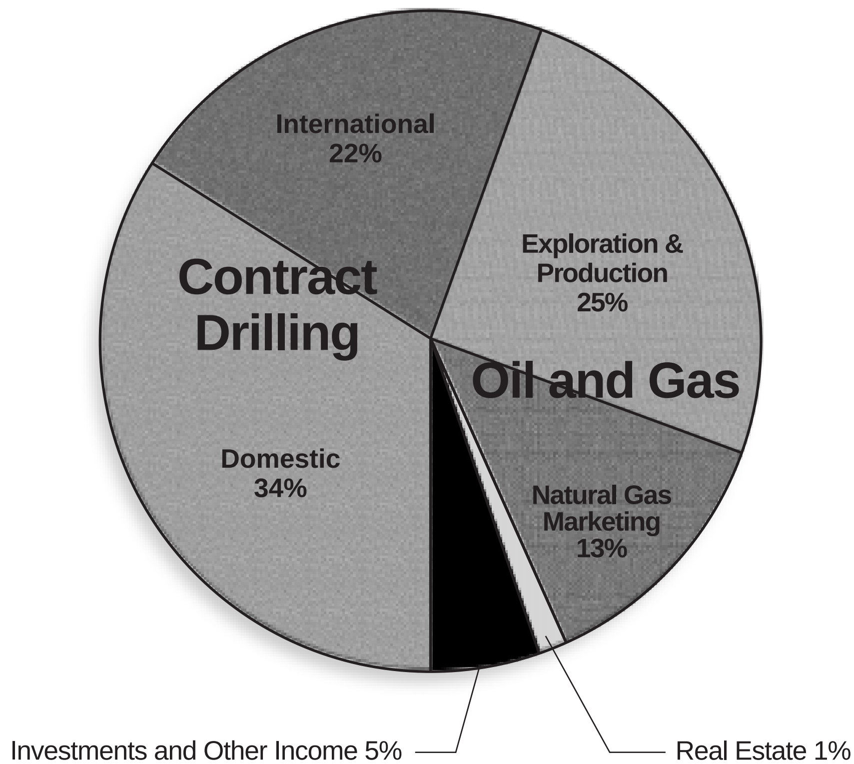
Helmerich & Payne, Inc. Annual Report for 2000

Revenue Breakdown for 2000



Financial Highlights

Years Ended September 30,	**2000**	1999
Revenues	**$ 631,095,000**	$ 564,319,000
Net Income	**$ 82,300,000**	$ 42,788,000
Diluted Earnings Per Share	**$ 1.64**	$ .86
Dividends Paid Per Share	**$ .285**	$ .28
Capital Expenditures	**$ 131,932,000**	$ 122,951,000
Total Assets	**$1,259,492,000**	$1,109,699,000

President's Letter

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

Listening to Al Gore's concession speech tonight, after a remarkable thirty-six days of post election rancor, left mixed emotions. On the positive side, tanks in the streets were never even a consideration. As Vice President Gore eloquently stated, "Ours is a nation not under man, but under God and law." Our great democracy was tested and prevailed once again.

At the same time, it is discouraging to see the level of political discourse deteriorate to such lows. Congressman Tom DeLay's charge of Al Gore trying to "steal the election" or Jesse Jackson's claim that George W. Bush had won using "Nazi tactics" is why both the victor and the vanquished called for a spirit of reconciliation.

What are the prospects for progress on important policy matters? Sizing up the challenges facing the new President, one political analyst predicted he would spend the next four years appeasing his enemies and betraying his friends.

Let's hope not. Constructive debate is one thing and following a zero-sum approach that in the end hurts every American is something altogether different. Stalemate is not a luxury available to us. Take energy policy as an example.

The new administration inherits an energy quagmire: Oil and gas prices setting ten year highs, the reemergence of a stronger, more cohesive OPEC, and a precarious balance between tight supplies and increasing demand. This situation underscores the absence of any thought-out national energy policy. We are left with political jockeying and farce, illustrated by a year of pitiful pleading with OPEC for more production and the pre-election "emergency" release of thirty million barrels of oil from the strategic oil reserve.

For years, the industry has faced a punitive regulatory and tax structure, been blocked from constructing new refinery capacity, and had the most promising domestic exploratory areas for new supply locked away. Progress should be met by the highest standards of environmental sensitivity and worker safety. It should not be sacrificed on the altar of partisan politics.

George W. Bush set the right tone tonight from the Texas Capitol, "I know America wants reconciliation and unity. I know Americans want progress. And we must seize this moment and deliver. Together, guided by a spirit of common sense, common courtesy and common goals, we can unite and inspire the American citizens."

We should all wish him Godspeed.

This year marks the fiftieth year of my father's service as a Director to the Company. His wisdom, energy, and intuitive understanding of the industry will continue to serve our Co-owners well in the years ahead. I consider it an honor to have worked with him for twenty years.

Sincerely,

Hans Helmerich

Hans Helmerich
President

December 13, 2000

SUMMARY Helmerich & Payne International Drilling Co. owns 38 land rigs and ten offshore platform rigs in the United States, and 40 land rigs located in the countries of Venezuela (18), Colombia (7), Ecuador (6), Bolivia (6), and Argentina (3). The Company also has three management contracts, two for platform rigs operating offshore California and one for a platform rig operating offshore Equatorial Guinea, West Africa. Additionally, the Company owns a 50 percent interest in an offshore platform rig that is currently stacked in Australia.

Significant increases in the prices of crude oil and natural gas produced a positive, but measured, response in terms of drilling activity during the year. Led by activity increases in the U.S., the industry worldwide rig count rose by one-third over the prior year. In contrast, the Company's key South American markets did not respond to the improved commodity prices. Total contract drilling revenues and operating profit declined in 2000 by 11 and 24 percent, respectively, primarily due to continued weakness in international markets.

FIVE-YEAR OPERATING SUMMARY

	2000	1999	1998	1997	1996
United States					
Revenues	**$214,531**	$213,647	$177,059	$140,294	$108,336
EBITDA	**$ 71,163**	$ 61,498	$ 60,053	$ 44,066	$ 24,409
Operating Profit	**$ 35,808**	$ 30,154	$ 35,817	$ 24,437	$ 10,066
Activity Days	**15,083**	12,509	14,237	12,872	11,660
Rig Utilization	**87%**	75%	95%	88%	82%
International					
Revenues	**$136,549**	$182,987	$253,072	$176,651	$135,695
EBITDA	**$ 47,853**	$ 66,075	$ 82,650	$ 69,621	$ 53,603
Operating Profit	**$ 9,753**	$ 29,845	$ 50,834	$ 43,118	$ 31,176
Activity Days	**7,067**	8,442	12,832	12,253	11,215
Rig Utilization	**47%**	53%	88%	91%	85%

INTERNATIONAL OPERATIONS Revenues and earnings before interest, taxes, depreciation, and amortization (EBITDA) fell 25 and 28 percent, respectively, in 2000 and rig utilization declined to an average of 47 percent, compared with 53 percent in 1999. The majority of these declines came in the Company's largest international markets of Venezuela and Colombia. At year-end only seven rigs were under contract in Venezuela, but there are encouraging signs that more activity is on the horizon in 2001. In anticipation of this, the Company is adding three new top drive systems to the four already working in Venezuela. Operations in Colombia also experienced a decline in activity in 2000, and at year-end, four out of seven rigs were working in that country. The Company moved three rigs from Colombia for new contracts in Argentina, Bolivia, and Ecuador during 2000, and after the close of the year, a fourth rig was returned for work in the U.S. market. Operations in Ecuador increased from four to six rigs in 2000, and after the close of the year the Company was moving an additional rig to Ecuador from Venezuela. The Company also began work during the second quarter of 2000 under a management contract on Exxon-Mobil's Jade platform located offshore Equatorial Guinea, West Africa.

UNITED STATES OPERATIONS Land rig utilization averaged 85 percent in 2000, compared with 69 percent in 1999. The Company kept an average of 32 land rigs working throughout 2000, seven more than in 1999. Gross daywork revenues and EBITDA increased 45 and 113 percent, respectively, over the prior year. In March, the Company announced that it had placed a firm order for 12 highly mobile land rigs utilizing the same FlexRig™ design as the six rigs

™ FlexRig is a trademark of Helmerich & Payne International Drilling Co.

constructed by the Company in 1998. The FlexRig's depth versatility of 8,000 to 18,000 feet, faster mobilization times, and state of the art technology, all combine to increase drilling efficiency. The first rig out of the new order should be ready by January 2001, with the remaining 11 scheduled two per quarter thereafter. Two of the new FlexRigs will be working as part of a three-year, five-rig contract in Wyoming that is scheduled to begin early in 2001.

Offshore platform rig utilization remained high throughout the year, averaging 94 percent, compared with 95 percent in 1999. Domestic offshore platform revenues and EBITDA increased six and eight percent, respectively, in 2000 over the prior year. The Company began an upgrade of rig 107 late in the year, which should enable that rig to return to the market by the second quarter of 2001. Additionally, tension-leg platform (TLP) rig 202 is earning a standby rate until April 2001, when it is scheduled to begin working on Shell's new TLP, Brutus.

OUTLOOK Consolidations among active drilling customers, as well as the collective memory of the volatile downturn experienced by the industry two years ago, tempered the significant new exploration investment expected at the recent higher commodity price levels. Yet demand is growing and, once again, the Company and the industry are faced with the challenge of attracting, training, and retaining qualified employees. Helmerich & Payne International Drilling Co. has been successful in maintaining very low turnover among its skilled positions and this experience at the rig level will enhance the Company's objective of delivering reliable, incident-free operations in the field. In addition to experienced and competent personnel, the Company is a leader in designing, engineering, and constructing the newest and most modern rigs available in the market.

Exploration & Production

SUMMARY Helmerich & Payne, Inc. explores for and produces oil and natural gas primarily in the states of Oklahoma, Kansas, Texas, and Louisiana. The Company also markets natural gas through its wholly-owned subsidiary, Helmerich & Payne Energy Services, Inc. In 2000, the Company produced approximately 880,000 barrels of oil and 47 billion cubic feet (Bcf) of natural gas, increases of 36 and six percent, respectively, over the previous year. The Company finished the year with proved reserves of 6.3 million barrels of oil and 262 Bcf of natural gas, compared with 4.8 million barrels and 240 Bcf in 1999.

The Company received an average price of $27.95 per barrel for oil and $2.79 per thousand cubic feet (Mcf) for natural gas in 2000, compared with $14.60 and $1.83 in 1999. Higher production and commodity prices propelled a 64 percent increase in exploration and production revenues in 2000, and a record $66.6 million in operating profit. Helmerich and Payne Energy Services, Inc. also reported record results in 2000, with revenues and operating profit increases of 46 and 19 percent, respectively.

EXPLORATION ACTIVITIES In 2000, the Company participated in 81(42.7 net) wells, of which 65 (33.6 net) were productive and 16 (9.1 net) were dry holes. Over one-third of the Company's net wells were exploration risks in 2000, more than double the annual average number of net exploratory wells drilled over the previous five-year period. A focal area this year was Jefferson County, Texas, where the Company has experienced an overall 71 percent success rate utilizing 3D seismic. There remain several additional exploration opportunities in this area, which should be drilled during 2001.

The Company also succeeded in two out of three wells drilled in Reeves County, Texas, during the year, which were producing at a combined gross rate of 9,000 Mcf per day at year-end.

FIVE-YEAR OPERATING SUMMARY

	2000	1999	1998	1997	1996
Revenues	**$ 157,583**	$ 95,953	$ 98,696	$ 111,512	$ 76,643
Operating Profit	**$ 66,604**	$ 11,245	$ 28,088	$ 55,191	$ 26,333
Average Oil Price per barrel	**$ 27.95**	$ 14.60	$ 14.74	$ 20.77	$ 19.00
Oil Production (barrels)	**880,304**	649,370	701,180	985,633	809,571
Proved Oil Reserves (barrels)	**6,305,137**	4,833,898	4,761,313	5,805,386	6,468,116
Average Natural Gas Prices per Mcf	**$ 2.79**	$ 1.83	$ 2.04	$ 2.24	$ 1.75
Natural Gas Production (Mcf)	**46,922,752**	44,240,332	42,862,300	40,463,374	34,535,184
Proved Natural Gas Reserves (Bcf)	**262.5**	239.6	251.6	263.2	272.3
Gross Wells Completed	**81.0**	49.0	62.0	100.0	63.0
Net Wells Completed	**42.7**	23.9	35.7	49.3	35.3
Net Dry Holes	**9.1**	7.1	4.2	9.6	7.3

OUTLOOK Five years ago, the Company embarked on a plan to improve exploration success by increasing both the quantity and quality of its exploration professionals and by organizing in geographically-focused teams. In 2000, the Company recorded an $.87 per Mcf equivalent finding cost, as well as a 12 percent growth in proved reserves. With this improved performance, the Company is poised to grow internally with a number of quality exploration prospects, and has also begun to review other means of enhancing growth. Toward that end, the Company retained the investment banking firm of Petrie Parkman & Co. this year to assist in identifying and developing strategic alternatives for the Oil and Gas segment.

Revenues and Operating Profit by Business Segments

HELMERICH & PAYNE, INC.

Years Ended September 30,	2000	1999	1998
		(in thousands)	
SALES AND OTHER REVENUES:			
Contract Drilling - Domestic	**$214,531**	$213,647	$177,059
Contract Drilling - International	**136,549**	182,987	253,072
Total Contract Drilling	**351,080**	396,634	430,131
Exploration and Production	**157,583**	95,953	98,696
Natural Gas Marketing	**80,907**	55,259	53,499
Total Oil and Gas Operations	**238,490**	151,212	152,195
Real Estate	**8,999**	8,671	8,922
Other	**32,526**	7,802	45,392
Total Revenues	**$631,095**	$564,319	$636,640
OPERATING PROFIT:			
Contract Drilling - Domestic	**$ 35,808**	$ 30,154	$ 35,817
Contract Drilling - International	**9,753**	29,845	50,834
Total Contract Drilling	**45,561**	59,999	86,651
Exploration and Production	**66,604**	11,245	28,088
Natural Gas Marketing	**5,271**	4,418	2,418
Total Oil and Gas Operations	**71,875**	15,663	30,506
Real Estate	**5,346**	5,338	5,371
Total Operating Profit	**122,782**	81,000	122,528
OTHER:			
Income from investments	**31,973**	7,757	44,603
General and administrative expense	**(11,578)**	(14,198)	(11,762)
Interest expense	**(3,076)**	(6,481)	(942)
Corporate depreciation	**(2,152)**	(1,565)	(1,280)
Other corporate expense	**(1,186)**	(1,575)	(927)
Total Other	**13,981**	(16,062)	29,692
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE	**$136,763**	$ 64,938	$152,220

Note: See Note 13 (pages 30, 31 and 32) for complete segment disclosure.

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 2000 was $82,300,000 ($1.64 per share), compared with net income of $42,788,000 ($0.86 per share) in 1999, and $101,154,000 ($2.00 per share) in 1998. Included in the Company's net income, but not related to its operations, were after-tax gains from the sale of investment securities of $8,152,000 ($0.16 per share) in 2000, $1,562,000 ($0.03 per share) in 1999, and $23,417,000 ($0.46 per share) in 1998. In addition to income from security sales, the Company also recorded net income during 2000 of $6,637,000 ($0.13 per share) from gains relating to non-monetary dividends received. Also included is the Company’s portion of income from its equity affiliate, Atwood Oceanics, Inc., which was $0.06 per share in 2000, $0.07 per share in 1999, and $0.11 per share in 1998. Net income also included non-cash charges of $2,502,000 ($0.05 per share) in 2000, $6,237,000 ($0.13 per share) in 1999, and $3,356,000 ($0.07 per share) in 1998 related to write-downs of producing properties as described in Note 1 of Notes to Consolidated Financial Statements.

Consolidated revenues were $631,095,000 in 2000, $564,319,000 in 1999, and $636,640,000 in 1998. The 12 percent increase from 1999 to 2000 was due to higher oil and natural gas prices resulting in an increase of $87,278,000 in Oil and Gas Division revenues and increased investment revenues of $24,216,000. Partially offsetting these increases was a reduction of international contract drilling revenues of $46,438,000. 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 during 1999.

Revenues from investments were $31,973,000 in 2000, $7,757,000 in 1999, and $44,603,000 in 1998. Included in revenues from investments were pre-tax gains from the sale of investment securities of $13,295,000 in 2000, $2,547,000 in 1999, and $38,421,000 in 1998. Interest income from short-term investments increased in 2000 because the cash/cash equivalents were substantially higher in 2000 than in 1999 and 1998. Dividend income increased in 2000 due to $10,706,000 in non-monetary dividends received when three Company investees spun-off subsidiaries to their shareholders.

Costs and expenses in 2000 were $494,332,000, 78 percent of revenues, compared with 88 percent in 1999, and 76 percent in 1998. Operating costs, as a percentage of operating revenues, were 53 percent in 2000, 60 percent in 1999, and 58 percent in 1998. Operating costs, as a percentage of operating revenues, declined from 1999 to 2000 primarily due to proportionately higher oil and gas revenues.

Depreciation, depletion, and amortization (DD&A) expense increased by only 1.5 percent in 2000, but increased by approximately 24 percent from 1998 to 1999. The increases were affected by write-downs of producing properties of $4,036,000 in 2000, $10,059,000 in 1999, and $5,413,000 in 1998, which are included in DD&A.

General and administrative expenses decreased by 18 percent to $11,578,000 in 2000, compared with $14,198,000 in 1999, and $11,762,000 in 1998. Expenses were higher than normal in 1999 due to reduced allocations of charges to operations and to unusually high expenses relating to corporate aircraft maintenance. The Company completed all Year 2000 readiness and subsequently, experienced no significant problems or related expenses. Because of the impact of foreign taxes, income tax expense rose to 42 percent of pre-tax income in 2000, from 40 percent in 1999, and 37 percent in 1998.

Interest expense decreased to $3,076,000 in 2000, from $6,481,000 in 1999. In 1998, interest expense was $942,000. Interest expense was a function of outstanding bank loans arising at the end of 1998 and into the first half of 1999 as the Company completed a substantial capital expenditure program and repurchased some of its stock during 1998. Debt reductions occurred in the last half of 1999 and early 2000.

CONTRACT DRILLING DIVISION revenues, which include both domestic and international segment revenues, declined 11 percent to $351,080,000 during 2000, from $396,634,000 in 1999. Revenues for 1999 were down eight percent over the previous year. Division operating profit declined 24 percent to $45,561,000 during 2000, compared with a 31 percent decrease from 1998 to 1999.

Domestic segment revenues were $214,531,000 in 2000, $213,647,000 in 1999, and $177,059,000 in 1998. Domestic segment operating profit was $35,808,000 in 2000, $30,154,000 in 1999, and $35,817,000 in 1998. Rig utilization for the U.S. land fleet was 85 percent in 2000, 69 percent in 1999, and 94 percent in 1998. Domestic platform rig utilization was 94 percent in 2000, 95 percent in 1999, and 99 percent in 1998.

An increase in revenues from U.S. land operations in 2000 helped offset the reduction in Jade construction revenues recorded in 1999 (as described below), while offshore platform revenues were up slightly from the previous year. Higher revenues and profit margins from the U.S. land rig operation were the main reason for improved domestic operating profit for 2000. Domestic segment revenues increased from 1998 to 1999, primarily due to $40,790,000 of revenues from the Mobil Jade rig construction project and increased offshore platform rig revenues. Domestic operating profit in 1999 was down from 1998 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.

International segment revenues fell 25 percent to $136,549,000 during 2000, from $182,987,000 in 1999. Revenues were $253,072,000 in 1998. Operating profit for the international segment declined to $9,753,000 in 2000, from $29,845,000 in 1999, and $50,834,000 in 1998. International rig utilization averaged 47 percent during 2000, 53 percent in 1999, and 88 percent in 1998.

As crude oil prices declined during 1998, international activity and profitability began to decline during the second half of that year and into 1999. Activity continued to wane in 2000, particularly in Venezuela and Colombia. The Company expects activity to improve in Venezuela during 2001, but the timing and extent of improvements are uncertain. Activity in Colombia is not expected to improve during 2001. Therefore, the Company has redeployed to other locations four of the ten rigs previously located there.

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 2000, the Company experienced a loss of $687,000 due to devaluation of the bolivar, compared with a $712,000 loss in 1999, and a $2,204,000 loss in 1998. The Company anticipates additional devaluation losses in Venezuela during 2001, 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 $600,000 to $1,000,000. Using the same assumptions in 1999 resulted in the Company estimating foreign currency losses in Venezuela for 2000 ranging from $350,000 to $600,000.

During the latter part of calendar 2000, the Company commenced an economic evaluation of the useful lives of its drilling rigs. The evaluation is not yet complete, but preliminary results indicate that, beginning in fiscal 2001, the useful lives of the Company's drilling rigs may be extended, thereby reducing annual rig depreciation expense.

OIL AND GAS DIVISION operating results include those from its Exploration and Production segment, as depicted in the following table. The Natural Gas Marketing segment will be discussed separately.

Exploration & Production	**2000**	**1999**	**1998**
Revenues (in 000's)	$157,583	$95,953	$98,696
Operating Profit (in 000's)	$ 66,604	$11,245	$28,088
Natural Gas Production (Mmcf per day)	128.2	121.2	117.4
Average Natural Gas Price (per Mcf)	$ 2.79	$ 1.83	$ 2.04
Crude Oil Production (barrels per day)	2,405	1,779	1,921
Average Crude Oil Price (per barrel)	$ 27.95	$ 14.60	$ 14.74

Exploration and Production segment revenues and operating profit increased significantly this year as average prices received for the Company's production rose dramatically. Average prices received for natural gas increased by 52 percent and average crude oil prices increased by 91 percent. Crude oil and natural gas production for the Company increased by 36 percent and six percent, respectively. Increased exploration drilling caused dry hole and abandonment charges to rise to $22.6 million in 2000, compared with $11.4 million in 1999, and $10.9 million in 1998. Revenues and operating profit for 1999 declined from the previous year due to a ten percent reduction in natural gas prices and a seven percent reduction in oil production. Additionally, geophysical expense rose during that period from $4.5 million in 1998, to $8.2 million in 1999. Also negatively impacting 1999 results was a $10.1 million impairment charge. That charge compares with $5.4 million in 1998, and $4.0 million in 2000.

During 2001, the Company intends to increase its capital spending over the previous year in order to participate in more exploration opportunities. Therefore, operating profit for the coming year could be impacted by possible increases in geophysical, dry hole, and abandonment expenses. Although natural gas prices were higher during the early part of fiscal 2001, it is difficult to predict the level of crude oil and natural gas prices for the remainder of the year and the impact on operating profit.

The Company has retained the investment banking firm of Petrie Parkman & Co. to analyze, develop, and facilitate possible strategic options for the Oil and Gas segment. It is uncertain whether such a transaction will occur or, if so, when it might occur.

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 $80,907,000 in 2000, $55,259,000 in 1999, and $53,499,000 in 1998. Operating profit was $5,271,000 in 2000, $4,418,000 in 1999, and $2,418,000 in 1998. 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 59 percent of its total natural gas production. At times, the Exploration and Production segment may direct HPESI to enter into fixed price natural gas sales contracts on its behalf for a small portion (normally less than 20 percent) of its natural gas sales for periods of less than 12 months to guarantee a certain price. In 2000, HPESI had approximately 13.6 percent of its natural gas sales portfolio dedicated to such fixed price sales contracts compared to 2.3 percent in 1999. As of September 30, 2000, HPESI had fixed price contracts for less than four percent of its projected monthly sales for the months of November, 2000 through March, 2001, and no fixed price contracts thereafter.

Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138, 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 effect of SFAS No. 133 on the Company's results of operations and financial position for fiscal year 2001 is not expected to be material.

REAL ESTATE DIVISION revenues totaled $8,999,000 for 2000, $8,671,000 for 1999, and $8,922,000 for 1998. Operating profit was $5,346,000 in 2000, $5,338,000 in 1999, and $5,371,000 in 1998. Occupancy rates, revenues, and operating profit remained solid in 2000 due to the continued strength of the Tulsa economy. No material changes are anticipated in the Real Estate Division in 2001.

LIQUIDITY AND CAPITAL RESOURCES

The Company's capital spending was $131,932,000 in 2000, $122,951,000 in 1999, and $266,299,000 in 1998. Net cash provided from operating activities for those same time periods were $201,836,000 in 2000, $158,694,000 in 1999, and $113,533,000 in 1998. In addition to the net cash provided by operating activities, the Company also generated net proceeds from the sale of portfolio securities of $12,569,000 in 2000, $2,803,000 in 1999, and $73,949,000 in 1998. In June 1998, the board of directors authorized the Company to repurchase up to 2,000,000 shares of its own stock. A total of 999,100 shares were repurchased in 1998 at a total cost of $19,112,000 and 20,600 shares were repurchased in 2000 at a total cost of $450,000. The Company plans to increase capital spending during 2001 in its Exploration and Production segment and its Contract Drilling Division. During fiscal 2000, the Company ordered 12 new rigs at an approximate cost of between $7.5 million and $8.25 million each and expects to take delivery of 11 of the new rigs in calendar 2001. The potential for new contract drilling projects requiring large amounts of capital is difficult to predict at this time. Total capital spending for the Company will likely exceed $200 million for 2001 and could be greater if additional attractive opportunities become available. Funding will come from internally generated cash, proceeds from security sales, and/or additional borrowings.

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 purchase of Company stock, the Company increased its available short-term lines of credit and obtained long-term financing. As described in Note 2 of Notes to Consolidated Financial Statements, in October 1998, the Company obtained $50 million in long-term debt proceeds, which was used to pay off short-term borrowings. The $50 million of long-term debt matures in October 2003. The interest rate on this debt fluctuates based on the 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 five-year term of the note. The estimated fair value of the interest rate swap was $2,329,000 at September 30, 2000. The Company's interest rate risk exposure is limited to its potential short-term borrowings and results predominately from fluctuations in short-term interest rates as measured by 30-day LIBOR.

The strength of the Company's balance sheet is substantial, with current ratios for 2000 and 1999 at 3.4 and 2.2, respectively, and with total bank borrowings of only four percent of total assets at September 30, 2000. Additionally, the Company manages a large portfolio of marketable securities that, at the close of 2000, had a market value of $383,036,000, with a cost basis of $133,254,000. The portfolio, heavily weighted in energy stocks, is subject to fluctuation in the market and may vary considerably over time. Excluding the Company's investment in Atwood Oceanics, Inc., which is accounted for as an equity-method investment, the portfolio is marked to market on the Company's balance sheet for each reporting period. During 2000, the Company paid a dividend of $0.285 per share, or a total of $14,175,000, representing the 29th consecutive year of dividend increases.

Stock Portfolio Held by the Company

September 30, 2000	Number of Shares	Cost Basis	Market Value
	(in thousands, except share amounts)		
Occidental Petroleum Corporation	1,000,000	$ 23,775	$ 21,812
Atwood Oceanics, Inc.	3,000,000	46,353	125,063
Schlumberger, Ltd.	1,480,000	23,511	121,823
Transocean Sedco Forex, Inc.	286,528	9,509	16,798
SUNOCO, Inc.	312,546	2,873	8,419
Phillips Petroleum Company	240,000	5,976	15,060
BANK ONE CORPORATION	175,000	1,969	6,661
Kerr-McGee Corporation	184,500	4,899	12,223
ONEOK, Inc.	225,000	2,751	8,947
Other		11,638	46,230
Total		$133,254	$383,036

Consolidated Balance Sheets

HELMERICH & PAYNE, INC.

Assets

September 30,	2000	1999
	(in thousands)	
CURRENT ASSETS:		
Cash and cash equivalents	**$ 108,087**	$ 21,758
Accounts receivable, less reserve of $2,003 and $2,908	**106,630**	99,598
Inventories	**25,598**	25,187
Prepaid expenses and other	**24,829**	14,081
Total current assets	**265,144**	160,624
INVESTMENTS	**304,326**	238,475
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Contract drilling equipment	**891,749**	881,269
Oil and gas properties	**457,724**	446,889
Real estate properties	**50,649**	49,065
Other	**80,268**	71,139
	1,480,390	1,448,362
Less—Accumulated depreciation, depletion and amortization	**806,785**	757,147
Net property, plant and equipment	**673,605**	691,215
OTHER ASSETS	**16,417**	19,385
TOTAL ASSETS	**$1,259,492**	$1,109,699

The accompanying notes are an integral part of these statements.

Liabilities and Shareholders' Equity

September 30,	2000	1999
	(in thousands, except share data)	
CURRENT LIABILITIES:		
Accounts payable	**$ 32,279**	$ 25,704
Accrued liabilities	**46,615**	41,200
Notes payable	—	5,000
Total current liabilities	**78,894**	71,904
NONCURRENT LIABILITIES:		
Long-term notes payable	**50,000**	50,000
Deferred income taxes	**156,650**	116,588
Other	**18,245**	23,098
Total noncurrent liabilities	**224,895**	189,686
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	**66,090**	61,411
Retained earnings	**813,885**	745,956
Unearned compensation	**(3,277)**	(4,487)
Accumulated other comprehensive income	**106,064**	75,182
	988,115	883,415
Less treasury stock, 3,548,480 shares in 2000 and 3,903,285 shares in 1999, at cost	**32,412**	35,306
Total shareholders' equity	**955,703**	848,109
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$1,259,492**	$1,109,699

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

HELMERICH & PAYNE, INC.

Years Ended September 30,	2000	1999	1998
		(in thousands, except per share amounts)	
REVENUES:			
Sales and other operating revenues	**$599,122**	$556,562	$592,037
Income from investments	**31,973**	7,757	44,603
	631,095	564,319	636,640
COSTS AND EXPENSES:			
Operating costs	**316,933**	332,330	346,066
Depreciation, depletion and amortization	**110,851**	109,167	88,350
Dry holes and abandonments	**22,692**	11,727	11,572
Taxes, other than income taxes	**29,202**	25,478	25,728
General and administrative	**11,578**	14,198	11,762
Interest	**3,076**	6,481	942
	494,332	499,381	484,420
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE	**136,763**	64,938	152,220
INCOME TAX EXPENSE	**57,684**	25,706	56,677
EQUITY IN INCOME OF AFFILIATE net of income taxes	**3,221**	3,556	5,611
NET INCOME	**$ 82,300**	$ 42,788	$101,154
EARNINGS PER COMMON SHARE:			
BASIC	**$ 1.66**	$ 0.87	$ 2.03
DILUTED	**$ 1.64**	$ 0.86	$ 2.00
AVERAGE COMMON SHARES OUTSTANDING:			
BASIC	**49,534**	49,243	49,948
DILUTED	**50,035**	49,817	50,565

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

HELMERICH & PAYNE, INC.

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Unearned Compensation	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income (Loss)	Total
	(in thousands, except per share amounts)								
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 ($.28 per share)	—	—	—	—	(13,866)	—	—	—	(13,866)
Exercise of Stock Options	—	—	2,201	—	—	(226)	1,710	—	3,911
Lapse of restrictions on Restricted Stock Awards	—	—	69	—	—	—	—	—	69
Stock issued under Restricted Stock Award Plan	—	—	137	(289)	—	(17)	152	—	—
Amortization of deferred Compensation	—	—	—	1,407	159	—	—	—	1,566
Balance, Sept. 30, 1999	53,529	5,353	61,411	(4,487)	745,956	3,903	(35,306)	75,182	848,109
Comprehensive Income:									
Net Income	—	—	—	—	82,300	—	—	—	82,300
Other comprehensive income, net of tax—unrealized gains on available-for-sale securities	—	—	—	—	—	—	—	30,882	30,882
Comprehensive income	—	—	—	—	—	—	—	—	113,182
Cash dividends ($.285 per share)	—	—	—	—	(14,448)	—	—	—	(14,448)
Exercise of Stock Options	—	—	4,491	—	—	(366)	3,253	—	7,744
Purchase of stock for treasury	—	—	—	—	—	21	(450)	—	(450)
Lapse of restrictions on Restricted Stock Awards	—	—	31	—	—	—	—	—	31
Stock issued under Restricted Stock Award Plan	—	—	157	(248)	—	(10)	91	—	—
Amortization of deferred Compensation	—	—	—	1,458	77	—	—	—	1,535
Balance, Sept. 30, 2000	53,529	$5,353	$66,090	($3,277)	$813,885	3,548	($32,412)	$106,064	$955,703

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

HELMERICH & PAYNE, INC.

Years Ended September 30,	**2000**	1999	1998
		(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 82,300**	$ 42,788	$ 101,154
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	**110,851**	109,167	88,350
Dry holes and abandonments	**22,692**	11,727	11,572
Equity in income of affiliate before income taxes	**(5,196)**	(5,735)	(9,050)
Amortization of deferred compensation	**1,535**	1,566	1,352
Gain on sale of securities and non-monetary investment income	**(24,000)**	(2,547)	(38,421)
Gain on sale of property, plant and equipment	**(2,479)**	(6,900)	(2,951)
Other - net	**944**	2,148	974
Change in assets and liabilities:			
Accounts receivable	**(7,032)**	19,797	(20,698)
Inventories	**(411)**	214	(5,762)
Prepaid expenses and other	**(7,780)**	(5,079)	(4,682)
Accounts payable	**6,575**	(16,147)	(194)
Accrued liabilities	**7,557**	2,367	(8,692)
Deferred income taxes	**21,133**	559	(1,231)
Other noncurrent liabilities	**(4,853)**	4,769	1,812
	119,536	115,906	12,379
Net cash provided by operating activities	**201,836**	158,694	113,533
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures, including dry hole costs	**(131,932)**	(122,951)	(266,299)
Proceeds from sale of property, plant and equipment	**18,044**	9,990	15,414
Purchase of investments	**—**	(537)	1,056
Proceeds from sale of securities	**12,569**	2,803	73,949
Net cash used in investing activities	**(101,319)**	(110,695)	(175,880)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from notes payable	**—**	102,000	169,800
Payments made on notes payable	**(5,000)**	(141,800)	(80,000)
Dividends paid	**(14,175)**	(13,849)	(13,802)
Purchases of stock for treasury	**(450)**	—	(19,112)
Proceeds from exercise of stock options	**5,437**	2,932	1,974
Net cash provided by (used in) financing activities	**(14,188)**	(50,717)	58,860
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**86,329**	(2,718)	(3,487)
CASH AND CASH EQUIVALENTS, beginning of period	**21,758**	24,476	27,963
CASH AND CASH EQUIVALENTS, end of period	**$ 108,087**	$ 21,758	$ 24,476

The accompanying notes are an integral part of these statements.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

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

TRANSLATION OF FOREIGN CURRENCIES -
The Company has determined that the functional currency for its foreign subsidiaries is the U.S. dollar. The foreign currency transaction loss for 2000, 1999, and 1998 was $664,000, $21,000, and $1,953,000, 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 oil and gas reserves as determined by the Company and its 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 2000, the Company recognized an impairment charge of approximately $4.0 million for proved Exploration and Production properties which is included in depreciation, depletion and amortization expense. After-tax, the impairment charge reduced 2000 net income by approximately $2.5 million, $0.05 per share on a diluted basis. 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 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 2000 and 1999 contract drilling revenues also include revenues of $4,109,000 and $40,790,000, respectively, 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 Company does not currently have any third party rig construction contracts.

GAS IMBALANCES -
The Company recognizes revenues from gas wells on the sales method, and a liability is recorded for permanent imbalances resulting from gas wells in which the Company has sold more production than it is entitled.

INVESTMENTS -
The cost of securities used in determining realized gains and losses is based on average cost of the security sold. Net income in 2000 includes approximately $6,637,000, $0.13 per share on a diluted basis, on gains related to non-monetary transactions within the Company's available-for-sale security investment portfolio which were accounted for at fair value.

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, 2000 and 1999. The quoted market value of the Company's investment was $125,063,000 and $91,687,500 at September 30, 2000 and 1999, respectively. Retained earnings at September 30, 2000 includes approximately $21,918,000 of undistributed earnings of Atwood.

Summarized financial information of Atwood is as follows:

	2000	1999	1998
		(in thousands)	
Gross revenues	$ 134,514	$ 150,009	$151,809
Costs and expenses	111,366	122,289	112,445
Net income	$ 23,148	$ 27,720	$ 39,364
Helmerich & Payne, Inc.'s equity in net income, net of income taxes	$ 3,221	$ 3,556	$ 5,611
Current assets	$ 63,951	$ 50,532	$ 51,587
Noncurrent assets	248,334	243,072	230,150
Current liabilities	17,484	19,013	26,723
Noncurrent liabilities	77,332	82,362	91,248
Shareholders' equity	217,469	192,229	163,766
Helmerich & Payne, Inc.'s investment	$ 46,353	$ 41,157	$ 35,422

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 October 1998. 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, 2000, the Company had committed bank lines totaling $85 million; $50 million expires October 2003 and $35 million expires May 2001. Additionally, the Company had uncommitted credit facilities totaling $10 million. Collectively, the Company had $50 million in outstanding borrowings and outstanding letters of credit totaling $8.2 million against these lines at September 30, 2000. Concurrent with a $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, 2000, was approximately 6.61 percent on a 360 day basis.

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,	2000	1999	1998
		(in thousands)	
CURRENT:			
Federal	$ 25,736	$ 9,684	$ 36,705
Foreign	8,766	15,963	18,728
State	3,366	1,744	4,751
	37,868	27,391	60,184
DEFERRED:			
Federal	12,318	(842)	(4,108)
Foreign	6,146	(771)	927
State	1,352	(72)	(326)
	19,816	(1,685)	(3,507)
TOTAL PROVISION:	$ 57,684	$ 25,706	$ 56,677

The amounts of domestic and foreign income are as follows:

Years Ended September 30,	2000	1999	1998
		(in thousands)	
INCOME BEFORE INCOME TAXES AND EQUITY IN INCOME OF AFFILIATE:			
Domestic	$129,373	$ 41,693	$106,228
Foreign	7,390	23,245	45,992
	$136,763	$ 64,938	$152,220

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

Years Ended September 30,	2000	1999	1998
U.S. Federal income tax rate	35%	35%	35%
Dividends received deduction	-	(1)	-
Effect of foreign taxes	5	5	2
Non-conventional fuel source credits utilized	-	(1)	-
Other, net	2	2	-
Effective income tax rate	42%	40%	37%

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

September 30,	2000	1999
	(in thousands)	
DEFERRED TAX LIABILITIES:		
Property, plant and equipment	$ 75,653	$ 59,695
Available-for-sale securities	72,583	53,651
Pension provision	4,075	3,951
Equity investment	12,734	10,759
Other	1,217	923
Total deferred tax liabilities	166,262	128,979
DEFERRED TAX ASSETS:		
Financial accruals	9,612	8,832
Other	—	3,559
Total deferred tax assets	9,612	12,391
NET DEFERRED TAX LIABILITIES	$ 156,650	$ 116,588

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 and in fiscal 2000 purchased 20,600 shares at a cost of approximately $450,000. The Company did not purchase any shares in fiscal 1999. As of September 30, 2000, the Company is authorized to repurchase up to 979,400 additional shares.

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 983,776 shares of its treasury stock to satisfy the exercise of stock options issued under the 1990 Stock Option Plan. Effective December 4, 1996, additional options are no longer granted under this plan. Options granted under the 1990 plan generally vest over a seven year period. Options granted under the plan become exercisable in increments as outlined in the plan.

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, 2000, 1,776,900 shares were available for grant under the Stock Incentive Plan.

On September 30, 2000, 393,000 shares were available for grant under the Stock Incentive Plan as restricted stock awards. In fiscal 2000, 1999 and 1998, 10,000, 17,000 and 180,000 shares of restricted stock, respectively, were granted at a weighted-average price of $24.75, $17.00 and $37.73, respectively, which approximated fair market value at the date of grant. Unearned compensation of $248,000, $289,000 and $6,791,000 for fiscal 2000, 1999 and 1998, respectively, is being amortized over a five-year period as compensation expense.

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

	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at October 1,	2,574	$21.34	2,090	$22.09	1,745	$16.44
Granted	767	24.75	726	16.81	544	36.84
Exercised	(364)	15.44	(238)	14.28	(175)	12.15
Forfeited/Expired	(22)	23.00	(4)	13.51	(24)	17.54
Outstanding on September 30,	2,955	$22.94	2,574	$21.34	2,090	$22.09
Exercisable on September 30,	1,046	$22.40	782	$20.13	453	$15.63
Shares available on September 30, for options that may be granted	1,777		2,537		3,280	

The following table summarizes information about stock options at September 30, 2000 (shares in thousands):

	Outstanding Stock Options			Exercisable Stock Options	
Range of Exercise Prices	Options	Weighted-Average Remaining Contractural Life	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
$12.00 to $16.50	625	4.2 years	$13.64	437	$13.60
$16.51 to $26.50	1,797	8.2 years	$22.05	342	$22.40
$26.51 to $37.00	533	7.2 years	$36.84	267	$36.84
$12.00 to $37.00	2,955	7.2 years	$22.94	1,046	$22.40

The following table reflects pro forma net income and earnings per share had the Company elected to adopt 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,	2000	1999	1998
	(in thousands, except per share data)		
Net Income:			
As reported	$82,300	$42,788	$101,154
Pro forma	$78,788	$40,268	$ 99,437
Basic earnings per share:			
As reported	$ 1.66	$ .87	$ 2.03
Pro forma	$ 1.59	$ .82	$ 1.99
Diluted earnings per share:			
As reported	$ 1.64	$ .86	$ 2.00
Pro forma	$ 1.57	$ .81	$ 1.97

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 2000, 1999 and 1998 were $10.80, $6.81, and $14.63, 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:

	2000	1999	1998
Expected years until exercise	5.5	5.5	7.0
Expected stock volatility	41%	38%	34%
Dividend yield	.8%	1.2%	1.6%
Risk-free interest rate	6.0%	6.0%	5.9%

On September 30, 2000, the Company had 49,980,472 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 $0.01 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)	2000	1999	1998
Basic weighted-average shares	49,534	49,243	49,948
Effect of dilutive shares:			
Stock options	492	561	595
Restricted stock	9	13	22
	501	574	617
Diluted weighted-average shares	50,035	49,817	50,565

Restricted stock of 180,000 shares at a weighted-average price of $37.73 and options to purchase 533,000 shares of common stock at a price of $36.84 were outstanding at September 30, 2000, but were not included in the computation of diluted earnings per common share.

At September 30, 1999, 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, but were not included in the computation of diluted earnings per common share.

At September 30, 1998, restricted stock of 180,000 shares at a weighted-average price of $37.73 and options to purchase 919,000 shares of common stock at a price of $32.40 were outstanding, 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 $2,329,000 at September 30, 2000, 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, 2000	$86,901	$173,137	$2,065	$257,973
September 30, 1999	$76,057	$122,369	$1,108	$197,318

During the years ended September 30, 2000, 1999, and 1998, marketable equity available-for-sale securities with a fair value at the date of sale of $12,640,000, $2,803,000, and $62,792,000, respectively, were sold. The gross realized gains on such sales of available-for-sale securities totaled $12,576,000, $2,547,000, and $30,820,000, respectively, and the gross realized losses totaled $0, $0, and $1,034,000 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,	2000	1999	1998
		(in thousands)	
Balance, beginning of period	$ 75,182	$54,689	$114,454
Unrealized gains (losses) on available-for-sale securities	73,810	35,600	(66,610)
Less: Reclassification adjustment for net gains realized in net income	(24,000)	(2,547)	(29,786)
Net unrealized gains (losses)	49,810	33,053	(96,396)
Tax benefit (expense)	(18,928)	(12,560)	36,631
Net-of-tax amount	30,882	20,493	(59,765)
Balance, end of period	$106,064	$75,182	$ 54,689

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,	2000	1999
	(in thousands)	
Benefit obligation at beginning of year	$36,995	$36,954
Service cost	3,427	3,700
Interest cost	2,741	2,468
Actuarial (gain) loss	3,059	(4,468)
Benefits paid	(1,384)	(1,659)
Benefit obligation at end of year	$44,838	$36,995

Change in plan assets:

Years Ended September 30,	2000	1999
	(in thousands)	
Fair value of plan assets at beginning of year	$58,517	$ 51,572
Actual return on plan assets	3,478	8,604
Benefits paid	(1,384)	(1,659)
Fair value of plan assets at end of year	$60,611	$ 58,517
Funded status of the plan	$15,773	$ 21,522
Unrecognized net actuarial gain	(5,016)	(10,127)
Unrecognized prior service cost	786	1,025
Unrecognized net transition asset	(1,079)	(1,619)
Prepaid benefit cost	$10,464	$ 10,801

Weighted-average assumptions:

Years Ended September 30,	2000	1999	1998
Discount rate	7.50%	7.50%	6.75%
Expected return on plan	9.00%	9.00%	8.50%
Rate of compensation increase	5.00%	5.00%	5.00%

Components of net periodic cost:

Years Ended September 30,	2000	1999	1998
		(in thousands)	
Service cost	$ 3,427	$ 3,700	$ 2,836
Interest cost	2,741	2,468	2,430
Expected return on plan assets	(5,226)	(4,606)	(4,542)
Amortization of prior service cost	238	238	238
Amortization of transition asset	(540)	(540)	(540)
Recognized net actuarial gain	(303)	14	(65)
Net pension expense	$ 337	$ 1,274	$ 357

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 $3,545,000, $3,315,000, and $3,009,000 in 2000, 1999, and 1998, respectively.

NOTE 9 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

September 30,	2000	1999
	(in thousands)	
Royalties payable	$18,918	$ 9,625
Taxes payable - operations	6,861	6,990
Ad valorem tax	7,783	7,177
Income taxes payable	—	3,278
Workers compensation claims	2,840	3,122
Payroll and employee benefits	4,055	3,970
Other	6,158	7,038
	$46,615	$41,200

NOTE 10 SUPPLEMENTAL CASH FLOW INFORMATION

Years Ended September 30,	2000	1999	1998
		(in thousands)	
Cash payments:			
Interest paid	$ 2,491	$ 5,705	$ 1,721
Income taxes paid	$39,673	$27,843	$61,056

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 temporary cash investments with established financial institutions and invests in a diversified portfolio of highly rated, short-term money market instruments. 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.

The Company's decreased rig utilization rates during fiscal 1999 continued in fiscal 2000. Depressed oil prices, the primary cause of the decrease, have since recovered, with utilization recovery lagging behind. 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

Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138, 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 will adopt the provisions of SFAS No. 133, as amended, effective October 1, 2000. The impact of the Company's adoption of SFAS No. 133, as amended, on the Company's results of operations and financial position is not expected to be material.

NOTE 13 SEGMENT INFORMATION

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 and corporate operations. The "other" component of Total Assets also includes the Company's investment in equity-owned investments.

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, 2000, 1999, and 1998 is shown in the following table:

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit	Depreciation Depletion & Amortization	Total Assets	Additions to Long-Lived Assets
2000:							
Contract Drilling							
Domestic	$214,531	$ 3,048	$217,579	$ 35,808	$ 35,310	$ 342,278	$ 40,722
International	136,549	—	136,549	9,753	38,096	259,892	13,825
	351,080	3,048	354,128	45,561	73,406	602,170	54,547
Oil & Gas Operations							
Exploration and Production	157,583	—	157,583	66,604	33,462	174,466	65,804
Natural Gas Marketing	80,907	—	80,907	5,271	164	21,897	175
	238,490		238,490	71,875	33,626	196,363	65,979
Real Estate	8,999	1,545	10,544	5,346	1,598	24,235	2,909
Other	32,526	—	32,526	—	2,221	436,724	8,497
Eliminations	—	(4,593)	(4,593)	—	—	—	—
Total	$631,095	$ —	$631,095	$122,782	$110,851	$1,259,492	$131,932

(in thousands)	External Sales	Inter-Segment	Total Sales	Operating Profit	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
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

The following table reconciles segment operating profit per the table on pages 30 and 31 to income before taxes and equity in income of affiliate as reported on the Consolidated Statements of Income (in thousands).

Years Ended September 30,	2000	1999	1998
Segment operating profit	$122,782	$ 81,000	$122,528
Unallocated amounts:			
Income from investments	31,973	7,757	44,603
General and administrative expense	(11,578)	(14,198)	(11,762)
Interest expense	(3,076)	(6,481)	(942)
Corporate depreciation	(2,152)	(1,565)	(1,280)
Other corporate expense	(1,186)	(1,575)	(927)
Total unallocated amounts	13,981	(16,062)	29,692
Income before income taxes and equity in Income of affiliate	$136,763	$ 64,938	$152,220

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,	2000	1999	1998
Revenues			
United States	$494,546	$381,332	$383,568
Venezuela	34,922	59,481	131,137
Colombia	42,509	60,838	79,675
Other Foreign	59,118	62,668	42,260
Total	$631,095	$564,319	$636,640
Long-Lived Assets			
United States	$477,593	$479,753	$475,832
Venezuela	37,001	62,931	85,703
Colombia	26,361	46,621	59,848
Other Foreign	132,650	101,910	70,988
Total	$673,605	$691,215	$692,371

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

Revenues from one company doing business with the contract drilling segment accounted for approximately 15.2 percent, 17.5 percent and 14.5 percent of the total consolidated revenues during the years ended September 30, 2000, 1999, and 1998, respectively. Revenues from another company doing business with the contract drilling segment accounted for approximately 7.4 percent, 12 percent, and 10 percent of total consolidated revenues in the years ended September 30, 2000, 1999, and 1998, respectively. Collectively, revenues from companies controlled by the Venezuelan government accounted for approximately 3.6 percent, 5.6 percent and 16 percent of total consolidated revenues for the years ended September 30, 2000, 1999, and 1998, respectively. Collectively, the receivables from these customers were approximately $24.0 million and $35.6 million at September 30, 2000 and 1999, 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,	2000	1999	1998
		(in thousands)	
Revenues	$157,583	$95,953	$98,696
Production costs	26,685	23,058	21,786
Exploration expense and valuation provisions	30,832	22,992	19,005
Depreciation, depletion and amortization	33,462	38,658	29,817
Income tax expense	23,447	3,437	9,415
Total cost and expenses	114,426	88,145	80,023
Results of operations (excluding corporate overhead and interest costs)	$ 43,157	$ 7,808	$18,673

Capitalized Costs -

September 30,	2000	1999
	(in thousands)	
Proved properties	$430,675	$421,552
Unproved properties	27,050	25,337
Total costs	457,725	446,889
Less - Accumulated depreciation, depletion and amortization	314,091	312,644
Net	$143,634	$134,245

Costs Incurred Relating to Oil and Gas Producing Activities -

Years Ended September 30,	2000	1999	1998
		(in thousands)	
Property acquisition:			
Proved	$ 105	$ 89	$ 107
Unproved	11,040	14,385	9,096
Exploration	43,833	22,292	18,107
Development	18,843	19,167	28,259
Total	$73,821	$55,933	$55,569

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 Netherland, Sewell & Associates, Inc. at September 30, 2000. All prior years were estimated by the Company and reviewed by independent engineers.

	OIL (Bbls)	GAS (Mmcf)
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	(189,768)	(632)
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	—	(2,105)
Proved reserves at September 30, 1999	4,833,898	239,620
Revisions of previous estimates	1,316,714	17,363
Extensions, discoveries and other additions	1,119,314	52,569
Production	(880,304)	(46,923)
Purchases of reserves-in-place	1,502	242
Sales of reserves-in-place	(85,987)	(373)
Proved reserves at September 30, 2000	6,305,137	262,498
Proved developed reserves at		
September 30, 1998	4,754,319	249,376
September 30, 1999	4,828,071	229,765
September 30, 2000	5,847,217	217,334

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,	2000	1999
	(in thousands)	
Future cash inflows	$1,377,922	$ 688,766
Future costs -		
Future production and development costs	(317,898)	(188,579)
Future income tax expense	(331,672)	(135,763)
Future net cash flows	728,352	364,424
10% annual discount for estimated timing of cash flows	(240,281)	(131,806)
Standardized Measure of discounted future net cash flows	$ 488,071	$ 232,618

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

Years Ended September 30,	2000	1999	1998
		(in thousands)	
Standardized Measure - Beginning of year	$ 232,618	$125,927	$205,035
Increases (decreases) -			
Sales, net of production costs	(130,898)	(72,895)	(76,910)
Net change in sales prices, net of production costs	261,926	142,970	(97,938)
Discoveries and extensions, net of related future development and production costs	156,840	38,164	21,922
Changes in estimated future development costs	(36,994)	(11,095)	(14,142)
Development costs incurred	13,587	16,558	25,149
Revisions of previous quantity estimates	57,730	17,713	5,089
Accretion of discount	30,951	16,700	28,012
Net change in income taxes	(114,762)	(40,671)	30,436
Purchases of reserves-in-place	542	96	65
Sales of reserves-in-place	(700)	(1,390)	(2,875)
Other	17,231	541	2,084
Standardized Measure - End of year	$ 488,071	$232,618	$125,927

NOTE 15 SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(in thousands, except per share amounts)

2000	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenues	$149,581	$151,848	$151,968	$177,698
Gross profit	37,852	36,256	32,605	44,704
Net income	20,461	19,273	18,557	24,009
Basic net income per share	.41	.39	.37	.48
Diluted net income per share	.41	.39	.37	.48

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

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

The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to changes in the average number of common shares outstanding.

Net income in the first quarter of 2000 includes approximately $6.3 million ($0.13 per share, on a diluted basis) on gains related to a non-monetary dividend received and a gain on the conversion of shares of common stock of a Company investee pursuant to that investee being acquired.

Net income in the fourth quarter of 2000 includes an after-tax charge of $2.5 million ($0.05 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, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2000. 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 auditing standards generally accepted in the United States. 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, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Tulsa, Oklahoma
November 17, 2000

Stock Price Information

	Closing Market Price Per Share			
	2000		1999	
QUARTERS	HIGH	LOW	HIGH	LOW
First	$ 27.44	$ 19.13	$ 24.50	$ 16.75
Second	31.00	20.00	23.94	16.06
Third	37.75	29.06	26.75	20.38
Fourth	38.31	30.06	30.19	23.00

Dividend Information

	Paid Per Share		Total Payment	
	2000	1999	**2000**	1999
QUARTERS				
First	$.070	$.070	$3,474,612	$3,457,626
Second	.070	.070	3,475,623	3,459,168
Third	.070	.070	3,484,189	3,464,109
Fourth	.075	.070	3,740,863	3,468,377

STOCKHOLDERS' MEETING

The annual meeting of stockholders will be held on March 7, 2001. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders on or about January 26, 2001.

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, 2000, there were 1,170 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,	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
REVENUES AND INCOME*②											
Contract Drilling Revenues	**349,992**	394,715	427,713	315,327	244,338	203,325	182,781	149,661	112,833	105,364	90,974
Crude Oil Sales	**24,601**	9,479	10,333	20,475	15,378	13,227	13,161	15,392	16,369	17,374	16,058
Natural Gas Sales	**131,056**	81,533	87,646	87,737	60,500	33,851	45,261	52,446	38,370	35,628	37,697
Gas Marketing Revenues	**78,921**	54,263	52,469	66,306	57,817	34,729	51,874	63,786	40,410	10,055	10,566
Real Estate Revenues	**8,991**	8,663	8,587	8,224	8,076	7,560	7,396	7,620	7,541	7,542	7,636
Dividend Income	**14,482**	3,569	4,117	5,268	3,650	3,389	3,621	3,535	4,050	5,285	7,402
Other Revenues	**23,052**	12,097	45,775	14,522	3,496	10,640	6,058	8,283	6,646	20,020	56,131
Total Revenues†	**631,095**	564,319	636,640	517,859	393,255	306,721	310,152	300,723	226,219	201,268	226,464
Net Cash Provided by Continuing Operations†	**201,836**	158,694	113,533	165,568	121,420	84,010	74,463	72,493	60,414	50,006	53,288
Income from Continuing Operations	**82,300**	42,788	101,154	84,186	45,426	5,788	17,108	22,158	8,973	19,608	45,489
Net Income	**82,300**	42,788	101,154	84,186	72,566	9,751	24,971	24,550	10,849	21,241	47,562
PER SHARE DATA											
Income from Continuing Operations①:											
Basic	**1.66**	.87	2.03	1.69	.92	.12	.35	.46	.19	.41	.94
Diluted	**1.64**	.86	2.00	1.67	.91	.12	.35	.45	.19	.41	.93
Net Income①:											
Basic	**1.66**	.87	2.03	1.69	1.47	.20	.51	.51	.22	.44	.98
Diluted	**1.64**	.86	2.00	1.67	1.46	.20	.51	.50	.22	.44	.98
Cash Dividends	**.285**	.28	.275	.26	.2525	.25	.2425	.24	.2325	.23	.22
Shares Outstanding*	**49,980**	49,626	49,383	50,028	49,771	49,529	49,420	49,275	49,152	48,976	48,971
FINANCIAL POSITION											
Net Working Capital*	**186,250**	88,720	58,861	62,837	51,803	50,038	76,238	104,085	82,800	108,212	146,741
Ratio of Current Assets to Current Liabilities	**3.36**	2.23	1.47	1.66	1.83	1.74	2.63	3.24	3.31	4.19	3.72
Investments*	**304,326**	238,475	200,400	323,510	229,809	156,908	87,414	84,945	87,780	96,471	99,574
Total Assets*	**1,259,492**	1,109,699	1,090,430	1,033,595	821,914	707,061	621,689	610,504	585,504	575,168	582,927
Long-Term Debt*	**50,000**	50,000	50,000	—	—	—	—	3,600	8,339	5,693	5,648
Shareholders' Equity*	**955,703**	848,109	793,148	780,580	645,970	562,435	524,334	508,927	493,286	491,133	479,485
CAPITAL EXPENDITURES*											
Contract Drilling Equipment	**49,774**	68,639	206,794	109,036	79,269	80,943	53,752	24,101	43,049	56,297	18,303
Wells and Equipment	**54,764**	29,947	38,970	35,024	21,142	19,384	40,916	23,142	21,617	34,741	16,489
Real Estate	**2,880**	1,435	854	1,095	752	873	902	436	690	2,104	1,467
Other Assets (includes undeveloped leases)	**24,514**	22,930	19,681	16,022	7,003	9,717	9,695	5,901	16,984	6,793	5,448
Discontinued Operations	—	—	—	—	1,581	859	618	629	158	2,594	1,153
Total Capital Outlays	**131,932**	122,951	266,299	161,177	109,747	111,776	105,883	54,209	82,498	102,529	42,860
PROPERTY, PLANT AND EQUIPMENT AT COST*											
Contract Drilling Equipment	**891,749**	881,269	829,217	643,619	568,110	501,682	444,432	418,004	404,155	370,494	324,293
Producing Properties	**430,674**	421,552	414,770	395,812	392,562	384,755	377,371	340,176	329,264	312,438	287,248
Undeveloped Leases	**27,050**	25,337	20,977	14,109	9,242	8,051	11,729	10,010	12,973	5,552	5,507
Real Estate	**50,649**	49,065	48,451	47,682	46,970	46,642	47,827	47,502	47,286	46,671	44,928
Other	**80,268**	71,139	65,120	59,659	53,547	55,655	48,612	45,085	43,153	36,423	32,135
Discontinued Operations	—	—	—	—	—	13,937	13,131	12,545	11,962	11,838	9,270
Total Property, Plant and Equipment	**1,480,390**	1,448,362	1,378,535	1,160,881	1,070,431	1,010,722	943,102	873,322	848,793	783,416	703,381

* 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.

Eleven-Year Operating Review

HELMERICH & PAYNE, INC.

Years Ended September 30,	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
CONTRACT DRILLING											
Drilling Rigs, United States	**47**	46	46	38	41	41	47	42	39	46	49
Drilling Rigs, International	**40**	44	44	39	36	35	29	29	30	25	20
Contract Wells Drilled, United States	**335**	242	242	246	233	212	162	128	100	106	119
Total Footage Drilled, United States*	**4,058**	2,938	2,938	2,753	2,499	1,933	1,842	1,504	1,085	1,301	1,316
Average Depth per Well, United States	**12,115**	12,142	12,142	11,192	10,724	9,119	11,367	11,746	10,853	12,274	11,059
Percentage Rig Utilization, United States	**87**	75	95	88	82	71	69	53	42	47	50
Percentage Rig Utilization, International	**47**	53	88	91	85	84	88	68	69	69	45
PETROLEUM EXPLORATION AND DEVELOPMENT											
Gross Wells Completed	**81**	49	62	100	63	59	44	42	54	45	36
Net Wells Completed	**42.7**	23.9	35.7	49.3	35.3	27.4	15	15.9	17.8	20.2	15.3
Net Dry Holes	**9.1**	7.1	4.2	9.6	7.3	5.9	1.7	4.3	4.3	4.3	3.4
PETROLEUM PRODUCTION											
Net Crude Oil and Natural Gas Liquids Produced (barrels daily)	**2,405**	1,779	1,921	2,700	2,212	2,214	2,431	2,399	2,334	2,152	2,265
Net Oil Wells Owned — Primary Recovery	**107.1**	124	124	133	176.9	186	202	202	220	227	223
Net Oil Wells Owned — Secondary Recovery	**55.5**	54	53	49	63.8	64	71	71	74	55	46
Secondary Oil Recovery Projects	**3**	5	5	5	12	12	14	14	14	12	12
Net Natural Gas Produced (thousands of cubic feet daily)	**128,204**	121,206	117,431	110,859	94,358	72,387	72,953	78,023	75,470	66,617	65,147
Net Gas Wells Owned	**453**	439	436	410	378	354	341	307	289	278	194
REAL ESTATE MANAGEMENT											
Gross Leasable Area (square feet)*	**1,652**	1,652	1,652	1,652	1,654	1,652	1,652	1,656	1,656	1,664	1,664
Percentage Occupancy	**91**	95	97	95	94	87	83	86	87	86	85
TOTAL NUMBER OF EMPLOYEES											
Helmerich & Payne, Inc. and Subsidiaries	**3,606**	3,440	3,340	3,627	3,309	3,245	2,787	2,389	1,928	1,758	1,864

* 000's omitted.

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

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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