

HELMERICH & PAYNE EXPLORATION & PRODUCTION CO

Form 425

April 24, 2002

Filed by Helmerich & Payne Exploration and Production Co.
Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12
of the Securities Exchange Act of 1934

Subject Company: Helmerich & Payne Exploration and Production Co.
Commission File No.: 132-02238

April 24, 2002

HELMERICH & PAYNE ANNOUNCES SECOND QUARTER EARNINGS

TULSA, OK., -- Helmerich & Payne, Inc. announced net income of \$10,872,000 (\$0.22 per share, on a diluted basis) from revenues of \$155,576,000 for the second quarter ended March 31, 2002, compared with net income of \$41,749,000 (\$0.82 per share, on a diluted basis) from revenues of \$221,569,000 for the second quarter of the prior fiscal year. Net income for the first six months of this fiscal year totaled \$26,476,000 (\$0.53 per share, on a diluted basis) from revenues of \$329,723,000, compared with net income of \$75,589,000 (\$1.49 per share, on a diluted basis) from revenues of \$414,119,000 for the same period last year. This year's second quarter and year-to-date results include net income from the sale of investment securities of \$324,000 (\$0.01 per share). There were no meaningful gains from security sales during the first six months of last year.

Contract Drilling Division

Total Contract Drilling Division operating profit fell to \$17,949,000, from \$31,693,000 recorded for the first quarter of this year, and \$24,449,000 for last year's second quarter. The most significant decline in division performance occurred in the U.S. where continued reductions in land rig dayrates drove second quarter operating profit for U.S. operations to \$13,533,000, from the \$27,816,000 recorded for this year's first quarter, and from \$20,644,000 reported for last year's second quarter. Average U.S. land rig revenue per day for the second quarter was \$12,386, down 13% from \$14,192 reported in the first quarter of this year, and down 6% from \$13,154 recorded for the second quarter of last year. U.S. land rig utilization for the quarter was 76%, compared with 89% during the first quarter of this year, and 95% for the second quarter of last year. The Company's U.S. land rig utilization for this quarter was impacted by the inclusion of an additional four rigs that recently became available after significant modification. Dayrates for the Company's U.S. offshore platform rigs remained steady, however, utilization in that sector dropped to 89%, compared with 100% in both the previous quarter and in the second quarter of last year. The Company anticipates that its newly constructed platform rigs, 205 and 206, will commence operations in May and June, respectively.

The Company's international contract drilling operating profit of \$4,416,000 was up slightly over the previous quarter and last year's second quarter. Improved profitability in Ecuador and Argentina operations helped to offset reduced operating profit in Venezuela and Bolivia. Venezuela's second quarter results were negatively impacted by \$2,379,000 of currency devaluation losses resulting from a severe decline in the value of the Venezuelan bolivar due to a change in its government exchange rate policy. However, the value of the bolivar has improved relative to the U.S. dollar

Edgar Filing: HELMERICH & PAYNE EXPLORATION & PRODUCTION CO - Form 425

during the last 30 days. Rig utilization for international operations averaged 58% for this year's second quarter, 55% for the first quarter of this year, and 49% for the second quarter of last year.

During the second quarter, the Company commenced operations on the two remaining new FlexRigs(TM) (FlexRig(TM) hereinafter referred to as FlexRig) constructed during its FlexRig2 program. Those rigs, along with the additional four conventional rigs that completed refurbishment early in the quarter, brought the total U.S. land rig count to 58. As previously announced, the Company is currently in its FlexRig3 construction program wherein a total of 25 new rigs are expected to be built over the next 18 months. It is anticipated that the Company will commence operations on ten of the 25 rigs prior to the end of fiscal year 2002, and that the remainder will commence operations during fiscal year 2003. The first rig from the FlexRig3 project is scheduled to be completed next month.

Oil and Gas Division

As announced on February 25, 2002, the Company and Key Production Company, Inc. (Key) have signed a definitive agreement that provides for Helmerich & Payne, Inc. to spin off its Oil and Gas Division to its shareholders and for the newly spun company to combine with Key. The combined company, named Cimarex Energy Co., will be a new publicly traded exploration and production company. The boards of directors of H&P and Key have each unanimously approved the contemplated transaction. The transaction will close after receipt of necessary Key shareholder and regulatory approvals, including the receipt of a favorable letter ruling from the Internal Revenue Service. Closing will likely occur in the third calendar quarter of 2002. Approval of the transaction by H&P's shareholders will not be required. Subject to a favorable IRS ruling, it is anticipated that the transaction will be tax free to H&P and will be tax deferred to the shareholders of H&P and Key. Application will be made for Cimarex shares to be listed on the New York Stock Exchange.

During the second quarter, the Company's Exploration and Production Division recorded improved operating profit over the first quarter of this year, but significantly lower than recorded for last year's second quarter. The average price received for the Company's natural gas production was \$2.03 per mcf in this quarter, compared with \$2.06 in the first quarter of this year, and \$6.49 per mcf for last year's second quarter. Oil prices averaged \$19.86 per barrel during the second quarter, compared with \$19.60 per barrel during the first quarter, both down substantially from the \$28.09 per barrel received for company's production during last year's second quarter. Production volumes declined slightly in both natural gas and oil compared with the first quarter, but were down by approximately 10% in both categories compared with the second quarter of last year. Operating profit for this quarter improved over last quarter due to reductions in dry hole and abandonment expenditures and the absence of any significant impairment charges.

Outlook

Guidance for Helmerich & Payne, Inc.'s net income for fiscal year 2002 is slightly increased from that provided in the January 23, 2002 First Quarter Earnings Release. Although average U.S. land rig dayrates are expected to remain under pricing pressure, natural gas prices have strengthened in recent weeks and therefore, net income for the year is anticipated to be in the range of \$1.00 to \$1.10 per share if commodity prices remain at or above current levels. This earnings guidance also assumes a full year of income from the Company's Oil and Gas Division. As

Edgar Filing: HELMERICH & PAYNE EXPLORATION & PRODUCTION CO - Form 425

stated earlier, the contemplated spin-off and merging of the Oil and Gas Division could be completed prior to September 30 and would reduce Company income accordingly.

Company President and C.E.O., Hans Helmerich commented, "We believe the spin/merge of the Company's Oil and Gas Division and the FlexRig construction projects are two exceptional events in the Company's 82 year old history and add significant value for shareholders. Although industry conditions continue to be soft, the market's response to the spin/merge announcement and our customers' preference for the FlexRig technology have been very encouraging."

Helmerich & Payne, Inc. (HP/NYSE) is an energy-oriented company engaged in contract drilling and oil and gas exploration and production. Currently, H&P has 58 U.S. land rigs, ten U.S. platform rigs located in the Gulf of Mexico, and 33 rigs located in South America. Additionally, the Company has two offshore platform rigs under construction and near completion, and has begun the construction of 25 FlexRigs to be put in service over the next 15 to 18 months.

Helmerich & Payne, Inc.'s conference call/webcast is scheduled for this afternoon at 3:30 EDT (2:30 CDT). To listen, go to <http://www.videonewswire.com/event.asp?id=4487>. Due to applicable SEC regulations, the Company has elected not to archive this conference call on its website.

Forward-Looking Statements

It should be noted that this announcement contains certain statements that may be deemed to be "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements include, without limitation, statements regarding the consummation of the proposed spin-off and merger, its effect on future earnings, cash flow or other operating results, the expected closing date of the proposed spin-off and merger, any other effect or benefit of the proposed spin-off and merger, the tax treatment of the proposed spin-off and merger and the combined company, market prospects, and any other statements that are not historical facts. H&P strongly encourages readers to note that some or all of the assumptions upon which such forward-looking statements are based are beyond their ability to control or estimate precisely, and may in some cases be subject to rapid and material changes. Such assumptions include but are not limited to costs and difficulties related to the integration of the businesses, costs, delays and other difficulties related to the proposed spin-off and merger, closing conditions not being satisfied, general market conditions prevailing in the exploration for and development and production of oil and gas (including inflation or lack of availability of goods and services, environmental risks, drilling risks and regulatory changes), operating hazards and delays, actions by customers and other third parties, the future price of oil and gas, and other factors detailed in H&P's filings with the Securities and Exchange Commission (the "SEC"), which are available free of charge on the SEC's website at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. H&P undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional Information

Edgar Filing: HELMERICH & PAYNE EXPLORATION & PRODUCTION CO - Form 425

In connection with the proposed spin-off and merger, Key and Cimarex will file a proxy statement/prospectus with the SEC. Investors and security holders are urged to carefully read the proxy statement/prospectus regarding the proposed transaction when it becomes available, because it will contain important information. Investors and security holders may obtain a free copy of the proxy statement/prospectus (when it is available) and other documents containing information about Key and H&P's oil and gas division, without charge, at the SEC's web site at www.sec.gov. Copies of the proxy statement/prospectus and the SEC filings that will be incorporated by reference in the proxy statement/prospectus may also be obtained for free by directing a request to: Helmerich & Payne, Inc, Utica at Twenty-First Street, Tulsa, Oklahoma 74114, Attention: Steven R. Mackey, Corporate Secretary; telephone 918-742-5531, fax 918-743-2671.

Participants in Solicitation

H&P and Cimarex and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from Key's shareholders in connection with the proposed merger. Hans Helmerich, Douglas E. Fears and Steven R. Mackey are currently directors of Cimarex, and each of them and Steven R. Shaw are currently officers of Cimarex (the "Cimarex Participants"). None of the Cimarex Participants beneficially owns any shares of Cimarex common stock. The Cimarex Participants are all executive officers of H&P. Information concerning H&P's participants in the solicitation is set forth in H&P's proxy statement dated January 25, 2002, which is filed with the SEC. Key's shareholders may obtain additional information about the interests of all such participants in the proposed merger by reading the proxy statement/prospectus when it becomes available. Investors should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions

Contact: Doug Fears
(918) 748-5208

HELMERICH & PAYNE, INC.
Unaudited
(in thousands, except per share data)

	03/31/02 -----	09/30/01 -----
Consolidated Condensed Balance Sheets		

ASSETS:		
Total current assets	\$ 223,069	\$ 331,412
Investments	231,823	200,286
Net property, plant, and equipment	919,301	818,404
Other assets	15,153	14,405
	-----	-----
 TOTAL ASSETS	 \$1,389,346	 \$1,364,507
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Total current liabilities	\$ 76,080	\$ 121,221
Total noncurrent liabilities	195,232	166,809

Edgar Filing: HELMERICH & PAYNE EXPLORATION & PRODUCTION CO - Form 425

Long-term debt	50,000	50,000
Total Shareholders' Equity	1,068,034	1,026,477
	-----	-----

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,389,346	\$1,364,507
	=====	=====

	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2002	2001	2002	2001
	-----		-----	

Consolidated Statements of Income

REVENUES:

Sales and other operating revenues	\$153,959	\$218,817	\$326,756	\$408,565
Income from investments	1,617	2,752	2,967	5,554
	-----	-----	-----	-----
	155,576	221,569	329,723	414,119
	=====	=====	=====	=====

COST AND EXPENSES:

Operating costs	96,919	107,076	199,250	201,122
Depreciation, depletion and amortization	21,893	22,784	48,886	40,762
Dry holes and abandonments	4,311	6,704	10,123	18,748
Taxes, other than income taxes	9,154	12,066	18,113	20,934
General and administrative	5,358	4,646	9,926	8,213
Interest	342	68	716	675
	-----	-----	-----	-----
	137,977	153,344	287,014	290,454
	-----	-----	-----	-----

INCOME BEFORE INCOME TAXES AND EQUITY

IN INCOME OF AFFILIATES	17,599	68,225	42,709	123,665
-------------------------	--------	--------	--------	---------

INCOME TAX EXPENSE	7,497	27,118	18,095	49,153
--------------------	-------	--------	--------	--------

EQUITY IN INCOME OF AFFILIATES, net of income taxes	770	642	1,862	1,077
	-----	-----	-----	-----

NET INCOME	\$10,872	\$ 41,749	\$ 26,476	\$75,589
	=====	=====	=====	=====

EARNINGS PER COMMON SHARE:

Basic	\$ 0.22	\$ 0.83	\$ 0.53	\$ 1.51
Diluted	\$ 0.22	\$ 0.82	\$ 0.53	\$ 1.49

Average common shares outstanding:

Basic	49,788	50,197	49,762	50,005
Diluted	50,265	51,139	50,171	50,783

HELMERICH & PAYNE, INC.

Unaudited

(in thousands)

	Three Months Ended		Six Months Ended	
	March 31		March 31	
	2002	2001	2002	2001
	-----		-----	

Edgar Filing: HELMERICH & PAYNE EXPLORATION & PRODUCTION CO - Form 425

Financial Results - Lines of Business

SALES AND OTHER REVENUES:

Contract Drilling - Domestic	\$ 78,670	\$ 73,159	\$170,793	\$135,453
Contract Drilling - International	39,210	35,128	78,263	73,819
Total Contract Drilling	----- 117,880	----- 108,287	----- 249,056	----- 209,272
Exploration and Production	23,056	74,835	47,847	132,563
Natural Gas Marketing	11,481	31,474	25,802	60,153
Total Oil and Gas	----- 34,537	----- 106,309	----- 73,649	----- 192,716
Real Estate	1,965	4,245	4,460	6,576
Other	1,194	2,728	2,558	5,555
Total Revenues	----- \$155,576	----- \$221,569	----- \$329,723	----- \$414,119

OPERATING PROFIT (LOSS):

Contract Drilling - Domestic	\$ 13,533	\$ 20,644	\$ 41,349	\$ 37,690
Contract Drilling - International	4,416	3,805	8,293	11,353
Total Contract Drilling	----- 17,949	----- 24,449	----- 49,642	----- 49,043
Exploration and Production	3,006	44,095	(953)	71,115
Natural Gas Marketing	979	(33)	1,439	4,666
Total Oil and Gas	----- 3,985	----- 44,062	----- 486	----- 75,781
Real Estate	1,336	2,929	2,733	4,304
Total Operating Profit	----- 23,270	----- 71,440	----- 52,861	----- 129,128
OTHER	(5,671)	(3,215)	(10,152)	(5,463)
INCOME BEFORE INCOME TAXES AND	-----	-----	-----	-----
EQUITY IN INCOME OF AFFILIATES:	\$ 17,599	\$ 68,225	\$ 42,709	\$123,665
	=====	=====	=====	=====

Average Production and Prices

Production	-----			
Oil - Barrels Per Day	2,018	2,258	2,064	2,345
Natural Gas - Mcf Per Day	4,494	118,401	106,722	17,438
Sales Prices	-----			
Oil - \$ Per Barrel	\$ 19.86	\$ 28.09	\$ 19.72	\$ 29.70
Natural Gas - \$ Per Mcf	\$ 2.03	\$ 6.49	\$ 2.05	\$ 5.59