# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**x** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For quarterly period ended: December 31, 2009**

**OR**

**o** **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 1-4221**

# HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **73-0679879** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer I.D. Number) |

**1437 South Boulder Avenue, Tulsa, Oklahoma,74119**

(Address of principal executive office)(Zip Code)

**(918) 742-5531**

(Registrant s telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes x No o**

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes x No o**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| **Large accelerated filer x** | **Accelerated filer o** |
| **Non-accelerated filer o**<br>(Do not check if a smaller reporting company) | **Smaller reporting company o** |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes o No x**

| **CLASS** | **OUTSTANDING AT January 31, 2010** |
|---|---|
| Common Stock, $0.10 par value | 105,714,528 |

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(in thousands, except share and per share amounts)

ITEM 1. FINANCIAL STATEMENTS

| | December 31, 2009 | September 30, 2009 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 153,053 | $ 141,486 |
| Short-term investments | 12,516 | 12,500 |
| Accounts receivable, less reserve of $658 at December 31, 2009 and $659 at September 30, 2009 | 270,509 | 246,790 |
| Inventories | 46,370 | 44,723 |
| Deferred income taxes | 20,560 | 12,861 |
| Assets held for sale | | 1,023 |
| Prepaid expenses and other | 77,488 | 63,549 |
| Total current assets | 580,496 | 522,932 |
| | | |
| Investments | 366,672 | 356,404 |
| Property, plant and equipment, net | 3,273,643 | 3,265,907 |
| Other assets | 14,803 | 15,781 |
| | | |
| Total assets | $ 4,235,614 | $ 4,161,024 |
| | | |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 58,981 | $ 70,218 |
| Accrued liabilities | 156,366 | 126,688 |
| Short-term debt | 105,000 | 105,000 |
| Total current liabilities | 320,347 | 301,906 |
| | | |
| Noncurrent liabilities: | | |
| Long-term debt | 380,000 | 420,000 |
| Deferred income taxes | 701,257 | 681,542 |
| Other | 78,028 | 74,567 |
| Total noncurrent liabilities | 1,159,285 | 1,176,109 |
| | | |
| Shareholders equity: | | |
| Common stock, $.10 par value, 160,000,000 shares authorized,107,057,904 shares issued as of December 31 and September 30, 2009 and 105,673,378 and 105,486,218 shares outstanding as of December 31 and September 30, 2009, respectively | 10,706 | 10,706 |
| Preferred stock, no par value, 1,000,000 shares authorized, no shares issued | | |
| Additional paid-in capital | 182,121 | 176,039 |

| | | | | |
|---|---|---|---|---|
| Retained earnings | | 2,472,875 | | 2,414,942 |
| Accumulated other comprehensive income | | 119,005 | | 112,451 |
| Treasury stock, at cost | | (28,725) | | (31,129) |
| Total shareholders equity | | 2,755,982 | | 2,683,009 |
| | | | | |
| Total liabilities and shareholders equity | $ | 4,235,614 | $ | 4,161,024 |

The accompanying notes are an integral part of these statements.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

(Unaudited)

(in thousands, except per share data)

| | Three Months Ended December 31, 2009 | Three Months Ended December 31, 2008 |
|---|---|---|
| Operating revenues: | | |
| Drilling U.S. Land | $ 285,069 | $ 475,204 |
| Drilling Offshore | 52,290 | 50,488 |
| Drilling International Land | 59,398 | 95,178 |
| Other | 3,086 | 2,884 |
| | 399,843 | 623,754 |
| | | |
| Operating costs and other: | | |
| Operating costs, excluding depreciation | 212,693 | 330,928 |
| Depreciation | 62,803 | 54,772 |
| General and administrative | 20,844 | 15,148 |
| Research and development | 1,815 | 1,677 |
| Gain from involuntary conversion of long-lived assets | | (277) |
| Income from asset sales | (698) | (914) |
| | 297,457 | 401,334 |
| | | |
| **Operating income** | **102,386** | **222,420** |
| | | |
| Other income (expense): | | |
| Interest and dividend income | 439 | 1,786 |
| Interest expense | (4,694) | (3,700) |
| Other | 15 | 128 |
| | (4,240) | (1,786) |
| | | |
| Income before income taxes and equity in income of affiliate | 98,146 | 220,634 |
| | | |
| Income tax provision | 34,911 | 81,248 |
| Equity in income of affiliate net of income taxes | | 5,889 |
| | | |
| **NET INCOME** | **$ 63,235** | **$ 145,275** |
| | | |
| Earnings per common share: | | |
| Basic | $ 0.60 | $ 1.38 |
| Diluted | $ 0.59 | $ 1.36 |
| | | |
| Weighted average shares outstanding: | | |
| Basic | 105,575 | 105,249 |
| Diluted | 107,238 | 106,310 |
| | | |
| Dividends declared per common share | $ 0.050 | $ 0.050 |

The accompanying notes are an integral part of these statements.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

| | Three Months Ended December 31, 2009 | 2008 |
|---|---|---|
| **OPERATING ACTIVITIES:** | | |
| Net income | $ 63,235 | $ 145,275 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 62,803 | 54,772 |
| Provision for bad debt | 2 | 8 |
| Equity in income of affiliate before income taxes | | (9,500) |
| Stock-based compensation | 7,008 | 2,200 |
| Gain from involuntary conversion of long-lived assets | | (277) |
| Income from asset sales | (698) | (914) |
| Deferred income tax expense | 8,235 | 28,141 |
| Other | | 1 |
| Change in assets and liabilities- | | |
| Accounts receivable | (23,721) | 2,259 |
| Inventories | (1,647) | (8,896) |
| Prepaid expenses and other | (12,978) | (5,675) |
| Accounts payable | (15,747) | 20,611 |
| Accrued liabilities | 29,999 | 21,834 |
| Deferred income taxes | (22) | 3,884 |
| Other noncurrent liabilities | 3,681 | 856 |
| Net cash provided by operating activities | 120,150 | 254,579 |
| | | |
| **INVESTING ACTIVITIES:** | | |
| Capital expenditures | (64,754) | (250,381) |
| Insurance proceeds from involuntary conversion | | 277 |
| Proceeds from asset sales | 2,486 | 1,411 |
| Purchase of short-term investments | (16) | |
| Other | | (16) |
| Net cash used in investing activities | (62,284) | (248,709) |
| | | |
| **FINANCING ACTIVITIES:** | | |
| Decrease in notes payable | | (1,733) |
| Proceeds from lines of credit | 435,000 | 920,000 |
| Payments on lines of credit | (475,000) | (905,000) |
| Increase (decrease) in bank overdraft | (2,038) | 2,330 |
| Dividends paid | (5,287) | (5,273) |
| Exercise of stock options | (623) | 300 |
| Excess tax benefit from stock-based compensation | 1,649 | 17 |
| Net cash provided by (used in) financing activities | (46,299) | 10,641 |
| | | |
| Net increase in cash and cash equivalents | 11,567 | 16,511 |
| Cash and cash equivalents, beginning of period | 141,486 | 121,513 |

| | | | | |
|---|---|---|---|---|
| Cash and cash equivalents, end of period | $ | 153,053 | $ | 138,024 |

The accompanying notes are an integral part of these statements.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF SHAREHOLDERS EQUITY

THREE MONTHS ENDED DECEMBER 31, 2009

(Unaudited)

(in thousands, except per share amounts)

| | Common Stock Shares | Common Stock Amount | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock Shares | Treasury Stock Amount | Total Shareholders Equity |
|---|---|---|---|---|---|---|---|---|
| Balance, September 30, 2009 | 107,058 | $ 10,706 | $ 176,039 | $ 2,414,942 | $ 112,451 | 1,572 | $ (31,129) | $ 2,683,009 |
| Comprehensive Income: | | | | | | | | |
| Net income | | | | 63,235 | | | | 63,235 |
| Other comprehensive income, Unrealized gains on available-for-sale securities | | | | | 6,220 | | | 6,220 |
| Amortization of net periodic benefit costs-net of actuarial gain | | | | | 334 | | | 334 |
| Total comprehensive income | | | | | | | | 69,789 |
| Cash dividends ($0.05 per share) | | | | (5,302) | | | | (5,302) |
| Exercise of stock options | | | (1,582) | | | (117) | 959 | (623) |
| Tax benefit of stock-based awards, including excess tax benefits of $1.7 million | | | 2,101 | | | | | 2,101 |
| Treasury stock issued for vested restricted stock | | | (1,445) | | | (70) | 1,445 | |
| Stock-based compensation | | | 7,008 | | | | | 7,008 |
| Balance, December 31, 2009 | 107,058 | $ 10,706 | $ 182,121 | $ 2,472,875 | $ 119,005 | 1,385 | $ (28,725) | $ 2,755,982 |

The accompanying notes are an integral part of these statements.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

1. Basis of Presentation

Unless the context otherwise requires, the use of the terms the Company, we, us and our in these Notes to Consolidated Condensed Financial Statements refers to Helmerich & Payne, Inc. and its consolidated subsidiaries.

The accompanying unaudited Consolidated Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and applicable rules and regulations of the Securities and Exchange Commission (the Commission ) pertaining to interim financial information. Accordingly, these interim financial statements do not include all information or footnote disclosures required by accounting principles generally accepted in the United States for complete financial statements and, therefore should be read in conjunction with the Consolidated Financial Statements and notes thereto in our 2009 Annual Report on Form 10-K and other current filings with the Commission. In the opinion of management, all adjustments, consisting of those of a normal recurring nature, necessary to present fairly the results of the periods presented have been included. The results of operations for the interim periods presented may not necessarily be indicative of the results to be expected for the full year.

The adoption of the guidance contained in Accounting Standards Codification ( ASC ) 260-10-45, *Earnings per Share*, discussed below in Note 2 changed the calculation of basic earnings per share requiring restricted stock grants that have previously been included in our diluted weighted-average shares to be included in basic weighted-average shares. Earnings per share for the quarter ended December 31, 2008 has been recalculated to conform to the current year presentation.

As more fully described in our 2009 Annual Report on Form 10-K, our contract drilling revenues are comprised of daywork drilling contracts for which the related revenues and expenses are recognized as services are performed. For contracts that are terminated by customers prior to the expirations of their fixed term, contractual provisions customarily require early termination amounts to be paid to us. Revenues from early terminated contracts are recognized when all contractual requirements have been met.

2. Earnings per Share

Effective October 1, 2009, we adopted the guidance contained in ASC 260-10-45, *Earnings per Share*. ASC 260-10-45 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating earnings per share under the two-class method described in ASC 260-10-45. ASC 260-10-45 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as a separate class of securities in calculating earnings per share. We have granted and expect to continue to grant restricted stock grants to employees and non-employee directors that contain non-forfeitable rights to dividend. Such grants are considered participating securities under ASC 260-10-45. As such, we are required to include these grants in the calculation of our basic earnings per share and will need to calculate basic earnings per share using the two-class method. Restricted stock grants have previously been included in our dilutive earnings per share calculation using the treasury stock method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. Since the adoption of ASC 260-10-45 is to be applied retrospectively, the earnings per share for the prior period have been recalculated to conform to the current year presentation. As a result, the number

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

of shares used to compute earnings per share changed; however, the adoption did not change the basic and diluted earnings per share amounts previously reported for the three months ended December 31, 2008.

Basic net income per share is computed utilizing the two-class method and is calculated based on weighted-average number of common shares outstanding during the periods presented.

Diluted net income per share is computed using the weighted-average number of common and common equivalent shares outstanding during the periods utilizing the two-class method for stock options and nonvested restricted stock.

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share amounts):

| | Three Months Ended December 31, | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| Numerator: | | | | |
| Net income | $ | 63,235 | $ | 145,275 |
| Earnings allocated to unvested shareholders | | (134) | | (285) |
| Numerator for basic earnings per share | | 63,101 | | 144,990 |
| Effect of reallocating undistributed earnings of unvested shareholders | | 2 | | 3 |
| Numerator for diluted earnings per share | $ | 63,103 | $ | 144,993 |
| | | | | |
| Denominator: | | | | |
| Denominator for basic earnings per share weighted-average shares | | 105,575 | | 105,249 |
| Effect of dilutive shares from stock options and restricted stock | | 1,663 | | 1,061 |
| Denominator for diluted earnings per share adjusted weighted-average shares | | 107,238 | | 106,310 |
| | | | | |
| Earnings per common share: | | | | |
| Basic | $ | 0.60 | $ | 1.38 |
| Diluted | $ | 0.59 | $ | 1.36 |

The following shares attributable to outstanding equity awards were excluded from the calculation of diluted earnings per shares because their inclusion would have been anti-dilutive (in thousands, except per share amounts):

| | Three Months Ended December 31, 2009 | 2008 |
|---|---|---|
| Shares excluded from calculation of diluted earnings per share | 570 | 1,869 |
| Weighted-average price per share | $ 38.02 | $ 30.95 |

3. Operations and Risks in Venezuela

We continue to record revenue in Venezuela as cash is collected from Petroleos de Venezuela, S.A. (PDVSA) as more fully described in Note 14 of the Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

year ended September 30, 2009. As adjusted for the January 2010 currency devaluation discussed below, the amount of revenue that has not been recognized since the end of the first quarter of fiscal 2009 and will be recognized upon collection is approximately $41.9 million. During the first quarter of fiscal 2010, we received approximately $20.8 million (U.S. dollars and U.S. currency equivalent). Approximately 73 percent of this amount corresponded to accounts receivable at the end of the first quarter of fiscal 2009 and the remainder to invoices issued for work performed after the first quarter of fiscal 2009. At December 31, 2009, the Consolidated Condensed Balance Sheet includes accounts receivable from PDVSA of $13.0 million, $10.6 million adjusted for the January 2010 currency devaluation discussed below. We do not have enough information to conclude that this remaining receivable balance is not probable of collection. However, there continues to be uncertainty regarding the timing of the collection due to the current political, economic and social instability in Venezuela, the dependence by Venezuela on oil to largely support its economy and the failure of PDVSA to pay many service companies working in Venezuela. We proactively continue efforts to collect unpaid invoice amounts. Subsequent to December 31, 2009, we received approximately $5.1 million (U.S. currency equivalent) from PDVSA of which approximately $2.2 million will be recognized in revenues during the second quarter of fiscal 2010.

At December 31, 2009, all eleven rigs that formerly worked for PDVSA in Venezuela were idle. We continue to pursue future drilling opportunities for these eleven rigs but we do not expect to commit to new contracts until additional progress is made on pending receivable collections and on conversion of local currency to U.S. dollars.

In addition to the outstanding accounts receivable above, PDVSA has unilaterally paid U.S. dollar invoices in bolivar fuerte (Bsf) which increases our exposure to foreign currency devaluation. We have provided all supporting documentation to PDVSA and await approval from them to exchange those payments to U.S. dollars. The approval and subsequent payment would result in reducing the foreign currency exposure. We are unable to determine when payment will be received.

On January 8, 2010, the Venezuelan government devalued its currency and established a two tier exchange structure. The official exchange rate has been devalued from 2.15 Bsf to each U.S. dollar to 4.30 for non-essential goods and services and to 2.60 for essential goods. We expect our drilling services to fall into the non-essential classification. As a result of the devaluation, we expect to record an exchange loss of approximately $20.0 million in the second quarter of fiscal 2010.

We have, since July 22, 2008, had an outstanding application with the Venezuelan government requesting approval to convert Bsf cash balances to U.S. dollars. When and if we receive approval from the Venezuelan government, our Venezuelan subsidiary will remit approximately $28.4 million, $14.2 million adjusted for the January 2010 currency devaluation, as a dividend to its U.S. based parent as cash balances permit. While we have been successful in the past in obtaining government approval for conversion of Bsf to U.S. dollars, there is no guarantee that future conversion to U.S. dollars will be permitted. In the event that conversion to U.S. dollars would be prohibited, then Bsf cash balances could increase and we would be exposed to increased risk of devaluation.

Readers should refer to Note 15 of these Consolidated Condensed Financial Statements for additional information related to risk factors in international operations.

9

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

4. Inventories

Inventories consist primarily of replacement parts and supplies held for use in our drilling operations.

5. Financial Instruments and Fair Value Measurement

The estimated fair value of our available-for-sale securities is primarily based on market quotes. The following is a summary of available-for-sale securities, which excludes investments in limited partnerships carried at cost and assets held in a Non-qualified Supplemental Savings Plan:

| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| | | (in thousands) | | |
| Equity securities 12/31/09 | $ 129,183 | $ 220,592 | $ | $ 349,775 |
| Equity securities 09/30/09 | $ 129,183 | $ 210,640 | $ | $ 339,823 |

On an on-going basis, we evaluate the marketable equity securities to determine if a decline in fair market is other-than-temporary. If a decline in fair market value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis established. We review several factors to determine whether a loss is other-than-temporary. These factors include, but are not limited to, (i) the length of time a security is in an unrealized loss position, (ii) the extent to which fair value is less than cost, (iii) the financial condition and near term prospects of the issuer, and (iv) our intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities used in determining realized gains and losses is based on the average cost basis of the security sold. We had no sales of marketable equity available-for-sale securities during the first quarter of fiscal 2010 and 2009.

Investments in limited partnerships carried at cost were approximately $12.4 million at December 31, 2009 and September 30, 2009. The estimated fair value of the limited partnerships was $20.6 million and $19.7 million at December 31, 2009 and September 30, 2009, respectively. The estimated fair value exceeded the cost of investments at December 31, 2009 and September 30, 2009 and, as such, the investments were not impaired.

Assets held in the Non-qualified Supplemental Savings Plan are carried at fair market value which totaled $4.5 million at December 31, 2009 and $4.2 million at September 30, 2009, respectively.

The majority of cash equivalents are invested in taxable and non-taxable money-market mutual funds.  The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of those investments.

At December 31, 2009, our short-term investments consisted of a bank certificate of deposit with an original maturity greater than three months. Interest earned is included in interest and dividend income on the Consolidated Condensed Statement of Income.  The carrying amount of the certificate of deposit approximates fair value.

The carrying value of other assets, accrued liabilities and other liabilities approximated fair value at December 31, 2009 and September 30, 2009.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

On October 1, 2009, we implemented the previously deferred provisions of ASC 820, *Fair Value Measurements and Disclosures*, for nonfinancial assets and liabilities recorded at fair value, as required. Additionally, we adopted Accounting Standards Update No. 2009-05, *Measuring Liabilities at Fair Value* (ASU 2009-05), which provided amendments to ASC 820 for the fair value measurements of liabilities when a quoted price in an active market is not available. The adoption of these pronouncements had no impact on these Consolidated Condensed Financial Statements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use the fair value hierarchy established in ASC 820-10 to measure fair value to prioritize the inputs:

- Level 1 Observable inputs that reflect quoted prices in active markets for identical assets or liabilities in active markets.

- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Valuations based on inputs that are unobservable and not corroborated by market data.

At December 31, 2009, our financial assets utilizing Level 1 inputs include cash equivalents, equity securities with active markets, and money market funds we have elected to classify as restricted assets that are included in other current assets and other assets. For these items, quoted current market prices are readily available.

At December 31, 2009, we had an interest rate swap agreement with a $105 million notional amount to hedge the risk of changes in the interest rate associated with amounts outstanding under an unsecured line of credit that expires in January 2010. The fair value of the swap agreement was determined using Level 2 inputs. Level 2 inputs also include a bank certificate of deposit classified as a short-term investment and bank certificates of deposit included in other current assets.

Currently, we do not have any financial instruments utilizing Level 3 inputs.

11

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

The following table summarizes our assets and liabilities measured at fair value on a recurring basis presented in our Consolidated Condensed Balance Sheet as of December 31, 2009:

| | Total Measure at Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| | | (in thousands) | | |
| Assets: | | | | |
| Cash and cash equivalents | $ 153,053 | $ 153,053 | $ | $ |
| Short-term investments | 12,516 | | 12,516 | |
| Investments | 349,775 | 349,775 | | |
| Other current assets | 11,558 | 11,308 | 250 | |
| Other assets | 2,000 | 2,000 | | |
| Total assets measured at fair value | $ 528,902 | $ 516,136 | $ 12,766 | $ |
| Liabilities: | | | | |
| Other current liabilities interest rate swap | $ 59 | $ | $ 59 | $ |
| Total liabilities measured at fair value | $ 59 | $ | $ 59 | $ |

The following information presents the supplemental fair value information about long-term fixed-rate debt at December 31, and September 30, 2009:

| | December 31, 2009 | September 30, 2009 |
|---|---|---|
| | (in thousands) | |
| Carrying value of long-term fixed-rate debt | $ 350.0 | $ 350.0 |
| Fair value of long-term fixed-rate debt | $ 381.4 | $ 380.9 |

The fair value for fixed-rate debt was estimated using discounted cash flows and interest rates currently being offered on credits with similar maturities and credit profiles. The outstanding line of credit and short-term debt bear interest at market rates and the cost of borrowings, if any, would approximate fair value.

Table of Contents

HELMERICH & PAYNE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

6. Comprehensive Income

Comprehensive income, net of related income taxes, is as follows (in thousands):

| | Three Months Ended December 31, 2009 | Three Months Ended December 31, 2008 |
|---|---|---|
| Net Income | $ 63,235 | $ 145,275 |
| Other comprehensive income: | | |