

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

**ATWOOD OCEANICS INC**

CIK: **8411** | IRS No.: **741611874** | State of Incorpor.: **TX** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **000-06352** | Film No.: **94505889**  
SIC: **1381** Drilling oil & gas wells

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended December 31, 1993 Commission File Number  
0-6352

ATWOOD OCEANICS, INC.

(Exact name of registrant as specified in its charter)

State of Texas  
(State or other jurisdiction of  
incorporation or organization)

74-1611874  
(I.R.S. Employer  
Identification No.)

15835 Park Ten Place Drive  
P.O. Box 218350  
(Address of principal executive offices)

Houston, Texas 77218

Registrant's telephone number, including area code: (713) 492-2929

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 and (2) has been subject to such filings requirements for the past 90 days. Yes x No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of December 31, 1993: 6,582,613 shares of Common Stock \$1 par value.

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ATWOOD OCEANICS, INC. AND SUBSIDIARIES  
PART I. FINANCIAL INFORMATION

The condensed financial statements herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information not misleading. The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the quarters ended December 31, 1993 and 1992. All adjustments were of a normal recurring nature. It is suggested these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's September 30, 1993 Annual Report to Shareholders.

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ATWOOD OCEANICS, INC. AND SUBSIDIARIES  
PART I. ITEM I - FINANCIAL STATEMENTS  
CONSOLIDATED BALANCE SHEETS

(Unaudited)  
December 31, September 30,  
1993 1993  
(In thousands)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 13,576	\$ 10,087
Accounts receivable	11,184	10,768
Current maturities of long-term notes receivable	400	400
Inventories of materials and supplies, at lower of average cost or market	3,971	3,850
Prepaid expenses and other	2,095	1,498
Total Current Assets	31,226	26,603

MARKETABLE SECURITIES AND U.S.

TREASURY BONDS	24,949	24,957
LONG-TERM NOTES RECEIVABLE, net of current maturities	6,288	6,389
PROPERTY AND EQUIPMENT:		
Drilling vessels, equipment and drill pipe	184,524	182,851
Other	3,952	3,924
	188,476	186,775
Less - accumulated depreciation	99,668	96,625
	88,808	90,150
DEFERRED COSTS AND OTHER ASSETS	1,028	1,754
	\$ 152,299	\$ 149,853

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ATWOOD OCEANICS, INC. AND SUBSIDIARIES  
PART I. ITEM I - FINANCIAL STATEMENTS  
CONSOLIDATED BALANCE SHEETS

(Unaudited)  
December 31,                      September 30,  
1993                                      1993  
(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Current maturities of notes payable by partnership	\$ 3,000	\$ 3,000
Accounts payable	4,465	3,058
Accrued liabilities	6,303	5,842
Total Current Liabilities	13,768	11,900

LONG-TERM NOTES PAYABLE BY  
PARTNERSHIP, net of current  
maturities

54,845	55,409
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DEFERRED INCOME TAXES

767	---
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MINORITY INTEREST IN PARTNERSHIPS

1,569	2,794
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SHAREHOLDERS' EQUITY:

Preferred stock, no par value; 1,000,000 shares authorized, none outstanding	---	---
Common stock, \$1 par value; 10,000,000 shares authorized with 6,582,000 shares issued and outstanding	6,582	6,582
Paid-in capital	54,273	54,273
Retained earnings	20,495	18,895
 Total Shareholders' Equity	 81,350	 79,750
	\$ 152,299	\$ 149,853

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ATWOOD OCEANICS, INC. AND SUBSIDIARIES  
PART I. ITEM 1 - FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended December 31,	
	1993	1992
	(In thousands, except per share amounts)	
REVENUES:		
Drilling revenues	\$ 15,373	\$ 10,305
Management fee income	485	439
Dividends and interest	615	630
Gain on sale of Indian joint venture	201	---
	16,674	11,374
COSTS AND EXPENSES:		
Drilling costs	10,849	7,769
Depreciation	3,357	2,935
General and administrative	985	1,034
Interest	680	864
	15,871	12,602
INCOME (LOSS) BEFORE MINORITY INTEREST AND INCOME TAXES	803	(1,228)
MINORITY INTEREST IN NET LOSS		

OF PARTNERSHIPS	1,080	916
INCOME (LOSS) BEFORE INCOME TAXES	1,883	(312)
PROVISION FOR INCOME TAXES	283	190
NET INCOME (LOSS)	\$ 1,600	\$ (502)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,582	6,582
INCOME (LOSS) PER COMMON SHARE	\$ .24	\$ (.08)

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ATWOOD OCEANICS, INC. AND SUBSIDIARIES  
PART I. ITEM 1 - FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended December 31,	
	1993	1992
	(In thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ 1,600	\$ (502)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	3,357	2,935
Amortization of deferred costs	62	56
Minority interest in net loss of partnership	(1,080)	(1,072)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(416)	3,498
Increase (decrease) in accounts payable and accrued liabilities	1,868	(216)
Other	(564)	453
Total adjustments	3,227	5,654
Net cash provided by operating activities	4,827	5,152
CASH FLOW FROM INVESTING ACTIVITIES;		

Proceeds from sale of Indian Joint Venture	1,300	---
Capital expenditures	(1,989)	(2,011)
Payment received on notes receivable	101	101
Net cash used by investing activities	(588)	(1,910)
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payment on long term notes payable	(750)	(750)
Short-term note payable	---	3,000
Net cash (used) provided by financing activities	(750)	2,250
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,489	5,492
CASH AND CASH EQUIVALENTS, at beginning of period	10,087	8,859
CASH AND CASH EQUIVALENTS, at end of period	\$ 13,576	\$ 14,351

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ATWOOD OCEANICS, INC. AND SUBSIDIARIES  
PART I. ITEM 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Total revenues increased \$5.3 million (47 percent) and \$.7 million (4 percent) in the first quarter of fiscal year 1994 compared to the first and fourth quarters of fiscal year 1993. The significant increase from the first quarter of fiscal year 1993 is primarily due to a \$5.1 million (50 percent) increase in drilling revenues coupled with a \$201,000 gain on sale of the Company's forty percent interest in an Indian Corporation. A comparative analysis of drilling revenues is as follows:

	QUARTERS ENDED		
	December 31, 1993	September 30, 1993	December 31, 1992
	(In Thousands)		
SEAHAWK	\$ 2,763	\$ 2,779	\$ ---
HUNTER	2,407	2,406	2,200
EAGLE	1,774	2,259	2,270
FALCON	3,546	2,917	2,950

VICKSBURG	1,027	1,049	1,050
RIG-19	1,683	1,729	1,150
RICHMOND	1,462	1,451	---
OTHER	711	\$ 26	\$ 685
	\$15,373	\$14,616	\$10,305

Since its commencement of operations in February 1993, the SEAHAWK has been a significant contributor to the Company's improved operating results. The HUNTER had 100 percent utilization during the quarters ended December 31 and September 30, 1993 compared to 77 percent utilization during the quarter ended December 31, 1992, which accounts for the improvement in revenues from this rig. During December 1993, the EAGLE was mobilized from Malaysia to the "Zone of Cooperation" (an area between Indonesia and Australia) to commence drilling under a multiple well contract for Marathon Petroleum Timor Gap West, Ltd. The downtime incurred in relocating the EAGLE accounts for the decrease in revenues. The increase in revenues for the FALCON is due to the rig being 100 percent utilized during the first quarter of fiscal 1994 as compared to incurring some downtime during both the fourth and first quarters of fiscal 1993. RIG-19 has encountered no downtime since it was relocated to a new platform during the quarter ended December 31, 1992, which accounts for the increase in revenues from this rig. The RICHMOND has worked continuously since its return to work in March 1993. The increase in "other" relates primarily to the commencement in November 1993 of a short-term labor contract in Australia. The Company's current contract status for its drilling operations is as follows:

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NAME OF RIG	LOCATION	CONTRACT STATUS
SEAHAWK	Malaysia	Commenced drilling in February, 1993 under a contract with primary term of 600 days plus multiple options.
HUNTER	Malaysia	Drilling under a contract providing for six firm wells plus six options wells. Without option wells, contract could terminate in July, 1994.
EAGLE	Indonesia- Australia "Zone of Cooperation"	Drilling under a contract providing for five firm wells plus seven option wells. Estimated completion is December 1994.
FALCON	Malaysia	Commencing to drill under a contract for three firm wells plus one optional well. Estimated completion is July 1994.



VICKSBURG	Australia	Drilling under a contract estimated to extend to January 1995.
RIG-19	Australia	Drilling under a term contract estimated to extend into 1997.
RICHMOND	U.S. Gulf	Drilling under a contract estimated to terminate in April 1994.

For the three months ended December 31, 1993 compared to the three months ended December 31, 1992, drilling costs increased \$3.1 million or 40 percent. This increase is primarily due to the operations of the SEAHAWK, and increases in utilization of the RICHMOND and FALCON, offset somewhat by refunds of certain payroll related foreign taxes. An analysis of drilling costs by rigs is as follows:

	QUARTERS ENDED		
	December 31, 1993	September 30, 1993	December 31, 1992
	(In Thousands)		
SEAHAWK	\$ 1,538	\$ 1,614	\$ ---
HUNTER	1,691	1,593	1,837
EAGLE	1,539	1,492	1,471
FALCON	2,819	2,717	1,875
VICKSBURG	201	554	717
RIG-19	1,151	1,114	714
RICHMOND	882	1,003	120
OTHER	1,028	796	1,035
	\$10,849	\$10,883	\$ 7,769

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As previously stated, the SEAHAWK commenced its operations in February 1993. Even though, the EAGLE revenues declined in the first quarter of fiscal 1994 due to the rig being relocated from Malaysia to Australia - Indonesian "Zone of Cooperation", its operating costs continued at virtually the same level due to the costs associated with this relocation. During the first quarter of fiscal 1993, the FALCON was moved between drilling sites within Australia, which accounts for the lower drilling costs during this period. During the first quarter of fiscal 1994, the Company received refunds of approximately \$500,000 related to personnel taxes paid in prior periods for certain rig personnel. Virtually all of these refunds were recorded as a reduction in the drilling costs of the VICKSBURG. Drilling costs of RIG-19 was low in the quarter ended December 31, 1992 due to the rig being relocated to a new drilling site within Australia. The increase in drilling costs for the RICHMOND is due to its 100 percentage utilization since March 1993.

The increase in depreciation expense is directly related to the commencement of the SEAHAWK operations. The decline in interest expense is due primarily to a reduction in interest rates coupled with some reduction in outstanding principal. As required, the Company adopted the Financial Accounting Standards Board Statement No. 109, "Accounting for Income Taxes", in the first quarter of fiscal year 1994. The adoption had no impact on the Company's statement of operations and minimally increased assets and liabilities by approximately \$800,000 on the Company's balance sheet.

The key to the Company continuing its profitable operations in subsequent quarters is maintaining high utilization of the HUNTER, FALCON and RICHMOND. These rigs have relatively short-term contracts and could incur some idle time toward the end of fiscal 1994. For the remainder of fiscal year 1994, the Company will continue its focus of achieving high utilization of its fleet.

#### LIQUIDITY AND CAPITAL RESOURCES

In October, 1993, the Company sold its forty percent interest in an Indian joint venture company for \$1.3 million which resulted in the Company recognizing a gain of \$201,000. The Company used the proceeds from this sale to help fund the \$1.5 million purchase of the SOUTHERN CROSS, a semisubmersible built in 1976. This vessel remains idle in Australia as the Company pursues future contract opportunities. At this time, the Company has no significant capital commitments; however, the Company is currently pursuing and bidding additional expansion opportunities. During the quarter, the Company's working capital increased approximately \$3 million. The Company continues to experience no difficulties in collecting its accounts receivable. Subject to investing in new opportunities, the Company's cash reserves should increase as a result of anticipated improvement in cash flows.

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#### ATWOOD OCEANICS, INC. AND SUBSIDIARIES PART I. ITEM 2

#### TO OUR SHAREHOLDERS AND EMPLOYEES:

The Company earned a profit of \$1,600,000 in its first fiscal quarter of 1994. First quarter results were enhanced by refunds of foreign personnel taxes totalling \$500,000 related to prior periods and by a gain of \$200,000 on the sale of the Company's forty-percent equity in an Indian corporation. Even without these contributions, first quarter results still reflect a significant improvement over the results for the first quarter of 1993. Earnings, before depreciation, interest and taxes, increased from \$1,454,000 for the first quarter of 1993 to \$3,301,000 for the first quarter of 1994. Compared to the first quarter of 1993, operating cash flow increased from \$1,417,000 to \$3,239,000. Drilling revenues increased

by 49 percent and equipment utilization (excluding the SOUTHERN CROSS, since it has not been placed in service) increased from 83 percent to 99 percent.

Continuing high utilization of our three partnership semisubmersibles and the RICHMOND are key factors in the Company maintaining profitability. The EAGLE, FALCON and HUNTER now have firm contract commitments which should keep those units employed through our third fiscal quarter. The RICHMOND also has firm commitments which should keep it employed through our second fiscal quarter. In view of currently lower oil prices, we are closely monitoring market developments for the second half of 1994 with a continuing focus on achieving high utilization of our fleet.

The Company has been active during its first quarter in pursuing and bidding additional expansion opportunities. Profitable opportunities for the SOUTHERN CROSS are being sought along with other opportunities requiring new investment.

We continue to earnestly strive for enhancement of our safety and environmental efforts. Maintaining and developing effective operating relationships with our clients is also an important goal in building our business.

/s/ John R. Irwin  
JOHN R. IRWIN  
PRESIDENT

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ATWOOD OCEANICS, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ATWOOD OCEANICS, INC.  
(Registrant)

Date: 2/9/94

s/JAMES M. HOLLAND  
James M. Holland  
Senior Vice President  
and Chief Accounting Officer