

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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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.: **94528123**
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 March 31, 1994 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 March 31, 1994: 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 March 31, 1994 and 1993. 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)
March 31, September 30,
1994 1993
(In thousands)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 13,542	\$ 10,087
Accounts receivable	11,769	10,768
Current maturities of long-term notes receivable	400	400
Inventories of materials and supplies, at lower of average cost or market	3,990	3,850
Prepaid expenses and other	1,987	1,498
Total Current Assets	31,688	26,603

MARKETABLE SECURITIES AND U.S. TREASURY BONDS	24,942	24,957
LONG-TERM NOTES RECEIVABLE, net of current maturities	6,187	6,389
PROPERTY AND EQUIPMENT:		
Drilling vessels, equipment and drill pipe	184,971	182,851
Other	3,994	3,924
	188,965	186,775
Less - accumulated depreciation	102,557	96,625
	86,408	90,150
DEFERRED COSTS AND OTHER ASSETS	937	1,754
	\$ 150,162	\$ 149,853

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

(Unaudited)

March 31,
1994

September 30,
1993

(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Current maturities of notes payable by partnership	\$ 3,000	\$ 3,000
Accounts payable	3,006	3,058
Accrued liabilities	5,780	5,842
Total Current Liabilities	11,786	11,900

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

54,280 55,409

DEFERRED INCOME TAXES

767 ---

MINORITY INTEREST IN PARTNERSHIPS	674	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	21,800	18,895
 Total Shareholders' Equity	 82,655	 79,750
	\$ 150,162	\$ 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
March 31,

1994 1993
(In thousands, except per
share amounts)

REVENUES:

Drilling revenues	\$ 15,985	\$ 11,605
Management fee income	534	382
Dividends and interest	598	809
Gain on Sale of Indian Joint Venture	---	---
	17,117	12,796

COSTS AND EXPENSES:

Drilling costs	11,124	9,638
Depreciation	3,385	3,280
General and administrative	1,094	1,002
Interest	675	791
	16,278	14,711

INCOME (LOSS) BEFORE MINORITY INTEREST AND

INCOME TAXES	839	(1,915)
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MINORITY INTEREST IN LOSS OF PARTNERSHIPS	714	1,384
INCOME (LOSS) BEFORE INCOME TAXES	1,553	(531)
PROVISION FOR INCOME TAXES	248	616
NET INCOME (LOSS)	\$ 1,305	\$ (1,147)
INCOME (LOSS) PER COMMON SHARE	\$.20	\$ (.17)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,582	6,582

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

	Six Months Ended March 31,	
	1994	1993
	(In thousands, except per share amounts)	
REVENUES:		
Drilling revenues	\$ 31,358	\$ 21,910
Management fee income	1,019	821
Dividends and interest	1,213	1,439
Gain on Sale of Indian Joint Venture	201	---
	33,791	24,170
COSTS AND EXPENSES:		
Drilling costs	21,973	17,407
Depreciation	6,742	6,215
General and administrative	2,079	2,036
Interest	1,355	1,655
	32,149	27,313
INCOME (LOSS) BEFORE MINORITY INTEREST AND INCOME TAXES	1,642	(3,143)
MINORITY INTEREST IN LOSS		

OF PARTNERSHIPS	1,794	2,300
INCOME (LOSS) BEFORE INCOME TAXES	3,436	(843)
PROVISION FOR INCOME TAXES	531	806
NET INCOME (LOSS)	\$ 2,905	\$ (1,649)
INCOME (LOSS) PER COMMON SHARE	\$.44	\$ (.25)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	6,582	6,582

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

	Six Months Ended March 31,	
	1994	1993
	(In thousands)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ 2,905	\$ (1,649)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	6,742	6,215
Amortization of deferred costs	263	11
Minority interest in loss of partnerships	(1,794)	(2,300)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,001)	6,138
Decrease in accounts payable and accrued liabilities	(114)	(1,484)
Other	(541)	422
TOTAL ADJUSTMENTS	3,555	9,002
Net Cash Provided by Operating Activities	6,460	7,353
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of Indian		

Joint Venture	1,300	---
Capital expenditures	(3,007)	(4,039)
Payment received on notes receivable	202	716
Net Cash Used by Investing Activities	(1,505)	(3,323)
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal payment on long-term notes payable	(1,500)	(1,500)
Repayment of short-term note payable	---	(2,500)
Net advances by limited partner	---	262
Net Cash Used by Financing Activities	(1,500)	(3,738)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,455	292
CASH AND CASH EQUIVALENTS, at beginning of period	10,087	8,859
CASH AND CASH EQUIVALENTS, at end of period	\$ 13,542	\$ 9,151

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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 \$4.3 million (34 percent) in the second quarter of fiscal year 1994 compared to the second quarter of fiscal year 1993. This increase is primarily due to an increase in drilling revenues. A comparative analysis of drilling revenues by rig is as follows:

	QUARTERS ENDED		
	March 31, 1994	December 31, 1993	March 31, 1993
	(In Thousands)		
HUNTER	\$ 2,533	\$ 2,407	\$ ---
EAGLE	3,218	1,774	2,318
FALCON	2,311	3,546	4,157
VICKSBURG	1,044	1,027	1,239
RIG-19	1,744	1,683	1,759
SEAHAWK	2,684	2,763	811
RICHMOND	1,487	1,462	647
OTHER	964	711	674

Thus far in fiscal year 1994, the HUNTER has incurred no idle days. The rig was idle the entire second quarter of fiscal year 1993. 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. The downtime incurred in December in relocating the rig coupled with a higher dayrate contract accounts for the significant increase in revenues for the EAGLE in the second quarter as compared to the first quarter of fiscal year 1994. Due to higher labor costs, dayrate revenue levels are higher in Australia than in Malaysia. This difference in dayrate levels is reflected in the comparison of FALCON revenues. The FALCON was relocated from Australia to Malaysia during the second quarter of fiscal year 1994 which accounts for its reduction in revenues. Since its relocation from the Gulf of Mexico to Australia in 1987, the VICKSBURG has worked continuously for the same customer. RIG-19 has also had continuous employment since its acquisition in 1989. Since its commencement of operations in February 1993, the SEAHAWK has been a significant contributor to the Company's improved operating results. The RICHMOND has worked continuously since its return to employment 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 drilling rigs wholly or partially owned is as follows:

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NAME OF RIG	LOCATION	CONTRACT STATUS
HUNTER	Malaysia	Rig has four remaining firm wells to drill under current contract which also provides for six option wells. If no option wells are drilled, 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. If no options wells are drilled, contract could terminate in July 1994.
FALCON	Malaysia	Drilling under a contract for three firm wells plus one option well. If option well not drilled, contract could terminate in 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.

SEAHAWK	Malaysia	Commenced drilling in February, 1993 under a contract with primary term of 600 days plus multiple options.
RICHMOND	U.S. Gulf	Drilling under a contract estimated to terminate in June 1994.
SOUTHERN CROSS	Australia	Remains idle while the Company pursues future contract opportunities.

For the three months ended March 31, 1994 compared to the three months ended March 31, 1993, drilling costs increased \$1.5 million or 15 percent. An analysis of drilling costs by rig is as follows:

	QUARTERS ENDED		
	March 31, 1994	December 31, 1993	March 31, 1993
	(In Thousands)		
HUNTER	\$ 1,823	\$ 1,691	\$ 1,133
EAGLE	2,430	1,539	1,560
FALCON	1,422	2,819	2,606
VICKSBURG	610	201	856
RIG-19	1,242	1,151	1,212
SEAHAWK	1,451	1,538	959
RICHMOND	885	882	455
OTHER	1,261	1,028	857
	\$11,124	\$10,849	\$ 9,638

The increase in the HUNTER's drilling costs for the first two quarters of fiscal 1994 compared to the second quarter of fiscal 1993 is directly related to its 100 percent utilization in 1994. The increase in EAGLE's

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related to its 100 percent utilization, thus far, in fiscal 1994. The increase in EAGLE's drilling costs is due to its relocation from Malaysia to Australia - Indonesia "Zone of Cooperation". Operating costs are less in Malaysia due to lower labor expenses. The reduction in FALCON drilling costs is due to its relocation from Australia to Malaysia. Even though operating costs are lower in Malaysia compared to Australia, current dayrate levels are also less; thereby, resulting in approximately the same operating margins. 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 which

accounts for its low costs in the quarter ended December 31, 1993. As previously stated, the SEAHAWK commenced its operation in February 1993. The increase in drilling costs for the RICHMOND is due to its 100 percent utilization since March 1993. The increase in "Other" is due to the commencement of the Australian labor contract in November 1993.

The decline in interest expense during 1994 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 primary reason for the Company's profitable results in 1994 has been its ability to maintain high equipment utilization. For the first six months of fiscal year 1994, the Company, excluding the SOUTHERN CROSS, has only incurred eleven idle equipment days (99 percent utilization) compared to 259 idle equipment days (80 percent utilization) for the same period in fiscal year 1993. The key to the Company continuing its profitable operations in subsequent quarters is maintaining high utilization of its equipment. The HUNTER, EAGLE, FALCON and RICHMOND are working under contracts that could end during the current fiscal year. Should any of these contracts terminate, there is no guarantee of immediate on-going work; thus the Company could incur significant idle equipment days toward the end of fiscal year 1994. For the remainder of fiscal year 1994, the Company will continue its emphasis on maintaining high equipment utilization.

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 first half of fiscal 1994 the Company's working capital increased approximately \$5 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 continuing improvement in cash flows.

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

TO OUR SHAREHOLDERS AND EMPLOYEES:

May 12, 1994

To Our Shareholders and Employees:

The Company had 100 percent utilization of its drilling equipment during the second quarter of fiscal 1994 excluding the SOUTHERN CROSS, which has not been placed in service. The primary reason for the Company's profitable results to date in 1994 has been its ability to maintain high equipment utilization. For the first six months of fiscal year 1994, the Company, excluding the SOUTHERN CROSS, has only incurred eleven idle equipment days (99 percent utilization) compared to 259 idle equipment days (80 percent utilization) for the same period in fiscal year 1993. Earnings, including investment income, before depreciation, interest and taxes, but after adjustment for minority interest, were \$7.7 million for the six months ended March 31, 1994, compared to \$3.0 million for the same period in 1993. Drilling revenues for the second quarter of fiscal year 1994 increased \$4.38 million or 38 percent compared to the same period in 1993.

Firm contract commitments already in place should permit the Company to maintain high fleet utilization during its third quarter of fiscal year 1994. However, uncertainties relating to oil prices, possible deferrals in exploration programs and international rig relocations for the second half of calendar 1994 continue to persist. Ongoing opportunities for our three semisubmersibles and the RICHMOND commencing in the third and fourth quarters of calendar 1994 are being aggressively pursued with a view to maintaining high utilization.

Our overall safety and operational performances during the quarter have been given strong emphasis and have progressed favorably. In keeping with our positive longer-term view, we have also recently submitted bids for term opportunities that, if successful, would require investment in new equipment or major upgrade improvements in existing equipment.

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

ATWOOD OCEANICS, INC. AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security-Holders.

The Company's Annual Meeting of Shareholders was held on February 10, 1994, at which the shareholders voted on the election of six directors. Of the 5,348,602 shares of Common Stock present in person or by proxy, the number of shares voted for or withheld in connection with the election of each director is as follows:

Name	Votes Cast For	Votes Withheld
Robert W. Burgess	5,341,042	7,560
George S. Dotson	5,341,042	7,560
Walter H. Helmerich III	5,341,042	7,560
Hans Helmerich	5,341,042	7,560
John R. Irwin	5,341,042	7,560
William J. Morrissey	5,341,042	7,560

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: 5/12/94

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

