

DIAMOND OFFSHORE DRILLING INC
Form 10-Q
October 25, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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 1-13926

DIAMOND OFFSHORE DRILLING, INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of incorporation or organization)	76-0321760 (I.R.S. Employer Identification No.)
15415 Katy Freeway Houston, Texas (Address of principal executive offices)	77094 (Zip Code)
(281) 492-5300 (Registrant's telephone number, including area code)	

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 No

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 18, 2012 Common stock, \$0.01 par value per share 139,030,318 shares

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(Unaudited)

(In thousands, except share and per share data)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 316,599	\$ 333,765
Marketable securities	1,175,572	902,414
Accounts receivable, net of allowance for bad debts	463,219	563,934
Prepaid expenses and other current assets	143,441	192,570
Total current assets	2,098,831	1,992,683
Drilling and other property and equipment, net of accumulated depreciation	4,835,715	4,667,469
Other assets	245,204	304,005
Total assets	\$ 7,179,750	\$ 6,964,157
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 78,312	\$ 64,147
Accrued liabilities	322,813	336,400
Taxes payable	31,573	26,744
Total current liabilities	432,698	427,291
Long-term debt	1,496,004	1,495,823
Deferred tax liability	534,767	536,815
Other liabilities	174,851	171,165
Total liabilities	2,638,320	2,631,094
Commitments and contingencies (Note 9)		
Stockholders equity:		
Common stock (par value \$0.01, 500,000,000 shares authorized; 143,947,118 shares issued and 139,030,318 shares outstanding at September 30, 2012; 143,944,009 shares issued and 139,027,209 shares outstanding at December 31, 2011)	1,439	1,439
Additional paid-in capital	1,981,728	1,978,369
Retained earnings	2,669,775	2,472,310
Accumulated other comprehensive gain (loss)	2,901	(4,642)
Treasury stock, at cost (4,916,800 shares at September 30, 2012 and December 31, 2011)	(114,413)	(114,413)
Total stockholders equity	4,541,430	4,333,063

Total liabilities and stockholders' equity	\$ 7,179,750	\$ 6,964,157
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The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenues:				
Contract drilling	\$ 714,027	\$ 861,511	\$ 2,195,443	\$ 2,520,030
Revenues related to reimbursable expenses	15,114	16,666	40,528	54,032
Total revenues	729,141	878,177	2,235,971	2,574,062
Operating expenses:				
Contract drilling, excluding depreciation	357,281	391,369	1,159,635	1,141,739
Reimbursable expenses	14,563	16,206	39,351	52,443
Depreciation	99,207	101,175	300,069	303,523
General and administrative	13,476	14,879	49,803	48,976
Bad debt expense (recovery)		4,734	(1,018)	(5,413)
Gain on disposition of assets	(208)	(463)	(79,285)	(4,344)
Total operating expenses	484,319	527,900	1,468,555	1,536,924
Operating income	244,822	350,277	767,416	1,037,138
Other income (expense):				
Interest income	773	2,024	4,052	3,565
Interest expense	(8,720)	(15,874)	(36,780)	(60,144)
Foreign currency transaction gain (loss)	(1,860)	(1,442)	(881)	(4,603)
Other, net	(168)	(136)	(767)	(232)
Income before income tax expense	234,847	334,849	733,040	975,724
Income tax expense	(56,661)	(77,995)	(168,224)	(201,672)
Net income	\$ 178,186	\$ 256,854	\$ 564,816	\$ 774,052
Income per share:				
Basic	\$ 1.28	\$ 1.85	\$ 4.06	\$ 5.57
Diluted	\$ 1.28	\$ 1.85	\$ 4.06	\$ 5.57
Weighted-average shares outstanding:				
Shares of common stock	139,030	139,027	139,029	139,027
Dilutive potential shares of common stock	23	14	17	21
Total weighted-average shares outstanding	139,053	139,041	139,046	139,048
Cash dividends declared per share of common stock	\$ 0.875	\$ 0.875	\$ 2.625	2.625

The accompanying notes are an integral part of the consolidated financial statements.

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DIAMOND OFFSHORE DRILLING, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$ 178,186	\$ 256,854	\$ 564,816	\$ 774,052
Other comprehensive gains (losses), net of tax:				
Foreign currency forward exchange contracts:				
Unrealized holding gain (loss)	1,118	(11,221)	4,024	(3,538)
Reclassification adjustment for loss (gain) included in net income	1,868	(3,115)	3,445	(8,064)
Investments in marketable securities:				
Unrealized holding gain (loss)	29	(55)	18	(54)
Reclassification adjustment for (gain) loss included in net income	(28)	1	56	(378)
Total other comprehensive gain (loss)	2,987	(14,390)	7,543	(12,034)
Comprehensive income	\$ 181,173			