

PATTERSON UTI ENERGY INC

Form 10-Q

November 06, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

- ☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2006
- 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 0-22664

Patterson-UTI Energy, Inc.

(Exact name of registrant as specified in its charter)

DELAWARE

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

75-2504748

*(I.R.S. Employer
Identification No.)*

**4510 LAMESA HIGHWAY,
SNYDER, TEXAS**

(Address of principal executive offices)

79549

(Zip Code)

(325) 574-6300

(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 No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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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.

158,890,535 shares of common stock, \$0.01 par value, as of October 31, 2006

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

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Certification of CEO and CFO Pursuant to 18 USC Section 1350	

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The following unaudited condensed consolidated financial statements include all adjustments which, in the opinion of management, are necessary in order to make such financial statements not misleading.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2006	December 31, 2005
	(Unaudited)	
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,945	\$ 136,398
Accounts receivable, net of allowance for doubtful accounts of \$6,288 at September 30, 2006 and \$2,199 at December 31, 2005	511,001	422,002
Inventory	36,083	27,907
Deferred tax assets, net	44,528	26,382
Other	53,407	25,168
Total current assets	661,964	637,857
Property and equipment, at cost, net	1,328,795	1,053,845
Goodwill	99,056	99,056
Other	5,074	5,023
Total assets	\$ 2,094,889	\$ 1,795,781
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable:		
Trade	\$ 152,573	\$ 113,226
Accrued revenue distributions	14,512	13,379
Other	6,654	5,294
Accrued federal and state income taxes payable	15,519	11,034
Accrued expenses	150,669	112,476
Total current liabilities	339,927	255,409
Borrowings under line of credit	65,000	
Deferred tax liabilities, net	186,507	169,188

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Other	4,426	4,173
Total liabilities	595,860	428,770
Commitments and contingencies (see Note 10)		
Stockholders' equity:		
Preferred stock, par value \$.01; authorized 1,000,000 shares, no shares issued		
Common stock, par value \$.01; authorized 300,000,000 shares with 176,616,631 and 175,909,274 issued and 159,906,735 and 172,441,178 outstanding at September 30, 2006 and December 31, 2005, respectively	1,766	1,759
Additional paid-in capital	674,903	672,151
Deferred Compensation		(9,287)
Retained earnings	1,202,744	719,113
Accumulated other comprehensive income	11,581	8,565
Treasury stock, at cost, 16,709,896 and 3,468,096 shares at September 30, 2006 and December 31, 2005, respectively	(391,965)	(25,290)
Total stockholders' equity	1,499,029	1,367,011
Total liabilities and stockholders' equity	\$ 2,094,889	\$ 1,795,781

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	(Unaudited)		(Unaudited)	
	(In thousands, except per share		(In thousands, except per share	
	amounts)		amounts)	
Operating revenues:				
Contract drilling	\$ 577,047	\$ 401,046	\$ 1,616,100	\$ 1,025,938
Pressure pumping	40,462	27,640	107,800	66,358
Drilling and completion fluids	46,163	29,819	155,221	88,812
Oil and natural gas	9,986	10,234	29,083	28,146
	673,658	468,739	1,908,204	1,209,254
Operating costs and expenses:				
Contract drilling	267,345	202,956	737,021	558,607
Pressure pumping	20,960	15,662	56,545	38,648
Drilling and completion fluids	36,183	24,062	120,418	71,857
Oil and natural gas	3,222	2,365	11,241	6,953
Depreciation, depletion and impairment	49,215	39,545	140,245	112,319
Selling, general and administrative	13,777	10,565	39,428	30,157
Embezzlement costs, net of recoveries	(1,512)	5,431	2,941	12,193
Other operating expenses	2,563	707	3,948	2,590
	391,753	301,293	1,111,787	833,324
Operating income	281,905	167,446	796,417	375,930
Other income (expense):				
Interest income	948	944	5,579	2,011
Interest expense	(363)	(56)	(476)	(179)
Other	88	19	231	39
	673	907	5,334	1,871
Income before income taxes and cumulative effect of change in accounting principle	282,578	168,353	801,751	377,801
Income tax expense (benefit):				
Current	106,151	66,574	288,476	145,513
Deferred	(9,563)	(4,526)	(2,974)	(6,263)

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	96,588	62,048	285,502	139,250
Income before cumulative effect of change in accounting principle	185,990	106,305	516,249	238,551
Cumulative effect of change in accounting principle, net of related income tax expense of \$398			687	
Net income	\$ 185,990	\$ 106,305	\$ 516,936	\$ 238,551
Income before cumulative effect of change in accounting principle:				
Basic	\$ 1.14	\$ 0.62	\$ 3.07	\$ 1.40
Diluted	\$ 1.12	\$ 0.61	\$ 3.03	\$ 1.38
Net income per common share:				
Basic	\$ 1.14	\$ 0.62	\$ 3.08	\$ 1.40
Diluted	\$ 1.12	\$ 0.61	\$ 3.03	\$ 1.38
Weighted average number of common shares outstanding:				
Basic	163,412	171,613	168,036	169,846
Diluted	165,742	174,587	170,339	173,211

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

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	Common Stock		Additional		Accumulated Other			Total
	Number of Shares	Amount	Paid-in Capital	Deferred Compensation	Retained Earnings	Comprehensive Income	Treasury Stock	
Balance, December 31, 2005	175,909	\$ 1,759	\$ 672,151	\$ (9,287)	\$ 719,113	\$ 8,565	\$ (25,290)	\$ 1,367,011
Issuance of restricted stock	613	6	(6)					
Exercise of stock options	133	1	1,413					1,414
Tax benefit for stock option exercises			922					922
Stock based compensation, net of cumulative effect of change in accounting principle			9,710					9,710
Forfeitures of restricted shares	(39)							
Elimination of deferred compensation due to change in accounting principle			(9,287)	9,287				
Foreign currency translation adjustment, net of tax of \$1,673						3,016		3,016
Payment of cash dividends					(33,305)			(33,305)