

ATWOOD OCEANICS INC
Form 10-Q
February 08, 2011

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 QUARTERLY PERIOD ENDED DECEMBER 31, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 COMMISSION FILE NUMBER 1-13167

ATWOOD OCEANICS, INC.
(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of incorporation or
organization)

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

15835 Park Ten Place Drive
Houston, Texas
(Address of principal executive offices)

77084
(Zip Code)

281-749-7800
(Registrants 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, and (2) has been subject to such filings 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 (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 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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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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 issuers classes of common stock, as of January 31, 2011:
64,654,132 shares of common stock, \$1 par value

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ATWOOD OCEANICS, INC.

FORM 10-Q

For the Quarter Ended December 31, 2010

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PART I. ITEM I - FINANCIAL STATEMENTS

ATWOOD OCEANICS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share amounts)

	Three Months Ended December 31,	
	2010	2009
REVENUES:		
Contract drilling	\$146,286	\$164,243
COSTS AND EXPENSES:		
Contract drilling	58,344	61,042
Depreciation	8,803	9,713
General and administrative	15,664	11,623
Other, net	(61)	(87)
	82,750	82,291
OPERATING INCOME	63,536	81,952
OTHER INCOME (EXPENSE)		
Interest expense	(678)	(733)
Interest income	382	36
	(296)	(697)
INCOME BEFORE INCOME TAXES	63,240	81,255
PROVISION FOR INCOME TAXES	10,390	14,271
NET INCOME	\$52,850	\$66,984
EARNINGS PER COMMON SHARE (NOTE 3):		
Basic	0.82	1.04
Diluted	0.81	1.03
AVERAGE COMMON SHARES OUTSTANDING (NOTE 3):		
Basic	64,528	64,303
Diluted	65,184	65,023

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

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PART I. ITEM I - FINANCIAL STATEMENTS
 ATWOOD OCEANICS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands)

	December 31, 2010	September 30, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$200,209	\$180,523
Accounts receivable	99,409	96,463
Income tax receivable	7,266	16,052
Inventories of materials and supplies	50,950	52,749
Deferred tax assets	-	-
Prepaid expenses and deferred costs	12,955	14,207
Total Current Assets	370,789	359,994
NET PROPERTY AND EQUIPMENT	1,478,905	1,343,961
LONG TERM ASSETS:		
Other receivables	15,799	15,799
Deferred costs and other assets	5,911	4,686
	21,710	20,485
	\$1,871,404	\$1,724,440
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$32,660	\$37,192
Accrued liabilities	30,470	25,368
Income tax payable	28,501	26,367
Deferred credits	23,042	4,533
Total Current Liabilities	114,673	93,460
LONG-TERM DEBT	300,000	230,000
LONG TERM LIABILITIES:		
Deferred income taxes	10,639	10,845
Deferred credits	2,586	2,919
Other	17,367	17,082
	30,592	30,846
COMMITMENTS AND CONTINGENCIES (SEE NOTE 9)		
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; 1,000 shares authorized, none outstanding	-	-
	64,631	64,443

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Common stock, \$1 par value, 90,000 shares authorized with 64,631 and 64,443 issued and outstanding at December 31, 2010 and September 30, 2010, respectively

Paid-in capital	136,062	133,095
Retained earnings	1,225,446	1,172,596
Total Shareholders' Equity	1,426,139	1,370,134
	\$1,871,404	\$1,724,440

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

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PART I. ITEM I - FINANCIAL STATEMENTS
 ATWOOD OCEANICS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)

	Three Months Ended December 31,	
	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$52,850	\$66,984
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	8,803	9,713
Amortization of debt issuance costs	202	201
Amortization of deferred items	975	3,255
Provision for inventory obsolescence	195	135
Deferred income tax (benefit) expense	(206)	(3,233)
Share-based compensation expense	1,501	2,521
Other, net	(61)	(87)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,946)	18,026
Decrease in insurance receivable	-	980
(Increase) decrease in income tax receivable	8,786	(3,621)
(Increase) decrease in inventory	1,604	(583)
Decrease in prepaid expenses	3,608	3,128
Decrease in deferred costs and other assets	(6,391)	(3,090)
Decrease in accounts payable	(4,563)	(1,740)
Increase (decrease) in accrued liabilities	(1,459)	3,867
Increase in income tax payable	2,134	6,058
Increase in deferred credits and other liabilities	20,094	1,203
Net cash provided by operating activities	85,126	103,717
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(137,193)	(17,299)
Proceeds from sale of assets	99	87
Net cash used by investing activities	(137,094)	(17,212)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from debt	70,000	-
Proceeds from exercise of stock options	1,654	441
Net cash provided by financing activities	71,654	441
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$19,686	\$86,946
CASH AND CASH EQUIVALENTS, at beginning of period	\$180,523	\$100,259
CASH AND CASH EQUIVALENTS, at end of period	\$200,209	\$187,205
Non-cash activities		
Increase in accounts payable and accrued liabilities related to capital expenditures	\$6,592	\$30,597

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

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PART I. ITEM I - FINANCIAL STATEMENTS
 ATWOOD OCEANICS, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES
 IN SHAREHOLDERS EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Total Stockholders Equity
September 30, 2010	64,443	\$64,443	\$133,095	\$1,172,596	\$ 1,370,134
Net income	-	-	-	52,850	52,850
Restricted stock awards	80	80	(80)	-	-
Exercise of employee stock options	108	108	1,546	-	1,654
Stock option and restricted stock award compensation expense	-	-	1,501	-	1,501
December 31, 2010	64,631	\$64,631	\$136,062	\$1,225,446	\$ 1,426,139

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

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PART I. ITEM 1 - FINANCIAL STATEMENTS
ATWOOD OCEANICS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED INTERIM INFORMATION

The unaudited interim condensed consolidated financial statements of Atwood Oceanics, Inc. and its subsidiaries as of December 31, 2010, and for the three month period ended December 31, 2010 and 2009, included herein, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Unless otherwise indicated, references to "we", "us", "our" and the "Company" refer collectively to Atwood Oceanics, Inc., its subsidiaries and affiliates. The year end condensed consolidated balance sheet data was derived from the audited financial statements as of September 30, 2010. Although these financial statements and related information have been prepared without audit, and certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, we believe that the note disclosures are adequate to make the information not misleading. The interim financial results may not be indicative of results that could be expected for a full fiscal year. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report to Shareholders for the year ended September 30, 2010. In our opinion, the unaudited interim financial statements reflect all adjustments considered necessary for a fair statement of our financial position and results of operations for the periods presented.

2. SHARE-BASED COMPENSATION

We account for share-based compensation in accordance with ASC 718. Under ASC 718, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period of the equity grant). As of December 31, 2010, unrecognized compensation cost, net of estimated forfeitures, related to stock options and restricted stock awards was approximately \$7.5 million and \$10.7 million, respectively, which we expect to recognize over a weighted average period of approximately 2.8 years.

Awards of restricted stock and stock options have both been granted under the Atwood Oceanics, Inc. 2007 Long-Term Incentive Plan (as amended, the "2007 Plan") during the three months ended December 31, 2010. We no longer issue awards of restricted stock or stock options under either the Atwood Oceanics, Inc. 1996 Incentive Equity Plan (the "1996 Plan") or the Atwood Oceanics, Inc. Amended and Restated 2001 Stock Incentive Plan (the "2001 Plan"), but stock options remaining outstanding for exercise under those plans. We deliver newly issued shares of common stock for restricted stock awards upon vesting and upon exercise of stock options. All stock incentive plans currently in effect have been approved by the shareholders of our outstanding common stock.

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Stock Options

Under our stock incentive plans, the exercise price of each stock option must be equal to or greater than the fair market value of one share of our common stock on the date of grant, with all outstanding options having a maximum term of 10 years. Options vest ratably over a period from the end of the first to the fourth year from the date of grant under the o