

PATTERSON UTI ENERGY INC

Form 10-Q

August 02, 2010

Table of Contents

**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 **June 30, 2010**

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.)*

450 GEARS ROAD, SUITE 500
HOUSTON, TEXAS
(Address of principal executive offices)

77067
(Zip Code)

(281) 765-7100
(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 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 Regulation S-T (section 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

(Do not check if a smaller reporting company)

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.

154,147,367 shares of common stock, \$0.01 par value, as of July 30, 2010

**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES
TABLE OF CONTENTS**

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u>	
<u>Financial Statements</u>	
<u>Unaudited consolidated balance sheets</u>	1
<u>Unaudited consolidated statements of operations</u>	2
<u>Unaudited consolidated statements of changes in stockholders' equity</u>	3
<u>Unaudited consolidated statements of cash flows</u>	5
<u>Notes to unaudited consolidated financial statements</u>	6
<u>ITEM 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
<u>ITEM 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	23
<u>ITEM 4.</u>	
<u>Controls and Procedures</u>	23
<u>PART II OTHER INFORMATION</u>	
<u>ITEM 1A.</u>	
<u>Risk Factors</u>	24
<u>ITEM 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
<u>ITEM 6.</u>	
<u>Exhibits</u>	25
<u>Signature</u>	27
<u>EX-10.4</u>	
<u>EX-10.5</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-101 INSTANCE DOCUMENT</u>	
<u>EX-101 SCHEMA DOCUMENT</u>	
<u>EX-101 CALCULATION LINKBASE DOCUMENT</u>	
<u>EX-101 LABELS LINKBASE DOCUMENT</u>	
<u>EX-101 PRESENTATION LINKBASE DOCUMENT</u>	
<u>EX-101 DEFINITION LINKBASE DOCUMENT</u>	

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements**

The following unaudited consolidated financial statements include all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented.

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

(unaudited, in thousands, except share data)

	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 95,979	\$ 49,877
Accounts receivable, net of allowance for doubtful accounts of \$8,611 and \$10,911 at June 30, 2010 and December 31, 2009, respectively	200,938	164,498
Federal and state income taxes receivable	5,160	118,869
Inventory	9,821	6,941
Deferred tax assets, net	21,320	32,877
Assets held for sale		42,424
Other	50,314	41,782
Total current assets	383,532	457,268
Property and equipment, net	2,289,929	2,110,402
Goodwill	86,234	86,234
Deposits on equipment purchases	32,940	914
Other	7,357	7,334
Total assets	\$ 2,799,992	\$ 2,662,152
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 172,352	\$ 83,700
Accrued expenses	123,953	109,608
Total current liabilities	296,305	193,308
Deferred tax liabilities, net	388,672	381,656
Other	6,593	5,488
Total liabilities	691,570	580,452
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 181,462,898 and 180,828,773 issued and 154,147,418 and 153,610,785 outstanding at June 30, 2010 and December 31, 2009, respectively	1,815	1,808
Additional paid-in capital	788,421	781,635

Edgar Filing: PATTERSON UTI ENERGY INC - Form 10-Q

Retained earnings	1,920,184	1,901,853
Accumulated other comprehensive income	18,027	14,996
Treasury stock, at cost, 27,315,480 shares and 27,217,988 shares at June 30, 2010 and December 31, 2009, respectively	(620,025)	(618,592)
Total stockholders' equity	2,108,422	2,081,700
Total liabilities and stockholders' equity	\$ 2,799,992	\$ 2,662,152

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

Table of Contents**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Operating revenues:				
Contract drilling	\$ 239,966	\$ 101,716	\$ 450,711	\$ 327,420
Pressure pumping	59,364	33,616	113,115	71,721
Oil and natural gas	7,662	5,165	14,764	9,565
Total operating revenues	306,992	140,497	578,590	408,706
Operating costs and expenses:				
Contract drilling	149,303	56,950	284,449	183,271
Pressure pumping	41,965	25,887	81,096	56,327
Oil and natural gas	1,780	1,820	3,842	3,796
Depreciation, depletion and impairment	78,783	68,257	154,499	137,989
Selling, general and administrative	12,343	11,454	23,806	21,829
Net (gain) loss on asset disposals	(21,939)	234	(21,690)	445
Provision for bad debts	(1,000)	1,750	(1,000)	5,750
Total operating costs and expenses	261,235	166,352	525,002	409,407
Operating income (loss)	45,757	(25,855)	53,588	(701)
Other income (expense):				
Interest income	1,380	204	1,567	265
Interest expense	(1,383)	(839)	(2,784)	(1,286)
Other	174	12	249	35
Total other income (expense)	171	(623)	(968)	(986)
Income (loss) before income taxes	45,928	(26,478)	52,620	(1,687)
Income tax expense (benefit):				
Current	1,935	(2,388)	(2,482)	(2,554)
Deferred	14,465	(7,199)	21,388	1,923
Total income tax expense (benefit)	16,400	(9,587)	18,906	(631)
Income (loss) from continuing operations	29,528	(16,891)	33,714	(1,056)
Loss from discontinued operations, net of income taxes		(852)		(484)

Edgar Filing: PATTERSON UTI ENERGY INC - Form 10-Q

Net income (loss)	\$ 29,528	\$ (17,743)	\$ 33,714	\$ (1,540)
Basic income (loss) per common share:				
Income (loss) from continuing operations	\$ 0.19	\$ (0.11)	\$ 0.22	\$ (0.01)
Loss from discontinued operations, net of income taxes	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00
Net income (loss)	\$ 0.19	\$ (0.12)	\$ 0.22	\$ (0.01)
Diluted income (loss) per common share:				
Income (loss) from continuing operations	\$ 0.19	\$ (0.11)	\$ 0.22	\$ (0.01)
Loss from discontinued operations, net of income taxes	\$ 0.00	\$ (0.01)	\$ 0.00	\$ 0.00
Net income (loss)	\$ 0.19	\$ (0.12)	\$ 0.22	\$ (0.01)
Weighted average number of common shares outstanding:				
Basic	152,650	151,941	152,554	151,839
Diluted	152,871	151,941	152,852	151,839
Cash dividends per common share	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10

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

2

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
(unaudited, in thousands)

	Common Stock	Additional		Accumulated			
	Number		Paid-in	Retained	Other	Treasury	Total
	of	Amount	Capital	Earnings	Income	Stock	
	Shares						
Balance, December 31, 2009	180,829	\$ 1,808	\$ 781,635	\$ 1,901,853	\$ 14,996	\$(618,592)	\$ 2,081,700
Comprehensive income:							
Net income				33,714			33,714
Foreign currency translation adjustment, net of tax of \$2,814					3,031		3,031
Total comprehensive income				33,714	3,031		36,745
Issuance of restricted stock	646	7	(7)				
Vesting of stock unit awards	7						
Forfeitures of restricted stock	(53)						
Exercise of stock options	34		290				290
Stock-based compensation			7,987				7,987
Tax expense related to stock-based compensation			(1,484)				(1,484)
Payment of cash dividends				(15,383)			(15,383)
Purchase of treasury stock						(1,433)	(1,433)
Balance, June 30, 2010	181,463	\$ 1,815	\$ 788,421	\$ 1,920,184	\$ 18,027	\$(620,025)	\$ 2,108,422

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

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY
(unaudited, in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other		Total
	Number of Shares	Amount			Comprehensive Income	Treasury Stock	
Balance, December 31, 2008	180,192	\$ 1,801	\$ 765,512	\$ 1,970,824	\$ 5,774	\$ (616,969)	\$ 2,126,942
Comprehensive income:							
Net loss				(1,540)			(1,540)
Foreign currency translation adjustment, net of tax of \$2,095					3,614		3,614
Total comprehensive income				(1,540)	3,614		2,074
Issuance of restricted stock	588	6	(6)				
Vesting of restricted stock units	6						
Forfeitures of restricted stock	(32)						
Exercise of stock options	48	1	270				271
Stock-based compensation			9,608				9,608
Tax expense related to stock-based compensation			(1,767)				(1,767)
Payment of cash dividends				(15,330)			(15,330)
Purchase of treasury stock						(1,178)	(1,178)
Balance, June 30, 2009	180,802	\$ 1,808	\$ 773,617	\$ 1,953,954	\$ 9,388	\$ (618,147)	\$ 2,120,620

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

Table of Contents

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Six Months Ended	
	June 30,	
	2010	2009
Cash flows from operating activities:		
Net income (loss)	\$ 33,714	\$ (1,540)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and impairment	154,499	137,989
Provision for bad debts	(1,000)	5,750
Dry holes and abandonments	486	118
Deferred income tax expense	21,388	1,923
Stock-based compensation expense	7,987	9,439
Net (gain) loss on asset disposals	(21,690)	445
Tax expense related to stock-based compensation	(1,484)	(1,767)
Changes in operating assets and liabilities:		
Accounts receivable	(47,382)	265,349
Income taxes receivable/payable	113,690	3,595
Inventory and other assets	(13,283)	1,730
Accounts payable	18,441	(83,586)
Accrued expenses	16,338	(26,324)
Other liabilities	1,190	(33)
Net cash provided by operating activities of discontinued operations	10,687	39,913
Net cash provided by operating activities	293,581	353,001
Cash flows from investing activities:		
Purchases of property and equipment	(298,845)	(246,543)
Proceeds from disposal of assets	25,231	618
Net cash provided by investing activities of discontinued operations	42,646	89
Net cash used in investing activities	(230,968)	(245,836)
Cash flows from financing activities:		
Purchases of treasury stock	(1,433)	(1,178)
Dividends paid	(15,383)	(15,330)
Line of credit issuance costs		(6,169)
Proceeds from exercise of stock options	290	271
Net cash used in financing activities	(16,526)	(22,406)
Effect of foreign exchange rate changes on cash	15	1,683