

PATTERSON UTI ENERGY INC
Form 10-Q
October 31, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2011

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)

<p>DELAWARE (State or other jurisdiction of incorporation or organization) 450 GEARS ROAD, SUITE 500</p> <p>HOUSTON, TEXAS (Address of principal executive offices)</p>	<p>75-2504748 (I.R.S. Employer Identification No.)</p> <p>77067 (Zip Code)</p> <p>(281) 765-7100 (Registrant's telephone number, including area code)</p> <p>N/A (Former name, former address and former fiscal year, if changed since last report)</p>
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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 (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:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	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.

155,632,439 shares of common stock, \$0.01 par value, as of October 28, 2011

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PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

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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)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,645	\$ 27,612
Accounts receivable, net of allowance for doubtful accounts of \$4,885 and \$5,114 at September 30, 2011 and December 31, 2010, respectively	472,227	337,167
Federal and state income taxes receivable		75,062
Inventory	25,556	17,215
Deferred tax assets, net	123,828	26,815
Assets held for sale		23,370
Other	59,022	50,169
Total current assets	691,278	557,410
Property and equipment, net	3,025,606	2,620,900
Goodwill and intangible assets	176,601	179,683
Deposits on equipment purchases	80,932	51,084
Other	12,276	13,954
Total assets	\$ 3,986,693	\$ 3,423,031
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 267,990	\$ 162,400
Federal and state income taxes payable	854	
Accrued expenses	152,301	147,315
Current portion of long-term debt	10,000	6,250
Total current liabilities	431,145	315,965
Borrowings under revolving credit facility	15,800	
Long-term debt	385,000	392,500
Deferred tax liabilities, net	718,927	511,422
Other	9,088	15,537
Total liabilities	1,559,960	1,235,424
Commitments and contingencies (see Note 11)		
Stockholders' equity:		
Preferred stock, par value \$.01; authorized 1,000,000 shares, no shares issued		

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Common stock, par value \$.01; authorized 300,000,000 shares with 183,108,650 and 181,537,568 issued and 155,625,890 and 154,193,754 outstanding at September 30, 2011 and December 31, 2010, respectively	1,831	1,815
Additional paid-in capital	831,869	796,641
Retained earnings	2,199,560	1,987,999
Accumulated other comprehensive income	18,137	21,597
Treasury stock, at cost, 27,482,760 shares and 27,343,814 shares at September 30, 2011 and December 31, 2010, respectively	(624,664)	(620,445)
 Total stockholders' equity	 2,426,733	 2,187,607
 Total liabilities and stockholders' equity	 \$ 3,986,693	 \$ 3,423,031

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Operating revenues:				
Contract drilling	\$ 436,827	\$ 290,759	\$ 1,200,664	\$ 741,470
Pressure pumping	225,164	81,104	604,954	194,219
Oil and natural gas	11,837	6,800	35,678	21,564
Total operating revenues	673,828	378,663	1,841,296	957,253
Operating costs and expenses:				
Contract drilling	264,418	174,999	701,871	459,448
Pressure pumping	149,577	51,305	397,018	132,401
Oil and natural gas	2,306	1,484	6,406	5,326
Depreciation, depletion, amortization and impairment	110,713	85,431	309,677	239,930
Selling, general and administrative	15,957	13,685	48,681	37,491
Net gain on asset disposals	(1,437)	(250)	(4,058)	(21,940)
Provision for bad debts		(500)		(1,500)
Total operating costs and expenses	541,534	326,154	1,459,595	851,156
Operating income	132,294	52,509	381,701	106,097
Other income (expense):				
Interest income	47	64	135	1,631
Interest expense	(3,835)	(6,227)	(11,238)	(9,011)
Other	375	260	572	509
Total other expense	(3,413)	(5,903)	(10,531)	(6,871)
Income from continuing operations before income taxes	128,881	46,606	371,170	99,226
Income tax expense (benefit):				
Current	6,795	(1,748)	25,826	(4,230)
Deferred	40,158	18,980	110,159	40,368
Total income tax expense	46,953	17,232	135,985	36,138
Income from continuing operations	81,928	29,374	235,185	63,088
Loss from discontinued operations, net of income taxes			(367)	
Net income	\$ 81,928	\$ 29,374	\$ 234,818	\$ 63,088
Basic income (loss) per common share:				
Income from continuing operations	\$ 0.53	\$ 0.19	\$ 1.52	\$ 0.41

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Loss from discontinued operations, net of income taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net income	\$ 0.53	\$ 0.19	\$ 1.52	\$ 0.41
Diluted income (loss) per common share:				
Income from continuing operations	\$ 0.53	\$ 0.19	\$ 1.50	\$ 0.41
Loss from discontinued operations, net of income taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Net income	\$ 0.53	\$ 0.19	\$ 1.50	\$ 0.41
Weighted average number of common shares outstanding:				
Basic	152,617	152,933	153,661	152,682
Diluted	154,120	154,109	155,369	152,682
Cash dividends per common share	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15

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 Comprehensive Income	Treasury Stock	Total
	Number of Shares	Amount					
Balance, December 31, 2010	181,538	\$ 1,815	\$ 796,641	\$ 1,987,999	\$ 21,597	\$ (620,445)	\$ 2,187,607
Comprehensive income:							
Net income				234,818			234,818
Foreign currency translation adjustment					(3,460)		(3,460)
Total comprehensive income				234,818	(3,460)		231,358
Issuance of restricted stock	767	8	(8)				
Vesting of stock unit awards	10						
Forfeitures of restricted stock	(44)						
Exercise of stock options	838	8	14,032				14,040
Stock-based compensation			15,366				15,366
Tax benefit related to stock-based compensation			5,838				5,838
Payment of cash dividends				(23,257)			(23,257)
Purchases of treasury stock						(4,219)	(4,219)
Balance, September 30, 2011	183,109	\$ 1,831	\$ 831,869	\$ 2,199,560	\$ 18,137	\$ (624,664)	\$ 2,426,733

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		Total
	Number of Shares	Amount			Other Comprehensive Income	Treasury Stock	
Balance, December 31, 2009	180,829	\$ 1,808	\$ 781,635	\$ 1,901,853	\$ 14,996	\$ (618,592)	\$ 2,081,700
Comprehensive income:							
Net income				63,088			63,088
Foreign currency translation adjustment, net of tax of \$2,814					4,650		4,650
Total comprehensive income				63,088	4,650		67,738
Issuance of restricted stock	646	6	(6)				
Vesting of stock unit awards	7						
Forfeitures of restricted stock	(54)						
Exercise of stock options	34		290				290
Stock-based compensation			11,881				11,881
Tax expense related to stock-based compensation			(2,535)				(2,535)
Payment of cash dividends				(23,087)			(23,087)
Purchases of treasury stock						(1,848)	(1,848)
Balance, September 30, 2010	181,462	\$ 1,814	\$ 791,265	\$ 1,941,854	\$ 19,646	\$ (620,440)	\$ 2,134,139

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)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	\$ 234,818	\$ 63,088
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and impairment	309,677	239,930
Provision for bad debts		(1,500)
Dry holes and abandonments	221	479
Deferred income tax expense	110,159	40,368
Stock-based compensation expense	15,366	11,881
Net gain on asset disposals	(4,058)	(21,940)
Tax expense related to stock-based compensation		(2,535)
Changes in operating assets and liabilities:		
Accounts receivable	(133,371)	(97,455)
Income taxes receivable/payable	76,018	114,209
Inventory and other assets	(10,625)	(6,864)
Accounts payable	58,020	31,674
Accrued expenses	6,460	18,227
Other liabilities	(6,449)	2,218
Net cash provided by (used in) operating activities of discontinued operations	(339)	10,687
Net cash provided by operating activities	655,897	402,467
Cash flows from investing activities:		
Purchases of property and equipment	(711,436)	(513,679)
Proceeds from disposal of assets	9,054	27,224
Net cash provided by investing activities of discontinued operations	25,500	42,646
Net cash used in investing activities	(676,882)	(443,809)
Cash flows from financing activities:		
Purchases of treasury stock	(4,219)	(1,848)
Dividends paid	(23,257)	(23,087)
Debt issuance costs		(10,328)
Proceeds from long-term debt		100,000
Repayment of long-term debt	(3,750)	
Borrowings under revolving credit facility	15,800	
Tax benefit related to stock-based compensation	&n	