

PATTERSON UTI ENERGY INC

Form 10-Q

July 28, 2014

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2014

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)

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

75-2504748
(I.R.S. Employer Identification No.)

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 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 Accelerated filer
Non-accelerated filer 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.

146,134,531 shares of common stock, \$0.01 par value, as of July 23, 2014

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PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

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The following unaudited consolidated condensed 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 CONDENSED BALANCE SHEETS**

(unaudited, in thousands, except share data)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,837	\$ 249,509
Accounts receivable, net of allowance for doubtful accounts of \$3,677 and \$3,674 at June 30, 2014 and December 31, 2013, respectively	507,930	451,517
Federal and state income taxes receivable	2,845	
Inventory	28,525	21,248
Deferred tax assets, net	27,962	32,952
Other	70,632	53,424
Total current assets	758,731	808,650
Property and equipment, net	3,873,610	3,635,541
Goodwill and intangible assets	177,303	167,470
Deposits on equipment purchases	78,118	52,560
Other	20,605	22,906
Total assets	\$ 4,908,367	\$ 4,687,127
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 319,311	\$ 173,150
Federal and state income taxes payable		10,670
Accrued expenses	172,575	160,457
Current portion of long-term debt	10,000	10,000
Total current liabilities	501,886	354,277
Long-term debt	677,500	682,500
Deferred tax liabilities, net	873,106	887,864
Other	8,431	6,489
Total liabilities	2,060,923	1,931,130

Commitments and contingencies (see Note 9)

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 188,958,501 and

186,487,246 issued and 146,139,916 and 144,219,189 outstanding at June 30, 2014

and December 31, 2013, respectively

1,890

1,865

Additional paid-in capital

961,854

913,505

Retained earnings

2,767,526

2,707,439

Accumulated other comprehensive income

15,209

14,076

Treasury stock, at cost, 42,818,585 shares and 42,268,057 shares at June 30, 2014

and December 31, 2013, respectively

(899,035)

(880,888)

Total stockholders' equity

2,847,444

2,755,997

Total liabilities and stockholders' equity

\$ 4,908,367

\$ 4,687,127

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

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

(unaudited, in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating revenues:				
Contract drilling	\$ 438,583	\$ 389,979	\$ 864,486	\$ 809,073
Pressure pumping	306,577	254,620	546,838	485,780
Oil and natural gas	12,116	14,717	24,120	31,502
Total operating revenues	757,276	659,316	1,435,444	1,326,355
Operating costs and expenses:				
Contract drilling	255,318	242,748	506,377	489,820
Pressure pumping	241,977	188,280	441,785	356,436
Oil and natural gas	2,872	3,214	6,146	6,136
Depreciation, depletion, amortization and impairment	153,426	137,182	300,748	273,617
Selling, general and administrative	19,548	18,319	39,221	35,716
Net gain on asset disposals	(3,091)	(1,033)	(4,835)	(908)
Total operating costs and expenses	670,050	588,710	1,289,442	1,160,817
Operating income	87,226	70,606	146,002	165,538
Other income (expense):				
Interest income	208	250	384	423
Interest expense, net of amount capitalized	(7,249)	(6,941)	(14,437)	(13,707)
Other	3	381	3	400
Total other expense	(7,038)	(6,310)	(14,050)	(12,884)
Income before income taxes	80,188	64,296	131,952	152,654
Income tax expense (benefit):				
Current	25,680	2,335	52,615	9,908
Deferred	225	21,193	(9,768)	45,748
Total income tax expense	25,905	23,528	42,847	55,656
Net income	\$ 54,283	\$ 40,768	\$ 89,105	\$ 96,998

Net income per common share:

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Basic	\$ 0.37	\$ 0.28	\$ 0.62	\$ 0.66
Diluted	\$ 0.37	\$ 0.28	\$ 0.61	\$ 0.66
Weighted average number of common shares outstanding:				
Basic	143,622	145,465	143,259	145,148
Diluted	146,029	146,374	145,586	146,292
Cash dividends per common share	\$ 0.10	\$ 0.05	\$ 0.20	\$ 0.10

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

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

(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income	\$ 54,283	\$ 40,768	\$ 89,105	\$ 96,998
Other comprehensive income (loss), net of taxes of \$0 for all periods:				
Foreign currency translation adjustment	4,488	(3,748)	1,133	(6,051)
Total comprehensive income	\$ 58,771	\$ 37,020	\$ 90,238	\$ 90,947

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

Table of Contents**PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES****CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**

(unaudited, in thousands)

	Common Stock		Additional	Retained	Accumulated	Treasury	Total
	Number of	Amount	Paid-in	Earnings	Other	Stock	
	Shares		Capital		Income		
Balance, December 31, 2013	186,487	\$ 1,865	\$ 913,505	\$ 2,707,439	\$ 14,076	\$ (880,888)	\$ 2,755,997
Net income				89,105			89,105
Foreign currency translation adjustment					1,133		1,133
Issuance of restricted stock	1,057	11	(11)				
Vesting of stock unit awards	10						
Forfeitures of restricted stock	(28)						
Exercise of stock options	1,433	14	26,845				26,859
Stock-based compensation			12,959				12,959
Tax benefit related to stock-based compensation			8,556				8,556
Payment of cash dividends				(29,018)			(29,018)
Purchase of treasury stock						(18,147)	(18,147)
Balance, June 30, 2014	188,959	\$ 1,890	\$ 961,854	\$ 2,767,526	\$ 15,209	\$ (899,035)	\$ 2,847,444

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

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

(unaudited, in thousands)

	Six Months Ended June 30,	
	2014	2013
Cash		