

PATTERSON UTI ENERGY INC

Form 10-Q/A

March 27, 2006

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q/A**

**(Amendment No. 1)**

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

**For the quarterly period ended March 31, 2005**

**OR**

**o 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 ☐

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.

169,579,860 shares of common stock, \$0.01 par value, as of April 28, 2005



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

	<b>Page</b>
Explanatory Note	3
<u>PART I. Financial Information</u>	
<u>ITEM 1. Financial Statements</u>	
<u>Unaudited condensed consolidated balance sheets</u>	5
<u>Unaudited condensed consolidated statements of income</u>	6
<u>Unaudited condensed consolidated statement of changes in stockholders' equity</u>	7
<u>Unaudited condensed consolidated statements of changes in cash flows</u>	8
<u>Notes to unaudited condensed consolidated financial statements</u>	9
<u>ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	21
<u>ITEM 3. Quantitative and Qualitative Disclosures About Market Risk</u>	27
<u>ITEM 4. Controls and Procedures</u>	28
<u>Forward Looking Statements and Cautionary Statements for Purposes of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995</u>	30
 <u>PART II. Other Information</u>	
<u>ITEM 6. Exhibits</u>	31
<u>Signatures</u>	32
<u>Certification of CEO Pursuant to Rule 13a-14(a)/15d-14(a)</u>	
<u>Certification of CFO Pursuant to Rule 13a-14(a)-15d-14(a)</u>	
<u>Certification of CEO &amp; CFO Pursuant to 18 USC Section 1350</u>	

**Table of Contents****Explanatory Note**

This Amendment No. 1 on Form 10-Q/ A ( Form 10-Q/ A ) to our previously filed Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, initially filed with the United States Securities and Exchange Commission ( SEC ) on April 29, 2005 ( Original Filing ), reflects a restatement of our unaudited interim condensed consolidated financial statements as discussed in Note 2 of the Notes to Unaudited Condensed Consolidated Financial Statements. Previously issued financial statements are being restated to properly reflect losses incurred as a result of an embezzlement whereby payments were made to or for the benefit of Jonathan D. Nelson ( Nelson ), our former Chief Financial Officer ( CFO ), that had been reflected in previously issued financial statements as payments for assets and services that were not received by the Company. Previously issued financial statements are also being restated for the effects of the correction of other errors that are immaterial both individually and in the aggregate. These other adjustments relate primarily to previously reported property and equipment balances that resulted from our review of our property and equipment records and the underlying physical assets in connection with investigation of the embezzlement.

The total amount embezzled was approximately \$77.5 million in cash, excluding any tax effects, beginning with the year ended December 31, 1998 through November 3, 2005 as follows (in thousands):

From 1998 to December 31, 2004	\$ 58,961
From January 1, 2005 to September 30, 2005	12,193
<b>Total through September 30, 2005</b>	<b>71,154</b>
From October 1, 2005 to November 3, 2005 (net of \$1,500 repayment)	6,350
<b>Total Embezzlement</b>	<b>\$ 77,504</b>

On November 16, 2005, the SEC obtained a freeze order on Nelson's assets (including assets held by entities controlled by him) and a Receiver was appointed to collect those assets. The Company understands that the Receiver will ultimately liquidate the assets and propose a plan to distribute the proceeds. While the Company believes it has a claim for at least the full amount embezzled, other creditors have or may assert claims on the assets held by the Receiver. As a result, recovery by the Company from the Receiver is uncertain as to timing and amount, if any. Recoveries, if any, will be recognized when they are considered collectible.

The effects of the embezzlement on the Company's financial position follow (in thousands):

<b>Decrease in Amounts Previously Reported</b>	<b>Mar 31, 2005</b>	<b>Dec 31, 2004</b>
Assets	\$ (57,514)	\$ (56,133)
Liabilities(1)	(21,357)	(20,848)
<b>Retained Earnings &amp; Stockholders' Equity</b>	<b>\$ (36,157)</b>	<b>\$ (35,285)</b>

- (1) Consists of increases in federal and state income taxes payable of \$1.7 million and \$1.3 million at March 31, 2005 and December 31, 2004, respectively, and decreases in deferred tax liabilities of \$23.1 million and \$22.2 million at March 31, 2005 and December 31, 2004, respectively.

**Table of Contents**

The effects of the restatement due to the embezzlement and other adjustments on operating income as previously reported for the three months ended March 31, 2005 and March 31, 2004 follow (in thousands):

	<b>Three Months Ended</b>	
	<b>Mar 31, 2005</b>	<b>Mar 31, 2004</b>
<b>Operating income:</b>		
As previously reported	\$ 94,252	\$ 32,510
Adjustment for effects of embezzlement	(1,381)	(5,013)
Other adjustments	(1,038)	(927)
As restated	\$ 91,833	\$ 26,570

The effects of the restatement due to the embezzlement and other adjustments on net income as previously reported for the three months ended March 31, 2005 and March 31, 2004, respectively, follow (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31, 2005</b>	<b>March 31, 2004</b>
<b>Net income:</b>		
As previously reported	\$ 59,748	\$ 20,682
<b>Adjustments:</b>		
Embezzled funds expense	(1,606)	(5,133)
Embezzlement amounts previously expensed as depreciation and selling, general and administrative	225	120
Other adjustments	(1,038)	(927)
Tax benefits	891	2,191
Net adjustment	(1,528)	(3,749)
Net income, as restated	\$ 58,220	\$ 16,933

**Net income per common share:**

<b>Basic:</b>		
As previously reported	\$ 0.35	\$ 0.13
Adjustment for effects of embezzlement	\$ (0.01)	\$ (0.02)
Other adjustments	\$	\$
As restated	\$ 0.34	\$ 0.10
<b>Diluted:</b>		
As previously reported	\$ 0.35	\$ 0.12
Adjustment for effects of embezzlement	\$ (0.01)	\$ (0.02)
Other adjustments	\$	\$
As restated	\$ 0.34	\$ 0.10

Except for the foregoing amended information, the Form 10-Q/A continues to speak as of the date of the Original Filing and the Company has not updated the disclosure contained herein to reflect events that occurred at a later date.

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

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**

	Restated (See Note 2)	
	March 31, 2005	December 31, 2004
	(Unaudited) (In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 68,296	\$ 112,371
Accounts receivable, net of allowance for doubtful accounts of \$2,765 at March 31, 2005 and \$1,909 at December 31, 2004	272,740	214,097
Inventory	18,164	17,738
Deferred tax assets, net	15,243	15,991
Other	25,570	26,836
Total current assets	400,013	387,033
Property and equipment, at cost, net	865,493	765,019
Goodwill	99,056	99,056
Other	3,961	5,677
Total assets	\$ 1,368,523	\$ 1,256,785
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable:		
Trade	\$ 66,109	\$ 54,553
Accrued revenue distributions	10,434	11,297
Other	9,821	2,309
Accrued federal and state income taxes payable	27,901	4,231
Accrued expenses	85,475	79,163
Total current liabilities	199,740	151,553
Deferred tax liabilities, net	139,987	140,475
Other	3,233	3,256
Total liabilities	342,960	295,284
Commitments and contingencies (See Note 12)		



## 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 172,470,340 and 171,625,841 issued and 169,357,244 and 168,512,745 outstanding at March 31, 2005 and December 31, 2004, respectively	1,725	1,716
Additional paid-in capital	609,720	597,280
Deferred compensation	(4,944)	(5,420)
Retained earnings	425,185	373,712
Accumulated other comprehensive income, net of tax	7,014	7,350
Treasury stock, at cost, 3,113,096 shares	(13,137)	(13,137)
Total stockholders' equity	1,025,563	961,501
Total liabilities and stockholders' equity	\$ 1,368,523	\$ 1,256,785

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

Table of Contents

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

	Restated (See Note 2)	
	Three Months Ended March 31,	
	2005	2004
	(Unaudited) (In thousands, except per share amounts)	
Operating revenues:		
Contract drilling	\$ 295,389	\$ 179,175
Pressure pumping	16,693	14,250
Drilling and completion fluids	29,406	18,139
Oil and natural gas	9,105	7,215
	350,593	218,779
Operating costs and expenses:		
Contract drilling	175,466	127,991
Pressure pumping	10,364	8,088
Drilling and completion fluids	23,949	15,639
Oil and natural gas	2,170	1,568
Depreciation, depletion and impairment	35,215	28,081
Selling, general and administrative	9,673	6,792
Bad debt expense	223	90
Embezzled funds expense	1,606	5,133
(Gain) loss on sale of assets	94	(1,173)
	258,760	192,209
Operating income	91,833	26,570
Other income (expense):		
Interest income	433	251
Interest expense	(66)	(76)
Other	4	85
	371	260
Income before income taxes	92,204	26,830
Income tax expense:		
Current	33,529	4,586
Deferred	455	5,311

	33,984	9,897
Net income	\$ 58,220	\$ 16,933
Net income per common share:		
Basic	\$ 0.34	\$ 0.10
Diluted	\$ 0.34	\$ 0.10
Weighted average number of common shares outstanding:		
Basic	168,757	163,748
Diluted	171,742	167,234

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

Table of Contents

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

	Common Stock		Additional		Accumulated		Other		
	Number of Shares	Amount	Paid-In Capital	Deferred Compensation	Retained Earnings	Comprehensive Income	Treasury Stock	Total	
(Unaudited) (In thousands)									
December 31, 2004, as previously reported	171,626	\$ 1,716	\$ 597,280	\$ (5,420)	\$ 415,489	\$ 11,611	\$ (13,137)	\$ 1,007,539	
Adjustment for effects of embezzlement (net of applicable income tax benefit of \$20,848) (See Note 2)					(35,285)			(35,285)	
Other adjustments (net of applicable income tax benefit of \$3,501) (See Note 2)					(6,492)	(4,261)		(10,753)	
December 31, 2004, as restated	171,626	1,716	597,280	(5,420)	373,712	7,350	(13,137)	961,501	
Amortization of deferred compensation expense				551				551	
Forfeitures of restricted shares	(6)			(75)				(75)	
Exercise of stock options	850	9	7,301					7,310	
Tax benefit related to exercise of stock options			5,139					5,139	
Foreign currency translation adjustment (net of applicable income tax of \$195), as restated						(336)		(336)	
Payment of cash dividend					(6,747)			(6,747)	

Net income, as restated						58,220			58,220
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March 31, 2005, as restated	172,470	\$ 1,725	\$ 609,720	\$ (4,944)	\$ 425,185	\$ 7,014	\$ (13,137)	\$ 1,025,563
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*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**Table of Contents**

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

	<b>Restated (See Note 2)</b>	
	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Unaudited) (In thousands)</b>	
Cash flows from operating activities:		
Net income	\$ 58,220	\$ 16,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and impairment	35,215	28,081
Provision for bad debts	223	90
Deferred income tax expense	455	5,311
Tax benefit related to exercise of stock options	5,139	7,694
Amortization of deferred compensation expense	476	
(Gain) loss on sale of assets		