

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

ATWOOD OCEANICS INC  
Form 10-Q  
August 08, 2007

-----  
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 JUNE 30, 2007

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 74-1611874  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

15835 Park Ten Place Drive 77084  
Houston, Texas (Zip Code)  
(Address of principal executive offices)

281-749-7800  
Registrant's 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 X 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 X 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 X  
---

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 31, 2007: 31,671,627 shares of common stock, \$1 par value  
-----

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

ATWOOD OCEANICS, INC.

FORM 10-Q

For the Quarter Ended June 30, 2007

INDEX

Part I. Financial Information

Item 1. Unaudited Condensed Consolidated Financial Statements	Page
a) Condensed Consolidated Statements of Operations For the Three and Nine Months Ended June 30, 2007 and 2006.....	3
b) Condensed Consolidated Balance Sheets As of June 30, 2007 and September 30, 2006.....	4
c) Condensed Consolidated Statements of Cash Flows For the Nine Months Ended June 30, 2007 and 2006.....	5
d) Condensed Consolidated Statement of Changes in Shareholders' Equity for the Nine Months Ended June 30, 2007.....	6
e) Notes to Condensed Consolidated Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	14
Item 3. Quantitative and Qualitative Disclosures about Market Risk.....	25
Item 4. Controls and Procedures.....	26
Part II. Other Information	
Item 6. Exhibits .....	27
Signatures.....	28

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  
June 30,

Nine Months  
June 30

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

	2007	2006	2007
REVENUES:			
Contract drilling	\$ 98,371	\$ 71,865	\$ 278,875
Business interruption proceeds	-	-	2,558
	98,371	71,865	281,433
COSTS AND EXPENSES:			
Contract drilling	47,484	32,136	140,211
Depreciation	8,438	6,192	24,782
General and administrative	5,949	4,830	17,991
Gain on sale of equipment	(157)	(1,075)	(341)
	61,714	42,083	182,643
OPERATING INCOME	36,657	29,782	98,790
OTHER INCOME (EXPENSE)			
Interest expense, net of capitalized interest	(392)	(1,435)	(1,317)
Interest income	304	259	1,177
	(88)	(1,176)	(140)
INCOME BEFORE INCOME TAXES	36,569	28,606	98,650
PROVISION (BENEFIT) FOR INCOME TAXES	4,536	(4,185)	13,775
NET INCOME	\$ 32,033	\$ 32,791	\$ 84,875
EARNINGS PER COMMON SHARE (SEE NOTE 3):			
Basic	\$ 1.02	\$ 1.06	\$ 2.72
Diluted	1.00	1.04	2.68
AVERAGE COMMON SHARES OUTSTANDING (SEE NOTE 3):			
Basic	31,491	31,037	31,233
Diluted	31,964	31,580	31,718

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

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

ASSETS	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 73,106	\$ 32,276
Accounts receivable, net of an allowance of \$600 and \$750 at June 30, 2007 and September 30, 2006, respectively	71,570	80,222
Income tax receivable	2,854	65
Insurance receivable	-	550
Inventories of materials and supplies	24,650	22,124
Deferred tax assets	942	2,563
Prepaid expenses and other	2,667	9,873
	-----	-----
Total Current Assets	175,789	147,673
	-----	-----
NET PROPERTY AND EQUIPMENT	482,062	436,166
	-----	-----
DEFERRED COSTS AND OTHER ASSETS	8,430	9,990
	-----	-----
	\$ 666,281	\$ 593,829
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of notes payable	\$ 27,000	\$ 36,000
Accounts payable	9,574	11,760
Accrued liabilities	22,633	13,201
Deferred Credits	177	404
	-----	-----
Total Current Liabilities	59,384	61,365
	-----	-----
LONG-TERM DEBT, net of current maturities:	-	28,000
	-----	-----
	-	28,000
	-----	-----
OTHER LONG TERM LIABILITIES:		
Deferred income taxes	16,521	18,591
Deferred credits	28,332	23,284
Other	5,202	3,695
	-----	-----
	50,055	45,570
	-----	-----
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; 1,000 shares authorized, none outstanding	-	-
Common stock, \$1 par value, 50,000 shares authorized with 31,506 and 31,046 issued and outstanding at June 30, 2007 and September 30, 2006, respectively	31,506	31,046
Paid-in capital	128,529	115,916
Retained earnings	396,807	311,932
	-----	-----
Total Shareholders' Equity	556,842	458,894
	-----	-----
	\$ 666,281	\$ 593,829

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

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

4

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

	Nine Months Ended June 30	
	2007	2006
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 84,875	\$ 62,943
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	24,782	18,789
Amortization of debt issuance costs	603	603
Amortization of deferred items	(22,856)	9,275
Provision for doubtful accounts	(37)	618
Deferred income tax benefit	(1,154)	(1,581)
Stock-based compensation expense	3,750	3,400
Gain on sale of equipment	(341)	(10,350)
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	8,689	(12,762)
Decrease in insurance receivable	550	-
Decrease (increase) in income tax receivable	(2,789)	1,496
Increase in inventory	(2,526)	(3,276)
Decrease in prepaid expenses and other	6,119	1,717
Increase in deferred costs and other assets	(3,498)	(5,716)
Decrease in accounts payable	(2,186)	(1,203)
Increase in accrued liabilities	9,432	6,041
Increase in deferred credits and other liabilities	34,726	4,873
Other	(3)	8
Net cash provided by operating activities	138,136	74,875
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(70,930)	(62,357)
Proceeds from sale of equipment	596	25,520
Net cash used by investing activities	(70,334)	(36,837)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	7,188	6,014
Excess tax benefit from the exercise of stock options	2,840	-
Proceeds from debt	-	10,000
Principal payments on debt	(37,000)	(27,000)
Net cash used by financing activities	(26,972)	(10,986)

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

NET INCREASE IN CASH AND CASH EQUIVALENTS	40,830	27,052
CASH AND CASH EQUIVALENTS, at beginning of period	\$ 32,276	\$ 18,982
	-----	-----
CASH AND CASH EQUIVALENTS, at end of period	\$ 73,106	\$ 46,034
	=====	=====

-----

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

5

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
September 30, 2006	31,046	\$ 31,046	\$ 115,916	\$ 311,84
Net income	-	-	-	84,
Restricted stock awards	7	7	(7)	
Exercise of employee stock options	453	453	6,735	
Stock option and restricted stock award compensation expense	-	-	3,750	
Excess tax benefit from exercise of employee stock options	-	-	2,135	
	-----	-----	-----	-----
June 30, 2007	31,506	\$ 31,506	\$ 128,529	\$ 396,
	=====	=====	=====	=====

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

6

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 as of June 30, 2007 and for each of the three and nine month periods ended June 30,

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

2007 and 2006, 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. The year end condensed consolidated balance sheet data was derived from the audited financial statements as of September 30, 2006. 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 year. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report to Shareholders for the year ended September 30, 2006. 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 recognize compensation expense on grants of share-based compensation awards on a straight-line basis over the required service period for each award. As of June 30, 2007, unrecognized compensation cost, net of estimated forfeitures, related to stock options and restricted stock awards was approximately \$4.5 million and \$4.7 million, respectively, which we expect to recognize over a weighted average period of approximately 2.3 years. The recognition of share-based compensation expense had the following effect on our consolidated statements of operations (in thousands, except per share amounts):

7

	Three Months Ended	Nine Months
June 30, 2007:		
Increase in contract drilling expenses	\$ 362	\$ 95
Increase in general and administrative expenses	895	2,79
Decrease in income tax provision	(313)	(97)
	-----	-----
Decrease of net income	\$ 944	\$2,77
	=====	=====
Decrease in earnings per share:		
Basic	\$0.03	\$0.0
Diluted	\$0.03	\$0.0
June 30, 2006:		
Increase in contract drilling expenses	\$ 350	\$ 6
Increase in general and administrative expenses	775	2,7
Decrease in income tax provision	(271)	(9
	-----	-----
Decrease of net income	\$ 854	\$2,4
	=====	=====
Decrease in earnings per share:		
Basic	\$0.03	\$0.
Diluted	\$0.03	\$0.

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

Awards of restricted stock and stock options have both been granted under our stock incentive plans during the current fiscal year. 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.

### Stock Options

Under our stock incentive plans, the exercise price of each stock option equals 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. Each option is for the purchase of one share of our common stock.

The per share weighted average fair value of stock options granted during the nine months ended June 30, 2007 was \$23.64. We estimated the fair value of each stock option then outstanding using the Black-Scholes pricing model and the following assumptions for the nine months ended June 30, 2007:

Risk-Free Interest Rate	4.5%
Expected Volatility	46%
Expected Life (Years)	5.25
Dividend Yield	None

8

The average risk-free interest rate is based on the five-year U.S. treasury security rate in effect as of the grant date. We determined expected volatility using a 6-year historical volatility figure and determined the expected term of the stock options using 10 years of historical data. The expected dividend yield is based on the expected annual dividend as a percentage of the market value of our common stock as of the grant date.

A summary of stock option activity during the nine months ended June 30, 2007 is as follows:

	Number of Options (000s)	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life (Years)	Aggregate Intrinsic Value (000s)
	-----	-----	-----	-----
Outstanding at October 1, 2006	1,437	\$ 19.56		
Granted	79	\$ 49.97		
Exercised	(450)	\$ 15.90		\$ 18,526
Forfeited	(13)	\$ 31.20		
	-----			
Outstanding at June 30, 2007	1,053	\$ 23.27	6.4	\$ 47,774
	=====			
Exercisable at June 30, 2007	644	\$ 18.57	5.4	\$ 32,234
	=====			



## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

### Restricted Stock

We have also awarded restricted stock to certain employees and to our non-employee directors. The awards of restricted stock to employees are subject to three year vesting. Awards of restricted stock to non-employee directors prior to March 2007 vested immediately while awards granted in March 2007 are subject to three year vesting. All restricted stock awards granted to date are restricted from transfer for three years from the date of grant, whether vested or unvested. We value restricted stock awards at fair market value of our common stock on the date of grant.

A summary of restricted stock activity for the nine months ended June 30, 2007, is as follows:

	Number of Shares (000s)	Wtd. Avg. Fair Value
Unvested at September 30, 2006	93	\$ 38.07
Granted	78	\$ 49.99
Vested	(7)	\$ 45.58
Forfeited	(2)	\$ 49.97
	---	
Unvested at June 30, 2007	162	\$ 43.38

9

### 3. EARNINGS (LOSS) PER COMMON SHARE

The computation of basic and diluted earnings per share is as follows (in thousands, except per share amounts):

	Three Months Ended			
	Net Income	Shares	Per Share Amount	Net Income
June 30, 2007:				
Basic earnings per share	\$ 32,033	31,491	\$ 1.02	\$ 84,875
Effect of dilutive securities:				
Stock options	---	473	\$ (0.02)	---
	\$ 32,033	31,964	\$ 1.00	\$ 84,875
June 30, 2006:				
Basic earnings per share	\$ 32,791	31,037	\$ 1.06	\$ 62,943
Effect of dilutive securities:				
Stock options	---	543	\$ (0.02)	---
	\$ 32,791	31,580	\$ 1.04	\$ 62,943

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

=====

The calculation of diluted earnings per share for the three and nine month periods ending June 30, 2007 excludes consideration of shares of common stock related to 77,000 outstanding stock options because such options were anti-dilutive. These options could potentially dilute basic earnings per share in the future.

10

4. PROPERTY AND EQUIPMENT

A summary of property and equipment by classification is as follows (in thousands):

	June 30, 2007	September 30, 2006
	-----	-----
Drilling vessels and related equipment		
Cost	\$ 679,331	\$ 661,321
Accumulated depreciation	(284,949)	(261,682)
	-----	-----
Net book value	394,382	399,639
	-----	-----
Drill pipe		
Cost	15,370	13,271
Accumulated depreciation	(9,410)	(8,257)
	-----	-----
Net book value	5,960	5,014
	-----	-----
Furniture and other		
Cost	8,736	7,920
Accumulated depreciation	(6,523)	(6,375)
	-----	-----
Net book value	2,213	1,545
	-----	-----
Construction in progress	79,507	29,968
	-----	-----
NET PROPERTY AND EQUIPMENT	\$ 482,062	\$ 436,166
	=====	=====

ATWOOD BEACON

During the first quarter of the current fiscal year, we completed the work to restore the ATWOOD BEACON to its original condition prior to the July 2004 incident offshore of Indonesia whereby all three legs and the derrick incurred damage while positioning for a well. The majority of the restoration work was completed in early calendar year 2005, at which time the rig was placed back into service. The more recent repairs were needed to finish the final leg extensions to restore the rig to its original condition. We had insurance

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

coverage to reimburse the costs of repairs and loss of hire coverage of \$70,000 per day. \$2.6 million of revenue recognized from the loss of hire coverage during the quarter ended December 31, 2006 is reflected as business interruption proceeds in our Consolidated Statement of Operations. As of June 30, 2007, all costs incurred to date and business interruption proceeds earned related to this incident have been reimbursed by the insurance carrier.

11

### SALE OF EQUIPMENT

In October 2005, we sold our semisubmersible hull, SEASCOUT, for \$10 million (net after certain expenses) and our spare 15,000 P.S.I. BOP Stack for approximately \$15 million for a gain of approximately \$10.1 million. We had no operations or revenues associated with these assets prior to their sale.

### 5. INCOME TAXES

Virtually all of our tax provision for each of the three and nine months ended June 30, 2007 and 2006 relates to taxes in foreign jurisdictions. Accordingly, due to the high level of operating income earned in certain nontaxable and deemed profit tax jurisdictions during the three and nine months ended June 30, 2007 and 2006, our effective tax rate for these periods was significantly less than the United States federal statutory rate. In addition, during the third quarter of the prior fiscal year, we reversed a \$1.8 million tax contingent liability due to the expiration of the statute of limitations in a foreign jurisdiction and also recognized a \$4.6 million tax benefit due to the acceptance of certain amended prior year tax returns by a foreign tax authority, both of which contributed to the low effective tax rates in the prior fiscal year periods.

On July 20, 2007, we were notified by the Malaysian tax authorities regarding a potential proposed adjustment relating to fiscal years 2000 to 2003. Although we believe we are in compliance, we are currently evaluating the merit of the assertions by the Malaysian tax authorities and plan to vigorously contest these assertions. While we cannot predict or provide assurance as to the final outcome of these allegations, we do not expect them to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### 6. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities", which provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. GAAP has required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. The objective of SFAS No. 159 is to help mitigate this type of volatility in the earnings by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with complex hedge accounting provisions. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently analyzing the provisions of SFAS No. 159 and determining how it will affect accounting policies and procedures, but we have not yet made a determination of the impact the adoption will have on our consolidated financial position, results of

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

operations and cash flows.

In June 2006, the Financial Accounting Standards Board issued FIN 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109." FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting, and disclosing uncertain tax positions within the financial statements. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. We are evaluating the impact of the adoption of FIN 48 on our consolidated financial position.

12

In September 2005, the FASB issued SFAS No. 157, "Fair Value Measurements", which defines fair value, establishes methods used to measure fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal periods. We are currently analyzing the provisions of SFAS No. 157 and determining how it will affect accounting policies and procedures, but we have not yet made a determination of the impact the adoption will have on our consolidated financial position, results of operations and cash flows.

### 7. COMMITMENTS AND CONTINGENCIES

We are party to a number of lawsuits which are ordinary, routine litigation incidental to our business, the outcome of which, individually, or in the aggregate, is not expected to have a material adverse effect on our financial position, results of operations, or cash flows.

13

## PART I. ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Form 10-Q for the quarterly period ended June 30, 2007 includes statements about Atwood Oceanics, Inc. (which together with its subsidiaries is identified as the "Company," "we" or "our," unless the context indicates otherwise) which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) which are forward-looking statements. In addition, we and our representatives may, from time to time, make other oral or written statements which are also forward-looking statements.

These forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us, and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Important factors that could cause our actual results of operations, financial conditions or cash flows to differ include, but are not necessarily limited to:

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

- our dependence on the oil and gas industry;
- the operational risks involved in drilling for oil and gas;
- changes in rig utilization and dayrates in response to the level of activity in the oil and gas industry, which is significantly affected by indications and expectations regarding the level and volatility of oil and gas prices, which in turn are affected by such things as political, economic and weather conditions affecting or potentially affecting regional or worldwide demand for oil and gas, actions or anticipated actions by OPEC, inventory levels, deliverability constraints, and future market activity;
- the extent to which customers and potential customers continue to pursue deepwater drilling;
- exploration success or lack of exploration success by our customers and potential customers;
- the highly competitive and cyclical nature of our business, with periods of low demand and excess rig availability;
- the impact of the war with Iraq or other military operations, terrorist acts or embargoes elsewhere;
- our ability to enter into and the terms of future drilling contracts;
- the availability of qualified personnel;
- our failure to retain the business of one or more significant customers;
- the termination or renegotiation of contracts by customers;

14

- the availability of adequate insurance at a reasonable cost;
- the occurrence of an uninsured loss;
- the risks of international operations, including possible economic, political, social or monetary instability, and compliance with foreign laws;
- the effect public health concerns could have on our international operations and financial results;
- compliance with or breach of environmental laws;
- the incurrence of secured debt or additional unsecured indebtedness or other obligations by us or our subsidiaries;
- the adequacy of sources of liquidity;
- currently unknown rig repair needs and/or additional opportunities to accelerate planned maintenance expenditures due to presently unanticipated rig downtime;
- higher than anticipated accruals for performance-based compensation due to better than anticipated performance by us, higher than anticipated severance expenses due to unanticipated employee terminations, higher than anticipated legal and accounting fees due to unanticipated

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

financing or other corporate transactions and other factors that could increase general and administrative expenses;

- the actions of our competitors in the offshore drilling industry, which could significantly influence rig dayrates and utilization;
- changes in the geographic areas in which our customers plan to operate, which in turn could change our expected effective tax rate;
- changes in oil and gas drilling technology or in our competitors' drilling rig fleets that could make our drilling rigs less competitive or require major capital investments to keep them competitive;
- rig availability;
- the effects and uncertainties of legal and administrative proceedings and other contingencies;
- the impact of governmental laws and regulations and the uncertainties involved in their administration, particularly in some foreign jurisdictions;
- changes in accepted interpretations of accounting guidelines and other accounting pronouncements and tax laws;
- the risks involved in the construction, upgrade and repair of our drilling units; and

15

- such other factors as may be discussed in this report and our other reports filed with the Securities and Exchange Commission, or SEC.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. The words "believe," "impact," "intend," "estimate," "anticipate," "plan," and similar expressions identify forward-looking statements. These forward-looking statements are found at various places throughout the Management's Discussion and Analysis in Part I, Item 2 hereof and elsewhere in this report. When considering any forward-looking statement, you should also keep in mind the risk factors described in other reports or filings we make with the SEC from time to time, including our Form 10K for the year ended September 30, 2006. Undue reliance should not be placed on these forward-looking statements, which are applicable only on the date hereof. Neither we nor our representatives have a general obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof or to reflect the occurrence of unanticipated events.

16

### MARKET OUTLOOK

We have 100% of available rig days for the remainder of fiscal year 2007 contracted, with contracted rig days for fiscal years 2008 and 2009 at approximately 77% and 32%, respectively. A comparison of the average per day

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

revenues for fiscal year 2006 and for the first nine months of fiscal year 2007 for each of our eight drilling units to their current highest contracted dayrate commitments is as follows:

	Average Per Day Revenues (1)		Current Highest Contracted Dayrate Commitment	Percentage Chang Fiscal Year-to-Da to Highest Contr Dayrate Commit
	Fiscal Year 2006	Fiscal Year-to-Date 2007		
ATWOOD EAGLE	\$129,000	\$160,000	\$405,000	153%
ATWOOD HUNTER	172,000	221,000	245,000	11%
ATWOOD FALCON	83,000	124,000	200,000	61%
ATWOOD SOUTHERN CROSS	82,000	134,000	380,000	184%
ATWOOD BEACON	88,000	108,000	133,500	24%
VICKSBURG	82,000	96,000	154,000	60%
SEAHAWK	32,000	85,000 (2)	72,000	---
RICHMOND	55,000	81,000	80,000	---

(1) Includes dayrate and service revenues and amortized deferred fees.

(2) Includes amortized deferred fees of approximately \$18,000 per day.

The ATWOOD EAGLE is currently working offshore Australia for BHP Billiton Petroleum ("BHPB") on a drilling program currently expected to extend into January 2008. Immediately following the completion of the BHPB work, the rig has a one-well commitment at a dayrate of \$360,000 and a two-year commitment with Woodside Energy Limited ("Woodside") (expected to commence in March 2008) at a dayrate of \$405,000. The ATWOOD HUNTER is currently working offshore Libya for Woodside at a dayrate of \$245,000. The current Woodside contract extends to June/July 2008; however, Woodside has advised that they have interest in farming-out the rig for a period of four to six months which could increase the ATWOOD HUNTER's dayrate during the farm-out period and extend the Woodside contract commitment beyond the current June/July 2008 date. The ATWOOD FALCON has contractual commitments offshore Malaysia with Sarawak Shell Berhad that extend to July 2009, with a current operating dayrate of \$160,000 to \$200,000 (depending upon water depth of each well drilled). We expect that most of the wells drilled will be at the \$160,000 dayrate. The ATWOOD SOUTHERN CROSS currently has contractual commitments in the Black Sea with dayrates ranging from \$145,000 to \$380,000. These commitments could extend into the third quarter of fiscal year 2008 if all option wells are exercised. Currently, the ATWOOD BEACON is working under a long-term contract commitment offshore India that extends to January 2009. The dayrate for the contract is \$113,000 to January 2008 and \$133,500 for one year thereafter. The VICKSBURG is currently working offshore Thailand under a contract commitment for Chevron Overseas Petroleum which provides a dayrate of \$154,000 to June 2009. The SEAHAWK has a contract commitment offshore Equatorial Guinea which extends to September 2008 at a dayrate of approximately \$72,000 plus amortized deferred fees of approximately \$18,000 per day. The RICHMOND, our only rig in the U.S. Gulf of Mexico, has a current contract commitment which should extend to October 2007 at a dayrate of \$80,000.

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

Our contract drilling costs increased 36% for the first nine months of fiscal year 2007 compared to the same period in fiscal year 2006. A comparative analysis of per day contract drilling costs is as follows:

Average Per Day Contract Drilling Costs				
	Fiscal Year 2006	First Quarter of Fiscal Year 2007	Second Quarter of Fiscal Year 2007	Third Quarter of Fiscal Year 2007
ATWOOD EAGLE	\$74,000	\$86,000	\$94,000	\$108,000
ATWOOD HUNTER	51,000	65,000	65,000	80,000
ATWOOD FALCON	45,000	95,000 (1)	50,000	53,000
ATWOOD SOUTHERN CROSS	66,000 (2)	57,000	48,000	59,000
ATWOOD BEACON	29,000	44,000	39,000	41,000
VICKSBURG	33,000	41,000	33,000	38,000
SEAHAWK (3)	23,000	74,000	77,000	81,000
RICHMOND	28,000	33,000	38,000	37,000
OTHER	17,000	12,000	26,000	14,000

- (1) Daily average operating costs were high due to planned maintenance during the period the rig was in a shipyard undergoing its water depth upgrade.
- (2) The daily average operating costs of the ATWOOD SOUTHERN CROSS was high during fiscal year 2006 due to \$8.6 million of mobilization expense amortization resulting from the rig being relocated from Southeast Asia to the Mediterranean during the fourth quarter of fiscal year 2005.
- (3) During fiscal year 2006, the SEAHAWK worked the first half of the year in a relatively low operating cost area of Southeast Asia compared to its current operating area of West Africa. This rig was upgraded and relocated to West Africa during the second half of fiscal year 2006 which also contributed to the rig incurring significantly lower operating costs during fiscal year 2006. Daily operating costs for fiscal year 2007 also include amortized deferred costs of approximately \$14,000 per day.

Thus far, fiscal year 2007 factors impacting operating cost increases, are as follows: (1) end of calendar year bonuses paid to rig shorebased personnel; (2) general salary increases to all rig-based personnel; (3) start-up costs associated with rigs commencing operations in new drilling areas (VICKSBURG in Thailand), (ATWOOD BEACON in India), (SEAHAWK in West Africa) and (ATWOOD HUNTER in Libya); (4) costs associated with maintenance during shipyard periods (ATWOOD FALCON and ATWOOD BEACON); (5) higher than normal maintenance costs incurred on the ATWOOD HUNTER and ATWOOD EAGLE; and (6) higher than normal payroll costs incurred by the ATWOOD EAGLE due to extra personnel assigned to the rig for training purposes. Operating costs will vary for all rigs depending upon each rig's specific operating activities.

During the last quarter of fiscal year 2007 and first half of fiscal year 2008, some of our rigs are expected to incur some zero rate days for required



## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

regulatory inspections and planned maintenance. Our goal is to maintain our fleet and plan our downtime maintenance periods with a focus on minimizing downtime and achieving longer term returns. The VICKSBURG was off dayrate for two days in July 2007. The ATWOOD EAGLE could incur ten to fourteen zero rate

18

days during the first or second quarter of fiscal year 2008, while the ATWOOD HUNTER could incur three to five zero rate days during the fourth quarter of fiscal year 2007 and fifteen to twenty zero rate days sometime during fiscal year 2008. The ATWOOD SOUTHERN CROSS could incur seven to ten zero rate days during the fourth quarter of fiscal year 2007; while the RICHMOND could incur thirty to sixty zero rate days during the first quarter of fiscal year 2008 for a life enhancing upgrade. In addition to our planned downtime, we would also expect to incur some unplanned downtime for maintenance and repairs. Historically, we have experienced approximately 1% to 1 1/2% of zero rate downtime days for our fleet as a percentage of all available days.

With a skilled labor shortage continuing to develop in the offshore drilling industry coupled with our continuing focus on developing and training personnel, we expect our personnel related costs will continue to increase. We currently estimate that daily operating costs for our eight operating units during the last quarter of fiscal year 2007 could range as follows:

ATWOOD EAGLE	\$100,000 to \$110,000
ATWOOD HUNTER	\$70,000 to \$75,000
ATWOOD FALCON	\$60,000 to \$65,000
ATWOOD SOUTHERN CROSS	\$60,000 to \$65,000
SEAHAWK	\$70,000 to \$75,000 (1)
ATWOOD BEACON	\$35,000 to \$45,000
VICKSBURG	\$35,000 to \$45,000
RICHMOND	\$35,000 to \$45,000

(1) Includes amortized deferred costs of approximately \$14,000 per day.

Our ninth mobile offshore drilling unit, an ultra-premium class jack-up to be named the ATWOOD AURORA, is currently under construction in Brownsville, Texas, with delivery expected by September 30, 2008. We estimate the total costs of construction (including capitalized interest) will be approximately \$160 million. We intend to finance the construction of the new rig from operating cash flows and cash on hand balances. As of August 7, 2007, we have no outstanding borrowing under the \$100 million revolving credit portion of our senior secured credit facility.

We will continue to explore opportunities for growth. Revenues, operating cash flows and earnings for fiscal year 2006 were the highest in our history. With our backlog of contracted days at historically high dayrates providing increasing revenue expectations, we anticipate that operating results for fiscal years 2007 and 2008 will reflect significant improvement over fiscal year 2006 operating results.

19

### RESULTS OF OPERATIONS

Revenues for the three and nine months ended June 30, 2007 increased 37% and 44%, respectively, compared to the three and nine months ended June 30, 2006. A comparative analysis of revenues is as follows:

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

	REVENUES (In millions)				
	Three Months Ended June 30,			Nine Months Ended	
	2007	2006	Variance	2007	2006
SEAHAWK	\$ 7.4	\$ 0.1	\$ 7.3	\$ 23.3	\$ 7.6
ATWOOD SOUTHERN CROSS	13.1	6.6	6.5	36.5	23.3
ATWOOD FALCON	12.8	8.4	4.4	33.8	21.8
ATWOOD EAGLE	15.2	11.9	3.3	43.7	33.3
RICHMOND	7.3	4.7	2.6	22.0	12.8
ATWOOD BEACON	10.3	8.4	1.9	29.3	21.4
VICKSBURG	9.2	7.9	1.3	26.2	22.3
ATWOOD HUNTER	21.6	21.0	0.6	60.3	43.4
AUSTRALIA MANAGEMENT CONTRACTS	1.5	2.9	(1.4)	6.3	8.9
	-----	-----	-----	-----	-----
	\$ 98.4	\$71.9	\$ 26.5	\$281.4	\$194.8
	=====	=====	=====	=====	=====

The increase in fleetwide revenues for the current quarter and year-to-date periods is primarily attributable to the increase in average dayrates due to improving market conditions and strong demand for offshore drilling equipment as previously discussed in "Market Outlook". Increases in revenues for the ATWOOD HUNTER, ATWOOD FALCON, SEAHAWK, ATWOOD BEACON, RICHMOND, ATWOOD SOUTHERN CROSS, VICKSBURG and the ATWOOD EAGLE were related to each of these drilling units working under higher dayrate contracts during the current quarter and fiscal year-to-date period compared to the same periods in the prior fiscal year. In addition, during the third quarter of fiscal year 2006, the SEAHAWK was in a shipyard undergoing a life-enhancing upgrade for the entire quarter and earned virtually no revenue during this time. Revenue for the AUSTRALIA MANAGEMENT CONTRACTS was lower for the three and nine month periods ended June 30, 2007 when compared to the prior fiscal year periods due to decreased activity as the most recent drilling program was completed at the end of the first quarter of fiscal year 2007.

20

Contract drilling costs for the three and nine months ended June 30, 2007 increased 48% and 36%, respectively compared to the three and nine months ended June 30, 2006. An analysis of contract drilling costs by rig is as follows:

	CONTRACT DRILLING COSTS (In millions)				
	Three Months Ended June 30,			Nine Months Ended	
	2007	2006	Variance	2007	2006
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

SEAHAWK	\$ 7.4	\$ 0.3	\$ 7.1	\$ 21.1	\$ 4.4
ATWOOD EAGLE	9.8	6.8	3.0	26.2	19.0
ATWOOD HUNTER	7.3	5.2	2.1	19.1	12.9
ATWOOD SOUTHERN CROSS	5.3	4.1	1.2	14.9	20.2
ATWOOD BEACON	3.8	2.6	1.2	11.3	7.8
RICHMOND	3.4	2.5	0.9	9.8	7.4
VICKSBURG	3.4	2.6	0.8	10.1	8.6
ATWOOD FALCON	4.8	4.1	0.7	18.1	11.3
AUSTRALIA MANAGEMENT					
CONTRACTS	1.0	2.1	(1.1)	4.9	7.3
OTHER	1.3	1.8	(0.5)	4.7	4.3
	-----	-----	-----	-----	-----
	\$ 47.5	\$ 32.1	\$15.4	\$140.2	\$103.2
	=====	=====	=====	=====	=====

On a fleetwide basis, wage increases and extra personnel for training and development have resulted in higher personnel costs during the three and nine months ended June 30, 2007 for virtually every rig when compared to the prior fiscal year periods. With the SEAHAWK and ATWOOD HUNTER currently working offshore West and North Africa, respectively, both rigs have experienced increased travel, freight and shorebase costs due to higher transportation and living expenses in West and North Africa. Contract drilling costs for the SEAHAWK also reflect amortization of approximately \$1.2 million and \$3.9 million of deferred expenses in the second quarter and year-to-date period of fiscal year 2007, respectively, compared to none in for the same periods of fiscal year 2006. In addition, as previously noted, the SEAHAWK incurred significantly less operating costs during the third quarter of the prior fiscal year as the rig was in a shipyard undergoing a life enhancing upgrade. The ATWOOD HUNTER incurred additional maintenance costs during a planned regulatory inspection period in December 2006. In addition to the rising personnel costs mentioned above, the ATWOOD EAGLE and RICHMOND incurred higher maintenance costs during fiscal year 2007 due to the amount and timing of certain maintenance projects when compared to the same periods in the prior fiscal year. Year-to-date drilling costs for the ATWOOD SOUTHERN CROSS have decreased primarily due to \$8.6 million of mobilization expense amortization during the prior fiscal year compared to none during the current fiscal year. The ATWOOD BEACON has also experienced higher year-to-date maintenance costs while in a Singapore shipyard having its last leg sections reattached during the first quarter of fiscal year 2007. While drilling costs for the VICKSBURG have remained relatively consistent other than higher personnel costs, the year-to-date increase in drilling costs for the ATWOOD FALCON is primarily attributable to planned maintenance during its water depth upgrade which was completed during the first quarter of the current fiscal year. AUSTRALIA MANAGEMENT CONTRACTS costs have decreased due to the decreased activity resulting from the completion of the current drilling program at the end of the first quarter of the current fiscal year. Other drilling costs have also increased due to rising personnel costs.

21

Depreciation expense for the three and nine months ended June 30, 2007 increased 35% and 32% compared to the three and nine months ended June 30, 2006. An analysis of depreciation expense by rig is as follows:

DEPRECIATION EXPENSE  
(In millions)

-----  
Three Months Ended June 30,

-----  
Nine Months Ended June 30,

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

	2007	2006	Variance	2007	2006	Variance
SEAHAWK	\$ 1.6	\$ -	\$ 1.6	\$ 4.6	\$ 0.2	\$ 4.4
ATWOOD FALCON	1.1	0.7	0.4	3.1	2.1	1.0
ATWOOD SOUTHERN CROSS	0.9	0.8	0.1	2.5	2.1	0.4
ATWOOD HUNTER	1.4	1.4	-	4.3	4.0	0.3
ATWOOD BEACON	1.3	1.3	-	3.8	4.0	(0.2)
VICKSBURG	0.7	0.7	-	2.2	2.1	0.1
ATWOOD EAGLE	1.1	1.1	-	3.4	3.5	(0.1)
RICHMOND	0.2	0.2	-	0.7	0.7	-
OTHER	0.1	-	0.1	0.2	0.1	0.1
	-----	-----	-----	-----	-----	-----
	\$ 8.4	\$ 6.2	\$ 2.2	\$ 24.8	\$ 18.8	\$ 6.0
	=====	=====	=====	=====	=====	=====

Depreciation expense has increased for the SEAHAWK, ATWOOD FALCON and ATWOOD SOUTHERN CROSS as these rigs have recently undergone upgrades within the past year, while depreciation expense for all other rigs has remained relatively consistent with the prior fiscal year periods. The SEAHAWK was almost fully depreciated prior to its upgrade; accordingly, ongoing quarterly depreciation expense will approximate quarterly fiscal year 2007 levels.

General and administrative expenses for the current quarter increased compared to the prior fiscal year quarter primarily due to rising personnel costs. The year-to-date increase also includes an approximate \$0.7 million increase in annual bonus compensation over the prior fiscal year. The decrease in the year-to-date gain of sale of equipment is due to the sale of our semisubmersible hull, SEASCOUT, for \$10 million (net after certain expenses) and our spare 15,000 P.S.I. BOP Stack for approximately \$15 million for a gain of approximately \$10.1 million in the prior fiscal year. Interest expense has decreased for both the current quarter and year-to-date period primarily due to the reduction of our outstanding debt and due to \$0.6 million and \$2.2 million of capitalized interest charges related to the construction of the ATWOOD AURORA during the three and nine months ended June 30, 2007, respectively. Year-to-date interest income has increased when compared to the prior fiscal year due to interest earned on higher cash balances.

Virtually all of our tax provision for each of the three and nine months ended June 30, 2007 and 2006 relates to taxes in foreign jurisdictions. Accordingly, due to the high level of operating income earned in certain nontaxable and deemed profit tax jurisdictions during the three and nine months ended June 30, 2007 and 2006, our effective tax rate for these periods was significantly less than the United States federal statutory rate. In addition, during the third quarter of the prior fiscal year, we reversed a \$1.8 million tax contingent liability due to the expiration of the statute of limitations in a foreign jurisdiction and also recognized a \$4.6 million tax benefit due to the acceptance of certain amended prior year tax returns by a foreign tax authority, both of which contributed to the low effective tax rates in the prior fiscal year periods. Excluding any discrete items that may be incurred, we expect our effective tax rate to be between 13% and 15% for fiscal year 2007.

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

On July 20, 2007, we were notified by the Malaysian tax authorities regarding a potential proposed adjustment relating to fiscal years 2000 to 2003. Although we believe we are in compliance, we are currently evaluating the merit of the assertions by the Malaysian tax authorities and plan to vigorously contest these assertions. While we cannot predict or provide assurance as to the final outcome of these allegations, we do not expect them to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### LIQUIDITY AND CAPITAL RESOURCES

Since we operate in a very cyclical industry, maintaining high equipment utilization in up, as well as down, cycles is a key factor in generating cash to satisfy current and future obligations. For fiscal years 2001 through 2006, net cash provided by operating activities ranged from a low of approximately \$13.7 million in fiscal year 2003 to a high of approximately \$85.5 million in fiscal year 2006. For the nine months ended June 30, 2007, net cash provided by operating activities totaled approximately \$138.1 million. Our operating cash flows are primarily driven by our operating income, which reflects dayrates and rig utilization. With 100% of our available operating rig days committed for fiscal year 2007 and approximately 77% committed for fiscal year 2008 at historically high dayrates, we anticipate significant increases in cash flows and earnings during fiscal years 2007 and 2008 when compared to fiscal year 2006. Other than our expected capital expenditures of approximately \$110 million (including funding for the construction of our new jack-up rig), the only additional firm cash commitment for fiscal year 2007, outside of funding current rig operations, is our required quarterly repayments under the term portion of our senior secured credit facility which will total \$36 million for fiscal year 2007. We expect to generate sufficient cash flows from operations to satisfy these obligations.

As of June 30, 2007, we had \$27 million outstanding under the term portion of our senior secured credit facility and no funds borrowed under the \$100 million revolving portion of our senior secured credit facility. We are in compliance with all financial covenants under our senior secured credit facility at June 30, 2007, and expect to remain in compliance with all financial covenants during the remainder of fiscal year 2007. Aside from unforeseen noncompliance with the financial covenants, no other provisions exist in our senior secured credit facility that could result in acceleration of the April 1, 2008 maturity date.

23

At June 30, 2007, the collateral for our senior secured credit facility consists primarily of preferred mortgages on all eight of our active drilling units (with an aggregate net book value at June 30, 2007 totaling approximately \$386 million). We are not required to maintain compensating balances; however, we are required to pay a fee of approximately 0.60% per annum on the unused portion of the revolving portion of our senior secured credit facility and certain other administrative costs.

During the first nine months of fiscal year 2007, we used internally generated cash to expend approximately \$53 million toward the construction of the ATWOOD AURORA, approximately \$9 million on completing the water depth upgrade and equipment maintenance of the ATWOOD FALCON and approximately \$9 million in other capital expenditures. We estimate that our total capital expenditures for the fourth quarter of fiscal year 2007 will be approximately \$40 million, with most all of these estimated expenditures related to the

## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

construction of the ATWOOD AURORA. In fiscal year 2008, we expect to expend approximately \$45 million in completing the construction of the ATWOOD AURORA. We anticipate using internally generated funds to satisfy these obligations.

Our portfolio of accounts receivable is comprised of major international corporate entities with stable payment experience. Historically, we have not encountered significant difficulty in collecting receivables and typically do not require collateral for our receivables.

Prepaid expenses and other deferred assets have decreased \$7.2 million at current quarter end when compared to September 30, 2006 due to the amortization of rig insurance premiums which are generally renewed and paid for during the fourth quarter of each fiscal year.

Accrued liabilities have increased by \$9.4 million from September 30, 2006 primarily due to the increase of accrued, but unpaid, agent fees and current income tax liabilities.

Long-term deferred credits have increased by approximately \$5 million at June 30, 2007 compared to September 30, 2006 primarily due to deferred fees associated with the upgrade of the ATWOOD FALCON. Lump sum fees received for upgrade costs reimbursed by our customers are reported as deferred credits in the accompanying Consolidated Balance Sheets and are recognized as earned on a straight-line method over the term of the related drilling contract.

24

### PART I. ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including adverse changes in interest rates and foreign currency exchange rates as discussed below.

#### INTEREST RATE RISK

All of our \$27 million of long-term debt outstanding at June 30, 2007, was floating rate debt. As a result, our annual interest costs in fiscal year 2007 will fluctuate based on interest rate changes. Because the interest rate on our long-term debt is a floating rate and due to our debt maturing in 2008, the fair value of our long-term debt approximated carrying value as of June 30, 2007. The impact on annual cash flow of a 10% change in the floating rate (approximately 70 basis points) would be approximately \$0.2 million, which we believe to be immaterial. We did not have any open derivative contracts relating to our floating rate debt at June 30, 2007.

#### FOREIGN CURRENCY RISK

Certain of our subsidiaries have monetary assets and liabilities that are denominated in a currency other than their functional currencies. Based on June 30, 2007 amounts, a decrease in the value of 10% in the foreign currencies relative to the U.S. Dollar from the year-end exchange rates would result in a foreign currency transaction gain of approximately \$0.5 million. Thus, we consider our current risk exposure to foreign currency exchange rate movements, based on net cash flows, to be immaterial. We did not have any open derivative contracts relating to foreign currencies at June 30, 2007.

25

PART I. ITEM 4  
CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report have been designed and are effective at the reasonable assurance level so that the information required to be disclosed by us in our periodic SEC filings is recorded, process, summarized and reported within the time periods specified in the SEC's rules, regulations and forms. We believe that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

26

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

(a) Exhibits

- 3.1 Amended and Restated Certificate of Formation dated February 9, 2006 (Incorporated herein by reference to Exhibit 3.1 of our Form 8-K filed February 14, 2006).
- 3.2 Second Amended and Restated By-Laws, dated May 5, 2006 (Incorporated herein by reference to Exhibit 3.2 of our Form 10-Q filed May 10, 2006).
- 3.3 Amendment No. 1 to Second Amended and Restated By-Laws, dated June 7, 2007 (Incorporated herein by reference to Exhibit 3.1 of our Form 8-K filed June 12, 2007).
- 4.1 Rights Agreement dated effective October 18, 2002 between the Company and Continental Stock Transfer & Trust Company (Incorporated herein by reference to Exhibit 4.1 of our Form 8-A filed October 21, 2002).

Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

- 4.2 Certificate of Adjustment of Atwood Oceanics, Inc. dated as of March 17, 2006 (Incorporated herein by reference to Exhibit 4.1 of our Form 8-K filed March 23, 2006).
- 4.3 See Exhibit Nos. 3.1, 3.2, and 3.3 for provisions of our Amended and Restated Certificate of Formation and Second Amended and Restated By-Laws (as amended) defining the rights of our shareholders (Incorporated herein by reference to Exhibit 3.1 of our Form 8-K filed February 14, 2006, Exhibit 3.2 of our Form 10-Q filed May 10, 2006, and Exhibit 3.1 of our Form 8-K filed June 12, 2007).
- \*31.1 Certification of Chief Executive Officer.
- \*31.2 Certification of Chief Financial Officer.
- \*32.1 Certificate of Chief Executive Officer pursuant to Section 906 of Sarbanes - Oxley Act of 2002.
- \*32.2 Certificate of Chief Financial Officer pursuant to Section 906 of Sarbanes - Oxley Act of 2002.

\*Filed herewith

27

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ATWOOD OCEANICS, INC.  
(Registrant)

Date: August 8, 2007

/s/JAMES M. HOLLAND\_  
-----

James M. Holland  
Senior Vice President, Chief Financial Officer,  
Chief Accounting Officer and Secretary

28

EXHIBIT INDEX

EXHIBIT NO. DESCRIPTION



## Edgar Filing: ATWOOD OCEANICS INC - Form 10-Q

- 3.1 Amended and Restated Certificate of Formation dated February 9, 2006 (Incorporated herein by reference to Exhibit 3.1 of our Form 8-K filed February 14, 2006).
- 3.2 Second Amended and Restated By-Laws, dated May 5, 2006 (Incorporated herein by reference to Exhibit 3.2 of our Form 10-Q filed May 10, 2006).
- 3.3 Amendment No. 1 to Second Amended and Restated By-Laws, dated June 7, 2007 (Incorporated herein by reference to Exhibit 3.1 of our Form 8-K filed June 12, 2007).
- 4.1 Rights Agreement dated effective October 18, 2002 between the Company and Continental Stock Transfer & Trust Company (Incorporated herein by reference to Exhibit 4.1 of our Form 8-A filed October 21, 2002).
- 4.2 Certificate of Adjustment of Atwood Oceanics, Inc. dated as of March 17, 2006 (Incorporated herein by reference to Exhibit 4.1 of our Form 8-K filed March 23, 2006).
- 4.3 See Exhibit Nos. 3.1, 3.2, and 3.3 for provisions of our Amended and Restated Certificate of Formation and Second Amended and Restated By-Laws (as amended) defining the rights of our shareholders (Incorporated herein by reference to Exhibit 3.1 of our Form 8-K filed February 14, 2006, Exhibit 3.2 of our Form 10-Q filed May 10, 2006, and Exhibit 3.1 of our Form 8-K filed June 12, 2007).
- \*31.1 Certification of Chief Executive Officer.
- \*31.2 Certification of Chief Financial Officer.
- \*32.1 Certificate of Chief Executive Officer pursuant to Section 906 of Sarbanes - Oxley Act of 2002.
- \*32.2 Certificate of Chief Financial Officer pursuant to Section 906 of Sarbanes - Oxley Act of 2002.

\*Filed herewith