

ATWOOD OCEANICS INC
Form 10-K
November 13, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Form 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 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 1-13167

ATWOOD OCEANICS, INC.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of incorporation or organization)

74-1611874
(I.R.S. Employer Identification No.)

15011 Katy Freeway, Suite 800 Houston, Texas
(Address of principal executive offices)

77094
(Zip Code)

Registrant's telephone number, including area code: (281) 749-7800

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered
Common Stock \$1.00 par value New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ..

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes .. No ý

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 filings requirements for the past 90 days. Yes ý No ..

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 ý No ..

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form

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Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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 (Do not check if a Smaller Reporting Company) Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which our Common Stock, \$1.00 par value, was last sold, or the average bid and asked price of such Common Stock, as of March 31, 2014 was \$3.2 billion.

The number of shares outstanding of our Common Stock, \$1.00 par value, as of November 5, 2014: 64,357,556.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Proxy Statement for 2015 Annual Meeting of Shareholders - Referenced in Part III of this report.

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FORWARD-LOOKING STATEMENTS

Statements included in this Form 10-K regarding future financial performance, capital sources and results of operations and other statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are those concerning strategic plans, expectations and objectives for future operations and performance. When used in this report, the words “believes,” “expects,” “anticipates,” “plans,” “intends,” “estimates,” “projects,” “could,” “may,” or similar expressions are intended to be among the statements that identify forward-looking statements. Such statements are subject to numerous risks, uncertainties and assumptions that are beyond our ability to control, including, but not limited to:

- prices of oil and natural gas and industry expectations about future prices;
- market conditions and level of activity in the drilling industry and the global economy in general;
- the operational risks involved in drilling for oil and gas;
- the highly competitive and volatile nature of our business;
- our ability to enter into, and the terms of, future drilling contracts, including contracts for our newbuild units and for rigs whose contracts are expiring;
- the impact of governmental or industry regulation, both in the United States and internationally;
- the termination or renegotiation of contracts by customers or payment or other delays by our customers;
- the risks of and disruptions to international operations, including political instability and the impact of terrorist acts, acts of piracy, embargoes, war or other military operations;
- our ability to obtain and retain qualified personnel to operate our vessels;
- unplanned downtime and repairs on our rigs;
 - timely access to spare parts, equipment and personnel to maintain and service our fleet;
- customer requirements for drilling capacity and customer drilling plans;
- the adequacy of sources of liquidity for us and for our customers;
- changes in tax laws, treaties and regulations;
- the risks involved in the construction, upgrade, and repair of our drilling units; and
- such other risks discussed in Item 1A. “Risk Factors” of this Form 10-K and in our other reports filed with the Securities and Exchange Commission, or SEC.

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. Undue reliance should not be placed on these forward-looking statements, which are applicable only on the date hereof. We undertake no 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.

PART I

ITEM 1. BUSINESS

Atwood Oceanics, Inc. (which together with its subsidiaries is identified as the “Company,” “we,” “us” or “our,” except where stated or the context requires otherwise) is a global offshore drilling contractor engaged in the drilling and completion of exploratory and developmental oil and gas wells. We currently own a diversified fleet of 13 mobile offshore drilling units located in the United States (“U.S.”) Gulf of Mexico, the Mediterranean Sea, offshore West Africa, offshore Southeast Asia and offshore Australia and we are constructing two ultra-deepwater drillships for delivery in fiscal years 2015 through 2016. We were founded in 1968 and are headquartered in Houston, Texas with support offices in Australia, Malaysia, Singapore, the United Arab Emirates and the United Kingdom.

We report our offshore contract drilling operation as a single reportable segment: Offshore Contract Drilling Services. The mobile offshore drilling units and related equipment comprising our offshore rig fleet operate in a single, global market for contract drilling services and are often redeployed globally due to changing demands of our customers, which consist largely of major integrated oil and natural gas companies and independent oil and natural gas companies. The offshore drilling markets where we currently operate, including the U.S. Gulf of Mexico, the Mediterranean Sea, offshore West Africa, offshore Southeast Asia and offshore Australia, are rich in hydrocarbon deposits and thus offer the potential for high drilling activity over the long-term.

OFFSHORE DRILLING EQUIPMENT

Each type of drilling rig is uniquely designed for different purposes and applications, for operations in different water depths, bottom conditions, environments and geographical areas, and for different drilling and operating requirements. We classify rigs with the ability to operate in 5,000 feet of water or greater as deepwater rigs and rigs with the ability to operate in 7,500 feet of water or greater as ultra-deepwater rigs. The following descriptions of the various types of drilling rigs we own or are constructing illustrate the diversified range of applications of our rig fleet.

Ultra-Deepwater Drillships

Drillships are self-propelled vessels, shaped like conventional ships and are the most mobile of the major rig types. Our high-specification drillships currently under construction are dynamically-positioned, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems. Drillships typically have greater load capacity than semisubmersible rigs, which enables them to carry more supplies on board, often making them better suited for drilling in remote locations where resupply is more difficult. Drillships are designed to operate in greater water depths than bottom support drilling rigs. Drillships are a subset of floating rigs or floaters.

Semisubmersible Rigs

Semisubmersible rigs can be either dynamically-positioned, which renders them self-propelled similar to drillships, or moored. They typically have two hulls, the lower of which is capable of being flooded. Drilling equipment is mounted on the main hull. After the drilling unit is towed to location, the ballast tanks in the lower hull are flooded, lowering the entire drilling unit to its operating draft, and the drilling unit is then either anchored in place (conventionally moored drilling unit) or maintains position through the use of onboard propulsion and station-keeping systems (dynamically-positioned drilling unit). On completion of operations, the lower hull is deballasted, raising the entire drilling unit to its towing draft. Similar to drillships, this type of drilling unit is designed to operate in greater water depths than bottom supported drilling rigs. Semisubmersibles also operate in more severe sea conditions than other types of drilling units. Semisubmersible rigs are also a subset of floating rigs or floaters.

Jackup Drilling Rigs

A jackup drilling rig consists of a single hull supported by at least three legs positioned on the sea floor. It is typically towed to the well site and once on location, its legs are lowered to the sea floor and the unit is raised out of the water by jacking the hull up the legs. Jackup drilling units typically operate in water depths no greater than 500 feet.

The following table presents our rig fleet as of November 1, 2014, all of which are wholly owned:

Rig Name	Rig Type	Construction Completed/Last Upgraded (Calendar Year)	Water Depth Rating (feet)
Atwood Achiever	Drillship	construction completed 2014	12,000
Atwood Advantage	Drillship	construction completed 2013	12,000
Atwood Condor	Semisubmersible	construction completed 2012	10,000
Atwood Osprey	Semisubmersible	construction completed 2011	8,200
Atwood Eagle	Semisubmersible	upgraded 2002	5,000
Atwood Falcon	Semisubmersible	upgraded 2012	5,000
Atwood Hunter	Semisubmersible	upgraded 2014	5,000
Atwood Mako	Jackup	construction completed 2012	400
Atwood Manta	Jackup	construction completed 2012	400
Atwood Orca	Jackup	construction completed 2013	400
Atwood Beacon	Jackup	construction completed 2003	400
Atwood Aurora	Jackup	construction completed 2009	350
Atwood Southern Cross ⁽¹⁾	Semisubmersible	upgraded 2006	2,000

(1) Currently cold-stacked and not actively marketed.

In addition to the above drilling units, we are in the process of constructing two additional drillships. The following table presents our current newbuild projects as of November 1, 2014:

Rig Name	Rig Type	Shipyard	Scheduled Delivery Date	Expected Cost (in millions)	Water Depth Rating (feet)
Atwood Admiral	Drillship	DSME	September 30, 2015	\$ 635	12,000
Atwood Archer	Drillship	DSME	June 30, 2016	635	12,000

The Atwood Admiral and Atwood Archer are DP-3 dynamically-positioned, dual derrick, ultra-deepwater drillships rated to operate in water depths up to 12,000 feet and are currently under construction at the DSME shipyard in South Korea. These drillships will have enhanced technical capabilities, including two seven-ram BOPs, three 100-ton knuckle boom cranes, a 165-ton active heave "tree-running" knuckle boom crane and 200 person accommodations. As of September 30, 2014, we had approximately \$950 million of total remaining firm commitments related to the construction of these two drillships.

Maintaining high equipment utilization and revenue efficiency through the industry cycles is a significant factor in generating cash flow to satisfy current and future obligations and has been one of our primary performance excellence initiatives. We had a 97% available utilization rate in fiscal year 2014 for our in-service rigs, while our available utilization rate for in-service rigs averaged approximately 96% during the past five fiscal years. See "Item 6: Selected Financial Data" for further discussion on in-service rigs and the calculation of available utilization rates.

As of November 1, 2014, our twelve in-service rigs had approximately 84% and 53% of our available rig days contracted for fiscal years 2015 and 2016, respectively. The Atwood Southern Cross is currently cold-stacked and not actively marketed.

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The following table presents information regarding the contract status of our drilling units as of November 1, 2014:

Rig Name	Percentage of FY 2014 Revenues	Location at November 1, 2014	Customer	Contract Status at November 1, 2014
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