FORM 10−K

ATWOOD OCEANICS INC − ATW

Filed: December 19, 1997 (period: September 30, 1997)

Annual report which provides a comprehensive overview of the company for the past year

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

Form 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

FOR FISCAL YEAR ENDED SEPTEMBER 30, 1997
COMMISSION FILE NUMBER 0-6352

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

Registrant's telephone number, including area code:
281-492-2929

Securities registered pursuant to
Section 12(b) of the Act:
Common Stock, $1 par value
(Title of Class)

Securities registered pursuant to
Section 12(g) of the Act:
Common Stock, $1 par value
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 15 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 X No

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

The aggregate market value of the voting stock held by non-affiliates of the registrants as of November 28, 1997 is $486,500,000.

The number of shares outstanding of the issuer's class of Common Stock, as of November 28, 1997: 13,550,176 shares of Common Stock, $1 par value.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Annual Report to Shareholders for the fiscal year ended September 30, 1997 - Referenced in Parts I, II and IV of this report.
(2) Proxy Statement for Annual
Meeting of Shareholders to be held February 12, 1998 - Referenced in Part III of this report.

PART I

ITEM 1. BUSINESS

Atwood Oceanics, Inc. (which together with its subsidiaries is identified as the "Company" or "Registrant", unless the context requires otherwise), a corporation organized in 1968 under the laws of the State of Texas, is engaged in contract drilling of exploratory and development oil and gas wells in offshore areas and related support, management and consulting services. The Company currently owns (i) three "third-generation" semisubmersibles, one "second-generation" semisubmersible,one jack-up, one "second-generation" semisubmersible tender assist rig, one submersible, and one modular, self-contained platform rig, and (ii) a fifty percent interest in a new generation platform rig. The Company also provides labor, supervisory and consulting services to two operator owned platform rigs in Australia.

In recent times, activity in the contract drilling industry has significantly improved, especially for mobile drilling rigs that can operate in deep water. For the last four years, the Company has maintained 99 percent utilization of its drilling equipment, resulting in four consecutive years of improved profitability.

To date, most of the Company's drilling operations have been conducted outside United States waters. Approximately 88 to 93 percent of the Company's contract revenues were derived from foreign operations in each of the last three fiscal years. The Company is currently involved in active operations in the territorial waters of Australia, Malaysia, Equatorial Guinea, United States and the Phillipines. At the present time, the "ATWOOD HUNTER", a third-generation semisubmersible, and the submersible "RICHMOND" are the Company's only drilling vessels located in United States waters. For information relating to the contract revenues, operating income and identifiable assets attributable to specific geographic areas of operations, see Note 11 of Notes to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 1997, incorporated by reference herein.

OFFSHORE DRILLING EQUIPMENT

The Company's diversified fleet of owned or operated drilling rigs currently consists of four semisubmersibles, one jack-up, one semisubmersible tender assist vessel, one submersible, and four modular, self-contained platform rigs. Each type of drilling rig is 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. The following descriptions of the various types of drilling rigs owned or operated by the Company illustrate the diversified range of application of the rig fleet.

Each semisubmersible drilling unit has 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 lower hull is flooded, lowering the entire drilling unit to its operating draft, and the drilling unit is anchored in place. On completion of operations, the lower hull is deballasted, raising the entire drilling unit to its towing draft. This type of drilling unit is designed to operate in greater water depths than a jack-up and in more severe sea conditions than a drillship. Semisubmersible units are generally more expensive to operate than jack-up rigs and, compared to a drillship, are often limited in the amount of supplies that can be stored on board.

The semisubmersible tender assist vessel operates like a semisubmersible except that its drilling equipment is temporarily installed on permanently constructed offshore support platforms. The semisubmersible vessel provides crew accommodations, storage facilities and other support for the drilling operations.

A jack-up drilling unit contains all of the drilling equipment on a single hull designed to be towed to the well site. Once on location, legs are lowered to the sea floor and the unit is raised out of the water by jacking up on these legs. On completion of the well, the unit is jacked down, and towed to the next location. A jack-up drilling unit can operate in more severe sea and weather conditions than a drillship and is less expensive to operate than a semisubmersible. However, because it must rest on the sea floor, a jack-up cannot operate in as deep water as other units.

The submersible drilling unit owned by the Company has two hulls, the lower being a mat which is capable of being flooded. Drilling equipment and crew accommodations are located on the main hull. After the drilling unit is towed to location, the lower hull is flooded, lowering the entire unit to its operating draft at which it rests on the sea floor. On completion of operations, the lower hull is deballasted, raising the entire unit to its towing draft. This type of drilling unit is designed to operate in shallow water depths ranging from 9 to 70 feet and can operate in moderately severe sea conditions. Although drilling units of this type are less expensive to operate, like the jack−up rig, they cannot operate in as deep water as other units.

A modular platform rig is similar to a land rig in its basic components. Modular platform rigs are temporarily installed on permanently constructed offshore support platforms in order to perform the drilling operations. After the drilling phase is completed, the modular rig is broken down into convenient packages and moved by work boats. A platform rig usually stays at a location for several months, if not years, since several wells are typically drilled from a support platform.

DRILLING CONTRACTS

The contracts under which the Company operates its vessels are obtained either through individual negotiations with the customer or by submitting proposals in competition with other contractors and vary in their terms and conditions. The initial term of contracts for the Company's owned and/or operated vessels has ranged from the length of time necessary to drill one well to several months and is generally subject to early termination in the event of a total loss of the drilling vessel, excessive equipment breakdown or failure to meet minimum performance criteria. It is not unusual for contracts to contain renewal provisions at the option of the customer. As a result of improved market conditions, contracts with a term of one year or longer are now being awarded. However, there is no guarantee that the current trend of awarding long−term contracts will continue.

The rate of compensation specified in each contract depends on the nature of the operation to be performed, the duration of the work, equipment and services provided, the areas involved, market conditions and other variables. Generally, contracts for drilling, management and support services specify a basic rate of compensation computed on a dayrate basis. Such agreements generally provide for a reduced dayrate payable when operations are interrupted by equipment failure and subsequent repairs, field moves, adverse weather conditions or other factors beyond the control of the Company. Some contracts also provide for revision of the specified dayrates in the event of material changes in certain items of cost. Any period during which a vessel is not earning a full operating dayrate because of the above conditions or because the vessel is idle and not on contract will have an adverse effect on operating profit. An over−supply of drilling rigs in any market area can adversely affect the Company's ability to employ its drilling vessels. Except for two rigs idle for upgrades, the Company had 100 percent utilization of its drilling fleet in 1997. Based upon current contract commitments, the Company should maintain a high level of equipment utilization in fiscal 1998, exclusive of proposed rig upgrades; however, there is no guarantee that the Company will not experience some equipment idle time in fiscal 1998.

For long moves of drilling equipment, the Company attempts to obtain either a lump sum or a dayrate as mobilization compensation for expenses incurred during the period in transit. A surplus of certain types of units, either worldwide or in particular operating areas, can result in the Company's acceptance of a contract which provides only partial or no recovery of relocation costs. As a result of improved market conditions, in recent times, the Company has received full recovery of relocation costs; however, there is no guarantee that this trend will continue.

Operation of the Company's drilling equipment is subject to the offshore drilling requirements of petroleum exploration companies and agencies of foreign governments. These requirements are, in turn, subject to fluctuations in government policies, world demand and prices for petroleum products, proved reserves in relation to such demand and the extent to which such demand can be met from onshore sources.

The Company also contracts to provide various types of services to third party owners of drilling rigs. These contracts are normally for a stated term or until termination of operations or stages of operation at a particular facility or location. The services may include, as in the case of contracts entered into by the Company in connection with operations offshore Australia, the supply of personnel and rig design, fabrication, installation and operation. The contracts normally provide for reimbursement to the Company for all out−of−pocket expenses, plus a service or management fee for all of the services performed. In most instances, the amount charged for the services may be adjusted if there are changes in conditions, scope or costs of operations. The Company generally obtains insurance or a contractual indemnity from the owner for liabilities which could be incurred in operations.

OPERATIONAL RISKS AND INSURANCE

The Company's operations are subject to the usual hazards associated with the drilling of oil and gas wells, such as blowouts, explosions and fires. In addition, the Company's vessels are subject to those perils peculiar to marine operations, such as capsizing, grounding, collision and damage from severe weather conditions. Any of these risks could result in damage or destruction of drilling rigs and oil and gas wells, personal injury and property damage, and suspension of operations or environmental damage through oil spillage or extensive, uncontrolled fires. Although the Company believes that it is adequately insured against normal and foreseeable risks in its operations in accordance with industry standards, such insurance may not be adequate to protect the Company against liability from all consequences of well disasters, marine perils, extensive fire damage or damage to the environment. To date, the Company has not experienced difficulty in obtaining insurance coverage, although no assurance can be given as to the future availability of such insurance or cost thereof. The occurrence of a significant event against which the Company is not fully insured could have a material adverse effect on the Company's financial position.

ENVIRONMENTAL PROTECTION

Under the Federal Water Pollution Control Act, as amended by the Oil Pollution Act of 1990, operators of vessels in navigable United States waters and certain offshore areas are liable to the United States government for the costs of removing oil and certain other pollutants for which they may be held responsible, subject to certain limitations, and must establish financial responsibility to cover such liability. The Company has taken all steps necessary to comply with this law, and has received a Certificate of Financial Responsibility (Water Pollution) from the U.S. Coast Guard. The Company's operations in United States waters are also subject to various other environmental regulations regarding pollution and control thereof, and the Company has taken steps to ensure compliance therewith.

CUSTOMERS

During fiscal year 1997, the Company performed operations for 10 customers. Because of the relatively limited number of customers for which the Company can operate at any given time, sales to each of 3 different customers amounted to 10% or more of the Company's fiscal 1997 revenues. Esso Australia Limited/Esso Production Malaysia, Inc., Mobil Equatorial Guinea Inc. and Carigali-Triton Operating Company Sdn Bhd. accounted for 28%, 22% and 19%, respectively, of fiscal year 1997 revenues. The Company's business operations are subject to the risks associated with a business having a limited number of customers for its products or services, and a decrease in the drilling programs of these customers in the areas where they employ the Company may adversely affect the Company's revenues.

COMPETITION

The Company competes with numerous other drilling contractors, most of which are substantially larger than the Company and possess appreciably greater financial and other resources. Although recent business combinations among drilling companies have resulted in a decrease in the total number of competitors, the drilling industry remains competitive, with no one drilling contractor being dominant. Thus, there continues to be competition in securing available drilling contracts.

Price competition is generally the most important factor in the drilling industry, but the technical capability of specialized drilling equipment and personnel at the time and place required by customers is also important. Other competitive factors include work force experience, rig suitability, efficiency, condition of equipment, reputation and customer relations. The Company believes that it competes favorably with respect to these factors. If demand for drilling rigs increases in the future, rig availability may also become a competitive factor. Competition usually occurs on a regional basis and, although drilling rigs are mobile and can be moved from one region to another in response to increased demand, an oversupply of rigs in any region may result. Demand for drilling equipment is also dependent on the exploration and development programs of oil and gas companies, which are in turn influenced by the financial condition of such companies, by general economic conditions, by prices of oil and gas, and from time to time by political considerations and policies.

FOREIGN OPERATIONS

The operations of the Company are conducted primarily in foreign waters and are subject to certain political, economic and other uncertainties not encountered by purely domestic drilling contractors, including risks of expropriation, nationalization, foreign exchange restrictions, foreign taxation, changing conditions and foreign and domestic monetary policies. Generally, the Company purchases insurance to protect against some or all loss due to events of political risk such as nationalization, expropriation, war, confiscation and deprivation. Occasionally, customers will indemnify the Company against such losses. Moreover, offshore drilling activity is affected by government regulations and policies limiting the withdrawal of offshore oil and gas, regulations affecting production, regulations restricting the importation of foreign petroleum, environmental regulations and regulations which may limit operations in offshore areas by foreign companies and/or personnel. See Note 11 to Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 1997, incorporated herein by reference, for a summary of contract revenues, operating income and identifiable assets by geographic region.

Because of the Company's foreign operations, its overall effective tax rate may in the future be higher than the maximum United States corporate statutory rate due to the possibility of higher foreign tax rates in certain jurisdictions or less than full creditability of foreign taxes paid.

EMPLOYEES

The Company currently employs approximately 700 persons in its domestic and worldwide operations. In connection with its foreign drilling operations, the Company has often been required by the host country to hire substantial portions of its work force in that country, and in some cases, these employees may be represented by foreign unions. To date, the Company has experienced little difficulty in complying with such requirements, and the Company's drilling operations have not been significantly interrupted by strikes or work stoppages.

ITEM 2. PROPERTIES

Information regarding the location and general character of the Company's principal assets may be found in the schedule with the caption heading "Offshore Drilling Operations" in the Company's Annual Report to Shareholders for fiscal year 1997, which is incorporated by reference herein.

During fiscal 1997, the Company upgraded and relocated the ATWOOD HUNTER at a cost of approximately $45 million and refurbished and upgraded the ATWOOD SOUTHERN CROSS at a cost of approximately $35 million. In fiscal 1998, the Company plans to upgrade the ATWOOD FALCON at an estimated cost of $50 million and the VICKSBURG at an estimated cost of $35 million. For more information concerning these costs, see Note 4 in Consolidated Financial Statements contained in the Company's Annual Report to Shareholders for fiscal year 1997, incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently involved in any material legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SHAREHOLDERS

On September 29, 1997, shareholders of record on September 19, 1997 were advised of a special meeting of the shareholders on November 6, 1997 for the purpose of approving a proposed amendment to the Company's Restated Articles of Incorporation to increase the number of authorized shares of the Company's common stock from 10 million shares to 20 million shares. Of the 6,771,680 shares of common stock outstanding and entitled to vote at the special meeting, an aggregate of 6,411,680 shares (or approximately 95%) were voted "for" the amendment, an aggregate of 29,597 shares were voted "against" the amendment, and an aggregate of 1,720 shares abstained from voting.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

As of September 30, 1997, there were over 750 beneficial owners of the Company's common stock.

The Company did not pay cash dividends in fiscal years 1996 or 1997 and the Company does not anticipate paying cash dividends in the foreseeable future because of the capital intensive nature of its business. To enable the company to maintain its high competitive profile in the industry, cash reserves will be utilized, at the appropriate time, to upgrade existing equipment or to acquire additional equipment. The Company's revolving credit facility prohibits the Company from paying dividends on common stock.

Market information concerning the Company's common stock may be found under the caption heading "Stock Price Information" in the Company's Annual Report to Shareholders for fiscal 1997, which is incorporated by reference herein.

ITEM 6. SELECTED FINANCIAL DATA

Information required by this item may be found under the caption "Five Year Financial Review" in the Company's Annual Report to Shareholders for fiscal 1997, which is incorporated by reference herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Information required by this item may be found in the Company's Annual Report to Shareholders for fiscal 1997, which is incorporated by reference herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information required by this item may be found in the Company's Annual Report to Shareholders for fiscal 1997, which is incorporated by reference herein.

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in or disagreements with the Company's independent public accountants on accounting and financial disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 12, 1998, to be filed with the Securities and Exchange Commission (the Commission) not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 12, 1998, to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 12, 1998, to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

This information is incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held February 12, 1998, to be filed with the Commission not later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, AND REPORTS ON FORM 8-K

(a) FINANCIAL STATEMENTS AND EXHIBITS

1. FINANCIAL STATEMENTS

The following financial statements, together with the report of Arthur Andersen LLP dated November 25, 1997 appearing in the Company's Annual Report to Shareholders, are incorporated by reference herein:

Consolidated Balance Sheets dated September 30, 1997 and 1996

Consolidated Statements of Operations for each of the three years in the period ended September 30, 1997

Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 1997

Consolidated Statements of Changes in Shareholders' Equity for each of the three years in the period ended September 30, 1997

Report of Independent Public Accountants

Notes to Consolidated Financial Statements

2. EXHIBITS

See the "EXHIBIT INDEX" for a listing of all of the Exhibits filed as part of this report.

The management contracts and compensatory plans or arrangements required to be filed as exhibits to this report are as follows:

Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan - See Exhibit 10.1 hereof.

Atwood Oceanics, Inc. 1990 Stock Option Plan - See Exhibit 10.2 hereof.

Atwood Oceanics, Inc. 1996 Incentive Equity Plan - See Exhibit 10.3 hereof.

Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees dated effective as of May 8, 1996 - See Exhibit 10.8 hereof.

Executive Agreement dated as of May 8, 1996 between the Company and John R. Irwin - See Exhibit 10.9.1.

Executive Agreement dated as of May 8, 1996 between the Company and James M. Holland - See Exhibit 10.9.2.

Executive Agreement dated as of May 8, 1996 between the Company and Glen P. Kelley − See Exhibit 10.9.3.

Executive Agreement dated as of May 8, 1996 between the Company and Larry P. Till − See Exhibit 10.9.4.

(b) REPORTS ON FORM 8−K

During the last quarter of fiscal 1997, the Company filed with the Securities and Exchange Commission the following reports on Form 8−K:

a) A report dated July 10, 1997 advising of the exercise of a contract option by Shell Phillipines Exploration B.V. to extend drilling operations for the ATWOOD FALCON for three years beyond its current commitment after the Company spends approximately $50 million for a required water−depth upgrade.

b) A report dated July 21, 1997 advising that the Company entered into a $125 million revolving credit facility with a bank group.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATWOOD OCEANICS, INC.

/s/ JOHN R. IRWIN
JOHN R. IRWIN, President
DATE: 3 December 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on the dates indicated.

/s/ JAMES M. HOLLAND JAMES M. HOLLAND Senior Vice President (Principal Financial and Accounting Officer) Date: 3 December 1997	/s/ JOHN R. IRWIN JOHN R. IRWIN President and Director (Principal Executive Officer) Date: 3 December 1997
/s/ ROBERT W. BURGESS ROBERT W. BURGESS, Director Date: 3 December 1997	/s/ GEORGE S. DOTSON GEORGE S. DOTSON, Director Date: 3 December 1997
/s/ HANS HELMERICH HANS HELMERICH, Director Date: 3 December 1997	/s/ WILLIAM J. MORRISSEY WILLIAM J. MORRISSEY, Director Date: 3 December 1997

/s/ W.H. HELMERICH, III
W.H. HELMERICH, III
Director
DATE: 3 December 1997

EXHIBIT INDEX

3.1.1	Restated Articles of Incorporation dated January 1972 (Incorporated herein by reference to Exhibit 3.1.1 of the Company's Form 10-K for the year ended September 30, 1993).
3.1.2	Articles of Amendment dated March 1975 (Incorporated herein by reference to Exhibit 3.1.2 of the Company's Form 10-K for the year ended September 30, 1993).
3.1.3	Articles of Amendment dated March 1992 (Incorporated herein by reference to Exhibit 3.1.3 of the Company's Form 10-K for the year ended September 30, 1993).
*3.1.4	Articles of Amendment dated November 6, 1997.
3.2	Bylaws, as amended (Incorporated herein by reference to Exhibit 3.2 of the Company's Form 10-K for the year ended September 30, 1993).
10.1	Atwood Oceanics, Inc. 1981 Incentive Stock Option Plan (Incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-K for the year ended September 30, 1993).
10.2	Atwood Oceanics, Inc. 1990 Stock Option Plan (Incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K for the year ended September 30, 1993).
10.3	Joint Venture Letter Agreement dated November 4, 1994 between the Company and Helmerich & Payne, Inc. (Incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-K for the year ended September 30, 1994).
10.4	Atwood Oceanics, Inc. 1996 Incentive Equity Plan (Incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended June 30, 1997).
10.5	Drilling Contract dated January 29, 1997 between the Company and Occidental Phillipines, Inc. (Incorporated herein by reference to the Company's Form 8-K dated July 10, 1997).
10.6	Credit Agreement dated July 17, 1997 between the Company and Bank One, Texas, N.A., Christiania Bank OG Kreditkasse Asa, New York Branch and Other Financial Institutions (Incorporated herein by reference to the Company's Form 8-K dated July 21, 1997.)
10.7	Drilling Contract dated June 20, 1996 between the Company and British-Borneo Petroleum, Inc. for use the ATWOOD HUNTER (Incorporated herein by reference to the Company's Form 8-K dated June 24, 1996).
10.8	Atwood Oceanics, Inc. Retention Plan for Certain Salaried Employees dated effective as of May 8, 1996 (Incorporated herein by reference to Exhibit 10.8 of the Company's Form 10-K for the year ended September 30, 1996.)
10.9.1	Executive Agreement dated as of May 8, 1996, between the Company and John R. Irwin (Incorporated herein by reference to Exhibit 10.9.1 of the Company's Form 10-K for the year ended September 30, 1996.)
10.9.2	Executive Agreement dated as of May 8, 1996 between the Company and James M. Holland (Incorporated herein by reference to Exhibit 10.9.2 of the Company's Form 10-K for the year ended September 30, 1996.)
10.9.3	Executive Agreement dated as of May 8, 1996 between the Company and Glen P. Kelley (Incorporated herein by reference to Exhibit 10.9.3 of the Company's Form 10-K for the year ended September 30, 1996.)
10.9.4	Executive Agreement dated as of May 8, 1996 between the Company and Larry P. Till (Incorporated herein by reference to Exhibit 10.9.4 of the Company's Form 10-K for the year ended September 30, 1996.)

*13.1   Annual Report to Shareholders

*21.1   List of Subsidiaries

*23.1   Consent of Independent Public Accountants

*27.1   Financial Data Schedule

* Filed hereinwith

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EXHIBIT 3.1.4

ARTICLES OF AMENDMENT TO RESTATED ARTICLES OF INCORPORATION OF ATWOOD OCEANICS, INC.

Pursuant to the terms and provisions of Article 4.04 of the Texas Business Corporation Act, Atwood Oceanics, Inc., a Texas corporation, adopts the following Articles of Amendment to its Restated Articles of Incorporation.

I.

The name of the corporation is Atwood Oceanics, Inc.

II.

The first paragraph of Article IV of the Company's Restated Articles of Incorporation is hereby amended by deleting the existing text in its entirety and substituting the following therefor:

"A. The aggregate number of shares which the corporation shall have authority to issue is twenty-one million (21,000,000), of which twenty million (20,000,000) shares of $1.00 par value each shall be common stock ("Common Shares"), and of which one million (1,000,000) shares without par value shall be preferred stock ("Preferred Shares")."

III.

Each amendment made by the Articles of Amendment to the Restated Articles of Incorporation has been effected in conformity with the provisions of the Texas Business Corporation Act. The Articles of Amendment to the Restated Articles of Incorporation, including the amendment set forth above, were adopted by the shareholders of the corporation on November 6, 1997.

IV.

The number of shares of the corporation outstanding and entitled to vote on the amendment was 6,771,313 shares.

V.

An aggregate of 6,411,680 shares were voted for the amendment, and aggregate of 29,597 shares were voted against the amendment, and an aggregate of 1,720 shares abstained from voting.

VI.

The Articles of Amendment to the Restated Articles of Incorporation do not provide for an exchange, reclassification or cancellation of issued shares.

VII.

The Articles of Amendment to the Restated Articles of Incorporation do not effect a change in the amount of stated capital.

Dated: November 6, 1997.

ATWOOD OCEANICS, INC.

By:/s/ JAMES M. HOLLAND
James M. Holland
Senior Vice President and Secretary

THE STATE OF TEXAS

COUNTY OF HARRIS

BEFORE ME, the undersigned authority, on this day personally appeared James M. Holland, Senior Vice President and Secretary of Atwood Oceanics, Inc., a Texas corporation, known to me to be the person whose name is subscribed above, being by me duly sworn did say that he is the person whose signature appears above, that the matters stated in the foregoing instrument are true, and that the said instrument was signed and acknowledged by him for the purposes and consideration therein expressed, and in the capacity therein stated.

SUBSCRIBED AND SWORN TO BEFORE ME by the said James M. Holland on this 6th day of November, 1997.

Notary Public in and for the
State of T E X A S

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EXHIBIT 13.1

1997 ANNUAL REPORT TO SHAREHOLDERS

THE COMPANY

Atwood Oceanics, Inc. is engaged in the business of international offshore drilling of exploratory and developmental oil and gas wells and related support, management and consulting services. Presently, the Company owns and operates a modern fleet of seven mobile offshore rigs and one modular platform rig, as well as manages the operations of two operator-owned platform rigs in Northwest Australia. The Company also owns a fifty percent interest in a new generation platform rig operating in Australia. The Company supports its operations from headquarters in Houston and affiliated offices in Australia, Malaysia, Indonesia, Philippines, United Kingdom and Equatorial Guinea.

PRESIDENT'S MESSAGE

TO OUR SHAREHOLDERS AND EMPLOYEES

During fiscal 1997, the Company continued to enhance shareholders' equity through its improving financial trends. Net income increased 37% to $15.6 million, while contract revenues increased 12% to $89.1 million. Earnings before depreciation, interest, taxes and investment income increased 50% from $22.8 million to $34.2 million. Based upon current rig contract commitments, the Company's financial performance should continue to reflect improving trends during fiscal 1998.

Fiscal 1997 was a year marked with many accomplishments. Major upgrades of the ATWOOD HUNTER and the ATWOOD SOUTHERN CROSS were completed with the rigs commencing contracts in September and November 1997, respectively. The ATWOOD FALCON, ATWOOD EAGLE and RICHMOND were fully utilized during fiscal 1997 and have either commenced new contracts or extended existing contracts at significantly higher dayrates between September 1997 and November 1997. RIG 200, our newly constructed state-of-the-art platform rig, commenced a term contract in Australia in January 1997 and is currently drilling its seventeenth well. The SEAHAWK and RIG 19 contracts have been extended for additional platforms at higher dayrates. Upgrades of the client-owned GOODWYN 'A' and NORTH RANKIN 'A' rigs have been approved and are being project managed by the Company. Currently, the VICKSBURG is under tow to a Singapore shipyard for upgrade and cantilever conversion, which will take several months to complete. After completion of its current drilling program during fiscal 1998, the ATWOOD FALCON will be towed to a Southeast Asia shipyard to undergo a water-depth upgrade for a three-year contract in the Philippines.

In addition to improved financial performance and contract enhancements, the Company has also achieved several other important goals. To help provide funding for the Company's planned rig upgrade opportunities, the Company entered into a $125 million revolving credit facility with a bank group in July 1997 at competitive interest rates. The Company listed its common stock on the New York Stock Exchange in August 1997 and declared a stock split in the form of a two-for-one stock dividend in November 1997.

Striving for safe operations has remained at the forefront of our efforts during 1997. Once again, we extend our appreciation to our employees and shareholders for their contributions and support of our joint efforts to continue building the Company in the years ahead.

John R. Irwin
President

FINANCIAL HIGHLIGHTS

	Fiscal 1997	Fiscal 1996
	(In Thousands)	
FOR THE YEAR		
REVENUES FROM CONTRACT DRILLING AND MANAGEMENT	$ 89,082	$ 79,455
NET INCOME	15,619	11,368
CAPITAL EXPENDITURES (including investment in RIG-200)	62,778	9,526
AT YEAR END		
CASH AND SECURITIES HELD FOR INVESTMENT	$42,234	$ 40,492
NET PROPERTY AND EQUIPMENT	143,923	91,124
TOTAL ASSETS	215,330	159,309
TOTAL SHAREHOLDERS' EQUITY	122,689	105,554

Atwood Oceanics, Inc. and Subsidiaries
FIVE YEAR FINANCIAL REVIEW

	At or For the Years Ended September 30,				
(In thousands, except per share amounts, fleet data and ratios)	1997	1996	1995	1994	1993
STATEMENTS OF OPERATIONS DATA:					
Operating revenues	$89,082	$ 79,455	$ 72,231	$ 65,975	$51,775
Drilling costs and general and administrative expenses	(54,890)	(56,653)	(55,311)	(48,652)	(41,797)
OPERATING MARGIN	34,192	22,802	16,920	17,323	9,978
Depreciation	(9,979)	(9,742)	(11,134)	(13,618)	(13,045)
OPERATING INCOME (LOSS)	24,213	13,060	5,786	3,705	(3,067)
Other income (expense)	1,165	2,783	2,238	(73)	(597)
Minority interest in loss of Partnerships	---	---	908	3,303	4,821
Tax provision	(9,759)	(4,475)	(1,872)	(726)	(2,948)
NET INCOME (LOSS)	$ 15,619	$ 11,368	$ 7,060	$ 6,209	$ (1,791)
PER SHARE DATA:					
Net earnings (loss) (1)	$ 1.16	$ .85	$ .54	$ .47	$(.14)
Weighted average shares outstanding (1)	13,474	13,328	13,182	13,164	13,164
FLEET DATA:					
Number of rigs owned or managed, at end of period	11	11	10	9	10
Utilization rate for in-service rigs (excludes contractual downtime for rig upgrades in 1997)	100%	100%	99%	99%	88%
BALANCE SHEETS DATA:					
Cash and securities held for investment	$ 42,234	$ 40,492	$ 37,922	$41,047	$ 35,044
Working capital	27,549	26,151	13,761	25,171	14,703
Net property and equipment	143,923	91,124	91,427	82,845	90,150
Total assets	215,330	159,309	152,853	153,460	149,853
Total long-term debt	59,500	34,473	39,319	53,294	58,409
Shareholders' equity	122,689	105,554	94,892	85,959	79,750
Ratio of current assets to current liabilities	2.41	2.45	1.67	2.89	2.24

Note - (1) Retroactively adjusted to reflect two-for-one stock split declared in November 1997.

(The Company has not paid any cash dividends on its common stock.)

OFFSHORE DRILLING OPERATIONS

NAME OF RIG	TYPE OF RIG	PERCENTAGE OF 1997 REVENUES	BUILT	MAXIMUM WATER DEPTH	LOCATION	CUSTOMER	CONTRACT STATUS AT NOVEMBER 30, 1997
			DRILLING RIGS WHOLLY OR PARTIALLY OWNED				
ATWOOD FALCON	THIRD-GENERATION SEMISUBMERSIBLE	19%	1983	2,500 FT.	PHILIPPINES	SHELL PHILIPPINES EXPLORATION B.V.	In November 1997, the rig commenced drilling under a two phase program. Phase one involves the drilling of four wells estimated to extend to June 1998. Upon completion of the Phase one program, the rig will be transported to Singapore to undergo an upgrade to enable the rig to operate in up to 3,500 feet of water. When the upgrade is completed (estimated the first quarter of fiscal 1999), the rig will be transported back to the Phillippines to commence the three-year phase two drillng program.
ATWOOD HUNTER	THIRD-GENERATION SEMISUBMERSIBLE	6%	1981	3,500 FT. (Water depth upgrade in 1997)	UNITED STATES GULF OF MEXICO	BRITISH-BORNEO PETROLEUM INC.	Upon completion of nine month upgrade period, the rig commenced drilling under a firm three-year contract in September 1997.
ATWOOD EAGLE	THIRD-GENERATION SEMISUBMSIBLE	22%	1982	2,500 FT.	EQUATORIAL GUINEA	MOBIL EQUATORIAL GUINEA INC.	Estimated completion of current contract is February/March 1998.
						ENTERPRISE OIL ITALIANA S.p.A. AND BG EXPLORATION AND PRODUCTION LIMITED	Upon completion of the current drilling contract, the rig will be mobilized to the Mediterranean Sea for a minimum 200-day drilling program.
SEAHAWK	SECOND-GENERATION SEMISUBMERSIBLE TENDER ASSIST	12%	1974/ 1992	N/A	MALAYSIA	ESSO PRODUCTION MALAYSIA, INC.	Term contract (estimated completion December 1998).
VICKSBURG	JACK-UP	6%	1976	300 FT.	AUSTRALIA	WESTERN MINING CORPORATION LIMITED	The rig should complete its current contract in December 1997, at which time it will be transported to Singapore to commence an upgrade and refurbishment project estimated to extend into the

							fourth quarter of fiscal 1998.
RIG−19	MODULAR	8%	1988	N/A	AUSTRALIA	ESSO AUSTRALIA LIMITED	Term contract (estimated drilling work of between 9 and 12 months from January 1998).

RICH− MOND	SUBMER− SIBLE	10%	1982	75 FT.	UNITED STATES GULF OF MEXICO	CHEVRON U.S.A.	Term Contract (estimated completion May 1998).
ATWOOD SOUTH− ERN CROSS	SECOND− GENERATION SEMISUB− MERSIBLE	0%	1976 (Refurbished and upgraded in 1997)	2,000 FT.	AUSTRALIA	SANTOS LTD.	In November 1997, the rig commenced drilling a 300−day plus option contract.
RIG−200	MODULAR PLATFORM	7%	1995	N/A	AUSTRALIA	ESSO AUSTRALIA LIMITED	The rig commenced drilling under a two−year contract with options in January 1997.
			MANAGEMENT/LABOR CONTRACTS				
GOOD− WYN 'A'	MODULAR PLATFORM	8%	N/A	N/A	AUSTRALIA	WOODSIDE OFFSHORE PETROLEUM PTY. LTD. ("WOODSIDE")	Term contract for management of owner funded rig upgrades and options for management of extended drilling program.
NORTH RANKIN 'A'	MODULAR PLATFORM	2%	N/A	N/A	AUSTRALIA	WOODSIDE	Term contract for management of owner funded rig upgrades and option for management of extended drilling program.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Annual Report to Shareholders and the Form 10-K for the fiscal year ended September 30, 1997 includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this report and the related Form 10-K regarding the Company's financial position, business strategy, budgets and plans and objectives of management for future operations are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements") are disclosed in "Liquidity and Capital Resources" and elsewhere in this report and the related Form 10-K. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by the Cautionary Statements.

OUTLOOK

Activity in the offshore contract drilling industry continues to be strong in virtually all worldwide market areas, with current worldwide fleet utilization for mobile offshore units in excess of 95 percent. Except for two rigs idle for upgrades, the Company had 100 percent utilization of its drilling fleet in 1997. With the completion of the upgrades of the ATWOOD HUNTER in September 1997 and the ATWOOD SOUTHERN CROSS in November 1997, all of the Company's drilling vessels are currently generating revenues. Based upon firm contract commitments for its fleet, the Company should maintain a high level of equipment utilization during fiscal 1998.

RESULTS OF OPERATIONS

Fiscal Year 1997 Versus Fiscal Year 1996

Despite the ATWOOD HUNTER being idle for approximately eight months while undergoing upgrades, contract revenues in fiscal 1997 increased 12 percent to \$89.1 million from \$79.5 million. This increase was primarily attributable to dayrate increases on the ATWOOD FALCON, ATWOOD EAGLE and RICHMOND, to an increase in labor services provided to NORTH RANKIN 'A' and to a complete year of revenues from RIG-200. An analysis of contract revenues by rig for fiscal 1997 and 1996 is as follows:

	CONTRACT REVENUES (In millions)		
	Fiscal 1997	Fiscal 1996	Variance
ATWOOD FALCON	\$16.9	\$ 11.5	\$ 5.4
ATWOOD HUNTER	5.2	11.3	(6.1)
ATWOOD EAGLE	19.3	15.6	3.7
RIG-200	5.9	2.2	3.7
SEAHAWK	11.3	11.0	0.3
VICKSBURG	5.1	5.0	0.1
RIG-19	7.1	8.2	(1.1)
RICHMOND	8.8	6.2	2.6
GOODWYN 'A'	7.3	7.6	(0.3)
NORTH RANKIN 'A'	2.2	0.9	1.3
	\$89.1	\$ 79.5	\$ 9.6

Contracts commenced during the last half of fiscal 1996 by the ATWOOD FALCON AND ATWOOD EAGLE, which resulted in dayrate increases of approximately 60 percent and 25 percent, respectively, extended through fiscal 1997, accounting for the increase in revenues for these rigs. The ATWOOD HUNTER entered the shipyard in December 1996 for its deep water upgrade which was not completed until September 1997, accounting for its decrease in revenues. The Company began receiving a holding dayrate on RIG-200 in January 1996 while awaiting commencement of active drilling operations in Australia which did not occur until January 1997. A full year of revenues coupled with the commencement of active drilling at higher dayrates accounted for the increase in revenues for RIG-200. Stable contracts for the SEAHAWK and VICKSBURG provided consistency to these operations. The decline in revenues for RIG-19 was due to the rig being moved to a new platform during fiscal 1997 with no revenues being recognized during the relocation period. Market conditions for the RICHMOND also improved during fiscal 1997 resulting in increased revenues.

In contrast to a 12 percent increase in contract revenues, contract drilling and managment costs in fiscal 1997 decreased 5 percent to $48.8 million from $51.5 million. The decrease was primarily due to the absence of drilling costs on the ATWOOD HUNTER during its upgrade period. An analysis of contract drilling and management costs by rig is as follows:

	CONTRACT DRILLING AND MANAGEMENT COSTS (In millions)		
	Fiscal 1997	Fiscal 1996	Variance
ATWOOD FALCON	$ 6.3	$ 6.9	$(0.6)
ATWOOD HUNTER	1.7	7.2	(5.5)
ATWOOD EAGLE	9.8	9.1	0.7
RIG-200	2.0	0.3	1.7
SEAHAWK	7.0	6.5	0.5
VICKSBURG	3.6	3.1	0.5
RIG-19	5.3	6.4	(1.1)
RICHMOND	5.0	4.8	0.2
GOODWYN 'A'	5.7	5.9	(0.2)
NORTH RANKIN 'A'	1.1	0.6	0.5
OTHER	1.3	0.7	0.6
	$ 48.8	$ 51.5	$(2.7)

The ATWOOD HUNTER was out of service for approximately eight months in fiscal 1997 during the upgrade period. The increase in costs of RIG-200 was due to a full year of operations. The decrease in costs for RIG-19 was due to its relocation to a new platform which resulted in no drilling costs being recognized during the relocation period. The increase in operating costs for the ATWOOD EAGLE, SEAHAWK, VICKSBURG and NORTH RANKIN 'A' were due primarily to higher payroll related costs.

An analysis of depreciation expense by rig is as follows:

DEPRECIATION EXPENSE

(In millions)

	Fiscal 1997	Fiscal 1996	Variance
ATWOOD FALCON	$ 2.7	$ 2.6	$ 0.1
ATWOOD HUNTER	0.6	1.6	(1.0)
ATWOOD EAGLE	2.1	2.0	0.1
RIG-200	1.5	0.0	1.5
SEAHAWK	2.2	2.2	0.0
VICKSBURG	0.0	0.0	0.0
RIG-19	0.2	0.6	(0.4)
RICHMOND	0.4	0.4	0.0
OTHER	0.3	0.3	0.0
	$10.0	$ 9.7	$ 0.3

With the ATWOOD HUNTER out-of-service for drilling operations during its water depth enhancement, no depreciation was recognized during the rig's upgrade period. Deprecation of RIG-200 commenced upon start-up of active drilling operation in January 1997.

General and administrative expense increased 19 percent in fiscal 1997 compared to fiscal 1996. This increase was attributable to an increase in payroll related costs and to professional fees associated with a registration statement filed with the Securities and Exchange Commission in February 1997 with respect to a public offering of 1.5 million shares of the Company's common stock which was subsequently withdrawn due to the stock price range not adequately reflecting the value of the Company. Investment income in fiscal years 1997 and 1996 of $2.4 million and $2.5 million, respectively, offset interest expense for both years. With an increase in taxable income and virtually no carryforward tax attributes, both foreign and domestic tax provisions significantly increased.

Fiscal Year 1996 Versus Fiscal Year 1995

Contract revenues in fiscal 1996 increased 10 percent to $79.5 million from $72.2 million. This increase was primarily attributable to commencement of contract revenues from Rig-200 in addition to general dayrate increases on the fleet. An analysis of contract revenues by rig for fiscal years 1996 and 1995 is as follows:

CONTRACT REVENUES

(In millions)

	Fiscal 1996	Fiscal 1995	Variance
ATWOOD FALCON	$ 11.5	$ 10.9	$ 0.6
ATWOOD HUNTER	11.3	10.2	1.1
ATWOOD EAGLE	15.6	15.1	0.5
RIG-200	2.2	0.0	2.2
SEAHAWK	11.0	10.8	0.2
VICKSBURG	5.0	4.9	0.1
RIG-19	8.2	7.1	1.1
RICHMOND	6.2	5.0	1.2
GOODWYN 'A'	7.6	7.3	0.3
NORTH RANKIN 'A'	0.9	0.9	0.0
	$ 79.5	$ 72.2	$ 7.3

The increase in revenues for the ATWOOD FALCON was due to an increase of approximately 60 percent in the contract dayrate during the fourth quarter of fiscal 1996. The increase in revenues for the ATWOOD HUNTER was also due to higher dayrates in fiscal 1996 compared to fiscal 1995. In 1996, the ATWOOD EAGLE was relocated from the territorial waters of Australia to the territorial waters of Equitorial Guinea with an approximate 25 percent increase in contract dayrate. The Company received dayrate revenues from RIG-200 during the period January 1996 through September 1996 while awaiting instructions for shipment to Australia. Stable contracts for the SEAHAWK, VICKSBURG and RIG-19 provided consistency to these operations. The $1.1 million increase in RIG-19 revenues was due to an increase in the dayrates during fiscal 1996. As a result of improved market conditions, the RICHMOND, also experienced an increase in dayrate revenues during fiscal 1996.

In contrast to a 10 percent increase in contract revenues, contract drilling and management costs increased only one percent in fiscal 1996 compared to fiscal 1995. An analysis of contract drilling and management costs by rig is as follows:

	CONTRACT DRILLING AND MANAGEMENT COSTS (In millions)		
	Fiscal 1996	Fiscal 1995	Variance
ATWOOD FALCON	$ 6.9	$ 6.4	$ 0.5
ATWOOD HUNTER	7.2	7.2	0.0
ATWOOD EAGLE	9.1	12.7	(3.6)
RIG-200	0.3	0.0	0.3
SEAHAWK	6.5	5.9	0.6
VICKSBURG	3.1	3.0	0.1
RIG-19	6.4	5.1	1.3
RICHMOND	4.8	4.1	0.7
GOODWYN 'A'	5.9	5.2	0.7
NORTH RANKIN 'A'	0.6	0.6	0.0
OTHER	0.7	0.6	0.1
	$ 51.5	$ 50.8	$ 0.7

The increases in operating costs for the ATWOOD FALCON, SEAHAWK and RICHMOND were due to increases in general maintenance and payroll related costs. The reduction in the ATWOOD EAGLE's costs was attributable to the rig being relocated from Australia to Equitorial Guinea where operating costs are lower, primarily due to reductions in local labor costs, and to the rig incurring costs in fiscal 1995 associated with certain required surveys and repairs that were not required in fiscal 1996. The increase in operating costs of RIG-19 was primarily due to increase in payroll related costs as a result of certain labor union awards in Australia. The increase in operating costs of the GOODWYN 'A' was also attributable to higher labor costs in Australia.

An analysis of depreciation expense by rig is as follows:

	DEPRECIATION EXPENSE (In millions)		
	Fiscal 1996	Fiscal 1995	Variance
ATWOOD FALCON	$ 2.6	$ 3.1	$ (0.5)
ATWOOD HUNTER	1.6	1.8	(0.2)
ATWOOD EAGLE	2.0	2.2	(0.2)
SEAHAWK	2.2	2.3	(0.1)
VICKSBURG	0.0	0.0	0.0
RIG-19	0.6	1.2	(0.6)
RICHMOND	0.4	0.3	0.1
OTHER	0.3	0.2	0.1
	$ 9.7	$ 11.1	$ (1.4)

On December 31, 1994, when the Company acquired the remaining 50 percent interest in the ATWOOD FALCON, ATWOOD HUNTER and ATWOOD EAGLE, management increased the estimated useful lives of these rigs by an additional five years which accounts for reduction in depreciation expense for these rigs in fiscal 1996. The decrease in depreciation expense of RIG-19 was due to virtually all of the rig's capital equipment becoming fully depreciated in fiscal 1996.

General and administrative expenses increased 14 percent in fiscal 1996 compared to fiscal 1995. This increase was attributable to increases in payroll related costs and professional fees. Investment income in fiscal years 1996 and 1995 of $2.5 million and $2.8 million, respectively, virtually offset interest expense for both years. In fiscal 1996, the Company sold its remaining 32,000 shares of Mobil Corporation common stock at a realized gain of $2.8 million. Foreign tax expense increased from $1.6 million in fiscal 1995 to $2.6 million in fiscal 1996 and domestic taxes increased from $300,000 in fiscal 1995 to $1.9 million in fiscal 1996, which accounted for the increase in the provision for income taxes.

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 1997, operating cash flow (before changes in working capital and other assets and liabilities) increased 27 percent from $20.3 million in fiscal 1996 to $25.8 million. In order to provide funding for all rig upgrade opportunities, the Company executed a $125 million revolving credit agreement with a bank group in July 1997, with $58 million borrowed under this facility at September 30, 1997. During fiscal 1997, the Company utilized its internally generated funds and funds borrowed under the revolving credit facility to repay $33 million in existing debt, to invest approximately $38 million in the water-depth upgrade of the ATWOOD HUNTER, to invest approximately $20 million in the refurbishment and upgrade of the ATWOOD SOUTHERN CROSS, and to fund approximately $5 million in other capital expenditures.

After enhancing the ATWOOD HUNTER to drill in up to 3,500 feet of water and relocating the rig from Southeast Asia to the United States Gulf of Mexico at an aggregate cost of approximately $45 million, of which $38 million was expended during fiscal 1997, the rig commenced drilling under a three-year contract in September 1997. The contract provided for the payment of a $10 million mobilization fee which offset a portion of the Company's costs. During fiscal 1997, the ATWOOD SOUTHERN CROSS was mobilized from Australia to a shipyard in Singapore to undergo refurbishment and upgrade at an aggregate cost of approximately $35 million, of which $20 million was expended during fiscal 1997. The rig's refurbishment and upgrade was completed in November 1997, at which time the rig was mobilized back to Australia to commence a 300-day plus option contract.

The ATWOOD FALCON is currently in the Philippines drilling phase one of a two phase program. Upon completion of the phase one drilling program (estimated June 1998), the rig will be mobilized to Singapore to undergo an estimated $50 million water-depth upgrade. When the upgrade is completed (estimated the first quarter of fiscal 1999), the rig will be mobilized back to the Philippines to commence the three-year phase two drilling program.

The VICKSBURG will complete its current contract in Australia in December 1997, at which time the Company plans to mobilize the rig to Singapore for an upgrade to provide for cantilevering for extended reach drilling, to add a top drive and to provide other enhanced drilling capabilities at an estimated cost of $35 million. The rig is currently being marketed in its upgrade mode, and management is confident that a profitable contract will be obtained for this rig after its upgrade.

At September 30, 1997, the Company continued to have approximately $22.6 million invested in United States treasury bonds, of which $20 million in market value plus the ATWOOD HUNTER, ATWOOD EAGLE and the RICHMOND are pledged as collateral under the $125 million revolving credit agreement. The revolving line of credit converts to a reducing facility commencing on March 31, 1999, with commitment reduction of $8.3 million per quarter until final maturity on March 31, 2002.

Management expects the Company's revolving credit facility plus cash on hand and operating cash flow to provide sufficient cash resources to fund all of the currently planned rig upgrades. Depending upon additional capital investments, anticipated future operating cash flows are expected to provide the Company with the option of repaying funds borrowed under the revolving credit facility prior to its required maturity. However, as additional growth opportunities are pursued, additional funding may be required. The Company would expect to finance additional capital expenditures through a combination of operating cash flows or equity or debt financing; however, the Company can give no assurance that additional equity or debt financing would be available on terms acceptable to the Company. The Company continues to periodically review and adjust its planned capital expenditures and financing of such expenditures in light of current market conditions.

Atwood Oceanics, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

	September 30,	
(In thousands)	1997	1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$19,264	$ 17,565
Accounts receivable	16,353	16,687
Inventories of materials and supplies, at lower of average cost or market	7,004	5,454
Deferred tax assets	1,820	1,510
Prepaid expenses	2,610	2,954
Total Current Assets	47,051	44,170
SECURITIES HELD FOR INVESTMENT:		
Held-to-maturity, at amortized cost	22,581	22,576
Available-for-sale, at fair value	389	351
	22,970	22,927
PROPERTY AND EQUIPMENT, at cost:		
Drilling vessels, equipment and drill pipe	249,496	191,801
Other	5,363	4,810
	254,859	196,611
Less - accumulated depreciation	110,936	105,487
Net Property and Equipment	143,923	91,124
DEFERRED COSTS AND OTHER ASSETS	1,386	1,088
	$215,330	$159,309

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

Atwood Oceanics, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	September 30, 1997	1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 750	$ 7,933
Accounts payable	5,323	2,615
Accrued liabilities	13,429	7,471
Total Current Liabilities	19,502	18,019
LONG-TERM DEBT, net of current maturities	58,750	26,540
DEFERRED CREDITS:		
Income taxes	1,810	2,289
Mobilization fees and other	12,579	6,907
	14,389	9,196
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; 1,000,000 shares authorized, none outstanding	---	---
Common stock, $1 par value; 20,000,000 shares authorized with 13,546,000 and 13,382,000 issued and outstanding in 1997 and 1996, respectively	13,546	13,382
Paid-in capital	50,104	48,779
Net unrealized holding loss on available-for-sale securities	(112)	(139)
Retained earnings	59,151	43,532
Total Shareholders' Equity	122,689	105,554
	$215,330	$159,309

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

Atwood Oceanics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended September 30,		
(In thousands, except per share amounts)	1997	1996	1995
REVENUES:			
Contract drilling	$86,833	$78,555	$70,715
Contract management	2,249	900	1,516
	89,082	79,455	72,231
COSTS AND EXPENSES:			
Contract drilling	47,714	50,912	50,241
Contract management	1,076	628	585
Depreciation	9,979	9,742	11,134
General and administrative	6,100	5,113	4,485
	64,869	66,395	66,445
OPERATING INCOME	24,213	13,060	5,786
OTHER INCOME (EXPENSE)			
Interest expense	(1,212)	(2,522)	(2,936)
Investment income	2,377	2,510	2,804
Realized gain on sale of securities	--	2,795	2,370
	1,165	2,783	2,238
INCOME BEFORE MINORITY INTEREST AND INCOME TAXES	25,378	15,843	8,024
MINORITY INTEREST IN LOSS OF PARTNERSHIPS	---	---	908
INCOME BEFORE INCOME TAXES	25,378	15,843	8,932
PROVISION FOR INCOME TAXES	9,759	4,475	1,872
NET INCOME	$15,619	$11,368	$ 7,060
EARNINGS PER COMMON SHARE	$ 1.16	$ .85	$ .54
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	13,474	13,328	13,182

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

Atwood Oceanics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For Years Ended September 30,		
(In thousands)	1997	1996	1995
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	$15,619	$ 11,368	$ 7,060
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,979	9,742	11,134
Amortization of deferred items	539	604	429
Deferred federal income tax provision (benefit)	(330)	1,400	(400)
Gain on sale of securities	---	(2,795)	(2,370)
Minority interest in loss of partnerships	---	---	(908)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	334	(3,412)	490
Increase (decrease) in accounts payable	2,708	(3,645)	2,532
Increase (decrease) in accrued liabilities	5,958	(1,524)	2,422
Net mobilization fees	6,286	3,000	---
Other	(1,848)	2,216	(1,192)
	23,626	5,586	12,137
Net Cash Provided by Operating Activities	39,245	16,954	19,197
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from sale of securities	---	3,738	3,343
Capital expenditures	(62,153)	(6,660)	(4,545)
Investment in Rig-200	(625)	(2,866)	(7,872)
Acquisition of interest in partnerships	---	---	(13,275)
Payments received on notes receivable	---	---	202
Net Cash Used by Investing Activities	(62,778)	(5,788)	(22,147)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from exercises of stock options	1,019	761	545
Proceeds from revolving credit facility	58,000	---	---
Principal payments on long-term debt	(32,973)	(4,846)	(3,130)
Deferred financing costs	(814)	---	---
Net payments to limited partner	---	---	(100)
Proceeds (repayment) of short-term note payable	---	(1,500)	1,500
Net Cash Provided (Used) by Financing Activities	25,232	(5,585)	(1,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,699	5,581	(4,135)
CASH AND CASH EQUIVALENTS, at beginning of period	17,565	11,984	16,119
CASH AND CASH EQUIVALENTS, at end of period	$19,264	$ 17,565	$ 11,984
Supplemental disclosure of cash flow information:			
Cash paid during the year for domestic and foreign income taxes	$ 6,896	$ 2,660	$ 1,558
Cash paid during the year for interest, net of amounts capitalized	$ 1,295	$ 2,478	$ 2,552

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

Atwood Oceanics, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

(In thousands)	Common Stock Shares	Common Stock Amount	Paid-in Capital	Unrealized Holding Gain (loss)	Retained Earnings
September 30, 1994	6,582	$6,582	$54,273	$ ---	$25,104
Unrealized holding gain	---	---	---	1,328	---
Exercises of employee stock options	47	47	498	---	---
Retroactive adjustment for two-for-one stock split declared in November 1997	6,629	6,629	(6,629)	---	---
Net income	---	---	---	---	7,060
September 30, 1995	13,258	13,258	48,142	1,328	32,164
Unrealized holding gain at September 30, 1995 realized upon sale of securities in 1996	---	---	---	(1,482)	---
Decrease in unrealized holding loss	---	---	---	15	---
Exercises of employee stock options	62	62	699	---	---
Retroactive adjustment for two-for-one stock split declared in November 1997	62	62	(62)	---	---
Net income	---	---	---	---	11,368
September 30, 1996	13,382	13,382	48,779	(139)	43,532
Decrease in unrealized holding loss	---	---	---	27	---
Exercises of employee stock options	82	82	937	---	---
Tax benefit from exercises of employee stock options	---	---	470	---	---
Retroactive adjustment for two-for-one stock split declared in November 1997	82	82	(82)	---	---
Net income	---	---	---	---	15,619
September 30, 1997	13,546	$13,546	$50,104	$(112)	$59,151

----------------- Preferred stock, no par value, of 1,000,000 shares was authorized in 1975 and no shares have been issued.

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Board of Directors of Atwood Oceanics, Inc.:

We have audited the accompanying consolidated balance sheets of Atwood Oceanics, Inc. (a Texas corporation) and subsidiaries as of September 30, 1997 and 1996, and the related consolidated statements of operations, cash flows and changes in shareholders' equity for each of the three years in the period ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atwood Oceanics, Inc. and subsidiaries as of September 30, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1997, in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP
ARTHUR ANDERSEN LLP

Houston, Texas
November 25, 1997

Atwood Oceanics, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 − NATURE OF OPERATIONS

Atwood Oceanics, Inc. together with its wholly−owned subsidiaries (collectively referred to herein as the "Company"), is engaged in the business of international offshore drilling of exploratory and developmental oil and gas wells and related support, management and consulting services. Presently, the Company owns and operates a modern fleet of seven mobile offshore rigs and one modular platform rig, as well as manages the operations of two operator− owned platform rigs in Northwest Australia. The Company also owns a fifty percent interest in a new generation platform rig. Currently, the Company is involved in active operations in the territorial waters of Australia, Malaysia, Equatorial Guinea, United States and the Philippines.

Demand for drilling equipment is dependent on the exploration and development programs of oil and gas companies, which is in turn influenced by the financial conditions of such companies, by general economic conditions, by prices of oil and gas, and from time to time, by political considerations and policies. The Company's business operations are subject to the risks associated with a business having a limited number of customers for which it can operate at any given time. A decrease in the drilling programs of customers in the areas where the Company is employed may adversely affect the Company's revenues. The contracts under which the Company operates its drilling rigs are obtained either through individual negotiations with the customer or by submitting proposals in competition with the other drilling contractors and vary in their terms and conditions. The Company competes with several other drilling contractors, most of which are substantially larger than the Company and possess appreciably greater financial and other resources. Price competition is generally the most important factor in the drilling industry, but the technical capability of specialized drilling equipment and personnel at the time and place required by customers is also important. Other competitive factors include work force experience, rig suitability, efficiency, condition of equipment, reputation and customer relations. The Company believes that it competes favorably with respect to these factors.

NOTE 2 − SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation −

The consolidated financial statements include the accounts of Atwood Oceanics, Inc. ("AOI") and all of its wholly owned domestic and foreign subsidiaries. The Company's undivided 50 percent interest in RIG−200 is accounted for using the proportionate consolidation method (See Note 4). Prior to December 31, 1994, AOI owned a 50 percent interest in two Texas limited partnerships, Atwood Deep Seas, Ltd. ("Deep Seas") and Atwood Falcon I, Ltd. the accounts of which were included in the Company's consolidated financial statements. The other limited partner's interest in the net assets and loss of the two partnerships was reflected in the Company's financial statements as "minority interest in partnerships". (See Note 4 − "Acquisition of Interest in ATWOOD HUNTER, ATWOOD EAGLE and ATWOOD FALCON".) All significant intercompany accounts and transactions have been eliminated in consolidation.

Foreign exchange −

The U.S. dollar is the functional currency for all areas of operations of the Company. Accordingly, monetary assets and liabilities denominated in foreign currency are remeasured to U.S. dollars at the rate of exchange in effect at the end of the year, items of income and expense are remeasured at average monthly rates, and property and equipment and other nonmonetary amounts are remeasured at historical rates. Gains and losses on foreign currency transactions and remeasurements are included in drilling costs in the consolidated statements of operations. The Company realized foreign exchange losses of $658,000 and $155,000 in 1997 and 1995, respectively, with a foreign exchange gain of $240,000 in 1996.

Property and equipment -

Property and equipment is recorded at cost. Interest costs related to property under construction are capitalized as a component of construction costs. Interest capitalized during fiscal 1997 totaled $1,284,000.

Depreciation is provided on the straight-line method over the following estimated useful lives of the various classifications of assets:

	Years
Drilling vessels and related equipment	5-15
Drill pipe	3
Furniture and Other	3-10

Maintenance, repairs and minor replacements are charged against income as incurred; major replacements and upgrades are capitalized and depreciated over the remaining useful life of the asset as determined upon completion of the work. The cost and related accumulated depreciation of assets sold, retired or otherwise disposed are removed from the accounts at the time of disposition, and any resulting gain or loss is reflected in the consolidated statements of operations for the applicable period.

Deferred costs -

The Company defers the costs of moving a drilling rig to a new area and amortizes such costs on a straight-line basis over the life of the applicable drilling contract. There were no unamortized mobilization costs at September 30, 1997 or 1996.

The Company defers the costs of scheduled drydocking and charges such costs to expense over the period to the next scheduled drydocking (normally 30 months).

Federal income taxes -

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes". Under SFAS No. 109, deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end given the provisions of enacted tax laws. Deferred tax assets are reduced by a valuation allowance when, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period.

Revenue recognition -

The Company accounts for drilling and management contract revenues using the percentage of completion method of accounting, under which revenues are recognized on a daily basis as earned. Mobilization revenues are first used to cover the costs of mobilization with the excess revenues deferred and amortized on a straight-line basis over the life of the applicable drilling contract. At September 30, 1997 and 1996, deferred revenues totaling $9.3 million and $3 million, respectively, were included in Deferred Credits on the accompanying consolidated balance sheet.

Cash and cash equivalents -

Cash and cash equivalents consist of cash in banks and highly liquid debt instruments which mature within three months of the date of purchase.

Receivables -

Based upon the Company's historical collection of accounts receivable, the Company has not established an allowance for doubtful accounts.

Investments -

Investments in held-to-maturity securities are stated at the amortized cost at the balance sheet date. The Company has the ability and intent to hold such securities to maturity. At September 30, 1997 and 1996, investments in available- for-sale securities are carried at fair value with the unrealized holding loss, net of deferred tax, included in shareholders' equity.

Earnings per common share -

Earnings per common share was computed by dividing net income by the weighted average number of shares of common stock outstanding during each period. The dilutive effect of stock options is immaterial.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings per Share". The new standard simplifies the computation of earnings per share (EPS) and increases comparability to international standards. Under SFAS No. 128, primary EPS is replaced by "Basic" EPS, which excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. "Diluted" EPS, which is computed similarly to fully diluted EPS, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The company is required to adopt the new standard in its fiscal 1998 financial statements. All prior-period EPS information (including interim EPS) is required to be restated at that time. Early adoption is not permitted. Diluted EPS, under SFAS No. 128, would not be materially different from amounts presented herein.

Stock-Based Compensation -

The Company accounts for employee stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, the adoption of SFAS No. 123, "Accounting for Stock-Based Compensation" in fiscal 1996 had no effect on the Company's results of operations.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - SECURITIES HELD FOR INVESTMENT

All of the Company's investments in equity securities are classified as "available-for-sale" and accordingly, are reflected in the September 30, 1997 and 1996 Consolidated Balance Sheets at fair value, with the aggregate unrealized gain or loss, net of related deferred tax liability or asset, included in shareholders' equity. All of the Company's investment in United States Treasury Bonds (which mature in 2000 and 2001) are classified as "held-to-maturity" and, accordingly, are reflected in the September 30, 1997 and 1996 Consolidated Balance Sheets at amortized cost.

There were no sales of securities during fiscal 1997. During fiscal 1996 and fiscal 1995, 32,000 shares and 33,000 shares of Mobil Corporation common stock were sold for $3.7 million and $3.3 million resulting in realized gains, using average cost, of $2.8 million and $2.4 million, respectively. An analysis of the Company's investment in marketable securities is as follows (in thousands) :

	Amortized Cost	Unrealized Gain (Loss)	Fair Value
September 30, 1997 -			
Equity Securities	$ 561	$ (172)	$ 389
United States Treasury Bonds	22,581	1,429	24,010
	$23,142	1,257	$ 24,399
September 30, 1996 -			
Equity Securities	$ 561	$ (210)	$ 351
United States Treasury Bonds	22,576	1,387	23,963
	$23,137	$ 1,177	$ 24,314

NOTE 4 - PROPERTY AND EQUIPMENT

ATWOOD HUNTER -

The ATWOOD HUNTER has been upgraded to achieve up to 3,500 feet water depth drilling capability and relocated from Southeast Asia to the United States Gulf of Mexico at an aggregate cost of approximately $45 million, of which $38 million was expended during fiscal 1997. In September 1997, the rig commenced drilling operations under a three-year contract with British-Borneo Petroleum Inc. The contract provided for the payment of a $10 million mobilization fee of which $6.4 million (net after mobilization costs) was recorded to Deferred Credits and will be amortized into revenues over the three-year contract period.

ATWOOD SOUTHERN CROSS -

During fiscal year 1997, the ATWOOD SOUTHERN CROSS was mobilized from Australia to a Singapore shipyard, refurbished and upgraded to achieve 2,000 feet water depth drilling capability at an aggregate cost of approximately $35 million, of which $20 million was expended during fiscal 1997. During November 1997, the rig was mobilized from Singapore to Australia to commence working under a 300-day plus option contract.

VICKSBURG -

The VICKSBURG is expected to complete its current contract in December 1997, at which time the rig will be transported to Singapore to undergo an estimated $35 million refurbishment and upgrade project which is estimated to take seven to eight months to complete. The rig is currently being marketed based upon its capabilities after refurbishment and upgrades.

ATWOOD FALCON -

During November 1997, the ATWOOD FALCON was relocated to the Philippines to commence working under a long-term contract which will require, after initially drilling four wells, that the rig be transported to a shipyard in Singapore to undergo an upgrade at an estimated cost of approximately $50 million. Management estimates that the upgrade and mobilization will take six to seven months to complete.

RIG 200 −

RIG−200 (a modular platform rig built in 1995) is owned 50 percent by the Company and 50 percent by Helmerich & Payne, Inc. ("H&P") (current owner of 24 percent of the Company's outstanding common stock). After incurring an approximate one year project delay in Australia unrelated to the Company's and H&P's activities, RIG−200 was transported to Australia from the United States and commenced active drilling operation in January 1997. A holding dayrate was received during fiscal 1996.

Since the Company has a 50 percent undivided ownership interest in RIG−200 and is actively involved in its operations, the Company accounts for its investment in the rig on a proportionate consolidation method. Accordingly, the Company's $12 million investment in RIG−200 is reflected in "Drilling Vessels, Equipment and Drill Pipe" in the Consolidated Balance Sheet, with 50 percent of the rig's operating results for fiscal years 1997 and 1996 reflected in the Company's Consolidated Statement of Operations.

ACQUISITION OF INTEREST IN ATWOOD HUNTER, ATWOOD EAGLE AND ATWOOD FALCON −

Effective as of December 31, 1994, the Company acquired the remaining 50 percent interest in the ATWOOD HUNTER, ATWOOD EAGLE and the ATWOOD FALCON, at an aggregrate purchase price of approximately $36 million. This purchase price consisted of approximately $13 million cash and the issuance or assumption of debt totaling approximately $23 million. Combined with the Company's previous 50 percent ownership, the Company became the sole owner of these semisubmersible rigs. The transaction was accounted for using the purchase method of accounting.

ADOPTION OF FASB STATEMENT NO. 121 −

In fiscal 1995, the Company adopted SFAS No. 121 "Accounting for the Impairment of Long−Lived Assets and for Long−Lived Assets to Be Disposed of". The adoption of SFAS No. 121 has had no impact on the Company's financial statements.

NOTE 5 − DEBT

LONG−TERM DEBT −

A summary of long−term debt is as follows (in thousands):

	September 30	
	1997	1996
Revolving credit agreement, bearing interest (market adjustable) at approximately 7 percent per annum at September 30, 1997	$58,000	$ ----
Notes payable to bank group	----	32,223
Term note, bearing interest at 6 percent per annum	1,500	2,250
	59,500	34,473
Less − current maturities	750	7,933
	$58,750	$ 26,540

In July 1997, the Company entered into a $125 million revolving credit facility with a bank group. The revolving line of credit converts to a reducing facility commencing on March 31, 1999, with commitment reduction of $8.3 million per quarter until final maturity on March 31, 2002. The bank group's collateral for this revolving credit facility consists principally of preferred mortgages on the ATWOOD HUNTER, ATWOOD EAGLE and the RICHMOND plus the assigment of $20 million in market value of United States Treasury Bonds. The credit facility prohibits the Company from incurring any additional indebtedness in excess of $5 million, disposing of any material assets, paying dividends or repurchasing any of the Company's outstanding common stock. The proceeds borrowed under this revolving credit facility have been used to repay the notes payable to bank group and to fund capital expenditures.

A portion of the December 1994 purchase of the limited partner's interest in the ATWOOD HUNTER, ATWOOD FALCON and ATWOOD EAGLE (see Note 4) included the issuance of a $3 million unsecured note payable in four annual $750,000 installments.

The maturities of long-term debt are as follows (in thousands):

FISCAL YEAR	AMOUNT
1998	$ 750
1999	750
2000	---
2001	24,900
2002	33,100
	$ 59,500

LINE OF CREDIT -

The Company has a $3 million unsecured short-term line of credit with a bank to support issuance, when required, of standby letters of guarantee and the Indian tax guarantee (see Note 6). At September 30, 1997, standby letters of guarantee in the aggregate amount of approximately $2 million were outstanding under this facility.

NOTE 6 - INCOME TAXES

Domestic and foreign income (loss) before income taxes and minority interest for the three years in the period ended September 30, 1997 are as follows (in thousands):

	Fiscal 1997	Fiscal 1996	Fiscal 1995
Domestic income	$ 14,623	$ 17,508	$ 6,237
Foreign income (loss)	10,755	(1,665)	1,787
	$ 25,378	$ 15,843	$ 8,024

The provision (benefit) for domestic and foreign taxes on income consists of the following (in thousands):

	Fiscal 1997	Fiscal 1996	Fiscal 1995
Current domestic provision	$ 5,736	$ 452	$ 700
Deferred domestic provision (benefit)	(330)	1,400	(400)
Current foreign provision	4,353	2,623	1,572
	$ 9,759	$ 4,475	$ 1,872

The components of the deferred income tax assets (liabilities) as of September 30, 1997 and 1996 are summarized as follows (in thousands):

	September 30,	
	1997	1996
Deferred tax assets -		
Net operating loss carryforwards	$2,970	$ 2,950
Investment tax credit carryforwards	---	2,460
Book reserves	1,260	1,530
Deferred mobilization revenues	3,210	---
	7,440	6,940
Deferred tax liabilities -		
Difference in book and tax basis of equipment	4,940	2,990
Deferred charges	160	450
Unrealized holding loss on available-for-sale securities	(60)	(71)
	5,040	3,369
Net deferred tax assets before valuation allowance	2,400	3,571
Valuation allowances	(2,390)	(4,350)
Net deferred tax asset (liability)	$ 10	$ (779)
Net current deferred tax assets	$ 1,820	$ 1,510
Net noncurrent deferred tax liabilities	(1,810)	(2,289)
Net deferred tax asset (liability)	$ 10	$ (779)

U.S. deferred taxes have not been provided on foreign earnings totaling approximately $6.1 million which are permanently invested abroad. Foreign tax credits totaling approximately $3.5 million are available to reduce the U.S. taxes on such amounts.

The differences between the statutory and the effective income tax rate are as follows:

	Fiscal 1997	Fiscal 1996	Fiscal 1995
Statutory income tax rate	35%	34%	34%
Increase (decrease) in tax rate resulting from -			
Foreign tax rate differentials, net of foreign tax credit utilization	10	12	1
Change in valuation allowance	(2)	(15)	(10)
Investment tax credit utilization	(5)	---	---
Financial income not subject to domestic income taxes	---	---	(1)
Other, net	---	(3)	(3)
Effective income tax rate	38%	28%	21%

The Company has United States net operating loss carryforwards totaling $8.5 million which expire in fiscal years 2001 through 2003. Due to various utilization limitations, management estimates that a significant portion of this tax attribute will not be available to reduce future tax obligations; accordingly, a $2.4 million valuation allowance is recorded as of September 30, 1997.

For several years, the Company has pursued legal action to collect certain tax refund claims in India. As a result of favorable court decisions in India, and upon the Company providing a letter of guarantee, the Company received tax refunds in 1997 and 1994 of $ 1,051,000 and $639,000, respectively, (net of taxes on interest and other related expense), which is reflected in the balance sheet as other deferred credits, pending ultimate resolution of the issue by the Indian High Court.

NOTE 7 - CAPITAL STOCK

STOCK SPLIT -

On November 6, 1997, the Company's Board of Directors declared a two-for-one common stock split, payable in the form of a 100% stock dividend to shareholders of record as of November 12, 1997. The distribution of such dividend occurred on November 19, 1997. All share and per share information has been retroactively restated in the Consolidated Financial Statements to reflect the stock split.

STOCK OPTION PLANS -

The Company has an incentive equity plan ("1996 Plan") whereby 670,000 shares of common stock may be granted to officers and key employees through February 12, 2007. At September 30, 1997, options to purchase 104,000 shares were outstanding under this Plan. The Company also has options outstanding to purchase 337,400 shares under a stock plan ("1990 Plan") and 3,300 shares under 1981 incentive stock option plan ("1981 Plan") which expired for future grant purposes on November 17, 1991. Under all plans, the exercise price of each option equals the market price of the Company's stock on the date of grant, and all outstanding options have a maximum term of 10 years. Under the 1981 Plan, options vest over a period from the fifth to the tenth year from the date of grant, and under the 1996 and 1990 Plans, options vest over a period from the second to the fifth year from the date of grant.

A summary of the status of the Company's Plans as of September 30, 1997, 1996 and 1995, and changes during the years ended on those dates is presented below:

	Fiscal 1997		Fiscal 1996		Fiscal 1995	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Outstanding at beginning of year	506,800	$ 9.46	480,200	$6.15	509,000	$6.10
Granted	112,500	28.00	151,000	17.25	64,000	6.57
Exercised	(164,000)	6.22	(124,400)	6.12	(92,800)	5.88
Forfeited	(10,600)	6.46	---	---	---	---
Expired	---	---	---	---	---	---
Outstanding at end of year	444,700	15.42	506,800	$9.46	480,200	$6.15
Exercisable at end of year	69,450	$5.67	164,676	$6.02	159,974	$6.06
Available for grant at end of year	567,000	---	151,000			
Weighted-average fair value of options granted during the year	$ 23.36	$ 6.68				

The following table summarizes information about stock options outstanding at September 30, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 9/30/97	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 9/30/97	Weighted-Average Exercise Price
$4.88 to 6.13	71,200	4.9 years	$5.28	46,950	$5.22
6.50 to 6.69	110,000	6.6 years	6.62	22,500	6.61
16.63 to 18.97	151,000	8.5 years	17.25	---	---
28.00	112,500	9.5 years	28.00	---	---
4.88 to 28.00	444,700	7.5 years	$15.42	69,450	$5.67

As permitted by SFAS No. 123, the Company applies APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for the granting of options pursuant to its stock option plans. Had compensation costs been determined based on the fair value at the grant dates for awards made in fiscal 1997 and 1996 consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except for per share amounts):

		Fiscal 1997	Fiscal 1996
Net Income	As reported	$ 15,619	$ 11,368
	Pro forma	15,404	11,291
Earnings per share	As reported	1.16	.85
	Pro forma	1.14	.85

The fair value of grants made in fiscal 1997 and 1996 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used: fiscal 1997 - risk-free interest rate of 6.7 percent, expected volatility of 33.6 percent, expected lives of 5 years and no dividend yield; fiscal 1996 - risk-free interest rate of 5.8 percent, expected volatility of 33.7 percent, expected lives of 5 years and no dividend yield.

NOTE 8 - RETIREMENT PLAN

The Company has a contributory retirement plan (the "Plan") under which qualified participants may make contributions of up to 5% of their compensation, as defined (the basic contribution). The Company makes a contribution to the Plan equal to twice the basic contribution. Company contributions vest 100 percent to each participant beginning with the fourth year of participation. If a participant terminates employment before becoming fully vested, the unvested portion is credited to the Company's account and can be used only to offset Company contribution requirements. The Company used forfeitures of $84,000, $58,000 and $112,000 in fiscal 1997, 1996 and 1995, respectively, to reduce its cash contribution requirements, which resulted in actual contributions of $927,000, $738,000 and $637,000 in fiscal 1997, 1996 and 1995, respectively. As of September 30, 1997, there remains approximately $47,000 of contribution forfeitures which can be utilized to reduce future Company cash contribution requirements.

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities included in the accompanying Consolidated Balance Sheets approximated fair value due to the short maturity of these instruments. Since the bank debt has a market adjustable interest rate, the carrying value of these instruments approximated fair value as of fiscal year end 1997 and 1996. Although the $1.5 million term note has a fixed 6 percent interest rate at September 30, 1997, it also approximated fair value. The Company's only financial instruments at September 30, 1997 and 1996 with a fair value different from carrying value are marketable securities; the difference of which is shown in Note 3.

NOTE 10 - CONCENTRATION OF MARKET AND CREDIT RISK

All of the Company's customers are in the oil and gas offshore exploration and production industry. This industry concentration has the potential to impact the Company's overall exposure to market and credit risks, either positively or negatively, in that the Company's customers could be affected by similar changes in economic, industry or other conditions. However, the Company believes that the credit risk posed by this industry concentration is offset by the creditworthiness of the Company's customer base. The Company's portfolio of accounts receivable is comprised of major international corporate entities and government organizations with stable payment experience. Historically, the Company's uncollectible accounts receivable have been immaterial, and typically, the Company does not require collateral for its receivables.

Drilling revenues for fiscal 1997 include $24.3 million, $19.3 million and $16.9 million in revenues received from ESSO Australia Limited/ESSO Production Malaysia, Mobil Equatorial Guinea Inc. and Carigali-Triton Operating Company Sdn. Bhd., respectively. Drilling revenues for fiscal 1996 include $25.6 million, $11.5 million and $8.4 million in revenues received from Esso Australia Limited/Esso Production Malaysia, Inc., Carigali-Triton Operating Company

Sdn. Bhd. and Mobil Equatorial Guinea Inc., respectively. Drilling revenues for fiscal 1995 include $24.8 million, $16.0 million and $7.5 million in revenues received from Esso Australia Limited/Esso Production Malaysia, Inc., BHP Petroleum Pty. Ltd. and Woodside Offshore Petroleum Pty. Ltd., respectively.

NOTE 11 − OPERATIONS BY GEOGRAPHIC AREAS

The Company is engaged in offshore contract drilling. The contract drilling operations consist of contracting Company owned or managed offshore drilling equipment primarily to major oil and gas exploration companies. Operating income (loss) is contract revenues less operating expenses. In computing operating income (loss) for each geographic area, none of the following items were considered: investment income or gains on sale of securities, general corporate expenses, interest expense, minority interest in loss of partnerships and domestic and foreign income taxes. Identifiable assets are those assets that are used by the Company in operations in each geographic area. General corporate assets are principally investments in marketable securities.

A summary of revenues, operating income and identifiable assets by geographic areas is as follows (in thousands):

	Fiscal 1997	Fiscal 1996	Fiscal 1995
CONTRACT REVENUES:			
United States	$10,585	$ 6,208	$ 4,981
Australia	27,599	31,043	35,314
Southeast Asia	31,583	33,774	31,936
Africa	19,315	8,430	−−−
	$ 89,082	$ 79,455	$ 72,231
OPERATING INCOME			
United States	$ 5,642	$ 42	$ (603)
Australia	8,236	8,018	6,562
Southeast Asia	8,235	6,316	4,318
Africa	8,200	3,831	−−−
India/Middle East	−−−	(34)	(6)
General corporate expense	(6,100)	(5,113)	(4,485)
	$ 24,213	$ 13,060	$ 5,786
IDENTIFIABLE ASSETS:			
United States	$ 81,800	$ 31,071	$ 22,599
Australia	49,713	19,365	42,143
Southeast Asia	40,387	64,163	62,166
Africa	20,457	21,780	−−−
India/Middle East	3	3	7
General corporate	22,970	22,927	25,938
	$ 215,330	$159,309	$152,853

NOTE 12 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly results for fiscal years 1997 and 1996 are as follows (in thousands, except per share amounts):

	QUARTERS ENDED			
	DECEMBER 31,	MARCH 31,	JUNE 30,	SEPTEMBER 30,
1997				
Revenues	$ 22,093	$ 20,805	$22,069	$24,115
Income before income taxes	5,734	5,117	5,660	8,867
Net income	3,919	3,114	3,662	4,924
Earnings per common share	.29	.23	.27	.37
1996				
Revenues	$ 18,138	$ 19,086	$ 19,127	$23,104
Income before income taxes	1,308	2,281	3,638	8,616(a)
Net income	662	1,331	2,379	6,996
Earnings per common share	.05	.10	.18	.52

(a) The Company sold 32,000 shares of Mobil Corporation common stock which resulted in a $2.8 million positive effect on fiscal 1996 fourth quarter results.

DIRECTORS

ROBERT W. BURGESS (3)
Senior Vice President
CIGNA Investment Division
CIGNA Companies
Bloomfield, Connecticut

GEORGE S. DOTSON (1, 2, 3)
Vice President
Helmerich & Payne, Inc.
President
Helmerich & Payne International Drilling Co.
Tulsa, Oklahoma

W. H. HELMERICH, III
Chairman
Helmerich & Payne, Inc.
Tulsa, Oklahoma

HANS HELMERICH (1, 3)
President, Chief Executive Officer
Helmerich & Payne, Inc.
Tulsa, Oklahoma

JOHN R. IRWIN (1)
President, Chief Executive Officer
Atwood Oceanics, Inc.
Houston, Texas

WILLIAM J. MORRISSEY (2)
Bank Executive, Retired
Elkhorn, Wisconsin

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee

ANNUAL MEETING

The annual meeting of stockholders will be held on February 12, 1998 at the Company's principal office: 15835 Park Ten Place Drive, Houston, Texas. A formal notice of the meeting together with a proxy statement and form of proxy will be mailed to stockholders about January 12, 1998.

OFFICERS

JOHN R. IRWIN
President, Chief Executive Officer

JAMES M. HOLLAND
Senior Vice President and Secretary

GLEN P. KELLEY
Vice President − Contracts and Administration

LARRY P. TILL
Vice President − Operations

TRANSFER AGENT AND REGISTRAR

Liberty Bank & Trust of Oklahoma City, N.A.
P. O. Box 25848
100 N. Broadway, 7th Floor (73102)
Oklahoma City, OK 73125

FORM 10−K

A copy of the Company's Form 10−K as filed with the Securities and Exchange Commission is available free on request by writing to:

Secretary, Atwood Oceanics, Inc.
P. O. Box 218350
Houston, Texas 77218

STOCK PRICE INFORMATION −

On August 6, 1997, the common stock of Atwood Oceanics, Inc. ceased trading on the Nasdaq Stock Market (NASDAQ) under the symbol "ATWD" and commenced trading on the New York Stock Exchange ("NYSE") under the symbol "ATW". No cash dividends on common stock were paid in fiscal year 1996 or 1997, and none are anticipated in the foreseeable future. As of September 30, 1997, there were over 750 beneficial owners of the common stock of Atwood Oceanics, Inc. As of November 28, 1997, the closing sale price of the common stock of Atwood Oceanics, Inc., as reported by NYSE, was $ 49 5/16 per share. The following table sets forth the range of high and low sales prices per share of common stock as reported by NASDAQ and the NYSE for the periods indicated, after retroactive restatement for the November 1997 two−for−one common stock split paid in form of a 100% stock dividend.

	Fiscal 1996		Fiscal 1997	
QUARTERS ENDED	LOW	HIGH	LOW	HIGH
December 31	8 1/4	13 1/2	22 3/8	32 3/4
March 31	12 1/4	18 7/8	26 3/4	35 1/2
June 30	18	22 5/8	28 7/8	35 1/8
September 30	20	25 1/4	33 3/4	57 1/16

APPENDIX

The following graphic and image information in the form of "Bar Charts" are located in the Annual Report immediately following "Highlights".

BAR CHART − CONTRACT REVENUES ($ MILLIONS)

1993	1994	1995	1996	1997
$51.8	$66.0	$72.2	$79.5	$89.1

BAR CHART − EARNINGS, BEFORE DEPRECIATION, INTEREST, TAXES AND INVESTMENT INCOME ($ MILLIONS)

1993	1994	1995	1996	1997
$10.0	$17.3	$16.9	$22.8	$34.2

BAR CHART − OPERATING CASH FLOW ($ MILLIONS)

1993	1994	1995	1996	1997
$8.1	$16.8	$14.9	$20.3	$25.8

BAR CHART − NET INCOME (LOSS) ($ MILLIONS)

1993	1994	1995	1996	1997
$(1.8)	$6.2	$7.1	$11.4	$15.6

BAR CHART − CAPITAL EXPENDITURES ($ MILLIONS)

1993	1994	1995	1996	1997
$5.3	$6.4	$25.7	$9.5	$62.8

BAR CHART − CASH AND SECURITIES HELD FOR INVESTMENT ($ MILLIONS)

1993	1994	1995	1996	1997
$35.0	$41.0	$38.0	40.5	$42.2

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EXHIBIT 21.1

SUBSIDIARY COMPANIES AND STATE OR
JURISDICATION OF INCORPORATION

All Oceans Drilling B.V.	Netherlands	100%
Alpha Offshore Drilling Services	Cayman Islands, B.W.I.	100%
Atwood Drilling Inc.	Delaware	100%
Atwood Offshore Inc.	Delaware	100%
Atwood Hunter Co.	Delaware	100%
Atwood Oceanics Australia Pty. Ltd.	Australia	100%
Atwood Oceanics Drilling Company	Texas	100%
Atwood Oceanics Drilling Pty. Ltd.	Australia	100%
Atwood Oceanics International, S.A.	Panama	100%
Atwood Oceanics (M) Sdn. Bhd.	Malaysia	100%
Atwood Oceanics (NZ) Limited	New Zealand	100%
Atwood Oceanics Pacific Limited	Cayman Islands B.W.I.	100%
Atwood Oceanics Platforms Pty. Ltd.	Australia	100%
Atwood Oceanics Service Pty. Ltd.	Australia	100%
Atwood Oceanics West Tuna Pty. Ltd.	Australia	50%
Aurora Offshore Service GmbH	Germany	100%
Clearways Drilling (M) Sdn. Bhd.	Malaysia	30%
Clearways Offshore Development Drilling Sdn. Bhd.	Malaysia	30%
Deep Seas Drilling Pty. Ltd.	Australia	100%
Drillquest (M) Sdn. Bhd.	Malaysia	90%
Eagle Oceanics, Inc.	Delaware	100%
Oceandril (M) Sdhn. Bhd.	Malaysia	90%
PT Pentawood Offshore Drilling	Indonesia	80%
Swiftdrill, Inc.	Texas	100%
Swiftdrill Nigeria Limited	Nigeria	60%

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EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated November 25, 1997, incorporated by reference in this Form 10−K, into the Company's previously filed Registration Statement Nos. 33−36921 and 33−52065 on Form S−8.

/s/ ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Houston, Texas
December 18, 1997
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(*Retroactively restated EPS for the November 1997 two-for-one common stock split paid in form of a 100% stock dividend.)
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