



FORM 10-K

PATTERSON UTI ENERGY INC - PTEN

Exhibit:

Filed: March 19, 2002 (period: December 31, 2001)

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

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

FORM 10-K

(MARK ONE)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 0-22664

PATERSON-UTI ENERGY, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

75-2504748

(I.R.S. Employer Identification No.)

P.O. BOX 1416, 4510 LAMESA HIGHWAY, SNYDER, TEXAS
(Address of principal executive offices)

79549
(Zip Code)

Registrant's telephone number, including area code: (915) 574-6300

Securities Registered Pursuant to 12(b) of the Act: None
Securities Registered Pursuant to 12(g) of the Act:

(TITLE OF CLASS)
Common Stock, \$.01 Par Value

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes No

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

The aggregate market value of the voting and non-voting common equity held
by non-affiliates of the registrant as of March 18, 2002 was \$2,020,682,056,
based upon the average bid and asked prices of \$28.29 and \$28.56, respectively,
on the Nasdaq National Market.

As of March 18, 2002, the registrant had outstanding 77,613,794 shares of
common stock, \$.01 par value, its only class of voting stock.

FORWARD LOOKING STATEMENTS

Patterson-UTI Energy, Inc. ("Patterson-UTI" or the "Company") from time to time makes written or oral forward-looking statements, including statements contained in our filings with the SEC, press releases and reports to stockholders. These forward-looking statements are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

The words "believes," "budgeted," "expects," "project," "will," "could," "may," "plans," "intends," "strategy," or "anticipates," and similar expressions are used to identify our forward-looking statements. We do not undertake to update, revise or correct any of our forward-looking information. Readers are cautioned that such forward-looking statements should be read in conjunction with our disclosures under the heading: "Cautionary Statement for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" beginning on page 13.

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES.

OVERVIEW

Patterson-UTI is the second largest operator of land-based drilling rigs in North America. Formed in 1978 and reincorporated in 1993 as a Delaware corporation, we focus our contract drilling operations in:

- Texas,
- New Mexico,
- Oklahoma,
- Louisiana,
- Mississippi,
- Utah, and
- Western Canada (Alberta, British Columbia and Saskatchewan).

We currently have a drilling fleet of 319 drilling rigs, of which 287 operated in 2001. A drilling rig includes the structure, power source and machinery necessary to cause a drill bit to penetrate rock to a depth desired by the customer.

We provide drilling fluids, completion fluids and related services to oil and natural gas producers in the Permian Basin of West Texas and Southeast New Mexico, South Texas, East Texas, Oklahoma, the Gulf Coast regions of Texas and Louisiana, and the Gulf of Mexico. Drilling and completion fluids are used by oil and natural gas operators during the drilling process to control pressure when drilling oil and natural gas wells. We also provide pressure pumping services in the Appalachian Basin. These services consist primarily of well stimulation and cementing for completion of new wells and remedial work on existing wells. To a lesser extent, we are engaged in the development, exploration, acquisition and production of oil and natural gas. Our oil and natural gas operations are not financially material and do not warrant disclosure as a business segment.

PATTERSON/UTI MERGER

Patterson Energy, Inc. ("Patterson") and UTI Energy Corp. ("UTI") consummated a merger on May 8, 2001, with Patterson as the surviving entity. That transaction was a merger of equals and was treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and accounted for as a pooling of interests for financial accounting purposes. Historical financial statements and related financial and statistical data contained in this Report have been restated to provide for the retroactive effect of the merger. At the time of the merger, the name of Patterson Energy, Inc. was changed to "Patterson-UTI Energy, Inc."

INDUSTRY SEGMENTS

Our revenues, operating profits and identifiable operating assets are primarily attributable to three industry segments:

- contract drilling,
- drilling and completion fluids services, and
- pressure pumping services.

With respect to these three segments:

- the contract drilling segment had an operating loss in 1999 and operating profits in 2000 and 2001,
- the drilling and completion fluids segment had operating losses in 1999 and 2000, and an operating profit in 2001, and
- the pressure pumping segment had operating profits in 1999, 2000 and 2001.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14 of Notes to Consolidated Financial Statements included as a part of Items 7 and 8, respectively, of this Report for financial information pertaining to these industry segments.

CONTRACT DRILLING OPERATIONS

GENERAL. We market our contract drilling services to major and independent oil and natural gas producers and operators. We currently own 319 drilling rigs which are located in the following regions:

- 257 in Texas and New Mexico(1)
- 41 in Oklahoma,
- five in Utah, and
- 16 in Western Canada.

(1) 144 in West Texas and New Mexico, 53 in South Texas, 39 in East Texas and 21 in North Central Texas,

Of our drilling rigs, 33 are SCR electric rigs and 286 are mechanical rigs. An electric rig differs from a mechanical rig in that the electric rig converts the diesel power (the sole energy source for a mechanical rig) into electricity to power the rig. Our drilling rigs have rated maximum depth capabilities ranging from 4,000 feet to 30,000 feet.

Drilling rigs are typically equipped with:

- engines,
- drawworks or hoists,
- derricks or masts,
- pumps to circulate the drilling fluid,
- blowout preventers,
- drill string (pipe), and
- other related equipment.

Over time, many of the components on a drilling rig are replaced or rebuilt. We spend significant funds each year on an ongoing program of modifying and upgrading our drilling rigs to ensure that our drilling equipment is well maintained and competitive.

Depth of the well and drill site conditions are the principal factors in determining the size of drilling rig used for a particular job. Our drilling rigs are utilized for both exploratory and developmental drilling and can be used for either vertical or horizontal drilling.

Our contract drilling operations depend on the availability of:

- drill pipe,
- bits,
- replacement parts and other related rig equipment,
- fuel, and
- qualified personnel,

some of which have been in short supply from time to time.

DRILLING CONTRACTS. Most of our drilling contracts are with established customers and are obtained on a competitive bid or negotiated basis. Generally, the contracts are entered into for short-term periods and cover the drilling of a single well or a series of wells with the terms and rates depending upon the nature and duration of the work, the equipment and services supplied and other matters.

The drilling contracts obligate us to provide and operate a drilling rig and to pay certain operating expenses, including wages of drilling personnel and necessary maintenance expenses. The contracts are subject to termination by the customer on short notice, usually upon payment of a fee. We generally indemnify our customers against claims by our employees and claims arising from surface pollution caused by spills of fuel, lubricants and other solvents within our control. The customers generally indemnify us against claims arising from other surface and subsurface pollution, except claims arising from our own gross negligence.

The contracts provide for payment on a daywork, footage or turnkey basis, or a combination thereof. In each case we provide the rig and crews. Our bids for each contract depend upon:

- the location, depth and anticipated complexity of the well,
- the on-site drilling conditions,
- the equipment to be used,
- our estimate of the risks involved,
- the estimated duration of the work to be performed,
- the availability of drilling rigs, and
- other factors particular to each proposed well.

DAYWORK CONTRACTS

Under daywork contracts, we provide the drilling rig and crew to the customer, also known as the operator. The customer then supervises the drilling of the contracted well. Our compensation is based on a negotiated rate per day during the period the drilling rig is utilized. We generally receive a lower rate when the drilling rig is moving, or when drilling operations are interrupted or restricted by adverse weather conditions or other conditions beyond our control. In addition, daywork contracts typically provide for a lump sum fee for the mobilization and demobilization of the drilling rig.

FOOTAGE CONTRACTS

Under footage contracts, we contract to drill a well to a certain depth under specified conditions for a fixed price per foot. The customer provides drilling fluids, casing, cementing and well design expertise. These contracts require us to bear the cost of services and supplies that we provide until the well has been drilled to the agreed depth. If we drill the well in less time than estimated, then we have the opportunity to improve our

margins over those that would be attainable under a daywork contract. Margins are reduced and losses may be incurred if the well requires more days to drill than estimated. Footage contracts generally contain greater risks for a drilling contractor than daywork contracts. Under these contracts, the drilling contractor assumes certain risks associated with loss of hole from fire, blowouts and other risks.

TURNKEY CONTRACTS

Under turnkey contracts, we contract to drill a well to a certain depth under specified conditions for a fixed fee. In a turnkey arrangement, we are required to bear the costs of services, supplies and equipment beyond those typically provided under a footage contract. In addition to the drilling rig and crew, we are required to provide the drilling and completion fluids, casing, cementing and the technical well design and engineering services during the drilling process. We would also assume certain risks associated with drilling the well such as fires, blowouts, cratering of the well bore and other such risks. Compensation occurs only when the agreed scope of the work has been completed which requires us to make significant up-front working capital commitments prior to receiving payments under a turnkey drilling contract. Under a turnkey contract we have the opportunity to improve our margins if the drilling process goes as expected and there are no complications or time delays. However, given the increased exposure we have under a turnkey contract, margins can be significantly reduced and losses incurred if complications or delays occur during the drilling process. Turnkey contracts generally involve the highest degree of risk among the three different types of drilling contracts: daywork, footage and turnkey.

The following table sets forth the approximate percentage of our drilling revenues attributable to daywork, footage and turnkey contracts for each of the last three years:

TYPE OF CONTRACT -----	YEAR ENDED DECEMBER 31, -----		
	2001 ----	2000 ----	1999 ----
Daywork.....	93%	65%	54%
Footage.....	3	24	26
Turnkey.....	4	11	20

CONTRACT DRILLING ACTIVITY. The following table sets forth certain information regarding our contract drilling activity for each of the last three years:

	YEAR ENDED DECEMBER 31, -----		
	2001 ----	2000 ----	1999 ----
Number of wells drilled.....	2,869	2,649	1,519
Average rigs owned.....	302	263	231
Average rig utilization rate(1).....	70%	66%	43%

(1) Rig utilization is based on a 365-day year for rigs owned during 1999 and 2001, and a 366-day year for rigs owned in 2000. A rig is utilized when it is operating or being moved, assembled or dismantled under contract.

DRILLING RIGS AND RELATED EQUIPMENT. The following table provides certain information concerning our drilling rigs as of December 31, 2001:

DEPTH RATING (FT.) -----	MECHANICAL -----	ELECTRIC -----
4,000 to 9,999.....	52	--
10,000 to 11,999.....	67	2
12,000 to 14,999.....	114	6
15,000 to 30,000.....	53	25
Totals.....	286 ===	33 ==

At December 31, 2001, we owned 234 trucks and 271 trailers used to rig down, transport and rig up our drilling rigs. This reduces Patterson-UTI's dependency upon third parties for these services and enhances the efficiency of our contract drilling operations particularly in periods of high drilling rig utilization.

Most repair work and overhaul of our drilling rig equipment is performed at our yard facilities located in Texas, New Mexico, Oklahoma and Western Canada.

DRILLING AND COMPLETION FLUIDS OPERATIONS

GENERAL. We provide drilling fluids, completion fluids and related services to oil and natural gas producers in the Permian Basin of West Texas and Southeast New Mexico, South Texas, East Texas, Oklahoma, the Gulf Coast regions of Texas and Louisiana and the Gulf of Mexico. We serve our offshore customers through seven stockpoints located along the Gulf of Mexico in Texas and Louisiana, and our land-based customers through seven stockpoints in Louisiana, Texas, Oklahoma and New Mexico.

DRILLING FLUIDS. Our product sales are supported by a technical service organization dedicated to product application on the customer's wellsite. Drilling fluid products and systems are used to cool and lubricate the drill bit during drilling operations, contain formation pressures (thereby minimizing blowout risk), suspend and remove rock cuttings from the hole and maintain the stability of the wellbore. Technical services are provided to ensure that the products and systems are applied effectively to optimize drilling operations.

COMPLETION FLUIDS. After a well is drilled it undergoes the completion process wherein the well casing is set and cemented in place. At that point, the drilling fluid services are complete, and the drilling fluids are circulated out of the well and replaced with completion fluids. Completion fluids, also known as clear brine fluids, are solids-free, clear salt solutions that have high specific gravities. Combined with a range of specialty chemicals, these fluids are used by operators to control bottom-hole pressures and to meet a well's specific corrosion, inhibition, viscosity, and fluid loss requirements during the completion and workover phases.

RAW MATERIALS. Our drilling and completion fluids operations depend on the availability of the following raw materials:

DRILLING	COMPLETION
barite	calcium chloride
bentonite	calcium bromide
	zinc bromide

We obtain these raw materials through purchases made on the spot market and supply contracts with producers of these raw materials.

BARITE GRINDING FACILITY. We own and operate a barite grinding facility equipped with two barite grinding mills located in Houma, Louisiana. We believe the ability to process our own barite is critical to being competitive on the Gulf Coast and in the Gulf of Mexico since barite accounts for a substantial portion of the dollar volume for drilling fluids jobs in both of these areas. Our grinding facility allows us to grind raw barite into the powder additive used in producing drilling fluids. Owning this facility reduces our dependence upon third parties in our supply of barite. Without the grinding mills we would be required to purchase processed barite from third parties, including some of our competitors, which could result in higher production costs and less efficient operations.

OTHER EQUIPMENT. We own 28 trucks and 118 trailers and lease another 36 trucks used to transport drilling and completion fluids and related equipment.

PRESSURE PUMPING OPERATIONS

GENERAL. We provide pressure pumping services in the Appalachian Basin. Pressure pumping services consist primarily of well stimulation and cementing for the completion of new wells and remedial work on existing wells. Most wells drilled in the Appalachian Basin require some form of fracturing or other

stimulation to enhance the flow of oil and natural gas which is accomplished by pumping fluids under pressure into the well bore. Generally, Appalachian Basin wells require cementing services before production commences. Cementing is the process of inserting material between the wall of the well bore and the casing to center and stabilize the casing.

EQUIPMENT. Patterson-UTI continuously maintains its pressure pumping equipment. Virtually all of the pressure pumping equipment is in use on a regular basis. As of December 31, 2001, Patterson-UTI operated the following pressure pumping equipment:

- 16 cement pumper trucks,
- 22 fracturing pumper trucks,
- 19 nitrogen pumper trucks,
- 11 blender trucks,
- 8 bulk acid trucks,
- 24 bulk cement trucks,
- 6 bulk nitrogen trucks,
- 18 bulk sand trucks, and
- 6 connection trucks.

CUSTOMERS

The customers of each of our three business segments are producers or operators of oil and natural gas. Our customer base includes both major and independent oil and natural gas companies within the oil and gas industry. During 2001, no single customer accounted for 10% or more of our consolidated operating revenues.

COMPETITION

CONTRACT DRILLING AND PRESSURE PUMPING BUSINESSES. Our land drilling and pressure pumping businesses are intensely competitive due to the fact that the supply of available land drilling rigs and pressure pumping equipment exceeds the demand for those rigs and equipment. This excess capacity has resulted in substantial competition for drilling and pressure pumping contracts. The fact that drilling rigs and pressure pumping equipment are mobile and can be moved from one market to another in response to market conditions heightens the competition in the industry.

Patterson-UTI believes that price competition for drilling and pressure pumping contracts will continue for the foreseeable future due to the existence of available rigs and pressure pumping equipment. In addition, some of our competitors have greater financial resources than we do which may enable them to:

- better withstand industry downturns,
- compete more effectively on the basis of price, and
- acquire existing rigs or equipment or build new rigs or equipment.

In recent years, many drilling and pressure pumping companies have consolidated or merged with other companies. Although this consolidation has decreased the total number of competitors, we believe the competition for drilling and pressure pumping services will continue to be intense.

DRILLING AND COMPLETION FLUIDS BUSINESS. The drilling and completion fluids services industry is highly competitive. Price is generally the most important competitive factor in the industry. Other competitive factors include the availability of chemicals and experienced personnel, the reputation of the fluids services provider in the drilling industry and our relationship with existing customers. Some of our competitors have substantially greater resources and longer operating histories than we have. We believe that competition for drilling and completion fluids service contracts will continue to be intense.

GOVERNMENT AND ENVIRONMENTAL REGULATION

Patterson-UTI's operations and facilities are subject to numerous state, federal and foreign (Canadian) laws, rules and regulations, including, but limited to:

- drilling of oil and gas wells,
- containment and disposal of hazardous materials, oilfield waste, other waste materials and acids,
- use of underground storage tanks, and
- use of underground injection wells.

To date, we have not been required to expend significant resources in order to satisfy applicable environmental laws and regulations. We do not anticipate any material capital expenditures for environmental control facilities or extraordinary expenditures to comply with compliance with environmental rules and regulations in the foreseeable future. However, compliance costs under existing laws or under any new requirements could become material and we could incur liability for noncompliance.

Our business is generally affected by political developments and by federal, state, foreign and local laws and regulations, which relate to the oil and natural gas industry. The adoption of laws and regulations affecting the oil and natural gas industry for economic, environmental and other policy reasons could increase costs relating to drilling and production. They could have an adverse effect on our operations. Several state and federal environmental laws and regulations currently apply to our operations and may become more stringent in the future.

We have utilized operating and disposal practices that were or are currently standard in the industry. However, hydrocarbons and other materials may have been disposed of or released in or under properties currently or formerly owned or operated by us or our predecessors in interest. In addition, some of these properties have been operated by third parties over whom we have no control either as to such entities' treatment of hydrocarbon and other materials or the manner in which such materials may have been disposed of or released.

The federal Comprehensive Environmental Response Compensation and Liability Act of 1980, commonly known as CERCLA, and comparable state statutes impose strict liability on:

- owners and operators of sites, and
- persons who disposed of or arranged for the disposal of "hazardous substances" found at sites.

The federal Resource Conservation and Recovery Act and comparable state statutes govern the disposal of "hazardous wastes." Although CERCLA currently excludes petroleum from the definition of "hazardous substances," and the Resource Conservation and Recovery Act also excludes certain classes of exploration and production wastes from regulation, such exemptions by Congress under both CERCLA and the Resource Conservation and Recovery Act may be deleted, limited or modified in the future. If such changes are made to CERCLA and/or the Resource Conservation and Recovery Act, we could be required to remove and remediate previously disposed of materials (including materials disposed of or released by prior owners or operators) from properties (including ground water contaminated with hydrocarbons) and to perform removal or remedial actions to prevent future contamination.

The Federal Water Pollution Control Act and the Oil Pollution Act of 1990 and implementing regulations govern:

- the prevention of discharges, including oil and produced water spills, and
- liability for drainage into waters.

The Oil Pollution Act is more comprehensive and stringent than previous oil pollution liability and prevention laws. It imposes strict liability for a comprehensive and expansive list of damages from an oil spill into waters from facilities. Liability may be imposed for oil removal costs and a variety of public and private

damages. Penalties may also be imposed for violation of federal safety, construction and operating regulations, and for failure to report a spill or to cooperate fully in a clean-up.

The Oil Pollution Act also expands the authority and capability of the federal government to direct and manage oil spill clean-up and operations, and requires operators to prepare oil spill response plans in cases where it can reasonably be expected that substantial harm will be done to the environment by discharges on or into navigable waters. We have spill prevention control and countermeasure plans in place for our oil and natural gas properties in each of the areas in which we operate and for each of the stockpoints operated by our drilling and completion fluids business. Failure to comply with ongoing requirements or inadequate cooperation during a spill event may subject a responsible party, such as Patterson-UTI, to civil or criminal actions. Although the liability for owners and operators is the same under the Federal Water Pollution Act, the damages recoverable under the Oil Pollution Act are potentially much greater and can include natural resource damages.

Our operations are also subject to federal, state and local regulations for the control of air emissions. The federal Clean Air Act and various state and local laws impose certain air quality requirements on Patterson-UTI. Amendments to the Clean Air Act revised the definition of "major source" such that emissions from both wellhead and associated equipment involved in oil and natural gas production may be added to determine if a source is a "major source." As a consequence, more facilities may become major sources and thus would be required to obtain operating permits. This permitting process may require capital expenditures in order to comply with permit limits.

RISKS AND INSURANCE

Our operations are subject to the many hazards inherent in the drilling business, including:

- accidents at the work location,
- blow-outs,
- cratering,
- fires, and
- explosions.

These hazards could cause:

- personal injury or death,
- suspension of drilling operations, or
- serious damage or destruction of the equipment involved and, in addition to environmental damage, could cause substantial damage to producing formations and surrounding areas.

Damage to the environment, including property contamination in the form of either soil or ground water contamination, could also result from our operations, particularly through:

- oil or produced water spillage,
- natural gas leaks, and
- extensive, uncontrolled fires.

In addition, we could become subject to liability for reservoir damages. The occurrence of a significant event, including pollution or environmental damages, could materially affect our operations and financial condition.

As a protection against operating hazards, we maintain insurance coverage we believe to be adequate, including:

- all-risk physical damages,
- employer's liability,
- commercial general liability, and
- workers compensation insurance.

We believe that we are adequately insured for public liability and property damage to others with respect to our operations. However, such insurance may not be sufficient to protect us against liability for all consequences of:

- personal injury,
- well disasters,
- extensive fire damage,
- damage to the environment, or
- other hazards.

We also carry insurance to cover major physical damage to or loss of our drilling rigs. However, we do not carry insurance against loss of earnings resulting from such damage or loss. In view of the difficulties that may be encountered in renewing such insurance at reasonable rates, no assurance can be given that:

- we will be able to maintain the type and amount of coverage that we believe to be adequate at reasonable rates, or
- any particular types of coverage will be available.

In addition to insurance coverage, we also attempt to obtain indemnification from our customers for certain of the risks. These indemnity agreements typically require our customers to hold us harmless in the event of loss of production or reservoir damage. These contractual indemnifications may not be supported by adequate insurance maintained by the customer.

EMPLOYEES

We employed approximately 5,250 full-time persons (230 office personnel and 5,020 field personnel) at December 31, 2001. The number of field employees fluctuates depending on the current and expected demand for the services we provide. We consider our employee relations to be satisfactory. None of our employees is represented by a union.

SEASONALITY

Seasonality does not significantly affect our overall operations. However, our pressure pumping division in Appalachia and our drilling operations in Canada are subject to slow periods of activity during the spring thaw. In addition, our drilling operations in Canada are subject to slow periods of activity during the fall.

RAW MATERIALS AND SUBCONTRACTORS

Patterson-UTI uses many suppliers of raw materials and services. These materials and services have been and continue to be available. We also utilize numerous independent subcontractors from various trades.

INCORPORATION BY REFERENCE

The various factors disclosed under the caption "Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Litigation Reform Act of 1995," beginning on page 13 of this Report, are

incorporated by this reference into Items 1 and 2 of this Report. Readers of this Report should review those factors in conjunction with their review of these Items 1 and 2.

CORPORATE HEADQUARTERS, FIELD OFFICES AND OTHER FACILITIES

Our corporate headquarters are located in Snyder, Texas. We also have a number of offices, yard and stockpoint facilities located in our various operating areas.

Our corporate headquarters are located at 4510 Lamesa Highway, Snyder, Texas, and our telephone number at that address is (915) 574-6300. There are a number of improvements at our headquarters, including:

- an office building with approximately 16,000 square feet, with an additional building currently under construction that will add another 18,000 square feet of office space and storage,
- a shop facility with approximately 7,000 square feet used for drilling equipment repairs and metal fabrication,
- a truck shop facility with approximately 10,000 square feet used to maintain, overhaul and repair our truck fleet,
- an engine shop facility with approximately 20,000 square feet used to overhaul and repair the engines used to power our drilling rigs, and
- an open-ended metal storage facility with approximately 10,200 square feet.

We have regional administrative offices, yard and stockpoint facilities in many of the areas in which we operate. The facilities are primarily used to support the day-to-day operations, including the repair and maintenance of equipment as well as the storage of equipment, inventory and supplies and to facilitate administrative responsibilities and sales.

CONTRACT DRILLING OPERATIONS

Our drilling operations are supported by several administrative offices and yard facilities located throughout our areas of operations including:

- Texas,
- New Mexico,
- Oklahoma,
- Utah, and
- Western Canada.

DRILLING AND COMPLETION FLUIDS

Our drilling and completion fluids are supported by several administrative offices and stockpoint facilities located throughout our areas of operations including:

- Texas,
- Louisiana,
- New Mexico, and
- Oklahoma.

PRESSURE PUMPING

Our pressure pumping operations are supported by several offices and yard facilities located throughout our areas of operations including:

- Pennsylvania,
- Ohio,
- Kentucky, and
- New York.

We own our headquarters in Snyder and lease the majority of our other facilities. We do not believe that any of these other facilities are individually material to our operations. We believe that our existing facilities are suitable and adequate to meet our needs.

ITEM 3. LEGAL PROCEEDINGS.

Westfort Energy LTD and Westfort Energy (US) LTD f/k/a Canadian Delta, Inc. ("Westfort"), filed a lawsuit against two Patterson-UTI subsidiaries, Patterson Petroleum LP and Patterson Drilling Company LP, in the Circuit Court, Rankin County, Mississippi, Case No. 2002-18, on January 28, 2002. The lawsuit relates to a letter agreement entered into in July 2000 between Patterson Petroleum and Westfort concerning the drilling of a daywork well in Mississippi. This lawsuit was filed by Westfort after Patterson Petroleum made demand on Westfort for payment of the contract drilling services.

In this lawsuit, Westfort alleges breach of contract, fraud and negligence causes of action. Westfort seeks alleged monetary damages, the return of shares of Westfort stock, unspecified damages from alleged lost profits, lost use of income stream and additional operating expenses, along with alleged punitive damages to be determined by the jury, but not less than 25% of Patterson's net worth. We intend to vigorously contest the allegations made by Westfort and assert claims against Westfort, including for the monies owed Patterson under the letter agreement in the amount of approximately \$5,075,000.

In addition to the Westfort lawsuit, we are party to various legal proceedings arising in the normal course of our business. We do not believe that the outcome of these proceedings, either individually or in the aggregate, will have a material adverse effect on our financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR"
PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

We include the following cautionary statement in accordance with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statement made by us, or on our behalf. The factors identified in this cautionary statement are important factors (but not necessarily all of the important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by us, or on our behalf. Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that, while we believe such assumptions or bases to be reasonable and make them in good faith, assumed facts or bases almost always vary from actual results. The differences between assumed facts or bases and actual results can be material, depending upon the circumstances.

Where, in any forward-looking statement, Patterson-UTI, or our management, expresses an expectation or belief as to the future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, there can be no assurance that the statement of expectation or belief will result, or be achieved or accomplished. Taking this into account, the following are identified as important risk factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Patterson-UTI:

PATTERSON-UTI IS DEPENDENT ON THE OIL AND NATURAL GAS INDUSTRY AND MARKET PRICES FOR OIL AND NATURAL GAS. DECLINES IN OIL AND NATURAL GAS PRICES HAVE ADVERSELY AFFECTED OUR OPERATIONS.

Our revenue, profitability and rate of growth are substantially dependent upon prevailing prices for oil and natural gas. In recent years, oil and natural gas prices and, therefore, the level of drilling, exploration, development and production, have been extremely volatile. Prices are affected by:

- market supply and demand,
- international military, political and economic conditions, and
- the ability of the Organization of Petroleum Exporting Countries, commonly known as OPEC, to set and maintain production and price targets.

All of these factors are beyond our control. Beginning in the third quarter of 2001 and continuing through the date of this report, commodity price uncertainty has adversely affected our operations. We expect oil and natural gas prices to continue to be volatile and to affect our financial condition and operations and ability to access sources of capital.

INDUSTRY CONDITIONS FOR CONTRACT DRILLING SERVICES HAVE BEEN POOR FOR MUCH OF THE TIME SINCE 1982.

The contract drilling business experienced increased demand for drilling services from 1995 through most of 1997 due to higher oil and natural gas prices. The increase in demand returned, beginning in mid-1999 and continued through the second quarter of 2001. However, except for those periods and other occasional upturns, the market for onshore contract drilling services and the other services we provide has generally been depressed since 1982, when the number of operable land drilling rigs was at record levels. Since this time there have been substantially more drilling rigs available than necessary to meet demand in most operational and geographic segments of the North American land drilling industry. As a result, drilling contractors have had difficulty sustaining profit margins.

In addition to adverse effects that future declines in demand could have on Patterson-UTI, ongoing factors which could adversely affect utilization rates and pricing, even in an environment of stronger oil and natural gas prices and increased drilling activity, include:

- movement of drilling rigs from region to region,
- reactivation of land-based drilling rigs, or
- new construction of drilling rigs.

We cannot predict either the future level of demand for our contract drilling services or future conditions in the oil and natural gas contract drilling business.

SHORTAGES OF DRILL PIPE, REPLACEMENT PARTS AND OTHER RELATED RIG EQUIPMENT ADVERSELY AFFECTS PATTERSON-UTI'S OPERATING RESULTS.

During periods of increased demand for drilling services, the industry has experienced shortages of drill pipe, replacement parts and other related rig equipment. These shortages caused the price of these items to increase significantly and required that orders for the items be placed well in advance of expected use. These price increases and delays in delivery caused us to substantially increase capital expenditures in our contract drilling segment. Severe shortages could impair our ability to operate our drilling rigs.

THE VARIOUS BUSINESS SEGMENTS IN WHICH WE OPERATE ARE HIGHLY COMPETITIVE WITH EXCESS CAPACITY WHICH MAY ADVERSELY AFFECT OUR OPERATING RESULTS.

Our land drilling and pressure pumping businesses are intensely competitive due to the fact that the supply of available land drilling rigs and pressure pumping equipment exceeds the demand for those rigs and equipment. This excess capacity has resulted in substantial competition for drilling and pressure pumping contracts. The fact that drilling rigs and pressure pumping equipment are mobile and can be moved from one market to another in response to market conditions heightens the competition in the industry.

Patterson-UTI believes that price competition for drilling and pressure pumping contracts will continue for the foreseeable future due to the existence of available rigs and pressure pumping equipment. In addition, some of our competitors have greater financial resources than we do which may enable them to:

- better withstand industry downturns,
- compete more effectively on the basis of price, and
- acquire existing rigs or equipment or build new rigs or equipment.

In recent years, many drilling and pressure pumping companies have consolidated or merged with other companies. Although this consolidation has decreased the total number of competitors, we believe the competition for drilling and pressure pumping services will continue to be intense.

The drilling and completion fluids services industry is highly competitive. Price is generally the most important competitive factor in the industry. Other competitive factors include the availability of chemicals and experienced personnel, the reputation of the fluids services provider in the drilling industry and our relationship with existing customers. Some of our competitors have substantially greater resources and longer operating histories than we have. We believe that competition for drilling and completion fluids service contracts will continue to be intense.

LABOR SHORTAGES ADVERSELY AFFECT OUR OPERATING RESULTS.

During periods of increased demand for contract drilling services, the industry experiences shortages of qualified drilling rig personnel. During these periods, our ability to attract and retain sufficient qualified personnel to market and operate our drilling rigs is adversely affected. Labor shortages also cause wage increases, which impact our operating margins.

CONTINUED GROWTH OF PATTERSON-UTI THROUGH RIG ACQUISITION IS NOT ASSURED.

We have increased our drilling rig fleet over the past several years through mergers and acquisitions. In May 2001, UTI merged with Patterson in a so-called "merger of equals." The combination of the two companies doubled the number of our drilling rigs. The land drilling industry has experienced significant consolidation over the past several years, and there can be no assurance that acquisition opportunities will continue to be available. Additionally, we are likely to continue to face intense competition from other companies for available acquisition opportunities.

There can be no assurance that we would:

- have sufficient capital resources to complete additional acquisitions,
- successfully integrate acquired operations and assets,
- be able to manage effectively the growth and increased size,
- be successful in deploying idle or stacked rigs,
- be able to maintain the crews and market share attributable to operating drilling rigs acquired, or
- be successful in improving our financial condition, results of operation, business or prospects in any material manner as a result of any completed acquisition.

We may incur substantial indebtedness to finance future acquisitions and also may issue equity securities or convertible securities in connection with any such acquisitions. Debt service requirements could represent a significant burden on our results of operations and financial condition and the issuance of additional equity could be dilutive to our existing stockholders. Also, continued growth could strain our management, operations, employees and resources.

THE NATURE OF OUR BUSINESS OPERATIONS PRESENTS INHERENT RISKS OF LOSS THAT, IF NOT INSURED OR INDEMNIFIED AGAINST COULD ADVERSELY AFFECT PATTERSON-UTI'S OPERATING RESULTS.

Our operations are subject to many hazards inherent in the contract drilling, pressure pumping and drilling and completion fluids businesses, which in turn could cause personal injury or death, work stoppage or serious damage to our equipment. Our operations could also cause environmental and reservoir damages. We maintain insurance coverage and have indemnification agreements with many of our customers. However, there is no assurance that such insurance or indemnification agreements would adequately protect Patterson-UTI against liability from all consequences of the hazards. Additionally, there can be no assurance that insurance would be available to cover any or all of these risks, or, even if available, that insurance premiums or other costs would not rise significantly in the future, so as to make such insurance prohibitive.

VIOLATIONS OF ENVIRONMENTAL LAWS AND REGULATIONS COULD MATERIALLY ADVERSELY AFFECT PATTERSON-UTI OPERATING RESULTS.

The drilling of oil and natural gas wells is subject to various state, federal and foreign laws, rules and regulations. The cost to Patterson-UTI of compliance with these laws and regulations could be substantial. Failure to comply with these requirements could subject Patterson-UTI to substantial civil and criminal penalties. In addition, federal law imposes a variety of regulations on "responsible parties" related to the prevention of oil spills and liability for damages from such spills. Patterson-UTI, as an owner and operator of land-based drilling rigs may be deemed to be a responsible party under federal law. Our operations and facilities are subject to numerous state and federal environmental laws, rules and regulations, including, without limitation, laws concerning the containment and disposal of hazardous substances, oil field waste and other waste materials, the use of underground storage tanks and the use of underground injection wells. We generally try to require our customers to contractually assume responsibility for compliance with environmental regulations, however, we are not always successful in shifting all of those risks, nor is there any assurance that the applicable customer will be financially able to bear those risks assumed.

SOME OF OUR CONTRACT DRILLING SERVICES ARE DONE UNDER TURNKEY AND FOOTAGE CONTRACTS, WHICH ARE FINANCIALLY RISKY.

A portion of our contract drilling is done under turnkey contracts and footage contracts, which involve significant risks. Under turnkey drilling contracts, we contract to drill a well to a certain depth under specified conditions for a fixed price. Under footage contracts, we contract to drill a well to a certain depth under specified conditions at a fixed price per foot. The risk to us under these types of drilling contracts are greater than on a well drilled on a daywork basis. Unlike daywork contracts, we must bear the cost of performing

drilling services until the target depth is reached. We must also make significant up-front working capital commitments prior to receiving payment. In addition, we must assume most of the risk associated with the drilling operations, generally assumed by the operator of the well on a daywork contract, including blowouts, loss of hole from fire, machinery breakdowns and abnormal drilling conditions. Accordingly, if severe drilling problems are encountered in drilling wells under such contracts, we could suffer substantial losses.

ANTI-TAKEOVER MEASURES IN OUR CHARTER DOCUMENTS AND UNDER STATE LAW COULD DISCOURAGE AN ACQUISITION OF PATTERSON-UTI AND THEREBY AFFECT THE RELATED PURCHASE PRICE.

Patterson-UTI, as a Delaware corporation, is subject to the Delaware General Corporation Law, including Section 203, an anti-takeover law enacted in 1988. We have also enacted certain anti-takeover measures, including a stockholders' rights plan. In addition, our board of directors has the authority to issue up to one million shares of preferred stock and to determine the price, rights (including voting rights), conversion ratios, preferences and privileges of that stock without further vote or action by the holders of the common stock. As a result of these measures and others, potential acquirers of Patterson-UTI may find it more difficult or be discouraged from attempting to effect an acquisition transaction with us. This may deprive holders of our securities of certain opportunities to sell or otherwise dispose of the securities at above-market prices pursuant to any such transactions.

WE HAVE PAID NO DIVIDENDS ON OUR COMMON STOCK AND HAVE NO PLANS TO PAY DIVIDENDS.

We have not declared or paid cash dividends on our common shares in the past. We do not expect to declare or pay any cash dividends on our common stock in the foreseeable future. The terms of our existing credit facility limit the payment of dividends without the prior written consent of the lenders.

PART II

ITEM 5. MARKET FOR OUR COMMON SHARES AND RELATED STOCKHOLDER MATTERS.

Our common stock, par value \$0.01 per share is publicly traded on the Nasdaq National Market and is quoted under the symbol "PTEN." In November 2001, our common stock was added to the S&P MidCap 400 Index. Our common stock is also included in several other market indexes.

The following table sets forth the high and low closing prices of our common shares for the periods indicated:

	HIGH -----	LOW -----
2001:		
First quarter.....	\$ 40.44	\$ 29.94
Second quarter.....	36.28	17.87
Third quarter.....	18.68	11.69
Fourth quarter.....	24.48	12.16
2000:		
First quarter.....	\$ 31.75	\$ 12.38
Second quarter.....	31.81	16.13
Third quarter.....	35.94	18.75
Fourth quarter.....	38.19	23.06

As of March 1, 2002, there were approximately 330 holders of record (approximately 23,400 beneficial holders) of our common shares.

We have not declared or paid cash dividends on our common shares in the past and do not expect to declare or pay any cash dividends on our common stock in the foreseeable future. Instead, we intend to retain our earnings to support the operations and growth of our business. Any future cash dividends would depend on future earnings, capital requirements, financial condition and other factors deemed relevant by the board of directors. In addition, the terms of our existing credit facility limit the payment of dividends without the prior written consent of the lenders.

During 2001, we issued a total of 1,260,070 common shares and three-year warrants to acquire 325,000 common shares that were not registered under the Securities Act of 1933, as amended. The shares and warrants were issued as follows:

- We issued a total of 810,070 common shares during January 2001 as partial consideration for the acquisition of Jones Drilling Corporation and the assets of three related entities.
- The remaining 450,000 common shares and warrants to acquire 325,000 shares were issued during December 2001, as partial consideration for the acquisition of certain assets of Cleere Drilling Company.

No underwriter was involved in either of the transactions and no sales commissions, fees or similar compensation were paid by us to any person in connection with the issuance of the shares. We believe that the issuance of the shares in each instance was exempt from the registration requirements of Section 5 of the Securities Act by virtue of Section 4(2) of the Securities Act and/or under Rule 506 of Regulation D promulgated by the SEC thereunder.

ITEM 6. SELECTED FINANCIAL DATA.

The selected consolidated financial data of Patterson-UTI as of December 31, 2001, 2000, 1999, 1998 and 1997 and for each of the five years then ended should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related Notes thereto, included as Items 7 and 8, respectively, of this document. Historical financial statements as presented herein, have been restated to provide for the retroactive effect of the merger with UTI Energy Corp., on May 8, 2001.

	YEAR ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
INCOME STATEMENT DATA:					
Operating revenues:					
Drilling.....	\$ 839,931	\$ 512,998	\$ 266,212	\$ 329,003	\$ 340,114
Drilling and completion fluids...	94,456	32,053	11,686	13,397	--
Pressure pumping.....	39,600	21,465	20,721	23,365	20,923
Other.....	15,988	15,806	8,747	7,362	12,694
Total.....	989,975	582,322	307,366	373,127	373,731
Operating costs and expenses:					
Drilling.....	487,343	384,840	224,590	253,768	253,665
Drilling and completion fluids...	80,034	26,545	9,864	10,205	--
Pressure pumping.....	21,146	13,403	12,219	14,041	12,615
Depreciation, depletion and amortization.....	86,159	61,464	52,553	51,436	28,927
General and administrative.....	28,561	22,190	17,735	20,004	16,675
Bad debt expense.....	2,045	570	282	1,233	745
Merger costs.....	5,943	--	--	--	--
Restructuring and related charges.....	7,202	--	--	--	--
Other.....	4,370	4,725	(427)	3,361	2,233
Total.....	722,803	513,737	316,816	354,048	314,860
Operating income (loss).....	267,172	68,585	(9,450)	19,079	58,871
Other income (expense).....	(677)	(8,481)	(7,053)	(5,953)	(3,581)
Income (loss) before income taxes.....	266,495	60,104	(16,503)	13,126	55,290
Income tax expense (benefit).....	102,333	22,878	(4,766)	5,328	20,475
Net income (loss).....	\$ 164,162	\$ 37,226	\$ (11,737)	\$ 7,798	\$ 34,815
Net income (loss) per common share:					
Basic.....	\$ 2.15	\$ 0.52	\$ (0.18)	\$ 0.12	\$ 0.84
Diluted.....	\$ 2.07	\$ 0.50	\$ (0.18)	\$ 0.12	\$ 0.78
Weighted average number of common shares outstanding:					
Basic.....	76,407	71,207	66,483	63,785	41,575
Diluted.....	79,197	74,841	66,483	65,757	44,574

BALANCE SHEET DATA:

Total assets.....	\$ 869,642	\$ 739,898	\$ 496,715	\$ 468,554	\$ 411,248
Long-term debt.....	--	79,416	82,196	87,435	46,758
Stockholders' equity.....	687,142	481,299	309,695	300,881	290,880
Working capital.....	110,172	127,299	45,161	47,837	111,216

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

This Item 7 contains forward-looking statements, which are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements include, without limitation, statements relating to:

- liquidity,
- financing of operations,
- continued volatility of oil and natural gas prices,
- source and sufficiency of funds required for capital needs and additional rig acquisitions (if further opportunities arise),
- future utilization of net operating loss carryforwards,
- impact of inflation on our financial position and on our earnings per share, and
- other such matters.

The words "believes," "budgeted," "expects," "project," "will," "could," "may," "plans," "intends," "strategy," or "anticipates," and similar expressions are used to identify our forward-looking statements. We do not undertake to update, revise or correct any of our forward-looking information. Readers are cautioned that such forward-looking statements should be read in conjunction with our disclosures under the heading: "Cautionary Statement for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" beginning on page 13.

Off balance sheet arrangements. We have no off balance sheet arrangements other than letters of credit of \$20.0 million at December 31, 2001, maintained for the benefit of various insurance companies as collateral for retrospective premiums and retained losses which would become payable under the terms of the underlying insurance contracts. These letters of credit expire variously during each calendar year, but provide for an indefinite number of annual extensions of the expiration date. No amounts have been drawn under the letters of credit.

Trading and investing. We do not engage in trading activities that include high-risk securities, such as derivatives and non-exchange traded contracts. We invest cash on hand only in highly liquid, short-term investments such as overnight deposits, money markets and highly rated municipal and commercial bonds.

Description of business. We are a leading provider of land-based contract drilling services to major and independent oil and natural gas producers and operators in Texas, New Mexico, Oklahoma, Louisiana, Mississippi, Utah and Western Canada. We own the second largest land-based drilling fleet in North America with 319 drilling rigs. We provide drilling fluids, completion fluids and related services to oil and natural gas producers in the Permian Basin of West Texas and Southeast New Mexico, South Texas, East Texas, Oklahoma, the Gulf Coast regions of Texas and Louisiana, and the Gulf of Mexico. Drilling and completion fluids are used by oil and natural gas operators during the drilling process to control pressure when drilling oil and natural gas wells. We also provide pressure pumping services in the Appalachian Basin. These services consist primarily of well stimulation and cementing for completion of new wells and remedial work on existing wells. To a lesser extent, we are engaged in the development, exploration, acquisition and production of oil and natural gas. Our oil and natural gas operations are not financially material and do not warrant disclosure as a business segment.

The contract drilling business experienced increased demand for drilling services from 1995 through most of 1997 due to higher oil and natural gas prices. The increase in demand returned, beginning in mid-1999 and continued through the second quarter of 2001. However, except for those periods and other occasional upturns, the market for onshore contract drilling services and the other services we provide has generally been depressed since 1982, when the number of operable land drilling rigs was at record levels. Since this time there have been substantially more drilling rigs available than necessary to meet demand in most operational and

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geographic segments of the North American land drilling industry. As a result, drilling contractors have had difficulty sustaining profit margins.

In addition to adverse effects that future declines in demand could have on Patterson-UTI, ongoing factors which could adversely affect utilization rates and pricing, even in an environment of stronger oil and natural gas prices and increased drilling activity, include:

- movement of drilling rigs from region to region,
- reactivation of land-based drilling rigs, or
- new construction of drilling rigs.

We cannot predict either the future level of demand for our contract drilling services or future conditions in the oil and natural gas contract drilling business.

Management 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.

Revenue recognition. Generally, revenues are recognized when services are performed. We follow the percentage-of-completion method of accounting for footage contract drilling arrangements. Under this method, all drilling revenues, direct costs and appropriate portions of indirect costs, related to the contracts in progress, are recognized as contract drilling services are performed. Due to the nature of turnkey contract drilling arrangements and risks therein, we follow the completed contract method of accounting for such arrangements. Under this method, all drilling advances, direct costs and appropriate portions of indirect costs (including maintenance and repairs) related to the contracts in progress are deferred and recognized as revenues and expenses in the period the contracts are completed. Provisions for losses on incomplete or in-process contracts are made when estimated total costs are expected to exceed total estimated revenues.

Related party transactions. In 2001, 2000 and 1999, we leased a 1981 Beech King-Air 90 airplane owned by an affiliate of our Chief Executive Officer and our President/Chief Operating Officer. Under the terms of the lease, we paid a monthly rental of \$9,200 and our proportionate share of the costs of fuel, insurance, taxes and maintenance of the aircraft. We paid approximately \$212,283, \$193,769 and \$222,583 for the lease of the airplane during 2001, 2000 and 1999, respectively.

An affiliate acted as the first purchaser of oil produced from certain leases we operated during 1999. Sales of oil to that entity, both royalty and working interest were approximately \$8.4 million. There were no sales of oil to that entity in 2001 or 2000.

The Company operates certain oil and natural gas properties in which our Chief Executive Officer, our President/Chief Operating Officer, our Chief Financial Officer and other affiliated persons or entities, purchased a joint interest ownership with us and other industry partners. We made oil and natural gas production payments (net of royalty) of \$8.3 million, \$13.4 million and \$6.1 million from these properties in 2001, 2000 and 1999, respectively, to the aforementioned persons or entities. These persons or entities reimbursed us for joint operating costs of \$5.9 million, \$8.0 million and \$5.9 million in 2001, 2000 and 1999, respectively.

In 2001, we paid approximately \$387,000 to an entity owned by a relative of our President/Chief Operating Officer for certain equipment and metal fabrication services. One of our directors is a director and an officer of a company from which we purchased drill pipe, materials and supplies totalling approximately \$22.0 million in 2001. This same director was an officer of a customer through February 2001 from which we received approximately \$500,000 in revenues in 2001.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, we had working capital of approximately \$110.2 million including cash and cash equivalents of approximately \$33.6 million. For 2001, our significant sources of cash flow were:

- \$254.0 million derived from operations,
- \$6.1 million from the exercise of stock options and warrants,
- \$9.8 million of proceeds provided by a credit facility, and
- \$742,000 from the sale of certain property and equipment.

Correspondingly, we used a portion of the funds discussed above as follows:

- \$89.2 million to repay notes payable,
- \$40.5 million as partial consideration in the acquisitions of Jones Drilling Corporation and the assets of three related entities, the drilling rigs and certain other assets of Cleere Drilling Company and six additional drilling rigs from three separate transactions,
- \$172.8 million to make capital expenditures for the betterment and refurbishment of our drilling rigs, as well as the acquisition and procurement of drilling equipment, including drill pipe, to fund leasehold acquisition, exploration and development of oil and natural gas properties and to fund capital expenditures for our drilling and completion fluids and pressure pumping segments and
- \$1.1 million for the purchase of other long-term assets.

During 2001, we entered into five separate transactions, all accounted for as purchases, whereby we increased our land-based drilling rig fleet to 319, an increase of 44 rigs from a year ago. A brief description of each of the transactions follows:

- On December 21, 2001, we acquired 17 drilling rigs and related equipment from Cleere Drilling Company for an aggregate purchase price of \$25.8 million. The purchase price consisted of \$13.5 million cash plus 450,000 shares of our common stock and warrants to acquire an additional 325,000 shares of common stock at an exercise price of \$26.75 per share. The common stock was recorded at \$21.55 per share and the warrants were valued at \$8.00 per underlying share of our common stock using the Black-Scholes option valuation model.
- On January 5, 2001, we acquired Jones Drilling Corporation and certain assets of three entities related to Jones Drilling Corporation. The acquired assets consisted of 21 drilling rigs (of which 14 were then marketable) and related equipment and approximately \$2.3 million of net working capital. The purchase price of \$33.0 million consisted of 810,070 shares of the Company's common stock valued at \$26.8125 per share and \$11.3 million cash plus approximately \$240,000 in transaction costs.
- In January 2001, we acquired six drilling rigs, through three separate transactions, for approximately \$15.7 million cash.

On February 4, 2001, Patterson entered into an Agreement and Plan of Merger with UTI providing for the merger of the two entities. On May 8, 2001, the stockholders of each company approved the merger, and the merger was consummated. Each outstanding share of UTI common stock was converted into one share of Patterson common stock and each option or warrant then outstanding representing the right to receive UTI common stock was converted into the right to purchase Patterson-UTI common stock on an equivalent basis. A total of 37,782,135 shares of Patterson common stock was issued pursuant to the merger and an additional 3,621,079 shares were reserved for issuance under the UTI stock option plans. Additionally, our stockholders approved an increase in the authorized shares of our common stock from 50 million to 200 million and a name change to "Patterson-UTI Energy, Inc."

During 2001, we repaid \$89.2 million under our existing credit facilities and other term obligations. We incurred expenses of \$448,000 as a result of prepayment penalties and \$942,000 related to deferred financing

costs which were unamortized at the time the debt was extinguished. The penalties and deferred financing costs were included in restructuring and related charges during 2001.

In June 2001, we increased our existing revolving line of credit to \$100.0 million and extended the term of the facility to June 2005. The revolving line of credit carries a floating interest rate of LIBOR plus 1.75% to 2.75% based on twelve-month trailing EBITDA. The facility has no financial covenants unless availability under the facility is less than \$20.0 million. The terms of our credit facility limit the payment of dividends without the prior written consent of the lenders.

We believe that the current level of cash and short-term investments, together with cash generated from operations should be sufficient to meet our immediate capital needs. From time to time, acquisition opportunities are reviewed relating to our business. The timing, size or success of any acquisition and the associated capital commitments are unpredictable. Should further opportunities for growth requiring capital arise, we believe we would be able to satisfy these needs through a combination of working capital, cash generated from operations, and either debt or equity financing. However, there can be no assurance that such capital would be available.

RESULTS OF OPERATIONS

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2001 AND 2000

The following tables summarize our operations for the twelve months ended December 31, 2001 and 2000:

CONTRACT DRILLING	YEAR ENDED DECEMBER 31,		
	2001	2000	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 839,931	\$ 512,998	63.7%
Drilling cost.....	487,343	384,840	26.6%
Selling, general and administrative.....	5,277	5,457	(3.3)%
Depreciation and amortization.....	72,797	54,274	34.1%
Operating income.....	274,514	68,427	301.2%
Rig utilization rate.....	70%	66%	6.1%
Average number of rigs owned.....	302	263	14.8%
Operating days.....	76,871	63,303	21.4%
Average revenue per operating day.....	\$ 10.93	\$ 8.10	34.9%
Average drilling cost per operating day.....	6.34	6.08	4.3%

The significant increases shown were reflective of increased activity in the contract drilling industry and specifically:

- increases in average rig utilization and in the number of operating days,
- increases in dayrates as evidenced by average revenue per operating day, and
- the addition of an average 39 drilling rigs from 2000 to 2001.

Largely due to favorable commodity prices during the first half of 2001, the demand for our contract drilling services was strong as we reached our peak rig utilization of 81% in July. However, beginning in the third quarter of 2001 the industry conditions began to deteriorate as the commodity prices of oil and natural gas significantly weakened. Market prices for oil fell from approximately \$27 per barrel at the end of 2000 to approximately \$17 per barrel in late 2001 and natural gas prices declined from approximately \$10 per Mcf to under \$3 per Mcf for the same time period. Accordingly, the demand for our contract drilling services has been negatively impacted. Should commodity prices improve, we would expect to begin to see increases in demand.

DRILLING AND COMPLETION FLUIDS -----	YEAR ENDED DECEMBER 31,		
	2001	2000	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 94,456	\$ 32,053	194.7%
Drilling and completion fluids cost.....	80,034	26,545	201.5%
Selling, general and administrative.....	7,936	4,294	84.8%
Depreciation and amortization.....	2,644	1,464	80.6%
Operating income (loss).....	3,842	(250)	1,636.8%
Total jobs.....	1,920	601	219.5%
Average revenue per job.....	\$ 49.20	\$ 53.33	(7.7)%

The increases above were primarily attributable to the purchase of the fluids division of Ambar, Inc., during October 2000 providing for twelve months of activity in 2001 versus three months in 2000. Deteriorating industry conditions as noted above also had an adverse impact on our drilling and completion fluids division beginning in the third quarter of 2001. Should industry conditions improve, we would expect to begin to see improvements in such operations.

PRESSURE PUMPING -----	YEAR ENDED DECEMBER 31,		
	2001	2000	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 39,600	\$ 21,465	84.5%
Pressure pumping cost.....	21,146	13,403	57.8%
Selling, general and administrative.....	3,910	3,196	22.3%
Depreciation.....	1,895	1,564	21.2%
Operating income.....	12,649	3,302	283.1%
Total jobs.....	4,609	3,329	38.5%
Average revenue per job.....	\$ 8.59	\$ 6.45	33.2%

The improvement in the pressure pumping segment's operating results were primarily attributable to improved market conditions throughout 2001 as evidenced by the increase in number of jobs and revenue per job.

OTHER AND CORPORATE -----	YEAR ENDED DECEMBER 31,		
	2001	2000	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 15,988	\$ 15,806	1.2%
Other expenses.....	4,370	4,725	(7.5)%
Selling, general and administrative.....	11,438	9,243	23.7%
Depreciation, depletion, and amortization.....	8,823	4,162	112.0%
Bad debt expense.....	2,045	570	258.8%
Merger costs.....	5,943	--	100.0%
Restructuring and related charges.....	7,202	--	100.0%
Operating loss.....	(23,833)	(2,894)	(723.5)%

The merger costs and restructuring charges incurred in 2001 are associated with our merger with UTI that occurred in 2001. Weakened commodity prices resulted in depletion expense increasing from \$3.4 million

in 2000 to \$7.2 million in 2001. Included in depletion expense in 2001 is approximately \$1.1 million of impairment expense to our oil and natural gas properties and other valuation allowances associated with impairment to our undeveloped properties. This impairment is attributable to declining commodity prices and unfavorable results from certain oil and natural gas prospects. Selling, general and administrative expenses increased primarily as a result of the increased activity as evidenced by the operating segments' individual results of operations and the growth of our Company in 2001 through acquisitions. Included in this increase are management and operational bonuses resulting from improved operations.

COMPARISON OF THE YEARS ENDED DECEMBER 31, 2000 AND 1999

The following tables summarize our operations for the twelve months ended December 31, 2000 and 1999:

CONTRACT DRILLING	YEAR ENDED DECEMBER 31,		
	2000	1999	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 512,998	\$ 266,212	92.7%
Drilling cost.....	384,840	224,590	71.4%
Selling, general and administrative.....	5,457	5,142	6.1%
Depreciation and amortization.....	54,274	46,907	15.7%
Operating income (loss).....	68,427	(10,427)	756.2%
Rig utilization rate.....	66%	43%	53.5%
Average number of rigs owned.....	263	231	13.9%
Operating days.....	63,303	36,385	74.0%
Average revenue per operating day.....	\$ 8.10	\$ 7.32	10.7%
Average drilling cost per operating day.....	6.08	6.17	(1.5)%

The significant increases shown were reflective of increased activity in the contract drilling industry and specifically:

- increases in average rig utilization and in the number of operating days,
- increases in dayrates as evidenced by average revenue per operating day, and
- the addition of an average 32 drilling rigs from 1999 to 2000.

DRILLING AND COMPLETION FLUIDS	YEAR ENDED DECEMBER 31,		
	2000	1999	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 32,053	\$ 11,686	174.3%
Drilling and completion fluids cost.....	26,545	9,864	169.1%
Selling, general and administrative.....	4,294	2,036	110.9%
Depreciation and amortization.....	1,464	1,065	37.5%
Operating income (loss).....	(250)	(1,279)	80.5%
Total jobs.....	601	504	19.2%
Average revenue per job.....	\$ 53.33	\$ 23.19	130.0%

The increases above were primarily attributable to the purchase of the fluids division of Ambar, Inc., during October 2000 providing for three months of activity in 2000 and favorable industry conditions during most of 2000.

PRESSURE PUMPING -----	YEAR ENDED DECEMBER 31,		
	2000	1999	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 21,465	\$ 20,721	3.6%
Pressure pumping cost.....	13,403	12,219	9.7%
Selling, general and administrative.....	3,196	3,457	(7.5)%
Depreciation.....	1,564	1,391	12.4%
Operating income.....	3,302	3,654	(9.6)%
Total jobs.....	3,329	2,892	15.1%
Average revenue per job.....	\$ 6.45	\$ 7.16	(9.9)%

OTHER AND CORPORATE -----	YEAR ENDED DECEMBER 31,		
	2000	1999	% CHANGE
	(DOLLARS IN 000'S)		
Revenues.....	\$ 15,806	\$ 8,747	80.7%
Other (income) expenses.....	4,725	(427)	1,206.6%
Selling, general and administrative.....	9,243	7,100	30.2%
Depreciation, depletion and amortization.....	4,162	3,190	30.5%
Bad debt expense.....	570	282	102.1%
Operating loss.....	(2,894)	(1,398)	(107.0)%

The increase in revenues in Other and Corporate is reflective of increased activity in our oil and natural gas operations resulting from a rise in the average price received for crude oil from \$17.88 per BBL to \$30.09 per BBL and a rise in the average price received for natural gas from \$2.31 per Mcf to \$4.32 per Mcf from 1999 to 2000, respectively.

INCOME TAXES

	YEAR ENDED DECEMBER 31,		
	2001	2000	1999
	(DOLLARS IN 000'S)		
Total income tax provision (benefit).....	\$ 102,333	\$ 22,878	\$ (4,766)
Effective tax rate.....	38.4%	38.1%	(28.9)%

We recognized income tax benefit of \$4.8 million for 1999, resulting from losses from operations. We recognized income tax expense of \$22.9 million for 2000, even though a minimal current expense existed due to loss carryforwards from prior years.

Our remaining unutilized investment tax credit carryforward expired in 2000. Net operating losses were fully utilized in 2001 and the remaining alternative minimum tax credit may be carried forward indefinitely. Deferred tax assets at December 31, 2001, consist primarily of various allowance accounts and tax deferred expenses expected to generate a future tax benefit of approximately \$8.1 million.

We record non-cash federal deferred income taxes based primarily on the relationship between the amount of our unused federal NOL carryforwards and the temporary differences between the book basis and tax basis in our assets. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. As a result of fully recognizing the benefit of our deferred income taxes, we will incur deferred income tax expense as these benefits are utilized. We incurred deferred income tax expense of approximately \$14.6 million and \$15.9 million for 2001 and 2000, respectively, and a deferred income tax benefit of approximately \$4.9 million for 1999.

VOLATILITY OF OIL AND NATURAL GAS PRICES

Our revenue, profitability and future rate of growth are substantially dependent upon prevailing prices for oil and natural gas, with respect to all of our operating segments. Historically, oil and natural gas prices and markets have been volatile. Prices are affected by market supply and demand factors as well as actions of state and local agencies, the United States and foreign governments and international cartels. All of these are beyond our control. Any significant or extended decline in oil and/or natural gas prices would have a material adverse effect on our financial condition and results of operations.

Due to a decline in oil and natural gas prices beginning in the second quarter of 2001, demand for drilling rigs declined beginning in the third quarter of 2001 and is continuing. This decline in demand has resulted in a steep decline in drilling rig utilization and day rates, which in turn has adversely impacted our operations.

IMPACT OF INFLATION

We believe that inflation will not have a significant near-term impact on our financial position.

RECENTLY-ISSUED ACCOUNTING STANDARDS

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations," ("SFAS No. 141") in June 2001. SFAS No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "Business Combinations," and FASB Statement No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises." SFAS No. 141 is effective for all business combinations initiated after June 30, 2001 and mandates that such combinations are to be accounted for using the purchase method. The Company adopted SFAS No. 141 as of June 30, 2001.

The FASB issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") in June 2001. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." SFAS No. 142 applies to all fiscal years beginning after December 15, 2001. The provisions of SFAS No. 142, which the Company adopted on January 1, 2002, are not expected to have a material impact on the Company's consolidated financial statements. Approximately \$4.6 million in amortization expenses recognized during 2001 would not have been recognized under SFAS No. 142.

The FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143") in July 2001. SFAS No. 143 addresses financial accounting requirements for retirement obligations associated with tangible long-lived assets. SFAS No. 143 is effective beginning June 15, 2002. The provisions of SFAS No. 143 are not expected to have a material impact on the Company's consolidated financial statements.

The FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") in August 2001. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121 and APB Opinion No. 30. SFAS No. 144 is effective beginning January 1, 2002, and is not expected to have a material impact on the Company's consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We currently have no exposure to interest rate market risk as we have no outstanding balance under our credit facility. Should we incur a balance in the future, we would have some exposure associated with the floating rate of the interest charged on that balance. The credit facility, which expires on June 29, 2005, bears interest at LIBOR plus 1.75% to 2.75% based on the Company's twelve-month trailing EBITDA. Our exposure to interest rate risk due to changes in LIBOR is not expected to be material.

We conduct some business in Canadian dollars through our Canadian land-based drilling operations. The exchange rate between Canadian dollars and U.S. dollars has fluctuated over the last ten years. If the value of

the Canadian dollar against the U.S. dollar weakens, revenues and earnings of our Canadian operations will be reduced when they are translated to U.S. dollars. Also, the value of our Canadian net assets in U.S. dollars may decline.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial Statements are filed as a part of this report at the end of Part IV hereof beginning at page F-1, Index to Consolidated Financial Statements, and are incorporated herein by this reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

The information required by Part III is omitted from this report because Patterson-UTI will file a definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 no later than 120 days after the end of the fiscal year covered by this document and certain information included therein is incorporated herein by reference.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is incorporated herein by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated herein by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is incorporated herein by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is incorporated herein by reference to the Proxy Statement.

PART IV

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

(a) (1) Financial Statements.

See Index to Consolidated Financial Statements on page F-1 of this report.

(a) (2) Financial Statement Schedule.

Schedule II -- Valuation and qualifying accounts is filed herewith on page S-1.

All other financial statement schedules have been omitted because they are not applicable or the information required therein is included elsewhere in the financial statements or notes thereto.

(a) (3) Exhibits.

The following exhibits are filed herewith or incorporated by reference herein.

- 2.1 Plan and Agreement of Merger dated October 14, 1993, between Patterson Energy, Inc., a Texas corporation, and Patterson Energy, Inc., a Delaware corporation, together with related Certificates of Merger.(1)
- 2.2 Agreement and Plan of Merger, dated April 22, 1996 among Patterson Energy, Inc., Patterson Drilling Company and Tucker Drilling Company, Inc.(2)
- 2.2.1 Amendment to Agreement and Plan of Merger, dated May 16, 1996 among Patterson Energy, Inc., Patterson Drilling Company and Tucker Drilling Company, Inc.(3)
- 2.3 Agreement and Plan of Merger dated as of January 5, 2001 among Patterson Energy, Inc., Patterson Drilling Company LP, LLLP and Jones Drilling Corporation.(4)
- 2.4 Agreement and Plan of Merger, dated February 4, 2001, by and between UTI Energy Corp. and Patterson Energy, Inc.(5)
- 2.5 Asset Purchase Agreement, dated as of December 21, 2001 among Patterson-UTI Energy, Inc., Patterson-UTI Drilling Company LP, LLLP and Cleere Drilling Company.
- 3.1 Restated Certificate of Incorporation.(6)
- 3.1.1 Certificate of Correction of Restated Certificate of Incorporation.
- 3.2 Amended and Restated Bylaws.
- 3.3 Rights Agreement dated January 2, 1997, between Patterson Energy, Inc. and Continental Stock Transfer & Trust Company.(7)
- 3.3.1 Amendment to Rights Agreement dated as of October 23, 2001.(15)
- 4.1 Excerpt from Restated Certificate of Incorporation of Patterson-UTI Energy, Inc. regarding authorized Common Stock and Preferred Stock.(14)
- 4.2 Certificate of Designation.(16)
- 4.2.1 Amendment to Certificate of Designation.
- 4.3 Registration Rights Agreement with Bear, Stearns and Co. Inc., dated March 25, 1994, as assigned to REMY Capital Partners III, L.P.
- 10.1 Loan and Security Agreement, dated November 22, 1999.(14)
- 10.1.1 First Amendment to Loan and Security Agreement, dated May 2, 2000.(14)

- 10.1.2 Second Amendment to Loan and Security Agreement, dated May 18, 2000.(14)
- 10.1.3 Third Amendment to Loan and Security Agreement, dated October 18, 2000.(14)
- 10.1.4 Fourth Amendment to Loan and Security Agreement, dated May 8, 2001.(14)
- 10.1.5 Fifth Amendment to Loan and Security Agreement, dated June 29, 2001.(14)
- 10.1.6 Revolving Loan Promissory Note, dated June 29, 2001.(14)
- 10.1.7 Guaranty Agreement, dated June 29, 2001.(14)
- 10.1.8 Pledge Agreement, dated June 29, 2001.(14)
- 10.2 Aircraft Lease, dated December 20, 2000, (effective January 1, 2001) between Talbott Aviation, Inc. and Patterson Energy, Inc.(8)
- 10.3 Patterson-UTI Energy, Inc. 1993 Stock Incentive Plan, as amended.(9)
- 10.4 Patterson-UTI Energy, Inc. Non-Employee Directors' Stock Option Plan, as amended.(10)
- 10.5 Patterson-UTI Energy, Inc. Amended and Restated 1997 Long-Term Incentive Plan.(11)
- 10.6 Amended and Restated Non-Employee Director Stock Option Plan of Patterson-UTI Energy, Inc.(12)
- 10.7 Amended and Restated Patterson-UTI Energy, Inc. 1996 Employee Stock Option Plan.(12)
- 10.8 1997 Stock Option Plan of DSI Industries, Inc.(11)
- 10.9 Stock Option Agreement dated July 20, 2001 between Patterson-UTI Energy, Inc. and Kenneth R. Peak (a non-employee director of Patterson-UTI Energy, Inc.).
- 10.10 Stock Option Agreement dated July 20, 2001 between Patterson-UTI Energy, Inc. and Stephen J. DeGroat (a non-employee director of Patterson-UTI Energy, Inc.).
- 10.11 Model Form Operating Agreement.(13)
- 10.12 Form of Drilling Bid Proposal and Footage Drilling Contract.(13)
- 10.13 Form of Turnkey Drilling Agreement.(13)
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Accountants -- PricewaterhouseCoopers LLP.
- 23.2 Consent of Independent Auditors -- Ernst & Young LLP.

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- (1) Incorporated herein by reference to Item 27, "Exhibits" to Amendment No. 2 to Registration Statement on Form SB-2 (File No. 33-68058-FW) filed on October 28, 1993.
 - (2) Incorporated by reference to Item 7, "Financial Statements and Exhibits" to Form 8-K dated April 22, 1996 and filed on April 30, 1996.
 - (3) Incorporated by reference to Item 7, "Financial Statements and Exhibits" to Form 8-K dated May 16, 1996 and filed on May 22, 1996.
 - (4) Incorporated by reference to Item 16, "Exhibits" to Registration Statement on Form S-3 filed on January 8, 2001.
 - (5) Incorporated herein by reference to Joint Proxy Statement/Prospectus filed on March 14, 2001.
 - (6) Incorporated herein by reference to Item 7, "Financial Statements and Exhibits" to Form 8-K dated and filed on May 8, 2001.

- (7) Incorporated by reference to Item 2, "Exhibits" to Registration Statement on Form 8-A filed on January 14, 1997.
 - (8) Incorporated herein by reference to Item 14, "Exhibits, Financial Statement Schedules and Reports on Form 8-K" to Form 10-K dated December 31, 2000.
 - (9) Incorporated herein by reference to Item 8, "Exhibits" to Registration Statement on Form S-8 (File No. 333-47917) filed on March 13, 1998.
 - (10) Incorporated herein by reference to Item 8, "Exhibits" to Registration Statement on Form S-8 (File No. 33-39471) filed on November 4, 1997.
 - (11) Incorporated herein by reference to Item 8, "Exhibits" to Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (file No. 333-60470) filed on July 25, 2001.
 - (12) Incorporated herein by reference to Item 8, "Exhibits" to Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (file No. 333-60466) filed on July 25, 2001.
 - (13) Incorporated by reference to Item 27, "Exhibits" to Registration Statement on Form SB-2 (File No. 33-68058-FW) filed on August 30, 1993.
 - (14) Incorporated herein by reference to Item 6, "Exhibits and Reports on Form 8-K" to Form 10-Q for the quarterly period ended June 30, 2001, filed on August 1, 2001.
 - (15) Incorporated herein by reference to Item 6, "Exhibits and Reports on Form 8-K" to Form 10-Q for the quarterly period ended September 30, 2001, filed on October 31, 2001.
 - (16) Incorporated herein by reference to Item 2, "Exhibits" to Registration Statement on Form 8-A (File No. 000-22664) filed on January 14, 1997.
- (b) Reports on Form 8-K.

There were no reports on Form 8-K filed during the three months ended December 31, 2001.

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Stockholders of
Patterson-UTI Energy, Inc.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Patterson-UTI Energy, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audits and the report of other auditors, the financial schedule listed in Item 14(a)(2) presents fairly, in all material respects, the information set forth therein, when read in conjunction with the related consolidated financial statements. 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. The consolidated financial statements give retroactive effect to the merger of UTI Energy Corp. ("UTI") on May 8, 2001 in a transaction accounted for as a pooling of interests, as described in Note 2 to the consolidated financial statements. We did not audit the financial statements of UTI, which statements reflect total assets of \$330 million as of December 31, 2000 and total revenues of \$275 million and \$155 million for the years ended December 31, 2000 and 1999, respectively. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for UTI, is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Houston, Texas
January 28, 2002

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Patterson-UTI Energy, Inc.

We have audited the consolidated balance sheet of UTI Energy Corp. as of December 31, 2000 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2000 (not presented separately herein). Our audits also included the financial statement schedule listed in the Index at Item 14(a) of UTI Energy Corp.'s Annual Report (Form 10-K) for the year ended December 31, 2000 (also not presented separately herein). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of UTI Energy Corp. at December 31, 2000, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Houston, Texas
February 16, 2001

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands)

	DECEMBER 31,	
	2001	2000
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 33,584	\$ 66,916
Accounts receivable, net of allowance for doubtful accounts of \$4,021 and \$3,462 at December 31, 2001 and 2000, respectively.....	133,837	136,894
Federal and state income taxes receivable, net.....	1,673	2,447
Inventory.....	16,272	12,953
Deferred tax assets.....	8,747	11,090
Other.....	5,345	7,442
	-----	-----
Total current assets.....	199,458	237,742
Property and equipment, at cost, net.....	614,420	442,559
Intangible assets, net.....	51,634	56,373
Other.....	4,130	3,224
	-----	-----
Total assets.....	\$ 869,642	\$ 739,898
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of notes payable.....	\$ --	\$ 4,477
Accounts payable:		
Trade.....	47,945	71,769
Other.....	4,833	10,119
Accrued expenses.....	36,508	24,078
	-----	-----
Total current liabilities.....	89,286	110,443
Deferred tax liabilities.....	92,859	71,899
Other.....	355	1,318
Notes payable.....	--	74,939
	-----	-----
Total liabilities.....	182,500	258,599
	-----	-----
Commitments and contingencies.....	--	--
Stockholders' equity:		
Preferred stock, par value \$.01; authorized 1,000 shares, no shares issued.....	--	--
Common stock, par value \$.01; authorized 200,000 shares with 78,463 and 76,250 issued and 76,956 and 74,743 outstanding at December 31, 2001 and 2000, respectively.....	784	763
Additional paid-in capital.....	441,475	397,489
Retained earnings.....	258,834	94,672
Accumulated other comprehensive income (loss).....	(2,296)	30
Treasury stock, at cost, 1,507 shares.....	(11,655)	(11,655)
	-----	-----
Total stockholders' equity.....	687,142	481,299
	-----	-----
Total liabilities and stockholders' equity.....	\$ 869,642	\$ 739,898
	=====	=====

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

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Operating revenues:			
Drilling.....	\$ 839,931	\$ 512,998	\$ 266,212
Drilling and completion fluids.....	94,456	32,053	11,686
Pressure pumping.....	39,600	21,465	20,721
Other.....	15,988	15,806	8,747
	-----	-----	-----
	989,975	582,322	307,366
	-----	-----	-----
Operating costs and expenses:			
Drilling.....	487,343	384,840	224,590
Drilling and completion fluids.....	80,034	26,545	9,864
Pressure pumping.....	21,146	13,403	12,219
Depreciation, depletion and amortization.....	86,159	61,464	52,553
General and administrative.....	28,561	22,190	17,735
Bad debt expense.....	2,045	570	282
Merger costs.....	5,943	--	--
Restructuring and related charges.....	7,202	--	--
Other.....	4,370	4,725	(427)
	-----	-----	-----
	722,803	513,737	316,816
	-----	-----	-----
Operating income (loss).....	267,172	68,585	(9,450)
	-----	-----	-----
Other income (expense):			
Interest income.....	2,080	1,377	1,047
Interest expense.....	(3,142)	(10,108)	(8,269)
Other.....	385	250	169
	-----	-----	-----
	(677)	(8,481)	(7,053)
	-----	-----	-----
Income (loss) before income taxes.....	266,495	60,104	(16,503)
	-----	-----	-----
Income tax expense (benefit):			
Current.....	87,773	6,931	134
Deferred.....	14,560	15,947	(4,900)
	-----	-----	-----
	102,333	22,878	(4,766)
	-----	-----	-----
Net income (loss).....	\$ 164,162	\$ 37,226	\$ (11,737)
	=====	=====	=====
Net income (loss) per common share:			
Basic.....	\$ 2.15	\$ 0.52	\$ (0.18)
	=====	=====	=====
Diluted.....	\$ 2.07	\$ 0.50	\$ (0.18)
	=====	=====	=====
Weighted average number of common shares outstanding:			
Basic.....	76,407	71,207	66,483
	=====	=====	=====
Diluted.....	79,197	74,841	66,483
	=====	=====	=====

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

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL
	NUMBER OF SHARES	AMOUNT					
December 31, 1998.....	64,897	\$ 649	\$ 241,054	\$ 69,183	\$ --	\$ (10,005)	\$ 300,881
Issuance of common stock.....	3,422	34	17,439	--	--	--	17,473
Stock option compensation.....	--	--	250	--	--	--	250
Exercise of stock options.....	1,223	12	2,118	--	--	--	2,130
Tax benefit related to exercise of stock options.....	--	--	698	--	--	--	698
Net loss.....	--	--	--	(11,737)	--	--	(11,737)
December 31, 1999.....	69,542	695	261,559	57,446	--	(10,005)	309,695
Issuance of common stock.....	4,203	42	120,964	--	--	--	121,006
Issuance of stock purchase warrant.....	--	--	900	--	--	--	900
Treasury stock acquired.....	--	--	--	--	--	(1,650)	(1,650)
Exercise of stock purchase warrants.....	1,054	11	683	--	--	--	694
Exercise of stock options.....	1,451	15	6,254	--	--	--	6,269
Tax benefit related to exercise of stock options.....	--	--	7,129	--	--	--	7,129
Foreign currency translation.....	--	--	--	--	30	--	30
Net income.....	--	--	--	37,226	--	--	37,226
December 31, 2000.....	76,250	763	397,489	94,672	30	(11,655)	481,299
Issuance of common stock.....	1,260	12	31,405	--	--	--	31,417
Issuance of stock purchase warrant.....	--	--	2,600	--	--	--	2,600
Exercise of stock purchase warrants.....	121	1	1,819	--	--	--	1,820
Exercise of stock options.....	832	8	4,237	--	--	--	4,245
Tax benefit related to exercise of stock options.....	--	--	3,925	--	--	--	3,925
Foreign currency translation.....	--	--	--	--	(2,326)	--	(2,326)
Net income.....	--	--	--	164,162	--	--	164,162
December 31, 2001.....	78,463	\$ 784	\$ 441,475	\$ 258,834	\$ (2,296)	\$ (11,655)	\$ 687,142

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

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Cash flows from operating activities:			
Net income (loss).....	\$ 164,162	\$ 37,226	\$ (11,737)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization.....	86,159	61,464	52,553
Bad debt expense.....	2,045	570	282
Deferred income tax expense (benefit).....	14,560	15,947	(4,900)
Other.....	(647)	881	(2,356)
Changes in operating assets and liabilities:			
Trade accounts receivable and other current assets.....	9,612	(54,679)	(15,703)
Inventory.....	(3,320)	(1,539)	(796)
Accrued federal income taxes receivable.....	4,721	2,596	6,557
Trade accounts payable and other liabilities.....	(23,286)	35,731	14,532
Net cash provided by operating activities.....	254,006	98,197	38,432
Cash flows from investing activities:			
Acquisitions.....	(40,546)	(56,627)	(7,540)
Purchases of property and equipment.....	(172,850)	(95,822)	(28,529)
Proceeds from sales of property and equipment.....	742	3,528	7,469
Change in other assets and intangible assets.....	(1,101)	630	(1,281)
Net cash used in investing activities.....	(213,755)	(148,291)	(29,881)
Cash flows from financing activities:			
Proceeds from issuance of common stock.....	--	98,766	--
Purchase of treasury stock.....	--	(1,650)	--
Proceeds from issuance of notes payable.....	9,760	76,392	50,000
Payments of notes payable.....	(89,176)	(79,766)	(63,665)
Proceeds from exercise of stock options and warrants.....	6,065	6,963	2,130
Net cash provided by (used in) financing activities.....	(73,351)	100,705	(11,535)
Net increase (decrease) in cash and cash equivalents.....	(33,100)	50,611	(2,984)
Effect of exchange rate changes on cash....	(232)	(34)	--
Cash and cash equivalents at beginning of year.....	66,916	16,339	19,323
Cash and cash equivalents at end of year.....	\$ 33,584	\$ 66,916	\$ 16,339
Supplemental disclosure of cash flow information:			
Net cash paid during the year for:			
Interest.....	\$ 3,142	\$ 10,097	\$ 7,343
Income taxes.....	81,802	3,319	1,012

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

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS -- (CONTINUED)

Non-cash investing and financing activities:

During 2001 the Company acquired Jones Drilling Corporation and certain assets of three other entities affiliated with Jones Drilling Corporation for \$33.0 million, drilling rigs and related equipment from Cleere Drilling Company for an aggregate purchase price of \$25.8 million and six drilling rigs through three separate transactions for \$15.7 million. Of the \$74.6 million, approximately \$40.5 million was paid in cash as follows:

	(IN THOUSANDS)
Purchase price.....	\$ 74,563
Less non-cash items:	
Common stock issued.....	(31,417)
Warrants issued.....	(2,600)

Total cash paid.....	\$ 40,546
	=====

During May, 2000, the Company, in a non monetary exchange of similar productive assets, acquired a drilling rig in exchange for certain drilling rig components and drill pipe with a net book value of approximately \$970,000. No gain or loss was recognized on this transaction.

During 2000, the Company acquired WEK Drilling Co., Inc., High Valley Drilling, Inc., the land drilling operations of Phelps Drilling International, Ltd. and the drilling and completion fluids operations of Ambar, Inc., for an aggregate purchase price of approximately \$70.6 million, of which approximately \$47.4 million was paid in cash as follows:

	(IN THOUSANDS)
Purchase price.....	\$ 70,558
Less non-cash items:	
Common stock issued.....	(22,240)
Warrants issued.....	(900)

Total cash paid.....	\$ 47,418
	=====

During 1999, the Company acquired Norton Drilling Services, Inc., Schneider Drilling Corporation and the drilling assets of Padre Industries, Inc. for an aggregate purchase price of \$32.7 million, of which approximately \$7.5 million was paid in cash.

	(IN THOUSANDS)
Purchase price.....	\$ 32,763
Less non-cash items:	
Common stock issued.....	(17,312)
Debt assumed.....	(7,951)

Total cash paid.....	\$ 7,500
	=====

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

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description and basis of presentation follows:

Description of business -- Patterson-UTI Energy, Inc. and its wholly-owned subsidiaries, (collectively referred to herein as "Patterson-UTI" or the "Company") is a leading provider of onshore contract drilling services to major and independent oil and natural gas producers and operators in Texas, New Mexico, Oklahoma, Louisiana, Mississippi, Utah and Western Canada. The Company owns the second largest land-based drilling fleet in North America with 319 drilling rigs. The Company provides drilling fluids, completion fluids and related services to oil and natural gas producers in the Permian Basin of West Texas and Southeast New Mexico, South Texas, East Texas, Oklahoma, the Gulf Coast regions of Texas and Louisiana and the Gulf of Mexico. The Company also provides pressure pumping services in the Appalachian Basin. To a lesser extent, the Company is engaged in the development, exploration, acquisition and production of oil and natural gas. The Company's oil and natural gas operations are not financially material and do not warrant disclosure as a business segment.

Patterson Energy, Inc. ("Patterson") and UTI Energy Corp. ("UTI") consummated a merger, with Patterson as the surviving entity, which was treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and accounted for as a pooling of interests for financial accounting purposes. Accordingly, historical financial statements as presented herein, have been restated to provide for the retroactive effect of the merger. At the time of the merger, the name of Patterson Energy, Inc. was changed to "Patterson-UTI Energy, Inc." (See Note 2).

Basis of presentation -- The consolidated financial statements of Patterson-UTI Energy, Inc. and its wholly-owned subsidiaries have been prepared to give retroactive effect to the merger between Patterson and UTI on May 8, 2001. These financial statements also give retroactive effect to the two for one stock split in October 2001 by UTI.

A summary of the significant accounting policies follows:

Principles of consolidation -- The consolidated financial statements include the accounts of Patterson-UTI and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Management 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.

Revenue recognition -- Generally, revenues are recognized when services are performed. The Company follows the percentage-of-completion method of accounting for footage contract drilling arrangements. Under this method, all drilling revenues, direct costs and appropriate portions of indirect costs, related to the contracts in progress, are recognized as contract drilling services are performed. Due to the nature of turnkey contract drilling arrangements and risks therein, the Company follows the completed contract method of accounting for such arrangements. Under this method, all drilling advances, direct costs and appropriate portions of indirect costs (including maintenance and repairs) related to the contracts in progress are deferred and recognized as revenues and expenses in the period the contracts are completed. Provisions for losses on incomplete or in-process contracts are made when estimated total costs are expected to exceed total estimated revenues.

Inventories -- Inventories consist primarily of chemical products to be used in conjunction with the Company's drilling and completion fluids activities. The inventories are stated at the lower of cost or market, determined by the first-in, first-out method.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

Property and equipment -- Property and equipment (other than oil and natural gas) -- is carried at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives as defined below. The Company incurred depreciation expense of approximately \$72.6 million, \$52.0 million and \$43.9 million for 2001, 2000 and 1999, respectively.

	USEFUL LIVES (YEARS) -----
Drilling rigs and related equipment.....	2-15
Office furniture.....	3-10
Buildings.....	5-30
Automotive equipment.....	2-7
Other.....	3-7

Oil and natural gas properties -- The Company follows the successful efforts method of accounting, using the field as its accumulation center for capitalized costs. Under the successful efforts method of accounting, costs which result directly in the discovery of oil and natural gas reserves and all development costs are capitalized. Exploration costs which do not result directly in discovering oil and natural gas reserves are charged to expense when such determinations are made. The capitalized costs, consisting of lease and well equipment, lease acquisition costs and intangible development costs are depreciated, depleted and amortized on the units-of-production method, based on petroleum engineer estimates of recoverable proved developed oil and natural gas reserves of each respective field. The Company incurred depletion expense of approximately \$7.2 million, \$3.4 million and \$2.6 million for 2001, 2000 and 1999, respectively.

Impairment of long-lived assets -- Net capitalized costs of long-lived assets, certain identifiable intangibles and goodwill are reduced to reflect an amount which is expected to be recovered through the future cash flows generated by the use of the related assets. Impairment of proved oil and natural gas properties is periodically assessed based on estimated future net cash flows at a field level as determined by an independent reserve engineer. The Company incurred approximately \$1.2 million and \$275,000 of impairment to such properties for 2001 and 1999, respectively. Impairment of the oil and natural gas properties was primarily attributable to declines in the market prices of crude oil and natural gas and related revisions to existing reserve estimates. Impairment expense is included in depreciation, depletion and amortization in the accompanying financial statements.

Maintenance and repairs -- Maintenance and repairs are charged against operations. Renewals and betterments which extend the life or improve existing properties are capitalized.

Retirements -- Upon disposition or retirement of property and equipment (other than oil and natural gas properties), the cost and related accumulated depreciation are removed and the gain or loss thereon, if any, is credited or charged to operations. The Company recognizes the gain or loss on the sale of either a part of a proved oil and natural gas property or an entire proved oil and natural gas property constituting a part of a field upon the sale or disposition of such. The unamortized cost of the property or group of properties, a part of which was sold or otherwise disposed of, is apportioned to the interest sold and the interest retained on the basis of the fair value of those interests.

Intangible assets -- Intangible assets consist primarily of goodwill and covenants not to compete arising from business combinations (see Notes 2 and 5). The values assigned to intangible assets, based in part upon independent appraisals, are amortized on a straight line basis. Goodwill, representing the excess of the purchase price over the estimated fair value of the net assets of the acquired business, is amortized over the period of expected benefit of 15 years. Covenants not to compete are amortized over their underlying

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

contractual lives. Amortization expense charged to operations for the years ended December 31, 2001, 2000 and 1999 was approximately \$5.2 million, \$6.0 million and \$5.8 million, respectively.

Earnings per share -- The Company provides a dual presentation of its earnings per share; Basic Earnings per Share ("Basic EPS") and Diluted Earnings per Share ("Diluted EPS") in its Consolidated Statements of Operations. Basic EPS is computed using the weighted average number of shares outstanding during the year. Diluted EPS includes common stock equivalents, which are dilutive to earnings per share. Dilutive securities, consisting of certain stock options and warrants as described in Note 10, of approximately 4.1 million were excluded from the December 31, 1999 calculation of Diluted EPS as a result of the Company's net loss for that year. For the years ended December 31, 2001 and 2000, dilutive securities included in the calculation of Diluted EPS were 2.8 million shares and 3.6 million shares, respectively. There are 490,000 of potentially dilutive shares and warrants outstanding at December 31, 2001 due to their exercise prices being greater than the average exercise price for the year 2001.

Income taxes -- The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carryforwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Stock based compensation -- The Company grants stock options to employees and non-employee directors under stock-based incentive compensation plans, (the "Plans"). The Company uses the intrinsic value based method of accounting for the Plans. Under this method, the Company records no compensation expense for stock options granted when the exercise price for options granted is equal to or greater than the fair market value of the Company's stock on the date of the grant.

Statement of cash flows -- For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash on deposit and unrestricted certificates of deposit with original maturities of 90 days or less.

Recently Issued Accounting Standards -- The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations," ("SFAS No. 141") in June 2001. SFAS No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16, "Business Combinations," and FASB Statement No. 38, "Accounting for Preacquisition Contingencies of Purchased Enterprises." SFAS No. 141 is effective for all business combinations initiated after June 30, 2001 and mandates that such combinations are to be accounted for using the purchase method. The Company adopted SFAS No. 141 as of June 30, 2001.

The FASB issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," ("SFAS No. 142") in June 2001. SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, "Intangible Assets." SFAS No. 142 applies to all fiscal years beginning after December 15, 2001. The provisions of SFAS No. 142, which the Company adopted on January 1, 2002, are not expected to have a material impact on the Company's consolidated financial statements. Approximately \$4.6 million in amortization expenses recognized during 2001 would not have been recognized under SFAS No. 142.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

The FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," ("SFAS No. 143") in July 2001. SFAS No. 143 addresses financial accounting requirements for retirement obligations associated with tangible long-lived assets. SFAS No. 143 is effective beginning June 15, 2002. The provisions of SFAS No. 143 are not expected to have a material impact on the Company's consolidated financial statements.

The FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," ("SFAS No. 144") in August 2001. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121 and APB Opinion No. 30. SFAS No. 144 is effective beginning January 1, 2002, and is not expected to have a material impact on the Company's consolidated financial statements.

Reclassifications -- Certain reclassifications have been made to the 1999 and 2000 consolidated financial statements in order for them to conform with the 2001 presentation.

2. MERGERS AND ACQUISITIONS

2001 MERGER AND ACQUISITIONS

Cleere Drilling Company -- On December 21, 2001, the Company acquired 17 drilling rigs and related equipment from Cleere Drilling Company for an aggregate purchase price of \$25.8 million. The purchase price consisted of \$13.5 million cash plus 450,000 shares of its common stock and warrants to acquire an additional 325,000 shares of common stock at an exercise price of \$26.75 per share. The common stock was recorded at \$21.55 per share and the warrants were valued at \$8.00 per underlying share of the Company's Common Stock using the Black-Scholes option valuation model. All of the purchase price was allocated to the rigs acquired.

UTI Energy Corp. -- On February 4, 2001, Patterson entered into an Agreement and Plan of Merger with UTI providing for the merger of the two entities. On May 8, 2001, the stockholders of each company approved the merger and the merger was consummated. Each outstanding share of UTI common stock was converted into one share of Patterson common stock and each option or warrant then outstanding representing the right to receive UTI common stock was converted into the right to purchase Patterson-UTI common stock on an equivalent basis. A total of 37,782,135 shares of common stock was issued pursuant to the merger and an additional 3,621,079 shares were reserved for issuance under the then outstanding UTI stock option plans. Additionally, the stockholders of Patterson approved an increase in the authorized shares of common stock from 50 million to 200 million and a name change to "Patterson-UTI Energy, Inc."

The Company incurred \$13.1 million in expenses related to the merger, of which approximately \$2.2 million are unpaid as of December 31, 2001. Such expenses consisted of \$5.9 million in merger costs which were primarily related to professional fees paid to investment banking firms, attorneys, accountants and commercial printers for their professional services rendered and \$7.2 million in restructuring costs and related charges incurred as a result of the following:

- severance costs and related expenses of \$2.8 million,
- closing of duplicate operational facilities of \$1.6 million,
- costs of \$1.4 million incurred in connection with changes to the Company's credit facilities (see Note 7), and
- fees and expenses related to the transfer of licenses and leaseholds, and in some instances the impairment of such leaseholds, the combination or cancellation of various service contracts and the renegotiation of certain insurance policies of approximately \$1.4 million.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. MERGERS AND ACQUISITIONS -- (CONTINUED)

The merger was treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and was accounted for as a pooling of interests for financial accounting purposes. The consolidated financial statements give retroactive effect to the merger, which includes combining the companies' historical consolidated financial statements for the years ended December 31, 2000 and 1999. Certain adjustments were made in those periods to conform the previous accounting policies of UTI with those of Patterson.

Selected unaudited pro forma information related to the operations of Patterson and UTI for the three months ended March 31, 2001 follows (in thousands):

	PATTERSON -----	UTI -----	ADJUSTMENTS -----	COMBINED -----
	(UNAUDITED)			
Revenues.....	\$129,936	\$108,390	\$260	\$238,586
Operating income.....	32,702	26,431	27	59,160
Net income.....	20,544	16,050	17	36,611

Jones Drilling Corporation -- On January 5, 2001, the Company consummated the transactions contemplated by certain agreements among the Company and Jones Drilling Corporation and three of its affiliated entities. The acquired assets consisted of 21 drilling rigs and related equipment and approximately \$2.3 million of net working capital. The purchase price of \$33.2 million consisted of 810,070 shares of the Company's common stock valued at \$26.8125 per share and \$11.3 million cash plus approximately \$240,000 in transaction costs. The purchase price, net of working capital was allocated among the assets acquired based on their estimated fair market values as of the date of the transaction.

Other. In January 2001, the Company acquired six drilling rigs, through three separate transactions, for approximately \$15.7 million cash in aggregate. All of the purchase price was allocated to the rigs acquired.

2000 MERGER AND ACQUISITIONS

Ambar, Inc. -- In October 2000, the Company completed, through a wholly owned subsidiary, the acquisition of the drilling and completion fluid operations of Ambar, Inc., a non-affiliated entity with its principal operations in Louisiana, the Gulf Coast region of South Texas and the Gulf of Mexico. The purchase price of \$12.4 million consisted of cash of \$11.7 million and \$680,000 of direct costs incurred related to the acquisition. The assets acquired included net working capital of approximately \$7.8 million (current assets of \$18.2 million and current liabilities assumed of \$10.4 million). The purchase price, net of working capital acquired, was allocated to the fixed assets based on their estimated fair market values as of the date of the transaction.

The Company's operating results include the operations of the acquired entity since the acquisition date. The following summary, prepared on a pro forma basis, combines the consolidated results of operations as if the transactions had occurred on January 1, 1999, after including the impact of certain adjustments, such as

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. MERGERS AND ACQUISITIONS -- (CONTINUED)

restatement of depreciation using fair values instead of book values of the assets acquired, the increased interest expense on the acquisition debt and the related income tax effects.

	YEAR ENDED DECEMBER 31,	
	2000	1999
	(UNAUDITED)	
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
Revenues.....	\$632,416	\$373,674
Net income (loss).....	38,315	(12,767)
Net income (loss) per basic share.....	\$ 0.54	\$ (0.19)
Net income (loss) per diluted share.....	0.51	(0.19)

The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been made as of the date indicated. In addition, they are not intended to be a projection of future results and do not reflect any synergies that might be achieved from combined operations.

In September 2000, the Company acquired four drilling rigs in two separate transactions for a total of \$7.7 million in cash. The purchase price was allocated to the rigs acquired.

High Valley Drilling, Inc. -- On June 2, 2000, the Company completed the merger of High Valley Drilling, Inc., a privately held, non-affiliated company, with and into Patterson-UTI Drilling Company LP, LLLP, a wholly owned subsidiary of Patterson-UTI. The purchase price of \$21.8 million was funded using 1,150,000 shares of common stock valued at \$18 per share, three-year warrants to acquire 127,000 shares at \$22 per share and approximately \$208,000 of direct costs incurred related to the transaction. Using a Black-Scholes model, the warrants were valued at \$900,000. The assets acquired consisted of eight drilling rigs and other related equipment. The purchase price was allocated among such assets based upon the estimated fair market value of the drilling rigs and related equipment.

Asset Swap. -- On May 15, 2000, the Company, in a non-monetary exchange, acquired a drilling rig in exchange for certain drilling rig components and drill pipe with a net book value of approximately \$970,000. No gain or loss was recognized on this transaction.

Phelps Drilling International Ltd. -- On May 5, 2000, the Company acquired the land drilling operations of Phelps Drilling International Ltd. for \$29.6 million in cash. Phelps' assets and operations are located in the Canadian provinces of Alberta, Saskatchewan and British Columbia. The acquisition was accounted for under the purchase method of accounting. The acquired assets consisted of fourteen land drilling rigs and related equipment. The purchase price was allocated among such assets based upon the fair market value of the drilling rigs and related equipment.

WEK Drilling Co., Inc. -- On March 31, 2000, the Company acquired the outstanding stock of WEK Drilling Co., Inc., a privately held, non-affiliated drilling company with its principal operations in Southeast New Mexico. The purchase price of \$6.8 million, which is net of cash acquired, was funded using \$5.66 million of proceeds from the Company's existing credit facility and 53,000 shares of the Company's common stock valued at \$29.0625 per share and approximately \$77,000 of direct costs incurred related to the transaction. The assets acquired consisted of four operable drilling rigs, other related equipment, and working capital of \$1.2 million. Immediately following the transaction, certain assets unrelated to the oil and natural gas industry were sold back to one of the previous owners for a cash payment of \$1.0 million. The purchase price of \$6.8 million, less the \$1.0 million of unrelated assets that were subsequently sold and the net working capital acquired, was allocated among the acquired assets based upon the estimated fair market value of the drilling rigs and related equipment.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2. MERGERS AND ACQUISITIONS -- (CONTINUED)

1999 ACQUISITIONS

Schneider Drilling Corporation -- On December 14, 1999, the Company acquired the land drilling assets of Schneider Drilling Corporation for \$7.5 million in cash. The acquisition was accounted for under the purchase method of accounting. Schneider's assets included three land drilling rigs, major components for two additional drilling rigs and drilling equipment. The purchase price was allocated among such assets based upon the fair market value of the drilling rigs and related equipment.

Norton Drilling Services, Inc. -- On July 27, 1999, the Company acquired Norton Drilling Services, Inc., for approximately 2.6 million shares of the Company's common stock valued at \$5.12 per common share, for a purchase price of \$13.3 million. The Company also repaid approximately \$8.0 million of Norton's existing debt upon the acquisition. The acquisition was accounted for under the purchase method of accounting. Norton's assets included sixteen drilling rigs and related equipment. The purchase price was allocated among the assets and liabilities acquired based upon their fair market value.

Padre Industries, Inc. -- On January 27, 1999, the Company completed the acquisition of five drilling rigs and other related equipment from a privately held, non-affiliated entity based in Corpus Christi, Texas. The purchase price consisted of 800,000 shares of the Company's stock at a guaranteed value of \$5.00 per share. As part of the acquisition agreement, the Company had the option exercisable on February 1, 2000 to buy back 300,000 of the 800,000 shares at \$5.50 per share. The Company exercised its option on February 1, 2000. The purchase price of \$4.0 million was allocated among such assets based upon the estimated fair market value of the drilling rigs and related equipment.

The aforementioned acquisitions, excluding the merger with UTI, completed during fiscal years 2001, 2000 and 1999 have been accounted for as purchases and the related results of operations and cash flows of the acquired entities have been included in the consolidated financial statements since their respective dates of acquisition.

3. COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table illustrates the Company's comprehensive income including the effects of foreign currency translation adjustments for the years ended December 31, 2001 and 2000 (in thousands):

	2001	2000
	-----	-----
Net income.....	\$ 164,162	\$ 37,226
Other comprehensive income (loss):		
Foreign currency translation adjustment related to our Canadian operations.....	(2,326)	30
	-----	-----
Comprehensive income.....	\$ 161,836	\$ 37,256
	=====	=====

Accumulated other comprehensive income at December 31, 2001 and 2000 consists entirely of foreign currency translation adjustments.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2001 and 2000 (in thousands):

	2001	2000
	-----	-----
Drilling rigs and related equipment.....	\$ 810,910	\$ 592,717
Other equipment.....	46,201	30,410
Oil and natural gas properties.....	51,080	40,686
Buildings.....	10,357	9,836
Land.....	3,703	3,273
	-----	-----
	922,251	676,922
Less accumulated depreciation and depletion.....	(307,831)	(234,363)
	-----	-----
	\$ 614,420	\$ 442,559
	=====	=====

5. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2001 and 2000 (in thousands):

	2001	2000
	-----	-----
Goodwill.....	\$ 69,860	\$ 69,860
Covenants not to compete.....	2,048	1,861
Other.....	1,587	1,341
	-----	-----
	73,495	73,062
Less accumulated amortization.....	(21,861)	(16,689)
	-----	-----
	\$ 51,634	\$ 56,373
	=====	=====

6. ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31, 2001 and 2000 (in thousands):

	2001	2000
	-----	-----
Salaries, wages, payroll taxes and benefits.....	\$ 13,833	\$ 13,430
Workers' compensation liability.....	10,683	5,685
Sales, use and other taxes.....	4,758	2,803
Insurance, other than workers' compensation.....	1,777	281
Merger related costs.....	2,200	--
Other.....	3,257	1,879
	-----	-----
	\$ 36,508	\$ 24,078
	=====	=====

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. NOTES PAYABLE

The Company had no outstanding notes payable at December 31, 2001. Notes payable consisted of the following at December 31, 2000 (in thousands):

	2000

Revolving credit facility.....	\$ 50,710
Non-revolving credit facility.....	24,416
Promissory notes.....	4,290

	79,416
Less current maturities.....	(4,477)

	\$ 74,939
	=====

On November 22, 1999, the Company entered into a \$65.0 million revolving credit facility. The maximum borrowings under this revolving credit facility were increased to \$75.0 million in May of 2000, to \$90.0 million in October of 2000 and later increased to \$100.0 million in June 2001 when the term of the facility was also extended to June 2005. A fee of .375% per annum is assessed on the unused facility amount. The amount used for letters of credit decreases the borrowing base of the facility on a dollar-for-dollar basis. The revolving credit facility calls for periodic interest payments at a floating rate ranging from LIBOR plus 1.75% to 2.75%. Assets of the Company secure the facility. The facility has restrictions customary in financial instruments of this type including restrictions on certain investments, acquisitions and loans. The facility has no financial covenants unless availability under the facility is less than \$20.0 million. There were no amounts drawn under the facility at December 31, 2001. The terms of our facility limit the payment of dividends without the prior written consent of the lenders.

During 2001, the Company repaid \$89.2 million under its existing credit facilities and other term obligations. The Company incurred expenses of \$448,000 as a result of prepayment penalties and \$942,000 related to deferred financing costs which were unamortized at the time the debt was extinguished. The penalties and deferred financing costs are included in restructuring and related charges for 2001.

The Company maintains letters of credit in the aggregate amount of \$20.0 million for the benefit of various insurance companies as collateral for retrospective premiums and retained losses which could become payable under the terms of the underlying insurance contracts. These letters of credit expire variously during each calendar year, but provide for an indefinite number of annual extensions of the expiration date. No amounts have been drawn under the letters of credit.

8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Contingencies -- The Company's contract services and oil and natural gas exploration and production operations are subject to inherent risks, including blowouts, cratering, fire and explosions which could result in personal injury or death, suspended drilling operations, damage to, or destruction of equipment, damage to producing formations and pollution or other environmental hazards.

As a protection against these hazards, the Company maintains general liability insurance coverage of \$2.0 million per occurrence with \$4.0 million of aggregate coverage and excess liability and umbrella coverages up to \$50.0 million per occurrence with a \$50.0 million aggregate.

The Company believes it is adequately insured for public liability and property damage to others with respect to its operations. However, such insurance may not be sufficient to protect the Company against liability for all consequences of well disasters, extensive fire damage or damage to the environment. The Company also carries insurance to cover physical damage to, or loss of, its rigs; however, it does not carry

8. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS -- (CONTINUED)

insurance against loss of earnings resulting from such damage or loss. The Company's lender who has a security interest in the drilling rigs is named as loss payee on the physical damage insurance on such rigs.

Westfort Energy LTD and Westfort Energy (US) LTD f/k/a Canadian Delta, Inc. ("Westfort"), filed a lawsuit against two Patterson-UTI subsidiaries, Patterson Petroleum LP and Patterson Drilling Company LP, in the Circuit Court, Rankin County, Mississippi, Case No. 2002-18. The lawsuit relates to a letter agreement entered into in July 2000 between Patterson Petroleum and Westfort concerning the drilling of a daywork well in Mississippi. This lawsuit was filed by Westfort after Patterson Petroleum made demand on Westfort for payment of the contract drilling services.

In this lawsuit, Westfort alleges breach of contract, fraud and negligence causes of action. Westfort seeks alleged monetary damages, the return of shares of Westfort stock, unspecified damages from alleged lost profits, lost use of income stream and additional operating expenses, along with alleged punitive damages to be determined by the jury, but not less than 25% of Patterson's net worth. The Company intends to vigorously contest the allegations made by Westfort and assert claims against Westfort, including for the monies owed Patterson under the letter agreement in the amount of approximately \$5,075,000.

In addition to the Westfort lawsuit, the Company is party to various legal proceedings arising in the normal course of its business. The Company does not believe that the outcome of these proceedings, either individually or in the aggregate, will have a material adverse effect on its financial condition.

9. STOCKHOLDERS' EQUITY

During December 2001, the Company issued 450,000 shares of its common stock and warrants to acquire an additional 325,000 shares at an exercise price of \$26.75 per share, as partial consideration for the acquisition of 17 drilling rigs and related equipment from Cleere Drilling Company. The common stock was recorded at \$21.55 per share and the warrants were valued at \$8.00 per underlying share of common stock using the Black-Scholes option valuation model (see Note 2).

On May 8, 2001, pursuant to the merger between Patterson and UTI, the Company's stockholders approved an amendment to the Company's charter increasing the number of authorized shares of the Company's common stock to 200 million.

On May 7, 2001, warrants to purchase 121,250 shares of UTI's common stock were exercised. The exercise price ranged from \$13.25 to \$17.50. The \$1.8 million in proceeds resulting from the exercise was used as partial payment of notes payable owed to the same parties.

During January 2001, the Company issued 810,070 shares of its common stock as partial consideration for the acquisition of Jones Drilling Corporation and certain assets owned by its related entities (see Note 2). The common stock was valued at \$26.8125 per share, its fair market value on the date of the transaction.

During September 2000, the Company issued 3,000,000 shares of its common stock at a public price of \$34.50 per share. An underwriting discount of \$1.50 was paid for a net price of \$33.00 per share. Net proceeds from the offering totaled approximately \$98.8 million.

During June 2000, the Company issued 1,150,000 shares of its common stock and three-year warrants to acquire an additional 127,000 shares at an exercise price of \$22.00 per share, as consideration for certain drilling equipment acquired from High Valley Drilling, Inc. (see Note 2). The common stock was recorded at \$18 per share, its fair market value on the date of purchase and the warrants were valued at \$900,000 using the Black-Scholes option valuation model.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. STOCKHOLDERS' EQUITY -- (CONTINUED)

During March 2000, the Company issued 53,000 shares of its common stock as consideration for certain drilling equipment acquired from WEK Drilling Company, Inc. The common stock was recorded at \$29.0625 per share, its fair market value on the date of purchase (see Note 2).

During June 1999, the Company issued 25,776 shares of its common stock as consideration for certain drilling equipment acquired from an unrelated entity. The common stock was recorded at \$8.0625 per share, its fair market value on the date of purchase.

On January 27, 1999, the Company issued 800,000 shares of its common stock as consideration for the Company's acquisition of the drilling assets of Padre Industries, Inc. The common stock was recorded at its guaranteed value of \$5.00 per share, or an aggregate purchase price of \$4.0 million. On February 1, 2000, the Company exercised its option to buy back 300,000 shares of its common stock previously issued in conjunction with this acquisition for \$5.50 per share.

10. STOCK OPTIONS AND WARRANTS

Employee and Non-Employee Director Stock Option Plans. The Company has seven stock option plans of which three are active. The remaining four plans are dormant and the Company does not intend to grant any further options under such plans. At December 31, 2001, the Company's stock option plans were as follows:

PLAN NAME	OPTIONS AUTHORIZED FOR GRANT	OPTIONS OUTSTANDING	OPTIONS AVAILABLE FOR GRANT
Amended and Restated Non-Employee Director Stock Option Plan of Patterson-UTI Energy, Inc. ("Non-Employee Director Plan") (1).....	600,000	165,000	360,000
Patterson-UTI Energy, Inc. 2001 Long-Term Incentive Plan ("2001 Plan") (2).....	1,000,000	800,500	199,500
Patterson-UTI Energy, Inc. Amended and Restated 1997 Long-Term Incentive Plan ("1997 Plan") (1) (3).....	3,800,000	3,256,301	132,501
Patterson-UTI Energy, Inc. Non-Employee Directors' Stock Option Plan, as amended ("1995 Non-Employee Director Plan").....	120,000	32,000	--
1997 Stock Option Plan of DSI Industries, Inc. ("DSI Plan") (1).....	--	113,226	--
Amended and Restated Patterson-UTI Energy, Inc. 1996 Employee Stock Option Plan ("1996 Plan") (1).....	--	1,005,300	--
Patterson-UTI Energy, Inc., 1993 Incentive Stock Plan, as amended ("1993 Plan").....	2,800,000	1,199,965	--

(1) Plan was assumed by the Company as a part of the merger between Patterson and UTI.

(2) Plan is for the benefit of employees of the Company, other than officers and directors of the Company.

(3) Plan is for the benefit of employees of the Company, including officers and directors of the Company.

The Company's active plans are the 1997 Plan, the 2001 Plan and the Non-Employee Director Plan. A summary of each of these plans is set forth below.

10. STOCK OPTIONS AND WARRANTS -- (CONTINUED)

1997 PLAN

- Administered by the Compensation Committee of the Board of Directors.
- All employees including officers and employee directors are eligible for awards.
- Vesting schedule is set by the Compensation Committee, however, typically 20% of the options vest after one year and the remaining 80% vest monthly over the next four years.
- The Compensation committee sets the term of the option except that no Incentive Stock Option ("ISO") can have a term of longer than 10 years. Typically options granted under the plan have a term of 10 years.
- The options granted under the plan, unless otherwise stated in the grant thereof, vest upon a change of control as defined in the plan. Options granted to non-executive employees typically do not vest upon a change of control.
- All options granted under the plan are granted with an exercise price equal to or greater than the fair market value of the Company's common stock at the time the option is granted.
- Although the plan allows for awards of tandem and independent stock appreciation rights, restricted stock and performance awards, no such awards have been granted.

2001 PLAN

The terms and conditions of the 2001 Plan are identical to the 1997 Plan except as follows:

- Officers and directors of the Company are not eligible for grants of options under the 2001 Plan.
- No ISO's may be awarded under the 2001 Plan.
- Unless the grant states otherwise, options granted under the 2001 Plan do not vest upon a change of control of the Company.

NON-EMPLOYEE DIRECTOR PLAN

- Administered by the Compensation Committee of the Board of Directors.
- All options vest upon the first anniversary of the option grant.
- Each director receives options to purchase 15,000 shares upon becoming a director of the Company and options to purchase 7,500 shares on December 31 of each subsequent year in which the director serves as a director of the Company.
- The exercise price of the options is the fair market value of the Company's common stock on the date of the grant.

Of the four dormant plans administered by the Company, two of the plans (the 1993 Plan and the 1995 Non-Employee Director Plan) were plans of the Company prior to the merger of Patterson and UTI and two of the plans (the DSI Plan and the 1996 Plan) were plans of UTI.

1993 Plan. Options granted under the 1993 Plan, typically had terms of 10 years and vested over five years in 20% increments beginning at the end of the first year. These options vest in the event of a change of control as defined in the plan. All options were granted with an exercise price equal to the fair market value of the Company's common stock at the time of grant.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. STOCK OPTIONS AND WARRANTS -- (CONTINUED)

1995 Non-Employee Director Plan. All options granted under the 1995 Non-Employee Director Plan were vested as of November 6, 2001. 1995 Non-Employee Director Plan options have five year terms. All options were granted with an exercise price equal to the fair market value of the Company's common stock at the time of grant.

DSI Plan. The options granted under the DSI plan typically vested at a rate of 33% per year with ten year terms. All options were granted with an exercise price equal to the fair market value of the Company's common stock at the time of grant.

1996 Plan. The options granted under the 1996 plan vested over one, four and five years as dictated by the Compensation Committee. These options had terms of five and ten years as dictated by the Compensation Committee. All options were granted with a strike price equal to the fair market value of the Company's common stock at the time of grant.

Additional Options. In July 2001, the Compensation Committee granted to each of two non-employee directors of the Company an option to purchase 12,000 shares of the Company's Common Stock. These options vested on November 6, 2001 and terminate four years later on November 5, 2005. The exercise price of each of the options was \$28.625 which was in excess of the fair market value of the Company's common stock on the date of grant.

A summary of the status of the Company's stock options issued under its various incentive plans as of December 31, 2001, 2000 and 1999 and the changes during each of the years then ended are presented below (in thousands, except weighted average exercise price):

	2001		2000		1999	
	NO. OF SHARES OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NO. OF SHARES OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NO. OF SHARES OF UNDERLYING OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of the year.....	5,488	\$ 7.57	6,497	\$ 5.72	5,334	\$ 5.38
Granted.....	2,103	16.19	586	18.58	2,644	4.76
Total granted.....	7,591	9.96	7,083	6.78	7,978	5.18
Exercised.....	805	5.26	1,563	3.93	1,249	1.77
Surrendered.....	190	14.39	32	11.42	232	8.35
Outstanding at end of year...	6,596	\$ 10.40	5,488	\$ 7.57	6,497	\$ 5.72
Exercisable at end of year...	4,110	\$ 7.52	2,672	\$ 6.89	3,019	\$ 5.52

The following table summarizes information about stock options outstanding at December 31, 2001:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTED LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICES
\$1.81 to \$5.00.....	3,023,371	4.26	\$ 4.59	2,801,904	\$ 4.57
\$5.01 to \$20.00.....	3,427,921	8.24	\$ 14.84	1,208,354	\$ 12.67
\$20.01 to \$32.875.....	145,000	5.07	\$ 26.51	100,000	\$ 27.95
	6,596,292	6.35	\$ 10.40	4,110,258	\$ 7.52

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. STOCK OPTIONS AND WARRANTS -- (CONTINUED)

Public Relations Services Stock Options -- In June 1999, the Company issued options covering a total of 50,000 shares of common stock at an exercise price of \$8.0625 per share to a consultant as partial compensation for public relations services rendered to the Company. The options granted to the consultant have an exercise price equal to the fair market value of the stock at date of grant. The options were fully exercisable upon grant date. The Company accounted for the option grant in accordance with SFAS No. 123, and as such, a charge for stock compensation expense of \$250,000, which represents the fair value of the options on the date of grant, is included in general and administrative expenses for the year ended December 31, 1999. All such options were exercised in 2000.

Pro Forma Stock-Based Compensation Disclosure -- SFAS 123 requires that pro forma information regarding net income and earnings per share be presented as if the Company had accounted for its employee stock options under the fair value method as defined in that statement. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions for grants in 1995, 1996, 1997, 1998, 1999, 2000 and 2001 respectively; dividend yield of 0.00%; risk-free interest rates are different for each grant and range from 4.65% to 7.02%; the expected term is 5 years; and a volatility of 38.68% for all 1995 and 1996 grants, 35.97% for all 1997 grants, 51.08% for all 1998 grants, 61.97% for all 1999 grants, 67.71% for all 2000 grants and 68.33% for all 2001 grants. The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to 1995.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999

	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Pro forma net income (loss).....	\$ 157,109	\$ 31,210	\$ (17,691)
	=====	=====	=====
Pro forma earnings (loss) per share:			
Basic.....	\$ 2.06	\$ 0.44	\$ (0.27)
	=====	=====	=====
Diluted.....	\$ 1.98	\$ 0.42	\$ (0.27)
	=====	=====	=====
Weighted-average fair value of options granted per share.....	\$ 9.97	\$ 15.73	\$ 3.07

A summary of Patterson-UTI's stock option activity and related information for the years ended December 31 follows:

Stock Purchase Warrants -- In December 2001, the Company issued 325,000 warrants exercisable at \$26.75 per share as partial consideration for the purchase of 17 drilling rigs and related equipment from Cleere Drilling Company (see Note 2). The warrants were fully exercisable upon the date of issuance. If not exercised, the warrants will expire on December 21, 2004.

In June 2000, the Company issued 127,000 warrants exercisable at \$22 per share as partial consideration for the purchase of eight drilling rigs and related equipment from High Valley Drilling, Inc. (see Note 2). The warrants were fully exercisable upon date of issuance. If not exercised, the warrants will expire on June 2, 2003.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. STOCK OPTIONS AND WARRANTS -- (CONTINUED)

Tabular Summary -- The following table summarizes information regarding the Company's stock options and warrants granted under the provisions of the aforementioned plans: as well as stock options and warrants issued pursuant to certain transactions described in Notes 2 and 9:

	SHARES -----	WEIGHTED AVERAGE EXERCISE PRICE -----
GRANTED		
2001.....	2,428,500	\$ 17.60
2000.....	713,000	19.19
1999.....	2,643,754	4.76
EXERCISED		
2001.....	804,581	\$ 5.26
2000.....	1,563,345	3.93
1999.....	1,248,880	1.77
SURRENDERED		
2001.....	190,473	\$ 14.39
2000.....	31,879	11.42
1999.....	231,862	8.35
OUTSTANDING AT YEAR END		
2001.....	7,048,292	\$ 11.36
2000.....	5,614,846	7.89
1999.....	6,497,070	5.72
EXERCISABLE AT YEAR END		
2001.....	4,562,259	\$ 9.29
2000.....	2,799,482	7.58
1999.....	3,018,835	5.52

11. LEASES

The Company incurred rent expense, consisting primarily of daily rental charges for the use of drilling equipment of \$5.9 million, \$8.6 million and \$5.6 million, for the years 2001, 2000 and 1999, respectively. The Company's obligations under non-cancelable operating lease agreements are not material to the Company's operations.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. INCOME TAXES

Components of the income tax provision applicable for federal and state income taxes are as follows (in thousands):

	2001	2000	1999
	-----	-----	-----
Federal income tax expense (benefit):			
Current.....	\$ 82,417	\$ 6,932	\$ (264)
Deferred.....	10,887	14,705	(4,827)
	-----	-----	-----
	93,304	21,637	(5,091)
State income tax expense:			
Current.....	4,294	(1)	398
Deferred.....	661	772	(73)
	-----	-----	-----
	4,955	771	325
Foreign income tax expense:			
Current.....	1,062	--	--
Deferred.....	3,012	470	--
	-----	-----	-----
	4,074	470	--
Total:			
Current.....	87,773	6,931	134
Deferred.....	14,560	15,947	(4,900)
	-----	-----	-----
Total income tax expense (benefit).....	\$ 102,333	\$ 22,878	\$ (4,766)
	=====	=====	=====

The difference between the statutory federal income tax rate and the effective income tax rate is summarized as follows:

	2001	2000	1999
	----	----	-----
Statutory tax rate.....	35.0%	35.0%	(34.2)%
State income taxes.....	1.9	1.0	1.3
Foreign taxes.....	--	0.2	--
Permanent differences.....	1.3	1.4	3.9
Other, net.....	0.2	.5	0.1
	-----	-----	-----
Effective tax rate.....	38.4%	38.1%	(28.9)%
	=====	=====	=====

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company expects the deferred tax assets at December 31, 2001 to be realized as a result of the reversal during the carryforward period of existing taxable temporary differences giving rise to deferred tax liabilities and the generation of taxable income in the carryforward period; therefore, no valuation allowance is necessary.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. INCOME TAXES -- (CONTINUED)

The tax effect of significant temporary differences representing deferred tax assets and liabilities and changes therein were as follows (in thousands):

	DECEMBER 31, 2001	NET CHANGE	DECEMBER 31, 2000	NET CHANGE	DECEMBER 31, 1999	NET CHANGE	JANUARY 1, 1999
	-----	-----	-----	-----	-----	-----	-----
Deferred tax assets:							
Net operating loss carryforwards.....	\$ --	\$ (5,850)	\$ 5,850	\$ (5,878)	\$ 11,728	\$ 10,294	\$ 1,434
Investment tax credit carryforwards.....	--	(469)	469	73	396	(163)	559
AMT credit carryforwards.....	602	(3,770)	4,372	543	3,829	3,511	318
Other.....	8,145	2,791	5,354	2,215	3,139	166	2,973
	-----	-----	-----	-----	-----	-----	-----
Valuation allowance.....	8,747	(7,298)	16,045	(3,047)	19,092	13,808	5,284
	-----	-----	-----	-----	-----	-----	-----
Deferred tax assets.....	8,747	(7,298)	16,045	(3,047)	19,092	13,808	5,284
Deferred tax liabilities:							
Property and equipment basis difference.....	(92,859)	(16,005)	(76,854)	(17,132)	(59,722)	(14,815)	(44,907)
	-----	-----	-----	-----	-----	-----	-----
Net deferred tax liability.....	\$ (84,112)	\$ (23,303)	\$ (60,809)	\$ (20,179)	\$ (40,630)	\$ (1,007)	\$ (39,623)
	=====	=====	=====	=====	=====	=====	=====

Patterson-UTI's investment tax credit carryforward expired in 2000, the expiration of which gave rise to a deduction of 50% of the credit in 2001. Net operating losses were fully utilized in 2001 and the remaining alternative minimum tax credit may be carried forward indefinitely. Significant other deferred tax assets consist primarily of workers' compensation allowance of \$4.5 million and bad debt allowance of \$1.3 million at December 31, 2001.

13. EMPLOYEE BENEFITS

The Company maintains a 401(k) profit sharing plan for all eligible employees. Company contributions are discretionary. The Company made no matching contribution in 1999, but made matching contributions of \$789,000 and \$2.1 million for 2001 and 2000, respectively.

14. BUSINESS SEGMENTS

The Company conducts its business through three distinct operating activities: contract drilling of oil and natural gas wells, and provision of drilling and completion fluids services and pressure pumping services to operators in the oil and natural gas industry.

Contract Drilling Services. The Company markets its contract drilling services to major and independent oil and natural gas producers and operators. The Company owns 319 drilling rigs, of which 287 operated in 2001. Currently, 257 of the drilling rigs are based in Texas and New Mexico (144 in West Texas and New Mexico, 53 in South Texas, 39 in East Texas and 21 in North-Central Texas), 41 are based in Oklahoma, five in Utah and 16 in western Canada. Our contract drilling services operations contributed operating income of \$274.5 million in 2001.

Drilling and Completion Fluids Services. The Company provides contract drilling and completion fluids services to oil and natural gas producers in the Permian Basin of West Texas and Southeast New Mexico, South Texas, East Texas, Oklahoma, the Gulf Coast regions of Texas and Louisiana, and the Gulf of Mexico. Drilling and completion fluids are used by oil and natural gas operators during the drilling process to control pressure when drilling oil and natural gas wells. The drilling fluids operations were added by the Company during 1998 with its acquisition of two companies with operations in Texas, New Mexico, Oklahoma and

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

14. BUSINESS SEGMENTS -- (CONTINUED)

Colorado. Our services were expanded to include completion fluids in October 2000 with the acquisition of the drilling and completion fluids division of Ambar, Inc., which had operations in the coastal areas of Texas, Louisiana and in the Gulf of Mexico. Our drilling and completion fluids services operations contributed operating income of \$3.8 million in 2001.

Pressure Pumping Services. The Company provides pressure pumping services in the Appalachian Basin. Pressure pumping services consist primarily of well stimulation and cementing for the completion of new wells and remedial work on existing wells. Well stimulation involves processes inside a well designed to enhance the flow of oil, natural gas or other desired substances from the well. Cementing is the process of inserting material between the hole and the pipe to center and stabilize the pipe in the hole. Our pressure pumping services operations contributed operating income of \$12.6 million in 2001.

The following table summarizes selected financial information relating to our business segments:

	DECEMBER 31,		
	2001	2000	1999
(IN THOUSANDS)			
Revenues:			
Contract drilling.....	\$ 839,931	\$ 512,998	\$ 266,212
Drilling and completion fluids.....	94,456	32,053	11,686
Pressure pumping.....	39,600	21,465	20,721
Other.....	15,988	15,806	8,747
Total revenues.....	\$ 989,975	\$ 582,322	\$ 307,366
Income (loss) from operations:			
Contract drilling.....	\$ 274,514	\$ 68,427	\$ (10,427)
Drilling and completion fluids.....	3,842	(250)	(1,279)
Pressure pumping.....	12,649	3,302	3,654
Merger costs.....	(5,943)	--	--
Restructuring and related charges.....	(7,202)	--	--
Other.....	(10,688)	(2,894)	(1,398)
	267,172	68,585	(9,450)
Interest income.....	2,080	1,377	1,047
Interest expense.....	(3,142)	(10,108)	(8,269)
Other.....	385	250	169
Income (loss) before income taxes.....	\$ 266,495	\$ 60,104	\$ (16,503)

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

14. BUSINESS SEGMENTS -- (CONTINUED)

	DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Identifiable assets:			
Contract drilling.....	\$ 681,700	\$ 571,498	\$ 423,834
Drilling and completion fluids.....	41,724	52,414	19,117
Pressure pumping.....	29,473	16,114	16,399
Corporate and other (a).....	116,745	99,872	37,365
Total assets.....	\$ 869,642	\$ 739,898	\$ 496,715
Depreciation, depletion and amortization:			
Contract drilling.....	\$ 72,797	\$ 54,274	\$ 46,907
Drilling and completion fluids.....	2,644	1,464	1,065
Pressure pumping.....	1,895	1,564	1,391
Corporate and other.....	8,823	4,162	3,190
Total depreciation, depletion and amortization.....	\$ 86,159	\$ 61,464	\$ 52,553
Capital expenditures:			
Contract drilling.....	\$ 150,788	\$ 116,836	\$ 25,033
Drilling and completion fluids.....	4,937	10,166	195
Pressure pumping.....	7,756	4,426	2,307
Corporate and other.....	13,276	5,341	5,281
Total capital expenditures.....	\$ 176,757	\$ 136,769	\$ 32,816

(a) Corporate assets primarily include cash on hand managed by the parent corporation and certain deferred Federal income tax assets.

PATTERSON-UTI ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

15. SELECTED QUARTERLY FINANCIAL RESULTS (UNAUDITED)

Quarterly financial information for the years ended December 31, 2001 and 2000 is as follows:

	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
	-----	-----	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
2001					
Operating revenues.....	\$ 238,586	\$ 287,564	\$ 289,104	\$ 174,721	\$ 989,975
Operating income (loss).....	59,160	79,249	98,872	29,891	267,172
Net income (loss)...	36,611	48,466	60,382	18,703	164,162
Earnings per share:					
Basic.....	\$ 0.49	\$ 0.63	\$ 0.79	\$ 0.24	\$ 2.15
Diluted.....	\$ 0.45	\$ 0.61	\$ 0.77	\$ 0.24	\$ 2.07
2000					
Operating revenues.....	\$ 112,591	\$ 123,339	\$ 149,148	\$ 197,244	\$ 582,322
Operating income (loss).....	3,907	9,777	19,996	34,905	68,585
Net income (loss)...	1,091	4,627	10,293	21,215	37,226
Earnings per share:					
Basic.....	\$ 0.02	\$ 0.07	\$ 0.14	\$ 0.29	\$ 0.52
Diluted.....	\$ 0.03	\$ 0.06	\$ 0.14	\$ 0.27	\$ 0.50

16. CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist primarily of demand deposits, temporary cash investments and trade receivables.

The Company believes that it places its demand deposits and temporary cash investments with high credit quality financial institutions. At December 31, 2001 and 2000, the Company's demand deposits and temporary cash investments consisted of the following (in thousands):

	2001	2000
	-----	-----
Deposit in FDIC and SIPC-insured institutions under \$100,000 and cash on hand.....	\$ 5,416	\$ 1,653
Deposit in FDIC and SIPC-insured institutions over \$100,000 and cash on hand.....	39,057	69,376
	-----	-----
	44,473	71,029
Less outstanding checks and other reconciling items.....	(10,889)	(11,674)
	-----	-----
Cash and cash equivalents.....	\$ 33,584	\$ 59,355
	=====	=====

Concentrations of credit risk with respect to trade receivables are primarily focused on companies involved in the exploration and development of oil and natural gas properties. The concentration is somewhat mitigated by the diversification of customers for which the Company provides drilling services. As is general industry practice, the Company generally does not require customers to provide collateral. No significant losses from individual contracts were experienced during the years ended December 31, 2001, 2000 and 1999. We recognized bad debt expense for 2001, 2000 and 1999 of \$2.0 million, \$570,000 and \$282,000, respectively.

The carrying values of cash and cash equivalents, marketable securities and trade receivables approximate fair value due to the short-term maturity of these assets.

17. RELATED PARTY TRANSACTIONS

Use of Assets -- In 2001, 2000 and 1999, the Company leased a 1981 Beech King-Air 90 airplane owned by an affiliate of the Company's Chief Executive Officer and our President/Chief Operating Officer. Under the terms of the lease, the Company paid a monthly rental of \$9,200 and its proportionate share of the costs of fuel, insurance, taxes and maintenance of the aircraft. The Company paid approximately \$212,283, \$193,769 and \$222,583 for the lease of the airplane during 2001, 2000 and 1999, respectively.

Sales of Oil -- An affiliate acted as the first purchaser of oil produced from certain leases operated by the Company during 1999. Sales of oil to that entity, both royalty and working interest were approximately \$8.4 million. There were no sales of oil to that entity in 2001 or 2000.

Joint Operation of Oil and Natural Gas Properties -- The Company operates certain oil and natural gas properties in which the Chief Executive Officer, the President/Chief Operating Officer, the Chief Financial Officer and other persons or entities related to the Company purchased a joint interest ownership with the Company and other industry partners. The Company made oil and natural gas production payments (net of royalty) of \$8.3 million, \$13.4 million and \$6.1 million from these properties in 2001, 2000 and 1999, respectively, to the aforementioned persons or entities. These persons or entities reimbursed the Company for joint operating costs of \$5.9 million, \$8.0 million and \$5.9 million in 2001, 2000 and 1999, respectively.

Other -- In 2001, the Company paid approximately \$387,000 to an entity owned by a relative of the Company President/Chief Operating Officer for certain equipment and metal fabrication services. One of our directors is a director and an officer of a company from which we purchased drill pipe, materials and supplies totalling approximately \$22.0 million in 2001. This same director was an officer of a customer through February 2001 from which we received approximately \$500,000 in revenues in 2001.

PATTERSON-UTI ENERGY, INC.

SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION -----	BEGINNING BALANCE -----	ADDITIONS (1) -----		DEDUCTIONS (2) -----	ENDING BALANCE -----
		CHARGED TO COSTS AND EXPENSES -----	ACQUIRED THROUGH ACQUISITION -----		
(IN THOUSANDS)					
YEAR ENDED DECEMBER 31, 2001					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$3,462	\$2,045	\$ --	\$1,486	\$4,021
YEAR ENDED DECEMBER 31, 2000					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$3,508	\$ 570	\$800	\$1,416	\$3,462
YEAR ENDED DECEMBER 31, 1999					
Deducted from asset accounts:					
Allowance for doubtful accounts.....	\$2,337	\$ 282	\$942	\$ 53	\$3,508

(1) Net of recoveries.

(2) Uncollectible accounts written off.

SIGNATURES

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

Date: March 18, 2002

PATTERSON-UTI ENERGY, INC.

By: /s/ CLOYCE A. TALBOTT

Cloyce A. Talbott
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of Patterson-UTI Energy, Inc. and in the capacities indicated as of March 18, 2002.

SIGNATURE -----	TITLE -----
/s/ MARK S. SIEGEL ----- Mark S. Siegel	Chairman of the Board
/s/ CLOYCE A. TALBOTT ----- Cloyce A. Talbott (Principal Executive Officer)	Chief Executive Officer and Director
/s/ A. GLENN PATTERSON ----- A. Glenn Patterson	President, Chief Operating Officer and Director
/s/ JONATHAN D. NELSON ----- Jonathan D. Nelson (Principal Accounting Officer)	Vice President -- Finance, Chief Financial Officer, Secretary and Treasurer
/s/ KENNETH N. BERNES ----- Kenneth N. Bernes	Director
/s/ VAUGHN E. DRUM ----- Vaughn E. Drum	Director
----- Nadine C. Smith	Director
/s/ CURTIS W. HUFF ----- Curtis W. Huff	Director

/s/ ROBERT C. GIST

Director

Robert C. Gist

/s/ SPENCER D. ARMOUR, III

Director

Spencer D. Armour, III

/s/ KENNETH R. PEAK

Director

Kenneth R. Peak

/s/ STEPHEN J. DEGROAT

Director

Stephen J. DeGroat

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Plan and Agreement of Merger dated October 14, 1993, between Patterson Energy, Inc., a Texas corporation, and Patterson Energy, Inc., a Delaware corporation, together with related Certificates of Merger.(1)
2.2	Agreement and Plan of Merger, dated April 22, 1996 among Patterson Energy, Inc., Patterson Drilling Company and Tucker Drilling Company, Inc.(2)
2.2.1	Amendment to Agreement and Plan of Merger, dated May 16, 1996 among Patterson Energy, Inc., Patterson Drilling Company and Tucker Drilling Company, Inc.(3)
2.3	Agreement and Plan of Merger dated as of January 5, 2001 among Patterson Energy, Inc., Patterson Drilling Company LP, LLLP and Jones Drilling Corporation.(4)
2.4	Agreement and Plan of Merger, dated February 4, 2001, by and between UTI Energy Corp. and Patterson Energy, Inc.(5)
2.5	Asset Purchase Agreement, dated as of December 21, 2001 among Patterson-UTI Energy, Inc., Patterson-UTI Drilling Company LP, LLLP and Cleere Drilling Company.
3.1	Restated Certificate of Incorporation.(6)
3.1.1	Certificate of Correction of Restated Certificate of Incorporation.
3.2	Amended and Restated Bylaws.
3.3	Rights Agreement dated January 2, 1997, between Patterson Energy, Inc. and Continental Stock Transfer & Trust Company.(7)
3.3.1	Amendment to Rights Agreement dated as of October 23, 2001.(15)
4.1	Excerpt from Restated Certificate of Incorporation of Patterson-UTI Energy, Inc. regarding authorized Common Stock and Preferred Stock.(14)
4.2	Certificate of Designation.(16)
4.2.1	Amendment to Certificate of Designation.
4.3	Registration Rights Agreement with Bear, Stearns and Co. Inc., dated March 25, 1994, as assigned to Remy Capital Partners III, L.P.
10.1	Loan and Security Agreement, dated November 22, 1999.(14)
10.1.1	First Amendment to Loan and Security Agreement, dated May 2, 2000.(14)
10.1.2	Second Amendment to Loan and Security Agreement, dated May 18, 2000.(14)
10.1.3	Third Amendment to Loan and Security Agreement, dated October 18, 2000.(14)
10.1.4	Fourth Amendment to Loan and Security Agreement, dated May 8, 2001.(14)
10.1.5	Fifth Amendment to Loan and Security Agreement, dated June 29, 2001.(14)
10.1.6	Revolving Loan Promissory Note, dated June 29, 2001.(14)
10.1.7	Guaranty Agreement, dated June 29, 2001.(14)
10.1.8	Pledge Agreement, dated June 29, 2001.(14)
10.2	Aircraft Lease, dated December 20, 2000, (effective January 1, 2001) between Talbott Aviation, Inc. and Patterson Energy, Inc.(8)
10.3	Patterson-UTI Energy, Inc. 1993 Stock Incentive Plan, as amended.(9)
10.4	Patterson-UTI Energy, Inc. Non-Employee Directors' Stock Option Plan, as amended.(10)
10.5	Patterson-UTI Energy, Inc. Amended and Restated 1997 Long-Term Incentive Plan.(11)

EXHIBIT NUMBER -----	DESCRIPTION -----
10.6	Amended and Restated Non-Employee Director Stock Option Plan of Patterson-UTI Energy, Inc.(12)
10.7	Amended and Restated Patterson-UTI Energy, Inc. 1996 Employee Stock Option Plan.(12)
10.8	1997 Stock Option Plan of DSI Industries, Inc.(11)
10.9	Stock Option Agreement dated July 20, 2001 between Patterson-UTI Energy, Inc. and Kenneth R. Peak (a non-employee director of Patterson-UTI Energy, Inc.).
10.10	Stock Option Agreement dated July 20, 2001 between Patterson-UTI Energy, Inc. and Stephen J. DeGroat (a non-employee director of Patterson-UTI Energy, Inc.).
10.11	Model Form Operating Agreement.(13)
10.12	Form of Drilling Bid Proposal and Footage Drilling Contract.(13)
10.13	Form of Turnkey Drilling Agreement.(13)
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Accountants -- PricewaterhouseCoopers LLP.
23.2	Consent of Independent Auditors -- Ernst & Young LLP.

- (1) Incorporated herein by reference to Item 27, "Exhibits" to Amendment No. 2 to Registration Statement on Form SB-2 (File No. 33-68058-FW) filed on October 28, 1993.
- (2) Incorporated by reference to Item 7, "Financial Statements and Exhibits" to Form 8-K dated April 22, 1996 and filed on April 30, 1996.
- (3) Incorporated by reference to Item 7, "Financial Statements and Exhibits" to Form 8-K dated May 16, 1996 and filed on May 22, 1996.
- (4) Incorporated by reference to Item 16, "Exhibits" to Registration Statement on Form S-3 filed on January 8, 2001.
- (5) Incorporated herein by reference to Joint Proxy Statement/Prospectus filed on March 14, 2001.
- (6) Incorporated herein by reference to Item 7, "Financial Statements and Exhibits" to Form 8-K dated and filed on May 8, 2001.
- (7) Incorporated by reference to Item 2, "Exhibits" to Registration Statement on For 8-A filed on January 14, 1997.
- (8) Incorporated herein by reference to Item 14, "Exhibits, Financial Statement Schedules and Reports on Form 8-K" to Form 10-K dated December 31, 2000.
- (9) Incorporated herein by reference to Item 8, "Exhibits" to Registration Statement on Form S-8 (File No. 333-47917) filed on March 13, 1998.
- (10) Incorporated herein by reference to Item 8, "Exhibits" to Registration Statement on Form S-8 (File No. 33-39471) filed on November 4, 1997.
- (11) Incorporated herein by reference to Item 8, "Exhibits" to Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (file No. 333-60470) filed on July 25, 2001.
- (12) Incorporated herein by reference to Item 8, "Exhibits" to Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (file No. 333-60466) filed on July 25, 2001.
- (13) Incorporated by reference to Item 27, "Exhibits" to Registration Statement on Form SB-2 (File No. 33-68058-FW) filed on August 30, 1993.
- (14) Incorporated herein by reference to Item 6, "Exhibits and Reports on Form 8-K" to Form 10-Q for the quarterly period ended June 30, 2001, filed on August 1, 2001.
- (15) Incorporated herein by reference to Item 6, "Exhibits and Reports on Form 8-K" to Form 10-Q for the quarterly period ended September 30, 2001, filed on October 31, 2001.
- (16) Incorporated herein by reference to Item 2, "Exhibits" to Registration Statement on Form 8-A (File No. 000-22664) filed on January 14, 1997.

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ASSET PURCHASE AGREEMENT

THIS AGREEMENT CONTAINS PROVISIONS
RELATING TO INDEMNITY, RELEASE
OF LIABILITY AND ALLOCATION OF RISK

This Asset Purchase Agreement (the "Agreement") entered into as of the 21st day of December, 2001, by and among Cleere Drilling Company, a Texas corporation, previously known as Cleere Rig 19, Inc. (the "Seller"), Kirk A. Cleere ("Kirk"), Crates Thompson Capital, Inc., a Texas corporation, CT Capital Partners, L.P., a Texas limited partnership and CT Drilling Partners, L. P., a Texas limited partnership, as direct or indirect shareholders of the Seller (collectively referred to herein as the "Shareholders"), Patterson-UTI Drilling Company LP, LLLP, a Delaware limited liability limited partnership (the "Purchaser"), and Patterson-UTI Energy, Inc., a Delaware corporation ("Patterson"), for the sale by Seller and the purchase by Purchaser of the Assets described below.

WHEREAS, Purchaser is an indirect wholly-owned subsidiary of Patterson;

WHEREAS, the Seller is the owner of 17 land drilling rigs, and machinery, equipment, trucks, spare parts, inventory and supplies, and related appurtenances, (including spare components, parts, drill pipe, drill collars, racking and other supporting stores and inventory), as more fully described in the attached Exhibit A hereto (hereinafter collectively referred to herein as the "Tangible Assets", but excluding the Tangible Assets listed on Schedule 10(m)), Seller is a party to the land drilling contracts listed on Exhibit B hereto (the "Contracts"), a party to the Rig 19 Agreement dated April 9, 2001, with EEX E&P Company, L. P., (the "Rig 19 Agreement") and owns the name Cleere Drilling Company (the Contracts together with the Drilling Contract as defined in such agreement, the Rig 19 Agreement, the Tangible Assets and the exclusive right to use the name Cleere Drilling Company, in all cases, and the exclusive right to all variations and derivatives thereof, in connection with any and all business activities, related to the oil, gas or other hydrocarbon exploration, production or processing business, including oil field services and equipment, are hereinafter referred to as the "Assets"); and

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to purchase from Seller the Assets under terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the above and other good and valuable consideration, the parties mutually agree as follows:

1. Purchase Price.

- a. \$13,500,000 payable in cash (the "Cash Purchase Price").
- b. 450,000 shares (the "Shares") of Common Stock, \$.01 par value (the "Common Stock") of Patterson.
- c. Warrants to purchase up to an aggregate 325,000 shares of Common Stock (the "Warrant Shares") at the initial exercise price of \$ 26.75 (the "Warrants") terminating three years after closing and having the terms and conditions set forth in Attachment A hereto.

d. Assumption of the obligations under the promissory note (the "EEX Note") issued pursuant to the Rig 19 Agreement as more fully described on Schedule 1(d) and the obligations of Seller under the Contracts and the Rig 19 Agreement relating to the operation or use of the Assets after the closing of the sale contemplated hereby (collectively, the "Assumed Liabilities"). Except with respect to the Assumed Liabilities, the Purchaser shall not assume, and shall be fully indemnified by Seller and the Shareholders from, any loss, cost or expenses incurred with respect to any liability or obligation, contingent or otherwise, of the Seller.

2. Payment of Cash Purchase Price. Patterson shall cause Purchaser to pay, and Purchaser shall pay, to Seller the Cash Purchase Price on the Closing Date by wire transfer pursuant to written instructions provided to Purchaser by Seller two business days prior to Closing. Purchaser and Seller agree to discuss the allocation of the Purchase Price among the Assets prior to filing a federal tax return reflecting such allocation and agree that if they can agree on an allocation they will so indicate in their federal tax returns.

3. Delivery of the Shares. At the Closing, Patterson, on behalf of the Purchaser, shall deliver to the Seller stock certificates evidencing in the aggregate the Shares.

4. Delivery of Warrants. At the Closing, Patterson, on behalf of the Purchaser, shall deliver to Seller a Warrant covering the number of Warrant Shares.

5. Closing Date. The closing (the "Closing") shall take place on December 21, 2001, or on such earlier or later date as may be mutually agreed upon by Seller and Purchaser, such date for closing being hereinafter referred to as the "Closing Date". In no event shall the Closing Date fall after January 31, 2002.

6. Delivery. Purchaser inspected the Tangible Assets during the period beginning December 18, 2001 through December 20, 2001 and agrees they are acceptable in their condition as inspected. Except as provided on Schedule 6, the Tangible Assets shall be delivered by Seller to Purchaser at their locations when inspected in substantially the same condition as when inspected by Purchaser.

7. No Warranty by Seller Regarding the Tangible Assets. EXCEPT AS PROVIDED IN SECTIONS 6 AND 8 HEREOF, THE SALE OF THE TANGIBLE ASSETS IS AS IS, WHERE IS AND WITH ALL FAULTS OR DEFECTS, LATENT, PATENT OR OTHERWISE AND NEITHER SELLER NOR ANY SHAREHOLDER MAKES ANY GUARANTY, WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, BY OPERATION OF LAW OR OTHERWISE, AS TO THE QUALITY, SERVICEABILITY, MERCHANTABILITY OR CONDITION OF THE TANGIBLE ASSETS, INCLUDING BUT NOT LIMITED TO THEIR RELATED MACHINERY, EQUIPMENT, SPARE PARTS, DRILLING RIG AND RELATED APPURTENANCES, OR THEIR FITNESS FOR ANY USE OR PURPOSE.

8. Assumption of Risk by Purchaser/Dayrates. Purchaser specifically assumes all risk of death, injury, loss or damage to Purchaser or any other party arising from or relating to the use, condition or operation of the Assets after the Closing Date. Dayrates and other benefits earned on the Contracts prior to the Closing Date (whether or not invoiced or billed as of the Closing Date) shall be for the benefit of Seller and dayrates and other benefits earned on the Contracts on or after the Closing Date shall be for the benefit of the Purchaser; any payments or other consideration received on the Contracts by Seller or Purchaser shall be divided between Seller and Purchaser according to these principles.

9. Risk of Loss. Title, possession and risk of loss with respect to the Assets shall pass to Purchaser at 12:01 a.m. on the Closing Date.

10. Representations and Warranties of Seller and the Shareholders. Seller and the Shareholders, jointly and severally, represent and warrant as of the date hereof and the Closing Date that:

a. Seller is a corporation duly organized and existing under the laws of the State of Texas. Seller and each Shareholder have all necessary power and authority to execute and deliver this Agreement and perform the transaction contemplated herein. The execution and delivery of this Agreement, and the due consummation of the transactions hereby authorized, have been duly and validly authorized by Seller and each Shareholder, including any required approval of the shareholders of Seller, and this Agreement represents a valid and binding agreement of Seller and each Shareholder.

b. The execution and delivery of this Agreement by Seller and each Shareholder and the consummation of the transactions hereby contemplated will not (i) violate any provision of any of the Seller's or the Shareholders' Articles of Incorporation, Bylaws, Limited Partnership Agreement or similar organizational documents, or any judgment, decree, or order to which any of them is a party, (ii) result in the breach of, or constitute a default under, any agreement or contract to which Seller or any of the Shareholders is a party or by which any of them or any of the Assets are bound, or (iii) constitute a violation of any statute or law or any regulation or rule of any court or governmental authority.

c. Except as set forth on Schedule 10(c), no consent of or filing with U.S. governmental authorities, and no consent of or filing with any other governmental authority or any other person or entity, is required in connection with the execution, delivery and performance of this Agreement by any of the Seller or the Shareholders.

d. Certain of the Assets are currently under contract to third parties as specified in the Contracts and are being transferred by the Seller to Purchaser subject to such Contracts.

e. Except as referred to in Sections 10(d) above or as set forth on Schedule 10(e), Seller shall transfer to Purchaser good and marketable title to the Assets free and clear of any liens, encumbrances, claim, security interest or infringement of any nature whatsoever (other than customary inchoate liens for taxes not yet due and payable).

f. Seller has full corporate power and authority to carry on its business, to own, lease and operate its properties and to execute and deliver this Agreement and all documents and instruments referred to herein and contemplated hereby and to carry out the terms hereof.

g. Seller has filed all tax returns (whether federal, state, local, income, franchise, sales, property or other tax) required to be filed on or before the Closing Date and paid all applicable taxes (whether federal, state, local, income, franchise, sales, property or other tax) due on or before the Closing Date relating in any way to the Assets.

h. Except as set forth on Schedule 10(h), there is no claim, litigation, proceeding or governmental investigation pending or, to the knowledge of either Seller or the Shareholders, threatened against or relating to or in any way affecting the Assets or the transactions contemplated by this Agreement.

i. Each Seller is in compliance in all material respects with all applicable laws and regulations relating to its ownership or operation of the Assets, and has not received notice of any violation (that is uncured or outstanding) of any law or regulation relating to its operation of the Assets.

j. There have been no modifications or changes to the Assets since Purchaser's inspection, other than as a result of routine maintenance.

k. Seller has provided to Purchaser true, correct and complete copies of the Contracts and the Rig 19 Agreement. Seller is not in default under any of the Contracts or the Rig 19 Agreement, and to the Seller's and the Shareholders' knowledge, no other party to any of the Contracts or the Rig 19 Agreement is in default under any of the Contracts or the Rig 19 Agreement. The Contracts and the Rig 19 Agreement are the only contracts, agreements or understandings, whether written or oral, that apply to the ownership or operation of the Assets. Schedule 1(d) sets forth as of the date of this Agreement the amount of principal and interest owing under the promissory note issued pursuant to the Rig 19 Agreement. EEX E&P Company, L.P. ("EEX") has consented to the assignment by the Seller of the Rig 19 Agreement to Purchaser and to the assignment of Drilling Contract as defined in the Rig 19 Agreement to the Purchaser.

l. Seller is now solvent, and Seller will not be rendered insolvent by the occurrence of the transactions contemplated by this Agreement. In addition, immediately after giving effect to the consummation of the transactions contemplated by this Agreement, (i) Seller will be able to pay its debts as they become due, (ii) the property of Seller does not and will not constitute unreasonably small capital, and Seller will not have unreasonably small capital, and Seller will have sufficient capital with which to conduct its business and/or to wind up its affairs and dissolve, and (iii) there will be no pending or threatened litigation or final judgments against Seller in any action for money damages that is reasonably anticipated to be rendered at a time when, or in amounts such that Seller will be unable to satisfy any such judgments promptly in accordance with their terms (taking into account the maximum probable amount of such judgments in any such actions and the earliest reasonable time at which such judgments might be rendered). The cash available to Seller, after taking into account all other anticipated uses of the cash of Seller, will be sufficient to pay all such judgments promptly in accordance with their terms to the extent such judgments, if any, are in excess of available insurance proceeds. As used in this Section, "insolvent" means, for any person or entity, that the sum of the present fair saleable value of its assets does not and/or will not exceed its debts and other probable liabilities, and the term "debts" includes any legal liability, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent, disputed or undisputed or secured or unsecured.

m. Except as set forth on Schedule 10(m), (i) the Assets constitute the entire operating assets used by the Seller in connection with each of the drilling rigs being sold and Seller maintains separately for each rig accounting records of income and expenses for the operation of each rig, (ii) the Assets constitute the entire operating assets used by the Seller in connection with its contract drilling service business, and (iii) the Seller owns no other assets other than the Assets, cash, accounts receivable and prepaid items and interests in real property. Except as set forth on Schedule 10(m), neither Kirk, nor any of his family members nor any of his affiliates, has any assets or interest in any assets used in the land drilling rig business other than the Assets and interest in real property.

n. Seller is the successor in interest to all of the assets and operations of Cleere Operating Company, formerly a Texas Corporation, Cleere Drilling Company, formerly a Texas Corporation and Cleere Rig 19, Inc., a Texas Corporation by reason of the merger of Cleere Operating Company and Cleere Drilling Company into Seller on December 21, 2001. All of the assets of KAC Equipment Leasing, Inc. shown on Schedule 10(n) were transferred to Cleere Drilling Company prior to Cleere Drilling Company's merger into Seller. Except for the San Angelo yard, the assets listed on Schedule 10(n) represent all of the land drilling business assets of KAC Equipment Leasing, Inc.

11. Representations and Warranties of Purchaser. Purchaser and Patterson, jointly and severally, represent and warrant as of the date hereof and the Closing Date that:

a. Purchaser is a limited liability limited partnership duly organized and validly existing under the laws of the State of Delaware. Patterson is a corporation duly organized and validly existing under the laws of the State of Delaware. The execution and delivery of this Agreement, and the due consummation of the transactions hereby authorized, have been duly and validly authorized by the Purchaser and by Patterson, and this Agreement represents a valid and binding agreement of Purchaser and Patterson.

b. The execution and delivery of this Agreement and the consummation of the transactions hereby contemplated by Purchaser or Patterson will not (i) violate any provision of Purchaser's Certificate of Limited Liability Limited Partnership or Limited Liability Limited Partnership Agreement or Patterson's Certificate of Incorporation or Bylaws, or any judgment, decree, or order to which Purchaser or Patterson is a party, (ii) result in the breach of, or constitute a default under, any agreement or contract to which Purchaser or Patterson is a party or by which Purchaser or Patterson is bound, or (iii) constitute a violation of any statute or law or any regulation or rule of any court or governmental authority.

c. Except for advance notice to Patterson's lenders under Patterson's credit facility, no consent of or filing with U.S. governmental authorities, and no consent of or filing with any other governmental authority or any other person or entity, is required in connection with the execution, delivery and performance of this Agreement by Purchaser or Patterson.

d. The Shares when issued pursuant to this Agreement and the Warrant Shares when issued pursuant to the Warrant will be validly issued, fully paid and nonassessable and the Warrant, when executed and delivered pursuant to this Agreement, will be a valid and legally binding agreement of Patterson and Patterson will have reserved for issuance the shares of Common Stock issuable upon exercise of the Warrants.

e. Patterson has made available to the Seller and the Shareholders its annual report on Form 10-K for the year ended December 31, 2000, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001, its current reports on Form 8-K dated July 23, 2001, May 8, 2001, April 23, 2001, March 27, 2001, February 16, 2001 and February 6, 2001, and its proxy statement/prospectus with respect to its Special Meeting of Stockholders held on May 8, 2001 (such documents collectively referred to herein as the "SEC Documents"). As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Commission promulgated thereunder applicable to such SEC Documents, and none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As of the respective date of filing with the Commission, the consolidated financial statements of Patterson included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the Commission with respect thereto, were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto) and fairly presented the consolidated financial position of Patterson and its consolidated subsidiaries as of the dates of such financial statements and the consolidated results of their operations and cash flows for the periods then ended. Since September 30, 2001, other than as discussed in the SEC Documents or publicly announced by Patterson, there has been no material adverse change in the business of Patterson and its subsidiaries, taken as a whole.

12. Accredited Investor; Investment Purpose.

a. Seller and each Shareholder recognizes and understands that the Shares and the Warrants and the Common Stock issuable upon exercise of the Warrants will not be registered under the Securities Act, or under the securities laws of any state (the "Securities Laws"). The Shares, the Warrants, and the Common Stock issuable upon exercise of the Warrants (collectively, the "Securities") are not being so registered in reliance upon exemptions from the Securities Act and the Securities Laws that are predicated, in part, on the representations, warranties and agreements of the Seller and the Shareholders contained herein.

b. Seller and each Shareholder represents and warrants that (i) Seller or such Shareholder is an "accredited investor" within the meaning of Regulation D promulgated by the Commission pursuant to the Securities Act and is not relying on a financial advisor in connection with his, her or its participation in the transactions contemplated hereby in connection with evaluating the merits and risks of this Agreement, the transactions contemplated hereby and an investment in the Securities and the suitability thereof as an investment therefor, (ii) Seller or such Shareholder has such knowledge and experience in financial, investment and business matters, such experience being based on actual participation therein, that Seller or such Shareholder is capable of evaluating the merits and risks of this Agreement, the transactions contemplated hereby and an investment in the Securities and the suitability thereof as an investment therefor, (iii) the Securities will be acquired for Seller's or such Shareholder's own account solely for investment and not with a view toward resale or redistribution in violation of the Securities Laws, (iv) Seller or such Shareholder has reviewed Seller's or such Shareholder's financial condition and commitments, and Seller or such Shareholder has adequate means to provide for Seller's or such Shareholder's financial needs and possible contingencies, has no present or existing or contemplated future need to dispose of all or any portion of Seller's or such Shareholder's interest in the Securities to satisfy any existing or contemplated undertaking, need or indebtedness, and has assets or sources of income that, taken together, are more than sufficient so that Seller or such Shareholder can bear the risk of the loss of his, her or its entire investment in the Securities, (v) Seller or such Shareholder has no plan or intention to sell, exchange or otherwise dispose of his, her or its interest in the Securities except in compliance with applicable securities laws, (vi) each Shareholder who is a natural person has his residences and domicile in the State of Texas and (vii) in connection with the transactions contemplated hereby, no assurances have been made concerning the future results of Patterson or as to the value of the Securities. Seller and each Shareholder understands that Seller or such Shareholder must bear the economic risks of Seller's or such Shareholder's investment in the Securities for an indefinite period of time. Seller and each Shareholder understands that, except as provided in Section 13 hereof, Patterson is under no obligation to file a registration statement or to take any other action under the Securities Laws with respect to any Securities.

c. Seller and each Shareholder has consulted with Seller's or such Shareholder's own counsel in regard to the Securities Laws and is fully aware (i) of the circumstances under which Seller or such Shareholder is required to hold the Securities, (ii) of the limitations on the transfer or disposition of the Securities, (iii) that the Securities must be held indefinitely unless the transfer thereof is registered under the Securities Laws or an exemption from registration is available and (iv) that no exemption from registration is likely to become available for at least one year from the date of acquisition of the Securities. Seller and each Shareholder has been advised by Seller's or such Shareholder's counsel as to the provisions of Rule 144 as promulgated by the Commission under the Securities Act and has been advised of the applicable limitations thereof. Seller and each Shareholder acknowledge that Purchaser and Patterson are relying upon the truth and accuracy of the representations and warranties in this Section by Seller or such Shareholder in consummating the transactions contemplated by this Agreement without registering the Securities under the Securities Laws.

d. Patterson has made available to Seller and each Shareholder the SEC Documents and a summary description of the terms of the Patterson Common Stock. Seller and each Shareholder has reviewed copies of the SEC Documents and such summary description (all such written materials, including this Agreement and the Exhibits, Annexes and Schedules hereto, are hereinafter referred to as the "Disclosure Information") and no person has made any representations or warranties of any kind or nature to induce Seller or such Shareholder to enter into this Agreement except as set forth in the written Disclosure Information, and Seller or such Shareholder is relying only upon the Disclosure Information in determining whether to make an investment in the Securities. Patterson and Purchaser have offered to make available to Seller and each Shareholder upon request at any time all exhibits filed by Patterson with the Commission as part of any of the reports filed therewith.

e. Seller and each Shareholder has made an independent investigation of the pertinent facts relating to the transactions contemplated hereby, has reviewed carefully the terms of this Agreement and the information furnished to Seller or such Shareholder (including the Disclosure Information) to the extent he, she or it deems necessary to be fully informed with respect thereto and understands the nature of an investment in the Securities.

f. Seller and each Shareholder agrees that the instruments representing any of the Securities will be imprinted with the following legend, the terms of which are specifically agreed to:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR THE SECURITIES LAWS OF ANY STATE, IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION REQUIREMENTS. WITHOUT SUCH REGISTRATION, SUCH SHARES [WARRANTS] MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED, EXCEPT UPON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED FOR SUCH SALE, PLEDGE, HYPOTHECATION OR TRANSFER OR THE SUBMISSION TO THE COMPANY OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO THE COMPANY TO THE EFFECT THAT SUCH SALE, PLEDGE, HYPOTHECATION OR TRANSFER SHALL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATION PROMULGATED THEREUNDER. NOTWITHSTANDING THE FOREGOING, THE SHARES MAY BE PLEDGED TO SECURE A BONA FIDE FULL RECOURSE LOAN FROM A PERSON IN THE BUSINESS OF MAKING SUCH LOANS THAT ACCEPTS SUCH PLEDGE SUBJECT TO THE FOREGOING RESTRICTIONS ON TRANSFER.

13. Registration Rights. (a) Subject to Section 16, on one and only one occasion no sooner than six months following the Closing Date (the "Demand Date"), the Holders (as hereinafter defined) may request (a "Demand Request"), pursuant to this Section 13, that Patterson register under the Securities Act all or part of the Registerable Securities (as hereinafter defined) for sale on a continuous basis from time to time in the open market through brokers or dealers, or otherwise, by a Holder, a pledgee of a Holder and any counterparty to any hedging arrangement or agreement entered into by a Holder, having a period of distribution not to exceed 20 days, and Patterson, subject to the terms and conditions hereof, shall be obligated to effect such registration pursuant to the terms of this Agreement; provided, however, Patterson shall not be obligated to prepare and file any registration statement pursuant to this Section 13, or prepare or file any amendment or supplement thereto, and may suspend sales thereunder, if at any time when Patterson reasonably believes that the filing thereof at the time requested, or the offering of securities pursuant thereto, would materially and adversely affect a pending or proposed public offering of

securities of Patterson, or an acquisition, merger, recapitalization, consolidation, reorganization or similar transaction relating to Patterson or negotiations, discussions or pending proposals with respect thereto, or require premature disclosure of information not otherwise required to be disclosed to the potential detriment of Patterson or require the preparation or disclosure of financial information of Patterson or a third party not reasonably available to Patterson; provided, however, that such period of sale or distribution shall resume after any such suspension for a number of days necessary to keep such registration statement effective for permitted sales thereunder for a term of 20 days. The filing of a registration statement, or any amendment supplement thereto, by Patterson may not be deferred, and the sale and distribution of shares may not be suspended, in each case pursuant to the foregoing provisions, for more than 60 days after the abandonment or consummation (or the completion of the distribution of securities in the case of a public offering) of any of the proposals or transactions described herein or, in any event, for more than 120 days. In addition, notwithstanding anything contained herein to the contrary, Patterson shall be under no obligation to register any Registerable Securities pursuant to this Section 13 unless a minimum of 100,000 Registerable Securities (subject to proportionate adjustment upward or downward, as applicable, in the event of any stock split or stock dividend) are requested to be registered and the Holders requesting such registration have a good faith intent at the time of such request to sell all Registerable Securities requested to be registered. The Demand Request must be signed by the Holders of Registerable Securities and must include with it an election to exercise all Warrants then held by any Person exercising registration rights hereunder which shall be subject only to the registration of the Warrant Shares subject to such Warrants.

(b) Certain Definitions Applicable to Section 13. When used in this Section 13, the following terms shall mean as follows:

i. "Holder" shall mean (A) the Seller, (B) either Shareholder, (C) any direct or indirect partner of CT Drilling Partners, L.P. or CT Capital Partners, L.P. to which Registerable Securities are distributed and (D) any person that acquires Registerable Securities upon exercise of Warrants.

ii. "Registerable Securities" shall mean (A) Warrant Shares issuable upon exercise of a Warrant which has not been exercised at the time of the Demand Request, and (B) any shares of Patterson Common Stock issued in respect of the shares described in clause (A) or into which such shares described in clause (A) shall have been changed or converted. As to any particular Registerable Securities, once issued such Securities shall cease to be Registerable Securities when (v) based on an opinion of counsel reasonably acceptable to Patterson and the Holders' Representative, all such Securities are immediately eligible for sale pursuant to Rule 144 under the Securities Act, (w) such Securities have been sold pursuant to Rule 144, (x) a registration statement with respect to the sale of such Securities shall have become effective under the Securities Act and such Securities shall have been disposed of in accordance with such registration statement, (y) such Securities shall have been otherwise transferred, new certificates for such Securities not bearing a legend restricting further transfer shall have been delivered by Patterson and subsequent disposition of such Securities shall not require registration or qualification of such Securities under the Securities Act or any state securities or blue sky law then in force or (z) such Securities shall have ceased to be outstanding.

14. Registration Procedure. If and whenever Patterson is required by the provisions of Section 13 to effect the registration of any Registerable Securities under the Securities Act, Patterson will, subject to the other provisions of Section 13; provided that such registration will include a "Plan of Distribution" section covering sales in ordinary market transactions and typical hedging transactions:

- a) as expeditiously as reasonably practicable, prepare and file with the Commission the registration statement in which such Registerable Securities are to be included and seek to cause such registration statement to become and remain effective;

- b) as expeditiously as reasonably practicable, prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act in accordance with the intended method of distribution set forth in such registration statement;
- c) as expeditiously as reasonably practicable, furnish to Holders who have Registerable Securities covered by such registration statement such number of copies of prospectuses and preliminary documents as such Holder may reasonably request, in order to facilitate the public sale of such Registerable Securities; provided, however, that the obligation of Patterson to deliver copies of prospectuses or preliminary prospectuses to a Holder shall be subject to the receipt by Patterson of reasonable assurances from such Holder that such Holder will comply with the applicable provisions of the Securities Act and of such other securities laws as may be applicable in connection with any use by such Holder of any prospectuses or preliminary prospectuses;
- d) as expeditiously as practicable, use its reasonable best efforts to register or qualify the Registerable Securities covered by such registration statement under such other securities laws or such United States jurisdictions as Holders who have Registerable Securities covered by such registration statement shall reasonably request (considering the nature and size of the offering) and do any and all other acts and things that may be necessary or desirable to enable such Holder to consummate the public sale or other disposition in such jurisdictions of such Registerable Securities; provided, however, that Patterson shall not be required to qualify to transact business as a foreign corporation in any jurisdiction in which it would otherwise not be required to be so qualified or to take any action that would subject it to general service of process in any jurisdiction in which it is not then so subject or subject it to franchise or other taxes in any state or jurisdiction in which it is not then so subject to taxes;
- e) bear all Registration Expenses (as defined below) in connection with all registrations hereunder; provided, however, that all Selling Expenses (as defined below) and all fees and disbursements of counsel for any Holder in connection with each registration pursuant to Section 13 shall be borne by such Holder. Expenses incurred by Patterson in complying with Section 13, including: (i) all registration and filing fees; (ii) all printing expenses; (iii) all fees and disbursements of counsel for Patterson; (iv) all blue sky fees and expenses; and (v) all fees and expenses of accountants for Patterson, are herein referred to as "Registration Expenses". All underwriting fees and discounts and brokerage and selling commissions relating to Registerable Securities to be registered for any Holder and fees and expenses of the counsel for such Holder and any other costs (other than Registration Expenses) applicable to the sales by such Holder in connection with any such registration are herein referred to as "Selling Expenses".

15. Securities Indemnification.

- a) In the event of a registration of any Registerable Securities under the Securities Act pursuant to Section 13, Patterson will indemnify and hold harmless each Holder who has Registerable Securities covered by such registration statement and any other Person, if any, who controls such Holder within the meaning of Section 15 of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such Holder or such controlling Persons may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities or actions in respect thereof arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained, on the effective

date thereof, in any registration statement under which such Registerable Securities were registered under the Securities Act, any preliminary prospectus distributed with the consent of Patterson or final prospectus contained in such effective registration statement, or any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such Holder and each such controlling Person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that Patterson will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary prospectus, such final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to Patterson by or on behalf of such Holder or a controlling Person of such Holder specifically for use in the preparation thereof.

- b) In the event of any registration of any Registerable Securities under the Securities Act pursuant to Section 13, each Holder who has Registerable Securities covered by such registration statement will indemnify and hold harmless Patterson and each Person, if any, who controls Patterson within the meaning of Section 15 of the Securities Act, each officer of Patterson who signs the registration statement, each director of Patterson and each underwriter and each Person who controls any underwriter within the meaning of Section 15 of the Securities Act, against any and all such losses, claims, damages, liabilities or actions that Patterson or such officer, director, underwriter or controlling Person may become subject under the Securities Act or otherwise, and will reimburse Patterson and each such officer, director, underwriter and controlling Person for any legal or any other expenses reasonably incurred by such party in connection with investigating or defending any such loss, claim, damage, liability or action, if (a) such loss, claim, damage, liability or action in respect thereof arises out of or is based upon any untrue statement or alleged untrue statement of any material fact with respect to such Holder contained in any such registration statement, such preliminary prospectus or such final prospectus, or any amendment thereof or supplement thereto, or arises out of or is based upon the omission or alleged omission to state therein a material fact with respect to such Holder required to be stated therein or necessary to make the statements therein not misleading, and (b) any such untrue statement or omission of a material fact was made in reliance upon and in conformity with written information furnished to Patterson by or on behalf of such Holder specifically for use in connection with the preparation of such registration statement or prospectus or failure to deliver required prospects or otherwise comply with applicable laws regarding same.
- c) Promptly after receipt by any indemnified Person of notice of any claim or commencement of any action in respect of which indemnity is to be sought against an indemnifying Person pursuant to Section 15, such indemnified Person shall notify the indemnifying Person in writing of such claim or of the commencement of such action, and, subject to provisions hereinafter stated, in case any such action shall be brought against an indemnified Person and such indemnifying Person shall have been notified of the same, such indemnifying Person shall be entitled to participate therein, and, to the extent it shall wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified Person, and after notice from the indemnifying Person to such indemnified Person of its election to assume the defense thereof, such indemnifying Person shall not be liable to such indemnified Person for the fees and expenses of legal counsel for such indemnified Person incurred thereafter in connection with the defense thereof; provided, however, if there exists or will exist a conflict

of interest that would make it inappropriate in the reasonable judgement of the indemnified person for the same counsel to represent both the indemnified Person and such indemnifying Person, then such indemnified Person shall be entitled to retain its own counsel at the expense of such indemnifying Person; provided further, however, the indemnifying Person shall not be required to pay for more than one separate counsel for all of the indemnified Persons in addition to any local counsel.

16. Termination of Registration Rights. The rights of Holders as to registration of the Registerable Securities provided herein, shall terminate as to the Registerable Securities as follows:

- a) registration rights shall terminate as to any of such Registerable Securities at such time as they may be sold without registration and without limitation as to volume pursuant to Rule 144 promulgated under the Securities Act; and
- b) the registration rights provided in this Agreement shall terminate as to all Registerable Securities, if Patterson, within 10 trading days of receipt of the Demand Request notifies the Holders of the Warrants to be exercised in connection with such Demand Request that Patterson will permit a net exercise of such Warrants and in fact allows such a net exercise at the written request of such Holder within 15 trading days of receipt of the Demand Request, whether or not such Holder makes such request. For purposes hereof, a "net exercise" means an exercise of a Warrant pursuant to which the holder directs Patterson to retain from the Warrant Shares to be issued upon exercise of the Warrant a number of Warrant Shares having a fair market value equal to the Warrant exercise price for all the Warrant Shares as to which such exercise is being requested such that the holder of the Warrant pays no cash upon exercise of the Warrant but receives a reduced number of Warrant Shares. For purposes of such net exercise, the fair market value of the Warrant Shares shall be the daily average of the closing price for the Common Stock on its principal trading exchange or market for the 10 trading days beginning on the date the Demand Request is received by Patterson. For purposes hereof, a trading day shall be a day on which the exchange or market on which the Common Stock is traded is open for trading.

17. Survival. The warranties and representations of Seller and Shareholders on the one hand and Purchaser and Patterson, on the other, contained in this Agreement shall survive the Closing Date or termination of this Agreement without limitation. All covenants and agreements contained herein shall survive without limitation. Any claim for indemnification made during the survival period shall be valid and the representations and warranties relating thereto shall remain in effect for purposes of such indemnification notwithstanding that such claim may not be resolved within the survival period. All representations, warranties and covenants and agreements made by the parties shall not be affected by any investigation heretofore or hereafter made by and on behalf of any of them and shall not be deemed merged into any instruments or agreements delivered in connection with this Agreement or otherwise in connection with the transactions contemplated hereby.

18. Liability, Indemnity and Allocation of Risk Provisions. Seller and Shareholders, on the one hand, and Purchaser, on the other hand, further agree that:

a. Seller's and Shareholders' Indemnity: SELLER AND SHAREHOLDERS, JOINTLY AND SEVERALLY, AGREE TO BE RESPONSIBLE FOR AND HOLD HARMLESS AND INDEMNIFY PURCHASER AND PATTERSON AND THEIR AFFILIATES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, EMPLOYEES AND AGENTS (COLLECTIVELY, "PURCHASER INDEMNIFIED PARTIES") FROM ANY AND ALL CLAIMS, DEMANDS, CAUSES OF ACTION, DAMAGES, JUDGMENTS AND AWARDS OF ANY KIND OR CHARACTER, INCLUDING FINES AND PENALTIES (COLLECTIVELY, THE "CLAIMS"), ARISING FROM OR RELATING TO ANY BREACH OR VIOLATION OF THE

REPRESENTATIONS, WARRANTIES OR COVENANTS MADE BY SELLER OR SHAREHOLDERS CONTAINED IN THIS AGREEMENT, OR IN ANY CERTIFICATE, AGREEMENT, DOCUMENT OR INSTRUMENT DELIVERED BY SELLER PURSUANT TO THIS AGREEMENT OR THE OWNERSHIP, USE OR OPERATION OF THE ASSETS OR THE BUSINESS OF SELLER OR OBLIGATIONS OF SELLER TO ITS EMPLOYEES ON OR BEFORE THE CLOSING DATE, EXCEPT TO THE EXTENT ANY SUCH CLAIM ARISES FROM OR IS RELATED TO THE OWNERSHIP OR OPERATION OF THE ASSETS BY PURCHASER AFTER THE CLOSING DATE OR IS AN ASSUMED LIABILITY.

b. Purchaser's and Patterson Indemnity: PURCHASER AND PATTERSON JOINTLY AND SEVERALLY AGREE TO BE RESPONSIBLE FOR AND HOLD HARMLESS AND INDEMNIFY SELLER AND ITS OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, EMPLOYEES AND AGENTS FROM ANY AND ALL CLAIMS ARISING FROM OR RELATING TO ANY BREACH OR VIOLATION OF THE REPRESENTATIONS, WARRANTIES OR COVENANTS MADE BY PURCHASER OR PATTERSON CONTAINED IN THIS AGREEMENT, OR IN ANY CERTIFICATE, AGREEMENT, DOCUMENT OR INSTRUMENT DELIVERED BY PURCHASER OR PATTERSON PURSUANT TO THIS AGREEMENT OR THE USE OR OPERATION OF THE ASSETS AFTER THE CLOSING DATE, EXCEPT TO THE EXTENT ANY SUCH CLAIM ARISES FROM OR IS RELATED TO THE OWNERSHIP OR OPERATION OF THE ASSETS BY SELLER ON OR PRIOR TO THE CLOSING DATE.

c. Definition: THE PARTIES EXPRESSLY INTEND AND AGREE THAT THE PHRASE "BE RESPONSIBLE FOR AND HOLD HARMLESS AND INDEMNIFY," AS UTILIZED IN THIS AGREEMENT, SHALL MEAN THAT THE INDEMNIFYING PARTY SHALL RELEASE, INDEMNIFY, HOLD HARMLESS AND DEFEND THE INDEMNIFIED PARTY FROM AND AGAINST ANY AND ALL CLAIMS (INCLUDING, BUT NOT LIMITED TO, PAYMENT OF REASONABLE ATTORNEY'S FEES, COSTS OF LITIGATION AND COURT COSTS INCURRED BY THE INDEMNIFIED PARTY), WITHOUT LIMIT AND WITHOUT REGARD TO THE CAUSE OR CAUSES THEREOF, INCLUDING PRE-EXISTING CONDITIONS, WHETHER SUCH CONDITIONS BE PATENT OR LATENT, BREACH OF REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED), STRICT LIABILITY, TORT, BREACH OF CONTRACT, OR THE NEGLIGENCE OF ANY PERSON OR PERSONS, INCLUDING THAT OF THE INDEMNIFIED PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, ACTIVE, PASSIVE OR GROSS, OR ANY OTHER THEORY OF LEGAL LIABILITY.

d. Survival: THE PARTIES EXPRESSLY INTEND AND AGREE THAT THE INDEMNITIES IN THIS SECTION SHALL SURVIVE THE CLOSING OF THE TRANSACTION CONTEMPLATED HEREBY WITHOUT LIMITATION.

e. Extension of Indemnities: ANY INDEMNIFYING PARTY'S OBLIGATIONS CONTAINED IN THIS AGREEMENT SHALL EXTEND TO THE INDEMNIFIED PARTY AND ALSO TO ANY OF ITS DIVISIONS, SUBSIDIARIES, AFFILIATED AND/OR PARENT COMPANIES, AND THE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OWNERS, SHAREHOLDERS AND INSURERS OF EACH AND, IF APPLICABLE, TO ANY ACTIONS AGAINST EITHER PARTY'S LEGAL AND BENEFICIAL OWNERS, WHETHER IN REM OR IN PERSONAM.

f. Other Limitations: SELLER AND SHAREHOLDERS SHALL BE OBLIGATED TO INDEMNIFY ANY PURCHASER INDEMNIFIED PARTIES WITH RESPECT TO ALL CLAIMS FOR WHICH PURCHASER INDEMNIFIED PARTIES ARE ENTITLED TO INDEMNIFICATION UNDER THIS SECTION 18 ONLY UP TO \$26 MILLION IN THE AGGREGATE (THE "INDEMNIFICATION CAP").

g. Exclusive Remedy: THE SOLE AND EXCLUSIVE LIABILITY AND RESPONSIBILITY OF SELLER AND SHAREHOLDERS TO PURCHASER INDEMNIFIED PARTIES UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (INCLUDING FOR ANY BREACH OF OR INACCURACY IN ANY REPRESENTATION OR WARRANTY OR FOR ANY BREACH OF ANY COVENANT OR OBLIGATION OR FOR ANY OTHER REASON), AND THE SOLE AND EXCLUSIVE REMEDY OF PURCHASER INDEMNIFIED PARTIES WITH RESPECT TO ANY OF THE FOREGOING, SHALL BE AS SET FORTH IN SECTION 15 AND THIS SECTION 18.

h. EEX Indemnity: SELLER AND EACH SHAREHOLDER, JOINTLY AND SEVERALLY, WILL INDEMNIFY AND HOLD HARMLESS PURCHASER AGAINST ANY OBLIGATION TO PAY PRINCIPAL OR INTEREST ON THE EEX NOTE OTHERWISE THAN THROUGH THE PERFORMANCE OF DRILLING SERVICES UNDER AND PURSUANT TO THE TERMS OF THE

DRILLING CONTRACT (AS DEFINED IN THE RIG 19 AGREEMENT) AS THE DRILLING CONTRACT AND RIG 19 AGREEMENT ARE IN EFFECT ON THE CLOSING DATE. SELLER AND THE SHAREHOLDERS SHALL NOT BE OBLIGATED TO INDEMNIFY PURCHASER FOR ANY OBLIGATION TO PAY THE EEX NOTE (a) THAT RESULTS SOLELY FROM ANY BREACH BY PURCHASER OR ITS ASSIGNS OF THE DRILLING CONTRACT OR THE RIG 19 AGREEMENT OR (b) IF EITHER THE DRILLING CONTRACT OR RIG 19 AGREEMENT IS AMENDED AFTER THE CLOSING DATE AND SUCH AGREEMENTS AS AMENDED (i) REDUCE THE AGGREGATE AMOUNT CREDITED TO THE PAYMENT OF THE EEX NOTE BELOW \$4,000 PER DAY OR (ii) REDUCE THE MINIMUM NUMBER OF DAYS EEX IS REQUIRED TO USE RIG 19 DURING THE TERM OF THE RIG 19 AGREEMENT; BUT IN THE CASE OF CLAUSE (b), ONLY TO THE EXTENT SUCH REDUCTION IN AMOUNT OR IN THE MINIMUM NUMBER OF DAYS REDUCES THE AMOUNT CREDITED OR WHICH WOULD BE CREDITED TOWARD PAYMENT OF THE EEX NOTE PURSUANT TO THE RIG 19 AGREEMENT.

19. Non-Competition. In order to induce Purchaser to enter into this Agreement, Seller and Shareholders, effective as of the Closing Date, for a period of five years following the Closing Date, each agree that it will not, and will cause each of its affiliates to not, without the consent of Purchaser, directly or indirectly, provide contract land drilling services in the State of Texas and all states contiguous thereto, (i) except for the account of Purchaser and its affiliates, (ii) except for ownership in publicly traded companies of less than 5% of the outstanding common stock and (iii) except in the case of Crates Thompson Capital, Inc., CT Capital Partners, L.P. and CT Drilling Partners, L.P. and their affiliates, ownership of not more than 10% of the equity securities of an entity that is not controlled (within the meaning of rule 405 under the Securities Act) by such Person. Seller and each Shareholder acknowledge that a remedy at law for any breach or attempted breach of this Section 19 will be inadequate and further agree that any breach of this Section 19 will result in irreparable harm to Purchaser. Accordingly, Purchaser shall, in addition to any other remedy that may be available to any of them, be entitled to specific performance and injunctive and other equitable relief in case of any such breach or attempted breach. Seller and each Shareholder acknowledge that this covenant not to compete is being provided as an inducement to Purchaser to enter into this Agreement, and that this Section 19 contains reasonable limitations as to time, geographical area and scope of activity to be restrained that do not impose a greater restraint than is necessary to protect the goodwill or other business interest of Purchaser. Whenever possible, each provision of this Section 19 shall be interpreted in such a manner as to be effective and valid under applicable law but if any provision of this Section 19 shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Section 19. If any provision of this Section 19 shall, for any reason, be judged by any court of competent jurisdiction to be invalid or unenforceable, such judgment shall not affect, impair or invalidate the remainder of this Section 19 but shall be confined in its operation to the provision of this Section 19 directly involved in the controversy in which such judgment shall have been rendered. In the event that the provisions of this Section 19 should ever be deemed to exceed the time or geographic limitations permitted by applicable laws, then such provision shall be reformed to the maximum time or geographic limitations permitted by applicable law.

20. Information Exchange. Seller will furnish Purchaser (i) access at any time prior to the Closing Date to the manuals and maintenance and similar records in Seller's possession or control relating to the Assets and (ii) within thirty (30) days after the Closing Date, originals or copies of such manuals and maintenance and similar records relating to the Assets. Seller represents that the manuals and maintenance and similar records in Seller's possession or control relating to the Assets are complete.

21. Conditions to Closing. The obligation of each of the parties to perform this Agreement is contingent upon the following:

a. The representations, warranties, covenants and agreements of the other party contained herein shall be true and correct in all material respects on the Closing Date.

b. The other party shall have duly performed in all material respects the acts and undertakings to be performed by it hereunder on or prior to the Closing Date.

c. No statute, rule or regulation or order of any court or administrative agency shall be in effect which prohibits such party from consummating the transactions contemplated hereby and no suit, action, investigation or other proceeding by any third party or governmental entity shall have been instituted or threatened seeking to enjoin, restrain or prohibit such party from consummating the transactions contemplated hereby or to obtain substantial damages in respect thereof, or which is related to or arises out of this Agreement and the transactions contemplated hereby and which, in the reasonable judgment of such party would make it inadvisable to consummate such transactions.

d. The execution of a side agreement between Purchaser and Patterson and the owners of the San Angelo and Pleasanton yards providing Purchaser and Patterson the right to use the yards at no cost for sixty (60) days after the Closing Date.

For purposes of this Section 21, "other party" means, (i) with respect to Seller, Patterson and Purchaser, and (ii) with respect to Patterson and Purchaser, Seller and the Shareholders.

22. Closing Procedures. On the Closing Date, the following shall be delivered (at the offices of Fulbright & Jaworski L.L.P. in Houston, Texas, or such other location as mutually agreed to by Seller and Purchaser):

a. Seller shall deliver to Purchaser:

i. a duly executed Bill of Sale in a form which is consistent with this Agreement and reasonably satisfactory to Purchaser, transferring to Purchaser good and marketable title in and to the Assets, free and clear of any taxes, liens and encumbrances (except the Contracts, the Rig 19 Agreement and liens securing only Assumed Liabilities);

ii. duly executed consents to the assignment of the Contracts and the Rig 19 Agreement in a form reasonably satisfactory to Purchaser;

iii. vehicle titles for each motor vehicle, if any, constituting a part of the Tangible Assets and any other documents required to be executed by Seller to consummate the transactions contemplated by this Agreement, which documents shall be in a form reasonably acceptable to Purchaser, including without limitation, (A) an opinion of Woerndle, Strain & Miller, L.L.P., counsel for the Seller, relating to the due authorization, execution and delivery of this Agreement and other transaction documents by, and enforceability of this Agreement and other transaction documents and (B) customary officer's certificates and Secretary's certificates; and

iv. the release of all liens and encumbrances, if any, covering the Assets except rights under the Contracts and the Rig 19 Agreement to the extent they may constitute liens or encumbrances on the Tangible Assets or liens securing only Assumed Liabilities.

b. Purchaser and Patterson, as applicable, shall deliver to Seller:

i. immediately negotiable funds (or a portion thereof by check as directed by Seller) in the amount of the Cash Purchase Price, which shall be transmitted by bank wire to the accounts specified by Seller;

- ii. the certificates evidencing the Shares;
- iii. the Warrants; and
- iv. any other documents required to be executed by Purchaser or Patterson to consummate the transaction contemplated by this Agreement (including without limitation, an Assumption Agreement), which documents shall be in a form reasonably acceptable to Seller.

23. Conduct of Business and Preservation of Assets.

a. Until the Closing, the parties hereto agree to cooperate with each other to effect an orderly transition of the ongoing operation of the Assets and Seller shall use commercially reasonable efforts to preserve, maintain and protect the Assets from and after the date of this Agreement and until the Closing Date, without the prior express written consent of Purchaser, neither will:

- i. make any material change in the conduct of the ongoing operation of the Assets;
- ii. enter into any new contracts with respect to the Assets;
- iii. transfer, sell or otherwise convey or dispose of any Asset (other than the utilization of inventory in the ordinary course of operating the Assets and conducting the Seller's land drilling business consistent with past practice);
- iv. enter into any contract that would obligate Patterson or Purchaser in any respect after the Closing;
- v. waive any material rights under any Contract;
- vi. except as provided on Schedule 6, move any Tangible Asset from its location at the time of the inspection referred to in Section 6 above;
- vii. mortgage, pledge or subject to any encumbrance or lien any of the Assets;
- viii. modify in any manner the terms of any Assumed Liability.
- ix. authorize or agree in writing or otherwise take any of the foregoing actions.

b. From and after the date of this Agreement and until the Closing Date, Seller will:

- i. use commercially reasonable efforts to preserve intact the current business organizations of Seller, keep available the services of the current officers, employees, and agents of Seller and maintain the relations and goodwill with all suppliers, customers, licensors, licensees, landlords, trade creditors, employees, agents, and others having business relationships with Seller;
- ii. confer with Purchaser concerning Seller's operational matters of a material nature;
- iii. maintain in full force and effect the same insurance Seller has covering the Assets on the date of this Agreement. Seller has provided to Purchaser a true and correct summary of the insurance in effect covering the Assets.

iv. maintain all the properties and assets of Seller's business and operations of the Seller in the ordinary course consistent with past practice;

v. maintain Seller's books and records in the usual, regular and ordinary manner, on a basis consistent with prior years;

vi. perform and comply with its obligations under all Contracts and in the ordinary course of business consistent with past practice;

vii. promptly advise Purchaser of any change in circumstances which arises prior to the Closing, which would make any representation or warranty of Seller set forth in this Agreement untrue if such state of facts had existed on the date of execution of this Agreement;

24. Notice. Any notice pursuant to this Agreement shall be in writing and shall be deemed to be given as of the date facsimiled or three days after the date deposited in the U.S. mail (certified, return receipt requested), in each case addressed as follows:

a. If to Seller or Shareholders, to:

Cleere Drilling Company
14 E. Beauregard
Post Office Box 5891
San Angelo, Texas 76902

Attention: Kirk A. Cleere
Telephone: 915-658-6533
Facsimile: 915-657-0980

CT Drilling Partners, L.P.
201 Main Street, Suite 2001
Fort Worth, Texas 76102

Attention: Kelly R. Thompson
Telephone: 817-335-1700
Facsimile: 817-335-1716

With copies to:

Woerndle, Strain & Miller, L.L.P.
550 W. Texas, Suite 400
Midland, Texas 79701

Attention: Mr. Wesley B. Strain
Telephone: 915-682-8321
Facsimile: 915-682-3159

Kelly, Hart & Hallman, P.C.
201 Main Street, Suite 2500
Fort Worth, Texas 76102

Attention: Mr. F. Richard Bernasek
Telephone: 817-878-3509
Facsimile: 817-878-9280

b. If to Purchaser, to:

Patterson-UTI Energy, Inc.
4510 Lamesa Highway
P.O. Box Drawer 1416
Snyder, Texas 79549

Attention: Chief Executive Officer
Telephone: (915) 574-6300
Facsimile: (915) 574-6307

With copies to:

Fulbright & Jaworski L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095

Attention: Michael W. Conlon
Telephone: (713) 651-5151
Facsimile: (713) 651-5246

25. Limitation on Assignments. Notwithstanding any other provision hereof, this Agreement shall neither constitute nor require an assignment to Purchaser of any Contract or other right if an attempted assignment of the same without the consent of any party would constitute a breach thereof or a violation of any law or any judgment, decree, order, writ, injunction, rule or regulation of any governmental entity unless and until such consent shall have been obtained. In the case of any such Contract that cannot be effectively transferred to Purchaser without such consent (a "Consent Required Contract"), Seller agrees that between the date hereof and the Closing Date it will use reasonable commercial efforts to obtain or cause to be obtained the necessary consents to the transfer of each Contract. Patterson and Purchaser agree to cooperate with the Seller in obtaining such consents and to enter into such arrangement of assumption as may be reasonably requested by the other contracting party under a Contract. In the event that the Seller shall have failed prior to the Closing Date to obtain consents to the transfer of any Contract and Patterson and Purchaser shall have waived the conditions set forth in Section 22.a.ii, the terms of this Section 25 shall govern the transfer of the benefits of each such Contract. The Seller and Patterson and Purchaser shall use their reasonable commercial efforts after the Closing Date to obtain any required consent to the assignment to, and assumption by, Purchaser of each Contract that is not transferred to Purchaser at the Closing (a "Nonassigned Contract"). With respect to the Nonassigned Contracts that are not assignable by the terms thereof or consents to the assignment thereof cannot be obtained as provided herein, such Nonassigned Contracts shall be held by Seller in trust for Purchaser and shall be performed by Purchaser in the name of Seller, at Purchaser's sole cost, risk and expense, and all benefits and obligations derived thereunder shall be for the account of Purchaser; provided, however, that where entitlement of Purchaser to such Nonassigned Contracts hereunder is not recognized by any third party, Seller shall, at the request of Purchaser, enforce in a reasonable manner, at the cost of and for the account

of Purchaser, any and all rights of the Seller against such third party. Purchaser and Patterson shall indemnify Seller in respect of Purchaser's performance or failure to perform any obligation, duty or liability in connection with such Nonassigned Contracts (in addition to any other indemnification obligation, if any, of Patterson and Purchaser under Section 18 of this Agreement).

26. No Negotiation. After this Agreement is executed and until such time, if any, as this Agreement is terminated pursuant to Section 29, Seller and the Shareholders will not, nor will it permit any of their respective representatives to, directly or indirectly, solicit, initiate or encourage any inquiries, offers or proposals from, discuss or negotiate with or execute any agreement with or provide any information to, any person or entity (other than Purchaser) relating to any transaction involving the sale of the Assets (collectively, "Sale Proposals"), or any other transaction the consummation of which would or could reasonably be expected to impede, interfere with, prevent or materially delay the transactions contemplated by this Agreement or that could reasonably be expected to materially dilute the benefits to Patterson or Purchaser of the transactions contemplated by this Agreement. If any such inquiries or Sale Proposals are received by, or any such information is requested from, or any such negotiations or discussions are sought to be initiated with Seller, Seller will promptly notify Purchaser of the nature, terms and status of the foregoing and the identity of the inquiring party and provide Purchaser with a copy of all written materials provided in connection with such Sale Proposal. After this Agreement is executed and until such time, if any, as this Agreement is terminated pursuant to Section 29, Seller will not accept any Sale Proposal from any Person or entity other than Purchaser.

27. Public Statements and Confidentiality. Any public announcement or similar publicity with respect to this Agreement or the transactions contemplated by this Agreement will be issued, if at all, at such time and in such manner as Patterson determines after consultation with Seller.

28. Financial Statement Cooperation. If requested, Seller agrees to cooperate with Purchaser and to assist Purchaser's and Patterson's outside auditors in the preparation of any audited financial statements relating to the Assets or Seller that are required to be filed by Purchaser with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended. The cost and expenses associated with the audit of such financial statements, and any out-of-pocket costs of Seller incurred in assisting Purchaser and Patterson in preparing such audited financial statements, will be paid by Purchaser and Patterson.

29. Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing:

a. by mutual written consent of Patterson, Purchaser and Seller;

b. by Patterson, Purchaser and Seller, if there shall be any statute, rule or regulation that makes consummation of the transactions contemplated hereby illegal or otherwise prohibited or a governmental entity shall have issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby, and such order, decree, ruling or other action shall have become final and nonappealable;

c. by Patterson and Purchaser, if

i. the Closing shall not have occurred by January 31, 2002 (provided that the right to terminate this Agreement under this clause (i) shall not be available to Patterson and Purchaser if Patterson's and Purchaser's failure to fulfill any of their respective obligations under this Agreement or their misrepresentation or breach of any warranty hereunder has been the sole cause thereof);

ii. there has been a material breach by Seller or the Shareholders of any covenant, or a material inaccuracy of any representation or warranty, of Seller or the Shareholders contained in this Agreement that has rendered the satisfaction of any condition to the obligations of Patterson or Purchaser impossible and such breach or inaccuracy has not been (A) cured by Seller within ten Business Days after receipt of notice thereof from Patterson or Purchaser or (B) waived by Patterson and Purchaser; or

iii. there shall occur an event that results in or would reasonably be expected to result in an adverse effect on the Assets exceeding \$100,000 (without considering any insurance proceeds, or rights thereto); provided this shall not apply if Seller corrects all damage or defects prior to the Closing Date.

d. by the Seller, if

i. the Closing shall not have occurred by January 31, 2002 (provided that the right to terminate this Agreement under this clause (i) shall not be available to the Seller if due to the failure of Seller or the Shareholders to fulfill any of its obligations under this Agreement or if due to Seller's or Shareholders' misrepresentation or breach of any warranty hereunder has been the sole cause thereof);

ii. there has been a material breach by Patterson or Purchaser of any covenant, or a material inaccuracy of any representation or warranty, of Patterson or Purchaser contained in this Agreement that has rendered the satisfaction of any condition to the obligations of the Seller impossible and such breach or inaccuracy has not been (A) cured by Patterson or Purchaser within ten Business Days after receipt of notice thereof from Seller or (B) waived by the Seller;

30. Effect of Termination. In the event of the termination of this Agreement pursuant to Section 29 by Patterson or Purchaser or by the Seller, written notice thereof shall forthwith be given to the other parties specifying the provision hereof pursuant to which such termination is made, and this Agreement shall become void and have no effect, and there shall be no liability hereunder on the part of Patterson or Purchaser or the Seller or any of their respective directors, officers, employees, stockholders or representatives, except that the agreements contained in this Section 30 and in Sections 17, 18, 27, 31.a, 32, 33, 34 and 36 shall survive the termination hereof. Nothing contained in this Section 30 shall relieve any party from liability for damages actually incurred (excluding consequential damages) for breach of any covenant, or for the inaccuracy of any representation or warranty, contained herein.

31. Commissions, Fees, Taxes Release of Liens.

a. Indemnity for Broker's Fees and Commissions: Purchaser on the one hand and Seller and the Shareholders on the other each agrees to be responsible for and hold harmless and indemnify the other against all Claims arising out of or in connection with any broker's fees or commissions alleged to have been incurred by such party. Seller and each Shareholder expressly acknowledges and agrees that neither the Purchaser nor Patterson have any liability or obligation to Raymond James & Associates, Inc. in connection with this Agreement or the transactions contemplated hereby, and they will indemnify and hold Purchaser and Patterson from any such claim. Seller agrees to pay all brokerage and other fees owed to Raymond James & Associates at the time of closing.

b. Taxes: Seller agrees to be responsible for and hold harmless and indemnify against all Claims relating to the imposition of federal, state or local ad valorem, income or franchise taxes applicable to the ownership or operation of the Assets prior to the Closing Date or their transfer from Seller to Purchaser.

32. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas, without regard to conflict of laws.

33. Convenience of Forum; Consent to Jurisdiction. The parties to this Agreement hereby consent and subject themselves to the jurisdiction of the United States District Court for the Northern District of Texas, and in the event such court is not available to the parties, to the courts of the State of Texas located in Dallas County, Texas, with respect to any matter arising under this Agreement. Service of process, notices and demands of such courts may be made upon any party to this Agreement by personal service at any place where it may be found or giving notice to such party as provided in this Agreement.

34. Enforcement of the Agreement. The parties hereto agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity.

35. Change of Name. Within five days after the Closing, Seller agrees to change its name so that it no longer uses the word "Drilling".

36. Miscellaneous. This Agreement contains the entire understanding of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements between the parties with respect thereto. No person except Seller or the Shareholders, or the Holders of Registerable Securities with respect to Section 13 through 16 only, shall have any rights or remedies under this Agreement. This Agreement may be executed by facsimile and simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

(SIGNATURES BEGIN ON FOLLOWING PAGE)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of which shall be deemed an original hereof.

PATTERSON-UTI ENERGY, INC.

By: _____

PATTERSON-UTI DRILLING COMPANY LP, LLLP

By: PATTERSON-UTI (GP) LLC

By: _____

CLEERE DRILLING COMPANY

By: _____
Name: _____
Title: _____

CRATES THOMPSON CAPITAL, INC.

By: _____
Name: _____
Title: _____

CT CAPITAL PARTNERS, L.P.

By: CT Capital GenPar, L.P., its General Partner

By: Crates Thompson Capital, Inc., its General Partner

By: _____
Name: _____
Title: _____

CT DRILLING PARTNER, L.P.

By: CT Drilling GenPar, L.L.C., its General Partner

By: CT Capital GenPar, L.P., Member

By: Crates Thompson Capital, Inc., its General Partner

By: _____
Name: _____
Title: _____

Kirk A. Cleere

EXHIBIT A
ASSET LISTING

-23-

EXHIBIT B
CONTRACTS

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ATTACHMENT A
FORM OF WARRANT

-25-

SCHEDULE 1 (d)
ASSUMED PROMISSORY NOTE

-26-

SCHEDULE 6

TANGIBLE ASSETS MOVED SUBSEQUENT TO INSPECTION

- Rig 1 Released 12/18/01 at Tema Oil & Gas Company, Crockett County Moving next to Ricks Exploration, Crockett County after 12/31/01
- Rig 3 Released 12/18/01 at EEX, Lone Oak #4, Val Verde County Moving next EEX, Whitehead 78 #6 Val Verde County on 12/31/01
- Rig 7 Released some time after 12/25/01 at Rio Tex, Hutto #1, Real County Waiting on location for Rio Tex, Bloodworth Lease, Edwards County
- Rig 10 Moving 12/19/01 to Discovery Operating, Cochise #2, Winkler County Scheduled to spud 12/26/01
- Rig 15 Released at Strand Energy, Chapman #1, Fort Bend County Waiting on weather to move to Hanson Production, Cinco Ranch 190-1, Ft. Bend County, scheduled 12/27/01
- Rig 16 Released at Alpine Resources Vastar #4, Newton County Waiting on weather to move to Strand Energy Genmi #1, Walker County, scheduled 12/29/01
- Rig 18 Moved 12/17/01 to Tech Resources, Farmco #1, Frio County Spud on 12/18/01
- Rig 19 TD and logging, EEX Allen #1, Ft. Bend County Projected to move to EEX, Duval County, starting 12/27/01

SCHEDULE 10 (c)

CONSENTS

NONE

-28-

SCHEDULE 10 (e)

LIENS

NONE

-29-

SCHEDULE 10(h)

OUTSTANDING LITIGATION, CLAIMS, ETC.

NONE

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SCHEDULE 10(m)

ASSETS RETAINED BY SELLER

1. 1994 Ford Explorer s/n: 1FMDU32XORUA86784 (Shane Taiclet, Controller's company car)
2. 2000 Ford Expedition s/n: FMRU15L3YLB25424 (Office manager's car)
3. Located at 14 E. Beauregard, San Angelo, Texas: All office equipment, including, but not limited to, telephone equipment, copiers, computers, printers, modems, computer network equipment, file cabinets, typewriters, calculators, adding machines, fax machines, desks, chairs, sofas, tables, artwork and other decor; all intellectual property, including, but not limited to, software licenses; all business records, including, but not limited to, accounting records, tax returns and files; all office supplies; all kitchen equipment and supplies, including, but not limited to, microwave ovens, coffee makers, refrigerators and utensils.
4. Located at 1808 N. Bell Street, San Angelo, Texas: All office equipment, including, but not limited to, telephone equipment, copiers, computers, printers, modems, computer network equipment, file cabinets, typewriters, calculators, adding machines, fax machines, desks, chairs, sofas, tables, artwork and other decor; all intellectual property, including, but not limited to, software licenses; all business records, including, but not limited to, accounting records, tax returns and files; all office supplies; all kitchen equipment and supplies, including, but not limited to, microwave ovens, coffee makers, refrigerators and utensils.
5. Located at 40 Corgey Road, Pleasanton, Texas: All office equipment, including, but not limited to, telephone equipment, copiers, computers, printers, modems, computer network equipment, file cabinets, typewriters, calculators, adding machines, fax machines, desks, chairs, sofas, tables, artwork and other decor; all intellectual property, including, but not limited to, software licenses; all business records, including, but not limited to, accounting records, tax returns and files; all office supplies; all kitchen equipment and supplies, including, but not limited to, microwave ovens, coffee makers, refrigerators and utensils.
6. Located at 305 W. Goodwin, Pleasanton, Texas: All office equipment, including, but not limited to, telephone equipment, copiers, computers, printers, modems, computer network equipment, file cabinets, typewriters, calculators, adding machines, fax machines, desks, chairs, sofas, tables, artwork and other decor; all intellectual property, including, but not limited to, software licenses; all business records, including, but not limited to, accounting records, tax returns and files; all office supplies; all kitchen equipment and supplies, including, but not limited to, microwave ovens, coffee makers, refrigerators and utensils.

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SCHEDULE 10 (n)

LAND DRILLING ASSETS OF KAC EQUIPMENT LEASING, INC.

Truck 18: 1981 Western Star S/N 2WKPDCJG6BK906916
Truck 19: 1981 Kenworth S/N 1XKWD29X5BC191236
Truck 20: 1979 Kenworth S/N 906067C
Trailer 37: 1982 Fontaine Lowbed S/N 1A184324XC0835863
1988 Trail King 4 axle detachable trailer S/N S0483CJM120308
1979 Peterbilt Bed truck VIN 112299P
1990 Freightliner S/N 1FUYSYB7LP391287
1981 Autocar Truck VIN 1WBRCCJE0BU093156
1981 Mack Truck VIN 1M2P137Y5BA009858
22-6.75" Drill collars
22-6.5" Drill collars
Truck 35: 1989 International F9370 S/N 2HSFBAGR3KC017599

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CERTIFICATE OF CORRECTION
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
PATTERSON-UTI ENERGY, INC.

Pursuant to the provisions of Section 103(f) of the Delaware General Corporation Law, Patterson-UTI Energy, Inc., a Delaware corporation (the "Company"), adopts the following Certificate of Correction:

FIRST: On May 8, 2001, the Company filed with the Secretary of State of the State of Delaware a Restated Certificate of Incorporation dated May 8, 2001 (the "Restated Certificate of Incorporation"). The Restated Certificate of Incorporation is an inaccurate record of the corporate action therein referenced, as Section 1 of Article FOURTH thereof captioned "Preferred Stock" failed to include a reference to the Series A Participating Preferred Stock created by the Board of Directors of the Company through the filing of a Certificate of Designation of the Company with the Secretary of State of the State of Delaware on January 13, 1997.

SECOND: Subsection 1.1 of Section 1 of Article FOURTH is corrected by adding the following paragraph to the end of Subsection 1.1 thereof:

Pursuant to authority conferred by this Article FOURTH upon the board of directors of the Corporation, the board of directors created a series of 100,000 shares of preferred stock designated Series A Participating Preferred Stock by filing a Certificate of Designation of the Corporation with the Secretary of State of the State of Delaware (the "Secretary of State") on January 13, 1997, and the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the Corporation's Series A Participating Preferred Stock are set forth on Annex A hereto and are incorporated herein by reference.

IN WITNESS WHEREOF, the Company has caused this Certificate of Correction to be signed by its duly authorized officer as of the 19th day of November, 2001.

PATTERSON-UTI ENERGY, INC.

By:

Jonathan D. Nelson
Vice President - Finance, Chief Financial
Officer, Secretary and Treasurer

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AMENDED AND RESTATED BYLAWS
OF
PATTERSON-UTI ENERGY, INC.
A DELAWARE CORPORATION
OCTOBER 23, 2001

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AMENDED AND RESTATED BYLAWS
OF
PATERSON-UTI ENERGY, INC.
a Delaware corporation

ARTICLE I

Meetings of Stockholders

Section 1. Annual Meetings. The annual meeting of stockholders shall be held at such time and place and on such date in each year as may be fixed by the board of directors and stated in the notice of the meeting, for the election of directors, the consideration of reports to be laid before such meeting, and the transaction of such other business as may properly come before the meeting.

Section 2. Special Meetings. A special meeting of the stockholders for the transaction of any proper business may only be called in accordance with the provisions of the Certificate of Incorporation.

Section 3. Notices of Meetings. Unless waived, and except as provided in Section 230 of the General Corporation Law of the State of Delaware, written notice of each annual or special meeting stating the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by personal delivery or by mail to each stockholder of record entitled to vote at or entitled to notice of the meeting, not more than sixty (60) days nor less than ten (10) days before any such meeting. If mailed, such notice shall be directed to the stockholder at his address as the same appears upon the records of the Corporation. Any stockholder, either before or after any meeting, may waive any notice required to be given by law or under these Bylaws.

Section 4. Place of Meetings. Meetings of stockholders shall be held at the principal office of the Corporation unless the board of directors determines that a meeting shall be held at some other place within or without the State of Delaware and causes the notice thereof to so state.

Section 5. Quorum. The holders of shares entitling them to exercise a majority of the voting power of the Corporation entitled to vote at any meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business to be considered at such meeting; provided, however, that no action required by law or by the Certificate of Incorporation or these Bylaws to be authorized or taken by the holders of a designated proportion of the shares of any particular class or of each class may be authorized or taken by a lesser proportion; and provided, further, that, if a separate class vote is required with respect to any matter, the holders of a majority of the outstanding shares of such class, present in person or represented by proxy, shall constitute a quorum of such class, and the affirmative vote of the majority of shares of such class so present shall be the act of such class. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time, until a quorum shall be present.

Section 6. Record Date. The board of directors may fix a record date for any lawful purpose, including, without limiting the generality of the foregoing, the determination of stockholders entitled to (a) receive notice of or to vote at any meeting of stockholders or any adjournment thereof or to express consent to corporate action in writing without a meeting, (b) receive payment of any dividend or other distribution or allotment of any rights, or (c) exercise any rights in respect of any change, conversion, or exchange of stock. Such record date shall not precede the date on which the resolution fixing the record date is adopted by the board of directors. Such record date shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days before the date fixed for the payment of any dividend or distribution or the date fixed for the receipt or the exercise of rights, nor more than ten (10) days after the date on which the resolution fixing the record date for such written consent is adopted by the board of directors, as the case may be.

If a record date shall not be fixed in respect of any such matter, the record date shall be determined in accordance with the General Corporation Law of the State of Delaware.

Section 7. Proxies. A person who is entitled to attend a stockholders' meeting, to vote thereat, or to execute consents, waivers, or releases, may be represented at such meeting or vote thereat, and execute consents, waivers, and releases, and exercise any of his other rights, by proxy or proxies appointed by a writing signed by such person.

Section 8. Stockholder Proposals at Annual Meetings.

(a) No business shall be conducted at an annual meeting of stockholders unless such business is properly brought before the meeting in accordance with the procedures hereinafter set forth in this Section 8; provided, however, nothing in this Section 8 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with said procedures.

(b) To be properly brought before the meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (ii) otherwise properly brought before the meeting by or at the direction of the board of directors or (iii) otherwise properly brought before the meeting by a stockholder who (A) is a stockholder of record on the date of the giving of the notice provided for below and on the record date for the determination of stockholders entitled to vote at such annual meeting and (B) gives timely notice of such business in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure of the annual meeting date was made, whichever occurs first. A stockholder's notice to the Secretary of the Corporation shall set forth (i) a brief description of each matter desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation that

are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

(c) Any adjournment or postponement of the original meeting whereby the meeting will reconvene within 30 days from the original date shall be deemed for purposes of notice to be a continuation of the original meeting and no business may be brought before any such reconvened meeting unless timely notice of such business was given to the Secretary of the Corporation for the meeting as originally scheduled.

(d) If the Chairman of an annual meeting of stockholders determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

(e) For purposes of this Section 8, the term "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

(f) Notwithstanding anything contained in this Section 8 to the contrary, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 8. Nothing in this Section 8 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

Section 9. Notice of Stockholder Nominees.

(a) Only persons who are nominated in accordance with the procedures set forth in this Section 9 shall be eligible for election as directors of the Corporation.

(b) Nominations of persons for election to the board of directors of the Corporation may be made at a meeting of stockholders only (i) by or at the direction of the board of directors or (ii) by a stockholder who (A) is a stockholder of record on the date of the giving of the notice provided for below and on the record date for the determination of stockholders entitled to vote at such annual meeting and (B) gives timely notice in writing to the Secretary of the Corporation of such nomination. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the meeting was mailed or public disclosure of the annual meeting date was made, whichever occurs first. A stockholder's notice to the Secretary of the Corporation shall set forth (i) as to each person whom the stockholder

proposes to nominate for election or re-election as director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, or any successor regulation thereto, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation that are beneficially owned by the stockholder, (iv) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination or nominations are to be made by such stockholder and (v) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in the notice. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

(c) Any adjournment or postponement of the original meeting whereby the meeting will reconvene within 30 days from the original date shall be deemed for purposes of notice to be a continuation of the original meeting and no nominations by a stockholder of persons to be elected as directors of the Corporation may be made at any such reconvened meeting unless timely notice of such nominations was given to the Secretary of the Corporation for the meeting as originally scheduled.

(d) If the Chairman of a meeting of stockholders determines that a nomination was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was not properly brought before the meeting and such nomination shall be disregarded.

(e) For purposes of this Section 9, the term "public disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

(f) Notwithstanding anything contained in this Section 9 to the contrary, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 9. Nothing in this Section 9 shall be deemed to affect any rights of the holders of any series of Preferred Stock to elect directors under specified circumstances.

ARTICLE II

Directors

Section 1. Number of Directors. Until changed in accordance with the provisions of this section, the number of directors of the Corporation, none of whom need be stockholders, shall be four (4). The number of directors may be fixed or changed by amendment of these Bylaws or by resolution of the board of directors.

Section 2. Election of Directors. Directors shall be elected at the annual meeting of stockholders, but when the annual meeting is not held or directors are not elected thereat, they may be elected at a special meeting called and held for that purpose. Such election shall be by ballot whenever requested by any stockholder entitled to vote at such election, but unless such request is made, the election may be conducted in any manner approved at such meeting.

At each meeting of stockholders for the election of directors, the persons receiving the greatest number of votes shall be directors.

Section 3. Term of Office. Each director shall hold office until the annual meeting next succeeding his election and until his successor is elected and qualified, or until his earlier resignation, removal from office, or death.

Section 4. Removal. All the directors, or all the directors of a particular class, or any individual director may be removed from office, with or without cause, by the vote of the holders of a majority of the shares then entitled to vote at an election of directors.

Section 5. Vacancies. Vacancies in the board of directors may be filled by a majority vote of the remaining directors until an election to fill such vacancies is held. Stockholders entitled to elect directors shall have the right to fill any vacancy in the board (whether the same has been temporarily filled by the remaining directors or not) at any meeting of the stockholders called for that purpose, and any directors elected at any such meeting of stockholders shall serve until the next annual election of directors and until their successors are elected and qualified, or until their earlier resignation, removal from office, or death.

Section 6. Quorum and Transaction of Business. A majority of the whole authorized number of directors shall constitute a quorum for the transaction of business, except that a majority of the directors in office shall constitute a quorum for filling a vacancy on the board. Whenever less than a quorum is present at the time and place appointed for any meeting of the board, a majority of those present may adjourn the meeting from time to time, until a quorum shall be present. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board.

Section 7. Annual Meeting. Annual meetings of the board of directors shall be held immediately following annual meetings of the stockholders, or as soon thereafter as is practicable. If no annual meeting of the stockholders is held, or if directors are not elected thereat, then the annual meeting of the board of directors shall be held immediately following any special meeting of the stockholders at which directors are elected, or as soon thereafter as is practicable. If such annual meeting of directors is held immediately following a meeting of the stockholders, it shall be held at the same place at which such stockholders' meeting was held.

Section 8. Regular Meetings. Regular meetings of the board of directors shall be held at such times and places, within or without the State of Delaware, as the board of directors may, by resolution, from time to time determine. The secretary shall give notice of each such resolution to any director who was not present at the time the same was adopted, but no further notice of such regular meeting need be given.

Section 9. Special Meetings. Special meetings of the board of directors may be called by the chairman of the board, the chief executive officer, the president, or any two members of the board of directors, and shall be held at such times and places, within or without the State of Delaware, as may be specified in such call.

Section 10. Notice of Annual or Special Meetings. Notice of the time and place of each annual or special meeting shall be given to each director by the secretary or by the person or persons calling such meeting. Such notice need not specify the purpose or purposes of the meeting and may be given in any manner or method and at such time so that the director receiving it may have reasonable opportunity to attend the meeting. Such notice shall, in all events, be deemed to have been properly and duly given if mailed at least forty-eight (48) hours prior to the meeting and directed to the residence of each director as shown upon the secretary's records. The giving of notice shall be deemed to have been waived by any director who shall attend and participate in such meeting and may be waived, in a writing, by any director either before or after such meeting.

Section 11. Action by Consent. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if a written consent thereto is signed by all members of the board of directors or of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the board of directors or of such committee.

Section 12. Compensation. The directors, as such, shall be entitled to receive such reasonable compensation, if any, for their services as may be fixed from time to time by resolution of the board, and expenses of attendance, if any, may be allowed for attendance at each annual, regular, or special meeting of the board. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of the executive committee or of any standing or special committee may by resolution of the board be allowed such compensation for their services as the board may deem reasonable, and additional compensation may be allowed to directors for special services rendered.

ARTICLE III

Committees

Section 1. Executive Committee. The board of directors may from time to time, by resolution passed by a majority of the whole board, create an executive committee of three (3) or more directors, the members of which shall be elected by the board of directors to serve during the pleasure of the board. If the board of directors does not designate a chairman of the executive committee, the executive committee shall elect a chairman from its own number. Except as otherwise provided herein and in the resolution creating an executive committee, such committee shall, during the intervals between the meetings of the board of directors, possess and may exercise all of the powers of the board of directors in the management of the business and affairs of the Corporation, other than that of filling vacancies among the directors or in any committee of the directors or except as provided by law. The executive committee shall keep full records and accounts of its proceedings and transactions. All action by the executive

committee shall be reported to the board of directors at its meeting next succeeding such action and shall be subject to control, revision, and alteration by the board of directors, provided that no rights of third persons shall be prejudicially affected thereby. Vacancies in the executive committee shall be filled by the directors, and the directors may appoint one or more directors as alternate members of the committee who may take the place of any absent member or members at any meeting.

Section 2. Meetings of Executive Committee. Subject to the provisions of these Bylaws, the executive committee shall fix its own rules of procedure and shall meet as provided by such rules or by resolutions of the board of directors, and it shall also meet at the call of the chairman of the board, the chief executive officer, the president, the chairman of the executive committee or any two (2) members of the committee. Unless otherwise provided by such rules or by such resolutions, the provisions of Section 10 of Article II relating to the notice required to be given of meetings of the board of directors shall also apply to meetings of the members of the executive committee. A majority of the executive committee may act in a writing without a meeting, but no such action of the executive committee shall be effective unless concurred in by all members of the committee.

Section 3. Other Committees. The board of directors may by resolution provide for such other standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be delegated to it by the board of directors. The provisions of Section 1 and Section 2 of this Article shall govern the appointment and action of such committees so far as consistent, unless otherwise provided by the board of directors. Vacancies in such committees shall be filled by the board of directors or as the board of directors may provide.

ARTICLE IV

Officers

Section 1. General Provisions. The board of directors shall elect a president, such number of vice presidents (if any), with such titles (if any), as the board may from time to time determine, a secretary and a treasurer. The board of directors may also elect a chairman of the board of directors, chief executive officer, chief operating officer, chief financial officer, and may from time to time create such offices and appoint such other officers, subordinate officers, and assistant officers as it may determine. The chairman of the board, if one be elected, shall be, but the other officers need not be, chosen from among the members of the board of directors. Any two or more of such offices, other than those of president and vice president, may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity.

Section 2. Term of Office. The officers of the Corporation shall hold office during the pleasure of the board of directors, and, unless sooner removed by the board of directors, until the annual meeting of the board of directors following the date of their election and until their successors are chosen and qualified. The board of directors may remove any officer at any time, with or without cause. Subject to the provisions of Section 7 of Article V of these Bylaws, a vacancy in any office, however created, shall be filled by the board of directors.

ARTICLE V

Duties of Officers

Section 1. Chairman of the Board. The chairman of the board, if one be elected, shall be the chief executive officer of the Corporation (unless a separate chief executive officer is elected), shall preside at all meetings of the board of directors and, unless the chairman of the board designates another officer of the Corporation to so preside, meetings of stockholders, and shall have such other powers and duties as may be prescribed by the board of directors.

Section 2. Chief Executive Officer. Unless and to the extent that such powers and duties are expressly delegated to the chairman of the board or the president by the board of directors, the chief executive officer shall be the chief executive officer of the Corporation, and, subject to the supervision of the board of directors, shall, together with the president (and each of them acting individually shall), have general management and control of the business and properties of the corporation in the ordinary course of its business with all such powers with respect to such general management and control as may be reasonably incident to such responsibilities, including, but not limited to, the power to employ, discharge, or suspend employees and agents of the Corporation, to fix the compensation of employees and agents, and to suspend, with or without cause, any officer of the Corporation pending final action by the board of directors with respect to continued suspension, removal, or reinstatement of such officer. In the absence of the chairman of the board, or if none be elected, the chief executive officer shall preside at meetings of stockholders. The chief executive officer shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments in the name of the Corporation and shall have such powers and duties as the board of directors may from time to time assign to him.

Section 3. President. Unless and to the extent that such powers and duties are expressly delegated to the chairman of the board or chief executive officer by the board of directors, the president shall, together with the chief executive officer (and each of them individually shall) have, subject to the supervision of the board of directors, general management and control of the business and properties of the Corporation in the ordinary course of its business with all such powers with respect to such general management and control as may be reasonably incident to such responsibilities, including, but not limited to, the power to employ, discharge, or suspend employees and agents of the Corporation, to fix the compensation of employees and agents, and to suspend, with or without cause, any officer of the Corporation pending final action by the board of directors with respect to continued suspension, removal, or reinstatement of such officer. In the absence of the chairman of the board, or if none be elected, the president shall preside at meetings of stockholders. The president shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments in the name of the Corporation and shall have such powers and duties prescribed by the General Corporation Law of the State of Delaware and such other powers and duties as the board of directors may from time to time assign to him.

Section 4. Vice Presidents. The vice presidents shall have such powers and duties as may from time to time be assigned to them by the board of directors, the chairman of the board, the chief executive officer, or the president. At the request of the president, in the case of his

absence or disability, the vice president designated by the president (or in the absence of such designation, the vice president designated by the board) shall perform all the duties of the president and, when so acting, shall have all the powers of the president. The authority of vice presidents to sign in the name of the Corporation certificates for shares and deeds, mortgages, bonds, agreements, notes, and other instruments shall be coordinated with like authority of the president.

Section 5. Secretary. The secretary shall keep minutes of all the proceedings of the stockholders and the board of directors and shall make proper record of the same, which shall be attested by him; shall have authority to execute and deliver certificates as to any of such proceedings and any other records of the Corporation; shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments to be executed by the Corporation which require his signature; shall give notice of meetings of stockholders and directors; shall produce on request at each meeting of stockholders a certified list of stockholders arranged in alphabetical order; shall keep such books and records as may be required by law or by the board of directors; and, in general, shall perform all duties incident to the office of the secretary and such other duties as may from time to time be assigned to him by the board of directors, the chairman of the board, the chief executive officer, or the president.

Section 6. Treasurer. The treasurer shall have the general supervision of all finances; he shall have in charge all money, bills, notes, deeds, leases, mortgages, and similar property belonging to the Corporation, and shall do with the same as may from time to time be required by the board of directors. He shall cause to be kept adequate and correct accounts of the business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, stated capital, and shares, together with such other accounts as may be required; and he shall have such other powers and duties as may from time to time be assigned to him by the board of directors, the chairman of the board, the chief executive officer, or the president.

Section 7. Assistant and Subordinate Officers. Each other officer shall perform such duties as the board of directors, the chairman of the board, the chief executive officer, or the president may prescribe. The board of directors may, from time to time, authorize any officer to appoint and remove subordinate officers, to prescribe their authority and duties, and to fix their compensation.

Section 8. Duties of Officers May Be Delegated. In the absence of any officer of the Corporation, or for any other reason the board of directors may deem sufficient, the board of directors may delegate, for the time being, the powers or duties, or any of them, of such officers to any other officer or to any director.

ARTICLE VI

Indemnification of Directors, Officers, Employees and Other Agents

Section 1. Indemnification of Directors and Officers. The Corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees),

judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation, provided, however, that the Corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers and, provided, further, that the Corporation shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized in advance by the board of directors of the Corporation, (iii) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers vested in the Corporation under the General Corporation Law of Delaware or (iv) such indemnification is required to be made pursuant to an individual contract. For purposes of this Section 1, a "director" or "officer" of the Corporation includes any person (i) who is or was a director or officer of the Corporation, (ii) who is or was serving at the request of the Corporation as a director, officer, manager or partner of another corporation, partnership, limited liability company, limited partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

Section 2. Indemnification of Others. The Corporation shall have the power, to the maximum extent and in the manner permitted by the General Corporation law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the Corporation. For purposes of this Section 2, an "employee" or "agent" of the Corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the Corporation, (ii) who is or was serving at the request of the Corporation as an employee or agent of another corporation, partnership, limited liability company, limited partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the Corporation or of another enterprise at the request of such predecessor corporation.

Section 3. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, manager, partner, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the General Corporation Law of Delaware.

Section 4. Expenses. The Corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, manager or partner of another corporation, partnership, limited liability company, limited partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any

director or officer in connection with such proceeding, upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise; provided, however, that the Corporation shall not be required to advance expenses to any director or officer in connection with any proceeding (or part thereof) initiated by such person unless the proceeding was authorized in advance by the board of directors of the Corporation. Notwithstanding the foregoing, unless otherwise determined pursuant to Section 5, no advance shall be made by the Corporation to an officer of the Corporation (except by reason of the fact that such officer is or was a director of the Corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Corporation.

Section 5. Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The Corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the General Corporation Law of Delaware.

Section 6. Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Amendments. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the Corporation.

ARTICLE VII

Certificates for Shares

Section 1. Form and Execution. Certificates for shares, certifying the number of fully-paid shares owned, shall be issued to each stockholder in such form as shall be approved by the board of directors. Such certificates shall be signed by the chairman or vice-chairman of the board of directors, or the president or a vice president, and by the secretary or an assistant secretary, or the treasurer or an assistant treasurer; provided, however, that the signatures of any of such officers and the seal of the Corporation upon such certificates may be facsimiles, engraved, stamped, or printed. If any officer or officers who shall have signed, or whose

facsimile signature shall have been used, printed, or stamped on any certificate or certificates for shares, shall cease to be such officer or officers, because of death, resignation, or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall nevertheless be as effective in all respects as though signed by a duly elected, qualified, and authorized officer or officers, and as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be an officer or officers of the Corporation.

Section 2. Registration of Transfer. Any certificate for shares of the Corporation shall be transferable in person or by attorney upon the surrender thereof to the Corporation or any transfer agent therefor (for the class of shares represented by the certificate surrendered) properly endorsed for transfer and accompanied by such assurances as the Corporation or such transfer agent may require as to the genuineness and effectiveness of each necessary endorsement.

Section 3. Lost, Destroyed or Stolen Certificates. A new share certificate or certificates may be issued in place of any certificate theretofore issued by the Corporation which is alleged to have been lost, destroyed, or wrongfully taken upon (a) the execution and delivery to the Corporation by the person claiming the certificate to have been lost, destroyed, or wrongfully taken of an affidavit of that fact, specifying whether or not, at the time of such alleged loss, destruction, or taking, the certificate was endorsed, and (b) the furnishing to the Corporation of indemnity and other assurances, if any, satisfactory to the Corporation and to all transfer agents and registrars of the class of shares represented by the certificate against any and all losses, damages, costs, expenses, or liabilities to which they or any of them may be subjected by reason of the issue and delivery of such new certificate or certificates or in respect of the original certificate.

Section 4. Registered Stockholders. A person in whose name shares are of record on the books of the Corporation shall conclusively be deemed the unqualified owner and holder thereof for all purposes and to have capacity to exercise all rights of ownership. Neither the Corporation nor any transfer agent of the Corporation shall be bound to recognize any equitable interest in or claim to such shares on the part of any other person, whether disclosed upon such certificate or otherwise, nor shall they be obliged to see to the execution of any trust or obligation.

ARTICLE VIII

Fiscal Year

The fiscal year of the Corporation shall commence on such date in each year as shall be designated from time to time by the board of directors. In the absence of such designation, the fiscal year of the Corporation shall commence on January 1 in each year.

ARTICLE IX

Seal

The board of directors may provide a suitable seal containing the name of the Corporation. If deemed advisable by the board of directors, duplicate seals may be provided and kept for the purposes of the Corporation.

ARTICLE X

Amendments

These Bylaws shall be subject to alteration, amendment, repeal, or the adoption of new Bylaws either by the affirmative vote or written consent of a majority of the whole board of directors, or by the affirmative vote of a majority of the outstanding stock of the Corporation, present in person or represented by proxy and entitled to vote in respect thereof, given at an annual meeting or at any special meeting at which a quorum shall be present.

AMENDMENT TO CERTIFICATE OF DESIGNATION

OF

RESTATED CERTIFICATE OF INCORPORATION

OF

PATTERSON-UTI ENERGY, INC.

It is hereby certified that pursuant to authority granted to and vested in the Board of Directors of the Corporation by the provisions of the Restated Certificate of Incorporation of the Corporation, the Board of Directors of the Corporation has duly adopted the following resolutions relating to an amendment to the Certificate of Designation filed with the Delaware Secretary of State on January 13, 1997 and subsequently filed as Annex A to the Certificate of Correction of the Restated Certificate of Incorporation of the Corporation filed on November 20, 2001:

1. RESOLVED, that the Certificate of Designation of the Corporation filed by the Corporation with the Secretary of State of the State of Delaware on January 13, 1997 and attached as Annex A to the Certificate of Correction of the Restated Certificate of Incorporation filed on November 20, 2001, relating to the Series A Participating Preferred Stock of the Corporation is hereby amended as follows:

(A) The number "100" appearing in the tenth and eleventh lines of Section 2(A) is hereby changed in each instance to the number "1,000;"

(B) The number "100" appearing in the third line of Section 3(A) is hereby changed to the number "1,000;"

(C) The dollar number "\$1.00" appearing in the seventh line of Section 6(A) is hereby changed to the dollar number "\$100" and the number "100" appearing in the thirteenth line of Section 6(A) is hereby changed to the number "1,000."

(D) The number "100" appearing in the sixth line of Section 7 is hereby changed to the number "1,000."

2. No shares of Series A Participating Preferred Stock of the Corporation have been issued or are outstanding.

FURTHER RESOLVED, that the Certificate of Designation filed on January 13, 1997, as amended pursuant to the foregoing resolution, is hereby ratified and approved;

AND BE IT FURTHER RESOLVED, that the proper officers of the Corporation be and each of them hereby is authorized to execute an amendment to the Certificate of

Designation of Restated Certificate of Incorporation pursuant to the applicable section of the General Corporation Law of the State of Delaware and to take all appropriate action to cause that amendment to the certificate to be filed, recorded and become effective in accordance with Section 103 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, this Amendment to Certificate of Designation has been executed effective as of this 20th day of November, 2001.

Jonathan D. Nelson
Vice President - Finance, Chief Financial
Officer, Secretary and Treasurer

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[REGISTRATION RIGHTS AGREEMENT]

THIS AGREEMENT is dated March 25, 1994 by and between UTI ENERGY CORP., a Delaware corporation (the "Company") and BEAR, STEARNS & CO. INC., a Delaware corporation ("Holder").

WITNESSETH:

Holder is the record and beneficial owner of ____ shares (the "Shares") of the Company's common stock, par value \$.001 per share (the "Common Stock"). Holder desires to obtain certain rights with respect to the registration of Shares under the Securities Act of 1933, as amended (the "Act") in order to facilitate the public sale and distribution of all or a part of such Shares, and the Company is willing to furnish such rights under and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

1. Registration Rights.

(a) Registration of Common Stock by the Company. Until such time as the Holder no longer holds Shares that are entitled to be registered under this Agreement by virtue of subsection 1(h) hereof, whenever the Company shall propose to file a registration statement (other than on Form S-4, Form S-8 or any successor forms thereto) under the Act, or a similar document under any other statute than in effect corresponding to the Act relating to the public offering of shares of the Common Stock of the Company within the United States (a "Registration Statement"), the Company shall (i) give written notice at least thirty (30) days prior to the filing thereof to the Holder specifying the date on which the Company proposes to file such Registration Statement and advising the Holder of this right to have all or any portion of the Shares included therein, (ii) at the written request of the Holder given to the Company within fifteen (15) days after receipt of any such notice (which request shall specify the Shares intended to be sold or disposed of), include among the securities covered by such Registration Statement, the number of such Shares so requested to be included, and (iii) use its reasonable efforts to cause such Registration Statement to become effective and to remain effective for the period required to permit the public offering and sale by the Holder of the Shares covered thereby (but not for more than 180 days following the effective date thereof). However, if all or any part of the proposed registration is to be underwritten (whether on a "best efforts" or a "firm commitment" basis), the managing underwriter shall have the right to exclude Shares to the extent the inclusion of such Shares would, in the written opinion of such managing underwriter, adversely affect the successful distribution of the underwritten portion of the public

offering, provided (a) during the time the Holder owns 25% or more of the issued and outstanding Common Stock of the Company, such exclusion applies on a proportional basis not only to the Shares but also to all other securities proposed to be included including those for which the Company initiated the registration and those proposed to be included by other shareholders of the Company who have the right to include securities of the Company in such registration, and (b) during the time the Holder owns less than 25% of the issued and outstanding Common Stock of the Company such exclusion applies on a proportional basis not only to the Shares but also to all other securities proposed to be included other than those for which the Company initiated the registration. Any exclusion of Shares shall be made pro rata among the Holder, the Company, if applicable, and other affected shareholders. The Company shall not grant registration rights to any other person after the date of this Agreement and while the Holder shall remain entitled to registration rights pursuant to this Section 1(a). Holder acknowledges that the Company has previously granted certain registration rights in the Common Stock Purchase Warrant dated December 14, 1993 issued to UGI Corporation or its affiliates, and that such rights remain outstanding.

(b) Registration of Shares at the Request of a Stockholder. Until such time as the Holder no longer holds Shares that are entitled to be registered under this Agreement by virtue of subsection 1(h) hereof, whenever the Company shall receive a written request of the Holder that the Company file a Registration Statement under the Act (which request shall state the number of Shares to be registered), the Company shall promptly (and in any event within 45 days), subject to the provisions contained in the next paragraph of this Section 1(b), (i) give written notice of such request to each other shareholder having registration rights, if any, of his right to have shares then held by such shareholder included among the securities covered by such registration and offering each such other shareholder an opportunity to request in writing to have any or all of such shareholder's shares to be so included, (ii) promptly prepare and file such Registration Statement, and (iii) use its reasonable efforts to cause the same to become effective as soon as practicable and to remain effective for the period required to permit the public offering and sale of the Shares covered thereby (but not for more than 180 days following the effective date thereof). Whenever the Company shall file a Registration Statement pursuant to this Section 1(b) in connection with an underwritten public offering by the Holder, no securities other than Shares of Holder shall be included among the securities covered by such Registration Statement to the extent the inclusion of such other securities would, in the written opinion of the managing underwriter of such offering, adversely affect

the successful distribution of Holder's Shares unless the Holder shall have consented in writing to the inclusion of such other securities. The managing underwriter, if any, of any offering pursuant to this Section 1(b) shall be selected by the Holder and shall be reasonably satisfactory to the Company (Bear, Stearns & Co. Inc. being deemed reasonably satisfactory).

At such time as Holder no longer holds Ten Percent (10%) of the outstanding shares of Common Stock and thereafter, Holder agrees that upon receipt by the Company of a written request to file a Registration Statement pursuant to this Section 1(b), the Company shall have the right, exercisable within ten (10) days after receipt of such notice by the Company's giving notice to the Holder to suspend its obligation to file such Registration Statement for a period which shall commence on the date such notice is given and continued until the earlier to occur or (x) the expiration of 60 days, or (y) the date the Company next files with the Securities and Exchange Commission a quarterly report on Form 10-Q or an annual report on Form 10-K (the "Blockage Period"). The notice from the Company must state that the Company has determined that it is in its best interests to delay filing such Registration Statement during the Blockage Period. A further request to file a Registration Statement pursuant to this Section 1(b) can be made for a period of 20 days after the termination of the Blockage Period, which request the Company may not suspend. If the Company receives any request pursuant to this Section 1(b) after the end of such 20 day period then the Company may again exercise its right to suspend its obligation pursuant to this Section 1(b) during the Blockage Period by giving the notice required by the next preceding sentence. The foregoing procedures shall be repeated successively until such time as the Company complies with its obligations under the first paragraph of this Section 1(b) or it is no longer obligated to comply therewith. The Holder further agrees that the Company shall be obligated to comply only three times with the provisions contained in this subsection 1(b).

(c) Ancillary Company Action to be Taken in Connection with Any Registration. Whenever the Company shall include any Shares among the securities covered by a Registration Statement pursuant to Section 1(a) or file a Registration Statement pursuant to Section 1(b), the Company shall (i) comply with all applicable rules and regulations of the Securities and Exchange Commission in connection therewith, (ii) thereafter, for such period of time as shall be required in connection with the transactions contemplated thereby and permitted by applicable rules, regulations and administrative practice (but not for more than 180 days following the effective date of such Registration Statement), file such post-effective amendments and supplements thereto as shall be necessary so that neither such Registration

Statement nor any related prospectus, prospectus supplement or amendment shall contain any material misstatement or omission relative to the Company or any of its assets or its business or affairs and so that such Registration Statement and prospectus, prospectus supplement or amendment will otherwise comply with all applicable legal requirements, (iii) furnish to the Holder such number of copies of such Registration Statement and any related preliminary prospectus, prospectus, post-effective amendment, supplement or similar document forming a part thereof as Holder may reasonably request) and (iv) take all action which may be necessary under the securities or Blue Sky laws of any state (except that the Company shall not be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, to subject itself to taxation in any such jurisdiction or to consent to general service of process in any such jurisdiction), and as may be reasonably requested by the Holder, to permit the public offering and sale of the Shares held by the Holder and covered by such Registration Statement.

(d) Conditions Precedent to Registration. Anything in this Section 1 to the contrary notwithstanding, the company shall not be obliged to include among the securities covered by a Registration Statement any Shares requested to be so included pursuant to Section 1(a) or file a Registration Statement pursuant to Section 1(b) unless the Holder shall theretofore have furnished the Company, in writing, all information with respect to the Holder, the Shares requested to be so included, the transaction or transactions which the Holder contemplates and each underwriter who will act in connection therewith, if any, which any law, rule or regulation requires to be disclosed therein. In addition, the obligations of the Company hereunder are subject to and conditioned upon the Holder's providing such other information and taking such action as may reasonably be by the Company in connection with such registration.

(e) Expenses. All reasonable out-of-pocket expense, disbursement and fees incurred by the Company in connection with any action to be taken under Section 1(b) (including the reasonable fees and expenses of any counsel and accountants engaged by the Company and any underwriter's commissions or expenses or transfer taxes) shall be borne by the Holder. If Holder requests that Shares be included in a Registration Statement pursuant to Section 1(a), the Holder shall be responsible for any fees paid in respect of such Share to the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., any securities exchange on which the share are listed and to any state in which the Shares are

registered, together with all underwriting discounts and commissions applicable to such Shares.

(f) Indemnification.

(i) The Company shall indemnify and hold harmless the [ILLEGIBLE] and each person, if any, who controls the Holder within the meaning of Section 15 of the Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and each director, officer, employee or agent of the Holder from and against any loss, claim, damage, expense, cost or liability, joint or several, and any action in respect thereof, to which the Holder, controlling person, director, officer, employee or agent may become subject, insofar as such loss, claim, damage, liability, expense, cost or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or any Prospectus filed by the Company pursuant to this Agreement (the "Registration Statement" and the "Prospectus") or in any amendment or supplement thereto, or which arises out of, or is based upon, the omission to state therein a material fact required to be stated therein or necessary to make the statements, therein, in light of the circumstances under which they were made, not misleading, and shall promptly reimburse the Holder and each such controlling person, director, officer, employee or agent for legal and other expenses reasonably incurred, as such legal and other expenses are incurred, by the Holder or controlling person, director, officer, employee or agent in investigating or defending or preparing to defend against any such loss, claim, damage, liability, expense, cost or action; provided that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability, expense, cost or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement or the Prospectus or in any amendment or supplement thereto in reliance upon and in conformity with written information specifically relating to the Holder furnished to the Company by or on behalf of the Holder specifically for inclusion therein; and provided further that this indemnity shall not inure to the benefit of the Holder, any person controlling the Holder or any director, officer, employee or agent of the Holder on account of any loss, claim, damage, liability, expense, cost or action arising from the sale of Shares to any person by the Holder if the Holder or the Holder's agent failed to send or deliver a copy of the Prospectus with or prior to the delivery of written confirmation of the sale of Shares by the Holder to the person asserting such loss, claim, damage, liability, expense cost or action who purchased Shares that are the subject thereof from the Holder, and such delivery would have eliminated such loss, claim, damage,

liability, expense, cost or action, unless such failure resulted from non-compliance by the Company with the first sentence of Section 1(c) hereof. The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to the Holder or any controlling person, director, officer, employee or agent of the Holder. The Company shall also indemnify underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution (as described in the Registration Statement), their officers and directors and each person who controls such person (within the meaning of Section 15 of the Act or Section 20 of the Exchange Act) to the same extent as provided above with respect to the indemnification of the Holder if required by the Holder.

(ii) The Holder shall indemnify and hold harmless the Company, any person who controls the Company and each director, officer, employee or agent of the Company from and against any loss, claim, damage, expense, cost or liability and any action in respect thereof, to which the Company or any such controlling person, director, officer, employee or agent may become subject, insofar as such loss, claim, damage, liability, expense, cost or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or the Prospectus or in any amendment or supplement thereto or which arises out of, or is based upon, the omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in light of the circumstance under which they were made, not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information specifically relating to the Holder furnished to the Company by or on behalf of the Holder specifically for inclusion therein, and shall reimburse the Company or any such controlling person, director, officer employee or agent for any legal and other expenses reasonably incurred, as such legal and other expenses incurred, by the Company or any such controlling person, director, officer, employee or agent in investigating or defending or preparing to defend against any such loss, claim, damage, liability, expense cost or action. The foregoing indemnity agreement is in addition to any liability which the Holder may otherwise have to the Company or any of its controlling persons, directors, officers, employees or agents. The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and selling securities industry professional participating in the distribution, to the same extent as provided above with respect to information so furnished in writing by such persons specifically for inclusion in the Registration Statement or the Prospectus or any amendment or supplement thereto.

(iii) Promptly after receipt by an indemnified party under this Section 1(f) of notice of any claim or the commencement of any action (including, without limitation, any governmental investigation or inquiry), the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 1(f) notify the indemnifying party in writing of the claim or the commencement of the action, provided that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party under this Section 1(f) except to the extent that it has been prejudiced in any material respect by such failure or from any liability which it may have to any indemnified party otherwise than under this Section 1(f). If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein, and, to the extent that it wishes, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 1(f) for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided that an indemnified party shall have the right to employ counsel to represent it and its respective controlling persons, directors, officers, employees or agents who may be subject to liability arising out of any claim in respect of which indemnity may be sought by such indemnified party against such indemnifying party under this Section 1(f) if the employment of such counsel shall have been authorized in writing by such indemnifying party in connection with the defense of such action, or the indemnifying party shall not have promptly employed counsel reasonably satisfactory to the indemnified party to assume the defense of such action, or if counsel for any of the indemnified parties shall have reasonably concluded that there may be defenses available to the indemnified party and its respective controlling persons, directors, officers, employees or agents which are in conflict with those available to the indemnifying party, and in that event the reasonable fees and expenses of one firm of separate counsel for the indemnified party and all such other indemnified persons (in addition to the reasonable fees and expenses of local counsel in each jurisdiction) shall be paid by the indemnifying party.

(iv) If the indemnification provided for in this Section 1(f) shall for any reason be unavailable to any indemnified party under Section 1(f)(i) or 1(f)(ii) hereof in respect of any loss, claim, damage, expense, cost or liability, or any action in respect thereof, referred to therein, then each

indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage, expense, cost or liability, or action in respect thereof, in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Holder on the other with respect to the statements or omissions which resulted in such loss, claim, damage, expense, cost or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Holder on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by an indemnified party as a result of the loss, claim, damage, expense, cost or liability, or action in respect thereof, referred to above in this Section 1(f)(iv) shall be deemed to include, for purposes of this Section 1(f)(iv), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. If an indemnifying party assumes the defense of any action, such indemnifying party may not settle any such action without the written consent of the indemnified party unless such settlement includes a complete release of the indemnified party in respect of all claims made against such indemnified party.

(v) The agreements contained in this Section 1(f) shall survive the sale of Shares and shall remain in full force and effect, regardless of any termination or cancellation of this Agreements or any investigation made by or on behalf of any indemnified party.

(q) Listing of Shares. At any time as any shares of Common Stock are listed on a national securities exchange or designated as a national market system security by the National Association of Securities Dealers, Inc. ("NASD"), or otherwise listed on the NASD automated quotation system, and a Registration Statement filed pursuant to Section 1(a) or (b) has been declared effective, the Company will promptly obtain and maintain the approval for listing of each such exchange or system, as the case may be, of the Shares included in such Registration Statement.

(h) Excluded Shares. Any Shares shall be cease to be entitled to the benefits of the provisions of this Section 1

when (i) a Registration Statement covering such Shares has been declared effective and they have been disposed of pursuant to such effective Registration Statement, (ii) they are distributed to the public pursuant to Rule 144 or Rule 144A under the Act, or (iii) they have been otherwise transferred by the Holder.

(i) Holdback. The Holder agrees, to the extent required by applicable law, not to effect any public sale or distribution of Shares, or any securities convertible into or exchangeable or exercisable for such Shares, during the five business days prior to, and during the 90 day period following, the effective date of any Registration Statement including Shares (except as part of such registration), if and to the extent timely notified in writing by the Company, in the case of a non-underwritten public offering, or by the managing underwriter, in the case of an underwritten public offering. The Company agrees not to effect any public sale or distribution of Common Stock, any securities similar to the Shares, or convertible into or exchangeable or exercisable for such securities during the five business days prior to, and during the 90 day period following, the effective date of any Registration Statement in which the Holder is participating pursuant to Section 1 (except as part of such registration and except pursuant to a registration on Form S-4 or Form S-8, or any successor to such forms) and that any agreement entered into after the date hereof pursuant to which the Company issues or agrees to issue any privately placed securities similar to those being registered shall contain a provision under which holders of such securities agree not to effect any public sale or distribution of any such securities during the periods described in the prior sentence, in each case including a sale pursuant to Rule 144 or 144A under the Act (except as part of any such registration, if permitted).

(j) Other Covenants of the Company. In connection with the sale of any Shares the Company shall:

(i) use its reasonable best effectors to comply with all applicable rules and regulations of the Securities and Exchange Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months, but not more than eighteen months, beginning with the first day of the Company's first fiscal quarter after the effective date of any Registration Statement, which earnings statements shall satisfy the provisions of Section 12(a) of the Act;

(ii) provide a transfer agent and registrar for all Shares covered by each Registration Statement not later than the effective date of such registration statement;

(iii) enter into such agreements (including an underwriting agreement in customary form) and take such other actions as the Holder shall reasonably request in order to expedite or facilitate the disposition of Shares;

(iv) use its reasonable best efforts to obtain an opinion from the Company's counsel and a "cold comfort" letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by such opinions and "cold comfort" letters as the Holder shall reasonably request;

(v) make available for inspection by the Holder, by each underwriter participating in any disposition to be affected pursuant to such registration statement and by any attorney, accountant or other agent retained by the Holder or any such underwriter, all pertinent financial and other records, pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by the Holder or any such underwriter, attorney, accountant or agent in connection with such registration statement; provided, however, that Holder or any underwriter to whom such information is disclosed shall in writing agree to use information furnished solely in connection with the contemplated public offering of Shares; and

(vi) permit the holder to participate in the preparation of each Registration Statement and include therein material, furnished to the Company in writing, which in the judgment of the Holder, subject to the consent of the Company (which shall not be unreasonably withheld), should be included.

2. Assignment; Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3. Entire Agreement; Modification. This Agreement constitutes the entire agreement of the parties with respect to its subject matter and supersedes all prior or contemporaneous understandings, negotiations and agreements of the parties concerning such subject matter. This Agreement may be modified only in a writing signed by the parties hereto specifically stating an intent to modify this Agreement.

4. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with the substantive laws of the State of New York applicable to contracts made and to be performed within that State, without giving effect to conflicts of laws principles.

5. Notice. Any notice, request or other communication required or permitted to be given pursuant to this Agreement shall be in writing and shall be (a) mailed by U.S. Express Mail or U.S. Certified Mail, in either case Return Receipt Requested, (b) delivered by recognized overnight courier such as Federal Express, or (c) hand delivered to the party to whom addressed at the following addresses:

if to the Company, UTI Energy Corp.
Suite 112, 485 Devon Park Drive
Wayne, PA 19087

Attn: Vaughn Drum, President;

with a copy to: Montgomery, McCracken, Walker & Rhoads
Three Parkway - 20th Floor
Philadelphia, PA. 19102

Attn: Baldo M. Carnecchia, Jr., Esquire

if to the Holder, Bear, Stearns & Co. Inc.
245 Park Avenue
New York, NY 10147

Attn: Richard Matrick;

with a copy to: Weil, Gotshal & Manges
767 Fifth Avenue
New York, NY 10153

Attn: Dennis J. Block, Esquire;

or at such other address as may be designated by a party in writing. All written communications shall be deemed effective upon the earlier of the actual receipt thereof by the addresses or the expiration of two business days from the date such communication is placed in the hands of the post office, a recognized overnight courier, or a messenger service.

IN WITNESS WHEREOF, this Agreement has been executed by the parties the day and year first above written.

UTI ENERGY CORP.

By:

SVP

BEAR, STEARNS & CO. INC.

By:

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PATTERSON-UTI ENERGY, INC.

STOCK OPTION AGREEMENT

This Agreement (the "Agreement") is made as of July 20, 2001, between Patterson-UTI Energy, Inc., a Delaware corporation (the "Company"), and Kenneth R. Peak (the "Optionee") a non-employee director of the Company. The Company hereby grants Optionee an option (the "Option") to purchase Twelve Thousand (12,000) shares of the Company's common stock, \$.01 par value (the "Common Stock"), for a purchase price (the "Option Price") of \$28.625 per share of Common Stock. The Option shall be subject to the following provisions:

1. TERM AND VESTING. Subject to the provisions of this Agreement, including but not limited to paragraph 6 hereof, this Option may be exercised in blocks of 100 shares or any multiple thereof after the date of this Agreement and prior to 5:00 p.m., Snyder, Texas time, on November 5, 2005, ("Expiration Date") but not thereafter, in accordance with the following:

(a) On November 6, 2001, this Option may be exercised for up to 100% of the Common Stock covered hereby.

2. METHOD OF EXERCISE. Exercise of this Option shall be affected by the Optionee giving written notice (in substantially the form attached hereto as Exhibit A, whose covenants and substantive provisions are hereby made a part of this Agreement) to the Company which shall:

(a) state that the Option is thereby being exercised, the number of shares of Common Stock with respect to which the Option is being exercised, each person in whose name any certificates for the Common Stock should be registered and his address and social security number;

(b) be signed by the person or persons entitled to exercise the Option and, if the Option is being exercised by anyone other than the Optionee, be accompanied by proof satisfactory to counsel for the Company of the right of such person or persons to exercise the Option under this Agreement and all applicable laws and regulations; and

(c) be accompanied by such representations, warranties or agreements with respect to the investment intent of such person or persons exercising the Option as the Company may reasonably request in form and substance satisfactory to counsel for the Company.

3. PAYMENT OF PRICE. Upon exercise of the Option, the Company shall deliver a certificate or certificates for such Common Stock to the specified person or persons at the specified time upon receipt of the full purchase price for such Common Stock.

4. TRANSFERABILITY. The Option shall not be transferable or assignable by the Optionee other than by will or the laws of descent and distribution. The Option shall be exercisable (subject to any other applicable restrictions on exercise) only by the Optionee for his own account, except in the events of the death or disability of the Optionee, in either of which events the Option shall be exercisable (subject to any other applicable restrictions on exercise) only by the Optionee's estate (acting through its fiduciary) or by the Optionee's duly authorized legal representative or by the successor or successors in interest determined under the Optionee's will or under the applicable laws of descent and distribution, respectively.

5. RESTRICTIONS ON EXERCISE. As a condition of any exercise of the Option, the Company may require the Optionee or his successor to make any representation and warranty to comply with any applicable law or regulation or to confirm any factual matters reasonably requested by counsel for the Company.

6. EARLY TERMINATION OF OPTION. If an Optionee's term as a director of the Company shall terminate for any reason other than the Optionee's death or disability, the Option, to the extent then exercisable under the terms of this Agreement shall remain exercisable after the termination of the Optionee's director status for a period of three months. If the Optionee's director status is terminated because the Optionee dies or becomes disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Option shall become immediately exercisable in full and shall remain exercisable after the termination of his directorship for a period of twelve months. If the Option is not exercised during the applicable period, it shall be deemed to have been forfeited and of no further force or effect.

7. TAXES. The Optionee hereby agrees to pay to the Company any federal, state or local taxes of any kind required by law to be withheld with respect to the Option granted hereunder. If the Optionee does not make such payment to the Company, the Company shall have the right to deduct from any payment of any kind otherwise due to the Optionee from the Company, any federal, state or local taxes of any kind required by law to be withheld with respect to the Option or the Common Stock to be purchased by the Optionee under this Agreement. The Option shall not be treated as an incentive stock option under Section 422 or any successor section thereto of the Code.

8. INVESTMENT REPRESENTATION. The Optionee agrees that any Common Stock of the Company which the Optionee may acquire by virtue of this Option shall be acquired for investment purposes only and not with a view to distribution or resale, and may not be transferred, sold, assigned, pledged, hypothecated or otherwise disposed of by the Optionee unless (i) a registration statement or post-effective amendment to a registration statement under the Securities Act of 1933 as amended (the "Securities Act"), with respect to said Common Stock has become effective so as to permit the sale or other disposition of said shares by the Optionee; or (ii) there is presented to the Company an opinion of counsel satisfactory to the Company to the effect that the sale or other proposed disposition of said shares by the Optionee may lawfully be made otherwise than pursuant to an effective registration statement or post-effective amendment to a registration statement relating to the said shares under the Securities Act.

9. CONSENT TO JURISDICTION. The Optionee hereby consents to the jurisdiction of the state court of general jurisdiction sitting in Scurry County, Texas.

10. NO RIGHTS AS A STOCKHOLDER Except as expressly provided in this Agreement, an Optionee shall have no rights as a stockholder with respect to any shares of Common Stock subject to the Option prior to the exercise of such Option and the transfer of Common Stock to the Optionee.

11. CHANGE IN CONTROL Upon the occurrence of a Change of Control (as defined below), notwithstanding any other provisions hereof or of any agreement to the contrary, the Option granted under this Agreement shall vest and become immediately exercisable in full and remain exercisable under the terms of this Agreement.

A Change of Control shall be deemed to have occurred if: (i) a tender offer shall be made and consummated for the ownership of 25% or more of the outstanding voting securities of the Company; (ii) the Company shall be merged or consolidated with another corporation and, as a result of such merger or consolidation, less than 25% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former stockholders of the Company as the same shall have existed immediately prior to such merger or consolidation; or (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934 (the "Exchange Act"), shall acquire, other than by reason of inheritance, 25% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record). In making any such determination, transfers made by a person to an affiliate of such person (as determined by the Board of Directors of the Company), whether by gift, devise or otherwise, shall not be taken into account. Ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) as in effect on the date hereof pursuant to the Securities Exchange Act of 1934, as amended.

12. ADJUSTMENTS FOR STOCK SPLIT; STOCK DIVIDEND, ETC. If, at any time subsequent to the effective date of this Agreement, the number of shares of Common Stock is increased or decreased, or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether as a result of a stock split, stock dividend, combination or exchange of shares, exchange for other securities, reclassification, reorganization, redesignation, merger, consolidation, recapitalization or otherwise): (i) there shall automatically be substituted for each share subject to an unexercised Option (in whole or in part) granted under this Agreement, the number and kind of shares of stock or other securities into which each outstanding share shall be changed or for which each such share shall be exchanged; and (ii) the Option Price per share or unit of securities shall be increased or decreased proportionately so that the aggregate purchase price for the securities subject to the Option shall remain the same as immediately prior to such event. In addition to the foregoing, the Committee shall be entitled in the event of any such increase, decrease or exchange of shares to make other adjustments to the securities subject to the Option, and this Agreement (including adjustments which may provide for the elimination of fractional shares), where

necessary to preserve the terms and conditions of any grants hereunder. Adjustments under this section shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties to this Agreement.

PATTERSON-UTI ENERGY, INC.:

By: _____
Cloyce A. Talbott, Chief Executive Officer

OPTIONEE:

DATE OF GRANT: July 20, 2001 _____
Kenneth R. Peak

EXHIBIT A
EXERCISE OF STOCK OPTION

Patterson Energy, Inc.
4510 Lamesa Highway
P.O. Drawer 1416
Snyder, TX 79549

Gentlemen:

The undersigned Optionee, _____, hereby exercises the Option granted to him pursuant to the Stock Option Agreement dated as of July 20, 2001 between Patterson-UTI Energy, Inc. and the Optionee with respect to _____ Common Shares covered by said Option, and tenders herewith \$_____ in payment of the purchase price thereof by delivery of _____.

The name and registered address on such certificate should be:

The Optionee's social security number is: _____ .

Optionee-

Dated: _____

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PATTERSON-UTI ENERGY, INC.

STOCK OPTION AGREEMENT

This Agreement (the "Agreement") is made as of July 20, 2001, between Patterson-UTI Energy, Inc., a Delaware corporation (the "Company"), and Stephen J. DeGroat (the "Optionee") a non-employee director of the Company. The Company hereby grants Optionee an option (the "Option") to purchase Twelve Thousand (12,000) shares of the Company's common stock, \$.01 par value (the "Common Stock"), for a purchase price (the "Option Price") of \$28.625 per share of Common Stock. The Option shall be subject to the following provisions:

1. TERM AND VESTING. Subject to the provisions of this Agreement, including but not limited to paragraph 6 hereof, this Option may be exercised in blocks of 100 shares or any multiple thereof after the date of this Agreement and prior to 5:00 p.m., Snyder, Texas time, on November 5, 2005, ("Expiration Date") but not thereafter, in accordance with the following:

(a) On November 6, 2001, this Option may be exercised for up to 100% of the Common Stock covered hereby.

2. METHOD OF EXERCISE. Exercise of this Option shall be affected by the Optionee giving written notice (in substantially the form attached hereto as Exhibit A, whose covenants and substantive provisions are hereby made a part of this Agreement) to the Company which shall:

(a) state that the Option is thereby being exercised, the number of shares of Common Stock with respect to which the Option is being exercised, each person in whose name any certificates for the Common Stock should be registered and his address and social security number;

(b) be signed by the person or persons entitled to exercise the Option and, if the Option is being exercised by anyone other than the Optionee, be accompanied by proof satisfactory to counsel for the Company of the right of such person or persons to exercise the Option under this Agreement and all applicable laws and regulations; and

(c) be accompanied by such representations, warranties or agreements with respect to the investment intent of such person or persons exercising the Option as the Company may reasonably request in form and substance satisfactory to counsel for the Company.

3. PAYMENT OF PRICE. Upon exercise of the Option, the Company shall deliver a certificate or certificates for such Common Stock to the specified person or persons at the specified time upon receipt of the full purchase price for such Common Stock.

4. TRANSFERABILITY. The Option shall not be transferable or assignable by the Optionee other than by will or the laws of descent and distribution. The Option shall be exercisable (subject to any other applicable restrictions on exercise) only by the Optionee for his own account, except in the events of the death or disability of the Optionee, in either of which events the Option shall be exercisable (subject to any other applicable restrictions on exercise) only by the Optionee's estate (acting through its fiduciary) or by the Optionee's duly authorized legal representative or by the successor or successors in interest determined under the Optionee's will or under the applicable laws of descent and distribution.

5. RESTRICTIONS ON EXERCISE. As a condition of any exercise of the Option, the Company may require the Optionee or his successor to make any representation and warranty to comply with any applicable law or regulation or to confirm any factual matters reasonably requested by counsel for the Company.

6. EARLY TERMINATION OF OPTION. If an Optionee's term as a director of the Company shall terminate for any reason other than the Optionee's death or disability, the Option, to the extent then exercisable under the terms of this Agreement shall remain exercisable after the termination of the Optionee's director status for a period of three months. If the Optionee's director status is terminated because the Optionee dies or becomes disabled within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Option shall become immediately exercisable in full and shall remain exercisable after the termination of his directorship for a period of twelve months. If the Option is not exercised during the applicable period, it shall be deemed to have been forfeited and of no further force or effect.

7. TAXES. The Optionee hereby agrees to pay to the Company any federal, state or local taxes of any kind required by law to be withheld with respect to the Option granted hereunder. If the Optionee does not make such payment to the Company, the Company shall have the right to deduct from any payment of any kind otherwise due to the Optionee from the Company, any federal, state or local taxes of any kind required by law to be withheld with respect to the Option or the Common Stock to be purchased by the Optionee under this Agreement. The Option shall not be treated as an incentive stock option under Section 422 or any successor section thereto of the Code.

8. INVESTMENT REPRESENTATION. The Optionee agrees that any Common Stock of the Company which the Optionee may acquire by virtue of this Option shall be acquired for investment purposes only and not with a view to distribution or resale, and may not be transferred, sold, assigned, pledged, hypothecated or otherwise disposed of by the Optionee unless (i) a registration statement or post-effective amendment to a registration statement under the Securities Act of 1933 as amended (the "Securities Act"), with respect to said Common Stock has become effective so as to permit the sale or other disposition of said shares by the Optionee; or (ii) there is presented to the Company an opinion of counsel satisfactory to the Company to the effect that the sale or other proposed disposition of said shares by the Optionee may lawfully be made otherwise than pursuant to an effective registration statement or post-effective amendment to a registration statement relating to the said shares under the Securities Act.

9. CONSENT TO JURISDICTION. The Optionee hereby consents to the jurisdiction of the state court of general jurisdiction sitting in Scurry County, Texas.

10. NO RIGHTS AS A STOCKHOLDER Except as expressly provided in this Agreement, an Optionee shall have no rights as a stockholder with respect to any shares of Common Stock subject to the Option prior to the exercise of such Option and the transfer of Common Stock to the Optionee.

11. CHANGE IN CONTROL Upon the occurrence of a Change of Control (as defined below), notwithstanding any other provisions hereof or of any agreement to the contrary, the Option granted under this Agreement shall vest and become immediately exercisable in full and remain exercisable under the terms of this Agreement.

A Change of Control shall be deemed to have occurred if: (i) a tender offer shall be made and consummated for the ownership of 25% or more of the outstanding voting securities of the Company; (ii) the Company shall be merged or consolidated with another corporation and, as a result of such merger or consolidation, less than 25% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former stockholders of the Company as the same shall have existed immediately prior to such merger or consolidation; or (iii) the Company shall sell substantially all of its assets to another corporation which is not a wholly owned subsidiary; or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date hereof) of the Securities Exchange Act of 1934 (the "Exchange Act"), shall acquire, other than by reason of inheritance, 25% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record). In making any such determination, transfers made by a person to an affiliate of such person (as determined by the Board of Directors of the Company), whether by gift, devise or otherwise, shall not be taken into account. Ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) as in effect on the date hereof pursuant to the Securities Exchange Act of 1934, as amended.

12. ADJUSTMENTS FOR STOCK SPLIT; STOCK DIVIDEND, ETC. If, at any time subsequent to the effective date of this Agreement, the number of shares of Common Stock is increased or decreased, or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation (whether as a result of a stock split, stock dividend, combination or exchange of shares, exchange for other securities, reclassification, reorganization, redesignation, merger, consolidation, recapitalization or otherwise): (i) there shall automatically be substituted for each share subject to an unexercised Option (in whole or in part) granted under this Agreement, the number and kind of shares of stock or other securities into which each outstanding share shall be changed or for which each such share shall be exchanged; and (ii) the Option Price per share or unit of securities shall be increased or decreased proportionately so that the aggregate purchase price for the securities subject to the Option shall remain the same as immediately prior to such event. In addition to the foregoing, the Committee shall be entitled in the event of any such increase, decrease or exchange of shares to make other adjustments to the securities subject to the Option, and this Agreement

(including adjustments which may provide for the elimination of fractional shares), where necessary to preserve the terms and conditions of any grants hereunder. Adjustments under this section shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties to this Agreement.

PATTERSON-UTI ENERGY, INC.:

By: _____
Cloyce A. Talbott, Chief Executive Officer

OPTIONEE:

DATE OF GRANT: July 20, 2001 _____
Stephen J. DeGroat

EXHIBIT A
EXERCISE OF STOCK OPTION

Patterson Energy, Inc.
4510 Lamesa Highway
P.O. Drawer 1416
Snyder, TX 79549

Gentlemen:

The undersigned Optionee, _____, hereby exercises the Option granted to him pursuant to the Stock Option Agreement dated as of July 20, 2001 between Patterson-UTI Energy, Inc. and the Optionee with respect to _____ Common Shares covered by said Option, and tenders herewith \$_____ in payment of the purchase price thereof by delivery of _____.

The name and registered address on such certificate should be:

The Optionee's social security number is: _____.

Optionee-

Dated: _____

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Subsidiaries of the Registrant

Patterson (GP) LLC
Patterson (GP2) LLC
Patterson (LP) LLC
Patterson-UTI Drilling Company LP, LLLP
Patterson-UTI Drilling Company South LP, LLLP
Patterson-UTI Drilling Company West LP, LLLP
Patterson Petroleum LP, LLLP
Lone Star Mud LP, LLLP
Ambar Drilling Fluids LP, LLLP
Patterson Petroleum Trading Company LP, LLLP
Analytical Seismic Systems, Inc.
UTICO, Inc.
SUITS Drilling Company
UTI Management Services, L.P.
UTI Drilling, L.P.
UTICO Hard Rock Boring, Inc.
International Petroleum Service Company
Universal Well Services, Inc.
Norton Drilling Services, Inc.
Norton Drilling Mexico
Norton Drilling, L.P.
Norton GP, L.L.C.
Phelps Drilling Co.
UTI Drilling Canada, Inc.

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No.'s 333-47917 and 33-39471, 333-67810, 333-60470, and 333-60466) and in the Registration Statements on Form S-3 (Nos. 333-53336, 333-44932, 333-34018, 333-89885) of Patterson-UTI Energy, Inc. and subsidiaries of our report dated January 28, 2002 relating to the financial statements and financial statement schedule, which appears in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Fort Worth, Texas
March 15, 2002

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CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-47917, 33-39471, 333-67810, 333-60470, and 333-60466) and in the Registration Statements on Form S-3 (Nos. 333-53336, 333-44932, 333-34018, and 333-89885) of Patterson-UTI Energy, Inc. and subsidiaries of our report dated February 16, 2001, included in this Annual Report (Form 10-K) for the year ended December 31, 2001, with respect to the consolidated financial statements and schedule of UTI Energy Corp. as of December 31, 2000 and for the two years in the period ended December 31, 2000 (not presented separately therein).

/s/ ERNST & YOUNG LLP

Houston, Texas
March 15, 2002

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