ATWOOD OCEANICS INC
Form 10-Q
February 09, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

Form 10-Q

|X| QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR QUARTERLY PERIOD ENDED DECEMBER 31, 2005
COMMISSION FILE NUMBER 1-13167

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

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

TEXAS	74-1611874
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
15835 Park Ten Place Drive Houston, Texas	77084
(Address of principal executive offices)	(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filings requirements for the past 90 days. Yes X No___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer X   Accelerated filer ___   Non-accelerated filer ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of January 31, 2006: 15,439,801 shares of common stock, $1 par value

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ATWOOD OCEANICS, INC.

FORM 10-Q

For the Quarter Ended December 31, 2005

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PART I. FINANCIAL INFORMATION
ATWOOD OCEANICS, INC. AND SUBSIDIARIES

This Form 10-Q for the quarterly period ended December 31, 2005 includes statements about Atwood Oceanics, Inc. (which together with its subsidiaries is identified as the "Company," "we" or "our," unless the context requires otherwise) which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) which are forward-looking statements. In addition, we and our representatives may from to time to time make other oral or written statements which are also forward-looking statements.

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

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

- our dependence on the oil and gas industry;

- the operational risks involved in drilling for oil and gas;

- changes in rig utilization and dayrates in response to the level of activity in the oil and natural gas industry, which is significantly affected by indications and expectations regarding the level and volatility of oil and natural gas prices, which in turn are affected by such things as political, economic and weather conditions affecting or potentially affecting regional or worldwide demand for oil and natural gas, actions or anticipated actions by OPEC, inventory levels, deliverability constraints, and future market activity;

- the extent to which customers and potential customers continue to pursue deepwater drilling;

- exploration success or lack of exploration success by our customers and potential customers;

- the highly competitive and cyclical nature of our business, with periods of low demand and excess rig availability;

- the impact of the war with Iraq or other military operations, terrorist acts or embargoes elsewhere;

- our ability to enter into and the terms of future drilling contracts;

- the availability of qualified personnel;

- our failure to retain the business of one or more significant customers;

- the termination or renegotiation of contracts by customers;

- the availability of adequate insurance at a reasonable cost;

- the occurrence of an uninsured loss;

- the risks of international operations, including possible economic, political, social or monetary instability, and compliance with foreign laws;

- the effect public health concerns could have on our international operations and financial results;

- compliance with or breach of environmental laws;

- the incurrence of secured debt or additional unsecured indebtedness or other obligations by us or our subsidiaries;

- the adequacy of sources of liquidity;

- currently unknown rig repair needs and/or additional opportunities to accelerate planned maintenance expenditures due to presently unanticipated rig downtime;

- higher than anticipated accruals for performance-based compensation due to better than anticipated performance by us, higher than anticipated severance expenses due to unanticipated employee terminations, higher than anticipated legal and accounting fees due to unanticipated financing or other corporate transactions and other factors that could increase general and administrative expenses;

- the actions of our competitors in the oil and gas drilling industry, which could significantly influence rig dayrates and utilization;

- changes in the geographic areas in which our customers plan to operate, which in turn could change our expected effective tax rate;

- changes in oil and natural gas drilling technology or in our competitors' drilling rig fleets that could make our drilling rigs less competitive or require major capital investments to keep them competitive;

- rig availability;

- the effects and uncertainties of legal and administrative proceedings and other contingencies;

- the impact of governmental laws and regulations and the uncertainties involved in their administration, particularly in some foreign jurisdictions;

- changes in accepted interpretations of accounting guidelines and other accounting pronouncements and tax laws; and

- the risks involved in the construction and upgrade of our drilling units.

You should also read the risk factors set forth in our Form 10K for the year ended September 30, 2005 filed with the Securities and Exchange Commission, or SEC. Undue reliance should not be placed on these forward-looking statements, which are applicable only on the date hereof. Neither we nor our representatives have a general obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date hereof or to reflect the occurrence of unanticipated events.

PART I. ITEM I - FINANCIAL STATEMENTS
ATWOOD OCEANICS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Three Months Ended December 31, 2005	2004
REVENUES:		
Contract drilling	$55,414	$38,986
Business interruption proceeds	-	6,440
	55,414	45,426
COSTS AND EXPENSES:		
Contract drilling	33,770	25,203
Depreciation	6,390	6,526
General and administrative	5,993	3,571
Gain on sale of equipment	(9,275)	-
	36,878	35,300
OPERATING INCOME	18,536	10,126
OTHER INCOME (EXPENSE)		
Interest expense	(1,740)	(2,018)
Interest income	231	35
	(1,509)	(1,983)
INCOME BEFORE INCOME TAXES	17,027	8,143
PROVISION (BENEFIT) FOR INCOME TAXES	2,504	(507)
NET INCOME	$14,523	$8,650
EARNINGS PER COMMON SHARE:		
Basic	$ 0.94	$ 0.57
Diluted	0.93	0.56
AVERAGE COMMON SHARES OUTSTANDING:		
Basic	15,369	15,079
Diluted	15,604	15,422

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

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

December 31, September 30,

	2005	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,709	$ 18,982
Accounts receivable	43,020	39,865
Insurance receivable	550	550
Income tax receivable	3,684	3,278
Inventories of materials and supplies	15,184	15,640
Deferred tax assets	1,910	3,080
Prepaid expenses and other	9,928	10,658
Total Current Assets	117,985	92,053
NET PROPERTY AND EQUIPMENT	384,047	390,778
ASSET HELD FOR SALE	-	9,017
DEFERRED COSTS AND OTHER ASSETS	4,044	3,846
	$ 506,076	$495,694
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of notes payable	$ 36,000	$ 36,000
Accounts payable	6,647	6,473
Accrued liabilities	12,662	11,088
Deferred Credits	1,132	2,598
Total Current Liabilities	56,441	56,159
LONG-TERM DEBT, net of current maturities:	45,000	54,000
	45,000	54,000
OTHER LONG TERM LIABILITIES:		
Deferred income taxes	18,920	20,140
Deferred credits and other	5,786	3,258
	24,706	23,398
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value; 1,000 shares authorized, none outstanding	-	-
Common stock, $1 par value, 20,000 shares authorized with 15,403 and 15,341 issued and outstanding at December 31, 2005 and September 30, 2005, respectively	15,403	15,341
Paid-in capital	124,193	120,986
Retained earnings	240,333	225,810

Total Shareholders' Equity	379,929	362,137
	$ 506,076	$495,694

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

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

	Three Months Ende
	2005
CASH FLOW FROM OPERATING ACTIVITIES:	
Net Income	$ 14,523
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	6,390
Amortization of debt issuance costs	201
Amortization of deferred items	139
Deferred income tax benefit	(50)
Stock option compensation expense	885
Gain on disposal of assets	(9,275)
Changes in assets and liabilities:	
Collection of insurance receivable	-
Decrease (increase) in accounts receivable	(3,155)
Increase in income tax receivable	(406)
Decrease (increase) in inventory	456
Decrease (increase) in prepaids	(722)
Decrease (increase) in deferred costs and other assets	(453)
Increase (decrease) in accounts payable	174
Increase (decrease) in accrued liabilities	1,574
Decrease in deferred credits and other liabilities	1,660
Net mobilization fees and credits	771
Other increases	45
Net cash provided by operating activities	12,757
CASH FLOW FROM INVESTING ACTIVITIES:	
Capital expenditures	(6,591)
Collection of insurance receivable	-
Proceeds from sale of assets	25,177
Other	-
Net cash provided (used) by investing activities	18,586

CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from stock offering	-
Proceeds from exercise of stock options	1,809
Tax benefit from the exercise of stock options	575
Principal payments on debt	(9,000)
Net cash used by financing activities	(6,616)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 24,727
CASH AND CASH EQUIVALENTS, at beginning of period	$ 18,982
CASH AND CASH EQUIVALENTS, at end of period	$ 43,709

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

PART I. ITEM I - FINANCIAL STATEMENTS
ATWOOD OCEANICS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY

	Common Stock		Paid-in	Retaine
(In thousands)	Shares	Amount	Capital	Earning
September 30, 2005	15,341	$15,341	$120,986	$225,810
Net income	-	-	-	14,523
Exercise of employee stock options	62	62	1,747	-
Tax benefit from the exercise of employee stock options	-	-	575	-
Stock option compensation expense	-	-	885	-
December 31, 2005	15,403	$15,403	$124,193	$240,333

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

PART I. ITEM 1 - FINANCIAL STATEMENTS
ATWOOD OCEANICS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. UNAUDITED INTERIM INFORMATION

The unaudited interim condensed consolidated financial statements as of December 31, 2005 and for each of the three month periods ended December 31, 2005 and 2004, included herein, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. The year end condensed consolidated balance sheet data was derived from the audited financial statements as of September 30, 2005. Although these financial statements and related information have been prepared without audit, and certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, we believe that the note disclosures are adequate to make the information not misleading. The interim financial results may not be indicative of results that could be expected for a full year. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in our Annual Report to Shareholders for the year ended September 30, 2005. In our opinion, the unaudited interim financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of our financial position and results of operations for the periods presented.

2. SHARE-BASED COMPENSATION

Effective October 1, 2005, we adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)"), using the modified prospective application transition method. Under this method, stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period of the equity grant). In addition, stock-based compensation cost recognized includes compensation cost for unvested stock-based awards as of October 1, 2005. Prior to October 1, 2005, we accounted for share-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). No share-based employee compensation cost has been reflected in net income prior to October 1, 2005. Before that date, we reported the entire tax benefit related to the exercise of stock options as an operating cash flow. SFAS 123(R) requires us to report the tax benefit from the tax deduction that is in excess of recognized compensation costs (excess tax benefits) as a financing cash flow rather than as an operating cash flow. The cumulative effect of the change in accounting principle from APB No. 25 to FAS 123(R) was not material.

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We have a stock incentive plan, the 2001 Plan, whereby 1,000,000 shares of common stock may be issued to eligible participants in the form of restricted stock awards or upon exercise of stock options granted pursuant to the 2001 Plan. Awards of restricted stock and grants of stock options may be made under the 2001 Plan through September 5, 2011. As of December 31, 2005, 624,750 shares are available under the 2001 Plan for future restricted stock awards or stock option grants. Options to purchase 517,550 shares are currently outstanding under the 2001 Plan and 41,000 shares of restricted stock have been issued under the 2001 Plan. Our board of directors has approved certain amendments to our 2001 Plan, subject to shareholder approval. We have submitted an amended and restated version of our 2001 Plan to our shareholders for approval which was obtained at our annual shareholders meeting to be held on February 9, 2006.

We have two other stock incentive plans under which there are outstanding stock options. There are outstanding options to purchase 323,525 shares under our 1996 Plan and 2,000 shares under a 1990 Plan; however, no additional options or restricted stock will be awarded under either of these plans. Only awards of restricted stock or stock options had been granted under any of our stock incentive plans as of December 31, 2005. We deliver newly issued shares of common stock for restricted stock awards and upon exercise of stock options. All stock incentive plans currently in effect have been approved by the shareholders of our outstanding common stock.

During the three months ended December 31, 2005, we recognized approximately $0.9 million in share-based compensation expense which has been included in our statement of operations in contract drilling expenses ($0.2 million) and in general and administrative expenses ($0.7 million). The total income tax benefit recognized related to share-based compensation for the three months ended December 31, 2005 was approximately $0.2 million. The tax benefit realized from stock options exercised during the first quarter of fiscal year 2006 was $0.6 million. The impact of adopting FAS 123(R) had the effect of decreasing our net income and earnings per share by $0.7 million and $0.04 per basic and diluted share for the quarter ended December 31, 2005. In addition, the adoption had the effect of decreasing cash flows from operations by $0.6 million and increasing cash flows from financing activities by $0.6 million for the current quarter from that which would have been otherwise reported. We recognize compensation expense on grants of share-based compensation awards on a straight-line basis over the required service period for each award. As of December 31, 2005, total unrecognized compensation cost related to share-based compensation awards was approximately $9.9 million, net of estimated forfeitures, which we expect to recognize over a weighted average period of approximately 2.7 years.

Stock Options

Under all stock incentive plans, the exercise price of each stock option equals the fair market value of one share of our common stock on the date of grant, with all outstanding options having a maximum term of 10 years. Options vest ratably over a period from the end of the first to the fourth year from the date of grant under the 2001 Plan and from the end of the second to the fifth year from the date of grant under the 1996 and 1990 Plans. Each option is for the purchase of one share of our common stock.

The per share weighted average fair value of stock options granted during the three months ended December 31, 2005 and 2004 was $35.39 and $20.44, respectively. We estimated the fair value of each stock option on the date of grant using the Black-Scholes pricing model and the following assumptions:

	Three Months Ended December 31	
	2005	2004

Risk-Free Interest Rate	4.46%	4.27%
Expected Volatility	42%	35%
Expected Life (Years)	6	6
Dividend Yield	None	None

The average risk-free interest rate is based on the five-year U.S. treasury security rate in effect as of the grant date. We determined expected volatility using a 6-year historical volatility figure and determined the expected term of the stock options using 15 years of historical data. The expected dividend yield is based on the expected annual dividend as a percentage of the market value of our common stock as of the grant date.

A summary of stock option activity during the three months ended December 31, 2005 is as follows:

	Number of Options	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Life (Years)	Aggr Intr Value
Outstanding at October 1, 2005	851,650	$ 35.28		
Granted	53,000	$ 74.30		
Exercised	(61,575)	$ 29.38		$
Forfeited	-	-		
Expired	-	-		
Outstanding at December 31, 2005	843,075	$ 38.17	6.7	$
Exercisable at December 31, 2005	508,063	$ 33.70	5.6	$

Restricted Stock

We have also granted restricted stock awards to certain employees. Restrictions lapse at the end of the third year from the date of grant. We value restricted stock awards at the closing market value of our common stock on the date of grant.

A summary of restricted stock activity for the three months ended December 31, 2005 is as follows:

	Number of Shares	Wtd. Avg. Fair Value	Aggregate Intrinsic Value (000s)
Outstanding at October 1, 2005	-	$ -	
Granted	41,000	$ 74.30	
Exercised	-	-	
Forfeited	-	-	
Expired	-	-	

Outstanding at December 31, 2005	41,000	$ 74.30	$ 153

As of December 31, 2005, none of the restrictions have lapsed on these stock awards. Pursuant to the amended and restated version of our 2001 Plan approved by our shareholders on February 9, 2006, non-employee directors will be automatically granted restricted stock awards as detailed in our definitive proxy statement sent to our shareholders relating to our annual shareholders meeting and filed with the SEC on January 13, 2006.

Prior Year Pro Forma Expense

The following table illustrates the effect on net income and earnings per share as if the fair value-based method provided by SFAS 123 had been applied for all outstanding and unvested awards for periods prior to our adoption of SFAS 123(R) as of October 1, 2005 (in thousands, expect per share amounts):

	Three Months Ended December 31, 2004
Net income, as reported	$ 8,650
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(648)
Pro Forma, net income	$ 8,002
Earnings per share:	
Basic - as reported	$ 0.57
Basic - pro forma	0.53
Diluted - as reported	$ 0.56
Diluted - pro forma	0.52

3. EARNINGS (LOSS) PER COMMON SHARE

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

	Three Months Ended		
	Net Income	Shares	Per Share Amount
December 31, 2005:			
Basic earnings per share	$14,523	15,369	$ 0.94
Effect of dilutive securities -			
Stock options	---	235	$ 0.01
Diluted earnings per share	$14,523	15,604	$ 0.93
December 31, 2004:			
Basic earnings per share	$ 8,650	15,079	$ 0.57
Effect of dilutive securities -			
Stock options	---	343	$ (0.01)
Diluted earnings per share	$ 8,650	15,422	$ 0.56

The calculation of diluted earnings per share for the three month period ending December, 2005 excludes consideration of potential common shares related to 63,000 stock options because such options were anti-dilutive. These options could potentially dilute basic EPS in the future.

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4. PROPERTY AND EQUIPMENT

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

	December 31, 2005	September 30, 2005
Drilling vessels and related equipment		
Cost	$ 623,561	$ 624,118
Accumulated depreciation	(242,773)	(236,736)
	380,788	387,382
Drill pipe		
Cost	10,791	10,742
Accumulated depreciation	(8,730)	(8,407)
Net book value	2,061	2,335

Furniture and other		
Cost	7,561	7,395
Accumulated depreciation	(6,363)	(6,334)
Net book value	1,198	1,061
NET PROPERTY AND EQUIPMENT	$ 384,047	$ 390,778

In October 2005, we sold our semisubmersible hull, SEASCOUT, for $10.0 million (net after certain expenses) and our spare 15,000 P.S.I. BOP Stack for $15.0 million, resulting in an aggregate gain of approximately $9.3 million for both of these assets. We had no operations or revenues associated with these assets prior to their sale.

5. COMMITMENTS AND CONTINGENCIES

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

6. INCOME TAXES

Virtually all of our tax provision for each of the three months ended December 31, 2005 and 2004 relates to taxes in foreign jurisdictions. Accordingly, due to the high level of operating income earned in certain nontaxable and deemed profit tax jurisdictions during the three months ended December 31, 2005, our effective tax rate for the first quarter of fiscal year 2006 is significantly less than the U.S. statutory rate.

During the first quarter of fiscal year 2005, we received a $1.7 million tax refund in Malaysia related to a previously reserved tax receivable. In addition, we earned revenue from our loss of hire insurance coverage on the ATWOOD BEACON in a zero tax jurisdiction. As a result, our effective tax rate for the first quarter of fiscal year 2005 was significantly less than the U.S. statutory rate.

PART I. ITEM 2
ATWOOD OCEANICS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

All non-historical information set forth herein is based upon expectations and assumptions we deem reasonable. We can give no assurance that such expectations and assumptions will prove to be correct, and actual results could differ materially from the information presented herein. Our periodic reports filed with the SEC should be consulted for a description of risk factors associated with an investment in our common stock.

RECENT EVENT

Subsequent to filing our Form 8-K on January 30, 2006 announcing our earnings for the first quarter of the fiscal year 2006 of $0.97 and $0.94 per basic and diluted share, respectively, we determined that the tax provision needed to be increased for the quarter ended December 31, 2005 by approximately $370,000 which decreased basic earnings per share by $0.03. Diluted earning per share, however, only decreased by $0.01 as the effect of the tax provision increase was partially offset by an update in the number of shares used in the diluted earnings per share calculation. These changes reduced basic and diluted earnings per share for the first quarter of fiscal year 2006 to $0.94 and $0.93, respectively.

MARKET OUTLOOK

There continues to be very strong demand for offshore drilling equipment, with all of our eight drilling units having contractual dayrate commitments that are the highest in their respective histories. Currently, we have 100% of available rig days for the remainder of fiscal year 2006 contracted, with contracted rig days for fiscal year 2007 and 2008 at 80% and 53%, respectively. A comparison of the average per day revenues for fiscal year 2005 and for the first quarter of fiscal year 2006 for each of our eight drilling units to their current highest contracted dayrate commitment is as follows:

	Average Per Day Revenues for			
	Fiscal Year 2005	First Quarter Fiscal Year 2006	Current Highest Contracted Dayrate Commitment	Percentage Change fro First Quart Fiscal Year 2
ATWOOD HUNTER	$61,000	$112,000	$245,000	
ATWOOD EAGLE	95,000	87,000	420,000	
ATWOOD FALCON	82,000	74,000	200,000	
ATWOOD SOUTHERN CROSS	42,000	65,000	125,000	
ATWOOD BEACON	66,000	64,000	133,500	
VICKSBURG	65,000	73,000	94,500	
SEAHAWK	45,000	50,000	68,430	
RICHMOND	33,000	42,000	80,000	

The ATWOOD HUNTER is currently working offshore Egypt at a dayrate of $125,000 on a drilling program that is expected to be completed in April or May

2006. Immediately upon the rig completing its current drilling program, it will commence a two year drilling program at dayrates of $240,000 to $245,000. The ATWOOD EAGLE is currently working offshore Australia at a dayrate of $160,000. It has contractual commitments offshore Australia at dayrates ranging from $150,000 to $420,000 (except for a one-well commitment remaining at a dayrate of $89,000) that could keep the rig employed through fiscal year 2008. The ATWOOD FALCON is currently working offshore Malaysia at a dayrate of $93,000. It has a contractual commitment offshore Malaysia at dayrates ranging from $93,000 to $200,000 (except for a one-well commitment remaining at a dayrate of $53,000) which could extend through the first half of fiscal year 2009. This contractual commitment requires the rig to undergo an upgrade to extend its water depth drilling capabilities from 3,700 feet to 5,000 feet. The customer will pay $24 million of the cost of the upgrade along with payment of a $90,000 dayrate during the upgrade period. We expect to pay the balance of $6 million of the upgrade out of cash flow. The ATWOOD SOUTHERN CROSS has completed its approximate $7 million equipment upgrade and has commenced drilling offshore Italy at a dayrate of $70,000. The rig has drilling commitments at dayrates ranging from $70,000 to $125,000 that should extend to the end of calendar year 2006. Currently, the ATWOOD BEACON is working offshore Vietnam at a dayrate of $77,000 on a drilling program that could extend into the fourth quarter of fiscal year 2006. Immediately upon completion of its current drilling program, the rig will make a brief stop in Singapore to have its final section of legs installed and will then be relocated to India to commence a 25-month contract at dayrates ranging from $113,000 to $133,500. The VICKSBURG is currently working offshore Southeast Asia at a dayrate of $87,000. It has contract commitments offshore Southeast Asia at dayrates ranging from $82,000 to $94,500 that should extend into the third quarter of fiscal year 2007. The SEAHAWK, with a current dayrate of $50,000, is scheduled to enter a shipyard in Southeast Asia during the second quarter of fiscal year 2006 to undergo a $16 million upgrade. Following the upgrade, the rig will be relocated to offshore West Africa to commence a 730 day (plus four six-month options) drilling program at a dayrate of $68,430. The rig could be off dayrate for approximately five months while undergoing the upgrade and relocation to offshore Africa. Our only rig in the U.S. Gulf of Mexico, the RICHMOND, has a current contract commitment at dayrates ranging from $45,000 to $80,000 which could extend to May/June 2007. Its current dayrate is $45,000.

With the current strong market environment supporting high equipment utilization and historical high dayrates for all of our eight drilling units, we expect significantly improved cash flows and operating results in fiscal year 2006 compared to fiscal year 2005. Our current total debt to capitalization ratio (debt/(debt + equity)) is 18% as of December 31, 2005 compared to 20% as of September 30, 2005. As we pay off the term portion of our Credit Facility, this ratio will continue to decline unless we have borrowings under the revolving portion of our Credit Facility which exceed the amounts we pay down under the term portion of our Credit Facility. We do not expect to borrow under the revolving portion of our Credit Facility unless we identify an acceptable growth opportunity, and only to the extent we do not fund any required amounts out of cash flow.

We continue to evaluate growth opportunities, and on January 31, 2006, our wholly-owned subsidiary, AOPL, executed a letter of intent with Keppel AmFELS, Inc. for the construction of a mobile self-elevating LeTourneau SUPER 116 Jack-up. In conjunction therewith, AOPL has also secured an option to purchase from Letourneau, Inc. a SUPER 116 KIT which will be required for the construction of the new rig. If constructed, the new rig will be an ultra-premium class jack-up, suited for operations throughout most of the world.

The new rig would be constructed at the Keppel AmFELS yard in Brownsville, Texas, and delivery is expected to occur no later than September 30, 2008. AOPL estimates the total cost of construction (including administrative and overhead costs and capitalized interest) would be between $150 million to $160 million, depending upon the possible enhancements, and subject to any additional modifications which would be addressed via change orders. We expect to finance the new rig from expected cash on hand balances and, if necessary, from the revolving portion of our Credit Facility.

The construction of the new rig is subject to execution of customary definitive agreements with Keppel AmFELS and LeTourneau. The new rig is not presently under contract and upon delivery, would be our ninth owned mobile offshore drilling unit.

RESULTS OF OPERATIONS

Revenues for the three months ended December 31, 2005 increased 22% compared to the three months ended December 31, 2004. A comparative analysis of revenues is as follows:

	REVENUES (In millions)		
	Three Months Ended December 31,		
	2005	2004	Variance
ATWOOD HUNTER	$ 10.3	$ 5.6	$ 4.7
ATWOOD SOUTHERN CROSS	6.0	3.6	2.4
RICHMOND	3.9	2.7	1.2
VICKSBURG	6.7	5.9	0.8
SEAHAWK	4.6	4.4	0.2
ATWOOD EAGLE	8.0	8.5	(0.5)
ATWOOD BEACON	5.9	6.4	(0.5)
ATWOOD FALCON	6.8	7.7	(0.9)
MANAGEMENT CONTRACTS	3.2	0.6	2.6
	$ 55.4	$ 45.4	$ 10.0

The increase in revenue for the ATWOOD HUNTER was due to starting a new contract offshore of Egypt approximately November 1, 2005 at a dayrate of $125,000 while earning a dayrate of $62,000 for the first month of fiscal year 2006 and all of the last quarter of fiscal year 2005. The ATWOOD SOUTHERN CROSS earned $2.9 million of mobilization revenue amortization during the current quarter compared to none in the prior year quarter. This increase was partially offset by approximately 50% utilization at $60,000 per day during the first quarter of fiscal year 2006 compared to 100% utilization at $40,000 per day during the first quarter of fiscal year 2005. The increase in revenue for the RICHMOND was due to an increase in average dayrate from $29,000 in the prior year quarter to $42,000 in the current year quarter. The average dayrate for the

VICKSBURG for the first quarter of fiscal year 2006 was $73,000 as the rig started a new contract offshore Myanmar at $92,000 per day compared to an average dayrate of $64,000 during the first quarter of fiscal year 2005. First quarter of fiscal year 2006 revenues for the SEAHAWK, ATWOOD EAGLE and ATWOOD BEACON were comparable to the same period for in the prior year. Revenues for the ATWOOD FALCON decreased in the first quarter of fiscal year 2006 due to a decrease in the average dayrate from $84,000 to $74,000 as the rig was, and still is, drilling the final well of a prior contractual commitment at a reduced dayrate offshore Malaysia. As one of our managed platform rigs in Australia is scheduled to commence a new drilling program during calendar year 2006, service activities for our management contracts have increased accordingly.

Contract drilling costs for the three months ended December 31, 2005 increased 34% compared to the three months ended December 31, 2004. An analysis of contract drilling costs by rig is as follows:

CONTRACT DRILLING COSTS
(In millions)

	Three Months Ended December 31,		
	2005	2004	Variance
ATWOOD SOUTHERN CROSS	$ 5.5	$ 3.0	$ 2.5
VICKSBURG	3.5	2.5	1.0
ATWOOD HUNTER	3.7	2.9	0.8
ATWOOD EAGLE	6.0	5.3	0.7
ATWOOD FALCON	3.8	3.3	0.5
RICHMOND	2.4	2.0	0.4
SEAHAWK	2.4	2.4	-
ATWOOD BEACON	2.4	2.4	-
MANAGEMENT CONTRACTS	2.8	0.7	2.1
OTHER	1.3	0.7	0.6
	$ 33.8	$ 25.2	$ 8.6

The increase in drilling costs for the ATWOOD SOUTHERN CROSS resulted from $2.8 million of mobilization expense amortization in the first quarter of fiscal year 2006, while there was none during the first quarter of fiscal year 2005. Before relocating to its next contract, the VICKSBURG entered a shipyard for approximately 5 days during the current quarter to undergo planned inspections and maintenance, which accounts for its increase in drilling costs. The increase in drilling costs for the ATWOOD HUNTER, ATWOOD EAGLE, ATWOOD FALCON and RICHMOND are primarily attributable to 3 areas: rising personnel costs due to wage increases, rising insurance costs due to increased premiums and increase repairs and maintenance expenses due to the amount and timing of various repairs and maintenance projects. The SEAHAWK and ATWOOD BEACON also experienced increased personnel and insurance costs, but these costs were offset by decreased repairs and maintenance expenses when compared to the prior year quarter. As previously mentioned, one of our managed platform rigs in Australia is scheduled to commence a new drilling program during calendar year 2006, and service activities for our management contracts have increased accordingly. Other drilling costs have increased due to the recording of $0.2 million of stock option compensation expense for field personnel during the current quarter compared to none in the prior year quarter.

An analysis of depreciation expense by rig for the three months ended December 31, 2005 compared to the three months ended December 31, 2005 is as follows:

	DEPRECIATION EXPENSE (In millions)		
	Three Months Ended December 31,		
	2005	2004	Variance
ATWOOD BEACON	$ 1.3	$ 1.2	$ 0.1
SEAHAWK	0.2	0.1	0.1
ATWOOD FALCON	0.7	0.7	-
VICKSBURG	0.7	0.7	-
ATWOOD HUNTER	1.3	1.3	-
RICHMOND	0.2	0.2	-
ATWOOD EAGLE	1.2	1.2	-
ATWOOD SOUTHERN CROSS	0.7	1.1	(0.4)
OTHER	0.1	0.0	0.1
	$ 6.4	$ 6.5	$ (0.1)

In accordance with our company policy, no depreciation expense was recorded during the month of December for the SOUTHERN CROSS as the rig was undergoing a life enhancing upgrade whereby the useful life of the rig will be extended from approximately 2 to 5 years in early calendar year 2006.

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General and administrative expenses for the first quarter of fiscal year 2006 increased compared to the first quarter of the prior fiscal year primarily due recording approximately $0.7 million of stock option compensation expense, an approximate $0.6 million increase in annual bonus compensation, and $0.8 million higher professional fees primarily related to Sarbanes-Oxley Act compliance fees. We expect our general and administrative expenses to remain at a higher level than reported in prior periods due to stock option compensation expense (refer to Note 2). Although the level of our outstanding debt has been reduced significantly from the prior fiscal year, interest expense has only decreased slightly due to rising interest rates.

Virtually all of our tax provision for each of the three months ended December 31, 2005 and 2004 relates to taxes in foreign jurisdictions. Accordingly, due to the high level of operating income earned in certain nontaxable and deemed profit tax jurisdictions during the three months ended December 31, 2005, our effective tax rate for the first quarter of fiscal year 2006 is significantly less than the U.S. statutory rate. However this rate is higher when compared to the prior year quarter as we received a $1.7 million tax refund in Malaysia related to a previously reserved tax receivable during the first quarter of fiscal year 2005. Excluding any discrete items that may be incurred, we expect our effective tax rate to be approximately 10-15% for fiscal year 2006.

Looking forward, we expect to reverse a $1.8 million tax contingent liability in the third quarter of fiscal year 2006 due to the expiration of a statute of limitations in a foreign jurisdiction. If this occurs, it will reduce our tax provision in that quarterly period.

LIQUIDITY AND CAPITAL RESOURCES

Since we operate in a very cyclical industry, maintaining high equipment utilization in up, as well as down, cycles is a key factor in generating cash to satisfy current and future obligations. For fiscal years 2000 through 2005, net cash provided by operating activities ranged from a low of approximately $13.7 million in fiscal year 2003 to a high of approximately $62.3 million in fiscal year 2001. Our operating cash flows are primarily driven by our operating income, which reflects dayrates and rig utilization. With currently having 100% and 80% of our available operating rig days committed for fiscal years 2006 and 2007, respectively, at historically high dayrates, we anticipate significant improvement in cash flows and earnings during fiscal years 2006 and 2007. Other than our expected capital expenditures of $60 million to $65 million for fiscal year 2006, the only additional firm cash commitment for fiscal year 2006, outside of funding current rig operations, is our required quarterly repayments under the term portion of our senior secured Credit Facility which will total $36 million for fiscal year 2006. We expect to generate sufficient cash flows from operations to satisfy these obligations.

If AOPL enters into a definitive agreement to construct the newbuild mobile self-elevating LeTourneau SUPER 116 Jack-up, our capital expenditures for fiscal year 2006 will increase by approximately $9 million in connection with the exercise of the option to purchase the related SUPER 116 KIT and by any additional amounts owed under the definitive construction agreement, which will not be determined if and until AOPL enters into the definitive construction agreement. We expect to finance the new rig from expected cash flows from operations and, if necessary, from the revolving portion of our Credit Facility.

As of December 31, 2005, we only have $81 million outstanding under the term portion of our Credit Facility, with approximately $99 million of available borrowing capacity under the $100 million revolving portion of our Credit Facility. We are in compliance with all financial covenants at December 31, 2005, and expect to remain in compliance with all financial covenants during fiscal year 2006. Aside from the financial covenants, no other provisions exist in the Credit Facility that could result in acceleration of the April 1, 2008 maturity date.

At December 31, 2005, the collateral for our Credit Facility consists primarily of preferred mortgages on all eight of our active drilling units (with an aggregate net book value at December 31, 2005 totaling approximately $380 million). We are not required to maintain compensating balances; however, we are required to pay a fee of approximately 0.70% per annum on the unused portion of the revolving loan facility and certain other administrative costs.

In October 2005, we sold our semisubmersible hull, SEASCOUT, for $10 million (net after certain expenses) and our spare 15,000 P.S.I. BOP Stack for approximately $15 million. The gain on the sales of these assets totaled approximately $9.3 million in the aggregate. The $25.2 million in cash from these sales has increased our current cash and cash equivalents on hand to approximately $43.7 million as of December 31, 2005.

Our portfolio of accounts receivable is comprised of major international corporate entities with stable payment experience. Historically, we have not encountered significant difficulty in collecting receivables and typically do not require collateral for our receivables. The insurance receivable of $0.6 million at December 31, 2005 relates to repairs to be made to the ATWOOD BEACON. During fiscal year 2006, we plan to complete the remaining work to restore the rig to its pre-incident condition at which time we expect to collect the associated remaining $0.6 million insurance receivable. We have a $0.1 million allowance for doubtful accounts at December 31, 2005 due to a delinquent account with one specific client.

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PART I. ITEM 3

ATWOOD OCEANICS, INC. AND SUBSIDIARIES
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

INTEREST RATE RISK

With the interest rate on our long-term debt under our Credit Facility at a floating rate, the outstanding long-term debt of $81 million at December 31, 2005 approximates its fair value. The impact on annual cash flow of a 10% change in the floating rate (approximately 60 basis points) would be approximately $0.5 million, which we do not believe to be material. We did not have any open derivative contracts relating to our floating rate debt at December 31, 2005.

FOREIGN CURRENCY RISK

Certain of our subsidiaries have monetary assets and liabilities that are denominated in a currency other than their functional currencies. Based on December 31, 2005 amounts, a decrease in the value of 10% in the foreign currencies relative to the U.S. dollar from the year-end exchange rates would result in a foreign currency transaction loss of approximately $0.4 million. Thus, we consider our current risk exposure to foreign currency exchange rate movements, based on net cash flows, to be immaterial. We did not have any open derivative contracts relating to foreign currencies at December 31, 2005.

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PART I. ITEM 4
ATWOOD OCEANICS, INC. AND SUBSIDIARIES
CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

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

PART II. OTHER INFORMATION
ATWOOD OCEANICS, INC. AND SUBSIDIARIES

ITEM 6. EXHIBITS

(a) Exhibits

3.1.1 Restated Articles of Incorporation dated January 1972 (Incorporated herein by reference to Exhibit 3.1.1 of our Form 10-K for the year ended September 30, 2002).

3.1.2 Articles of Amendment dated March 1975 (Incorporated herein by reference to Exhibit 3.1.2 of our Form 10-K for the year ended September 30, 2002).

3.1.3 Articles of Amendment dated March 1992 (Incorporated herein by reference to Exhibit 3.1.3 of our Form 10-K for the year ended September 30, 2002).

3.1.4 Articles of Amendment dated November 1997 (Incorporated herein by reference to Exhibit 3.1.4 of our Form 10-K for the year ended September 30, 2002).

3.1.5 Certificate of Designations of Series A Junior Participating Preferred Stock of Atwood Oceanics, Inc. dated October 17, 2002 (Incorporated herein by reference to Exhibit 3.1.5 of our Form 10-K for the year ended September 30, 2002).

3.2 Bylaws, as amended and restated, dated January 1993 (Incorporated herein by reference to Exhibit 3.2 of our Form 10-K for the year ended September 30, 1993).

4.1 Rights Agreement dated effective October 18, 2002 between the Company and Continental Stock & Transfer & Trust Company (Incorporated herein by reference to Exhibit 4.1 of our Form 8-A filed October 21, 2002).

*31.1	Certification of Chief Executive Officer
*31.2	Certification of Chief Financial Officer
*32.1	Certificate of Chief Executive Officer pursuant to Section 906 of Sarbanes - Oxley Act of 2002.
*32.2	Certificate of Chief Financial Officer pursuant to Section 906 of Sarbanes - Oxley Act of 2002.

*Filed herewith

SIGNATURES

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

ATWOOD OCEANICS, INC.
(Registrant)

Date: February 9, 2006

/s/JAMES M. HOLLAND_

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

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1.1	Restated Articles of Incorporation dated January 1972 (Incorporated herein by reference to Exhibit 3.1.1 of our Form 10-K for the year ended September 30, 2002).
3.1.2	Articles of Amendment dated March 1975 (Incorporated herein by reference to Exhibit 3.1.2 of our Form 10-K for the year ended September 30, 2002).
3.1.3	Articles of Amendment dated March 1992 (Incorporated herein by reference to Exhibit 3.1.3 of our Form 10-K for the year ended September 30, 2002).

3.1.4	Articles of Amendment dated November 1997 (Incorporated herein by reference to Exhibit 3.1.4 of our Form 10-K for the year ended September 30, 2002).
3.1.5	Certificate of Designations of Series A Junior Participating Preferred Stock of Atwood Oceanics, Inc. dated October 17, 2002 (Incorporated herein by reference to Exhibit 3.1.5 of our Form 10-K for the year ended September 30, 2002).
3.2	Bylaws, as amended and restated, dated January 1, 1993 (Incorporated herein by reference to Exhibit 3.2 of our Form 10-K for the year ended September 30, 1993).
4.1	Rights Agreement dated effective October 18, 2002 between the Company and Continental Stock & Transfer & Trust Company (Incorporated herein by reference to Exhibit 4.1 of our Form 8-A filed October 21, 2002).
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*32.2	Certificate of Chief Financial Officer pursuant to Section 906 of Sarbanes - Oxley Act of 2002.

*Filed herewith

EXHIBIT 31.1

CERTIFICATIONS

I, John R. Irwin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atwood Oceanics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and

15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2006

/s/ JOHN R. IRWIN
John R. Irwin
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, James M. Holland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Atwood Oceanics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors

(or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2006

/s/ JAMES M. HOLLAND
James M. Holland
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Atwood Oceanics, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Irwin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented.

Date: February 9, 2006

/s/ JOHN R. IRWIN
John R. Irwin
President and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Atwood Oceanics, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James M. Holland, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented.

Date: February 9, 2006

/s/JAMES M. HOLLAND
James M. Holland
Senior Vice President and
Chief Financial Officer