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Buy Recommendation Attribute: Growth Report Date:	Duncansville, PA 16635 Phone: 814-693-5093 www.vimcor.com

Patterson UTI Energy, Inc.	
Ticker:	PTEN
Price:	\$22.67
Avg Daily Volume:	3,358,940
12 mth Price Target:	\$ 31.00

52 WK Price Range:	\$20.89 – 38.49
Dividend:	\$ 0.32
Current Yield:	1.46%

Earnings				
	FY 2005	Ltst 12 Mths	FY 2006 (E)	FY 2007 (E)
EPS	\$ 0.56	\$ 3.35	\$2.22	\$ 4.14
P/E	40.48x	6.7 x	10.2 x	5.5 x

VAL MODEL	P/E Least Growth Rate	<u>EPS COMPOUND GROWTH RATE</u>				
		Past 5 Years	Latest Quarter	This Year	Next Year	Next 5 Years
125 %	0.47 x	14 %	64 %	296 %	87 %	45 %

BASIS OF RECOMMENDATION

Patterson UTI Energy provides contract-drilling services to major and independent oil and gas companies. PTEN exhibits great growth potential, although, a slow down in the energy markets may slow it down a bit. I believe the current price, at \$22.67, down from a high of \$38.49 helps to alleviate any price risk due to slower growth. Given the low price to smallest growth rate (P/E Least), PTEN exhibits a large upside from current price levels.

POSITIVES

- * Strong, \$353mm in working capital available.
- * No long-term debt.
- * Strong EPS growth (historically and estimated)

NEGATIVES

- * CFO has embezzled funds from the company... these funds may not be fully recoverable.
- * Income is highly dependent on the price of oil and natural gas. We may have entered a period of price increase slow downs in the sector.

Patterson UTI Energy, Inc.

Company Overview

PTEN is an energy drilling and exploration services company. In addition, it owns over 403 land based drilling rigs producing oil and natural gas, the company has averaged 295 of these rigs operating on a daily bases during the quarter. The company operates in four segments of drilling industry. These segments are: Contract Drilling (\$531,904,000 revenues), Pressure Pumping (\$36,010,000), Drilling and Completion Fluids (\$ 60,098,000), and Oil and Natural Gas (\$ 10,577,000).

PTEN reported revenues of \$686,313,000 for the quarter ending 6/30/06, vs. \$389,922,000 (6/30/05), an increase of 76%. Net income was \$171,690,000 vs. \$74,026,000, an increase of 131%. This reflects a slower increase in operating expenses vs. the increase in revenues. Expenses increased from \$273,271,000 to \$367,900,000, or 34.62%.

Embezzlement

PTEN has the unfortunate experience of having a corrupt CFO. The CFO had been embezzling funds from the company for the past five years, and had made off with \$77.5 million. The company is examining the assets of the CFO to determine the amount that is recoverable, but believes other creditors may take a portion of the recovered amounts.

Industry Overview

The Oil industry has seen some sharp increases in the price of a barrel of oil, and natural gas prices have also increased in the past few years. The question is: will these prices hold going forward.

We have all heard about the shortage of oil.... It has been disappearing since the 70's, and it is true that it is getting harder and harder to find new reserves and more expensive to bring those reserves to market. Despite short-term price decreases, the price of energy will continue to rise for the foreseeable future, and this bodes well for PTEN.

Worldwide reserves (oil and gas) remained flat in 2005. This is a result of increased production helping to offset increased demand. Well drilling increased 8.9% during the year, 11% outside of the US. Canada experienced a drilling 'boom,' but predictions of a mild winter and gas storage concerns may result in a decrease in the number of planned drillings.

Offsetting a possible slowing in Canada, the Mexican drilling market continues to grow at a rapid pace. Even with increased drilling, Mexico suffered an 8% drop in reserves.

Summary

As you can see from the models below, the VIMCOR valuation model is predicting a 429% change; however, as with all computer driven models, some data can be misleading and needs to be adjusted. A case in point is the High Relative P/E field, showing a high of 6.48 x the SP Trailing 12 P/E Ratio. PTEN is not going to trade at 103x earnings. It may have hit this type of high when EPS was low due to losses or write offs, but this is not a normal P/E Ratio.

Therefore, my price target takes in to account and adjusts for these discrepancies. My 12-month target is \$31.00, and PTEN is rated as 'Buy.'

NOTE: This report is utilized as an internal investment-tracking vehicle. It is not an offer to buy or sell these securities. VIMCOR may hold these securities in client accounts, and may purchase or sell them without notice. This report is an overview and summary of the process that went into the investment decision-making steps followed to determine a rating on this particular equity.

PATTERSON-UTI ENERGY

S&P Stock Rank	B-
S&P Safety Rank:	
Beta	0.87

Ticker: PTEJ	P/E 6.5	Price 21.930	Date: 10/04/06
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1997	1998	1999	2000	2001	2002	2003	2004	2005	
3.78	16.31	10.00	8.38	19.75	20.69	17.30	18.49	20.45	High Price
1.41	2.75	1.72	1.30	5.81	5.53	9.44	12.57	14.52	Low Price

Price Chart



Patterson-UTI Energy, Inc. (Patterson-UTI) is a provider of onshore contract drilling services to major and independent oil and natural gas operators in Texas, New Mexico, Oklahoma, Louisiana, Mississippi, Colorado, Utah, Wyoming, Montana, North Dakota, South Dakota and Western Canada. As of December 31, 2005, it owned 403 drilling rigs. The Company provides pressure pumping services to oil and natural gas operators primarily in the Appalachian Basin. The Company provides drilling fluids, completion fluids and related services to oil and natural gas operators offshore in the Gulf of Mexico, and on land in Texas, Southeastern New Mexico, Oklahoma and the Gulf Coast region of Louisiana. It conducts its business through four segments: contract drilling of oil and natural gas wells, pressure pumping services, and drilling and completion fluids services to operators in the oil and natural gas industry, and the exploration, development, acquisition and production of oil and natural gas.

Capital Structure, as of 06/30/06	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	
Sector: Oil & Gas Drilling	2.12	3.08	2.95	2.32	4.14	6.43	3.30	4.79	5.94	10.09	Revenues Per Share
Total Debt \$0.00	0.38	0.65	0.51	0.30	0.78	1.68	0.61	0.94	1.29	3.14	Cash Flow/Share
ST Debt \$0.00	0.11	0.38	0.00	-0.14	0.33	1.09	0.04	0.33	0.56	2.22	Earnings/Share
Insider Holdings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.16	Div's/Share
Inst Holdings											Cap Ex/Share
Mkt Cap \$1,745.97	1.10	2.37	2.48	2.34	4.07	4.47	4.61	5.06	5.71	7.93	Book Value/Share
	39.55	61.94	63.34	65.35	74.35	153.91	160.14	161.95	168.51	172.44	Common Out
	24.5	25.4	1,171.9	-34.5	38.7	12.0	381.9	47.1	31.2	12.1	Avg Ann P/E
						0.49	19.55	2.75	1.79		Rel P/E
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.16	0.73	Div. Yield
	84	191	187	152	308	990	528	776	1001	1740	Revs (\$mill)
	2	35	0	-13	38	280	9	86	149	605	Net Inc
	111.75	36.65	-36.40	32.44	37.90	38.26	33.39	36.63	36.47	36.22	Tax Rate
	5.10	11.66	-0.17	-6.01	7.66	17.44	1.08	7.00	9.47	22.16	Net Profit Margin
	59.20	14.83	30.05	32.72	6.59	0.00	0.00	0.00	0.0	0.0	Long-Term Debt Ratio
	9.8	15.1	-0.2	-6.0	7.8	25.1	0.8	6.6	9.9	28.2	ROE
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.7	7.2	Pay Out Ratio

