

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 12/12/13 for the Period Ending 12/12/13

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
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SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil & Gas Drilling
Sector	Energy
Fiscal Year	09/30

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

FORM 8-K

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

DATE OF EARLIEST EVENT REPORTED: **December 12, 2013**

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

State of Incorporation: **Delaware**

COMMISSION FILE NUMBER **1-4221**

Internal Revenue Service — Employer Identification No. **73-0679879**

1437 South Boulder Avenue, Suite 1400, Tulsa, Oklahoma 74119
(Address of Principal Executive Offices)

(918)742-5531

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 7.01 REGULATION FD DISCLOSURE

Helmerich & Payne, Inc. (the “Company”) will discuss information to be distributed in investor meetings that includes the slides attached as Exhibit 99.1 to this Current Report on Form 8-K, which are incorporated herein by reference.

This information is not “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing made pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. The furnishing of these slides is not intended to constitute a representation that such information is required by Regulation FD or that the materials they contain include material information that is not otherwise publicly available.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Slides to be distributed in investor meetings.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly authorized the undersigned to sign this report on its behalf.

HELMERICH & PAYNE, INC.
(Registrant)

/s/ Steven R. Mackey
Steven R. Mackey
Executive Vice President

DATE: December 12, 2013

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Slides to be distributed in investor meetings.

3



Helmerich & Payne, Inc.

Capital One Southcoast, Inc.

2013 Energy Conference

December 12, 2013

Forward-looking Statements

Statements within this presentation are “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and are based on current expectations and assumptions that are subject to risks and uncertainties. All statements other than statements of historical facts included in this release, including, without limitation, statements regarding the registrant’s future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward looking statements. For information regarding risks and uncertainties associated with the Company’s business, please refer to the “Risk Factors” and “Management’s Discussion & Analysis of Financial Condition and Results of Operations” sections of the Company’s SEC filings, including but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q. As a result of these factors, Helmerich & Payne, Inc.’s actual results may differ materially from those indicated or implied by such forward-looking statements. We undertake no duty to update or revise our forward-looking statements based on changes in internal estimates, expectations or otherwise, except as required by law.



HELMERICH & PAYNE, INC.



A Quick Primer on Helmerich & Payne

- U.S. land drilling market share leader
- Focused on innovation and returns on capital
- Leader in ongoing industry land rig replacement cycle
- Most modern and capable land drilling fleet
- Strong balance sheet

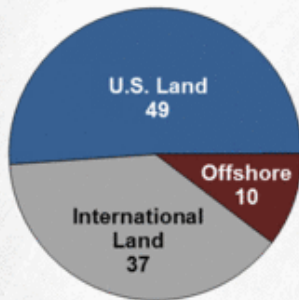




Evolution of H&P's Global Rig Fleet

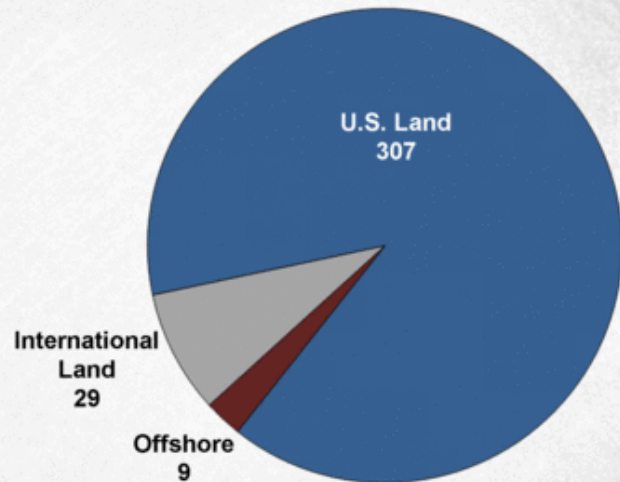
96 Rigs

(Before AC Drive Rigs)



December 2001

345 Rigs



December 2013





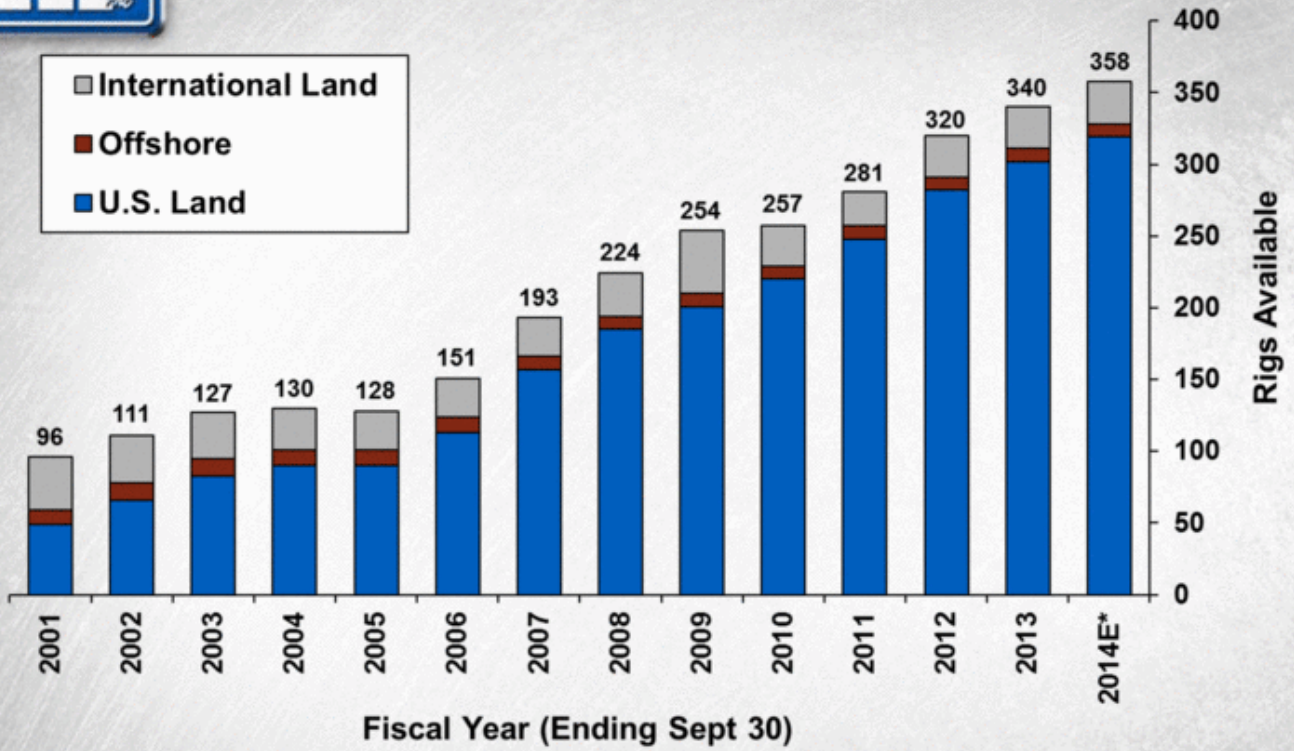
Announcing Five Additional New Builds

- Five incremental FlexRigs with multi-year term contracts with two customers in the U.S.
- Since the beginning of fiscal 2014, we have now announced term contracts for 18 new FlexRigs with six customers in the U.S.
- As of December 11, 2013, six of the 18 announced FlexRigs have already been delivered.
- Once the remaining rigs are completed, the Company's global fleet is expected to include 319 FlexRigs.





H&P's Global Rig Fleet



* Estimates include existing rigs and announced new build commitments





H&P Activity as of December 11, 2013

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	307	261	85%
AC Drive FlexRigs	274	261	95%
SCR Fleet	33	0	0%
Offshore	9	8	89%
International Land	<u>29</u>	<u>23</u>	<u>79%</u>
Total	345	292	85%
FlexRig Construction ⁽¹⁾	12		
Other AC Construction ⁽²⁾	1		
Total Fleet	358		

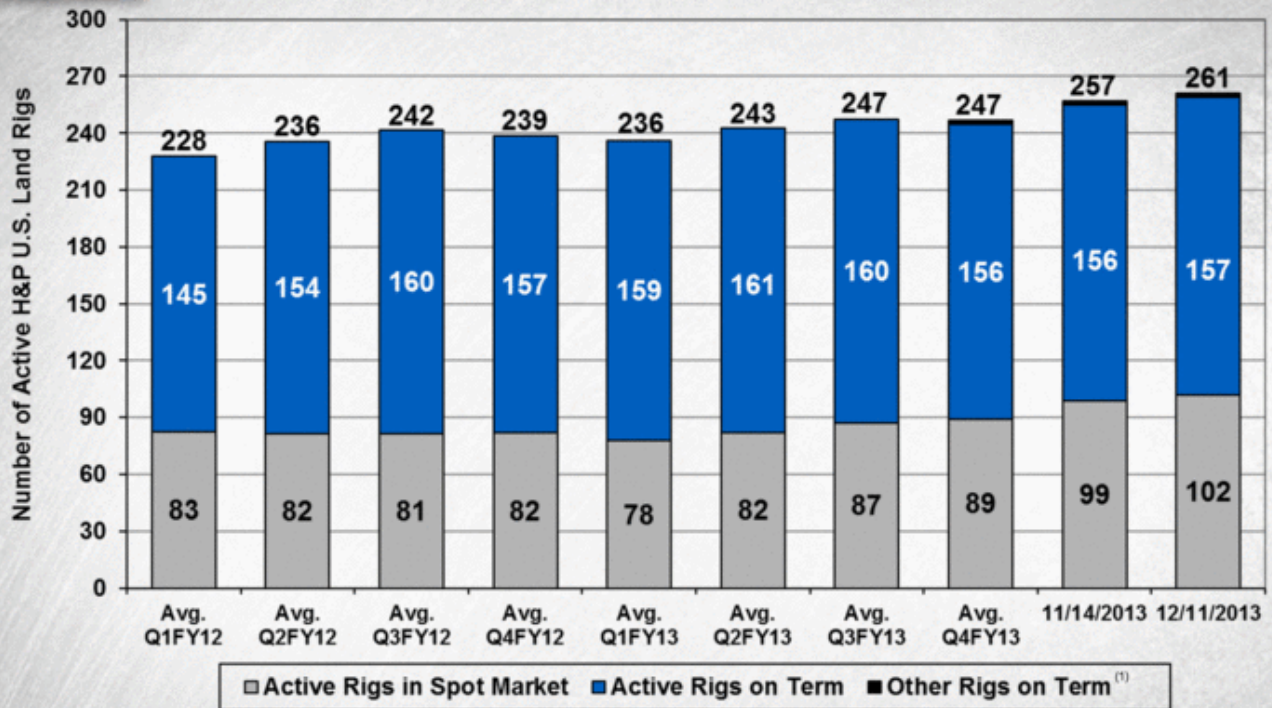
(1) Includes announced new build commitments under term contracts.

(2) Includes an announced 3,000 horsepower AC new build under term contract with international delivery expected in Spring 2014.





H&P's U.S. Land Fleet Activity



(1) Includes completed new builds pending delivery and not generating revenue days.





H&P's U.S. Land Operations

Drilling Operations Outlook for the First Quarter of Fiscal 2014

- We now expect total quarterly revenue days to increase by approximately 4% (up from our prior estimate of 3%) during the first fiscal quarter of 2014 as compared to the fourth fiscal quarter of 2013.
- We still expect average rig revenue per day, excluding early termination and delay revenues, to decline by less than 1% during the first fiscal quarter of 2014 as compared to the fourth fiscal quarter of 2013.
- Approximately \$10 million in early termination and delivery delay revenue is still expected in the first fiscal quarter of 2014.
- We still expect average rig expense per day to be roughly \$13,000 (with a range of plus or minus a few percentage points) in the first fiscal quarter of 2014.





H&P's Offshore Operations

Drilling Operations Outlook for the First Quarter of Fiscal 2014

- We continue to expect the number of revenue days during the first fiscal quarter of 2014 to be flat as compared to the fourth fiscal quarter of 2013.
- We now expect the average rig margin per day to result in approximately \$26,000 per day during the first fiscal quarter of 2014 (up from our 11/14/13 estimate of approximately \$25,000).





H&P's International Land Operations

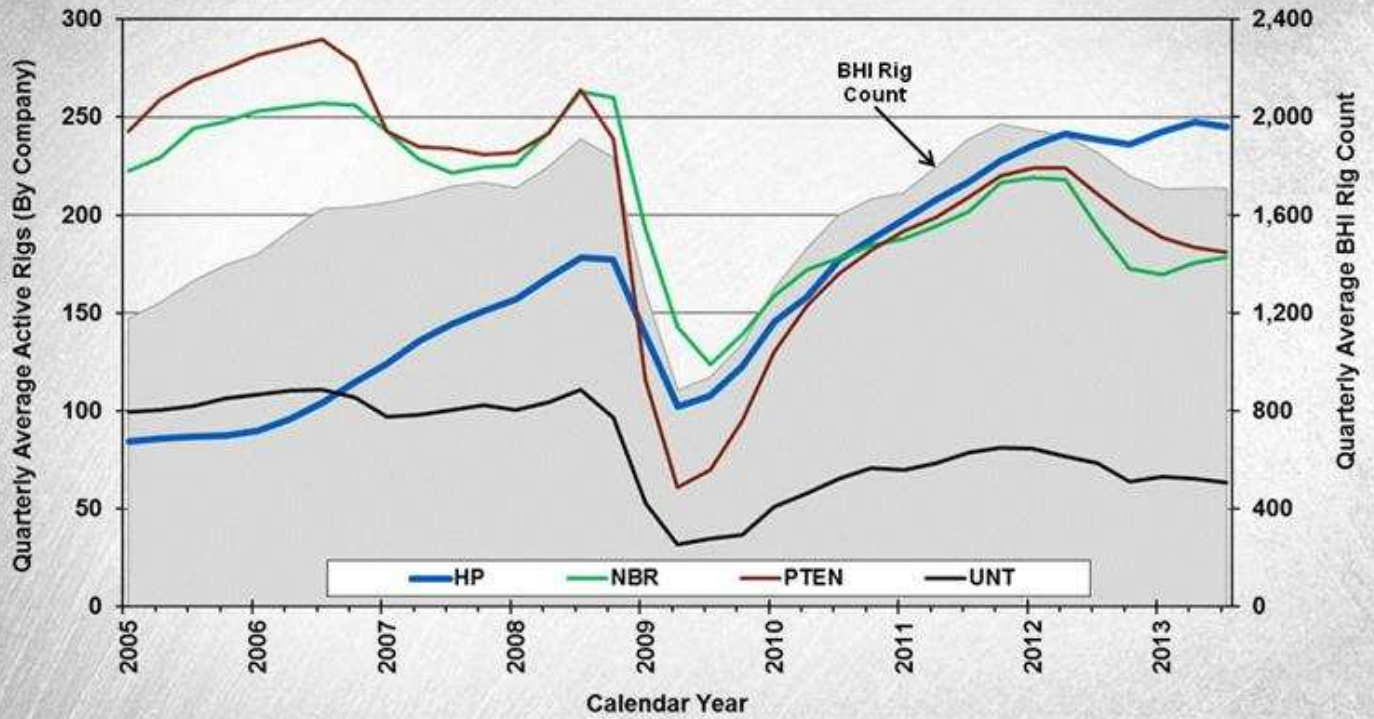
Drilling Operations Outlook for the First Quarter of Fiscal 2014

- We still expect revenue days during the first fiscal quarter to decline by approximately 10% as compared to the fourth fiscal quarter of 2013.
- Average rig margin per day is still expected to be relatively flat during the first fiscal quarter of 2014 as compared to the previous fiscal quarter.





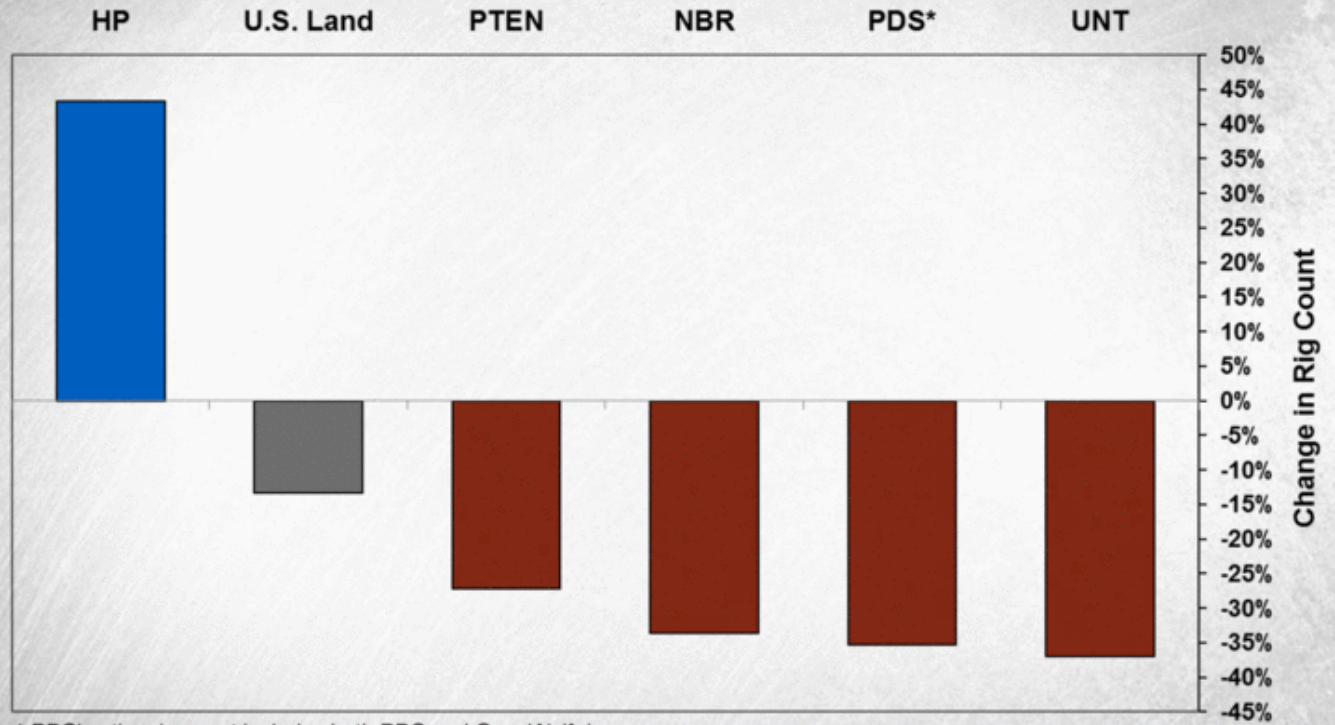
U.S. Land Active Rig Count





Changes in Lower 48 U.S. Land Rig Count

Estimated Change Since 2008 Peak in Active U.S. Land Rigs
(Rig Data Weekly Rig Count - October 2008 to December 2013)



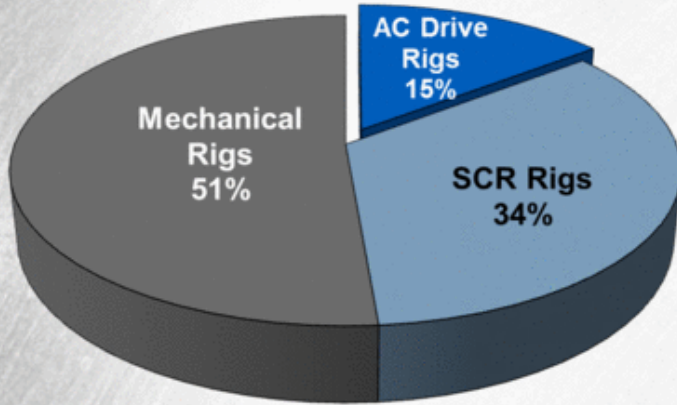
* PDS' active rig count includes both PDS and Grey Wolf rigs.



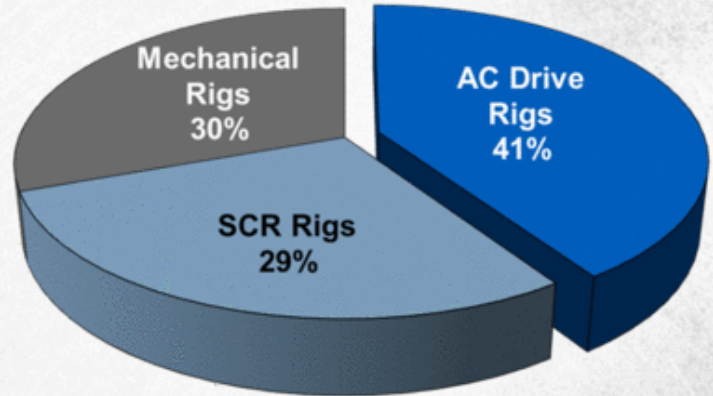


The Replacement Cycle Continues

As of October 2008 (Peak)
(~1,900 Active Rigs in U.S. Land
By Power Type)



As of December 2013
(~1,670 Active Rigs in U.S. Land
By Power Type)

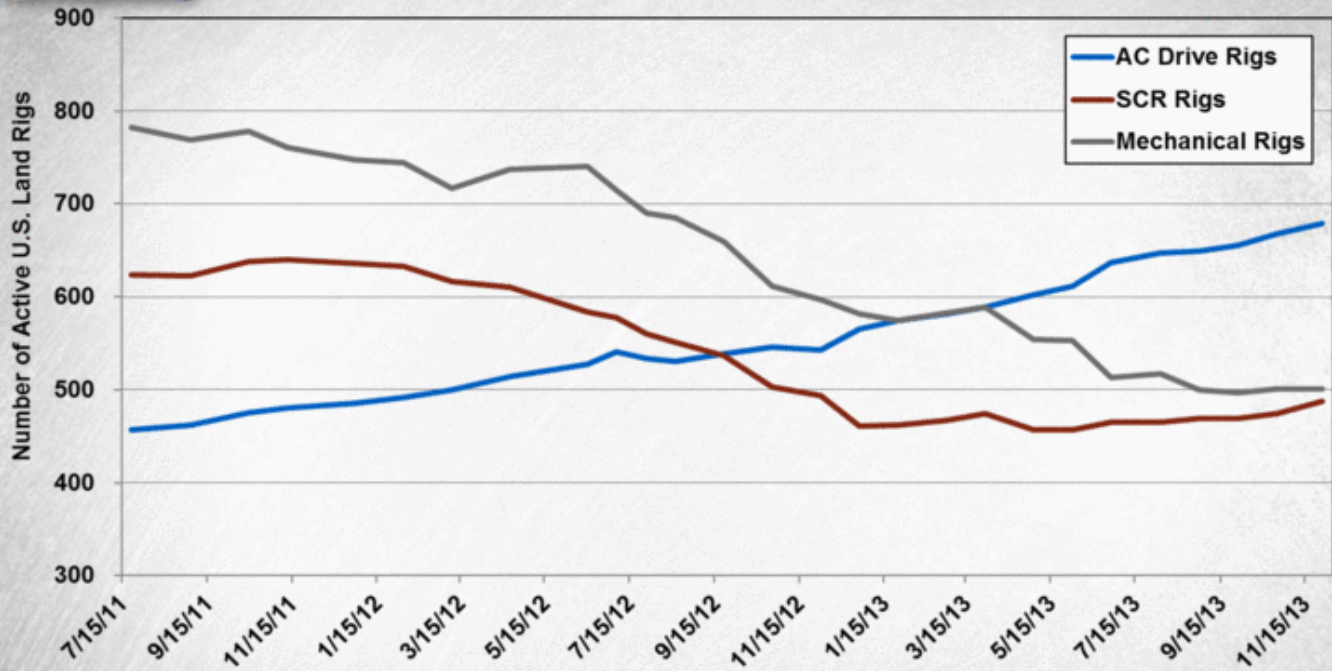


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately 5% of the active rigs that were not readily identified.





AC Rigs Continue to Gain Market Share



Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately 5% of the active rigs that were not readily identified.





H&P's FlexRig Advantage

The FlexRig Difference: Key Advantages

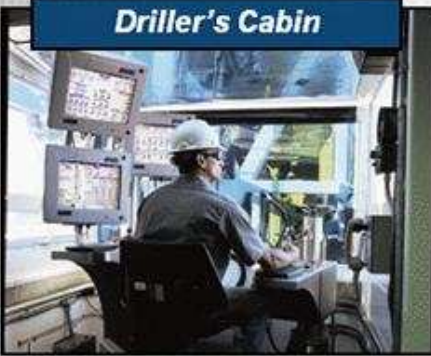
- **Increased drilling productivity and reliability**
 - Variable frequency (AC) drives with increased precision and measurability
 - Computerized electronic driller that more precisely controls weight on bit, rotation and pressure
 - Designed to move quickly from well to well
- **Accelerated well programs and NPV gains**
- **A significantly enhanced and safer workplace**
- **Minimized impact to the environment**
- **Total well cost savings even at premium dayrates**





Innovation & Applied Technology

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



Satellite Communications



BOP Handling



Mechanized Tubular Handling



Rig Move Capabilities

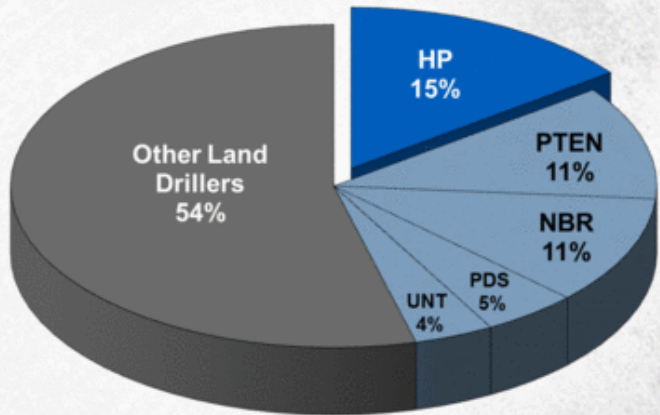
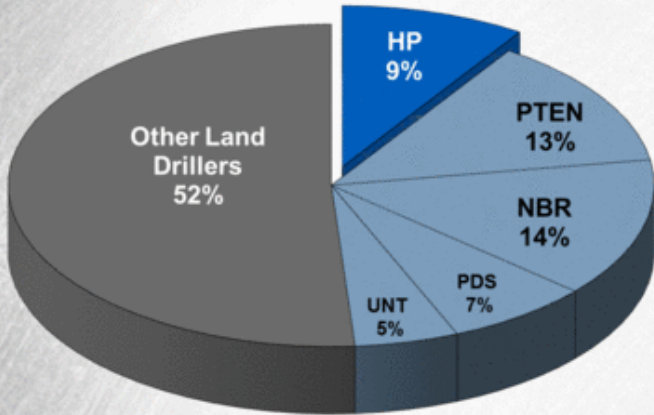




H&P Continues to Capture Market Share

As of October 2008 (Peak)
(~1,900 Active Rigs in U.S. Land)

As of December 2013
(~1,670 Active Rigs in U.S. Land)



Note: The above estimates corresponding to market share are derived from Rig Data. PDS' market share includes both PDS and Grey Wolf rigs. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower.





Unconventional Plays Shaping Landscape

Well Complexity is increasing:

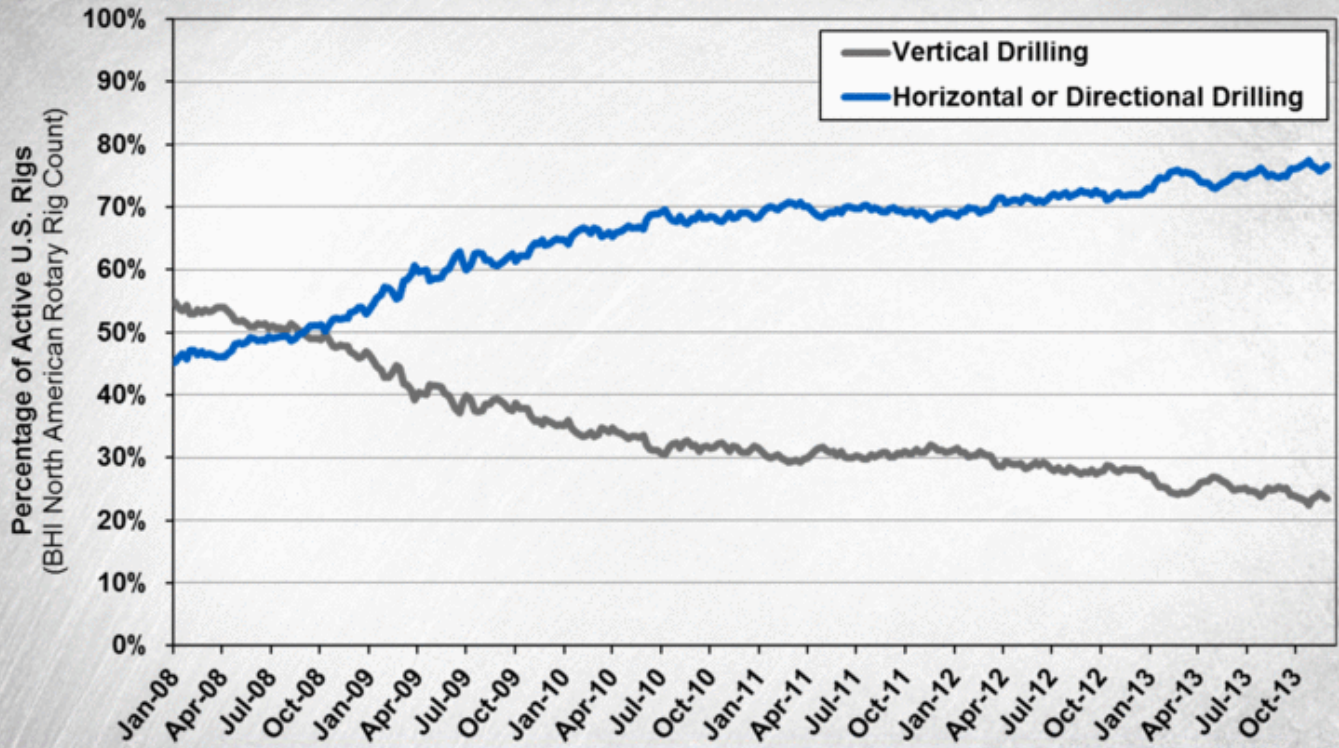
- Horizontal and directional wells make up over 75% of wells drilled in the U.S.
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- A factory approach to drilling wells is required
- This all creates an expanding level of demand for FlexRigs





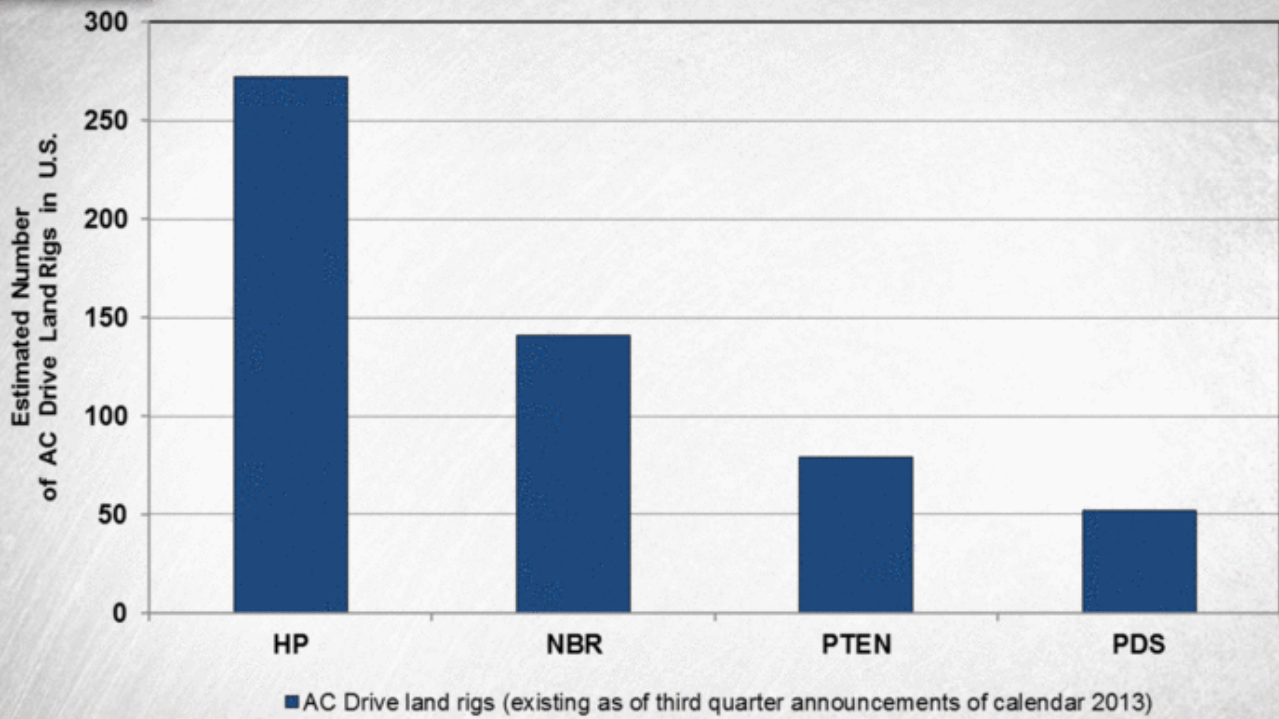
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





H&P's Lead in U.S. Land AC Drive Rigs



Note: The above estimates corresponding to U.S. lower 48 AC Drive fleets are derived from Rig Data and corporate filings.





FlexRigs Delivering Drilling Efficiencies

- We have approximately 1,300 rig years of AC Drive FlexRig drilling experience.
 - Drilled over 52 million feet in 2012
 - Drilled in excess of 56 million feet through November 2013
 - Improved our footage per day by 23% between 2011 and 2012
 - Footage per day has increased approximately 14% in 2013





Performance is Not Only About Better Rigs

Our competitive advantage is also about:

- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**

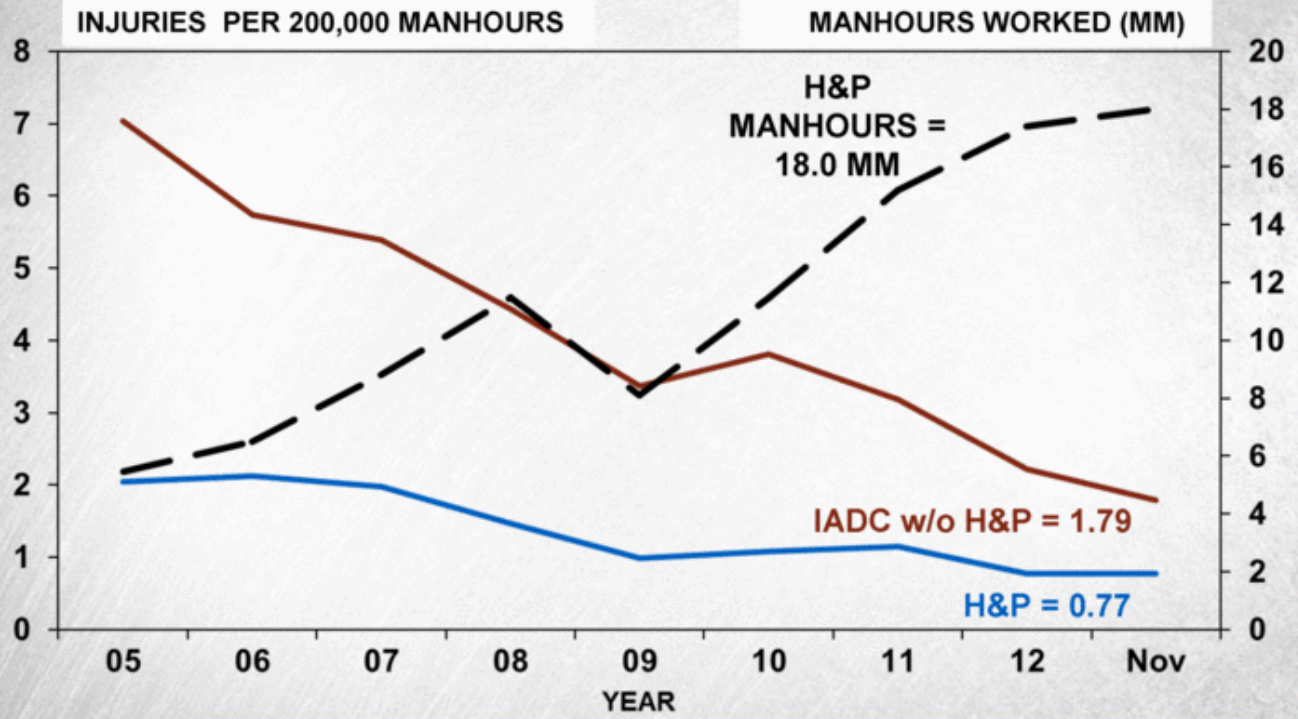




Delivering Safety – H&P vs. Industry (IADC)

U.S. Land Safety Performance (2005 – Nov 2013)

OSHA Recordable Injury Incidence Rates





U.S. Land Market Trends

- Firm spot market pricing.
- Continued customer focus on drilling efficiency, technology and safety.
- We believe that differentiated performance delivers tangible value and will be rewarded accordingly.
- We continue to have conversations with customers for additional new build orders.





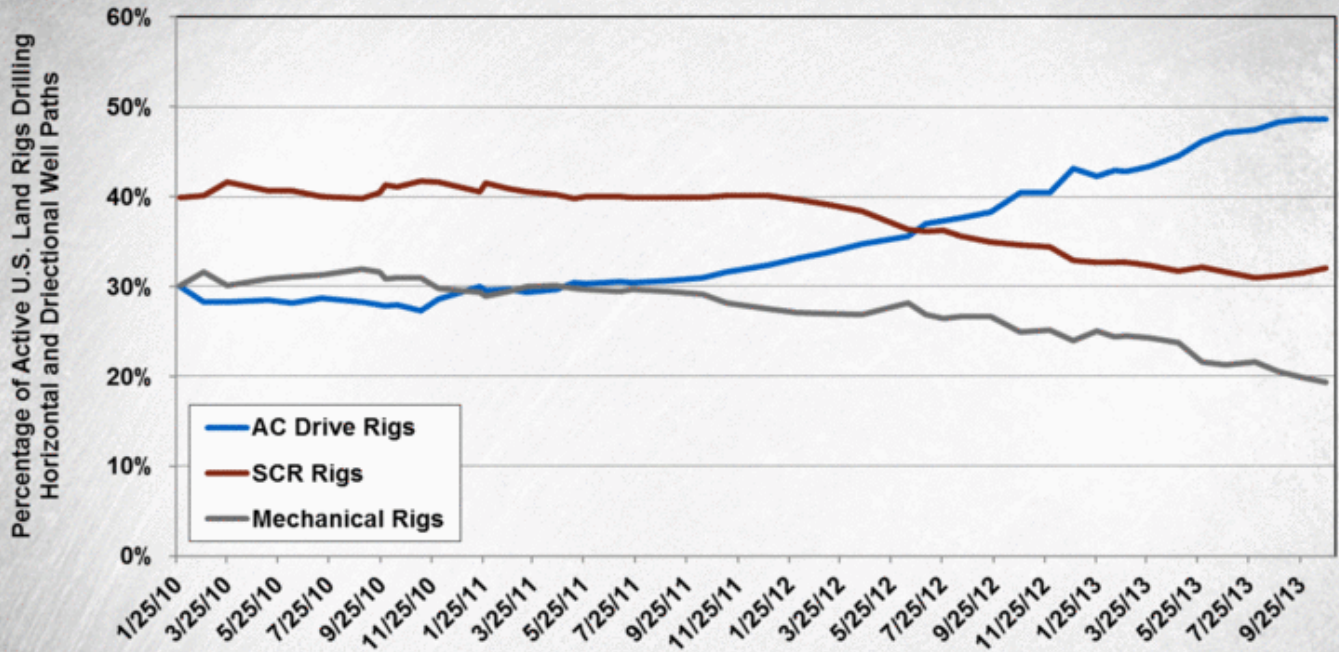
Favorable Market Trends Continue for FlexRigs

- Customer focus on drilling efficiency, technology and safety
- Expectation to drill more wells with fewer rigs
- AC drive rigs replacing SCR and mechanical rigs
- More customers high-grading their fleets
- Increasing well complexity





U.S. Land Horizontal And Directional Activity



Note: The above estimates corresponding to horizontal and directional rig activity by power type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately 5% of the active rigs that were not readily identified.





FlexRigs Leading in Pad Drilling Efforts

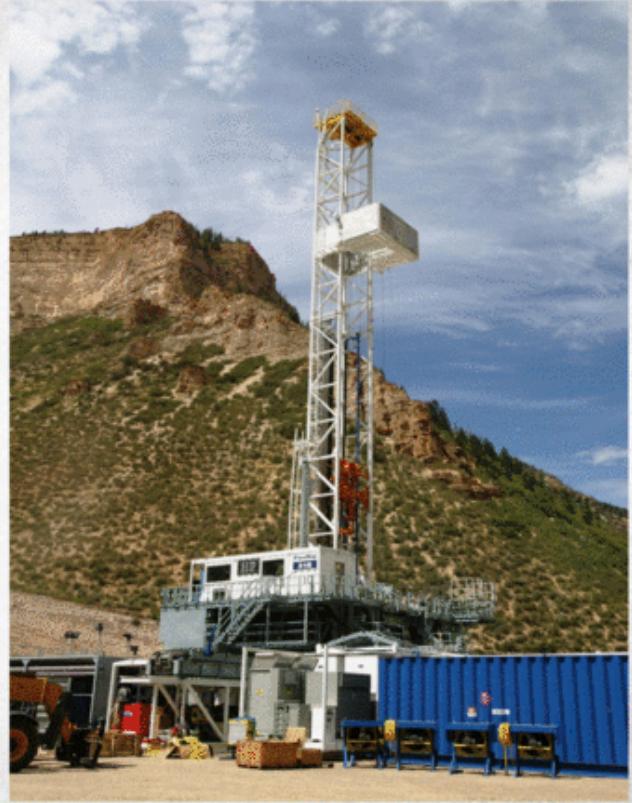
- AC Drive FlexRigs lead in pad drilling efforts in U.S. Land
 - FlexRig3 first pad application in 2004
 - FlexRig4 was the first bi-directional land drilling design
 - FlexRig5 is the latest generation of bi-directional, long lateral pad drilling rig
 - We have drilled over 6,700 wells on approximately 1,350 pads





H&P's Pad Capable Fleet

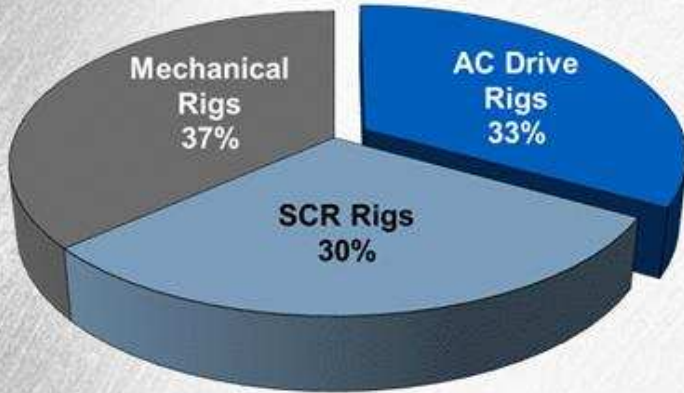
- Approximately 50% of H&P's U.S. Land active fleet, all of which are AC drive rigs, are equipped with hydraulic pad systems.
- Our pad capable fleet is fully utilized.
- In addition, we continue to add new pad capable FlexRigs and have customer interest in additional pad drilling system upgrades for existing FlexRigs.



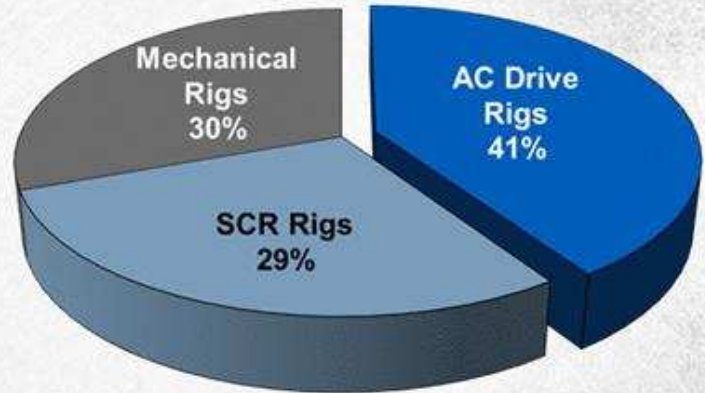


High-Grading is Accelerating

As of December 2012
(~1,630 Active Rigs in U.S. Land
By Power Type)



As of December 2013
(~1,670 Active Rigs in U.S. Land
By Power Type)

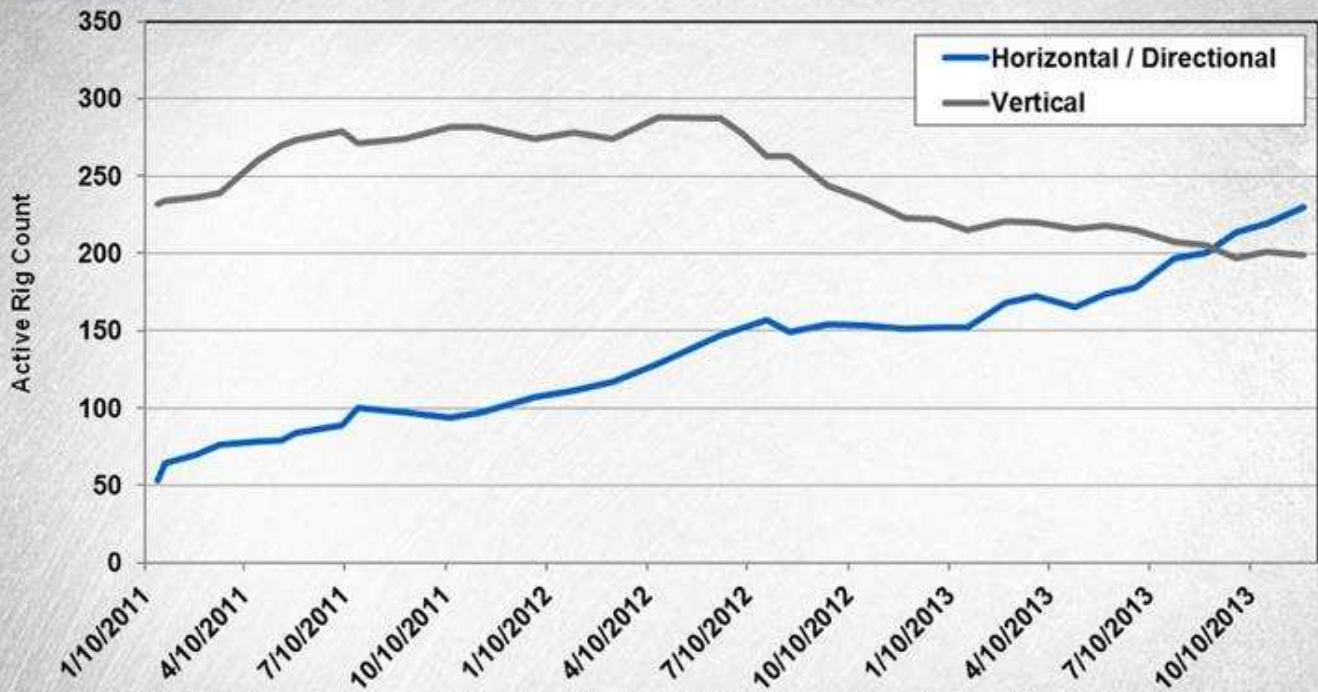


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately 5% of the active rigs that were not readily identified.





Unconventional Drilling Growth in Permian



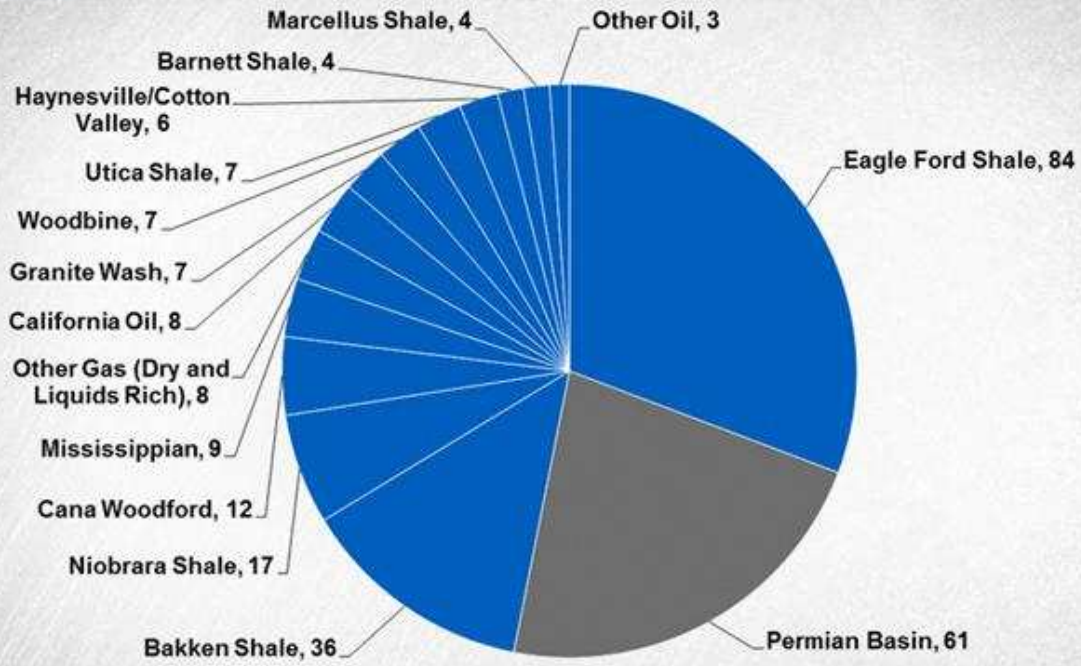
Note: The above estimates are derived from Rig Data. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower.





Leading U.S. Unconventional Driller

(273 H&P Contracted Land Rigs as of 12/11/13*)



* Includes 12 announced new FlexRigs with customer commitments scheduled for delivery in calendar 2013 and 2014.





H&P's New Build Program Continues



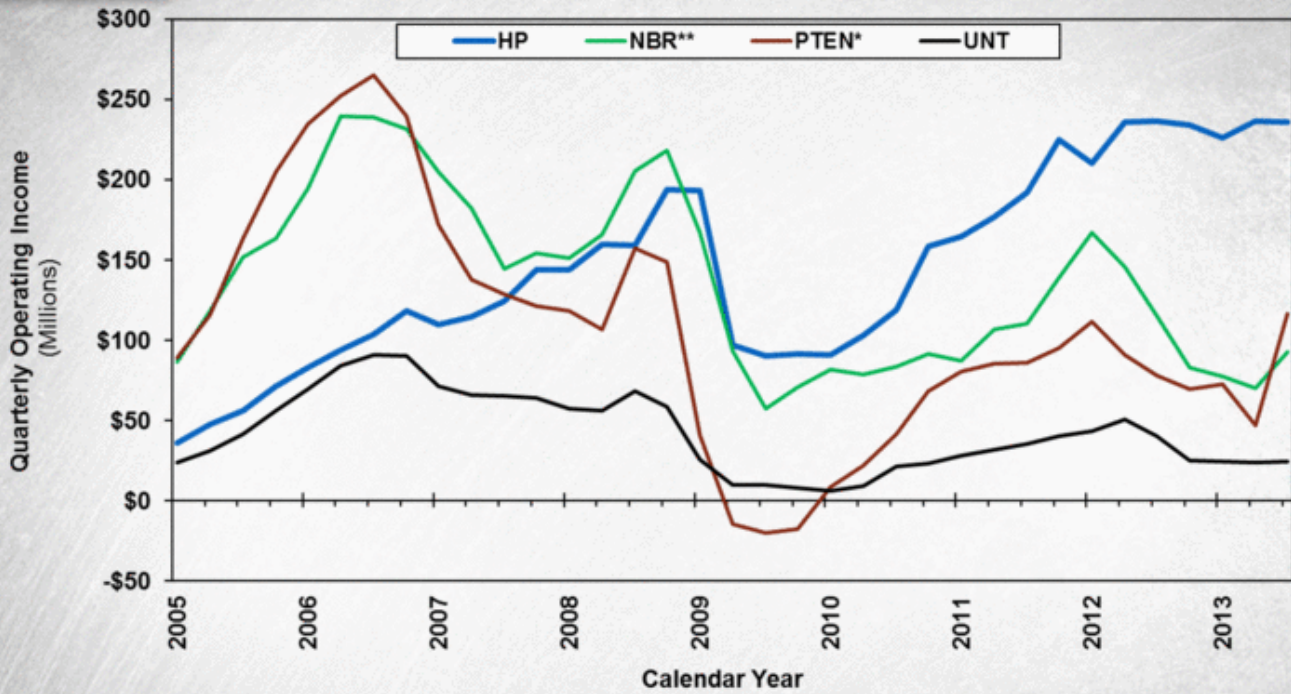
- H&P plans to continue a build cadence of two rigs per month through the rest of the fiscal year.
- We have the flexibility to increase our production cadence depending on market demand.
- We believe that this approach will continue to reward shareholders.





Record Profits During Industry Slowdown

U.S. Land Drilling Operating Income



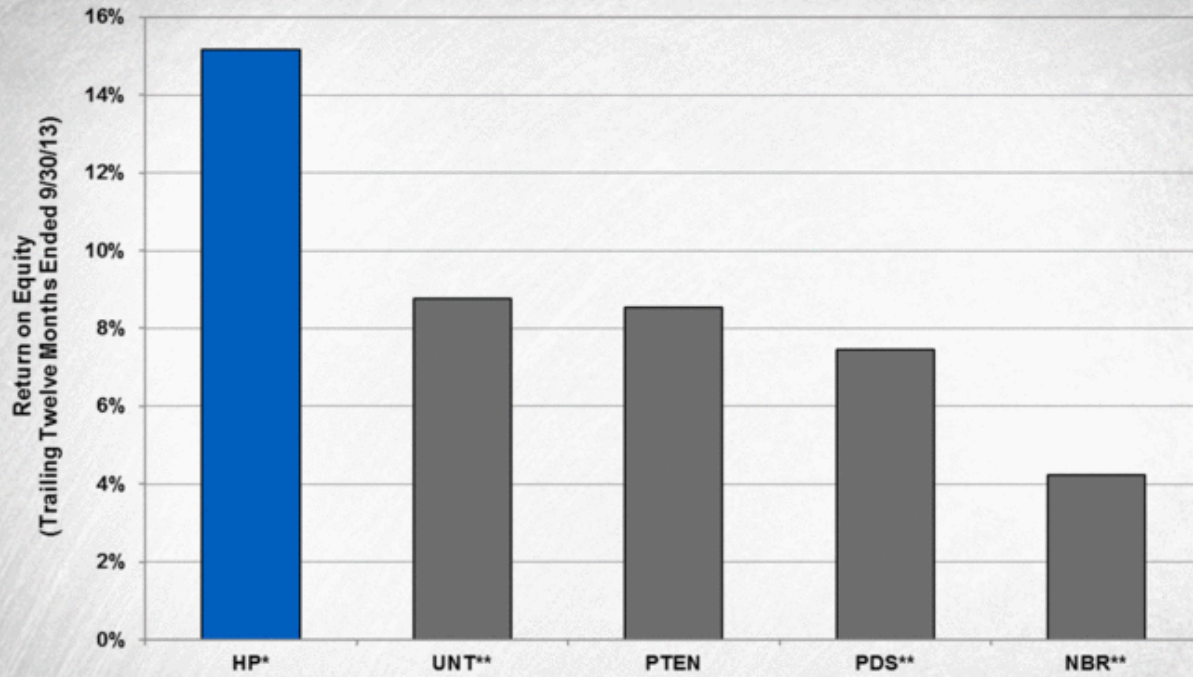
* PTEN's operating income includes drilling operations in Canada.

** NBR's operating income corresponds to its U.S. Lower 48, U.S. Offshore, and Alaska business units.





Return on Equity

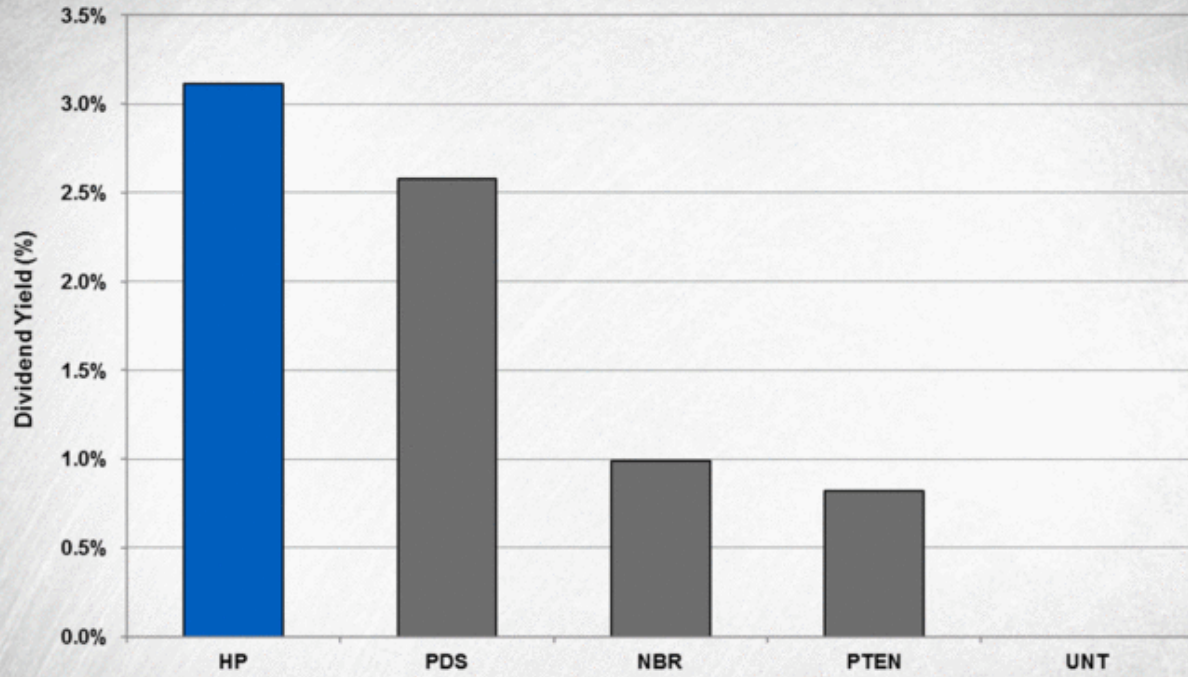


* Including gains from the sale of investment securities and discontinued operations, H&P's corresponding ROE resulted in 17.8%.
** The corresponding ROE values for the selected companies exclude certain extraordinary, non-recurring charges.





Current Dividend Yields

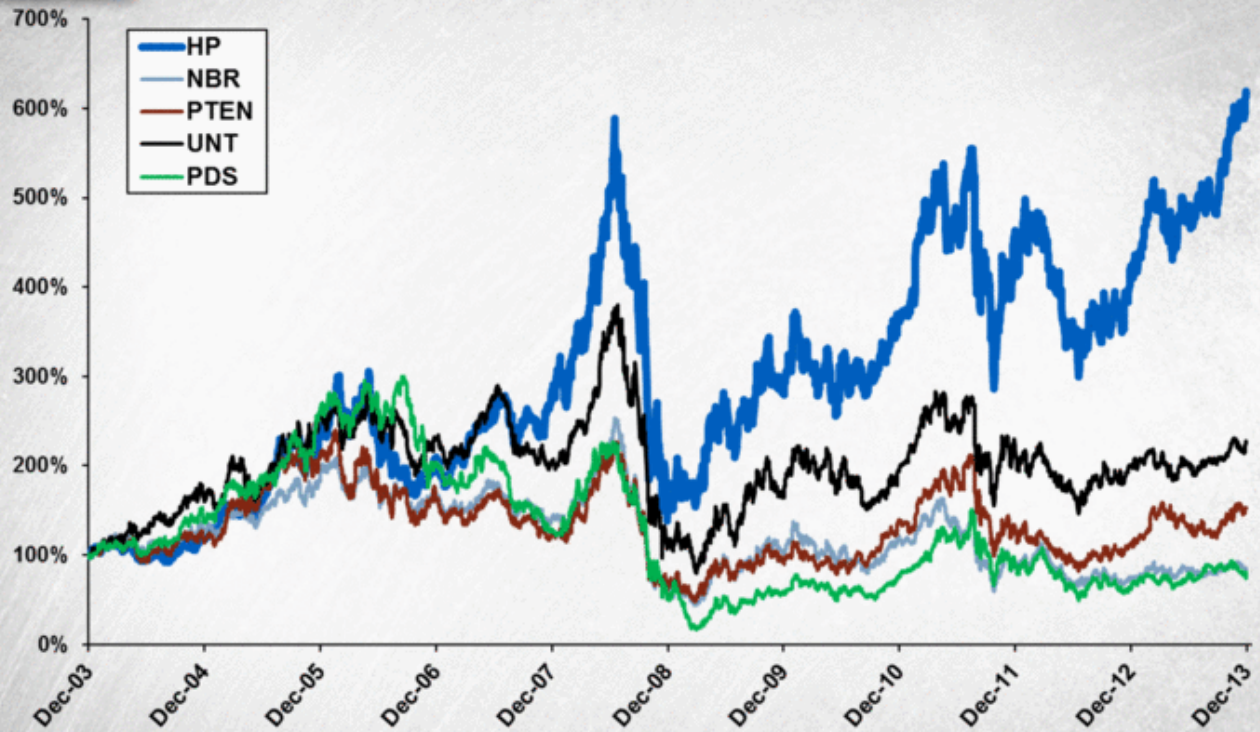


Source: Thomson Financial. Yields calculated as of market close on December 5, 2013.





Ten-Year Relative Shareholder Return



Source: Thomson Financial as of December 5, 2013





In Summary:

H&P's long term strategy for growing shareholder value:

- Innovation
- Technology
- Safety and operational excellence
- Customer satisfaction



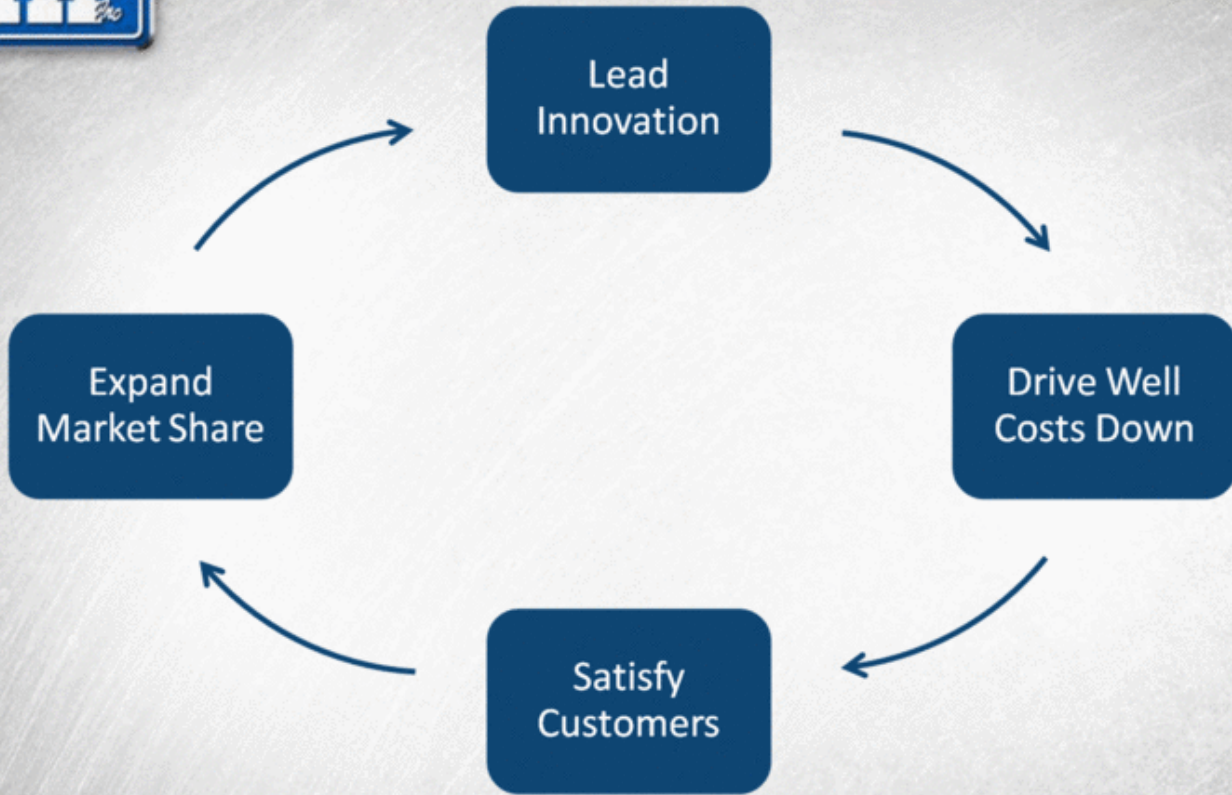


Additional References





Growing Shareholder Value





A Value Proposition Example H&P vs. Competitors South Texas – ~18,000 ft. measured depth

	Estimated Conventional Average (Spot Market)	Estimated Peer Fit-for-purpose Average (Spot Market)	H&P FlexRig3 Average 2013 (Spot Market)
1. Drilling days		25.3	18.5
Other days	No Data	3	3
Moving days		4	3
<i>Total rig revenue days per well</i>		32.3	24.5
2. Drilling contractor dayrate		\$23,000	\$28,000
Operator's other intangible cost per day estimate		\$25,000	\$25,000
<i>Total daily cost estimate</i>		\$48,000	\$53,000
<i>Total cost per well (daily services)</i>		\$1,550,400	\$1,298,500
3. Total well savings with H&P – per well per year		\$251,900 \$3.75MM	

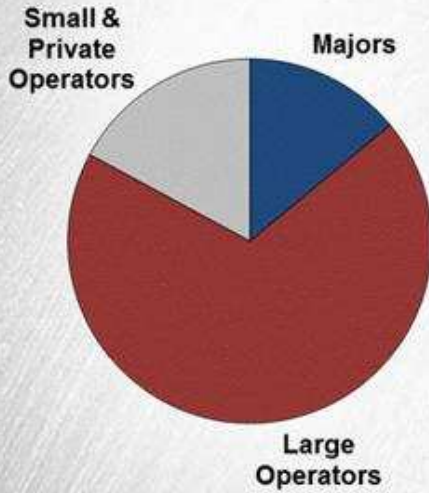
Increased wells per rig per year versus peer fit-for-purpose: 3.6 wells



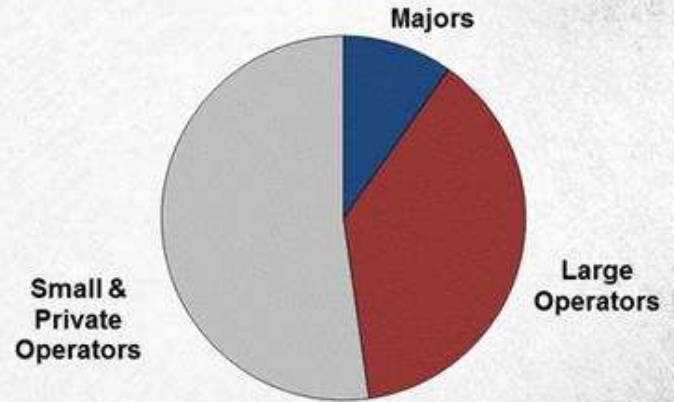


H&P vs. Industry U.S. Land Customer Base

H&P
U.S. Land Activity
Estimated Customer Distribution
(December 2013)



Industry
U.S. Land Activity
Estimated Customer Distribution
(December 2013)



Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts

(Estimated Quarterly Average, Including Announced New Builds - as of 12/11/13)

Segment	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15
U.S. Land	157.5	142.0	132.1	120.9	104.0	89.2	68.3
International Land	14.9	12.8	12.0	12.0	10.3	8.2	6.4
Offshore	3.0	3.0	2.5	1.9	1.0	1.0	1.0
Total	175.4	157.8	146.6	134.8	115.3	98.4	75.7





H&P's International Land Operations

Rig Fleet Status (as of December 11, 2013)

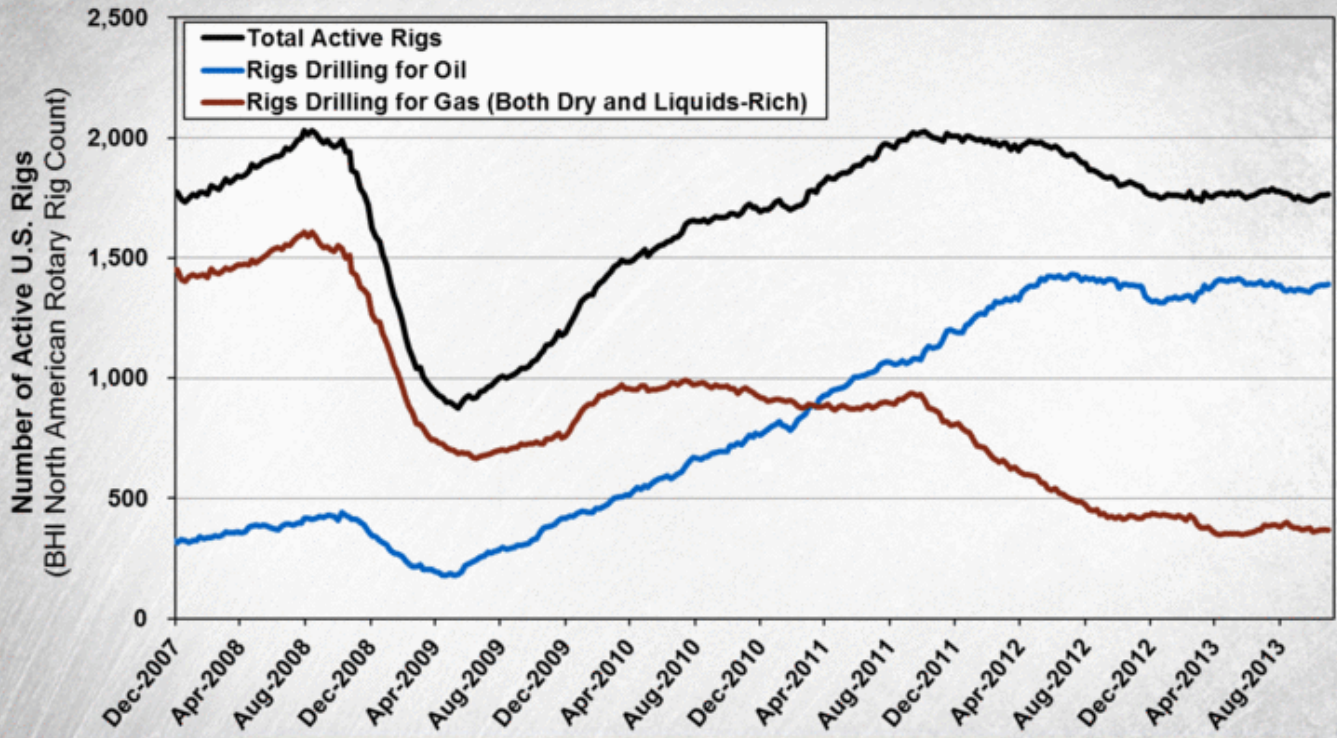
	Active	Idle	Total	Long-term Contracts
Argentina	8	1	9	5
Bahrain	2	1	3	2
Colombia	5	2	7	2
Ecuador	5	1	6	1
Tunisia	1	1	2	
U.A.E.	2		2	2
Total	23	6	29	12⁽¹⁾

(1) 11 of 16 FlexRigs, included in the international fleet of 29 rigs, are under long-term contracts.



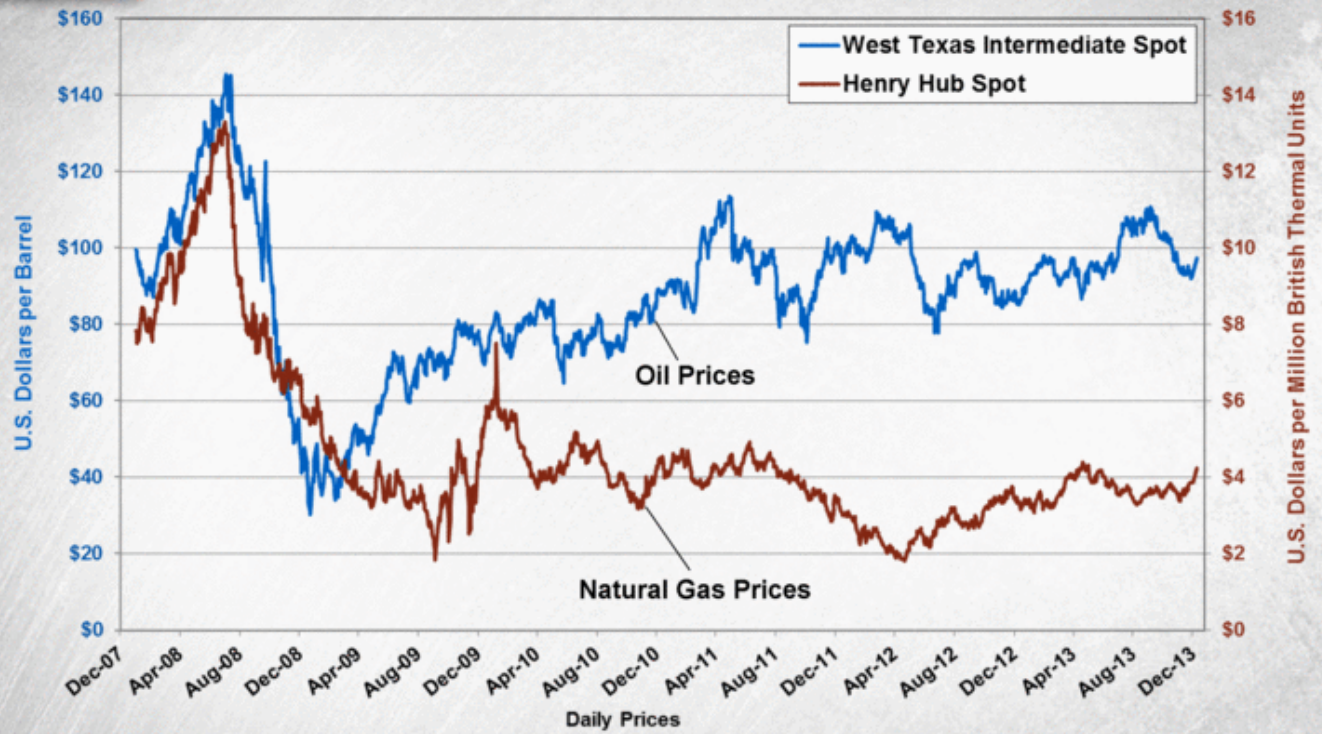


Oil vs. Natural Gas Directed Rig Count





Oil and Natural Gas Prices



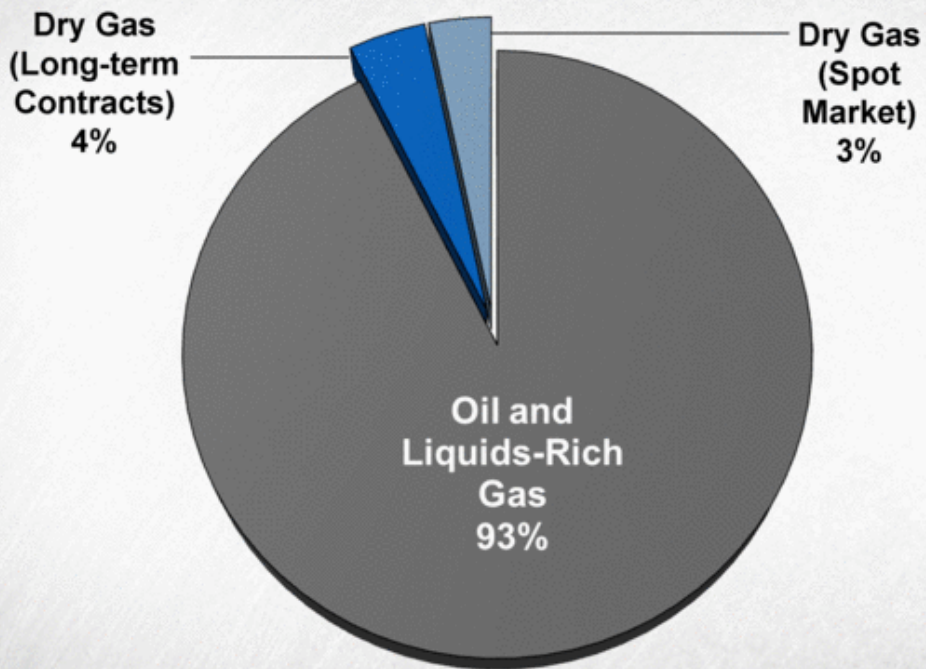
Source: Energy Information Administration





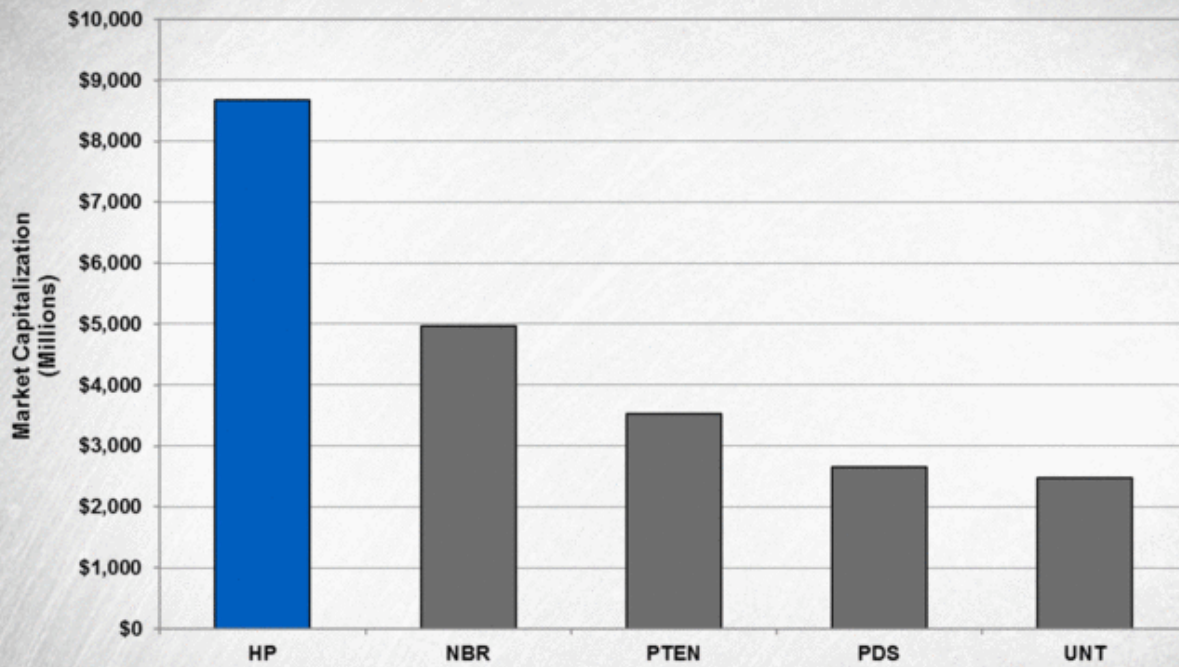
H&P's Exposure to Oil & Liquids

Estimated proportion of H&P's active U.S. Land rigs by primary hydrocarbon target as of 12/11/13





Land Drilling Market Valuations

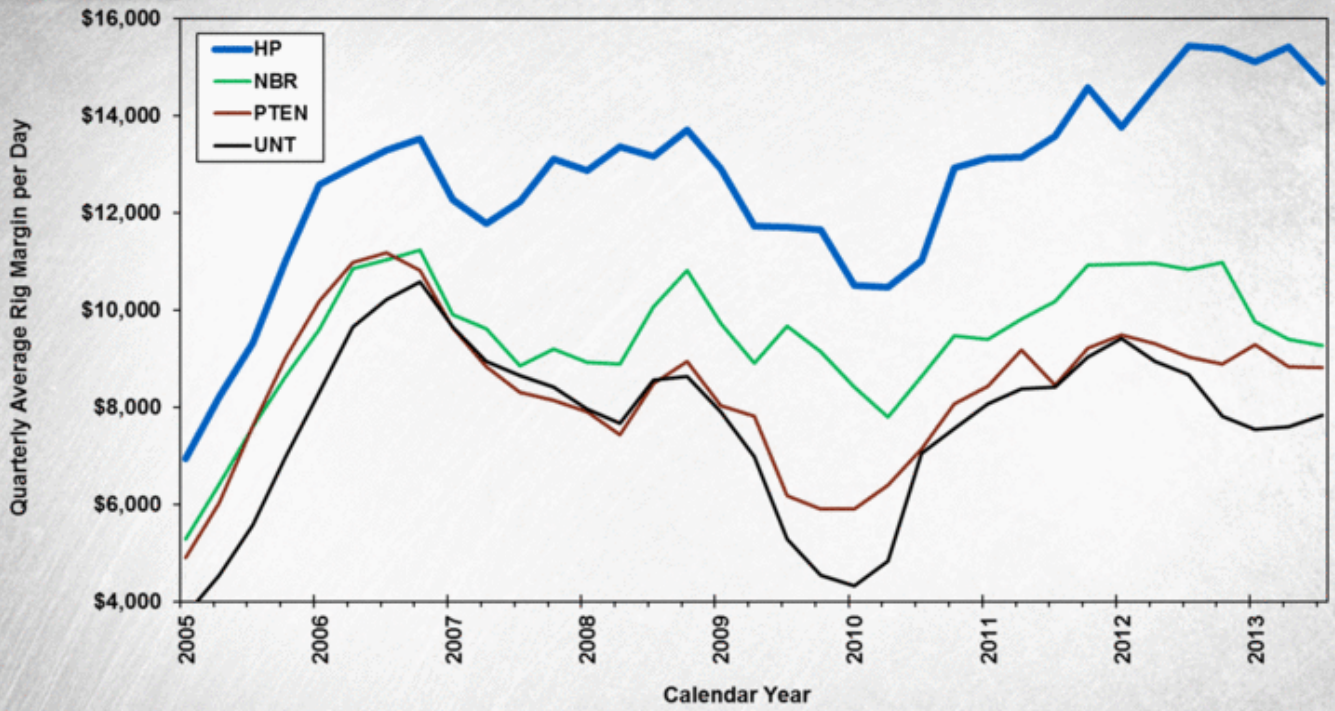


Source: Thomson Financial as of December 5, 2013.





U.S. Land Average Daywork Margins⁽¹⁾



(1) Does not include the impact of early contract termination revenue.





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