

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 09/06/12 for the Period Ending 09/06/12

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
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Symbol	HP
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: **September 6, 2012**

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))
-
-

ITEM 7.01 REGULATION FD DISCLOSURE

Helmerich & Payne, Inc. (the “Company”) will discuss information to be distributed in an investor and securities analyst conference 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 at an investor and securities analyst conference.

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: September 6, 2012

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Slides to be distributed at an investor and securities analyst conference.



Helmerich & Payne, Inc.
Barclays Capital CEO Energy-Power Conference
September 6, 2012



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, rig performance 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

- Primarily focused on the contract drilling business with approximately 10,000 employees
- Provides services for oil and gas companies on a dayrate basis
- Market share leader with the most modern and capable fleet in the U.S. land drilling business
- Three primary segments (and percentage of operating income year to date):
 - U.S. Land (~94%)
 - Offshore (~4%)
 - International Land (~2%)
- Internally designs, builds and operates its own rigs (FlexRigs)
- Leads the industry's replacement cycle with over 220 new AC drive FlexRigs deployed under long-term contracts since 2006
- Strong balance sheet





Balance Sheet Strength

As of June 30, 2012



Source: Thomson Financial





Well Positioned in the U.S. Land Market

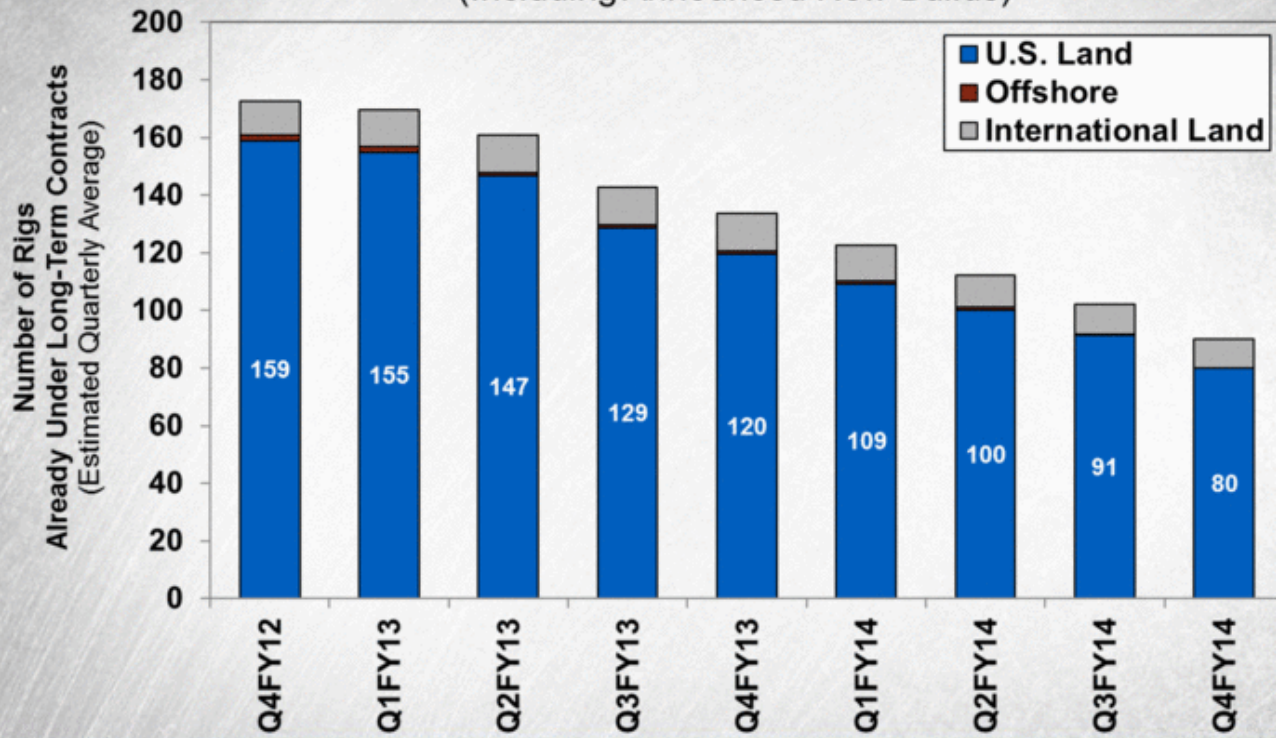
- While both oil and gas prices have recovered some lately, the \$100 question focuses on what happens next, particularly in terms of the future price of oil.
- The volatility and uncertainty appear to be weighing on the minds of our customers, impacting their budgeting decisions and their spending in the field.
- While industry rig counts are declining and spot pricing is softening, our sense is that the duration and depth of this slowdown will be on the milder side.
- Nevertheless, we are well positioned for the uncertainty ahead:
 - About two thirds of our active fleet are under long-term contracts
 - We already have in place today an average of:
 - 138 FlexRigs under term contracts during fiscal 2013
 - 95 FlexRigs under term contracts during fiscal 2014
 - These rigs are expected to generate average daily rig margins that are higher than the average reported in the segment during the third quarter of fiscal 2012.





H&P Global Fleet Under Term Contract

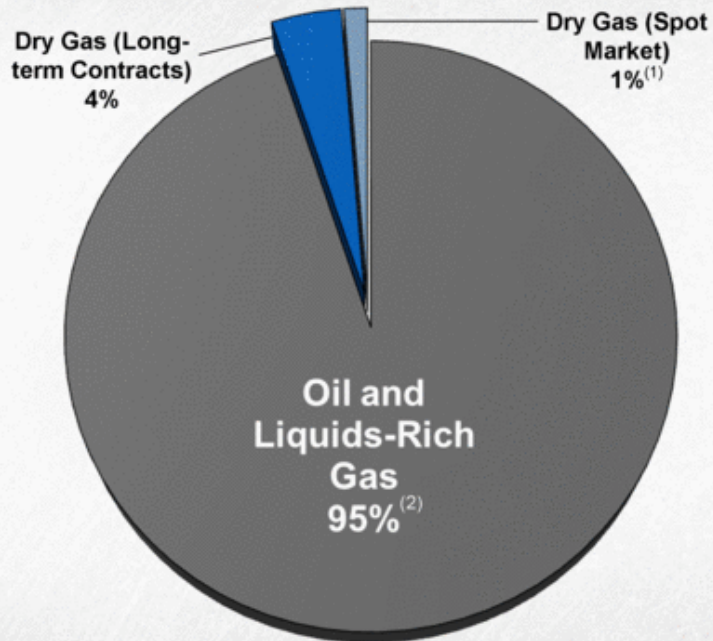
Term Contract Status - H&P Global Fleet
(Including Announced New Builds)





H&P's Growing Exposure to Oil & Liquids

Estimated proportion of H&P's active U.S. Land rigs by primary hydrocarbon target as of 9/4/12



(1) Includes one rig with a contract expiring during the quarter ending 12/31/12.

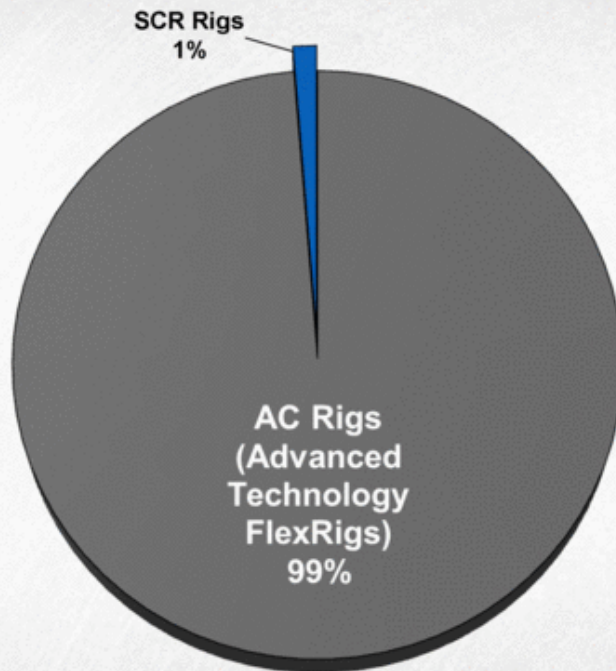
(2) Approximately one-fourth of rigs in this category are primarily drilling for liquids-rich gas.





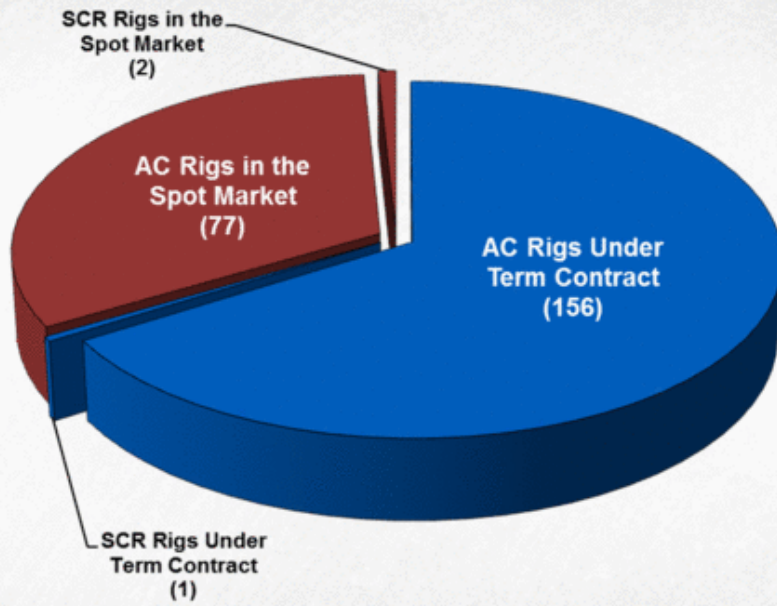
H&P U.S. Land Fleet by Power Type

(236 Active Rigs in the U.S. By Power Type)



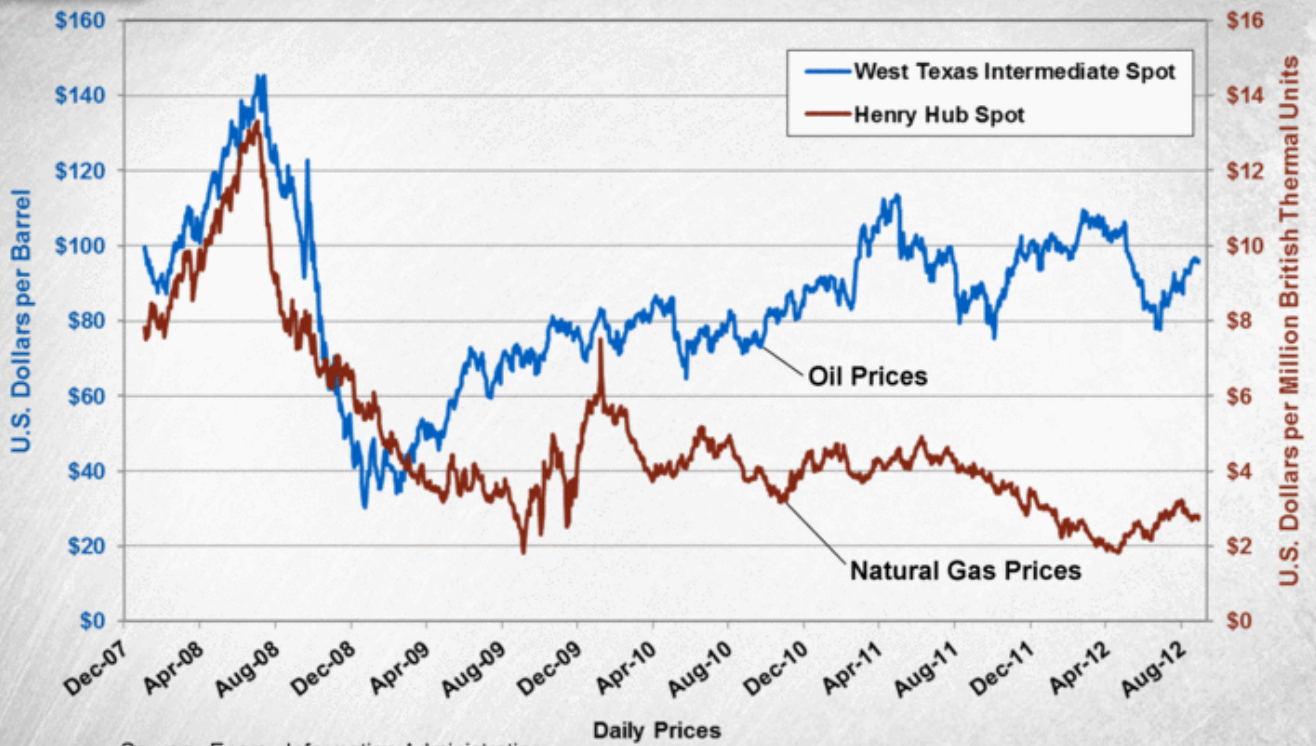


H&P's Advanced Technology Footprint





Oil and Natural Gas Prices

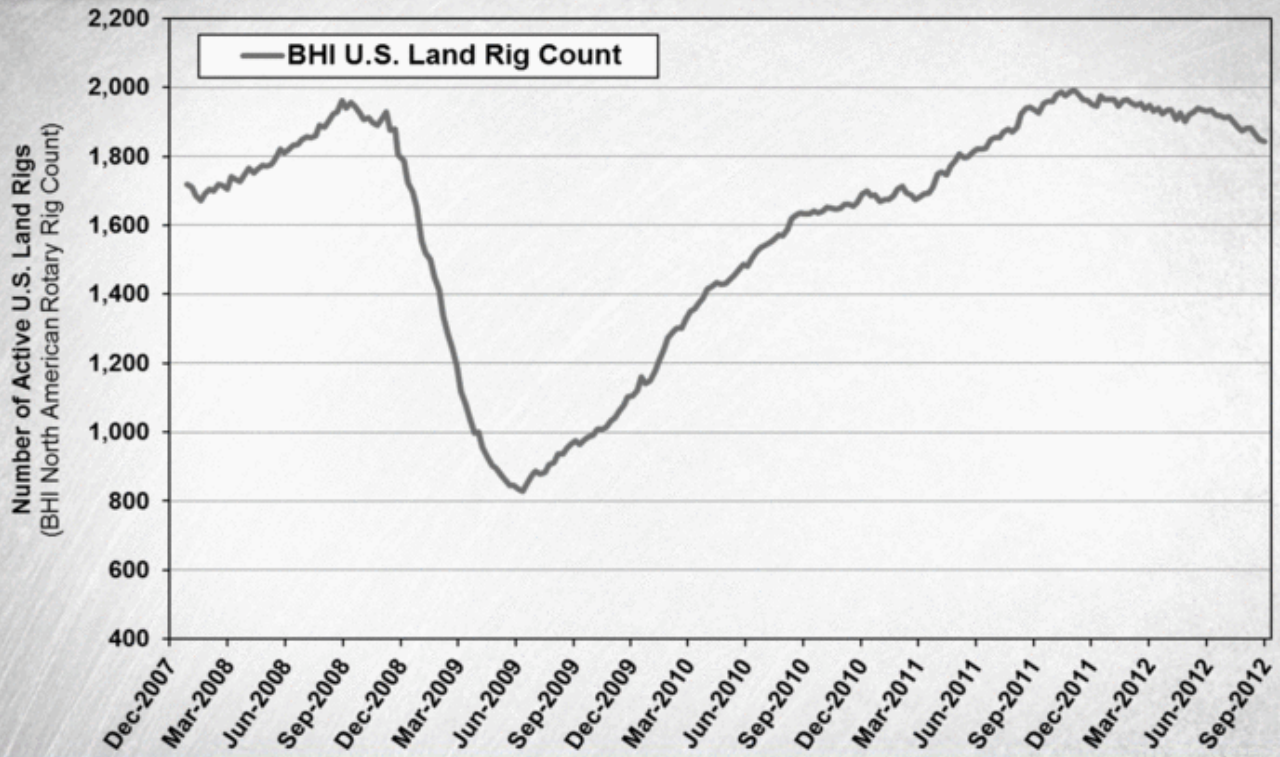


Source: Energy Information Administration





U.S. Land Industry Rig Count





Our New Build Efforts

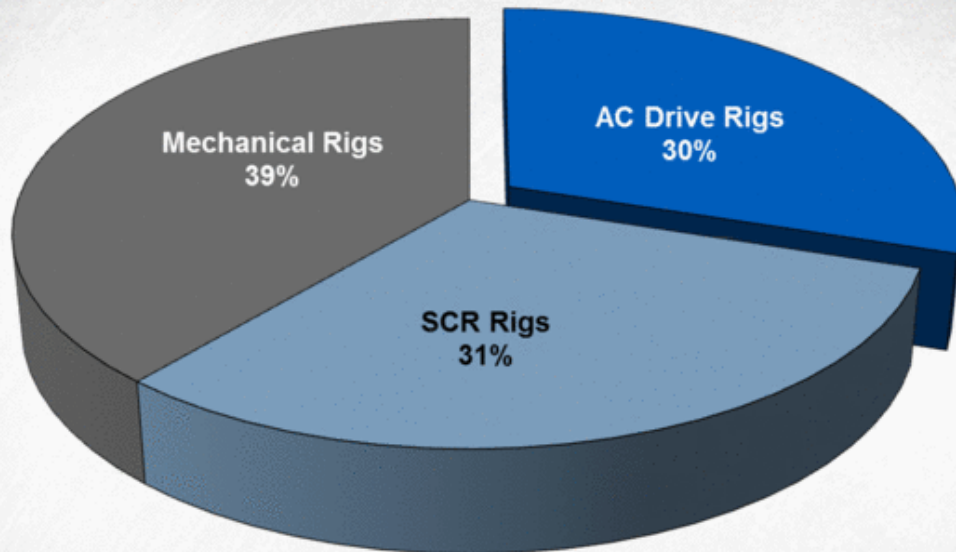
- We are not only the most active driller in the U.S. land market, but also continue to have a very significant lead in the growing segment of advanced technology AC drive rigs.
- We have continued to make new build deliveries on time and on budget, including six new FlexRigs since our last webcast.
- We have 19 rigs under construction with long-term contracts that are scheduled to continue to roll off at the rate of four per month through early calendar 2013.
- The commodity price volatility and uncertainty we are discussing today has further quieted conversations regarding new build orders; customers appear to have taken a wait and see approach.
- We do not believe that the replacement cycle is over, and our approach will be to make sure that our supply chain is ready to respond to incremental demand on a timely basis.
- Our integrated effort affords us an important flexibility that should serve us well.





An Undersupply of AC Drive Rigs

(~1,750 Active Rigs in the U.S. By Power Type)

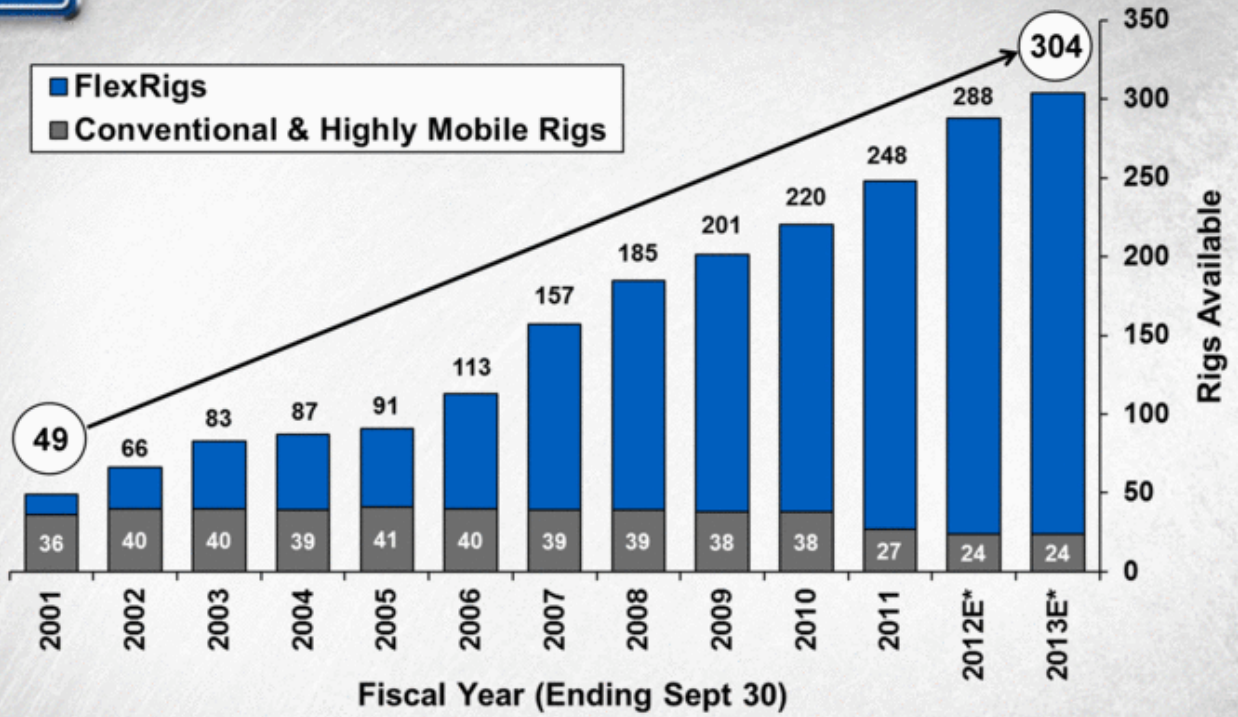


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately 7% of the active rigs that were not readily identified.





Organic U.S. Land Fleet Growth

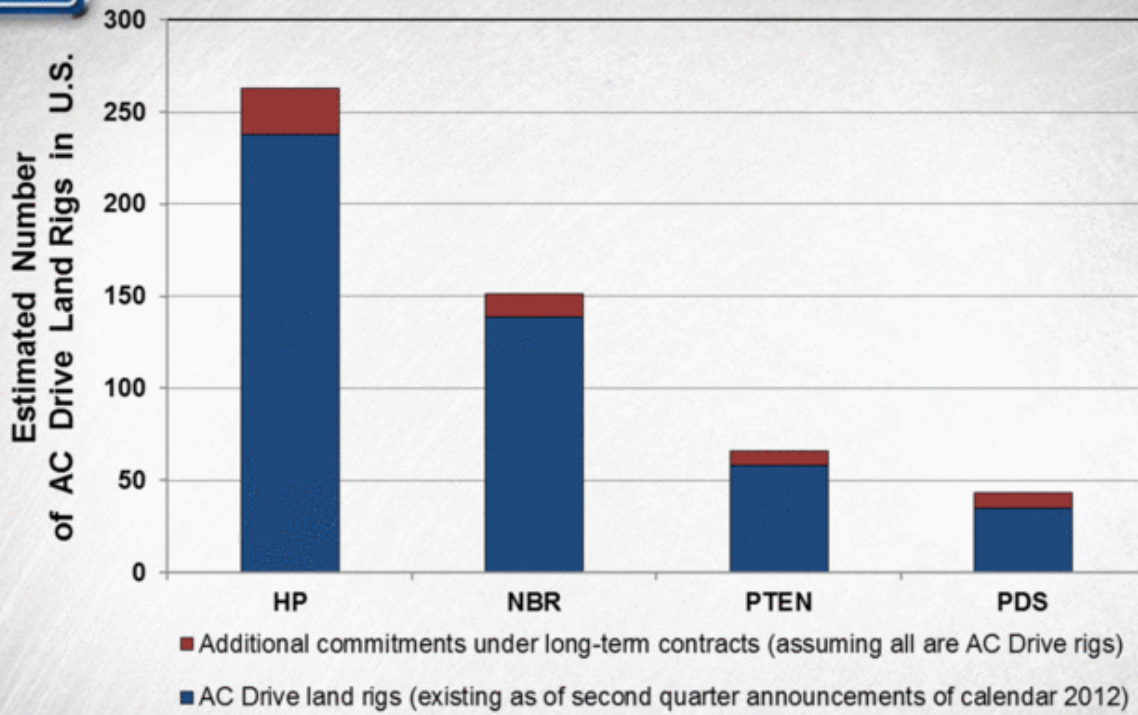


* Estimates include existing rigs and announced new build commitments.





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

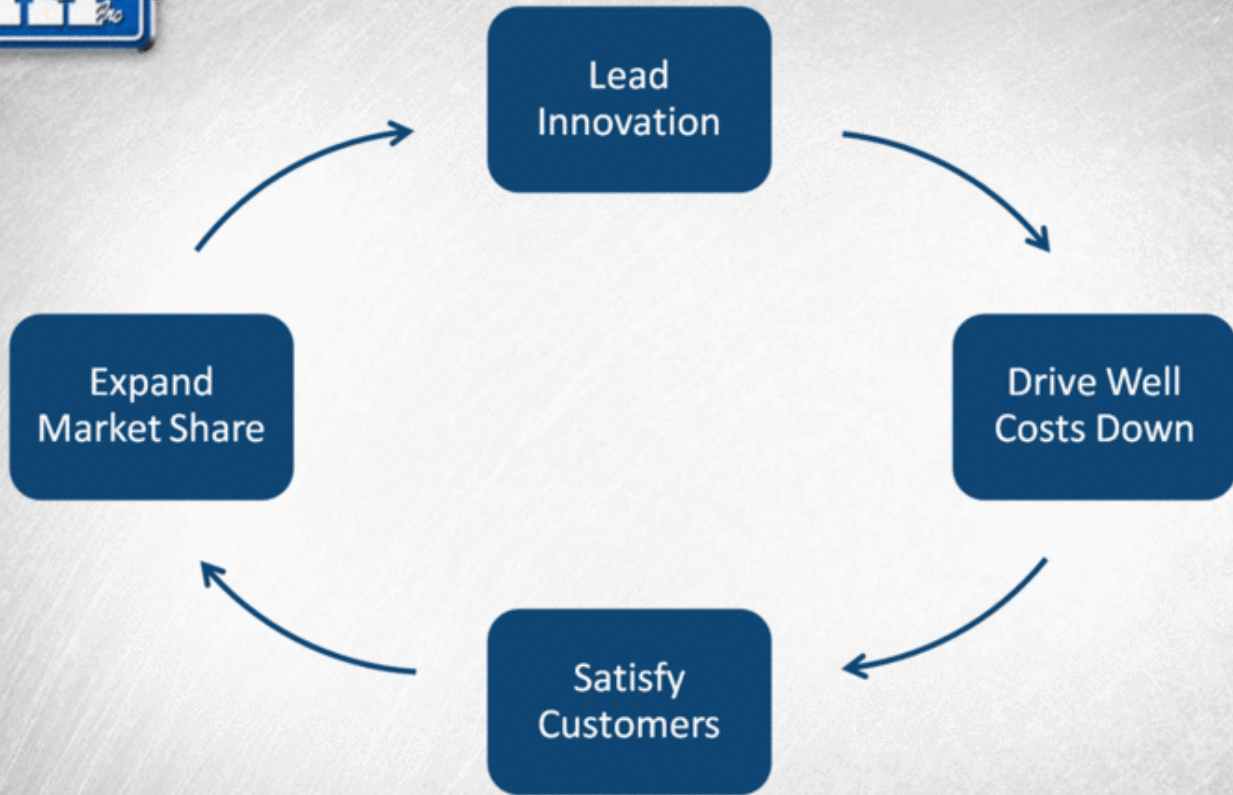


Note: The above estimates corresponding to U.S. lower 48 AC Drive fleets and new build commitments are derived from Rig Data and corporate filings.





Growing Shareholder Value

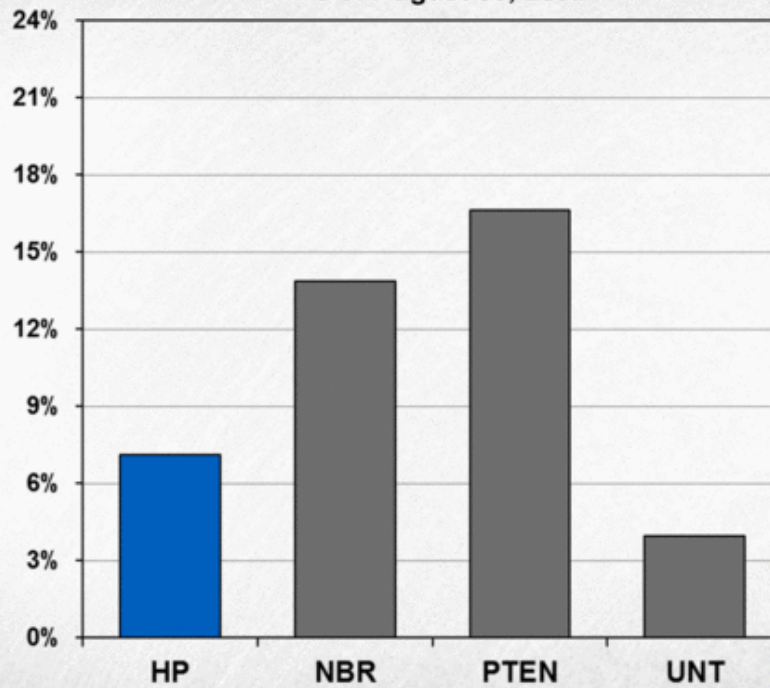




Active Rig Market Share - Ten Years Ago

Lower 48 U.S. Land Market Share

As of August 30, 2002



Note: The above estimates are derived from Smith Bits

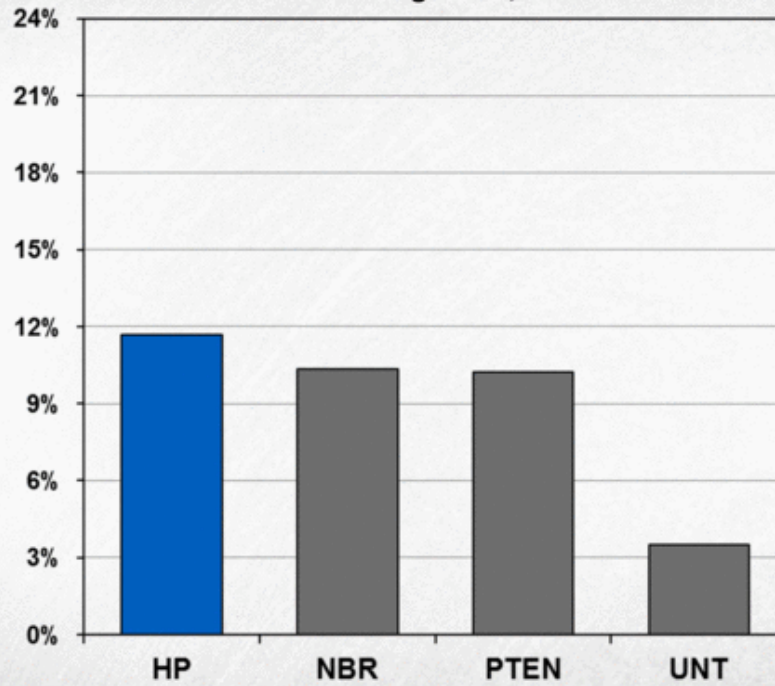




Organically Growing Active Rig Market Share

Lower 48 U.S. Land Market Share

As of August 31, 2012



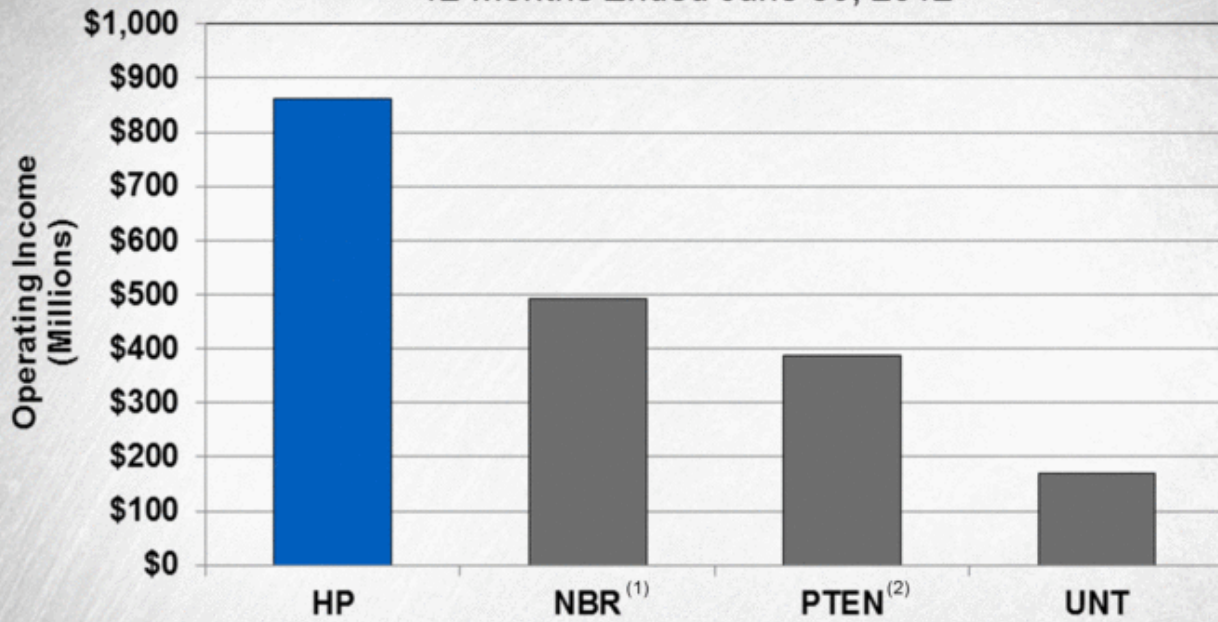
Note: The above estimates are derived from Smith Bits





Most Profitable Driller in U.S. Land Business

U.S. Land Drilling Operating Income 12 Months Ended June 30, 2012



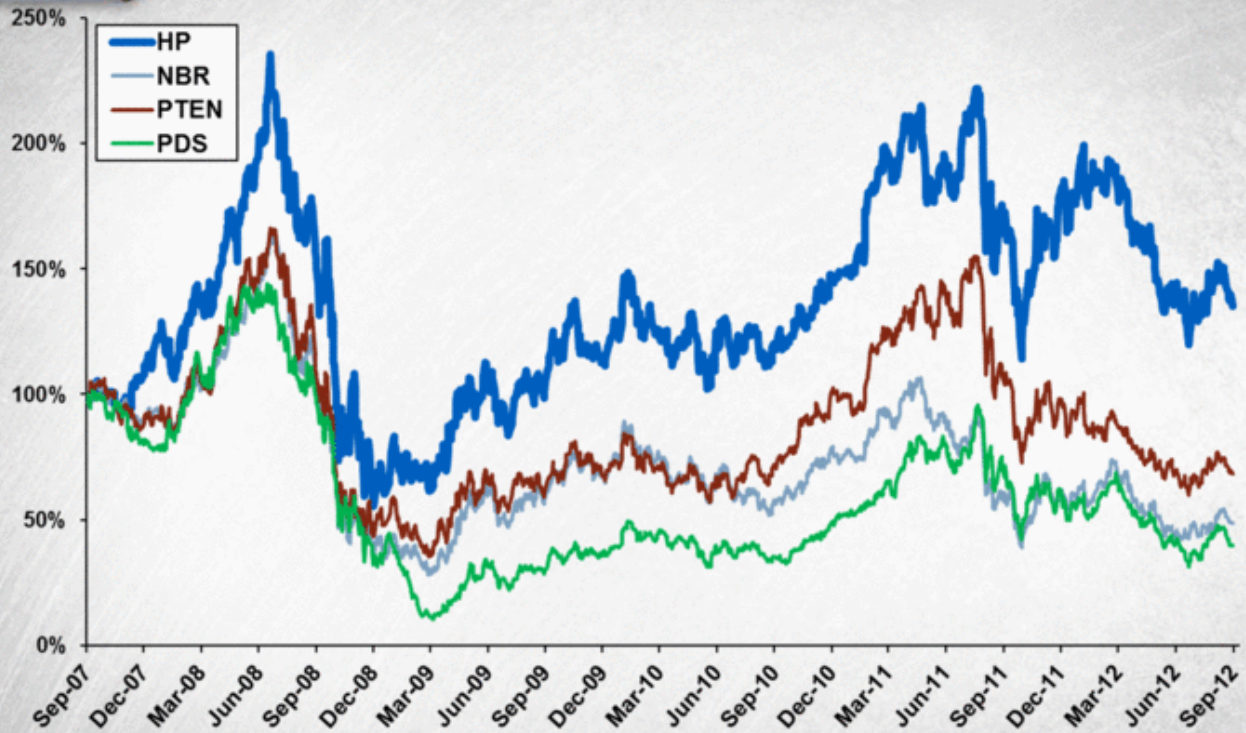
(1) NBR's operating income corresponds to its U.S. Lower 48 Land Drilling segment.

(2) PTEN's operating income includes drilling operations in Canada.





Five-Year Relative Shareholder Return



Source: Thomson Financial as of September 4, 2012







H&P Activity as of September 4, 2012

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	285	236	83%
Offshore	9	8	89%
International Land	<u>29</u>	<u>26</u>	<u>90%</u>
Total	323	270	84%
FlexRig Construction ⁽¹⁾	19	19	
Total Fleet	342	289	

(1) Includes announced new build commitments.





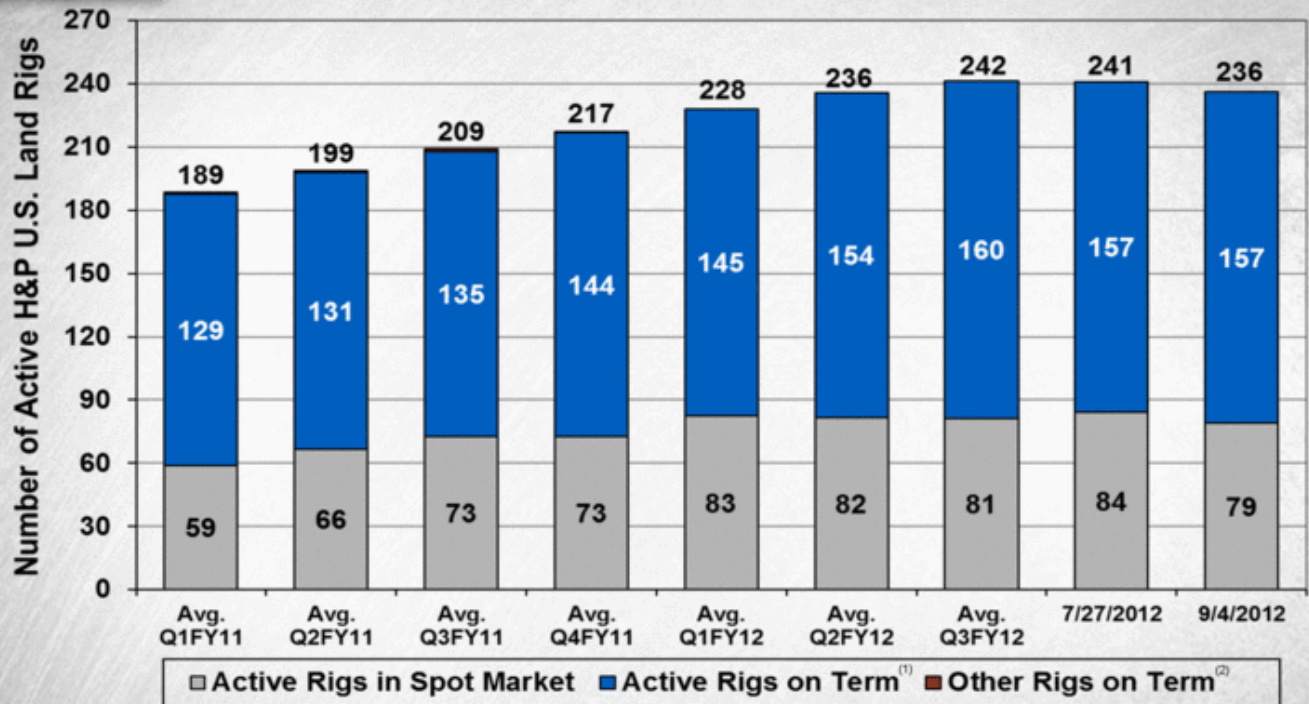
U.S. Land Market Conditions

- Increasing well complexity and greater focus on technology and safety continue to favor advanced technology AC drive rigs.
- About two thirds of our active rigs are under term contracts and 97% of our rigs in the spot market are advanced technology AC FlexRigs.
- Nonetheless, activity has continued to decline and the number of revenue days during the fourth fiscal quarter is now expected to be slightly down (by ~1%) as compared to the third fiscal quarter.
- Even with softening dayrates in the spot market, we expect average rig revenue per day to be roughly flat as we transition from the third to the fourth fiscal quarter (excluding early termination revenue of ~\$7 million).
- Average rig expense per day is expected to be in the \$13,500 to \$13,800 range during the fourth fiscal quarter.





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



1) Active rigs on term (in blue) generated both revenue and revenue days.

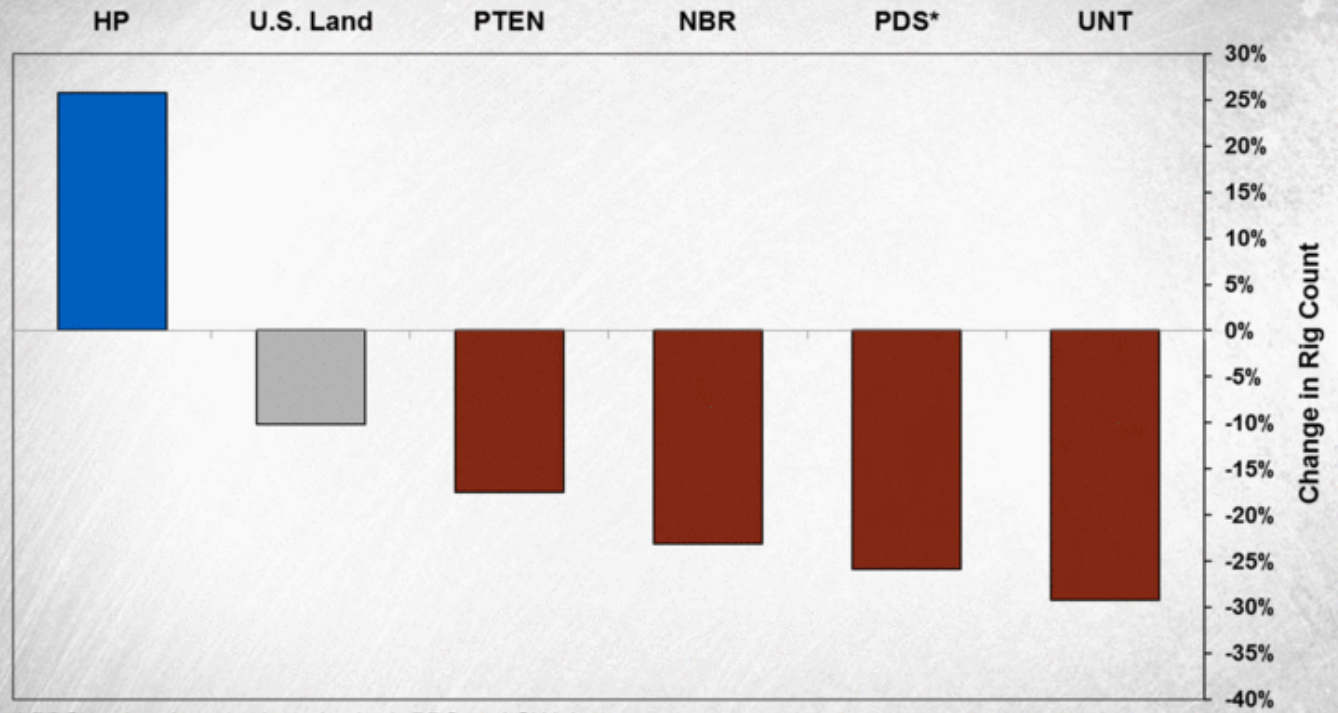
2) Includes completed new builds that were waiting on operators and which generated revenue but did not generate revenue days.





Changes in Lower 48 U.S. Land Rig Count

Estimated Change Since 2008 Peak in Active U.S. Land Rigs
(Smith Bits Weekly Rig Count - October 17, 2008 to August 31, 2012)



* PDS' active rig count includes both PDS and GW rigs.





The Replacement Cycle Continues

- AC drive rigs are best positioned to make the transition.
- Older, underperforming rigs are more likely to be sidelined. Since the 2008-2009 downturn, approximately 300 rigs have permanently stacked, and about 70% of these were mechanical rigs.
- Advanced technology AC drive rigs continue to displace mechanical and SCR rigs.

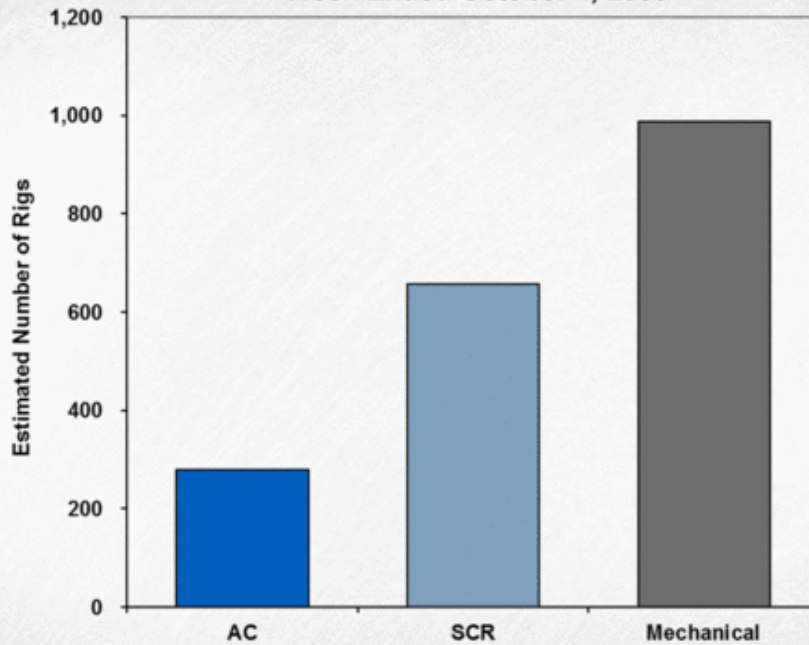




2008 Peak Rig Count (~1,925) - U.S. Land

By Power Type

Week Ended October 4, 2008



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 10% of the active rigs that were not readily identified.

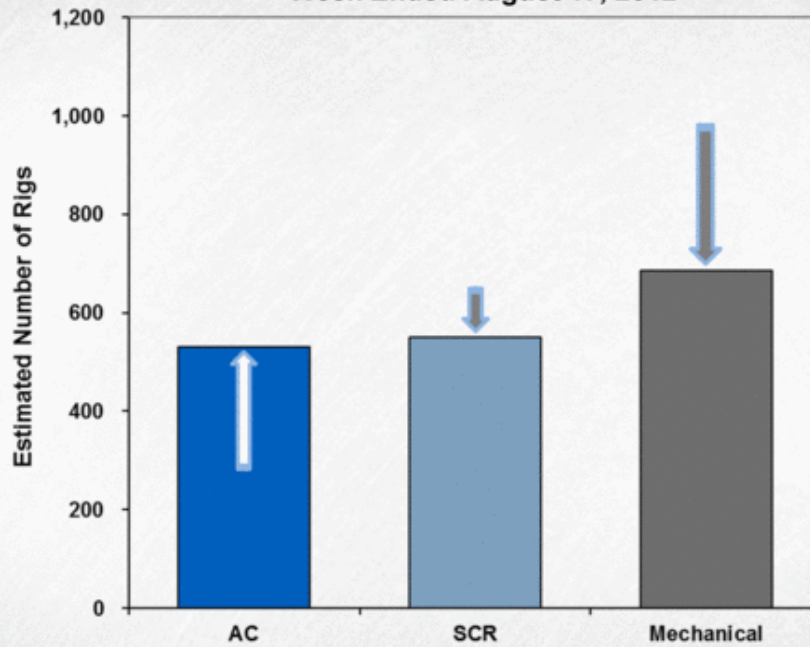




Current Rig Count (~1,750) - U.S. Land

By Power Type

Week Ended August 17, 2012



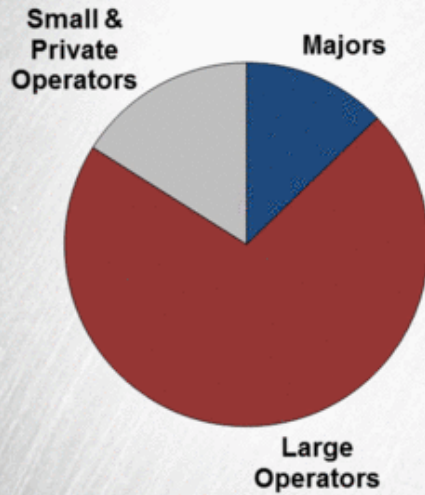
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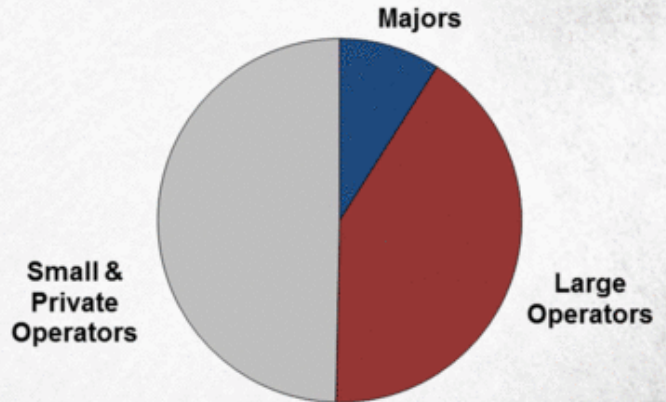


H&P vs. Industry U.S. Land Customer Base

H&P
U.S. Land Activity
Estimated Customer Distribution
(August 2012)



Industry
U.S. Land Activity
Estimated Customer Distribution
(August 2012)



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





Unconventional Plays Shaping Landscape

Well complexity is increasing:

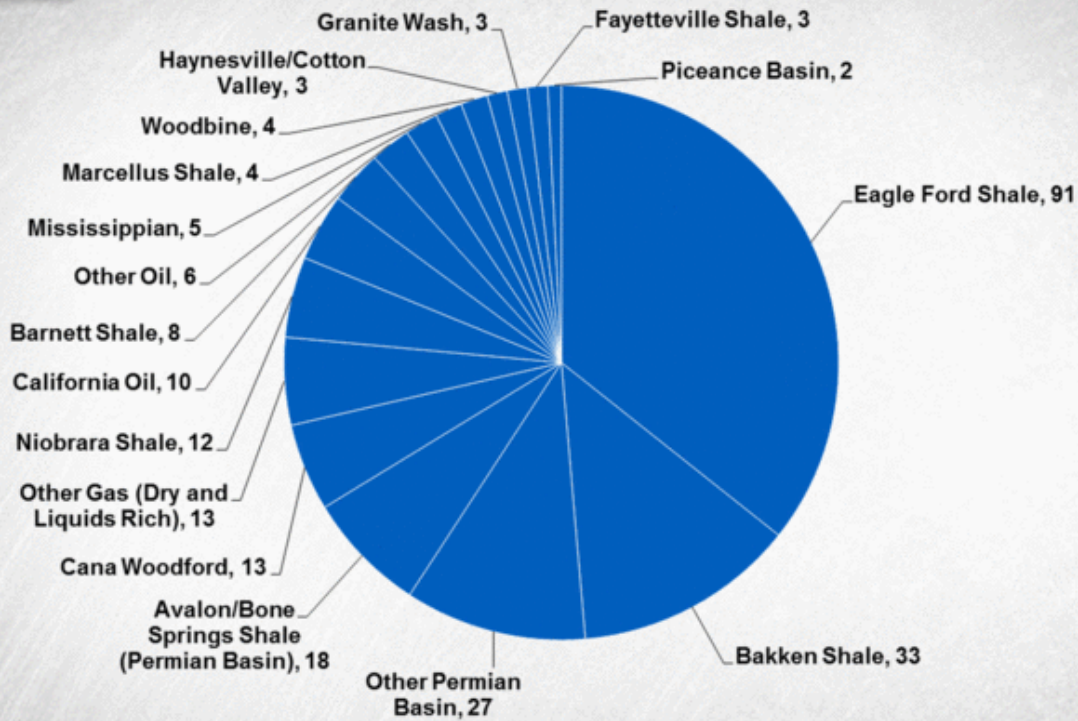
- Technology solutions that provide safe, environmentally sound and efficient operations are required by contractors to be competitive
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- A factory approach to drilling wells is required
- This all creates an expanding level of demand for FlexRigs





Leading U.S. Unconventional Driller

(255 H&P Contracted Land Rigs as of 9/4/12*)



* Includes announced new FlexRigs with customer commitments scheduled for completion in fiscal 2012 and fiscal 2013.





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**
- **An enhanced and significantly safer workplace**
- **Minimized impact to the environment**
- **Total well cost savings even at premium dayrates**





H&P's New Build Advantages

- We have been improving and honing the process for over 10 years, prompting our assertion that we build a better rig for less
- Safety is our first priority, followed by a relentless focus on strong execution and performance in the field
- Exceptional fleet uniformity
- Extensive collaboration with customers and suppliers
- A strong organizational orientation to consistent, repeatable, field execution





Performance is Not Only About Better Rigs

It's also about:

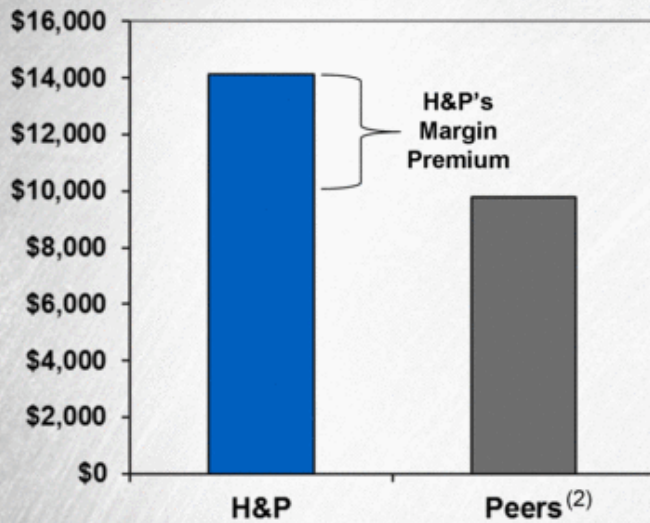
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**



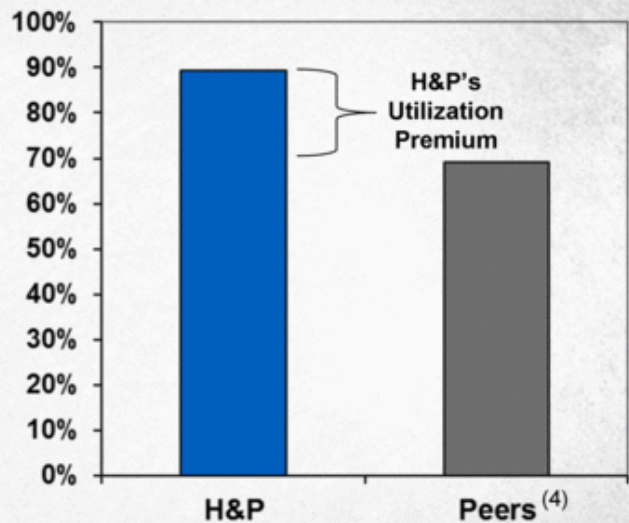


Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day⁽¹⁾
(12 Months Ended June 30, 2012)



Estimated U.S. Land Rig Utilization⁽³⁾
(12 Months Ended June 30, 2012)



- (1) Does not include the impact of early contract termination revenue.
- (2) Represents weighted-average rig margin per day for PTEN, NBR and UNT.
- (3) Utilization is herein calculated to be average active rigs divided by estimated available marketable rigs.
- (4) Represents estimated average combined utilization for PTEN, NBR, and UNT in the Lower 48 land market.





H&P Competitive Advantages

- Our people, processes and FlexRig technology create a very important competitive advantage for the Company.
- Our value proposition will continue to be directed toward delivering compelling performance for our customers and shareholders.
- The shift to drilling more complex unconventional resource plays that require the drilling of horizontal and directional wells only magnifies our competitive advantage.





End of Presentation





Additional References





H&P's Offshore Operations

- Our offshore operations outlook for the fourth fiscal quarter remains unchanged.
- Seven of the Company's nine offshore platform rigs remain active, and one of the two stacked rigs began mobilizing in August.
- In the fourth fiscal quarter, we expect revenue days to increase by ten to 15 percent as compared to the third fiscal quarter.
- Average rig margin per day is expected to increase by 15 to 20 percent during the fourth fiscal quarter of 2012 as compared to the third fiscal quarter.





H&P's International Land Operations

- Our international land operations outlook for the fourth fiscal quarter remains unchanged.
- Of the 29 rigs assigned to international operations, 25 are currently active.
- Total revenue days during the fourth fiscal quarter are expected to increase five to ten percent from the third fiscal quarter of 2012.
- Average rig margin per day is still expected to decrease by ten to 15 percent during the fourth fiscal quarter of 2012 as compared to the third fiscal quarter.





H&P's International Land Operations

Rig Fleet Status (as of September 4, 2012)

	Active	Contracted	Idle	Total	Long-term Contracts
Argentina ⁽¹⁾	5	1	3	9	5
Bahrain	4			4	4
Colombia	7			7	2
Ecuador	5			5	
Tunisia	2			2	
U.A.E.	2			2	2
Total	25	1	3	29	13 ⁽²⁾

(1) One contracted rig is currently moving to location.

(2) 13 of 16 FlexRigs, included in the international fleet of 29 rigs, are under long-term contracts.



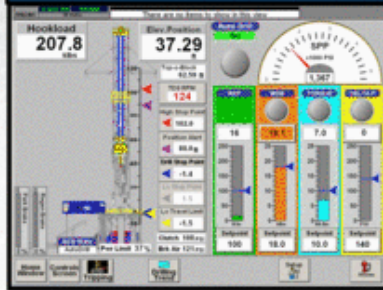


Innovation & Applied Technology

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



Satellite Communications



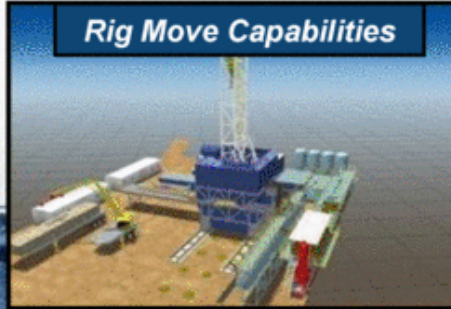
BOP Handling



Mechanized Tubular Handling



Rig Move Capabilities





Building a New FlexRig

Lean Manufacturing



Processing Raw Materials



Fabricating New Structures



Commissioning / Delivery



Test Assembly and Outfitting



Unitizing Packages



New Electrical Systems





Driller on a Conventional Rig vs. FlexRig™





Roughnecks on a Conventional Rig vs. FlexRig™





A Value Proposition Example – H&P vs. Competitors

	Estimated Conventional Average (Spot Market)	Estimated Peer Fit-for-purpose Average (Spot Market)	H&P FlexRig3 Average 2012 (Spot Market)
1. Drilling days	20	13	9
Other days	3	3	3
Moving days	7	4	3
Total rig revenue days per well	30	20	15
2. Drilling contractor dayrate	\$17,500	\$23,000	\$28,000
Operator's other intangible cost per day estimate	\$25,000	\$25,000	\$25,000
Total daily cost estimate	\$42,500	\$48,000	\$53,000
Total cost per well (daily services)	\$1,275,000	\$960,000	\$795,000
3. Total well savings with H&P – per well per year	\$480,000 \$11.7MM	\$165,000 \$4.0MM	

Increased wells per rig per year versus conventional average: 12 wells

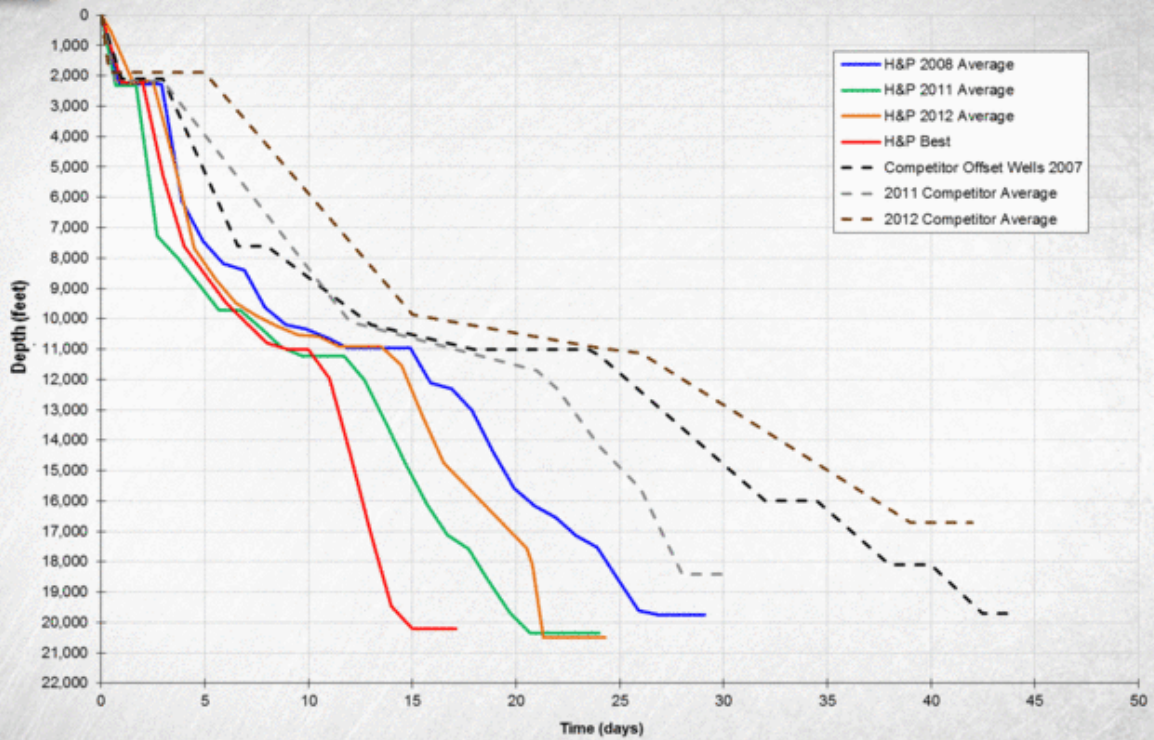
Increased wells per rig per year versus peer fit-for-purpose: 6 wells





FlexRig3 – Selected Performance Sample

FlexRig3 Bakken Shale



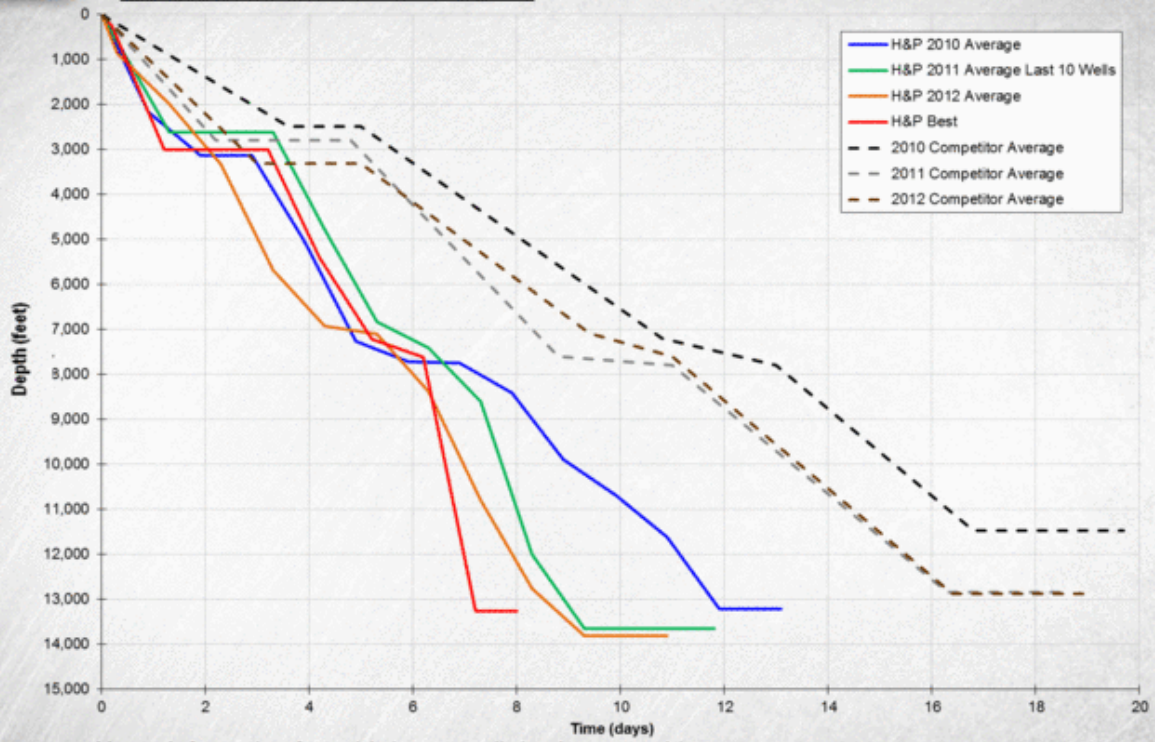
Note: Information from third party well database provider





FlexRig3 – Selected Performance Sample

FlexRig3 Eagle Ford Shale



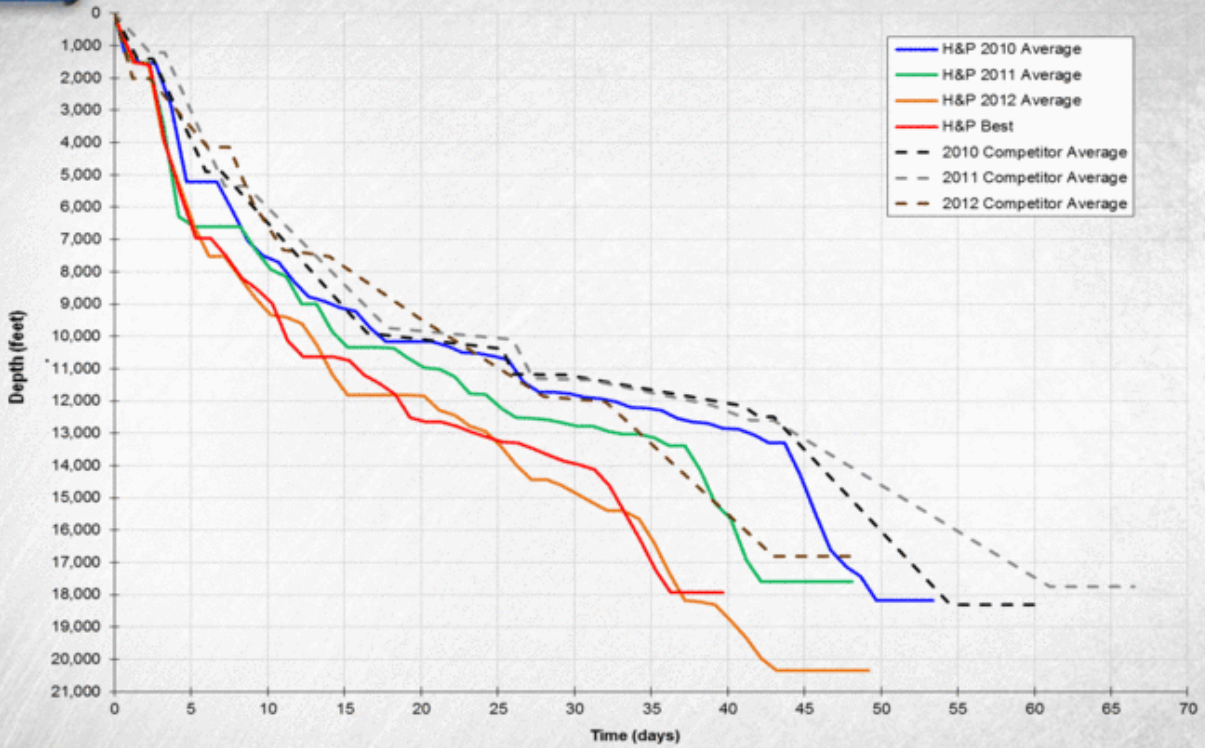
Note: Information from third party well database provider





FlexRig3 – Selected Performance Sample

FlexRig3 Cana Woodford Shale



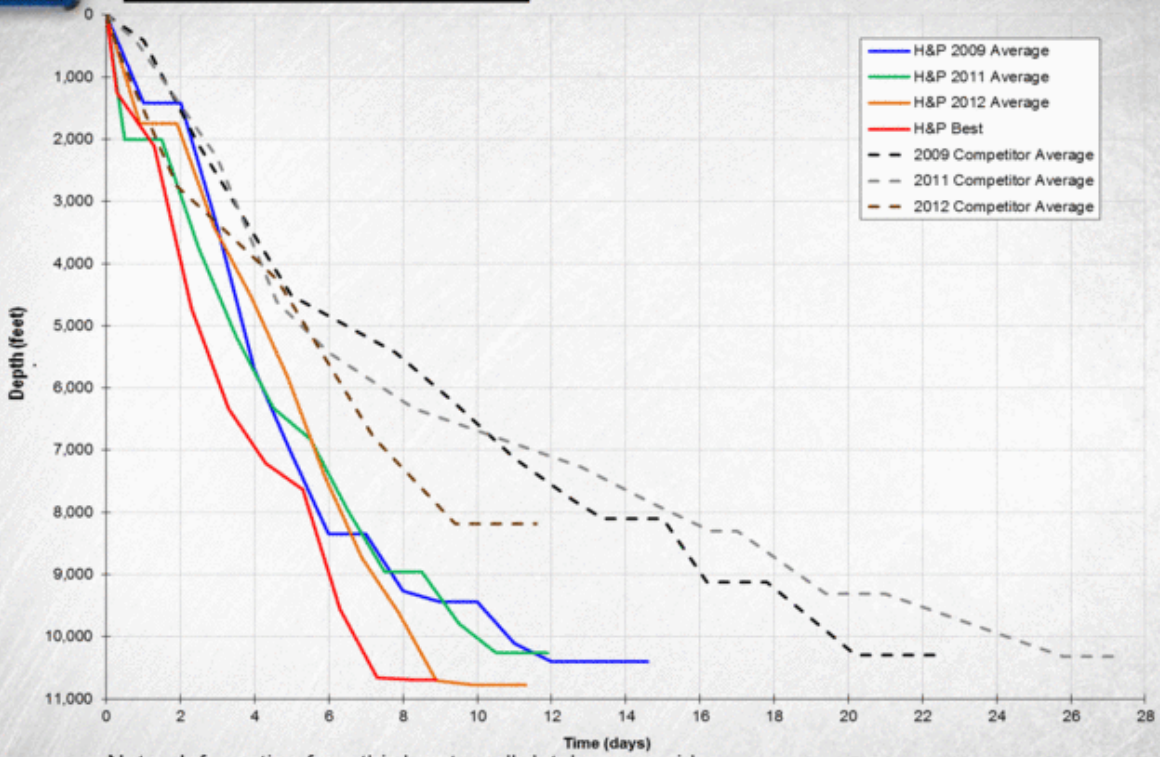
Note: Information from third party well database provider





FlexRig4 – Selected Performance Sample

FlexRig4 Permian Basin



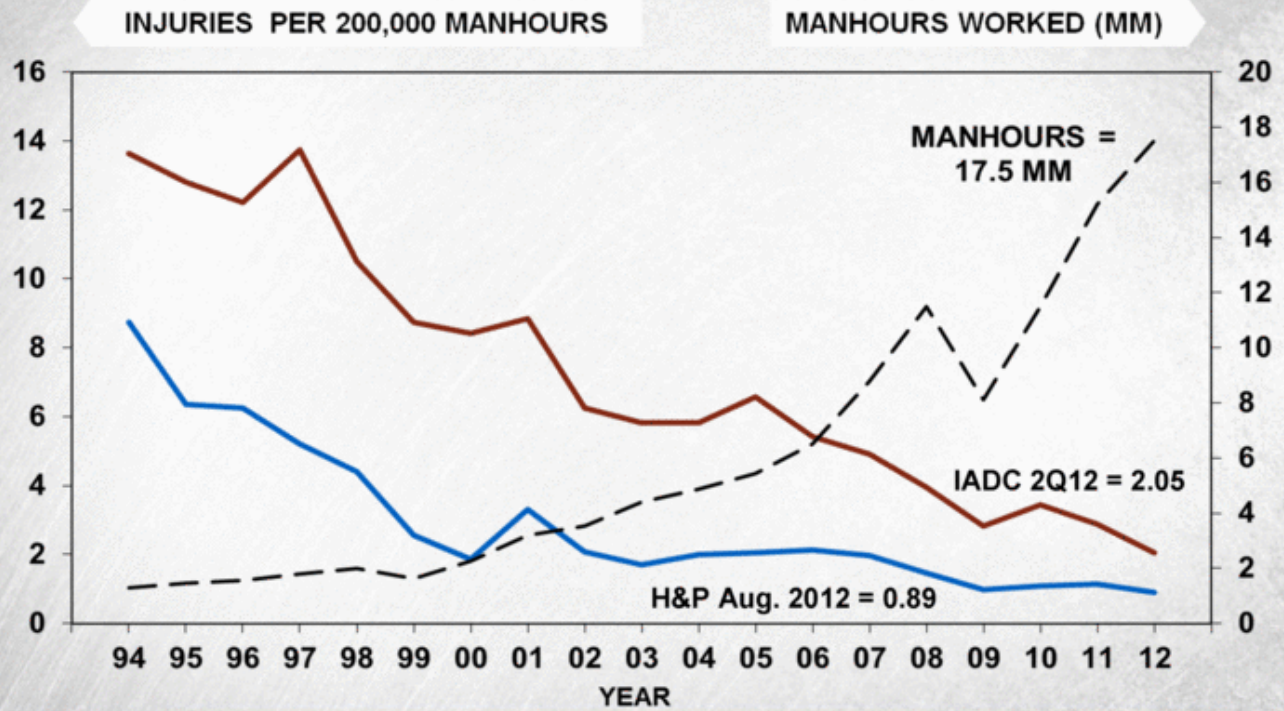
Note: Information from third party well database provider





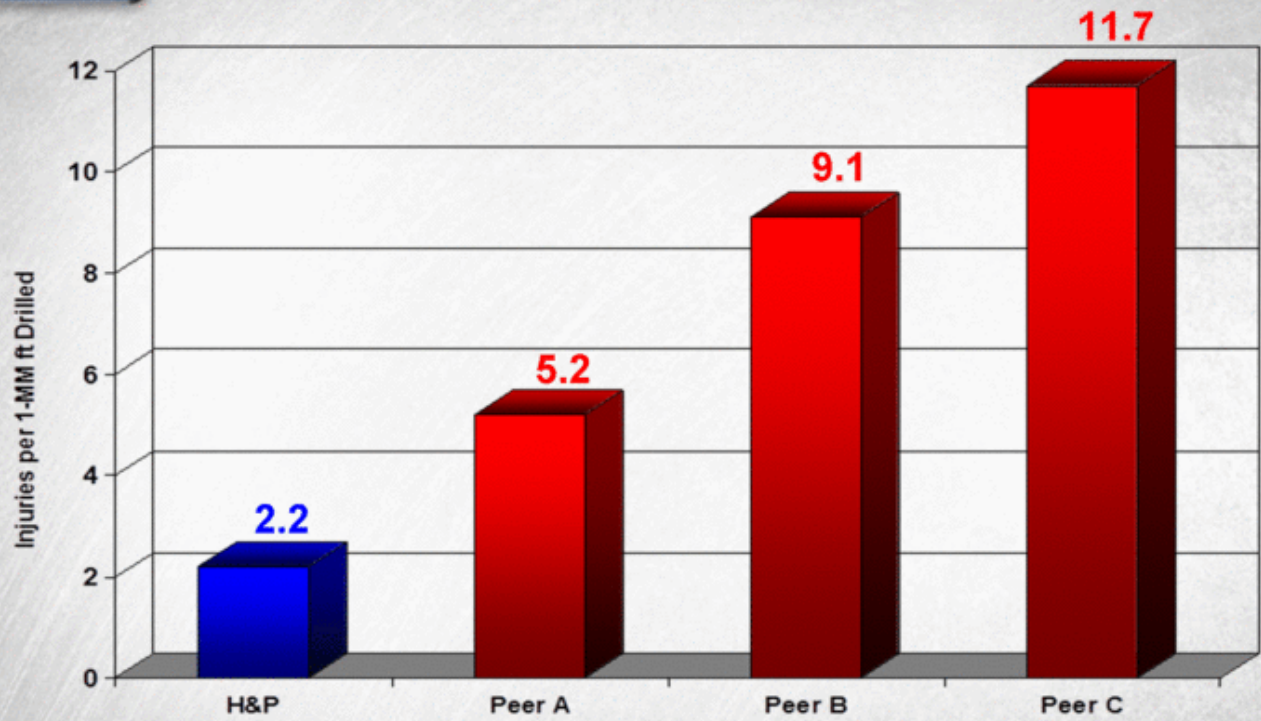
Delivering Safety – H&P vs. Industry (IADC)

U.S. Land Safety Performance (1994 – 2012) OSHA Recordable Injury Incidence Rates





Recordable Injuries per 1-MM Feet Drilled in 2011 by the Largest U.S. Land Drilling Contractors



Note: Injury data taken from IADC ASP Program. Footage data taken from Land Rig Newsletter.

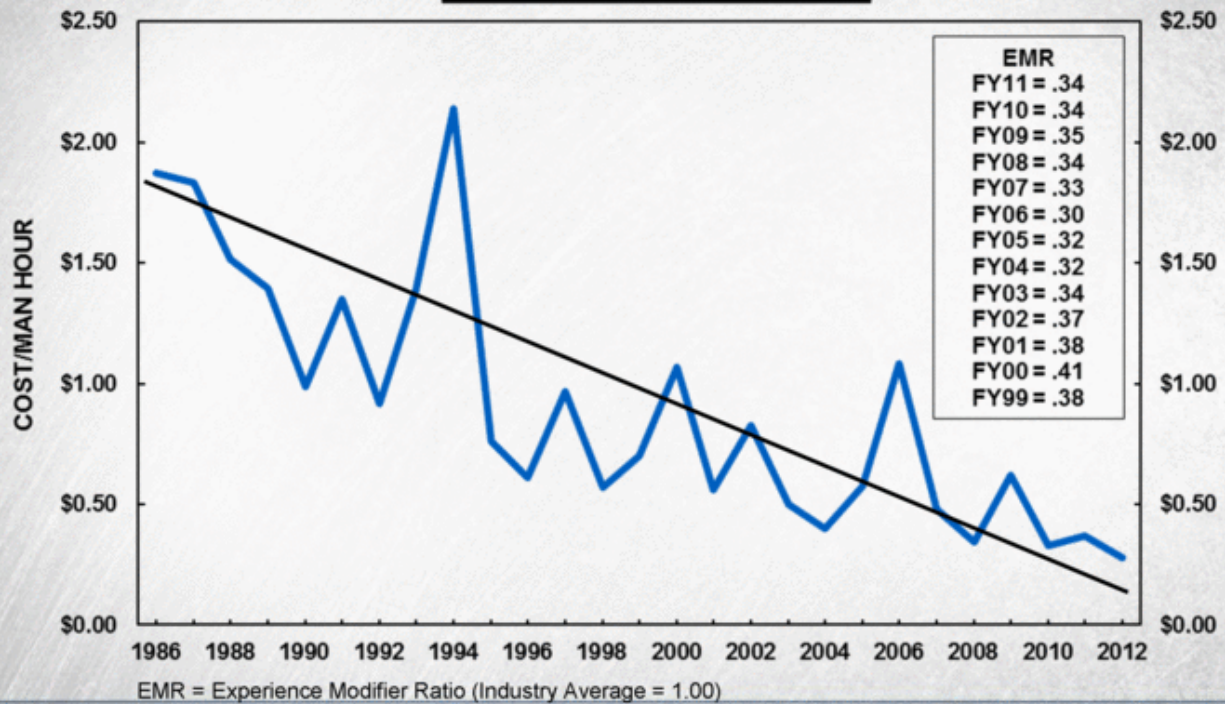




Safety Excellence Also Generates Savings

Reduced Workers Comp and General Liability Losses per Man Hour

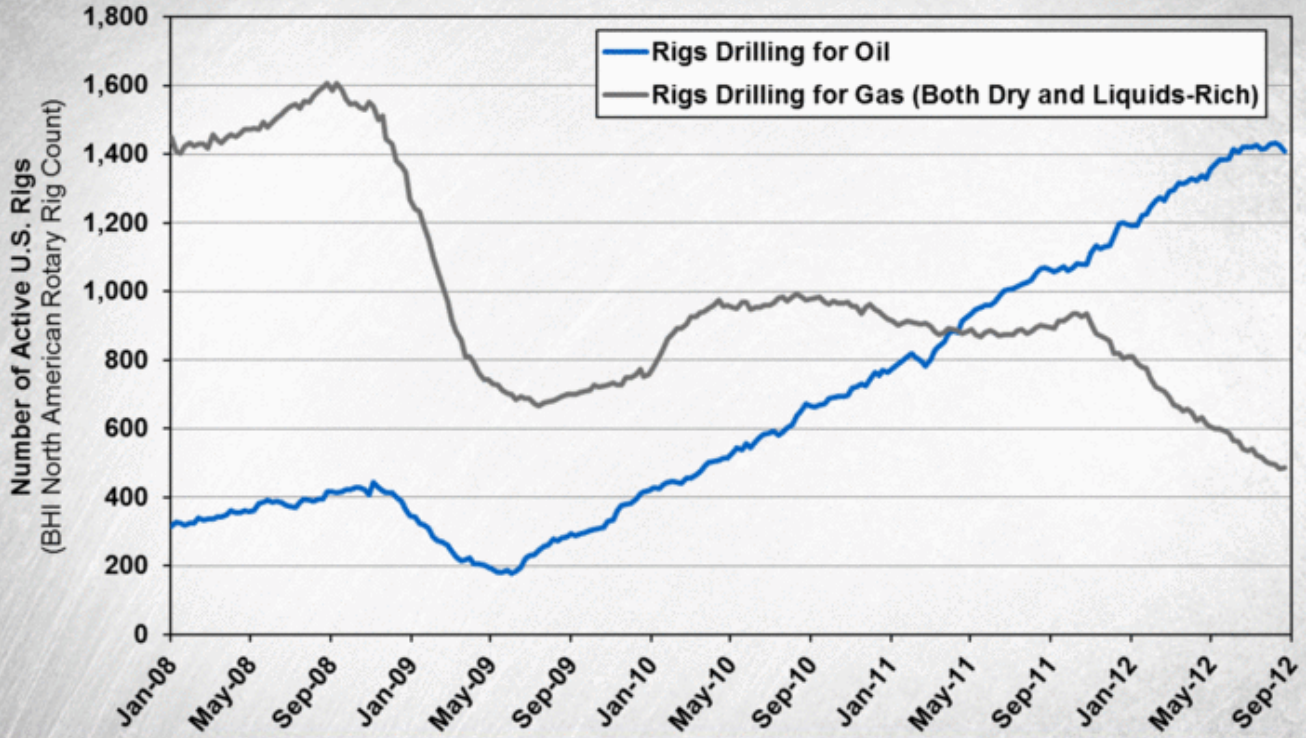
Actual Cost Per Man Hour Worked
U.S. Land & Offshore Operations





The Ongoing Gas to Oil Transition...

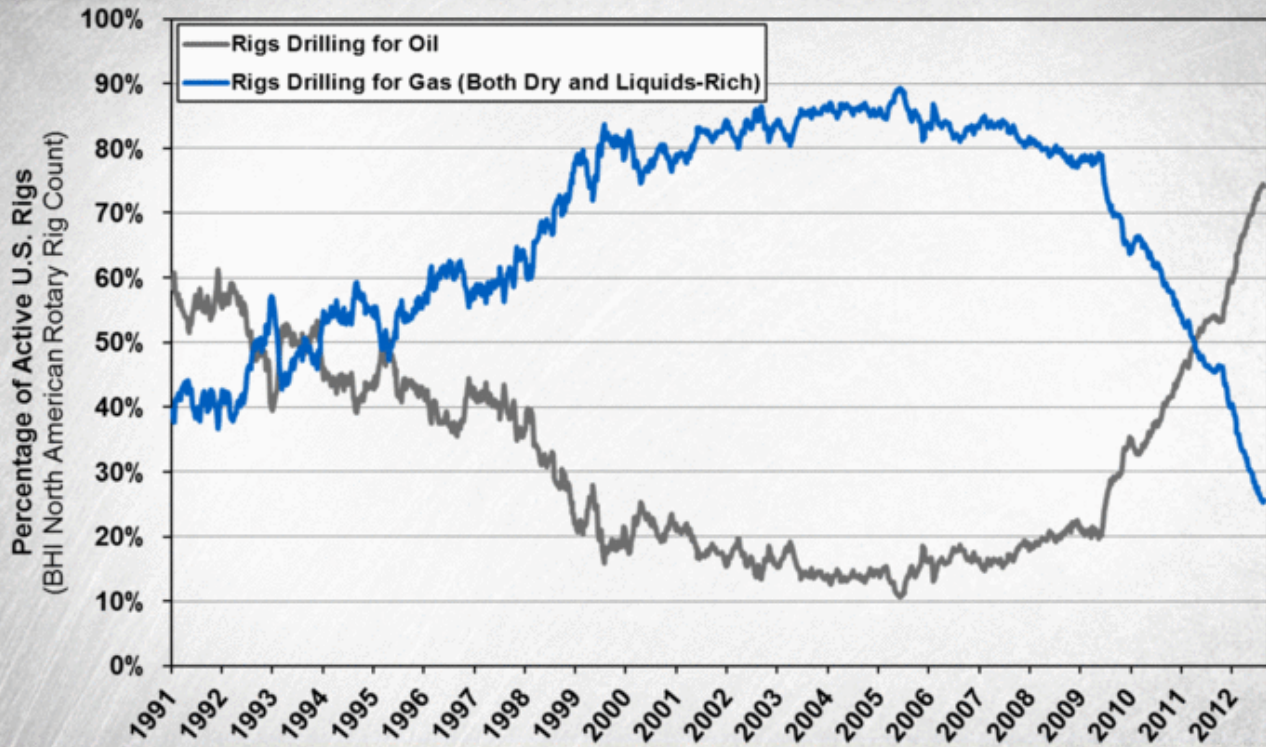
U.S. Rig Activity by Hydrocarbon Target





Economics Shift Activity Towards Oil Drilling

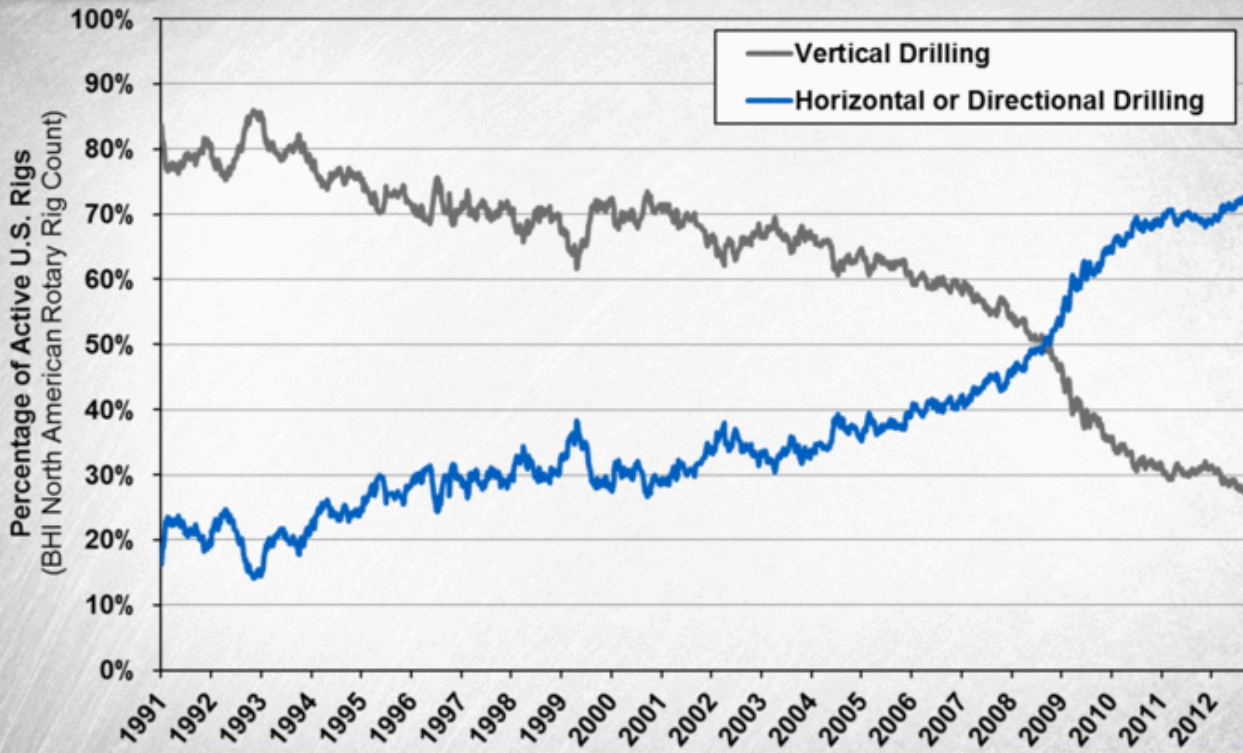
U.S. Rig Activity by Hydrocarbon Target





Increasing Focus on More Difficult Drilling

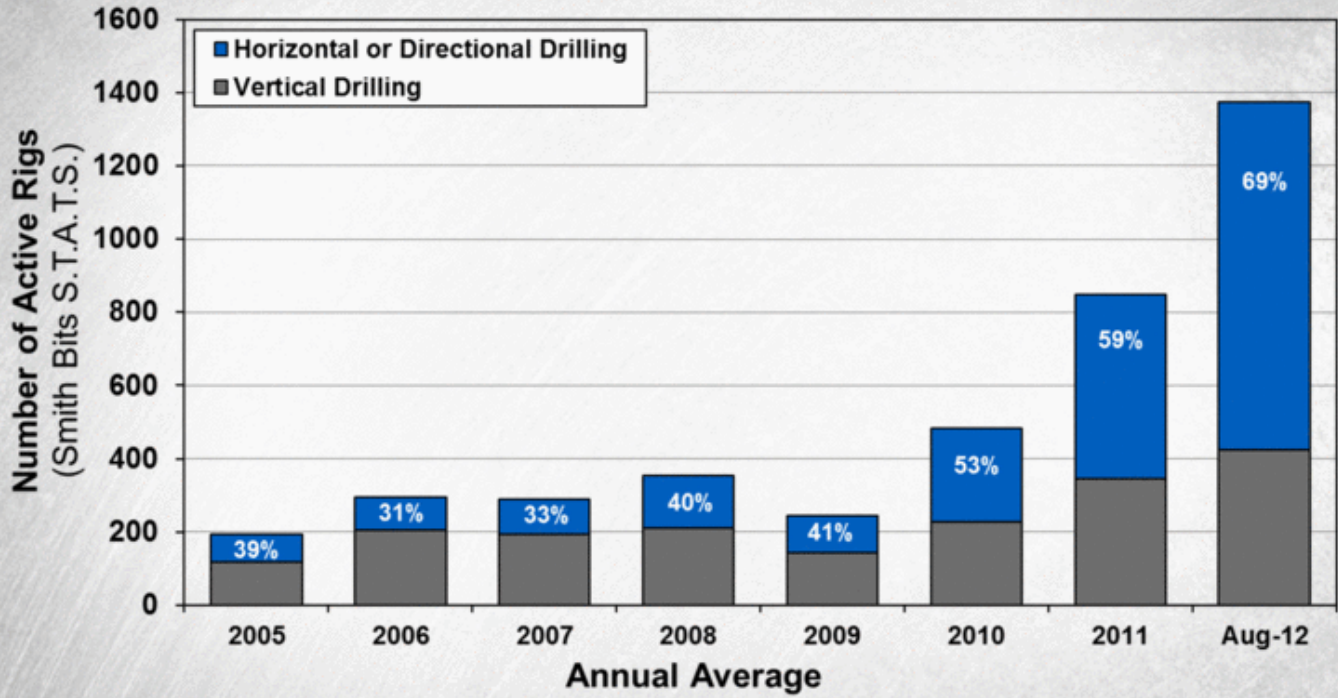
U.S. Rig Activity by Drilling Type





Oil Related Drilling Increasingly Complex

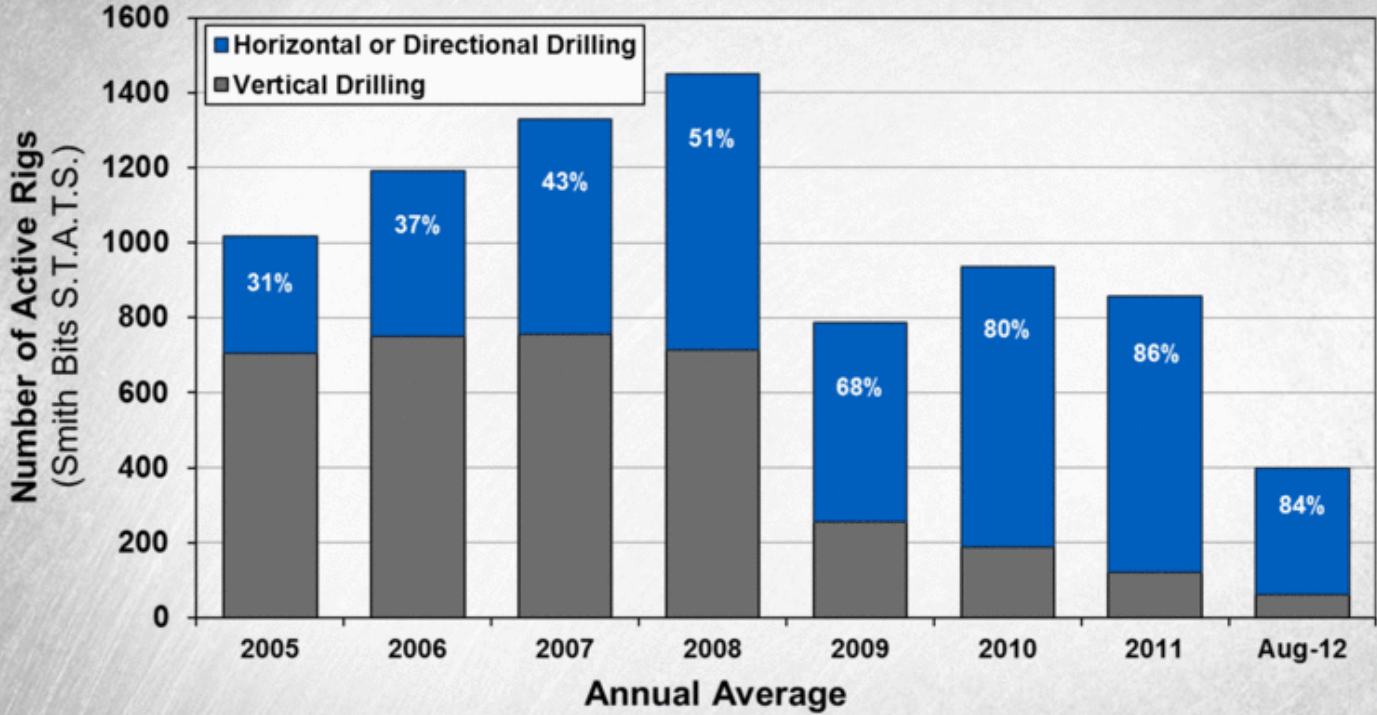
Active Rigs in U.S. Land Drilling for Oil





Increasing Focus on More Difficult Drilling

Active Rigs in U.S. Land Drilling for Natural Gas





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