

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 09/12/13 for the Period Ending 09/12/13

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
CIK	0000046765
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 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: September 12, 2013

EXHIBIT INDEX

Exhibit Number	Description
99.1	Slides to be distributed in investor meetings.



Helmerich & Payne, Inc.
2013 Barclays CEO Energy-Power Conference
September 12-13, 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
- Leader in ongoing industry land rig replacement cycle
- Most modern and capable land drilling fleet
- Strong balance sheet
- Focused on innovation and returns on capital

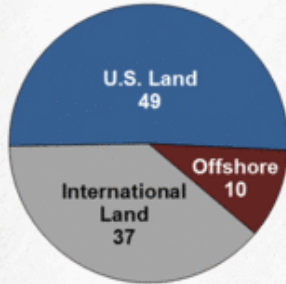




Evolution of H&P's Global Rig Fleet

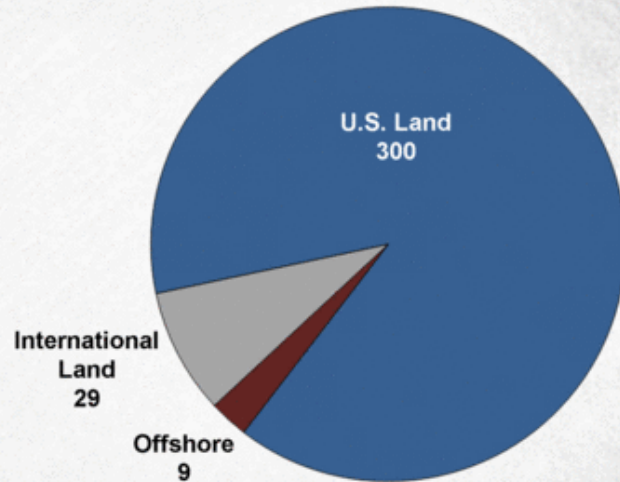
96 Rigs

(Before AC Drive Rigs)



September 2001

338 Rigs



September 2013





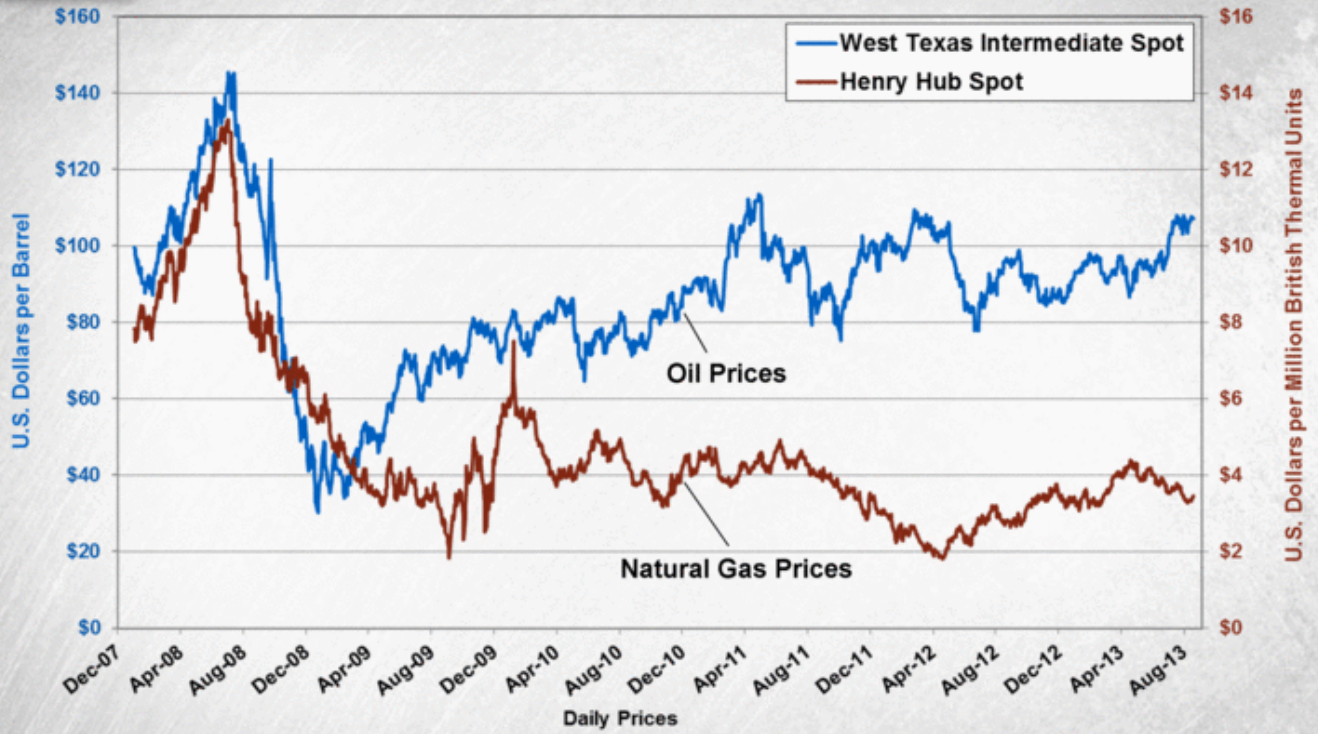
The Drilling Market Today

- Our operational outlook for the fourth fiscal quarter remains unchanged.
- Assuming commodity prices hold, we expect some improved traction in U.S. land active rig count.
- Absent overall improvement, we expect AC drive, Tier 1 rigs to continue to gain market share.
- Helping to capture efficiency gains for customers continues to differentiate our performance.





Oil and Natural Gas Prices

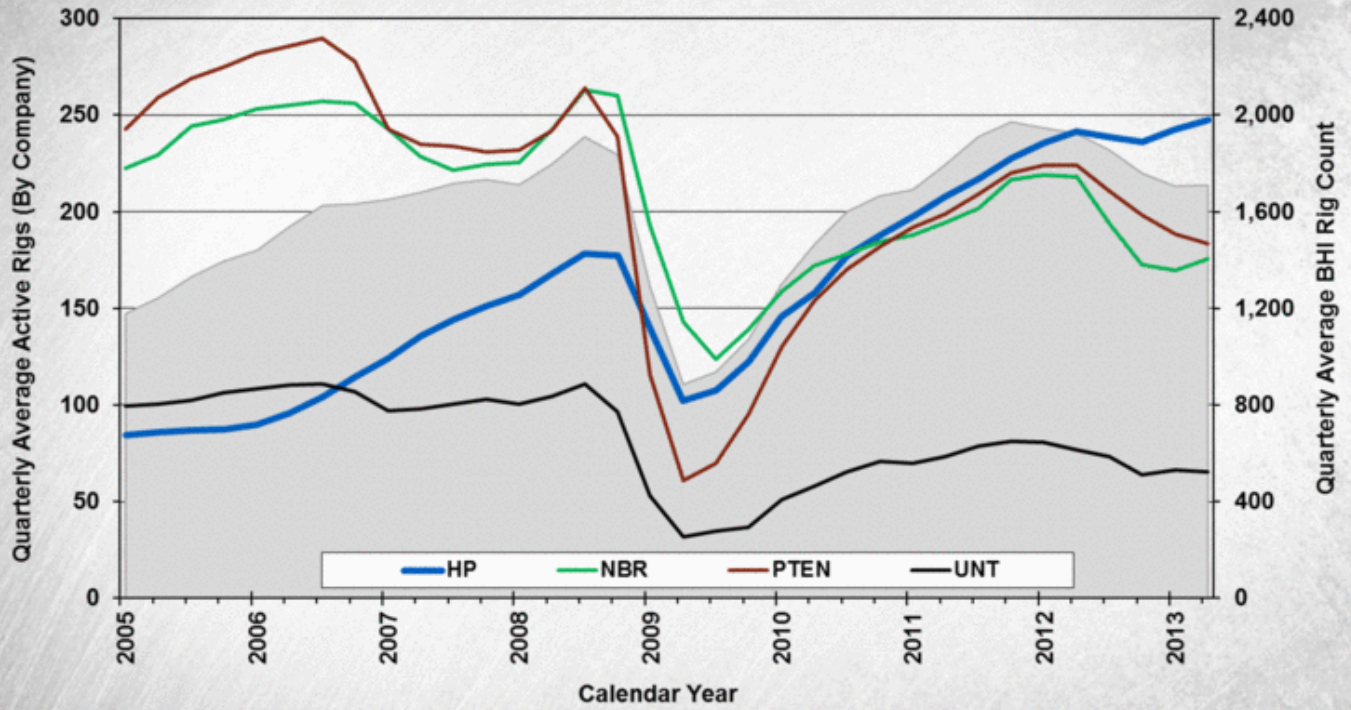


Source: Energy Information Administration



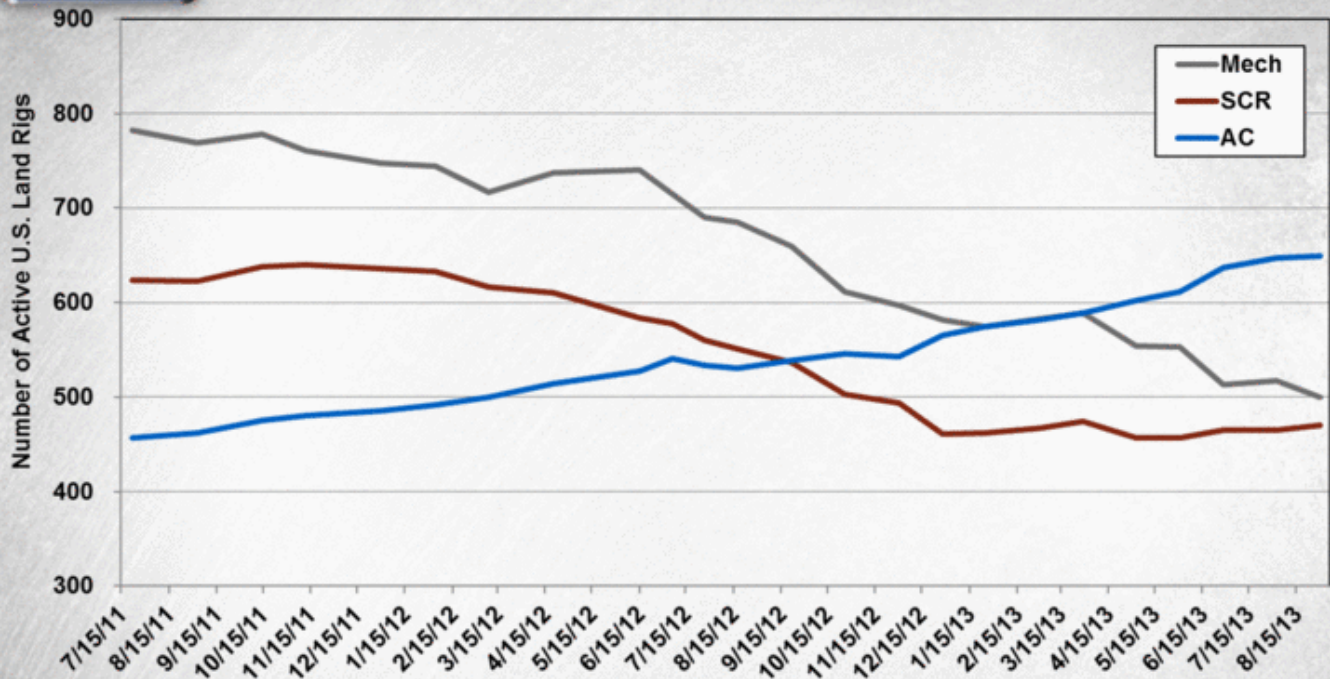


U.S. Land Active Rig Count





AC Rigs Continue to Gain Market Share



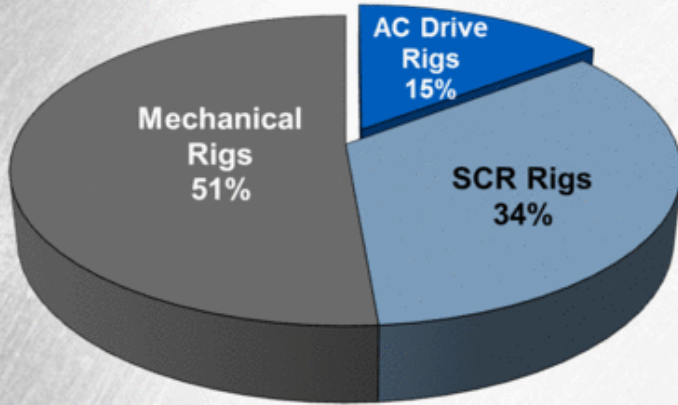
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately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



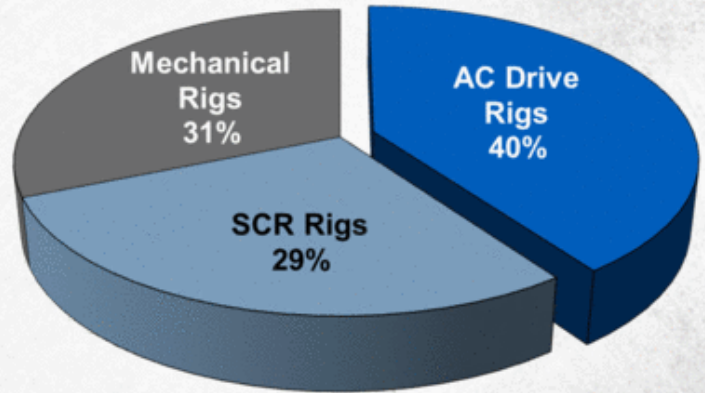


The Replacement Cycle Continues

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



As of August 2013
(~1,625 Active Rigs in the U.S.)
By Power Type

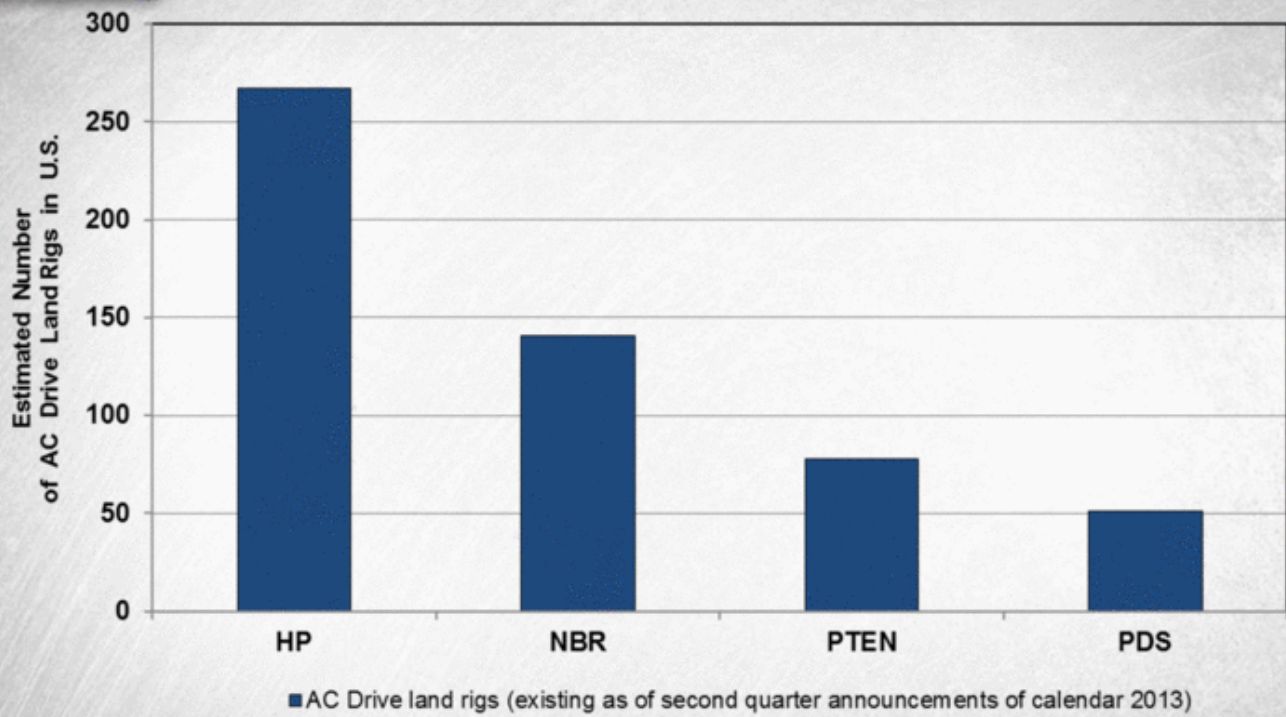


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately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





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

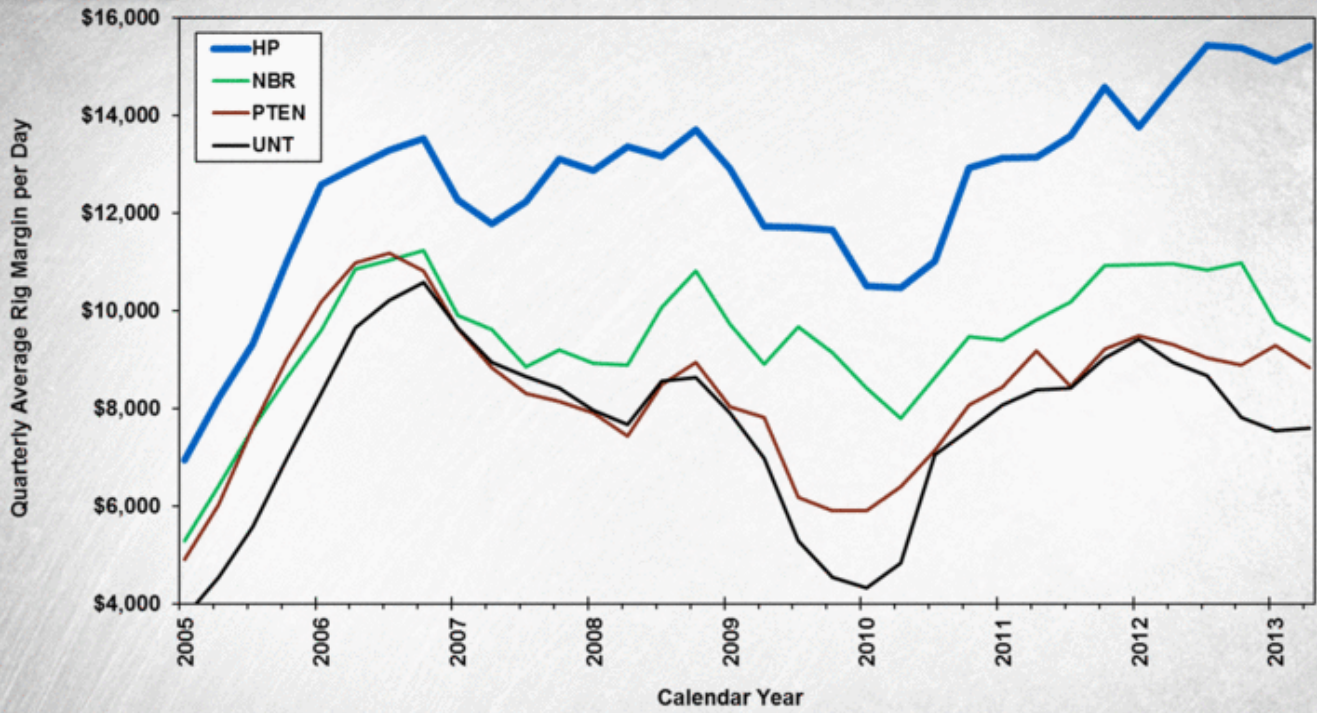


Note: The above estimates corresponding to U.S. lower 48 AC Drive fleets are derived from Rig Data and corporate filings.





U.S. Land Average Daywork Margins⁽¹⁾



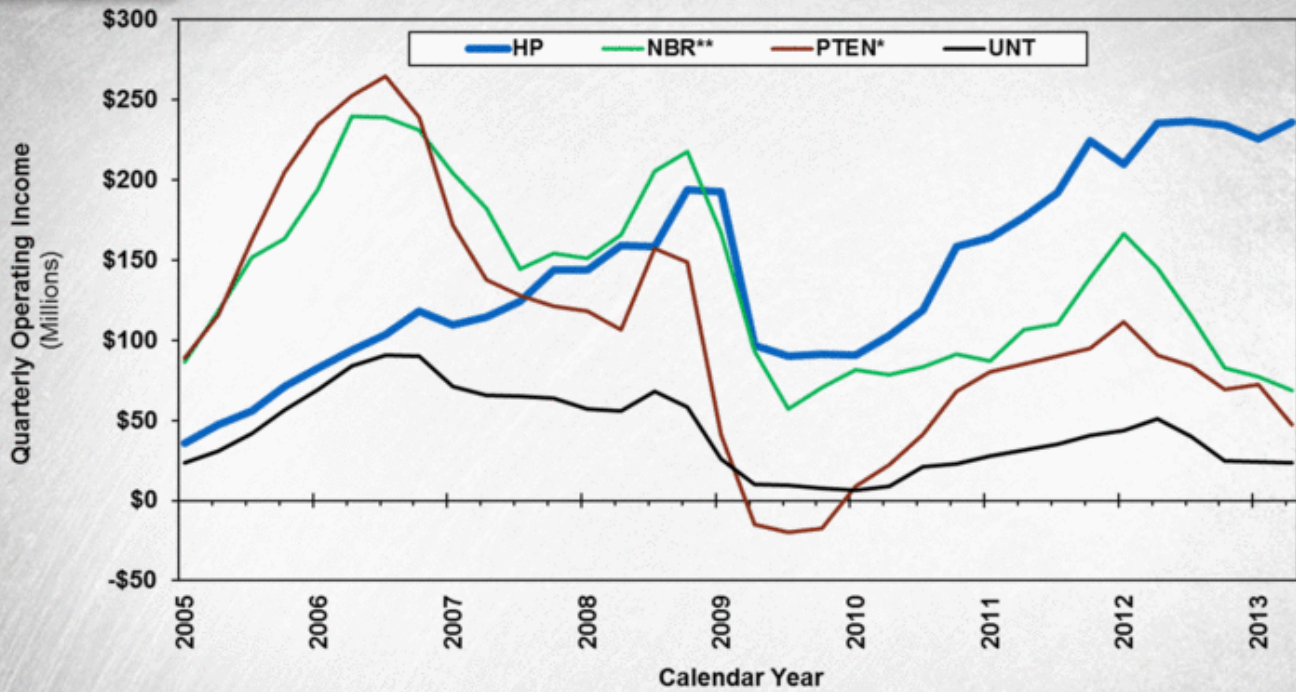
(1) Does not include the impact of early contract termination revenue.





Record Profits During Industry Slowdown

U.S. Land Drilling Operating Income



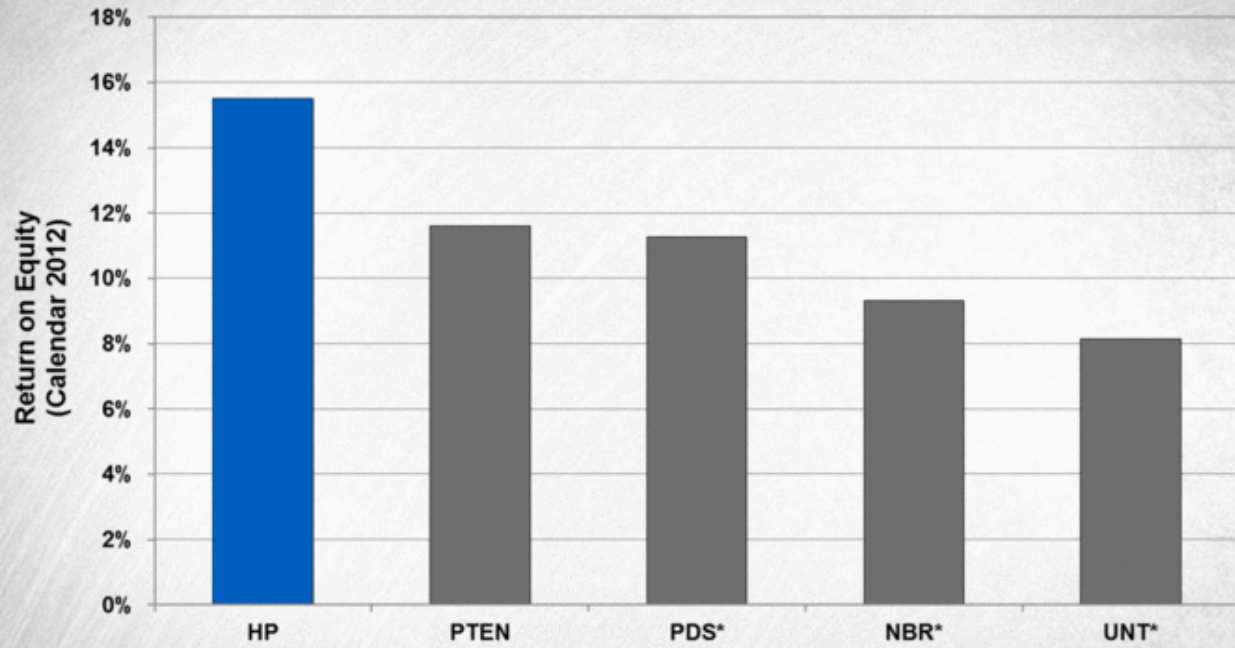
* PTEN's operating income includes drilling operations in Canada.

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





Return on Equity

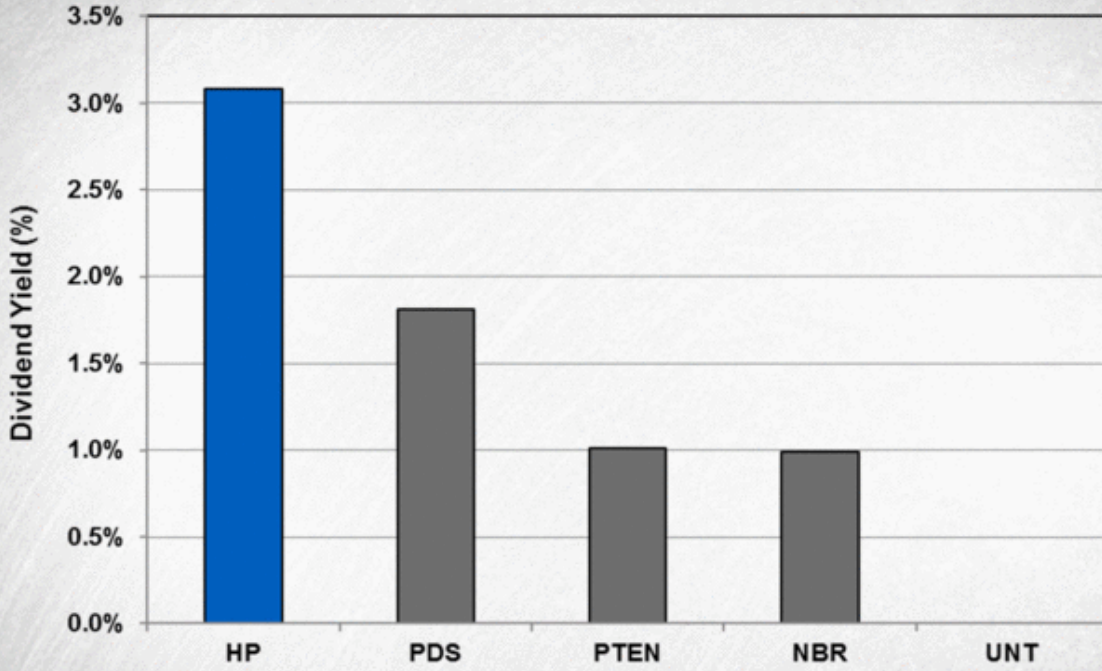


* The corresponding ROE values for the selected companies exclude certain extraordinary, non-recurring charges.





Current Dividend Yields

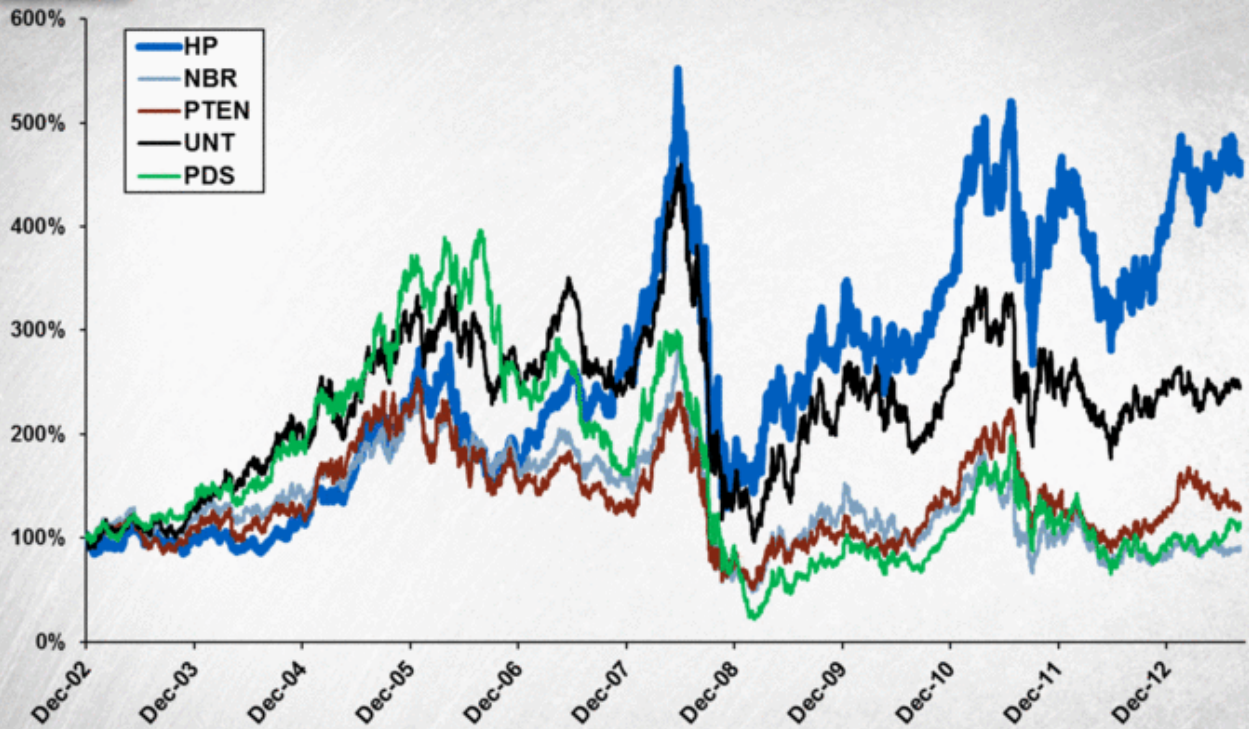


Source: Thomson Financial. Yields calculated as of market close on September 5, 2013.





Ten-Year Relative Shareholder Return

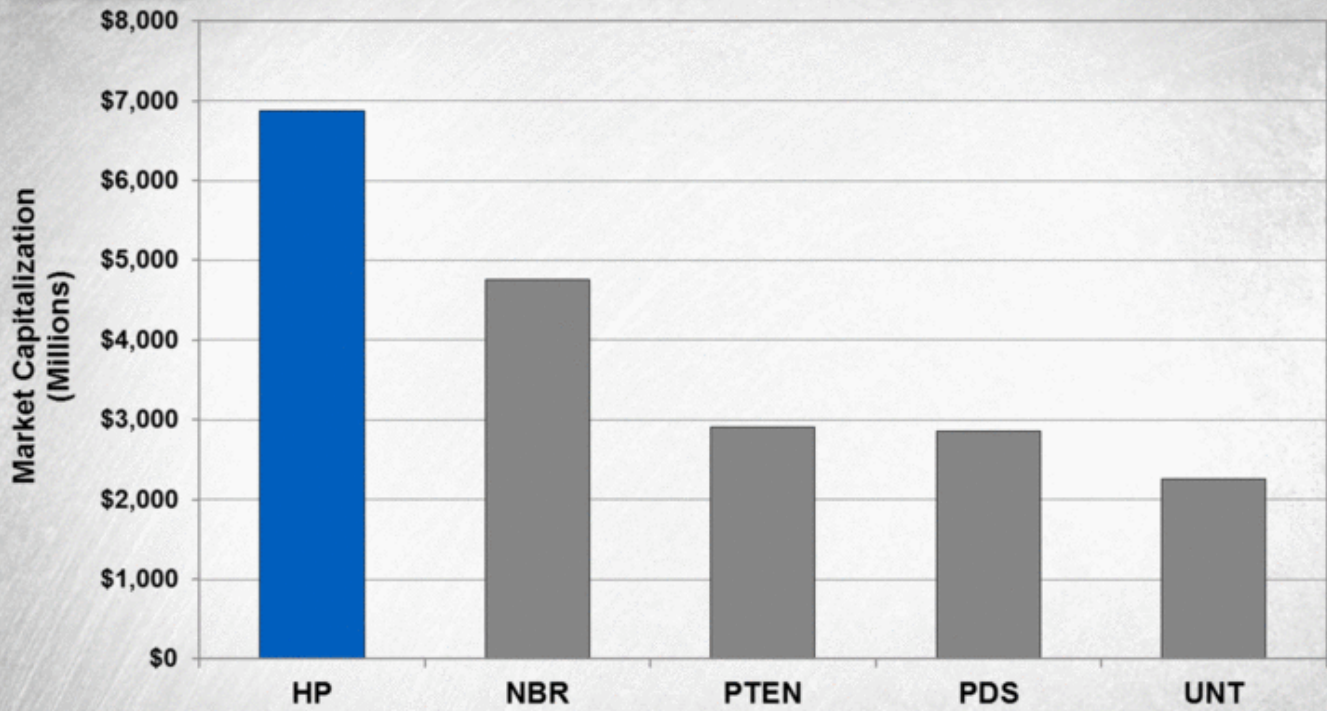


Source: Thomson Financial as of September 5, 2013





Land Drilling Market Valuations



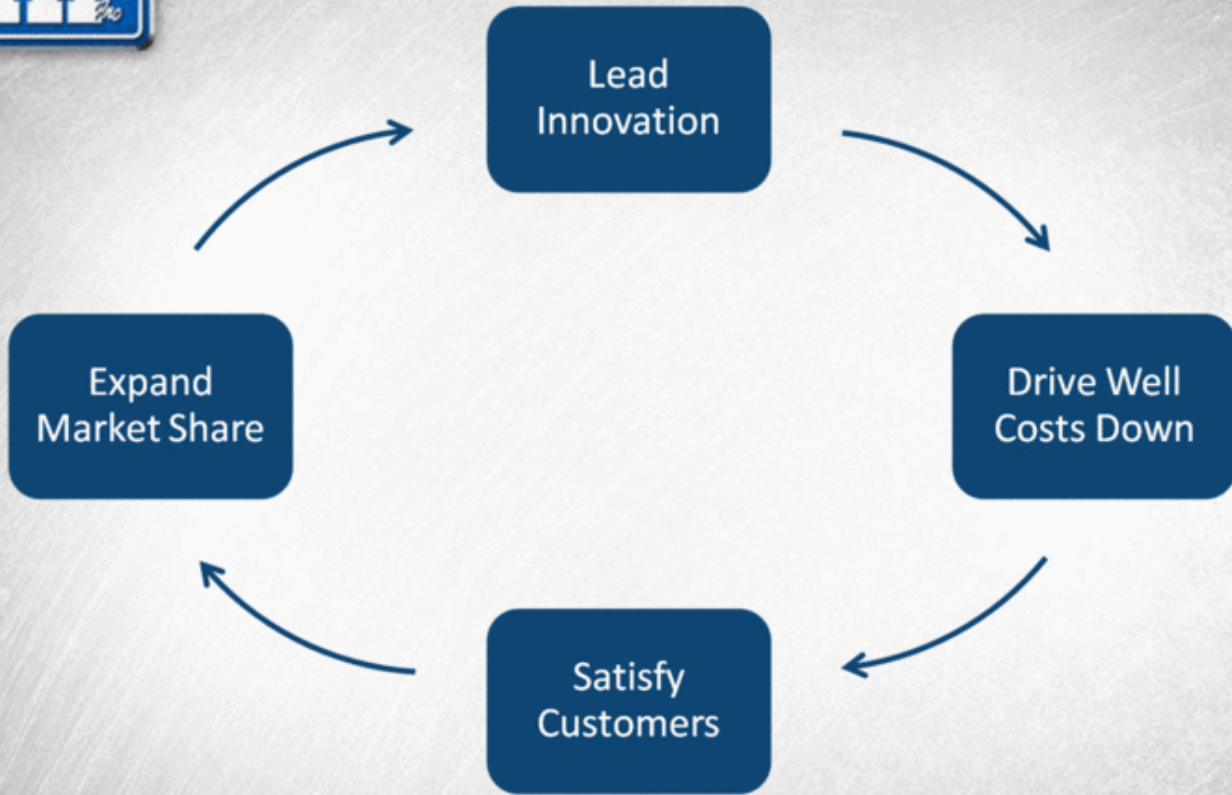
Source: Thomson Financial as of September 5, 2013.







Growing Shareholder Value





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**



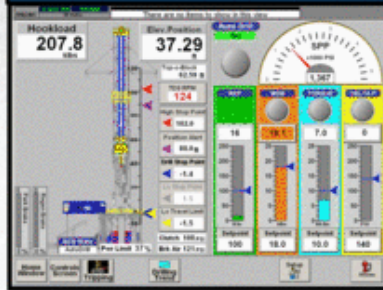


Innovation & Applied Technology

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



Satellite Communications



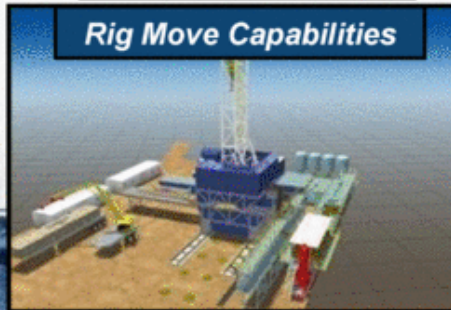
BOP Handling



Mechanized Tubular Handling



Rig Move Capabilities





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





FlexRigs Delivering Drilling Efficiencies

- We have over 1,200 rig years of AC Drive FlexRig drilling experience.
 - Drilled over 52 million feet in 2012
 - Drilled in excess of 40 million feet in first eight months of 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:

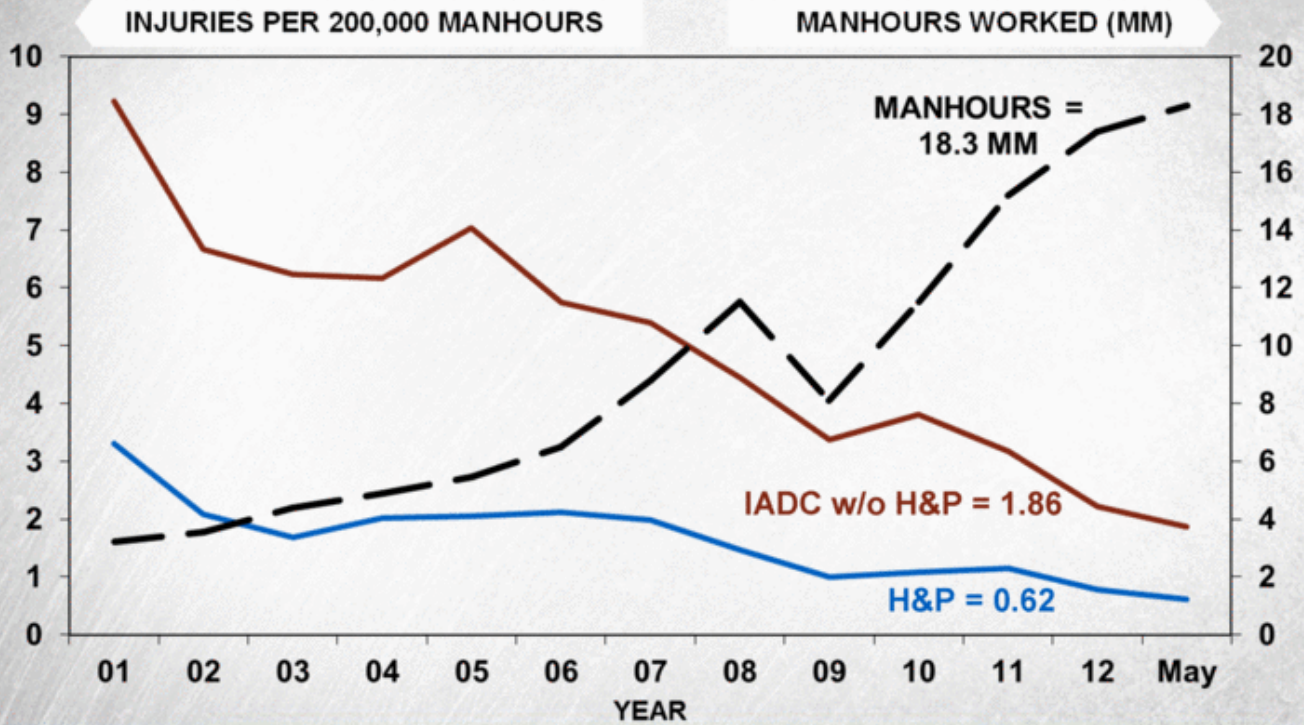
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





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

U.S. Land Safety Performance (1994 – May 13)
OSHA Recordable Injury Incidence Rates

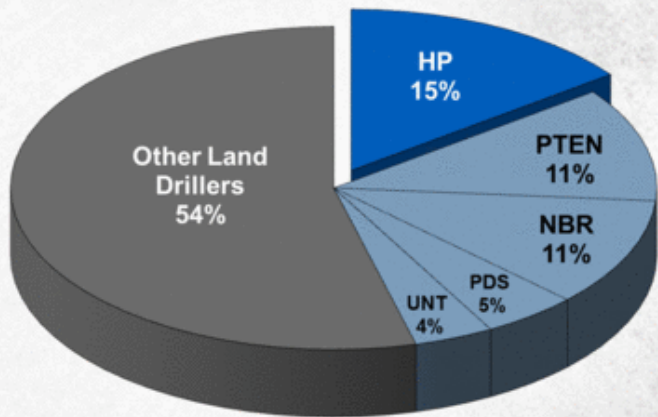
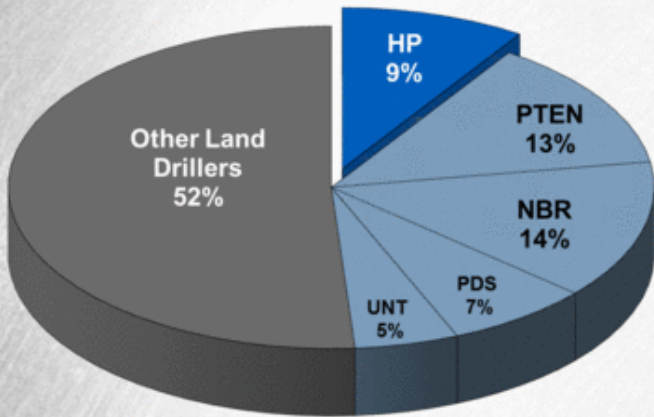




H&P Continues to Capture Market Share

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

As of August 2013
(~1,625 Active Rigs in the U.S.)



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.





Favorable Market Trends Continue for FlexRigs

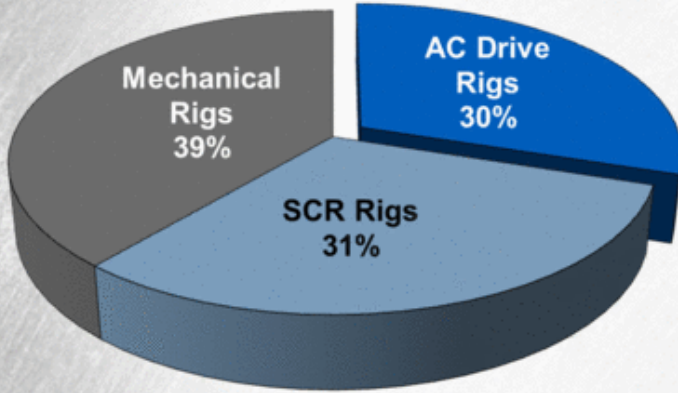
- Customer focus on drilling efficiency, technology and safety
- Expectation to drill more wells with fewer rigs
- AC drive rigs replacing SCR and mechanical rigs
- More customers high-grading their fleets
- Increasing well complexity



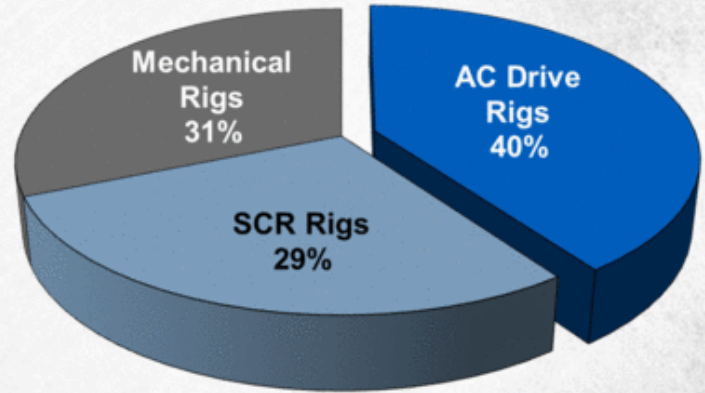


High-Grading is Accelerating

As of August 2012
(~1,770 Active Rigs in the U.S.
By Power Type)



As of August 2013
(~1,625 Active Rigs in the U.S.
By Power Type)



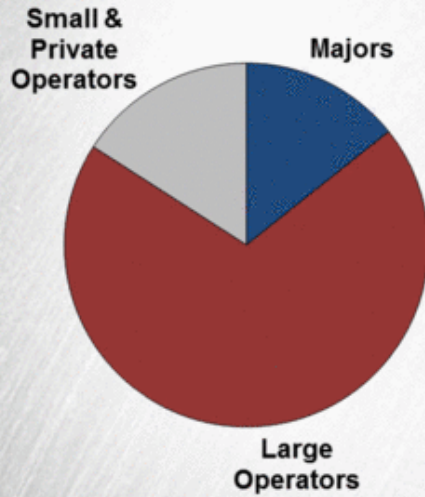
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately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



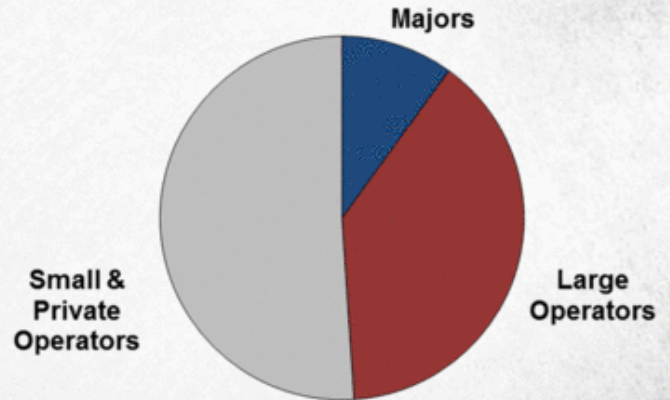


H&P vs. Industry U.S. Land Customer Base

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



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





Unconventional Plays Shaping Landscape

Well Complexity is increasing:

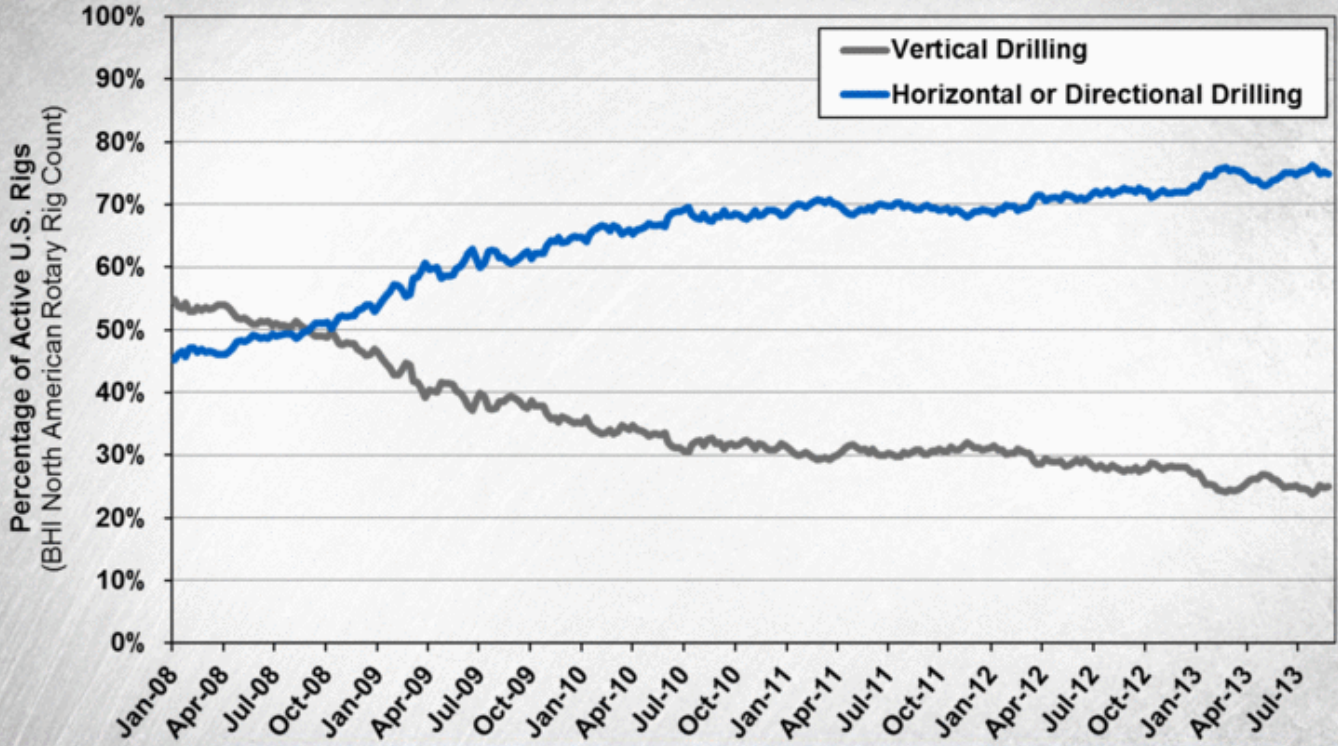
- Horizontal and directional wells make up over 75% of wells drilled in the U.S.
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- A factory approach to drilling wells is required
- This all creates an expanding level of demand for FlexRigs





Increasing Focus on More Difficult Drilling

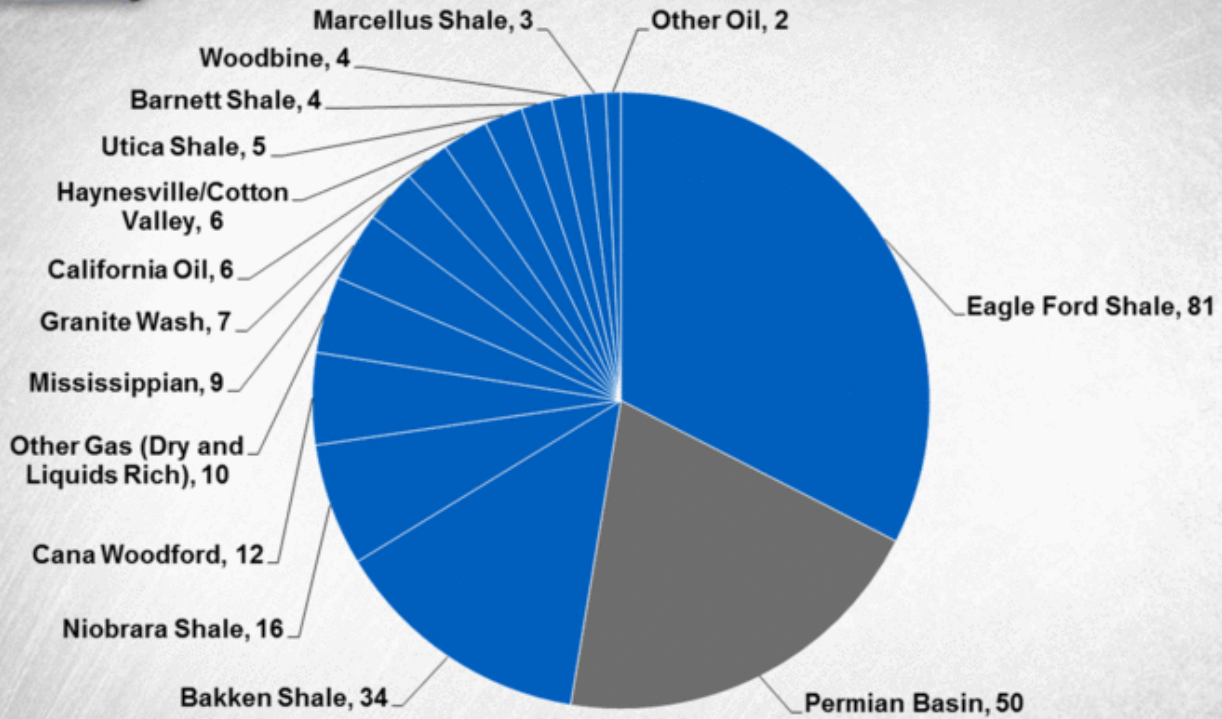
U.S. Rig Activity by Drilling Type





Leading U.S. Unconventional Driller

(249 H&P Contracted Land Rigs as of 9/4/13*)

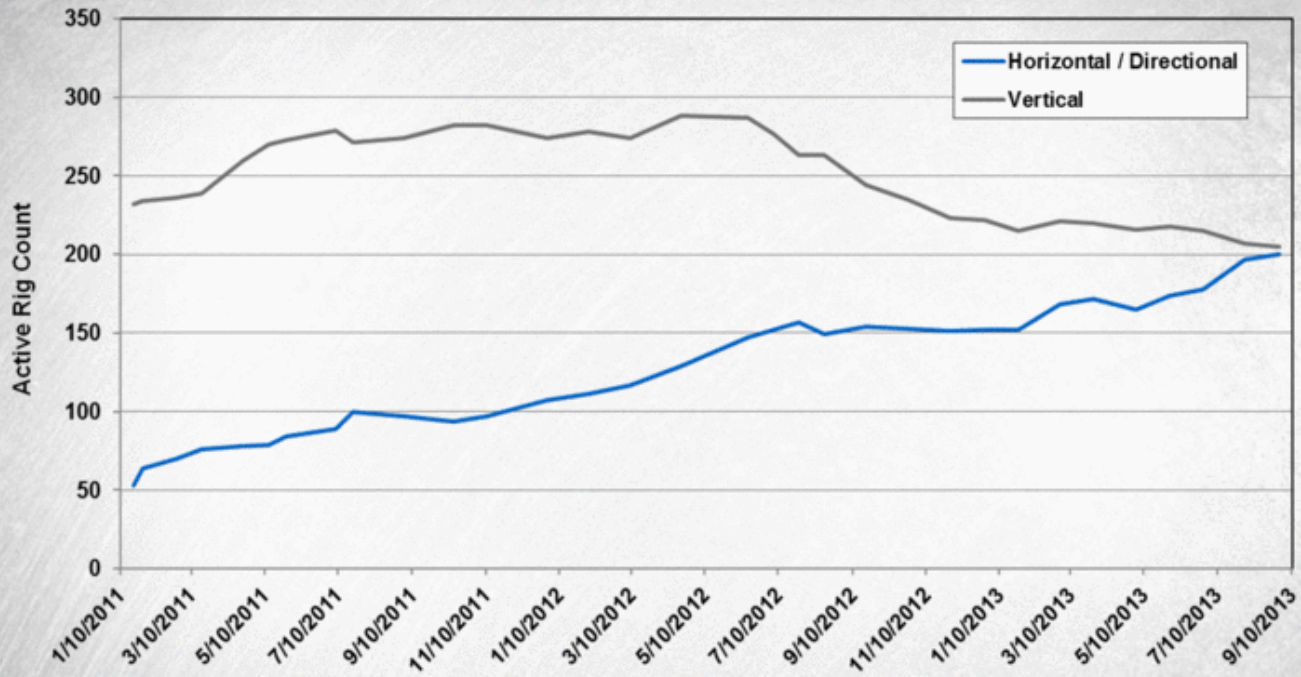


* Includes announced new FlexRigs with customer commitments scheduled for completion in calendar 2013.





Unconventional Drilling Growth in Permian



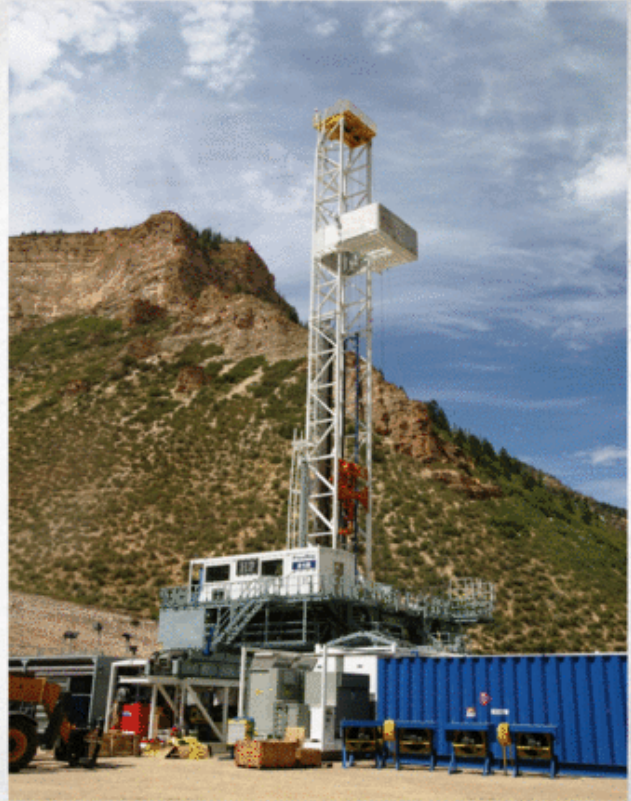
Note: The above estimates are derived from Rig Data. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower.





H&P's Pad Capable Fleet

- H&P has a total of 116 pad capable FlexRigs, all of which are AC drive rigs.
- 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.





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 Activity as of September 4, 2013

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	300	248	83%
AC Drive FlexRigs	267	248	93%
SCR Fleet	33	0	0%
Offshore	9	8	89%
International Land	<u>29</u>	<u>25</u>	<u>86%</u>
Total	338	281	83%
FlexRig Construction ⁽¹⁾	1		
Other AC Construction ⁽²⁾	1		
Total Fleet	340		

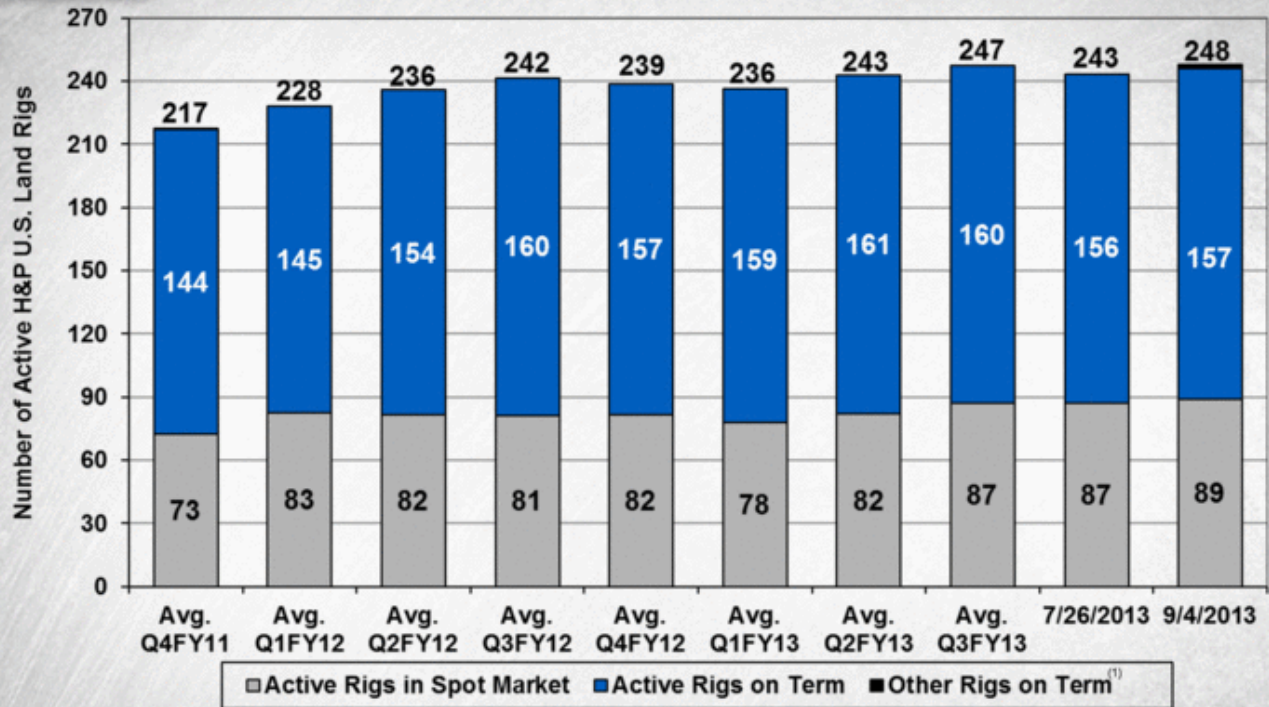
(1) Includes announced new build commitment under term contract.

(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.





U.S. Land Market Trends

- Spot market pricing is firm.
- We continue to enter into additional term contracts with customers.
- We are encouraged by recent customer discussions indicating a potential increase in activity through calendar 2014.
- Included in recent customer discussions are inquiries about additional new builds under term contracts with attractive dayrates.





H&P's New Build Program Continues



- We are positioned to quickly respond to opportunities and take advantage of an improving market landscape.
- H&P plans to continue a build cadence of two rigs per month through the rest of the calendar year.
- We have the flexibility to build required capital spares or convert those into new FlexRigs.





In Summary:

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

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





Additional References





H&P's U.S. Land Operations

(As of July 26, 2013)

- Expected total quarterly revenue days in the U.S. land segment to be flat to down approximately 1% during the fourth fiscal quarter of 2013 as compared to the third fiscal quarter of 2013.
- Expected average rig revenue per day, excluding the effect of early termination payments, to decline by approximately \$100 to \$200 per day in the fourth fiscal quarter of 2013 as compared to the third fiscal quarter of 2013.
- Expected average rig expense per day to be roughly \$12,900 (with a range of plus or minus 1% to 2%) in the fourth fiscal quarter of 2013.
- Approximately \$13 million in early termination and delivery delay revenue is expected in the fourth fiscal quarter of 2013.





H&P's Offshore Operations

(As of July 26, 2013)

- Expected eight of the Company's nine offshore platform rigs to remain active throughout the fourth fiscal quarter of 2013.
- Expected the number of revenue days during the fourth fiscal quarter of 2013 to increase by approximately 1% as compared to the third fiscal quarter of 2013.
- Expected average rig margin per day to be relatively flat during the fourth fiscal quarter of 2013 as compared to the third fiscal quarter.





H&P's International Land Operations

(As of July 26, 2013)

- Expected revenue days during the fourth fiscal quarter to be up by approximately 5% as compared to the third fiscal quarter of 2013.
- Expected average rig margin per day to increase by approximately 10% to 15% during the fourth fiscal quarter of 2013 as compared to the previous fiscal quarter.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts

(Estimated Quarterly Average, Including Announced New Builds - as of 9/4/13)

Segment	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15
U.S. Land	155.4	144.7	121.1	109.0	98.5	85.5	72.3
International Land	16.1	14.6	12.0	11.0	11.0	9.3	8.0
Offshore	3.0	3.0	3.0	2.5	1.9	1.0	1.0
Total	174.5	162.3	136.1	122.5	111.4	95.8	81.3





H&P's International Land Operations

Rig Fleet Status (as of September 4, 2013)

	Active	Contracted	Idle	Total	Long-term Contracts
Argentina	6	2	1	9	4
Bahrain	3			3	3
Colombia	6		1	7	2
Ecuador	6			6	
Tunisia	2			2	1
U.A.E.	2			2	2
Total	25	2	2	29	12⁽¹⁾

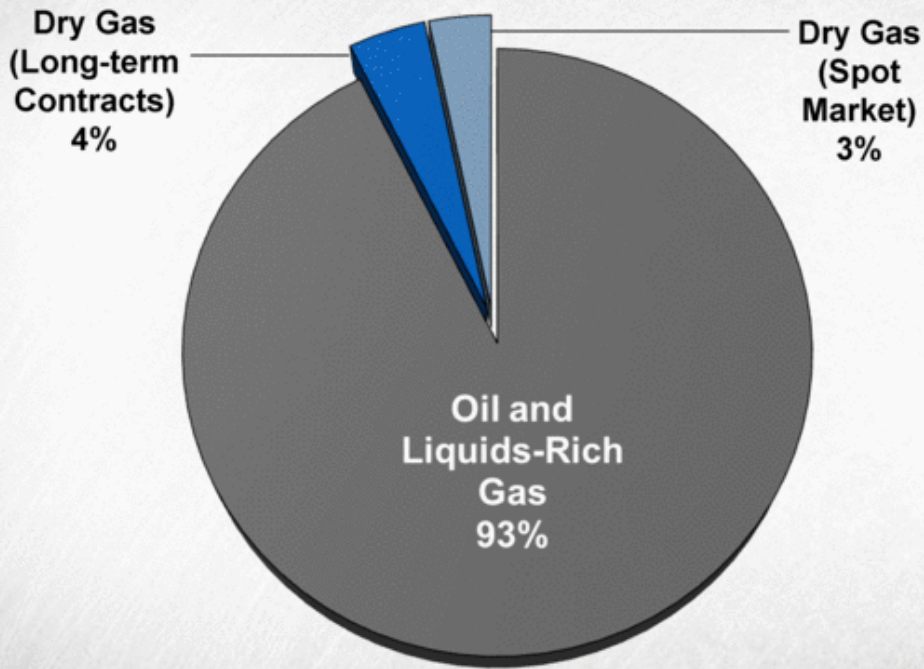
(1) 12 of 16 FlexRigs, included in the international fleet of 29 rigs, are under long-term contracts.





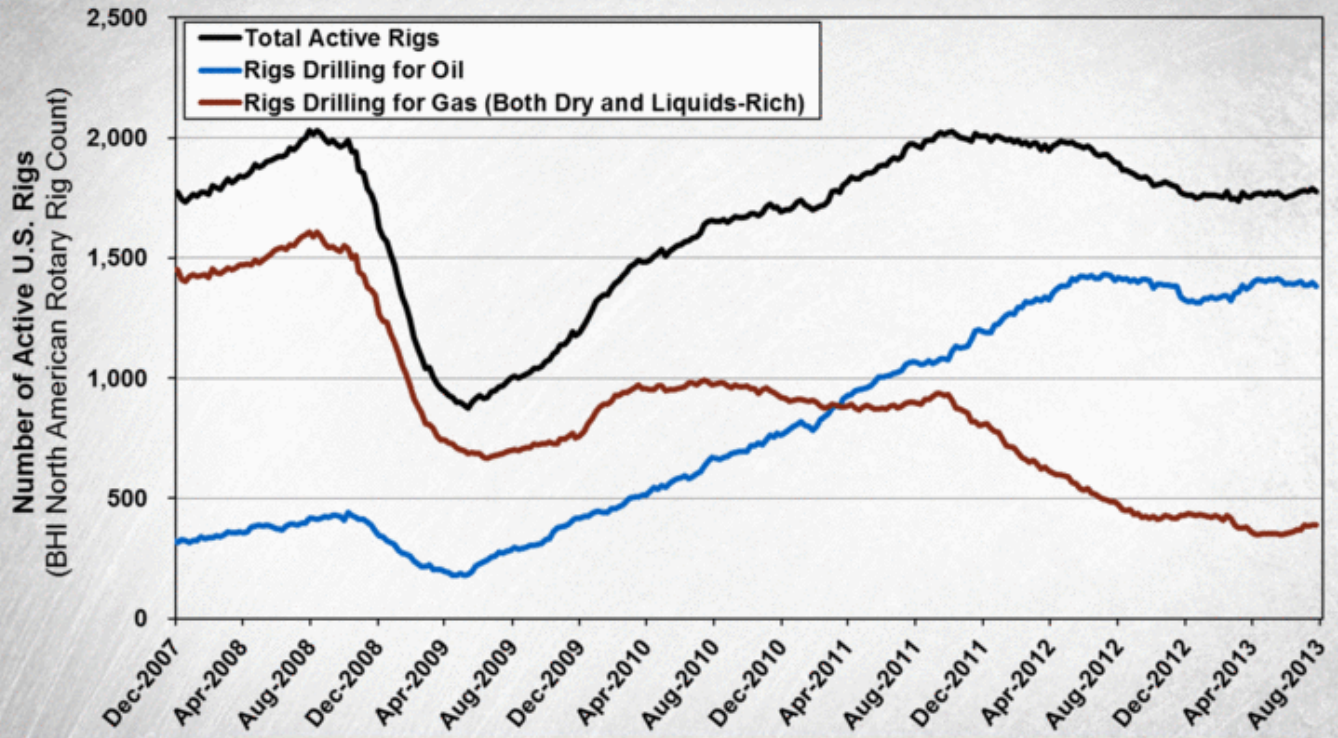
H&P's Exposure to Oil & Liquids

Estimated proportion of H&P's active U.S. Land rigs by primary hydrocarbon target as of 9/4/13





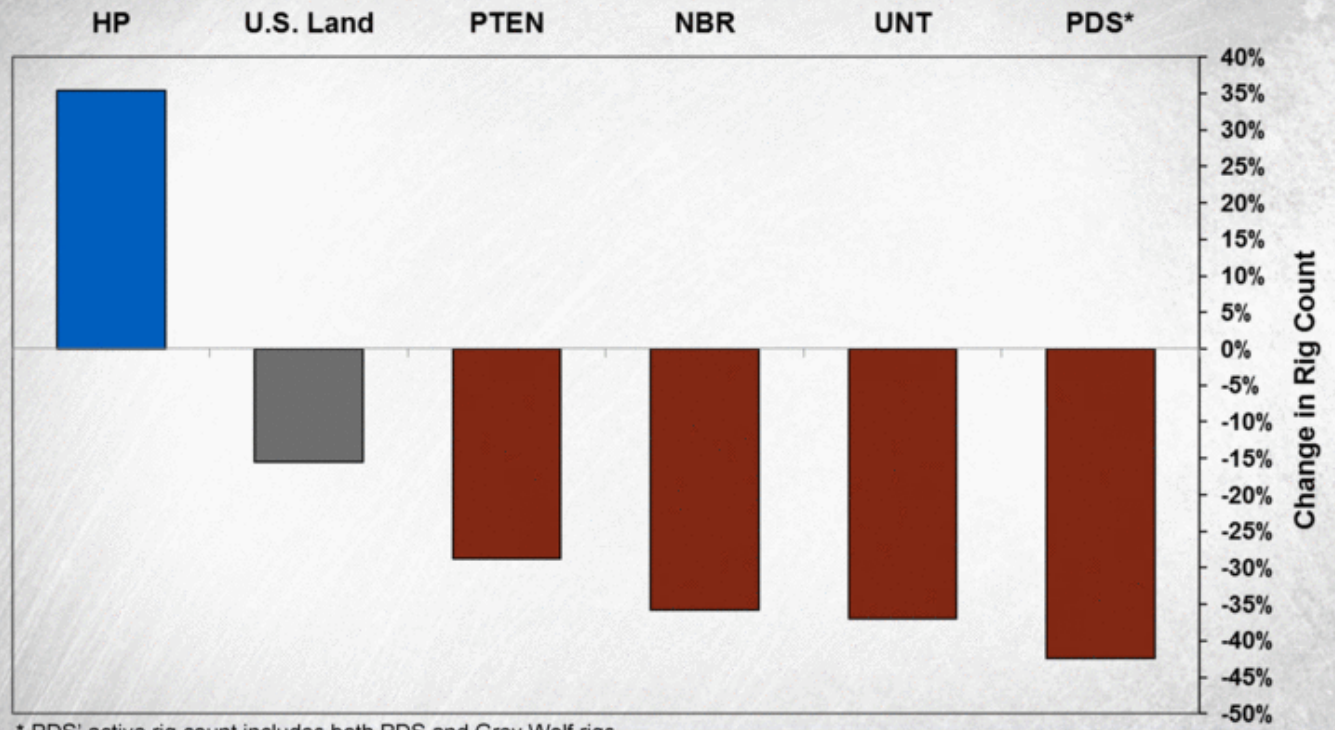
Oil vs. Natural Gas Directed Rig Count





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 August 2013)



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





End of Document

