

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 06/24/14 for the Period Ending 06/24/14

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: **June 24, 2014**

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. As disclosed in the attached Exhibit 99.1, the Company is announcing that it has signed contracts with four exploration and production companies to build and operate eight additional FlexRigs[®]*

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: June 24, 2014

*FlexRig[®] is a registered trademark of Helmerich & Payne, Inc.

EXHIBIT INDEX

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



Helmerich & Payne, Inc.

Presentation to Investors

June 24, 2014

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.



Current Highlights

(Announcing Eight Additional New Builds Today)

- The Company has entered into multi-year term contracts to build and operate eight additional new FlexRigs. These contracts were recently finalized with four U.S. customers.
- Since the beginning of this fiscal year (10/1/13), the Company has now announced 61 new FlexRigs, 31 of which have already been delivered.
- As previously announced, the FlexRig construction cadence will increase from three to four rigs per month beginning September 2014.
- Also as previously announced, the annualized dividend has increased to \$2.75/share.





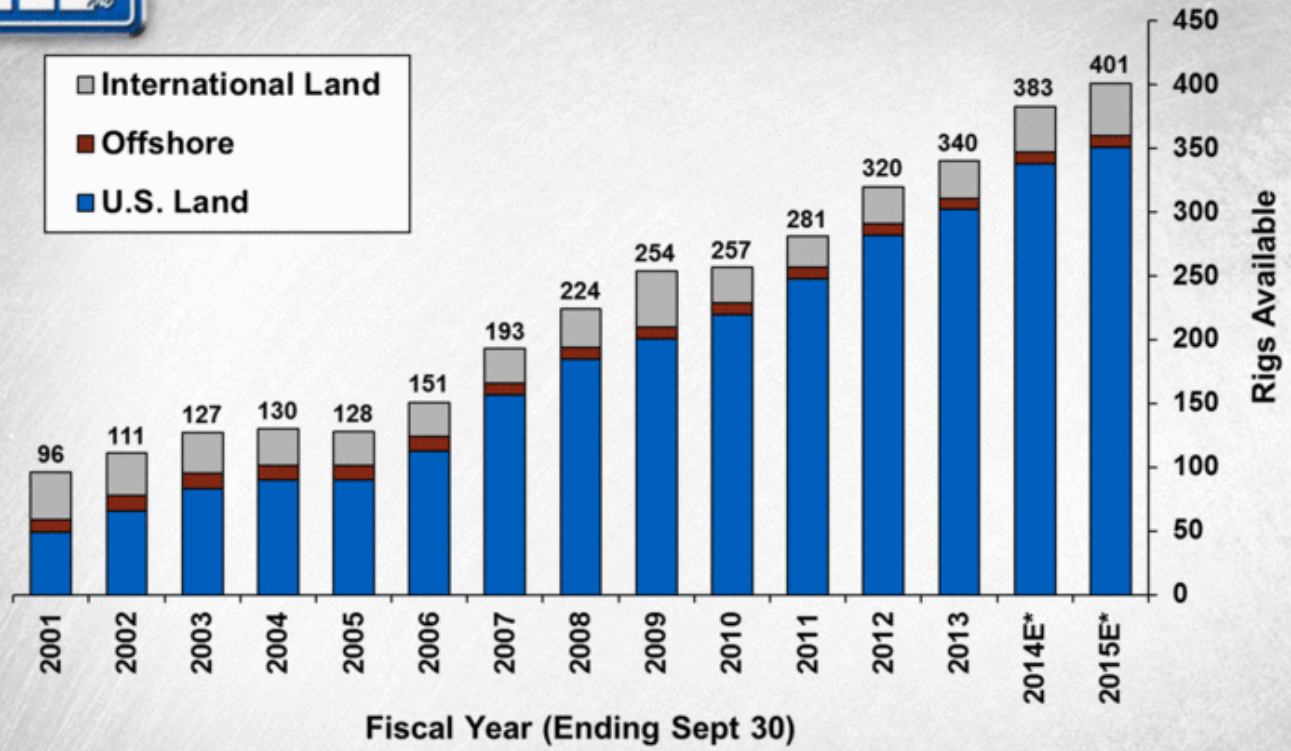
Distribution of Announced New Builds

- Of the 61 announced new builds, 29 are scheduled to be delivered to the Permian, 12 to the Eagle Ford, eight to the SCOOP, four each to the Utica and Bakken, two to the Haynesville and one each to the Niobrara and Tuscaloosa Marine Shale.
- 15 customers have ordered these new FlexRigs under multi-year term contracts (43 FlexRig3 rigs, 17 FlexRig5 rigs, and one FlexRig4 rig).
- Approximately two-thirds of these new FlexRigs will be equipped with hydraulic skid systems designed for multi-well pad locations.





Evolution of H&P's Global Rig Fleet



* Estimates include existing rigs and announced new build commitments.





H&P Activity as of June 24, 2014

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	330	289	88%
AC Drive FlexRigs ⁽¹⁾	297	288	97%
SCR Fleet	33	1	3%
Offshore	9	9	100%
International Land	<u>32</u>	<u>24</u>	<u>75%</u>
Total	371	322	87%
FlexRig Construction⁽²⁾	30		
Total Fleet	401		

(1) 9 of the 297 AC Drive FlexRigs are expected to be transferred to Argentina.

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





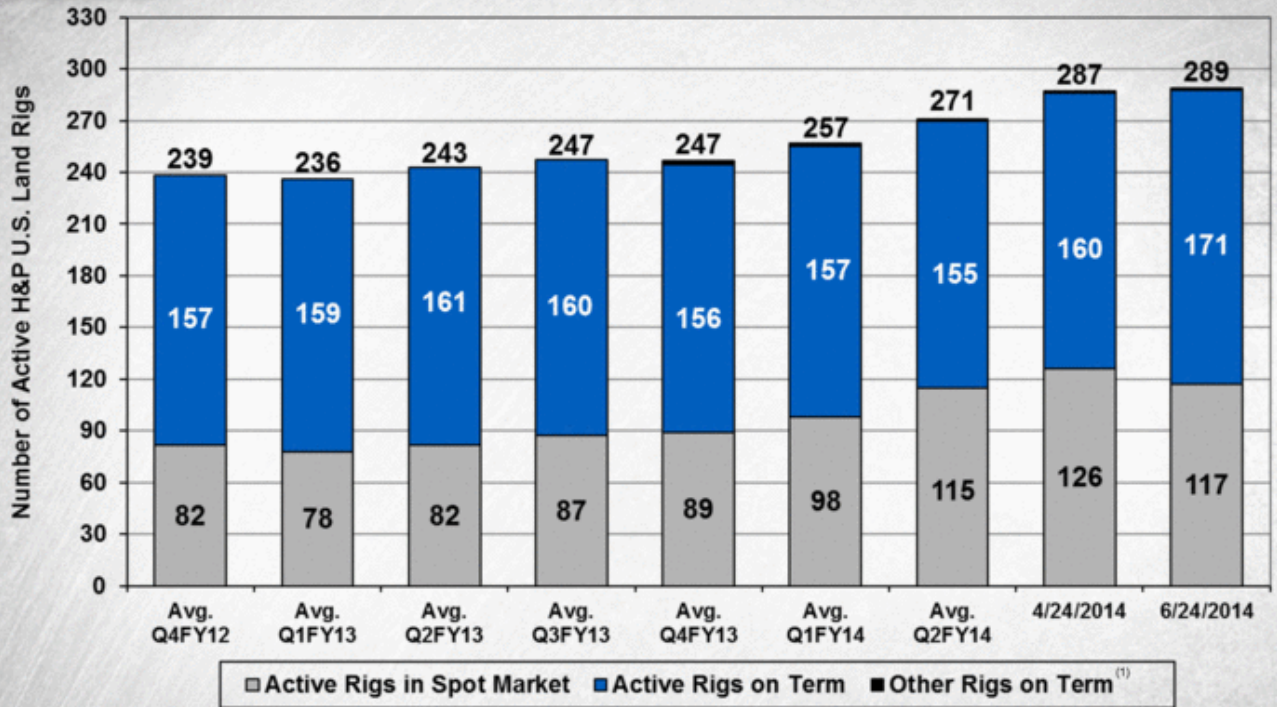
U.S. Land Market Trends Today

- Stronger than expected oil and gas prices for 2014
- Increasing proportion of horizontal wells with longer laterals and pad drilling requirements
- Increasing market demand for AC drive rigs
- Slightly improving spot market pricing
- Continued customer focus on drilling efficiency, technology and safety
- Conversations with customers for additional new build orders continue





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



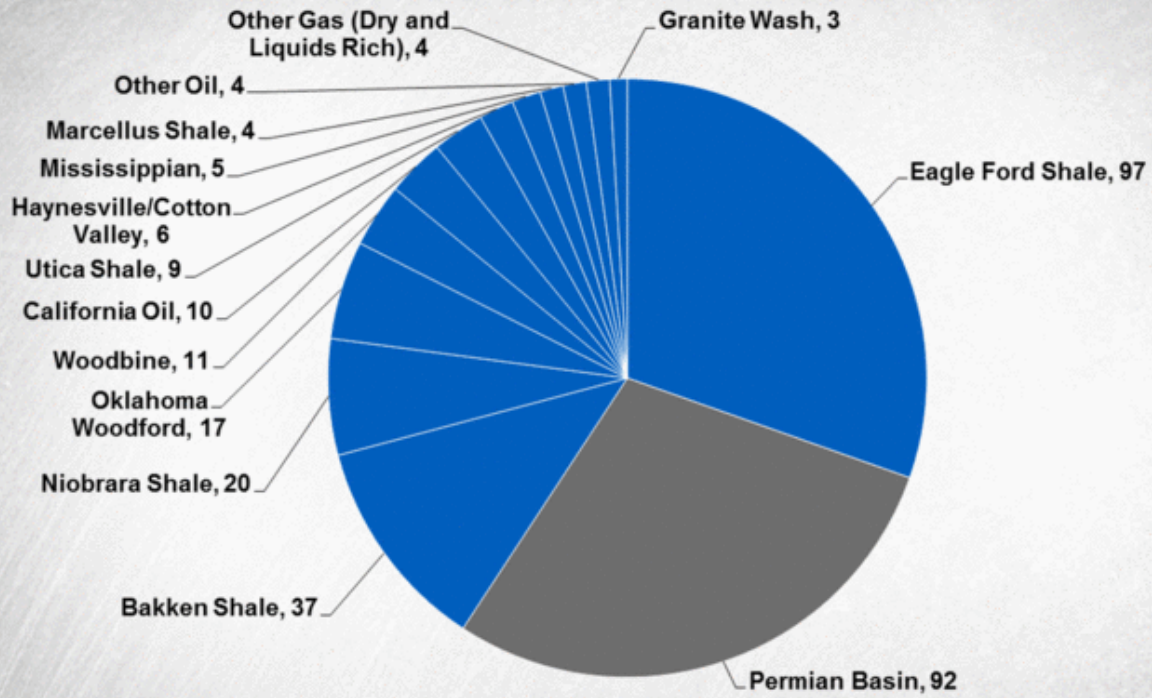
(1) Includes completed new builds pending delivery and not generating revenue days.





Leading U.S. Unconventional Driller

(319 H&P Contracted Land Rigs as of 6/24/14*)



* Includes 30 announced new FlexRigs with customer commitments scheduled for delivery in fiscal 2014 and fiscal 2015.





H&P's International Land Operations

Rig Fleet Status (as of June 24, 2014)

	Active	In-Transit	Idle	Total	Long-term Contracts
Argentina	7	1 ⁽¹⁾	2	10	2
Bahrain	3			3	3
Colombia	5		3	8	1
Ecuador	4	1	1	6	1
Mozambique	1			1	
Tunisia			2	2	
U.A.E.	2			2	2
Total	22	2	8	32	9

(1) Includes one FlexRig3 that was transferred from the U.S. and is currently in-transit to country. Nine additional FlexRig3's will be deployed from the U.S. fleet to Argentina and are expected to be operating by the second fiscal quarter of 2015.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts

(Estimated Quarterly Average, Including Announced New Builds - as of 6/24/14)

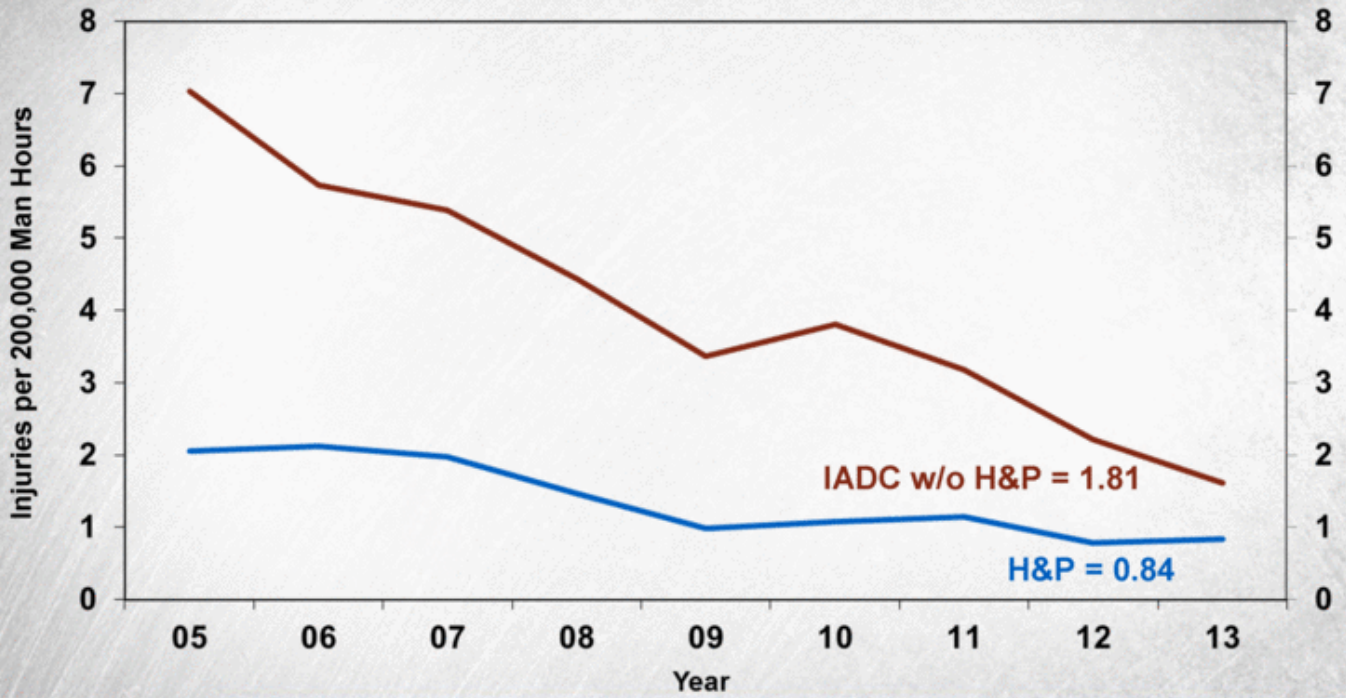
Segment	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16
U.S. Land	165.2	169.1	157.9	146.8	125.0	100.9	87.1
International Land	13.1	14.5	16.5	17.9	17.8	16.3	14.2
Offshore	2.5	1.9	1.0	1.0	1.0	1.0	1.0
Total	180.8	185.5	175.4	165.7	143.8	118.2	102.3





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

U.S. Land Safety Performance (2005 – 2013)
OSHA Recordable Injury Incidence Rates





Unconventional Plays Shaping Landscape

Well Complexity is increasing:

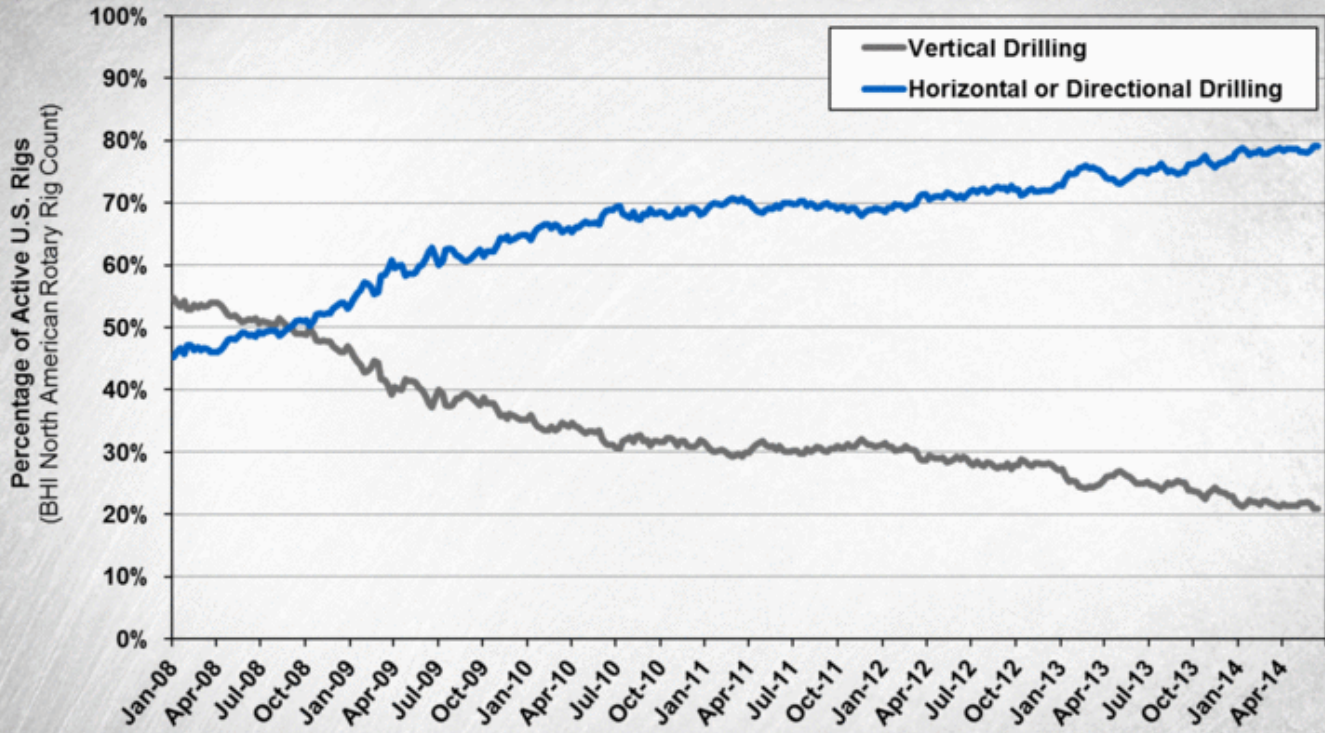
- Horizontal and directional wells make up over 75% of wells drilled in the U.S.
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- This all creates an expanding level of demand for FlexRigs





Increasing Focus on More Difficult Drilling

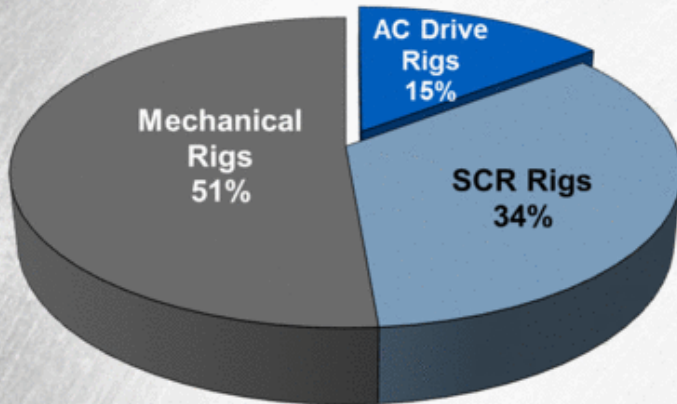
U.S. Rig Activity by Drilling Type



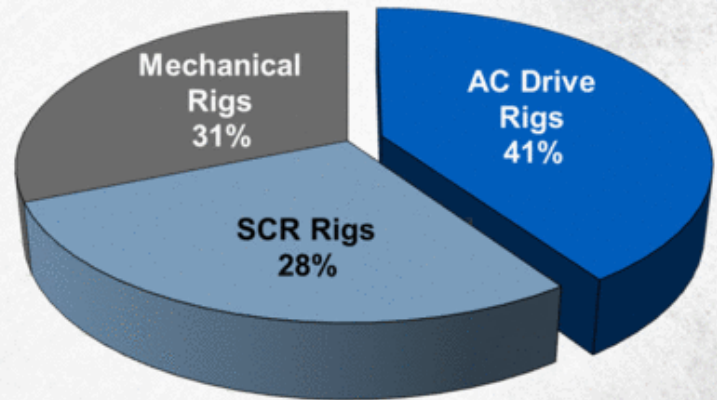


The Replacement Cycle Continues

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



As of June 2014
(~1,800 Active Rigs in U.S. Land
By Power Type)

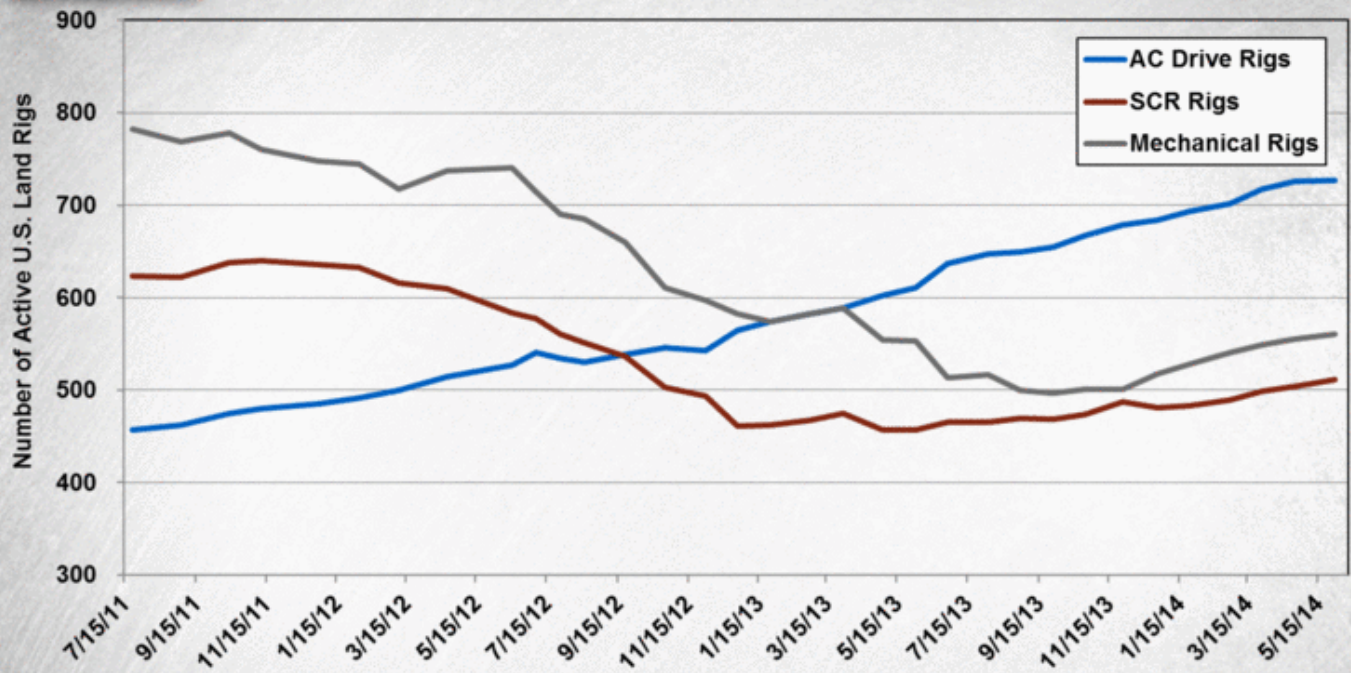


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately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





Active U.S. Land Rigs by Rig Type

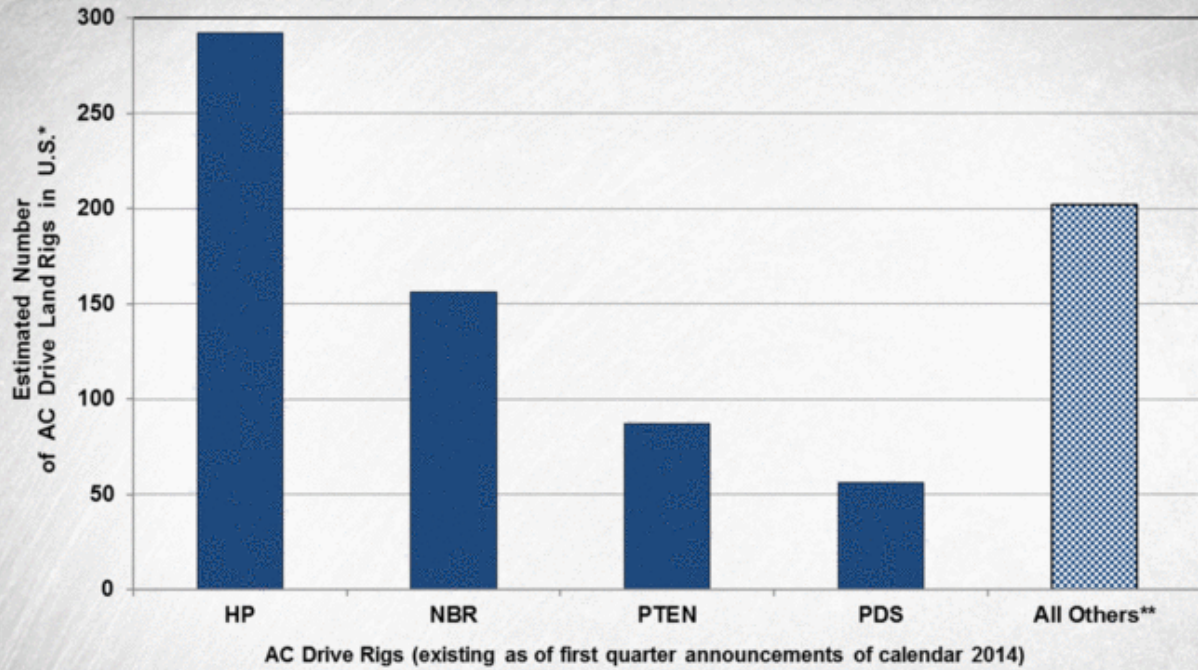


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H&P's Lead in U.S. Land AC Drive Rigs



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

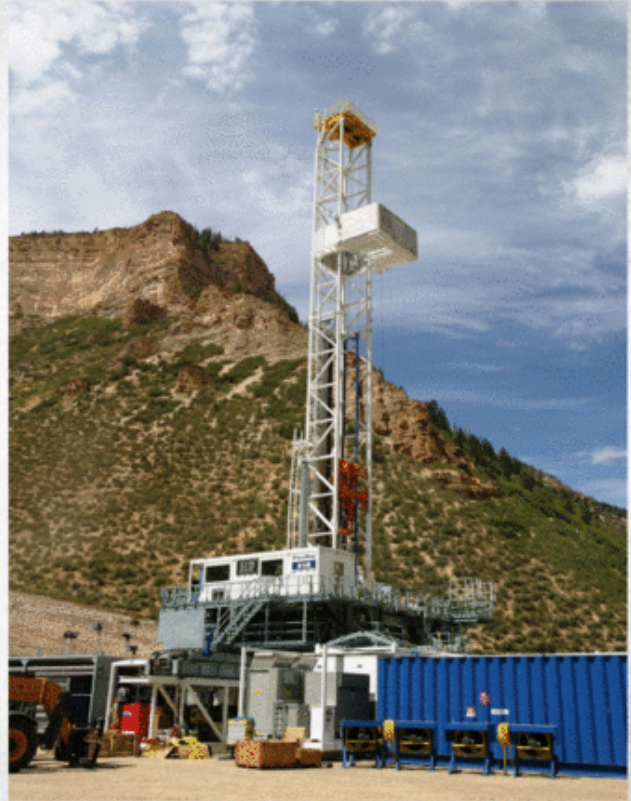
**Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN and PDS.





H&P's Pad Capable Fleet

- Roughly half of H&P's U.S. Land active rigs are equipped with hydraulic skid systems.
- Our pad capable fleet is fully utilized.
- Customers continue to contract/add skid systems to existing FlexRigs.

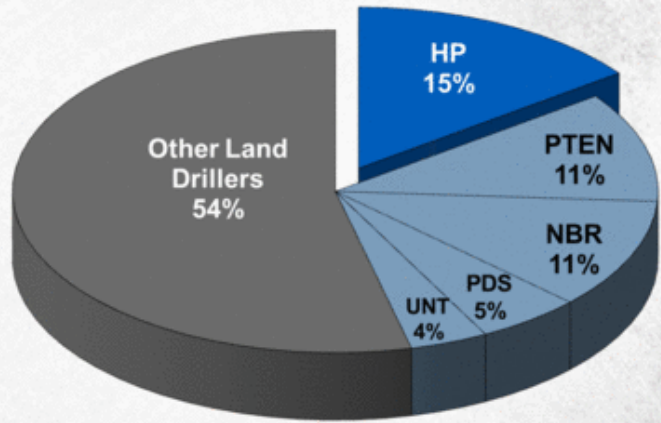
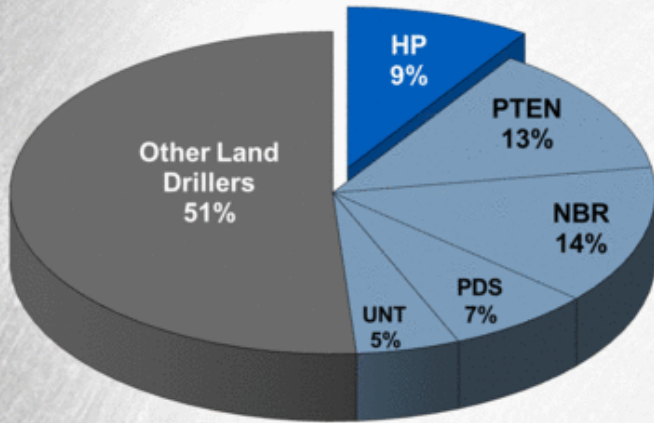




H&P Continues to Capture Market Share

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

As of June 2014
(~1,800 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.





H&P's New Build Program Continues



- Plan to build three rigs per month through August, and then ramp up to four rigs per month beginning in September of this fiscal year.
- Flexibility to increase our production cadence and our capital spares capacity.
- This approach has allowed us to quickly respond to increased FlexRig demand.





Performance is Not Only About Better Rigs

Our competitive advantage is also about:

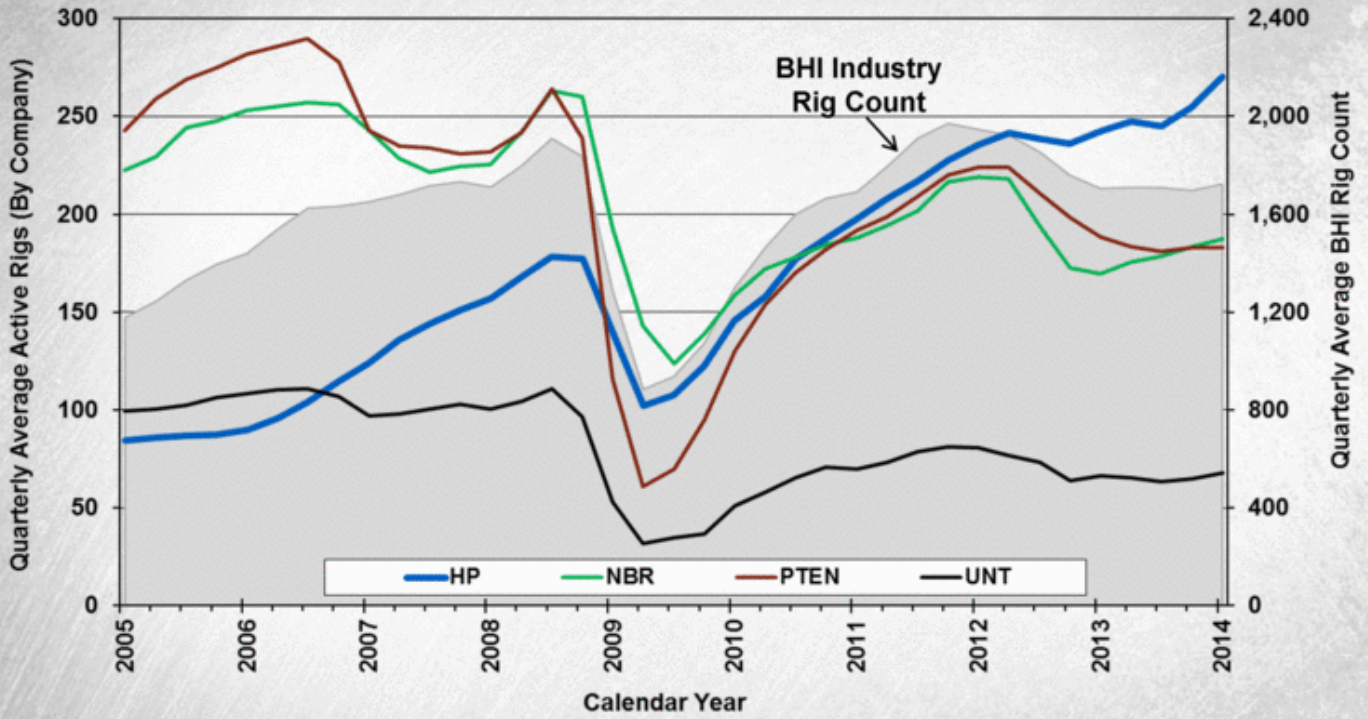
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





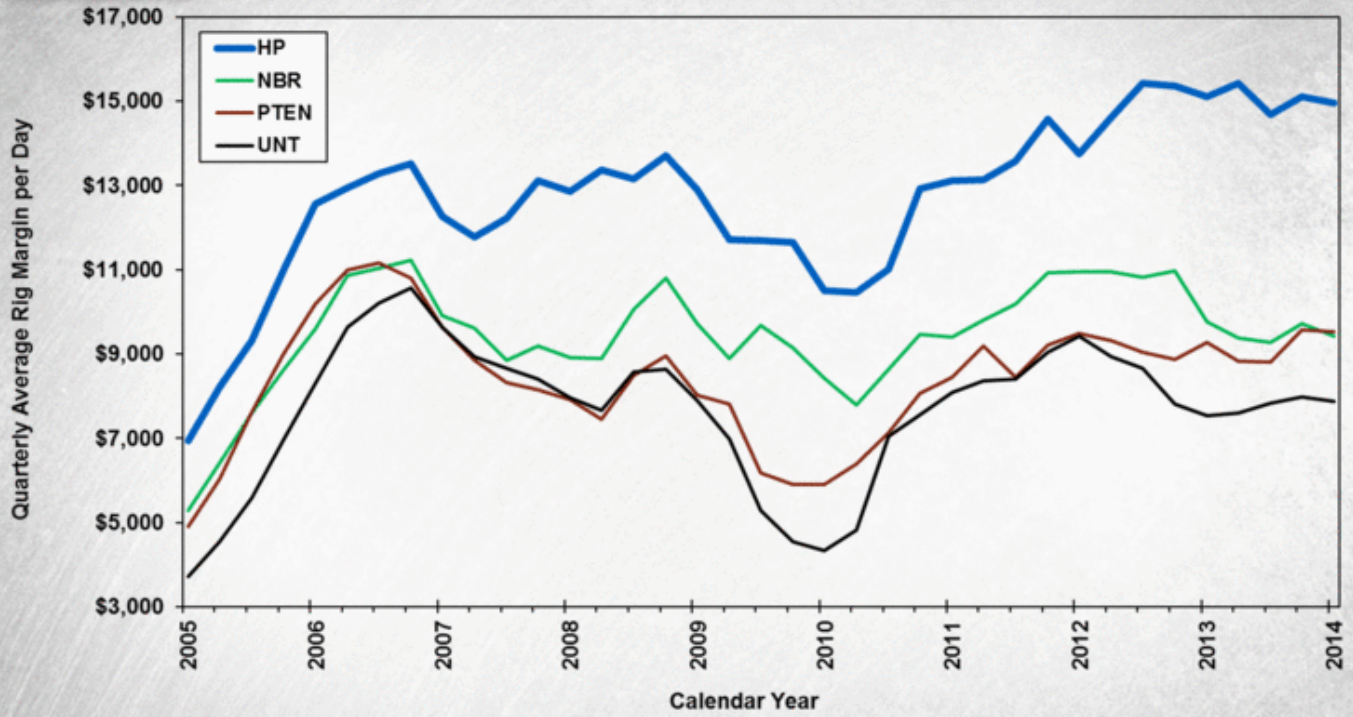
U.S. Land Active Rig Count

Through First Quarter of Calendar 2014





U.S. Land Average Daywork Margins⁽¹⁾



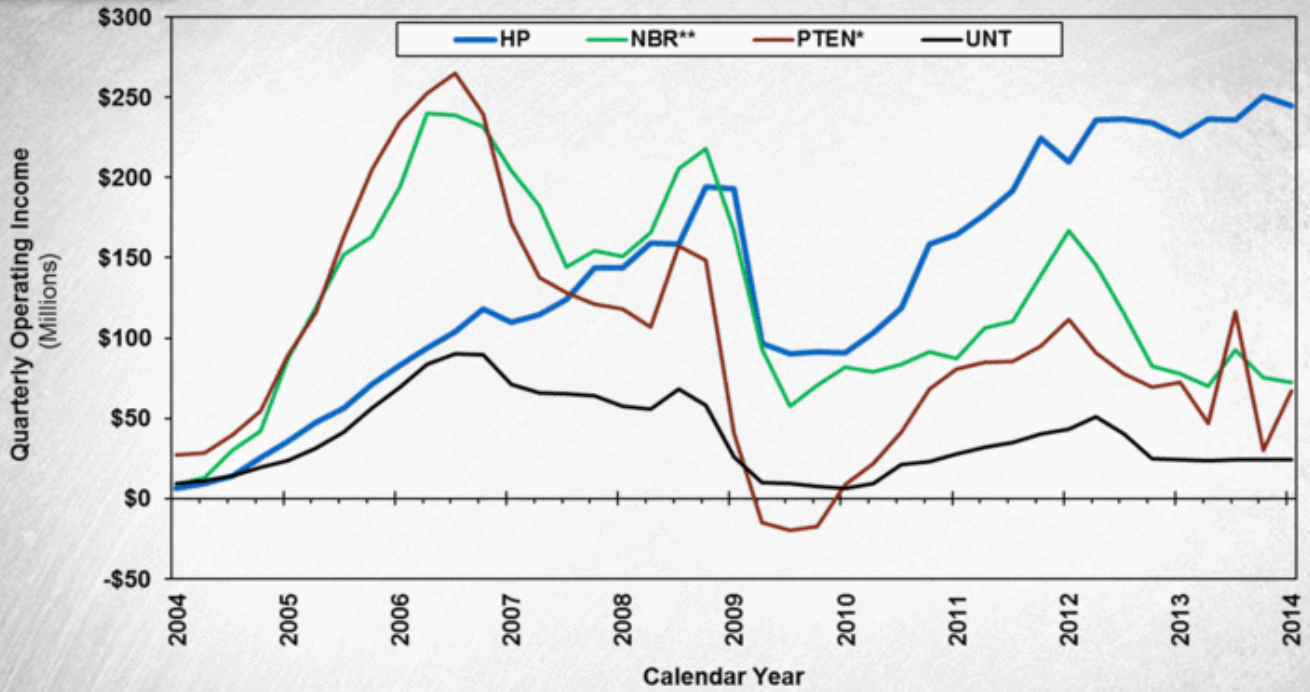
(1) Does not include the impact of early contract termination revenue.





Ten Year Profit Comparison

U.S. Land Drilling Operating Income



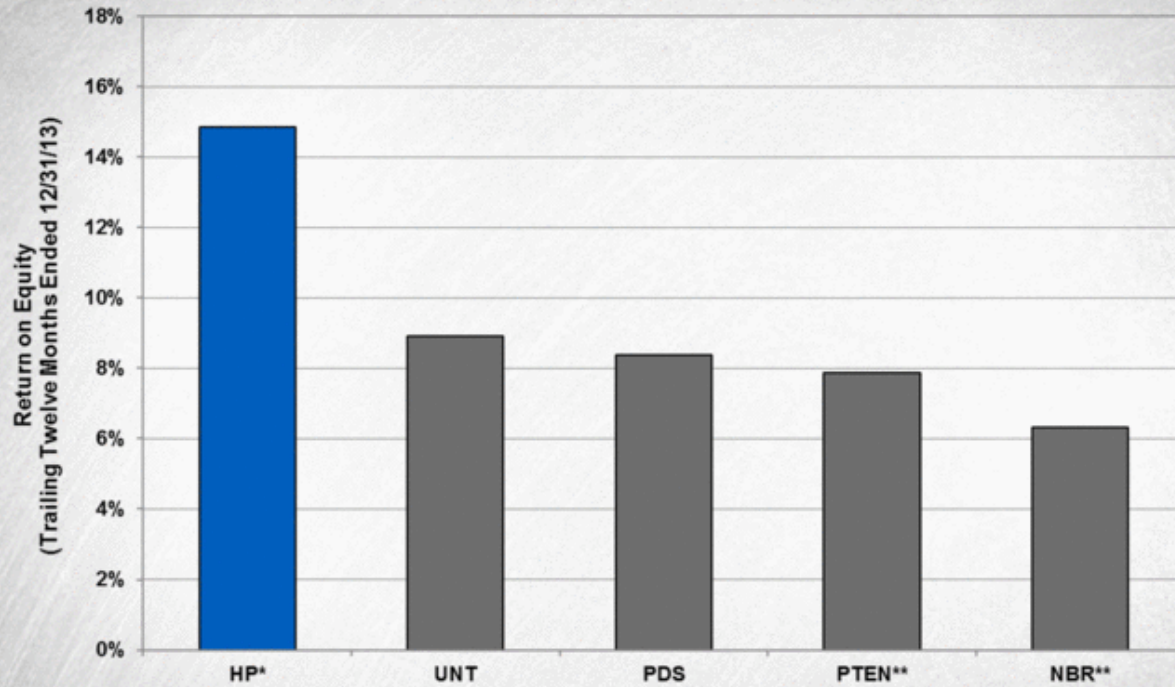
* PTEN's operating income includes drilling operations in Canada.

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





Return on Equity



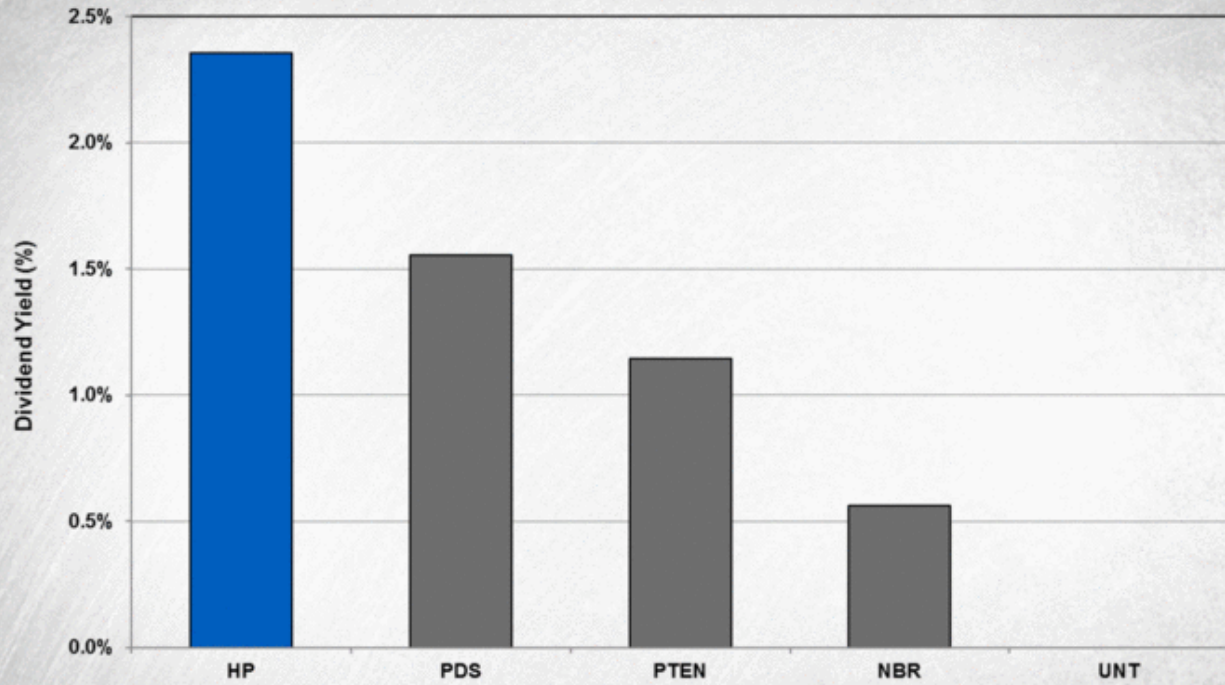
* Including gains from the sale of investment securities and discontinued operations, H&P's corresponding ROE resulted in 17.5%.

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





Current Dividend Yields

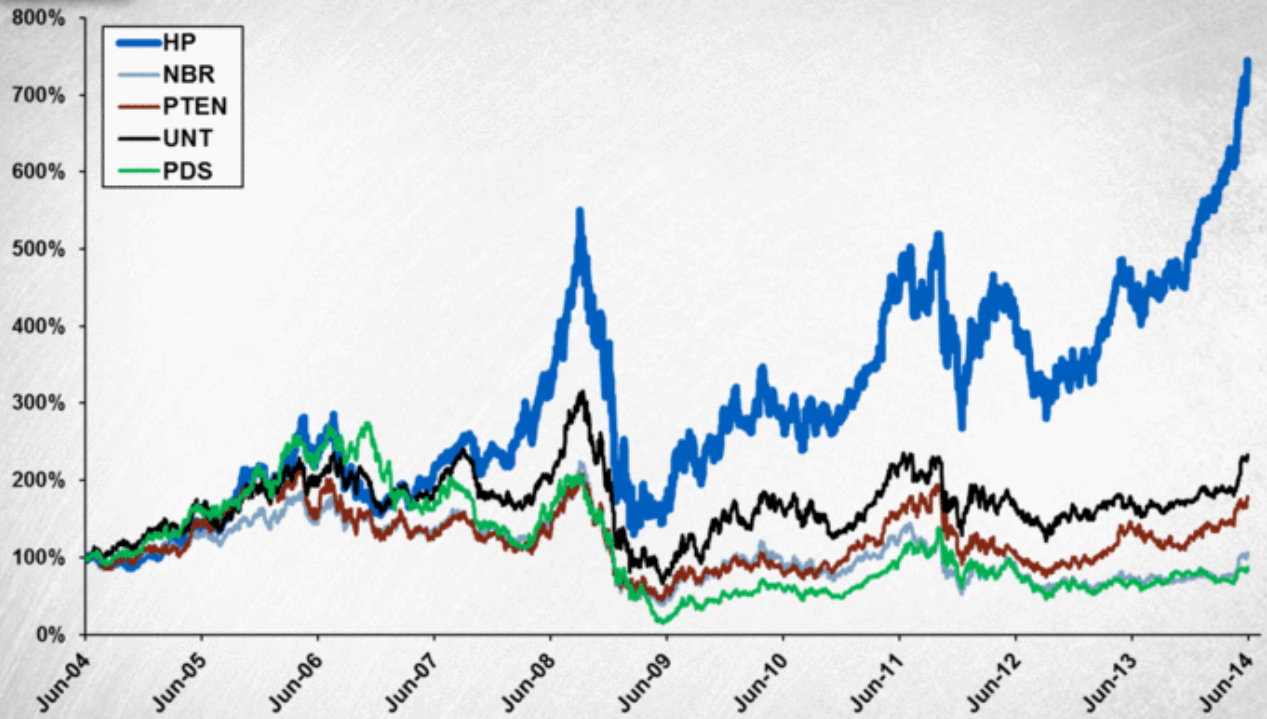


Source: Thomson Reuters. Yields calculated as of market close on June 20, 2014.





Ten-Year Relative Shareholder Return



Source: Thomson Reuters as of June 20, 2014





In Summary:

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

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





Additional References





A Quick Primer on Helmerich & Payne

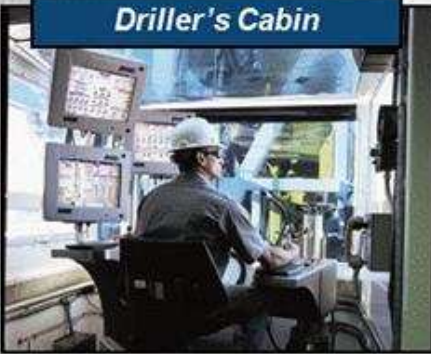
- U.S. land drilling market share leader
- Focused on innovation and returns on capital
- Leader in ongoing industry land rig replacement cycle
- Most modern and capable land drilling fleet
- Strong balance sheet





Innovation & Applied Technology – FlexRig®

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



BOP Handling



Satellite Communications



Mechanized Tubular Handling



Rig Move Capabilities





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**





FlexRigs Delivering Drilling Efficiencies

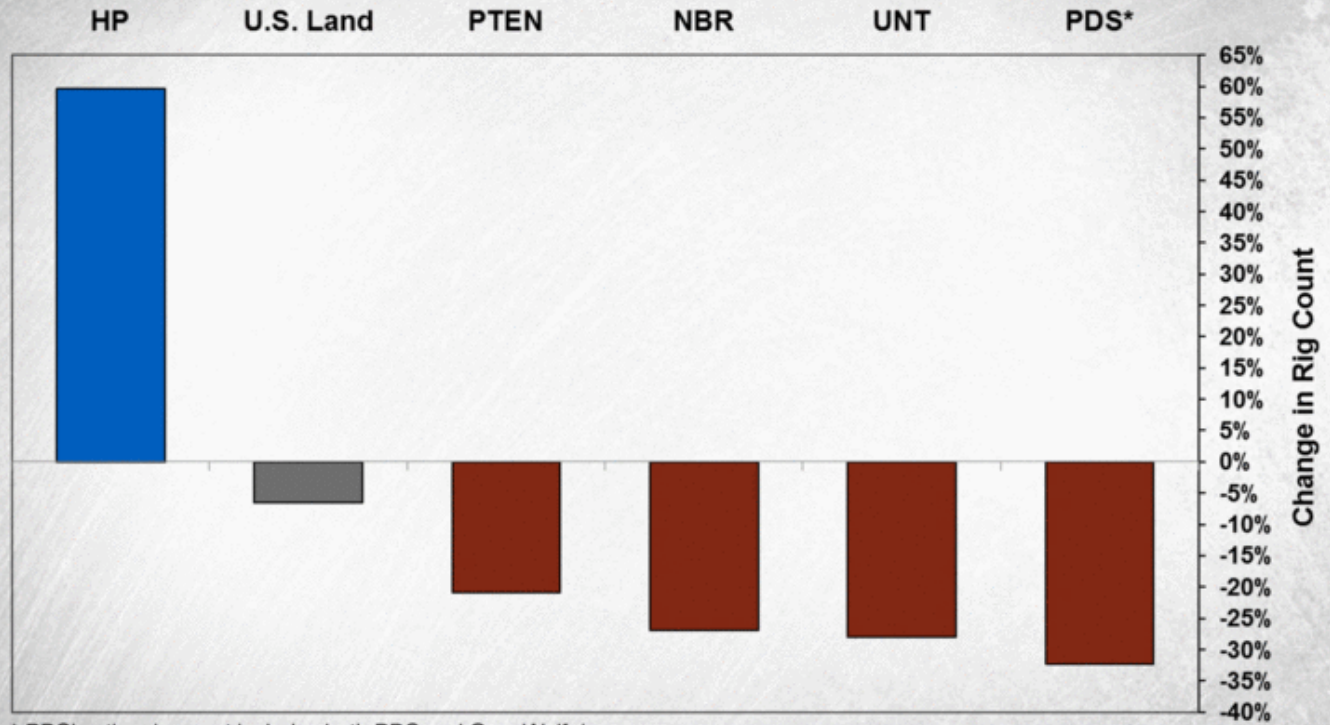
- We have over 1,400 rig years of AC Drive FlexRig drilling experience.
 - Drilled over 52 million feet in 2012
 - Drilled in excess of 61 million feet in 2013
 - Improved our footage per day by 23% in 2012
 - Improved our footage per day by 14% in 2013





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 June 2014)



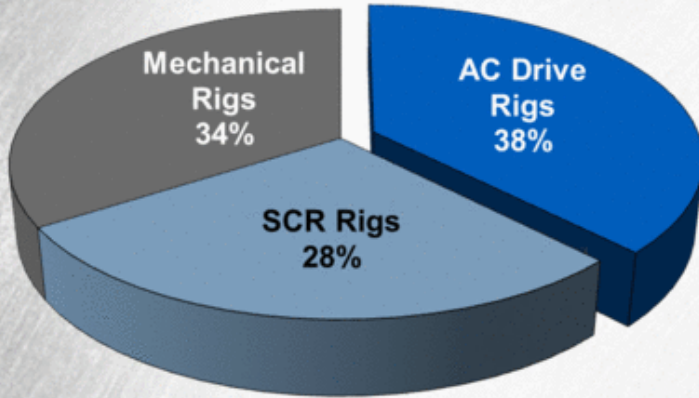
* PDS' active rig count includes both PDS and Grey Wolf rigs.



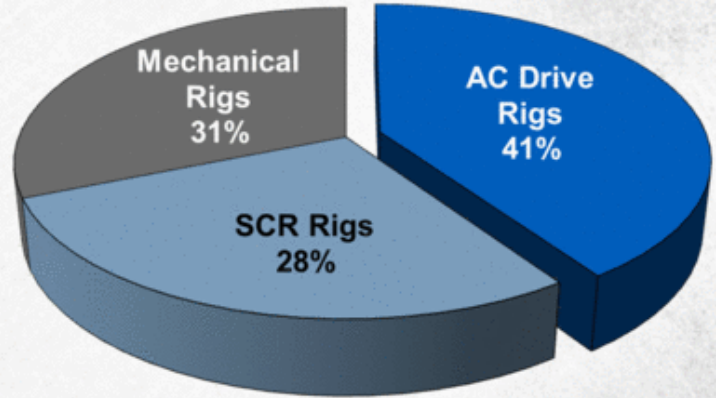


High-Grading Continues

As of June 2013
(~1,620 Active Rigs in U.S. Land
By Power Type)



As of June 2014
(~1,800 Active Rigs in U.S. Land
By Power Type)



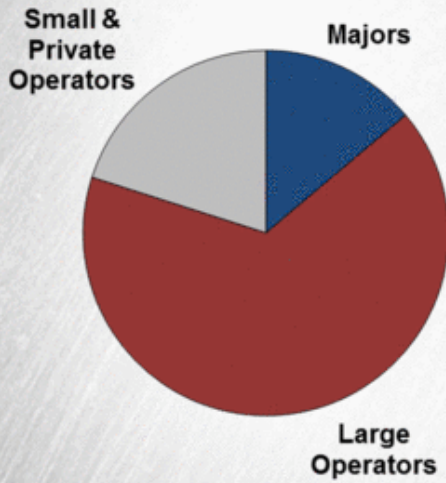
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately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



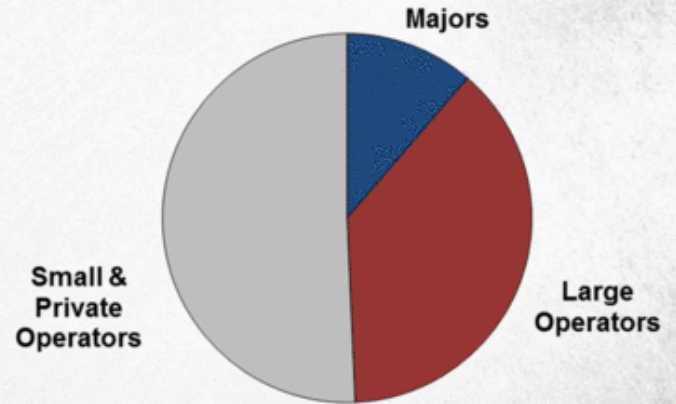


H&P vs. Industry U.S. Land Customer Base

H&P
U.S. Land Activity
Estimated Customer Distribution
(June 2014)



Industry
U.S. Land Activity
Estimated Customer Distribution
(June 2014)



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.





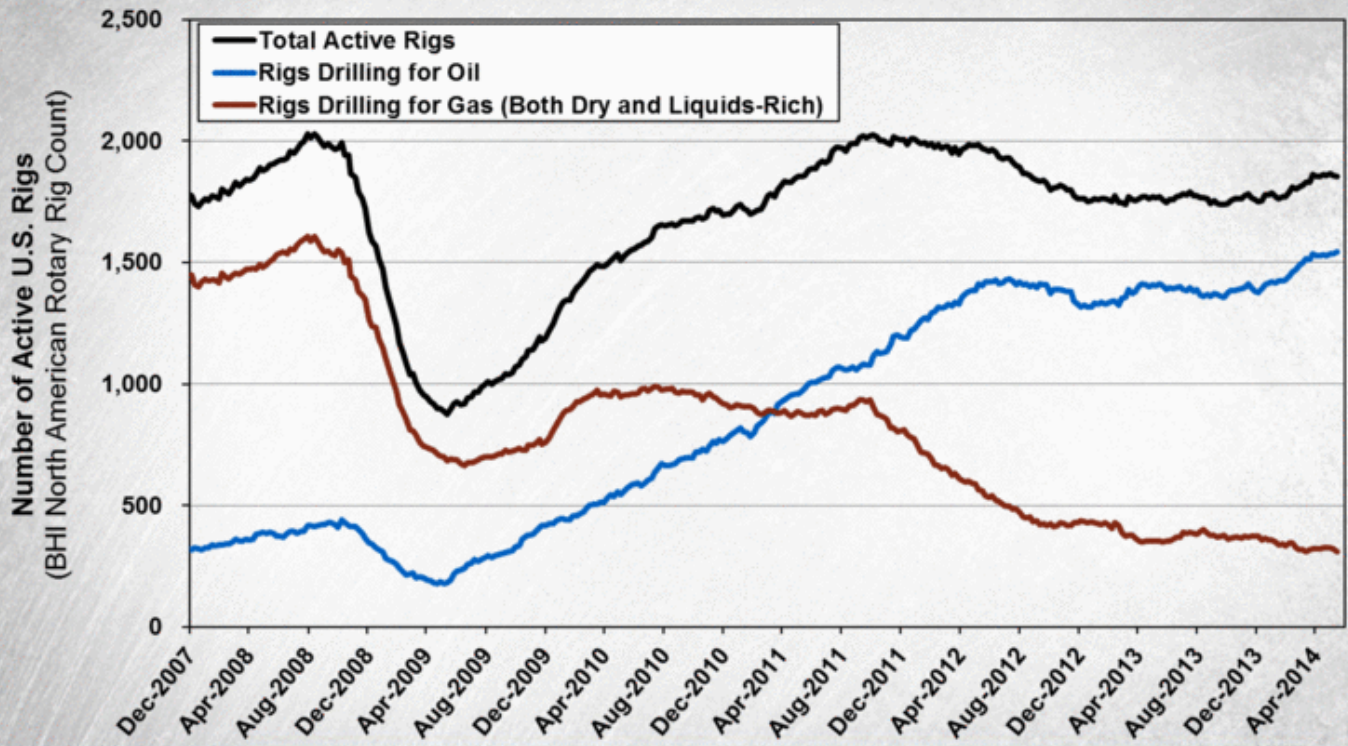
FlexRigs Leading in Pad Drilling Efforts

- 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 8,500 wells on approximately 1,700 pads



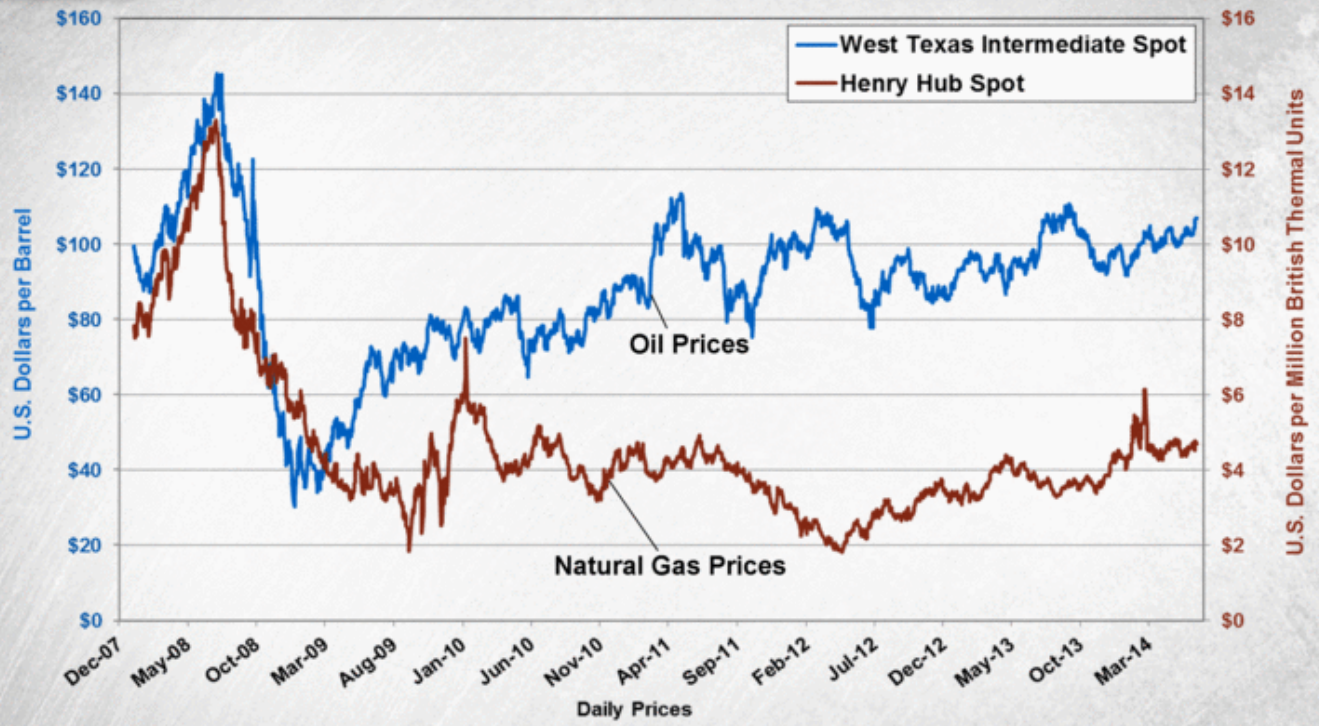


Oil vs. Natural Gas Directed Rig Count





Oil and Natural Gas Prices



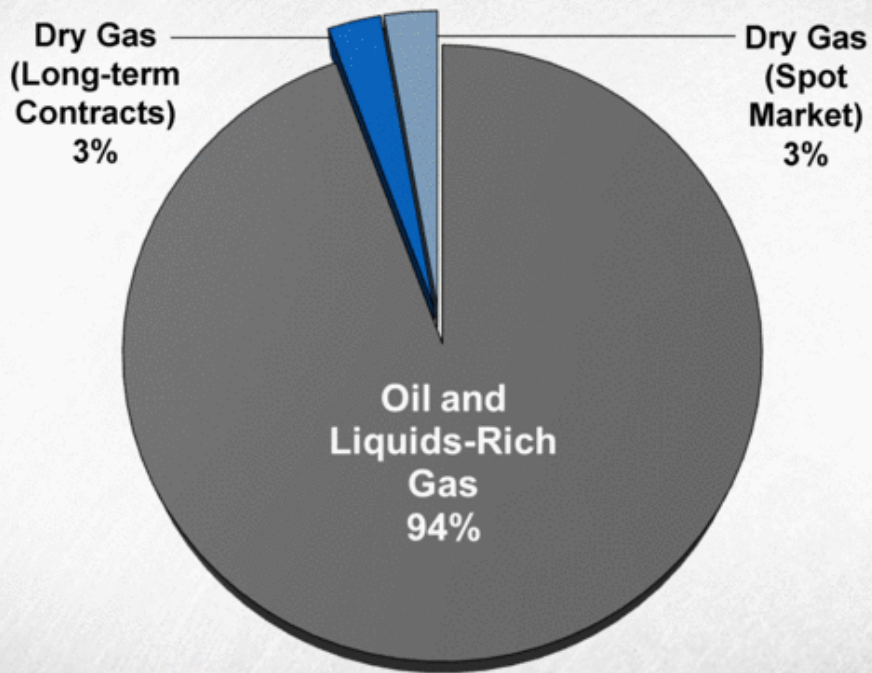
Source: Energy Information Administration and CME





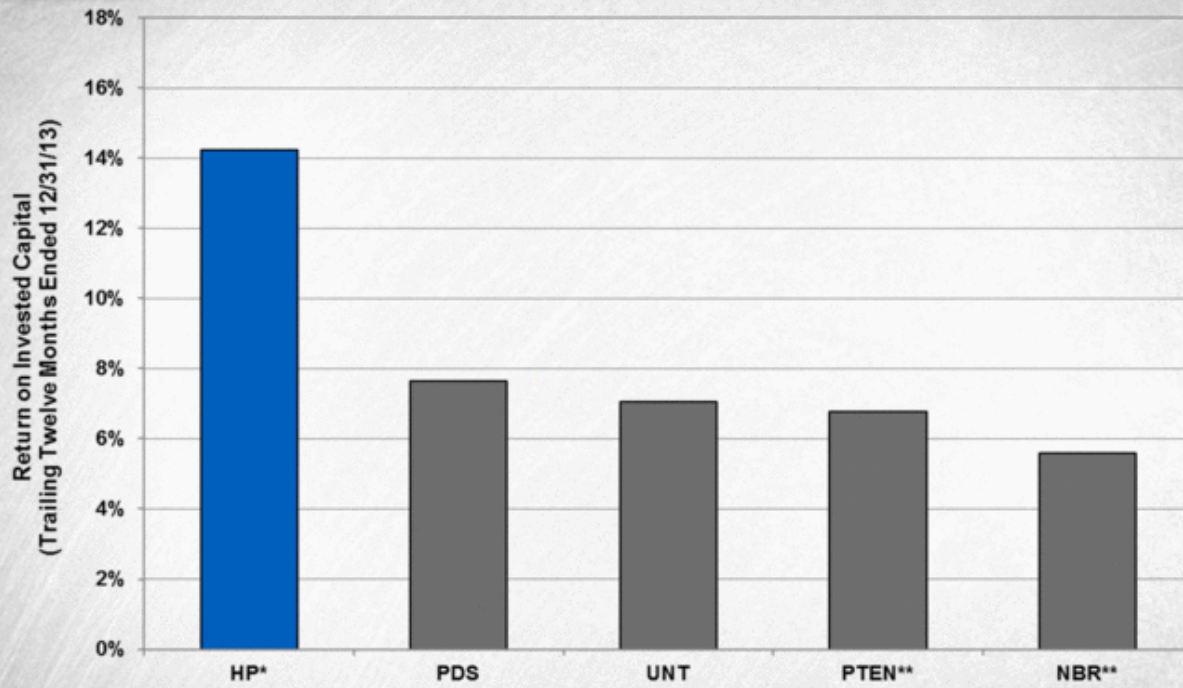
H&P's Exposure to Oil & Liquids

Estimated proportion of H&P's active U.S. Land rigs by primary hydrocarbon target as of 6/24/14





Return on Invested Capital (ROIC)



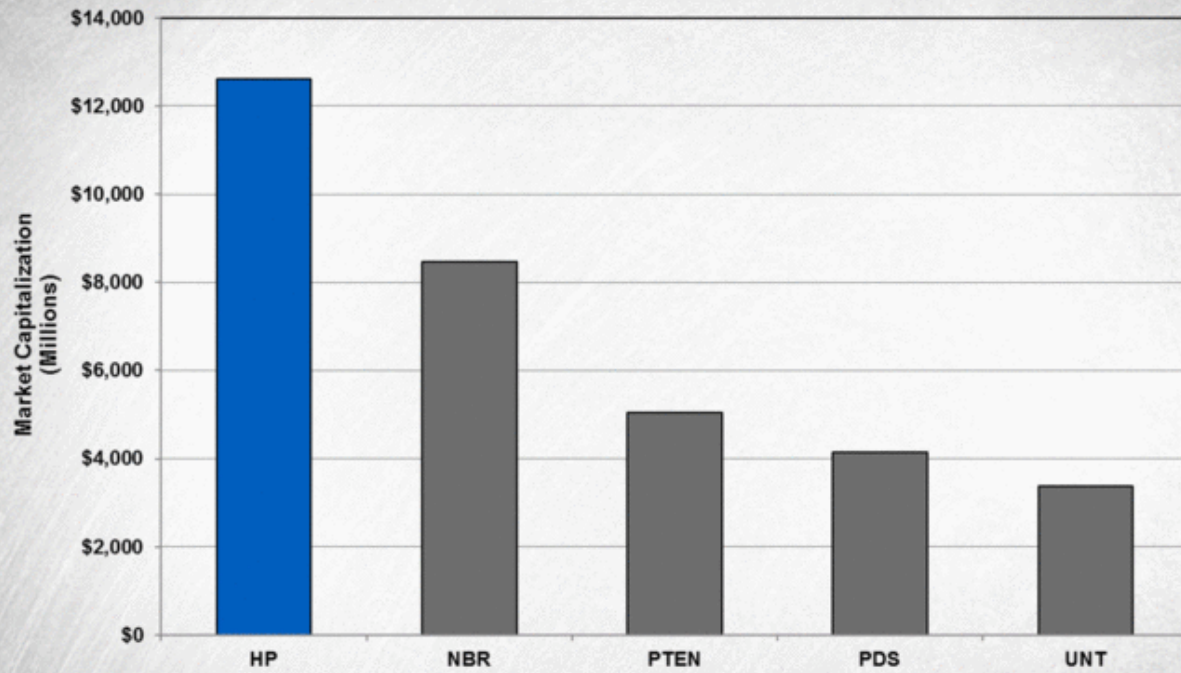
* Excludes gains from the sale of investment securities and discontinued operations. H&P's unadjusted ROIC resulted in 16.8%.

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





Land Drilling Market Valuations



Source: Thomson Reuters as of June 20, 2014.





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