

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 05/24/10 for the Period Ending 05/24/10

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 Report (Date of Earliest Event Reported): May 24, 2010

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
(918)742-5531**

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. (“H&P”) will deliver an investor and securities analyst presentation 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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Slides to be shown during an investor and securities analyst presentation.

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: May 24, 2010

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Slides to be shown during an investor and securities analyst presentation.

Helmerich & Payne, Inc.

UBS Global Oil & Gas Conference

May 25, 2010



Investor Relations Contact: Mike Drickamer – (918) 588-5190 – mike.drickamer@hpinc.com

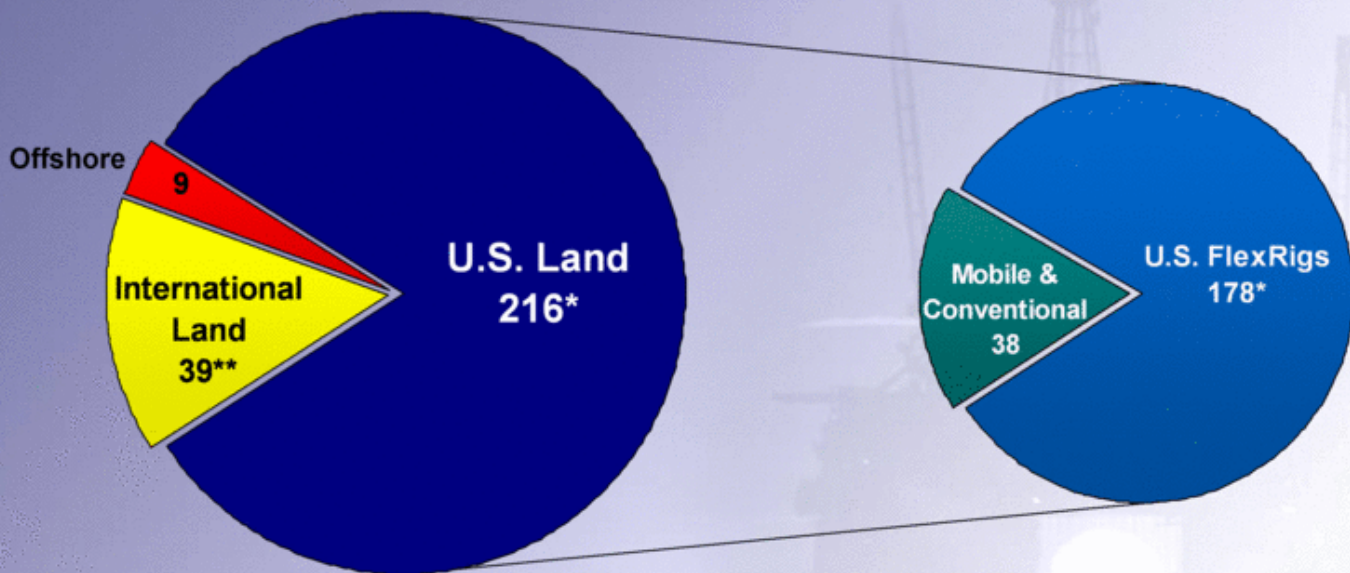


The information contained within this presentation is forward looking and involves risks and uncertainties that could significantly impact expected results. A discussion of these risks and uncertainties is contained in the “Risk Factors” and “Management’s Discussion & Analysis of Results of Operations and Financial Condition” 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.



H&P's Global Rig Fleet

264 Total Rigs (Includes New Build Commitments)

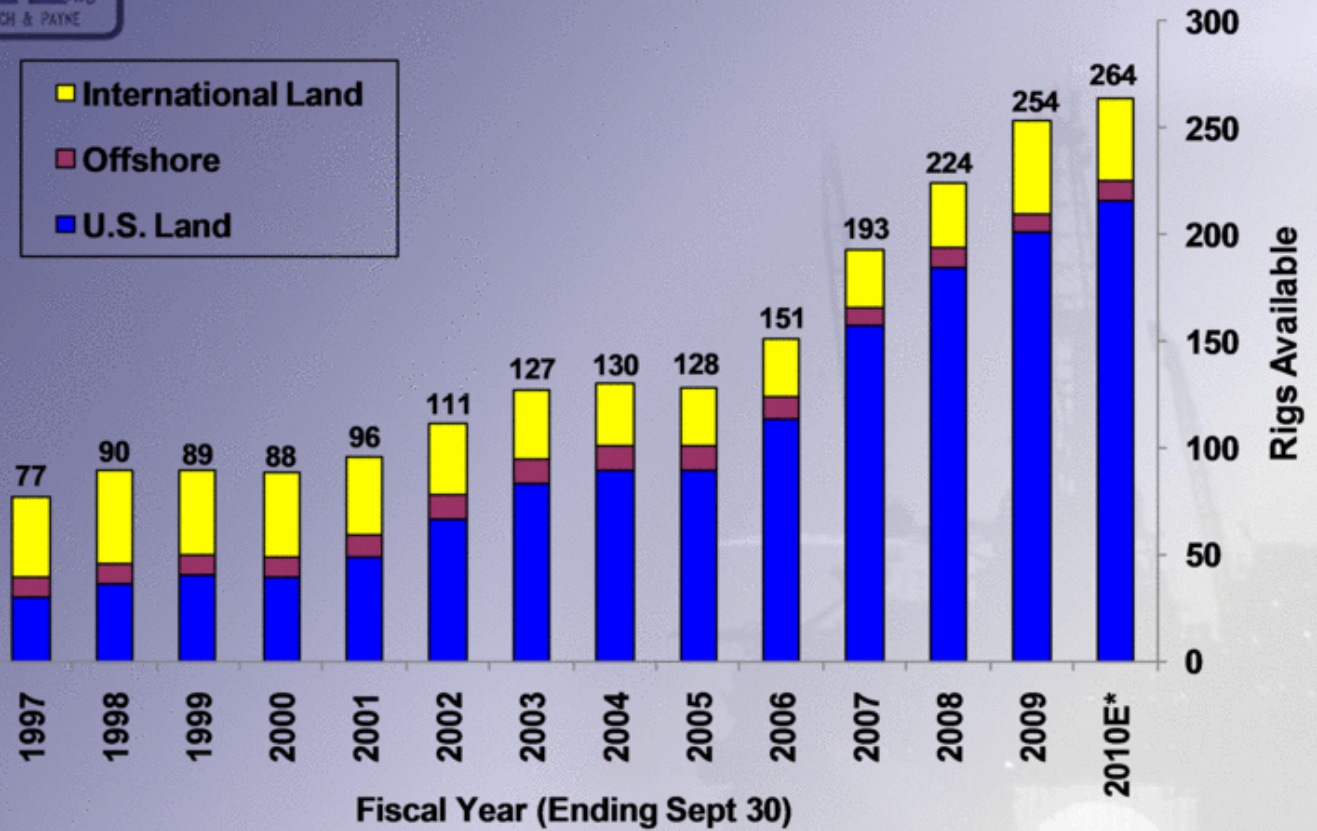


* Includes two new rigs with customer commitments scheduled for completion by the end of fiscal 2010.

** Includes 15 FlexRigs.



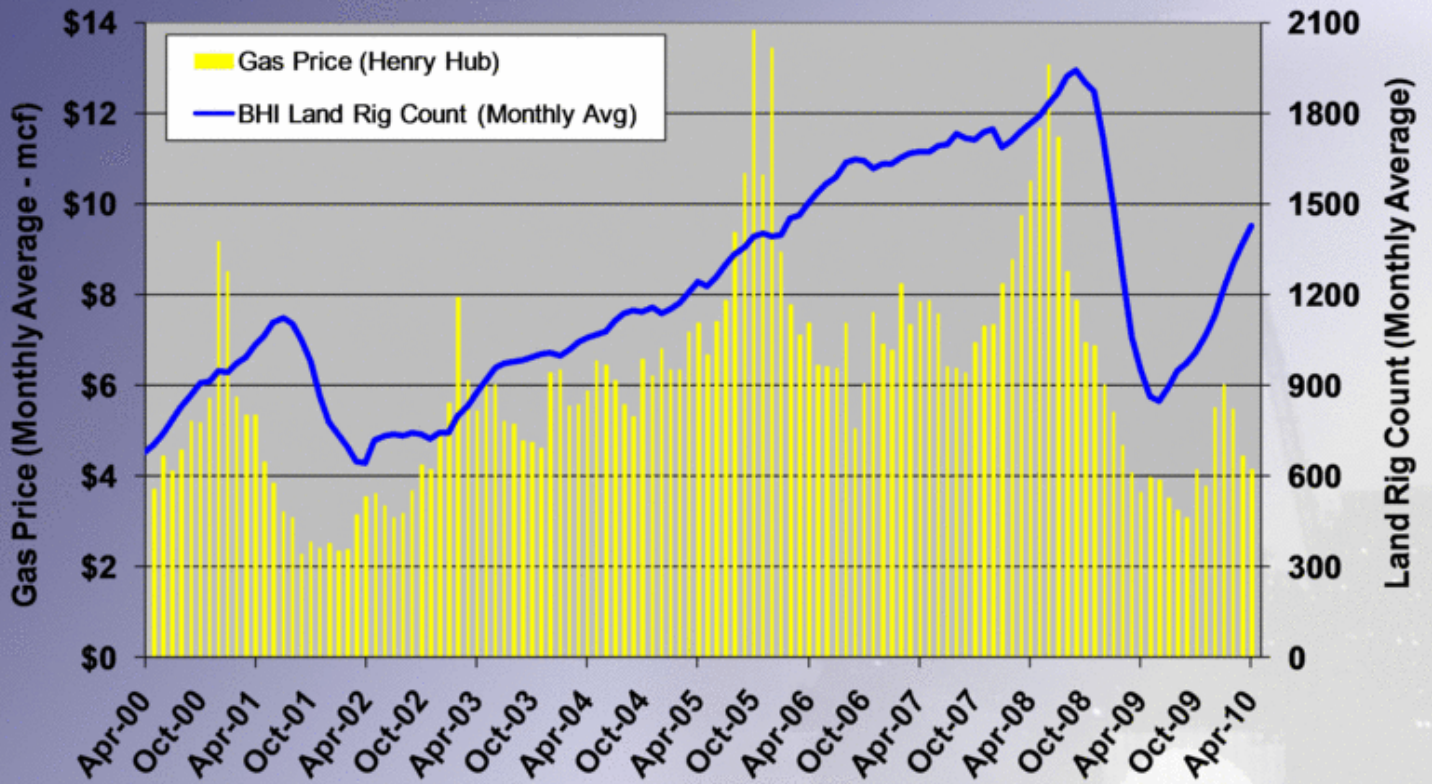
H&P's Global Rig Fleet



* Estimates include existing rigs and announced new build commitments.



A Disconnect Between Price and Rig Count?



Source: Energy Information Administration, Short-term Energy Outlook as of 5/11/2010 and Baker Hughes International.



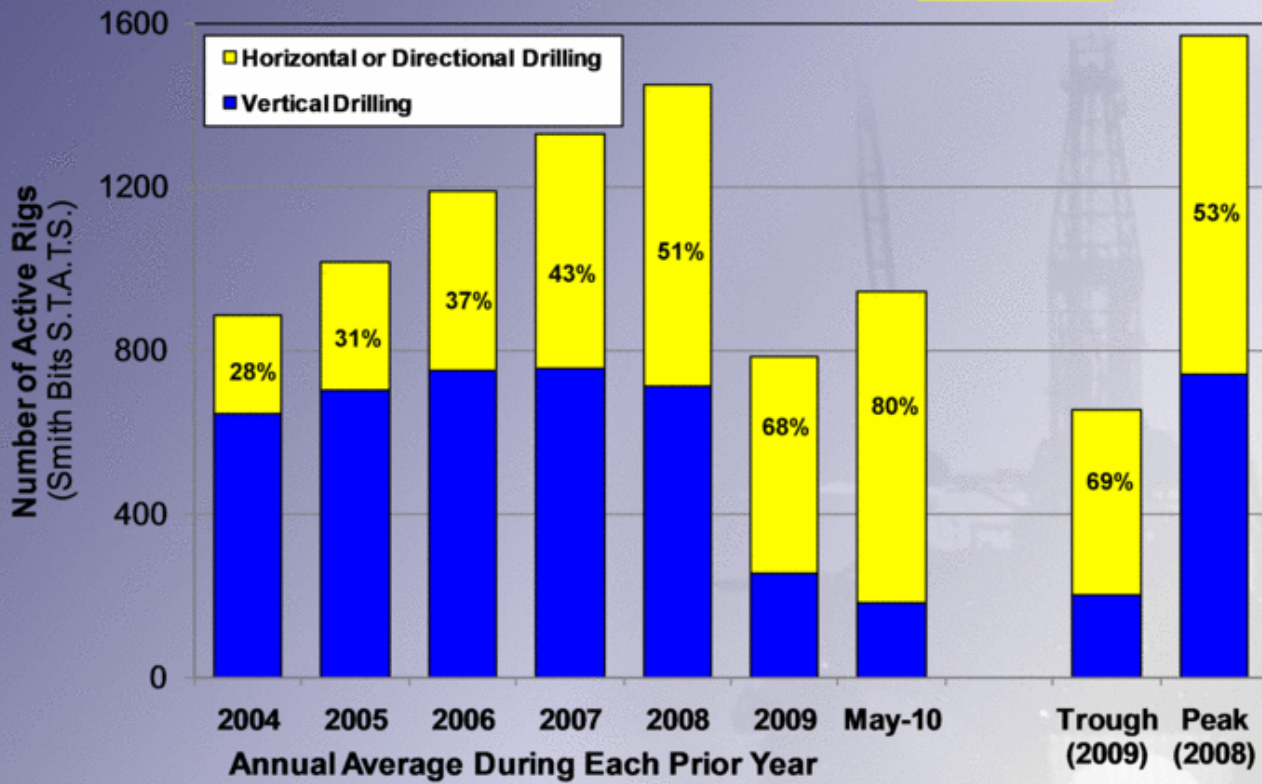
The Market Today

- **A disparity between crude oil and relatively weak natural gas prices exists.**
- **This disparity has led E&P operators to increase drilling activity in oil and “liquids-rich” markets.**
- **Drilling activity is becoming increasingly complex, with the number of rigs drilling horizontal wells at an all-time high.**
- **Our guess is that the U.S. land rig count will be somewhat range-bound in the near-term.**
- **Several factors should serve as a downward buffer to the U.S. land rig count:**
 - **Strong liquids prices**
 - **Customers drilling to hold valuable leases**
 - **Hedges in place that locked in higher prices**



Increasing Focus on More Difficult Drilling

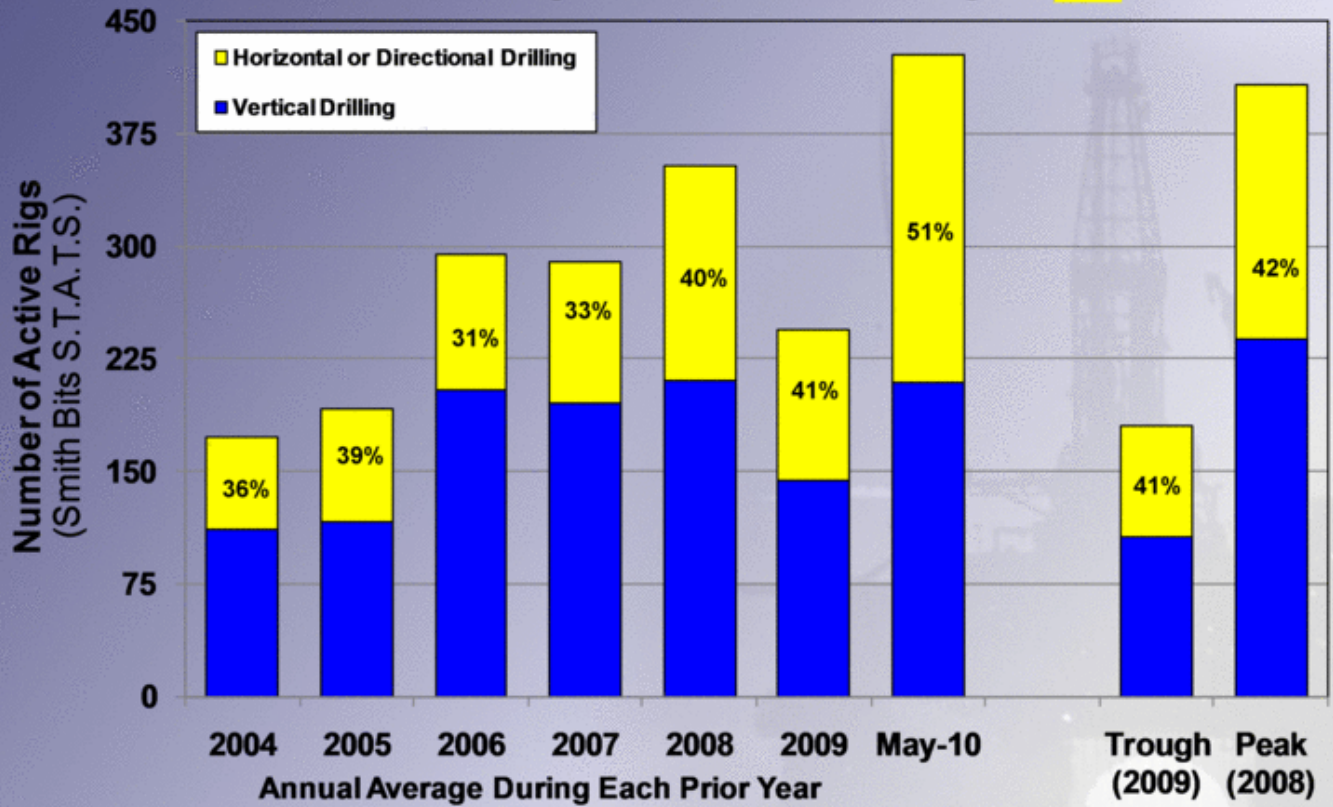
Active Rigs in U.S. Land Drilling for Natural Gas





Oil Related Drilling Also Increasingly Complex

Active Rigs in U.S. Land Drilling for Oil





How is H&P Positioned?

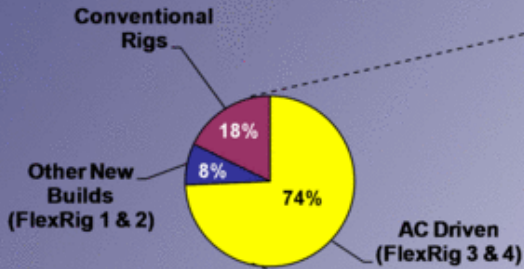
- **Our fleet profile is the newest and most advanced**
- **Significant portfolio of term contracts**
- **Strong financial position – 13.6% debt-to-total capital ratio (as of March 31st, 2010)**
- **About 95% of H&P's rigs active in the U.S. land spot market are FlexRigs**
- **FlexRigs continue to deliver outstanding field performance**



H&P is Leading the U.S. Land Retooling Effort

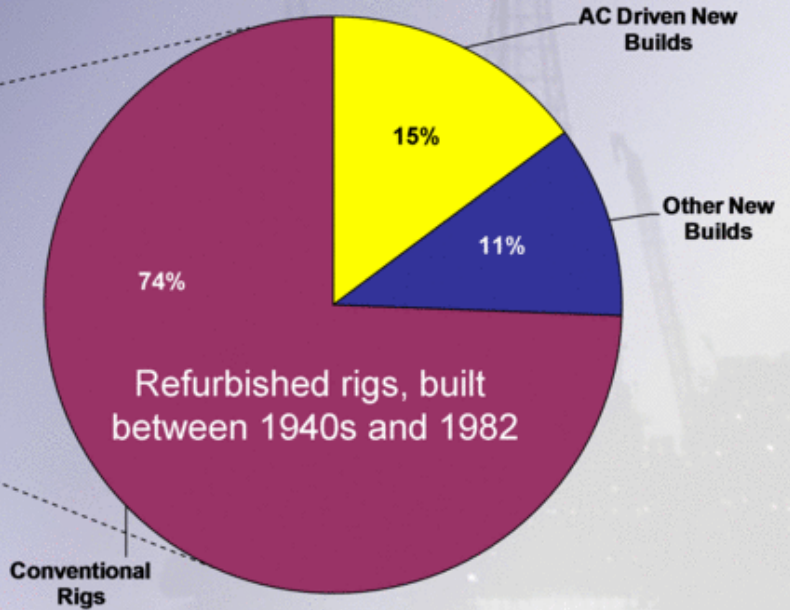
H&P's Available U.S. Land Fleet

(214 Rigs as of 5/25/10)



Total Available U.S. Land Fleet (Estimates)

(~2,500 Rigs)



Note: The above estimates corresponding to the total available U.S. land fleet are derived from multiple sources including Rig Data, Smith Bits and corporate filings. Only rigs with equal to or greater than 600 horsepower drawworks ratings are considered.

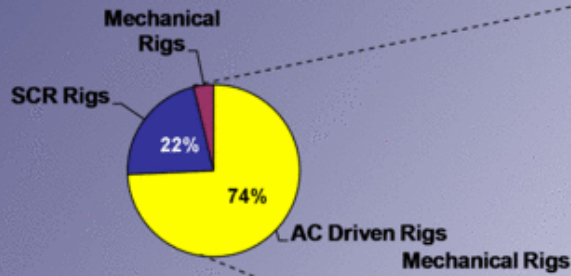
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H&P and U.S. Land Fleet (by Rig Type)

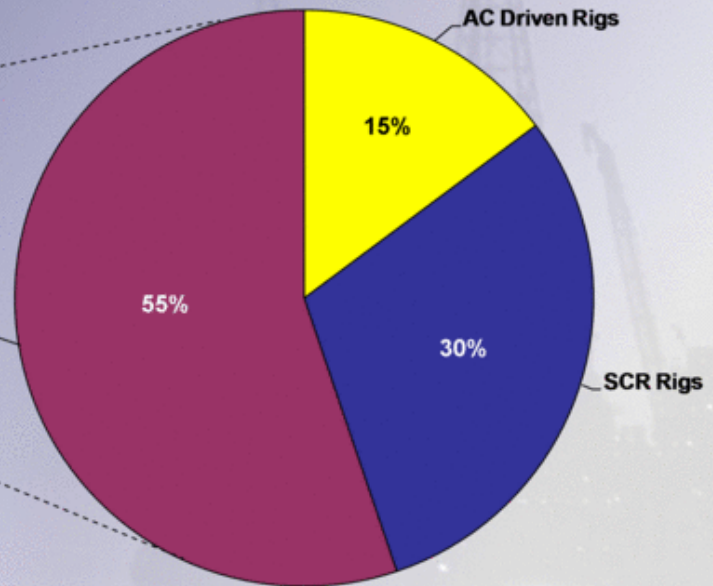
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(214 Rigs as of 5/25/10)



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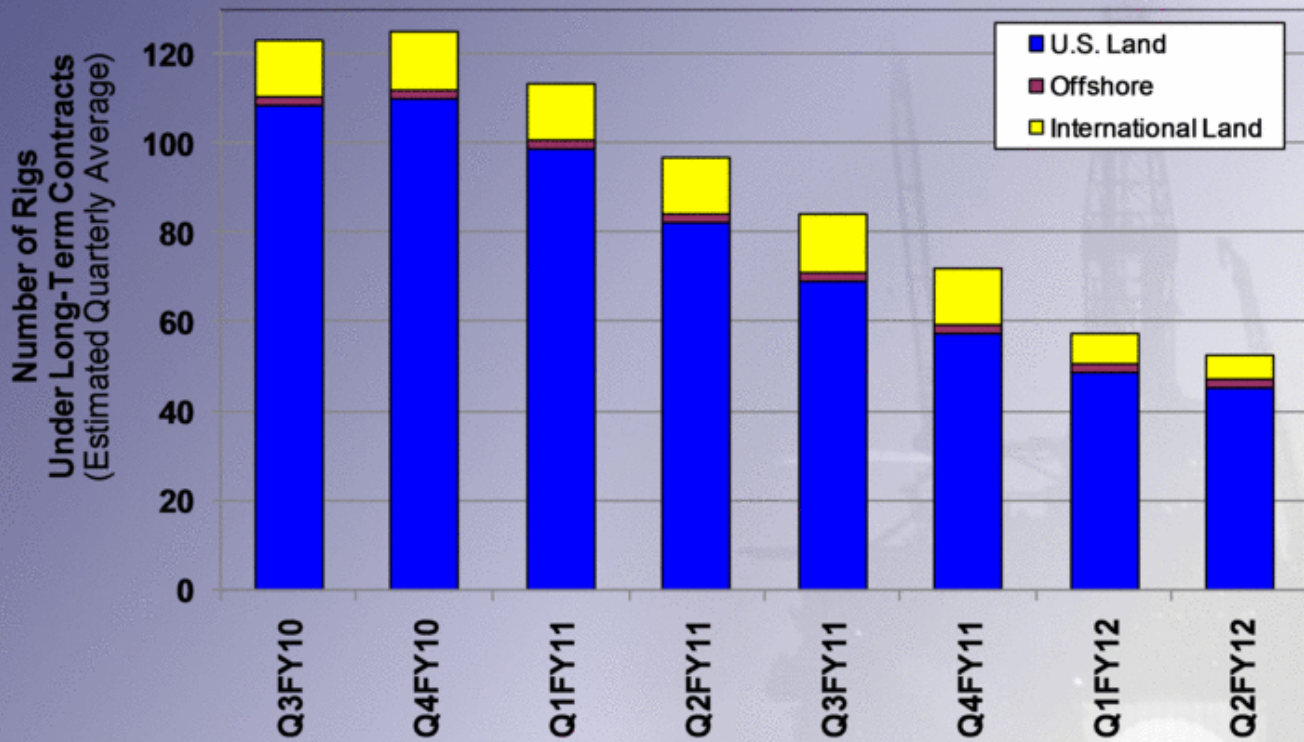
Note: The above estimates corresponding to the total available U.S. land fleet are derived from multiple sources including Rig Data, Smith Bits and corporate filings. Only rigs with equal to or greater than 600 horsepower drawworks ratings are considered.

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H&P's Global Fleet Under Term Contracts

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



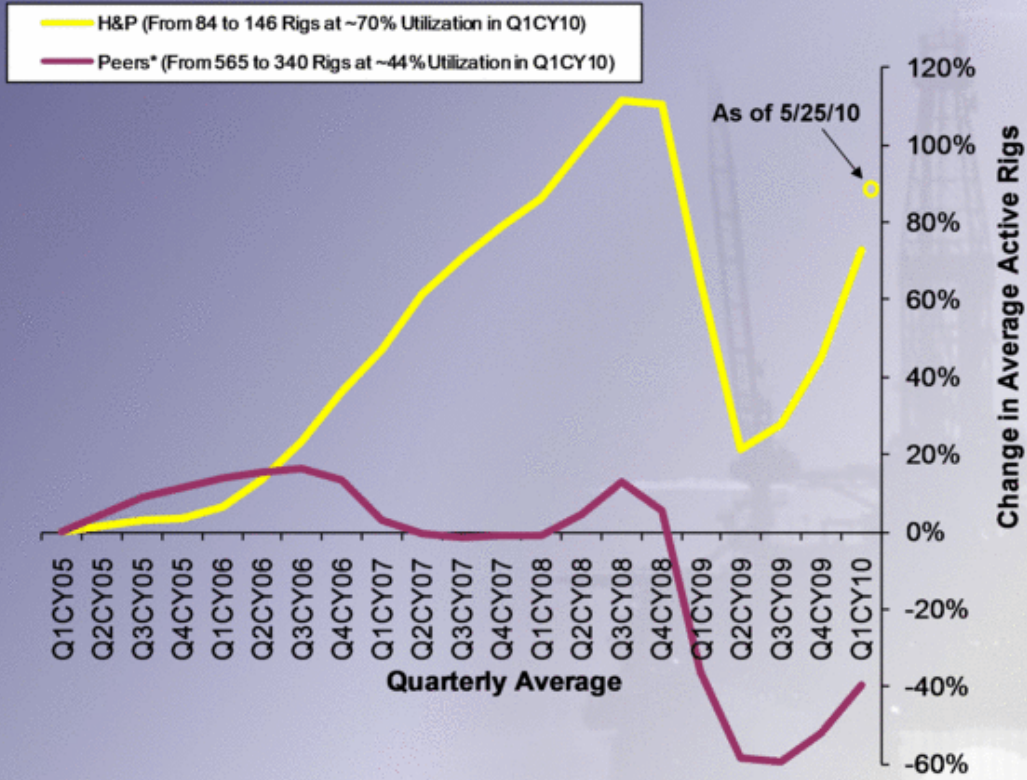
* Includes delayed new builds which are expected to generate revenue but not revenue days.

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The Impact of a Severe Downturn on Activity

Growth / Decline in U.S. Lower 48 Average Rig Activity



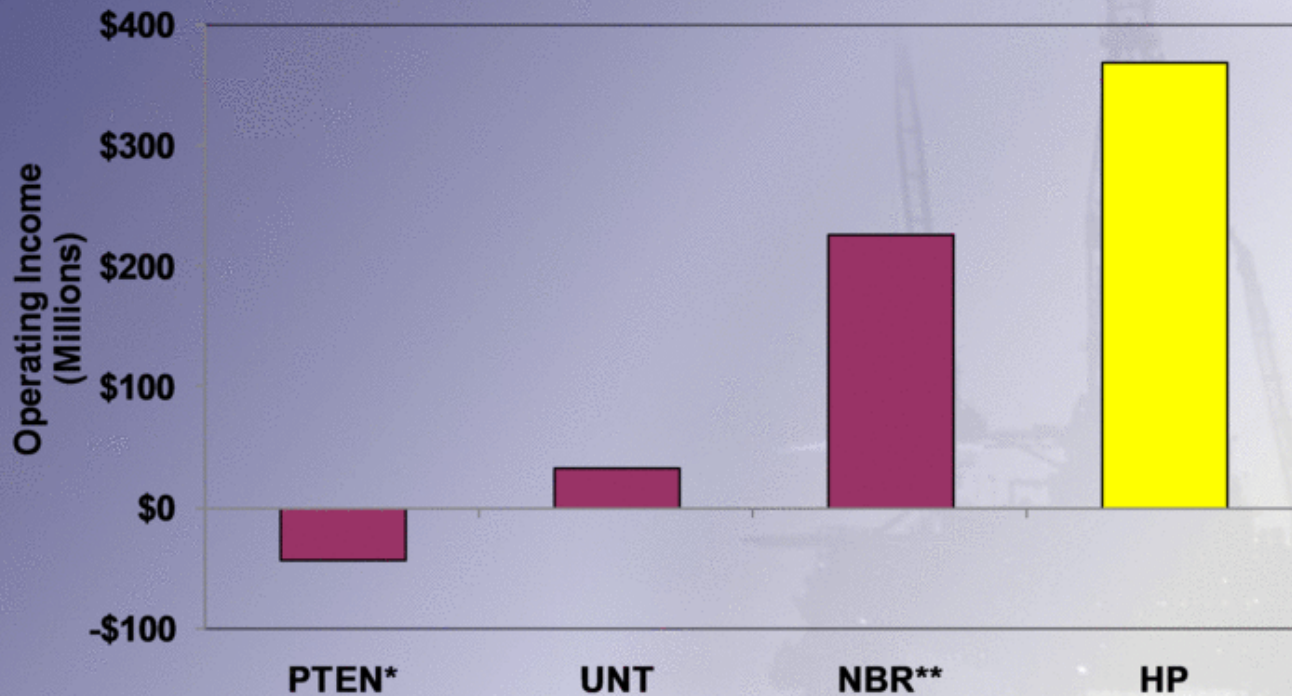
*Represents average active rigs for PTEN, NBR and UNT.



Most Profitable Driller in U.S. Land Business

U.S. Land Drilling Operating Income

12 Months Ended March 31, 2010



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

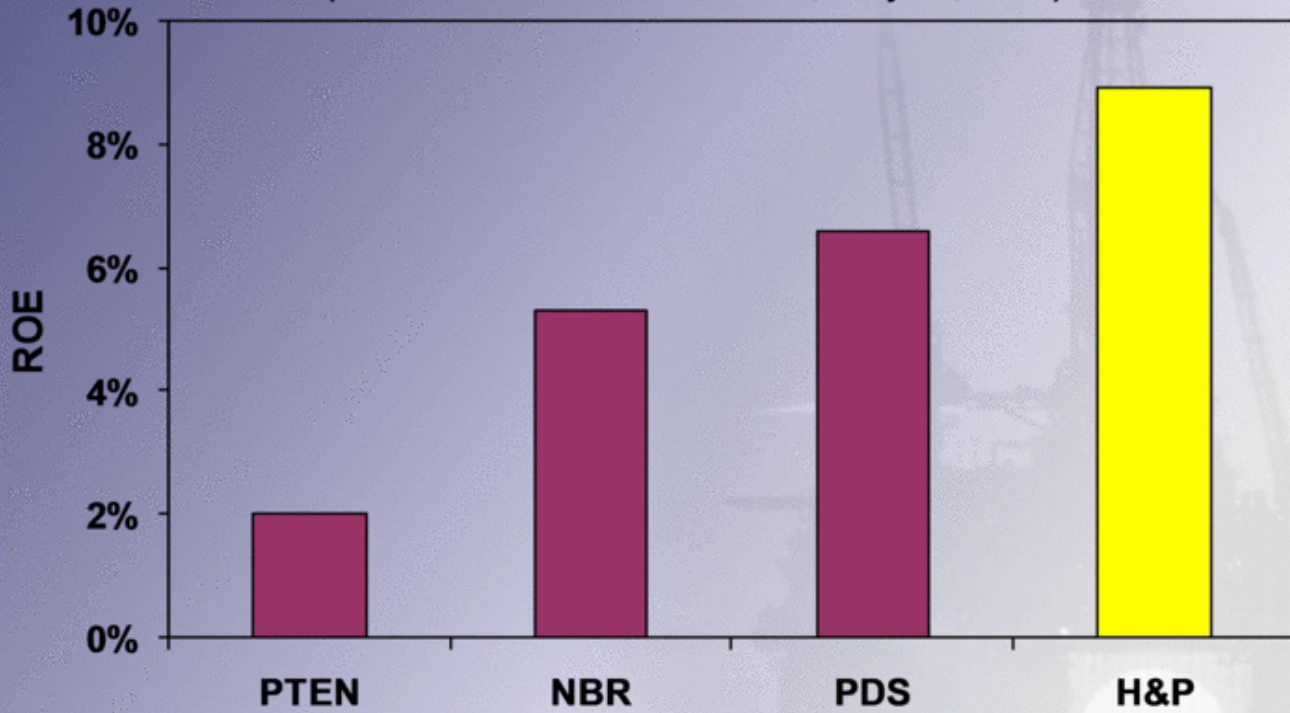
** NBR's operating income corresponds to its U.S. Lower 48 Land Drilling segment.

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Peer Group Estimated Return on Equity

Analyst Estimates Fiscal Year 2010 Return on Equity (Source: First Call Consensus, May 19, 2010)







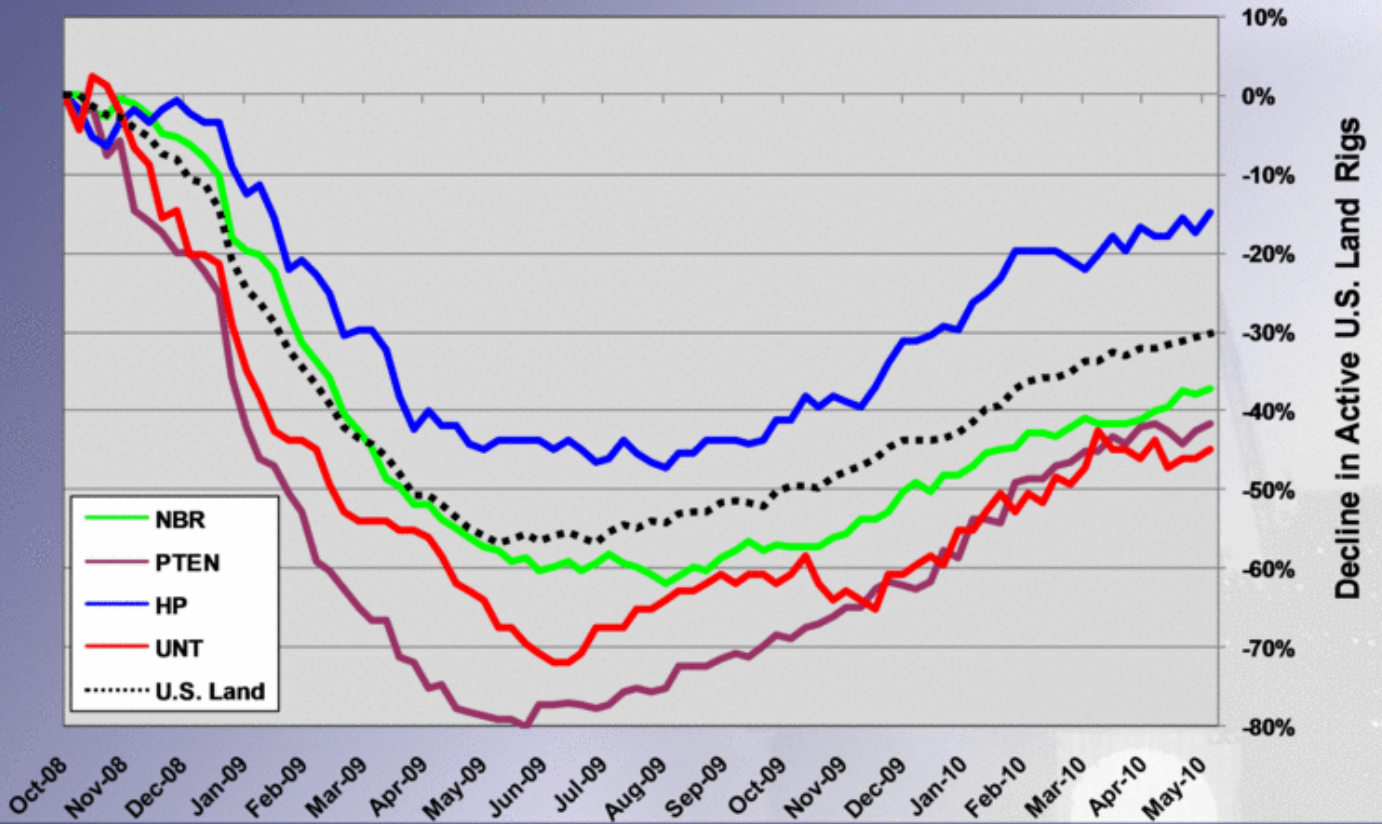
H&P's U.S. Land Operations

- **Spot market pricing continues to gradually improve, especially for larger FlexRigs in unconventional plays.**
- **We expect a five to ten percent sequential increase in average activity (or revenue days) from the second to the third fiscal quarter of 2010.**
- **Average rig margin per day (excluding the impact of early termination and new build delivery delay revenues) is expected to slightly decline from the second to the third fiscal quarter of 2010.**
- **We continue to deploy rigs to oil and “liquids-rich” gas plays. By the fourth fiscal quarter, we expect to have 16 rigs active in the Bakken Shale, 16 rigs active in the Eagle Ford Shale, 11 rigs active in the Marcellus Shale and one rig active in the Niobrara Shale.**
- **Given the incremental demand for term contracts, the Company now expects an average of approximately 108 rigs to remain under term contracts during the third fiscal quarter and 110 during the fourth fiscal quarter of 2010. The corresponding estimated annual averages for rigs under term contracts for fiscal 2011 and fiscal 2012 are now 77 and 42 rigs, respectively.**



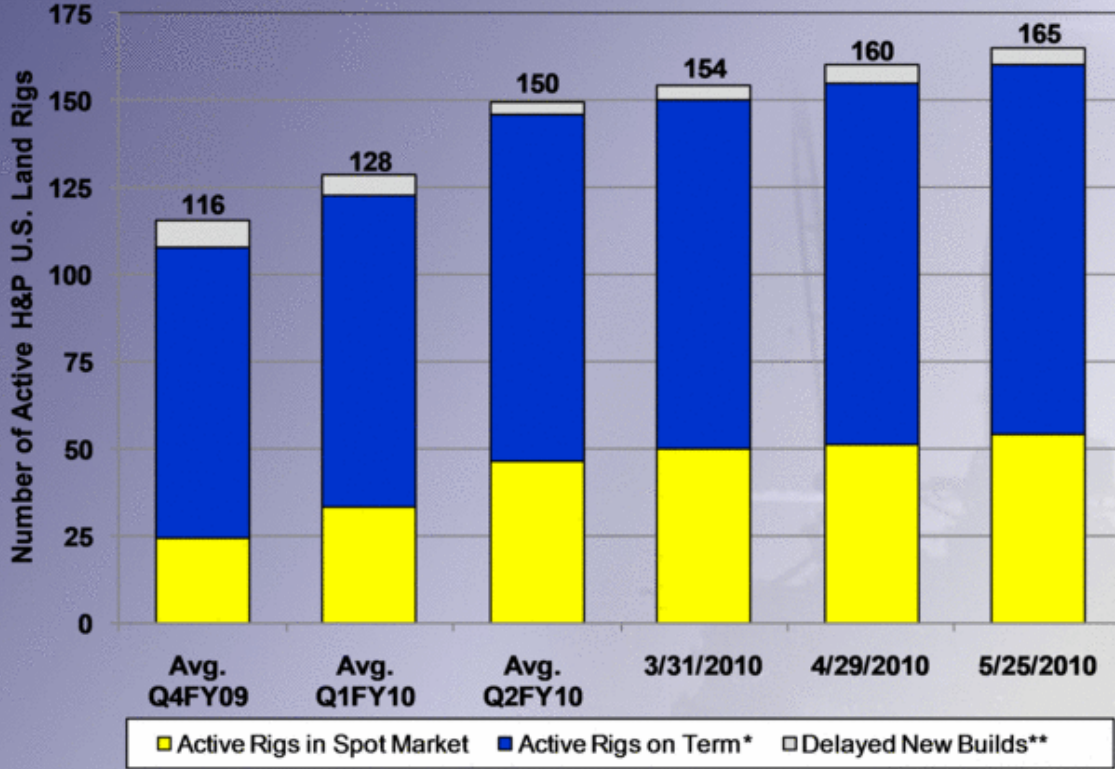
Changes in Lower 48 U.S. Land Rig Count

Estimated Change Since Peak in Active U.S. Land Rigs
(Smith Bits Weekly Rig Count - October 17, 2008 to May 14, 2010)





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

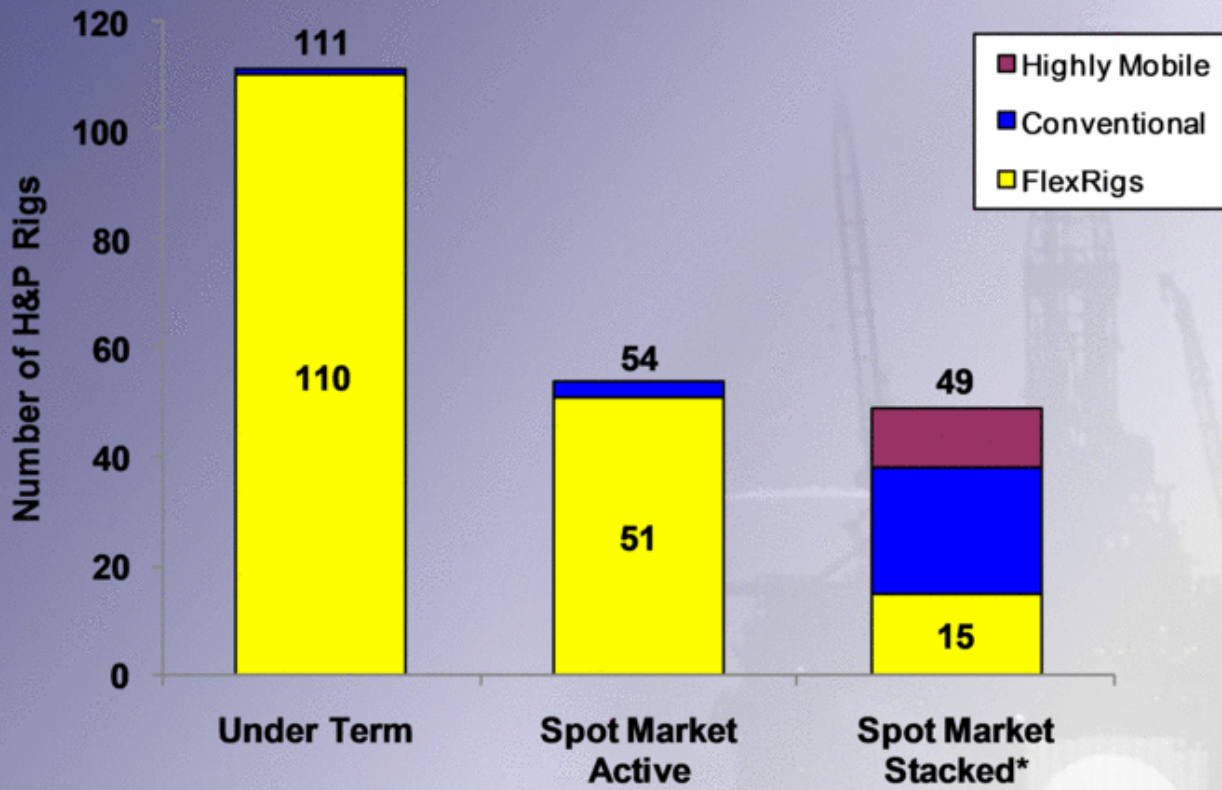


* Active rigs on term (in blue) generated both revenue and revenue days, including a few rigs on standby.

** Includes delayed new builds (in gray) which generated revenue but did not generate revenue days.



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



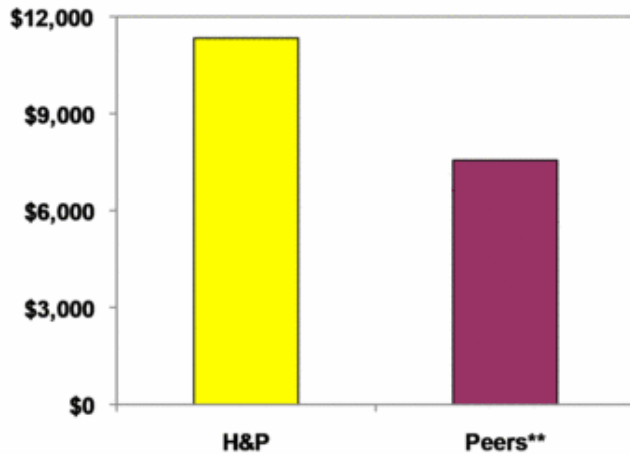
* Includes six FlexRigs with signed contracts. All of the remaining nine uncontracted FlexRigs are FlexRig4's, which target shallower depth wells.



Technology and Quality Service Make a Difference

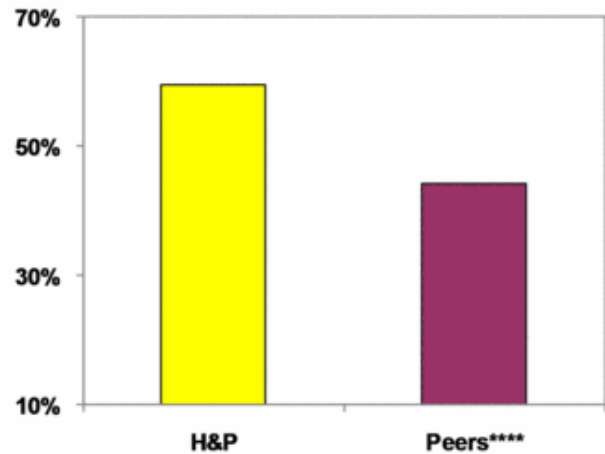
Rig Margin Premium

Average U.S. Land Rig Margin per Day*
(12 Months Ended March 31, 2010)



Utilization Premium

Estimated U.S. Land Rig Utilization***
(12 Months Ended March 31, 2010)



* Does not include the impact of early contract termination revenue.

** Represents weighted-average rig margin per day for PTEN, NBR and UNT

*** Utilization is herein calculated to be average active rigs divided by estimated available marketable rigs during the period.

**** Represents estimated average combined utilization for PTEN, NBR and UNT in the Lower 48.

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New Builds – H&P's FlexRig Program

The FlexRig Difference: Key Advantages

- **Increased drilling productivity and reliability**
 - Variable frequency (AC) drives with increased precision and measurability
 - Computerized electronic driller that 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**



Another Value Proposition Example – H&P vs. Competitors

	Estimated Competitor Average (Spot Market)	H&P FlexRig Mid 2010 (Spot Market)
1. Drilling days	15	12
Completion days	2	2
Moving days	<u>5</u>	<u>3</u>
Total rig revenue days per well	22	17
2. Drilling contractor dayrate	\$17,500	\$22,500
Operator's other intangible cost per day estimate	<u>\$15,000</u>	<u>\$15,000</u>
Total daily cost estimate	\$32,500	\$37,500
Total cost per well (daily services)	\$715,000	\$637,500
3. Total well savings with H&P – per well per year		\$77,500 \$1.7MM



Value added from FlexRig operations

- Significant H&P dayrate premium
- Increased wells per rig per year: 5 wells
- Early production: Incremental wells on production
- Lowest total well cost



A Strong Field Organization

- Performance is not only about better rigs
- It's also about:
 - People
 - Safety
 - Experience
 - Training
 - Culture
 - Supply chain
 - Maintenance
 - Processes
 - Organizational network
 - Support structure



H&P's International Land Operations

Rig Fleet Status (as of May 25, 2010)

	Active	Contracted	Idle	Total	Long-term Contracts
Argentina	5		4	9	4
Colombia	4		2	6	2
Ecuador	4			4	
Mexico	6			6	6
Tunisia	2			2	
Venezuela			11	11	
Other		1 ⁽¹⁾		1	1
Total	21	1	17	39	13⁽²⁾

1) Includes one rig under a long-term contract still in the U.S. expected to deploy to Bahrain during the first fiscal quarter of 2011.

2) 13 of 15 FlexRigs (included in the international fleet of 39 rigs) are under long-term contracts.



H&P's International Land Operations

- **We expect quarterly activity (or revenue days) for the segment to sequentially increase by about five percent from the second to the third fiscal quarter of 2010.**
- **The new build FlexRig under a long-term contract still in the U.S. is now expected to deploy to Bahrain during the first fiscal quarter of 2011.**
- **Considering a modest payment in Venezuela since our April 29, 2010 conference call, we now expect average daily rig margins for the International Land segment to decrease by about 10% from the second to the third fiscal quarter of 2010 (compared to our previous expectation of down about 20%).**



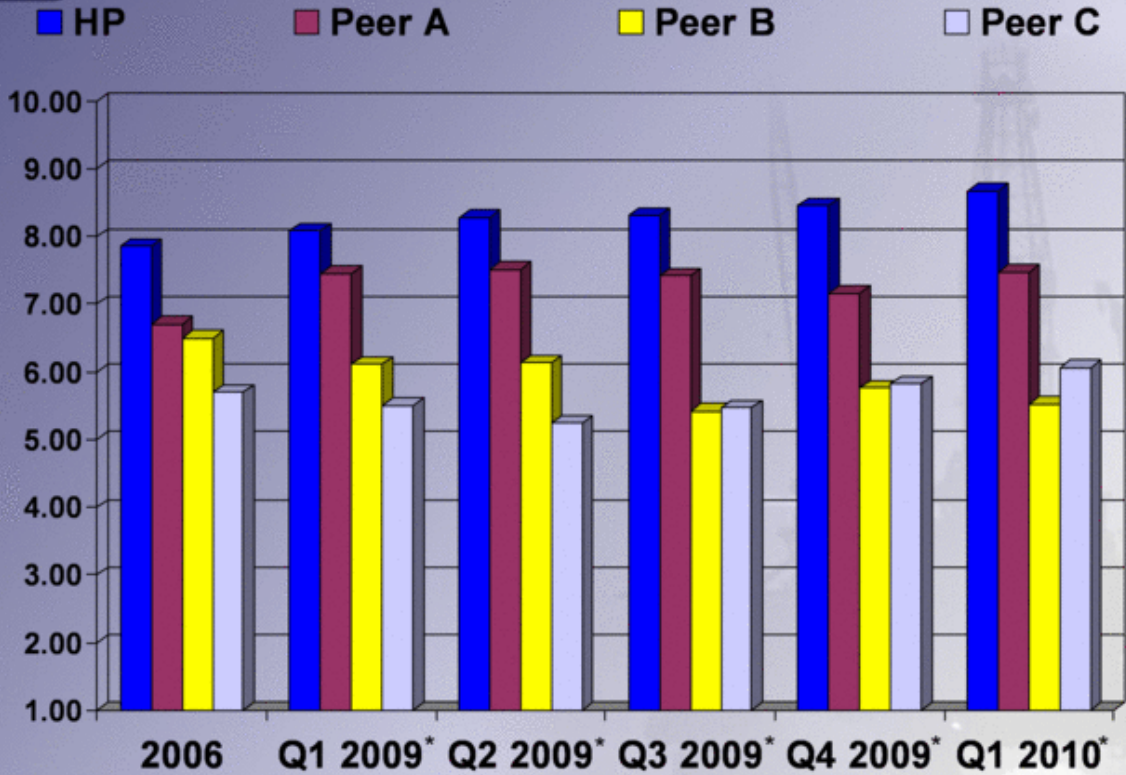
H&P's Offshore Operations

- **Seven of the Company's nine offshore platform rigs are active.**
- **Two of the seven active rigs are under long-term contracts.**
- **One of the idle rigs has a prospect for work beginning in the fourth fiscal quarter of 2010.**
- **Average rig margins per day are expected to decrease by 10 to 15 percent as we transition from the second to the third fiscal quarter of 2010.**
- **We are now working on three platform rigs owned by customers under management contracts, two in the U.S. and one in Equatorial Guinea.**



Customer Satisfaction Index

10 = "Highly Satisfied", 1 = "Highly Dissatisfied"



Source: EnergyPoint Research, Inc.

* Trailing four quarters average

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Market Trends Favor H&P

- **Growing focus on technology-based solutions that enable lower total well costs**
- **Unconventional plays are the most economically viable and tend to require highly-capable rigs**
- **Drilling is becoming more challenging and highly-capable rigs are expected to be in short supply**
- **Increasing safety and environmental sensitivity**



End of Presentation

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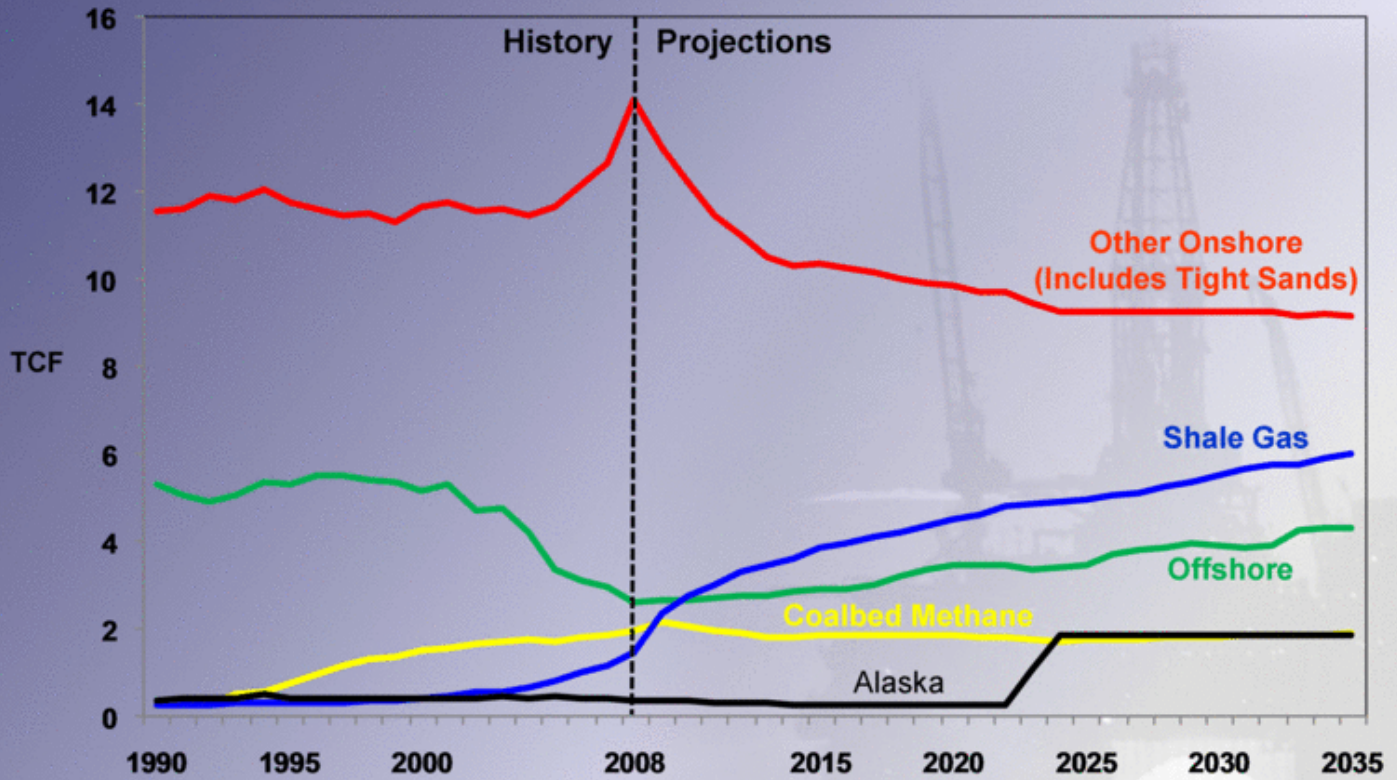


Additional References:

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Unconventional Natural Gas Production Growing



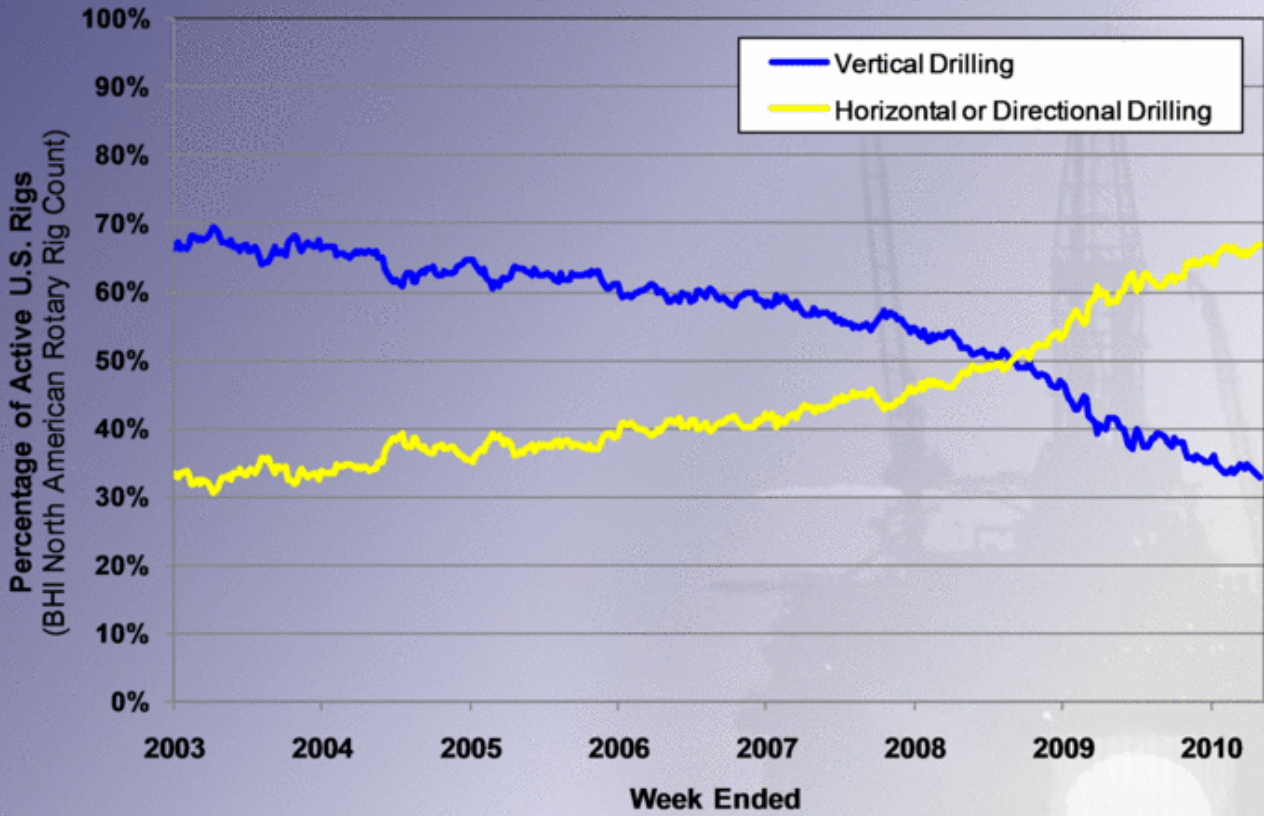
Source: Energy Information Administration Annual Energy Outlook 2010 with projections to 2035 (May 2010).

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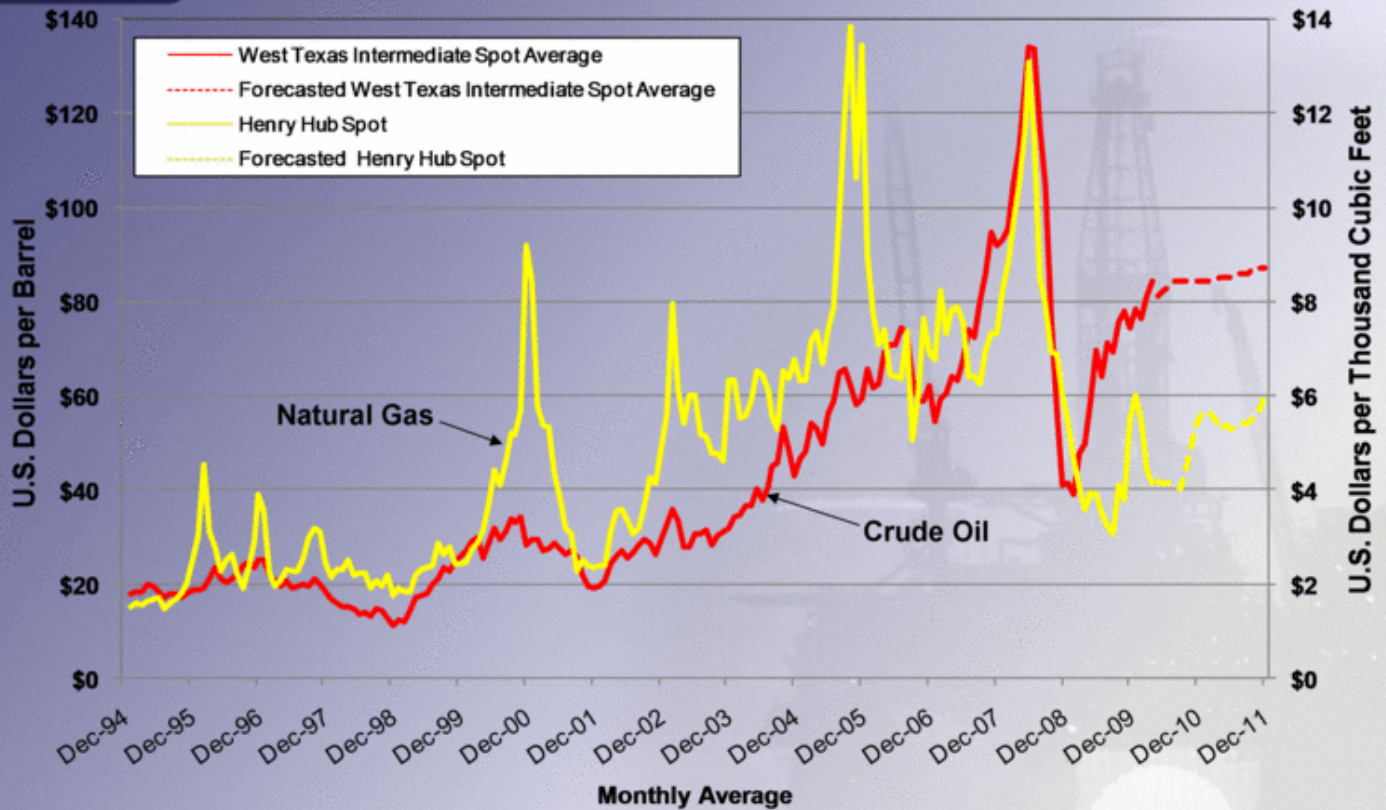
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





Crude Oil & Natural Gas Prices



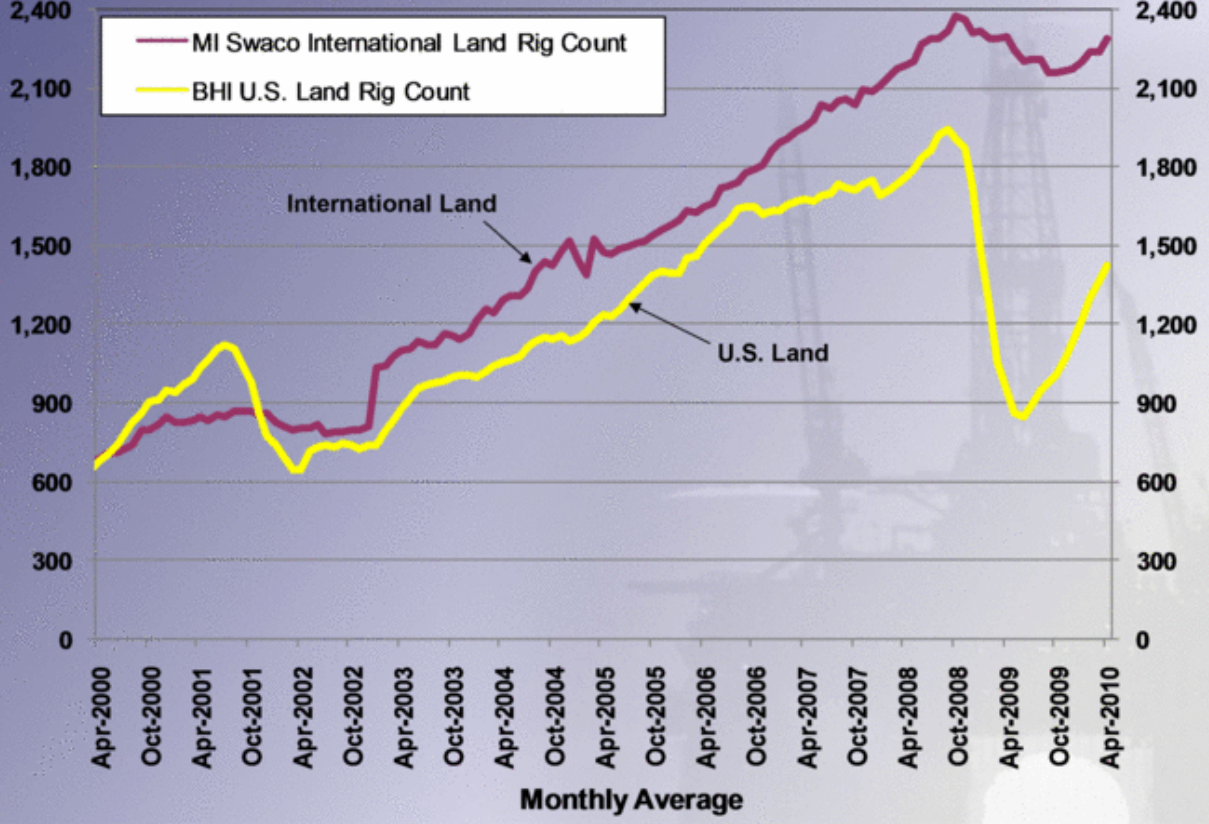
Source: Energy Information Administration, Short-term Energy Outlook as of 5/11/2010.

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Improving Rig Counts

Baker Hughes U.S. Land and MI Swaco International Land Rig Counts

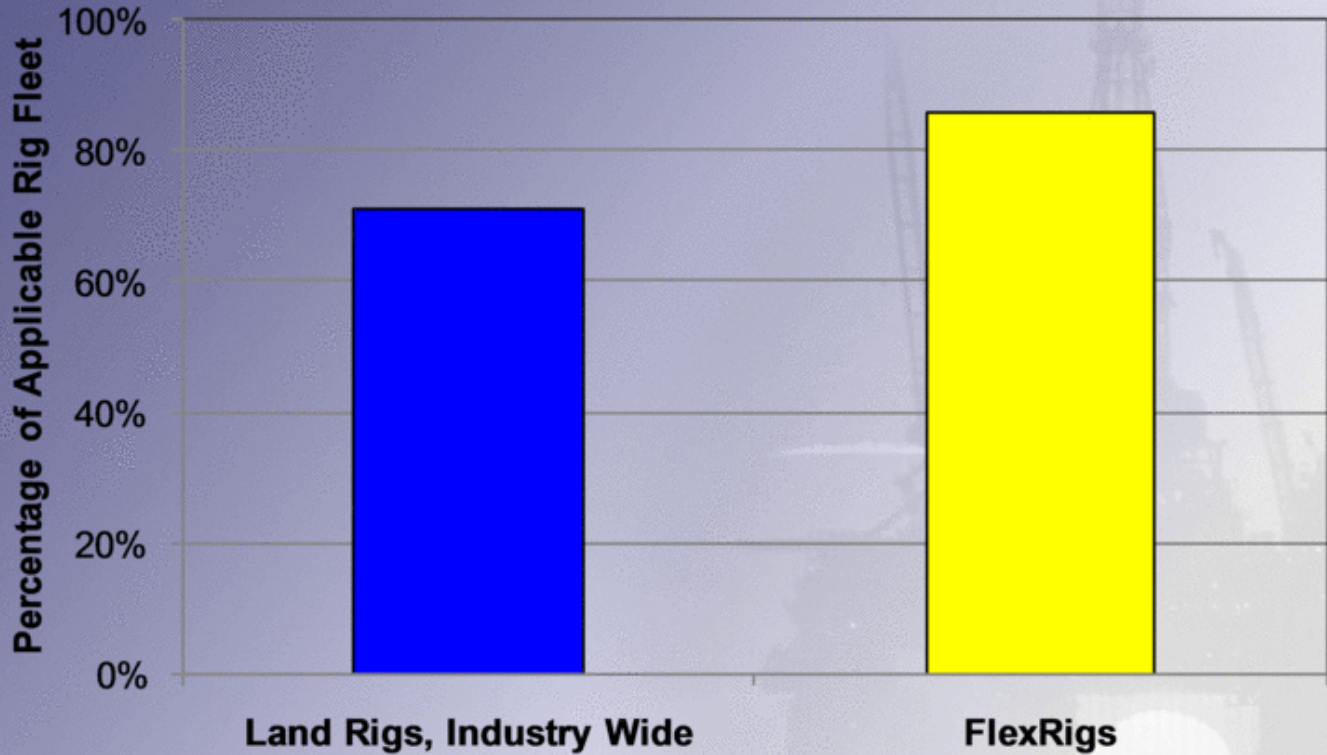




FlexRigs in Demand for More Difficult Wells

Active Land Rigs Drilling Horizontal or Directional Wells

(Data Source: Smith International, Inc. - S.T.A.T.S. - 5/14/10)



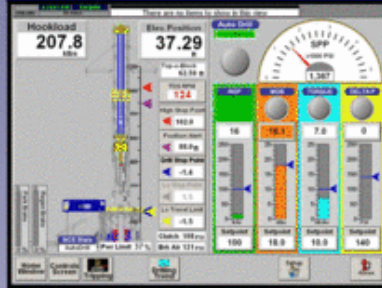


Leader in New Ideas & Applied Technology

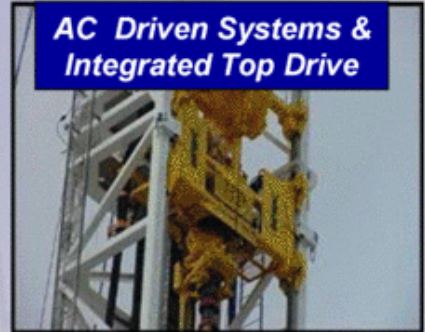
Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



Satellite Communications



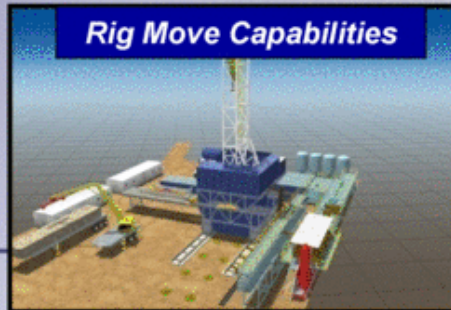
BOP Handling



Mechanized Tubular Handling



Rig Move Capabilities

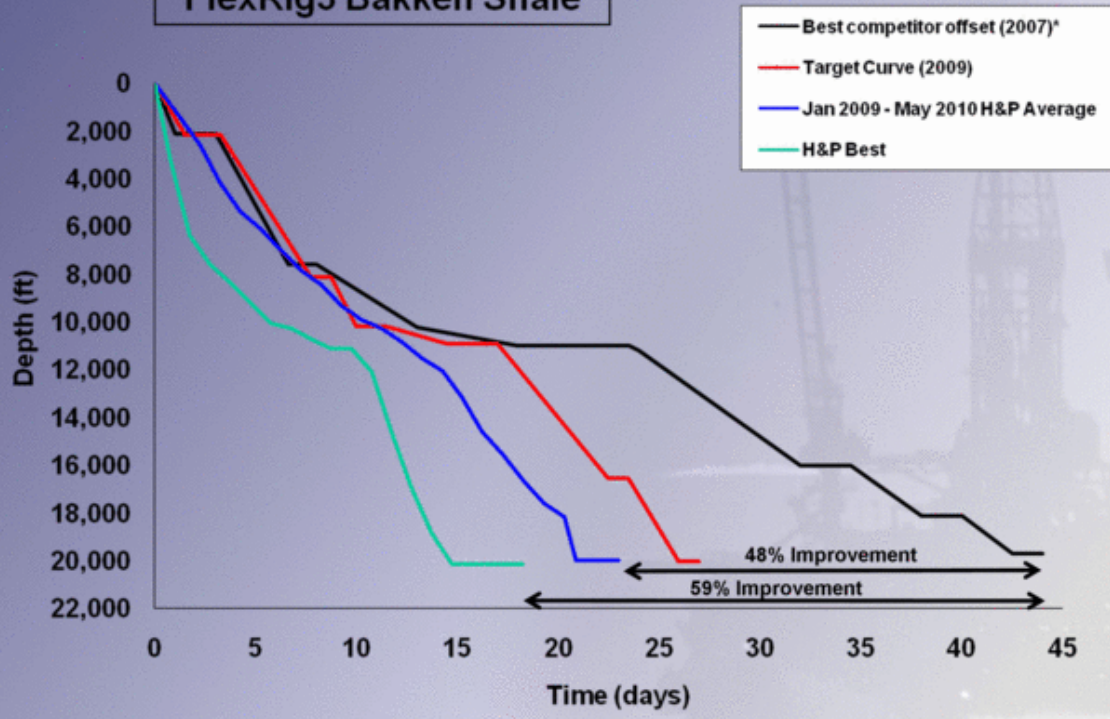


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FlexRig3 – Performance Sample

FlexRig3 Bakken Shale

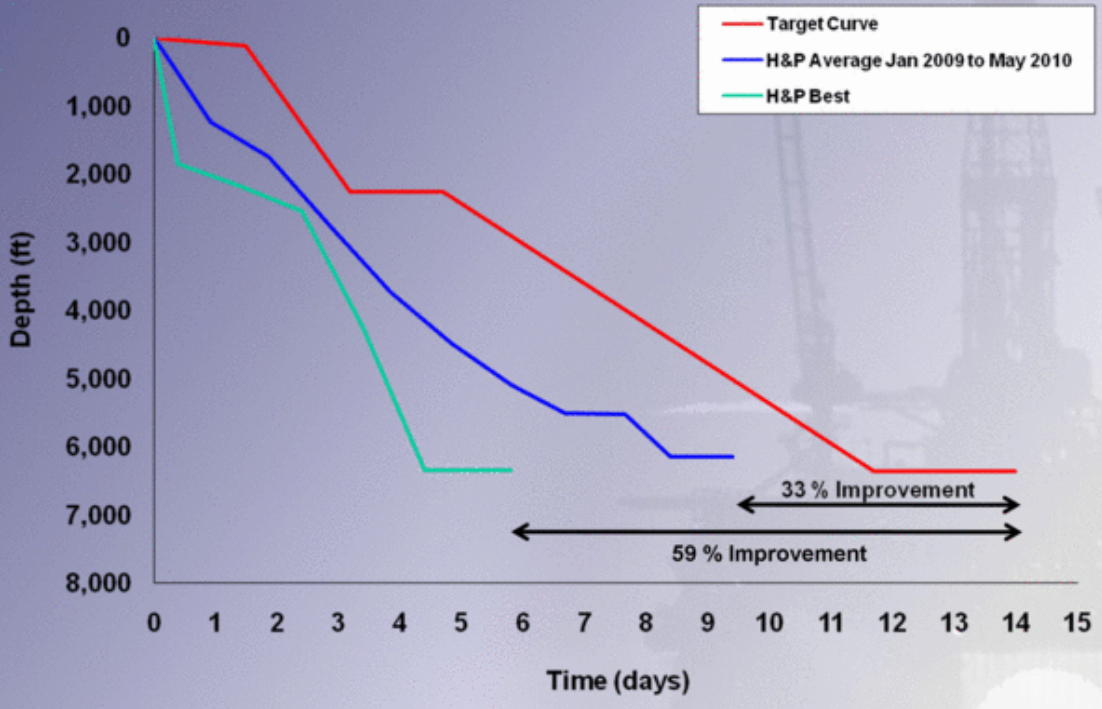


* Represents the customer's fastest reported Bakken Shale well before deploying a H&P FlexRig.



FlexRig4M – Performance Sample

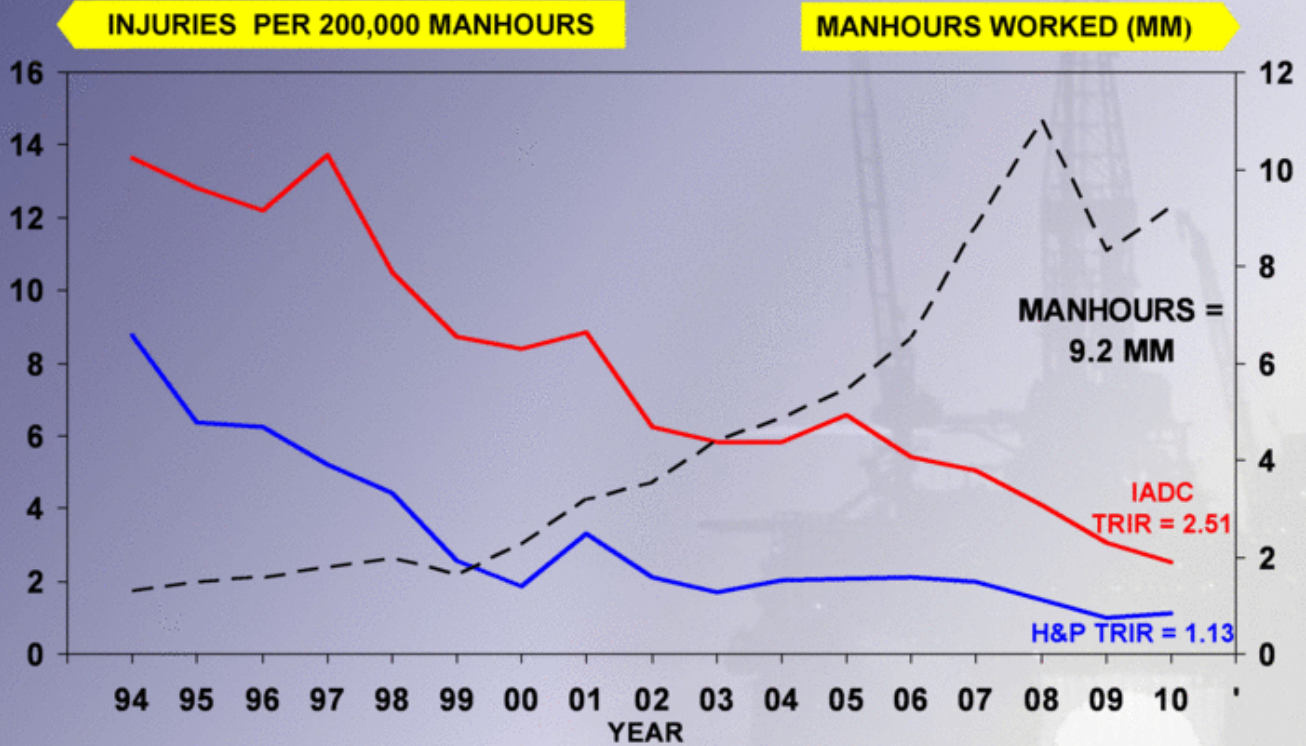
FlexRig4M West Texas





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

U.S. Land Safety Performance (1994 – 1Q10) OSHA Recordable Injury Incidence Rates



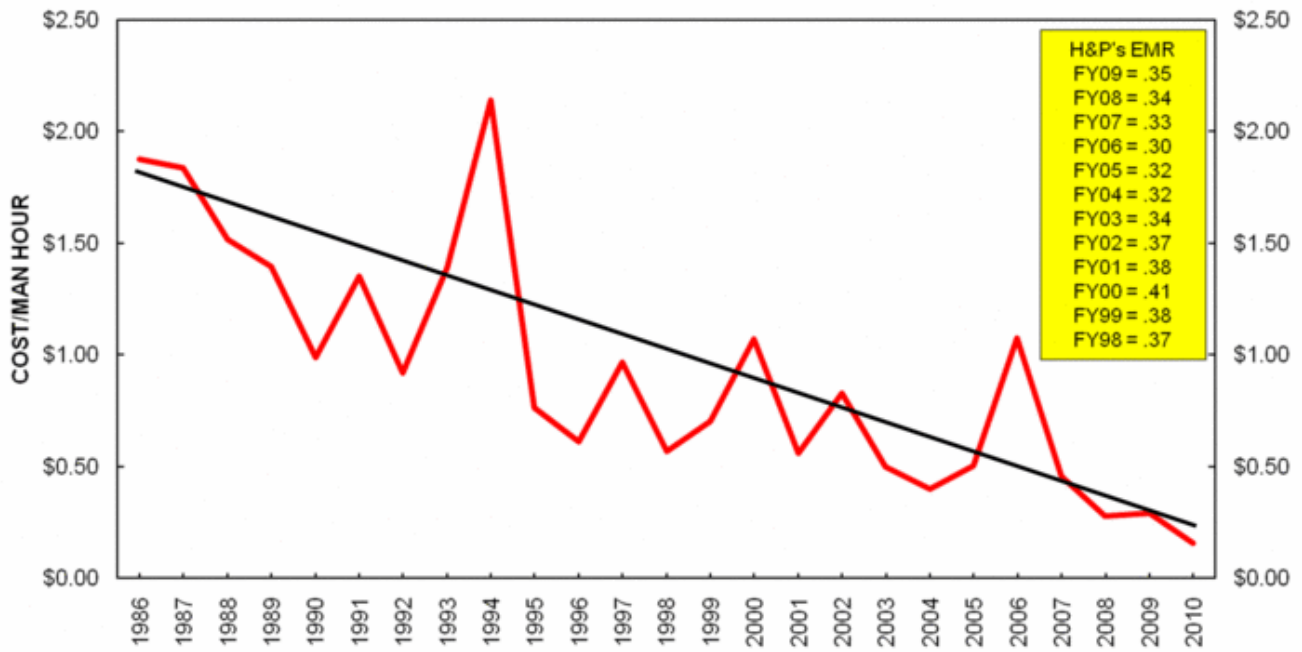
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Safety Excellence Also Generates Savings

Reduced Workers Comp and General Liability Losses per Man Hour

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



EMR = Experience Modifier Ratio (Industry Average = 1.00)

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