

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 12/09/15 for the Period Ending 12/09/15

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: **December 9, 2015**

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 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. In addition to other information, the attached slides provide updated Company and industry drilling activity and market conditions.

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/ Jonathan M. Cinocca
Jonathan M. Cinocca
Corporate Secretary

DATE: December 9, 2015

EXHIBIT INDEX

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



Helmerich & Payne, Inc.
Capital One Securities, Inc.
2015 Energy Conference
December 9-10, 2015

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 presentation, including, without limitation, statements regarding the Company’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.



About Helmerich & Payne (H&P)

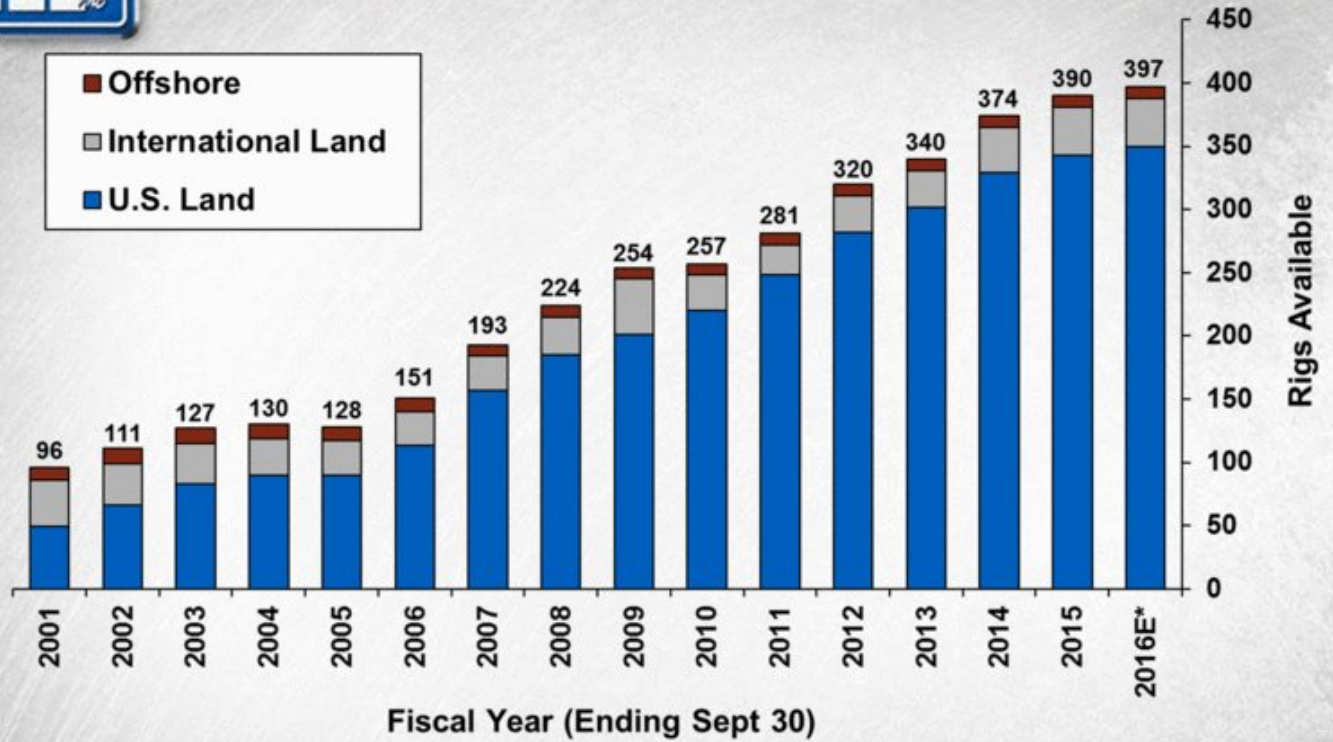


- Very strong balance sheet
- U.S. land drilling market share leader
- Most modern, uniform and capable land drilling fleet
- Strong term-contracted backlog with high quality customer base
- Strategy focused on continued innovation, performance excellence and customer satisfaction





H&P's Global Rig Fleet

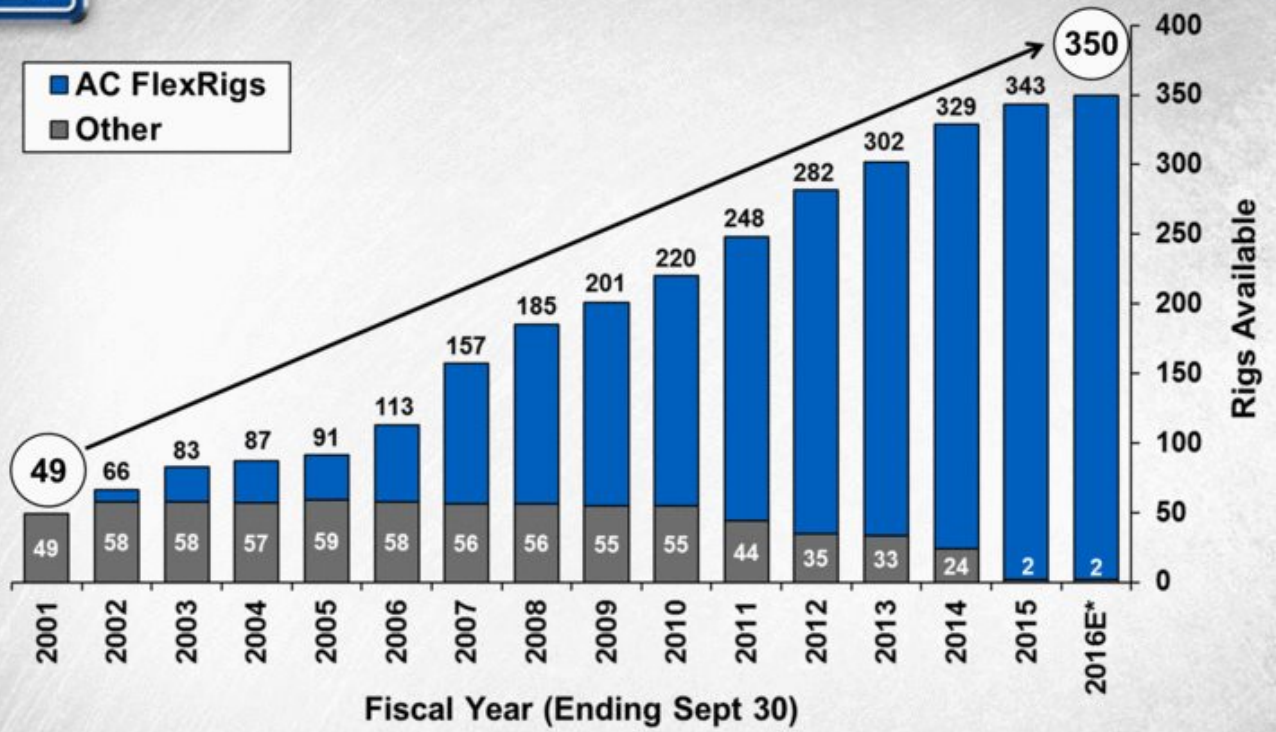


* Estimates include existing rigs and new build commitments as of December 9, 2015 and exclude 17 SCR powered FlexRigs decommissioned at the end of the second quarter of fiscal 2015 and six conventional SCR rigs decommissioned at the end of fiscal 2015.





Organic U.S. Land Fleet Growth



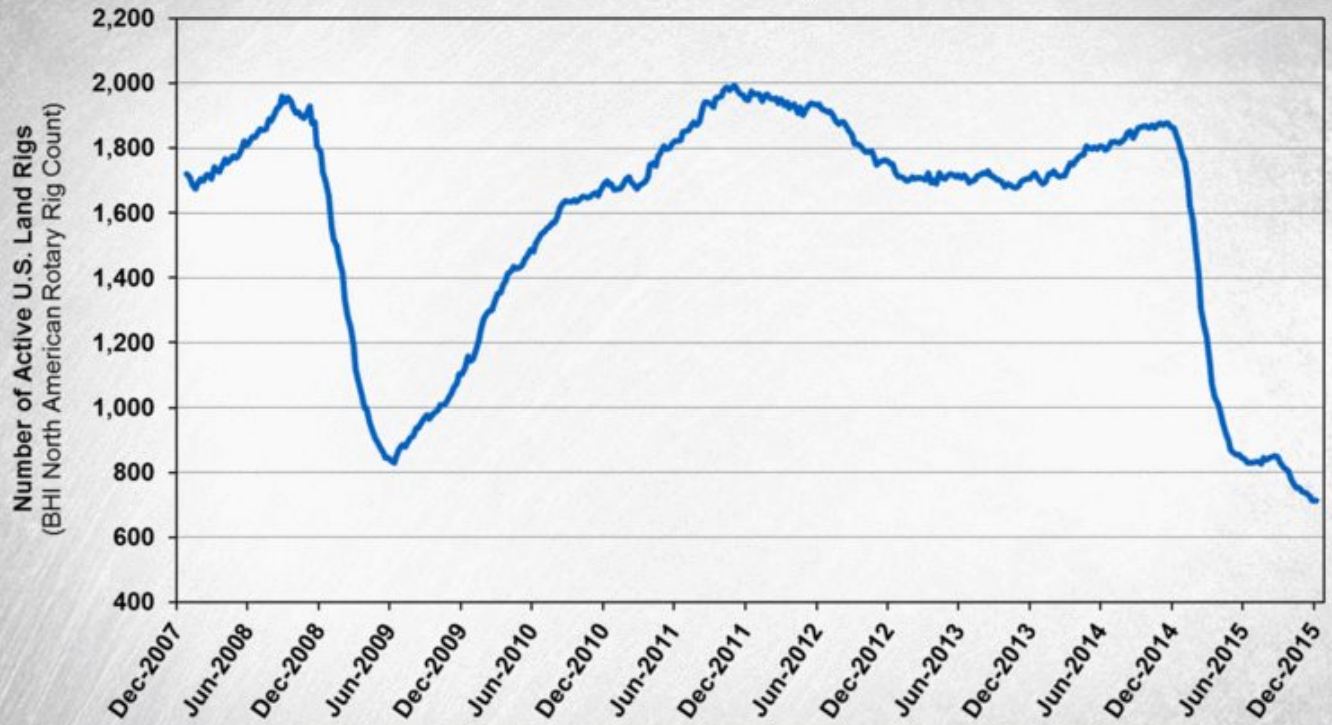
* Estimates include existing rigs and announced new build commitments.





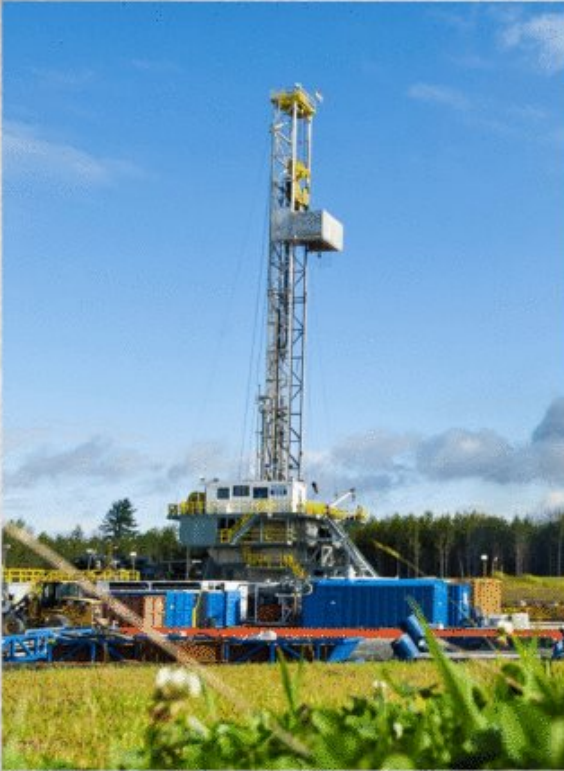
Drilling Activity in the U.S.

BHI U.S. Land Rig Count





U.S. Land Drilling Market Conditions



- Oil and gas prices remain low
- Rig count is at ~700 and expected to continue to decline
- Approximately 85% of active rigs are drilling complex wells (horizontal and directional)
- AC drive market share continues to increase (now at 60%)
- Spot pricing remains soft





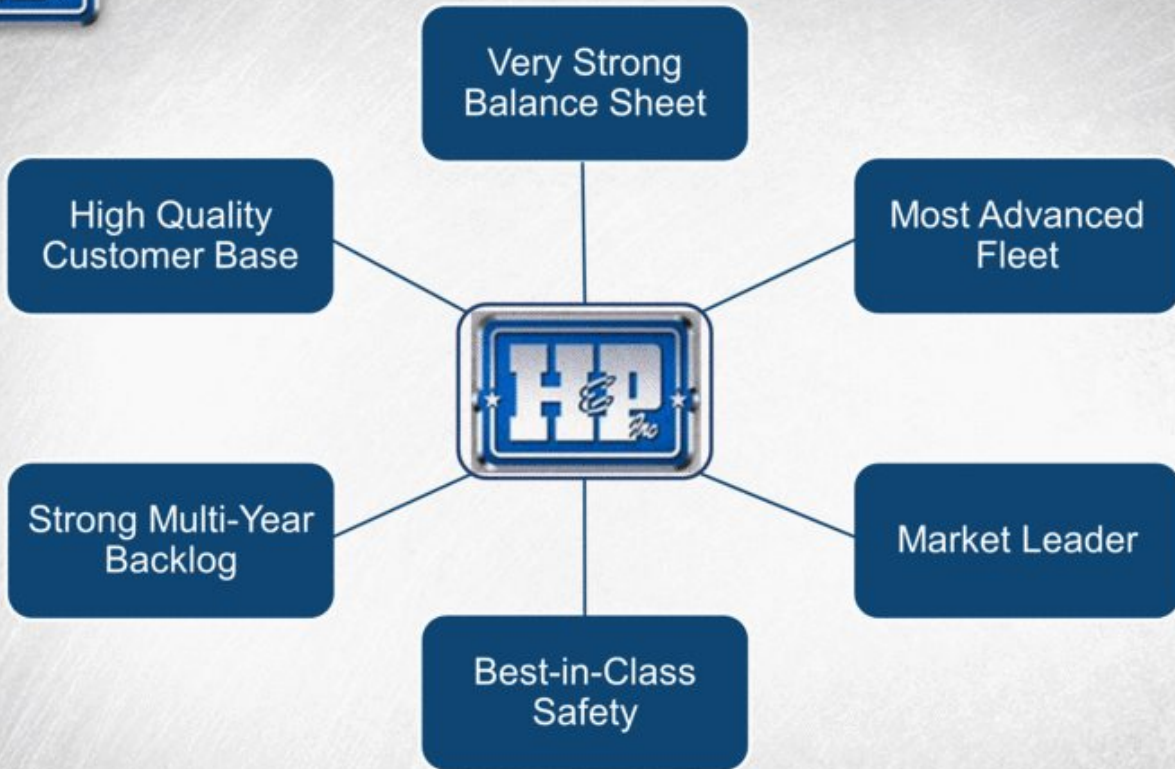
H&P's U.S. Land Activity and Pricing Comments

- H&P's U.S. Land segment has approximately 132 contracted rigs generating revenue as of December 9, 2015, down from 145 on September 30, 2015.
- As rig activity continues to decline, our U.S. Land segment quarterly revenue days are expected to sequentially decrease by 11%-14%.
- Average FlexRig spot pricing is down by more than 30%, as compared to spot pricing at the peak in November 2014.
- Since the start of the downturn in late-2014, H&P's U.S. Land segment has received early termination notices for 61 rigs working under long-term contracts, up one from 60 at November 12, 2015.





H&P Highlights

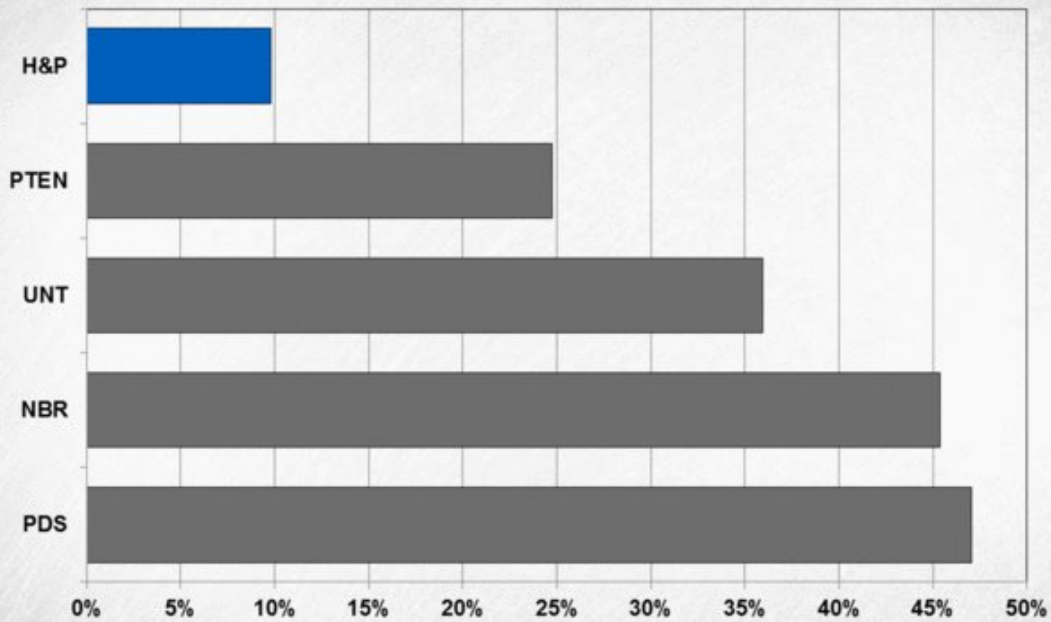




H&P vs. Peers Credit Statistics

(As of September 30, 2015)

Total-Debt-to-Total-Capitalization Ratio¹



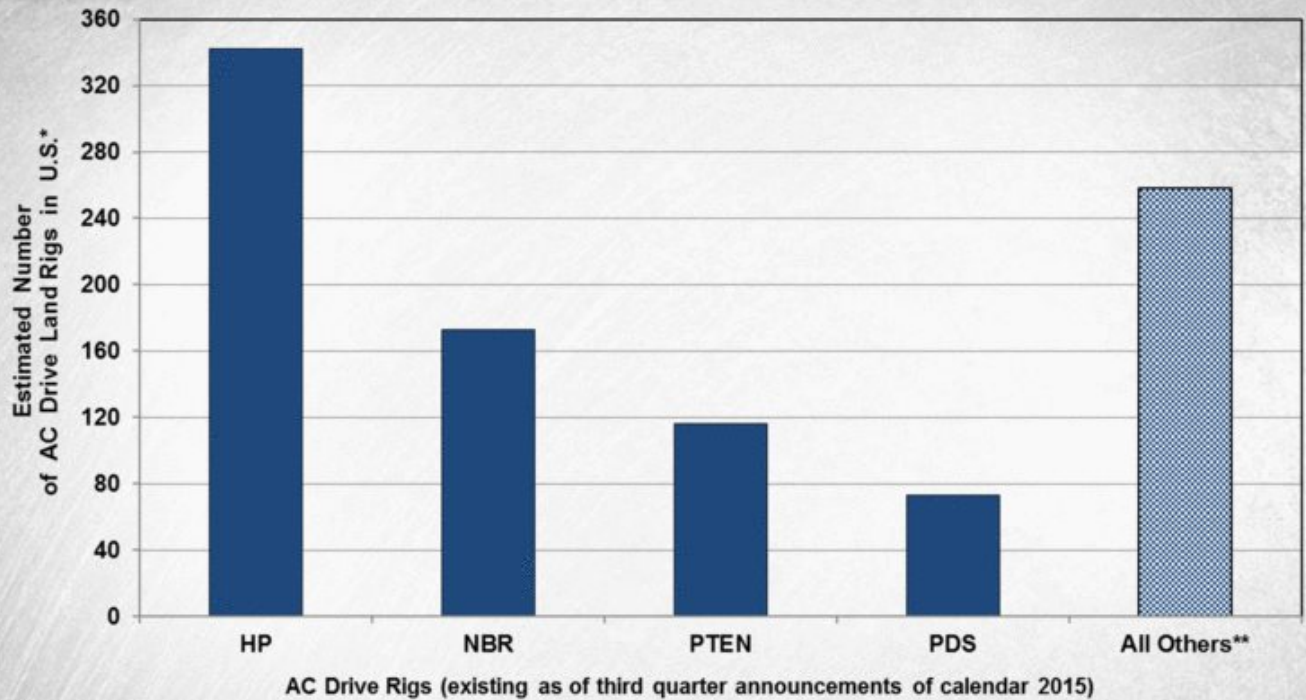
1. Total Capitalization is defined as Total Debt plus Shareholders' Equity.

Source: Company Filings

Very Strong Balance Sheet



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.

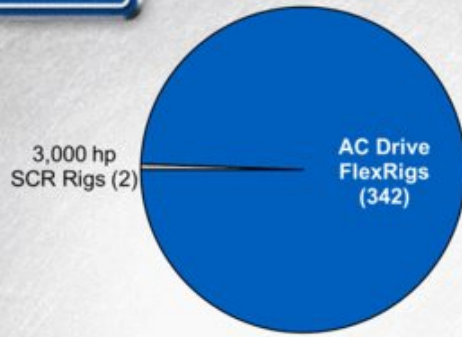
**Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

Most Advanced Fleet

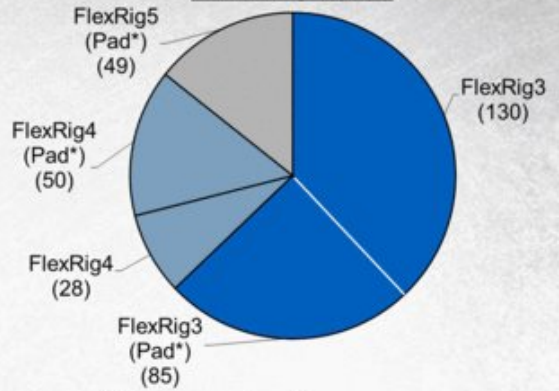


H&P U.S. Land Fleet – Family of Solutions

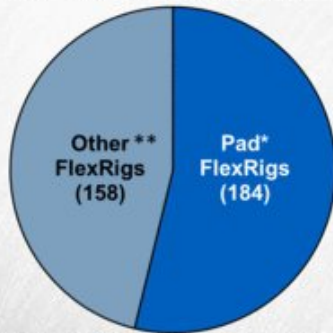
Rig Power Type



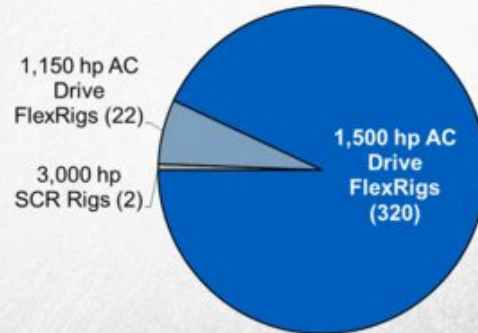
FlexRig Type



Pad* AC Drive FlexRigs



Drawworks Horsepower



* Optimal for multiple-well pad drilling applications.

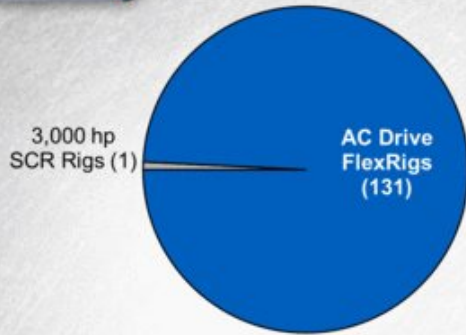
** Approximately 130 FlexRig3s and 6 FlexRig4s of the 158 "Other FlexRigs" can be upgraded to Pad* FlexRigs.

Most Advanced Fleet

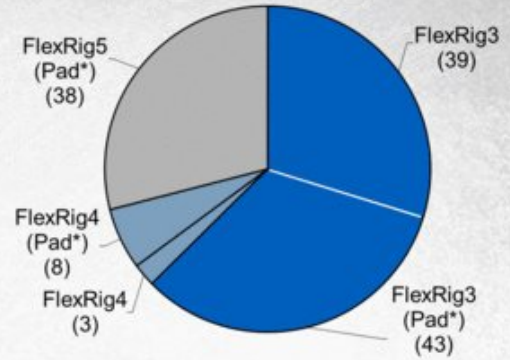


H&P U.S. Land Fleet (Contracted Rigs as of 12/9/15)

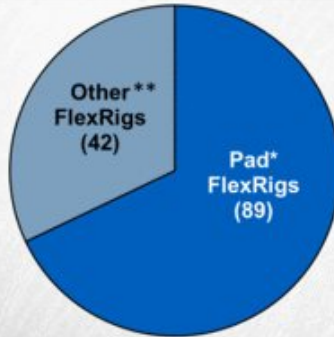
Rig Power Type



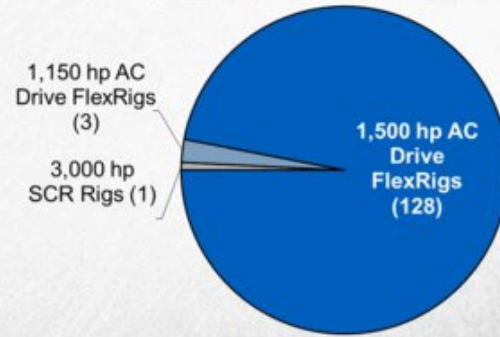
FlexRig Type



Pad* AC Drive FlexRigs



Drawworks Horsepower



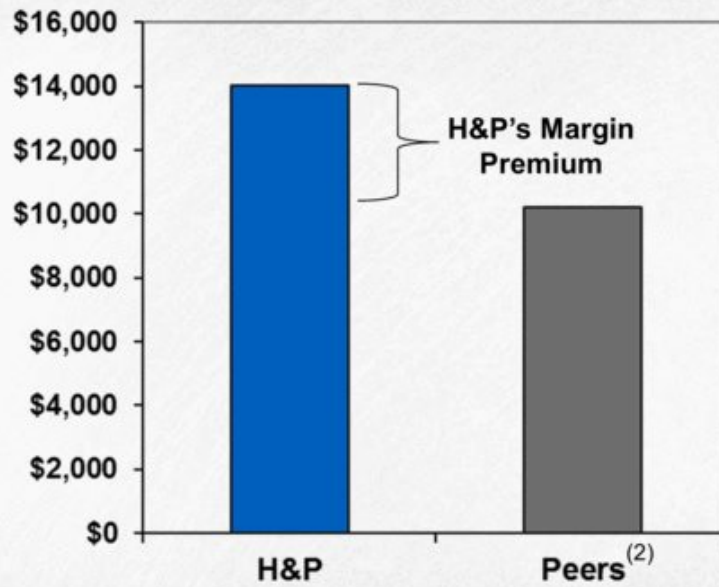
* Optimal for multiple-well pad drilling applications.
** Most of the "Other FlexRigs" can be upgraded to Pad* FlexRigs.

Most Advanced Fleet



Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day⁽¹⁾
(12 Months Ended September 30, 2015)



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

(2) Represents weighted-average rig margin per day for PTEN, NBR, PDS, and UNT.

Most Advanced Fleet



Performance is Not Only About Better Rigs

Our competitive advantage is also about:

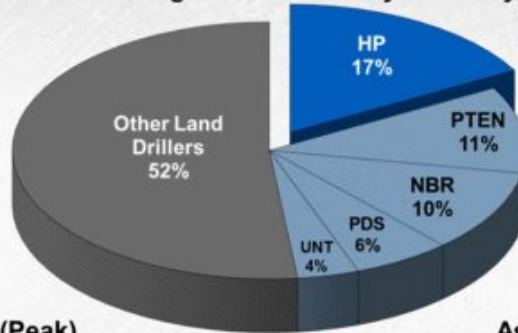
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**



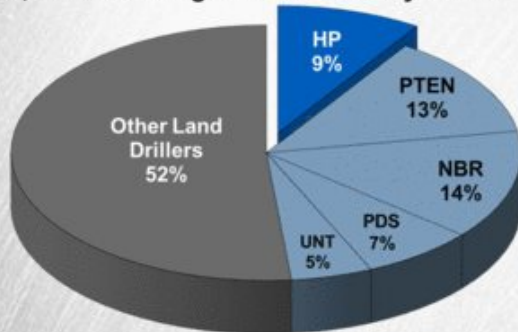


H&P's U.S. Land Market Share

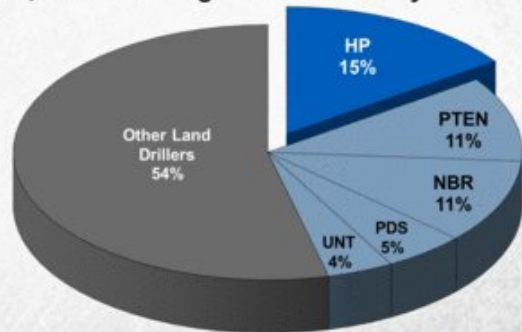
As of November 2015
(~700 Active Rigs in U.S. Land By Power Type)



As of October 2008 (Peak)
(~1,925 Active Rigs in U.S. Land By Power Type)



As of October 2014 (Peak)
(~1,930 Active Rigs in U.S. Land By Power Type)



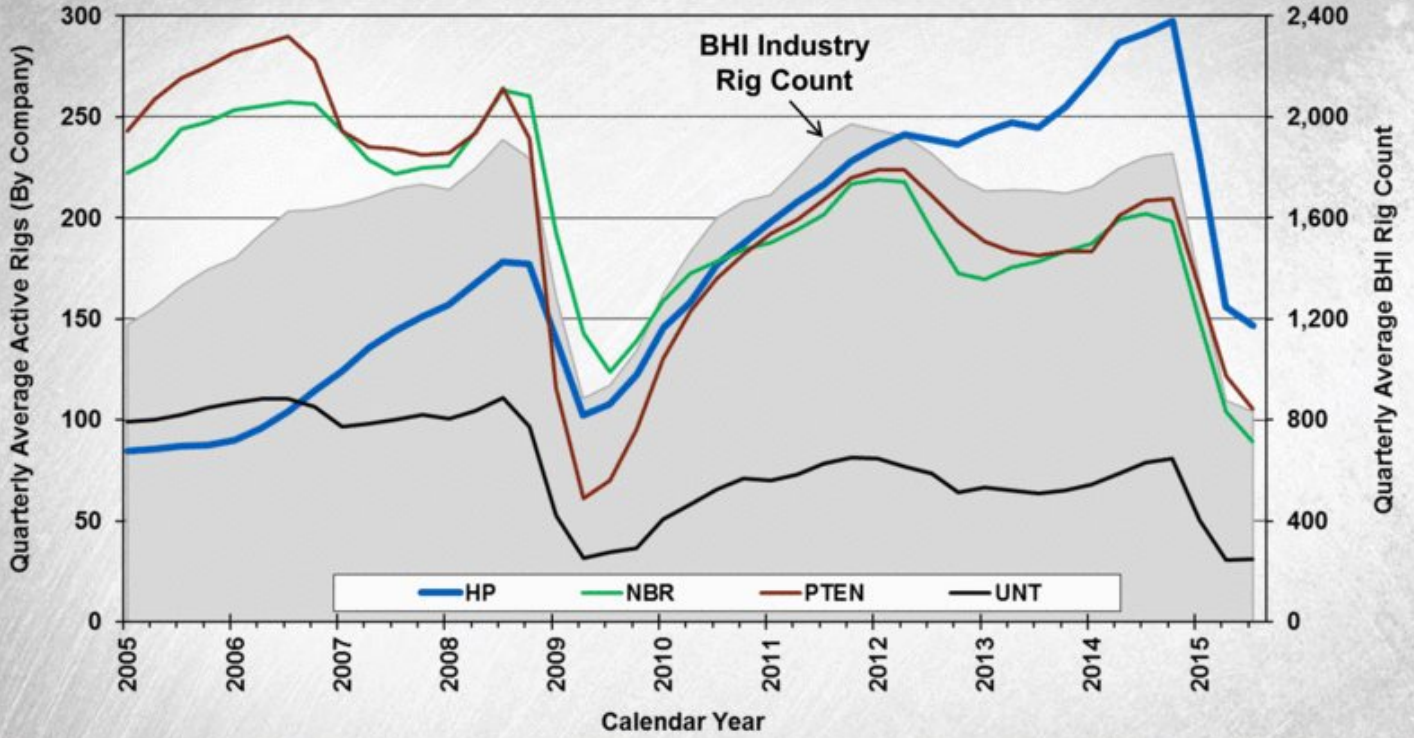
Note: The above estimates corresponding to market share are derived from Rig Data. PDS' market share includes both PDS and Grey Wolf rigs. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.

Market Leader



U.S. Land Active Rig Count

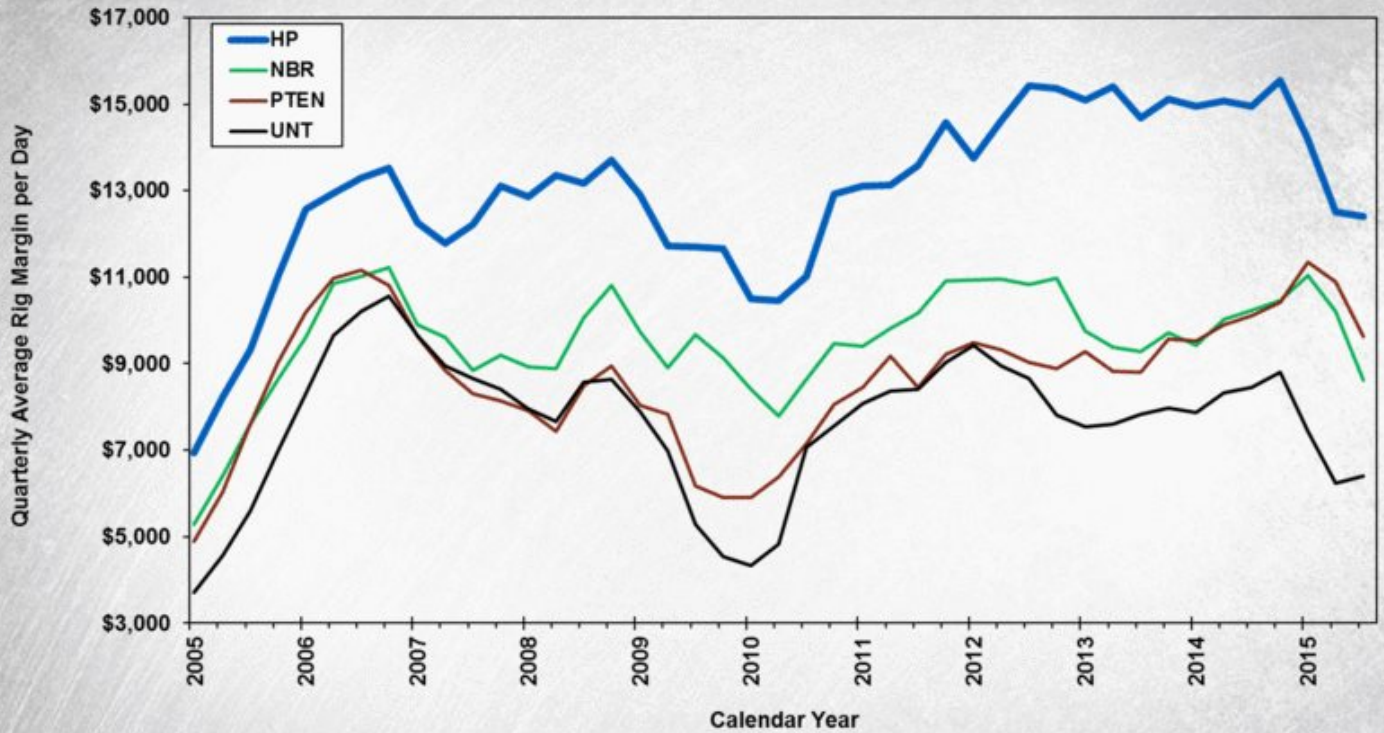
Through Third Quarter of Calendar 2015



Market Leader



U.S. Land Average Daywork Margins⁽¹⁾ Through Third Quarter of Calendar 2015



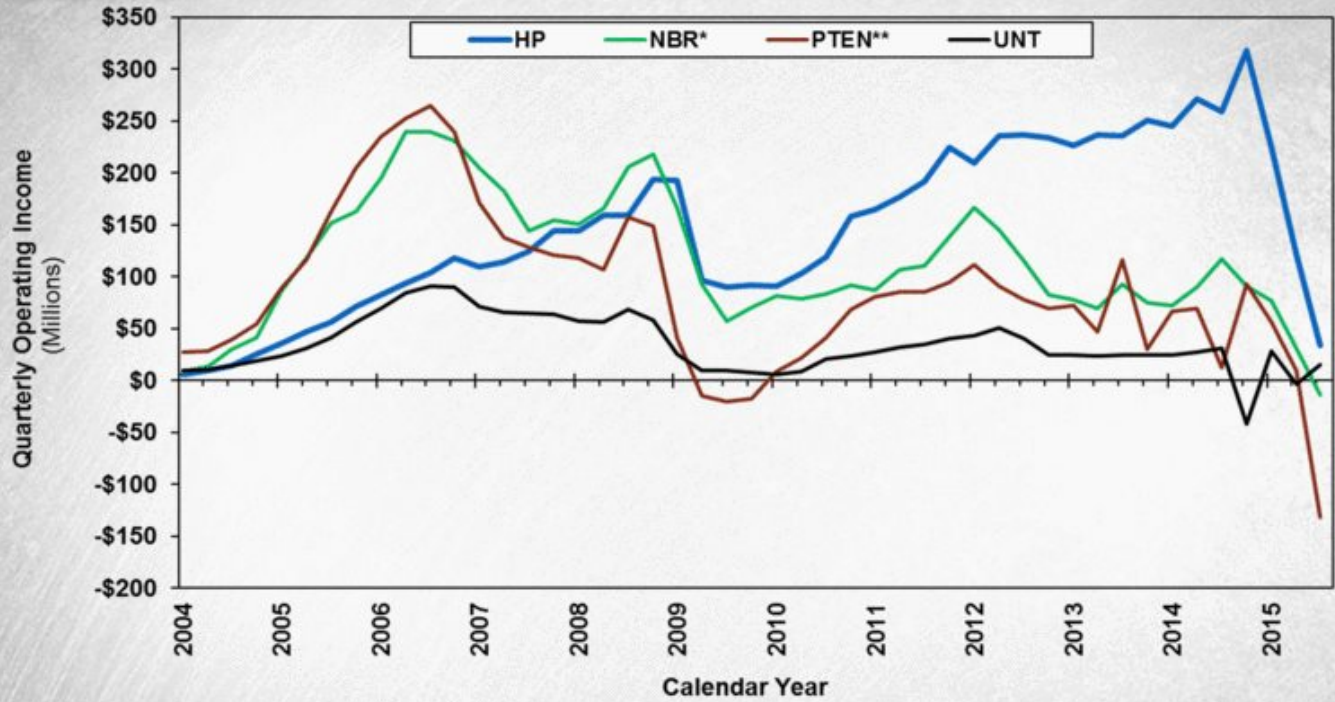
(1) Does not include the impact of early contract termination revenue.

Market Leader



Ten Year Profit Comparison

U.S. Land Drilling Operating Income



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

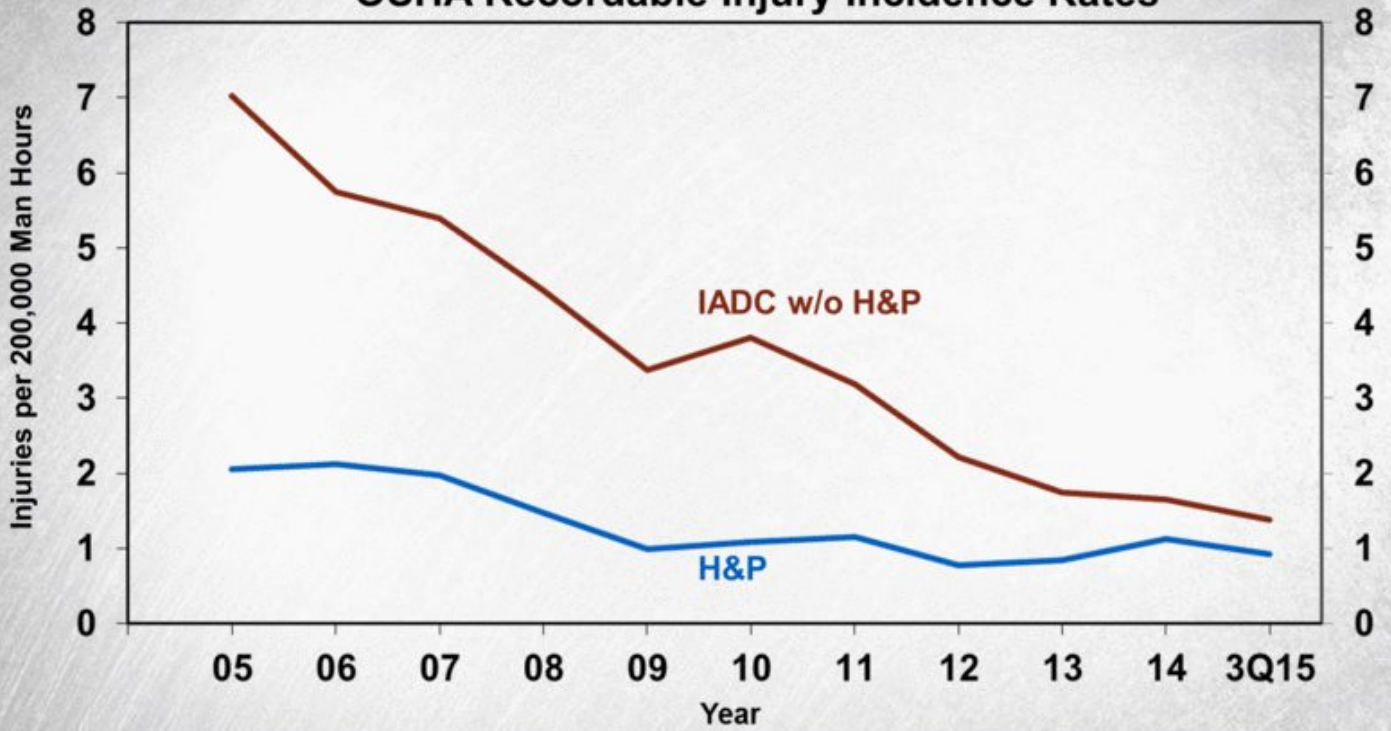
** PTEN's operating income includes drilling operations in Canada.

Market Leader



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

U.S. Land Safety Performance (2005 – Sept 2015)
OSHA Recordable Injury Incidence Rates

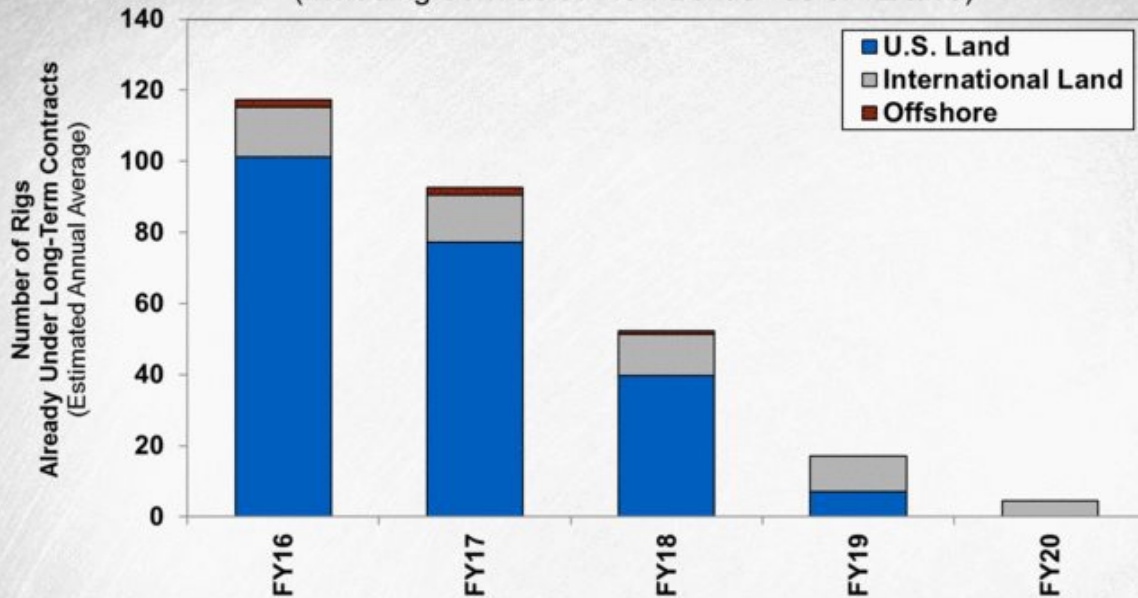


Best-in-Class Safety



H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet*
(Including Contracted New Builds - as of 12/9/15)



* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 12/9/15. Given notifications as of 12/9/15, the Company expects to generate approximately \$13 million in the first fiscal quarter of 2016, approximately \$48 million during the remaining three quarters of fiscal 2016, and over \$10 million thereafter from early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees. Some of the new build deliveries may be delayed in exchange for compensation from customers, but the corresponding total backlog would remain the same or potentially increase. Mutually beneficial renegotiations of some long-term contracts for active rigs are expected to extend the timing of those contracts beyond what is reflected above.

Strong Backlog



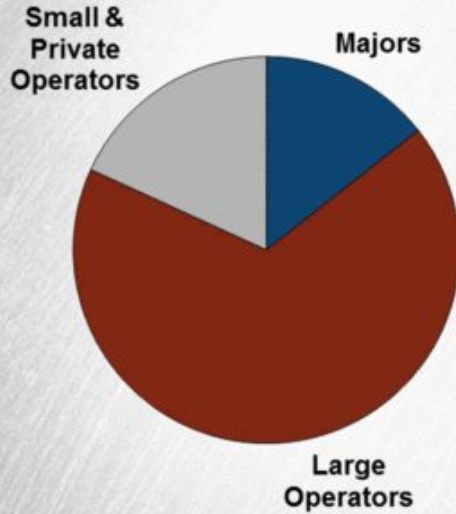
H&P vs. Industry U.S. Land Customer Base

H&P

U.S. Land Activity

Estimated Customer Distribution

(December 2015)

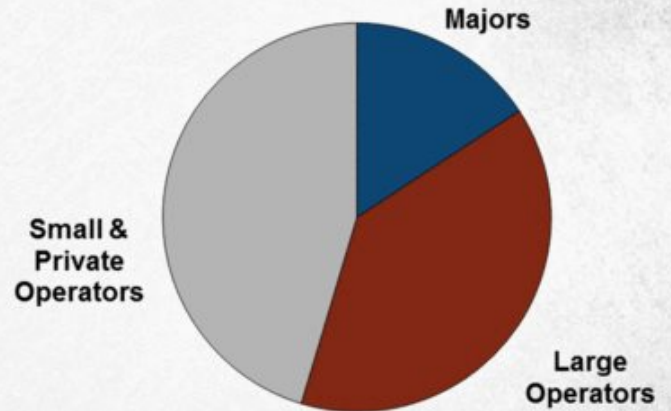


Industry

U.S. Land Activity

Estimated Customer Distribution

(December 2015)



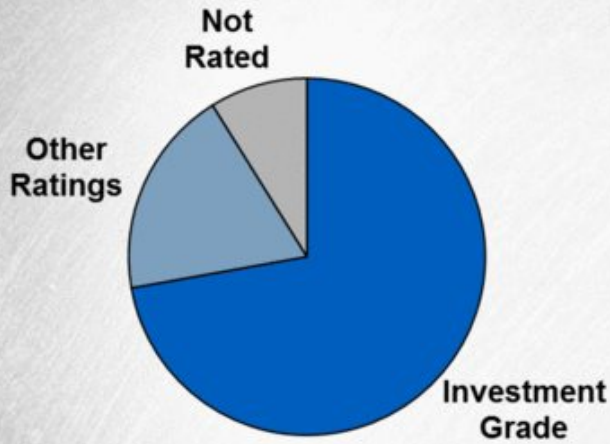
Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.

High Quality Customer Base

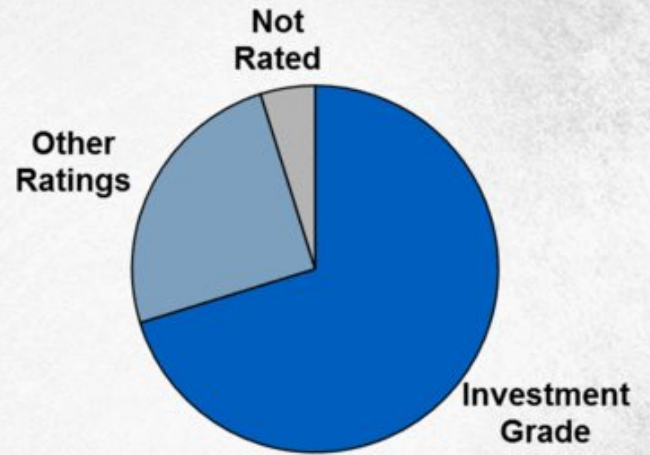


H&P Customer Credit Ratings

Number of Active H&P Rigs*
(Working for Corresponding Customers)



Number of Contracted Rig-Years**
(\$3.1 Billion H&P Backlog)



* As of September 30, 2015. Consists of 145 contracted U.S. Land rigs, 8 contracted Offshore rigs, and 15 contracted International Land rigs. Includes approximately 48 customers with active/contracted H&P rigs.

** The figures above represent H&P's customer commitments for term contract work at the beginning of the first fiscal quarter (October 1, 2015). The value of the H&P backlog is expected to continue to decline during the first fiscal quarter as the Company earns the corresponding income during the quarter through operations or through early contract termination fees.

High Quality Customer Base



Ongoing U.S. Land Market Trends

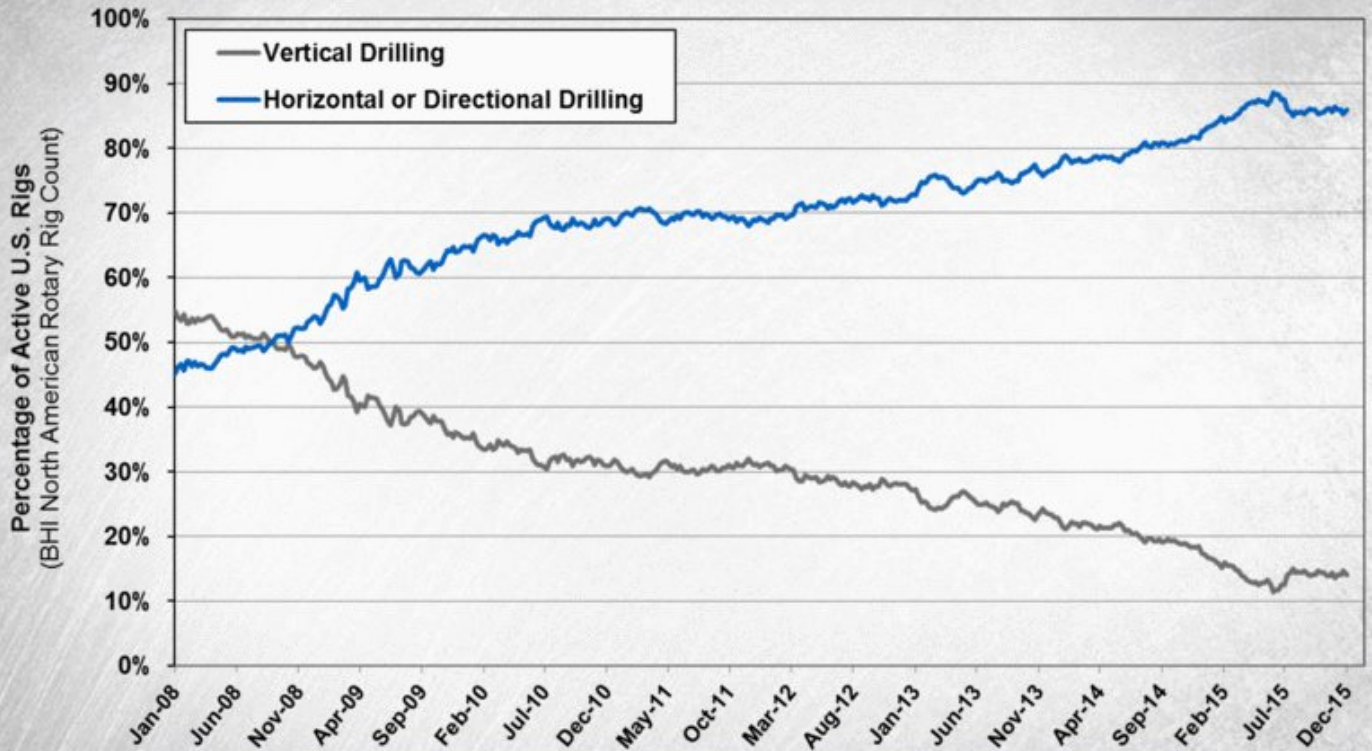
- Unconventional plays continue to shape the landscape.
- Multiple wells being drilled from a single pad.
- AC drive rigs are best suited for more complex horizontal drilling.
- Customers continue to focus on drilling efficiency, technology and safety.
- The replacement cycle is expected to continue.





Increasing Focus on More Difficult Drilling

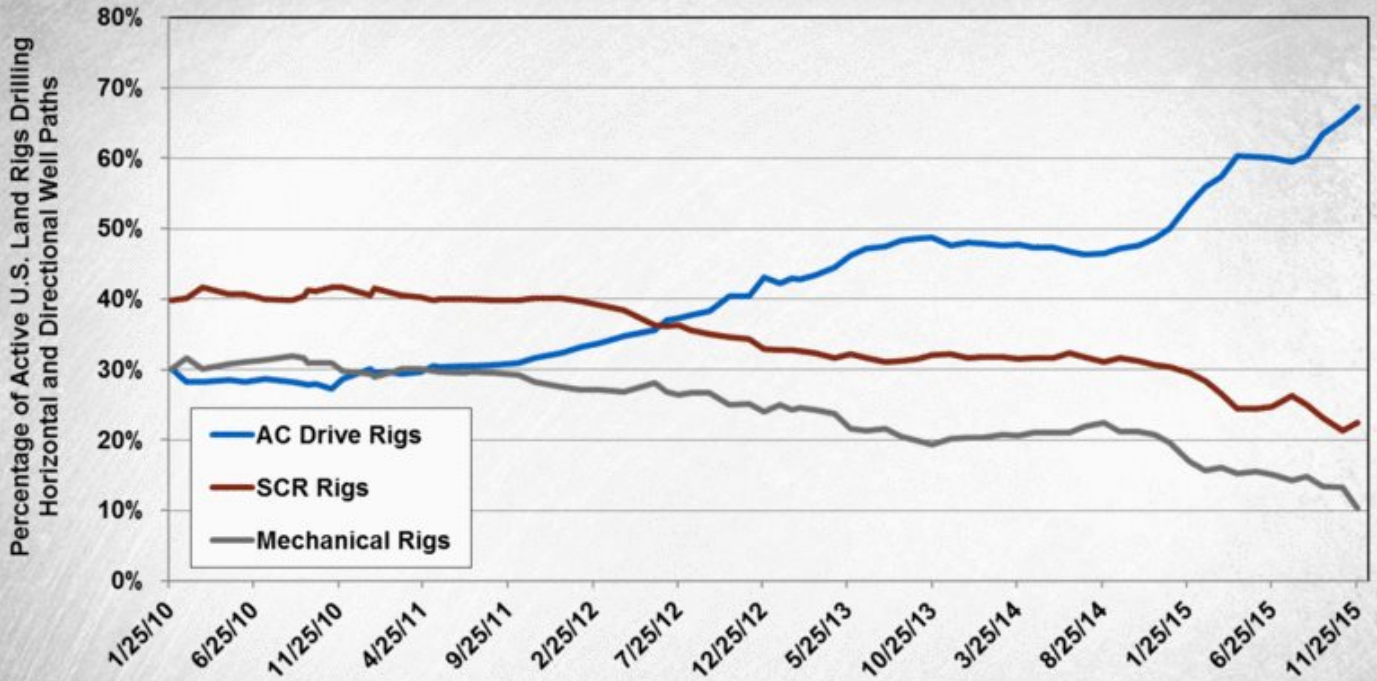
U.S. Rig Activity by Drilling Type





U.S. Land Horizontal and Directional Activity

(As of November 2015)



Note: The above estimates corresponding to horizontal and directional rig activity by power type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made in relation to the power systems on certain unidentified rigs.

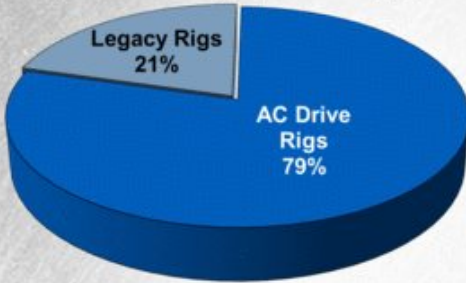




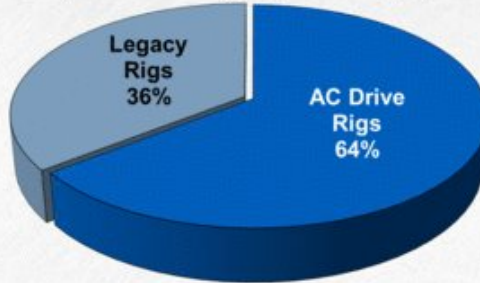
The Replacement Cycle: Customer Adoption

U.S. Land Market (as of November 2015)

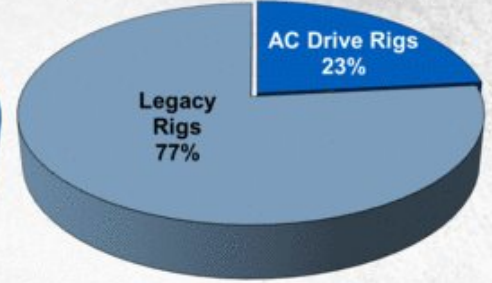
Top 10 E&P Operators
(~185 Active Rigs by Power Type)



Next 90 E&P Operators
(~365 Active Rigs by Power Type)



Remaining E&P Operators
(~150 Active Rigs by Power Type)



Top 10 E&P Operators	Next 90 E&P Operators	Remaining E&P Operators
They represent the 10 most active E&P operators and employ ~26% of the industry's active drilling rigs.	They represent the next 90 most active E&P operators and employ ~53% of the industry's active drilling rigs.	They represent all other remaining active E&P operators and employ ~21% of the industry's active drilling rigs.
~93% of their rigs are drilling horizontal or directional wells.	~94% of their rigs are drilling horizontal or directional wells.	~57% of their rigs are drilling horizontal or directional wells.
~16% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~31% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~36% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.

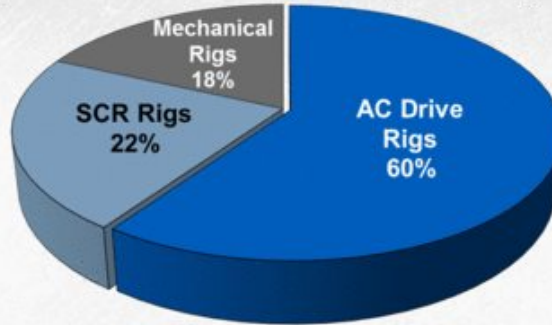
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made in relation to the power systems on certain unidentified rigs.



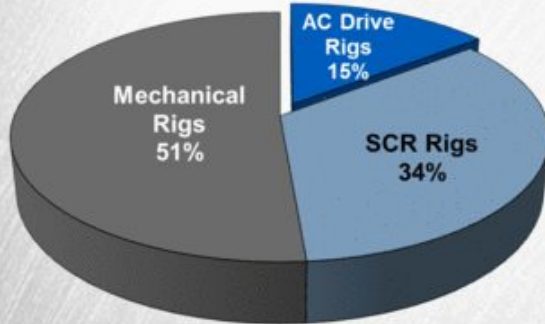


The Replacement Cycle Continues

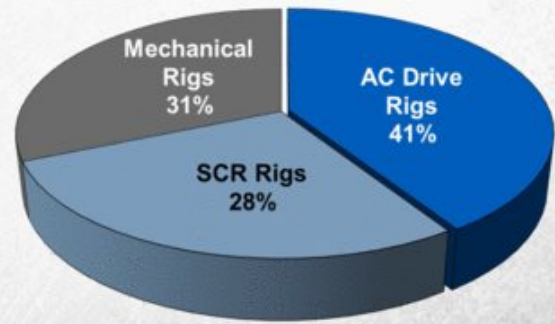
As of November 2015
(~700 Active Rigs in U.S. Land By Power Type)



As of October 2008 (Peak)
(~1,925 Active Rigs in U.S. Land By Power Type)



As of October 2014 (Peak)
(~1,930 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 or equal to 600 horsepower. Certain assumptions were made in relation to the power systems on certain unidentified rigs.





H&P's Long Term Strategy

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





Additional References





First Fiscal Quarter H&P Operations Outlook

(as of November 12, 2015)

Drilling Operations Outlook for 1Q of Fiscal 2016 Compared to 4Q of Fiscal 2015

- U.S. Land Segment
 - Revenue days expected to decrease by roughly 11% to 14%
 - Average rig revenue per day expected to decrease to roughly \$26,000 (excluding the impact from early termination revenue)
 - Average rig expense per day expected to decrease to roughly \$13,600

- Offshore Segment
 - Revenue days expected to be flat
 - Average rig margin per day expected to be approximately \$9,500

- International Land
 - Revenue days expected to decrease to roughly 1,400
 - Average rig margin per day expected to be roughly \$8,000





H&P Activity as of December 9, 2015

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	344	132	38%
AC Drive FlexRigs	342 ⁽¹⁾	131 ⁽²⁾	38%
SCR Fleet	2	1	50%
Offshore	9	8	89%
International Land	<u>38</u>	<u>16</u>	<u>42%</u>
Total	391	156	40%
FlexRig Construction⁽³⁾	6		
Total Fleet	397		

(1) 54% are FlexRigs that are optimal for multi-well pad drilling applications.

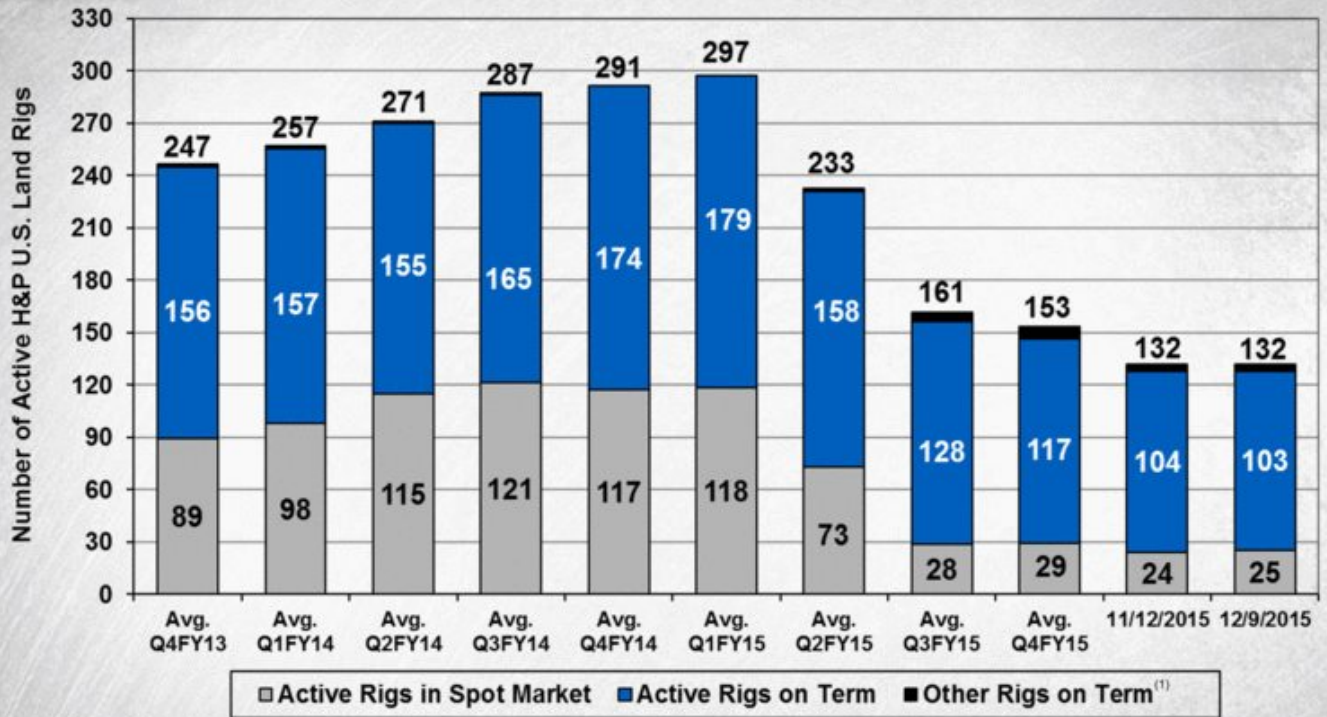
(2) 68% are FlexRigs that are optimal for multi-well pad drilling applications.

(3) Reflects announced new build commitments under term contracts.





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



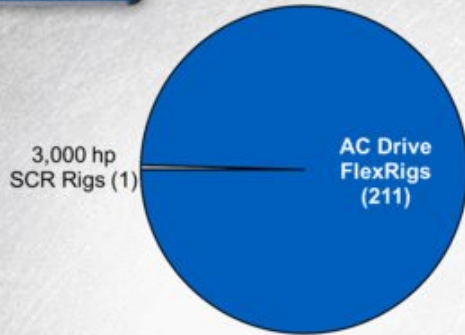
(1) Includes completed new builds pending delivery and not generating revenue days.



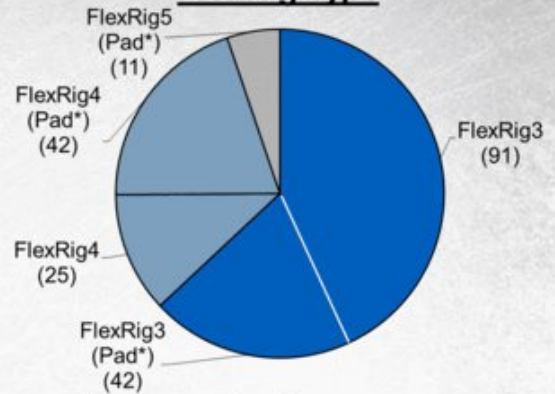


H&P U.S. Land Fleet (Idle Rigs as of 12/9/15)

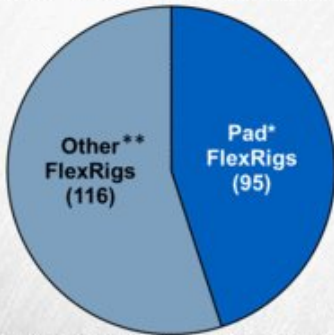
Rig Power Type



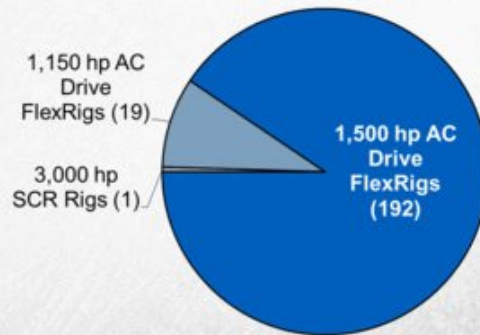
FlexRig Type



Pad* AC Drive FlexRigs



Drawworks Horsepower



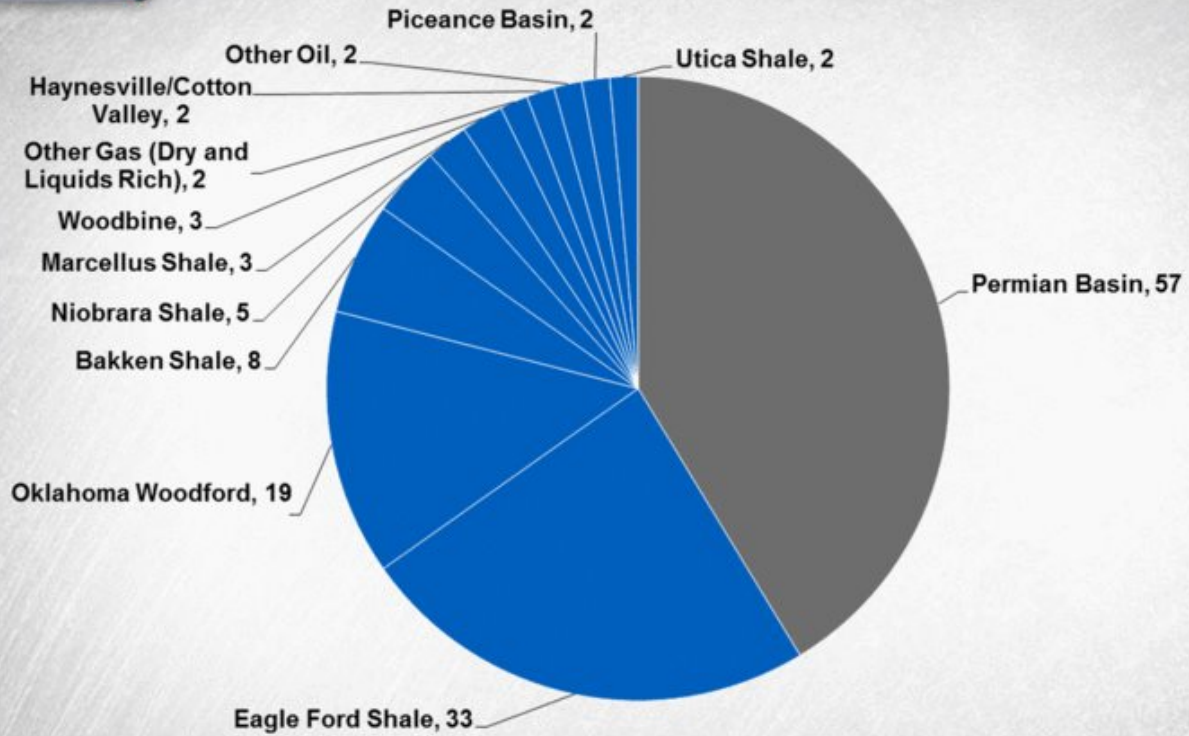
* Optimal for multiple-well pad drilling applications.
** Most of the "Other FlexRigs" can be upgraded to Pad* FlexRigs.

Most Advanced Fleet



Leading U.S. Unconventional Driller

(138 H&P Contracted Land Rigs as of 12/9/15*)



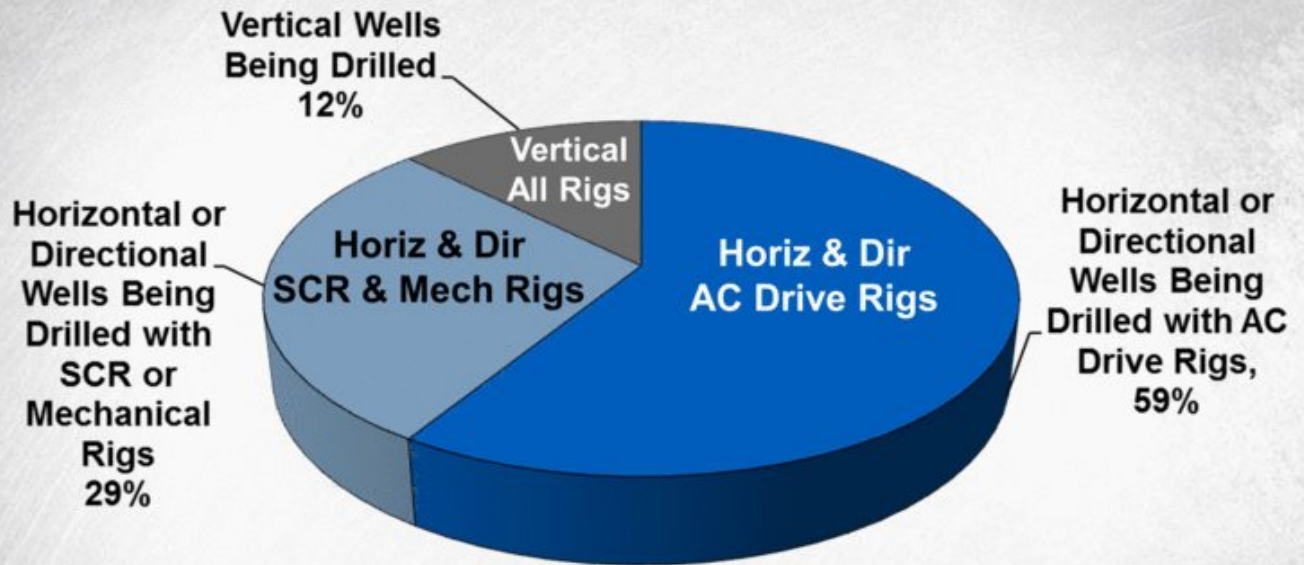
* Includes 6 announced new FlexRigs with customer commitments scheduled for delivery in the first half of fiscal 2016.





U.S. Activity by Well and Rig Type

~700 Active U.S. Land Rigs (November 2015)



Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made in relation to the power systems on certain unidentified rigs.





H&P's International Land Operations

Rig Fleet Status (as of December 9, 2015)

	Active	Idle	Total	Long-term Contracts ⁽¹⁾
Argentina	11	8	19	10
Bahrain	1	2	3	1
Colombia	1	7	8	1
Ecuador	1	5	6	
U.A.E.	2		2	2
Total	16	22	38	14⁽²⁾

(1) Rigs on term contract that have greater than or equal to 180 days remaining.

(2) 13 of 25 FlexRigs, included in the international fleet of 38 rigs, are under long-term contracts.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts*

(Estimated Quarterly Average, Including Announced New Builds - as of 12/9/15)

Segment	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
U.S. Land	107.2	103.3	100.3	94.3	89.0	81.5	73.9
International Land	14.2	14.0	14.0	14.0	14.0	14.0	13.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	123.4	119.3	116.3	110.3	105.0	97.5	88.9

* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 12/9/15. Given notifications as of 12/9/15, the Company expects to generate approximately \$13 million in the first fiscal quarter of 2016, approximately \$48 million during the remaining three quarters of fiscal 2016, and over \$10 million thereafter from early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees. Some of the new build deliveries may be delayed in exchange for compensation from customers, but the corresponding total backlog would remain the same or potentially increase. Mutually beneficial renegotiations of some long-term contracts for active rigs are expected to extend the timing of those contracts beyond what is reflected above.



Strong Backlog



H&P's FlexRig Advantage

The FlexRig Difference: Key Advantages

- **Increased drilling productivity and reliability**
 - Variable frequency AC technology providing precise control and increased capability
 - Computerized electronic driller more precisely controls down-hole parameters
 - FlexRig designs are suited for both efficient well to well moves and multi-well pad applications
- **Accelerated well programs and NPV gains**
- **A safer and more environmentally friendly workplace**
- **Fleet size and uniformity**
- **Total well cost savings even at premium dayrates**

Most Advanced Fleet



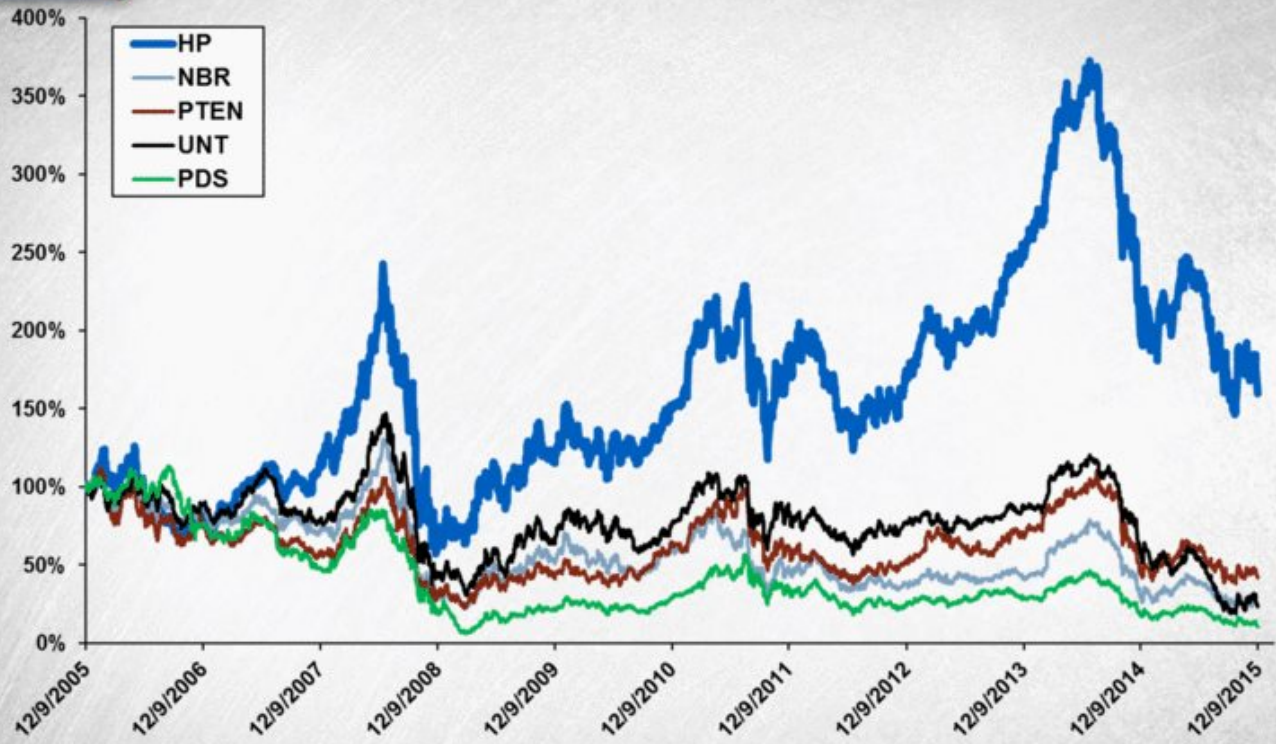
The Value Proposition: The Power of Efficiency

	Theoretical Base Case	20% Efficiency Improvement	40% Efficiency Improvement
1. Drilling days average	13.5	10.8	8.1
Other days average	5.0	4.0	3.0
Moving days average (several multi-well pads)	1.5	1.2	0.9
Total rig days per well	20.0	16.0	12.0
Efficiency (Reduced Well Cycle Time)	-	20%	40%
2. Drilling contractor dayrate	\$15,000	\$20,000	\$25,000
Operator's other intangible cost per day estimate	\$35,000	\$35,000	\$35,000
Total daily cost estimate	\$50,000	\$55,000	\$60,000
Total cost per well (daily services)	\$1,000,000	\$880,000	\$720,000
3. Total well savings for customer – per well		\$120,000	\$280,000
per year		(12% Savings) \$2.74 MM	(28% Savings) \$8.52 MM
4. Incremental number of wells per rig per year		4.6 wells	12.2 wells





Ten-Year Relative Shareholder Return

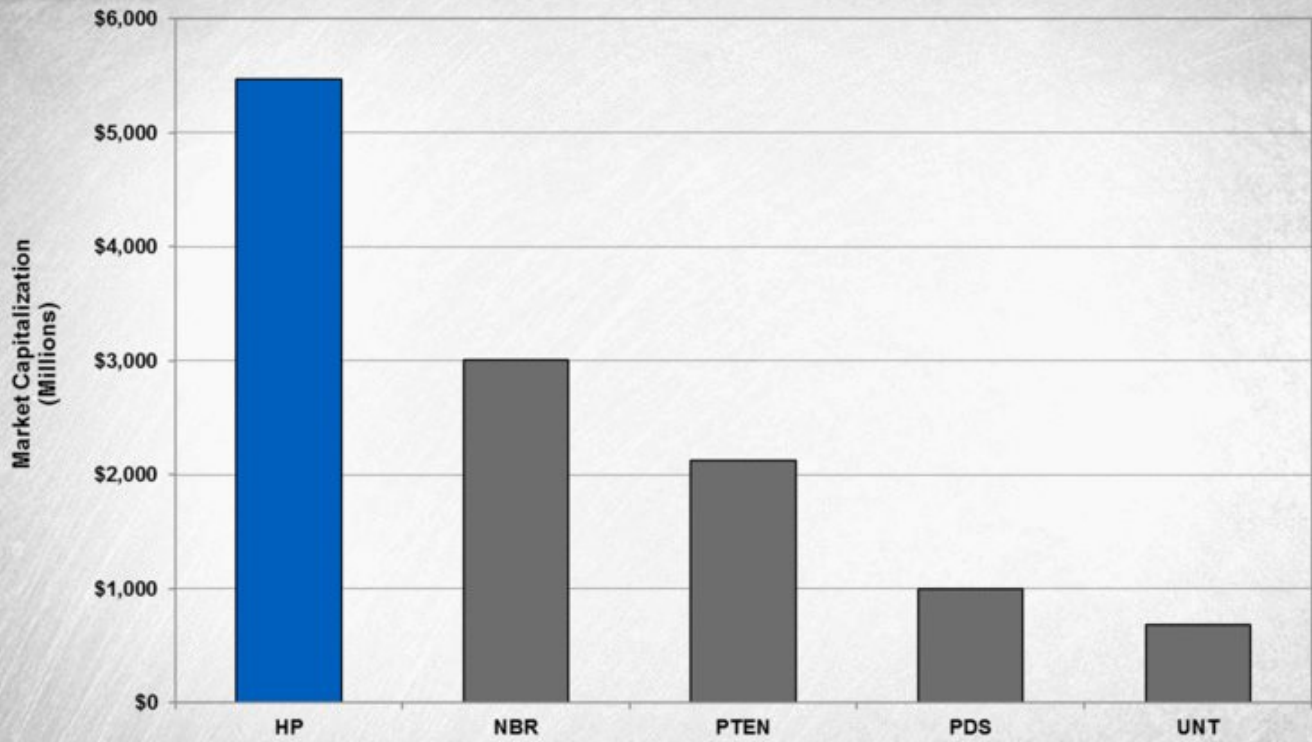


Source: Thomson Reuters as of December 7, 2015.





Land Drilling Market Valuations

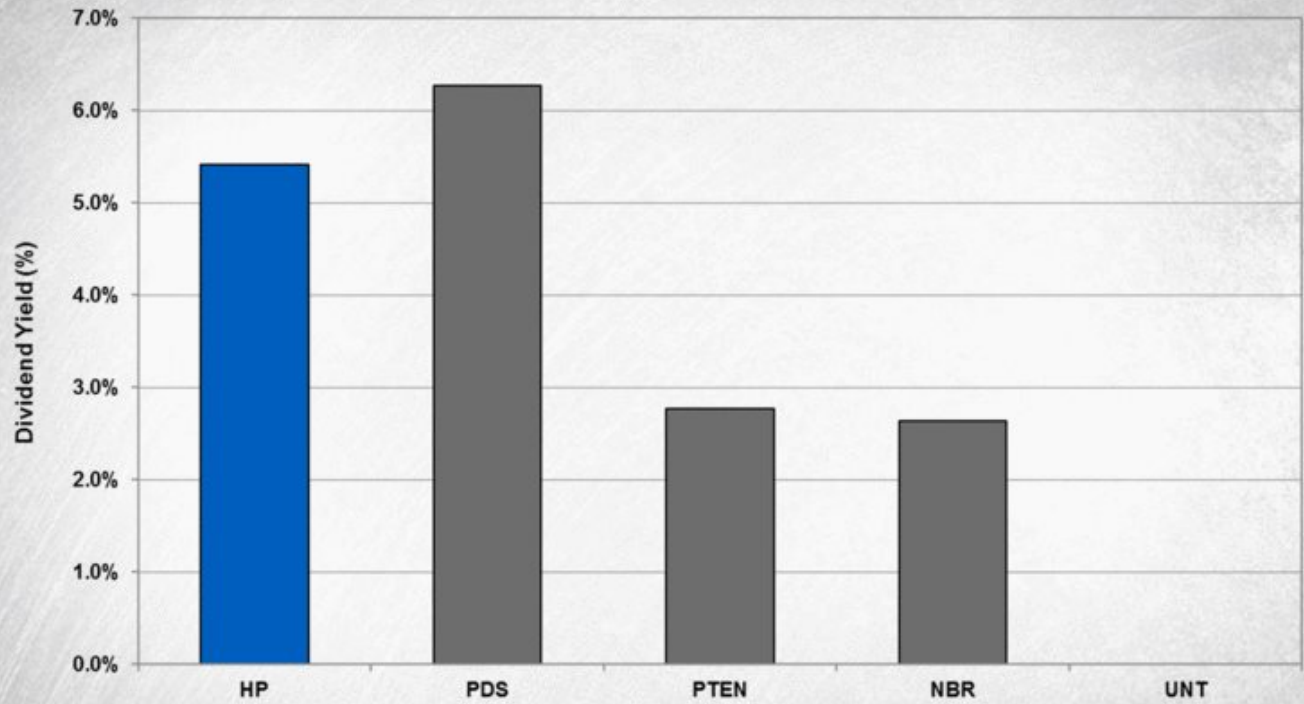


Source: Thomson Reuters as of December 7, 2015.





Current Dividend Yields

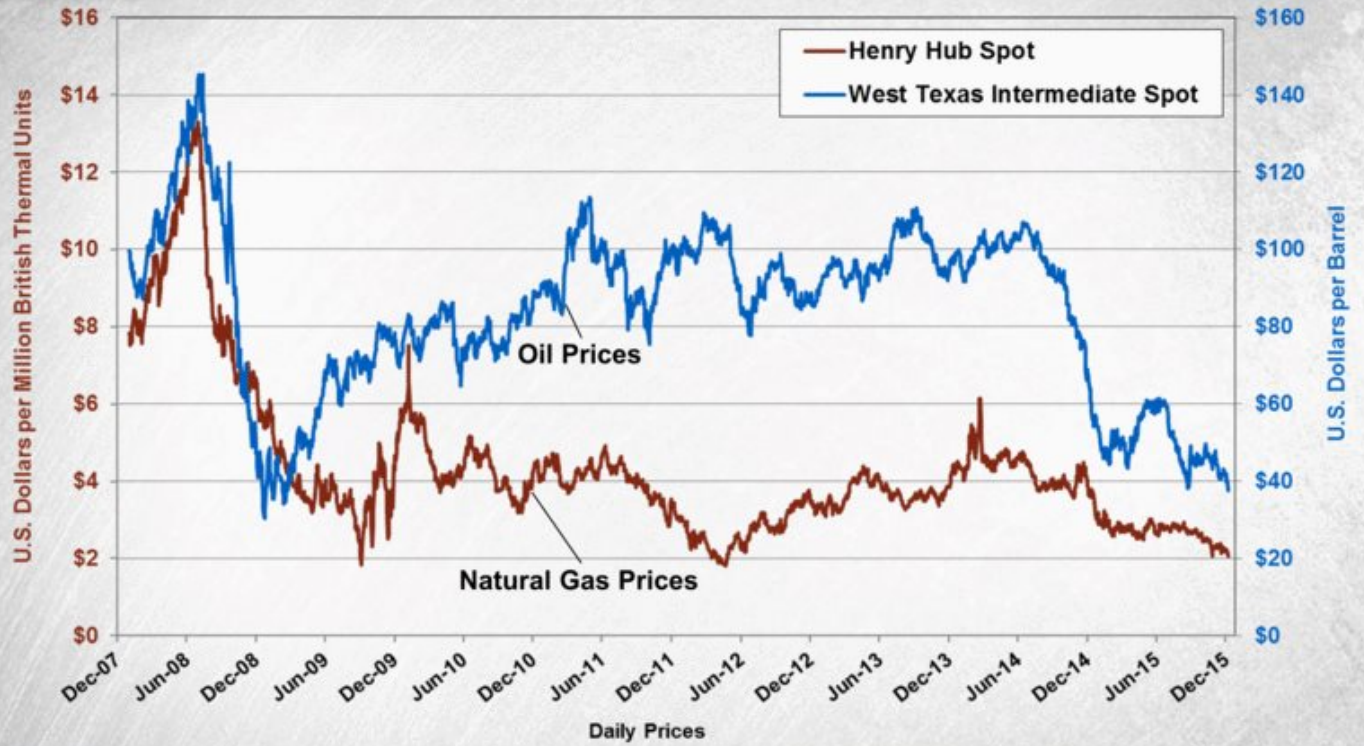


Source: Thomson Reuters. Yields calculated as of market close on December 7, 2015.





Oil and Natural Gas Prices



Source: Energy Information Administration and Thomson Reuters.





Oil vs. Natural Gas Directed Rig Count

