

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 03/12/15 for the Period Ending 03/12/15

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: **March 12, 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))
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-
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Item 8.01 OTHER EVENTS

On March 12, 2015, Helmerich & Payne, Inc. (the “Company”) issued a news release announcing that its wholly owned subsidiary Helmerich & Payne International Drilling Co. intends to offer senior unsecured notes (the “Notes”) to be guaranteed by the Company in a private offering (the “Offering”). A copy of the news release announcing the Offering is attached as Exhibit 99.1 and is incorporated in this report by reference.

The Notes and related guarantee have not been registered under the Securities Act of 1933, as amended, and may not be offered in the United States absent registration or an applicable exemption from registration.

In connection with the announcement by the Company of the Offering, the Company is filing on this Current Report on Form 8-K an investor presentation. A copy of the presentation is attached as Exhibit 99.2 and is incorporated in this report by reference.

Item 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

Exhibit No.	Description
99.1	News Release of Helmerich & Payne, Inc. dated March 12, 2015
99.2	Investor Presentation dated March 12, 2015

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: March 12, 2015

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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99.2	Investor Presentation dated March 12, 2015



NEWS RELEASE

HELMERICH & PAYNE, INC. / 1437 SOUTH BOULDER AVENUE / TULSA, OKLAHOMA

March 12, 2015

HELMERICH & PAYNE, INC. ANNOUNCES PROPOSED PRIVATE DEBT OFFERING

Helmerich & Payne, Inc. (NYSE: HP) (the “Company”) announced today that its wholly owned subsidiary Helmerich & Payne International Drilling Co. (“Helmerich & Payne International Drilling”) is proposing to issue senior notes to eligible purchasers in a private offering. The notes initially will be guaranteed on a senior unsecured basis by the Company.

Helmerich & Payne International Drilling intends to use the net proceeds from the offering for general corporate purposes, including, capital expenditures associated with its rig construction program.

The notes have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements under the Securities Act and applicable state securities laws or blue sky laws and foreign securities laws.

The notes and the guarantee will be offered only to qualified institutional buyers under Rule 144A under the Securities Act and to persons outside the United States under Regulation S under the Securities Act.

This press release shall not constitute an offer to sell, or the solicitation of an offer to buy, any securities, nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

Safe Harbor Statement and Disclaimer

This release includes “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and such statements 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 and 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. 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.

Contact:
Investor Relations
investor.relations@hpinc.com
(918) 588-5190



Helmerich & Payne, Inc.

Investor Update

March 12, 2015

Forward-looking Statements

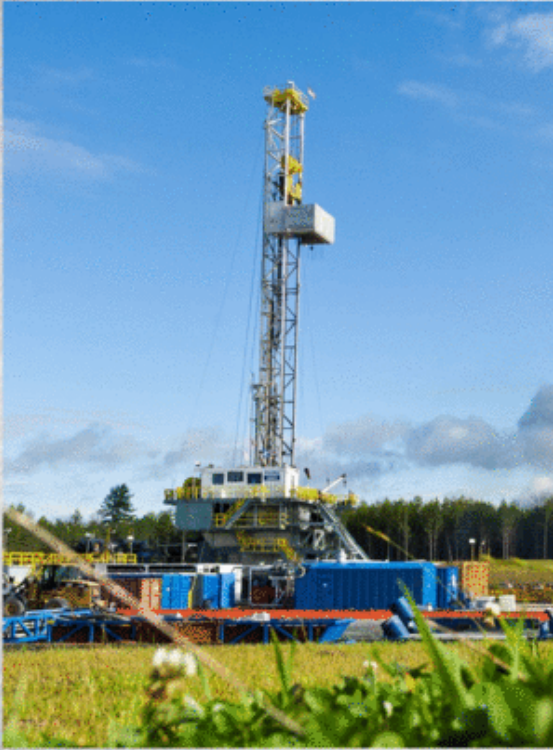
Statements within this presentation are “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and are based on current expectations and assumptions that are subject to risks and uncertainties. All statements other than statements of historical facts included in this presentation, including, without limitation, our second quarter operational outlook, 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.



U.S. Land Drilling Market Conditions



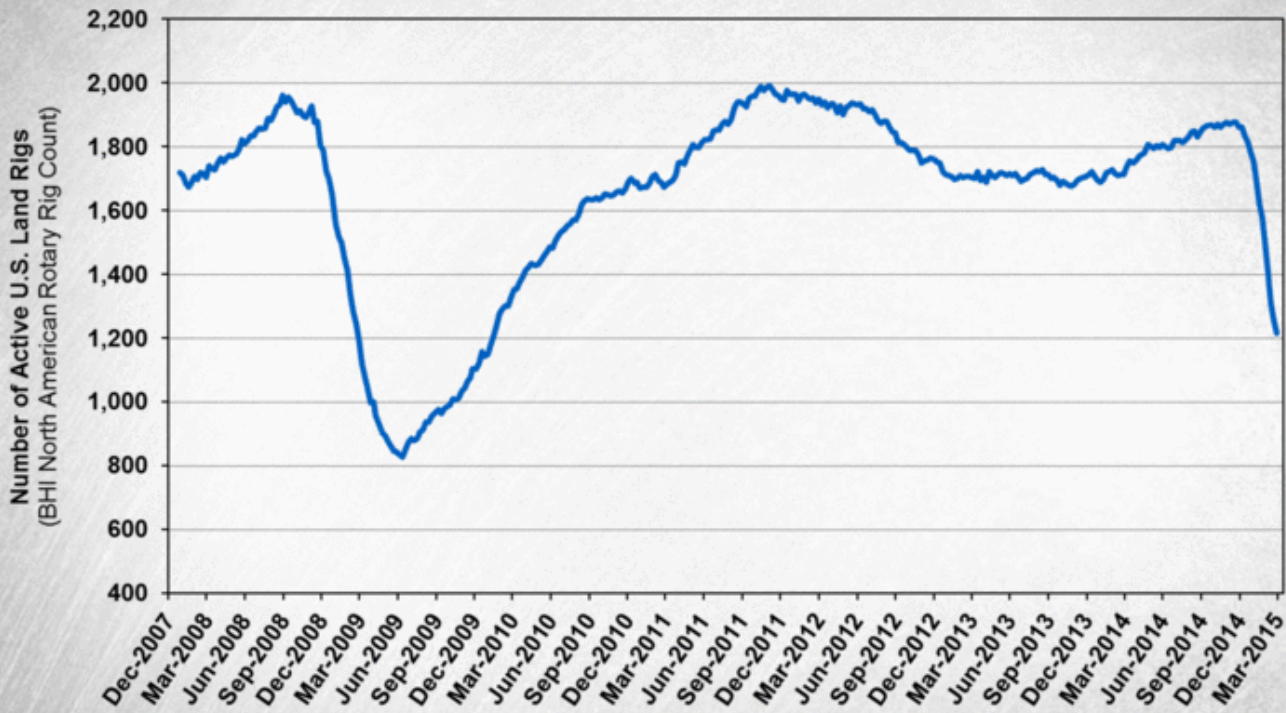
- Given low oil prices, drilling activity and spot pricing have significantly declined in the U.S.
- The total rig count reduction thus far has been more swift than many expected.
- Rig count reductions have been indiscriminate of rig performance and include rigs with early terminated long-term contracts.
- Spot pricing and activity are expected to continue to decline.
- Nevertheless, we still believe H&P is the best positioned drilling contractor.





Declining Drilling Activity in the U.S.

BHI U.S. Land Rig Count





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

- H&P's U.S. Land active rig count was 204 as of February 28, 2015, down from 294 at the beginning of the calendar year.
- The average FlexRig spot pricing is now down by approximately 15% as compared to the average level corresponding to the quarter ended December 31, 2014.
- Given the current trend, we expect to see H&P spot pricing and activity continue to decline during the rest of the second fiscal quarter.
- We now have a total of 23 rigs under long-term contracts expected to be early terminated since November (up from 22 expected as of January 29, 2015).





H&P's Second Quarter Outlook and Other Estimates

- We are making the following changes to our operational outlook for the second fiscal quarter⁽¹⁾:
 - U.S. Land average rig expense per day is now expected to increase to roughly \$13,600
 - Offshore segment revenue days are now expected to decline by roughly 5%
 - International Land segment average rig margin per day is now expected to decline by only 5-15%
- It is now estimated that the existing notifications for long-term contract early terminations in the U.S. Land segment may generate less than \$60 million in revenue during the second fiscal quarter of 2015; furthermore, we could have less than 175 rigs active in the U.S. Land segment by the end of the second fiscal quarter.
- During our January 29th earnings conference call we discussed two early terminated contracts in our International Land segment. These early terminations have not yet been finalized and the timing of the corresponding early termination revenue is yet to be determined.
- Our estimated total capital expenditures for fiscal 2015 remain unchanged at approximately \$1.3 billion; we also continue to expect maintenance capital expenditures to be less than 20% of total capital expenditures for the fiscal year.
- The effective income tax rate for the quarter may be higher than expected as a result of a previously disclosed uncertain tax position related to our international operations that is now expected to result in an increase to our reserve for uncertain tax positions. This would be a discrete tax adjustment that is only expected to impact the second fiscal quarter.

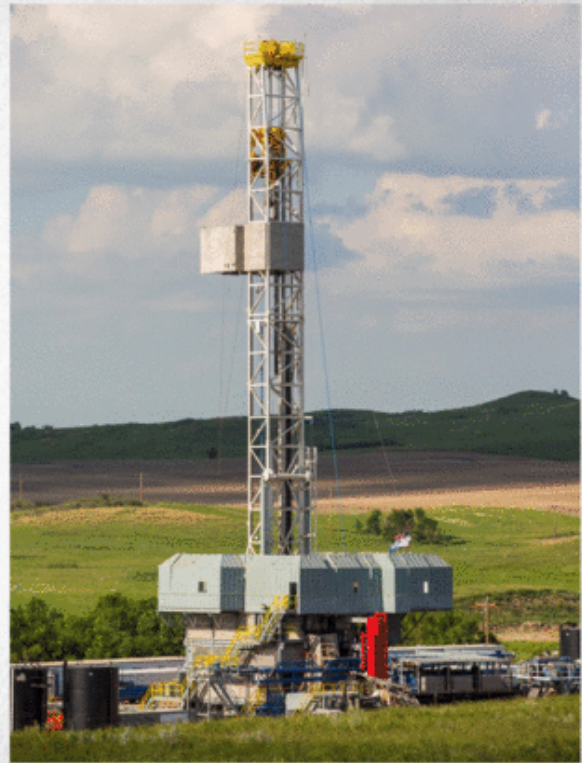
(1) See first slide under "Additional References" for a complete second quarter operational outlook.





Well Positioned for Opportunities Ahead

- Our experience indicates that in the face of a very negative market like we see today, and a growing perception and panic of weaker-forever-prices, the market does work and eventually, if the past is any indication for the future, oil fundamentals improve.
- H&P has an experienced management team and seasoned field operations personnel that know how to manage through a downturn.
- We believe that our strategy has helped the Company to be competitive through the cycles, and we are well positioned to take advantage of opportunities ahead.





About Helmerich & Payne (H&P)

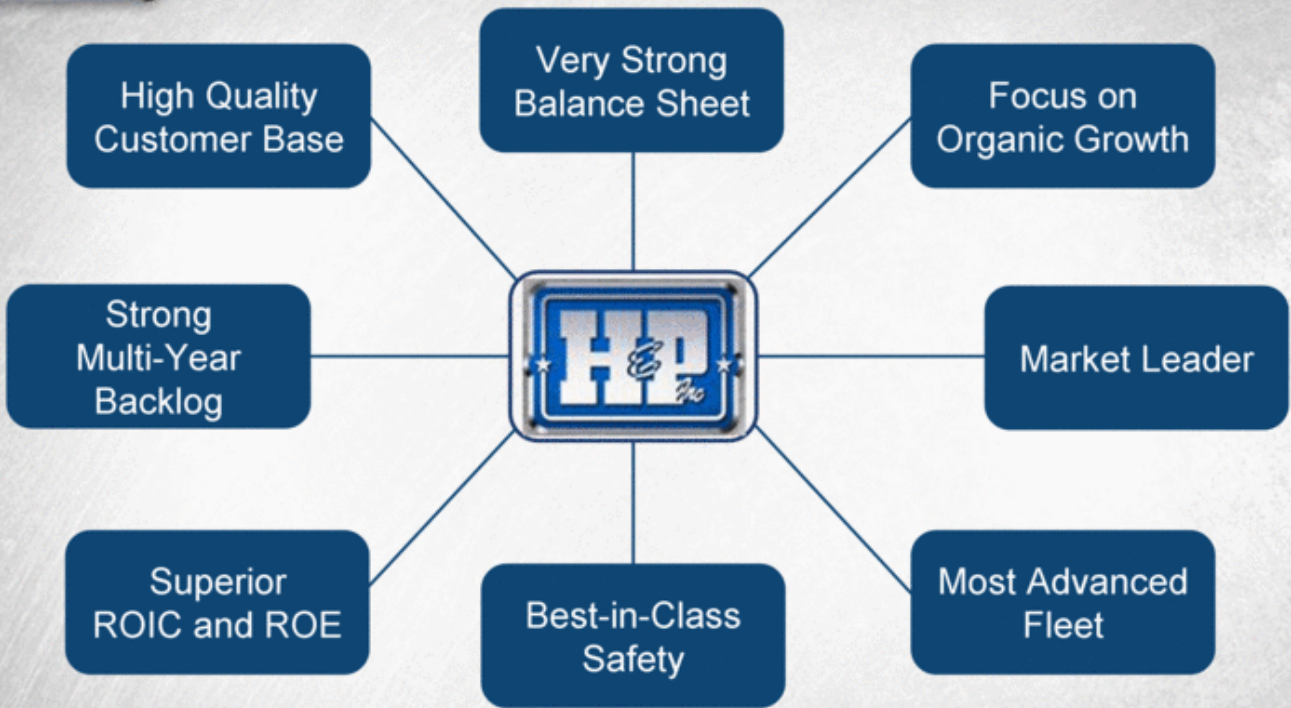


- A premier land drilling contractor founded in 1920
- Very strong balance sheet
- U.S. land drilling market share leader
- Most modern and capable land drilling fleet
- Leader in ongoing industry land rig replacement cycle
- Focused on superior innovation, safety and returns on capital
- Strong term-contracted backlog with high quality customer base





H&P Highlights





Selected H&P Financial Metrics

Balance Sheet Highlights:

	As of December 31, 2014 (Dollars in millions)
Cash (including Cash Equivalents)	\$252
Total LT Debt (incl. current portion)	\$80
Shareholders' Equity	\$4,921
Total Assets	\$6,802

Other Financial Highlights:

LTM Operating EBITDA*	\$1,664
Backlog	\$4,558
Credit Facility Availability	\$258
Cash + Credit Facility Availability	\$509

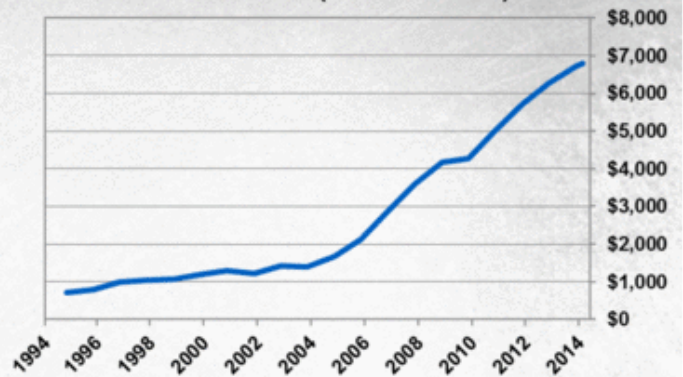
Credit Statistics:

Total Debt / LTM Operating EBITDA*	0.05x
Total Debt / Total Capitalization**	1.6%

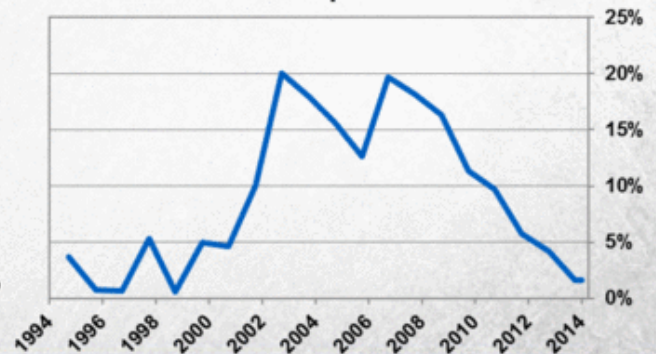
* LTM Operating EBITDA is a non-GAAP financial measure calculated by adding Depreciation (\$541 million) to Operating Income (\$1,123 million) for the twelve months ended 12/31/14. Investors commonly use this reference to measure the ability of issuers to meet debt service obligations.

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

Total Assets (Last 20 Years)



Debt / Total Capitalization**



Very Strong Balance Sheet



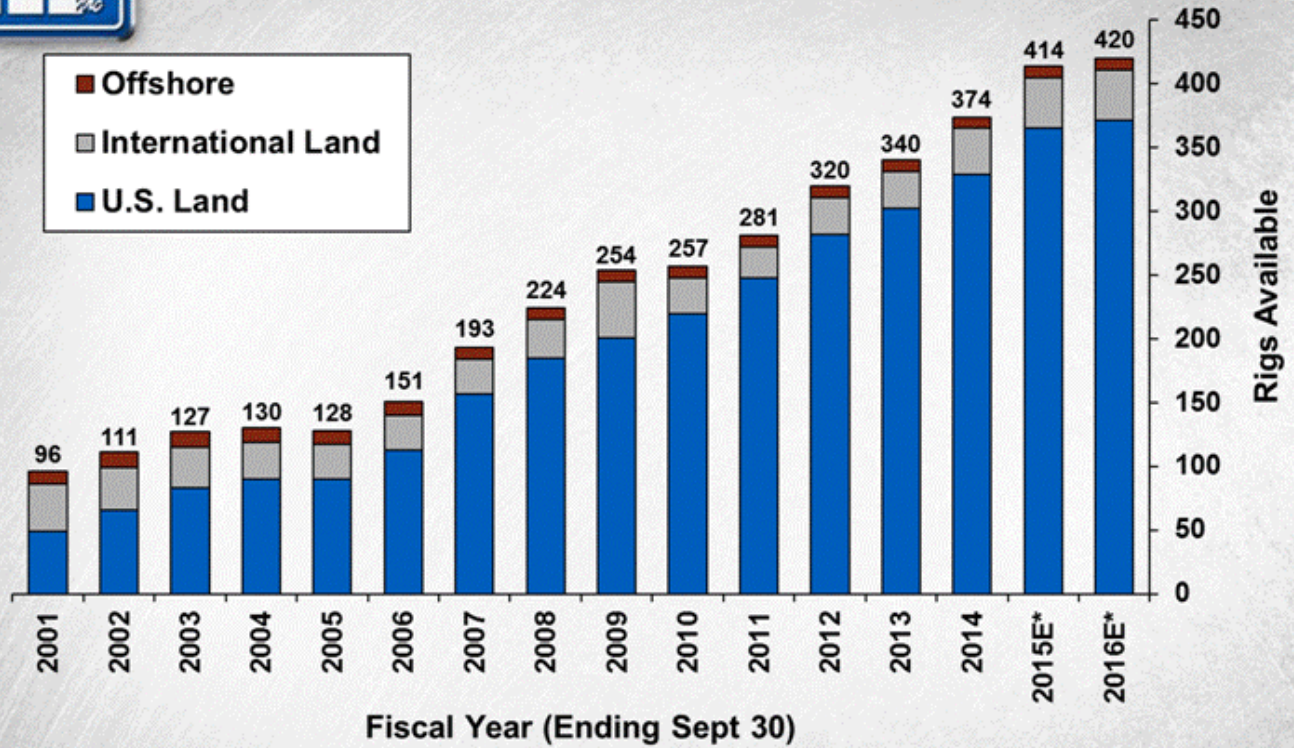
H&P's Conservative Financial Practices

- **Conservatively managed balance sheet throughout its history**
 - Over the last 20 years, H&P's peak total-debt-to-total-capitalization ratio has been ~20%
 - This capitalization ratio has averaged 9% and is currently below 2%
- **Strong liquidity**
 - H&P has historically kept ample balances of cash and cash equivalents
 - H&P has maintained a \$300mm revolving credit facility since May 2012
 - Current usage under the revolver is letters of credit and current availability under the revolver is over \$250mm
- **No speculative new builds since 2004**
 - Beginning in 2005, all new builds have been deployed with a customer contract (average duration of ~3 years)

Very Strong Balance Sheet



H&P's Global Rig Fleet

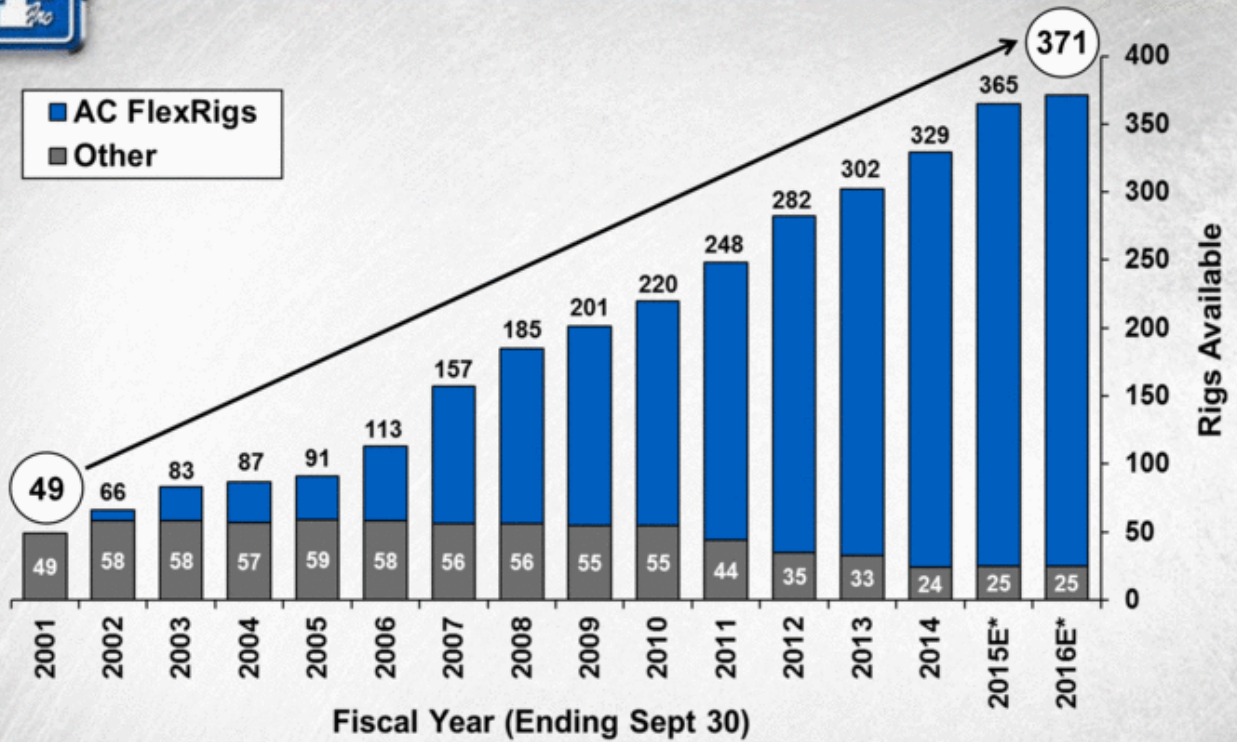


* Estimates include existing rigs and new build commitments as of January 29, 2015 and exclude nine conventional rigs decommissioned at the end of fiscal 2014.

Focus on Organic Growth



Organic U.S. Land Fleet Growth



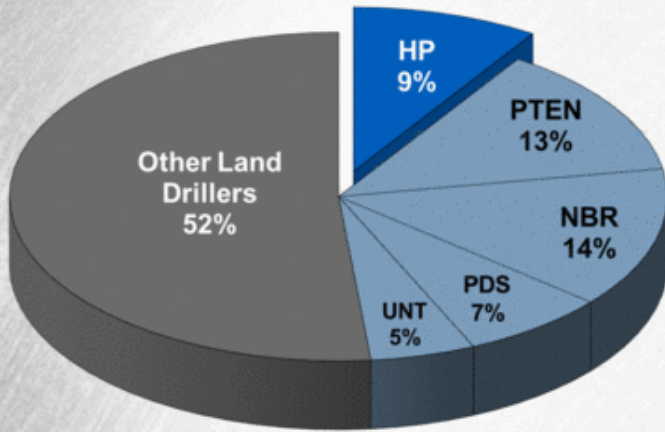
* Estimates include existing rigs and announced new build commitments.

Focus on Organic Growth

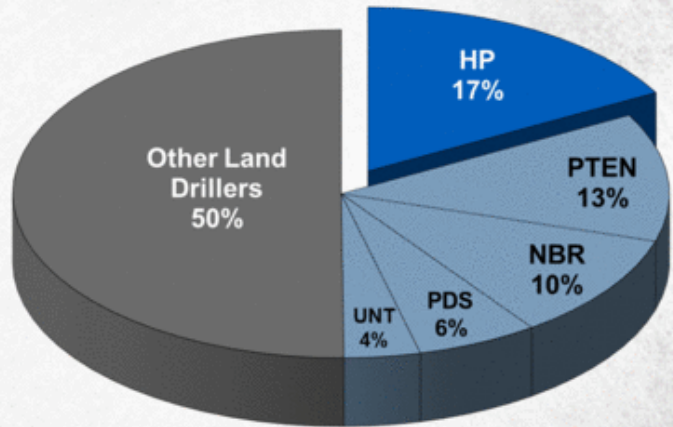


H&P Continues to Capture Market Share

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



As of February 2015
(~1,200 Active Rigs in U.S. Land)

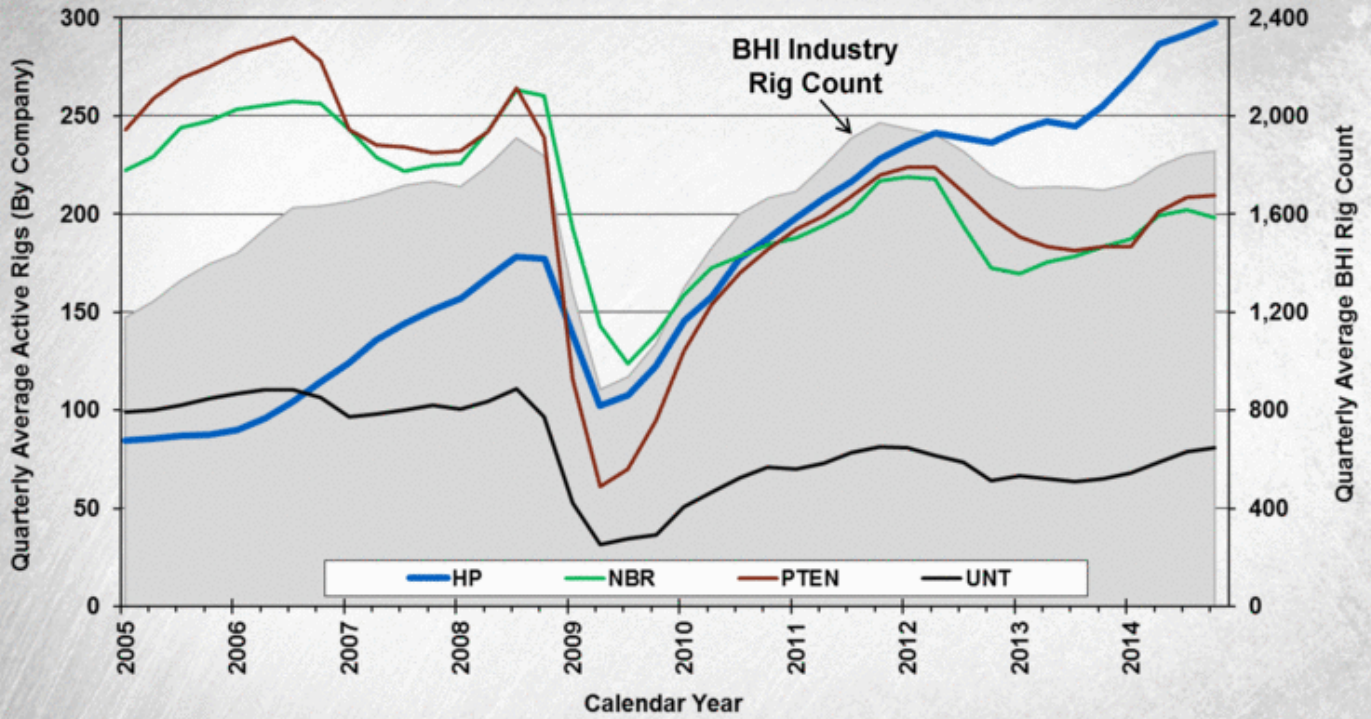


Note: The above estimates corresponding to market share are derived from Rig Data. PDS' market share includes both PDS and Grey Wolf rigs. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.

Market Leader



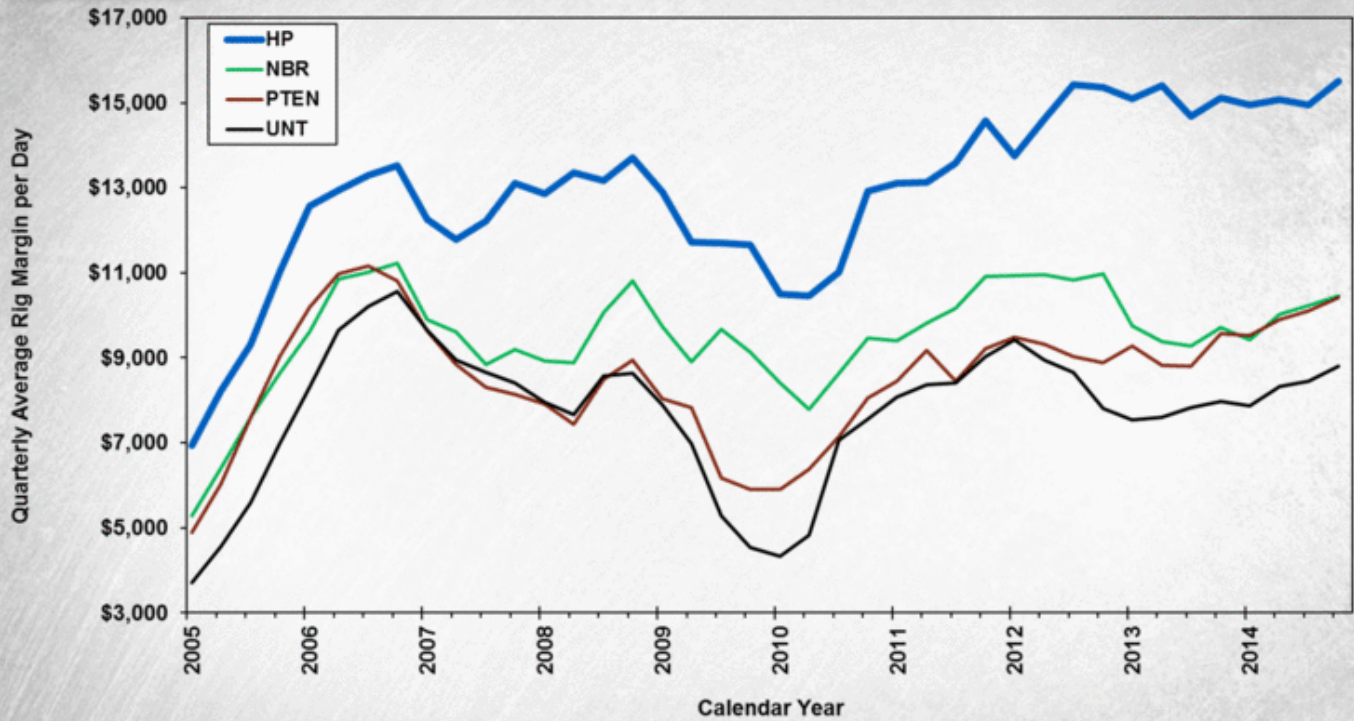
U.S. Land Active Rig Count Through Fourth Quarter of Calendar 2014



Market Leader



U.S. Land Average Daywork Margins⁽¹⁾ Through Fourth Quarter of Calendar 2014



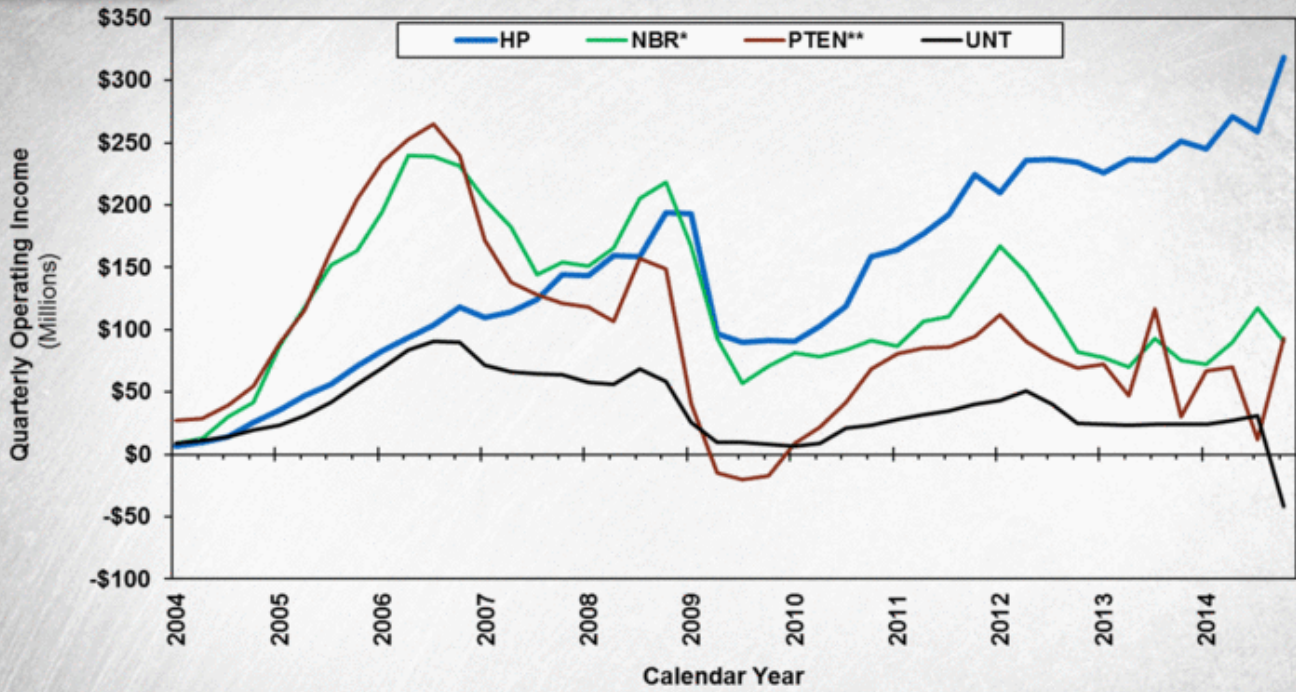
(1) Does not include the impact of early contract termination revenue.

Market Leader



Ten Year Profit Comparison

U.S. Land Drilling Operating Income

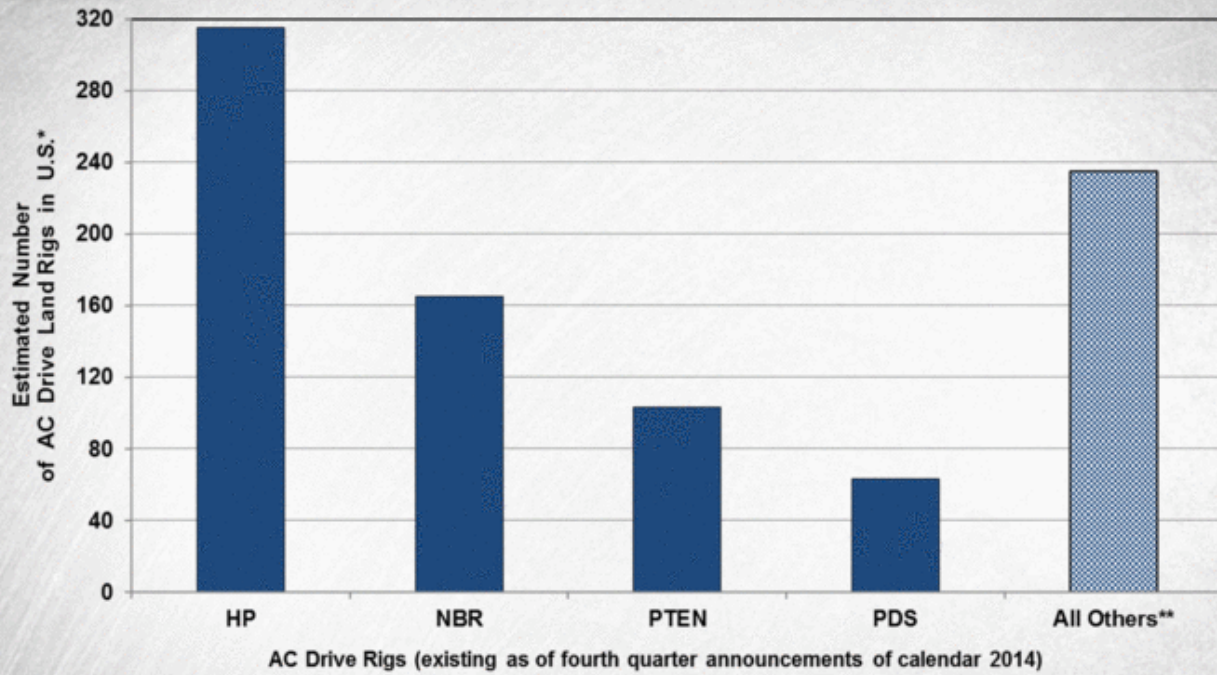


* NBR's operating income corresponds to its U.S. Lower 48, U.S. Offshore, and Alaska business units.
** PTEN's operating income includes drilling operations in Canada.

Market Leader



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.

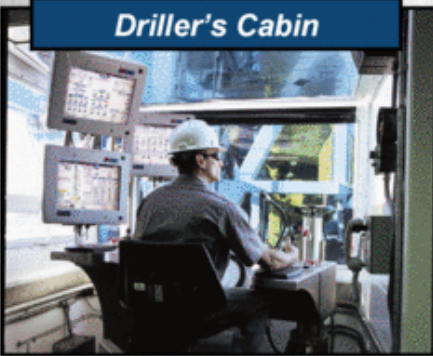
**Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

Most Advanced Fleet

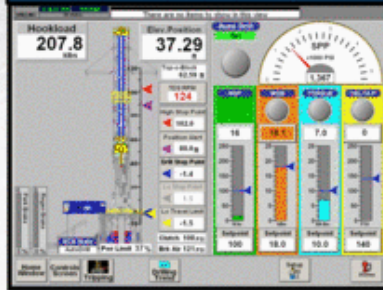


Innovation & Applied Technology – FlexRig®

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



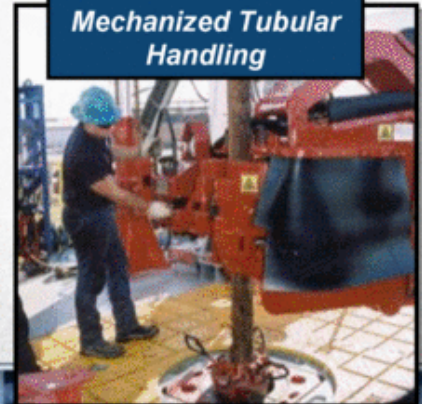
Satellite Communications



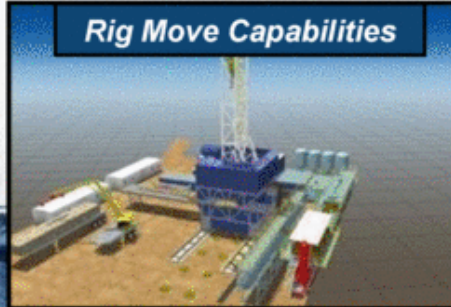
BOP Handling



Mechanized Tubular Handling



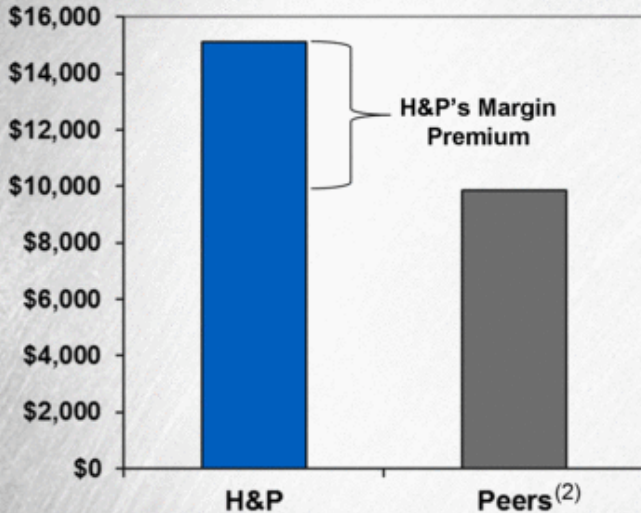
Rig Move Capabilities



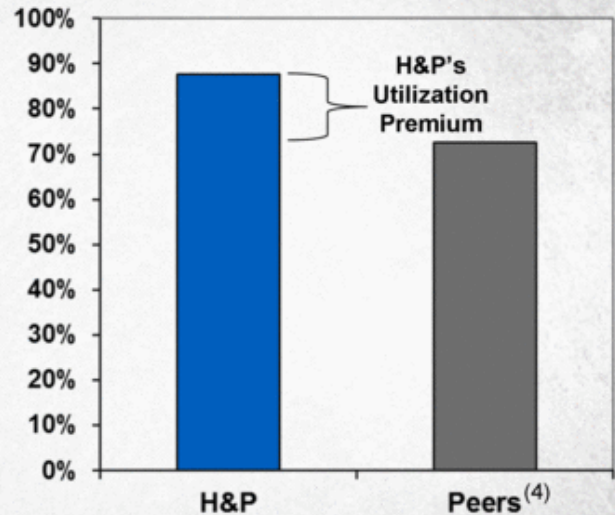


Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day⁽¹⁾
(12 Months Ended December 31, 2014)



Estimated U.S. Land Rig Utilization⁽³⁾
(12 Months Ended December 31, 2014)



(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.

(3) Utilization is herein calculated to be average active rigs divided by estimated available marketable rigs.

(4) Represents estimated average combined utilization for PTEN, NBR, PDS, and UNT in the Lower 48 land market.

Most Advanced Fleet



Performance is Not Only About Better Rigs

Our competitive advantage is also about:

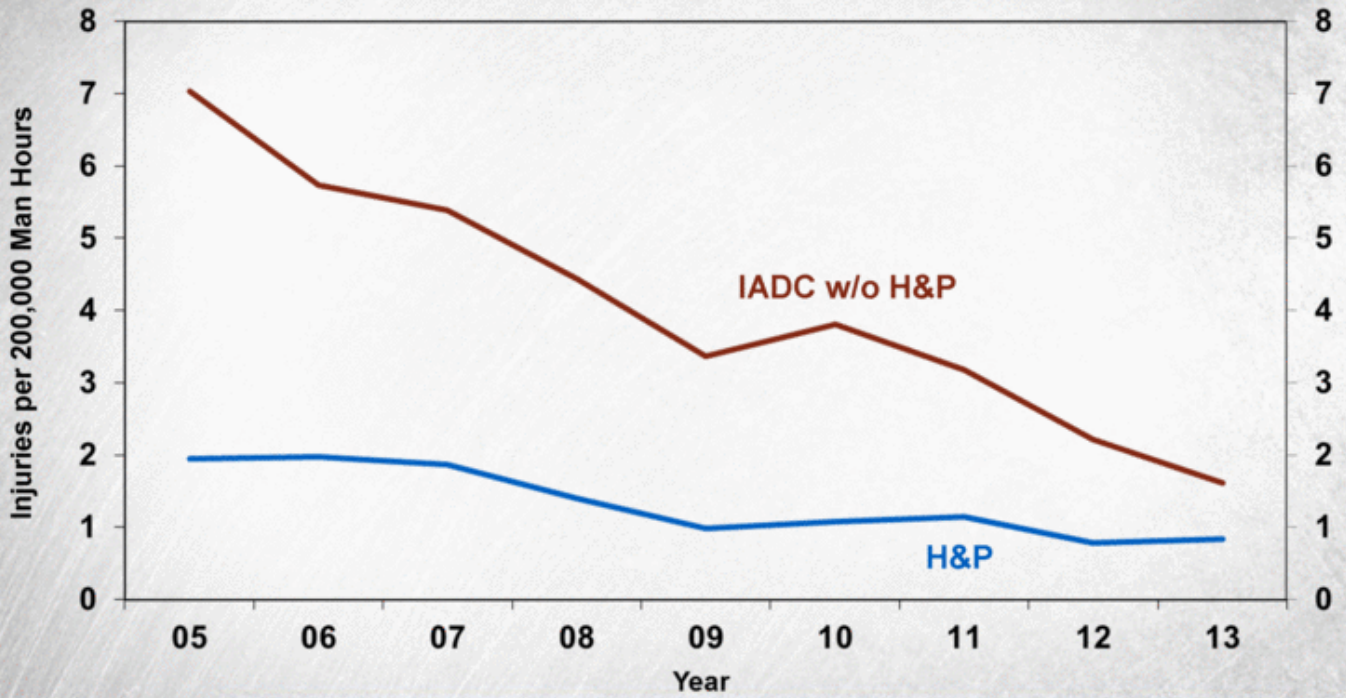
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





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

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



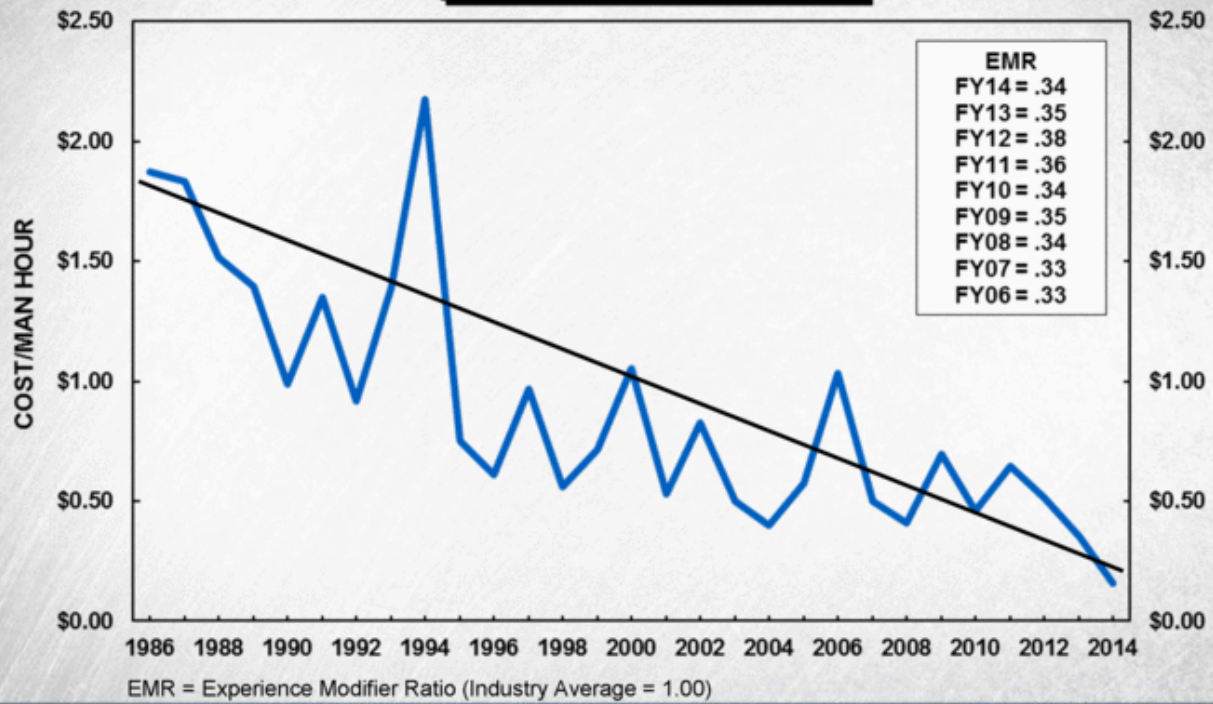
Best-in-Class Safety



Safety Excellence Also Generates Savings

Reduced Workers Comp and General Liability Losses per Man Hour

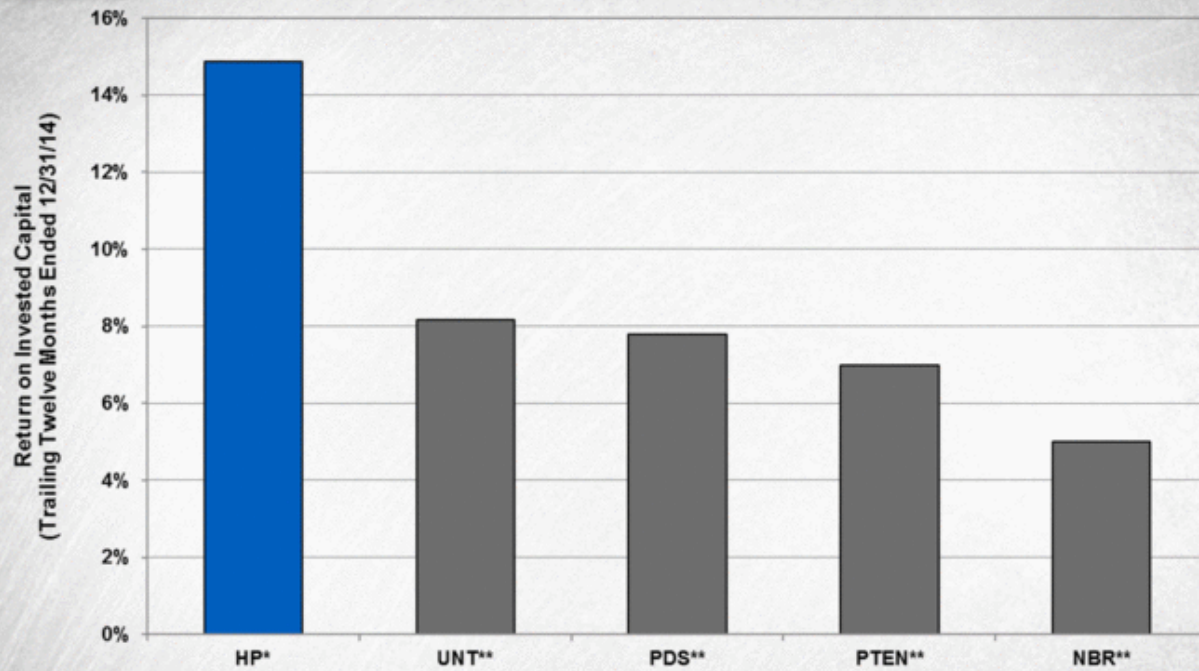
Actual Cost Per Man Hour Worked
U.S. Land & Offshore Operations



Best-in-Class Safety



Return on Invested Capital (ROIC)



* Excludes gains from the sale of investment securities and 4QFY14 abandonment (non-cash) charges. H&P's unadjusted ROIC resulted in 15.2%.

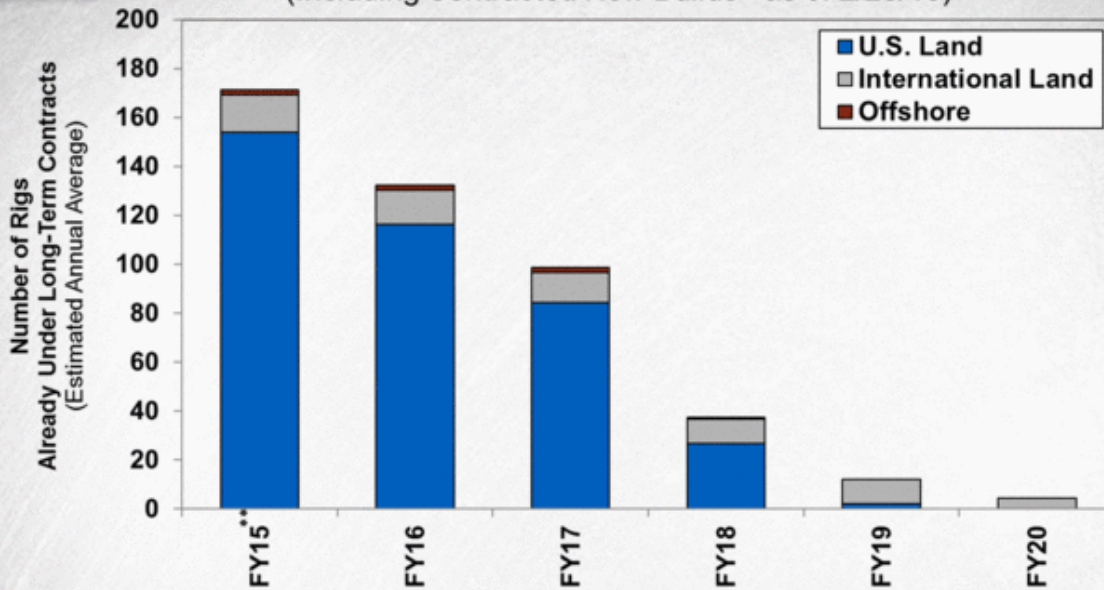
** The corresponding ROIC values for the selected companies exclude certain extraordinary, non-recurring charges.

Superior ROIC and ROE



H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet
(Including Contracted New Builds - as of 2/28/15)



* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 2/28/15. During the first fiscal quarter the Company generated approximately \$23 million in revenues corresponding to long-term contract early terminations. Given notifications as of 2/28/15, the Company expects to generate under \$60 million during the second fiscal quarter from additional 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.

** Fiscal 2015 contract coverage includes a total of 194.3 rigs that operated under term contracts during the first fiscal quarter ended 12/31/14.

Strong Backlog



H&P Term Contract Overview

- **H&P new build contracts**
 - Average term contract duration of ~3 years
 - Firm “take-or-pay” early termination provisions* protect daily cash margin
 - Attractive economic returns during term (with annual ROIC averages in mid-to-high teens)
 - Close to 90% cash-on-cash payback after cash taxes during original 3 year term
- **2009 industry downturn stress-tested H&P term contracts**
 - During fiscal 2009 and 2010, H&P received over \$210 million of early termination and delivery delay payments from customers

* With the exception of certain limited circumstances, such as destruction of a drilling rig, bankruptcy, sustained unacceptable performance by H&P, or delivery of a rig beyond certain grace and/or liquidated damage periods, an early termination payment is paid to H&P if the contract is terminated prior to the expiration of the fixed term.

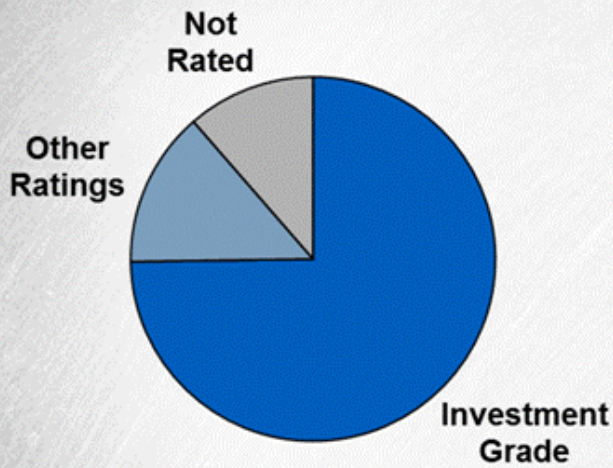


Strong Backlog

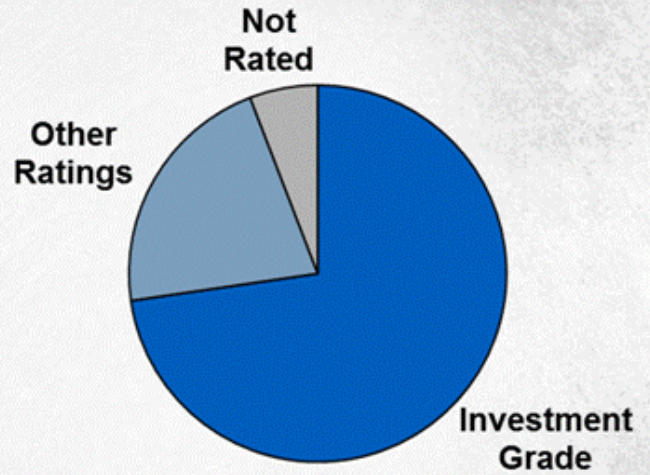


H&P Customer Credit Ratings

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



Number of Contracted Rig-Years**
(\$4.6 Billion H&P Backlog)



* As of December 31, 2014. Consists of 294 active U.S. Land rigs, 9 active and contracted Offshore rigs, and 22 active International Land rigs. Includes approximately 70 customers with active H&P rigs.

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

High Quality Customer Base



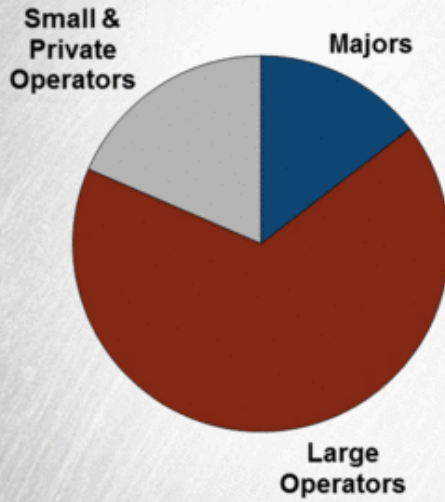
H&P vs. Industry U.S. Land Customer Base

H&P

U.S. Land Activity

Estimated Customer Distribution

(February 2015)

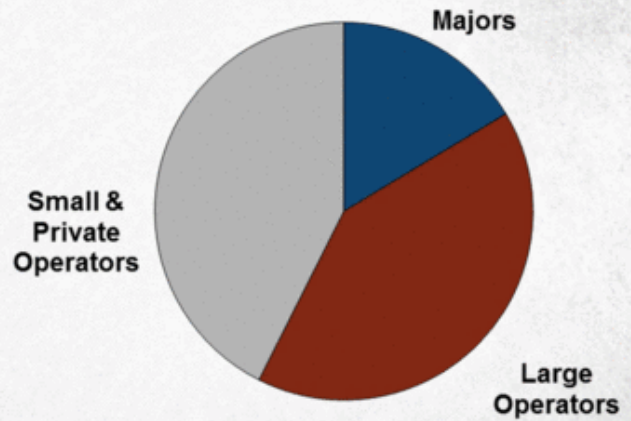


Industry

U.S. Land Activity

Estimated Customer Distribution

(February 2015)



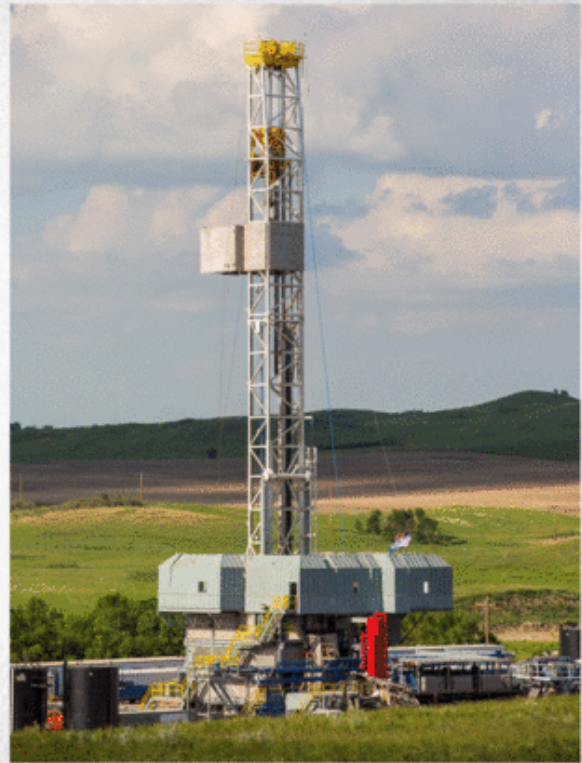
Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.

High Quality Customer Base



Underlying U.S. Land Market Trends

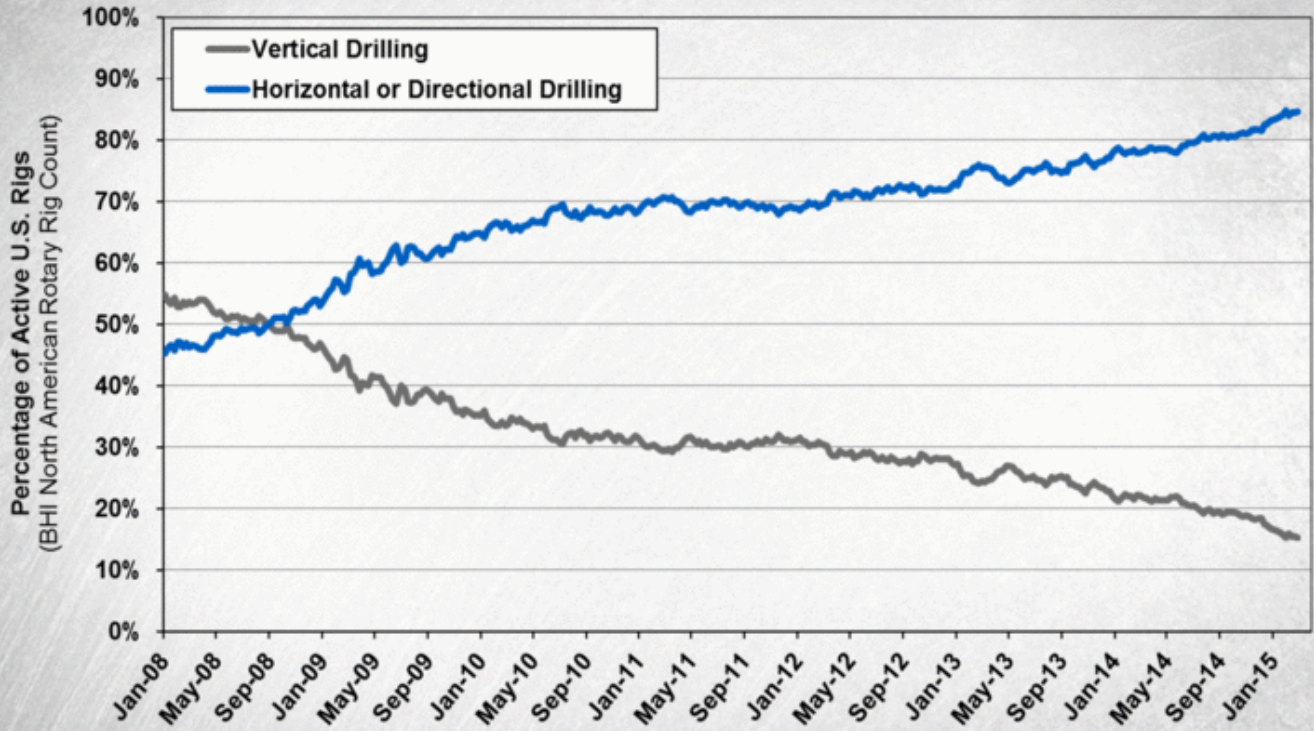
- Unconventional plays continue to shape the landscape.
- AC drive rigs are in highest demand.
- Customers continue to focus on drilling efficiency, technology and safety.
- The replacement cycle is expected to continue.





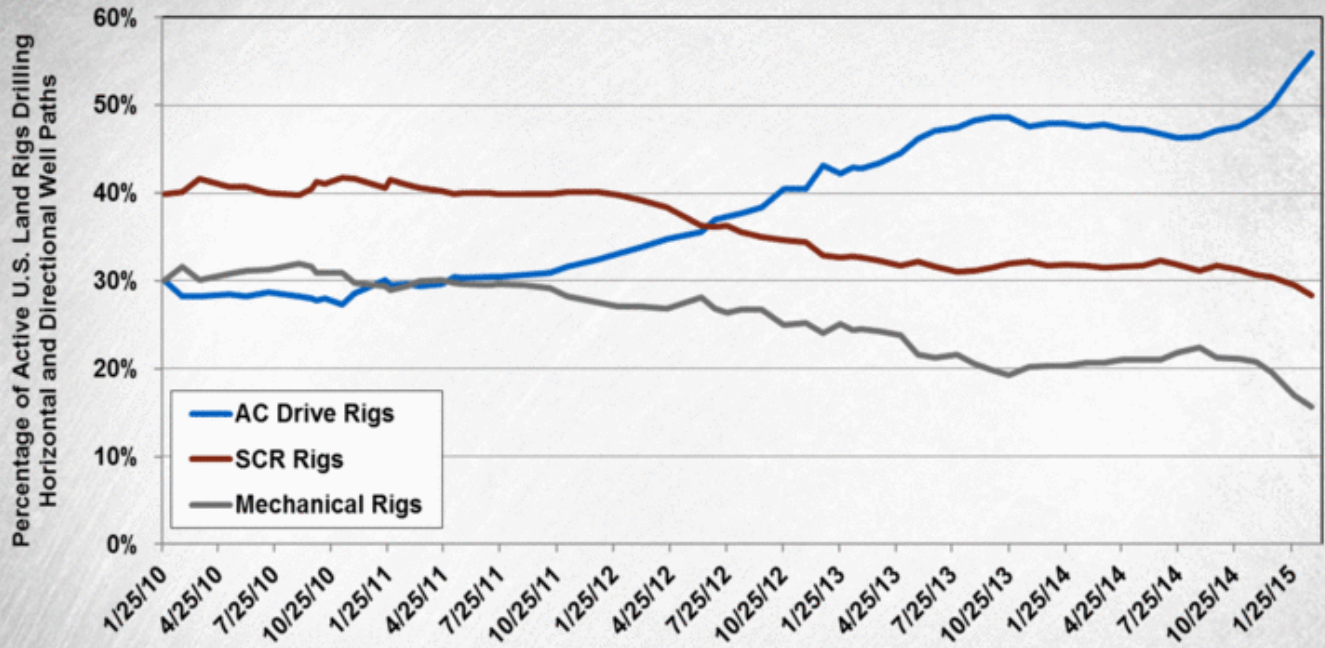
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





U.S. Land Horizontal and Directional Activity

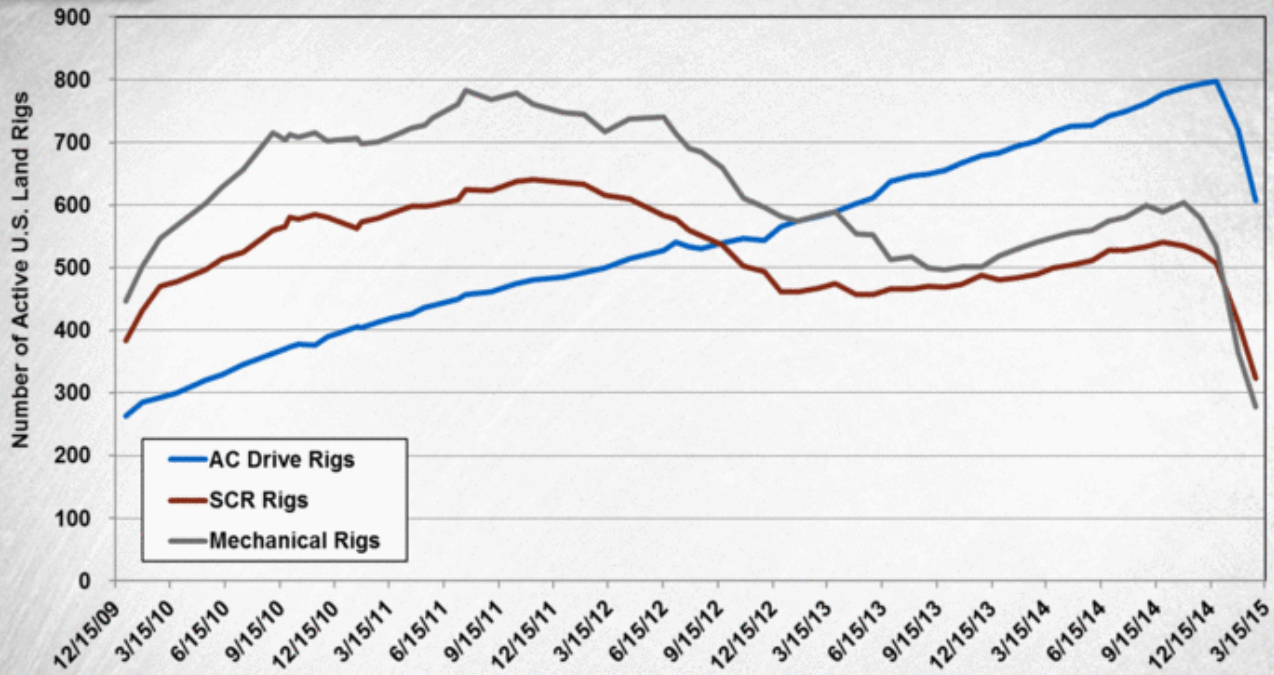


Note: The above estimates corresponding to horizontal and directional rig activity by power type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower.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





Legacy Fleet Most Impacted by Rig Count Reductions



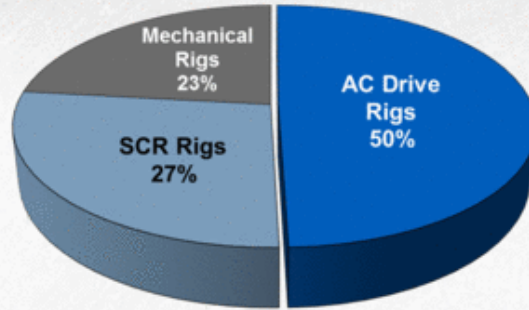
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made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



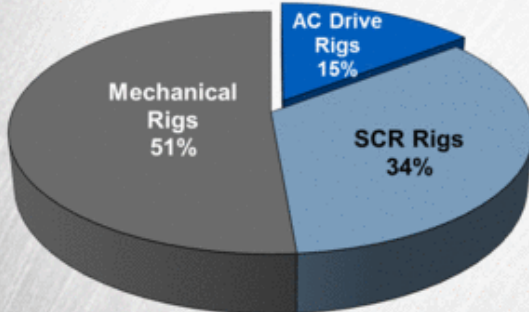


The Replacement Cycle Continues

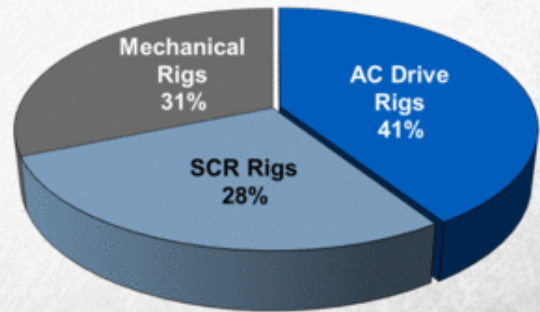
As of February 2015
(~1,200 Active Rigs in U.S. Land By Power Type)



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)



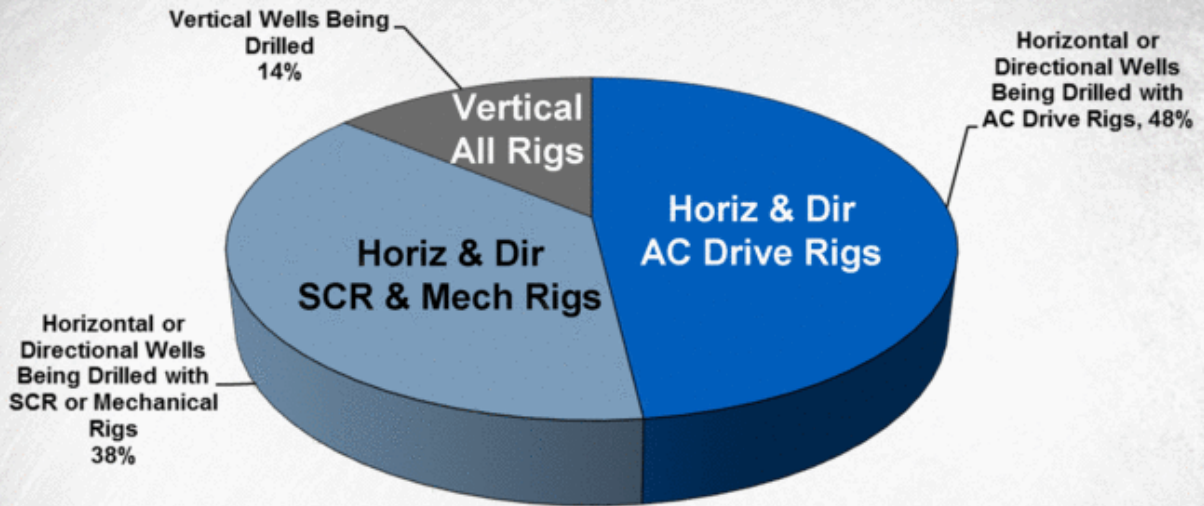
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made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





U.S. Activity by Well and Rig Type

~1,200 Active U.S. Land Rigs (February 2015)



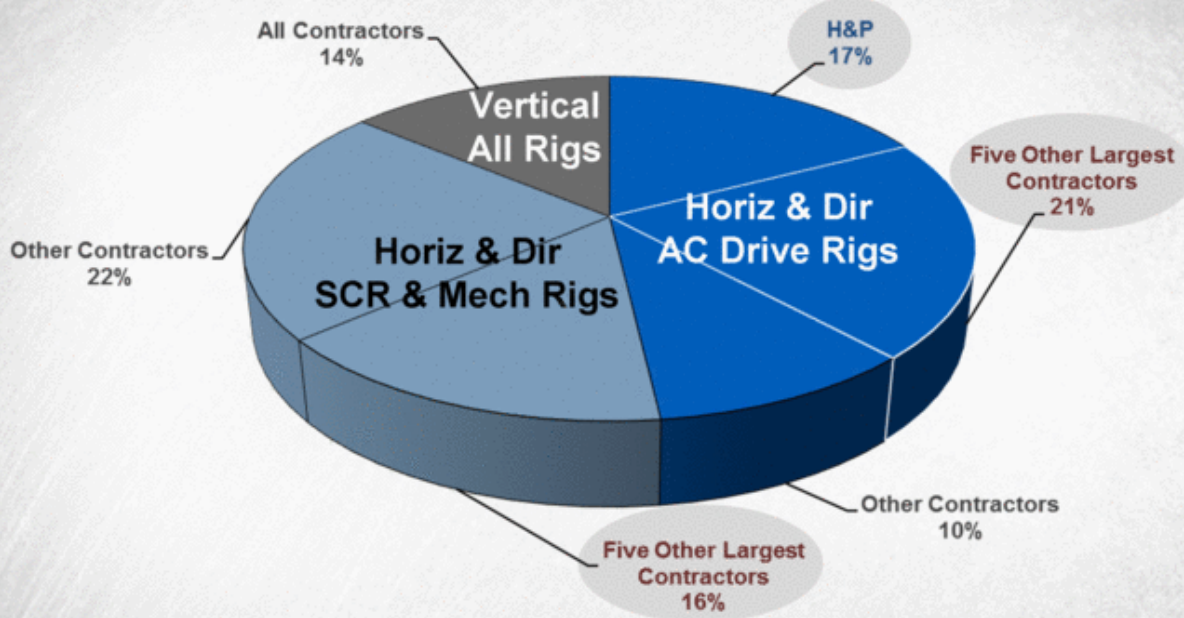
Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions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





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Leading Replacement Cycle



New Build FlexRigs

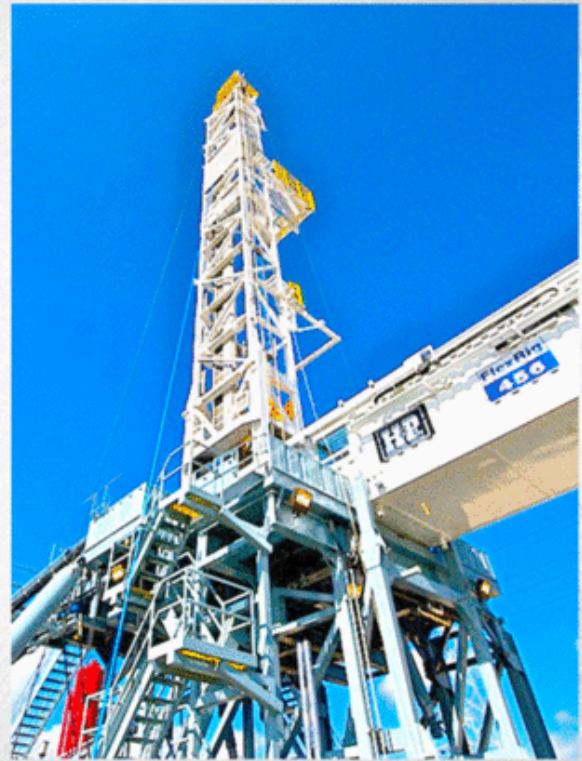
- 40 new FlexRigs are scheduled to be completed during fiscal 2015 and six during early fiscal 2016
- All 46 of the above new FlexRigs are supported with multi-year term contracts that are expected to generate attractive economic returns for the Company
- Currently building at a cadence of four FlexRigs per month through May 2015 and reducing the cadence to two FlexRigs per month in June 2015 through the remainder of the calendar year
- Some of the new build deliveries may be delayed in exchange for compensation from customers





H&P's Long Term Strategy

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





Additional References





Updated Second Quarter H&P Operations Outlook

Drilling Operations Outlook for 2Q of Fiscal 2015 Compared to 1Q of Fiscal 2015

- U.S. Land Segment
 - Revenue days expected to decrease by roughly 25%
 - Average rig revenue per day expected to decrease to between \$27,000 and \$27,500 (excluding the impact from early termination revenues)
 - Average rig expense per day is now expected to increase to roughly \$13,600

- Offshore Segment
 - Revenue days are now expected to decline by roughly 5%
 - Average rig margin per day expected at ~\$19,500

- International Land
 - Revenue days expected to decrease by ~10-15%
 - Average rig margin per day is now expected to decrease by ~5-15%





H&P Activity as of February 28, 2015

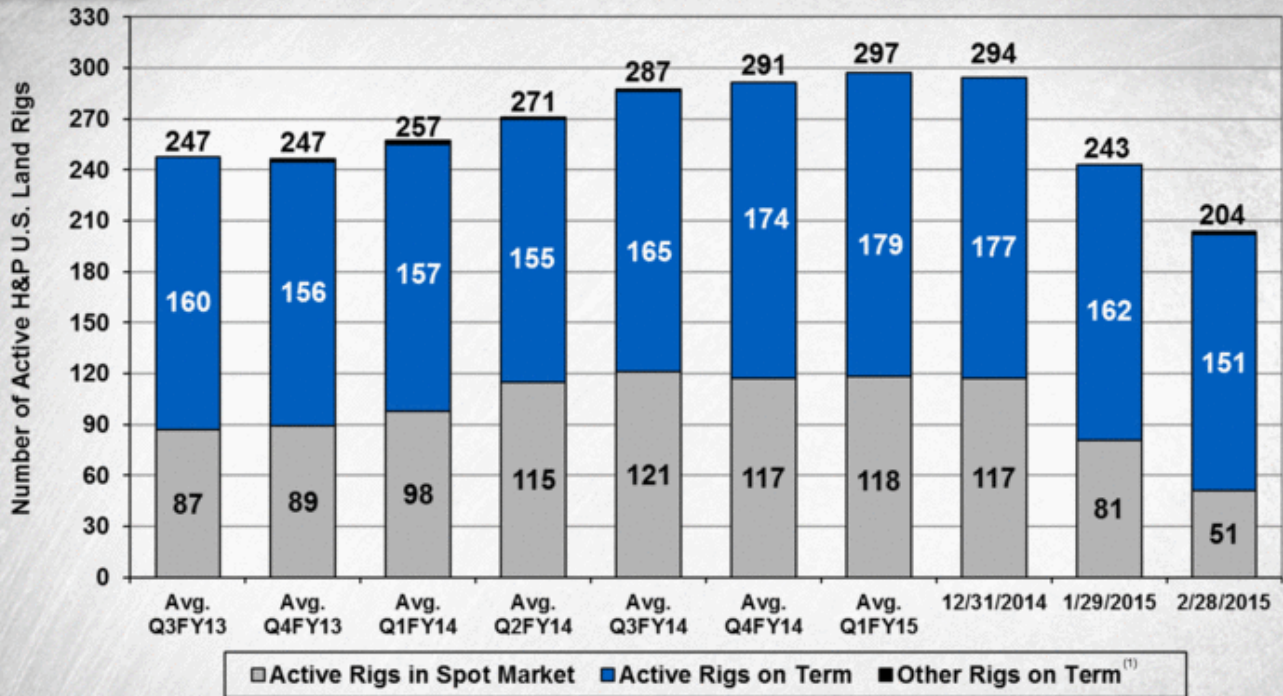
	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	345	204	59%
AC Drive FlexRigs	320	204	64%
SCR Fleet	25	0	0%
Offshore	9	8	89%
International Land	<u>40</u>	<u>27</u>	<u>68%</u>
Total	394	239	61%
FlexRig Construction⁽¹⁾	26		
Total Fleet	420		

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





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



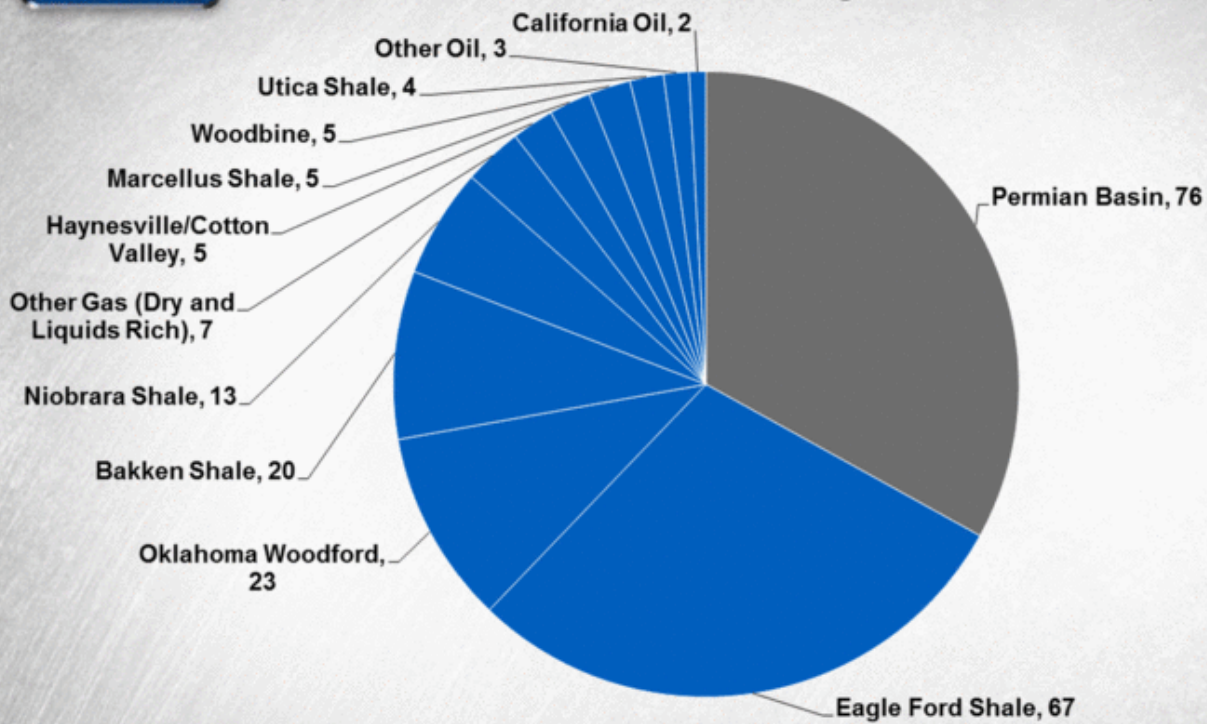
(1) Includes completed new builds pending delivery and not generating revenue days.





Leading U.S. Unconventional Driller

(230 H&P Contracted Land Rigs as of 2/28/15*)

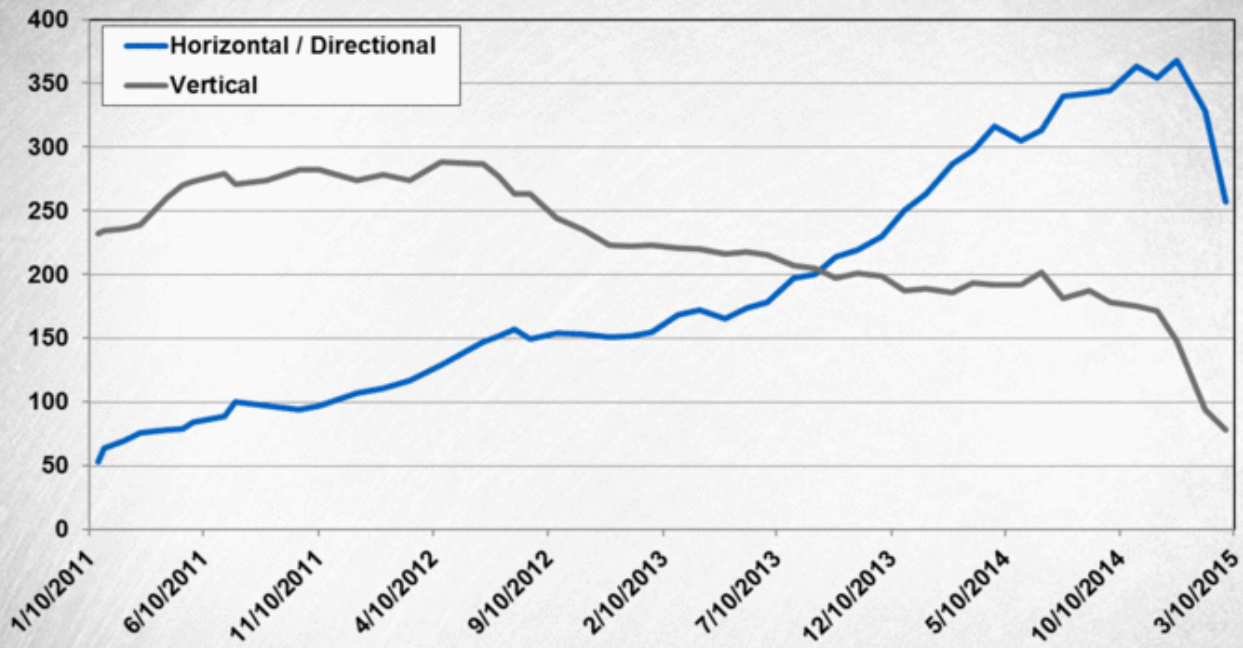


* Includes 26 announced new FlexRigs with customer commitments scheduled for delivery in calendar 2015.





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 or equal to 600 horsepower.





H&P's International Land Operations

Rig Fleet Status (as of February 28, 2015)

	Active	In-Transit	Idle	Total	Long-term Contracts ⁽¹⁾
Argentina	11	4	4	19	10
Bahrain	3 ⁽³⁾			3	1
Colombia	5		2	7	1
Ecuador	1		5	6	1
Mozambique	1			1	
Tunisia			2	2	
U.A.E.	2			2	
Total	23	4	13	40	13⁽²⁾

(1) Rigs on term contract that have greater than or equal to 180 days remaining. This also includes rigs that are in-transit which have not yet commenced operations under the fixed term contract.

(2) 11 of 27 FlexRigs, included in the international fleet of 40 rigs, are under long-term contracts.

(3) Includes two contracted rigs that are not currently active.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts*

(Estimated Quarterly Average, Including Announced New Builds - as of 2/28/15)

Segment	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16
U.S. Land	159.9	144.6	133.4	126.5	118.1	111.2	109.1
International Land	13.6	16.6	16.3	14.2	14.0	14.0	14.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	175.5	163.2	151.7	142.7	134.1	127.2	125.1

* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 2/28/15. During the first fiscal quarter the Company generated approximately \$23 million in revenues corresponding to long-term contract early terminations. Given notifications as of 2/28/15, the Company expects to generate under \$60 million during the second fiscal quarter from additional early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees. Some of the new builds deliveries may be delayed in exchange for compensation from customers, but the corresponding total backlog would remain the same or potentially increase.



Strong Backlog



H&P's FlexRig Advantage

The FlexRig Difference: Key Advantages

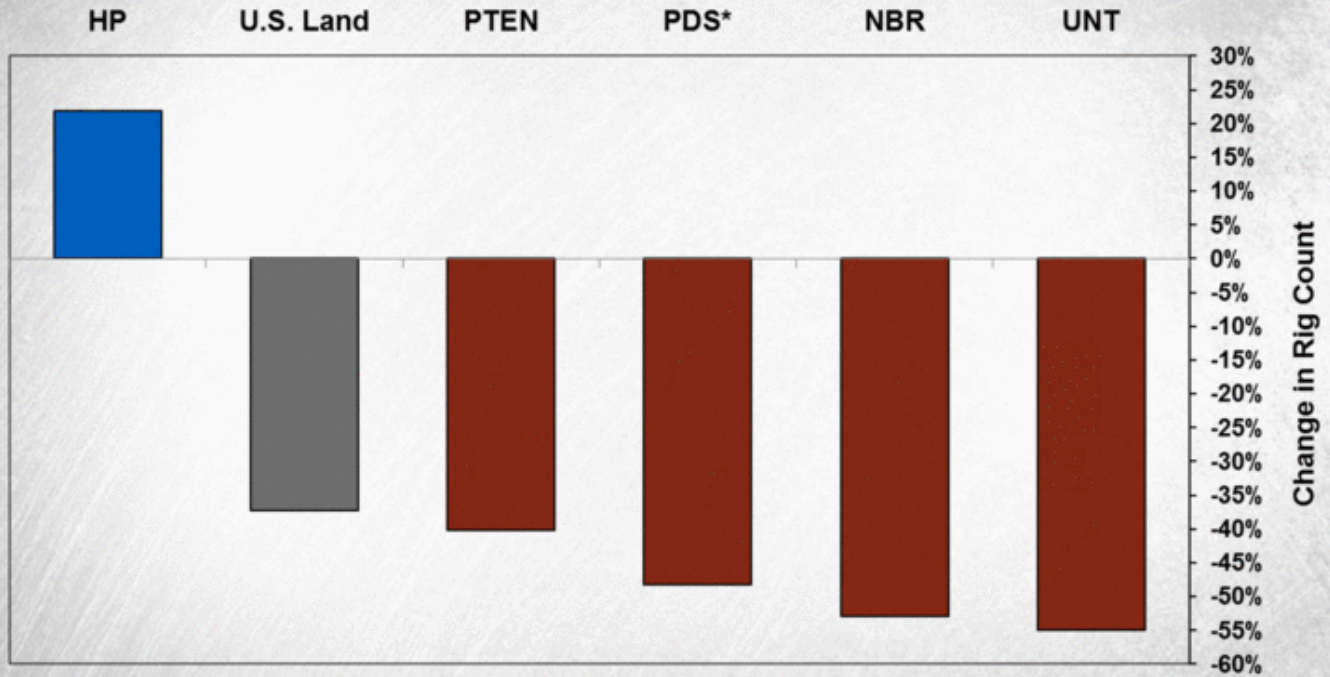
- **Increased drilling productivity and reliability**
 - Variable frequency AC technology providing precise control and increased capability
 - Computerized electronic driller more precisely controls down-hole parameters
 - FlexRig designs are suited for both efficient well to well moves and multi-well 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



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 February 2015)

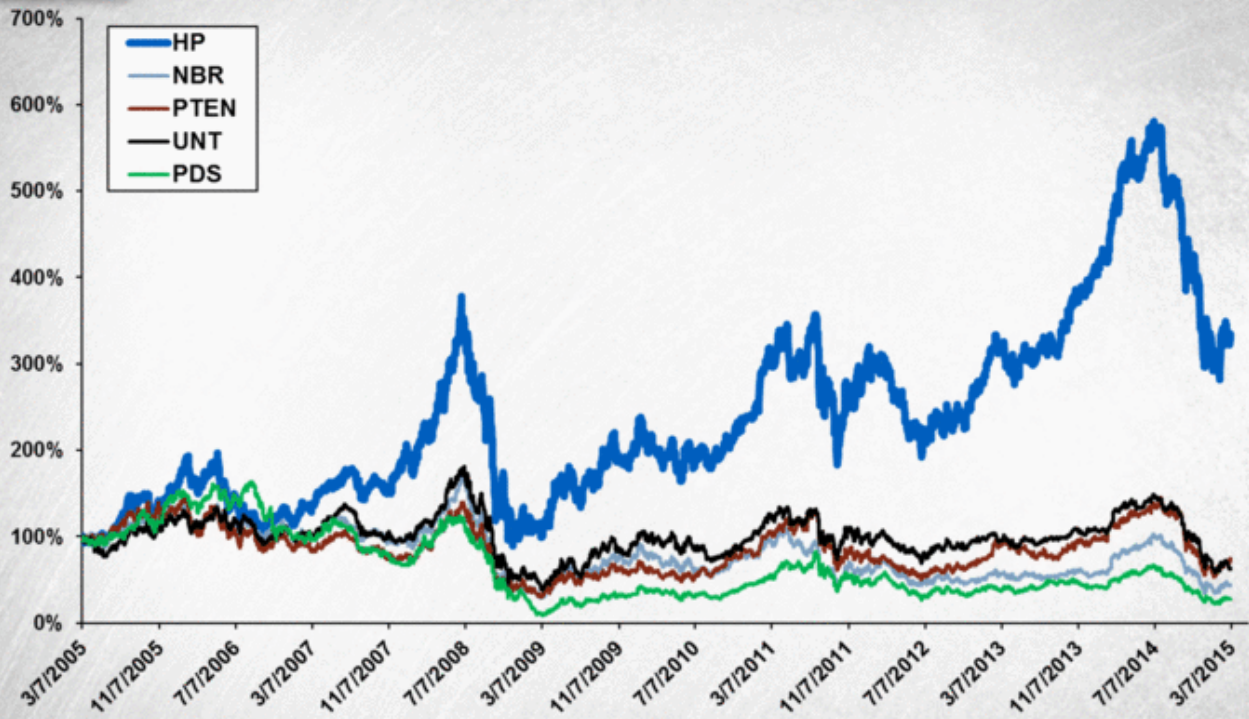


* PDS' active rig count includes both PDS and Grey Wolf rigs.





Ten-Year Relative Shareholder Return

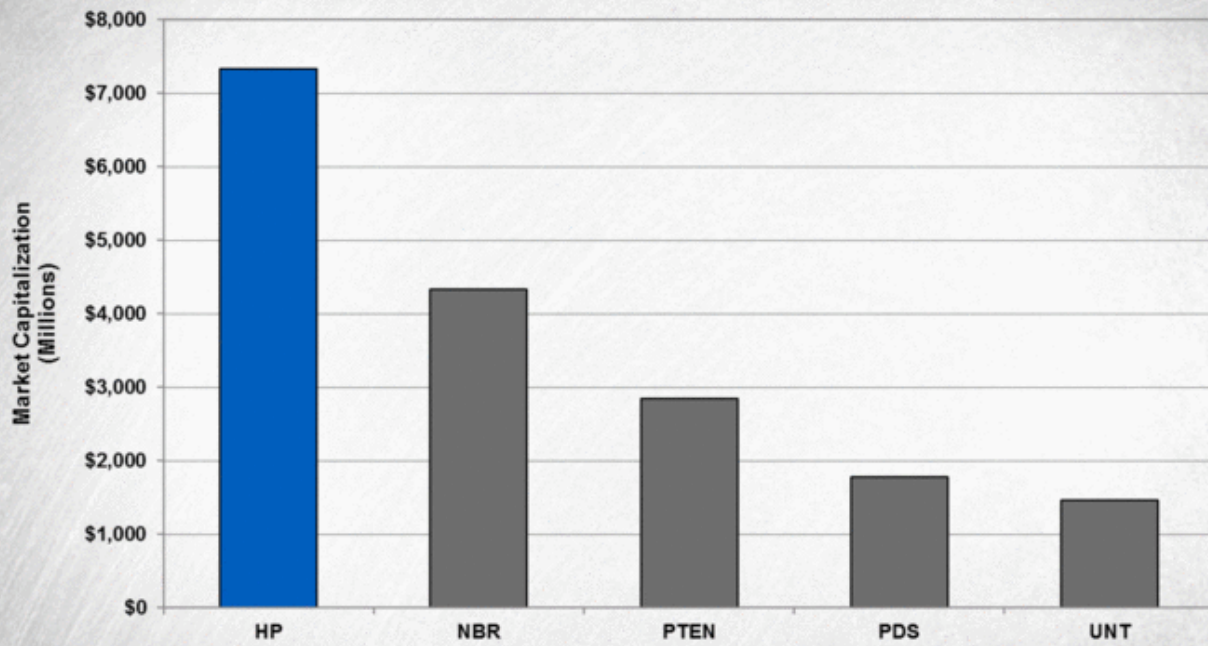


Source: Thomson Reuters as of March 5, 2015.





Land Drilling Market Valuations

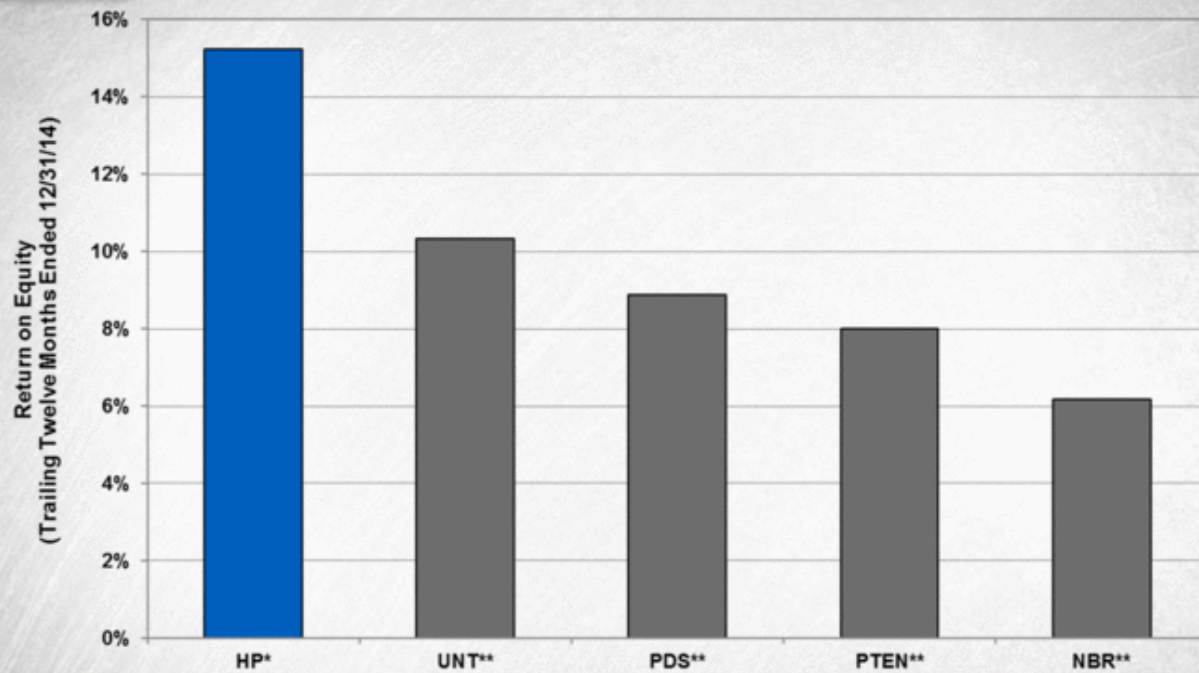


Source: Thomson Reuters as of March 5, 2015.





Return on Equity



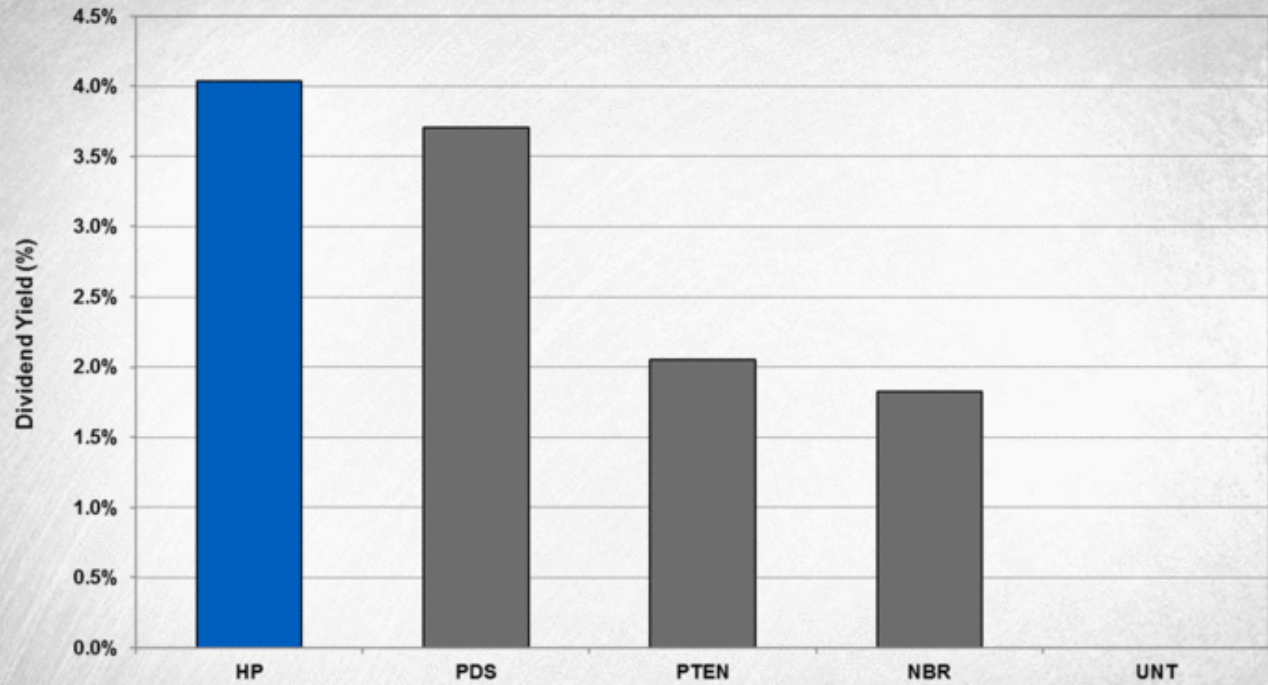
* Excludes gains from the sale of investment securities and 4QFY14 abandonment (non-cash) charges. H&P's unadjusted ROE resulted in 15.6%.

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

Superior ROIC and ROE



Current Dividend Yields

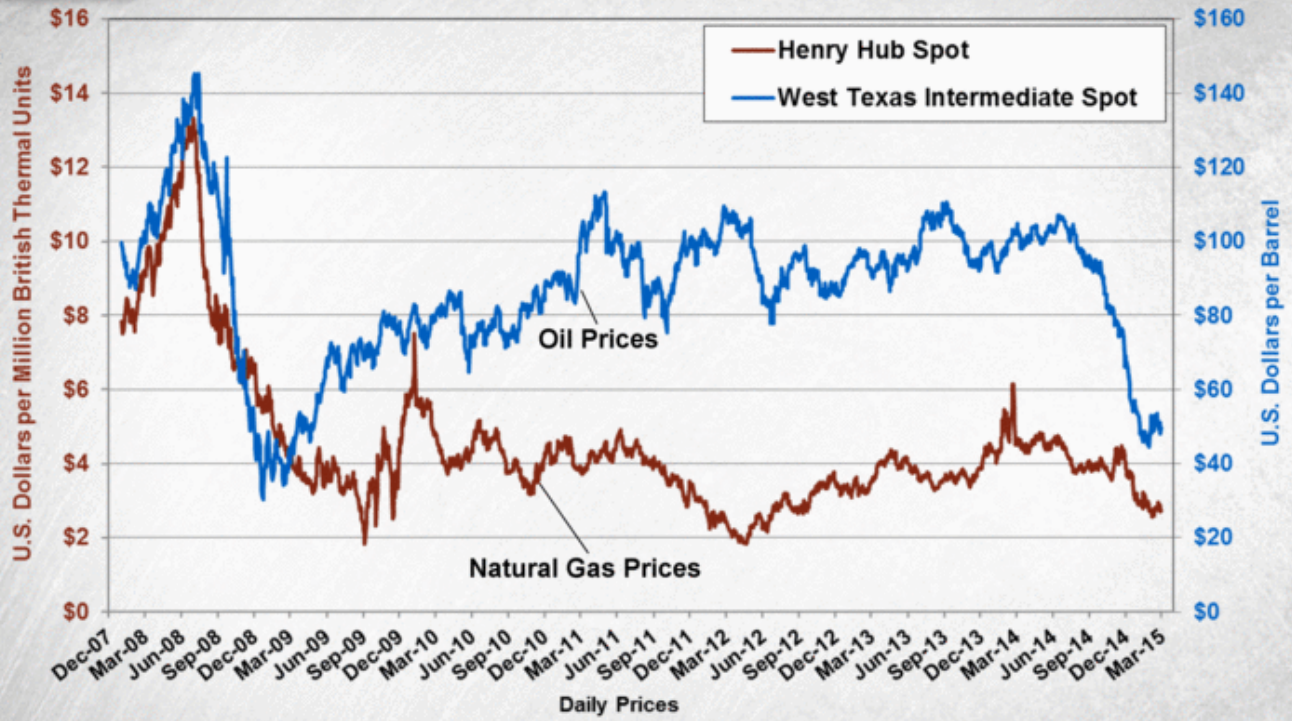


Source: Thomson Reuters. Yields calculated as of market close on March 5, 2015.





Oil and Natural Gas Prices

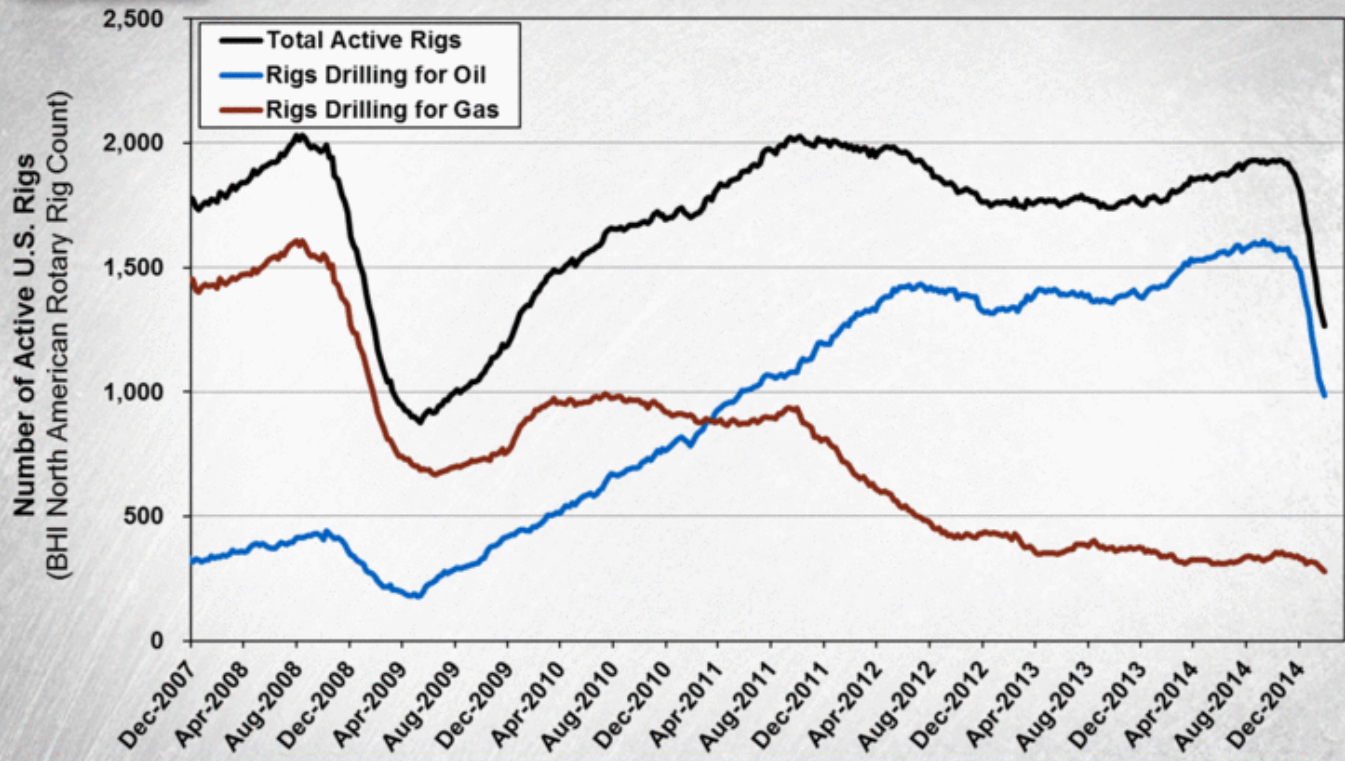


Source: Energy Information Administration and Thomson Reuters





Oil vs. Natural Gas Directed Rig Count





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