

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 01/08/14 for the Period Ending 01/08/14

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
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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: **January 8, 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.

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: January 8, 2014

EXHIBIT INDEX

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

3



Helmerich & Payne, Inc.
Goldman Sachs Global Energy Conference
January 8-9, 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.



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





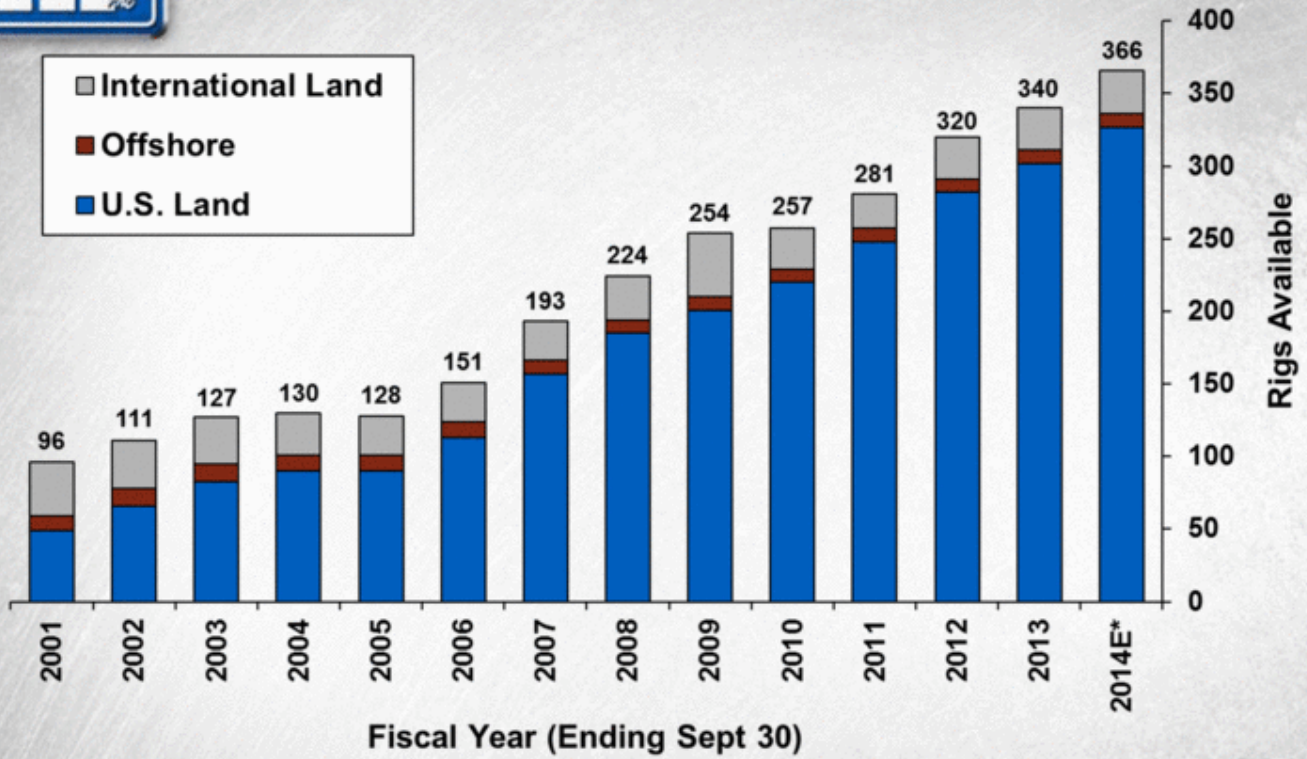
Announcing Eight Additional New Builds

- Eight incremental FlexRigs with multi-year term contracts with one customer in the U.S.
- Since the beginning of fiscal 2014, we have now announced term contracts for 26 new FlexRigs with seven customers in the U.S.
- As of January 8, 2014, eight of the 26 announced FlexRigs have already been delivered.
- Once the remaining rigs are completed, the Company's global fleet is expected to include 327 FlexRigs.





H&P's Global Rig Fleet



* Estimates include existing rigs and announced new build commitments





Evolution of H&P's Global Rig Fleet

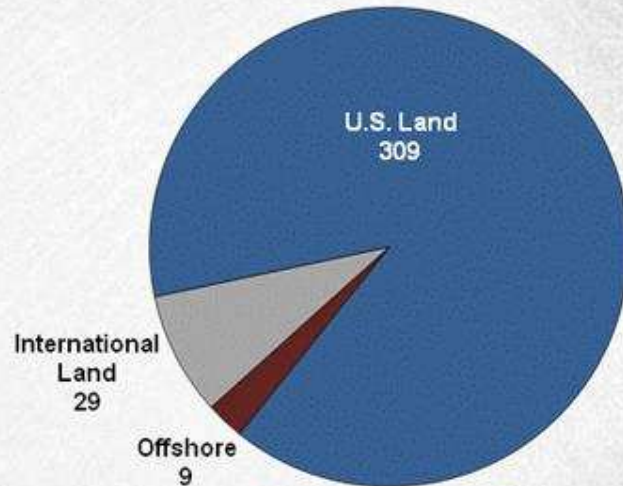
97 Rigs

(Before AC Drive Rigs)



January 2002

347 Rigs



January 2014





H&P Activity as of January 8, 2014

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	309	264	85%
AC Drive FlexRigs	276	264	96%
SCR Fleet	33	0	0%
Offshore	9	8	89%
International Land	<u>29</u>	<u>23</u>	<u>79%</u>
Total	347	295	85%
FlexRig Construction ⁽¹⁾	18		
Other AC Construction ⁽²⁾	1		
Total Fleet	366		

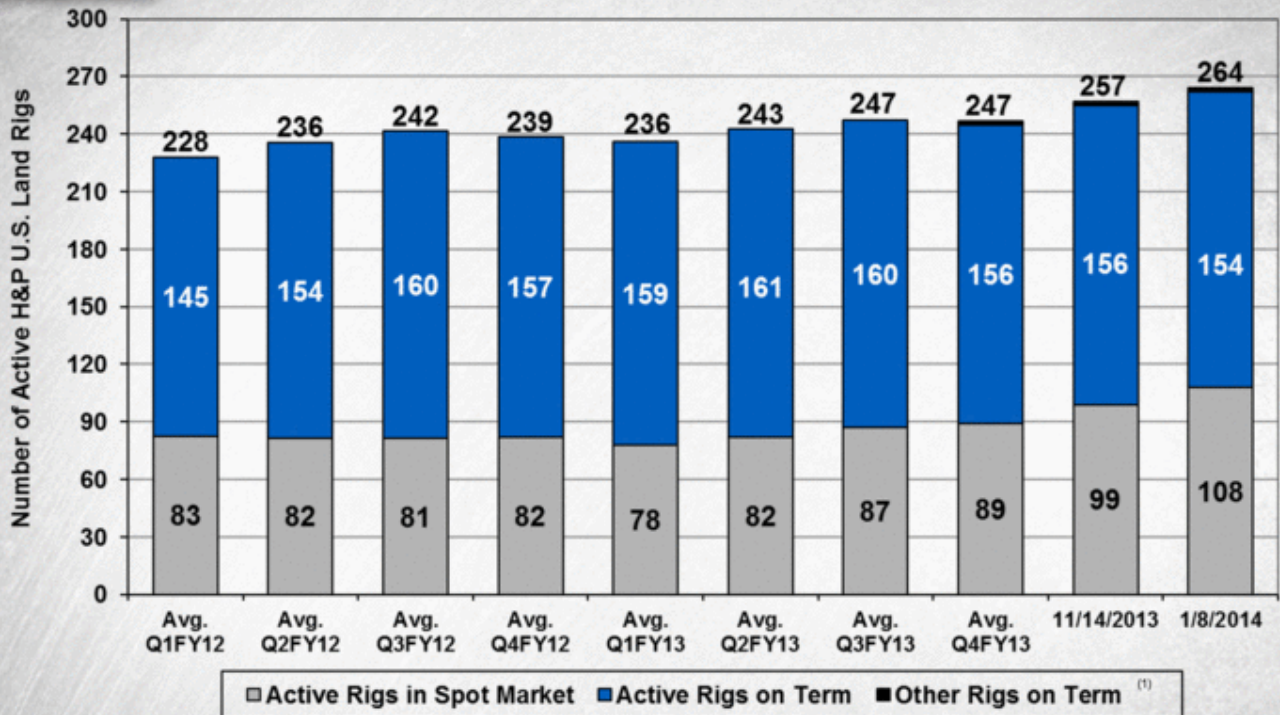
(1) Includes announced new build commitments under term contracts.

(2) Includes an announced 3,000 horsepower AC new build under term contract with international delivery expected in Spring 2014.





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

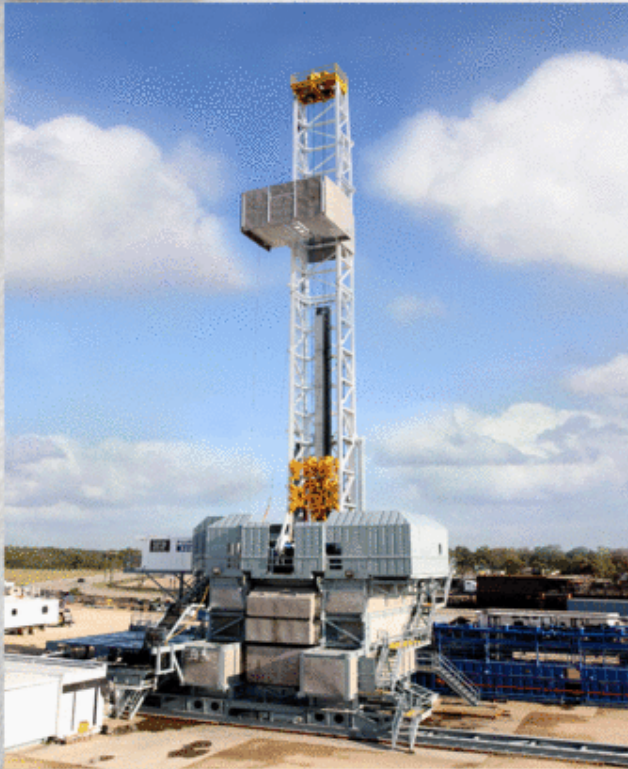


(1) Includes completed new builds pending delivery and not generating revenue days.





H&P's New Build Program Continues



- H&P plans to continue a build cadence of two rigs per month through the rest of the fiscal year.
- We have the flexibility to increase our production cadence depending on market demand.
- We believe that this approach will continue to reward shareholders.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts

(Estimated Quarterly Average, Including Announced New Builds - as of 1/8/14)

Segment	Q2 FY14	Q3 FY14	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15
U.S. Land	148.3	139.4	130.7	113.4	97.3	76.6	61.2
International Land	13.8	13.1	13.0	11.3	9.2	7.8	6.3
Offshore	3.0	2.5	1.9	1.0	1.0	1.0	1.0
Total	165.1	155.0	145.6	125.7	107.5	85.4	68.4





Overall U.S. Land Market Trends

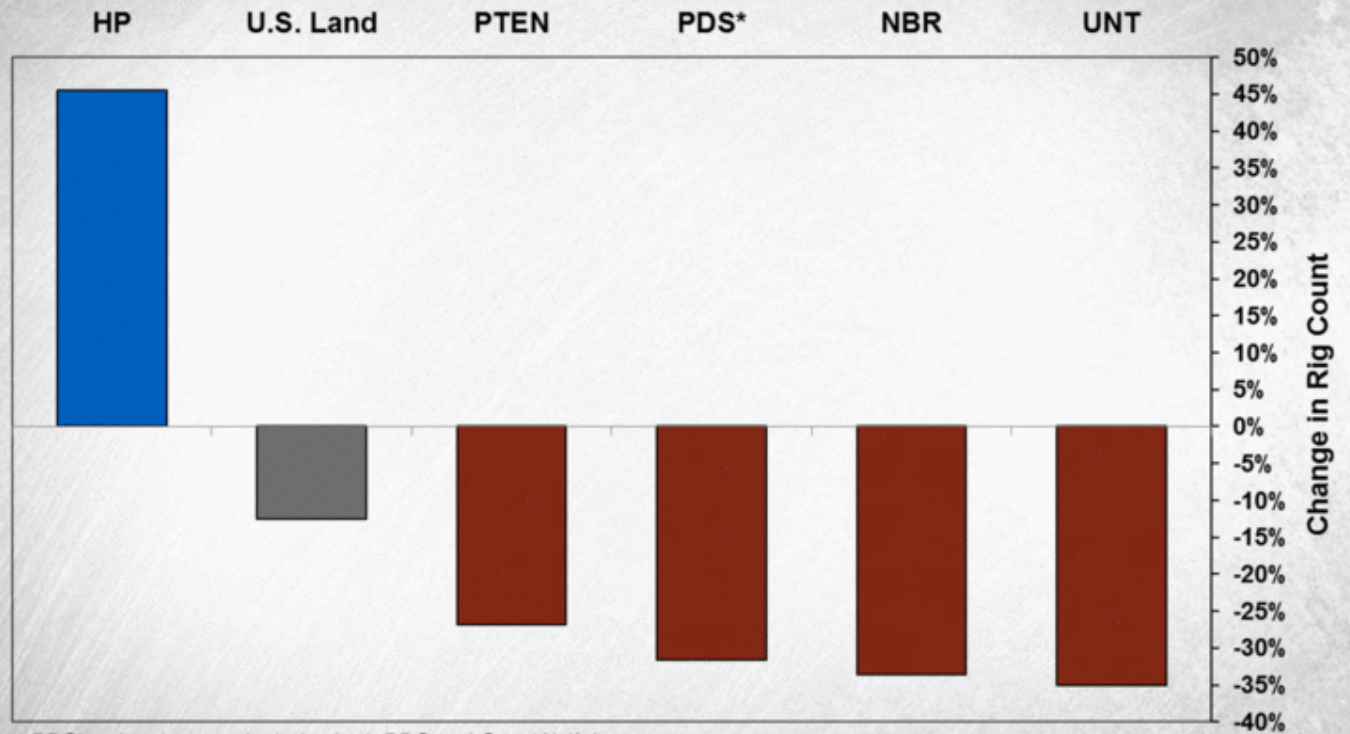
- Firm spot market pricing
- Relatively stable active rig count, with AC drive rigs capturing incremental market share from less capable rigs
- Continued customer focus on drilling efficiency, technology and safety
- Differentiated performance delivers tangible value and will be rewarded accordingly
- Conversations with customers for additional new build orders continue





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 December 2013)



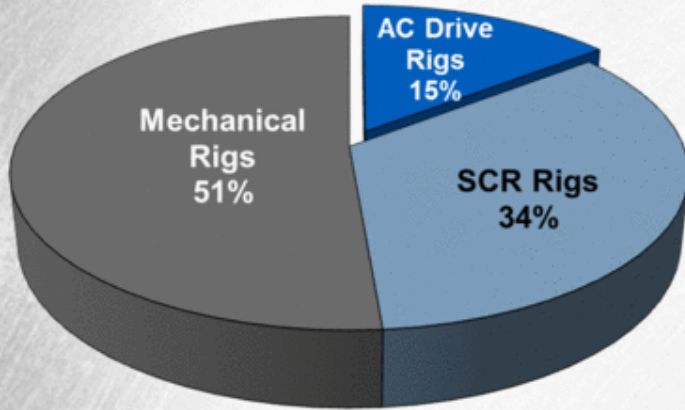
* PDS' active rig count includes both PDS and Grey Wolf rigs.



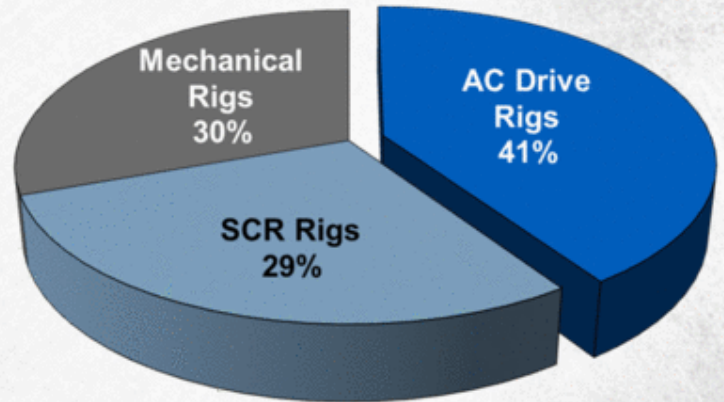


The Replacement Cycle Continues

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



As of December 2013
(~1,680 Active Rigs in U.S. Land
By Power Type)



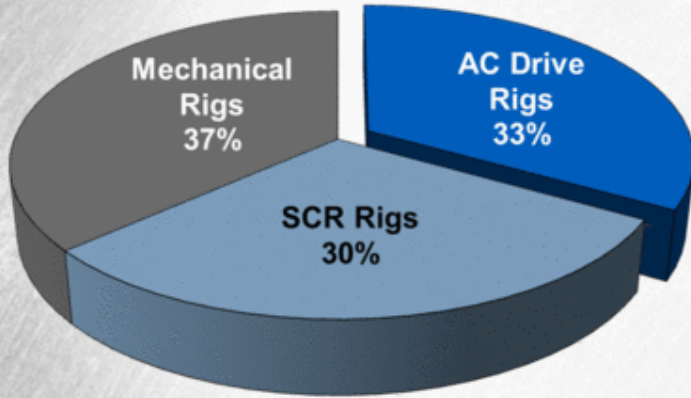
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower. Certain assumptions were made on approximately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



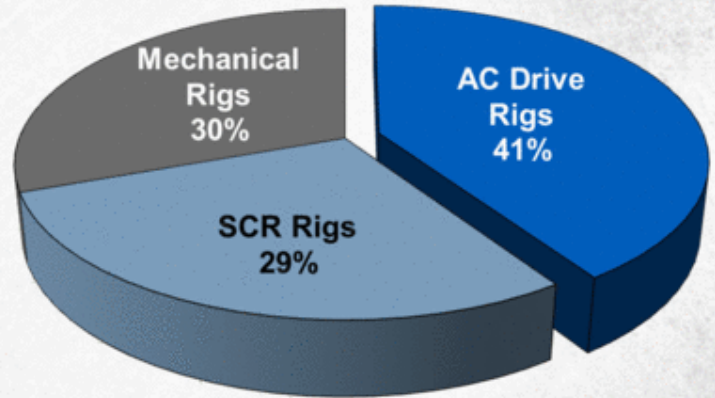


High-Grading is Accelerating

As of December 2012
**(~1,610 Active Rigs in U.S. Land
By Power Type)**



As of December 2013
**(~1,680 Active Rigs in U.S. Land
By Power Type)**

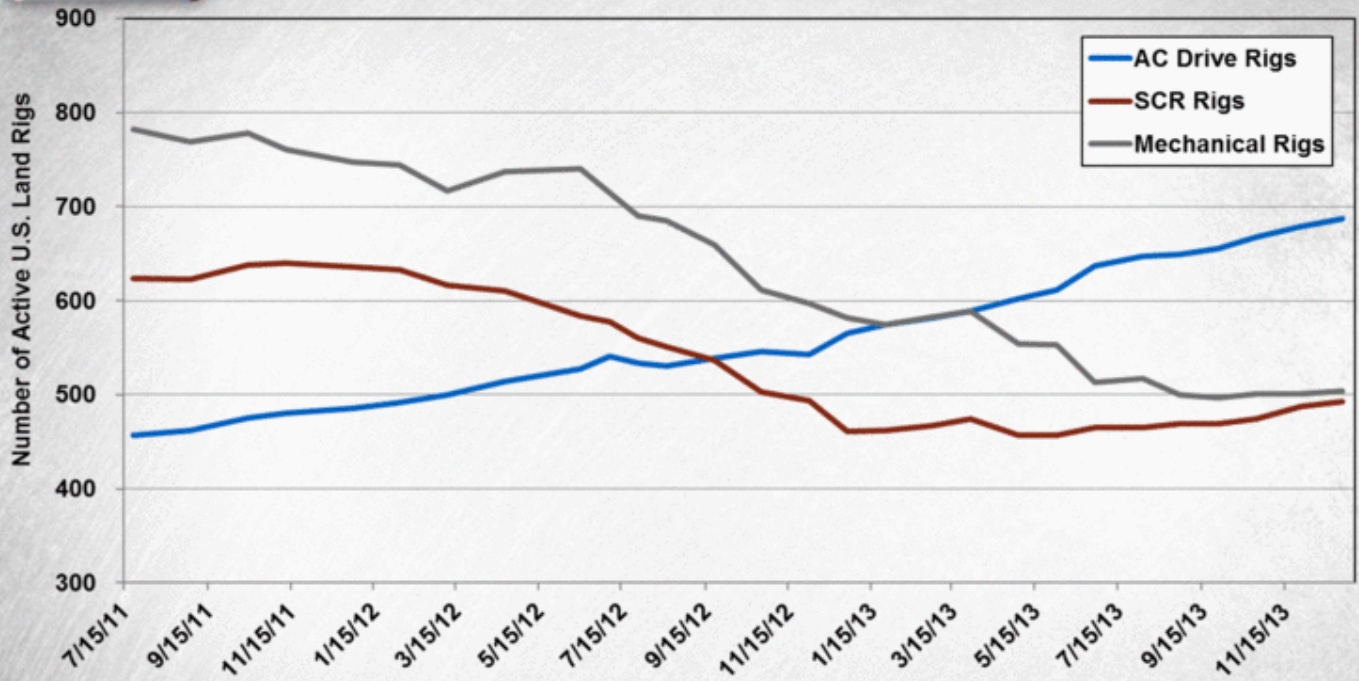


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AC Rigs Continue to Gain Market Share

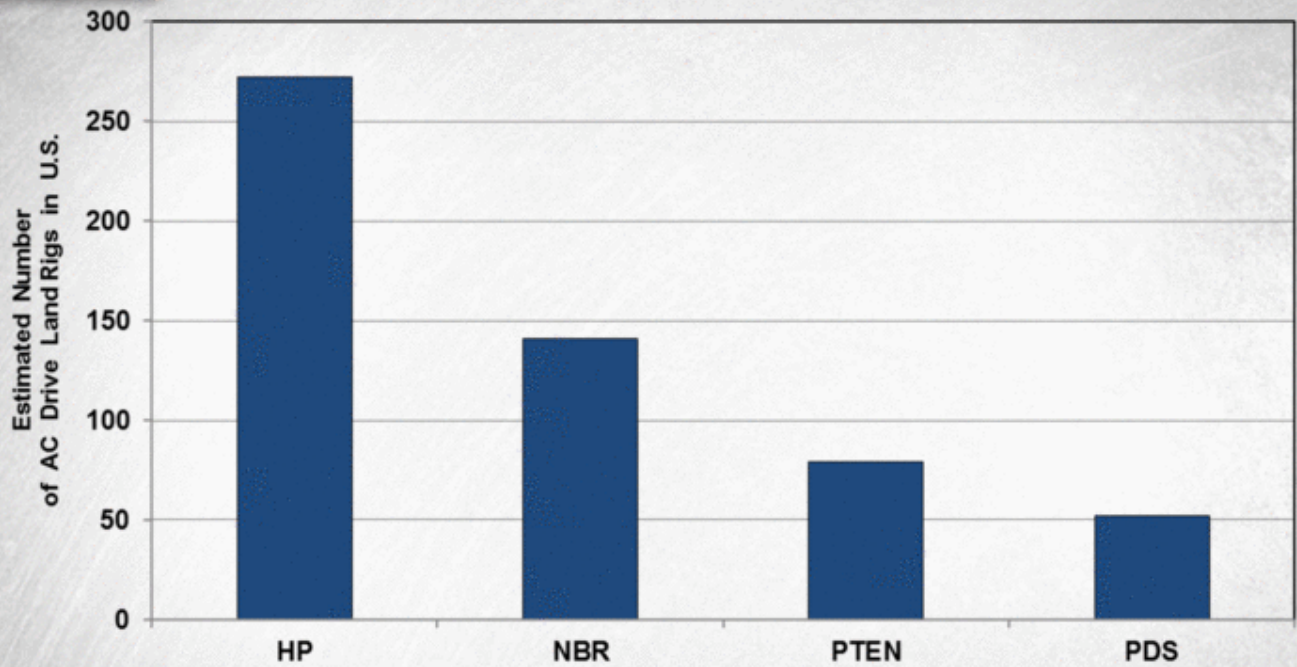


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H&P's Lead in U.S. Land AC Drive Rigs



■ AC Drive land rigs (existing as of third quarter announcements of calendar 2013)

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





Unconventional Plays Shaping Landscape

Well Complexity is increasing:

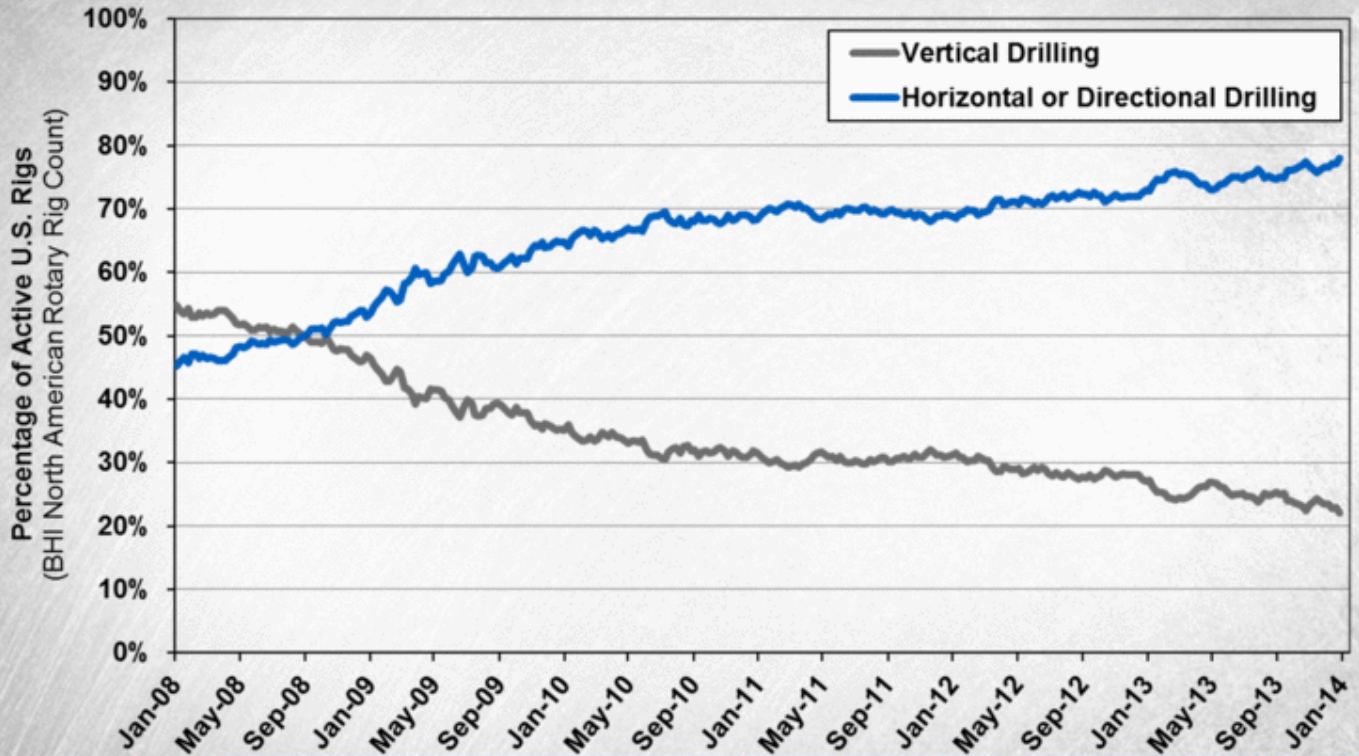
- Horizontal and directional wells make up over 75% of wells drilled in the U.S.
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- A factory approach to drilling wells is required
- This all creates an expanding level of demand for FlexRigs





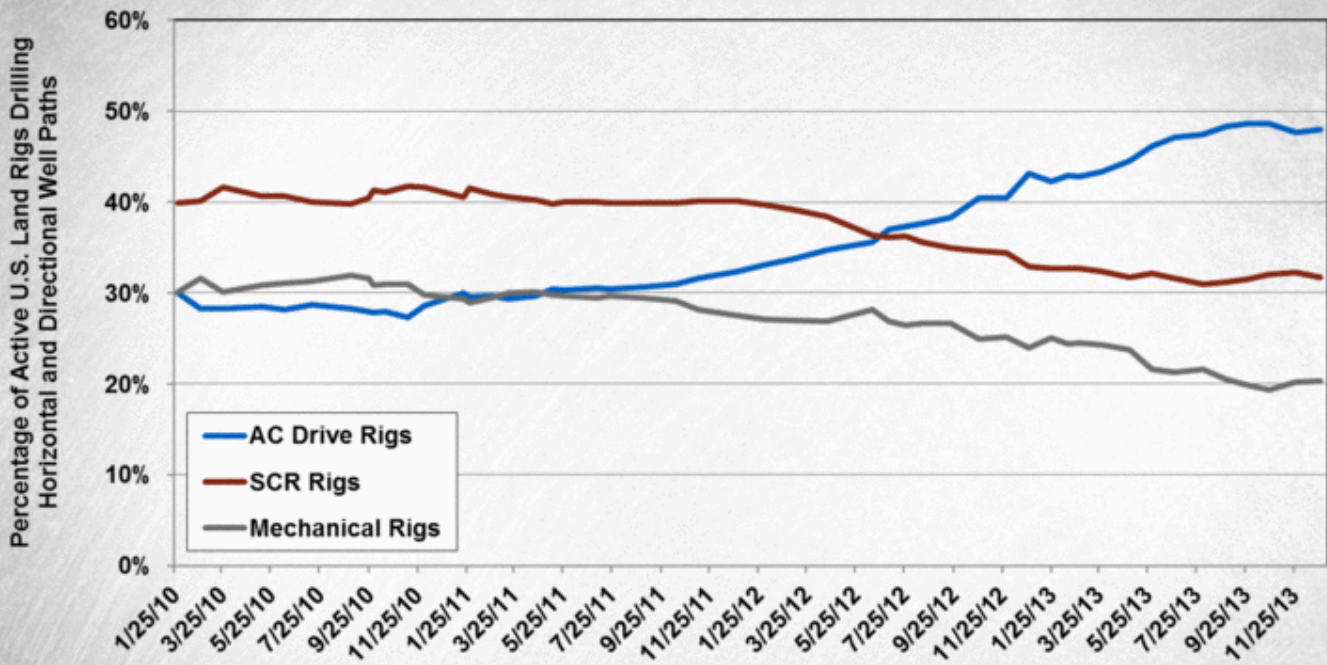
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





U.S. Land Horizontal and Directional Activity

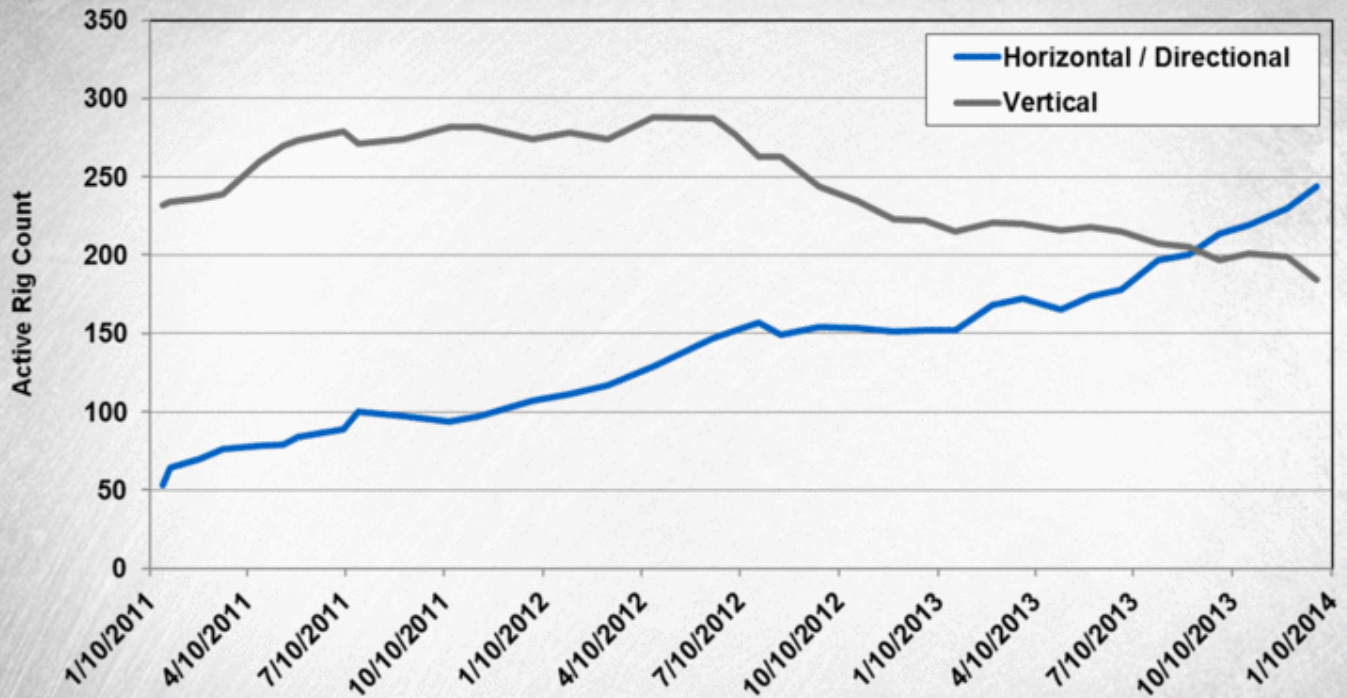


Note: The above estimates corresponding to horizontal and directional rig activity by power type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower.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





Unconventional Drilling Growth in Permian



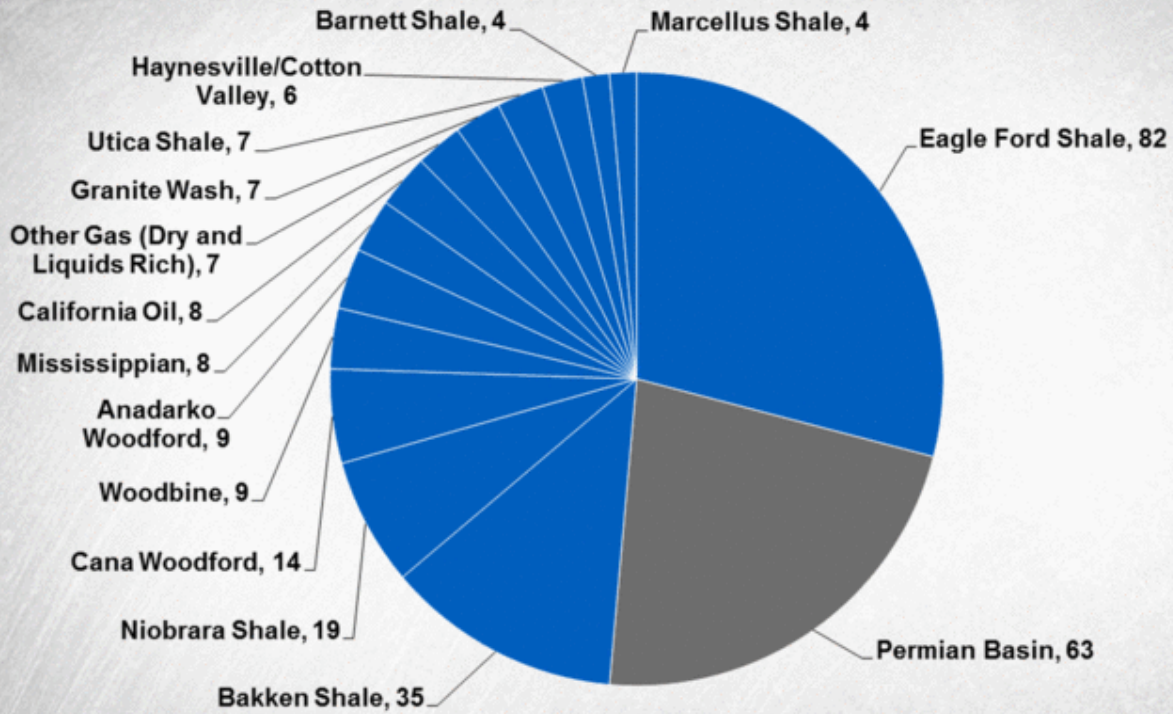
Note: The above estimates are derived from Rig Data. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than 600 horsepower.





Leading U.S. Unconventional Driller

(282 H&P Contracted Land Rigs as of 1/8/14*)



* Includes 18 announced new FlexRigs with customer commitments scheduled for delivery in calendar 2014.

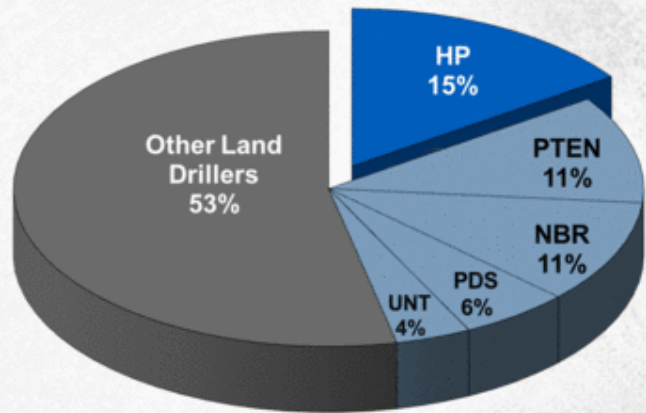
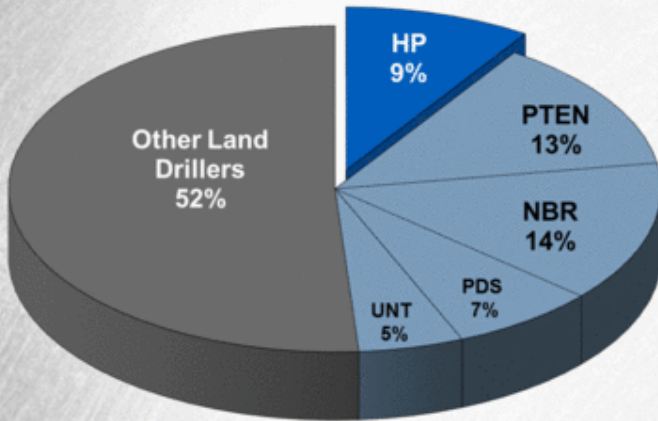




H&P Continues to Capture Market Share

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

As of December 2013
(~1,680 Active Rigs in U.S. Land)



Note: The above estimates corresponding to market share are derived from Rig Data. PDS's 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 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**





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**





A Value Proposition Example: H&P vs. Competitors South Texas – ~18,000 ft. measured depth

	Estimated Conventional Average (Spot Market)	Estimated Peer Fit-for-purpose Average (Spot Market)	H&P FlexRig3 Average 2013 (Spot Market)
1. Drilling days		25.3	18.5
Other days	No Data	3	3
Moving days		4	3
<i>Total rig revenue days per well</i>		32.3	24.5
2. Drilling contractor dayrate		\$23,000	\$28,000
Operator's other intangible cost per day estimate		\$25,000	\$25,000
Total daily cost estimate		\$48,000	\$53,000
<i>Total cost per well (daily services)</i>		<i>\$1,550,400</i>	<i>\$1,298,500</i>
3. Total well savings with H&P – per well per year		\$251,900	
		\$3.75MM	

Increased wells per rig per year versus peer fit-for-purpose: 3.6 wells





FlexRigs Delivering Drilling Efficiencies

- We have approximately 1,300 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% between 2011 and 2012
 - Footage per day has increased approximately 14% in 2013





FlexRigs Leading in Pad Drilling Efforts

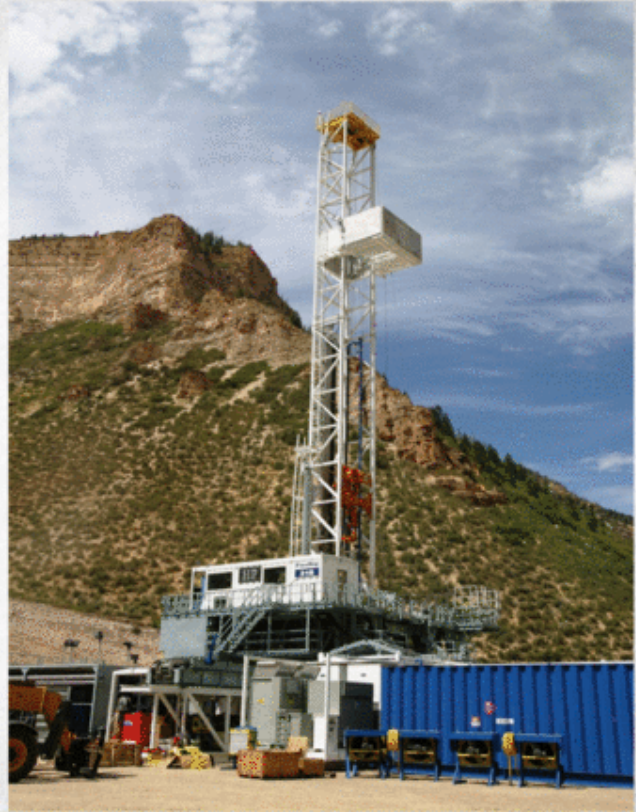
- AC Drive FlexRigs lead in pad drilling efforts in U.S. Land
 - FlexRig3 first pad application in 2004
 - FlexRig4 was the first bi-directional land drilling design
 - FlexRig5 is the latest generation of bi-directional, long lateral pad drilling rig
 - We have drilled over 6,700 wells on approximately 1,350 pads





H&P's Pad Capable Fleet

- Approximately 50% of H&P's U.S. Land active fleet, all of which are AC drive rigs, are equipped with hydraulic pad systems.
- Our pad capable fleet is fully utilized.
- In addition, we continue to add new pad capable FlexRigs and have customer interest in additional pad drilling system upgrades for existing FlexRigs.

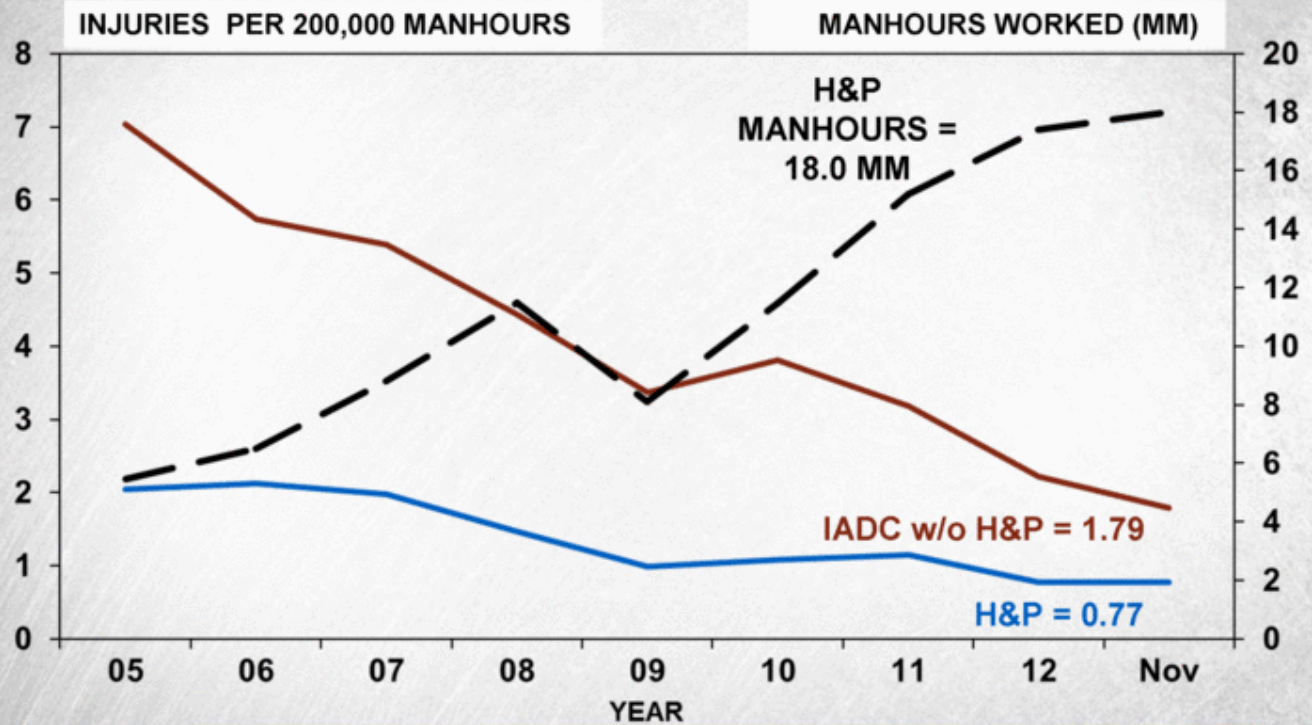




Delivering Safety – H&P vs. Industry (IADC)

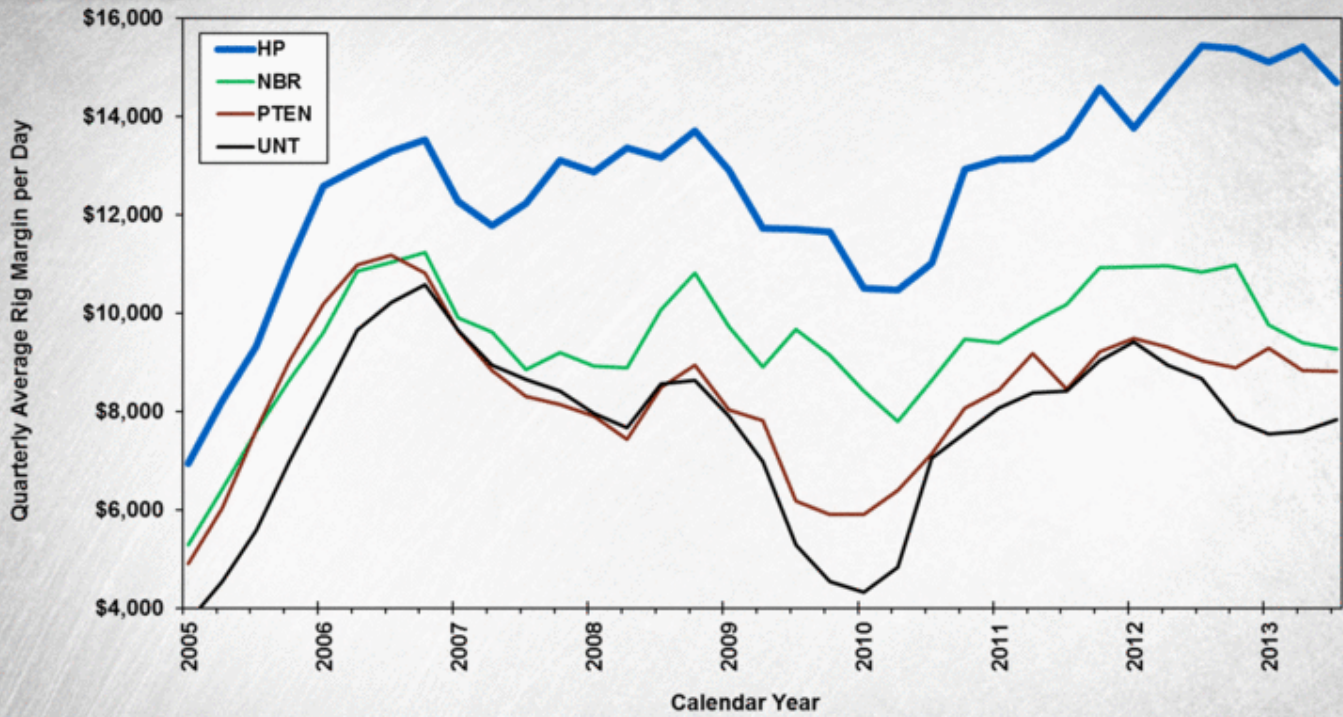
U.S. Land Safety Performance (2005 – Nov 2013)

OSHA Recordable Injury Incidence Rates





U.S. Land Average Daywork Margins⁽¹⁾



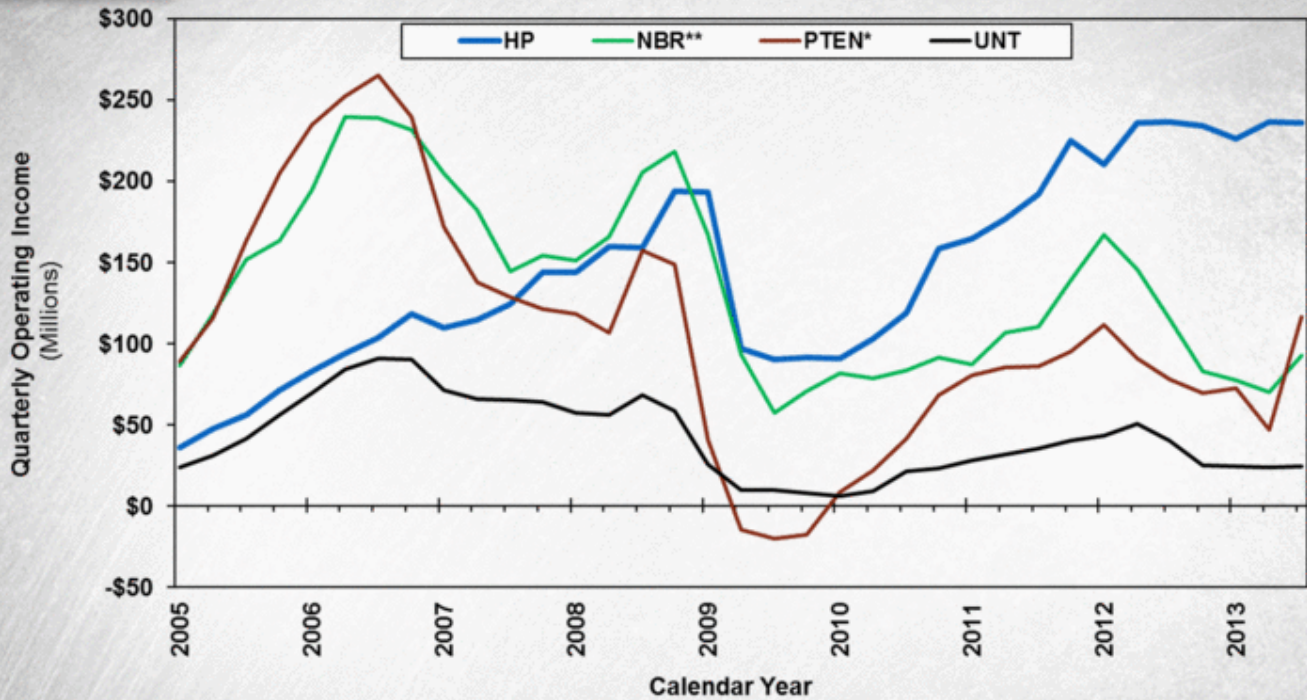
(1) Does not include the impact of early contract termination revenue.





Record Profits During Industry Slowdown

U.S. Land Drilling Operating Income



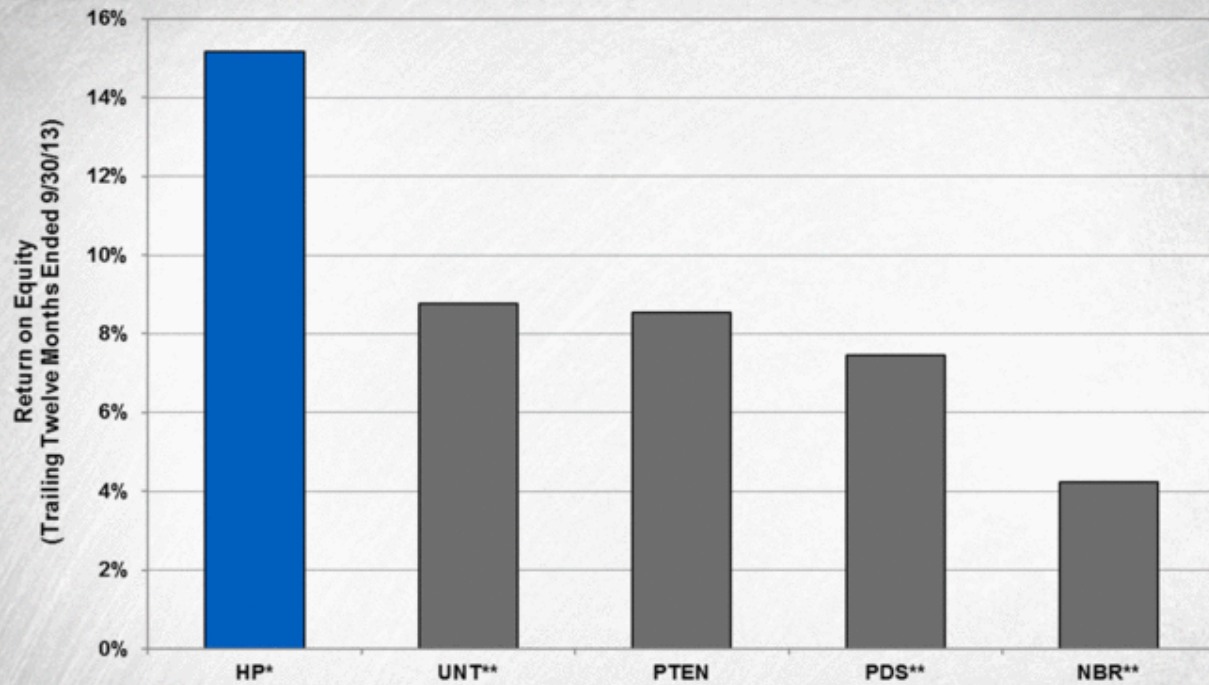
* PTEN's operating income includes drilling operations in Canada.

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





Return on Equity

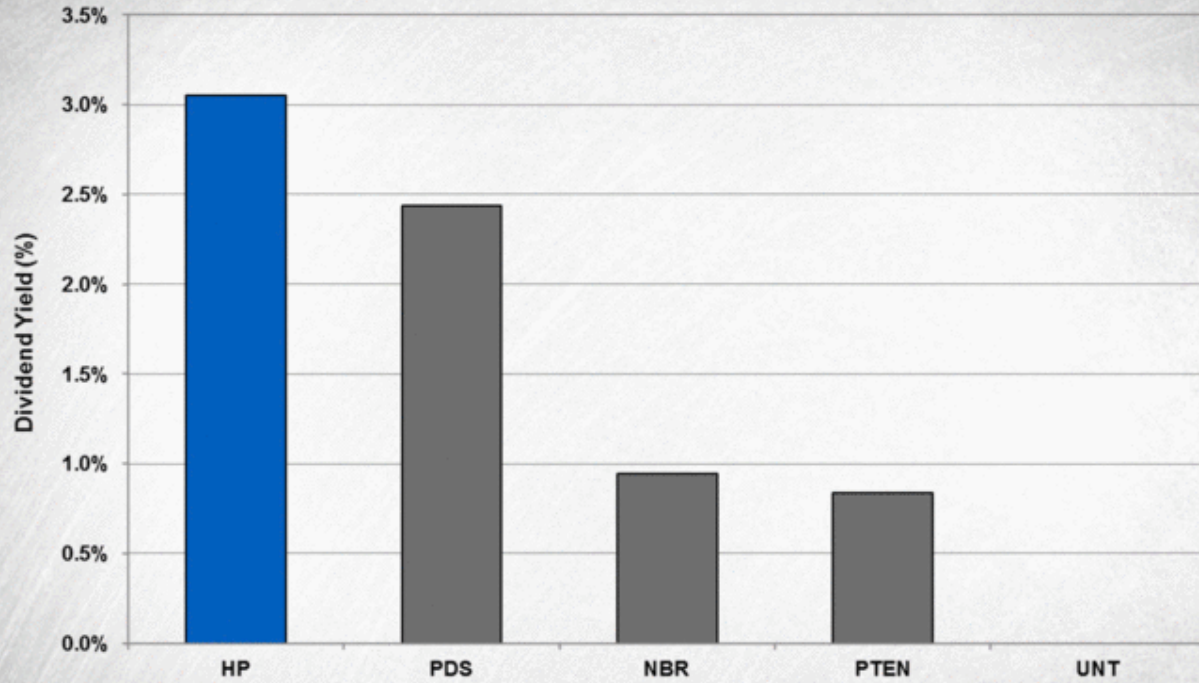


* Including gains from the sale of investment securities and discontinued operations, H&P's corresponding ROE resulted in 17.8%.
** The corresponding ROE values for the selected companies exclude certain extraordinary, non-recurring charges.





Current Dividend Yields

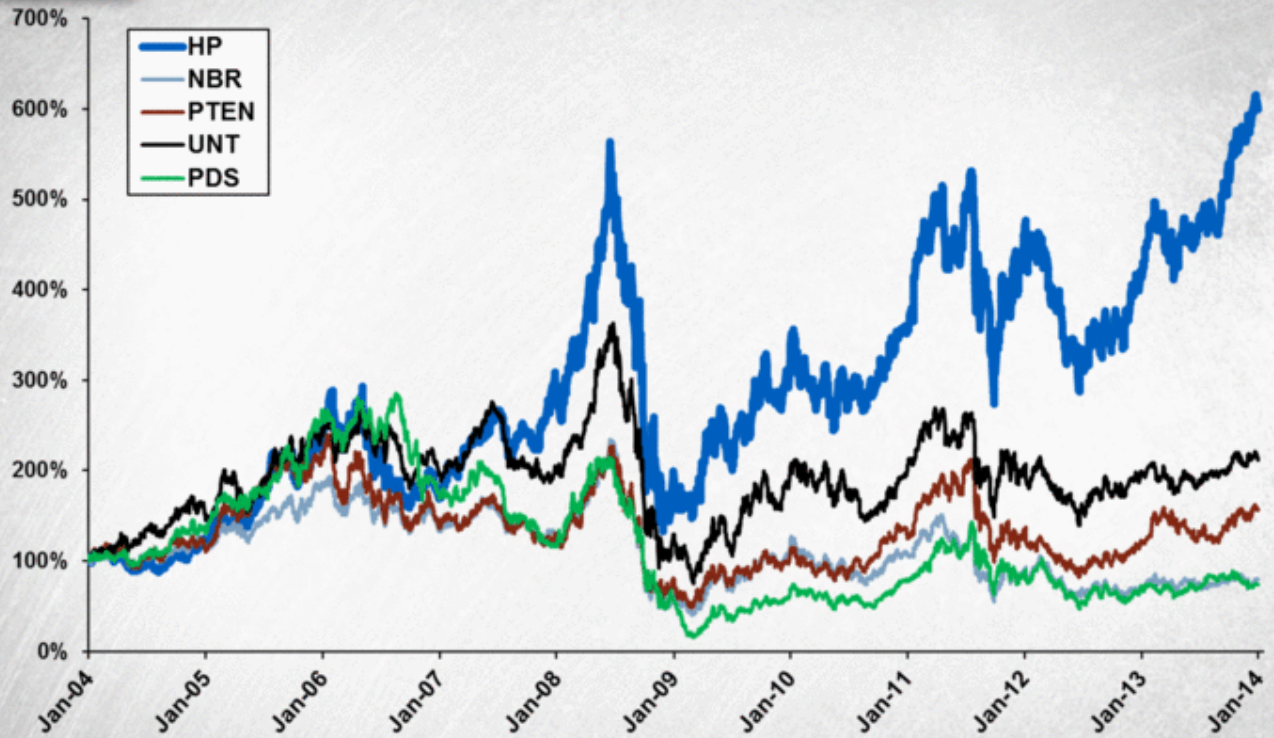


Source: Thomson Financial. Yields calculated as of market close on January 6, 2014.





Ten-Year Relative Shareholder Return

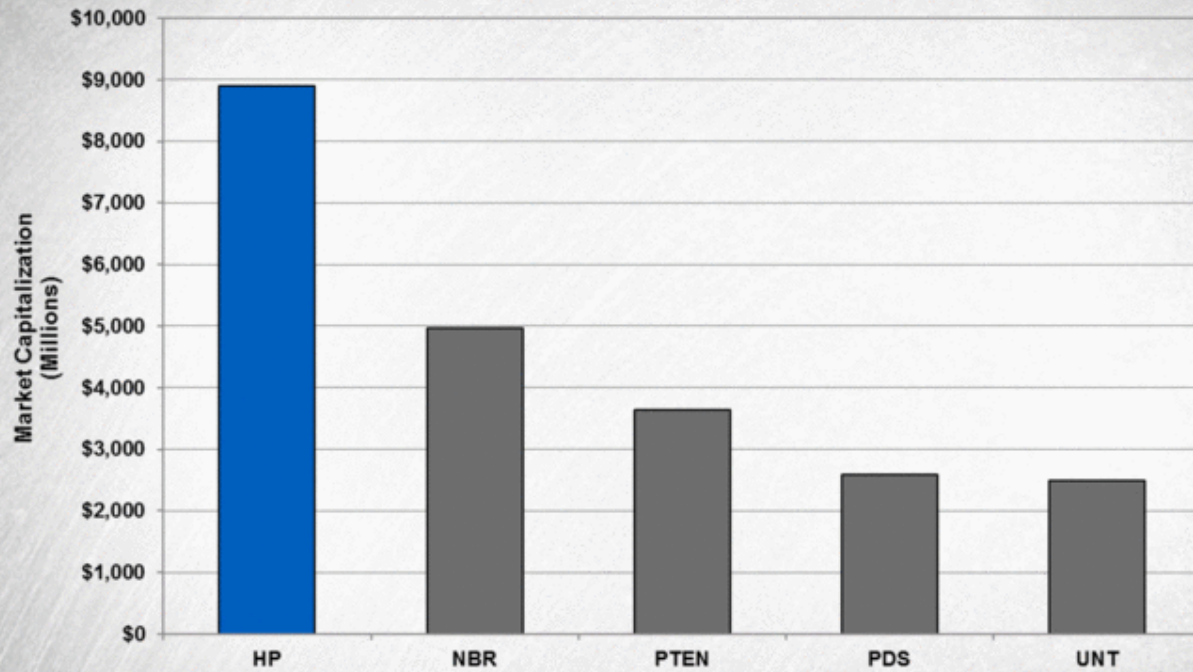


Source: Thomson Financial as of January 6, 2014





Land Drilling Market Valuations



Source: Thomson Financial as of January 6, 2014.





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