

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

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

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
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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: **September 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))
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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. In addition to other information, the attached slides provide (i) updated operational outlook data for the Company's fourth fiscal quarter and (ii) 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: September 9, 2015

EXHIBIT INDEX

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



Helmerich & Payne, Inc.

Barclays 2015 CEO Energy-Power Conference

September 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)

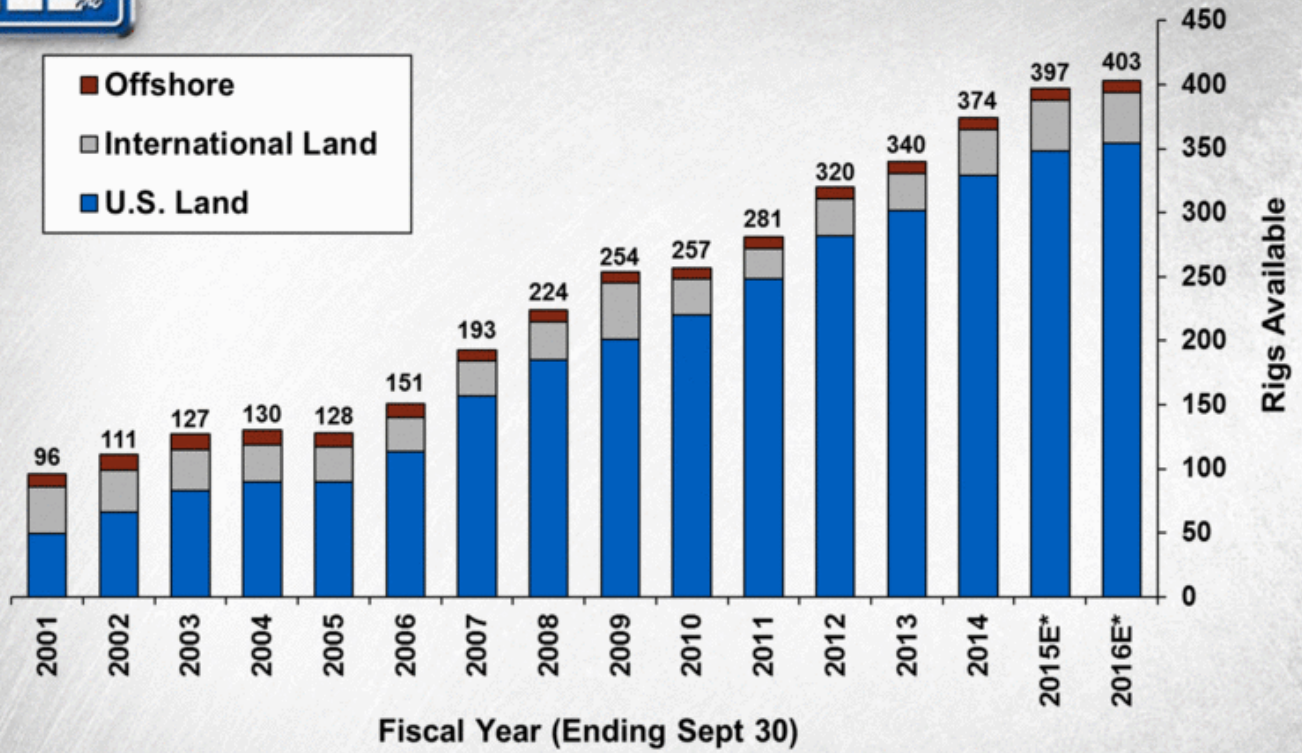


- Very strong balance sheet
- U.S. land drilling market share leader
- Most modern and capable land drilling fleet
- Focused on superior innovation, safety and returns on capital
- Strong term-contracted backlog with high quality customer base





H&P's Global Rig Fleet

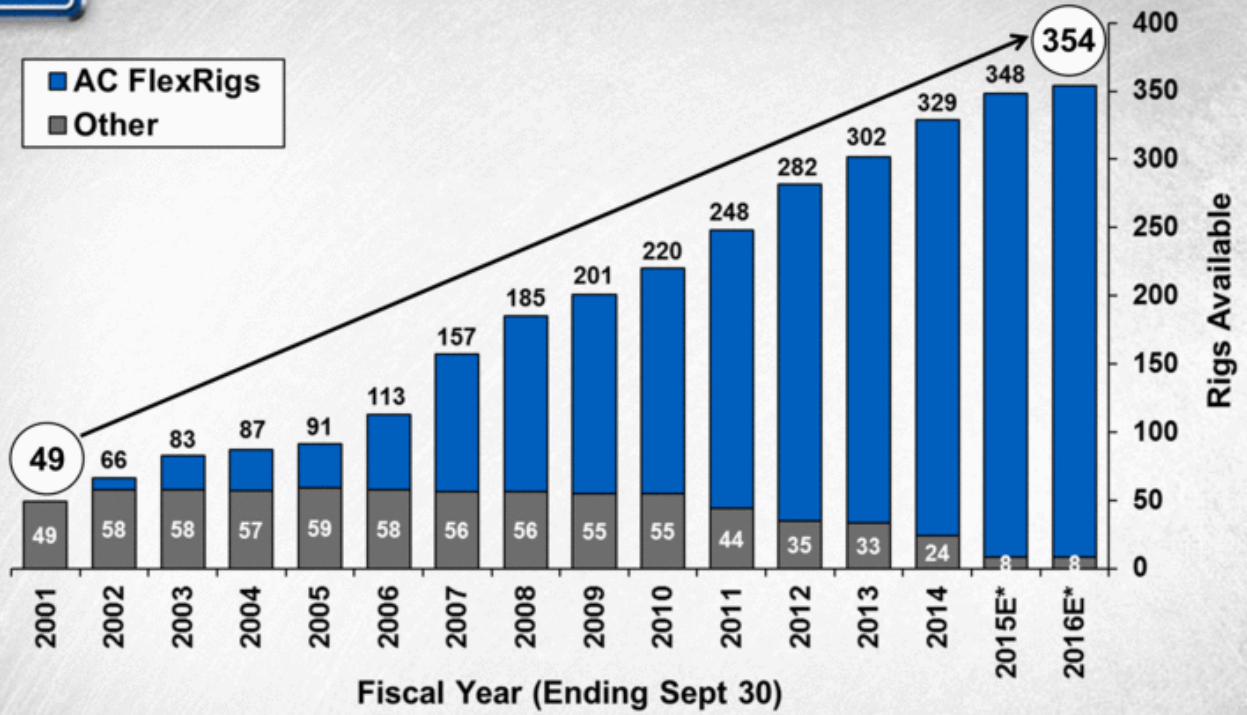


* Estimates include existing rigs and new build commitments as of September 9, 2015 and exclude nine conventional rigs decommissioned at the end of fiscal 2014 and 17 SCR powered FlexRigs decommissioned at the end of 2Q fiscal 2015.





Organic U.S. Land Fleet Growth



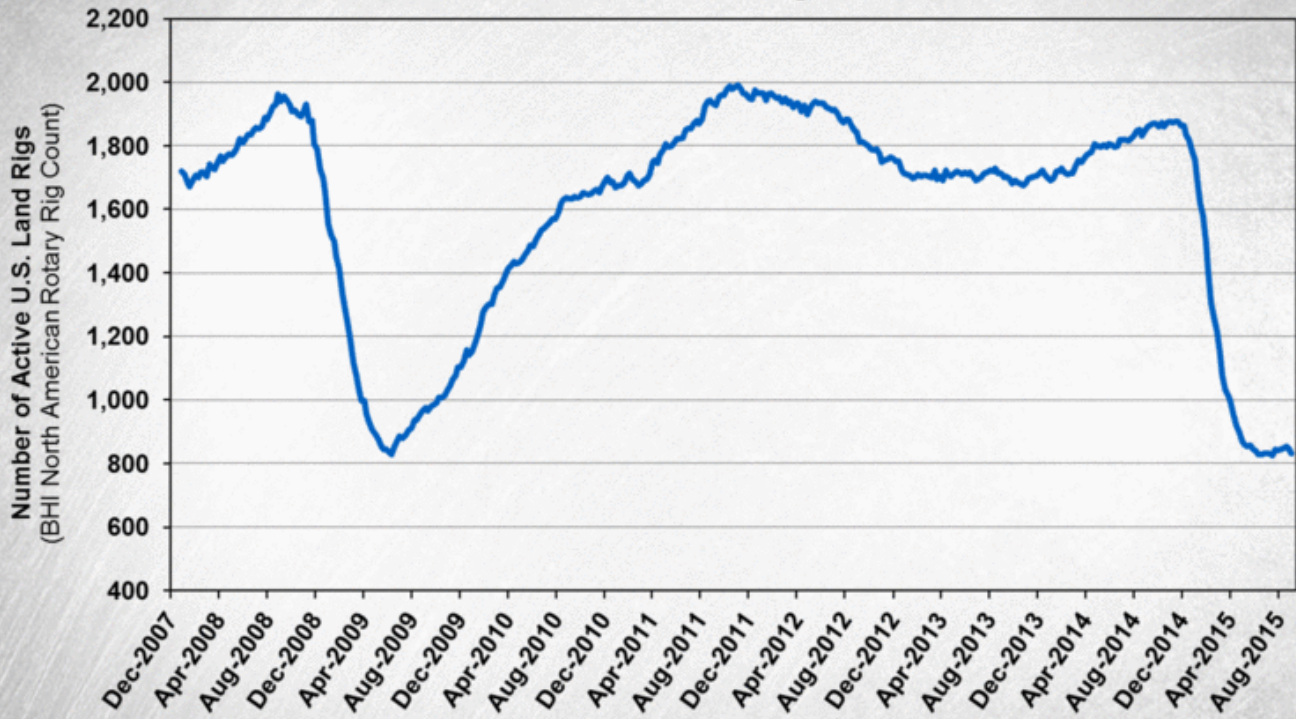
* Estimates include existing rigs and announced new build commitments.





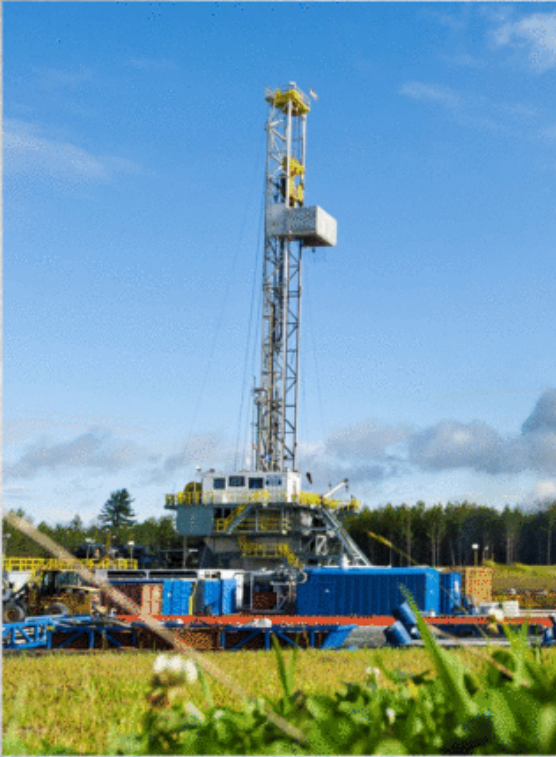
Drilling Activity in the U.S.

BHI U.S. Land Rig Count





U.S. Land Drilling Market Conditions



- Faced with a global oversupply of oil as well as other macroeconomic headwinds, the short-term outlook for the industry is unfavorable.
- The energy services landscape is becoming more competitive with greater pressure to reduce well costs, enhance productivity, and add value for customers.
- Conversations with customers:
 - Many customers have backed off re-activation plans in the second half of 2015.
 - Operators plan to spend within cash flow, and lower commodity prices mean fewer wells drilled.
 - Additional early termination notifications have been recently received and others may follow.
- We believe the Company is well-positioned. Long-term contracts continue to protect our investments, the balance sheet is in great shape, our customer base remains strong, and our competitive advantages have positioned us very well to manage through this cycle and to capture opportunities when they emerge.





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

- H&P's U.S. Land segment had approximately 153 contracted rigs generating revenue as of September 3, 2015, down from 156 on July 30, 2015.
- The U.S. Land segment had 186 idle AC drive FlexRigs as of September 3, 2015.
- As rig activity continues to decline, our U.S. Land segment quarterly revenue days are now expected to sequentially decrease by slightly over 5%.
- Average FlexRig spot pricing continues to decline; it was down by approximately 30% as of September 3, 2015, as compared to spot pricing at the peak last November.
- Since the start of the downturn in late-2014, H&P's U.S. Land segment has received early termination notices for 50 rigs working under long-term contracts.





Fourth Fiscal Quarter H&P Operations Outlook

(as of September 9, 2015)

Drilling Operations Outlook for 4Q of Fiscal 2015 Compared to 3Q of Fiscal 2015

- U.S. Land Segment
 - Revenue days now expected to decrease by slightly over 5%
 - Average rig revenue per day still expected to decrease to roughly \$26,000 (excluding the impact from early termination revenue)
 - Average rig expense per day still expected to decrease to roughly \$13,900

- Offshore Segment
 - Revenue days still expected to be roughly flat
 - Average rig margin per day still expected at ~\$10,500

- International Land
 - Revenue days still expected to decrease by 10-15%
 - Average rig margin per day still expected to decrease by ~30-35% (excluding the impact from early termination revenue)





New Build FlexRigs

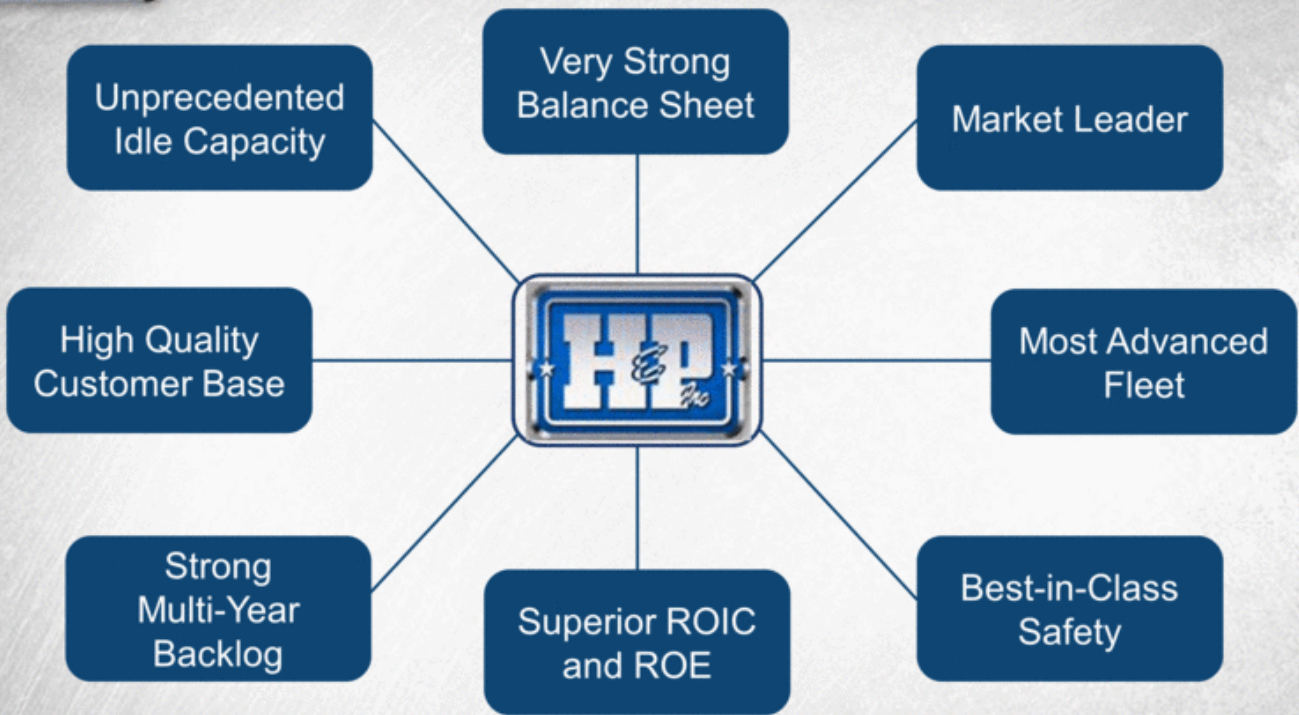
(All Sponsored with Long-Term Contracts)

- Approximately 40 new FlexRigs are scheduled to be completed during fiscal 2015 and approximately 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
- 38 of the 46 new FlexRigs have been completed, and the remaining eight are expected to be completed by the end of the second quarter of fiscal 2016
- Some of the new build deliveries may be delayed in exchange for compensation from customers





H&P Highlights

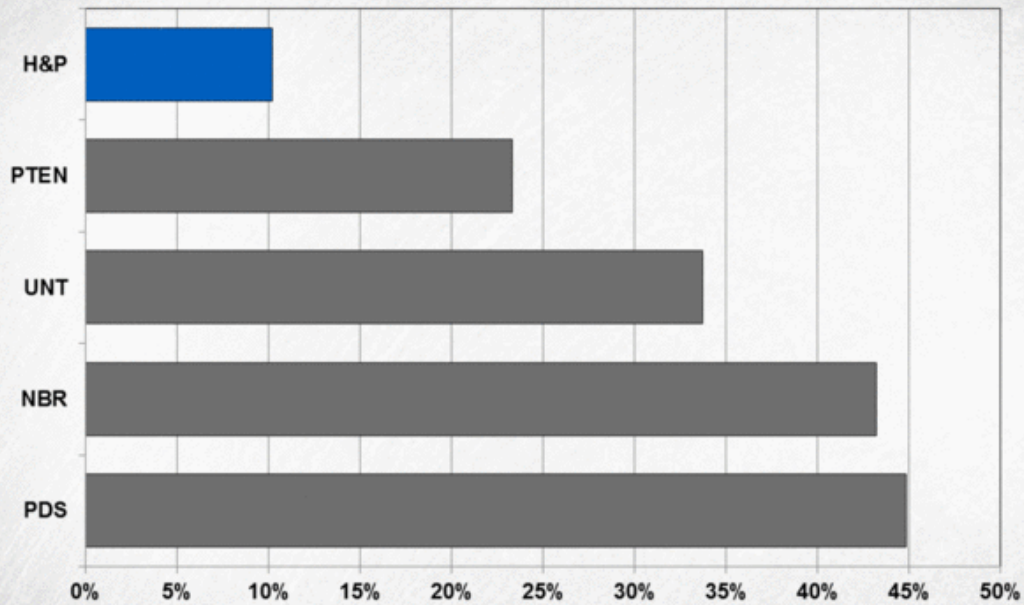




H&P vs. Peers Credit Statistics

(As of June 30, 2015)

Total-Debt-to-Total-Capitalization Ratio¹



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

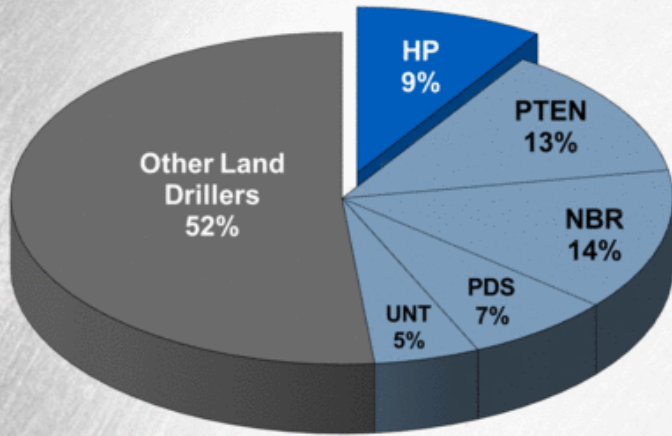
Source: Company Filings

Very Strong Balance Sheet

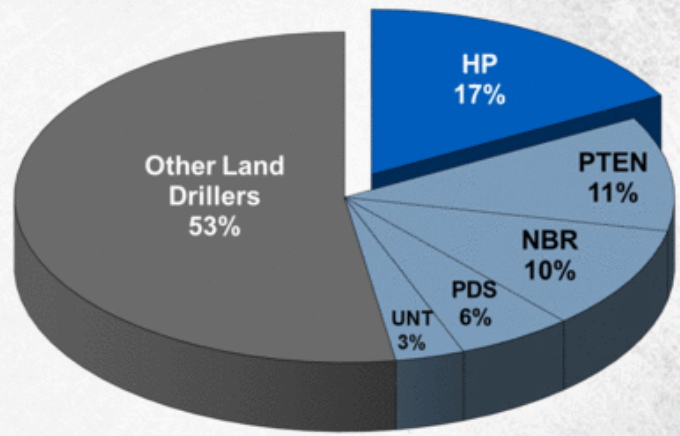


H&P's U.S. Land Market Share

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



As of August 2015
(~820 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.

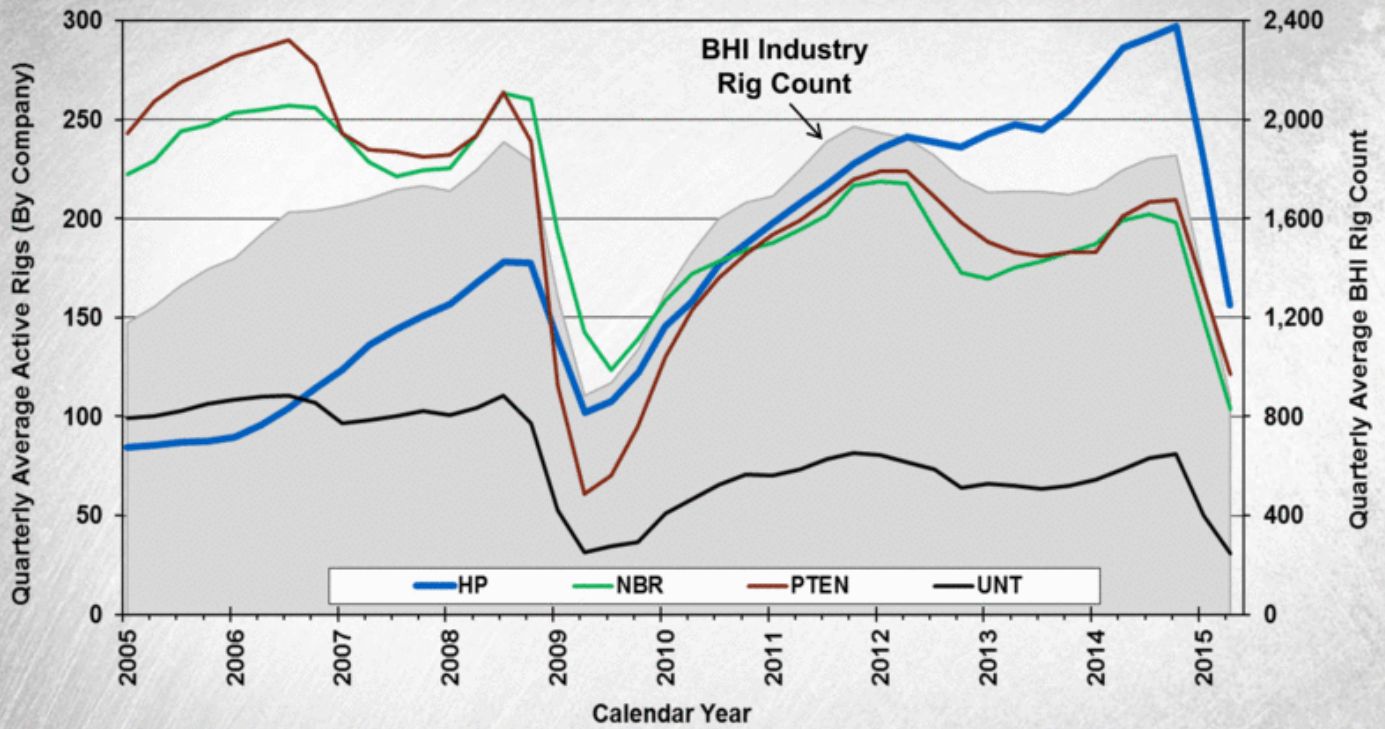


Market Leader



U.S. Land Active Rig Count

Through Second Quarter of Calendar 2015

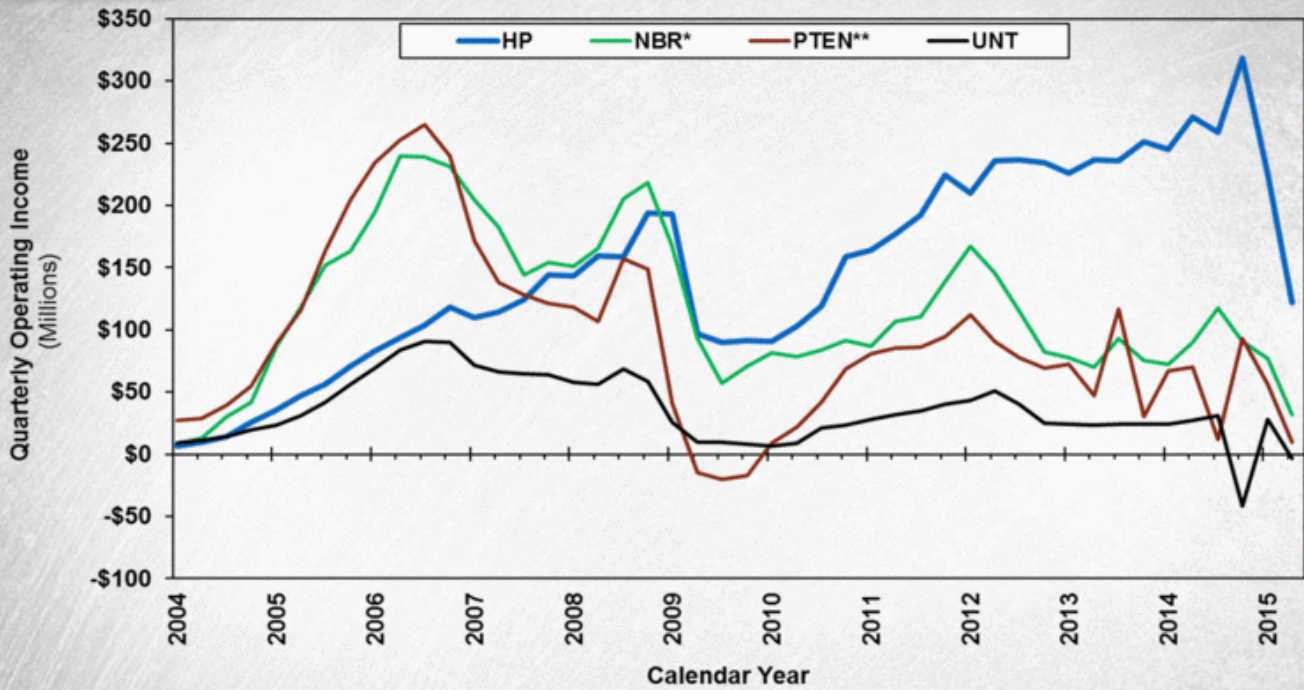


Market Leader



Ten Year Profit Comparison

U.S. Land Drilling Operating Income



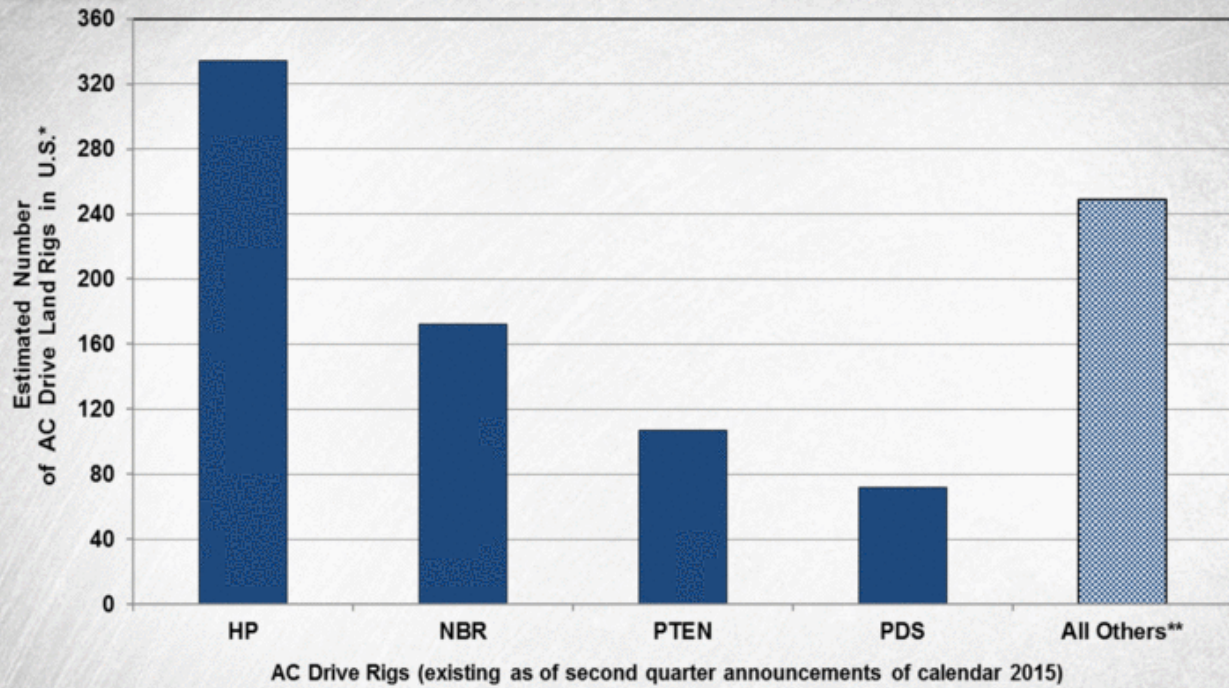
* NBR's operating income corresponds to its U.S. Lower 48, U.S. Offshore, and Alaska business units.

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

Market Leader



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



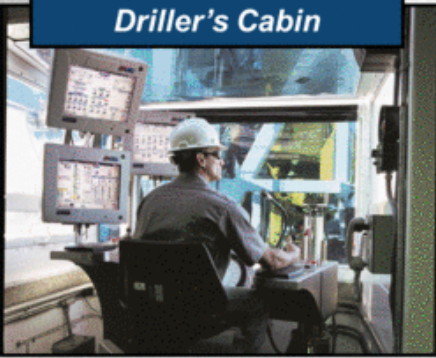
* The above estimates corresponding to U.S. lower 48 AC Drive fleets are derived from Rig Data and corporate filings.
**Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

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



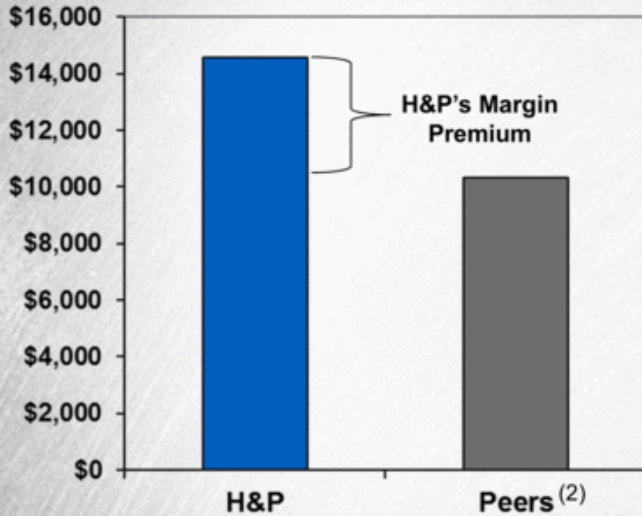
Rig Move Capabilities



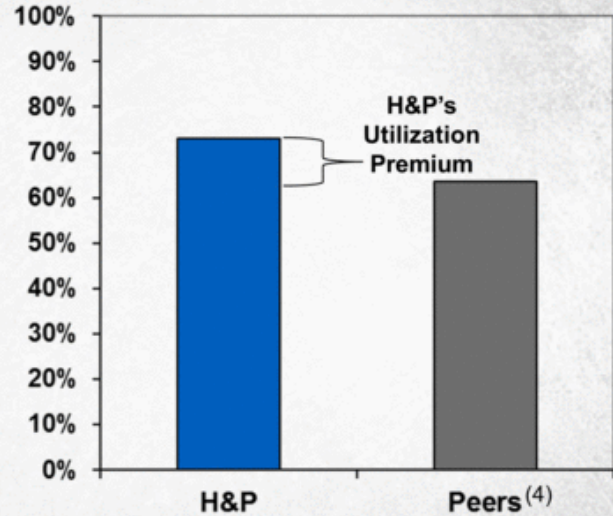


Technology & Quality Service Make a Difference

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



Estimated U.S. Land Rig Utilization⁽³⁾
(12 Months Ended June 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.

(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:

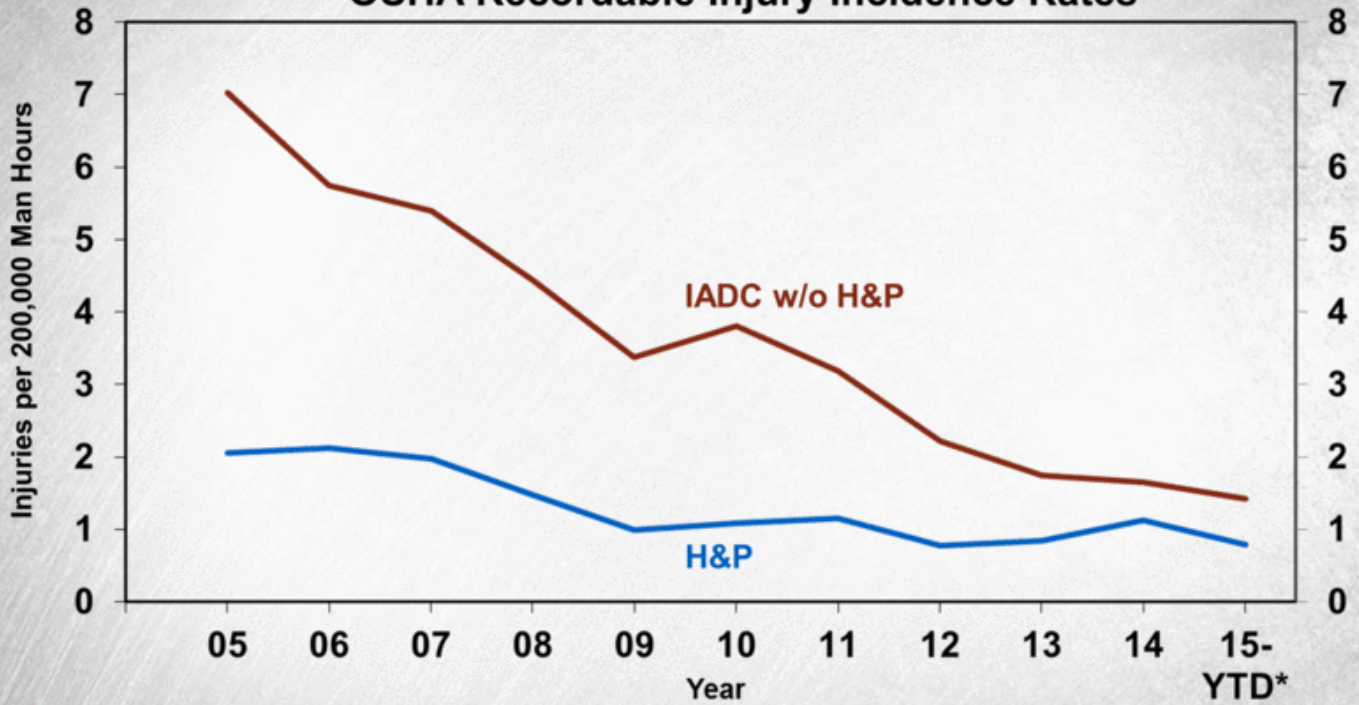
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





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

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



* "H&P" data available through August 2015; "IADC w/o H&P" data available only through 1Q of 2015.

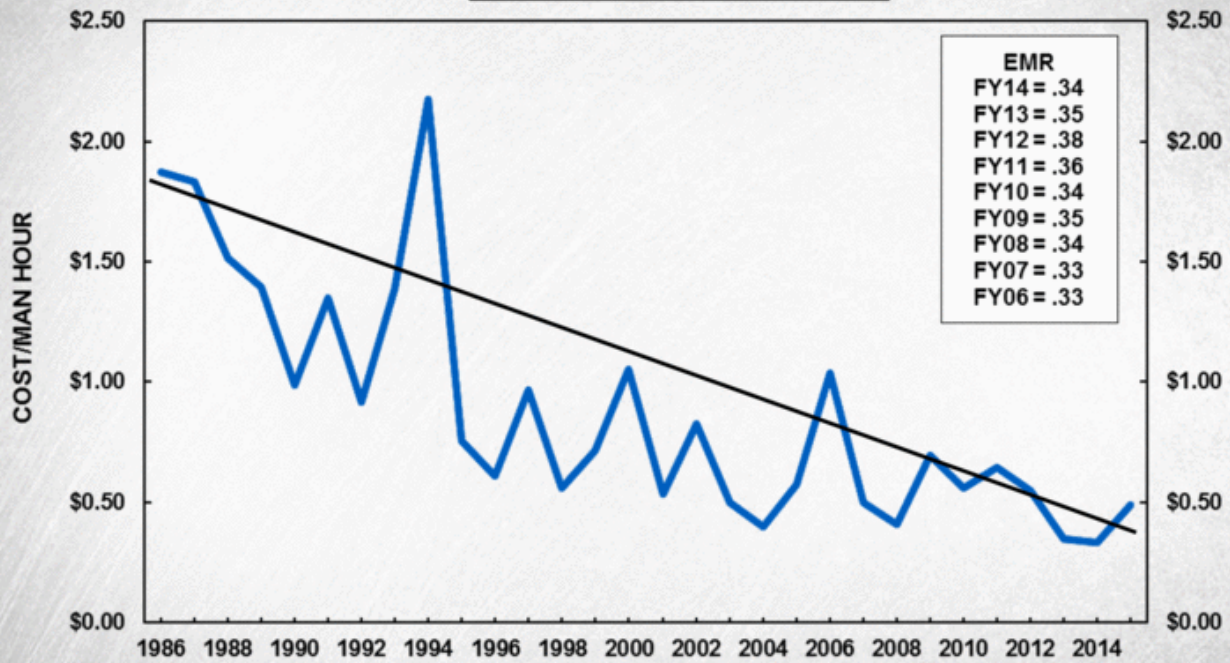
Best-in-Class Safety



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

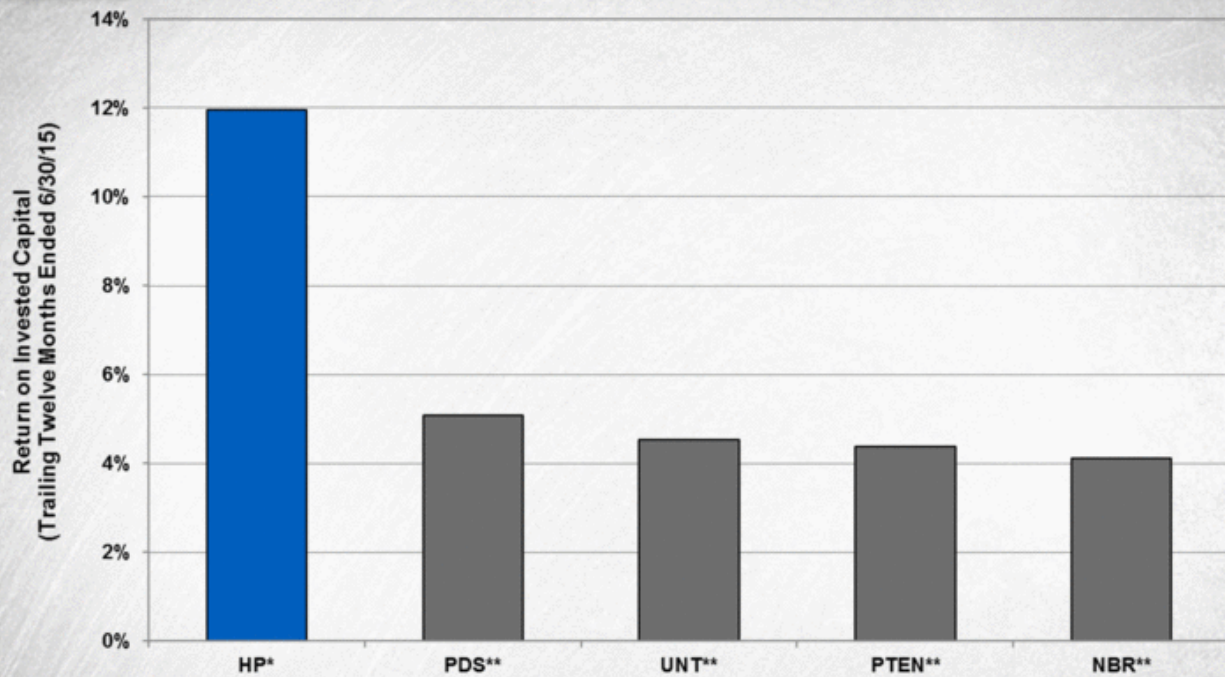


EMR
FY14 = .34
FY13 = .35
FY12 = .38
FY11 = .36
FY10 = .34
FY09 = .35
FY08 = .34
FY07 = .33
FY06 = .33

Best-in-Class Safety



Return on Invested Capital (ROIC)



* Excludes abandonment (non-cash) charges in 4QFY14 and 2QFY15.

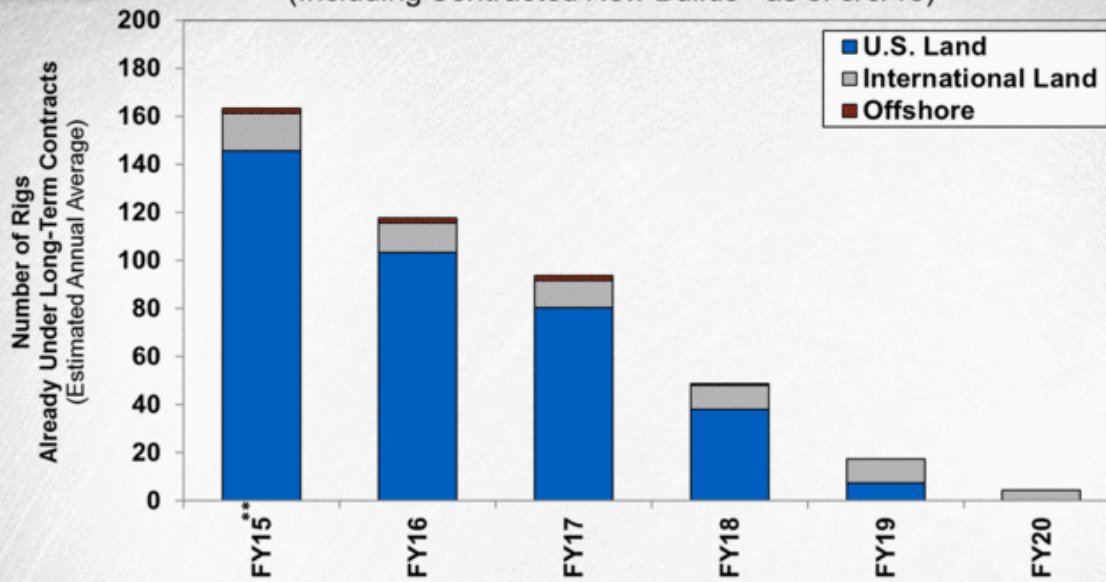
** The corresponding ROIC values for the selected companies exclude certain extraordinary, non-recurring charges.

Superior ROIC and ROE



H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet*
(Including Contracted New Builds - as of 9/3/15)



* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 9/3/15. During the first, second, and third fiscal quarters the Company generated approximately \$23, \$72, and \$85 million in revenues corresponding to long-term contract early terminations, respectively. Given notifications as of 9/3/15, the Company expects to generate over \$60 million in quarters following the third quarter of fiscal 2015 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.

** Fiscal 2015 contract coverage includes a total of approximately 194, 175, and 147 rigs that operated under term contracts during Q1, Q2, and Q3 of FY15, respectively.

Strong Backlog

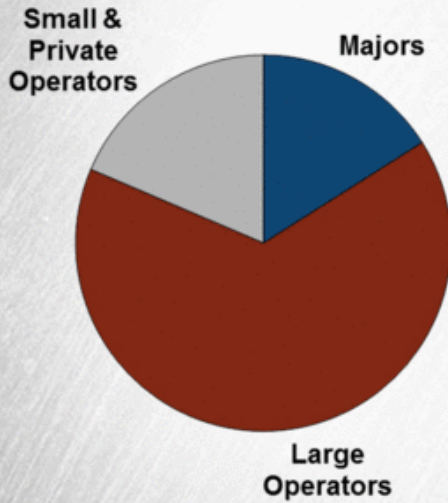


H&P vs. Industry U.S. Land Customer Base

H&P

U.S. Land Activity

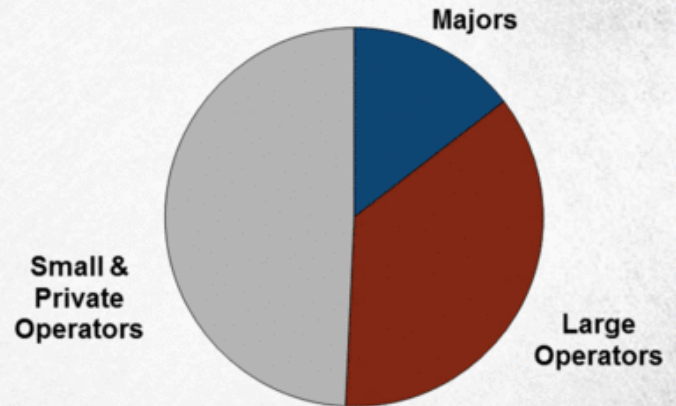
Estimated Customer Distribution
(August 2015)



Industry

U.S. Land Activity

Estimated Customer Distribution
(August 2015)



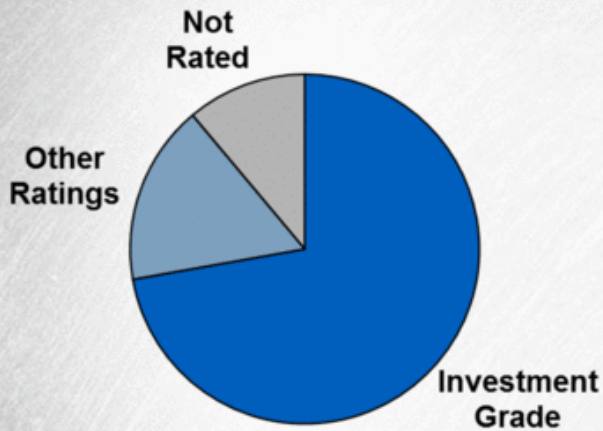
Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.

High Quality Customer Base

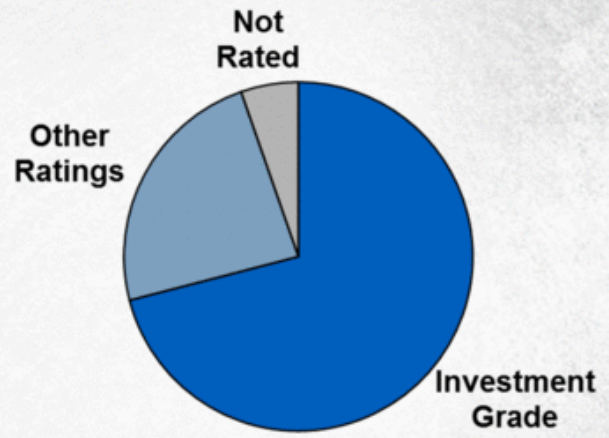


H&P Customer Credit Ratings

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



Number of Contracted Rig-Years**
(\$3.5 Billion H&P Backlog)



* As of June 30, 2015. Consists of 153 contracted U.S. Land rigs, 8 contracted Offshore rigs, and 19 contracted International Land rigs. Includes approximately 53 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 fourth fiscal quarter (July 1, 2015). The value of the H&P backlog is expected to continue to decline during the fourth fiscal quarter as the Company earns the corresponding income during the quarter through operations or through early contract termination fees.

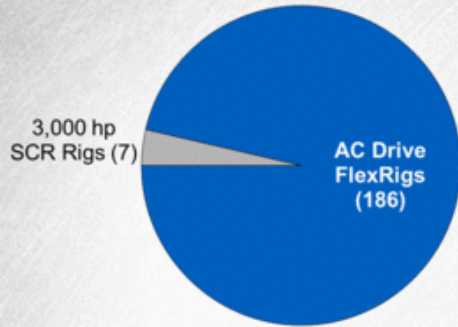
High Quality Customer Base



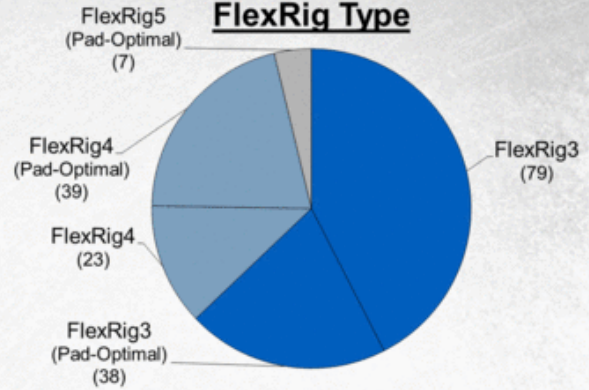
H&P U.S. Land Fleet (Idle Rigs as of 9/3/15)

Unprecedented Leverage to Cyclical Recovery

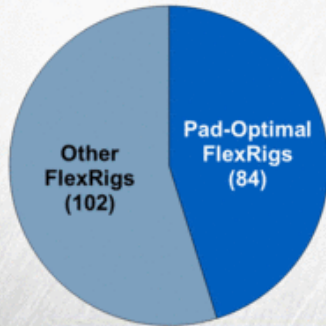
Rig Power Type



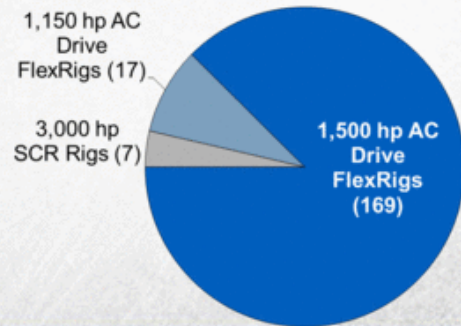
FlexRig Type



Pad-Optimal AC Drive FlexRigs



Drawworks Horsepower

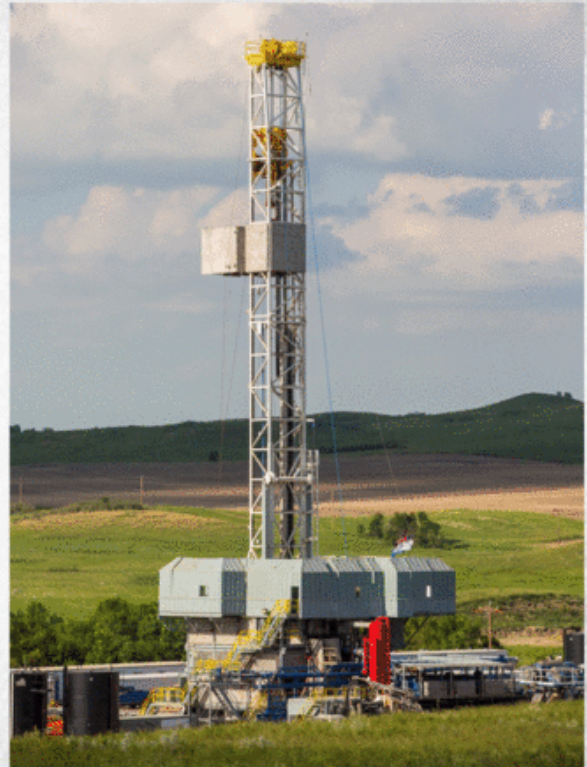


Unprecedented Idle Capacity



Ongoing U.S. Land Market Trends

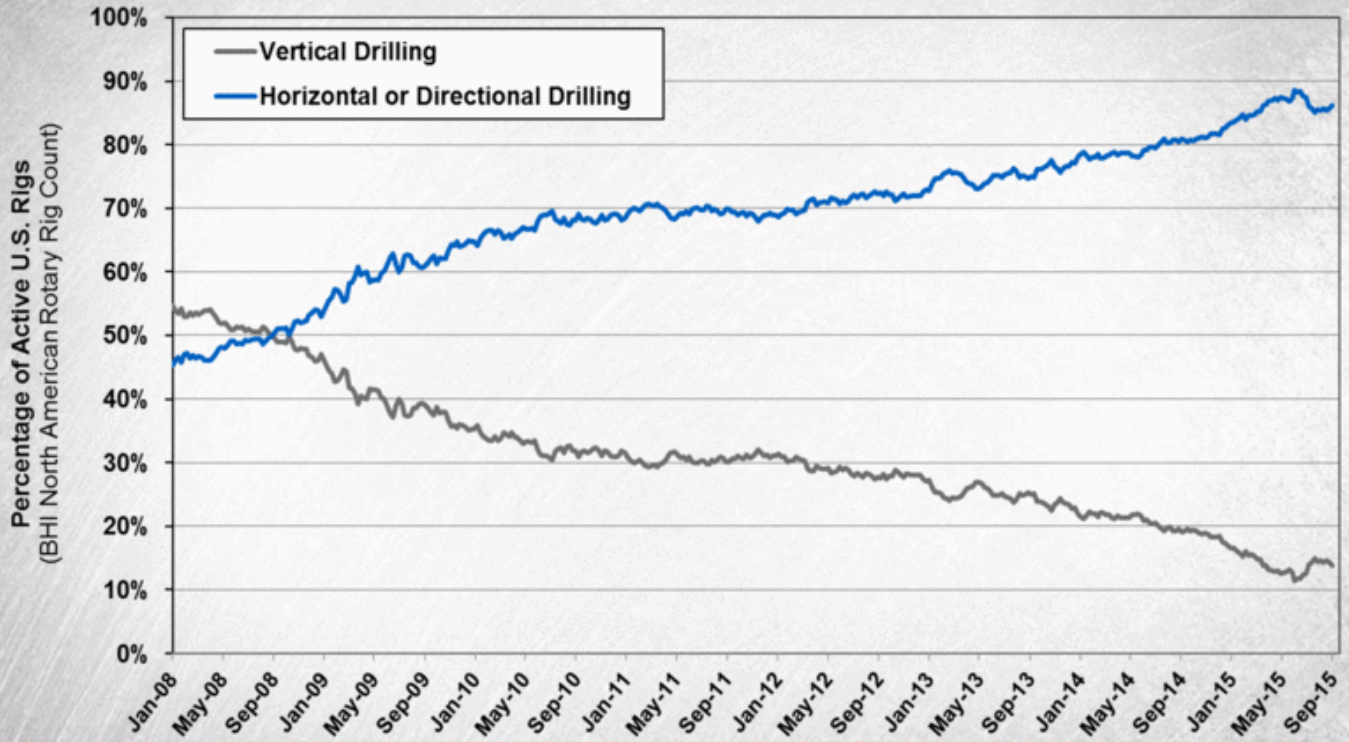
- Unconventional plays continue to shape the landscape.
- Multiple wells being drilled from a single pad.
- AC drive rigs are best suited for more complex horizontal drilling.
- Customers continue to focus on drilling efficiency, technology and safety.
- The replacement cycle is expected to continue.





Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type

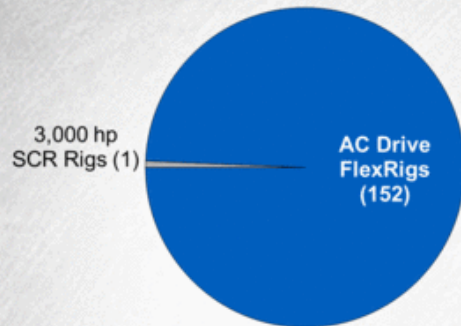




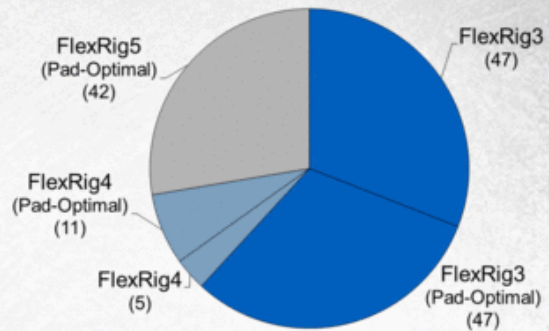
H&P U.S. Land Fleet – Proxy for Pad Drilling

(Contracted Rigs as of 9/3/2015)

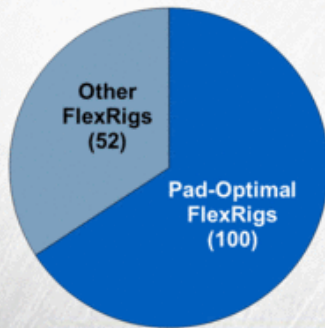
Rig Power Type



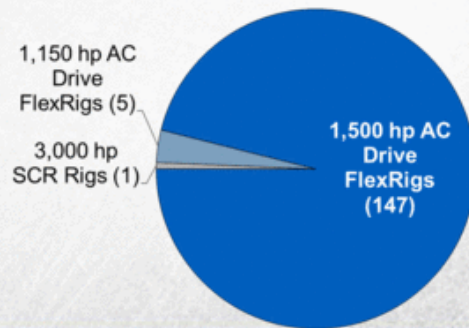
FlexRig Type



Pad-Optimal AC Drive FlexRigs

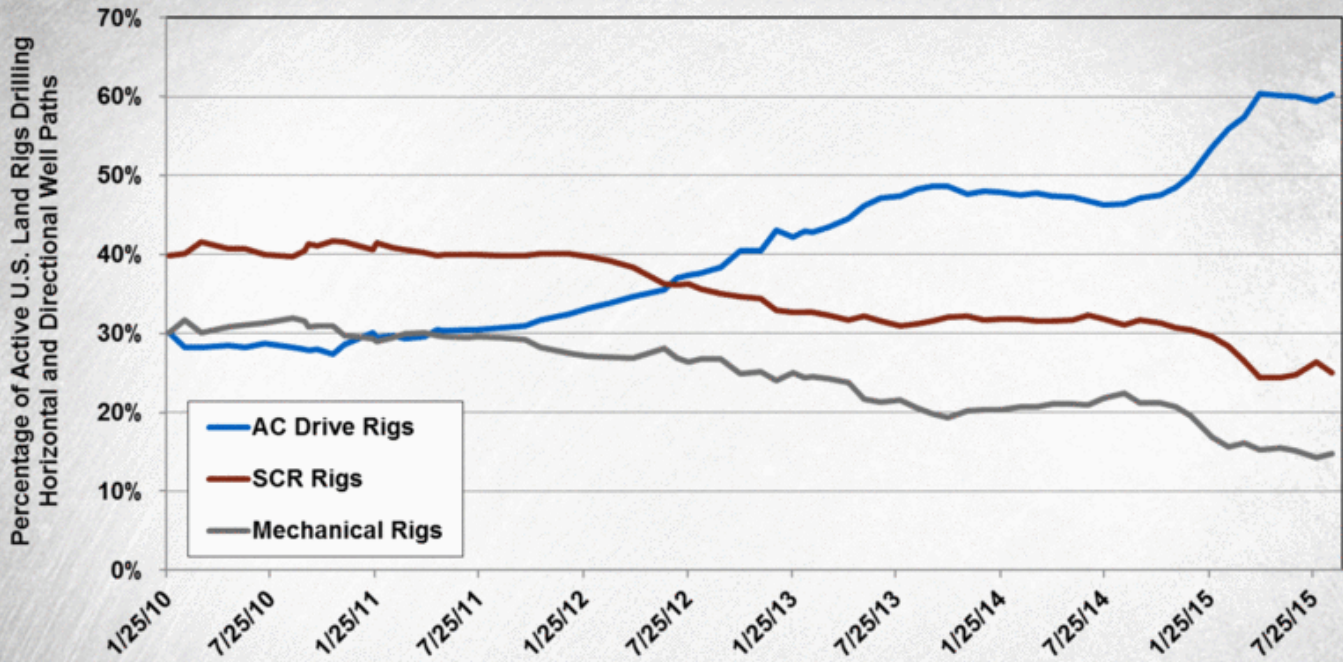


Drawworks Horsepower





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.



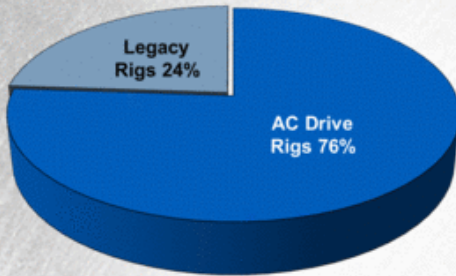


The Replacement Cycle: Customer Adoption

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

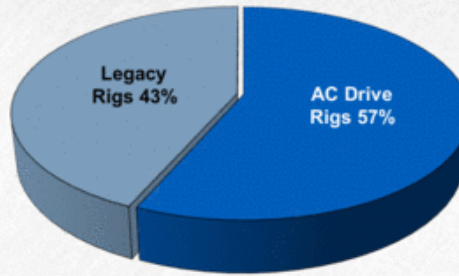
Top 10 Operators

(~210 Active Rigs by Power Type)



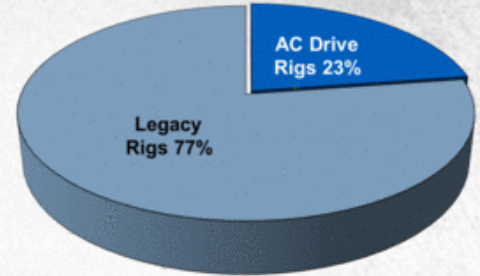
Next 90 Operators

(~400 Active Rigs by Power Type)



Remaining Operators

(~210 Active Rigs by Power Type)



Top 10 Operators	Next 90 Operators	Remaining Operators
They represent the 10 most active operators and employ ~26% of the industry's active drilling rigs.	They represent the next 90 most active operators and employ ~49% of the industry's active drilling rigs.	They represent all other remaining active operators and employ ~25% of the industry's active drilling rigs.
~90% of their rigs are drilling horizontal or directional wells.	~92% of their rigs are drilling horizontal or directional wells.	~62% of their rigs are drilling horizontal or directional wells.
~20% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~37% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~42% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.

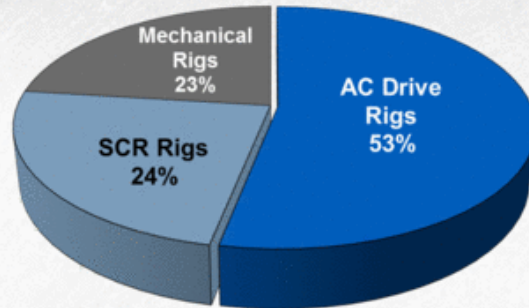
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made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



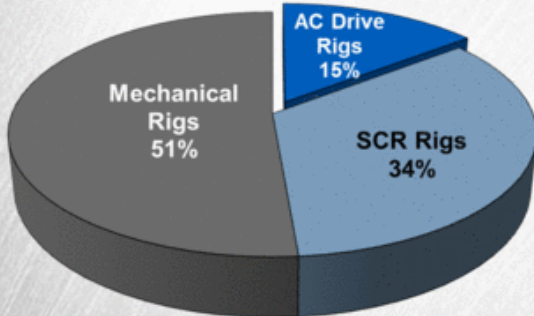


The Replacement Cycle Continues

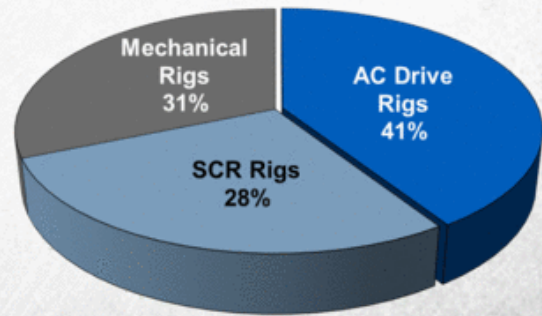
As of August 2015
(~820 Active Rigs in U.S. Land By Power Type)



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)



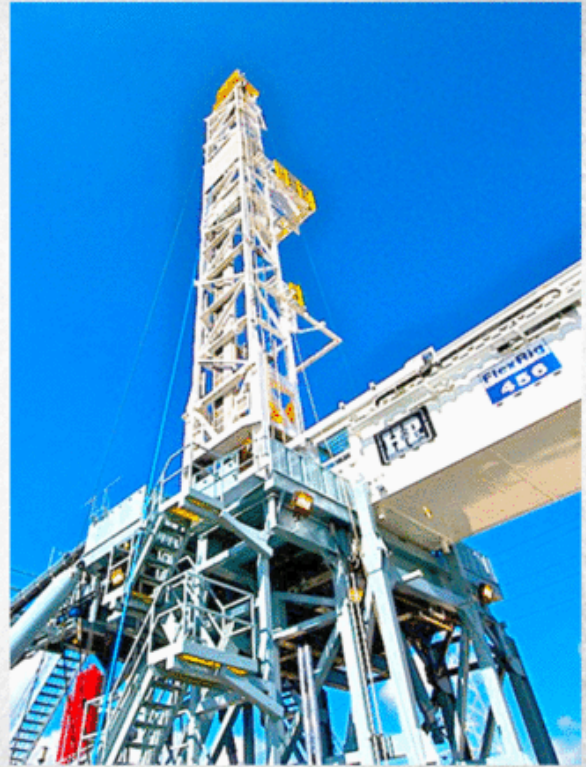
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made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





H&P Activity as of September 3, 2015

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	346	153	44%
AC Drive FlexRigs	338 ⁽¹⁾	152 ⁽²⁾	45%
SCR Fleet	8	1	13%
Offshore	9	8	89%
International Land	<u>40</u>	<u>17</u>	<u>43%</u>
Total	395	178	45%
FlexRig Construction⁽³⁾	8		
Total Fleet	403		

(1) 54% is pad-capable.

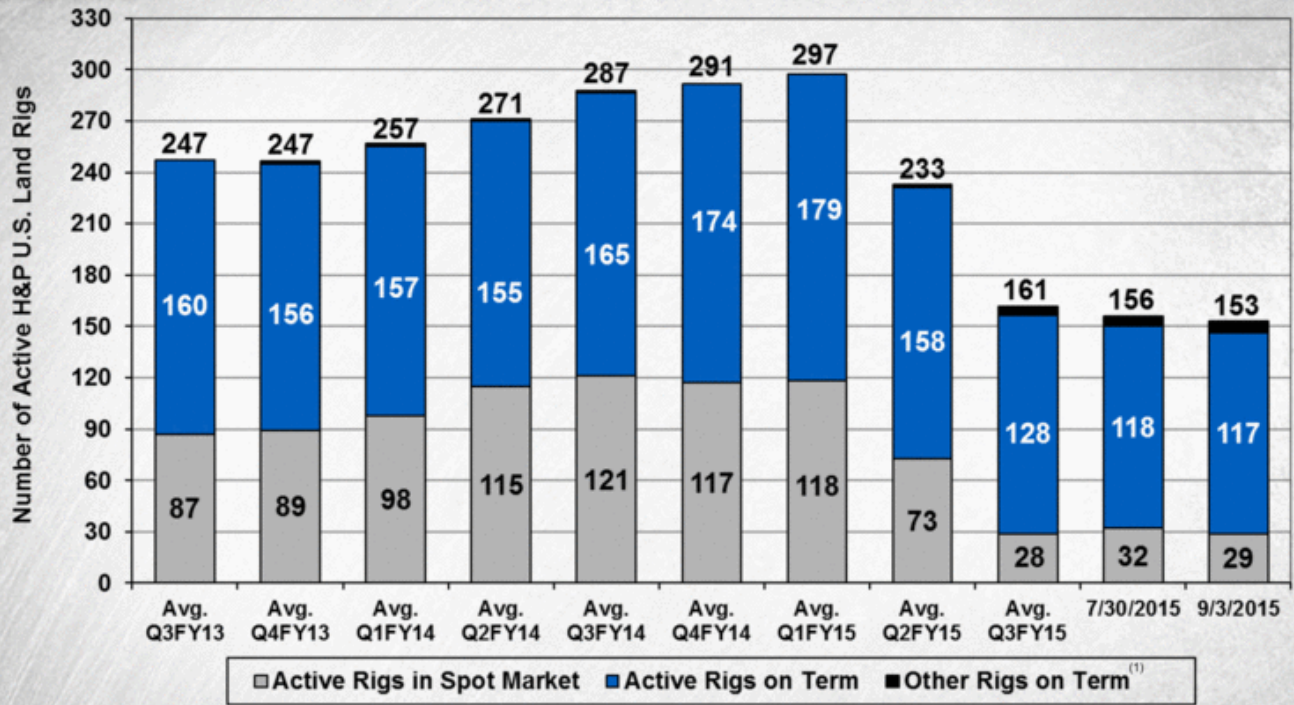
(2) 66% is pad-capable.

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





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



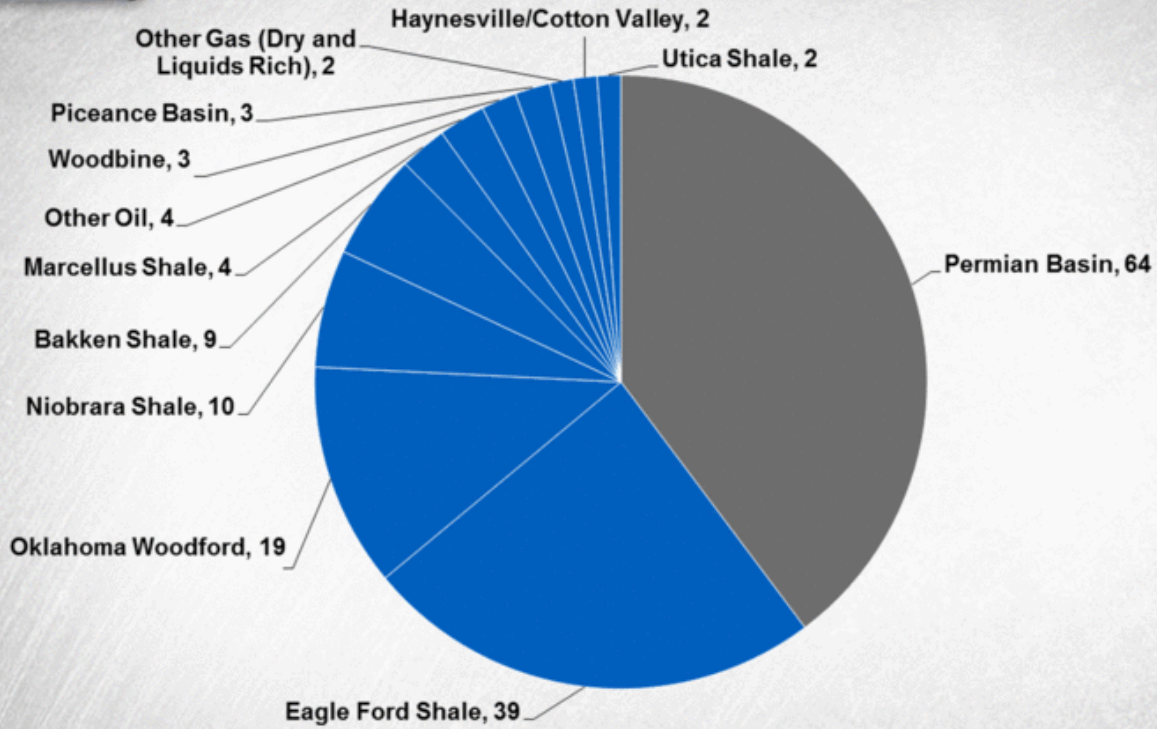
(1) Includes completed new builds pending delivery and not generating revenue days.





Leading U.S. Unconventional Driller

(161 H&P Contracted Land Rigs as of 9/3/15*)



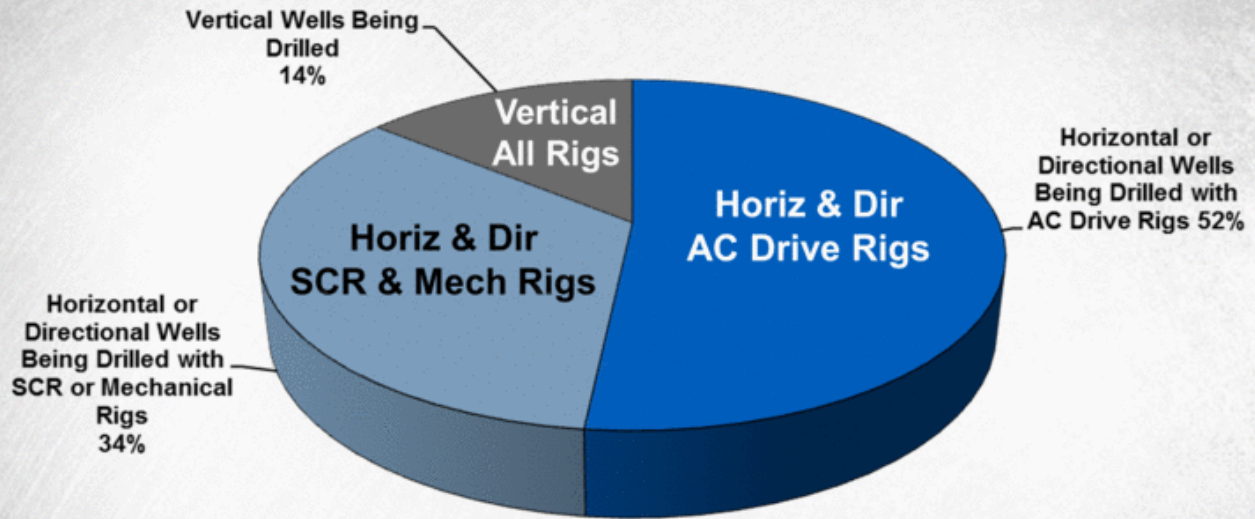
* Includes 8 announced new FlexRigs with customer commitments scheduled for delivery in fiscal 2015 and first half fiscal 2016.





U.S. Activity by Well and Rig Type

~820 Active U.S. Land Rigs (August 2015)



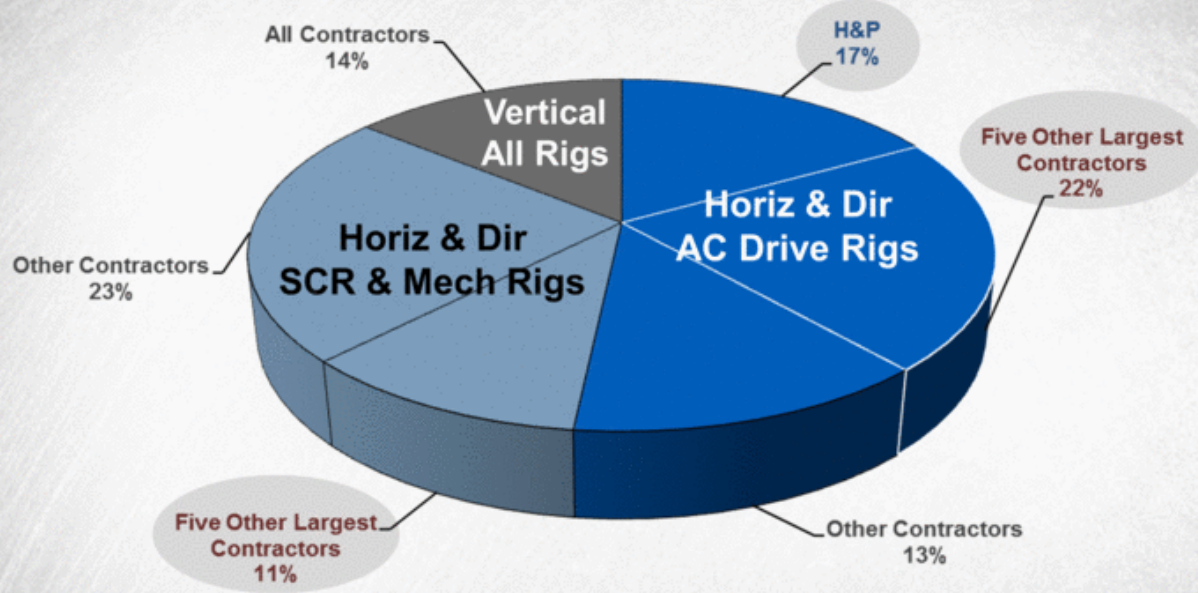
Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions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





U.S. Activity by Well and Rig Type

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Leading Replacement Cycle



H&P's International Land Operations

Rig Fleet Status (as of September 3, 2015)

	Active	Idle	Total	Long-term Contracts ⁽¹⁾
Argentina	11	8	19	10
Bahrain	1	2	3	1
Colombia	2	6	8	1
Ecuador	1	5	6	
Tunisia		2	2	
U.A.E.	2		2	
Total	17	23	40	12 ⁽²⁾

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

(2) 11 of 27 FlexRigs, included in the international fleet of 40 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 9/3/15)

Segment	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17
U.S. Land	118.7	108.7	103.1	103.5	98.6	91.6	84.6
International Land	15.4	12.2	12.0	12.0	12.0	12.0	12.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	136.1	122.9	117.1	117.5	112.6	105.6	98.6

* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 9/3/15. During the first, second, and third fiscal quarters the Company generated approximately \$23, \$72, and \$85 million in revenues corresponding to long-term contract early terminations, respectively. Given notifications as of 9/3/15, the Company expects to generate over \$60 million in quarters following the third quarter of fiscal 2015 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



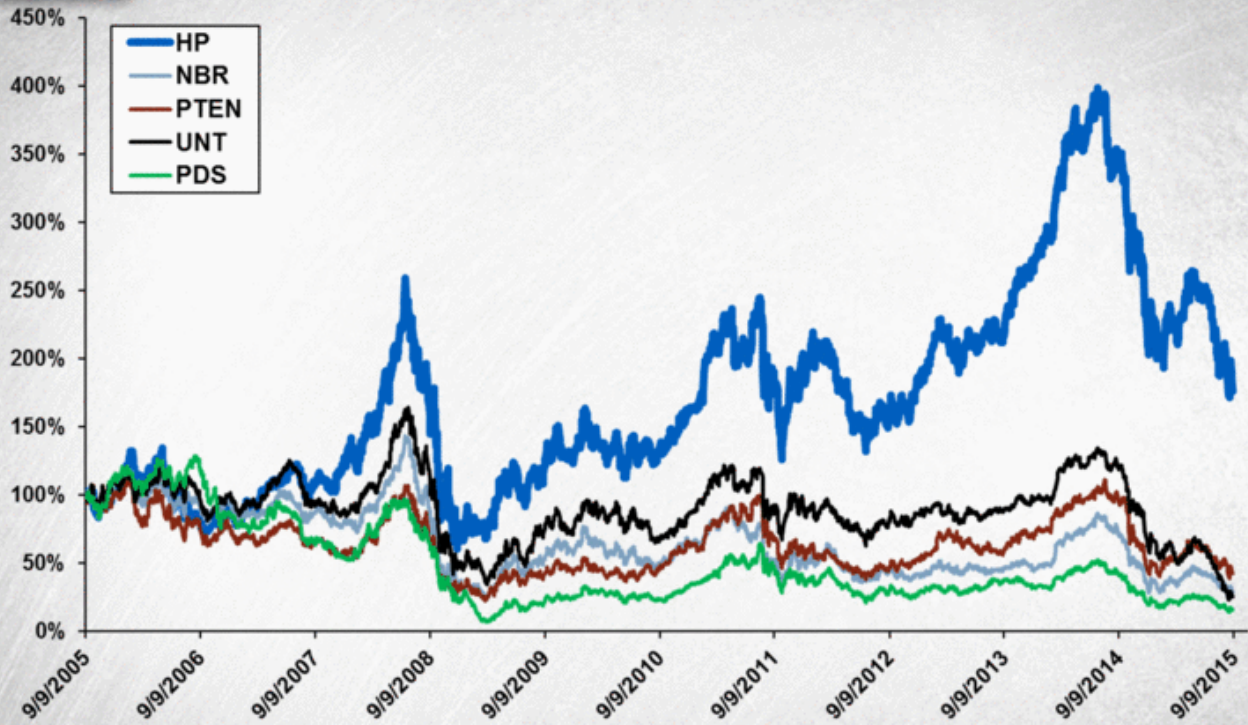
The Value Proposition: The Power of Efficiency

	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

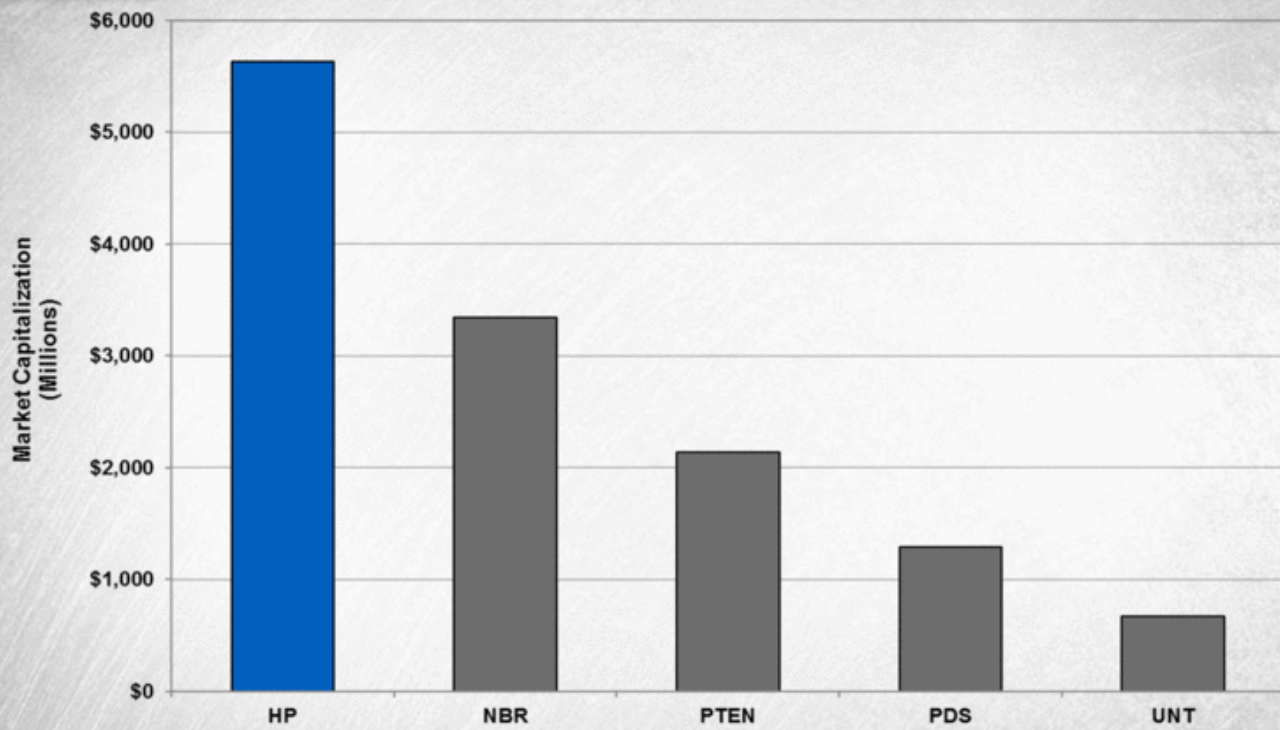


Source: Thomson Reuters as of September 4, 2015.





Land Drilling Market Valuations

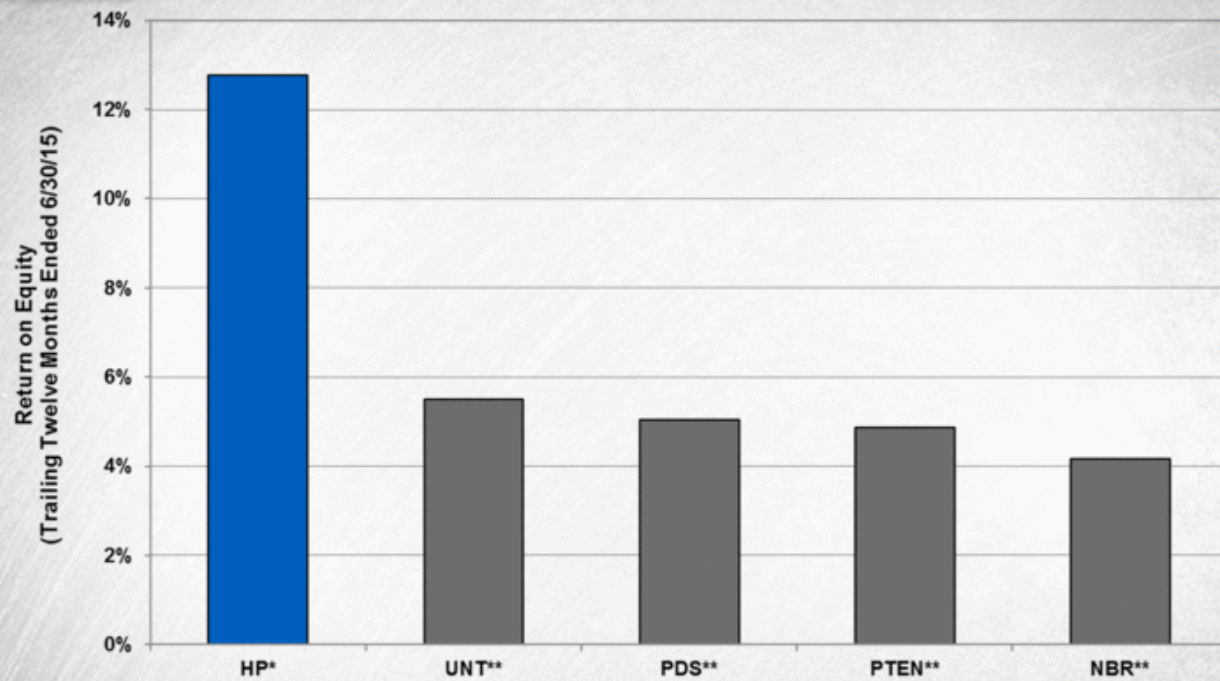


Source: Thomson Reuters as of September 4, 2015.





Return on Equity



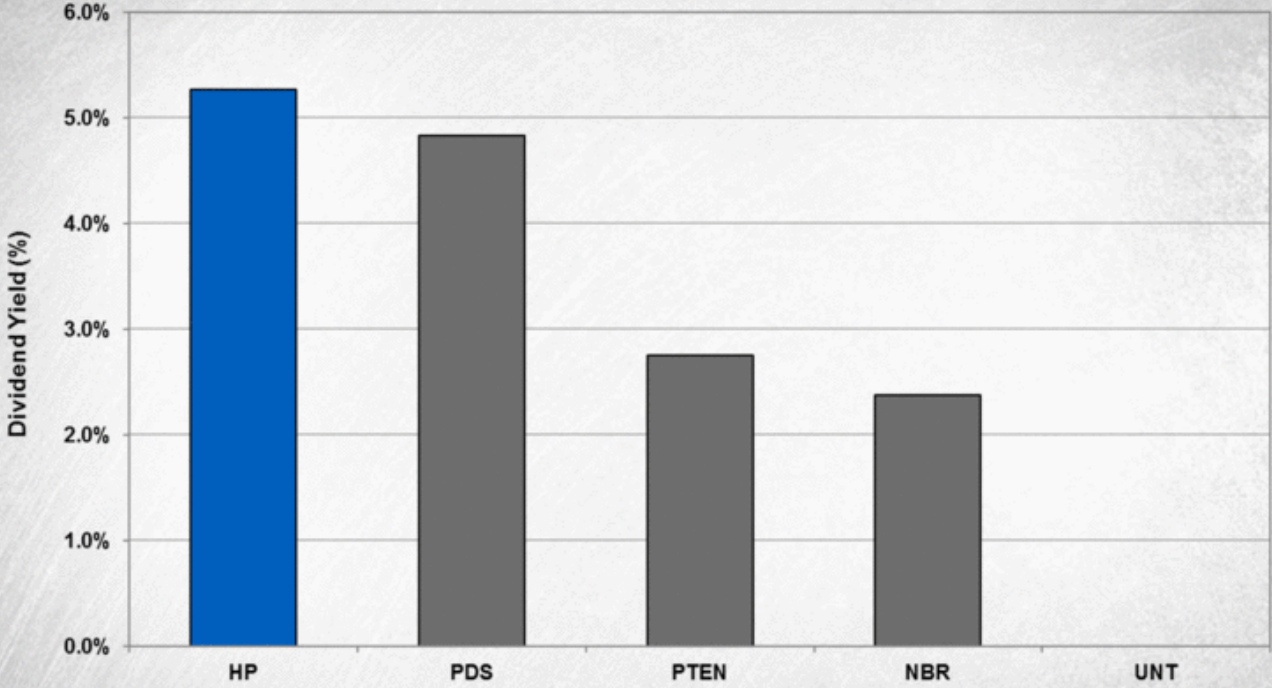
* Excludes abandonment (non-cash) charges in 4QFY14 and 2QFY15.

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

Superior ROIC and ROE



Current Dividend Yields

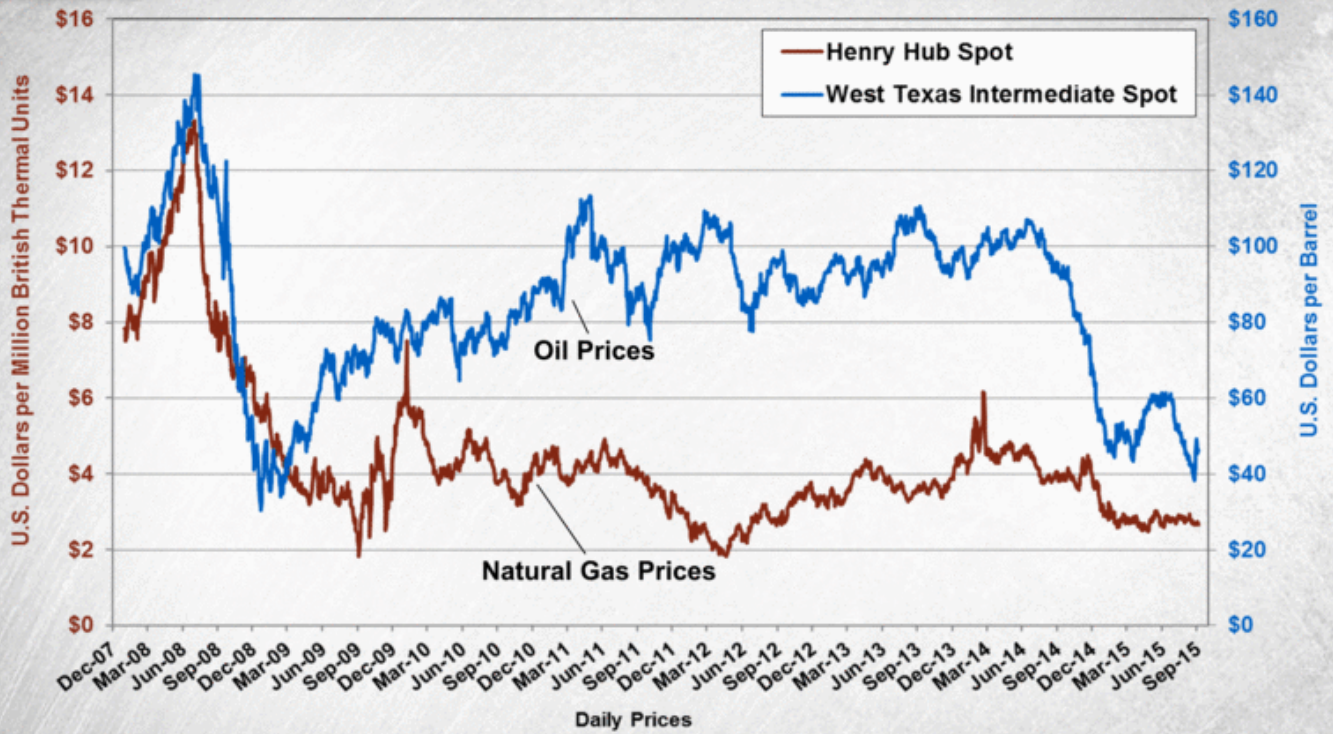


Source: Thomson Reuters. Yields calculated as of market close on September 4, 2015.





Oil and Natural Gas Prices

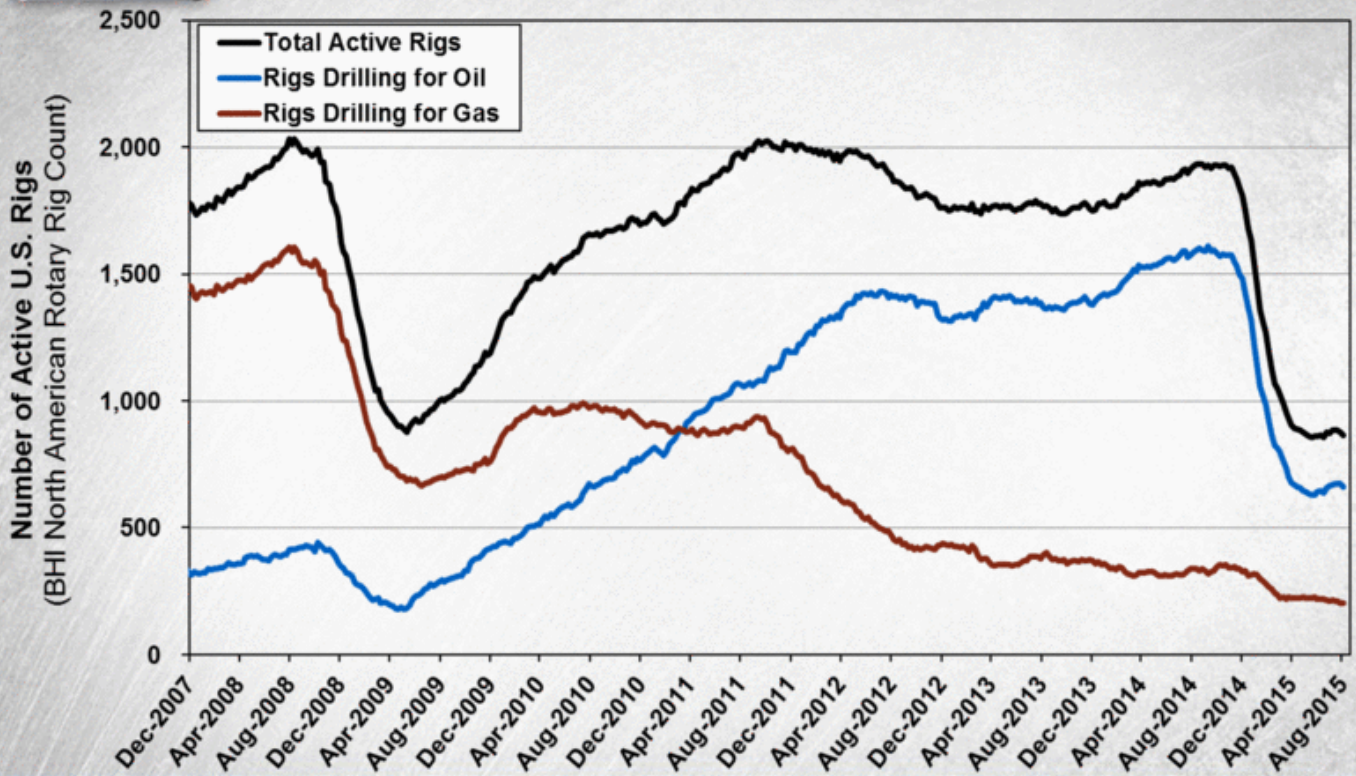


Source: Energy Information Administration and Thomson Reuters.





Oil vs. Natural Gas Directed Rig Count





End of Document

