

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 12/09/05 for the Period Ending 12/05/05

| | |
|-------------|---|
| 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 5, 2005

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

State of Incorporation: Delaware

COMMISSION FILE NUMBER 1-4221

Internal Revenue Service — Employer Identification No. 73-0679879

**1437 South Boulder Avenue, Suite 1400, Tulsa, Oklahoma 74119
(918)742-5531**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

ITEM 1.01 — Entry into a Material Definitive Agreement.

(a) On December 5, 2005, the Human Resources Committee (the “Committee”) of the Board of Directors of Helmerich & Payne, Inc. (the “Company”), with the approval of all independent Directors as a group, determined and set the following compensation for the executive officers of the Company.

Restated Bonus Plan and Fiscal 2005 Bonus Payments

A. On December 5, 2005, the Committee amended and restated the Helmerich & Payne, Inc. Annual Bonus Plan for Executive Officers (the “Bonus Plan”). The amended and restated Bonus Plan is attached as Exhibit 10.1 to this Report on Form 8-K.

B. On December 5, 2005, the Committee reviewed the criteria for payment under the Bonus Plan. The Committee determined that criteria for payment based on certain financial and strategic objectives had been satisfied. Accordingly, the Committee approved payments under the Bonus Plan based on the attainment of those objectives in the following amounts:

| | <u>Fiscal 2005 Bonus</u> |
|---|--------------------------|
| Hans Helmerich, President and Chief Executive Officer | \$ 780,000 |
| George S. Dotson, Vice President and President and Chief Operating Officer of Helmerich & Payne International Drilling Co. | \$ 393,000 |
| Douglas E. Fears, Vice President and Chief Financial Officer | \$ 251,000 |
| Steven R. Mackey, Vice President, Secretary and General Counsel | \$ 210,000 |

Stock Option and Restricted Stock Award Grants

On December 5, 2005, the Committee approved grants of ten-year non-qualified stock options and restricted stock to the executive officers listed below. The Committee based its decision on, among other factors, individual performance and the nature and value of stock awards made by competitor companies to their executive officers. The following table sets forth information regarding the stock option and restricted stock grants to the listed executive officers.

| | <u>Number of Stock Options ¹</u> | <u>Number of Shares of Restricted Stock ²</u> |
|--|---|--|
| Hans Helmerich, President and Chief Executive Officer | 45,000 | 5,000 |
| Douglas E. Fears, Vice President and Chief Financial Officer | 17,500 | 5,000 |
| Steven R. Mackey, Vice President, Secretary and General Counsel | 15,000 | 5,000 |

(1) The options were granted under the Helmerich & Payne, Inc. 2000 Stock Incentive Plan at an exercise price of \$60.475 per share, vesting in 25% increments annually beginning one year from the date of grant.

(2) The restricted shares vest in 1/3 increments on 12/5/08, 12/5/09 and 12/05/10.

New Base Salaries

On December 5, 2005, the Committee approved a 4 percent increase in the annual base salary for the Company's executive officers. The Committee based its decision on various factors, including compensation studies which include salary and bonus compensation data from several competitor companies including certain of those companies contained within the S&P 500 Oil and Gas Drilling Index. The base salaries for the executive officers effective January 1, 2006 are as follows:

| | <u>2006 Base Salary</u> |
|---|-------------------------|
| Hans Helmerich, President and Chief Executive Officer | \$ 554,152 |
| George S. Dotson, Vice President and President and Chief Operating Officer of Helmerich & Payne International Drilling Co. | \$ 472,725 |
| Douglas E. Fears, Vice President and Chief Financial Officer | \$ 287,254 |
| Steven R. Mackey, Vice President, Secretary and General Counsel | \$ 239,755 |

Consulting Arrangement

As announced by the Company on December 8, 2005, George S. Dotson, following his retirement on March 1, 2006, will provide advisory services to the Company for a period of at least one year and will continue to serve as a Director of the Company until the expiration of his current term in March 2007. In consideration of such advisory services, Mr. Dotson shall be paid a monthly fee of \$25,000.

ITEM 9.01 — Financial Statements and Exhibits.

(d) *Exhibits.*

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 10.1 | Helmerich & Payne, Inc. Annual Bonus Plan for Executive Officers |

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
Vice President

DATE: December 9, 2005

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 10.1 | Helmerich & Payne, Inc. Annual Bonus Plan for Executive Officers |

Helmerich & Payne, Inc. Annual Bonus Plan for Executive Officers

Overview

Annual bonus awards are available to certain executive officers to recognize and reward desired performance. Each year the Human Resources Committee (the “Committee”) approves the participants, the performance measures, and the specific financial and strategic objectives. An executive officer’s bonus award opportunity is determined primarily by the individual’s position and level of responsibility.

Participation

The current participants in the Plan will be H&P’s executive management team, which includes

Hans Helmerich,
John Lindsay,
Alan Orr,
Doug Fears, and
Steve Mackey.

Bonus Award Opportunity

Participants are assigned target bonus awards expressed as percentages of base salary. These bonus awards are earned when performance objectives are achieved. The award percentages are as follows:

| | <u>Threshold</u> | <u>Target</u> | <u>Reach</u> |
|----------------|------------------|---------------|--------------|
| Hans Helmerich | 40% | 80% | 120% |
| John Lindsay | 25% | 50% | 75% |
| Alan Orr | 25% | 50% | 75% |
| Doug Fears | 20% | 45% | 70% |
| Steve Mackey | 20% | 45% | 70% |

Financial Performance Objectives

The financial performance objectives selected align management with shareholders. When these objectives are met, shareholders will realize greater value in their Company ownership. A participant’s bonus award will be based upon three disproportionately weighted financial measures being:

| <u>Financial Measure</u> | <u>Weighting</u> |
|----------------------------|------------------|
| Earnings Per Share | 35% |
| Return on Invested Capital | 35% |
| Operating EBITDA | 30% |

The Board of Directors annually approves an operating and capital budget at its September meeting. Each financial measure would be assigned threshold, target and reach numbers based upon this approved budget. Actual financial results would be compared to the budgeted numbers for each of the financial measures to determine the amount of any bonus. Based on the ___fiscal year budget, the following financial performance benchmarks have been developed for each financial measure:

| | <u>Threshold</u> | <u>Target</u> | <u>Reach</u> | <u>Prior Fiscal Year Actual</u> |
|------------------------------|------------------|---------------|-----------------------------------|---------------------------------|
| Earnings Per Share | _____ | _____ | _____ | _____ |
| Return on Invested Capital | _____ | _____ | _____ | _____ |
| Operating EBITDA | _____ | _____ | _____ | _____ |
| | | | Current Fiscal Year Target | Prior Fiscal Year Actual |
| Assumptions | | | | |
| Revenue Days — U.S. Land: | | | _____ | _____ |
| Revenue Per Day — U.S. Land: | | | _____ | _____ |
| U.S. Land Rig Utilization: | | | _____ | _____ |
| U.S. Offshore Utilization: | | | _____ | _____ |
| International Utilization: | | | _____ | _____ |

Strategic Performance Objectives

The bonus, if any, derived from the Company’s financial performance may then be adjusted by a maximum of 30% as determined by the Committee (“adjustment factor”). Seventy-five percent of this adjustment factor would be based upon the Committee’s evaluation of the Company’s total shareholder return relative to an industry peer group. The remaining 25% of this adjustment factor would be based upon the Committee’s evaluation of the Company’s goal of attaining higher than industry average utilization and premium day rates.

This adjustment factor would be subject to a pre-determined safety performance threshold. For fiscal year ___, in order to meet that threshold, H&P’s OSHA and DAWFC rates must be ___below IADC averages. If this safety performance threshold is not met, then the bonus would not be increased by the adjustment factor. The bonus would not be decreased by the adjustment factor solely for the reason that safety performance threshold was not met. However, if the adjustment factor resulted in a decrease to the bonus, then the bonus would be decreased even if the safety performance threshold is met.