

# HELMERICH & PAYNE, INC.

## **FORM 8-K** (Current report filing)

Filed 12/11/14 for the Period Ending 12/11/14

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

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**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 11, 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)

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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: December 11, 2014

**EXHIBIT INDEX**

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



**Helmerich & Payne, Inc.**  
Capital One Securities, Inc.  
2014 Energy Conference  
December 11, 2014

# Forward-looking Statements

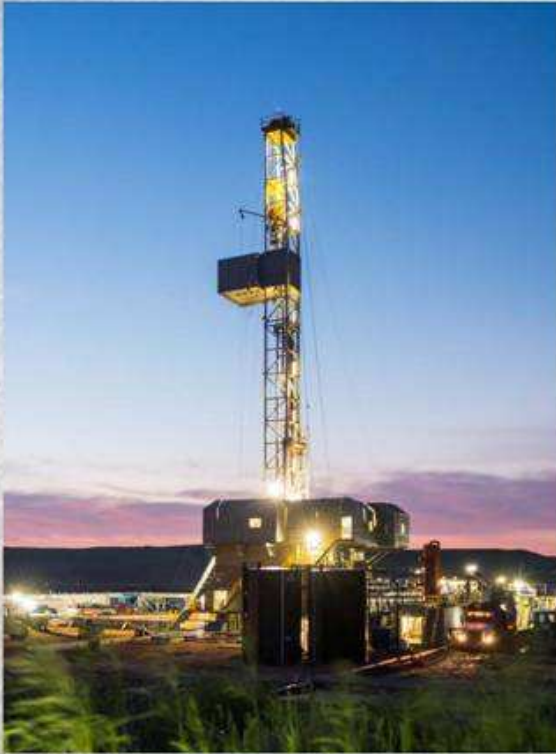
Statements within this presentation are “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and are based on current expectations and assumptions that are subject to risks and uncertainties. All statements other than statements of historical 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.



## About Helmerich & Payne (H&P)

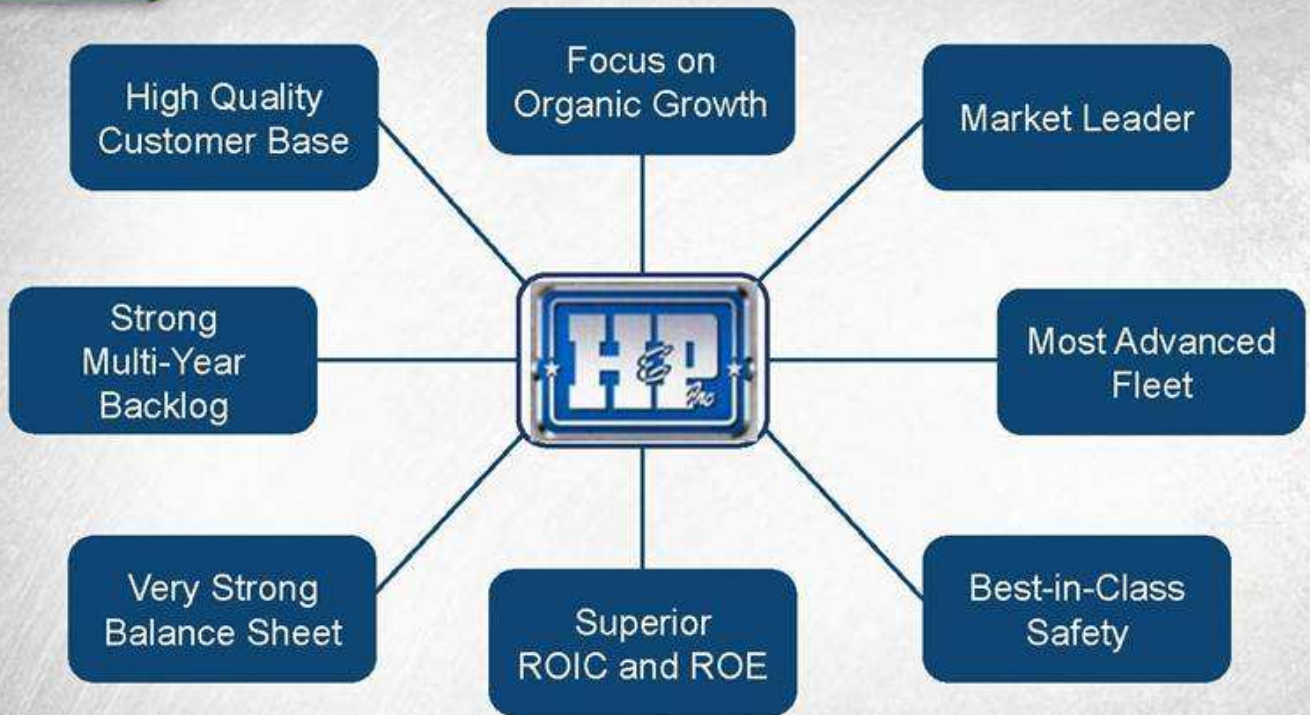


- A premier land drilling contractor founded in 1920
- U.S. land drilling market share leader
- Most modern and capable land drilling fleet
- Leader in ongoing industry land rig replacement cycle
- Focused on superior innovation, safety and returns on capital
- Very strong balance sheet and term-contracted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





# H&P Highlights





# H&P's Global Rig Fleet



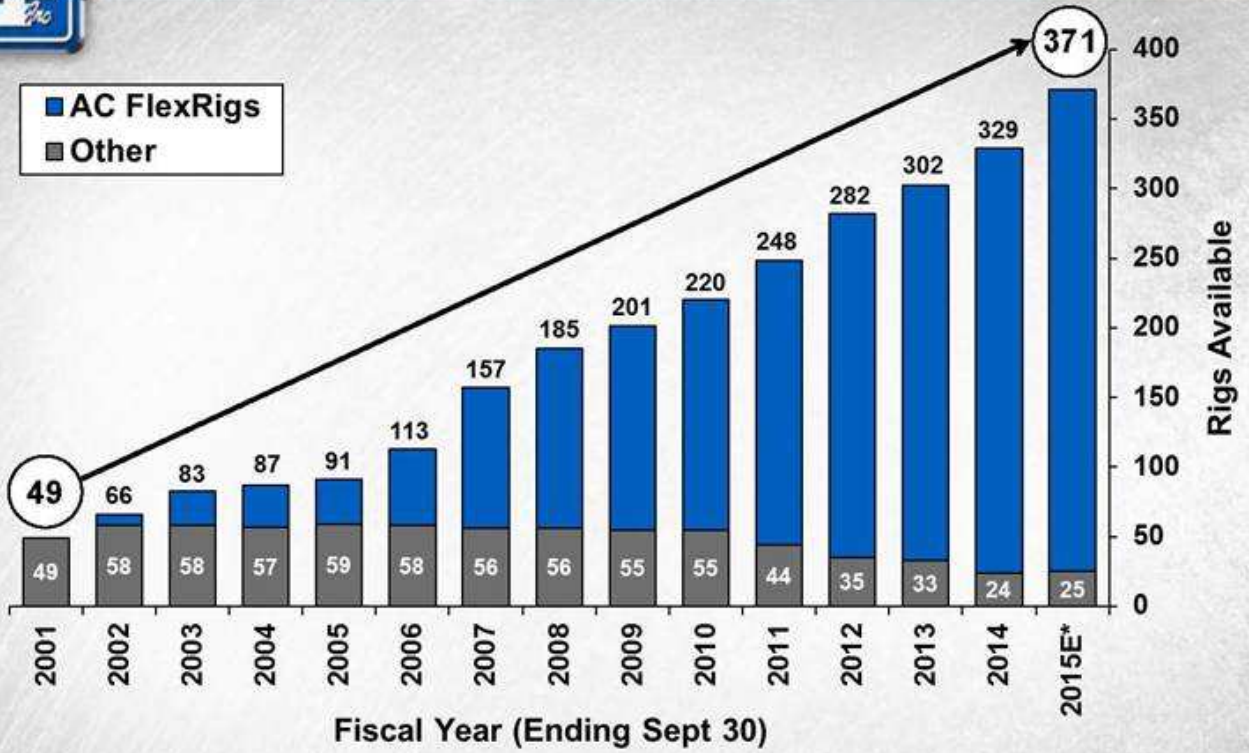
\* Estimates include existing rigs and new build commitments as of December 11, 2014, and exclude nine conventional rigs decommissioned at the end of fiscal 2014.

Focus on Organic Growth





# Organic U.S. Land Fleet Growth



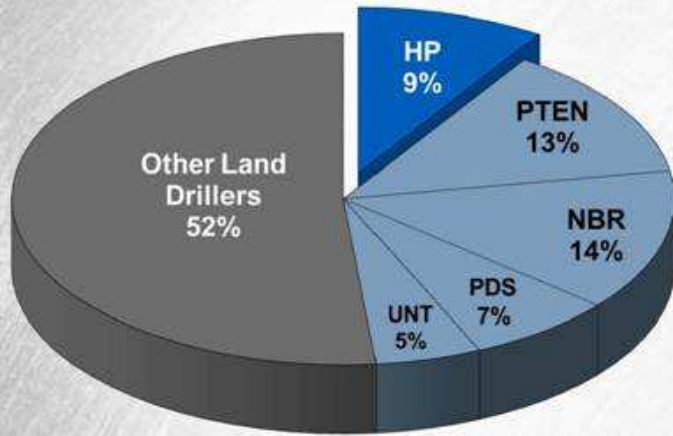
\* Estimates include existing rigs and announced new build commitments.

## Focus on Organic Growth

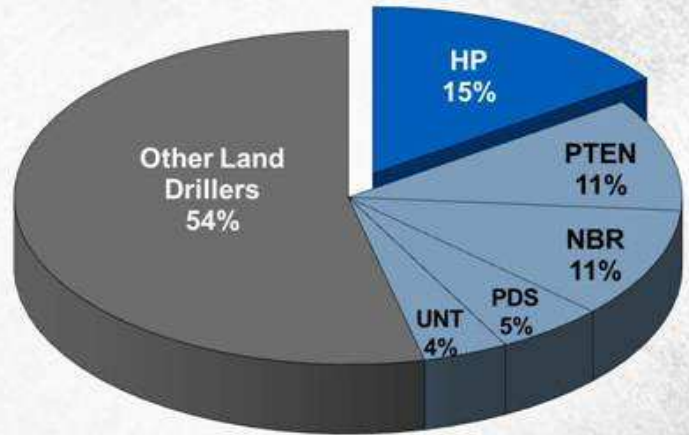


# H&P Continues to Capture Market Share

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



As of November 2014  
(~1,900 Active Rigs in U.S. Land)



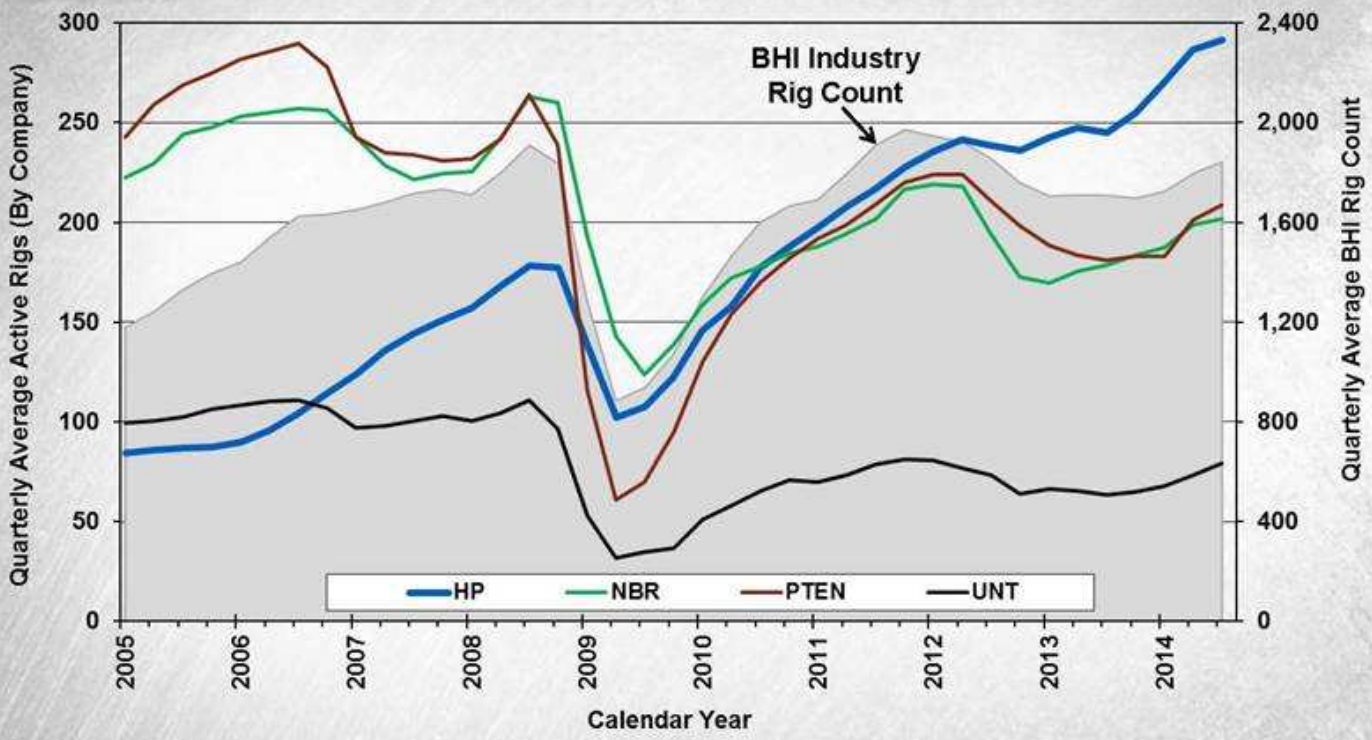
Note: The above estimates corresponding to market share are derived from Rig Data. PDS' market share includes both PDS and Grey Wolf rigs. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.

**Market Leader**



# U.S. Land Active Rig Count

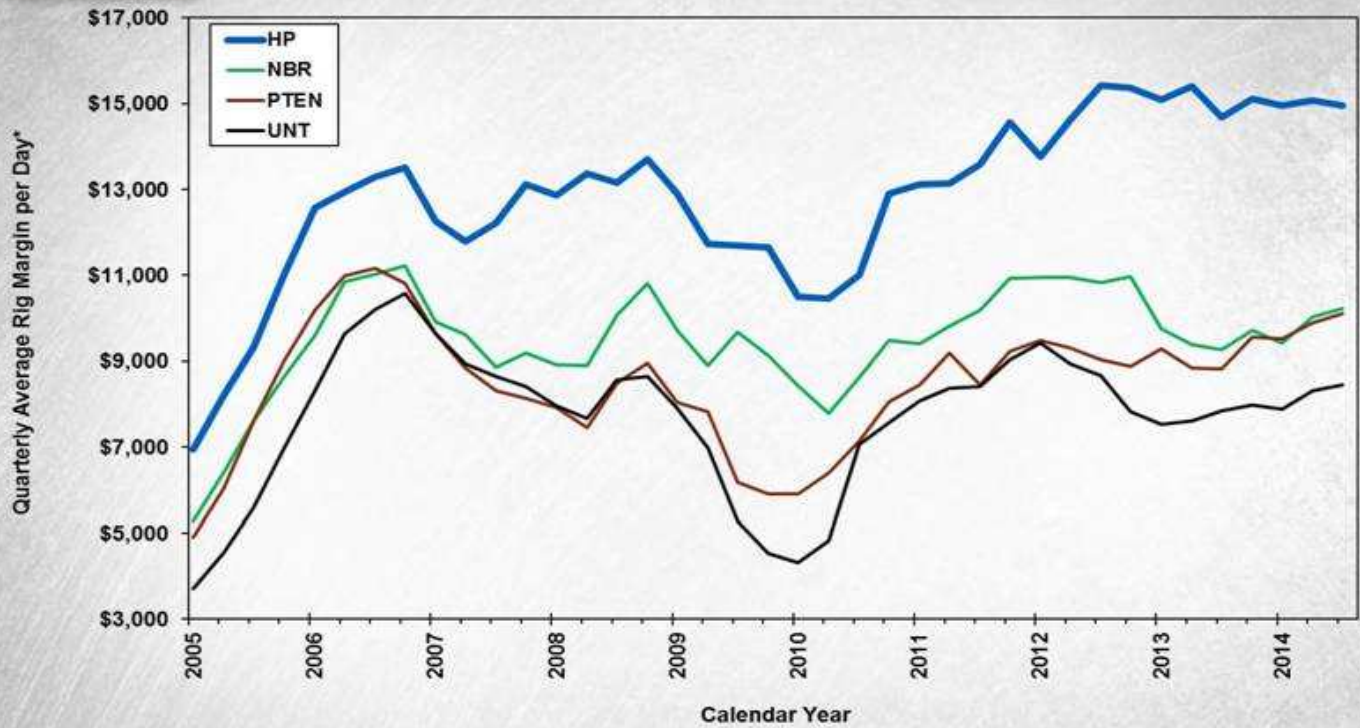
## Through Third Quarter of Calendar 2014



Market Leader



# U.S. Land Average Daywork Margins<sup>(1)</sup> Through Third Quarter of Calendar 2014



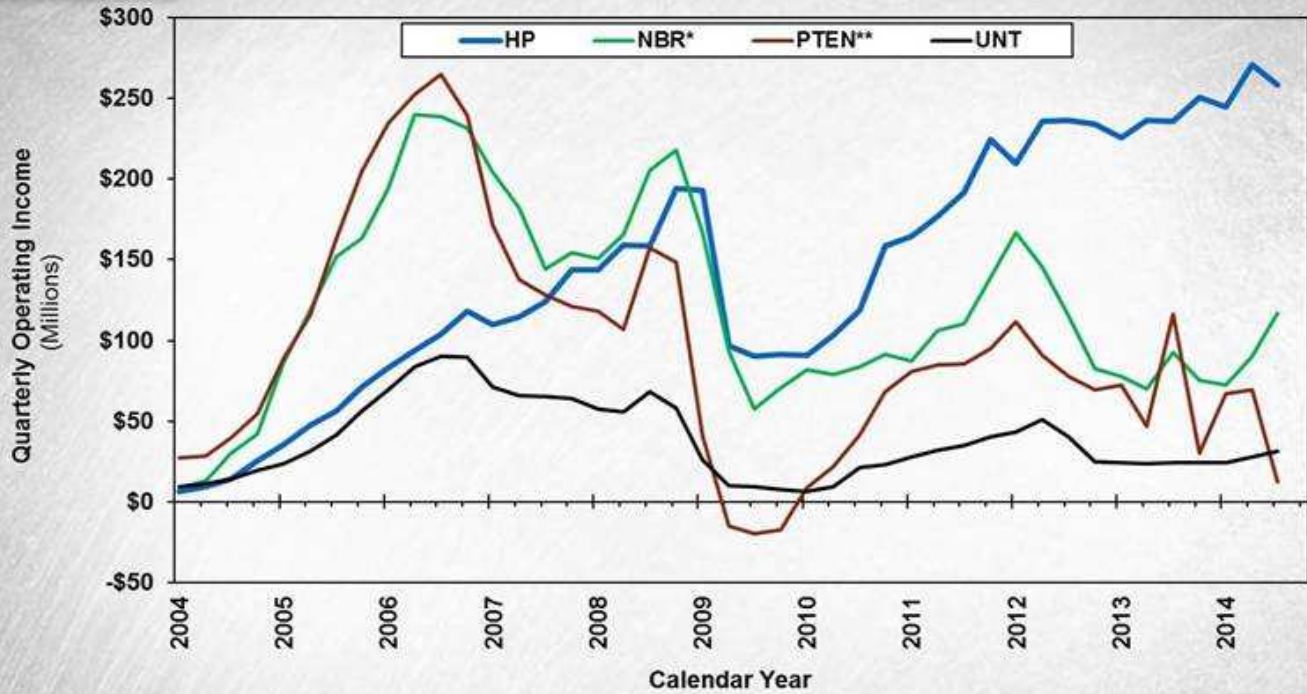
(1) Does not include the impact of early contract termination revenue.

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.

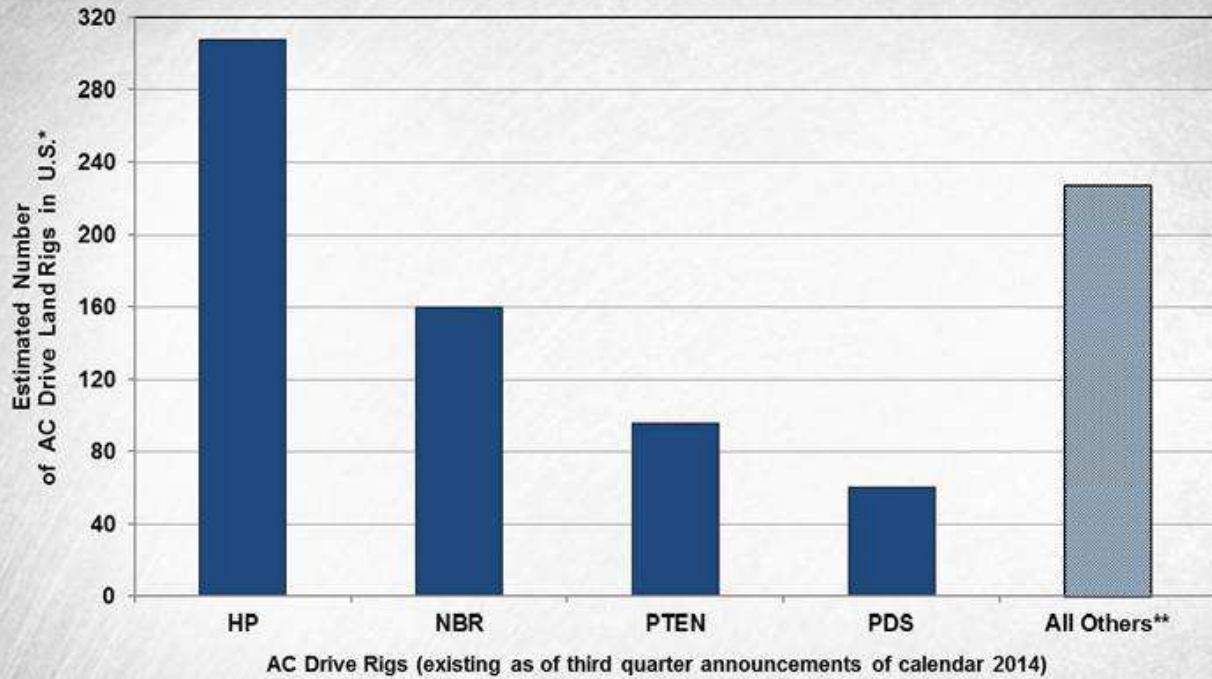
\*\* PTEN's operating income includes drilling operations in Canada.



## Market Leader



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



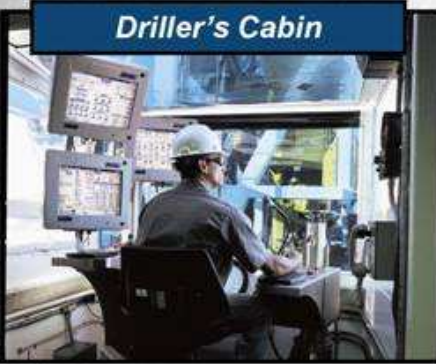
\* The above estimates corresponding to U.S. lower 48 AC Drive fleets are derived from Rig Data and corporate filings.  
\*\*Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

**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**



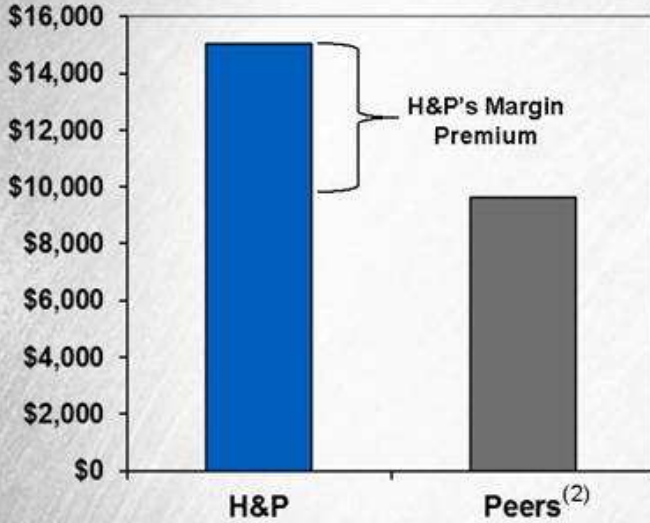
**Rig Move Capabilities**



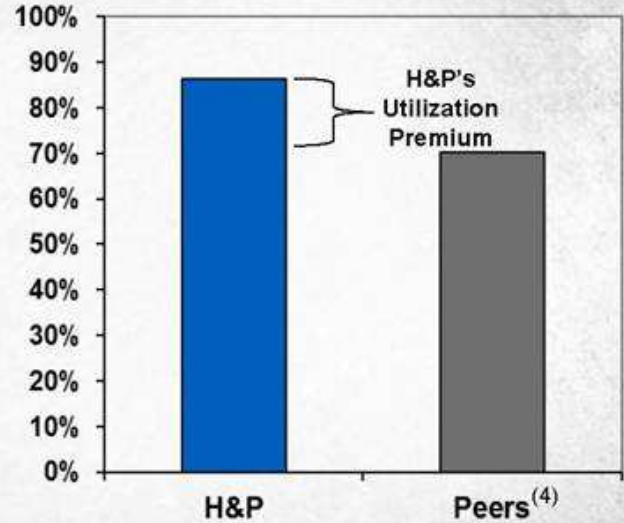


# Technology & Quality Service Make a Difference

**Average U.S. Land Rig Margin per Day**<sup>(1)</sup>  
(12 Months Ended September 30, 2014)



**Estimated U.S. Land Rig Utilization**<sup>(3)</sup>  
(12 Months Ended September 30, 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:

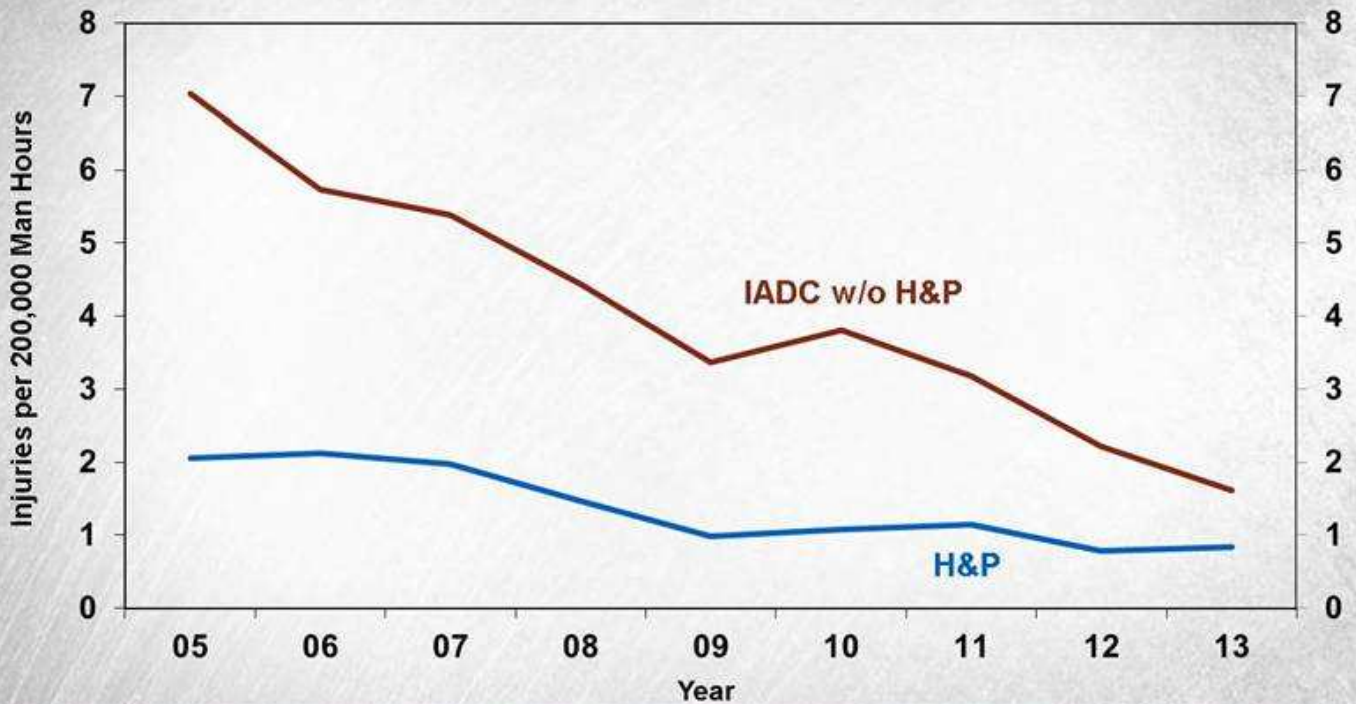
- People
- Safety
- Experience
- Training
- Culture
- Support Structure
- Processes
- Organizational Network
- Maintenance
- Supply Chain





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

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



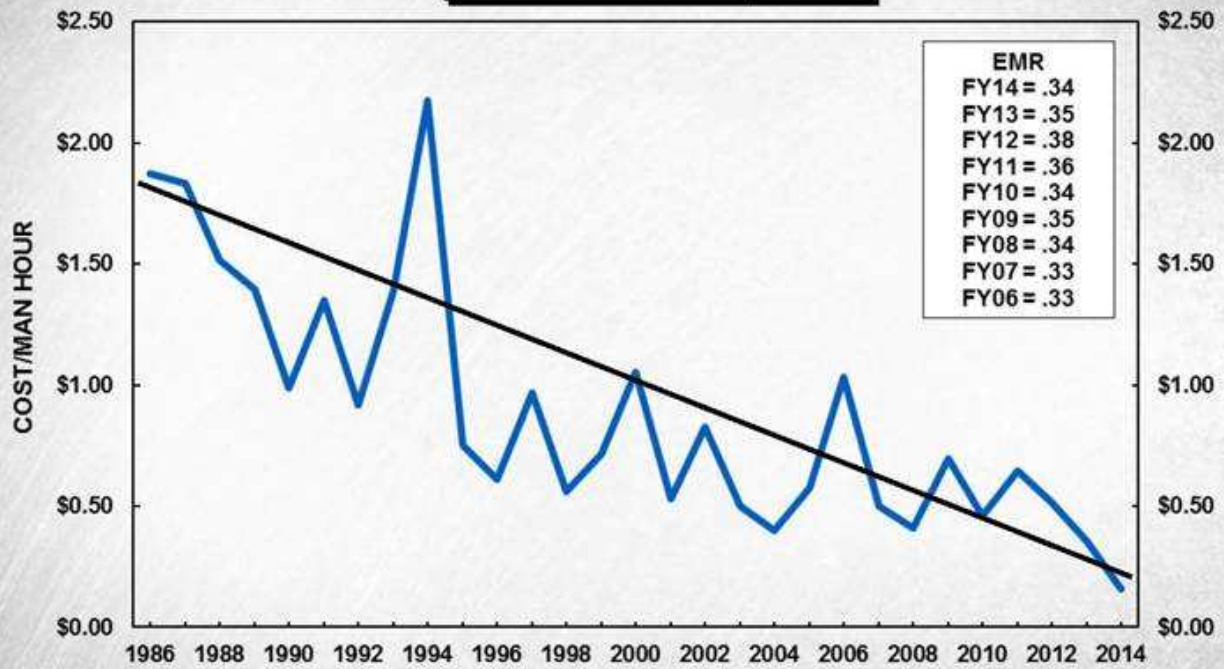
Best-in-Class Safety



# 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

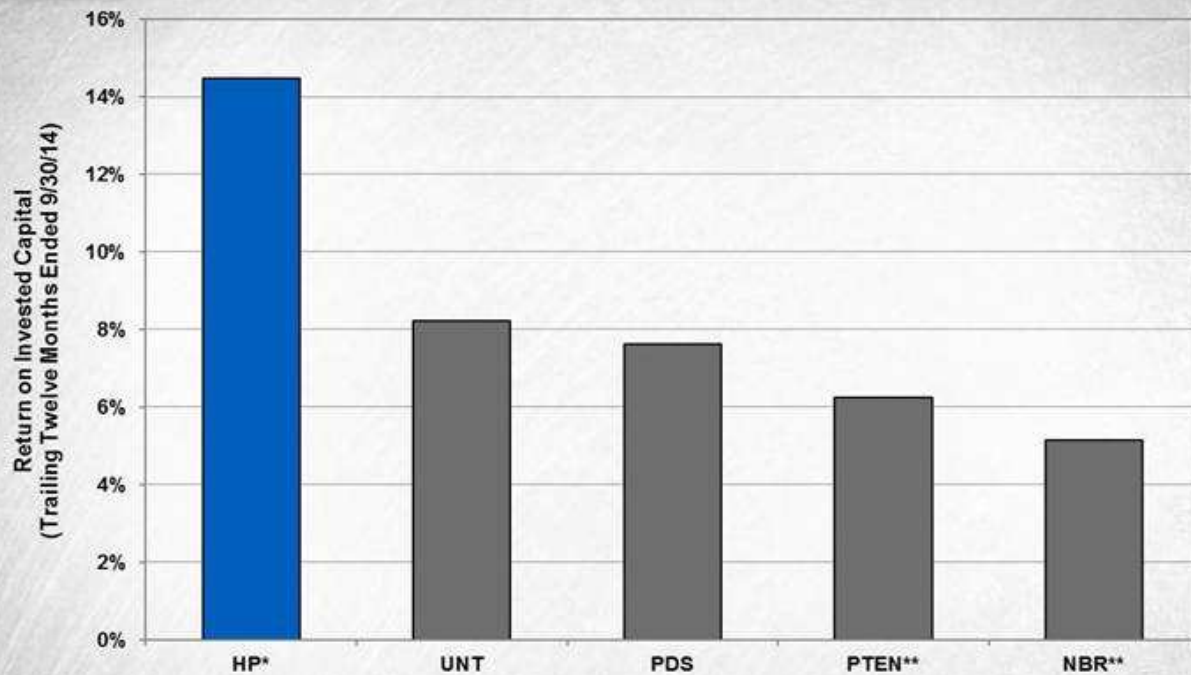


EMR = Experience Modifier Ratio (Industry Average = 1.00)

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 14.8%.

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

## Superior ROIC and ROE



# Selected H&P Financial Metrics

## Balance Sheet Highlights:

	As of September 30, 2014 (Dollars in millions)
Cash (including Cash Equivalents)	\$361
Total Debt	\$80
Shareholders' Equity	\$4,891
Total Assets	\$6,722

## Other Financial Highlights:

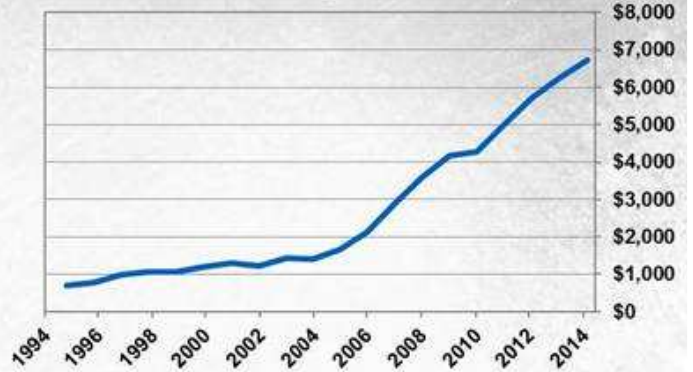
LTM Operating EBITDA	\$1,578
Backlog	\$5,024
Credit Facility Availability	\$266
Cash + Credit Facility Availability	\$627

## Credit Statistics:

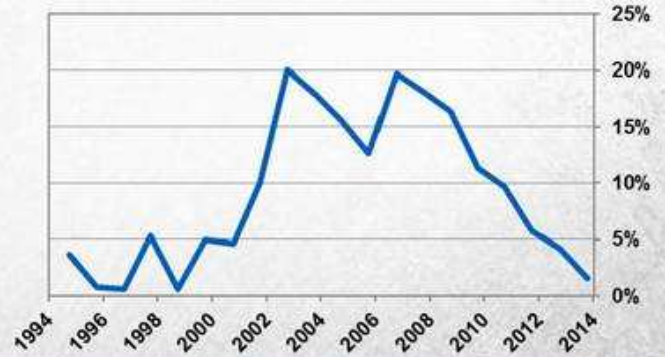
Total Debt / LTM Operating EBITDA	0.05x
Total Debt / Total Capitalization*	1.6%

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

Total Assets (Last 20 Years)



Debt / Total Capitalization\*

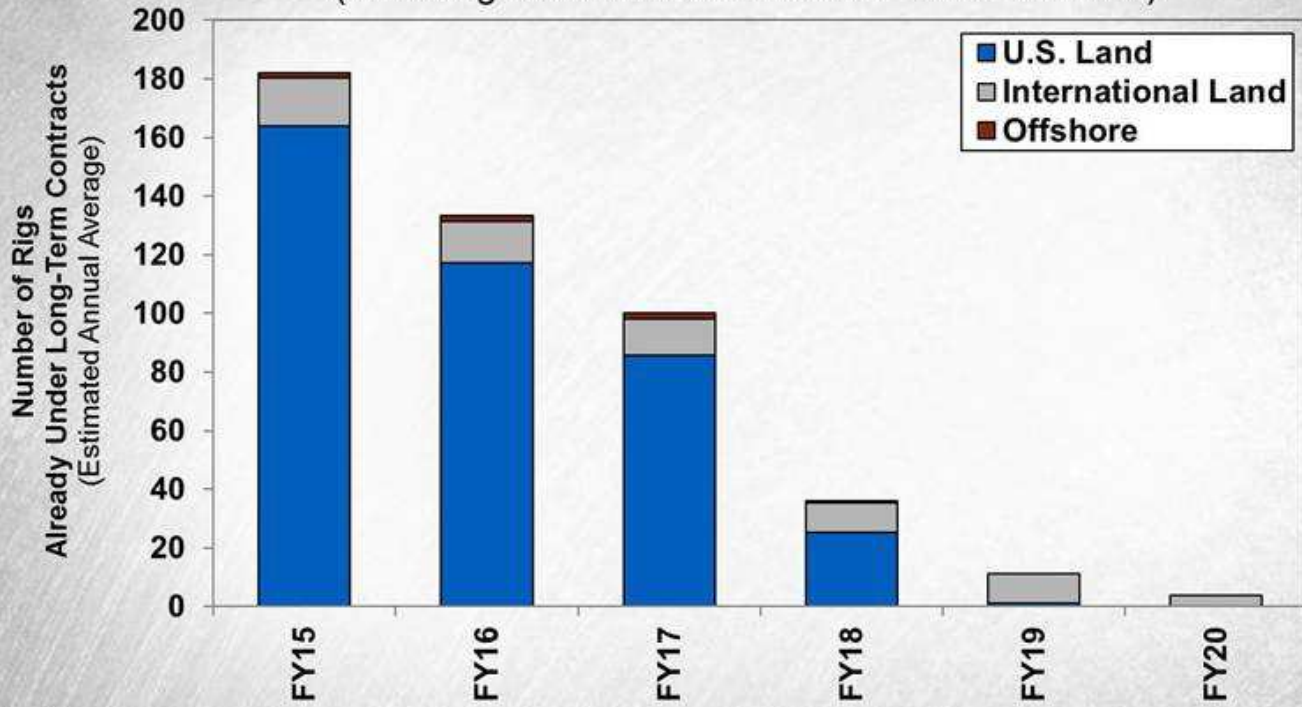


**Very Strong Balance Sheet**



# H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet  
(Including Contracted New Builds - as of 12/11/14)

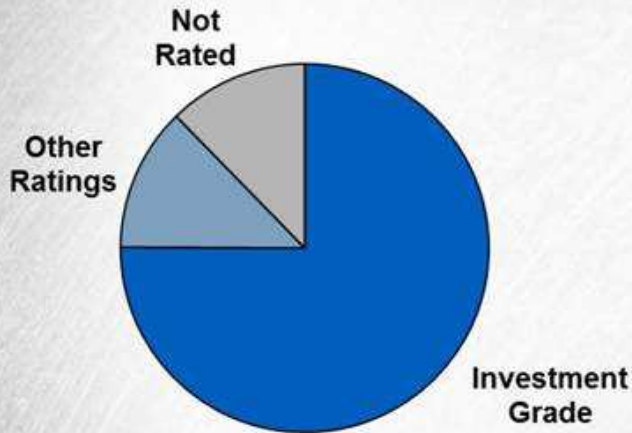


Strong Backlog

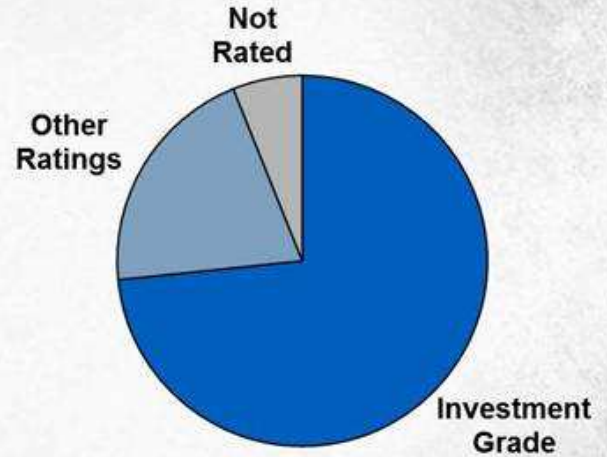


# H&P Customer Credit Ratings

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



**Number of Contracted Rig-Years\*\***  
(\$5 Billion H&P Backlog)



\* As of September 30, 2014. Consists of 294 active U.S. Land rigs, 9 active and contracted Offshore rigs, and 22 active International Land rigs. Includes over 70 customers with active H&P rigs.

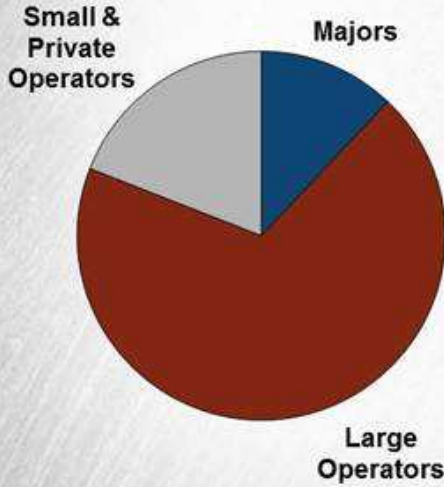
\*\* The figures above represent H&P's customer commitments for term contract work beginning October 01, 2014.

**High Quality Customer Base**

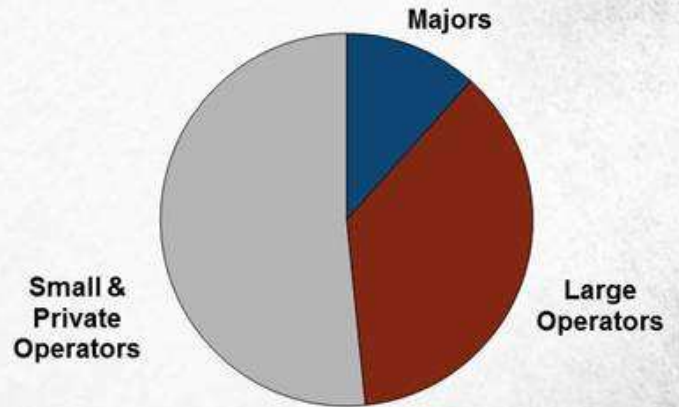


# H&P vs. Industry U.S. Land Customer Base

**H&P**  
U.S. Land Activity  
Estimated Customer Distribution  
(December 2014)



**Industry**  
U.S. Land Activity  
Estimated Customer Distribution  
(December 2014)



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**





## General Market Comments



- Our operational outlook for the first fiscal quarter remains unchanged.
- Low oil prices have created uncertainty about future drilling activity.
- Spot market activity and pricing are starting to decline in the U.S.
- The impact on activity, incremental newbuilds and pricing for 2015 remains hard to determine.
- Nevertheless, the underlying U.S. land market trends continue to favor H&P.





## Unconventional Plays Shaping Landscape

Well Complexity is increasing:

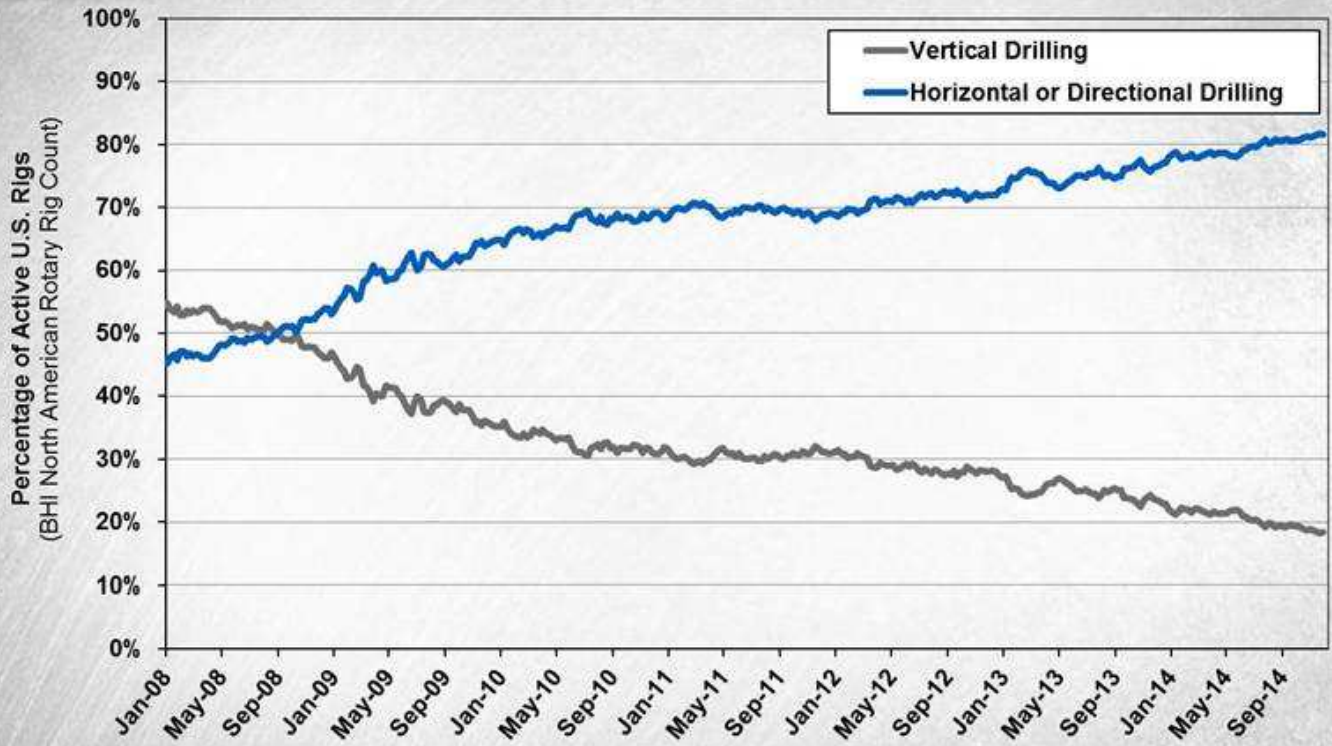
- Horizontal and directional wells make up about 80% of wells drilled in the U.S.
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- This all creates an expanding level of demand for FlexRigs





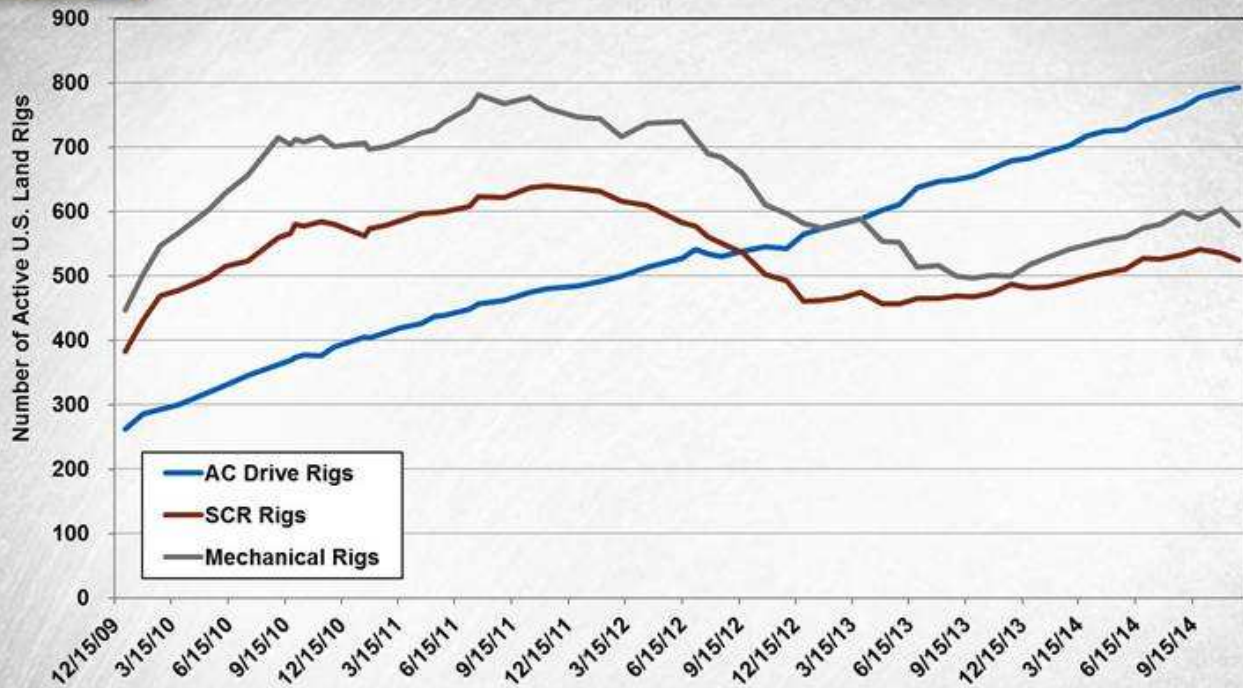
# Increasing Focus on More Difficult Drilling

## U.S. Rig Activity by Drilling Type





# AC Rigs Continue to Gain Market Share



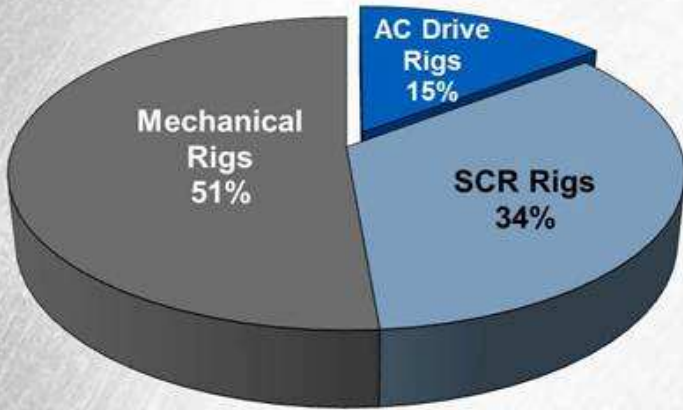
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made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



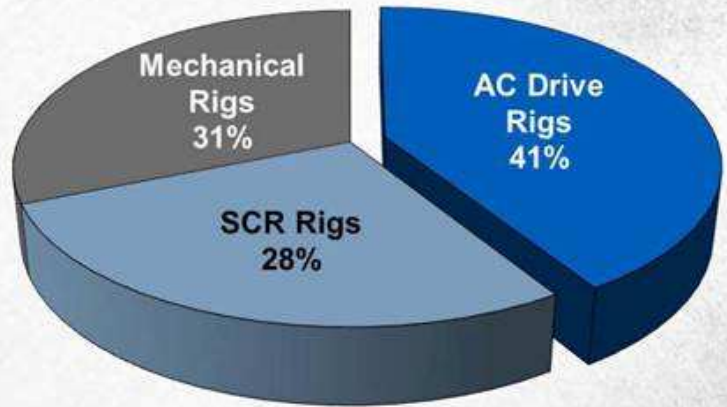


# The Replacement Cycle Continues

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



**As of November 2014**  
**(~1,900 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 equal to or greater than 600 horsepower. Certain assumptions were made on approximately 5% of the active rigs that were not readily identified.





## Underlying U.S. Land Market Trends

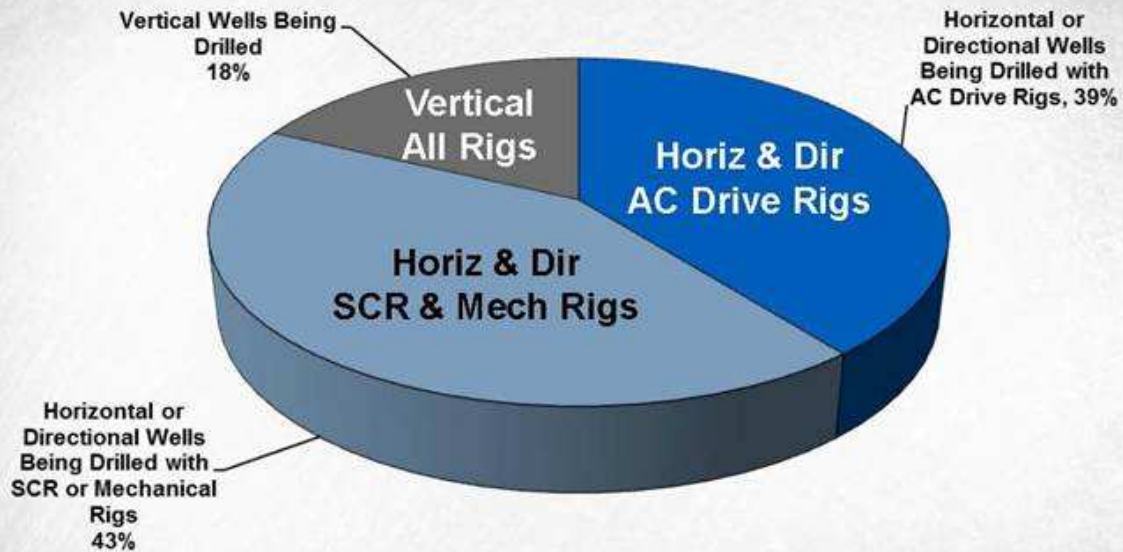
- Unconventional plays continue to shape the landscape.
- AC drive rigs are in highest demand.
- Customers continue to focus on drilling efficiency, technology and safety.
- The replacement cycle is expected to continue.





# U.S. Activity by Well and Rig Type

~1,900 Active U.S. Land Rigs (November 2014)



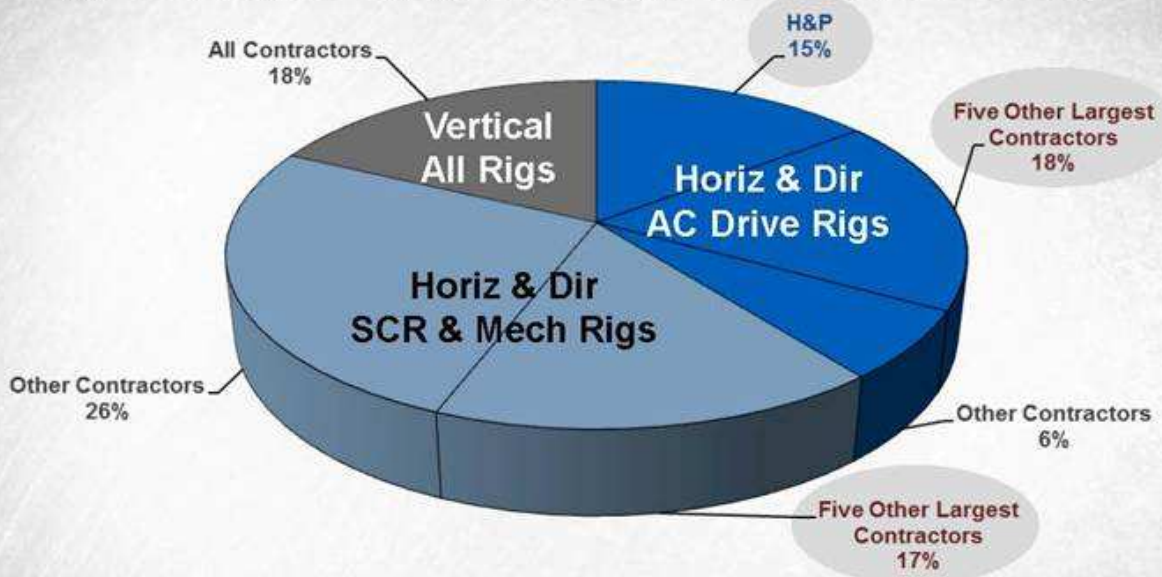
Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions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





# U.S. Activity by Well and Rig Type

~1,900 Active U.S. Land Rigs (November 2014)



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 on less than 5% of the active rigs that were not readily identified.

## Leading Replacement Cycle





## New Build FlexRigs

- 89 new FlexRig contracts announced since October 1, 2013
- 53 of the 89 announced new FlexRigs have already been delivered
- Building at a cadence of four FlexRigs per month, with 46 new FlexRigs already contracted for fiscal 2015
- Flexibility in managing our own production cadence allows us to swiftly respond to changing levels of FlexRig demand





## H&P's Long Term Strategy

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





## Additional References





## H&P Activity as of December 11, 2014

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
<b>U.S. Land</b>	<b>336</b>	<b>297</b>	<b>88%</b>
AC Drive FlexRigs <sup>(1)</sup>	311	295	95%
SCR Fleet	25	2	8%
<b>Offshore</b>	<b>9</b>	<b>9</b>	<b>100%</b>
<b>International Land</b>	<b><u>39</u></b>	<b><u>30</u></b>	<b><u>77%</u></b>
<b>Total</b>	<b>384</b>	<b>336</b>	<b>88%</b>
<b>FlexRig Construction <sup>(2)</sup></b>	<b>36</b>		
<b>Total Fleet</b>	<b>420</b>		

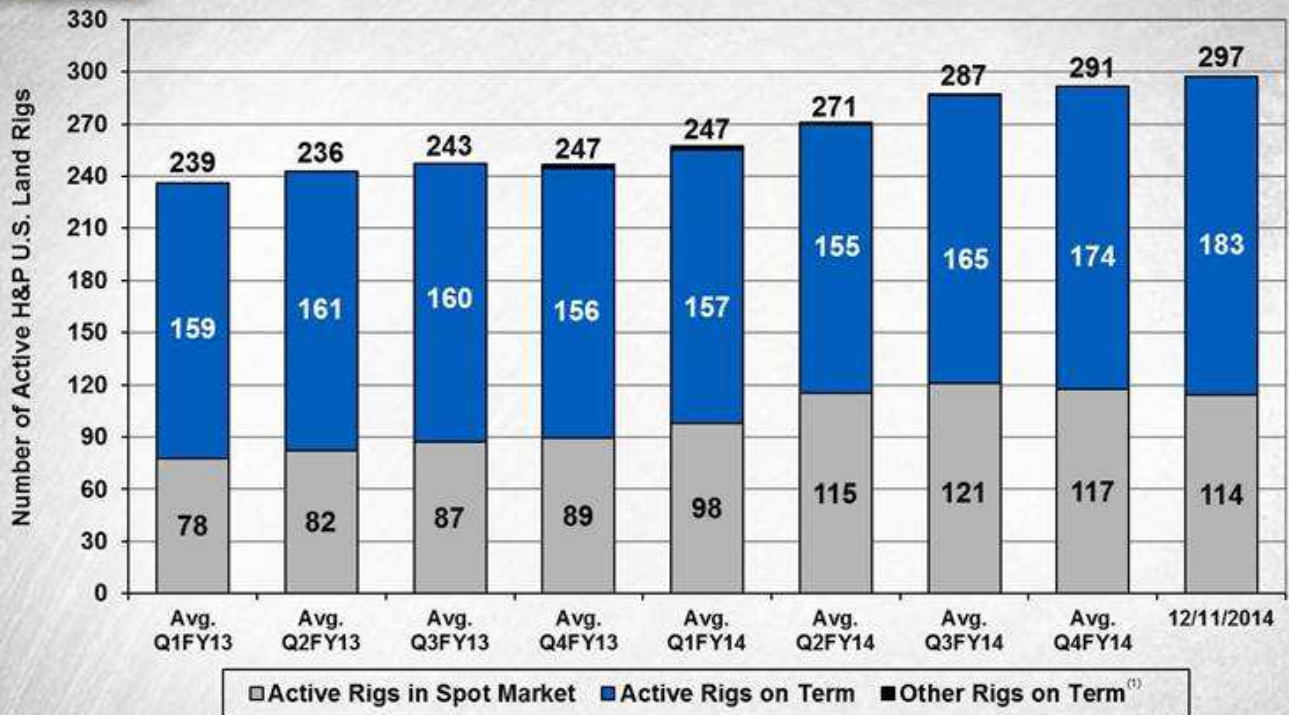
(1) 1 of the 311 AC Drive FlexRigs are expected to be transferred to Argentina.

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





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



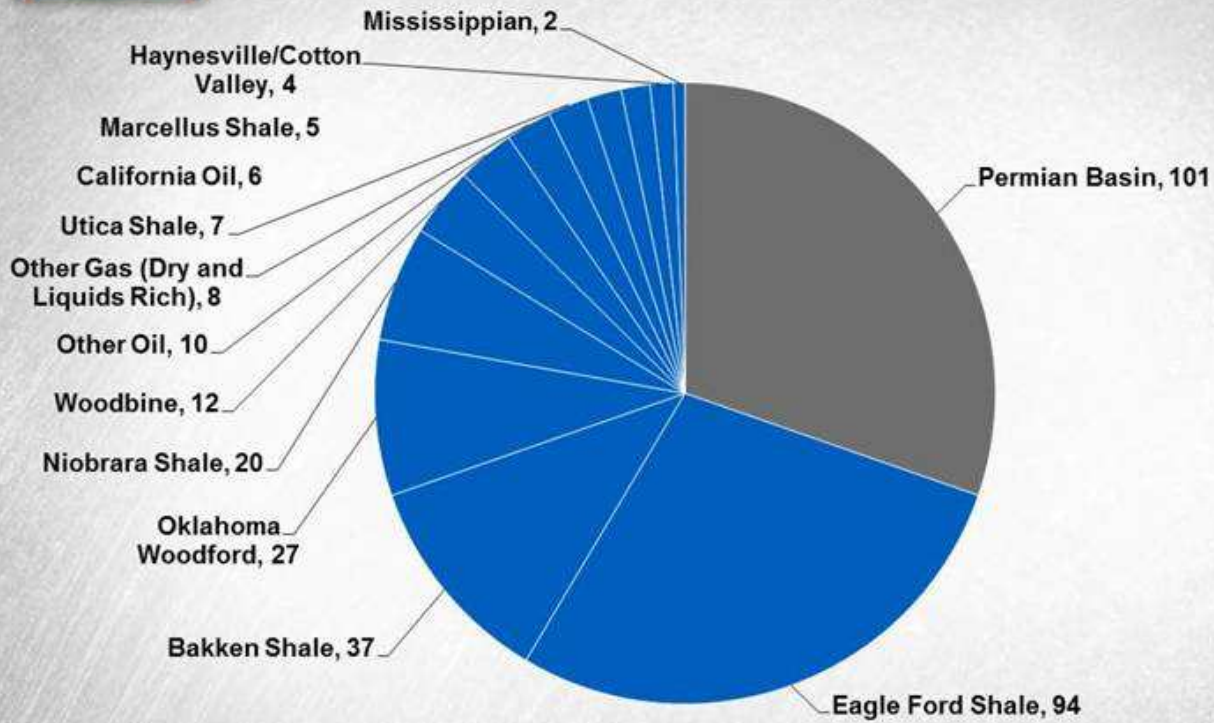
(1) Includes completed new builds pending delivery and not generating revenue days.





# Leading U.S. Unconventional Driller

(333 H&P Contracted Land Rigs as of 12/11/14\*)

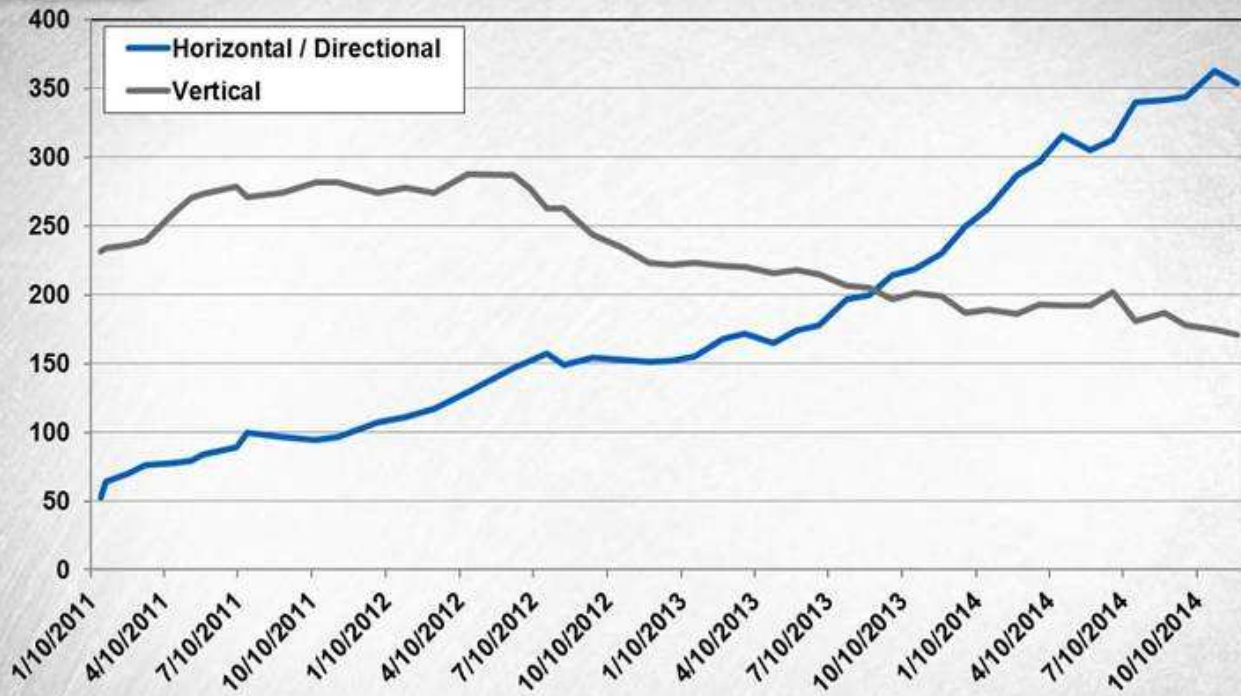


\* Includes 36 announced new FlexRigs with customer commitments scheduled for delivery in fiscal 2015.





# 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 December 11, 2014)

	Active	In-Transit	Idle	Total	Long-term Contracts <sup>(1)</sup>
Argentina	9	8	1	18	11
Bahrain	3			3	3
Colombia	5		2	7	2
Ecuador	2		4	6	1
Mozambique	1			1	
Tunisia			2	2	
U.A.E.	2			2	2
<b>Total</b>	<b>22</b>	<b>8</b>	<b>9</b>	<b>39</b>	<b>19<sup>(2)</sup></b>

(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) 15 of 26 FlexRigs, included in the international fleet of 39 rigs, are under long-term contracts.







# H&P Global Fleet Under Term Contract

## Number of Rigs Already Under Long-Term Contracts

(Estimated Quarterly Average, Including Announced New Builds - as of 12/11/14)

Segment	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16
U.S. Land	178.2	174.3	160.6	143.1	128.2	117.0	113.0
International Land	15.6	15.0	17.9	16.3	14.2	14.0	14.0
Offshore	1.8	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>195.6</b>	<b>191.3</b>	<b>180.5</b>	<b>161.4</b>	<b>144.4</b>	<b>133.0</b>	<b>129.0</b>



**Strong Backlog**



## Distribution of Announced New Builds

- Of the 89 new build FlexRigs announced since 10/1/2013, 39 are going to the Permian, 18 to the Oklahoma Woodford, 15 to the Eagle Ford, five to the Tuscaloosa Marine Shale, four each to the Utica and Bakken, two to the Haynesville and one each to the Niobrara and Woodbine.
- 17 customers have ordered these new FlexRigs under multi-year term contracts (53 FlexRig3 rigs, 35 FlexRig5 rigs, and one FlexRig4 rig).
- More than two-thirds of these new FlexRigs will be equipped with hydraulic skid systems designed for multi-well pad locations.





## 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**



# A Value Proposition Example – H&P vs. Competitors Permian Basin – Horizontal Well (Fiscal 2014)

	Estimated Conventional Rig (Spot Market)	Estimated Peer AC Rig	H&P FlexRig3 Average
1. Drilling days		15.4	12.1
Other days	No Data	3.0	3.0
Moving days		4.0	3.0
<i>Total rig revenue days per well</i>		<i>22.4</i>	<i>18.1</i>
2. Drilling contractor dayrate		\$25,000	\$27,000
Operator's other intangible cost per day estimate		\$45,000	\$45,000
<b>Total daily cost estimate</b>		<b>\$70,000</b>	<b>\$72,000</b>
<i>Total cost per well (daily services)</i>		<i>\$1,568,000</i>	<i>\$1,303,200</i>
3. Total well savings with H&P – per well per year		<b>\$264,800</b> <b>\$5.34MM</b>	
Increased wells per rig per year versus peer AC Rig:		3.9 wells	





## FlexRigs Delivering Drilling Efficiencies

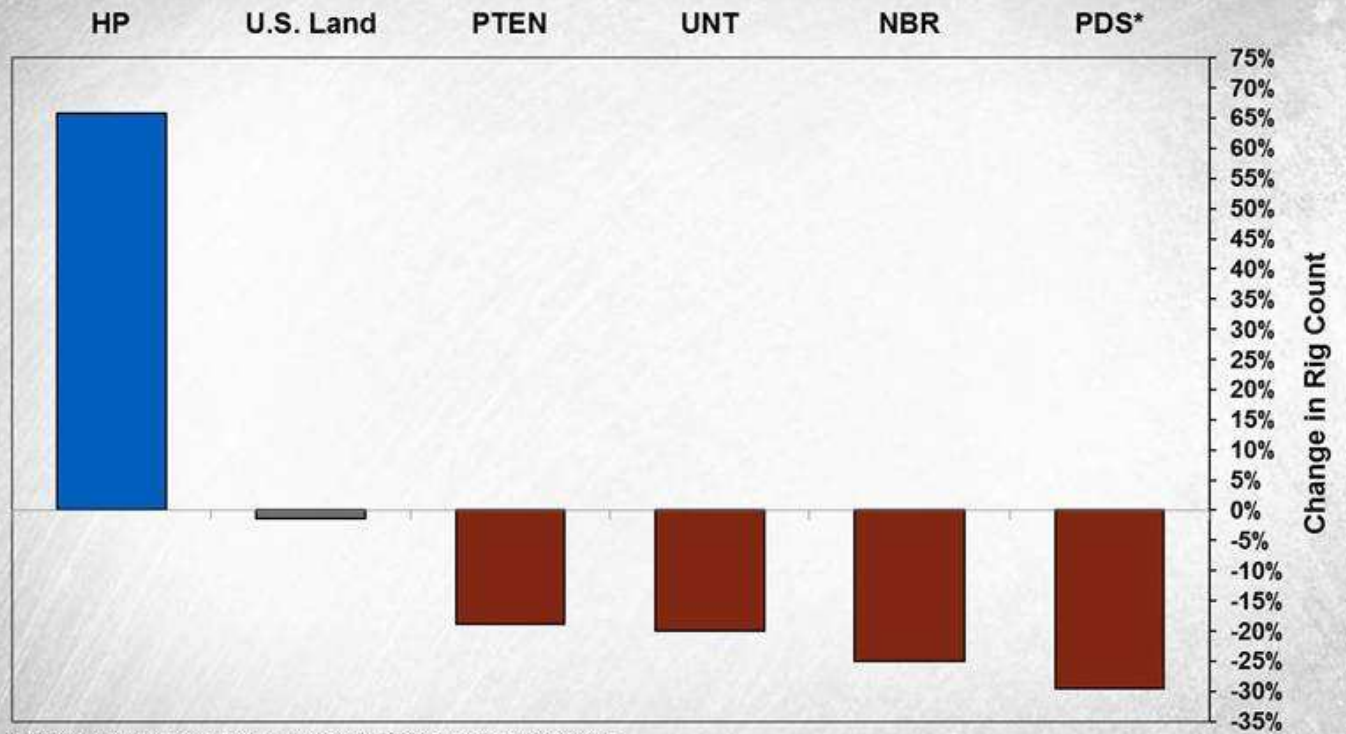
- We have over 1,400 rig years of AC Drive FlexRig drilling experience.
  - Drilled over 52 million feet in 2012
  - Drilled in excess of 61 million feet in 2013
  - Improved our footage per day by 23% in 2012
  - Improved our footage per day by 14% in 2013





# 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 2014)

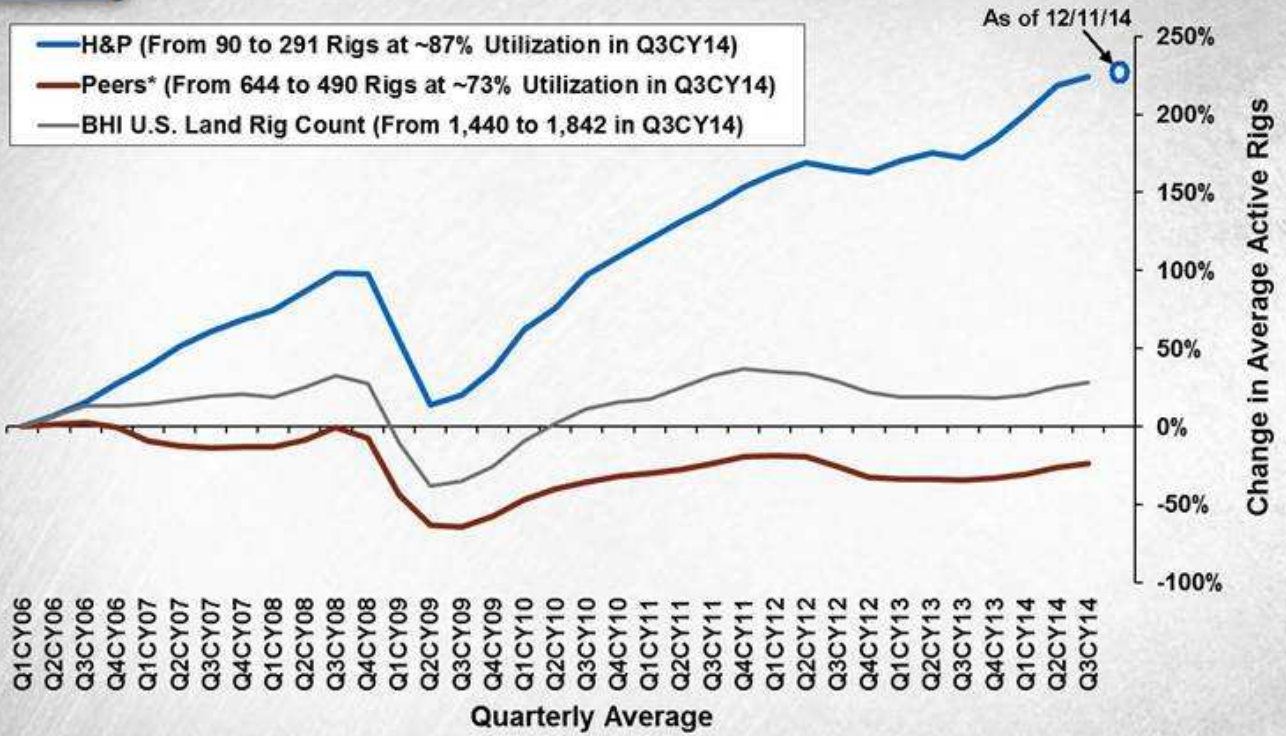


\* PDS\* active rig count includes both PDS and Grey Wolf rigs.





# Growth / Decline in U.S. Lower 48 Rig Activity

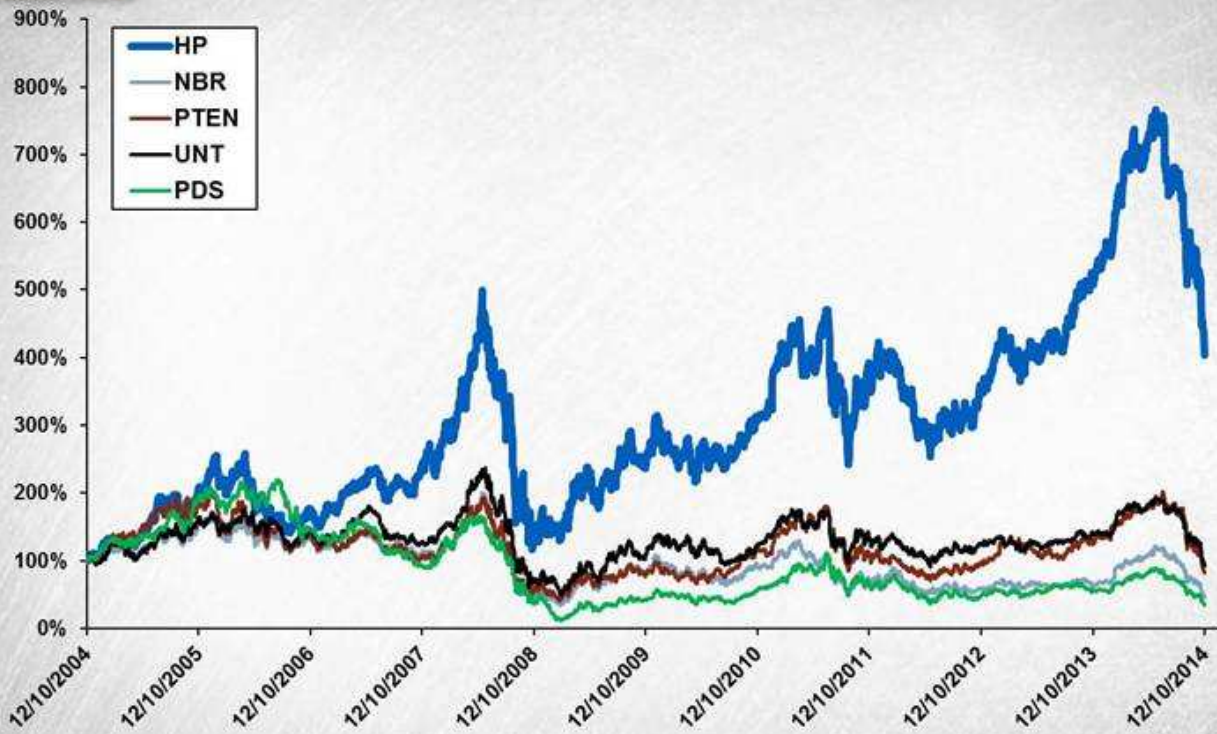


\*Represents average active rigs for NBR, PTEN, and UNT.

## Market Leader



# Ten-Year Relative Shareholder Return



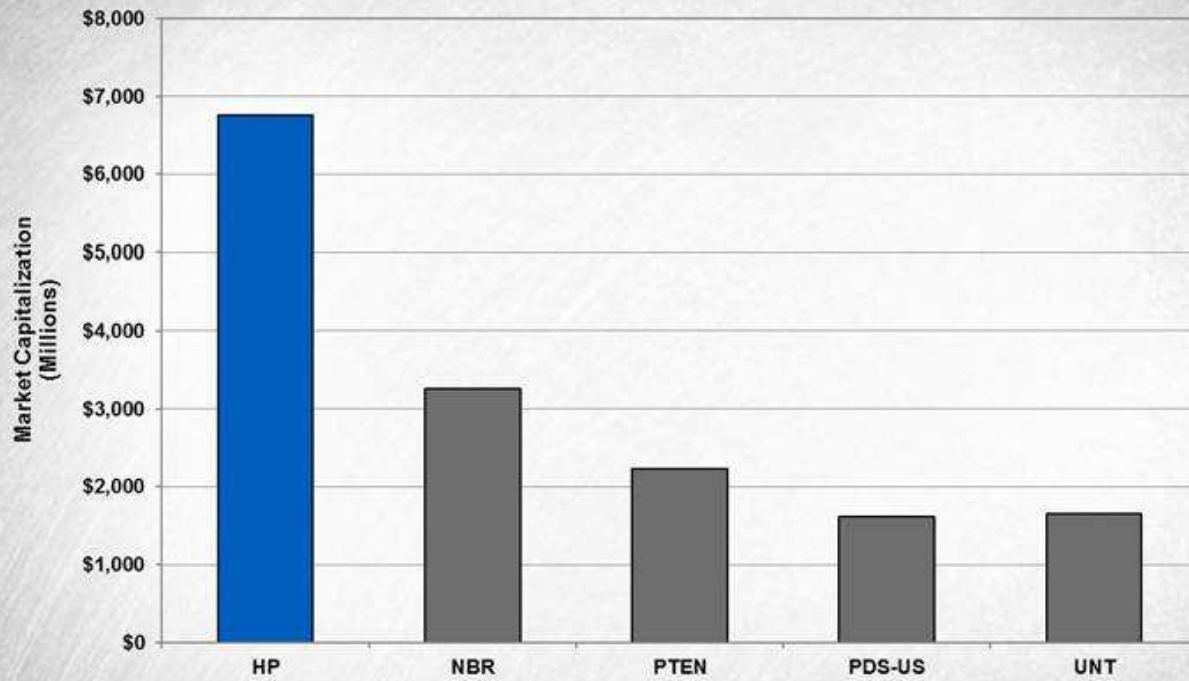
Source: Thomson Reuters as of December 8, 2014







# Land Drilling Market Valuations

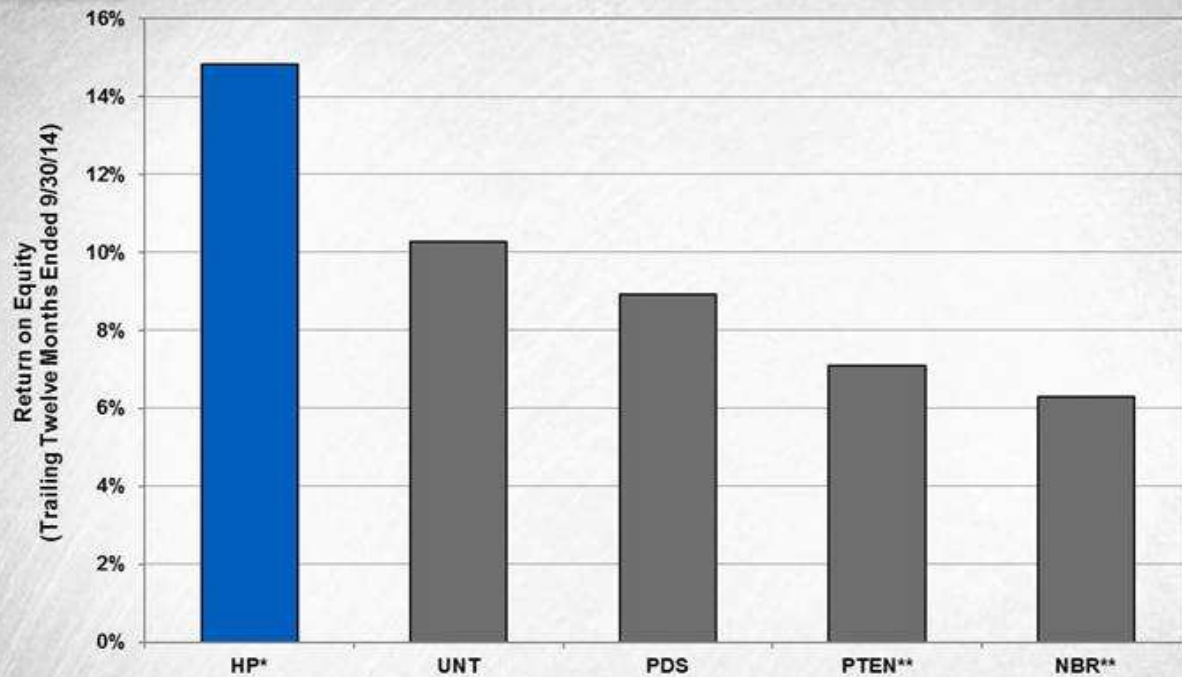


Source: Thomson Reuters as of December 8, 2014.





# Return on Equity



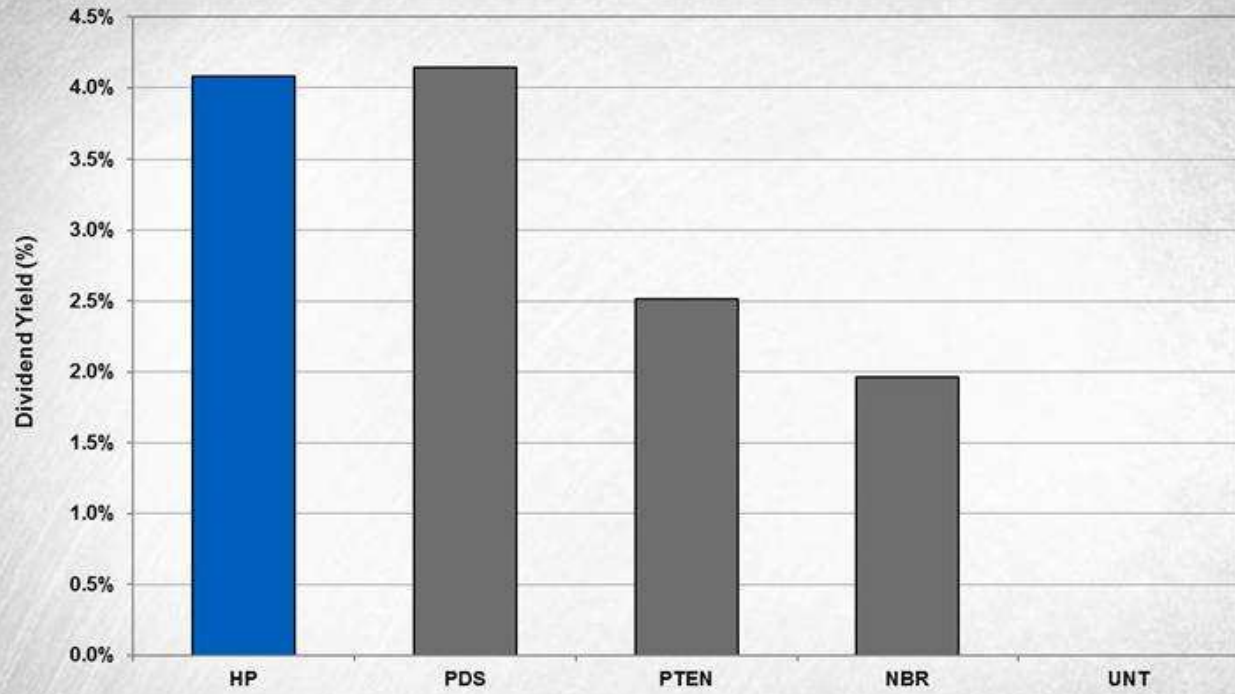
\* Excludes gains from the sale of investment securities and 4QFY14 abandonment (non-cash) charges. H&P's unadjusted ROE resulted in 15.2%.

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

## Superior ROIC and ROE



# Current Dividend Yields

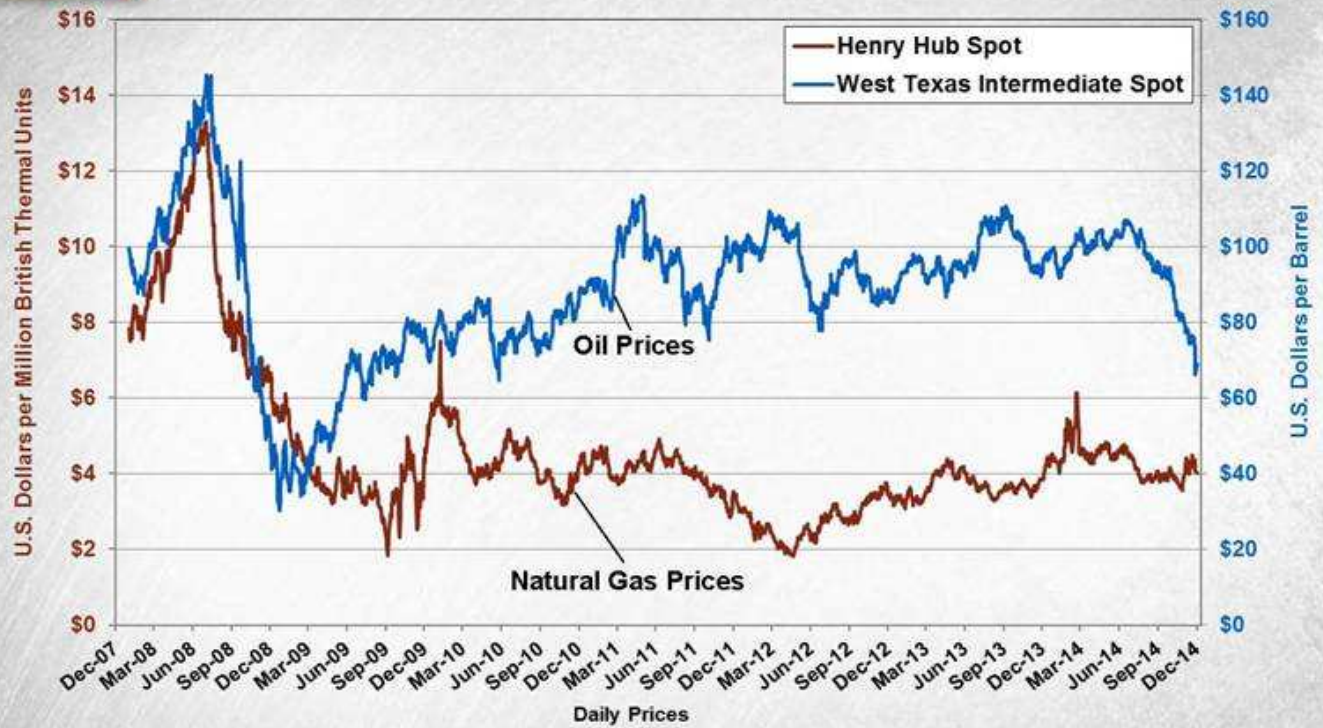


Source: Thomson Reuters. Yields calculated as of market close on December 8, 2014.





# Oil and Natural Gas Prices

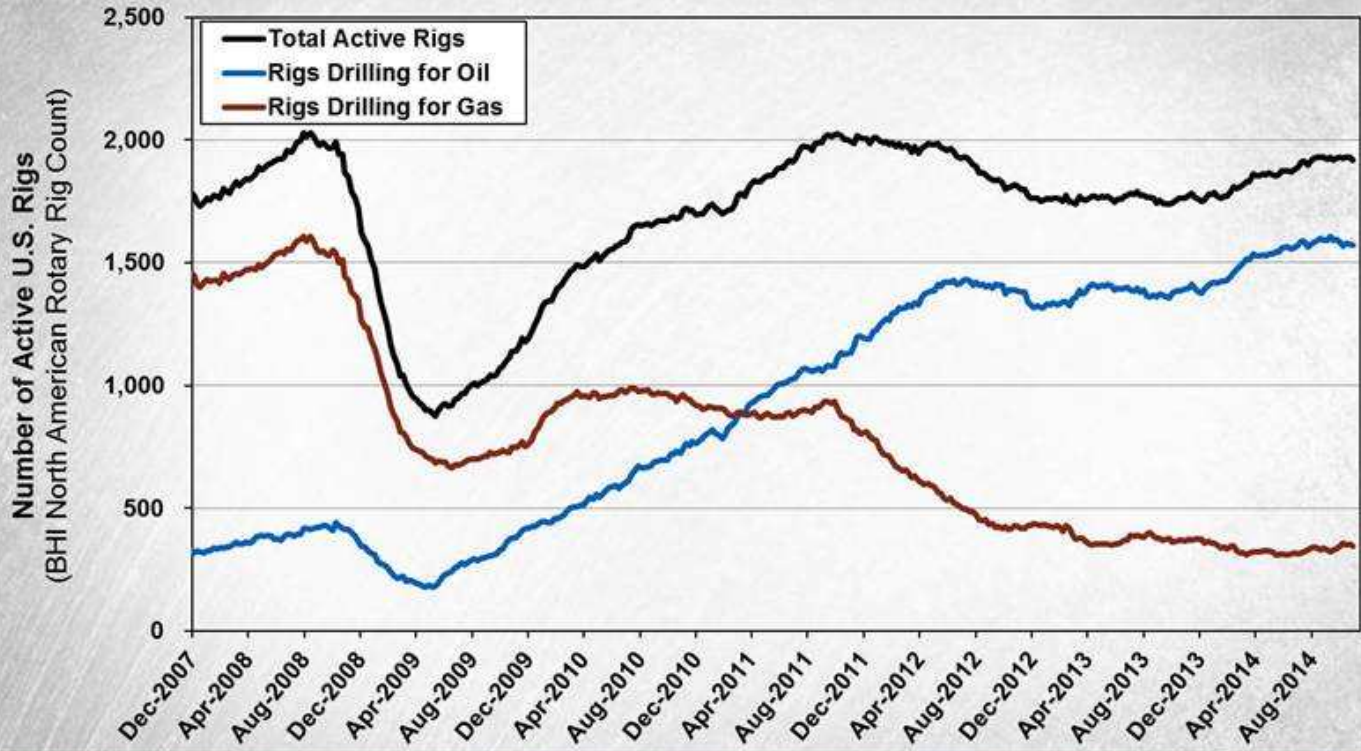


Source: Energy Information Administration and Thomson Reuters





# Oil vs. Natural Gas Directed Rig Count





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