

# HELMERICH & PAYNE, INC.

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

Filed 12/07/10 for the Period Ending 12/07/10

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 Report (Date of Earliest Event Reported): **December 7, 2010**

**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**

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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. (“H&P”) will deliver an investor and securities analyst presentation 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**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Slides to be shown during an investor and securities analyst presentation.

**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 7, 2010

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Slides to be shown during an investor and securities analyst presentation.

# Helmerich & Payne, Inc.

Capital One Southcoast Energy Conference  
December 8, 2010



Investor Relations Contact: Mike Drickamer – (918) 588-5190 – [mike.drickamer@hpinc.com](mailto:mike.drickamer@hpinc.com)



**The information contained within this presentation is forward looking and involves risks and uncertainties that could significantly impact expected results. A discussion of these risks and uncertainties is contained in the “Risk Factors” and “Management’s Discussion & Analysis of Results of Operations and Financial Condition” sections of the Company’s SEC filings, including but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q.**



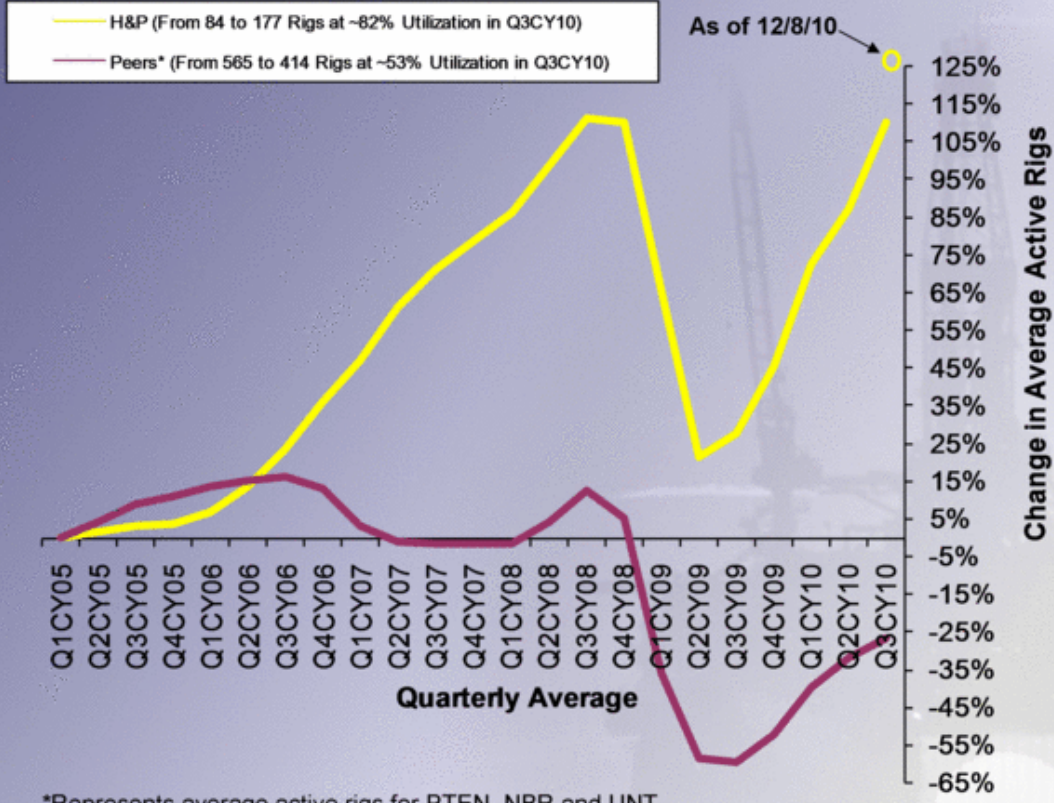
## Market Observations

- **The unconventional oil and gas plays require mostly horizontal and/or directional drilling, enabling better and more cost-effective reservoir performance. More complex drilling favors FlexRigs as they are a catalyst for drilling efficiencies and improved safety performance.**
- **Absent an unforeseen pullback in oil prices, the historically high oil directed rig count will help buffer any overall downward adjustment.**
- **The clear customer preference for AC driven rigs in a bifurcated market should leave the brunt of any pullback to be borne by older, lower performing assets.**



# Highest U.S. Activity Level in Company History

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



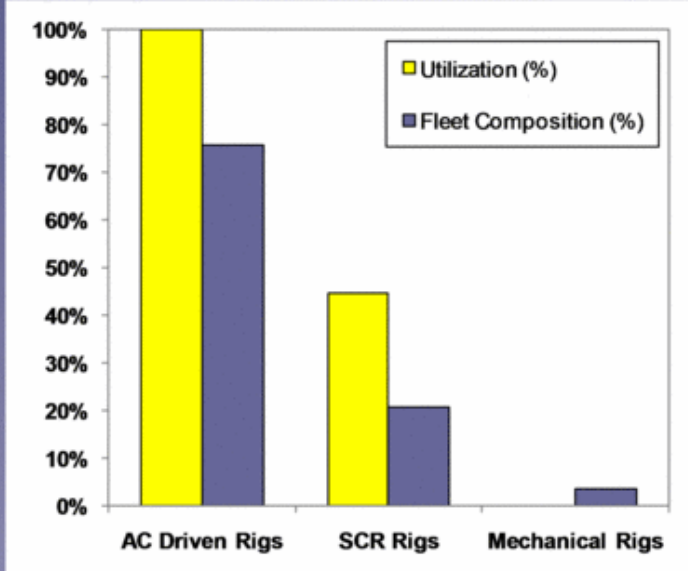
\*Represents average active rigs for PTEN, NBR and UNT.



# E&P Companies Prefer AC Driven Rigs

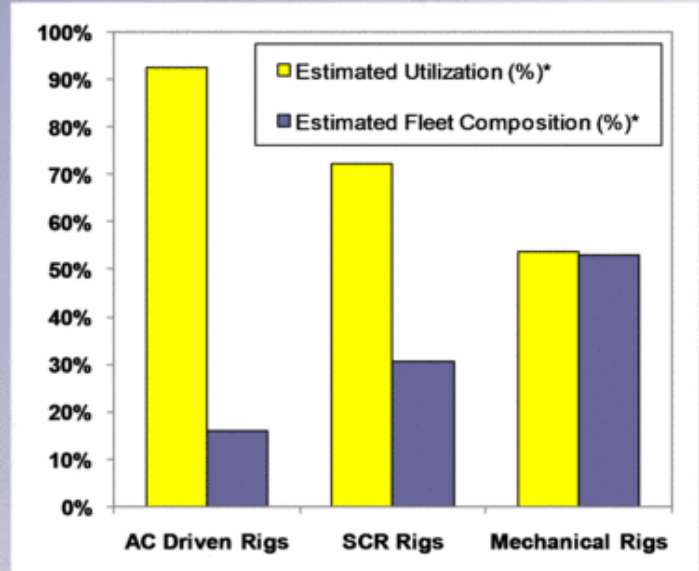
## H&P's U.S. Land Fleet (as of 12/8/10)

Composition & Utilization (by Rig Type)



## Industry's Estimated U.S. Land Fleet\*

Composition & Utilization (by Rig Type)



\* The above estimates corresponding to the total available U.S. land fleet are derived from multiple sources including Rig Data, Smith Bits and corporate filings. Only rigs with equal to or greater than 600 horsepower drawworks ratings are considered.





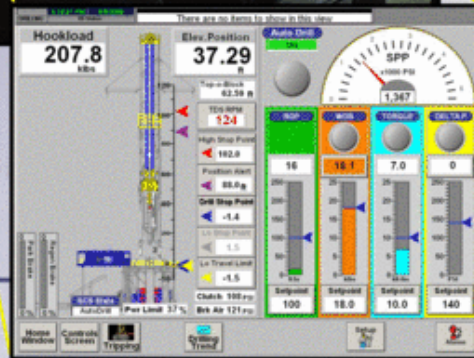
# Driller on a Conventional Rig vs. FlexRig™



Drawworks Brake Handle



Drawworks Joystick Control





# Roughnecks on a Conventional Rig vs. FlexRig™

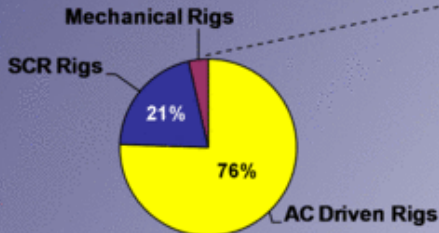


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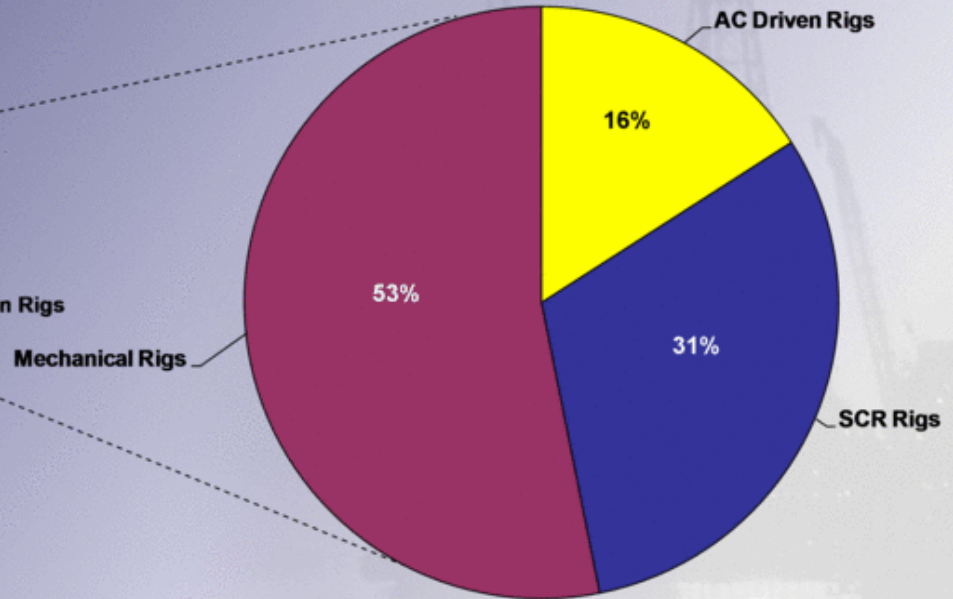


# H&P and U.S. Land Fleet (by Rig Type)

**H&P's Available U.S. Land Fleet**  
(225 Rigs as of 12/8/10)



**Total Available U.S. Land Fleet (Estimates)**  
(~2,500 Rigs)



Note: The above estimates corresponding to the total available U.S. land fleet are derived from multiple sources including Rig Data, Smith Bits and corporate filings. Only rigs with equal to or greater than 600 horsepower drawworks ratings are considered.



# H&P's Global Rig Fleet (as of 12/8/10)

**273 Total Rigs** (Includes New Build Commitments)



\* Includes 11 new rigs with customer commitments scheduled for completion during the first three quarters of fiscal 2011.

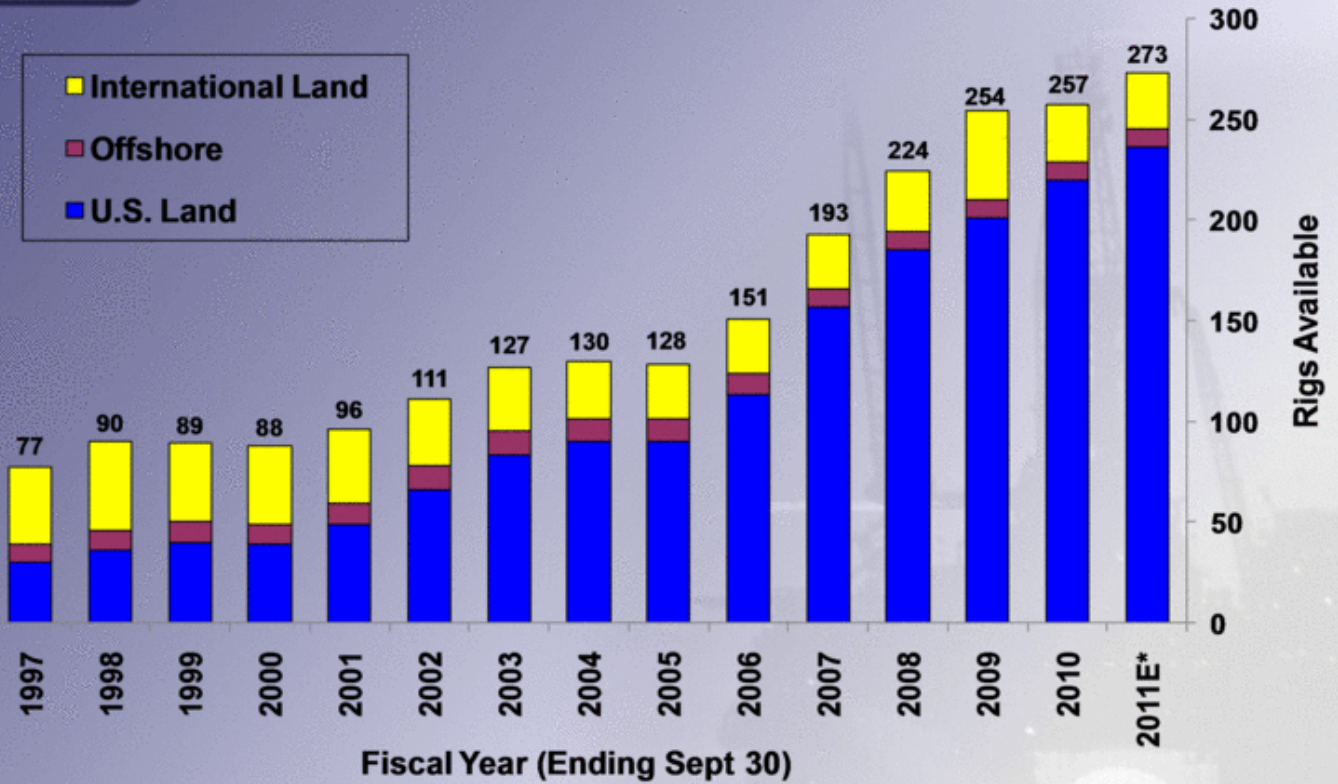
\*\* Includes 15 FlexRigs, one of which will be deployed from the U.S. to Bahrain during the third fiscal quarter of 2011.

Also includes four rigs assigned to the Company's operations in Mexico, which are expected to return to the U.S. during the first two quarters of fiscal 2011.

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# H&P's Global Rig Fleet



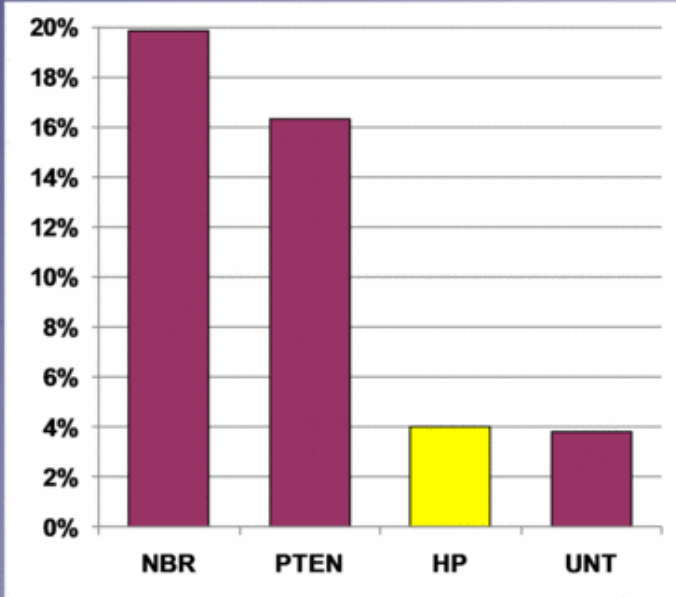
\* Estimates include existing rigs and announced new build commitments.



# Organically Growing Active Rig Market Share

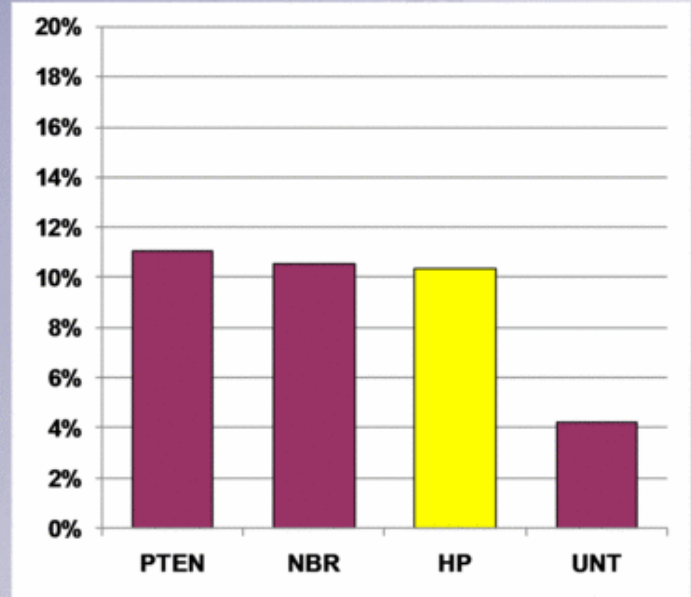
## Lower 48 U.S. Land Market Share

As of December 1, 2000



## Lower 48 U.S. Land Market Share

As of December 3, 2010



Note: The above estimates corresponding to the total available U.S. land fleet are derived from multiple sources including Rig Data, Smith Bits, and corporate filings.

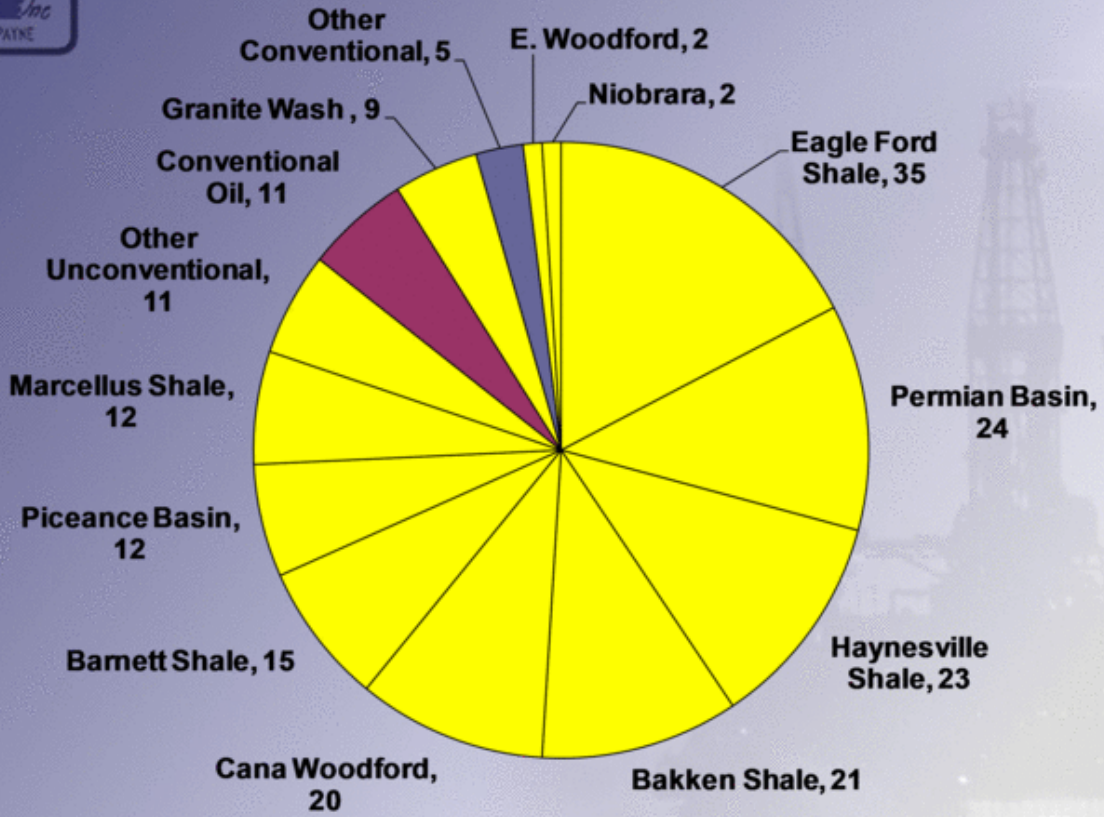


## H&P's U.S. Land Operations

- **High levels of utilization for AC driven rigs across the industry, and especially for FlexRigs, continue to support premium dayrates.**
- **We expect an increase in average rig activity, or total quarterly revenue days, from the fourth fiscal quarter of 2010 to the first fiscal quarter of 2011 of approximately five to seven percent.**
- **Quarterly average rig revenue per day (excluding the impact of early termination and new build delivery delay revenues) is expected to sequentially increase by over \$500 per day in the first fiscal quarter of 2011.**
- **The Company now expects to average approximately 128 rigs under term contract in the first fiscal quarter of 2011. The corresponding estimated annual averages for rigs already under term contracts for fiscal 2011 and fiscal 2012 are now 114 and 67 rigs, respectively.**



# H&P's Contracted U.S. Land Fleet (as of 12/8/10)



Note: The above numbers corresponding to H&P's contracted U.S. land fleet include one delayed new build which generates revenue but does not generate revenue days and 11 pending new build FlexRigs.

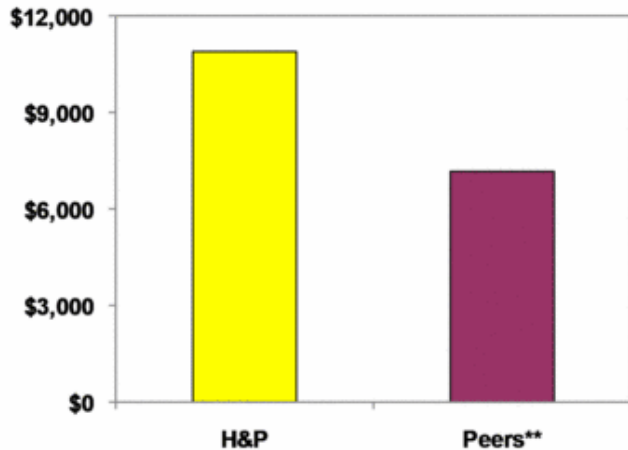




# Technology and Quality Service Make a Difference

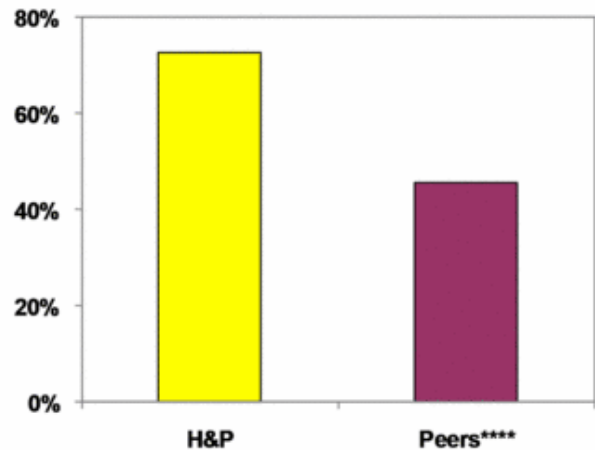
## Rig Margin Premium

Average U.S. Land Rig Margin per Day\*  
(12 Months Ended September 30, 2010)



## Utilization Premium

Estimated U.S. Land Rig Utilization\*\*\*  
(12 Months Ended September 30, 2010)



\* Does not include the impact of early contract termination revenue.

\*\* Represents weighted-average rig margin per day for PTEN, NBR and UNT

\*\*\* Utilization is herein calculated to be average active rigs divided by estimated available marketable rigs during the period.

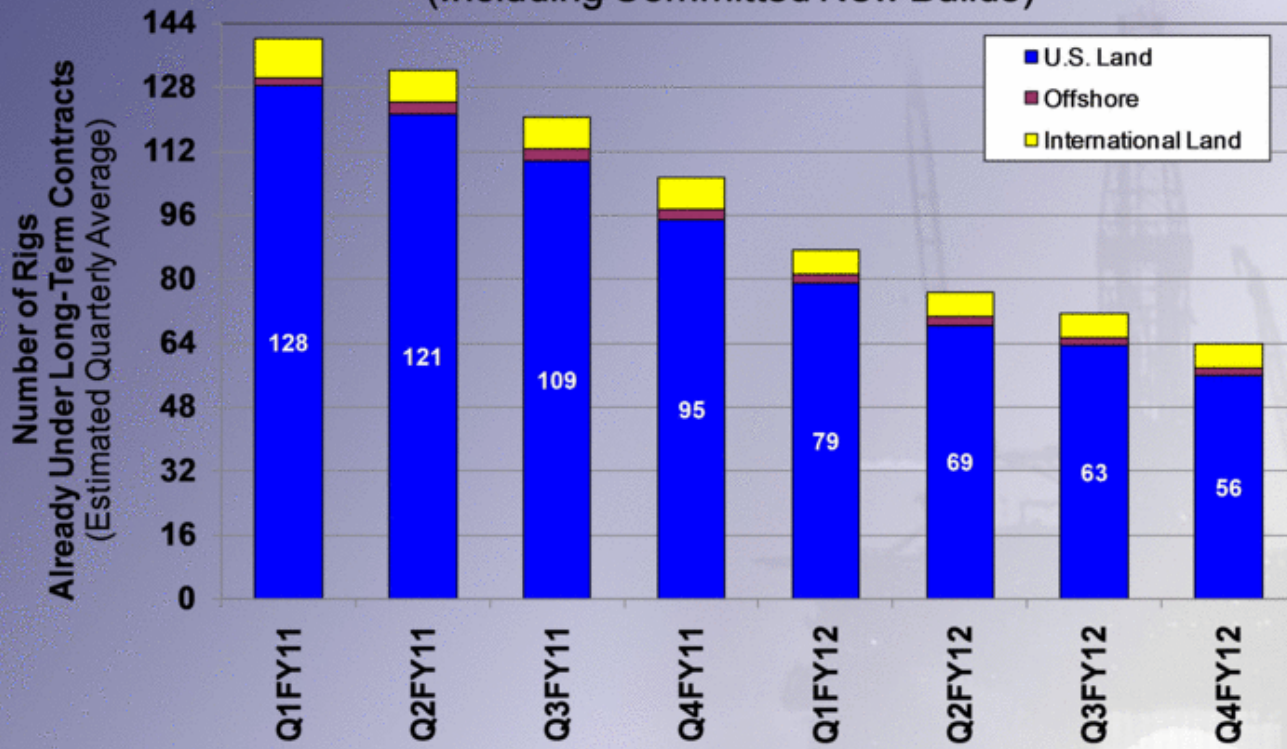
\*\*\*\* Represents estimated average combined utilization for PTEN, NBR and UNT in the Lower 48.

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# H&P's Global Fleet Under Term Contracts

## Term Contract Status - H&P Global Fleet (Including Committed New Builds)



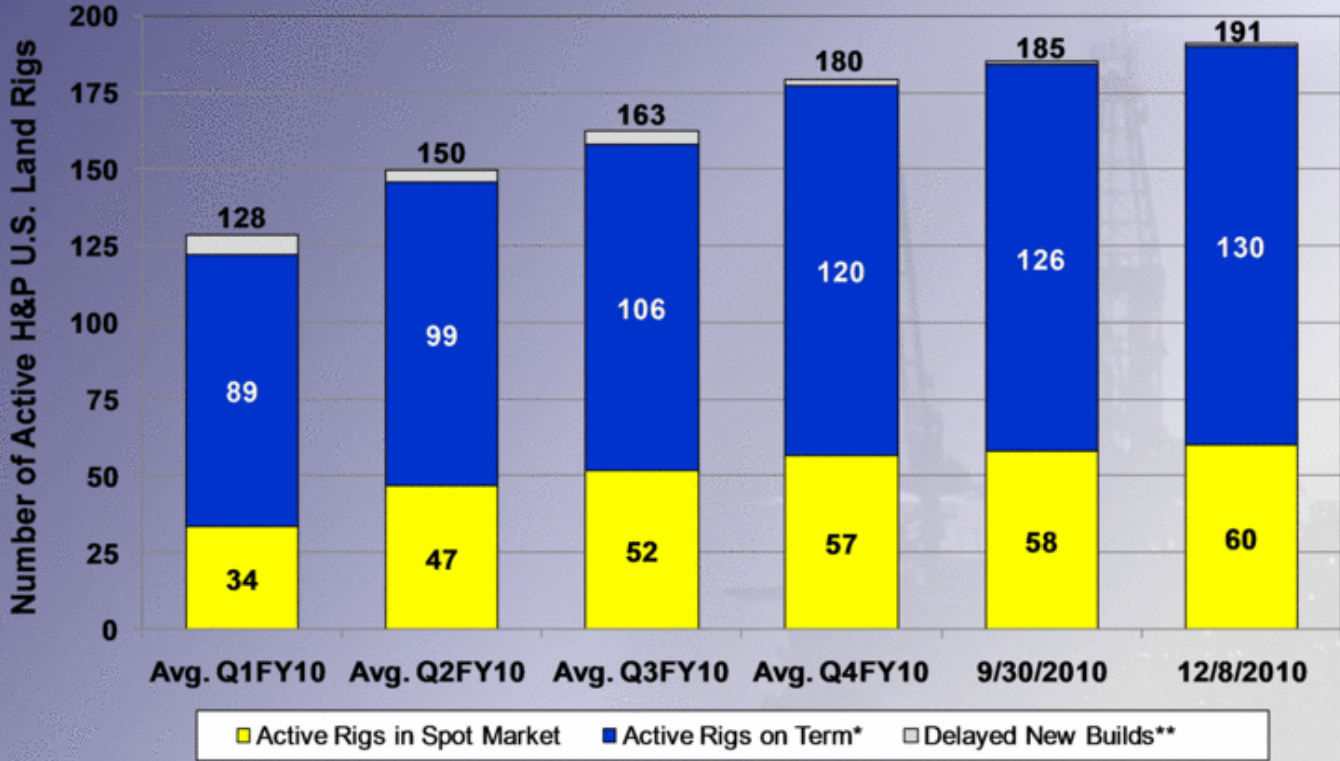


## H&P New Builds

- Since 2005, we have announced the construction of 163 new FlexRigs, including 23 since March 2010. All of these rigs were contracted under multi-year term agreements that generated favorable returns.
- Having completed construction of 12 of the 23 rigs announced since March 2010, we currently have 11 left to be completed during the first three quarters of fiscal 2011.
- The 23 FlexRigs announced during the last eight months for U.S. land are being activated in some of the most attractive basins in the U.S., including the Eagle Ford, CANA Woodford, Bakken, Bone Spring, and the Haynesville. All of the rigs will be drilling more complex horizontal and directional wells, as customers extend laterals and drill more multi-lateral wells.
- We continue to have encouraging conversations with customers regarding new build commitments for incremental FlexRigs.



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



\* Active rigs on term (in blue) generated both revenue and revenue days.

\*\* Includes delayed new builds (in gray) which generated revenue but did not generate revenue days.



## H&P's International Land Operations

- **Our second FlexRig in Bahrain has commenced operations and we recently announced a contract for a third FlexRig to commence operations in Bahrain during the third fiscal quarter of 2011.**
- **Two of the six rigs previously assigned to the Company's operations in Mexico have already returned to the U.S. and are currently under contract. The remaining four rigs are now expected to return to the U.S. during the first two quarters of fiscal 2011.**
- **We expect quarterly activity (or revenue days) for the segment to sequentially decrease by about seven percent from the fourth quarter of fiscal 2010 to the first quarter of fiscal 2011.**
- **Including the favorable impact corresponding to early contract termination revenue in both the fourth fiscal quarter of 2010 and the first fiscal quarter of 2011, we expect average daily rig margins for the International Land Segment to decrease by less than five percent sequentially.**



## H&P's International Land Operations

### Rig Fleet Status (as of December 8, 2010)

	Active	Contracted	Idle	Total	Long-term Contracts
Argentina	5		4	9	4
Colombia	5		1	6	2
Ecuador	4			4	
Mexico	4 <sup>(1)</sup>			4	4
Tunisia	2			2	
Bahrain	2	1 <sup>(2)</sup>		3	3
<b>Total</b>	<b>22</b>	<b>1<sup>(2)</sup></b>	<b>5</b>	<b>28</b>	<b>13<sup>(3)</sup></b>

- 1) The four rigs assigned to the Company's operations in Mexico are expected to return to the U.S. during the first two quarters of fiscal 2011.
- 2) A FlexRig4M is expected to commence operations in the third fiscal quarter of 2011.
- 3) 13 of 15 FlexRigs (included in the international fleet of 28 rigs) are under long-term contracts.



## H&P's Offshore Operations

- **Seven of the Company's nine offshore platform rigs remain active, including two under long-term contracts.**
- **We expect total revenue days for the first fiscal quarter of 2011 to be essentially flat as compared to the fourth fiscal quarter of 2010.**
- **Excluding the ~\$2,000 per day benefit to average daily rig margins in the fourth fiscal quarter of 2010, we expect rig margins to decrease by less than five percent sequentially in the first fiscal quarter of 2011.**



## Market Trends Favor H&P

- **E&P Companies require technology-based solutions that enable lower total well costs**
- **Unconventional plays tend to be horizontal and/or directional wells (i.e. more complex well designs)**
- **As drilling becomes more complex, AC drive rigs should be expected to remain in short supply**
- **Increasing safety and environmental sensitivity**





Additional References:

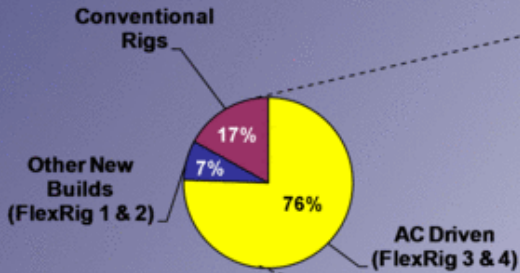
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# H&P is Leading the U.S. Land New Build Effort

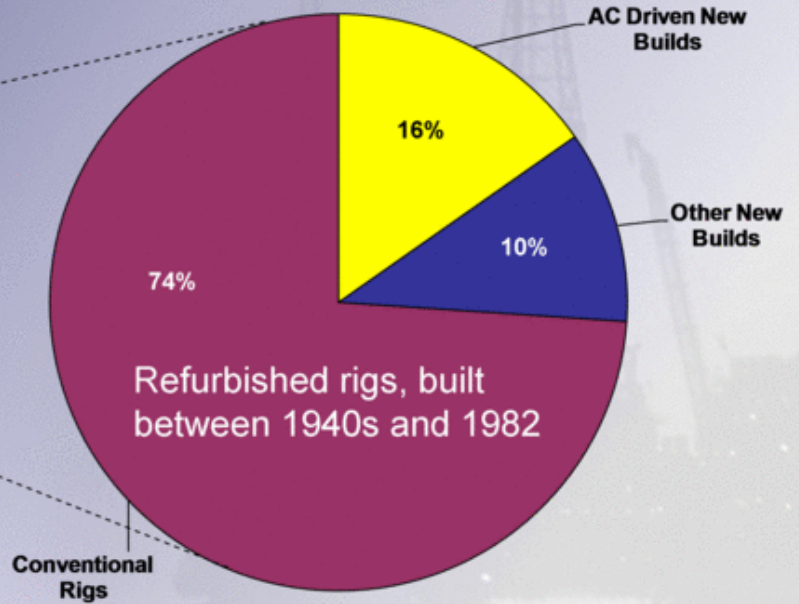
## H&P's Available U.S. Land Fleet

(225 Rigs as of 12/8/10)



## Total Available U.S. Land Fleet (Estimates)

(~2,500 Rigs)



Note: The above estimates corresponding to the total available U.S. fleet are derived from multiple sources including Rig Data, Smith Bits and corporate filings. Only rigs with equal to or greater than 600 horsepower drawworks ratings are considered.

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## New Builds – H&P's FlexRig Program

### The FlexRig Difference: Key Advantages

- **Increased drilling productivity and reliability**
  - Variable frequency (AC) drives with increased precision and measurability
  - Computerized electronic driller that 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**



## A Value Proposition Example – H&P vs. Competitors

	Estimated Conventional Average (Spot Market)	Estimated Peer Fit-for-purpose Average (Spot Market)	H&P FlexRig3 Average Mid 2010 (Spot Market)
1. Drilling days	26	14	11
Completion days	2	2	2
Moving days	5	4	3
<b>Total rig revenue days per well</b>	<b>33</b>	<b>20</b>	<b>16</b>
2. Drilling contractor dayrate	\$15,500	\$21,500	\$24,500
Operator's other intangible cost per day estimate	\$22,500	\$22,500	\$22,500
<b>Total daily cost estimate</b>	<b>\$38,000</b>	<b>\$44,000</b>	<b>\$47,000</b>
<b>Total cost per well (daily services)</b>	<b>\$1,254,000</b>	<b>\$880,000</b>	<b>\$752,000</b>
3. Total well savings with H&P – per well	\$502,000	\$128,000	
per year	\$11.5MM	\$2.9MM	

Increased wells per rig per year versus conventional average: 12 wells

Increased wells per rig per year versus peer fit-for-purpose: 5 wells



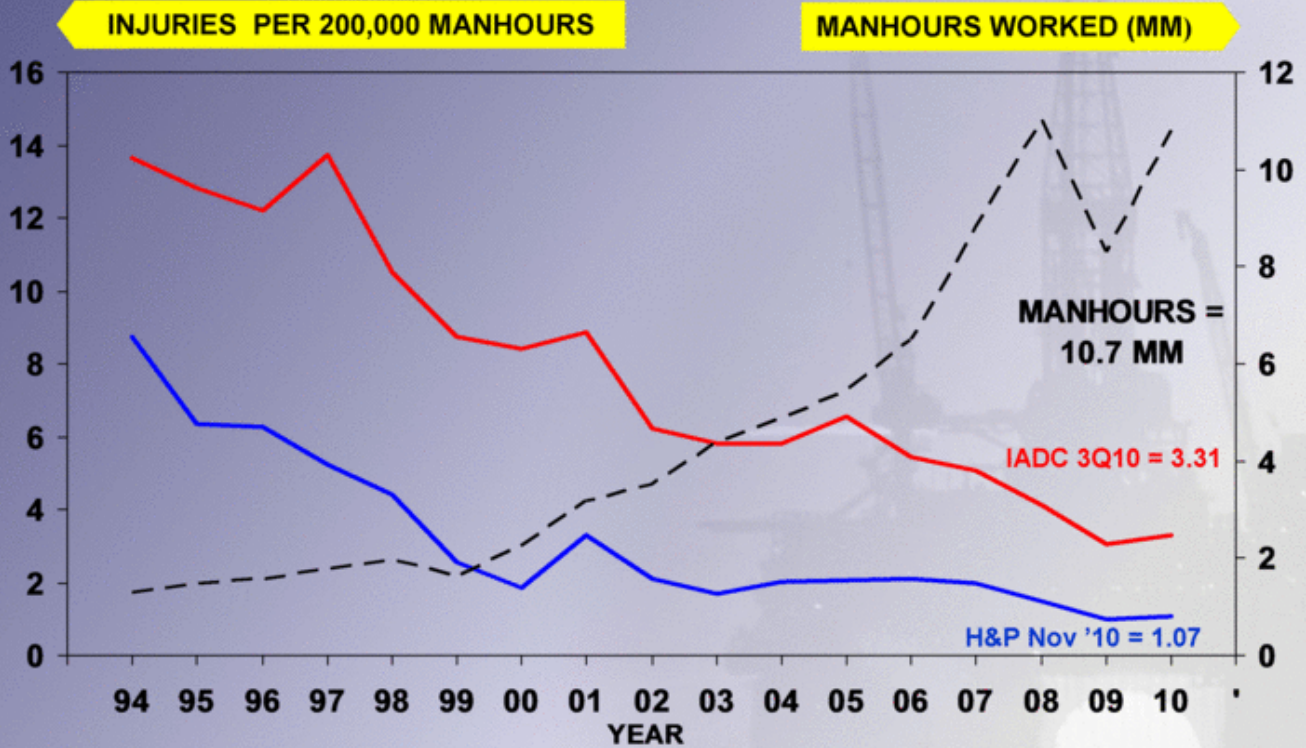
## A Strong Field Organization

- Performance is not only about better rigs
- It's also about:
  - People
  - Safety
  - Experience
  - Training
  - Culture
  - Supply chain
  - Maintenance
  - Processes
  - Organizational network
  - Support structure



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

## U.S. Land Safety Performance (1994 – Nov'10) OSHA Recordable Injury Incidence Rates

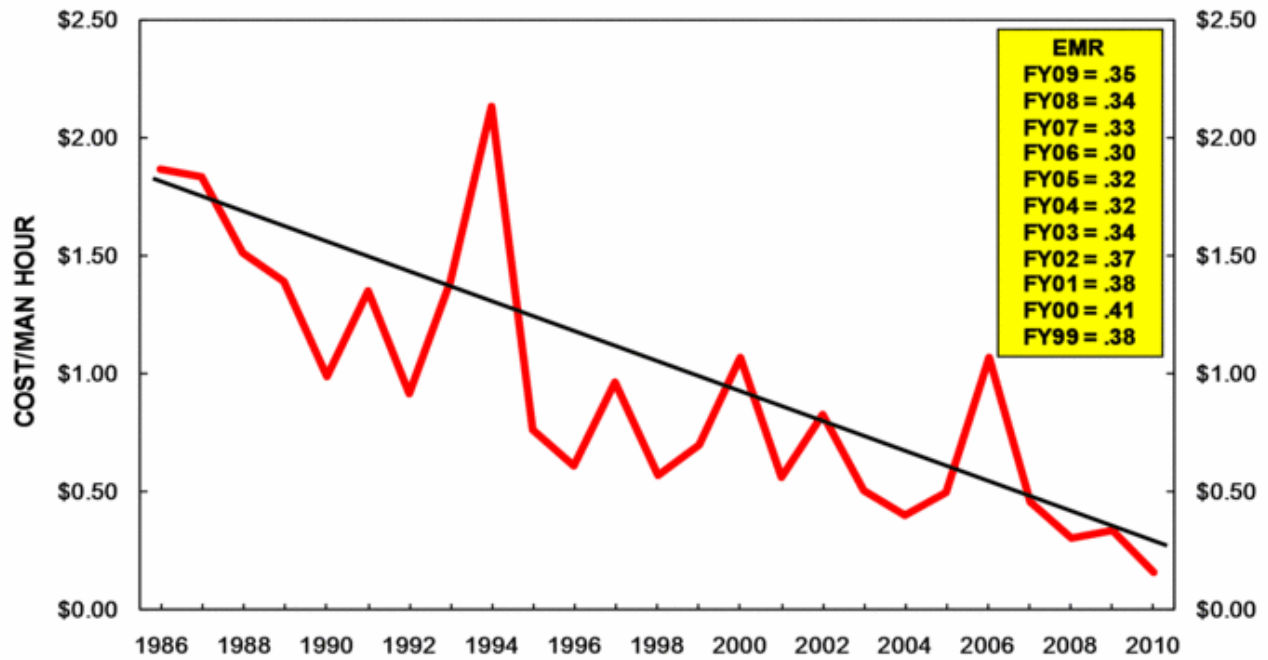




# Safety Excellence Also Generates Savings

## 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)

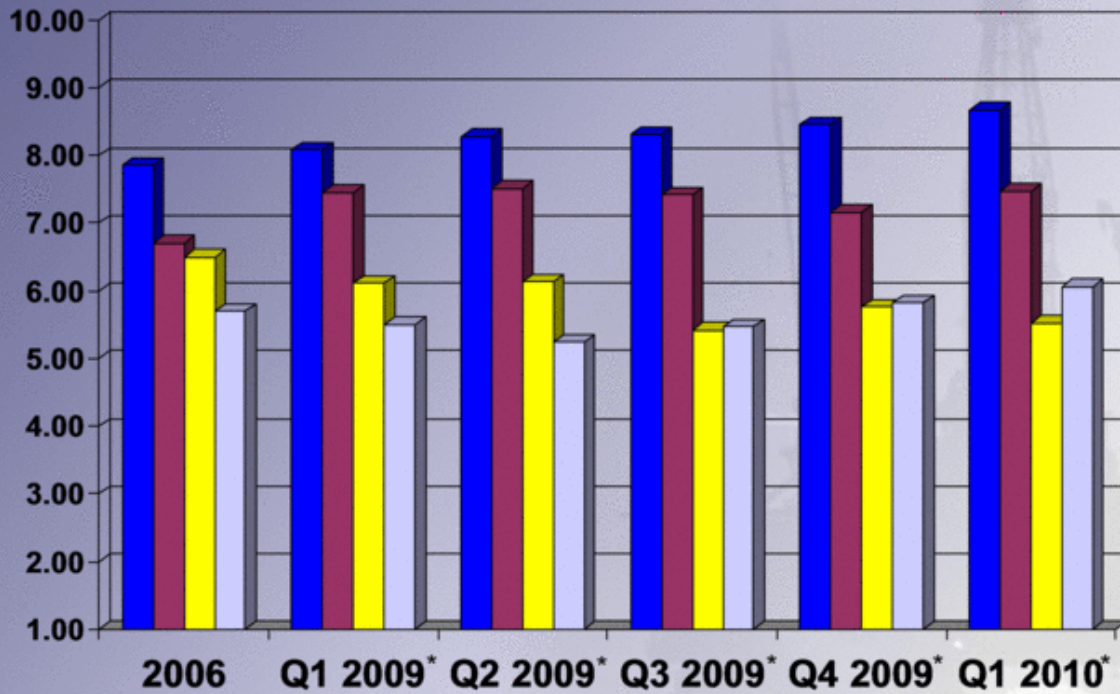
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# Customer Satisfaction Index

10 = "Highly Satisfied", 1 = "Highly Dissatisfied"

■ HP      ■ Peer A      ■ Peer B      ■ Peer C



Source: EnergyPoint Research, Inc.

\* Trailing four quarters average

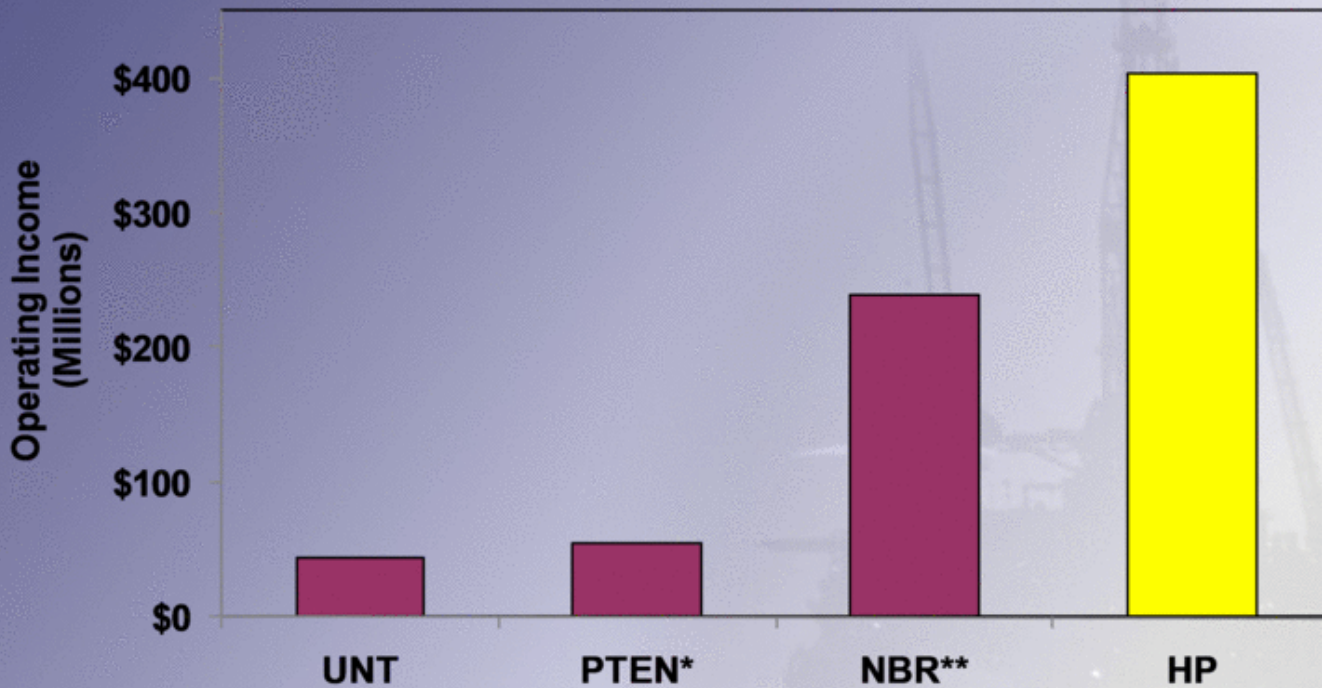
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## Most Profitable Driller in U.S. Land Business

### U.S. Land Drilling Operating Income 12 Months Ended September 30, 2010



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

\*\* NBR's operating income corresponds to its U.S. Lower 48 Land Drilling segment.

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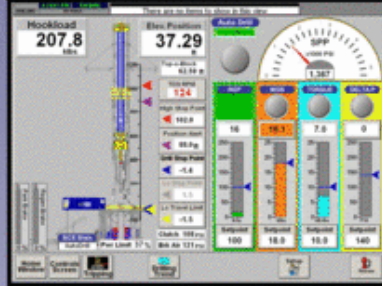


# Leader in New Ideas & Applied Technology

**Driller's Cabin**



**Computerized Controls**



**AC Driven Systems & Integrated Top Drive**



**Satellite Communications**



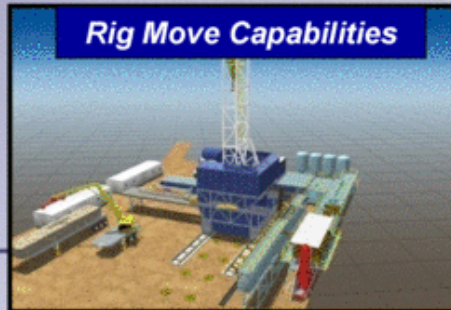
**BOP Handling**



**Mechanized Tubular Handling**



**Rig Move Capabilities**

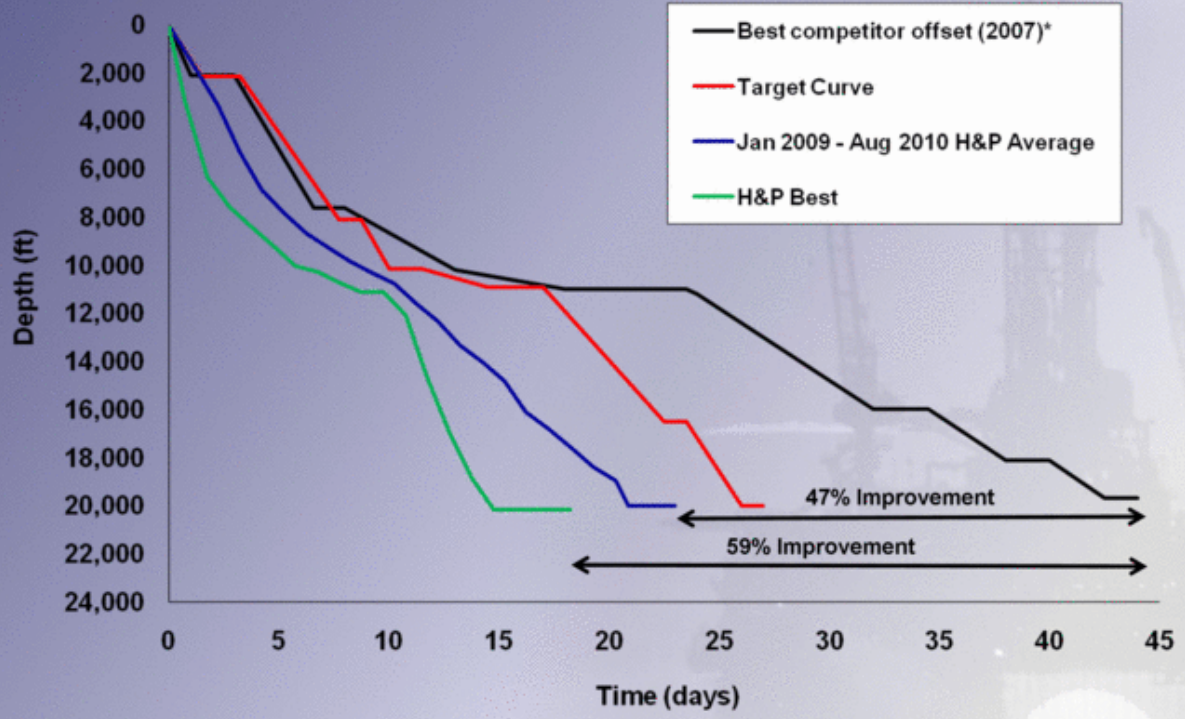


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# FlexRig3 – Performance Sample

## FlexRig3 Bakken Shale

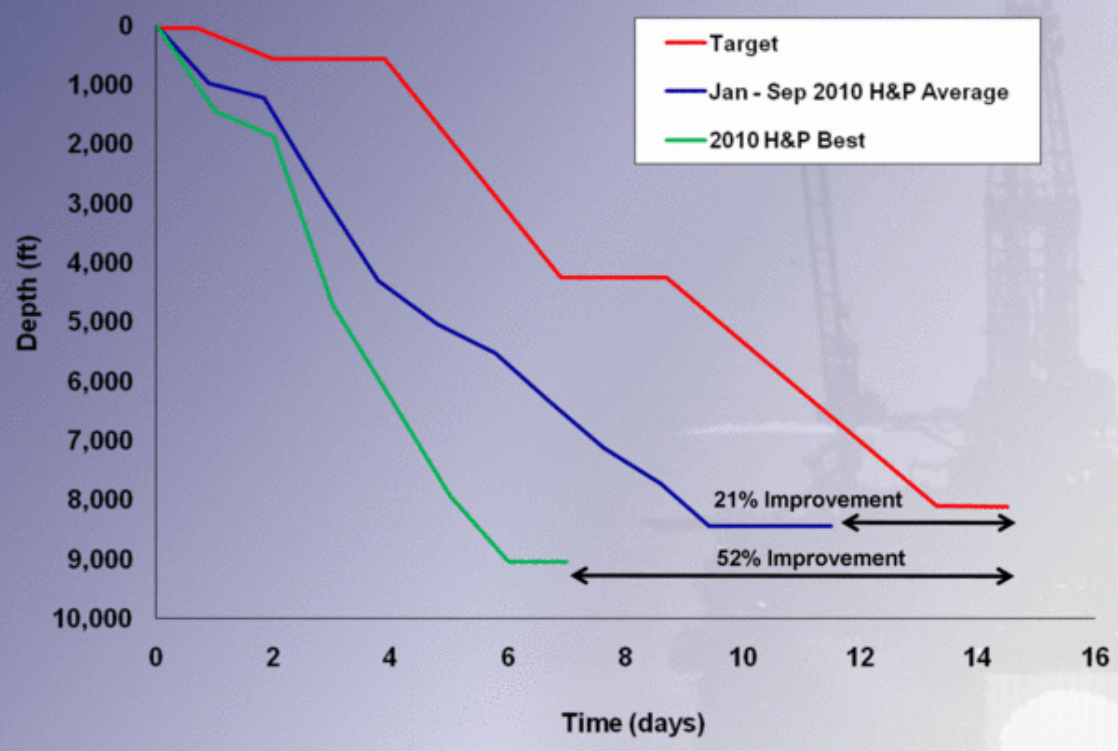


\* Represents the customer's fastest reported Bakken Shale well before deploying a H&P FlexRig.



# FlexRig4M – Performance Sample

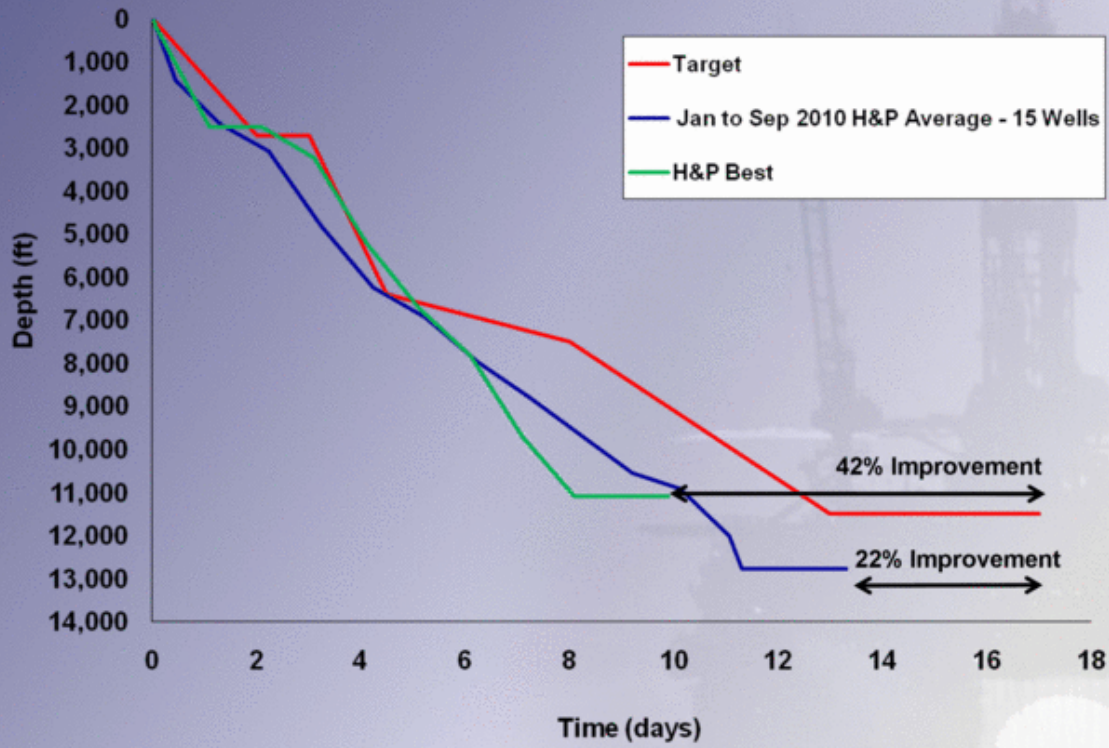
## FlexRig4M West Texas





# FlexRig4 – Performance Sample

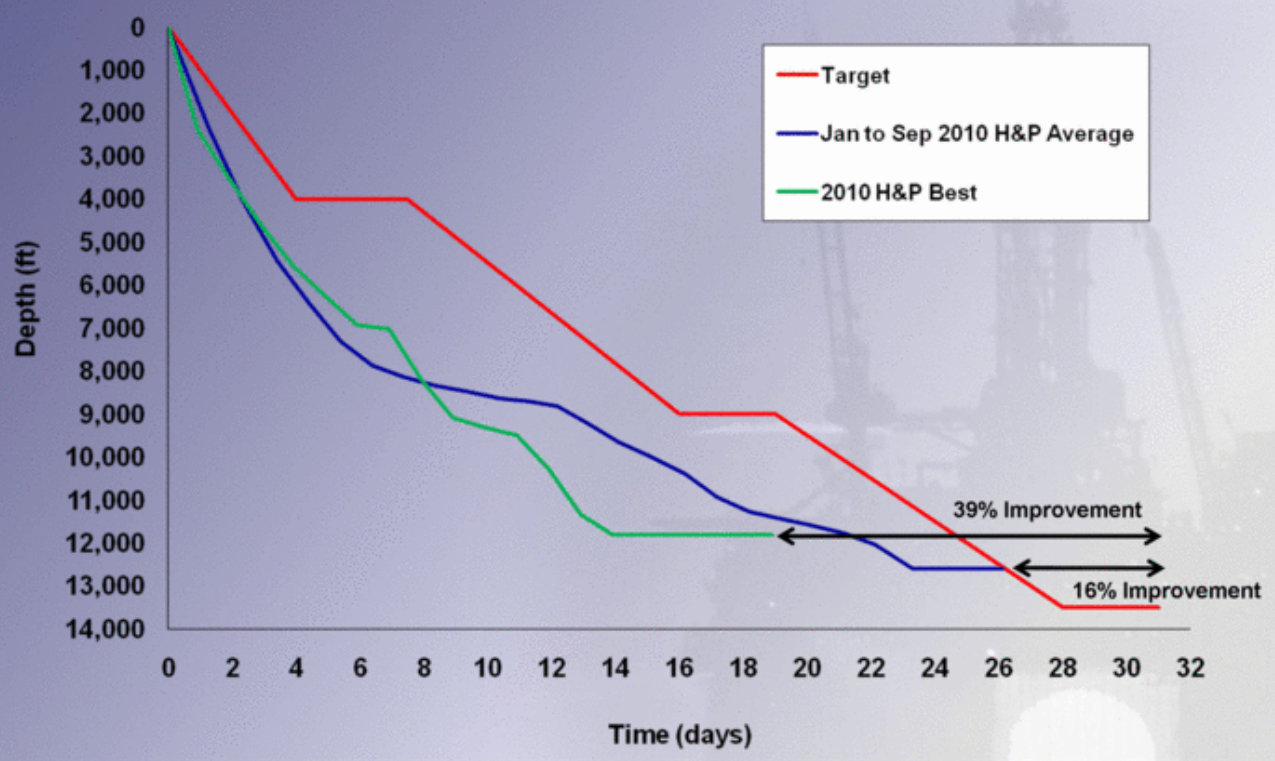
## FlexRig4 Eagle Ford Shale





# FlexRig4S – Performance Sample

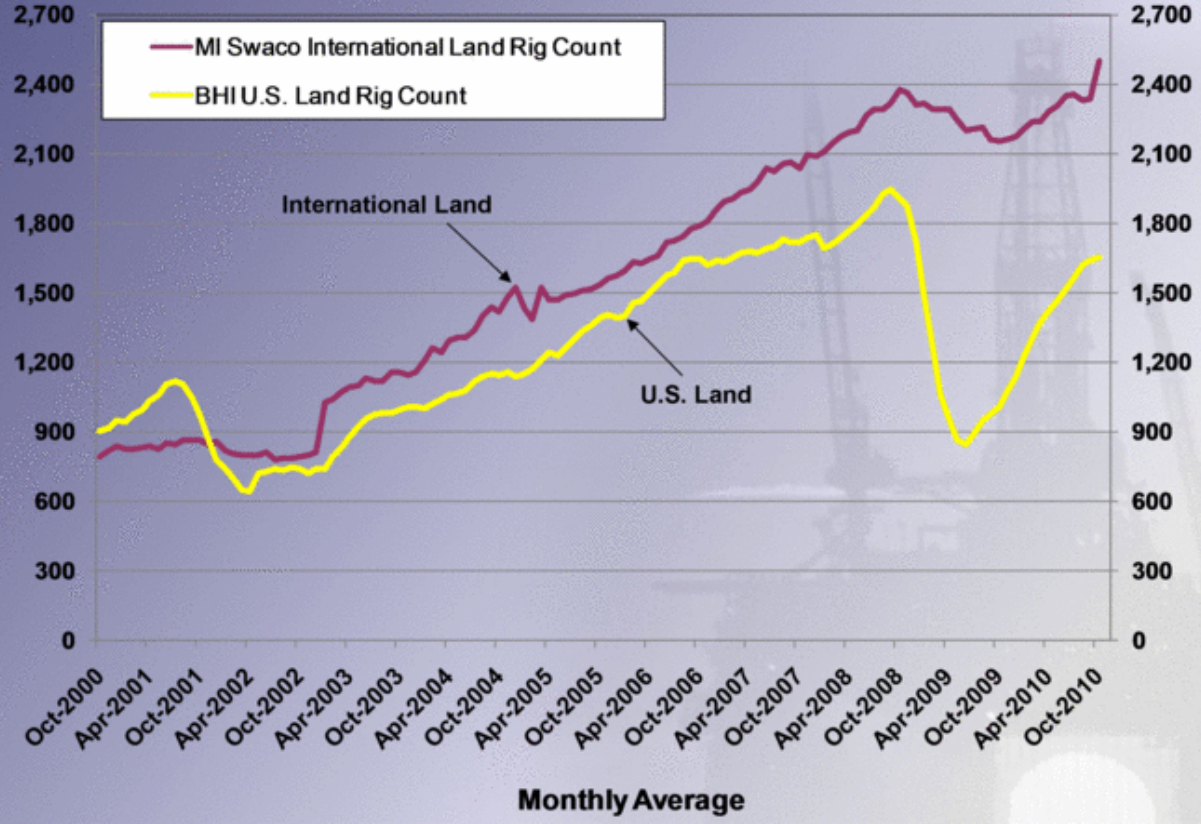
## FlexRig4S Marcellus Shale





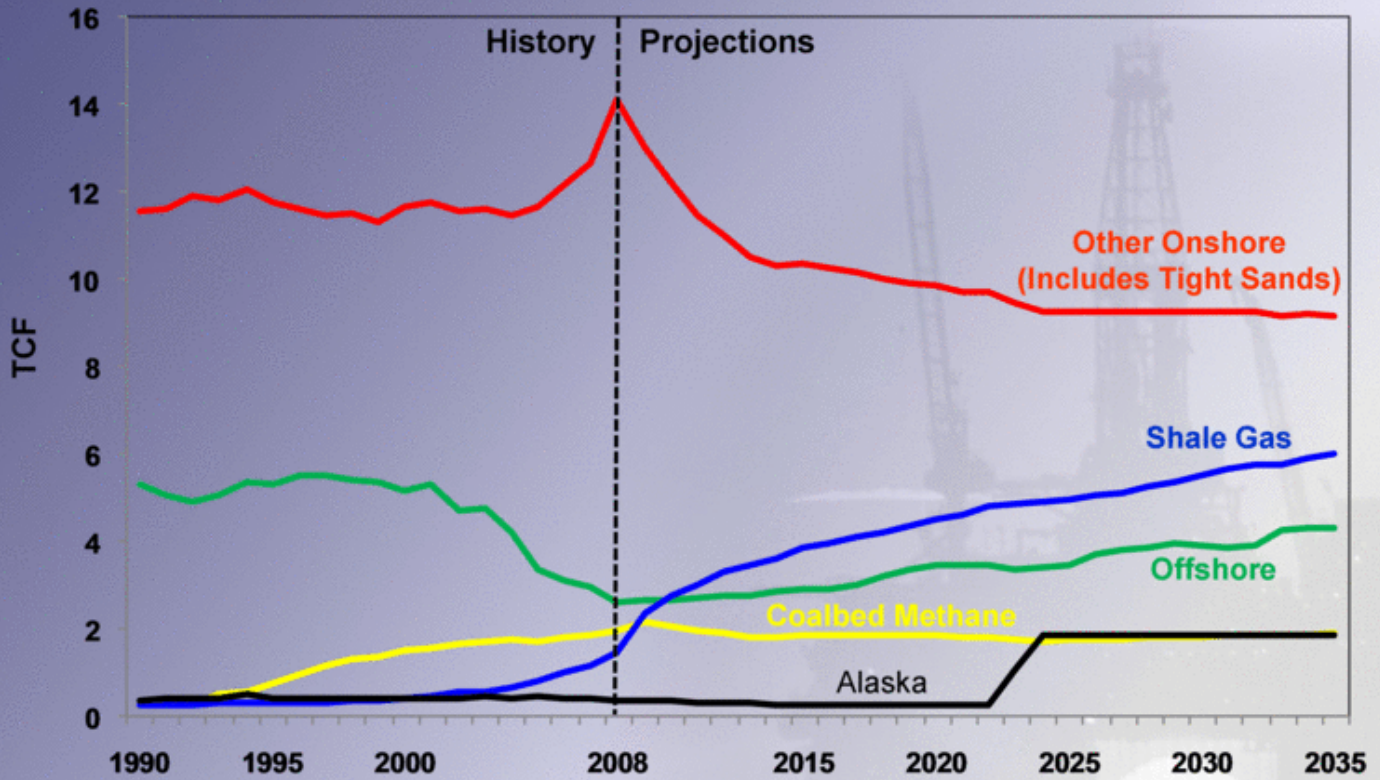
# Improving Rig Counts

## Baker Hughes U.S. Land and MI Swaco International Land Rig Counts





# Unconventional Natural Gas Production Growing



Source: Energy Information Administration Annual Energy Outlook 2010 with projections to 2035 (May 2010).

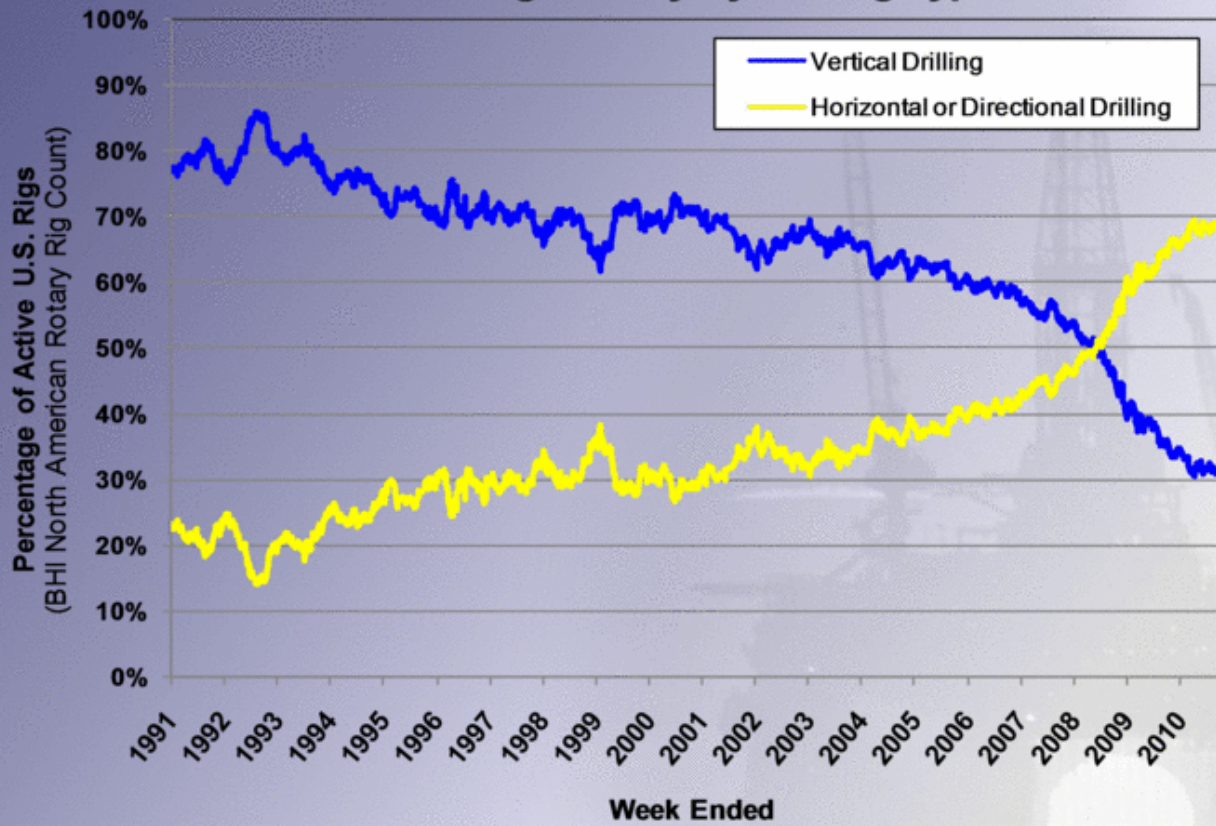
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# Increasing Focus on More Difficult Drilling

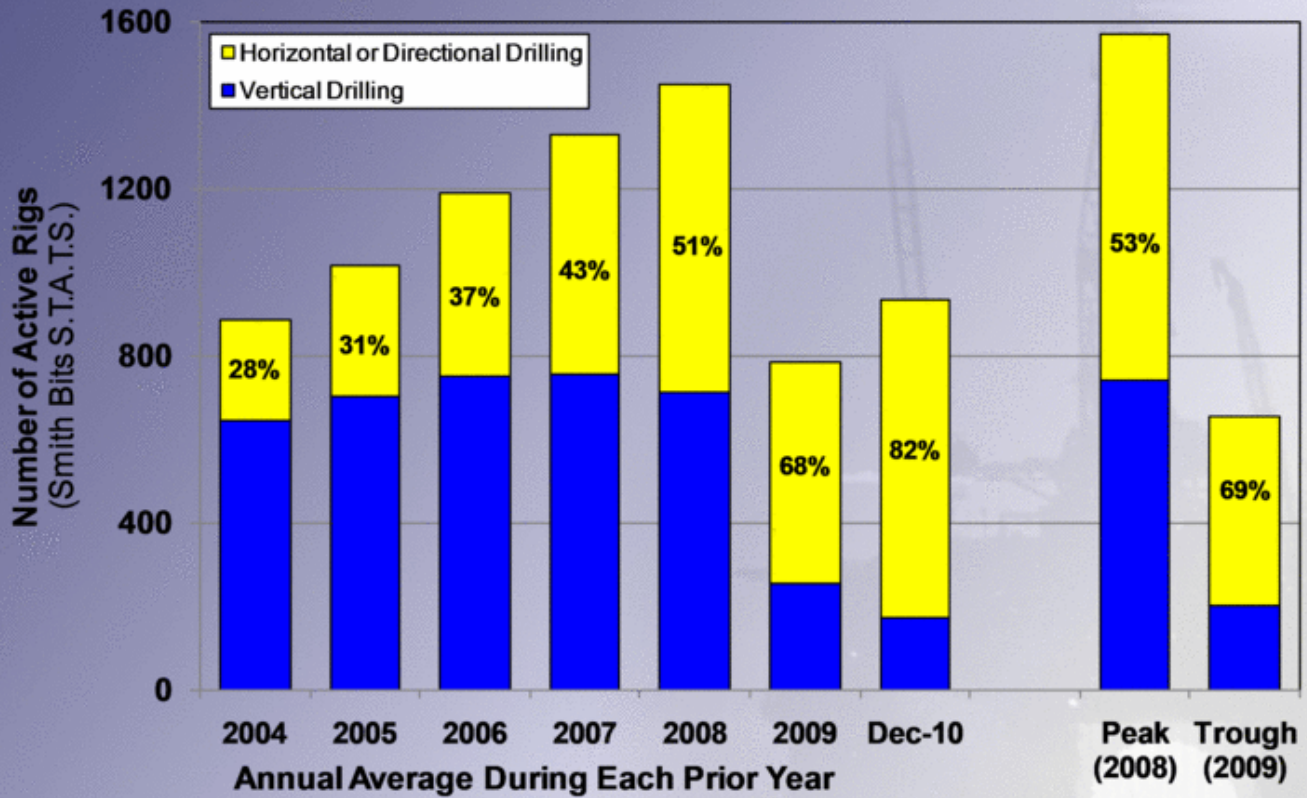
## U.S. Rig Activity by Drilling Type





# Increasing Focus on More Difficult Drilling

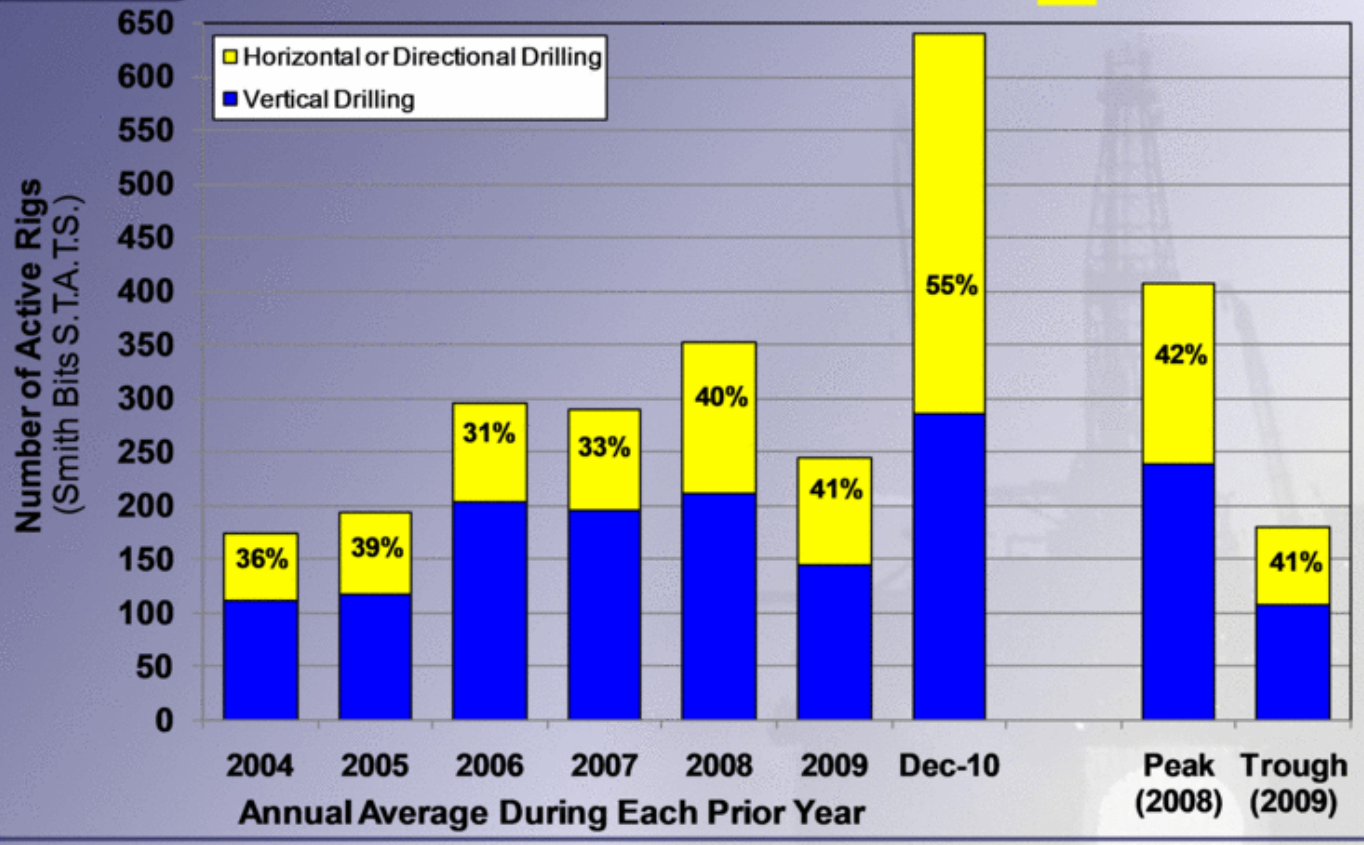
## Active Rigs in U.S. Land Drilling for Natural Gas





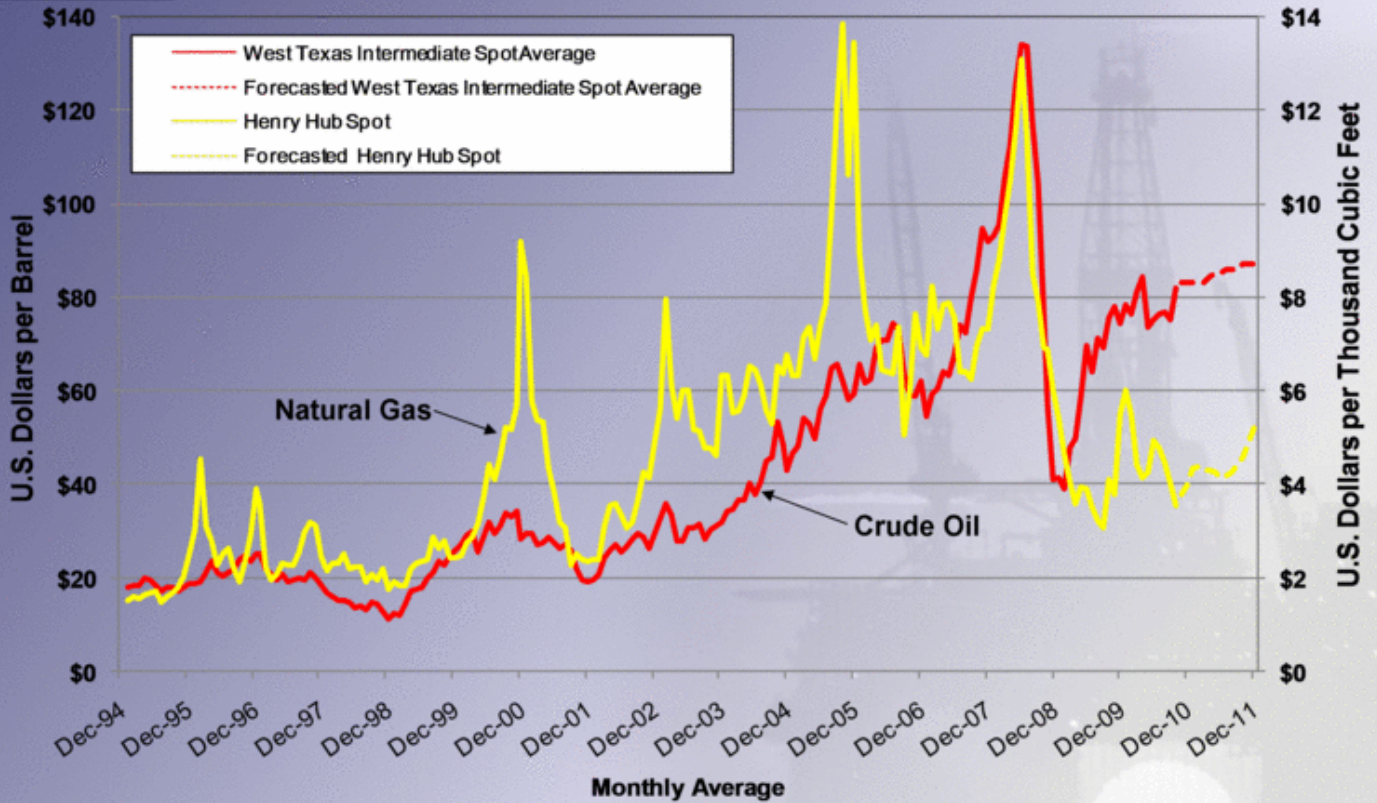
# Oil Related Drilling Also Increasingly Complex

## Active Rigs in U.S. Land Drilling for Oil





# Crude Oil & Natural Gas Prices



Source: Energy Information Administration, Short-term Energy Outlook as of 11/9/2010.

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