

# HELMERICH & PAYNE, INC.

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

Filed 01/31/12 for the Period Ending 01/31/12

|             |   |
|-------------|---|
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| 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: **January 31, 2012**

**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 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

On January 31, 2012, Helmerich & Payne, Inc. (“Registrant”) issued a press release announcing its financial results for its first quarter ended December 31, 2011. The Registrant also announced that it had signed contracts to build and operate three additional FlexRigs®\*. A copy of the press release is attached as Exhibit 99 to this Report on Form 8-K. This information is being furnished pursuant to Item 2.02 of Form 8-K and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 99                 | Helmerich & Payne, Inc. earnings press release dated January 31, 2012 |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly authorized the undersigned to sign this report on its behalf.

HELMERICH & PAYNE, INC.  
(Registrant)

/S/ Steven R. Mackey  
Steven R. Mackey  
Executive Vice President

DATE: January 31, 2012

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\*FlexRig® is a registered trademark of Helmerich & Payne, Inc.

**EXHIBIT INDEX**

| <u>Exhibit No.</u> | <u>Description</u>  |
|--------------------|---|
| 99                 | Helmerich & Payne, Inc. earnings press release dated January 31, 2012 |



## NEWS RELEASE

HELME RICH &amp; PAYNE, INC. / 1437 SOUTH BOULDER AVENUE / TULSA, OKLAHOMA

January 31, 2012

## HELME RICH &amp; PAYNE, INC. ANNOUNCES FIRST QUARTER RESULTS

Helmerich & Payne, Inc. reported income from continuing operations of \$144,297,000 (\$1.32 per diluted share) from operating revenues of \$732,588,000 for the first quarter of fiscal 2012, compared to income from continuing operations of \$104,365,000 (\$0.96 per diluted share) from operating revenues of \$594,642,000 during the first fiscal quarter of 2011, and income from continuing operations of \$121,514,000 (\$1.11 per diluted share) from operating revenues of \$700,751,000 during the fourth fiscal quarter of 2011. Included in income from continuing operations for the first fiscal quarters of 2012 and 2011, and for the fourth fiscal quarter of 2011, is non-operating income (after-tax) related to the sale of used drilling assets of \$0.03, \$0.02 and \$0.02 per diluted share, respectively. Net income for the first quarter of fiscal 2012 was \$144,286,000 (\$1.32 per diluted share), compared to net income of \$104,150,000 (\$0.96 per diluted share) during the first fiscal quarter of 2011, and net income of \$121,420,000 (\$1.11 per diluted share) during the fourth fiscal quarter of 2011.

President and CEO Hans Helmerich commented, "We are pleased to announce strong first quarter results including an all-time record level of income from continuing operations. We also reached best ever levels for revenue and rig activity during this recent quarter. While we expect some moderation in this record breaking pace in the upcoming March quarter, we are gratified for the strong start for our 2012 fiscal year. Even with the uncertainty surrounding slumping natural gas prices and the anticipated softening in dry gas directed drilling in the U.S., we remain upbeat that our business model of providing premium drilling services will continue to prosper in 2012."

Segment operating income for U.S. land operations was \$224,706,000 for the first fiscal quarter of 2012, compared with \$158,361,000 for last year's first fiscal quarter and \$192,133,000 for last year's fourth fiscal quarter. The sequential increase in segment operating income was attributable to increases in activity and pricing, along with a decline in expenses. The Company's quarterly revenue days for the segment increased sequentially by approximately five percent to 20,968 revenue days during the first fiscal quarter of 2012. The corresponding average rig revenue per day also increased sequentially by \$312 to \$26,861 during the first fiscal quarter of 2012. Average rig expense per day declined by \$643, generating a sequential increase of \$955 in average rig margin per day to \$14,569 during this year's first fiscal quarter. Rig utilization for the Company's U.S. land segment was 91% for this year's first quarter, compared with 84% for last year's first fiscal quarter and 87% for last year's fourth fiscal quarter. At December 31, 2011, the Company's U.S. land segment had 234 contracted rigs (including 150 under term contracts) and 21 idle rigs.

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The Company also announced today that it has entered into agreements with two exploration and production companies to build and operate three additional FlexRigs in the U.S. These three rigs will be built under multi-year term contracts and are expected to generate attractive economic returns for the Company. Including the new builds announced today, 40 contracted FlexRigs remain under construction and are currently being completed at the rate of approximately four per month. Once these rigs are completed, the Company's global fleet is expected to include 287 FlexRigs.

Segment operating income for the Company's offshore operations was \$12,204,000 for the first fiscal quarter of 2012, compared with \$9,000,000 for last year's first fiscal quarter and \$11,871,000 for last year's fourth fiscal quarter. The sequential increase in operating income was attributable to a higher average rig margin per day during the first fiscal quarter. Rig utilization in the segment was reported at 84% for the first fiscal quarter of 2012, as compared to 85% for the immediately preceding quarter.

The Company's international land operations reported segment operating income of \$7,939,000 for this year's first fiscal quarter, compared with \$14,367,000 for last year's first fiscal quarter and \$3,525,000 for the fourth fiscal quarter of 2011. The decline in segment operating income as compared to last year's first fiscal quarter was mostly attributable to early termination revenue earned in Mexico during that quarter. The number of revenue days for the first quarter of 2012 increased by approximately six percent as compared to the fourth quarter. The average rig margin per day for the first quarter also increased sequentially, from \$7,690 per day during the fourth quarter of fiscal 2011 to \$9,015 per day during the first quarter of fiscal 2012.

Helmerich & Payne, Inc. is primarily a contract drilling company. As of January 31, 2012, the Company's existing fleet included 259 land rigs in the U.S., 26 international land rigs and nine offshore platform rigs. In addition, the Company is scheduled to complete another 40 new H&P-designed and operated FlexRigs under long-term contracts with customers. Upon completion of these commitments, the Company's global fleet is expected to have a total of 325 land rigs, including 287 FlexRigs.

Helmerich & Payne, Inc.'s conference call/webcast is scheduled to begin this morning at 11:00 a.m. ET (10:00 a.m. CT) and can be accessed at <http://www.hpinc.com> under Investors. If you are unable to participate during the live webcast, the call will be archived on H&P's website indicated above.

This release includes "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and such statements 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 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. 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-

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looking statements based on changes in internal estimates, expectations or otherwise, except as required by law.

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\*FlexRig® is a registered trademark of Helmerich & Payne, Inc.

**Contact:**  
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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands, except per share data)**

| CONSOLIDATED STATEMENTS OF<br>INCOME                   | Three Months Ended   |                   |                   |
|--|----------------------|-------------------|-------------------|
|  | September 30<br>2011 | December 31       |                   |
|  |                      | 2011              | 2010              |
| <b>Operating Revenues:</b>                             |                      |                   |                   |
| Drilling — U.S. Land                                   | \$ 588,859           | \$ 617,779        | \$ 476,818        |
| Drilling — Offshore                                    | 51,395               | 50,792            | 44,867            |
| Drilling — International Land                          | 57,160               | 60,735            | 68,954            |
| Other  | 3,337                | 3,282             | 4,003             |
|  | <u>700,751</u>       | <u>732,588</u>    | <u>594,642</u>    |
| <b>Operating costs and expenses:</b>                   |                      |                   |                   |
| Operating costs, excluding depreciation                | 396,931              | 391,032           | 330,046           |
| Depreciation   | 87,018               | 86,288            | 73,180            |
| General and administrative                             | 23,086               | 26,163            | 19,889            |
| Research and development                               | 4,255                | 3,249             | 3,470             |
| Income from asset sales                                | (3,641)              | (4,683)           | (2,669)           |
|  | <u>507,649</u>       | <u>502,049</u>    | <u>423,916</u>    |
| <b>Operating income</b>                                | <b>193,102</b>       | <b>230,539</b>    | <b>170,726</b>    |
| <b>Other income (expense):</b>                         |                      |                   |                   |
| Interest and dividend income                           | 378                  | 336               | 314               |
| Interest expense                                       | (4,170)              | (2,461)           | (4,451)           |
| Other  | (1,161)              | 21                | 166               |
|  | <u>(4,953)</u>       | <u>(2,104)</u>    | <u>(3,971)</u>    |
| Income from continuing operations before income taxes  | 188,149              | 228,435           | 166,755           |
| Income tax provision                                   | 66,635               | 84,138            | 62,390            |
| Income from continuing operations                      | 121,514              | 144,297           | 104,365           |
| Loss from discontinued operations, before income taxes | (94)                 | (11)              | (215)             |
| Income tax provision                                   | —                    | —                 | —                 |
| Loss from discontinued operations                      | <u>(94)</u>          | <u>(11)</u>       | <u>(215)</u>      |
| <b>NET INCOME</b>                                      | <b>\$ 121,420</b>    | <b>\$ 144,286</b> | <b>\$ 104,150</b> |
| <b>Basic earnings per common share:</b>                |                      |                   |                   |
| Income from continuing operations                      | \$ 1.13              | \$ 1.34           | \$ 0.98           |
| Loss from discontinued operations                      | \$ —                 | \$ —              | \$ —              |
| Net income   | <u>\$ 1.13</u>       | <u>\$ 1.34</u>    | <u>\$ 0.98</u>    |

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands, except per share data)**

| CONSOLIDATED STATEMENTS OF<br>INCOME | Three Months Ended   |                |                |
|--------------------------------------|----------------------|----------------|----------------|
|                                      | September 30<br>2011 | December 31    |                |
|                                      |                      | 2011           | 2010           |
| Diluted earnings per common share:   |                      |                |                |
| Income from continuing operations    | \$ 1.11              | \$ 1.32        | \$ 0.96        |
| Loss from discontinued operations    | \$ —                 | \$ —           | \$ —           |
| Net income                           | <u>\$ 1.11</u>       | <u>\$ 1.32</u> | <u>\$ 0.96</u> |
| Weighted average shares outstanding: |                      |                |                |
| Basic                                | 107,066              | 107,186        | 106,031        |
| Diluted                              | 108,782              | 108,788        | 107,852        |

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands)**

| <b>CONSOLIDATED CONDENSED BALANCE SHEETS</b>       | <b>December 31<br/>2011</b> | <b>September 30<br/>2011</b> |
|--|-----------------------------|------------------------------|
| <b>ASSETS</b>                                      |                             |                              |
| Cash and cash equivalents                          | \$ 347,859                  | \$ 364,246                   |
| Other current assets                               | 647,792                     | 584,538                      |
| Current assets of discontinued operations          | 7,777                       | 7,529                        |
| Total current assets                               | <u>1,003,428</u>            | <u>956,313</u>               |
| Investments  | 399,995                     | 347,924                      |
| Net property, plant, and equipment                 | 3,832,001                   | 3,677,070                    |
| Other assets                                       | 22,463                      | 22,584                       |
| <b>TOTAL ASSETS</b>                                | <b><u>\$ 5,257,887</u></b>  | <b><u>\$ 5,003,891</u></b>   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>        |                             |                              |
| Current liabilities                                | \$ 423,678                  | \$ 411,750                   |
| Current liabilities of discontinued operations     | 5,171                       | 4,979                        |
| Total current liabilities                          | <u>428,849</u>              | <u>416,729</u>               |
| Non-current liabilities                            | 1,145,624                   | 1,079,565                    |
| Non-current liabilities of discontinued operations | 2,606                       | 2,550                        |
| Long-term notes payable                            | 235,000                     | 235,000                      |
| Total shareholders' equity                         | <u>3,445,808</u>            | <u>3,270,047</u>             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <b><u>\$ 5,257,887</u></b>  | <b><u>\$ 5,003,891</u></b>   |

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**HELMERICH & PAYNE, INC.**  
**Unaudited**  
**(in thousands)**

| <b>CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS</b>                | <b>Three Months Ended</b> |                   |
|---|---------------------------|-------------------|
|   | <b>2011</b>               | <b>2010</b>       |
| <b>OPERATING ACTIVITIES:</b>  |                           |                   |
| Net income  | \$ 144,286                | \$ 104,150        |
| Adjustment for loss from discontinued operations                      | 11                        | 215               |
| Income from continuing operations                                     | 144,297                   | 104,365           |
| Depreciation  | 86,288                    | 73,180            |
| Changes in assets and liabilities                                     | 6,823                     | 60,807            |
| Gain on sale of assets  | (4,683)                   | (2,669)           |
| Other   | 3,924                     | 3,187             |
| Net cash provided by operating activities from continuing operations  | 236,649                   | 238,870           |
| Net cash used in operating activities from discontinued operations    | (11)                      | (215)             |
| <b>Net cash provided by operating activities</b>                      | <b>236,638</b>            | <b>238,655</b>    |
| <b>INVESTING ACTIVITIES:</b>  |                           |                   |
| Capital expenditures  | (256,943)                 | (116,224)         |
| Proceeds from sale of assets  | 10,155                    | 3,028             |
| Acquisition of TerraVici Drilling Solutions                           | —                         | (4,000)           |
| <b>Net cash used in investing activities</b>                          | <b>(246,788)</b>          | <b>(117,196)</b>  |
| <b>FINANCING ACTIVITIES:</b>  |                           |                   |
| Dividends paid  | (7,522)                   | (6,376)           |
| Exercise of stock options   | 373                       | 2,988             |
| Tax withholdings related to net share settlements of restricted stock | (1,514)                   | —                 |
| Net proceeds from (payments for) short-term and long-term debt        | —                         | (10,000)          |
| Excess tax benefit from stock-based compensation                      | 2,426                     | 2,733             |
| <b>Net cash used in financing activities</b>                          | <b>(6,237)</b>            | <b>(10,655)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>           | <b>(16,387)</b>           | <b>110,804</b>    |
| <b>Cash and cash equivalents, beginning of period</b>                 | <b>364,246</b>            | <b>63,020</b>     |
| <b>Cash and cash equivalents, end of period</b>                       | <b>\$ 347,859</b>         | <b>\$ 173,824</b> |

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| SEGMENT REPORTING                               | Three Months Ended |             |            |
|---|--------------------|-------------|------------|
|   | September 30       | December 31 |            |
|   | 2011               | 2011        | 2010       |
| (in thousands, except days and per day amounts) |                    |             |            |
| <b>U.S. LAND OPERATIONS</b>                     |                    |             |            |
| Revenues  | \$ 588,859         | \$ 617,779  | \$ 476,818 |
| Direct operating expenses                       | 317,317            | 312,306     | 252,238    |
| General and administrative expense              | 6,493              | 7,298       | 5,855      |
| Depreciation                                    | 72,916             | 73,469      | 60,364     |
| Segment operating income                        | \$ 192,133         | \$ 224,706  | \$ 158,361 |
| Revenue days                                    | 19,947             | 20,968      | 17,249     |
| Average rig revenue per day                     | \$ 26,549          | \$ 26,861   | \$ 24,952  |
| Average rig expense per day                     | \$ 12,935          | \$ 12,292   | \$ 11,932  |
| Average rig margin per day                      | \$ 13,614          | \$ 14,569   | \$ 13,020  |
| Rig utilization                                 | 87%                | 91%         | 84%        |
| <b>OFFSHORE OPERATIONS</b>                      |                    |             |            |
| Revenues  | \$ 51,395          | \$ 50,792   | \$ 44,867  |
| Direct operating expenses                       | 33,841             | 33,201      | 30,927     |
| General and administrative expense              | 1,579              | 1,732       | 1,410      |
| Depreciation                                    | 4,104              | 3,655       | 3,530      |
| Segment operating income                        | \$ 11,871          | \$ 12,204   | \$ 9,000   |
| Revenue days                                    | 701                | 697         | 587        |
| Average rig revenue per day                     | \$ 54,176          | \$ 53,644   | \$ 45,350  |
| Average rig expense per day                     | \$ 32,393          | \$ 31,473   | \$ 27,285  |
| Average rig margin per day                      | \$ 21,783          | \$ 22,171   | \$ 18,065  |
| Rig utilization                                 | 85%                | 84%         | 71%        |

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| SEGMENT REPORTING                               | Three Months Ended |             |           |
|---|--------------------|-------------|-----------|
|   | September 30       | December 31 |           |
|   | 2011               | 2011        | 2010      |
| (in thousands, except days and per day amounts) |                    |             |           |
| <b>INTERNATIONAL LAND OPERATIONS</b>            |                    |             |           |
| Revenues  | \$ 57,160          | \$ 60,735   | \$ 68,954 |
| Direct operating expenses                       | 45,269             | 45,164      | 46,535    |
| General and administrative expense              | 759                | 778         | 868       |
| Depreciation                                    | 7,607              | 6,854       | 7,184     |
| Segment operating income (loss)                 | \$ 3,525           | \$ 7,939    | \$ 14,367 |
| Revenue days                                    | 1,625              | 1,729       | 1,923     |
| Average rig revenue per day                     | \$ 30,001          | \$ 31,072   | \$ 33,789 |
| Average rig expense per day                     | \$ 22,311          | \$ 22,057   | \$ 22,164 |
| Average rig margin per day                      | \$ 7,690           | \$ 9,015    | \$ 11,625 |
| Rig utilization                                 | 74%                | 78%         | 76%       |

Operating statistics exclude the effects of offshore platform management contracts, gains and losses from translation of foreign currency transactions, and do not include reimbursements of “out-of-pocket” expenses in revenue per day, expense per day and margin calculations.

Reimbursed amounts were as follows:

|                               |           |           |           |
|-------------------------------|-----------|-----------|-----------|
| U.S. Land Operations          | \$ 59,295 | \$ 54,562 | \$ 46,419 |
| Offshore Operations           | \$ 5,487  | \$ 5,798  | \$ 7,283  |
| International Land Operations | \$ 8,409  | \$ 7,012  | \$ 3,979  |

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Segment operating income for all segments is a non-GAAP financial measure of the Company's performance, as it excludes general and administrative expenses, corporate depreciation, income from asset sales and other corporate income and expense. The Company considers segment operating income to be an important supplemental measure of operating performance for presenting trends in the Company's core businesses. This measure is used by the Company to facilitate period-to-period comparisons in operating performance of the Company's reportable segments in the aggregate by eliminating items that affect comparability between periods. The Company believes that segment operating income is useful to investors because it provides a means to evaluate the operating performance of the segments and the Company on an ongoing basis using criteria that are used by our internal decision makers. Additionally, it highlights operating trends and aids analytical comparisons. However, segment operating income has limitations and should not be used as an alternative to operating income or loss, a performance measure determined in accordance with GAAP, as it excludes certain costs that may affect the Company's operating performance in future periods.

The following table reconciles operating income per the information above to income from continuing operations before income taxes as reported on the Consolidated Statements of Income (in thousands).

|  | Three Months Ended   |                   |                   |
|--|----------------------|-------------------|-------------------|
|  | September 30<br>2011 | December 31       |                   |
|  |                      | 2011              | 2010              |
| <b>Operating income</b>                                      |                      |                   |                   |
| U.S. Land  | \$ 192,133           | \$ 224,706        | \$ 158,361        |
| Offshore   | 11,871               | 12,204            | 9,000             |
| International Land   | 3,525                | 7,939             | 14,367            |
| Other  | (2,638)              | (1,788)           | (1,151)           |
| <b>Segment operating income</b>                              | <b>\$ 204,891</b>    | <b>\$ 243,061</b> | <b>\$ 180,577</b> |
| Corporate general and administrative                         | (14,255)             | (16,355)          | (11,756)          |
| Other depreciation   | (1,676)              | (1,556)           | (1,381)           |
| Inter-segment elimination                                    | 501                  | 706               | 617               |
| Income from asset sales                                      | 3,641                | 4,683             | 2,669             |
| <b>Operating income</b>                                      | <b>\$ 193,102</b>    | <b>\$ 230,539</b> | <b>\$ 170,726</b> |
| Other income (expense):                                      |                      |                   |                   |
| Interest and dividend income                                 | 378                  | 336               | 314               |
| Interest expense   | (4,170)              | (2,461)           | (4,451)           |
| Gain on sale of investment securities                        | —                    | —                 | —                 |
| Other  | (1,161)              | 21                | 166               |
| Total other income (expense)                                 | (4,953)              | (2,104)           | (3,971)           |
| <b>Income from continuing operations before income taxes</b> | <b>\$ 188,149</b>    | <b>\$ 228,435</b> | <b>\$ 166,755</b> |

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