

# HELMERICH & PAYNE, INC.

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

Filed 03/28/11 for the Period Ending 03/28/11

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): **March 28, 2011**

**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 presentation, among other things, references an increase in H&P’s fiscal 2011 capital expenditures estimate from \$750 million to \$850 million attributable to additional new build commitments.

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: March 28, 2011

**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
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**Helmerich & Payne, Inc.**  
Howard Weil 39<sup>th</sup> Annual Energy Conference  
March 28-29, 2011



**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. 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.**



**HELMERICH & PAYNE, INC.**



# H&P Basics

284 Drilling Rigs\*

> \$6 Billion Market Cap

~7,500 Employees

~10% Debt/Cap

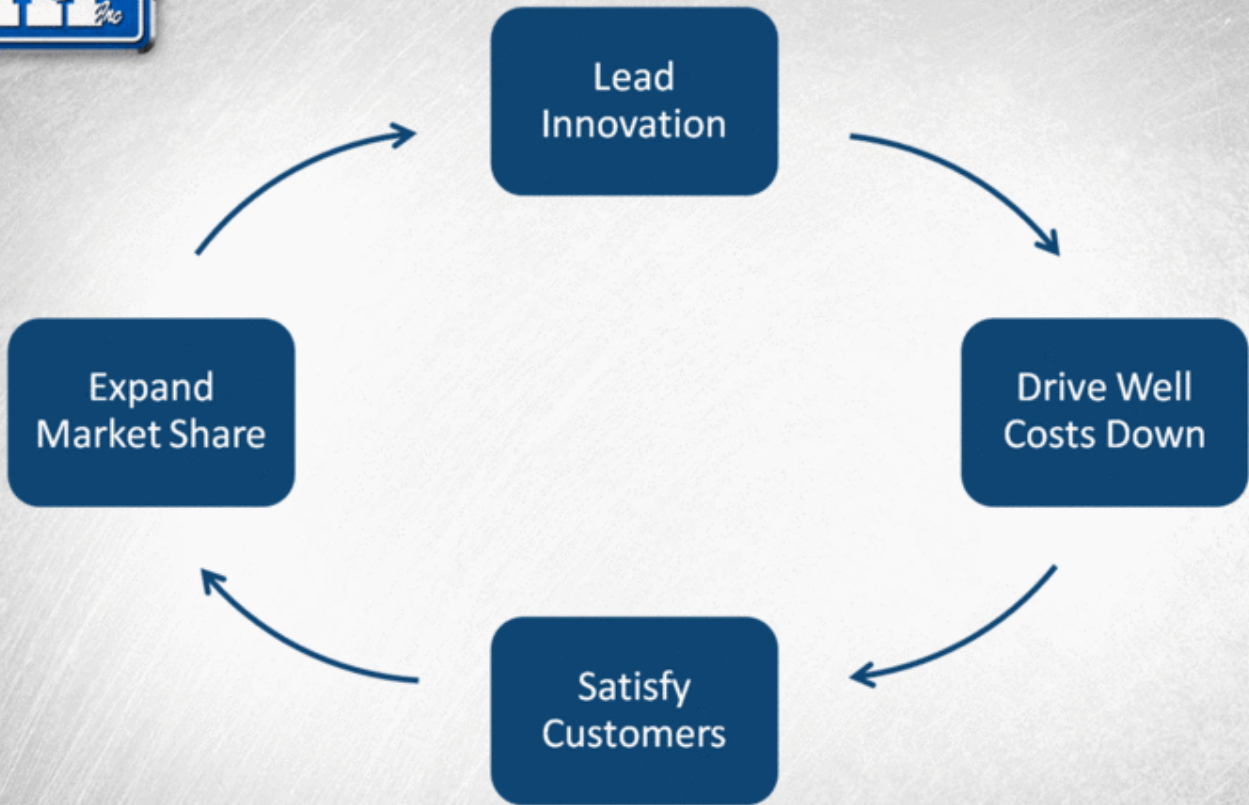


\* Includes 14 new FlexRigs with customer commitments scheduled for completion during calendar 2011.

HELMERICH & PAYNE, INC.



# Growing Shareholder Value





# Five-Year Relative Shareholder Return



Source: Yahoo! Finance as of March 23, 2011



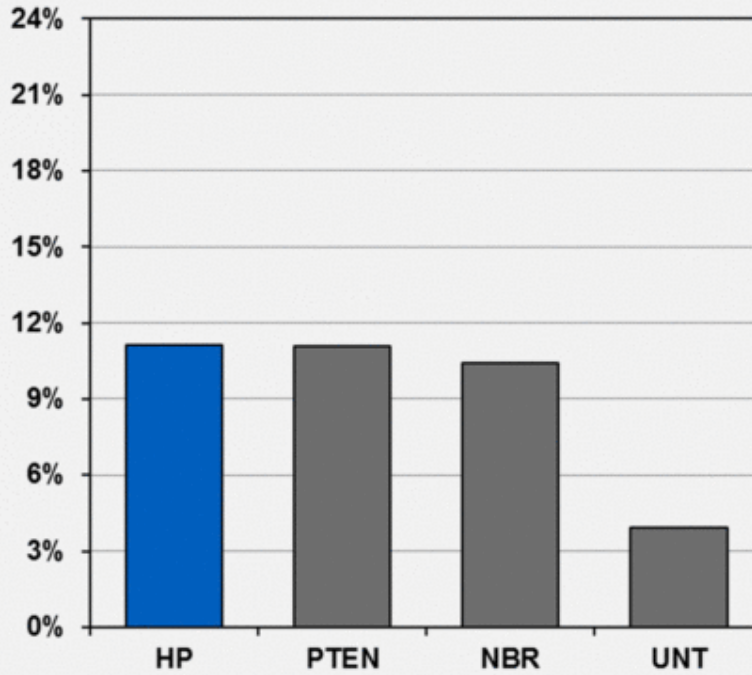




# Organically Growing Active Rig Market Share

## Lower 48 U.S. Land Market Share

As of March 18, 2011



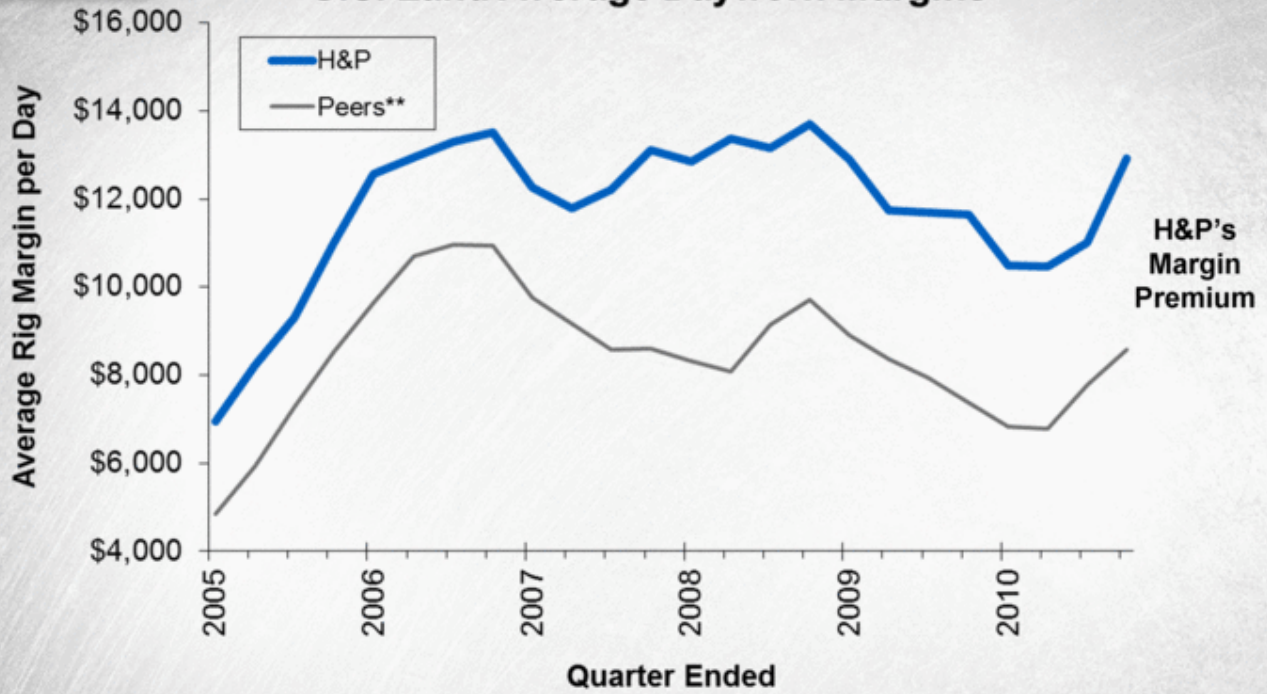
Note: The above estimates corresponding to U.S. land rig market share are derived from Smith Bits S.T.A.T.S..





# Technology & Quality Service Make a Difference

## U.S. Land Average Daywork Margins\*



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

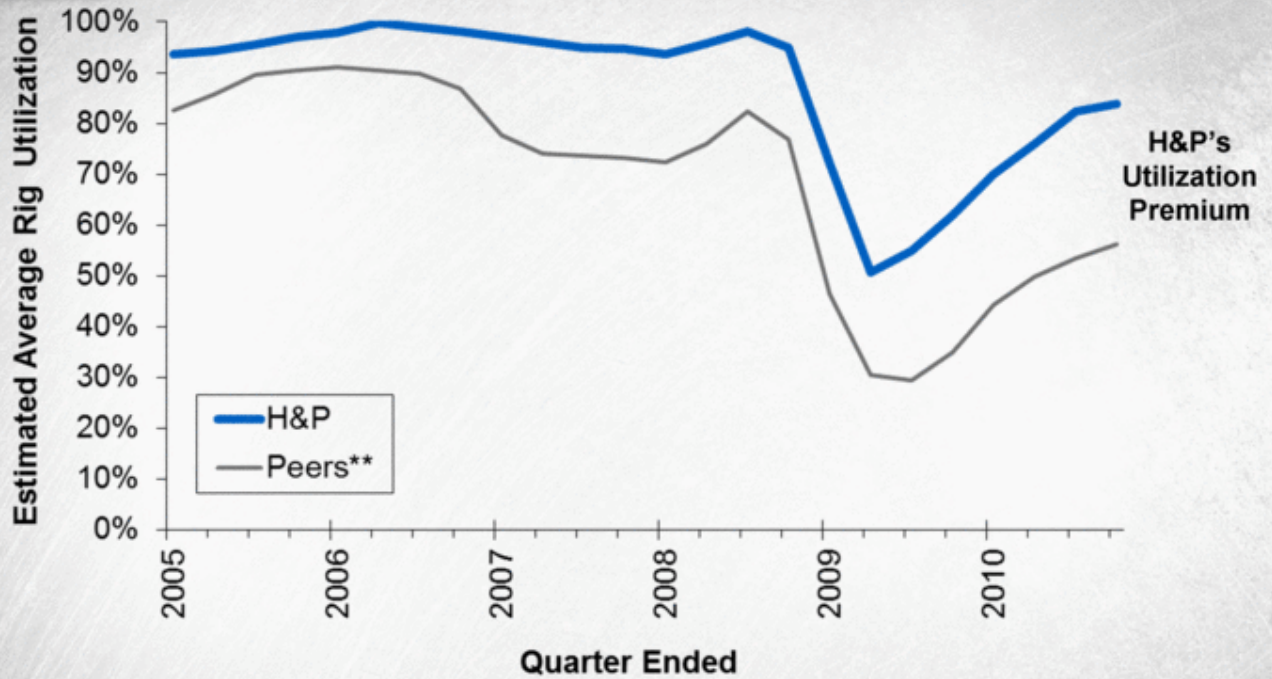
\*\* Represents weighted-average rig margin per day for PTEN, NBR and UNT through Q4CY10.





# Technology & Quality Service Make a Difference

## U.S. Land Estimated Average Rig Utilization\*



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

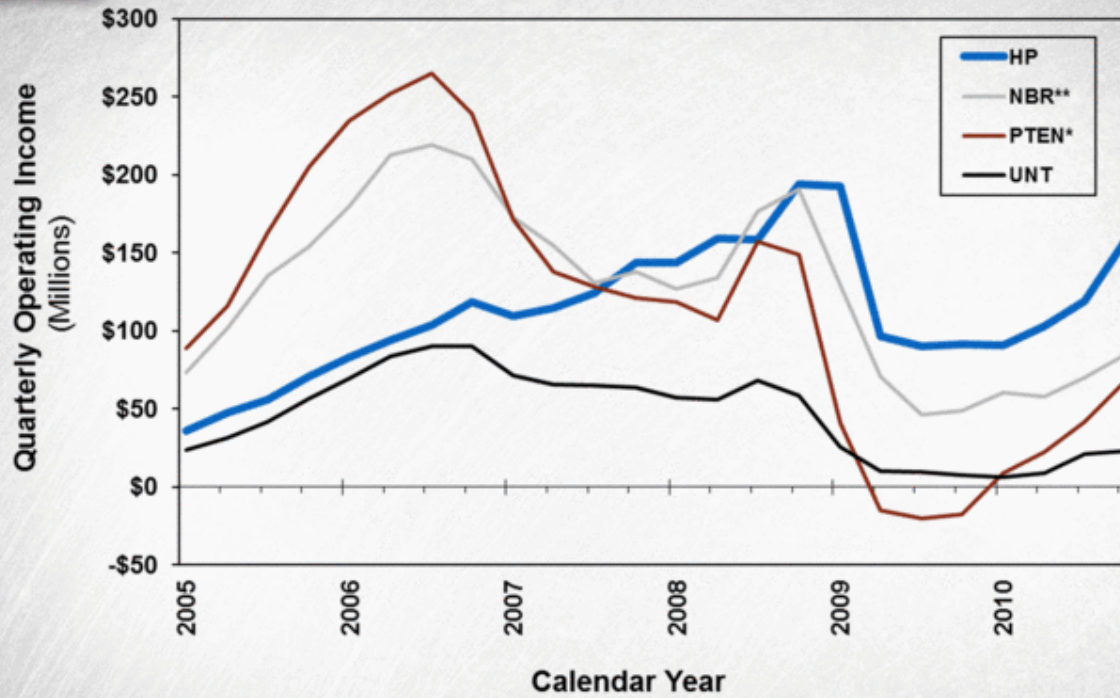
\*\* Represents estimated average combined utilization for PTEN, NBR and UNT in the Lower 48 through Q4CY10.





# Most Profitable Driller in U.S. Land Business

## U.S. Land Drilling Operating Income



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

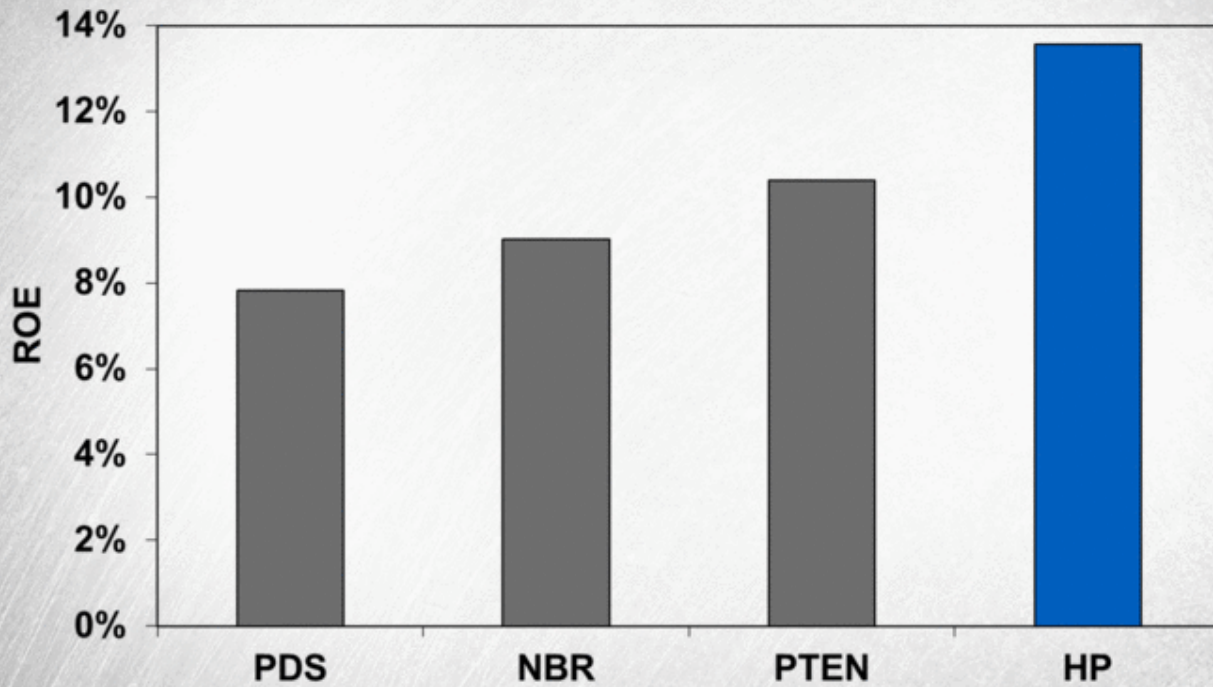
\*\* NBR's operating income corresponds to its U.S. Lower 48 Land Drilling segment.





## Peer Group Estimated Return on Equity

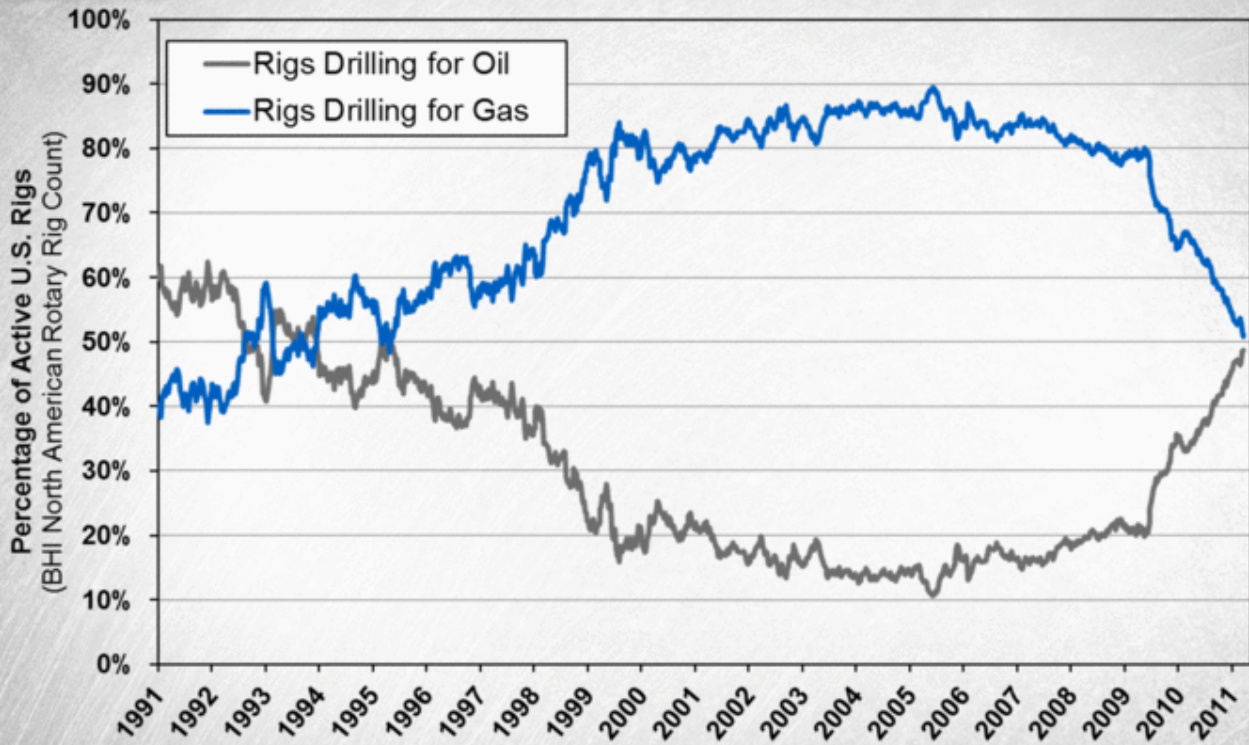
Analyst Estimates  
Fiscal Year 2011 Return on Equity  
(Source: First Call Consensus March 24, 2011)





# Economics Shift Activity Towards Oil Drilling

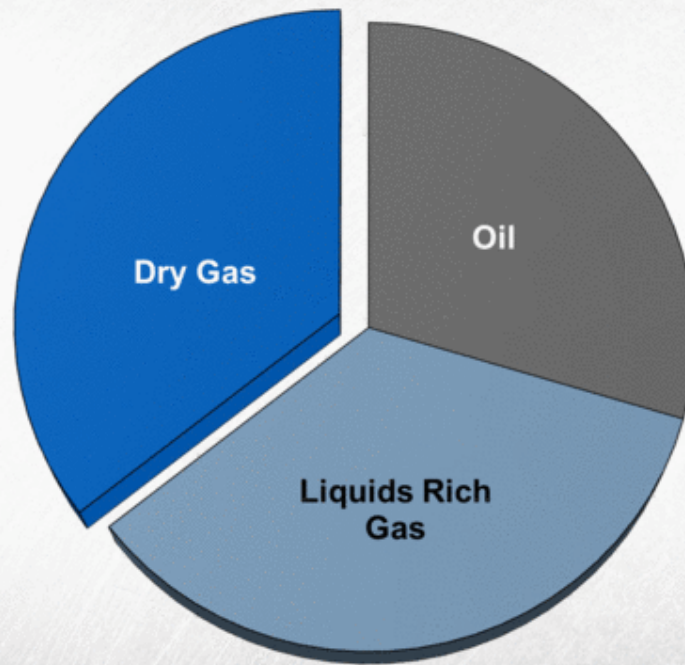
## U.S. Rig Activity by Hydrocarbon Target





# H&P's Growing Exposure to Oil & Liquids

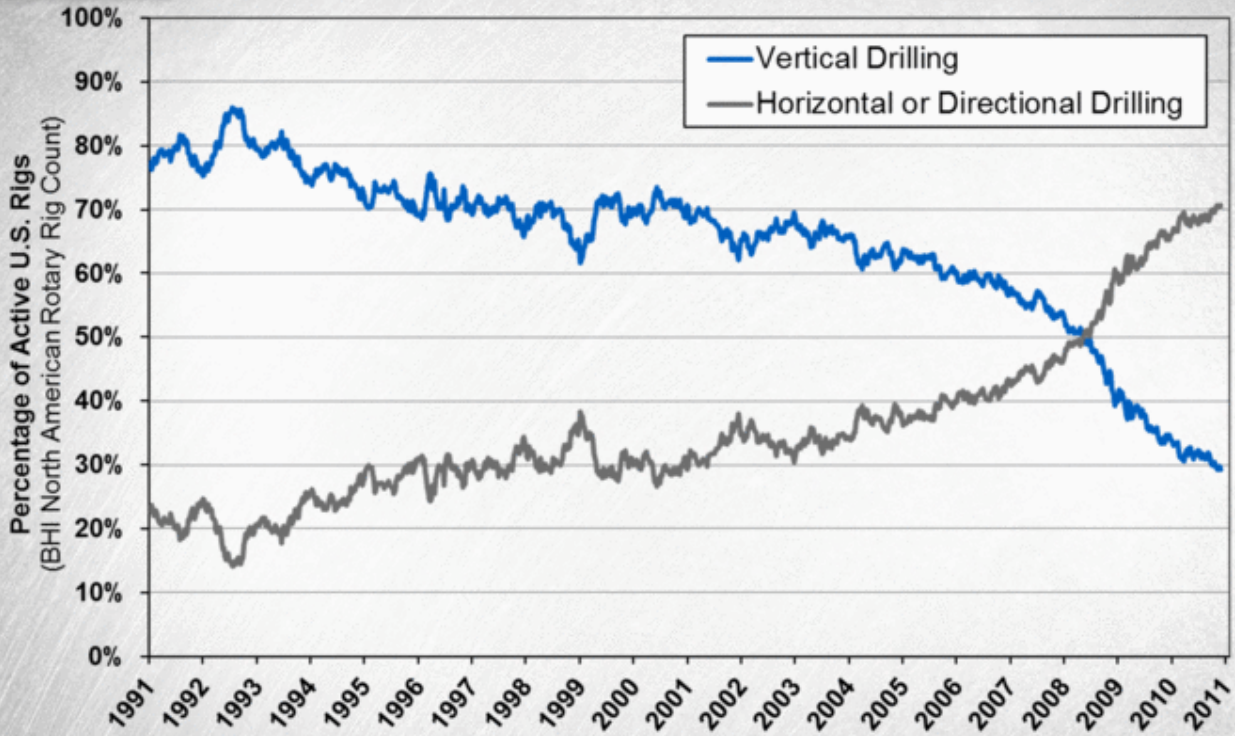
Estimated proportion of H&P's active U.S. Land rigs in markets primarily associated with oil, liquids rich gas, and dry gas.





# Increasing Focus on More Difficult Drilling

## U.S. Rig Activity by Drilling Type









## Activity as of March 28, 2011

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	237	205	86%
Offshore	9	7	78%
International Land	<u>24*</u>	<u>15</u>	<u>63%</u>
Total	270	227	84%
FlexRig Construction	14	14	
<b>Total Fleet</b>	<b>284</b>	<b>241</b>	

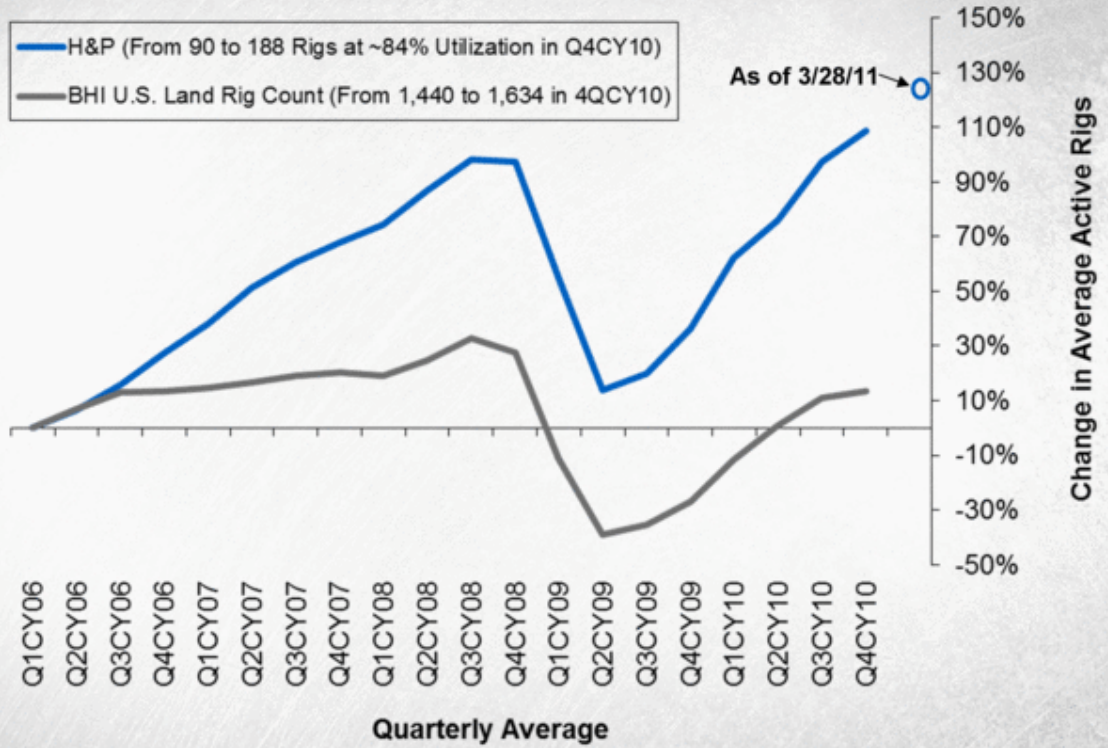
\* One FlexRig is currently mobilizing to Bahrain.





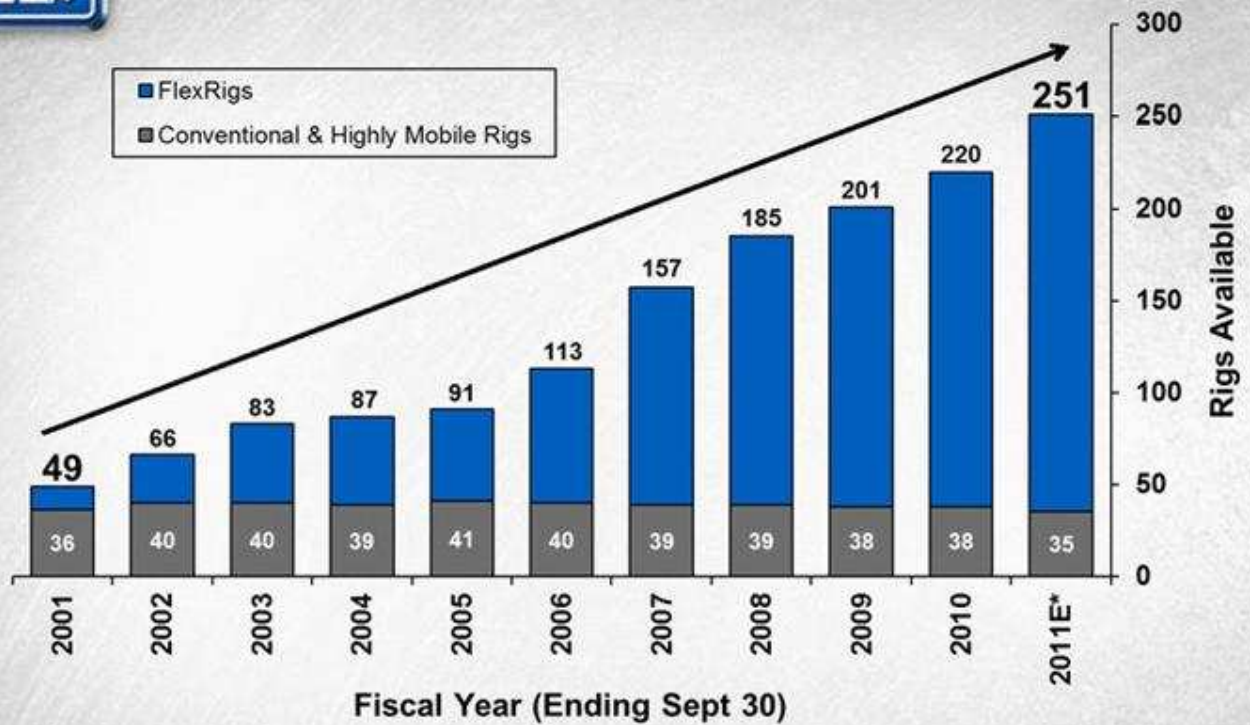
# Highest U.S. Activity Level in Company History

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





# Organic U.S. Land Fleet Growth

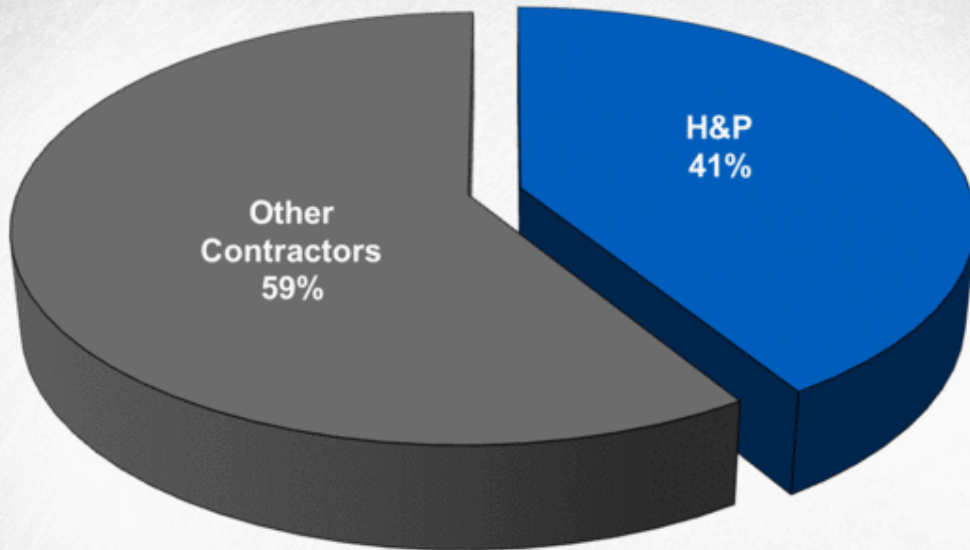


\* Three conventional rigs were sold during the second fiscal quarter of 2011. Estimates include existing rigs and announced new build commitments.





## AC Drive U.S. Rig Market Share (~450 Rigs)

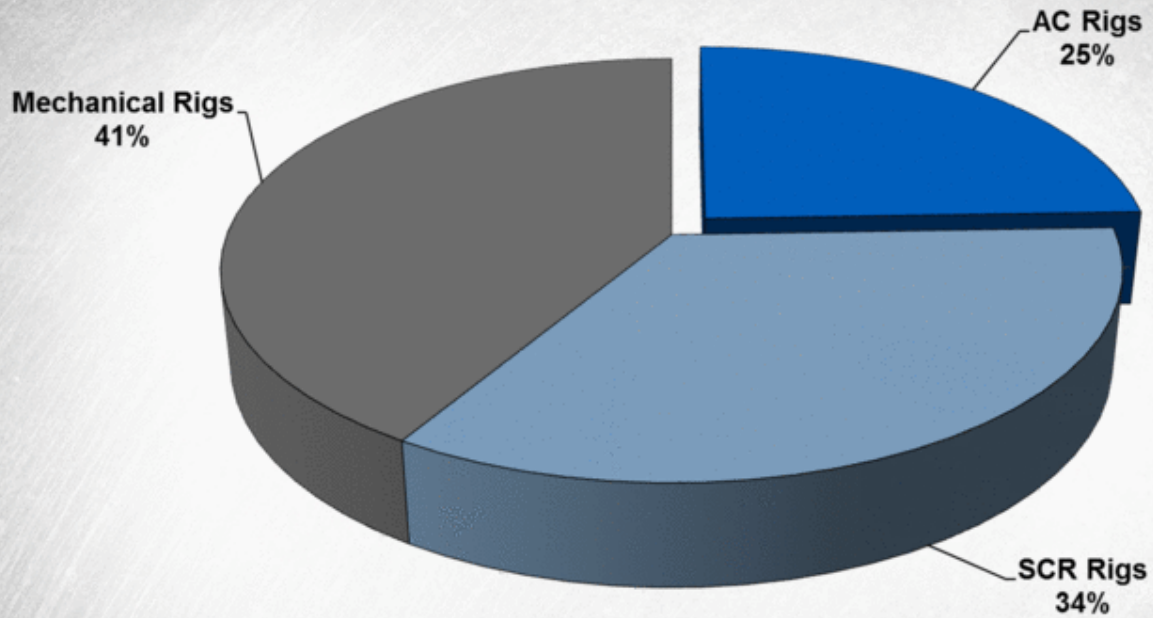


Note: The above estimates corresponding to market share are derived from multiple sources including Rig Data, Smith Bits, and corporate filings.





## Rigs Active (~1,700) in the U.S. Land Market (by Power Type)



Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings.





## Six Additional New Builds

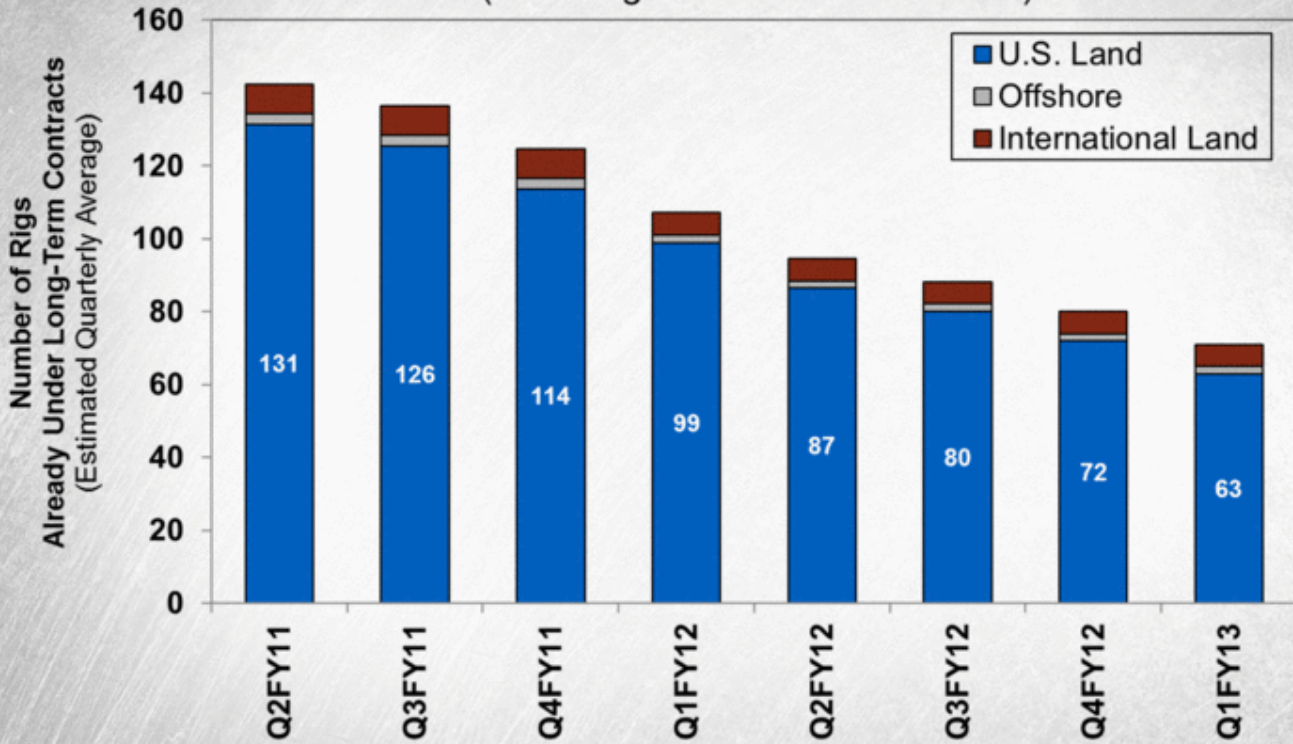
- **Customer commitments for six additional FlexRigs with term contracts**
- **Total of 37 new builds announced during last twelve months**
- **Delivering new FlexRigs at the rate of three per month since January 2011**
- **Encouraging conversations continue...**





# H&P Global Fleet Under Term Contract

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







## What is a “New Build” Land Rig?

**New** – having recently come into existence, of dissimilar origin (as compared to old or existing), and of **superior quality**.

*Merriam-Webster Dictionary*





## How Does H&P Define a “New Build” Land Rig?

A new build rig consists of all new structures and equipment for the purpose of:

- Eliminating legacy issues
- Achieving Safety-by-Design
- Maximizing drilling efficiency
- Improvement of ergonomics for rig site personnel
- Packaging of components for enhanced mobility





# How Does H&P Define a “New Build” Land Rig?

Processing Raw Materials





# A New Build is All New!

Commissioning / Testing / Delivery





## Increasing Capex Level

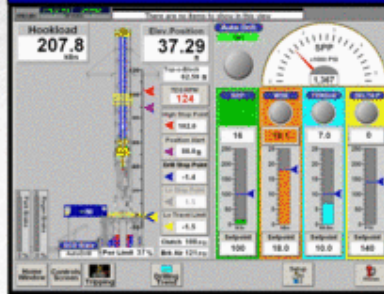
- Increasing fiscal 2011 capital spending estimate to \$850 million
- Expect to fully fund capital spending from continuing operations





# Innovation & Applied Technology

## Computerized Controls



## Driller's Cabin



## AC Driven Systems & Integrated Top Drive



## Satellite Communications



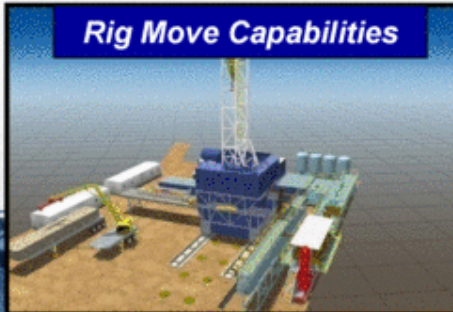
## BOP Handling



## Mechanized Tubular Handling



## Rig Move Capabilities





# Driller on a Conventional Rig vs. FlexRig™





# Roughnecks on a Conventional Rig vs. FlexRig™







# Performance Is Not Only About Better Rigs

## ➤ It's also about:

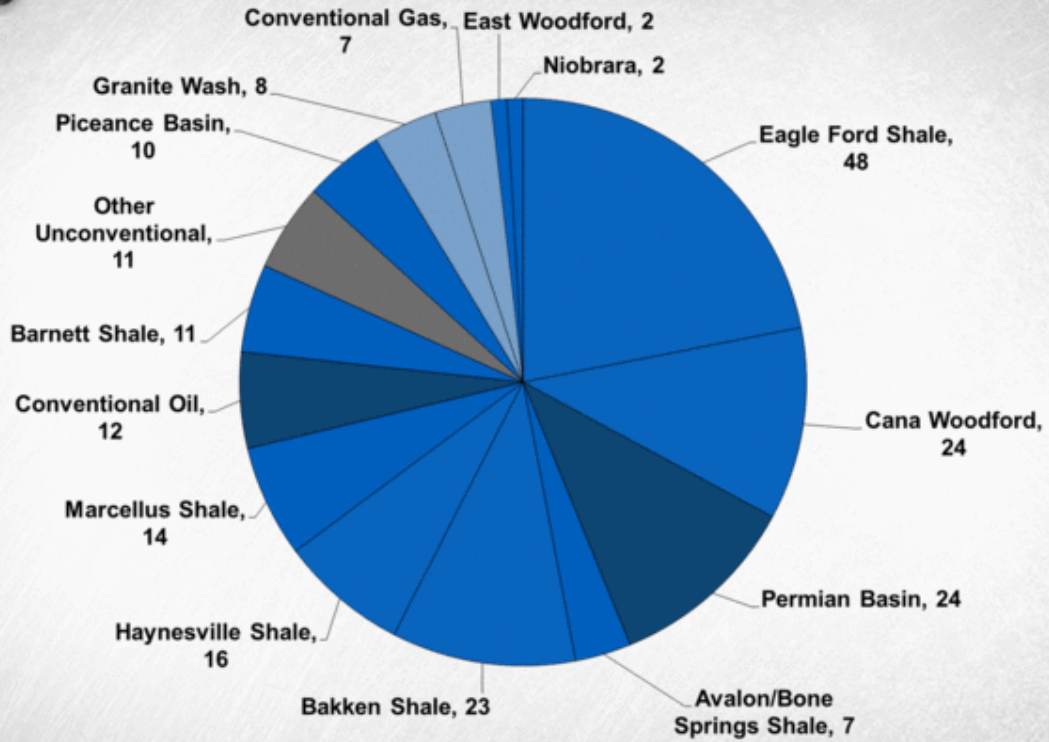
- People
- Safety
- Experience
- Training
- Culture
- Maintenance
- Processes
- Supply Chain
- Organizational Network
- Support Structure





# Leading U.S. Unconventional Driller

(219 H&P Contracted Land Rigs as of 3/28/11\*)



\* Includes 14 new FlexRigs with customer commitments scheduled for completion during calendar 2011.





End of Presentation





## Additional References





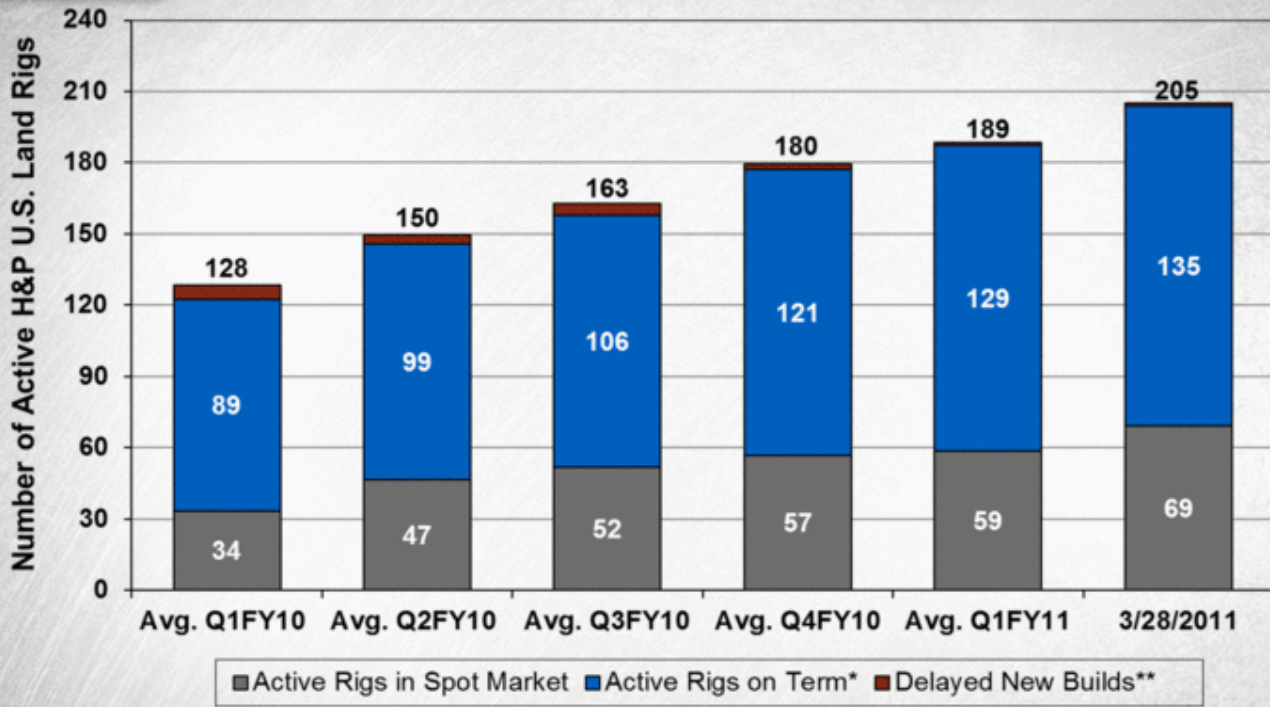
## H&P's U.S. Land Operations

- While natural gas will still be critical to the future domestic energy picture and to our business, nearly two-thirds of H&P's U.S. land fleet is drilling for oil and gas liquids, as compared to a more traditional dry gas target.
- Driven by incremental new builds and the return of rigs from Mexico, we expect total revenue days in the U.S. land segment to increase between three and four percent from the first to the second fiscal quarter of 2011.
- Quarterly average rig revenue per day is expected to increase between \$400 and \$500 per day from the first to the second fiscal quarter of 2011.
- Including only rigs that are already under fixed commitments, we expect to have an average of 125 rigs under term contract in fiscal 2011 and 84 in fiscal 2012.





# 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.





## Six Additional New Builds

- Since our latest earnings release and conference call in late January, H&P has signed contracts to build and operate six additional FlexRigs.
- This increases to 37 the number of new builds announced during the last twelve months, all of which are contracted under multi-year term agreements.
- Having completed the construction of 23 of these 37 rigs, 14 rigs are scheduled to be completed during calendar 2011; we are currently completing and delivering new FlexRigs at the rate of three per month.
- We continue to have encouraging conversations with customers regarding potential long term commitments for additional new builds.





## H&P's Offshore Operations

- Seven of the Company's nine offshore platform rigs remain active, including two under long-term contracts.
- The number of revenue days during the second fiscal quarter of 2011 are expected to increase approximately five percent sequentially.
- Average rig margin per day is expected to increase by 15 to 20 percent during the second fiscal quarter of 2011 as compared to the first fiscal quarter.
- Segment operating income during the second fiscal quarter of 2011 will be negatively impacted by approximately \$2 million associated with less management contract revenue.







## H&P's International Land Operations

- While the Company will benefit from FlexRigs going back to work in the U.S. at higher margins than they would have earned in Mexico, segment operating income for the international segment during the second fiscal quarter will be negatively impacted by ceasing operations in Mexico.
- Total revenue days during the second fiscal quarter are expected to decrease by about 25 percent sequentially from the first fiscal quarter of 2011.
- Average rig margin per day, including early termination revenues, is expected to decrease by about 35 to 40 percent in the second fiscal quarter as compared to the first fiscal quarter of 2011.





# H&P's International Land Operations

## Rig Fleet Status (as of March 28, 2011)

	Active	Contracted	Idle	Total	Long-term Contracts
Argentina	4		5	9	4
Bahrain	2	1		3	3
Colombia	5		1	6	2
Ecuador	2		2	4	
Tunisia	1		1	2	
<b>Total</b>	<b>14</b>	<b>1<sup>(1)</sup></b>	<b>9</b>	<b>24</b>	<b>9<sup>(2)</sup></b>

1) One FlexRig is currently mobilizing to Bahrain.

2) 9 of 11 FlexRigs, included in the international fleet of 24 rigs, are under long-term contracts.





## Increasing Capex Level

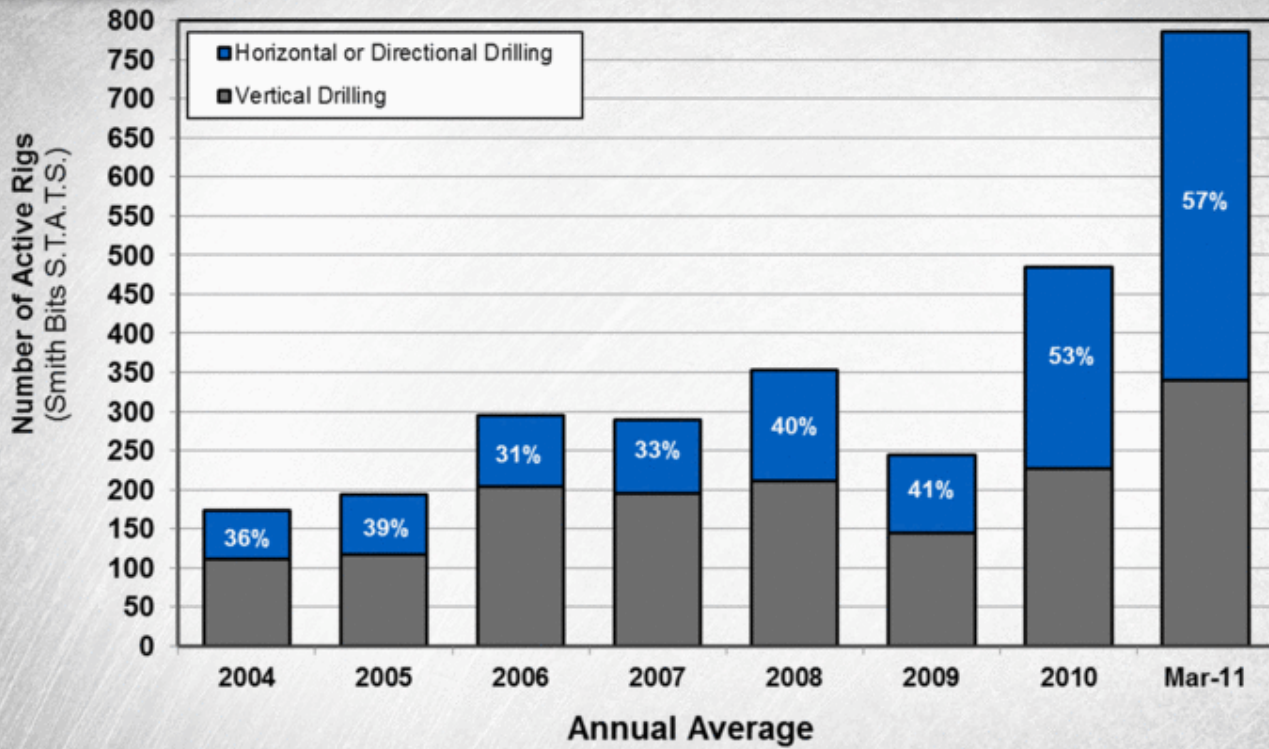
- **As a result of the additional new build commitments, H&P's capital spending estimate corresponding to fiscal 2011 increases from \$750 million to \$850 million.**
- **We expect to fully fund the above capital spending estimate from existing cash and from cash to be provided by operating activities during the remainder of the fiscal year.**
- **If needed, however, we have ample access to additional funding through our existing \$400 million revolving credit facility.**





# Oil Related Drilling Increasingly Complex

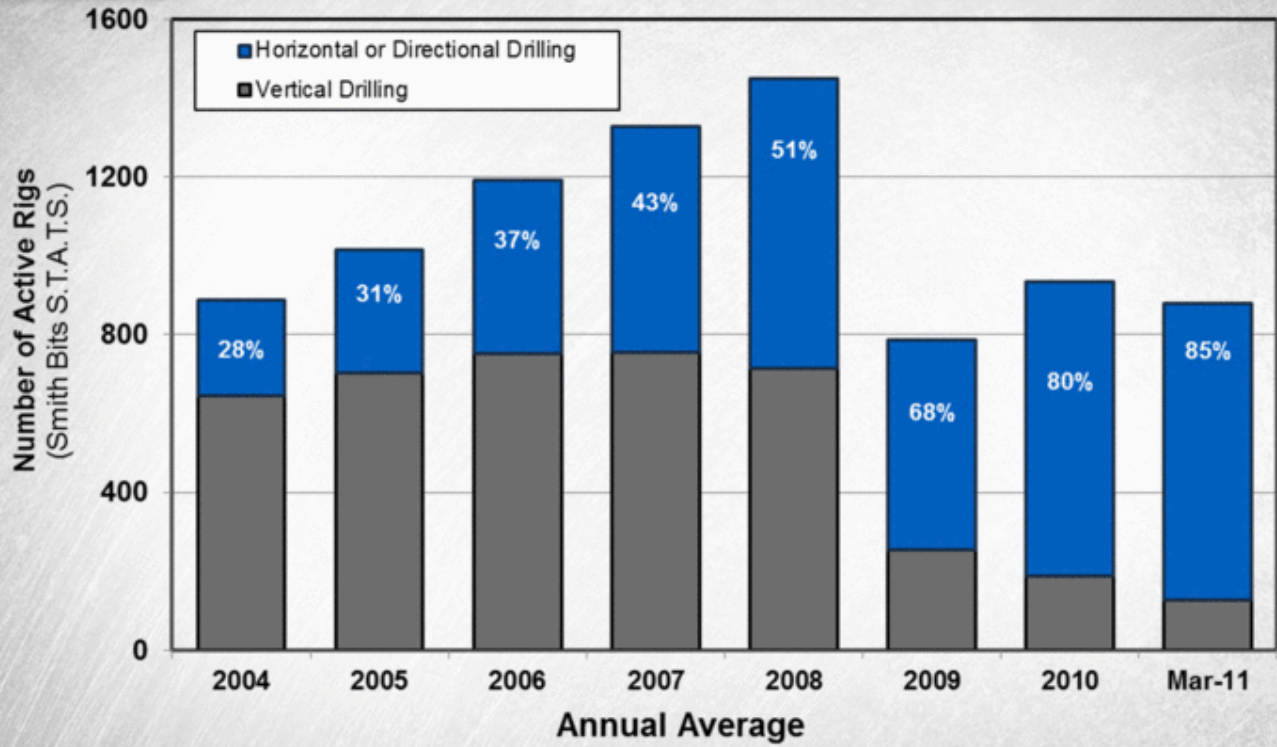
## Active Rigs in U.S. Land Drilling for Oil





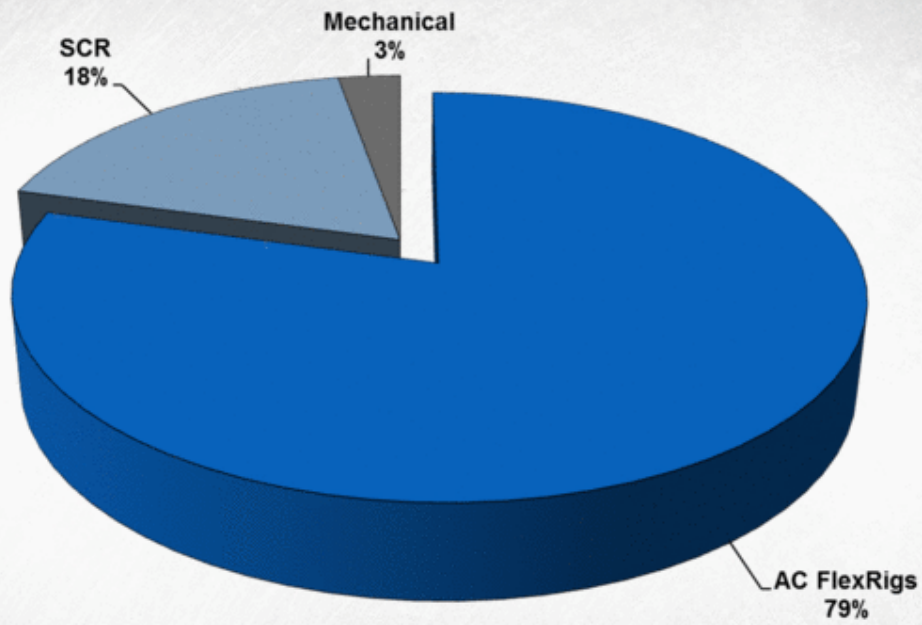
# Increasing Focus on More Difficult Drilling

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





# H&P U.S. Land Fleet by Power Type\*

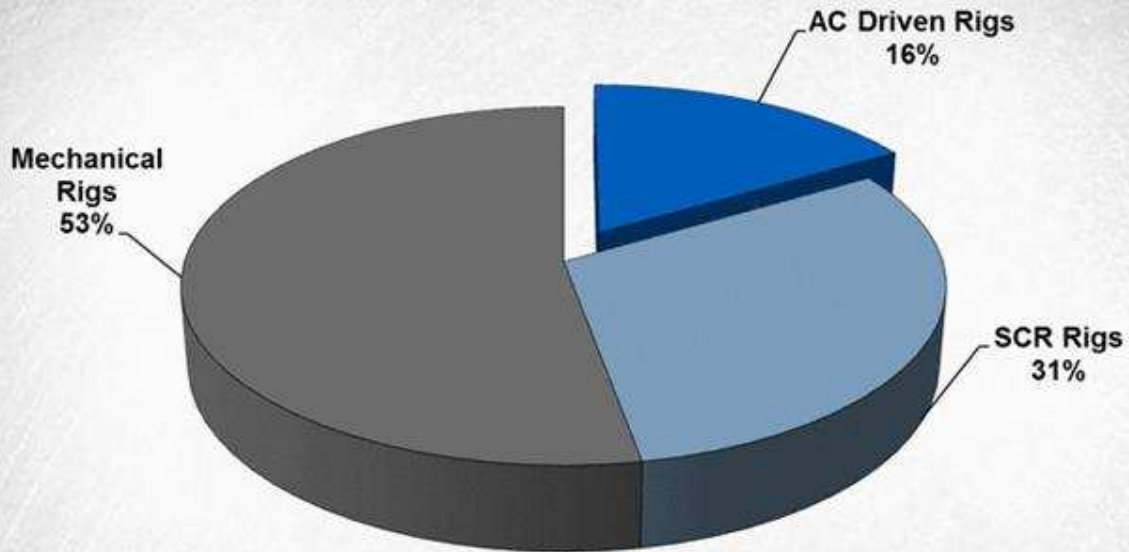


\* Includes New Build Commitments.





## Total Industry Available U.S. Land Fleet (by Power Type)



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





## 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 2010 (Spot Market)
1. Drilling days	20	14	10
Completion days	3	3	3
Moving days	7	4	3
<i>Total rig revenue days per well</i>	<i>30</i>	<i>21</i>	<i>16</i>
2. Drilling contractor dayrate	\$17,500	\$23,000	\$25,000
Operator's other intangible cost per day estimate	\$25,000	\$25,000	\$25,000
<i>Total daily cost estimate</i>	<i>\$42,500</i>	<i>\$48,000</i>	<i>\$50,000</i>
<i>Total cost per well (daily services)</i>	<i>\$1,275,000</i>	<i>\$1,008,000</i>	<i>\$800,000</i>
3. Total well savings with H&P – per well	\$475,000	\$208,000	
per year	\$10.8MM	\$4.8MM	

Increased wells per rig per year versus conventional average: 11 wells

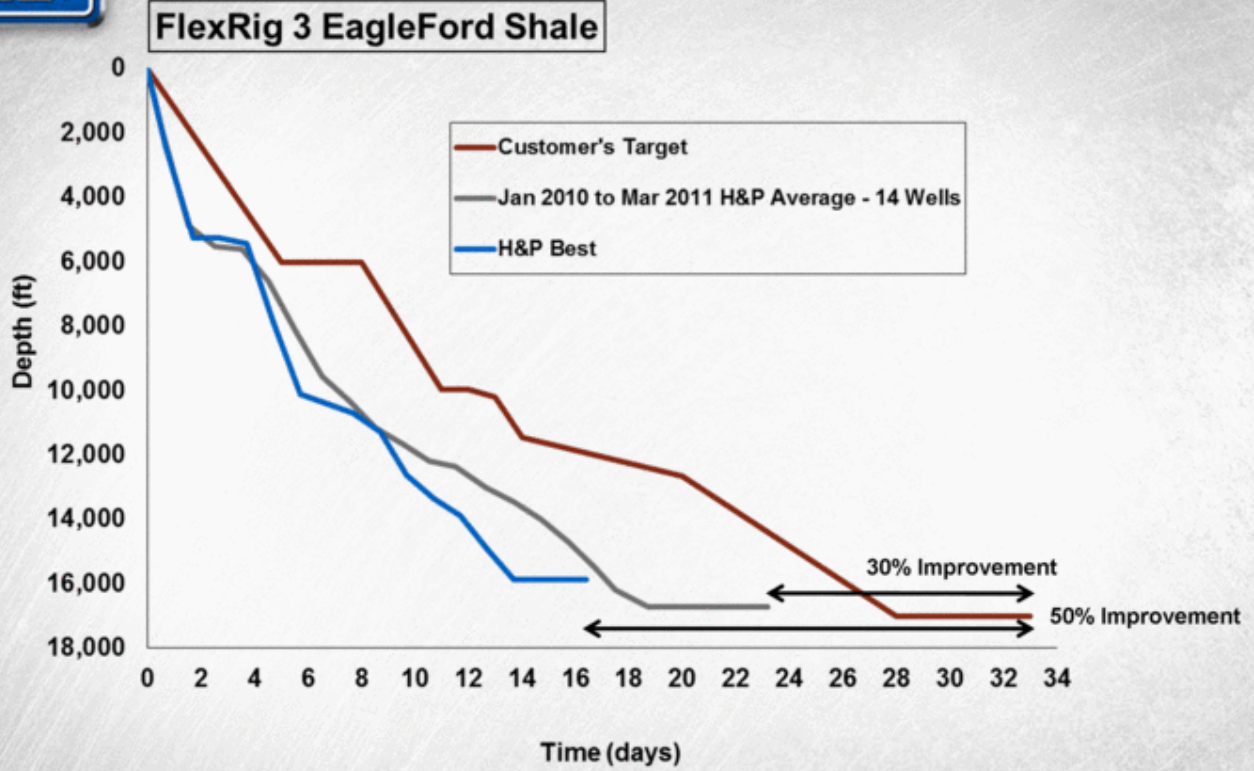
Increased wells per rig per year versus peer fit-for-purpose: 5 wells





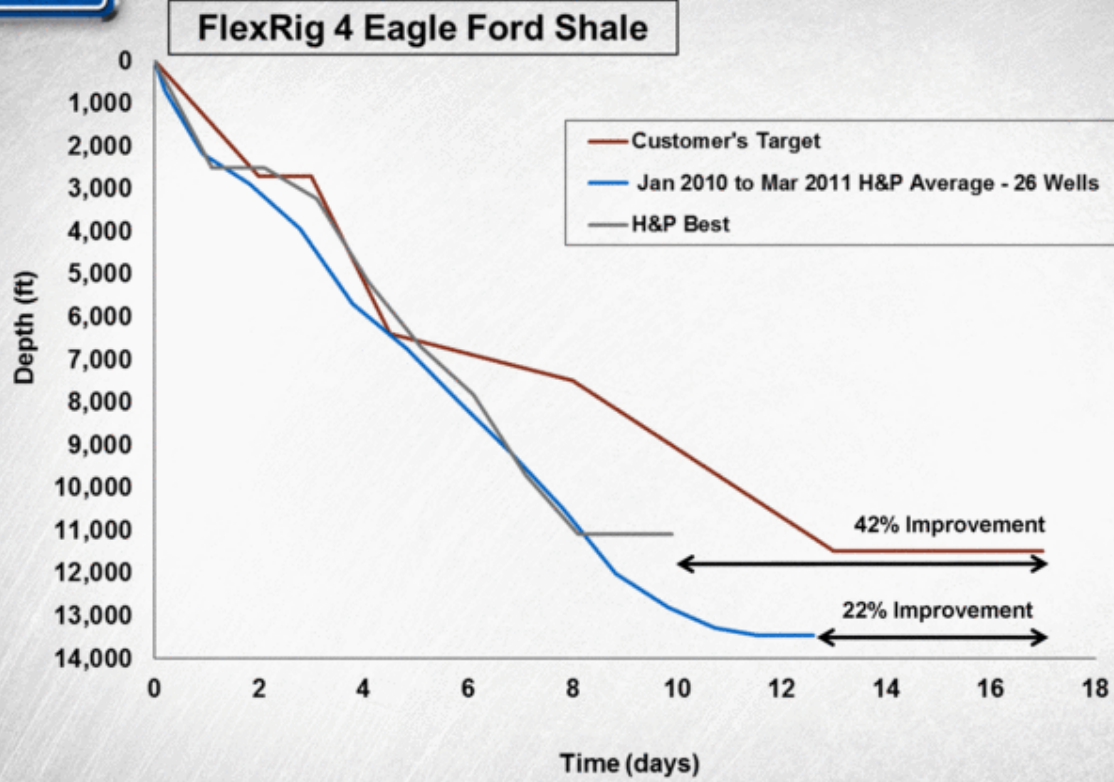


# FlexRig3 – Performance Sample





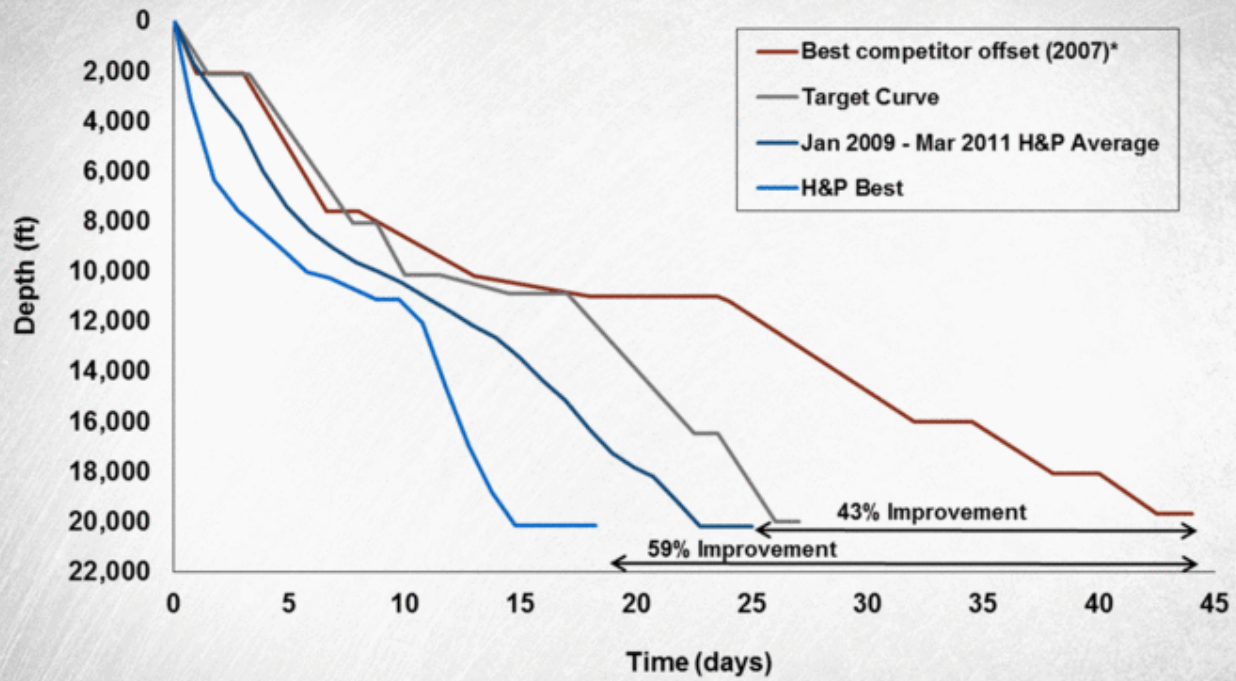
# FlexRig4 – Performance Sample





# FlexRig3 – Performance Sample

FlexRig3 Bakken Shale



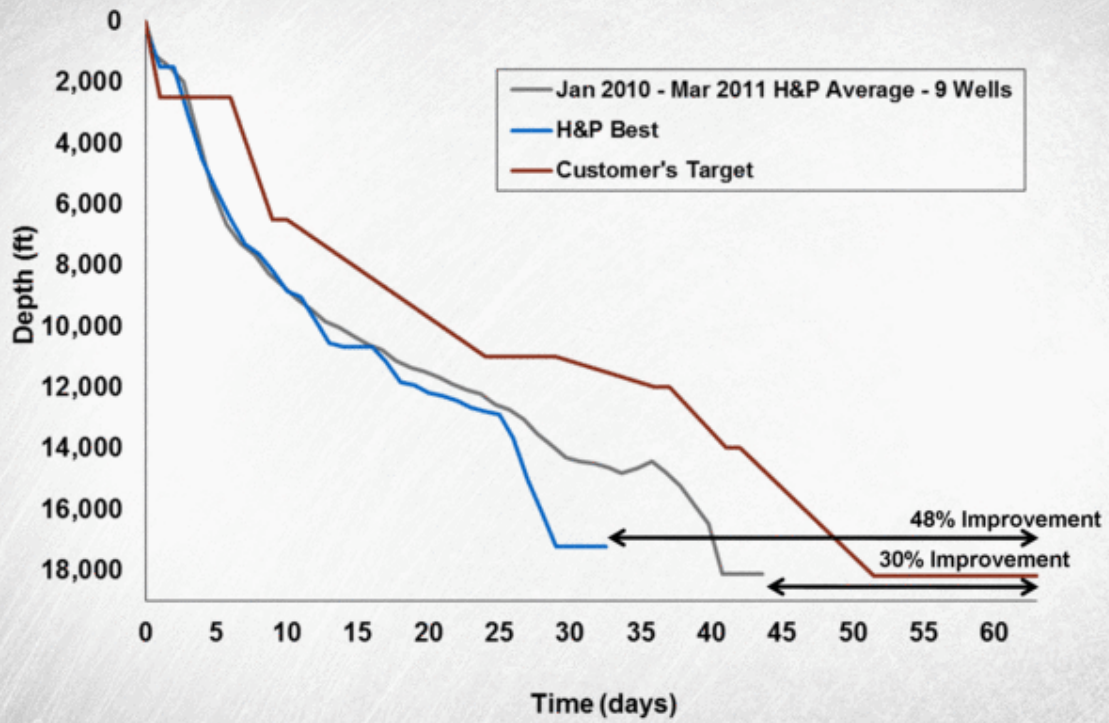
\* Represents the customer's fastest reported Bakken Shale well before deploying a H&P FlexRig.





# FlexRig3 – Performance Sample

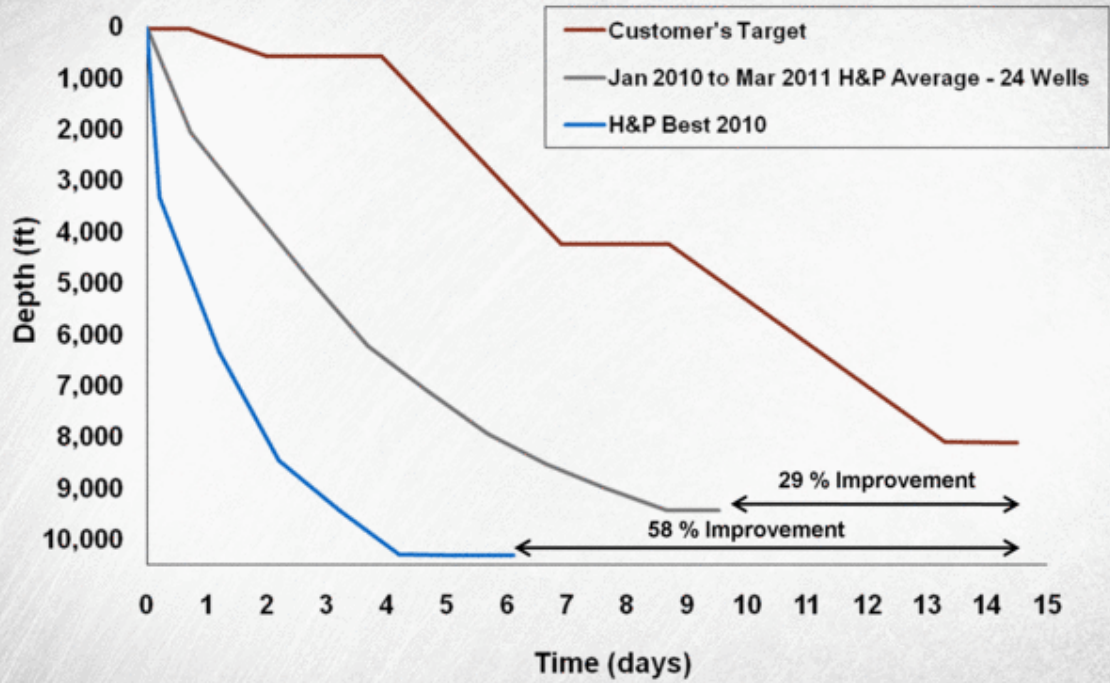
## FlexRig 3 CANA-Woodford Shale





# FlexRig4M – Performance Sample

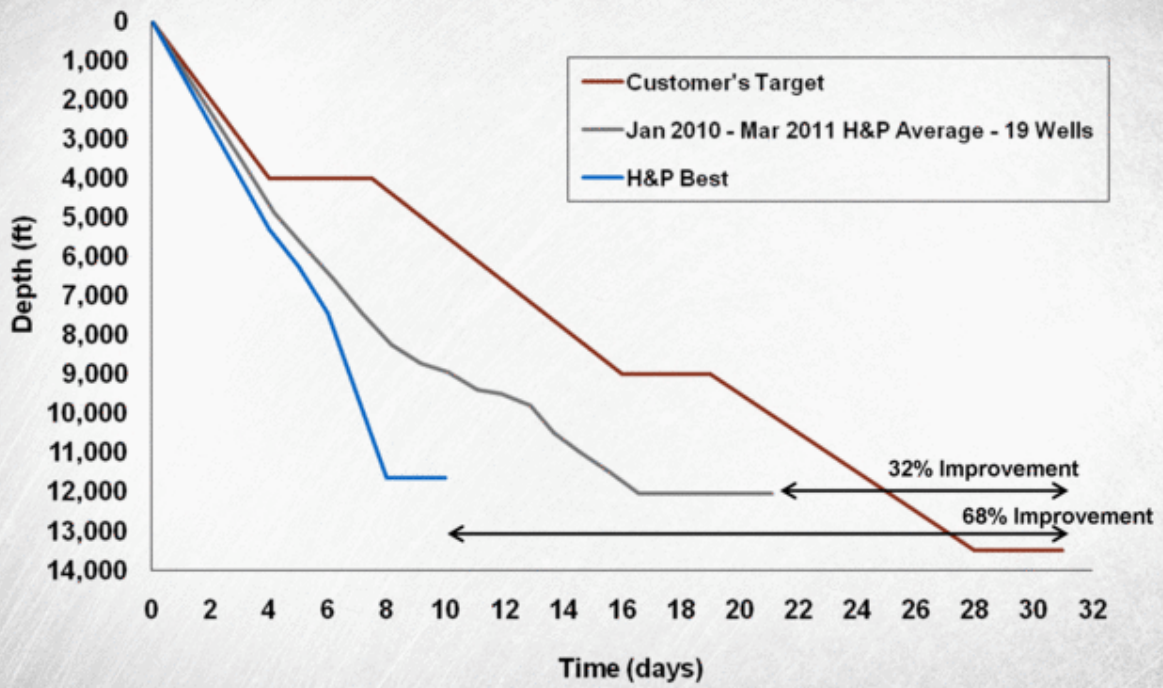
FlexRig4M West TX





# FlexRig4S – Performance Sample

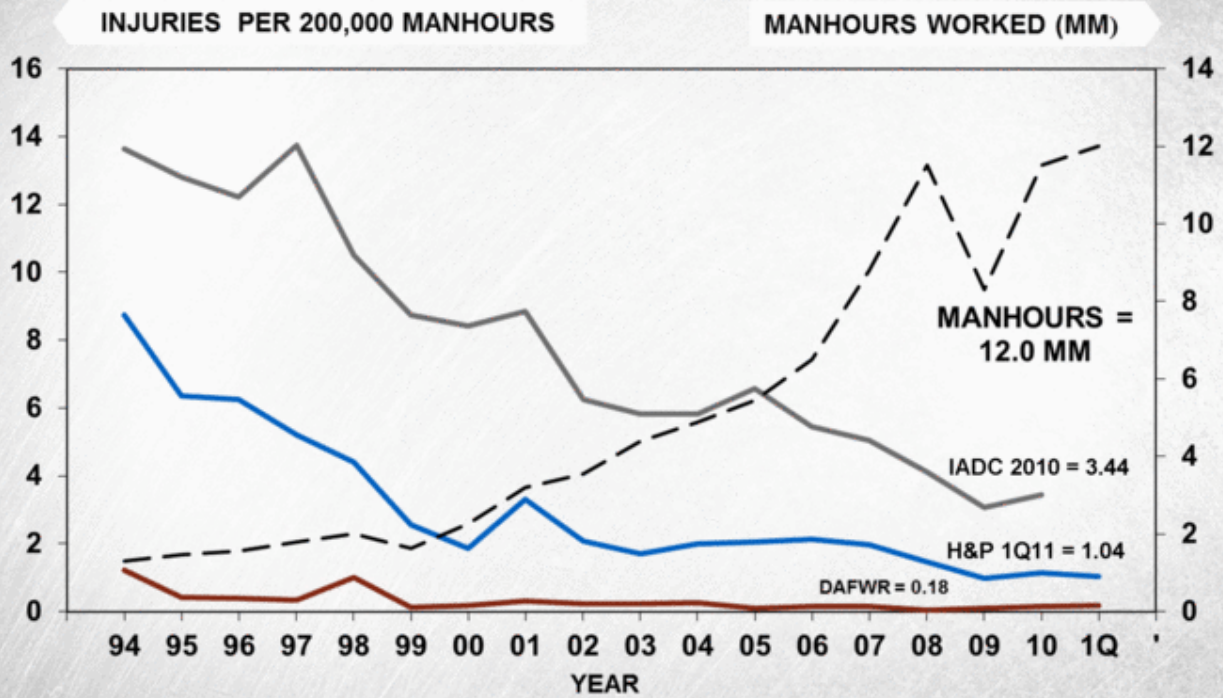
## FlexRig4S Marcellus Shale





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

## U.S. Land Safety Performance (1994 – 1Q11) OSHA Recordable Injury Incidence Rates

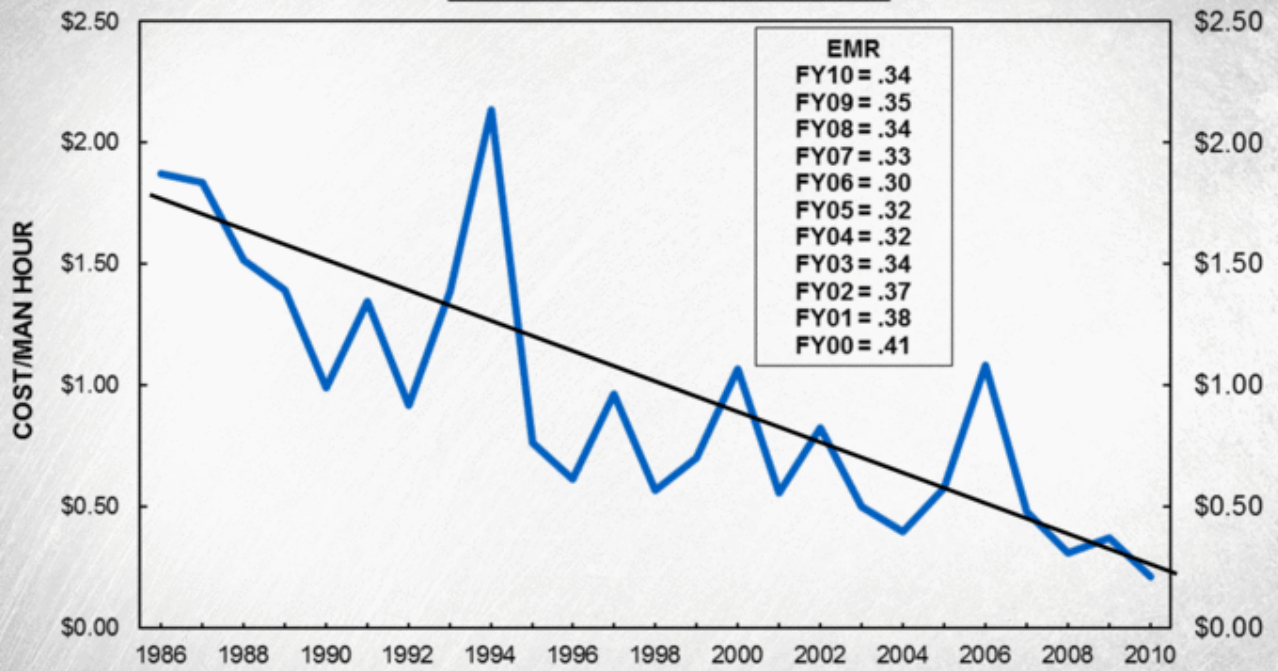




# Safety Excellence Also Generates Savings

## 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)



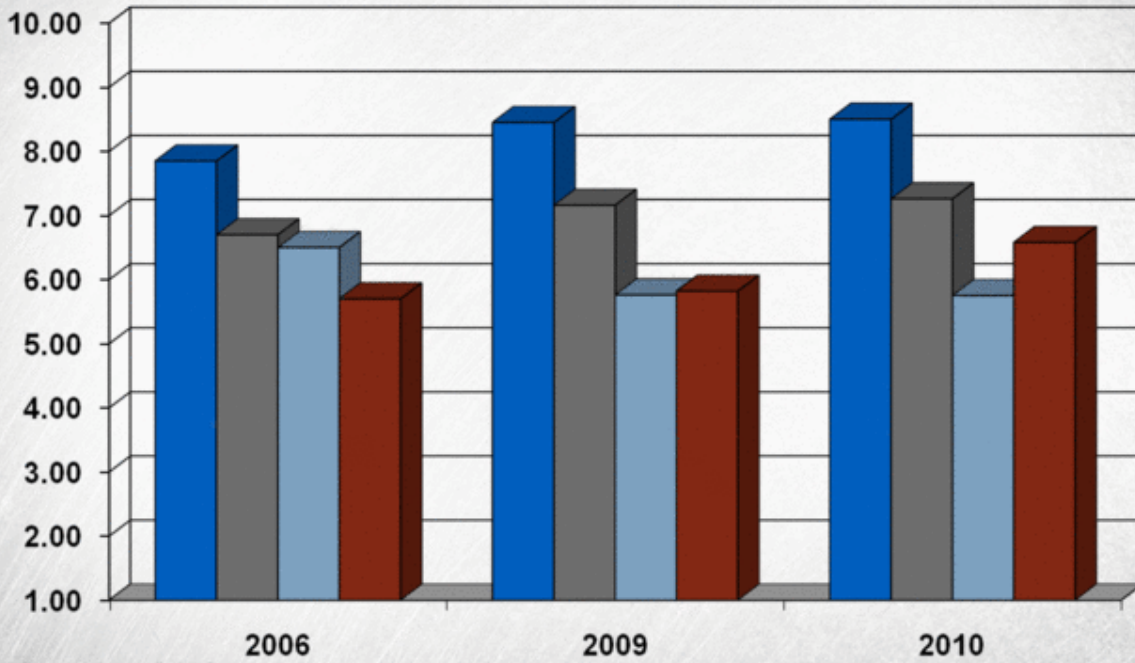




# Customer Satisfaction Index

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

■ HP      ■ Peer A      ■ Peer B      ■ Peer C



Source: EnergyPoint Research, Inc.





End of Document

