

# HELMERICH & PAYNE, INC.

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

Filed 02/09/16 for the Period Ending 02/09/16

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: **February 9, 2016**

**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))
- 
-

**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. In addition to other information, the attached slides provide recently updated Company and industry drilling activity and market conditions.

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/ Jonathan M. Cinocca  
Jonathan M. Cinocca  
Corporate Secretary

DATE: February 9, 2016

**EXHIBIT INDEX**

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



# Helmerich & Payne, Inc.

Meetings with Investors

February 9-10, 2016

# 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 presentation, including, without limitation, statements regarding the Company’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)

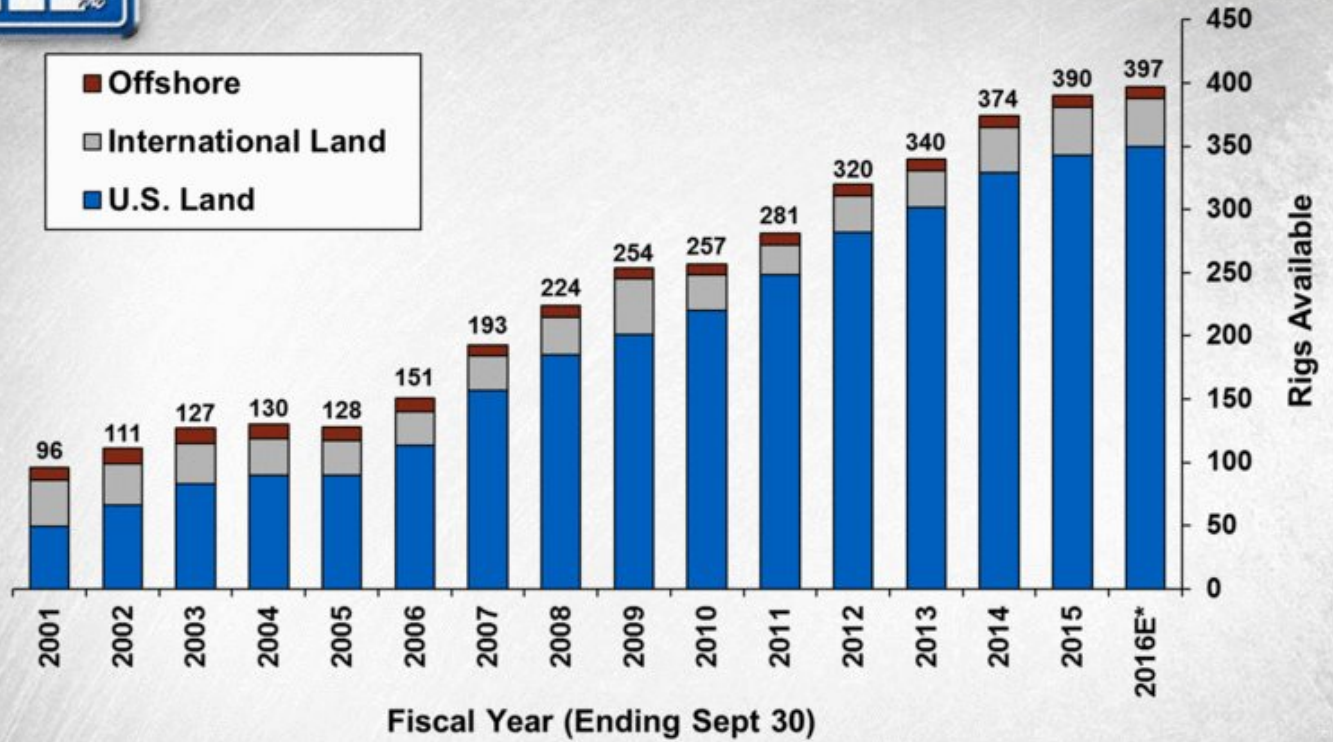


- Very strong balance sheet
- U.S. land drilling market share leader
- Most modern, uniform and capable land drilling fleet
- Strong term contract backlog with high quality customer base
- Strategy focused on continued innovation, performance excellence and customer satisfaction





# H&P's Global Rig Fleet

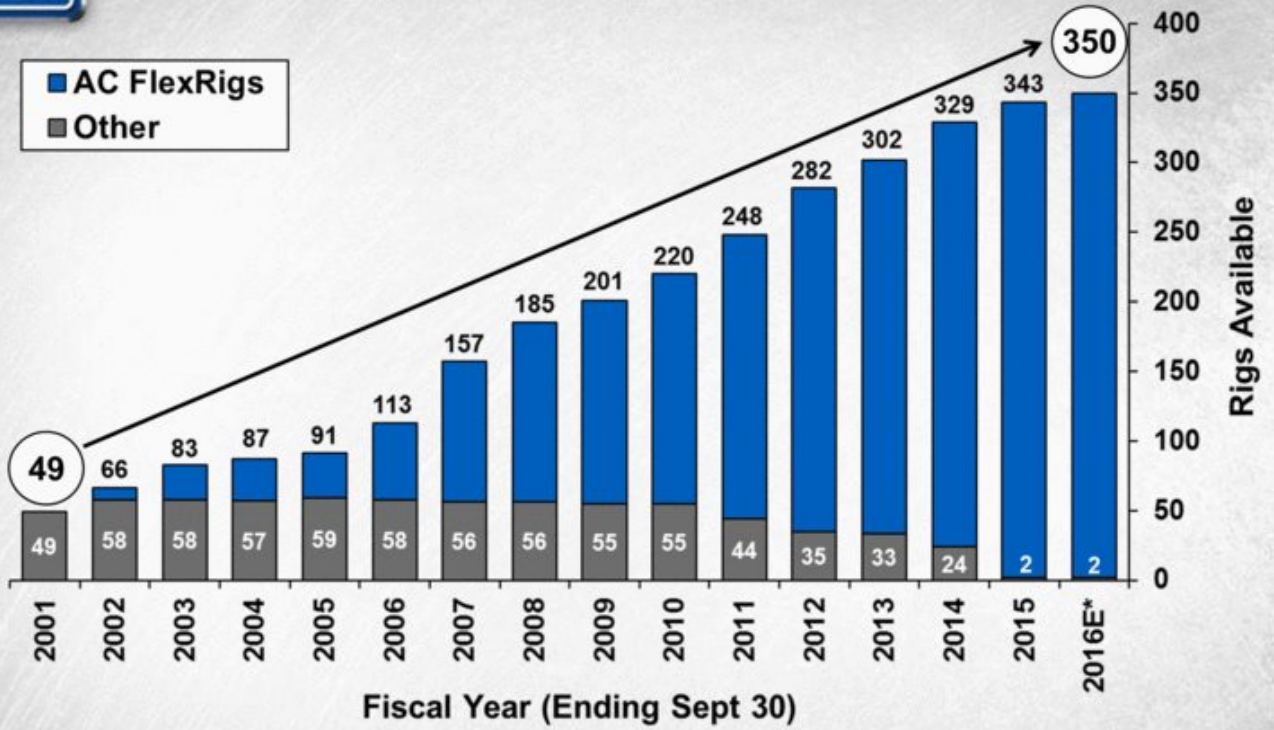


\* Estimates include existing rigs and new build commitments as of February 9, 2016.





# Organic U.S. Land Fleet Growth



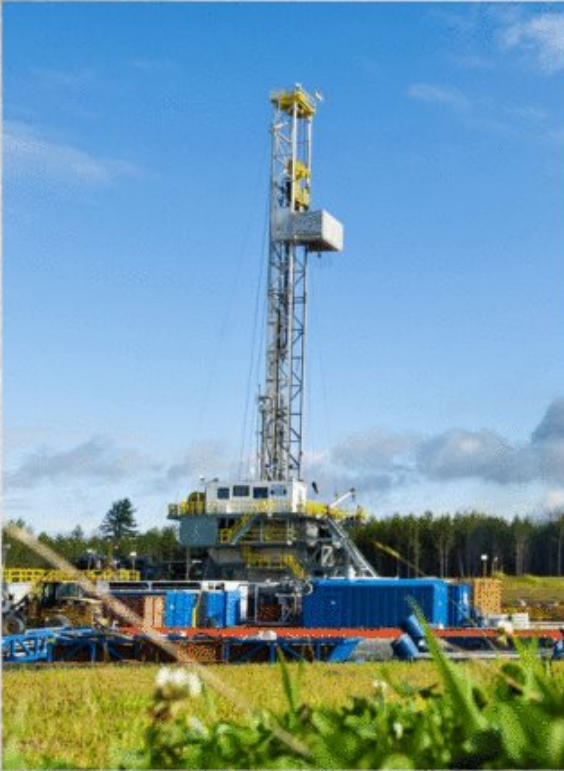
\* Estimates include existing rigs and announced new build commitments.







## U.S. Land Drilling Market Conditions

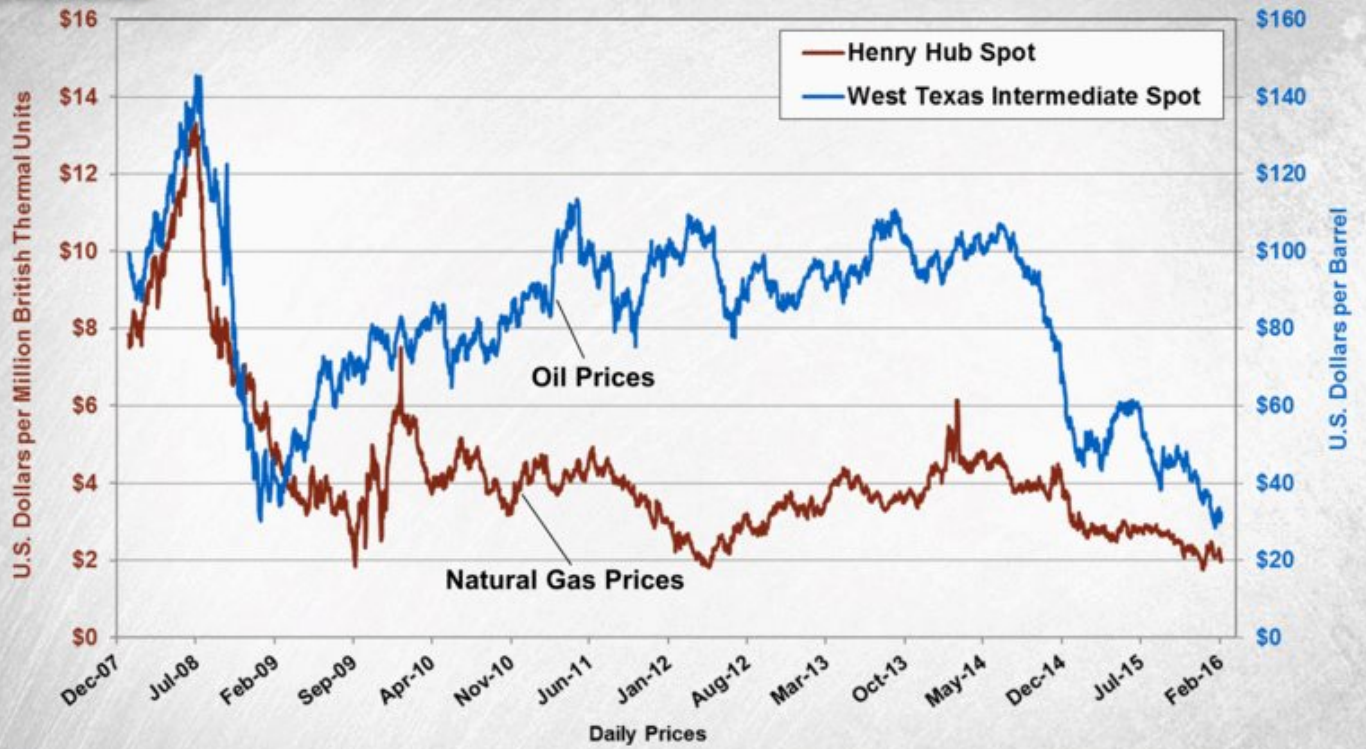


- Oil and gas prices remain low, forcing E&P companies to further reduce drilling budgets
- U.S. land active rig count is now at levels not seen since 1999 (<600)
- Market is not expected to improve in the first calendar quarter of 2016
- Industry is experiencing dramatic reductions in personnel and investments
- AC drive market share continues to increase (now at 64%)





# Oil and Natural Gas Prices



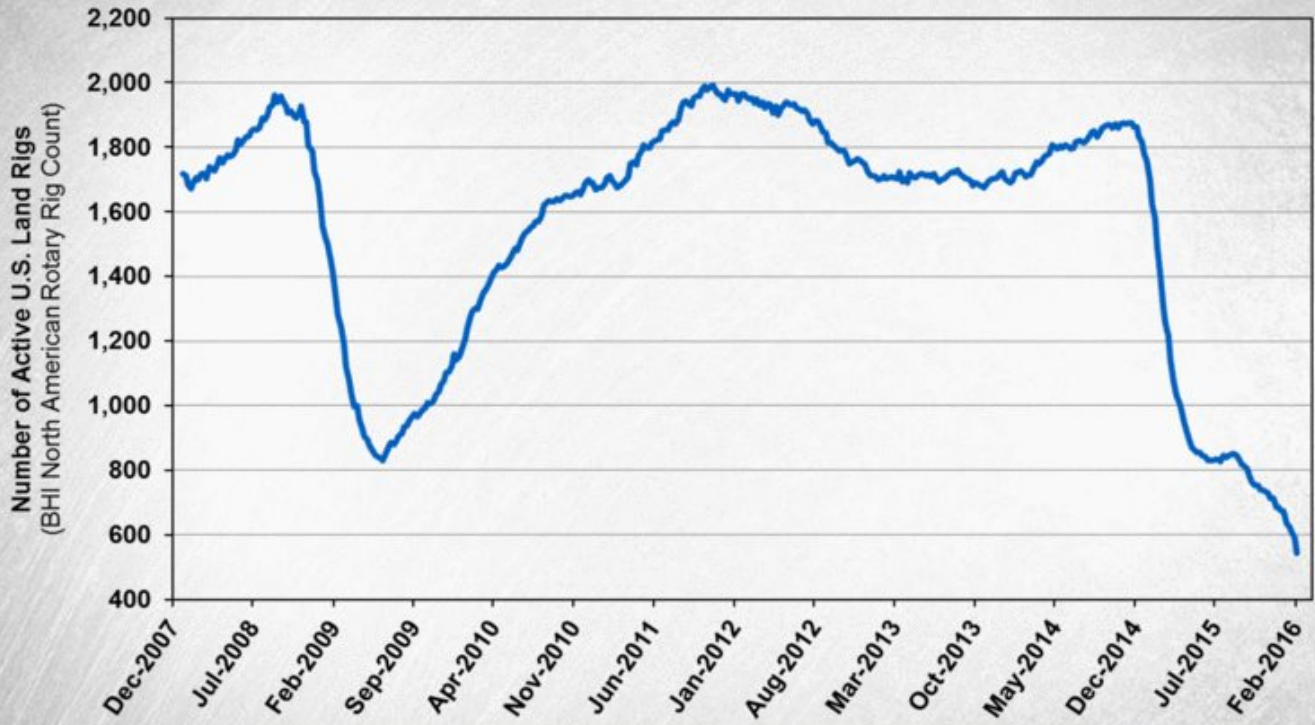
Source: Energy Information Administration and Thomson Reuters.





# Drilling Activity in the U.S.

## BHI U.S. Land Rig Count





## H&P's U.S. Land Activity and Pricing Comments

(As of January 28, 2016)

- H&P's U.S. Land segment had approximately 121 contracted rigs generating revenue as of January 28, 2016, down from 127 on January 6, 2016.
- Average FlexRig spot pricing is down by more than 30%, as compared to spot pricing at the peak in November 2014, and it may continue to decline.
- Since the start of the downturn in late-2014 through January 28, 2016, H&P's U.S. Land segment had received early termination notices for 77 rigs working under long-term contracts, up 17 from 60 at November 12, 2015.

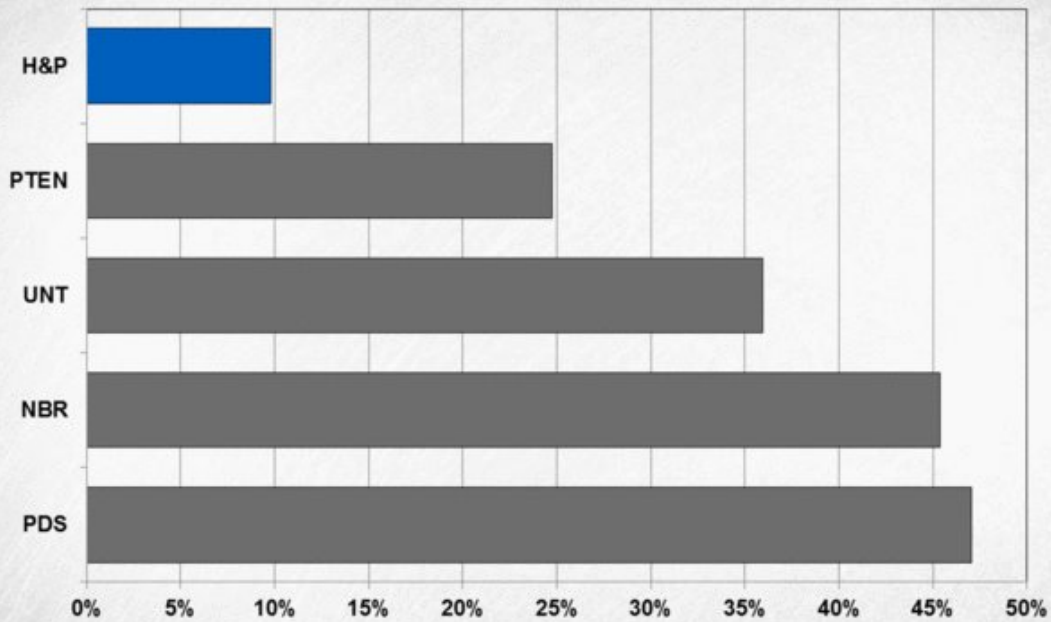




# H&P vs. Peers Credit Statistics

(As of September 30, 2015)

## Total-Debt-to-Total-Capitalization Ratio<sup>1</sup>



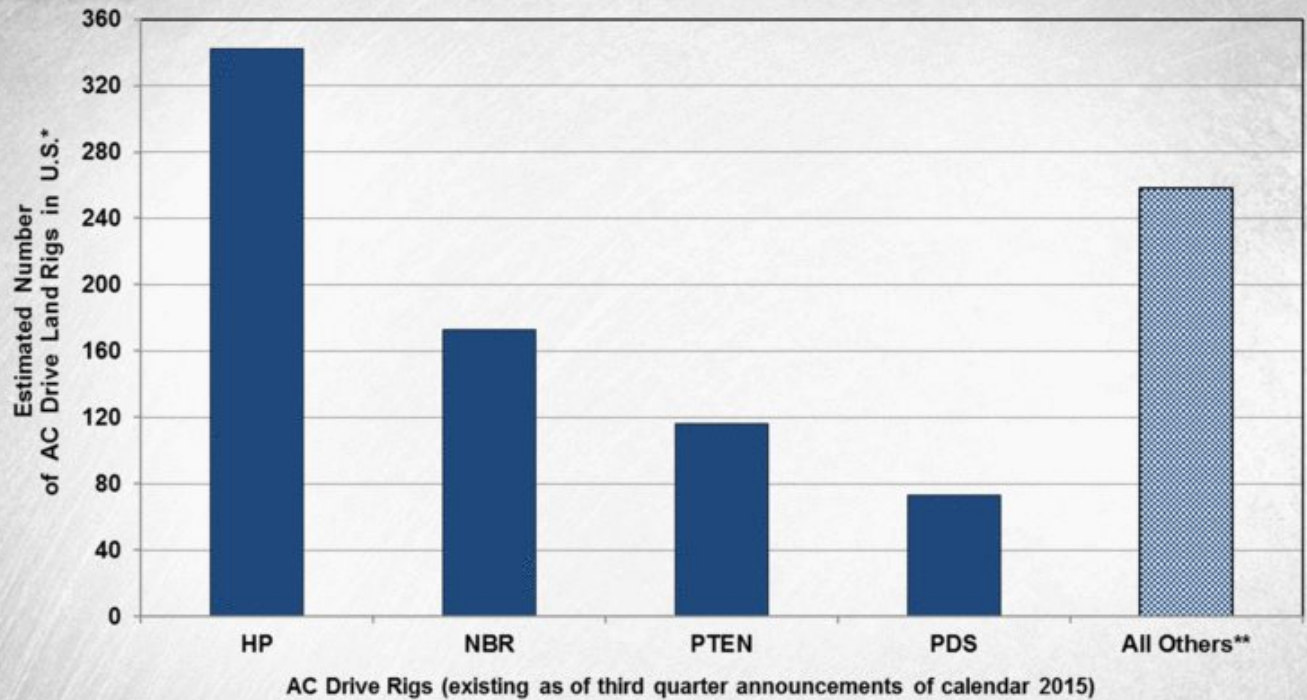
1. Total Capitalization is defined as Total Debt plus Shareholders' Equity.

Source: Company Filings

**Very Strong Balance Sheet**



## 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.

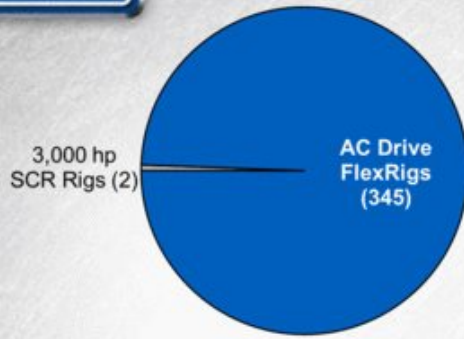
\*\*Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.

# Most Advanced Fleet

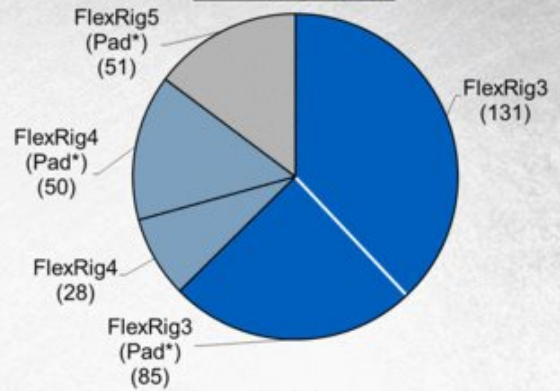


# H&P U.S. Land Fleet – Family of Solutions

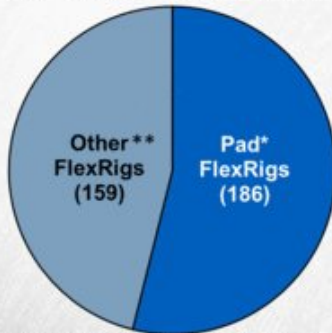
### Rig Power Type



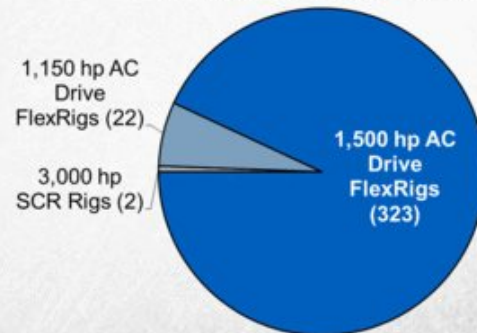
### FlexRig Type



### Pad\* AC Drive FlexRigs



### Drawworks Horsepower



\* Optimal for multiple-well pad drilling applications.

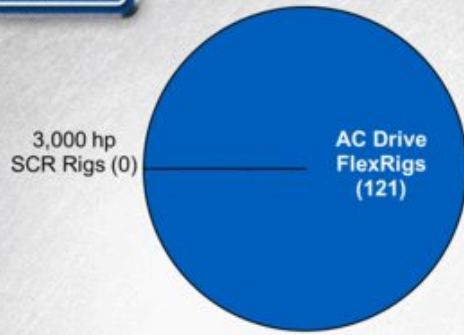
\*\* Approximately 131 FlexRig3s and 6 FlexRig4s of the 159 "Other FlexRigs" can be upgraded to Pad\* FlexRigs.

## Most Advanced Fleet

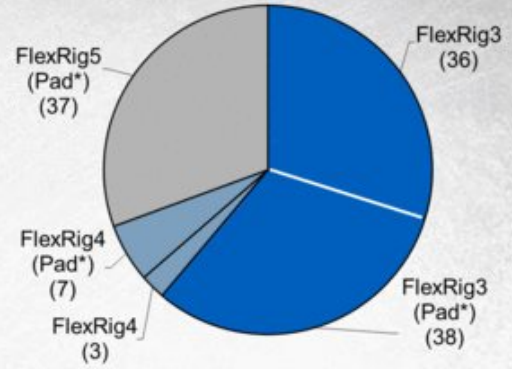


# H&P U.S. Land Fleet (Contracted Rigs as of 1/28/16)

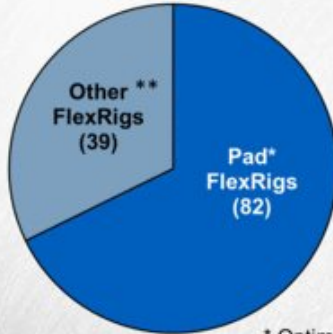
### Rig Power Type



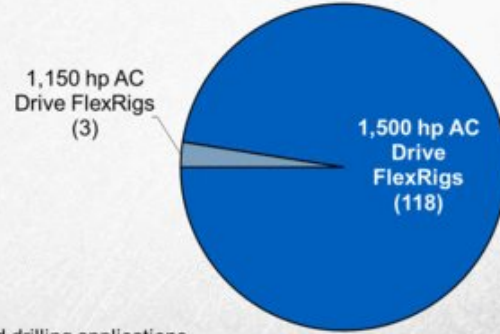
### FlexRig Type



### Pad\* AC Drive FlexRigs



### Drawworks Horsepower



\* Optimal for multiple-well pad drilling applications.

\*\* Most of the "Other FlexRigs" can be upgraded to Pad\* FlexRigs.

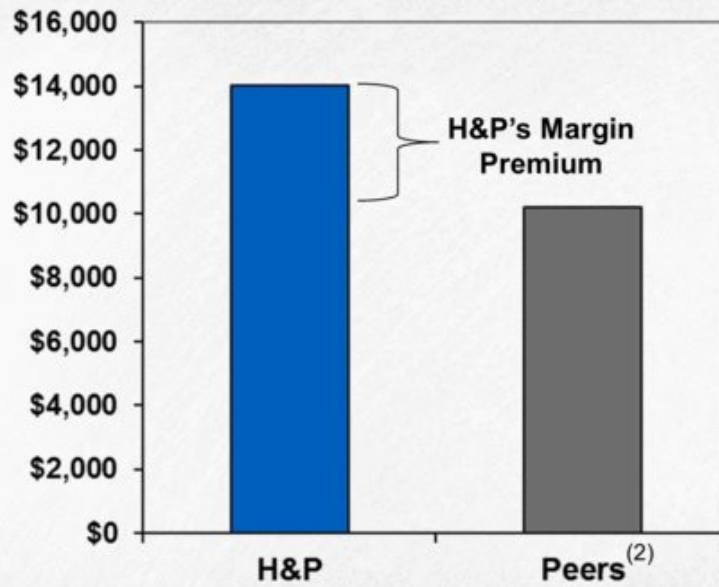
## Most Advanced Fleet





# Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day<sup>(1)</sup>  
(12 Months Ended September 30, 2015)



(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.

## Most Advanced Fleet



# Performance is Not Only About Better Rigs

**Our competitive advantage is also about:**

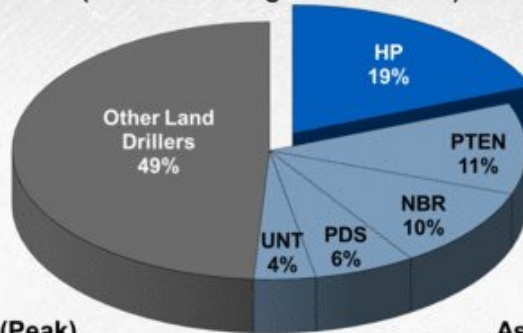
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**



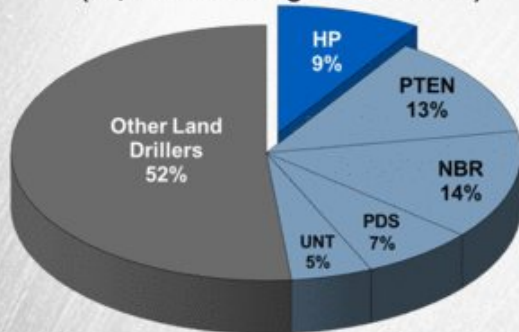


# H&P Gaining U.S. Land Market Share

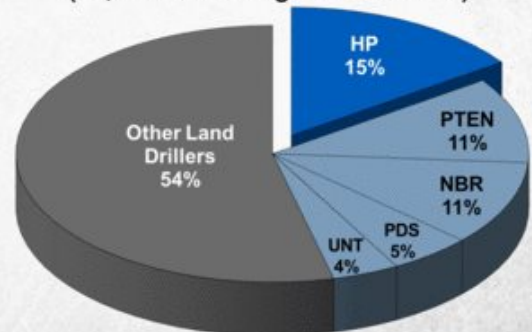
**As of January 2016**  
(~570 Active Rigs in U.S. Land)



**As of October 2008 (Peak)**  
(~1,925 Active Rigs in U.S. Land)



**As of October 2014 (Peak)**  
(~1,930 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.

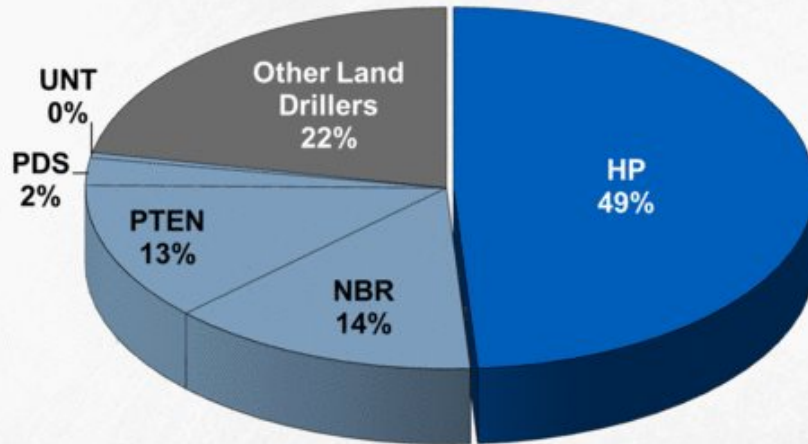


## Market Leader



# H&P Positioned to Continue to Gain Share

**~410 Idle 1,500 hp AC Drive Rigs in U.S. Land  
(January 2016)**



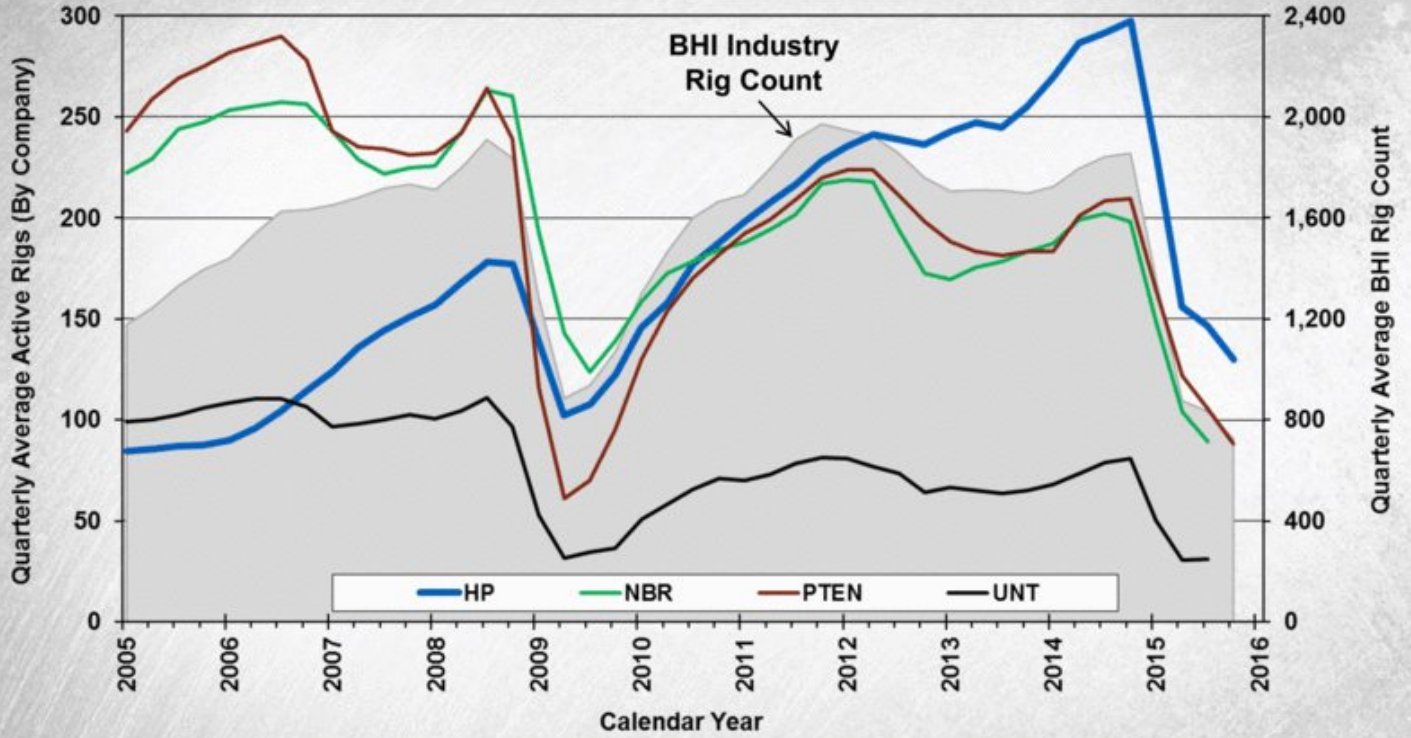
Note: The above estimates are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig with AC drive power type included in the above analysis was equal to 1,500 horsepower.



**Market Leader**



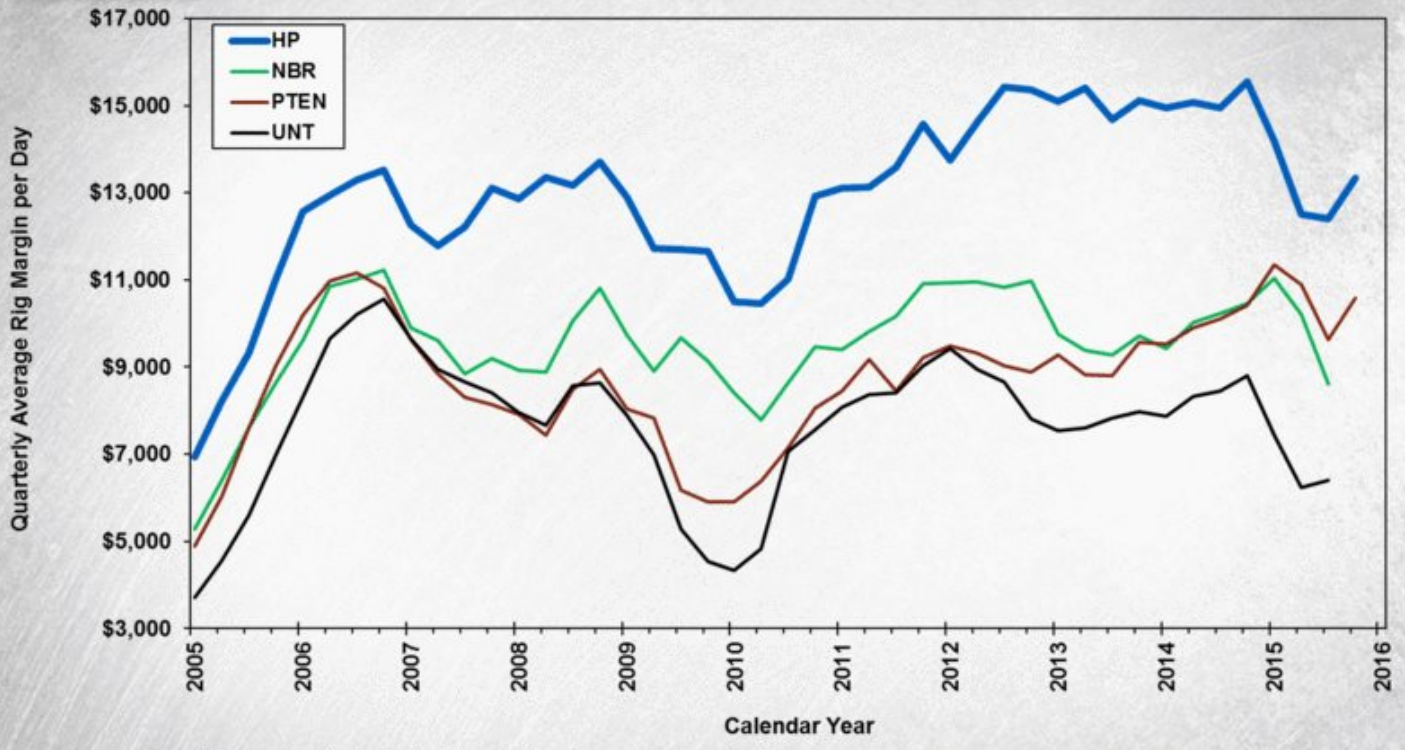
# U.S. Land Active Rig Count Through Fourth Quarter of Calendar 2015



Market Leader



# U.S. Land Average Daywork Margins<sup>(1)</sup> Through Fourth Quarter of Calendar 2015



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

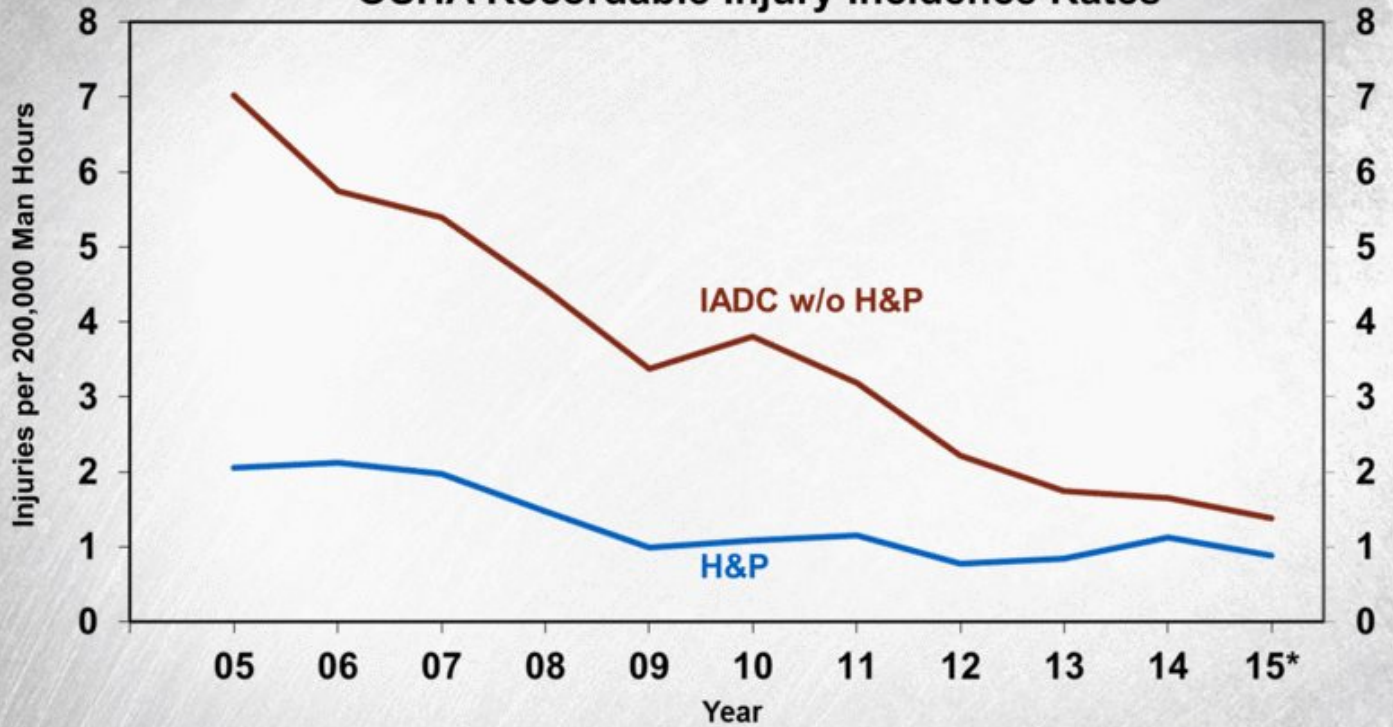


**Market Leader**



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

U.S. Land Safety Performance (2005 – 2015)  
OSHA Recordable Injury Incidence Rates



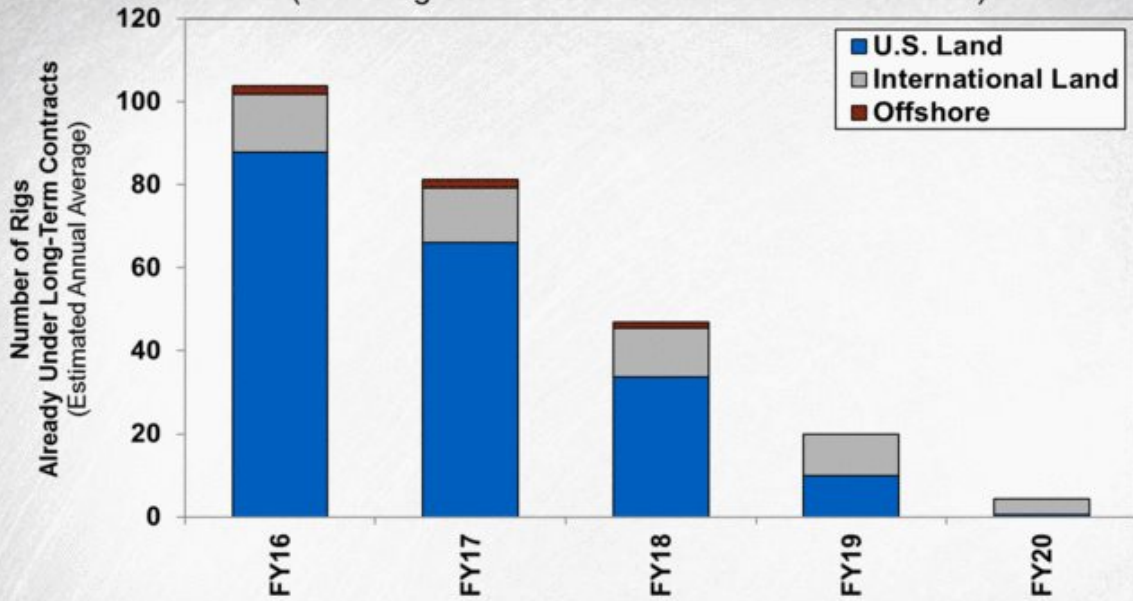
\* "H&P" data available through 2015; "IADC w/o H&P" data available only through 3Q of 2015.

Best-in-Class Safety



# H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet\*  
(Including Contracted New Builds - as of 1/28/16)



\* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 1/28/16. Given notifications as of 1/28/16, the Company expects to generate over \$78 million in the second fiscal quarter of 2016, approximately \$77 million during the remaining two quarters of fiscal 2016, and over \$40 million thereafter from early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees. Some of the new build deliveries may be delayed in exchange for compensation from customers, but the corresponding total backlog would remain the same or potentially increase. Mutually beneficial renegotiations of some long-term contracts for active rigs are expected to extend the timing of those contracts beyond what is reflected above.

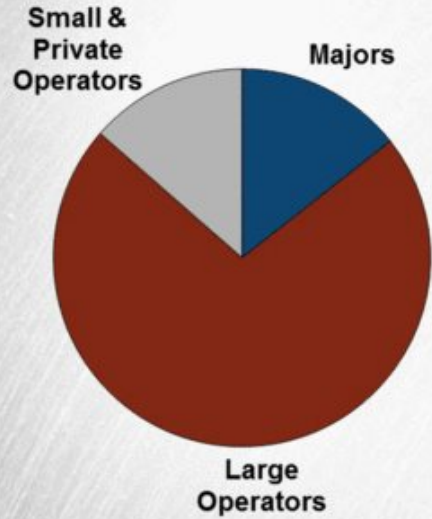
Strong Backlog



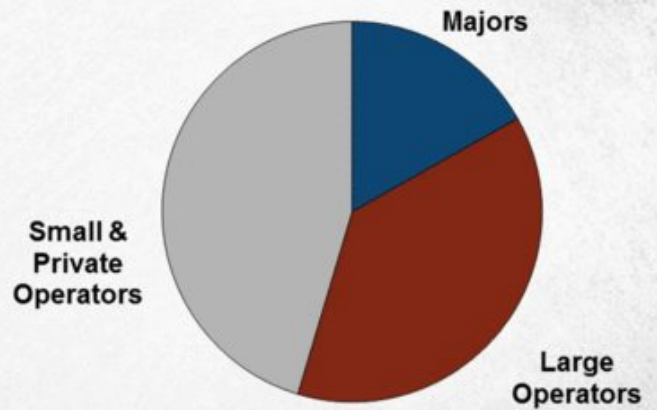


# H&P vs. Industry U.S. Land Customer Base

**H&P**  
U.S. Land Activity  
Estimated Customer Distribution  
(February 2016)



**Industry**  
U.S. Land Activity  
Estimated Customer Distribution  
(February 2016)



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**



## Ongoing U.S. Land Market Trends

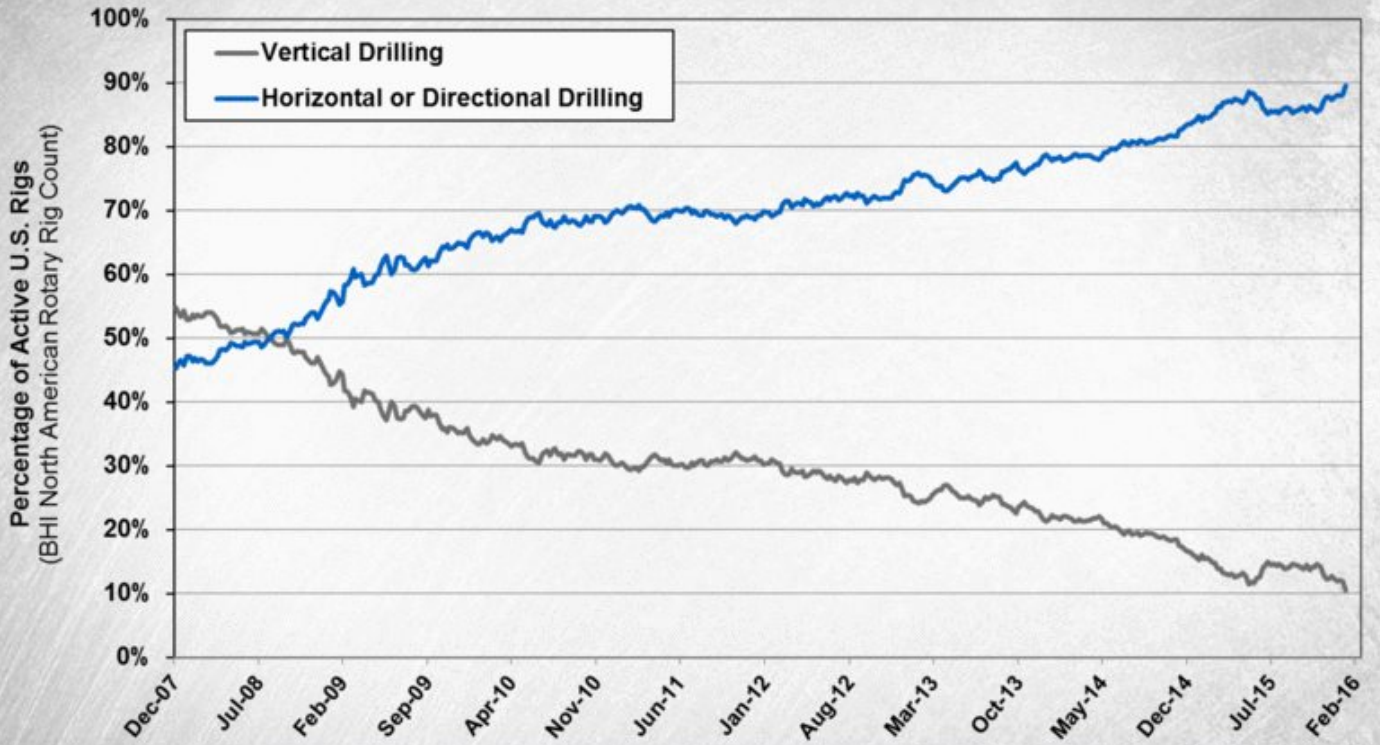
- Unconventional plays continue to shape the landscape.
- AC drive rigs are best suited for more complex horizontal drilling.
- Customers continue to focus on drilling efficiency, technology and safety.
- Multiple wells being drilled from a single pad.
- The replacement cycle is expected to continue.





# Increasing Focus on More Difficult Drilling

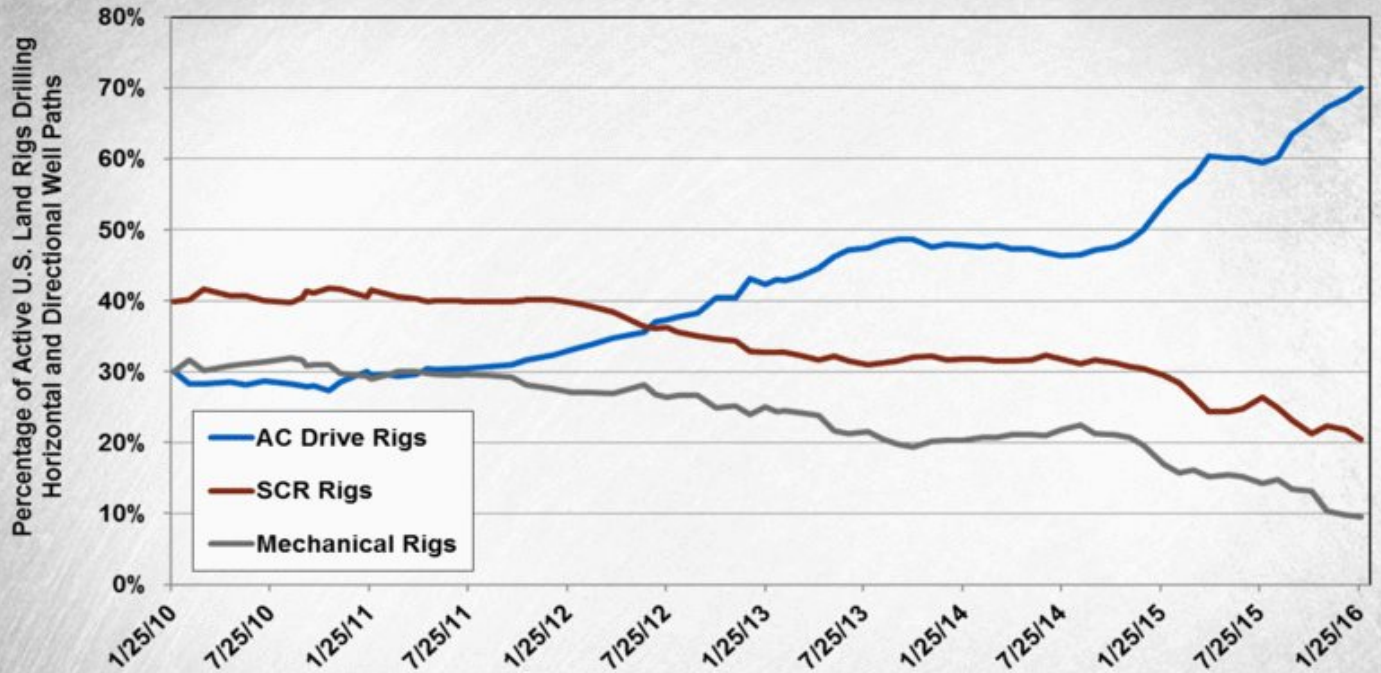
## U.S. Rig Activity by Drilling Type





# U.S. Land Horizontal and Directional Activity

(As of January 2016)



Note: The above estimates corresponding to horizontal and directional rig activity by power 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 greater than or equal to 600 horsepower. Certain assumptions were made in relation to the power systems on certain unidentified rigs.

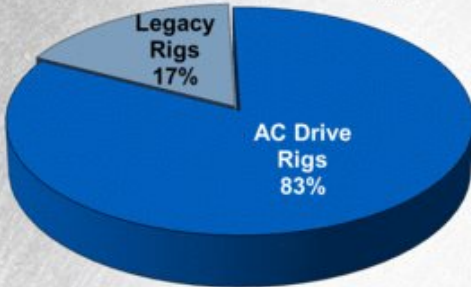




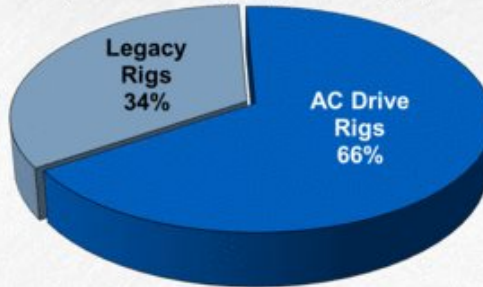
# The Replacement Cycle: Customer Adoption

## U.S. Land Market (as of January 2016)

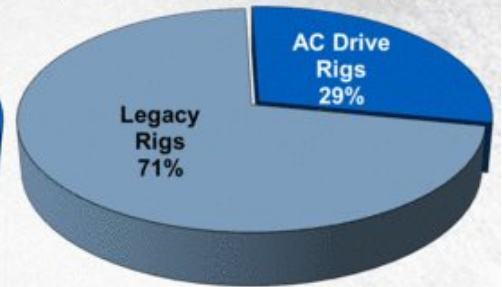
**Top 10 E&P Operators**  
(~155 Active Rigs by Power Type)



**Next 90 E&P Operators**  
(~310 Active Rigs by Power Type)



**Remaining E&P Operators**  
(~105 Active Rigs by Power Type)



Top 10 E&P Operators	Next 90 E&P Operators	Remaining E&P Operators
They represent the 10 most active E&P operators and employ ~27% of the industry's active drilling rigs.	They represent the next 90 most active E&P operators and employ ~54% of the industry's active drilling rigs.	They represent all other remaining active E&P operators and employ ~19% of the industry's active drilling rigs.
~95% of their rigs are drilling horizontal or directional wells.	~94% of their rigs are drilling horizontal or directional wells.	~63% of their rigs are drilling horizontal or directional wells.
~14% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~30% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~36% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.

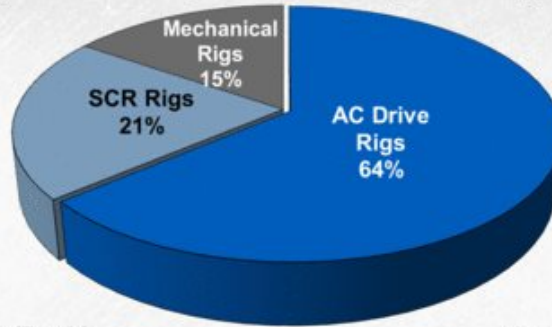
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made in relation to the power systems on certain unidentified rigs.



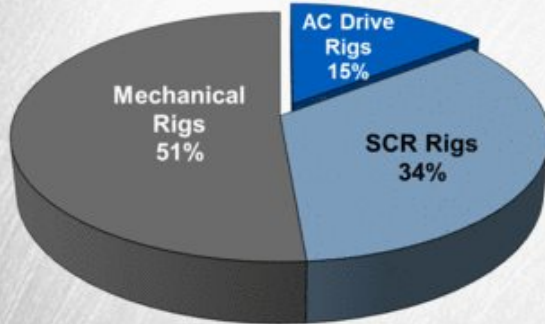


# The Replacement Cycle Continues

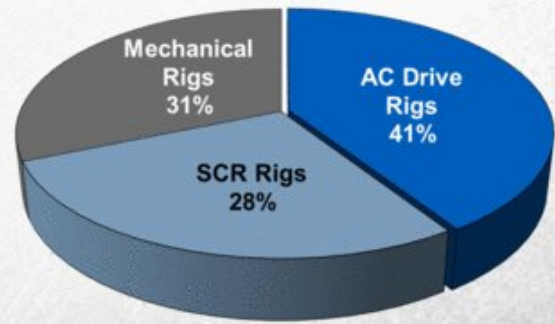
**As of January 2016**  
(~570 Active Rigs in U.S. Land By Power Type)



**As of October 2008 (Peak)**  
(~1,925 Active Rigs in U.S. Land By Power Type)



**As of October 2014 (Peak)**  
(~1,930 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 greater than or equal to 600 horsepower. Certain assumptions were made in relation to the power systems on certain unidentified rigs.





## H&P's Long Term Strategy

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





## Additional References







# Second Fiscal Quarter H&P Operations Outlook

(As of January 28, 2016)

Drilling Operations Outlook for 2Q of Fiscal 2016 Compared to 1Q of Fiscal 2016

- U.S. Land Segment
  - Revenue days expected to decrease by roughly 20%
  - Average rig revenue per day expected to be roughly flat (excluding the impact from early termination revenue)
  - Average rig expense per day expected to increase to roughly \$13,600
  
- Offshore Segment
  - Revenue days expected to decrease by approximately 5% to 10%
  - Average rig margin per day expected to be approximately \$8,250
  
- International Land
  - Revenue days expected to decrease by roughly 5% to 10%
  - Average rig margin per day expected to be roughly \$7,500





## H&P Activity as of January 28, 2016

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
<b>U.S. Land</b>	<b>347</b>	<b>121</b>	<b>35%</b>
AC Drive FlexRigs	345 <sup>(1)</sup>	121 <sup>(2)</sup>	35%
SCR Fleet	2	0	0%
<b>Offshore</b>	<b>9</b>	<b>8</b>	<b>89%</b>
<b>International Land</b>	<b><u>38</u></b>	<b><u>14</u></b>	<b><u>37%</u></b>
<b>Total</b>	<b>394</b>	<b>143</b>	<b>36%</b>
<b>FlexRig Construction<sup>(3)</sup></b>	<b>3</b>		
<b>Total Fleet</b>	<b>397</b>		

(1) 54% are FlexRigs that are optimal for multiple-well pad drilling applications.

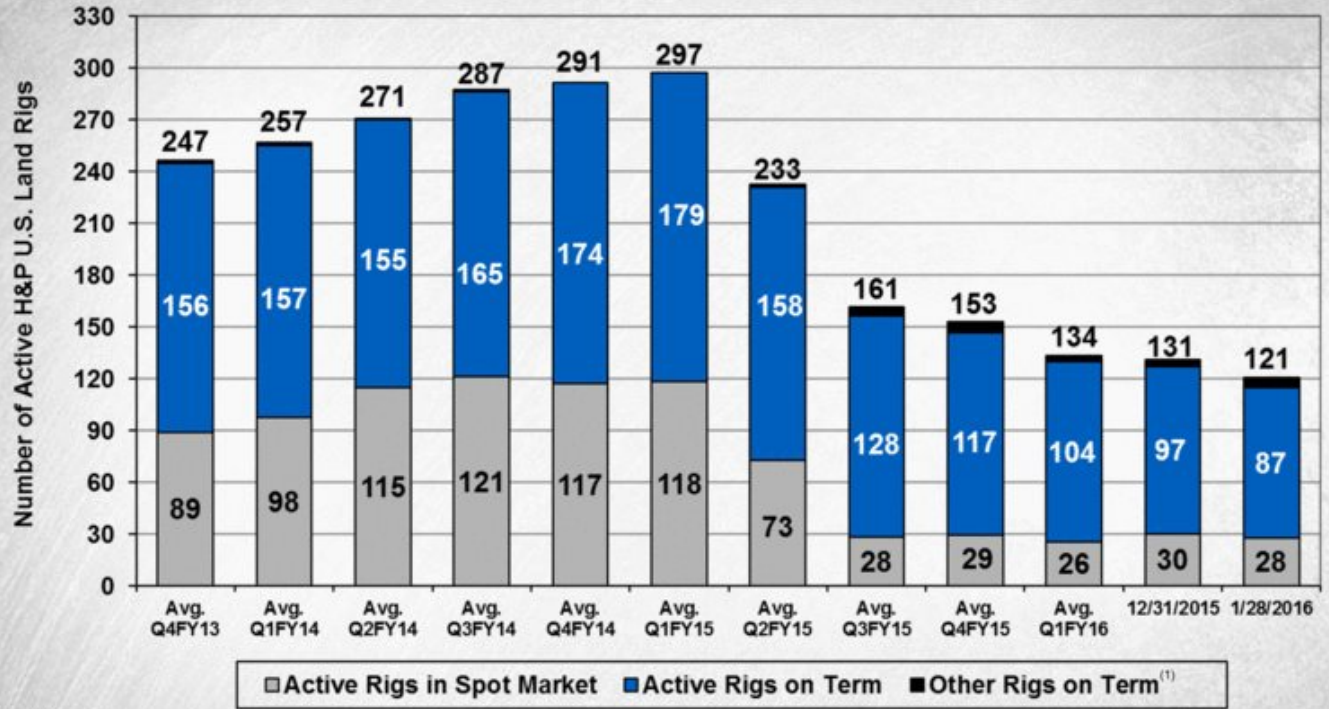
(2) 68% are FlexRigs that are optimal for multiple-well pad drilling applications.

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





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



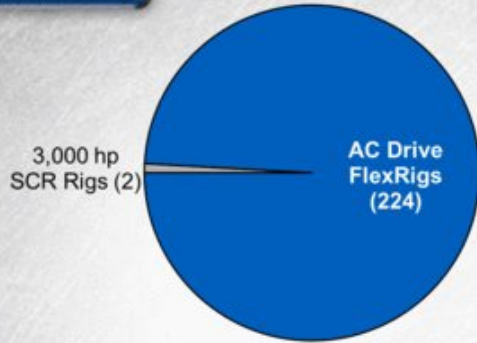
(1) Includes completed new builds pending delivery and not generating revenue days.



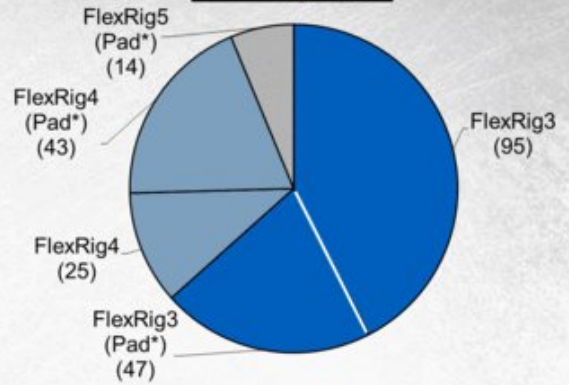


# H&P U.S. Land Fleet (Idle Rigs as of 1/28/16)

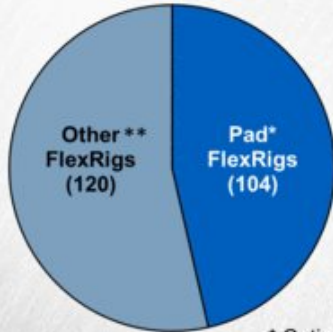
### Rig Power Type



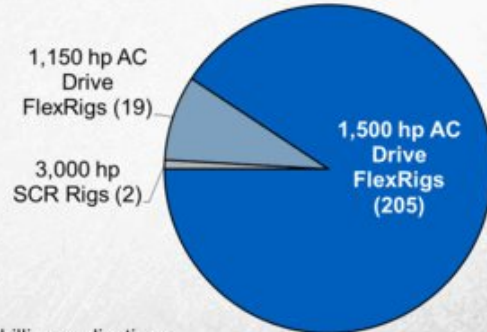
### FlexRig Type



### Pad\* AC Drive FlexRigs



### Drawworks Horsepower



\* Optimal for multiple-well pad drilling applications.

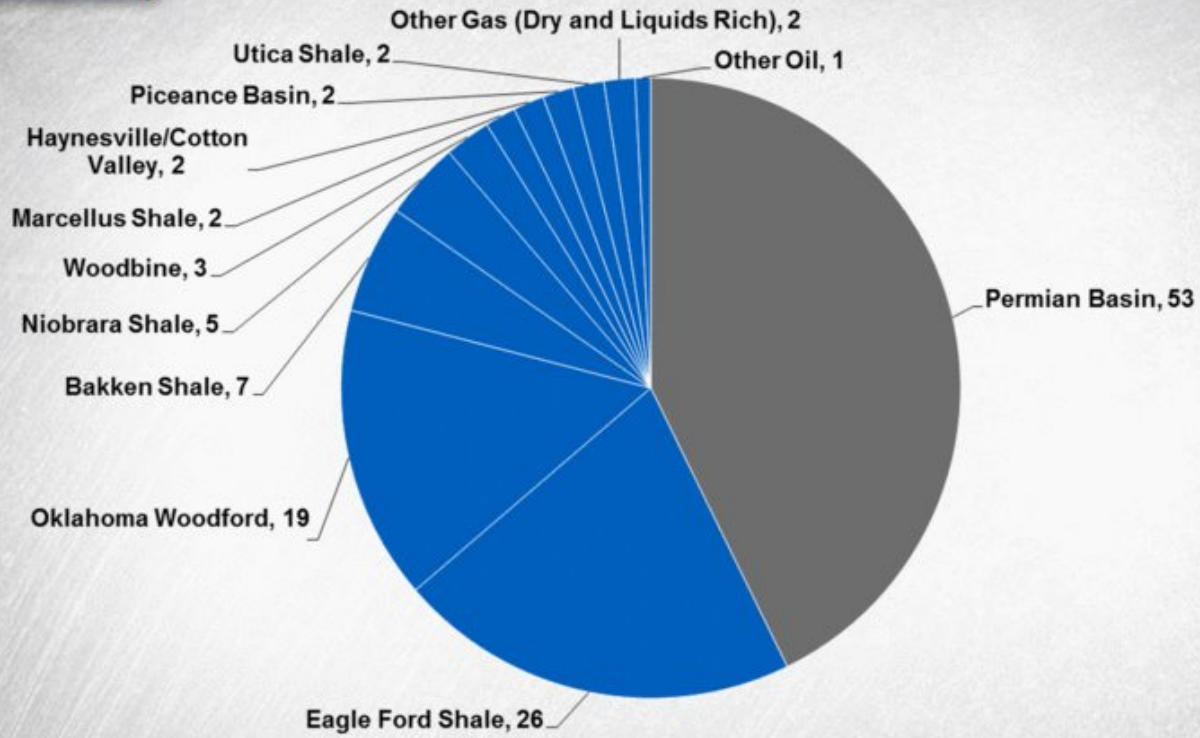
\*\* Most of the "Other FlexRigs" can be upgraded to Pad\* FlexRigs.

## Most Advanced Fleet



# Leading U.S. Unconventional Driller

(124 H&P Contracted Land Rigs as of 1/28/16\*)



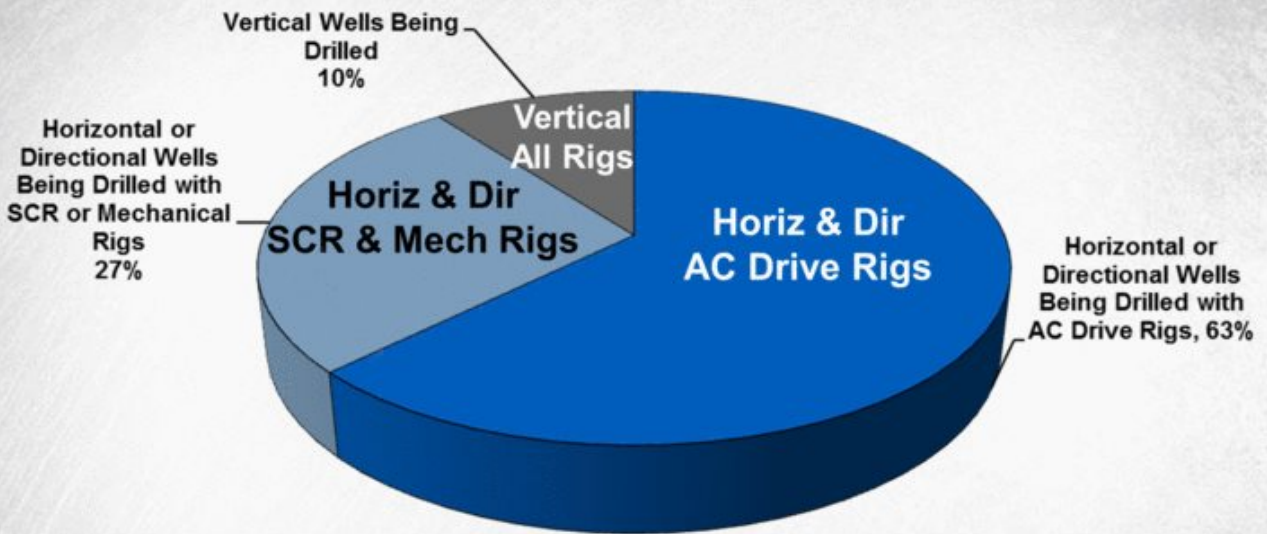
\* Includes 3 announced new FlexRigs with customer commitments scheduled for delivery in fiscal 2016.





# U.S. Activity by Well and Rig Type

~570 Active U.S. Land Rigs (January 2016)



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 in relation to the power systems on certain unidentified rigs.





# H&P's International Land Operations

Rig Fleet Status (as of January 28, 2016)

	Active	Idle	Total	Long-term Contracts <sup>(1)</sup>
Argentina	10	9	19	10
Bahrain	1	2	3	1
Colombia	1	7	8	1
Ecuador		6	6	
U.A.E.	2		2	2
<b>Total</b>	<b>14</b>	<b>24</b>	<b>38</b>	<b>14<sup>(2)</sup></b>

(1) Rigs on term contract that have greater than or equal to 180 days remaining.

(2) 13 of 25 FlexRigs, included in the international fleet of 38 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 1/28/16)

Segment	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17
U.S. Land	87.2	81.1	76.5	75.0	70.7	63.8	54.9
International Land	14.0	14.0	14.0	14.0	14.0	13.0	12.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>103.2</b>	<b>97.1</b>	<b>92.5</b>	<b>91.0</b>	<b>86.7</b>	<b>78.8</b>	<b>68.9</b>

\* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 1/28/16. Given notifications as of 1/28/16, the Company expects to generate over \$78 million in the second fiscal quarter of 2016, approximately \$77 million during the remaining two quarters of fiscal 2016, and over \$40 million thereafter from early terminations corresponding to long-term contracts. All of the above rig contracts include provisions for early termination fees. Some of the new build deliveries may be delayed in exchange for compensation from customers, but the corresponding total backlog would remain the same or potentially increase. Mutually beneficial renegotiations of some long-term contracts for active rigs are expected to extend the timing of those contracts beyond what is reflected above.



**Strong Backlog**





## 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 multiple-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**



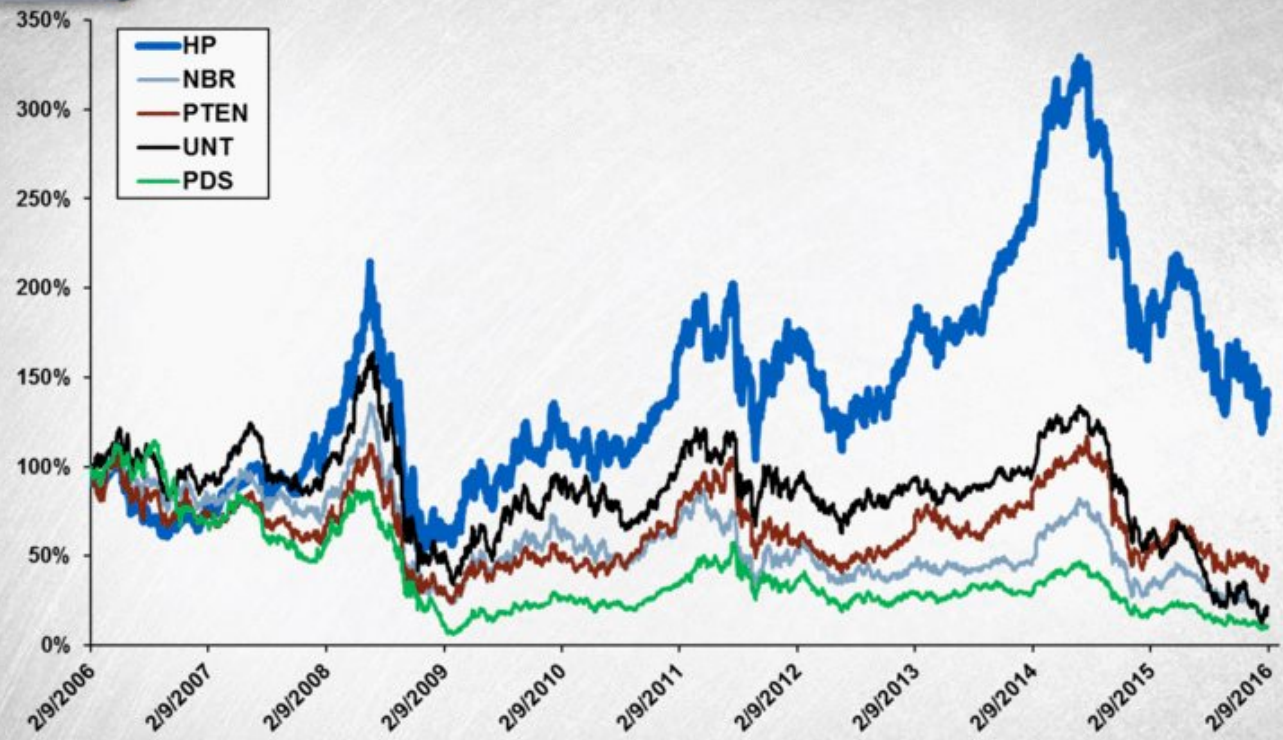
# The Value Proposition: The Power of Efficiency

	Theoretical Base Case	20% Efficiency Improvement	40% Efficiency Improvement
1. Drilling days average	13.5	10.8	8.1
Other days average	5.0	4.0	3.0
Moving days average (several multi-well pads)	1.5	1.2	0.9
<b>Total rig days per well</b>	<b>20.0</b>	<b>16.0</b>	<b>12.0</b>
<b>Efficiency (Reduced Well Cycle Time)</b>	<b>-</b>	<b>20%</b>	<b>40%</b>
2. Drilling contractor dayrate	\$15,000	\$20,000	\$25,000
Operator's other intangible (services) cost per day estimate	\$35,000	\$35,000	\$35,000
<b>Total daily cost estimate</b>	<b>\$50,000</b>	<b>\$55,000</b>	<b>\$60,000</b>
<b>Total cost per well (daily services)</b>	<b>\$1,000,000</b>	<b>\$880,000</b>	<b>\$720,000</b>
3. Total well savings for customer – per well		\$120,000	\$280,000
per year		(12% Savings) \$2.74 MM	(28% Savings) \$8.52 MM
4. Incremental number of wells per rig per year		4.6 wells	12.2 wells





# Ten-Year Relative Shareholder Return

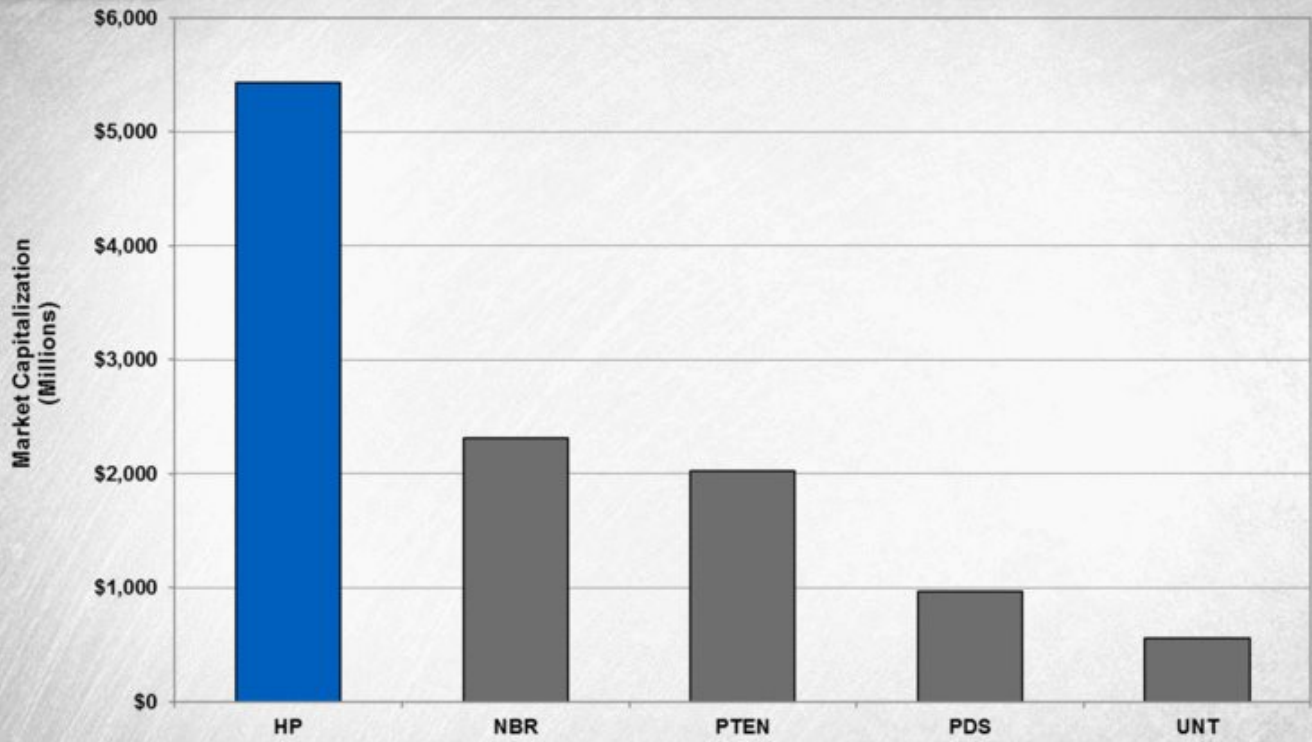


Source: Thomson Reuters as of February 5, 2016.





# Land Drilling Market Valuations

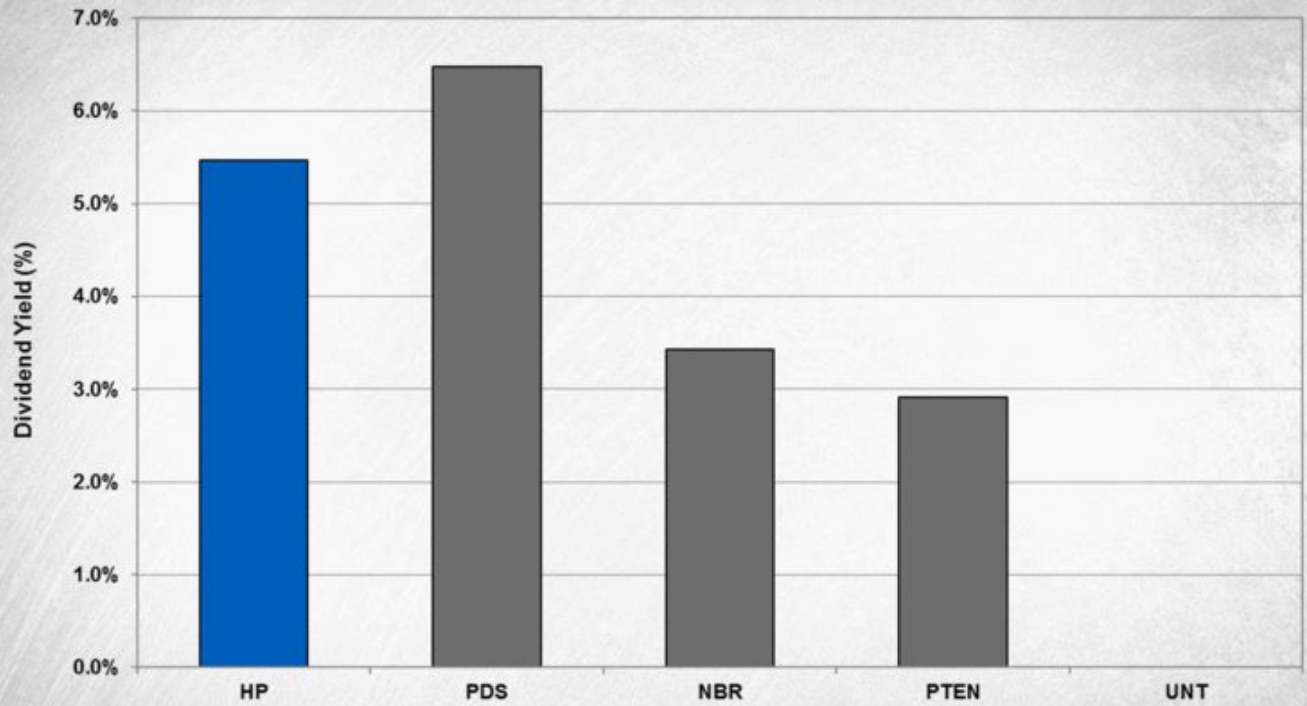


Source: Thomson Reuters as of February 5, 2016.





# Current Dividend Yields



Source: Thomson Reuters. Yields calculated as of market close on February 5, 2016.





# Oil vs. Natural Gas Directed Rig Count

