

HELMERICH & PAYNE, INC.

FORM 8-K (Current report filing)

Filed 09/04/14 for the Period Ending 09/04/14

Address	1437 S. BOULDER AVE. SUITE 1400 TULSA, OK, 74119
Telephone	918-742-5531
CIK	0000046765
Symbol	HP
SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil & Gas Drilling
Sector	Energy
Fiscal Year	09/30

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

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF EARLIEST EVENT REPORTED: **September 4, 2014**

HELMERICH & PAYNE, INC.

(Exact name of registrant as specified in its charter)

State of Incorporation: **Delaware**

COMMISSION FILE NUMBER **1-4221**

Internal Revenue Service — Employer Identification No. **73-0679879**

1437 South Boulder Avenue, Suite 1400, Tulsa, Oklahoma 74119

(Address of Principal Executive Offices)

(918)742-5531

(Registrant's telephone number, including area code)

N/A

(Former Name or Former Address, if Changed since Last Report)

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. As discussed in the attached Exhibit 99.1, the Company is announcing that it has signed contracts with three exploration and production companies to build and operate nine additional FlexRigs[®].*.

This information is not “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing made pursuant to the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended. The furnishing of these slides is not intended to constitute a representation that such information is required by Regulation FD or that the materials they contain include material information that is not otherwise publicly available.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

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

SIGNATURES

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

HELMERICH & PAYNE, INC.
(Registrant)

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

DATE: September 4, 2014

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

EXHIBIT INDEX

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

Forward-looking Statements

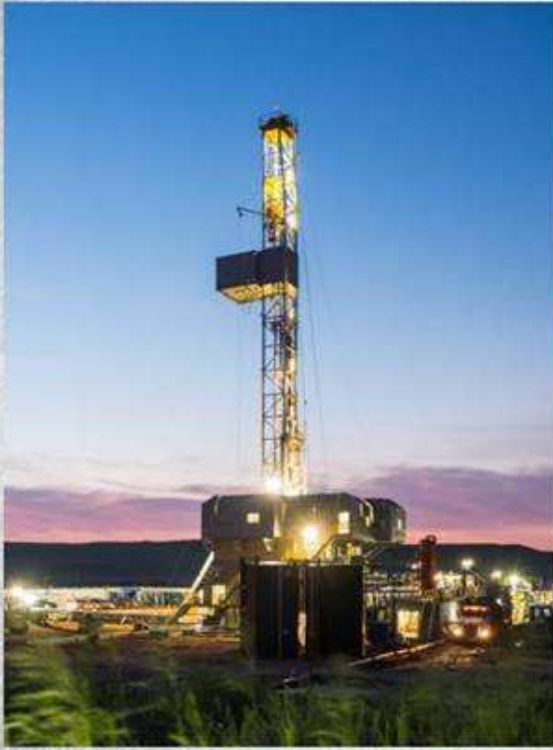
Statements within this presentation are “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, and are based on current expectations and assumptions that are subject to risks and uncertainties. All statements other than statements of historical facts included in this release, including, without limitation, statements regarding the registrant’s future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward looking statements. For information regarding risks and uncertainties associated with the Company’s business, please refer to the “Risk Factors” and “Management’s Discussion & Analysis of Financial Condition and Results of Operations” sections of the Company’s SEC filings, including but not limited to, its annual report on Form 10-K and quarterly reports on Form 10-Q. As a result of these factors, Helmerich & Payne, Inc.’s actual results may differ materially from those indicated or implied by such forward-looking statements. We undertake no duty to update or revise our forward-looking statements based on changes in internal estimates, expectations or otherwise, except as required by law.



HELMERICH & PAYNE, INC.



About Helmerich & Payne

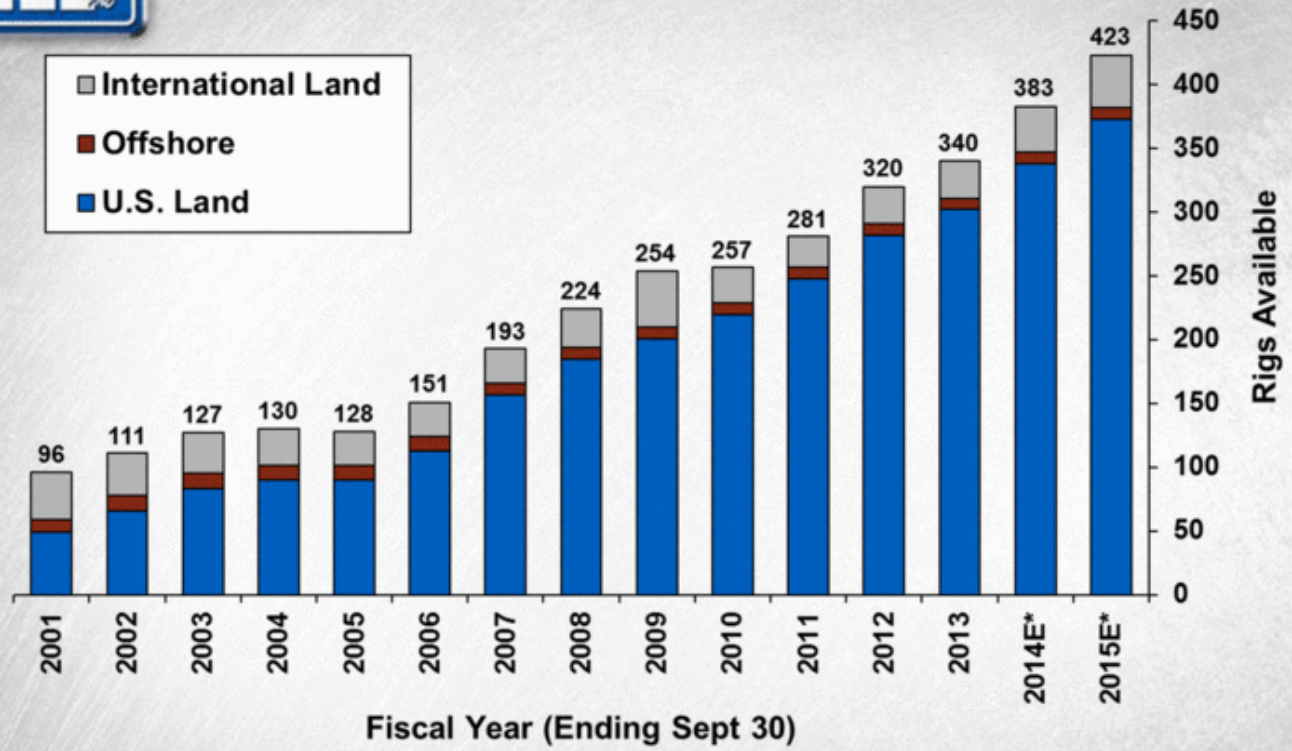


- U.S. land drilling market share leader
- Focused on innovation and returns on capital
- Leader in ongoing industry land rig replacement cycle
- Most modern and capable land drilling fleet
- Strong balance sheet





H&P's Global Rig Fleet



* Estimates include existing rigs and announced new build commitments as of September 3, 2014.





H&P Activity as of September 3, 2014

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	335	291	87%
AC Drive FlexRigs ⁽¹⁾	302	290	96%
SCR Fleet	33	1	3%
Offshore	9	9	100%
International Land	<u>35</u>	<u>28</u>	<u>80%</u>
Total	379	328	87%
FlexRig Construction⁽²⁾	44		
Total Fleet	423		

(1) 6 of the 302 AC Drive FlexRigs are expected to be transferred to Argentina.

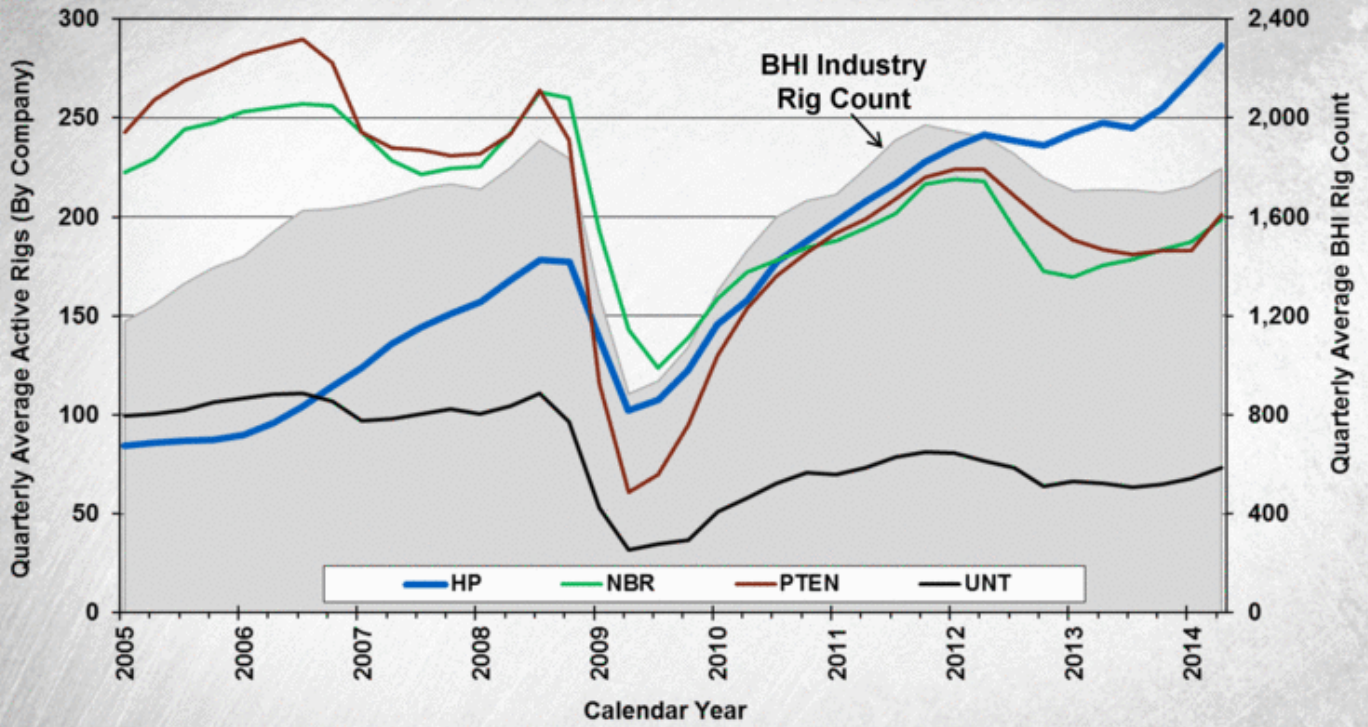
(2) Reflects announced new build commitments under term contracts.





U.S. Land Active Rig Count

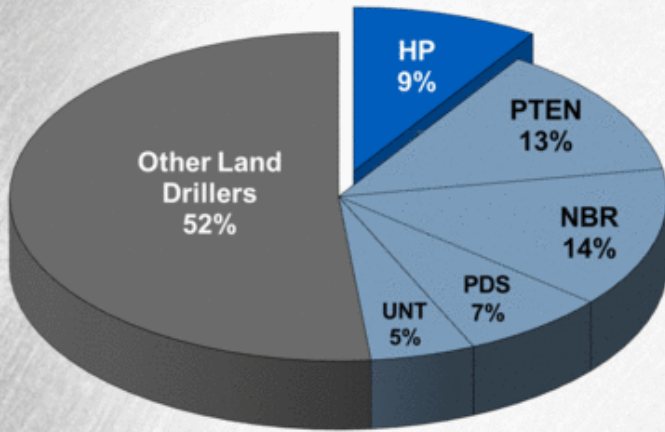
Through Second Quarter of Calendar 2014



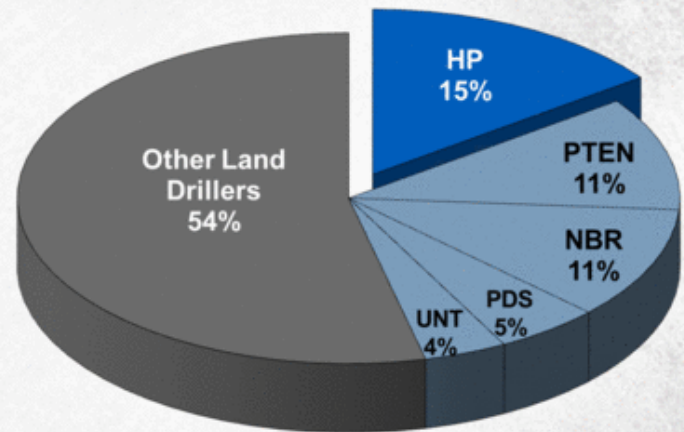


H&P Continues to Capture Market Share

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



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



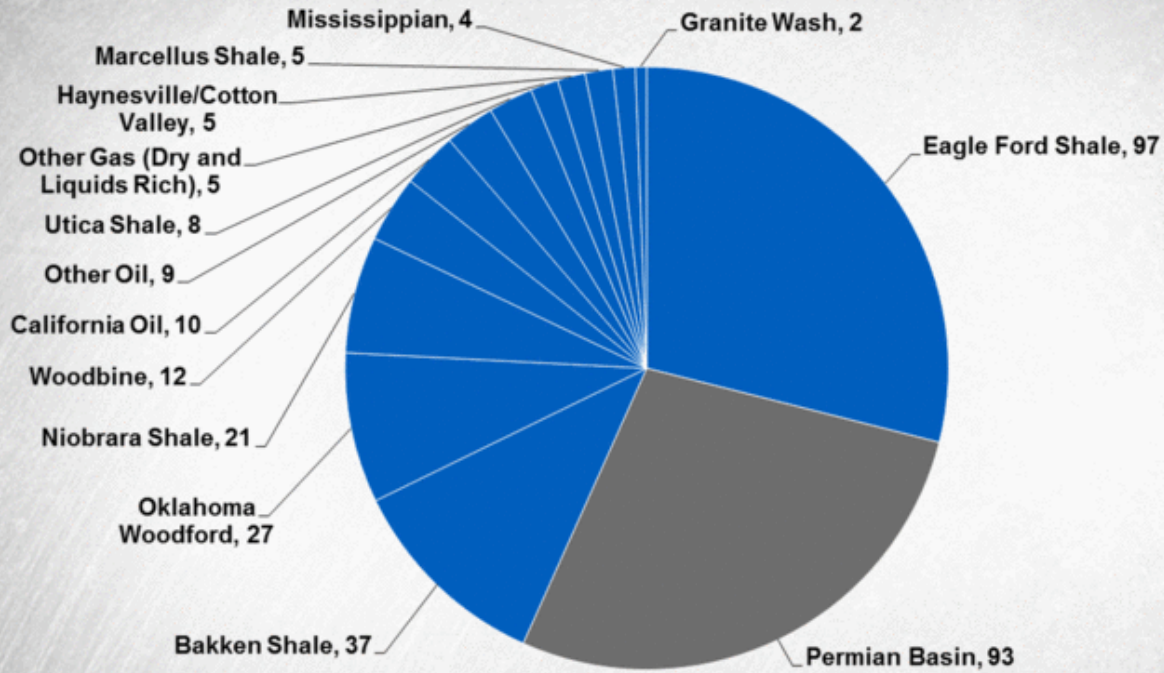
Note: The above estimates corresponding to market share are derived from Rig Data. PDS' market share includes both PDS and Grey Wolf rigs. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.





Leading U.S. Unconventional Driller

(335 H&P Contracted Land Rigs as of 9/3/14*)

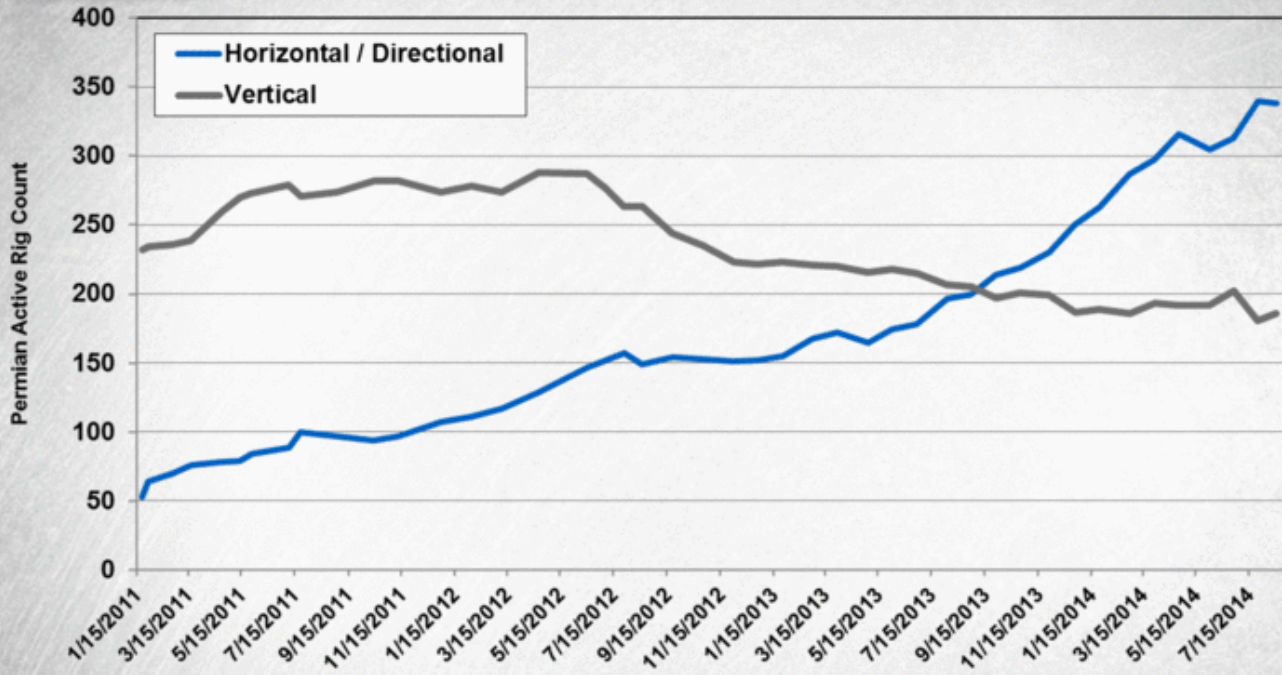


* Includes 44 announced new FlexRigs with customer commitments scheduled for delivery in fiscal 2014 and fiscal 2015.





Unconventional Drilling Growth in Permian



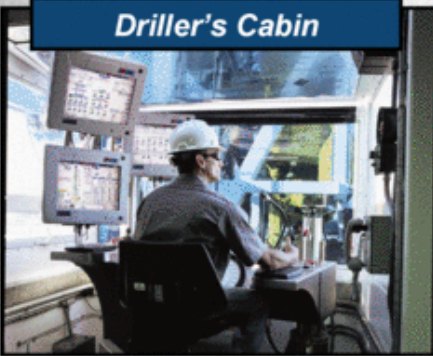
Note: The above estimates are derived from Rig Data. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.



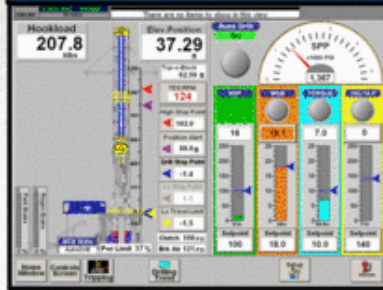


Innovation & Applied Technology – FlexRig®

Driller's Cabin



Computerized Controls



AC Driven Systems & Integrated Top Drive



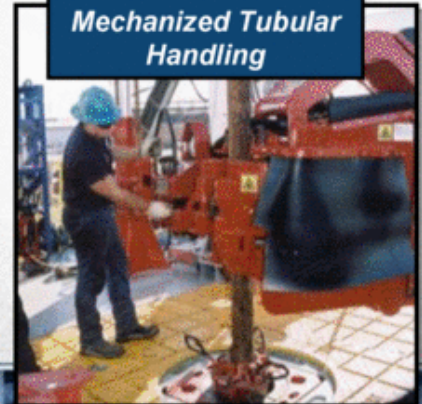
Satellite Communications



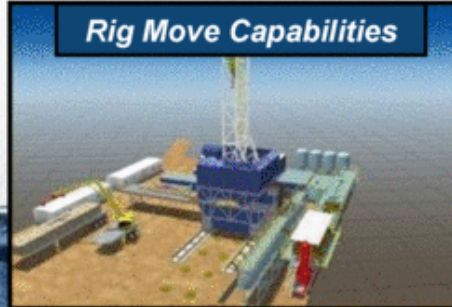
BOP Handling



Mechanized Tubular Handling



Rig Move Capabilities





H&P's FlexRig Advantage

The FlexRig Difference: Key Advantages

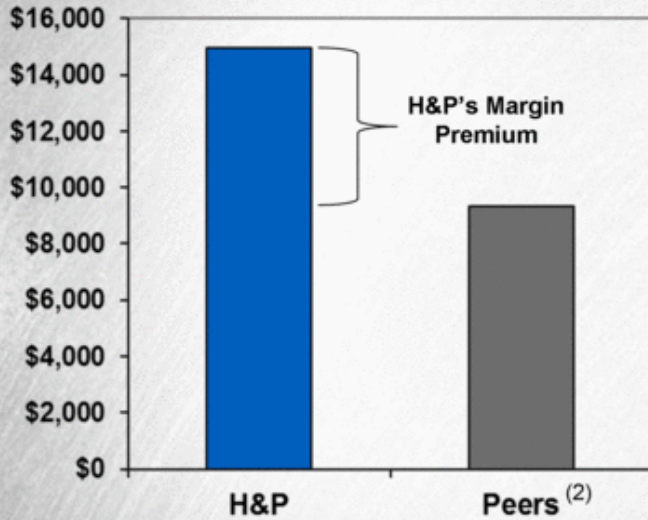
- **Increased drilling productivity and reliability**
 - Variable frequency AC technology providing precise control and increased capability
 - Computerized electronic driller more precisely controls down-hole parameters
 - FlexRig designs are suited for both efficient well to well moves and multi-well pad applications
- **Accelerated well programs and NPV gains**
- **A safer and more environmentally friendly workplace**
- **Fleet size and uniformity**
- **Total well cost savings even at premium dayrates**



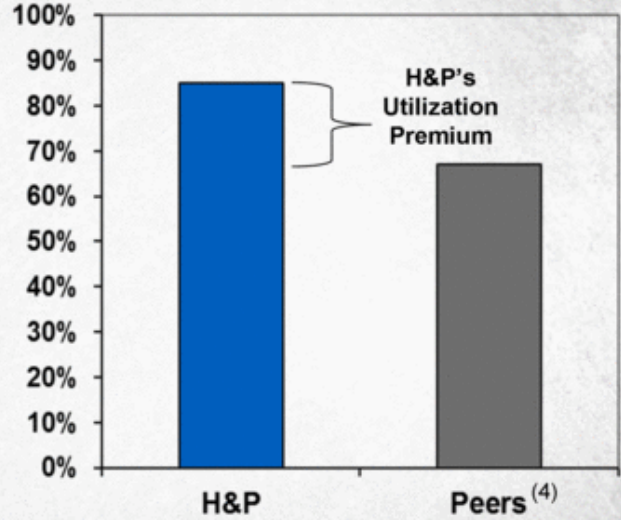


Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day⁽¹⁾
(12 Months Ended June 30, 2014)



Estimated U.S. Land Rig Utilization⁽³⁾
(12 Months Ended June 30, 2014)



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

(2) Represents weighted-average rig margin per day for PTEN, NBR, PDS, and UNT.

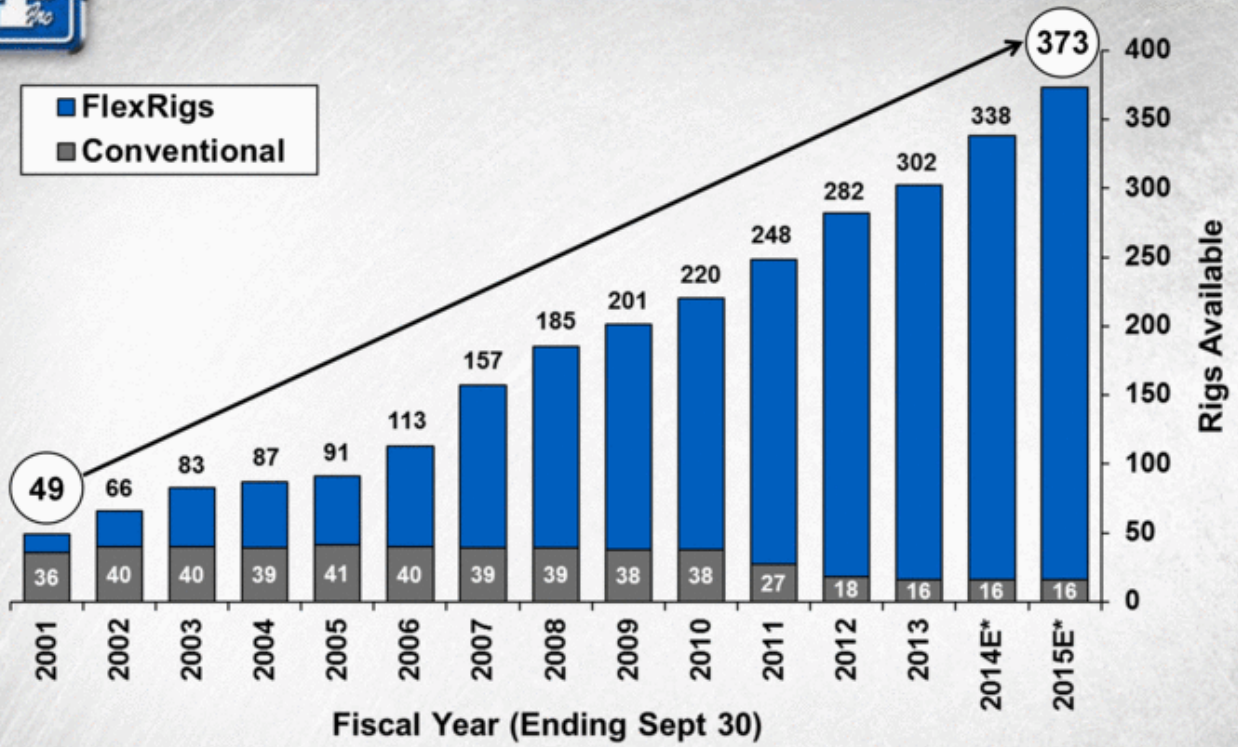
(3) Utilization is herein calculated to be average active rigs divided by estimated available marketable rigs.

(4) Represents estimated average combined utilization for PTEN, NBR, PDS, and UNT in the Lower 48 land market.





Organic U.S. Land Fleet Growth



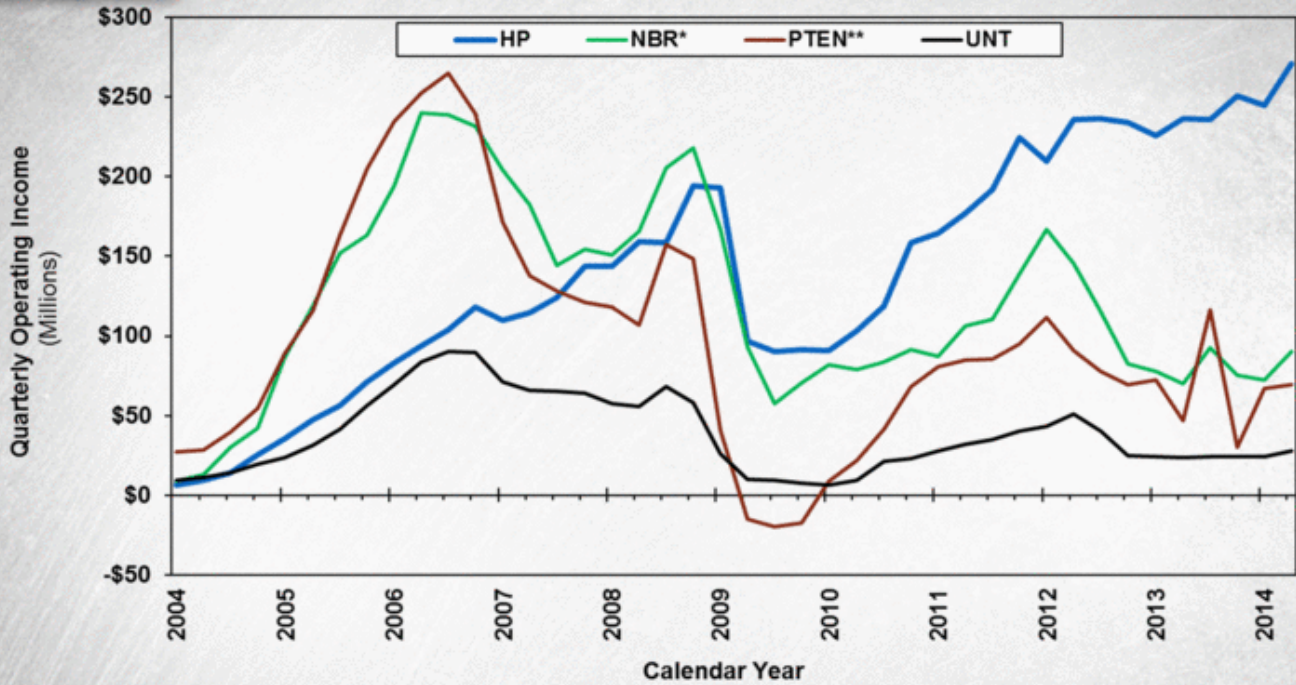
* Estimates include existing rigs and announced new build commitments.





Ten Year Profit Comparison

U.S. Land Drilling Operating Income



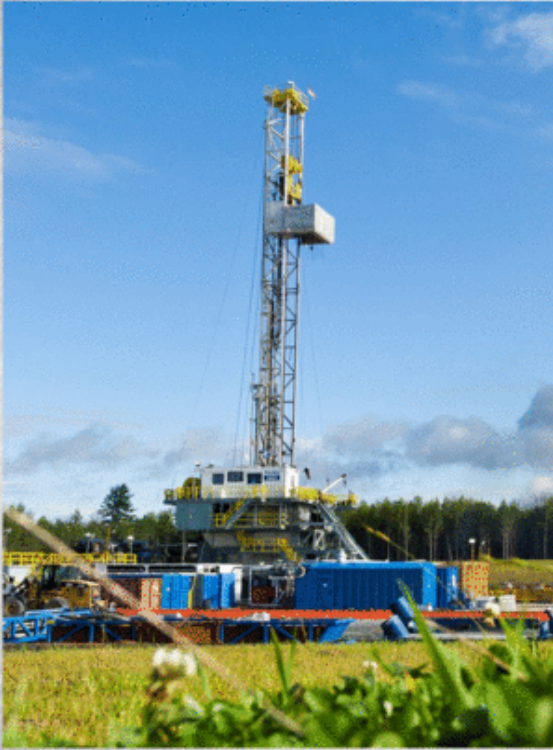
* NBR's operating income corresponds to its U.S. Lower 48, U.S. Offshore and Alaska business units.

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





General Market Comments



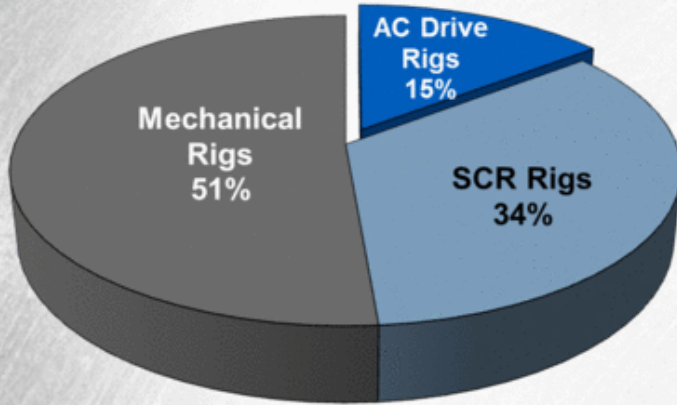
- The replacement cycle continues.
- U.S. land market trends continue to benefit H&P.
- International land markets are slowly evolving.
- Our operational outlook for the fourth fiscal quarter remains unchanged.



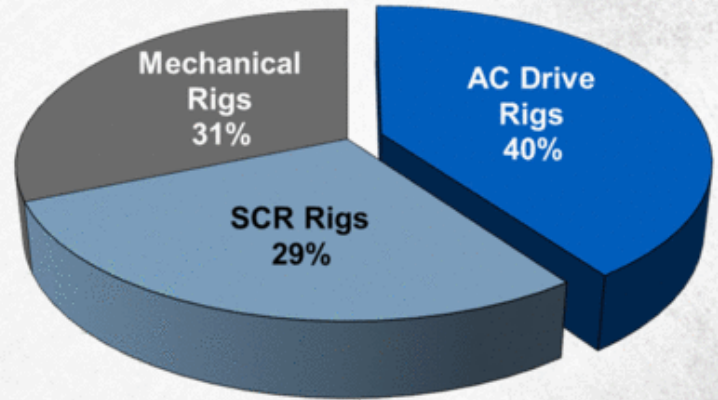


The Replacement Cycle Continues

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



As of August 2014
(~1,900 Active Rigs in U.S. Land
By Power Type)

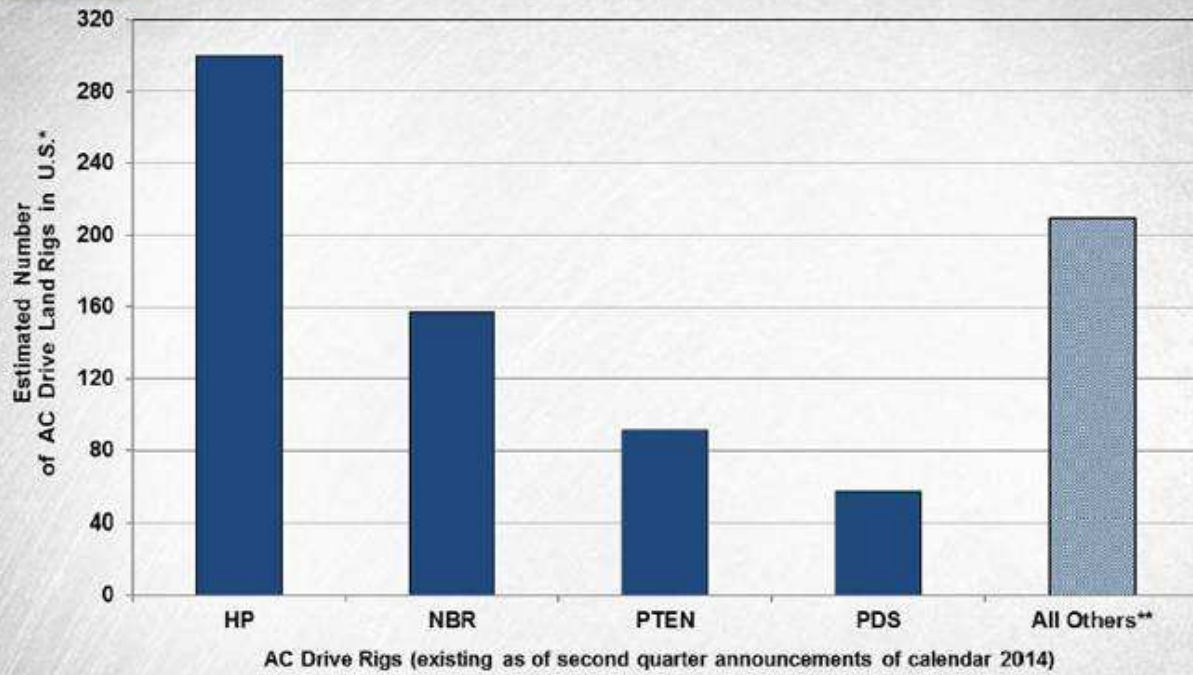


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made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





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.





Ongoing U.S. Land Market Trends

- Increasing market demand for AC drive rigs
- Slightly improving spot market pricing
- Continued customer focus on drilling efficiency, technology and safety
- Conversations with customers for additional new build orders continue





Unconventional Plays Shaping Landscape

Well Complexity is increasing:

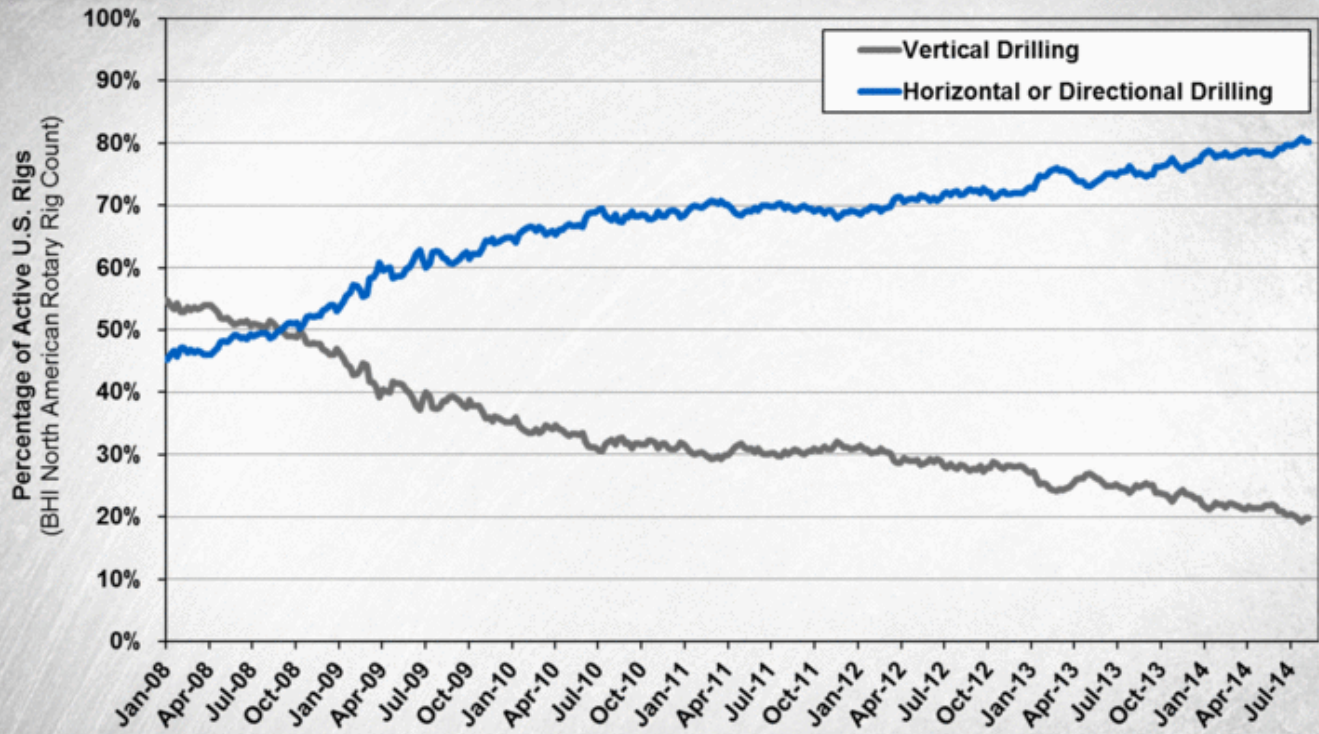
- Horizontal and directional wells make up about 80% of wells drilled in the U.S.
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- This all creates an expanding level of demand for FlexRigs





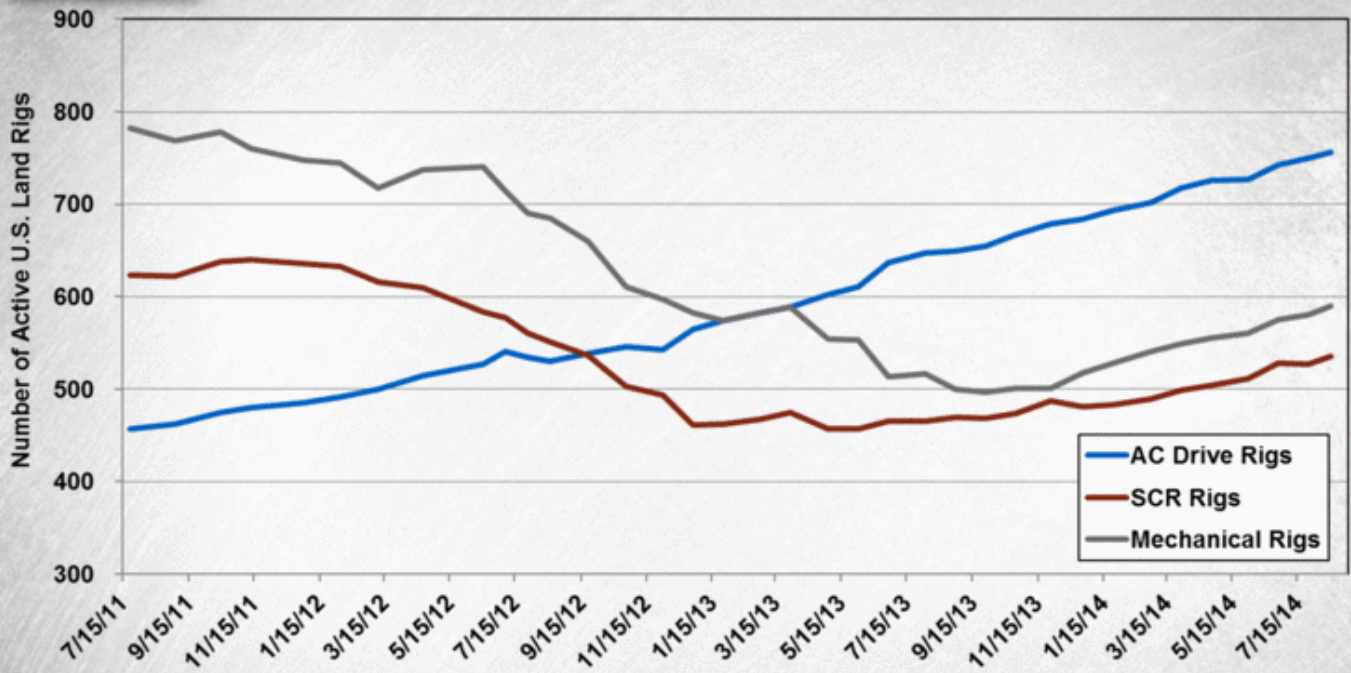
Increasing Focus on More Difficult Drilling

U.S. Rig Activity by Drilling Type





Active U.S. Land Rigs by Rig Type

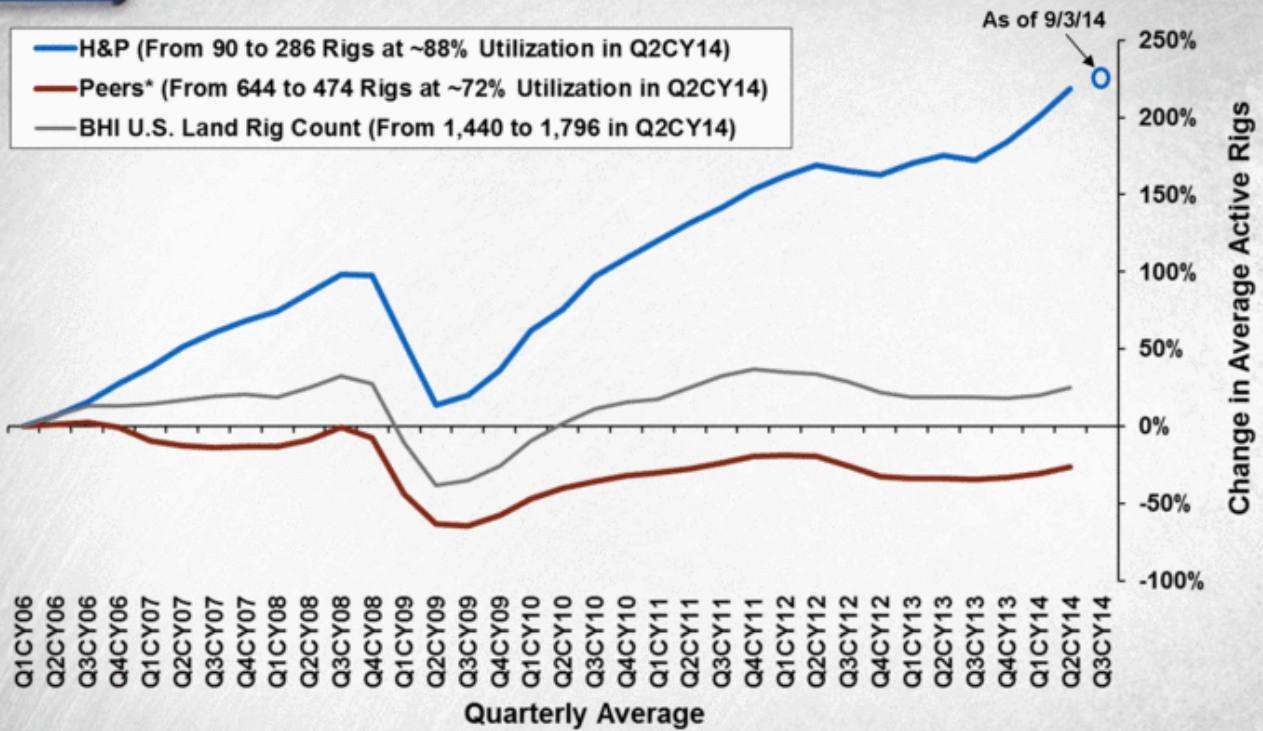


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower. Certain assumptions were made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





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



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





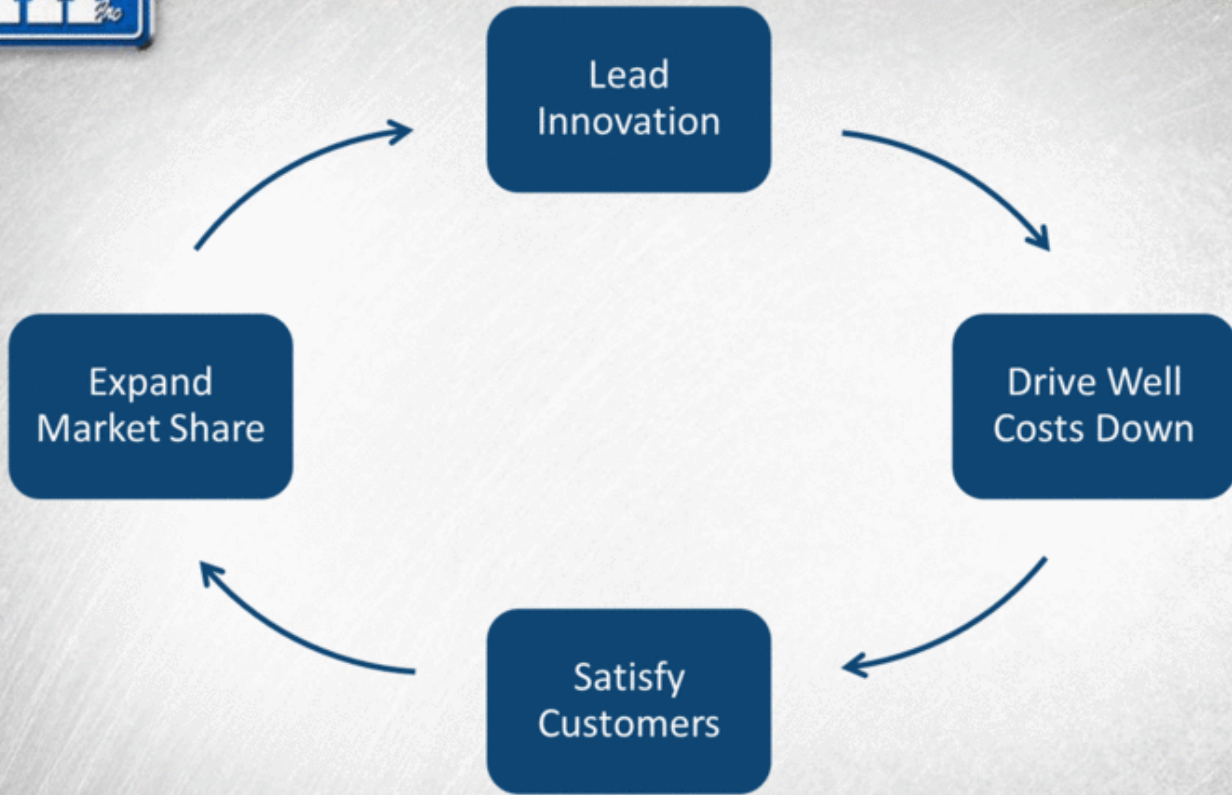
Announcing Additional New Build FlexRigs

- Announcing long-term contracts for nine new FlexRigs in the U.S.
- Contracts announced this fiscal year for a total of 83 new FlexRigs, 39 of which have already been delivered
- Now building at a cadence of four FlexRigs per month
- Flexibility in managing our own production cadence allows us to swiftly respond to changing levels of FlexRig demand





Growing Shareholder Value





Performance is Not Only About Better Rigs

Our competitive advantage is also about:

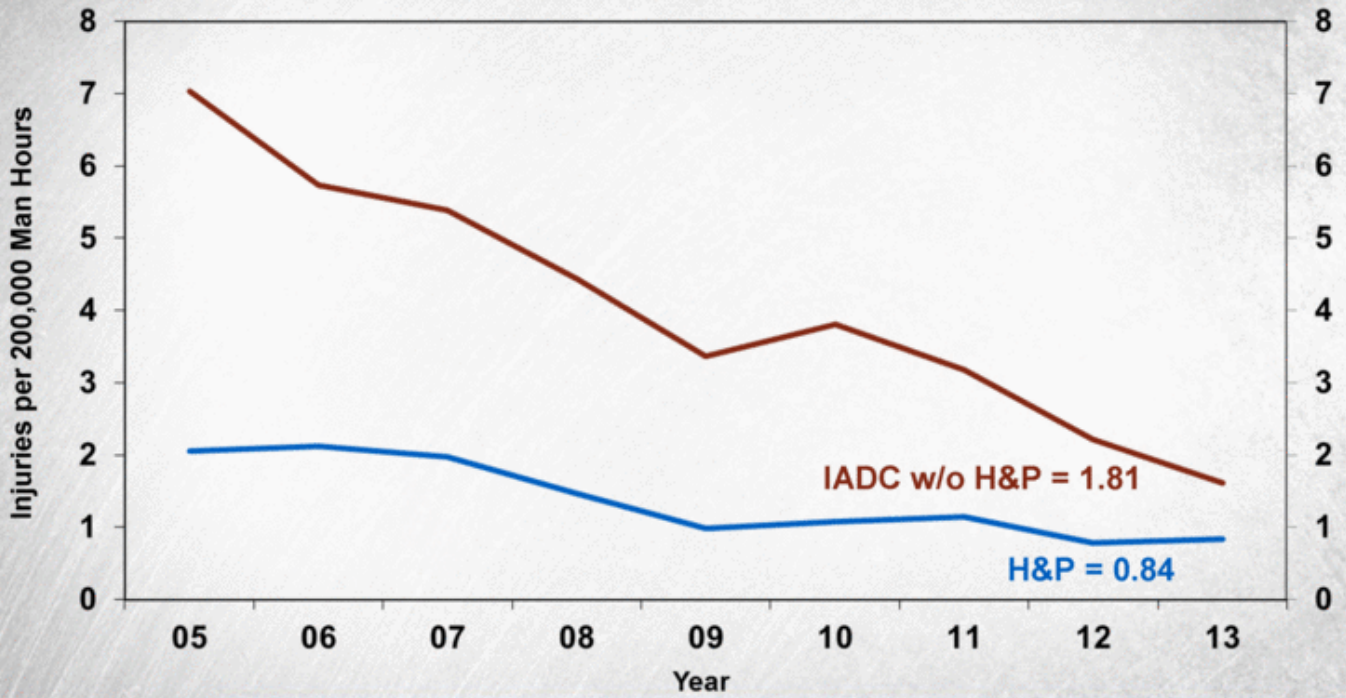
- **People**
- **Safety**
- **Experience**
- **Training**
- **Culture**
- **Support Structure**
- **Processes**
- **Organizational Network**
- **Maintenance**
- **Supply Chain**





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

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





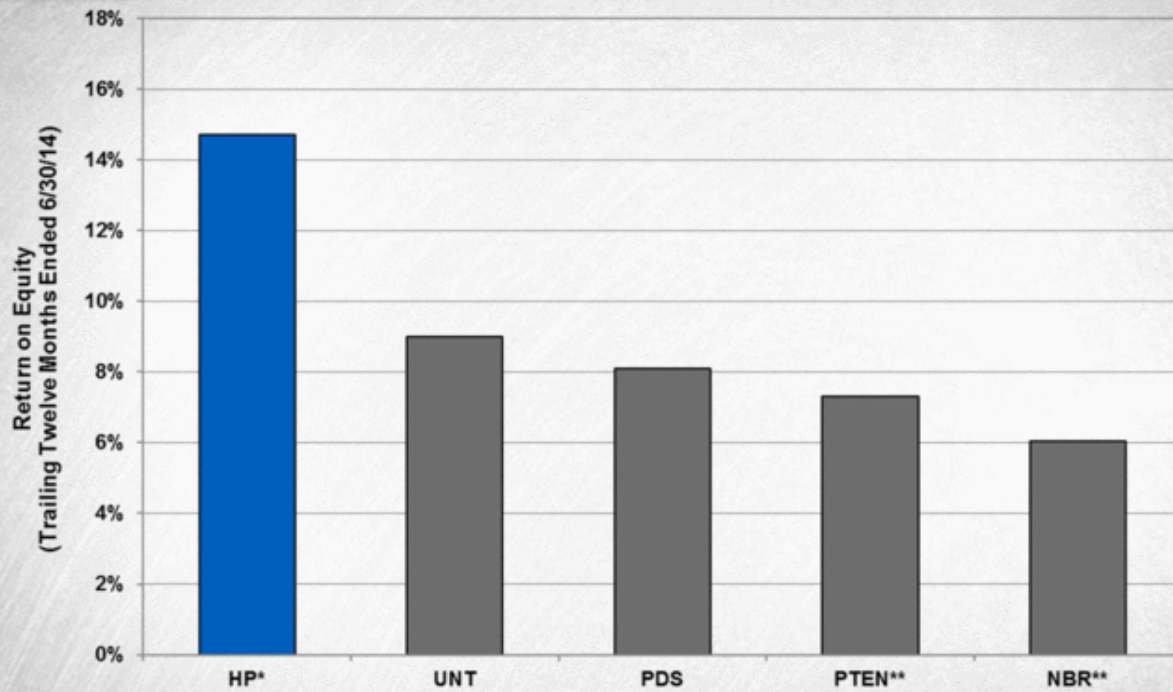
FlexRigs Delivering Drilling Efficiencies

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





Return on Equity

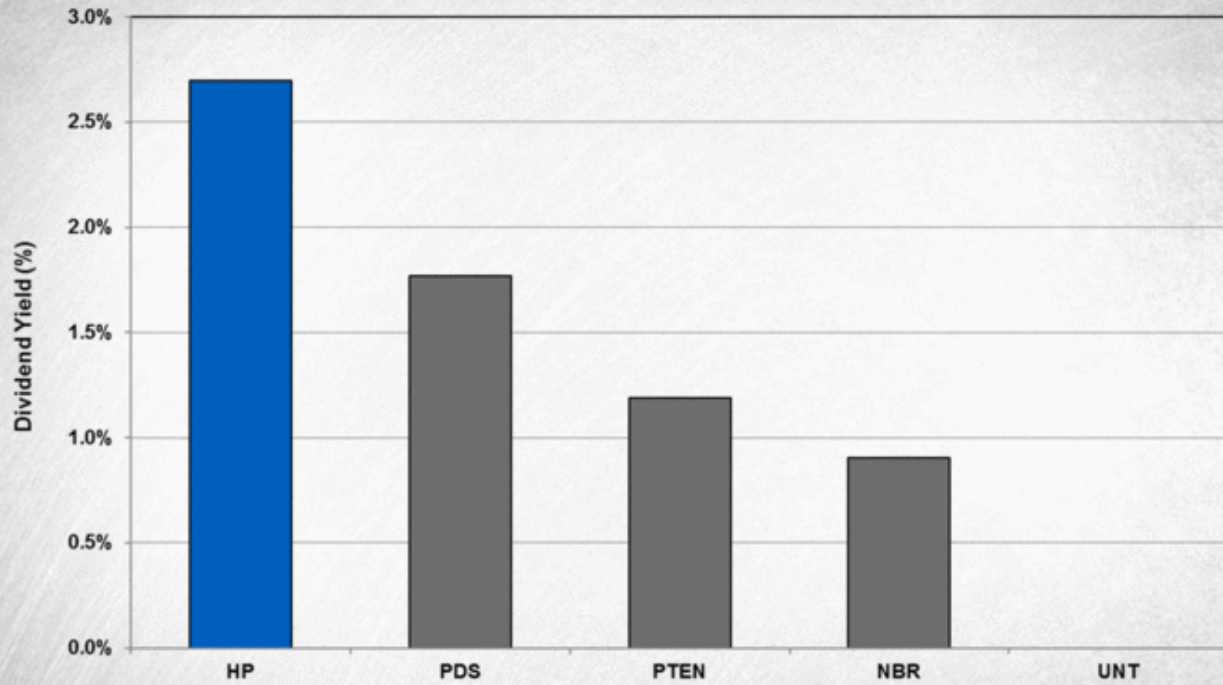


* Including gains from the sale of investment securities and discontinued operations, H&P's corresponding ROE resulted in 15.4%.
** The corresponding ROE values for the selected companies exclude certain extraordinary, non-recurring charges.





Current Dividend Yields

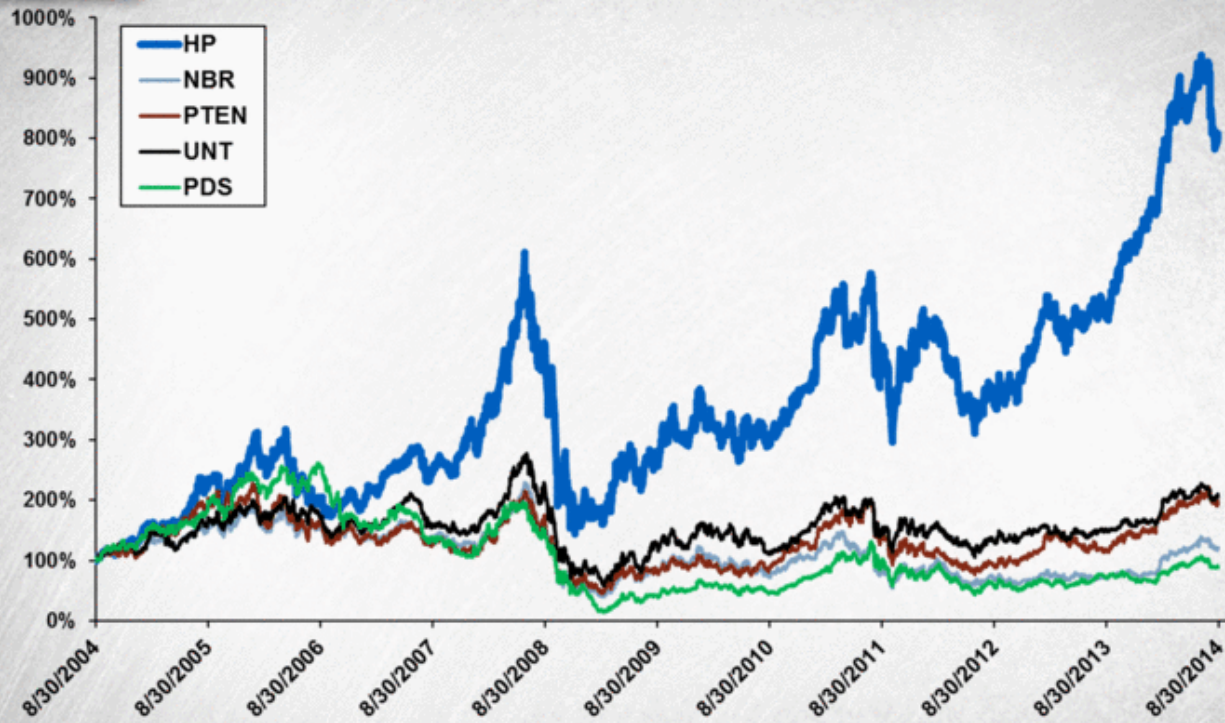


Source: Thomson Reuters. Yields calculated as of market close on August 26, 2014.





Ten-Year Relative Shareholder Return



Source: Thomson Reuters as of August 26, 2014

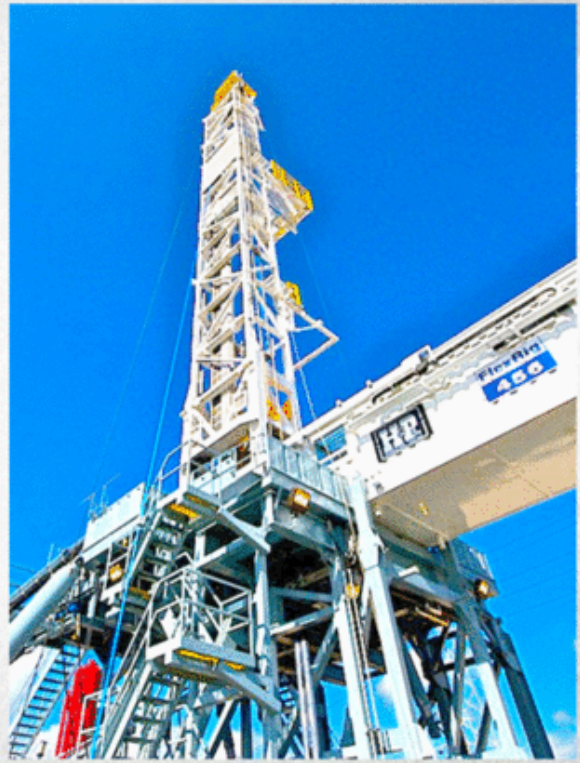




In Summary:

H&P's long term strategy for growing shareholder value:

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





Additional References





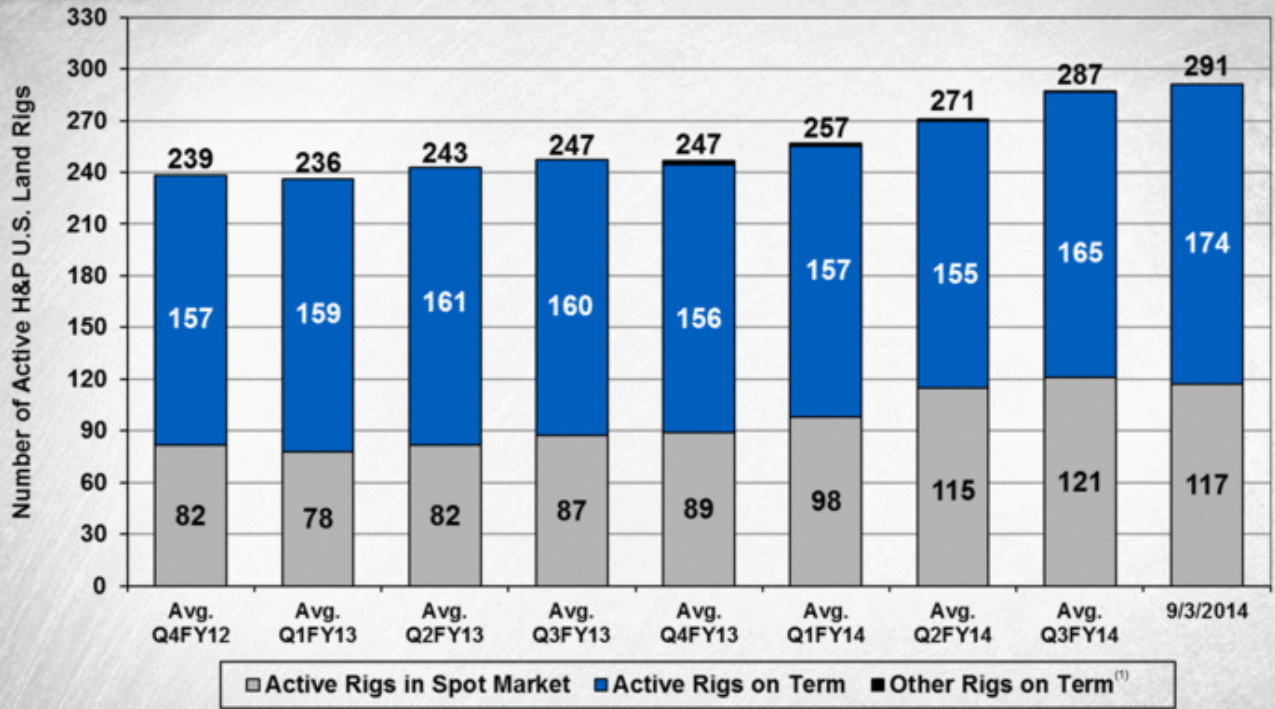
A Value Proposition Example – H&P vs. Competitors Permian Basin – Horizontal Well

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





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



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





Distribution of Announced New Builds

- Of the 83 new build FlexRigs announced so far during this fiscal year, 33 are going to the Permian, 18 to the Oklahoma Woodford, 15 to the Eagle Ford, five to the Tuscaloosa Marine Shale, four each to the Utica and Bakken, two to the Haynesville and one each to the Niobrara and Woodbine.
- 17 customers have ordered these new FlexRigs under multi-year term contracts (49 FlexRig3 rigs, 33 FlexRig5 rigs, and one FlexRig4 rig).
- Approximately two-thirds of these new FlexRigs will be equipped with hydraulic skid systems designed for multi-well pad locations.

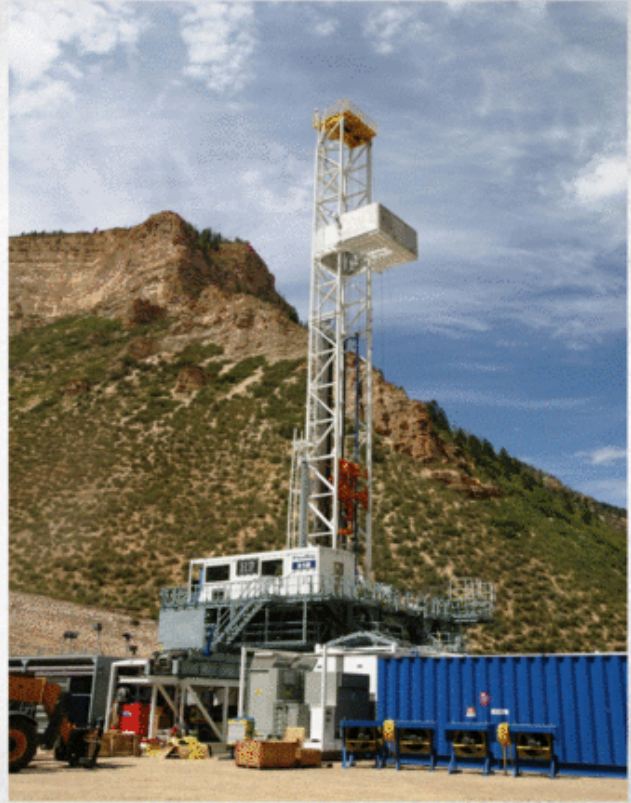




H&P's Pad Capable Fleet

(As of September 3, 2014)

- Roughly half of H&P's U.S. Land active rigs are equipped with hydraulic skid systems.
- Our pad capable fleet is fully utilized.
- Customers continue to contract/add skid systems to existing FlexRigs.





H&P Global Fleet Under Term Contract

Number of Rigs Already Under Long-Term Contracts

(Estimated Quarterly Average, Including Announced New Builds - as of 9/3/14)

Segment	Q4 FY14	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16
U.S. Land	173.6	165.2	155.8	142.1	122.9	110.1	102.9
International Land	15.5	17.5	17.3	17.0	16.3	14.2	14.0
Offshore	1.9	1.0	1.0	1.0	1.0	1.0	1.0
Total	191.0	183.7	174.1	160.1	140.2	125.3	117.9





H&P's International Land Operations

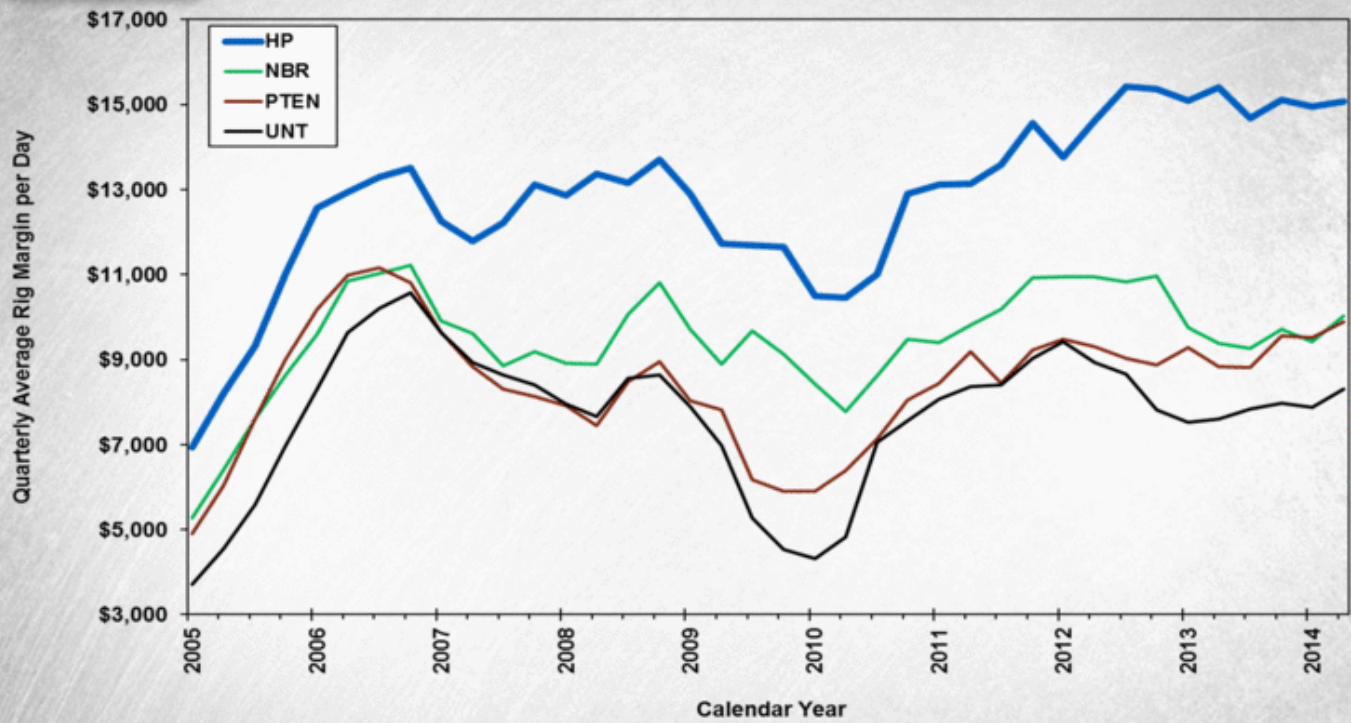
Rig Fleet Status (as of September 3, 2014)

	Active	In-Transit	Idle	Total
Argentina	7	5	1	13
Bahrain	3			3
Colombia	5		3	8
Ecuador	5		1	6
Mozambique	1			1
Tunisia			2	2
U.A.E.	2			2
Total	23	5	7	35





U.S. Land Average Daywork Margins⁽¹⁾

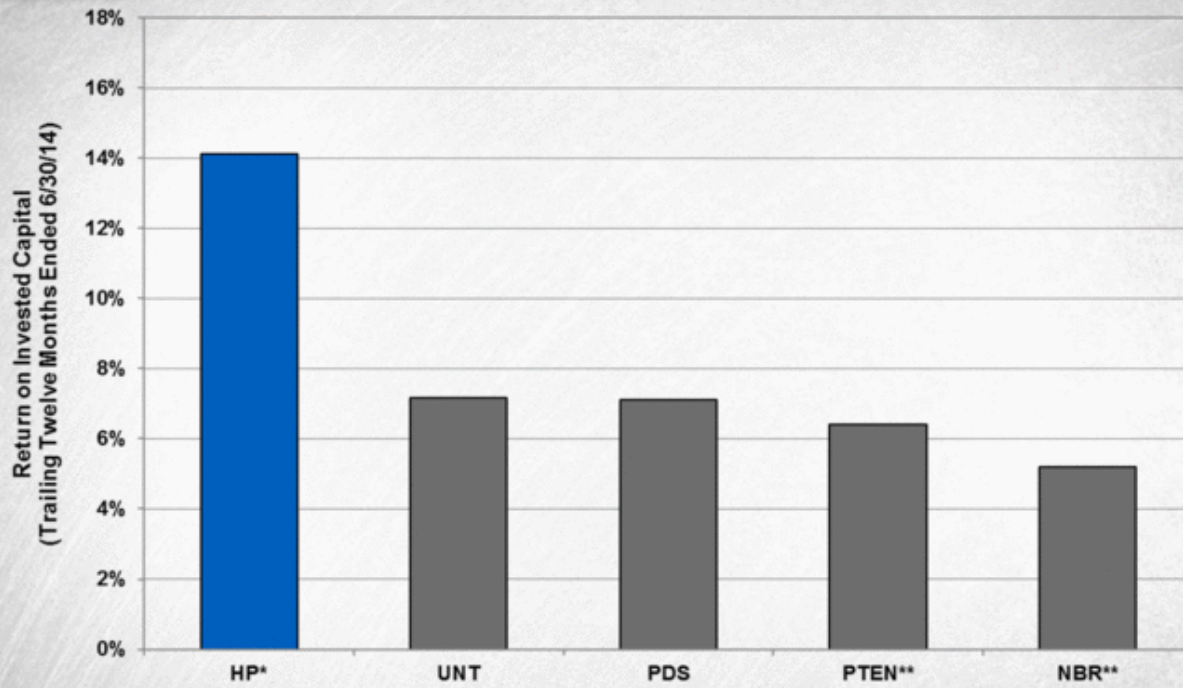


(1) Does not include the impact of early contract termination revenue.





Return on Invested Capital (ROIC)



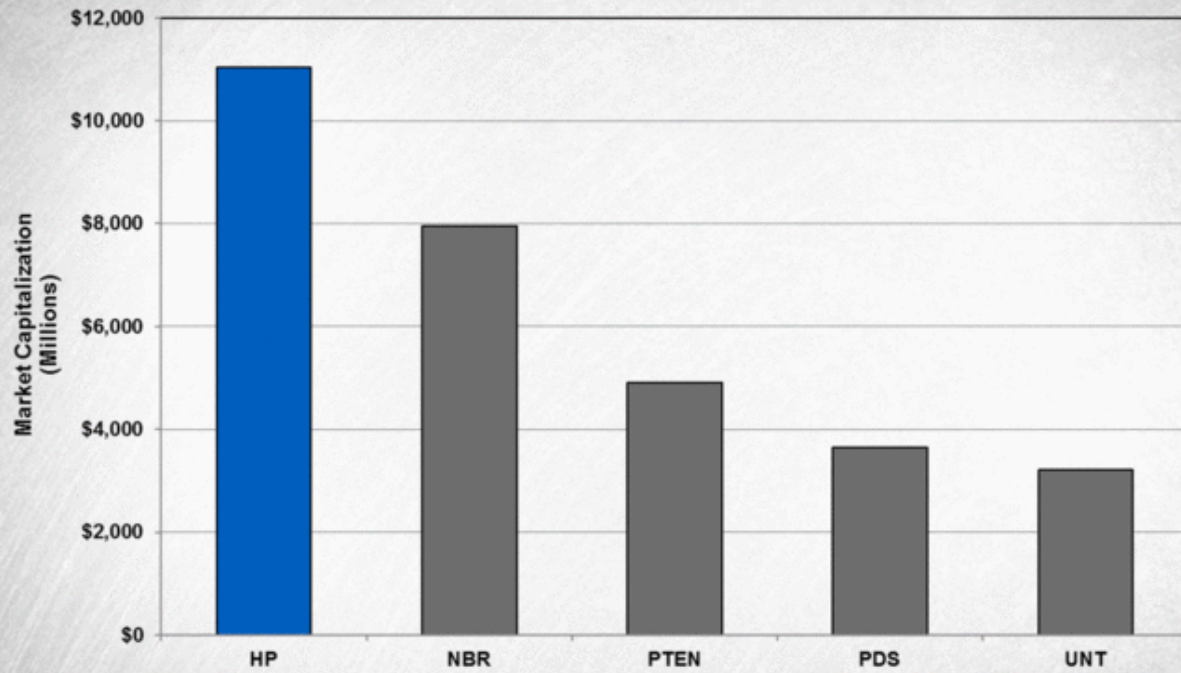
* Excludes gains from the sale of investment securities and discontinued operations. H&P's unadjusted ROIC resulted in 14.7%.

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





Land Drilling Market Valuations



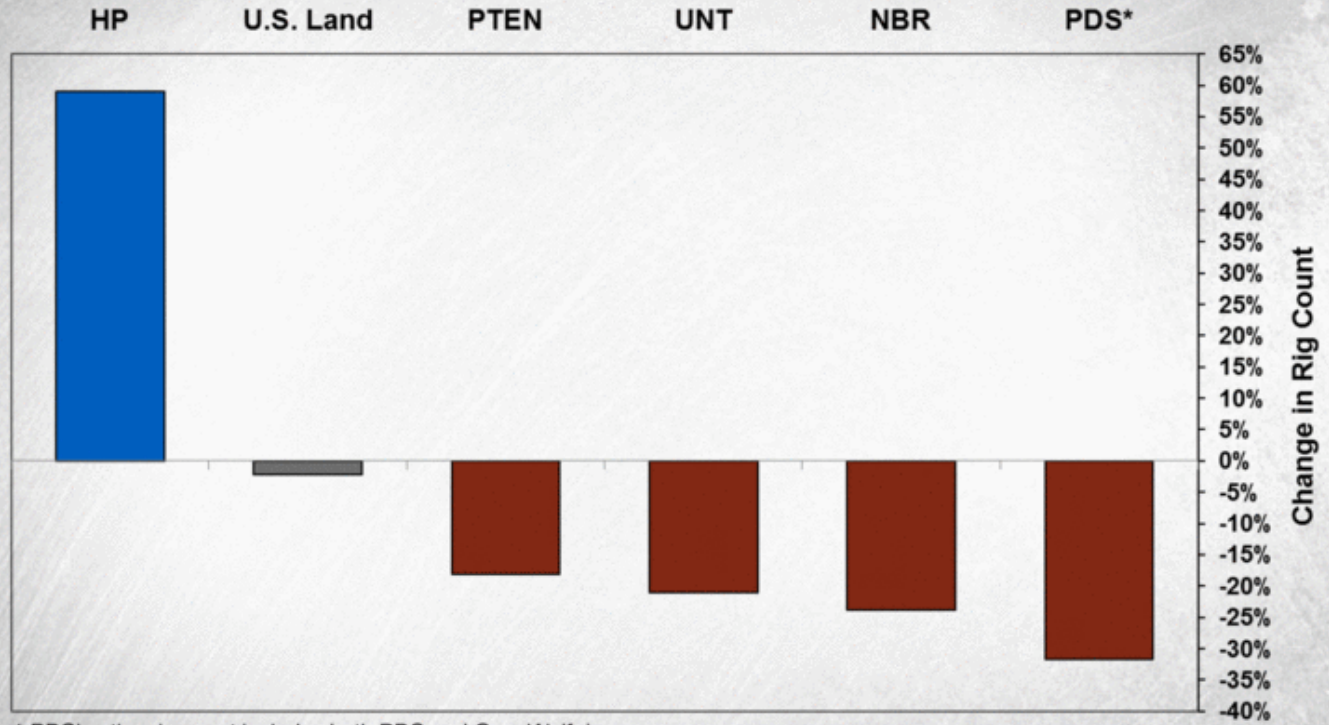
Source: Thomson Reuters as of August 26, 2014.





Changes in Lower 48 U.S. Land Rig Count

Estimated Change Since 2008 Peak in Active U.S. Land Rigs
(Rig Data Weekly Rig Count - October 2008 to August 2014)



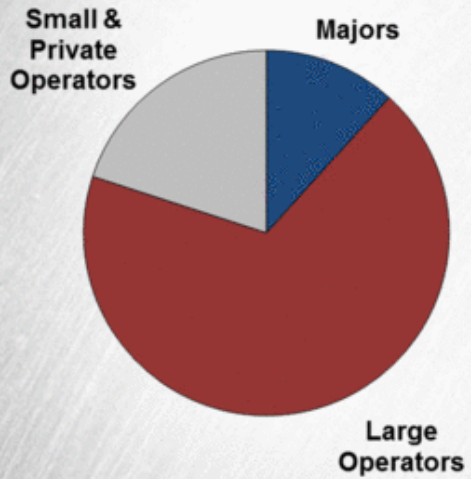
* PDS' active rig count includes both PDS and Grey Wolf rigs.



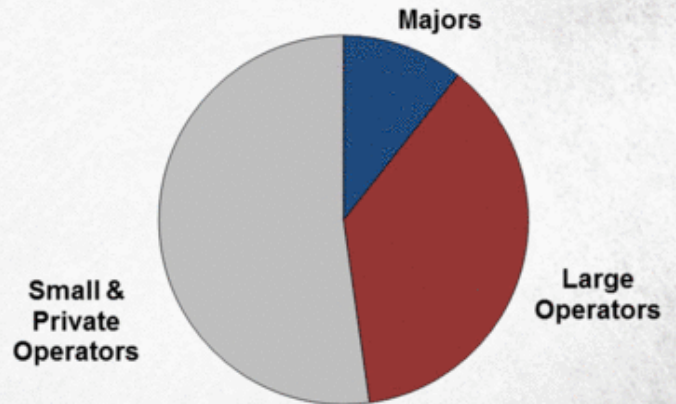


H&P vs. Industry U.S. Land Customer Base

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



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

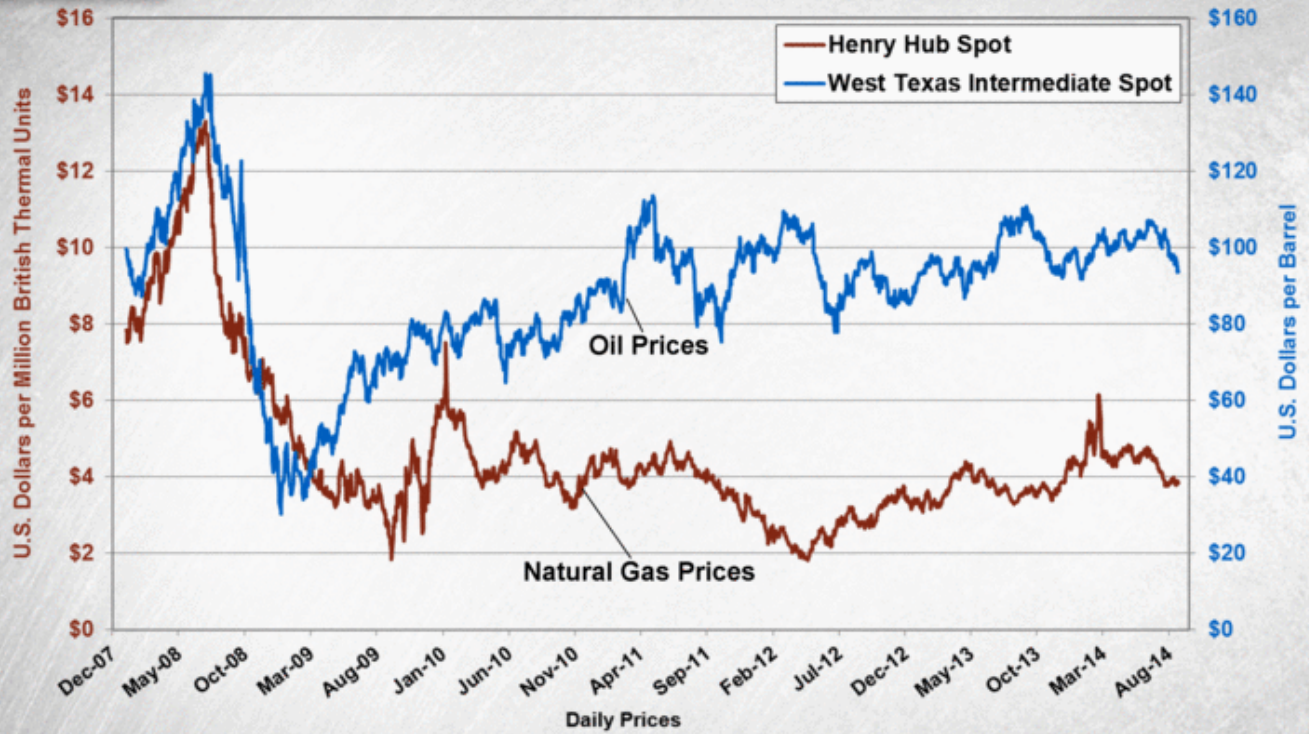


Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data and corporate filings.





Oil and Natural Gas Prices

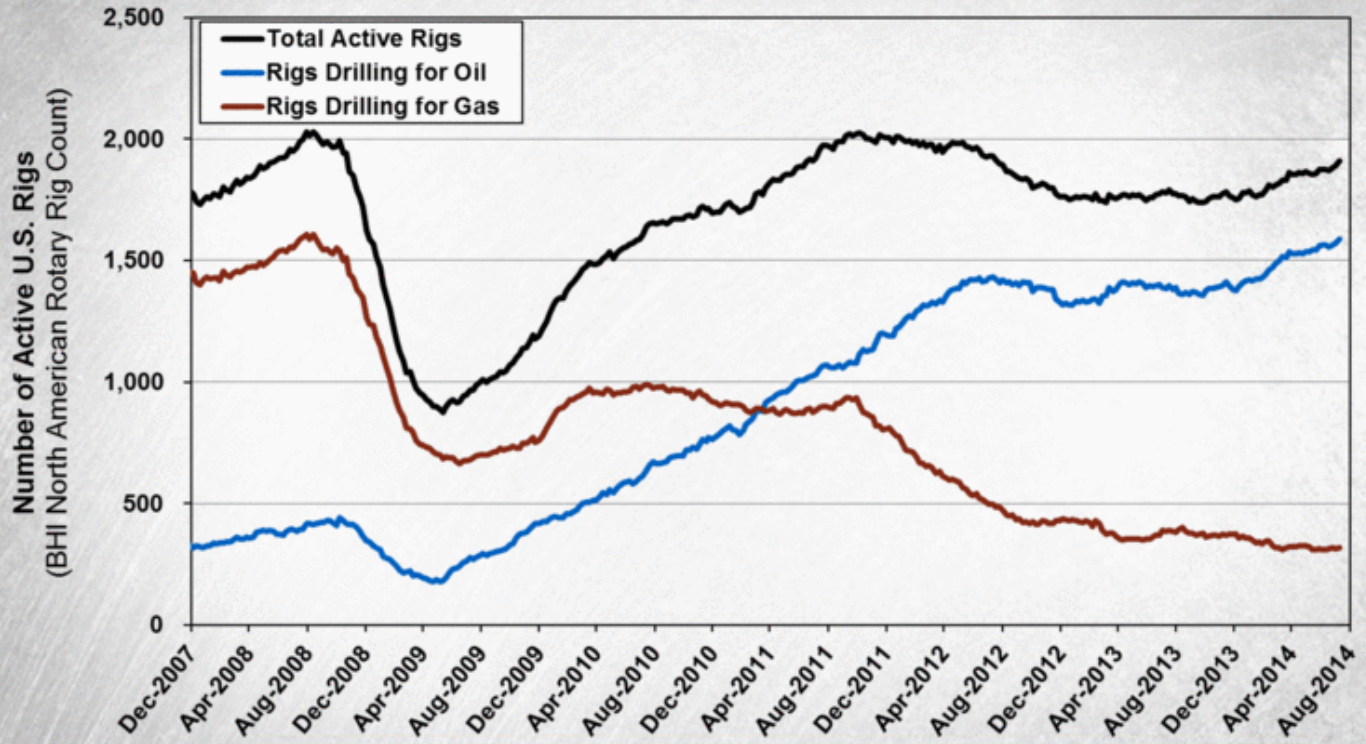


Source: Energy Information Administration and CME





Oil vs. Natural Gas Directed Rig Count





End of Document

