

# HELMERICH & PAYNE, INC.

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

Filed 03/22/10 for the Period Ending 03/22/10

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

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

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**FORM 8-K**

**CURRENT REPORT**

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

Date of Report (Date of Earliest Event Reported): **March 22, 2010**

**HELMERICH & PAYNE, INC.**  
(Exact name of registrant as specified in its charter)

**State of Incorporation: Delaware**

**COMMISSION FILE NUMBER 1-4221**

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

**1437 South Boulder Avenue, Suite 1400, Tulsa, Oklahoma 74119  
(918)742-5531**

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. (“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 references, among other information, an increase in H&P’s fiscal 2010 capital expenditures estimate from \$265 million to \$330 million. This presentation also notes H&P has recently secured three multi-year term contracts to build and operate three new FlexRigs<sup>®</sup> \*, and has secured four five-year term contracts to operate four 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**

<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 22, 2010

**EXHIBIT INDEX**

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\*FlexRig<sup>®</sup> is a registered trademark of Helmerich & Payne, Inc.

# Helmerich & Payne, Inc.

Howard Weil Energy Conference

March 22, 2010



Investor Relations Contact: Juan Pablo Tardio – (918) 588-5383 – [juanpablo.tardio@hpc.com](mailto:juanpablo.tardio@hpc.com)



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

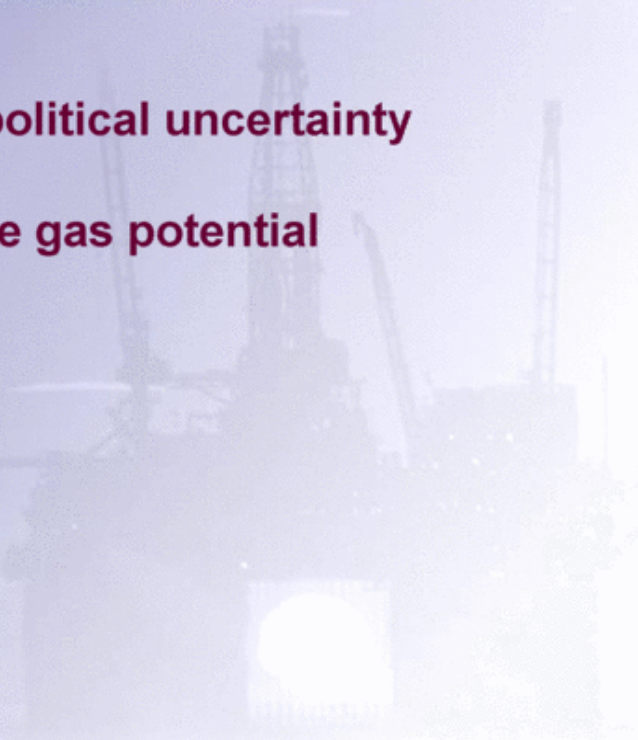


## The Market Today

- **Oil prices remain strong, but natural gas spot prices are below \$5 per mcf.**
- **U.S. land and international rig counts are recovering.**
- **A colder than average winter left U.S. natural gas inventories slightly above the five-year average.**
- **The number of U.S. rigs drilling horizontal wells is at an all-time high.**
- **Dayrates continue to recover in the U.S. land spot market, especially for highly-capable rigs.**



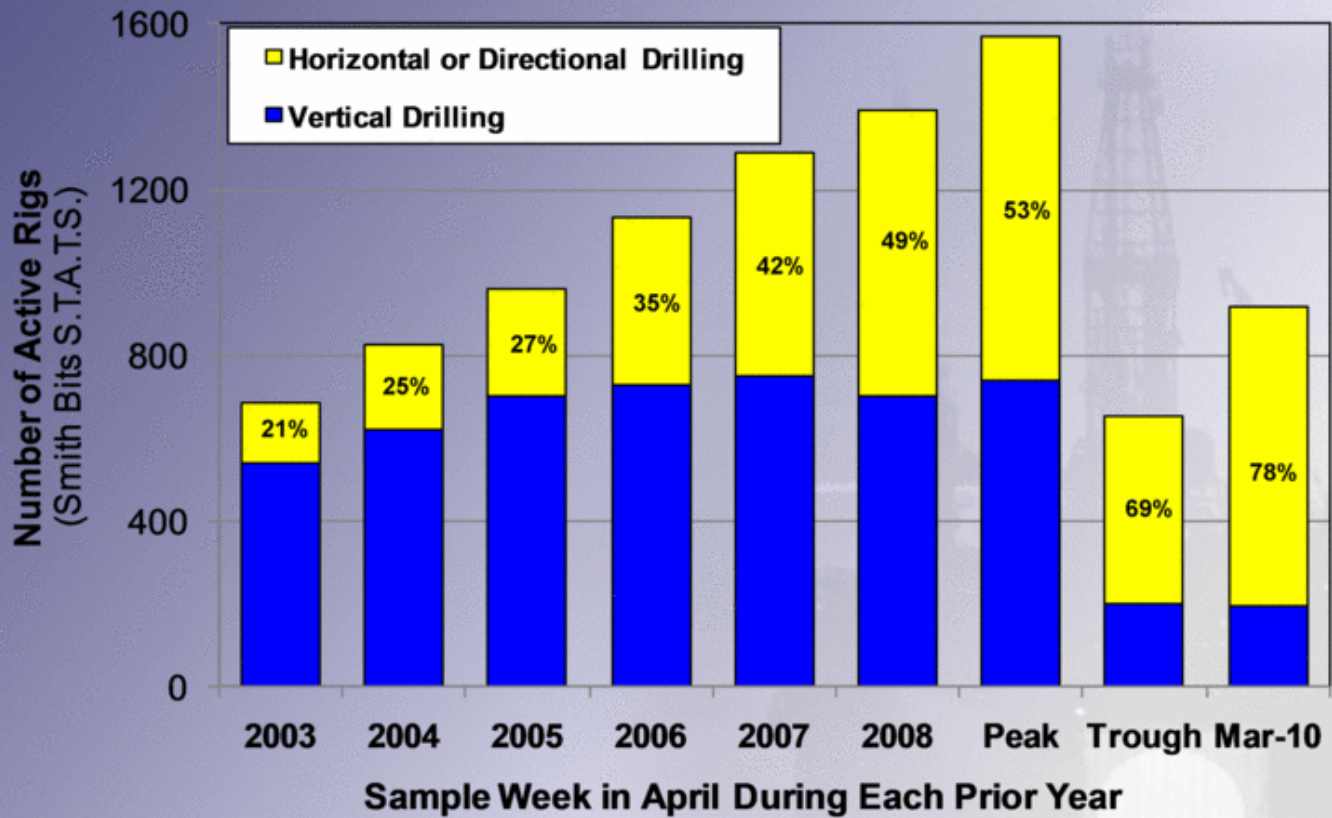
## Continuing Debate on U.S. Natural Gas

- **Economic recovery and political uncertainty**
  - **Impact of increasing shale gas potential**
  - **LNG import potential**
  - **Is the rig count too high?**
- 



# Increasing Focus on More Difficult Drilling

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

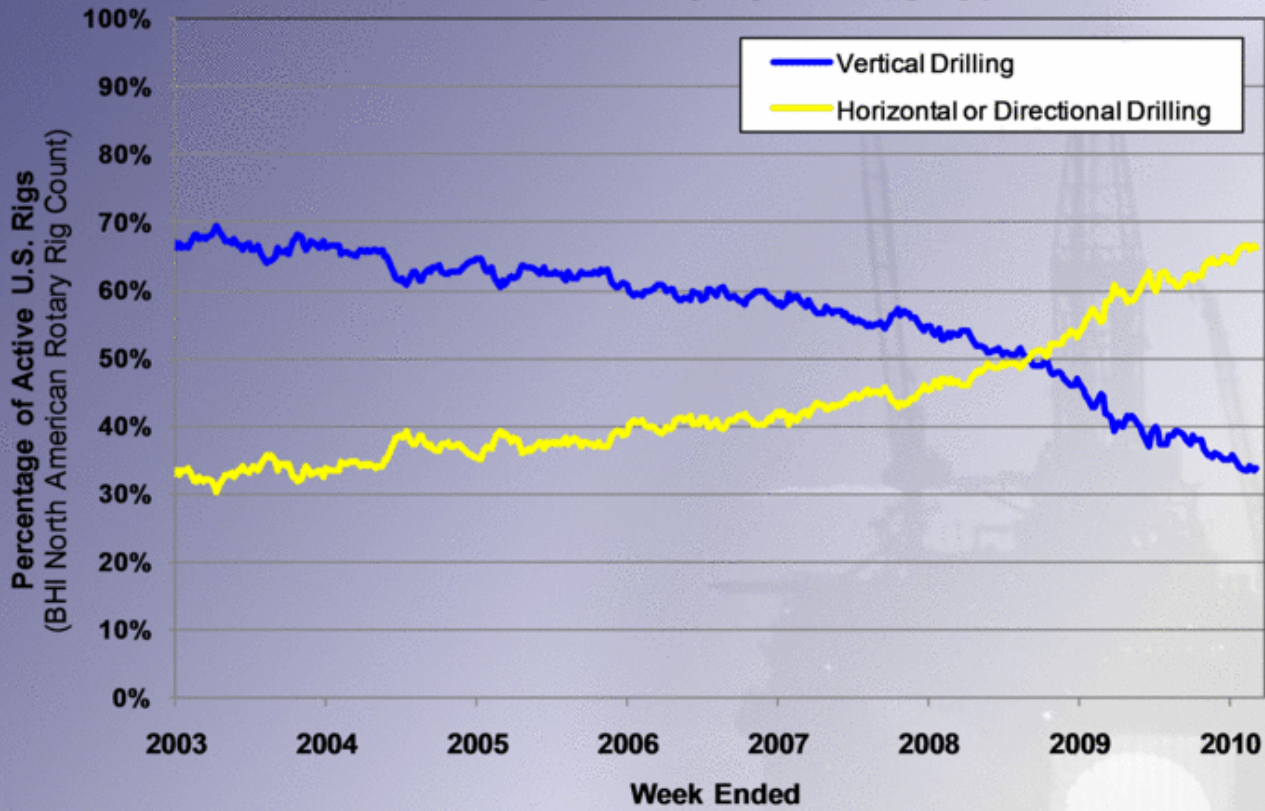






# Increasing Focus on More Difficult Drilling

## U.S. Rig Activity by Drilling Type





## The Impact of Unconventional Plays

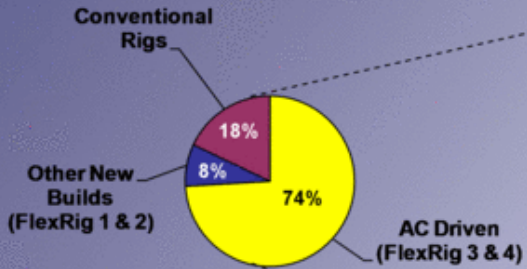
- **Unconventional plays are a “game changer.”**
- **Not just for E&P companies but for land drillers, too.**
- **“Shale gas divides the world into haves and have nots.”  
(Large Operator)**



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

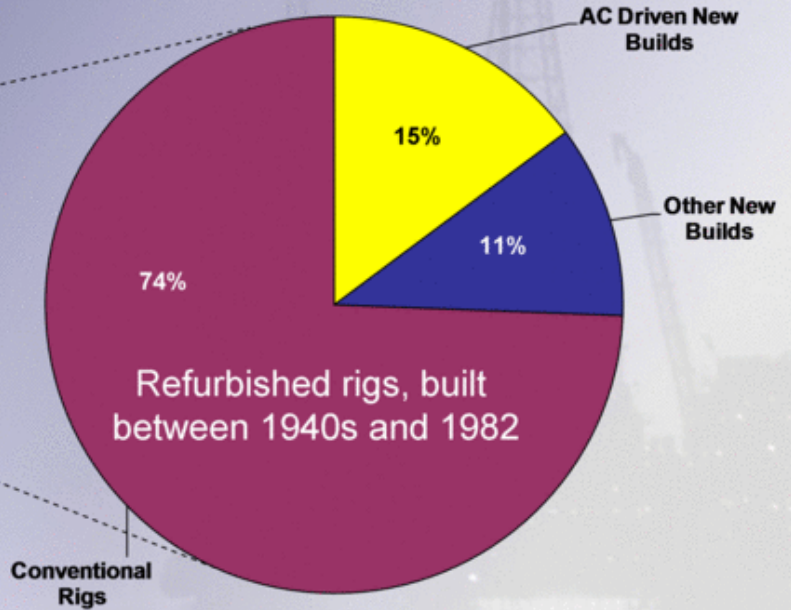
## H&P's Available U.S. Land Fleet

(212 Rigs as of 3/22/10)



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

(~2,500 Rigs)



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

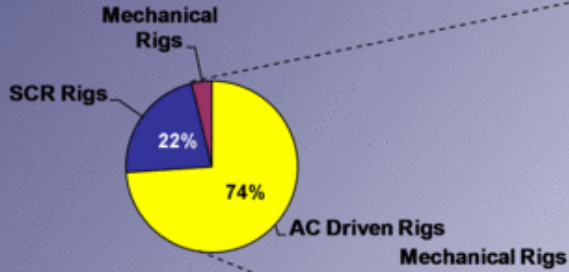
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# H&P and U.S. Land Fleet (by Rig Type)

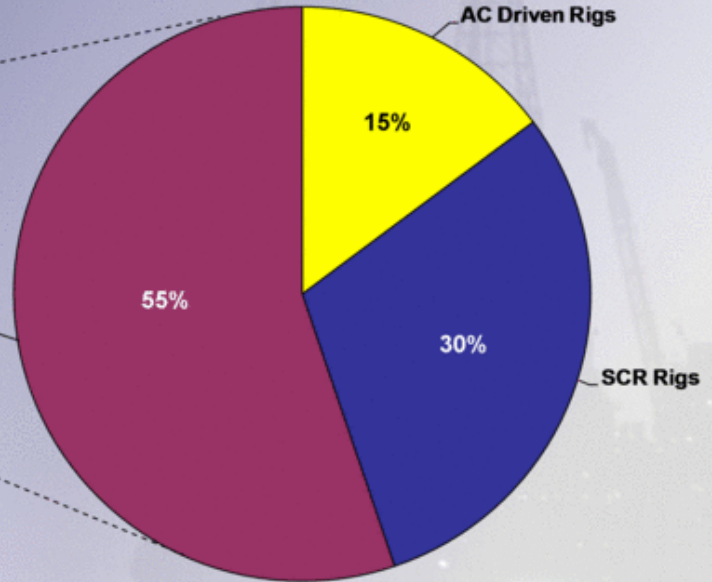
## H&P's Available U.S. Land Fleet

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

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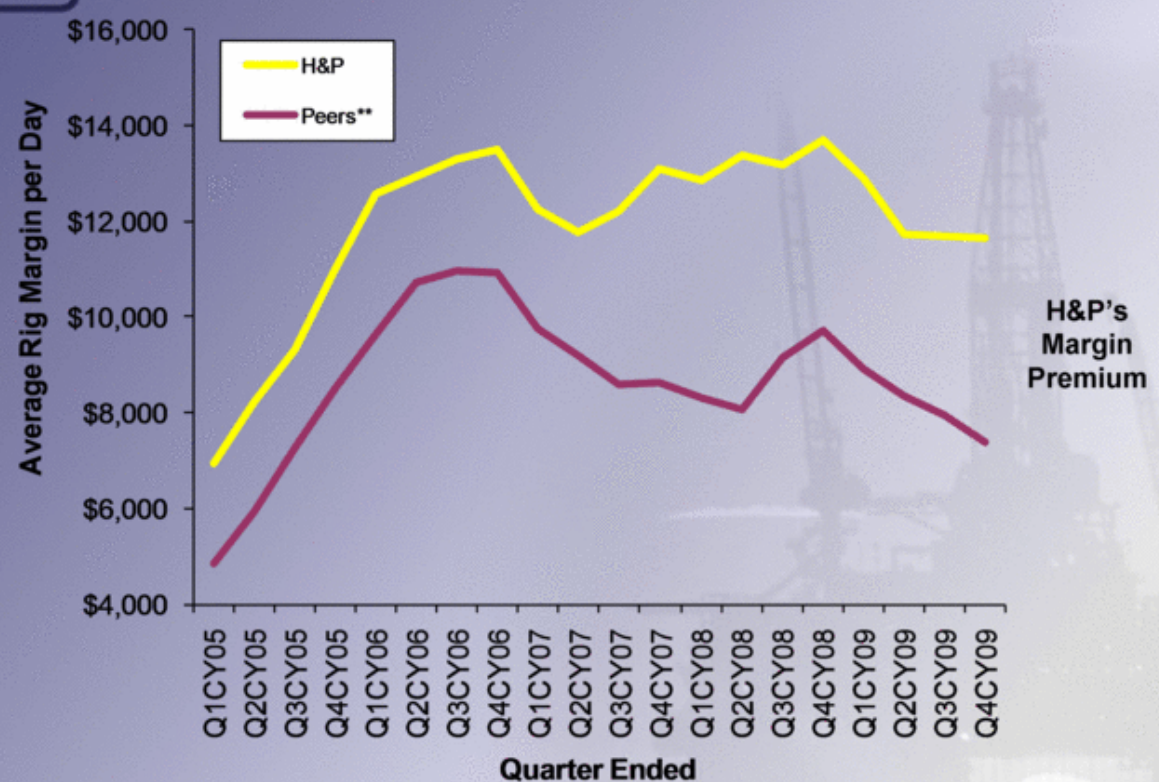


Note: The above estimates corresponding to the total available U.S. land fleet are derived from multiple sources including Rig Data, Smith Bits and corporate filings. Only rigs with equal to or greater than 600 horsepower drawworks ratings are considered.



# Technology and Quality Service Make a Difference

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

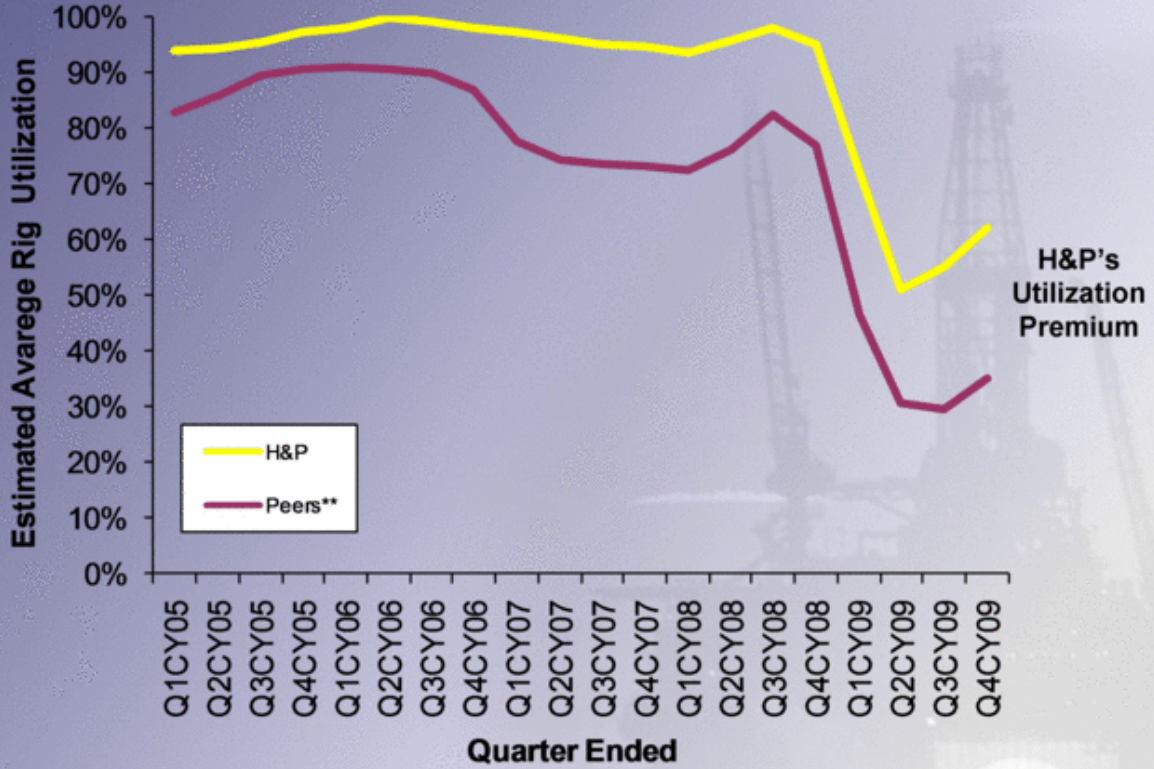


\* Does not include the impact of early contract termination revenue.  
\*\* Represents the weighted-average rig margin per day for PTEN, NBR and UNT in the Lower 48.



# Technology and 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.

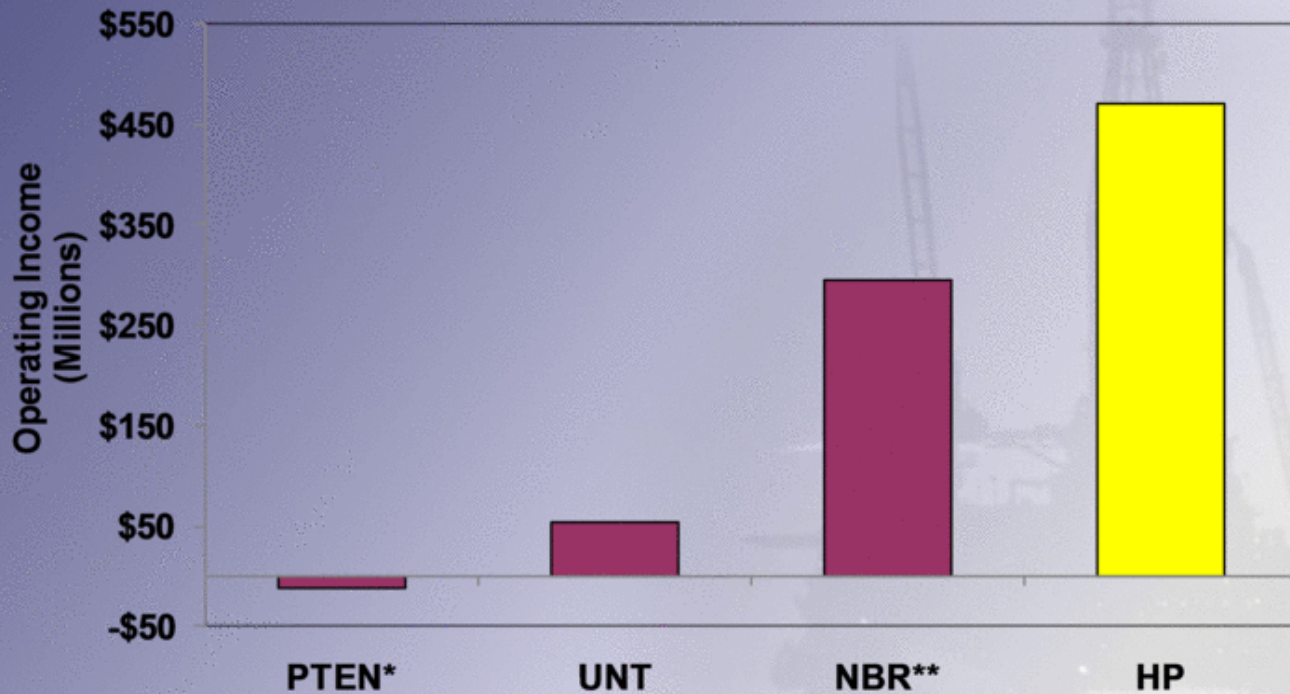
\*\* Represents estimated average combined utilization for PTEN, NBR and UNT in the Lower 48.



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

### U.S. Land Drilling Operating Income

12 Months Ended December 31, 2009



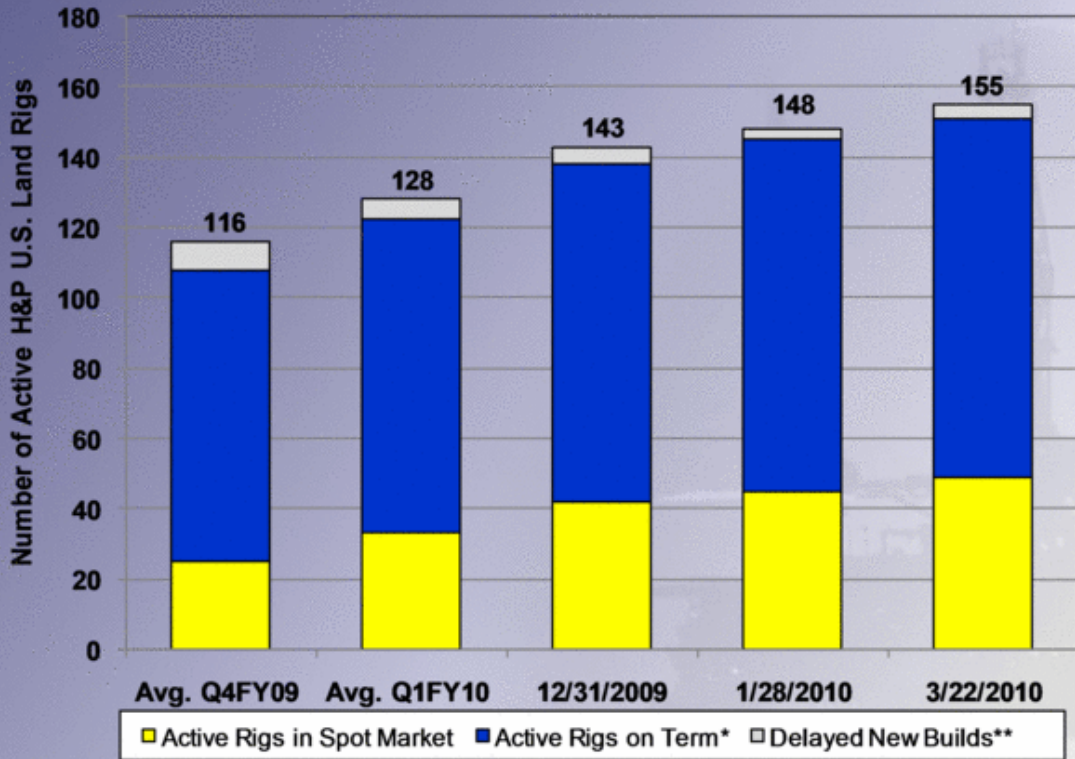
\* PTEN's operating income includes drilling operations in Canada.

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

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



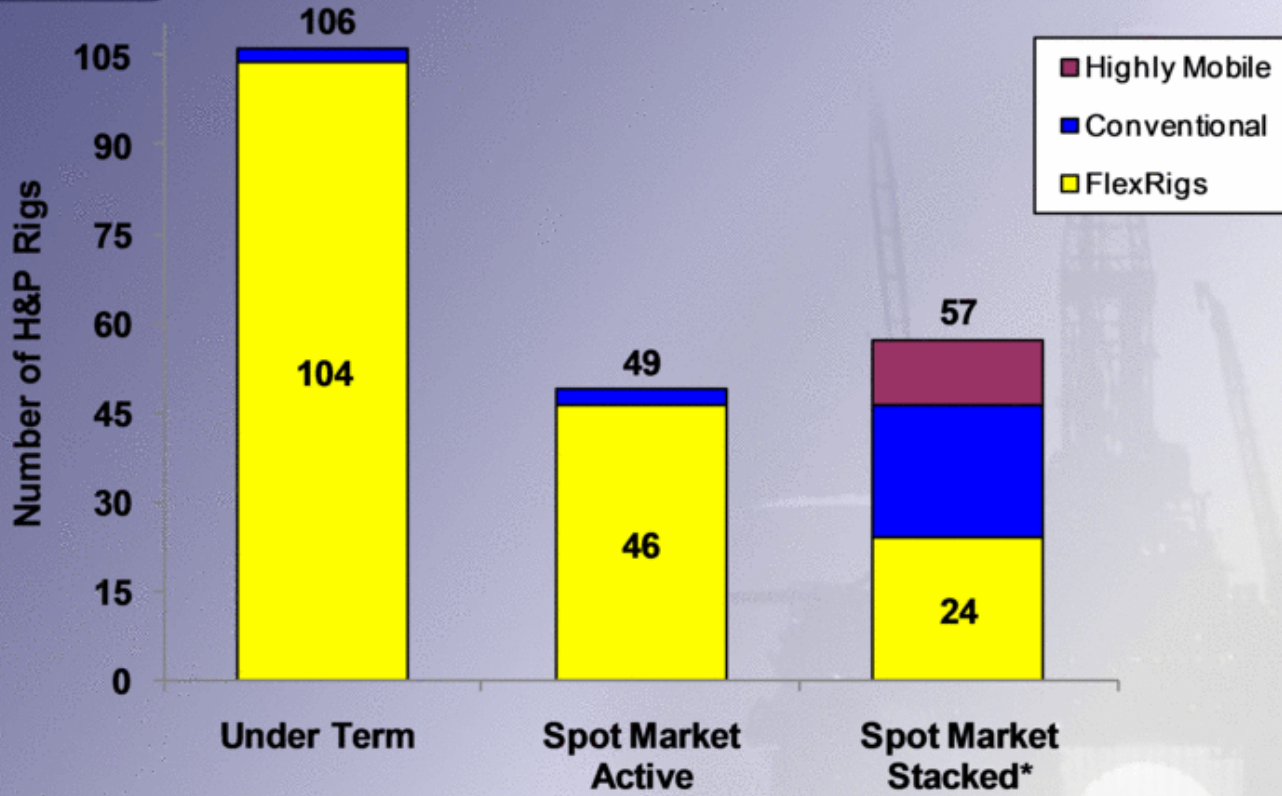
\* Active rigs on term (in blue) generated both revenue and revenue days, including a few rigs on standby.  
\*\* Includes delayed new builds (in gray) which generated revenue but did not generate revenue days.





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

(as of March 22, 2010)



\* Includes six FlexRigs with signed contracts. All of the remaining 18 uncontracted FlexRigs are FlexRig4's, which target shallower depth wells.



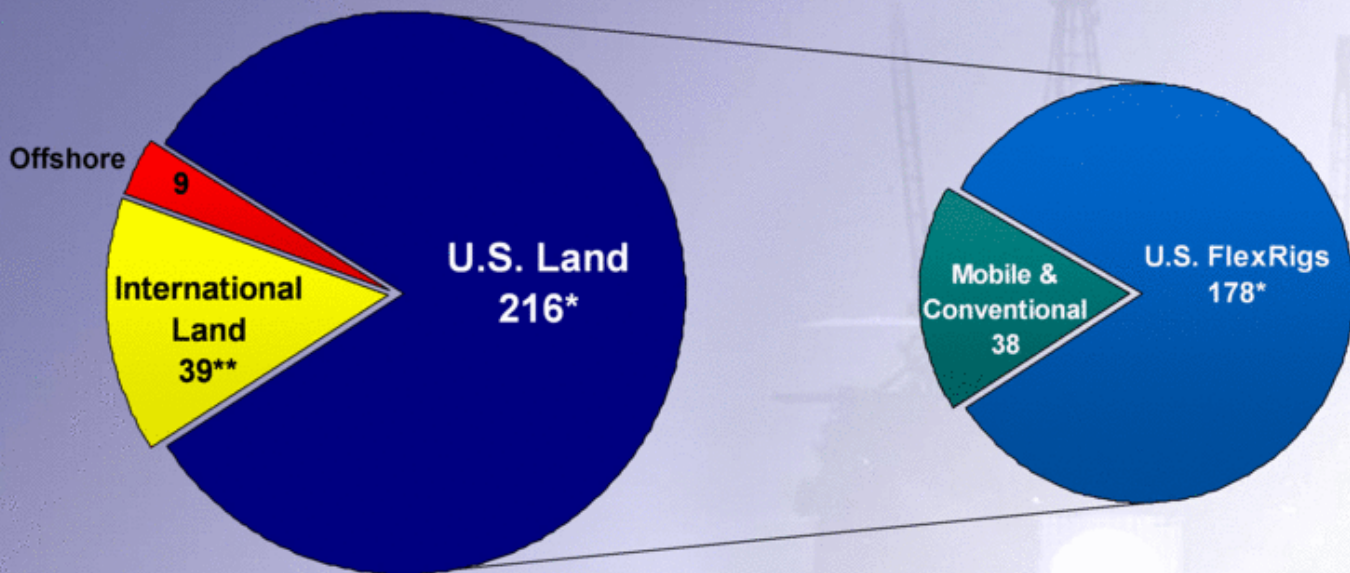
## H&P's U.S. Land Operations

- **The Company recently secured three multi-year term contracts to build and operate three new FlexRigs, two in the Bakken Shale and one in the Haynesville Shale.**
- **In addition, the Company recently secured four five-year term contracts to operate four FlexRigs in the Bakken Shale. These FlexRigs were built in previous years and will be adapted to fit the corresponding requirements.**
- **Given the incremental demand for term contracts, the Company now expects an average of 102 rigs to remain under term contracts during all of fiscal 2010. The corresponding estimated annual averages for rigs under term contracts for fiscal 2011 and fiscal 2012 are now 72 and 42 rigs, respectively.**



# H&P's Global Rig Fleet

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

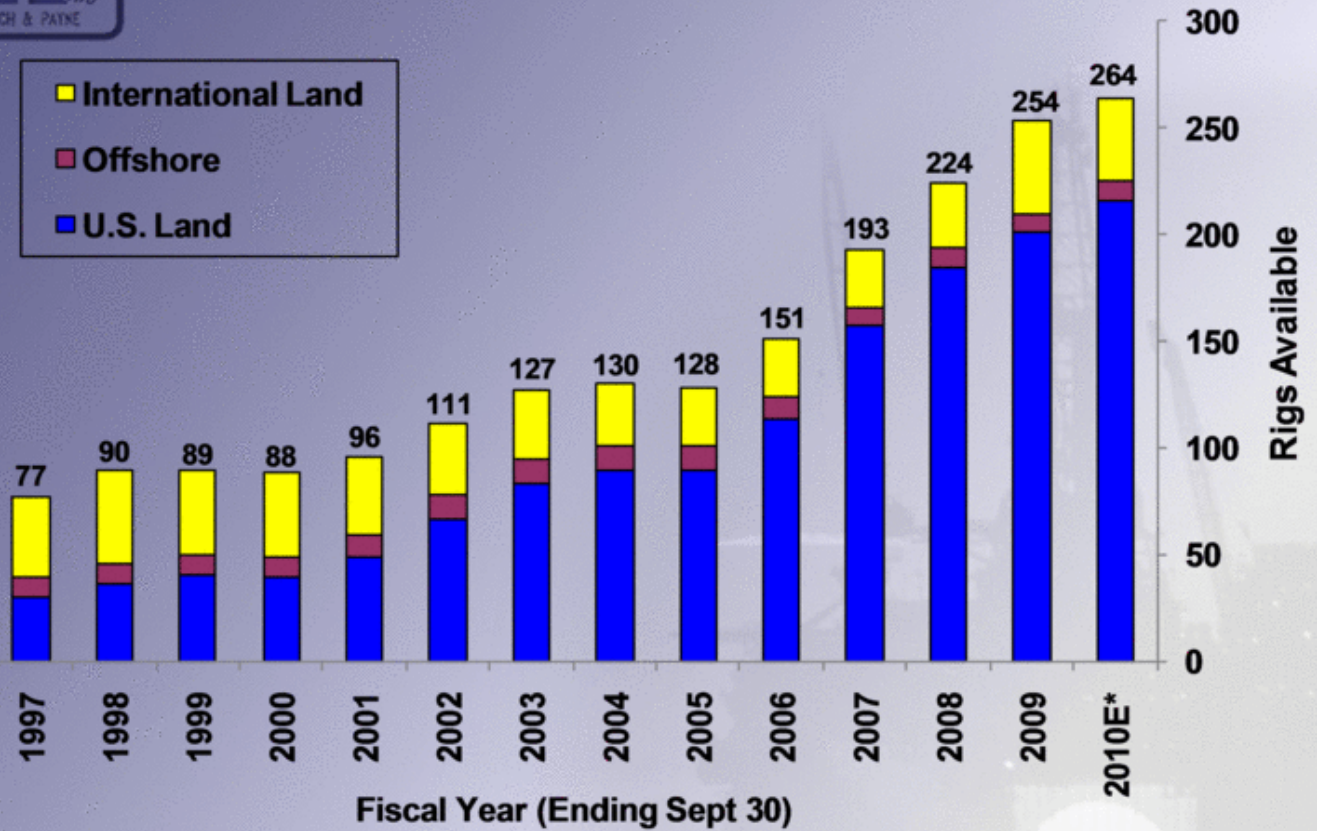


\* Includes four new rigs with customer commitments scheduled for completion by the end of fiscal 2010.

\*\* Includes 15 FlexRigs.



# H&P's Global Rig Fleet

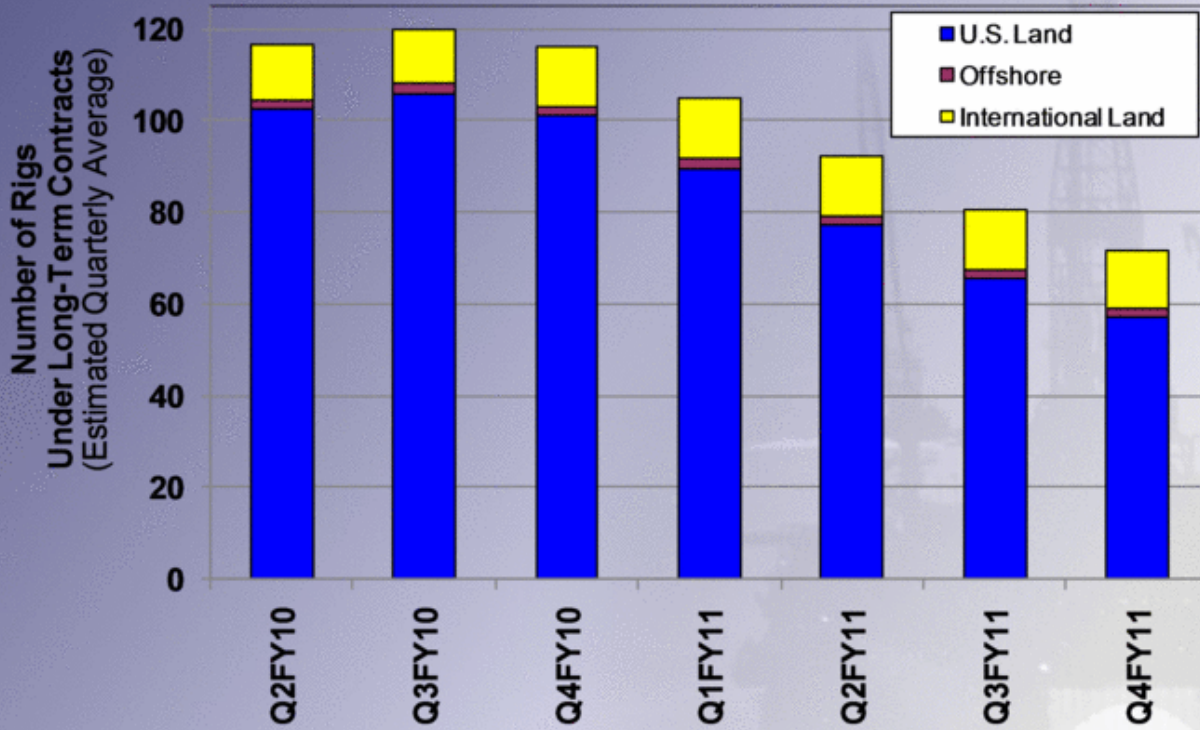


\* Estimates include existing rigs and announced new build commitments.



# H&P's Global Fleet Under Term Contracts

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



\* Includes delayed new builds which are expected to generate revenue but not revenue days.



## H&P's International Land Operations

### Rig Fleet Status (As of March 22, 2010)

	Active	Contracted	Idle	Total	Long-term Contracts
Argentina	5		4	9	4
Colombia	4		2	6	2
Ecuador	4			4	
Mexico	6			6	6
Tunisia	1		1	2	
Venezuela <sup>(3)</sup>			11	11	
Other		1 <sup>(1)</sup>		1	1
<b>Total</b>	<b>20</b>	<b>1</b>	<b>18</b>	<b>39</b>	<b>13<sup>(2)</sup></b>

1) Includes one rig under a long-term contract still in the U.S. waiting on the operator to determine an international location.

2) 13 of 15 FlexRigs (included in the international fleet of 39 rigs) are under long-term contracts.

3) Since we last provided an update on February 2, 2010, no additional progress has been made in Venezuela.



## H&P's Offshore Operations

- **Seven of the Company's nine offshore platform rigs are active.**
- **Two of the seven active rigs are under long-term contracts.**
- **Average rig margins are expected to decline but remain strong at over \$20,000 per day.**
- **We are now working on three platform rigs owned by customers under management contracts, two in the U.S. and one in Equatorial Guinea.**



## H&P's Capex Estimate for Fiscal 2010

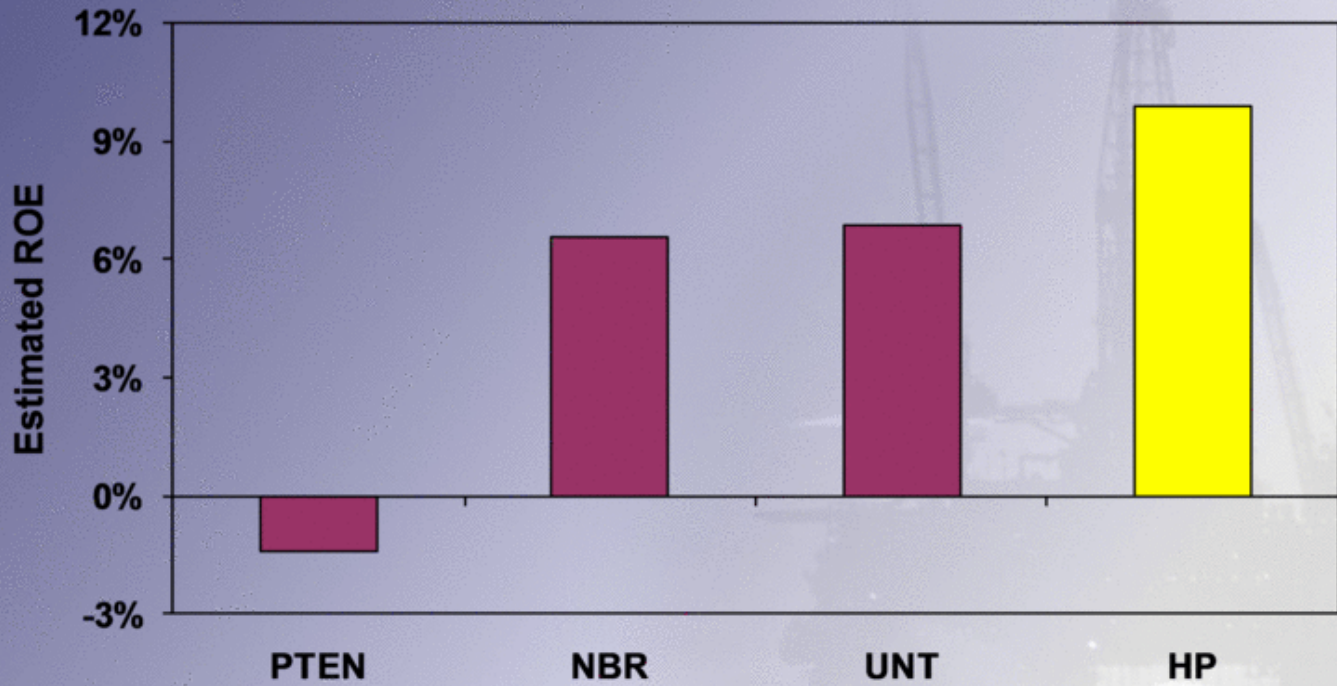
- **Given improving market conditions and a significant increase in U.S. land rig activity, the company has increased its fiscal 2010 capital expenditures estimate by \$65 million to \$330 million.**
- **Incremental spending includes:**
  - **Incremental maintenance related expenditures**
  - **Components required for an additional three potential new builds (in addition to the five announced in December 2009)**
  - **Other special projects, including the refurbishment of existing rigs to comply with new term contracts**





## Peer Group Return on Equity

### Return on Equity\* 12 Months Ended December 31, 2009



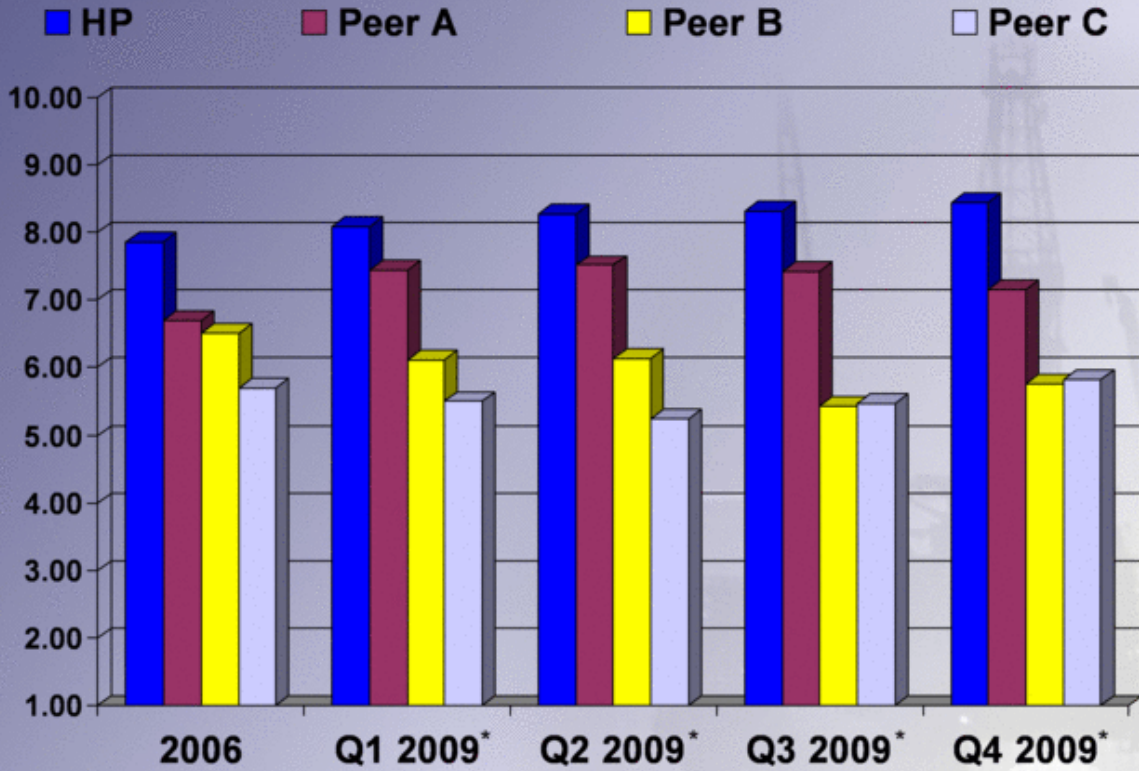
\* NBR's, PTEN's and UNT's calculations exclude charges that were a result of asset retirements and impairments, including ceiling test write-downs.

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# Customer Satisfaction Index

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



Source: EnergyPoint Research, Inc.

\* Trailing four quarters average

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## Market Trends Favor H&P

- **Growing focus on technology-based solutions that enable lower total well costs**
- **Unconventional plays are the most economically viable and tend to require highly-capable rigs**
- **Drilling is becoming more challenging and highly-capable rigs are expected to be in short supply**
- **Increasing safety and environmental sensitivity**





End of Presentation

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Additional References:

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## New Builds – H&P's FlexRig Program

### The FlexRig Difference: Key Advantages

- **Increased drilling productivity and reliability**
  - Variable frequency (AC) drives with increased precision and measurability
  - Computerized electronic driller that precisely controls weight on bit, rotation and pressure
  - Designed to move quickly from well to well
- **Accelerated well programs and NPV gains**
- **A significantly enhanced and safer workplace**
- **Minimized impact to the environment**
- **Total well cost savings even at premium dayrates**



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

	Estimated Competitor Average (Spot Market)	H&P FlexRig Early 2010 (Spot Market)
1. Drilling days	28	18
Completion days	2	2
Moving days	<u>4</u>	<u>3</u>
Total rig revenue days per well	34	23
2. Drilling contractor dayrate	\$15,500	\$18,500
Operator's other intangible cost per day estimate	<u>\$15,000</u>	<u>\$15,000</u>
Total daily cost estimate	\$30,500	\$33,500
Total cost per well (daily services)	\$1,037,000	\$770,500
3. Total well savings with H&P – per well per year		\$266,500 \$4.2MM





## Value added from FlexRig operations

- Significant H&P dayrate premium
- Increased wells per rig per year: 5 wells
- Early production: Incremental wells on production
- Lowest total well cost



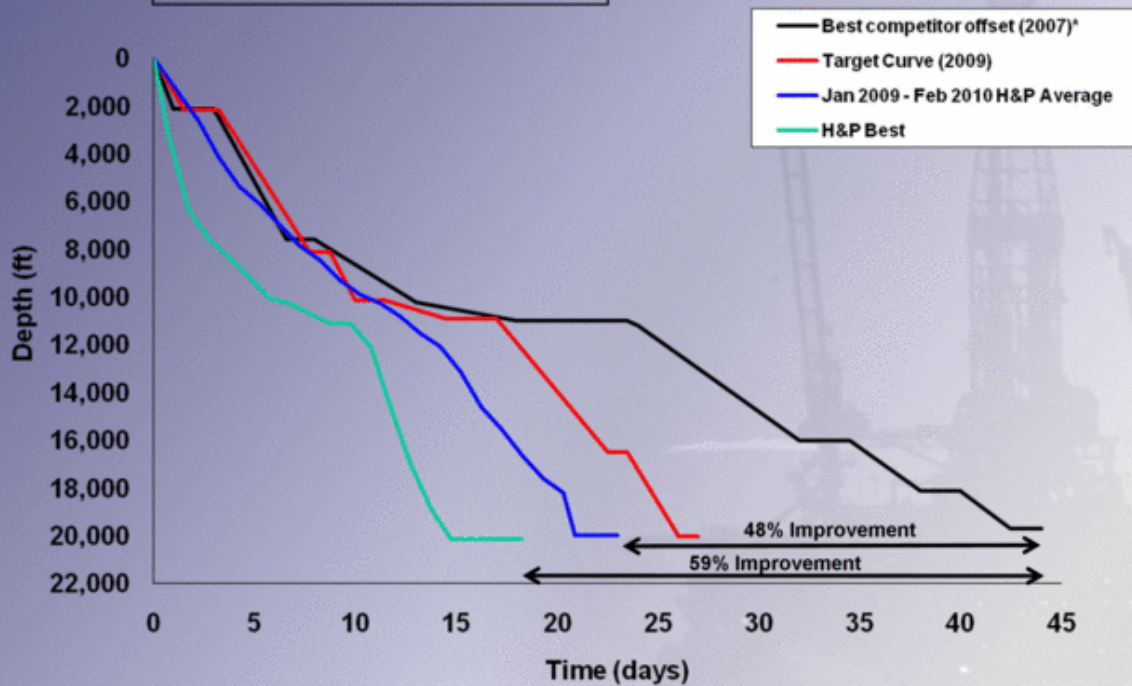
## A Strong Field Organization

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



# FlexRig3 – Performance Sample

## FlexRig3 Bakken Shale

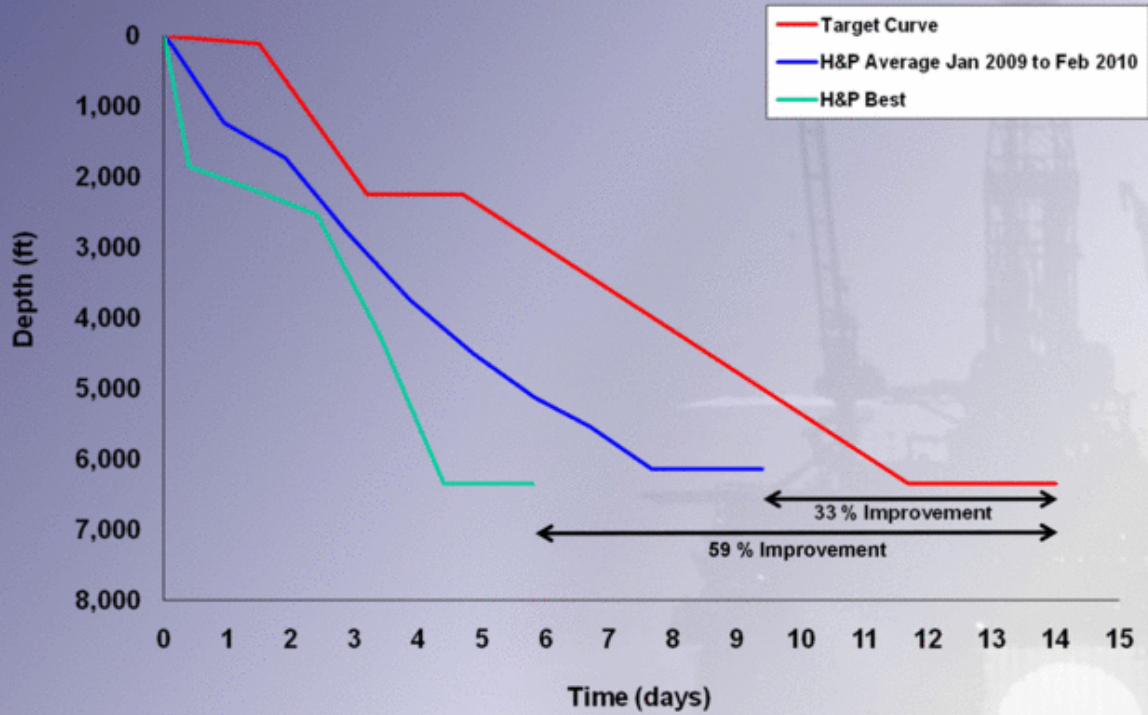


\* Represents the customer's fastest reported Bakken Shale well before deploying a H&P FlexRig.



# FlexRig4M – Performance Sample

FlexRig4M West Texas

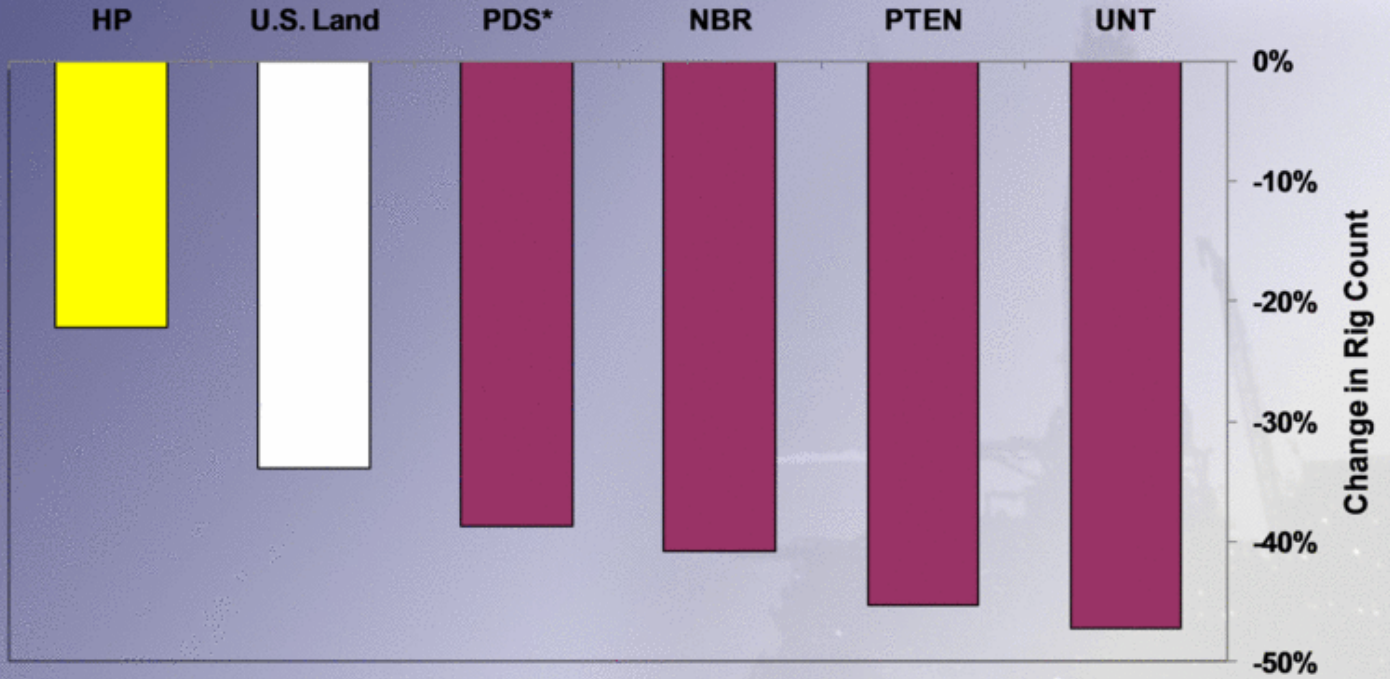




# Changes in Lower 48 U.S. Land Rig Count

## Estimated Change Since Peak in Active U.S. Land Rigs

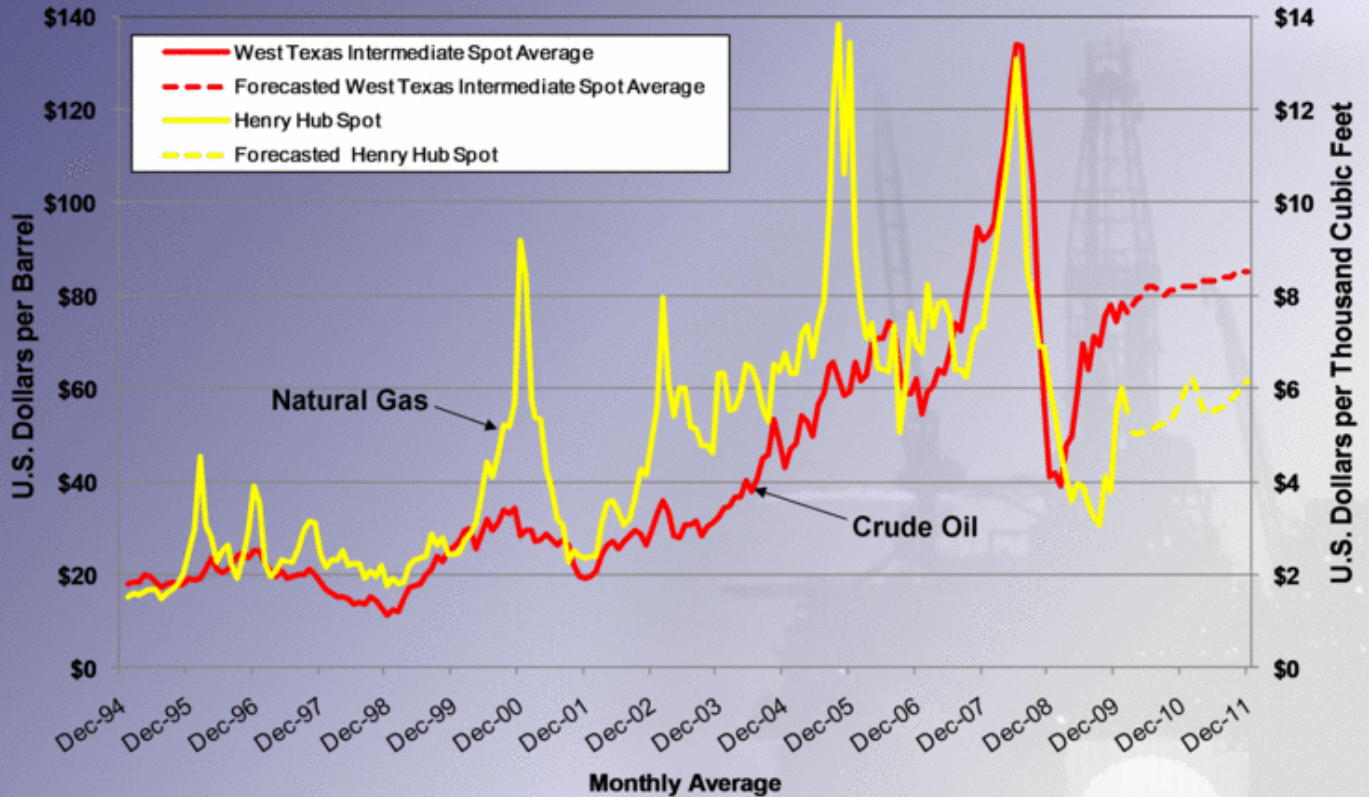
(Smith Bits Weekly Rig Count - October 17, 2008 to March 12, 2010)



\* PDS's active rig count includes both PDS and GW rigs.



# Crude Oil & Natural Gas Prices



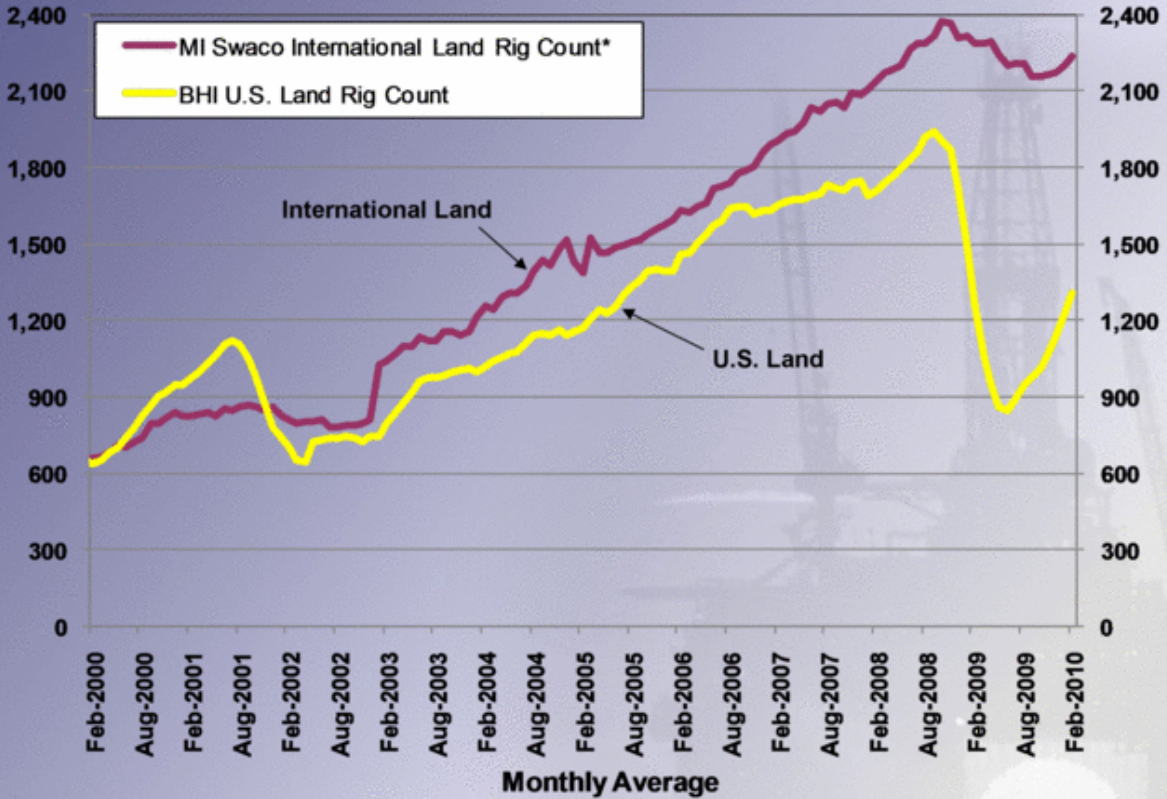
Source: Energy Information Administration, Short-term Energy Outlook as of 3/10/2010.

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# Improving Rig Counts

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



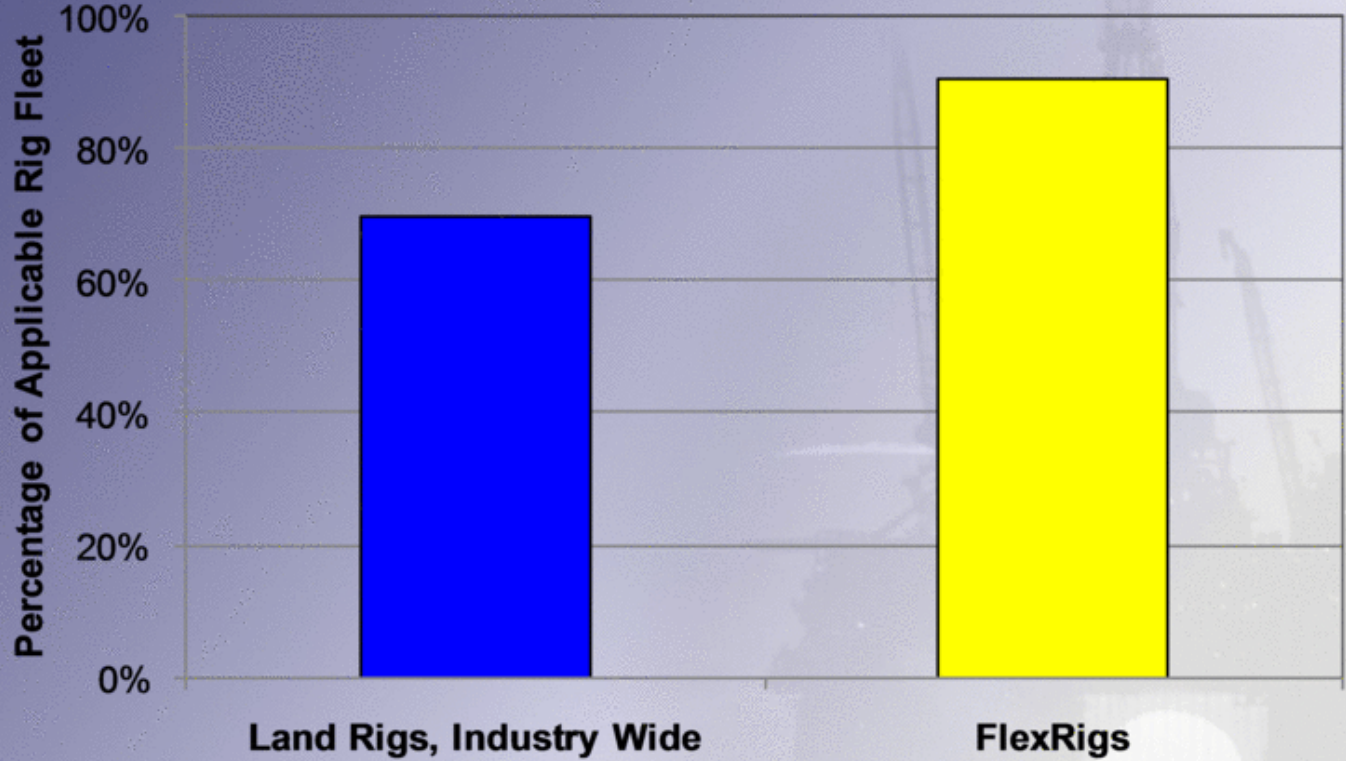
\* In February 2010, MI Swaco restated its historical rig count, making it more inclusive in certain regions.



# FlexRigs in Demand for More Difficult Wells

## Active Land Rigs Drilling Horizontal or Directional Wells

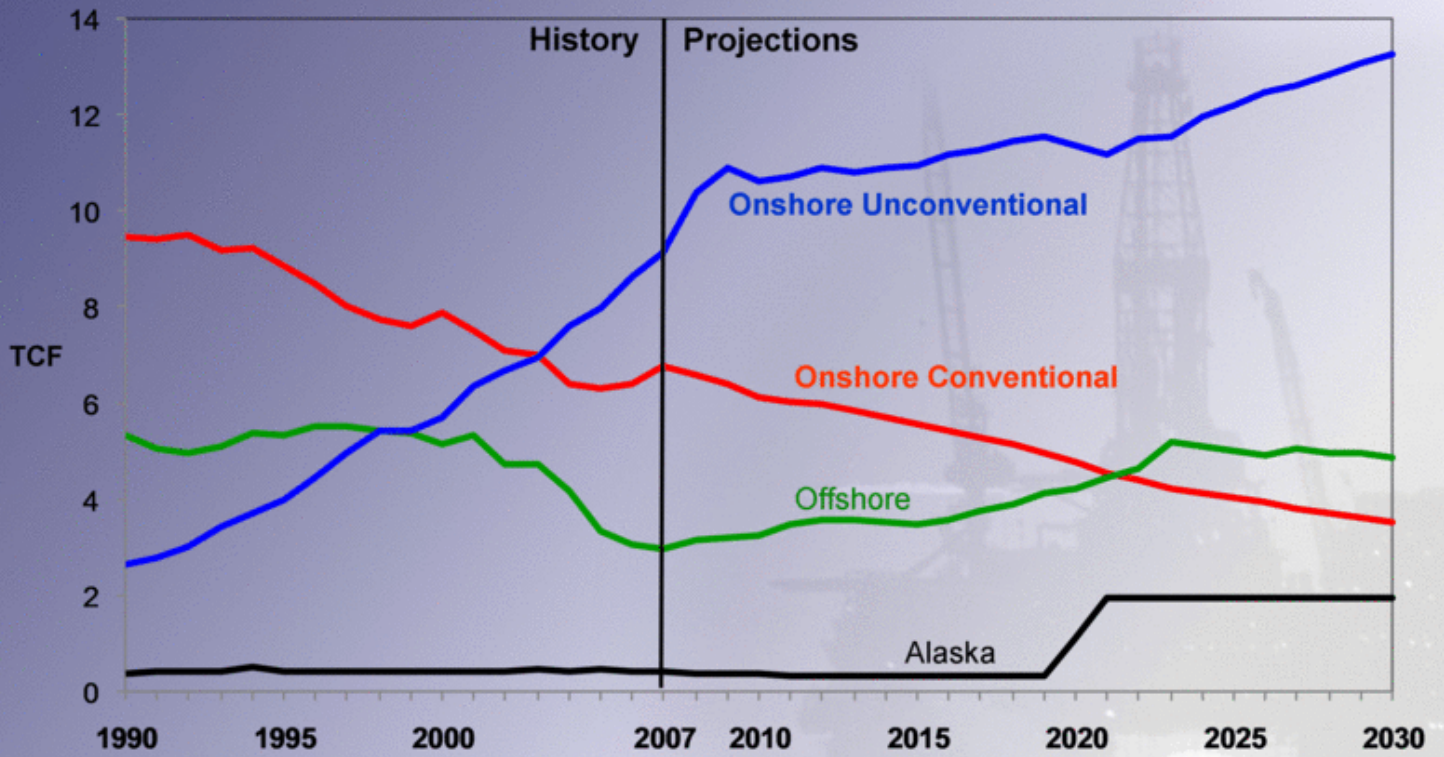
(Data Source: Smith International, Inc. - S.T.A.T.S. - 3/5/10)







# Unconventional Natural Gas Production Growing

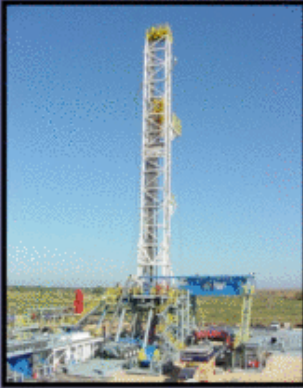


Source: Energy Information Administration Annual Energy Outlook 2009 with projections to 2030 (March 2009)

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# FlexRig3 Performance

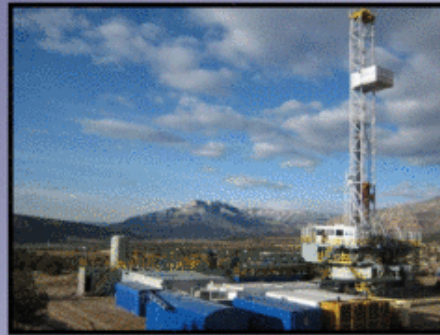


## Highlights of FlexRig3s

- 1. Field Performance vs. customers' planned drill curves**
  - 3265 complete wells as of March 17, 2010
  - 1960 wells (60%) under or on
  - 1077 wells (33%) over
  - 228 wells had no planned curves
- 2. 96% of FlexRig3s are currently drilling directional, more technically difficult wells.**



# FlexRig4 Performance



Highlights of FlexRig4s



1. **Field Performance vs. customers' planned drill curves**
  - 3966 complete wells as of March 17, 2010
  - 2578 wells (65%) under or on
  - 1110 wells (28%) over
  - 278 wells had no planned curves
2. **86% of FlexRig4s are currently drilling directional, more technically difficult wells.**

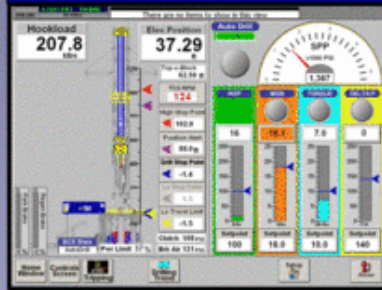


# Leader in New Ideas & Applied Technology

**Driller's Cabin**



**Computerized Controls**



**AC Driven Systems & Integrated Top Drive**



**Satellite Communications**



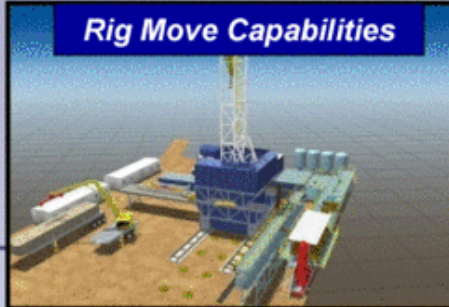
**BOP Handling**



**Mechanized Tubular Handling**



**Rig Move Capabilities**

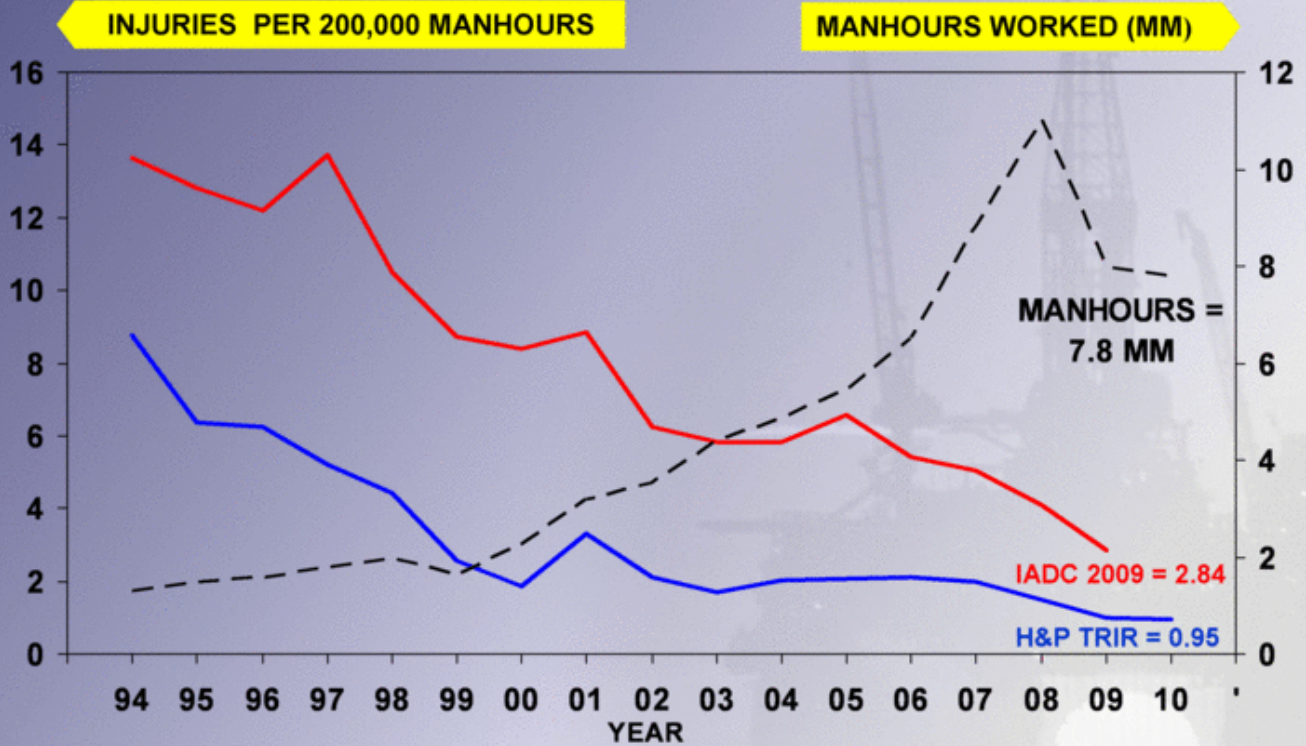


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# Delivering Safety – H&P vs. Industry (IADC)

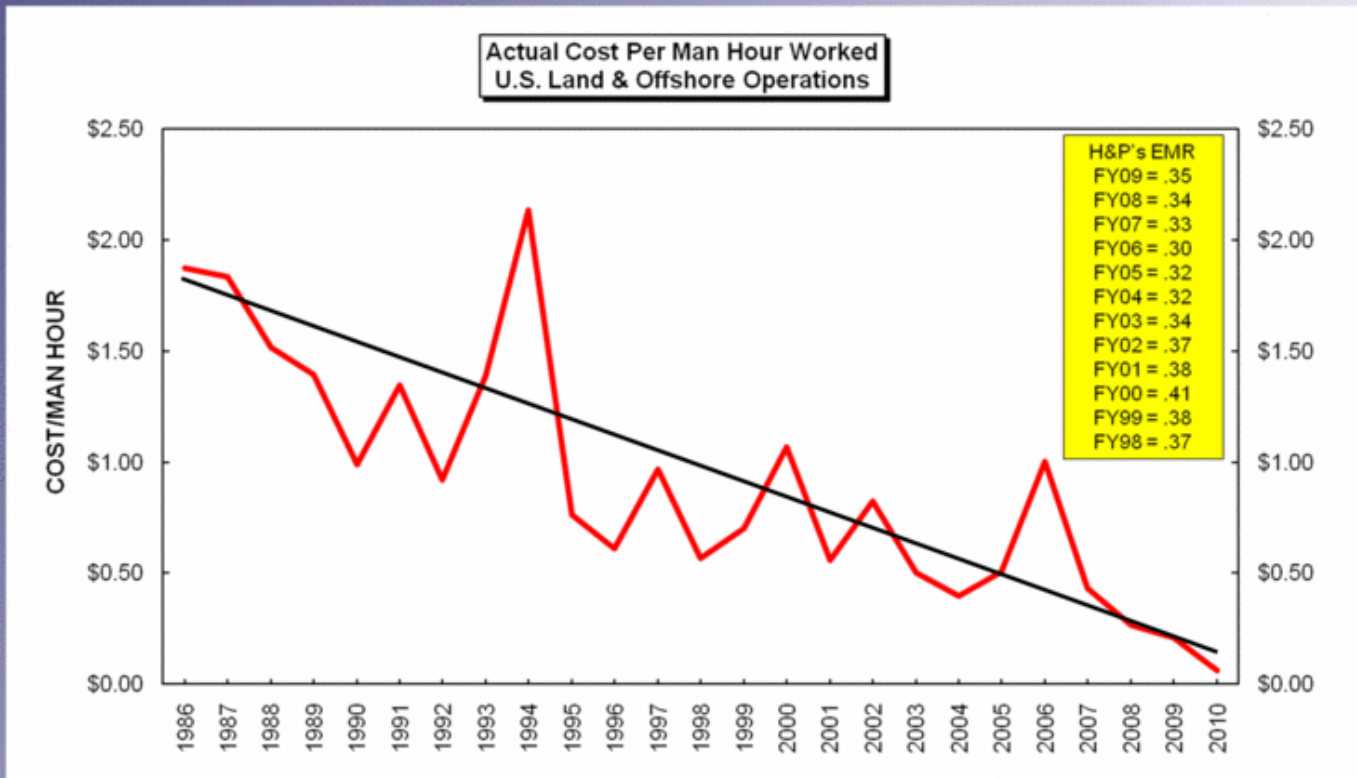
## U.S. Land Safety Performance (1994 – Feb 2010) OSHA Recordable Injury Incidence Rates





# Safety Excellence Also Generates Savings

## Reduced Workers Comp and General Liability Losses per Man Hour



EMR = Experience Modifier Ratio (Industry Average = 1.00)

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