

# HELMERICH & PAYNE, INC.

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

Filed 02/07/12 for the Period Ending 02/07/12

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): **February 7, 2012**

**HELMERICH & PAYNE, INC.**

(Exact name of registrant as specified in its charter)

**State of Incorporation: Delaware**

**COMMISSION FILE NUMBER 1-4221**

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

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

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 discuss information to be distributed in an investor and securities analyst conference that includes the slides attached as Exhibit 99.1 to this Current Report on Form 8-K, which are incorporated herein by reference.

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 distributed at an investor and securities analyst conference.

**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: February 7, 2012

**EXHIBIT INDEX**

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**Helmerich & Payne, Inc.**

**Credit Suisse Energy Summit**

**February 7-8, 2012**

# 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.



# H&P Basics

334 Drilling Rigs\*

~\$5 Billion in Assets

~8,700 Employees

~9% Debt/Cap



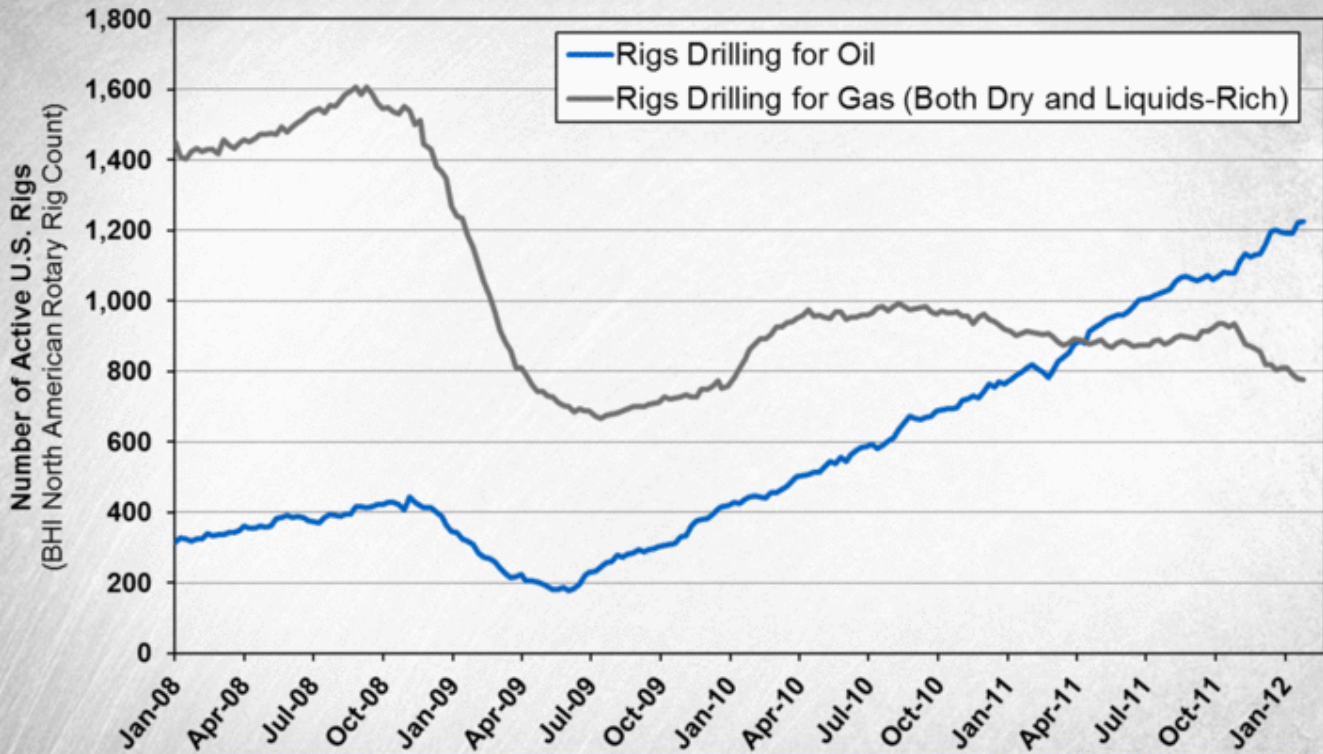
\* Includes 40 announced new FlexRigs under construction with customer commitments as of January 31, 2012 that are scheduled for completion during fiscal 2012 and fiscal 2013.

HELMERICH & PAYNE, INC.



# A Remarkable Transformation...

## U.S. Rig Activity by Hydrocarbon Target





## The U.S. Land Market Today

- Oil-directed drilling has been on a steady march up, while “dry” gas drilling has lost ground.
- Although the gas-directed count may accelerate its decline trend, the fallout should be partially or fully offset by displaced rigs being re-directed to oil and liquids-rich targets.
- The shift has been combined with the transition towards more complex well designs and higher performance rig requirements.

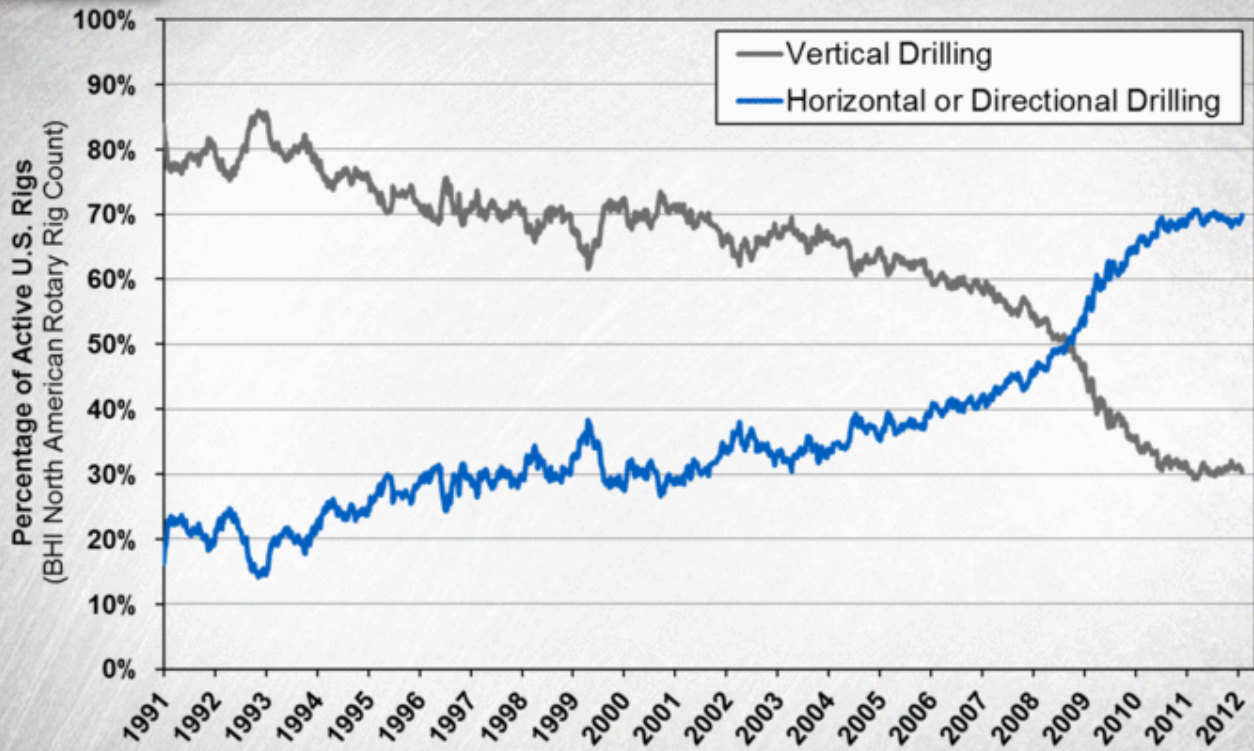






# Increasing Focus on More Difficult Drilling

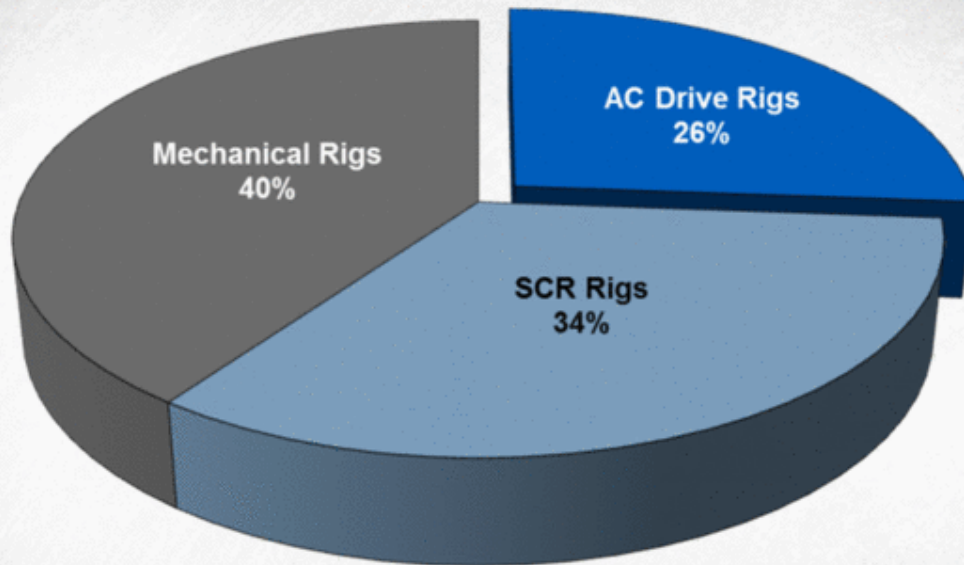
## U.S. Rig Activity by Drilling Type





# An Undersupply of AC Drive Rigs

(~1,850 Active Rigs in the U.S. By Power Type)



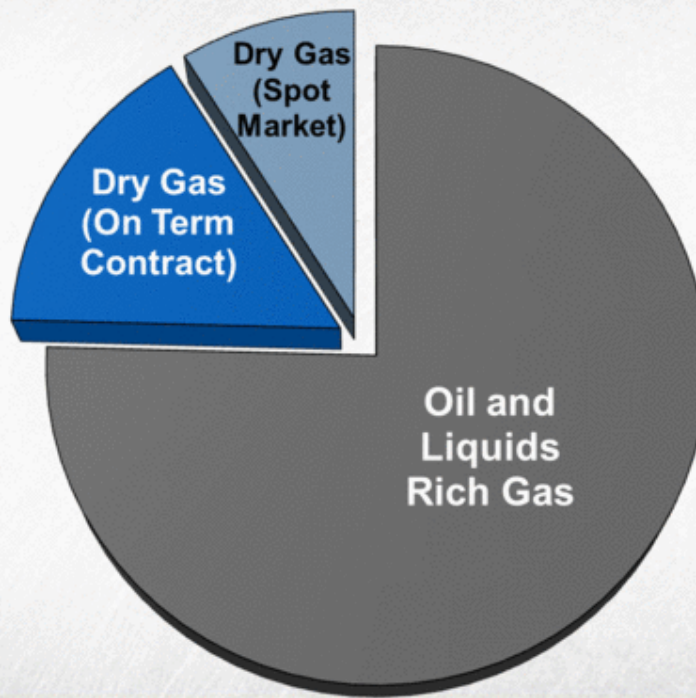
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data, Smith Bits, and corporate filings.





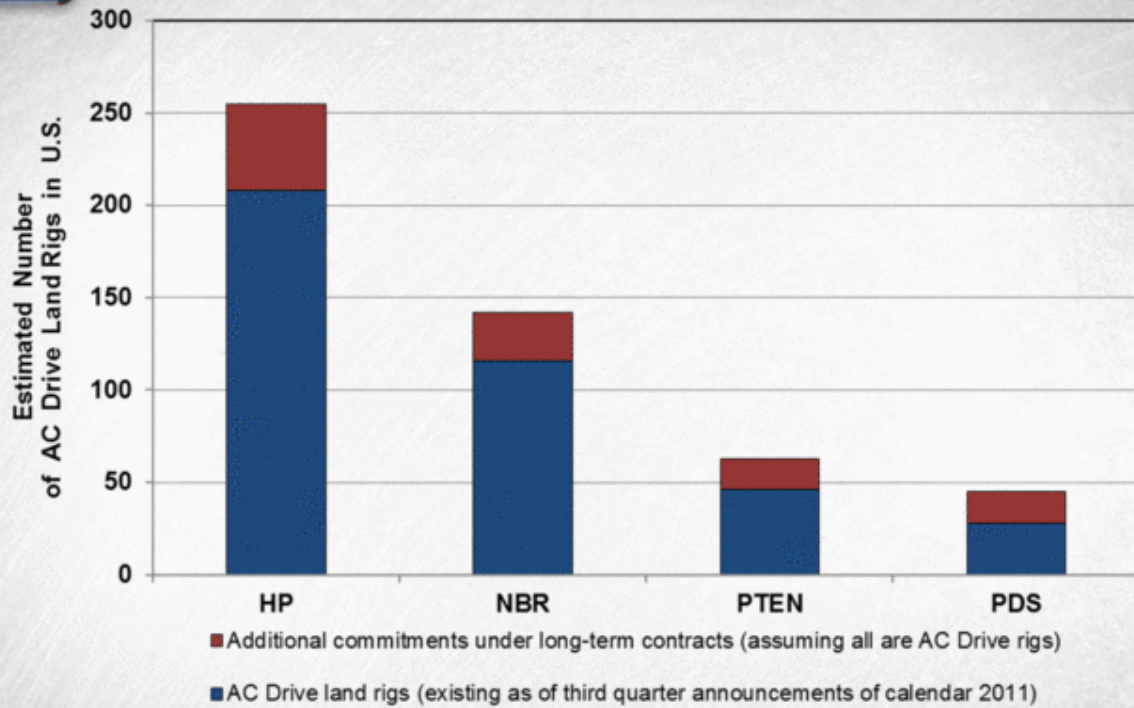
## H&P's Growing Exposure to Oil & Liquids

Estimated proportion of H&P's active U.S. Land rigs by primary hydrocarbon target. Less than 10% of H&P's rigs are targeting dry gas in the spot market.





# H&P's Lead in U.S. Land AC Drive Rigs



Note: The above estimates corresponding to U.S. lower 48 AC Drive fleets and new build commitments are derived from Rig Data and corporate filings.





## The Replacement Cycle Continues

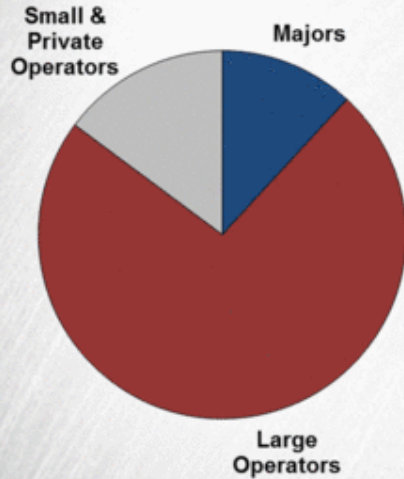
- AC drive rigs are best positioned to make the transition.
- Older, underperforming rigs are more likely to be sidelined.
- High efficiency rigs continue to displace mechanical and SCR rigs.
- H&P is fortunate to have a customer roster with substantial multi-year drilling inventory capable of shifting targets and taking advantage of strong oil prices.



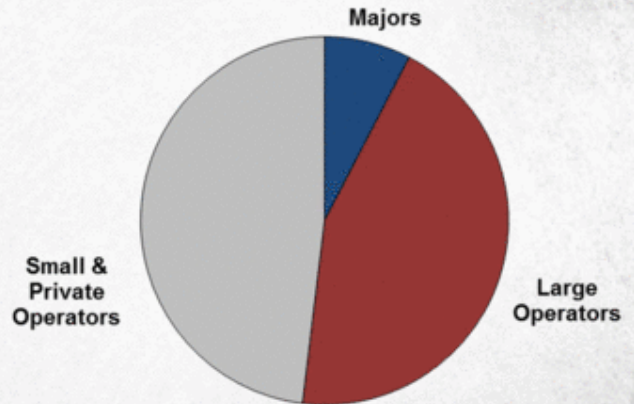


# H&P vs. Industry U.S. Land Customer Base

**H&P**  
U.S. Land Activity  
Estimated Customer Distribution  
(Late January 2012)



**Industry**  
U.S. Land Activity  
Estimated Customer Distribution  
(Late January 2012)

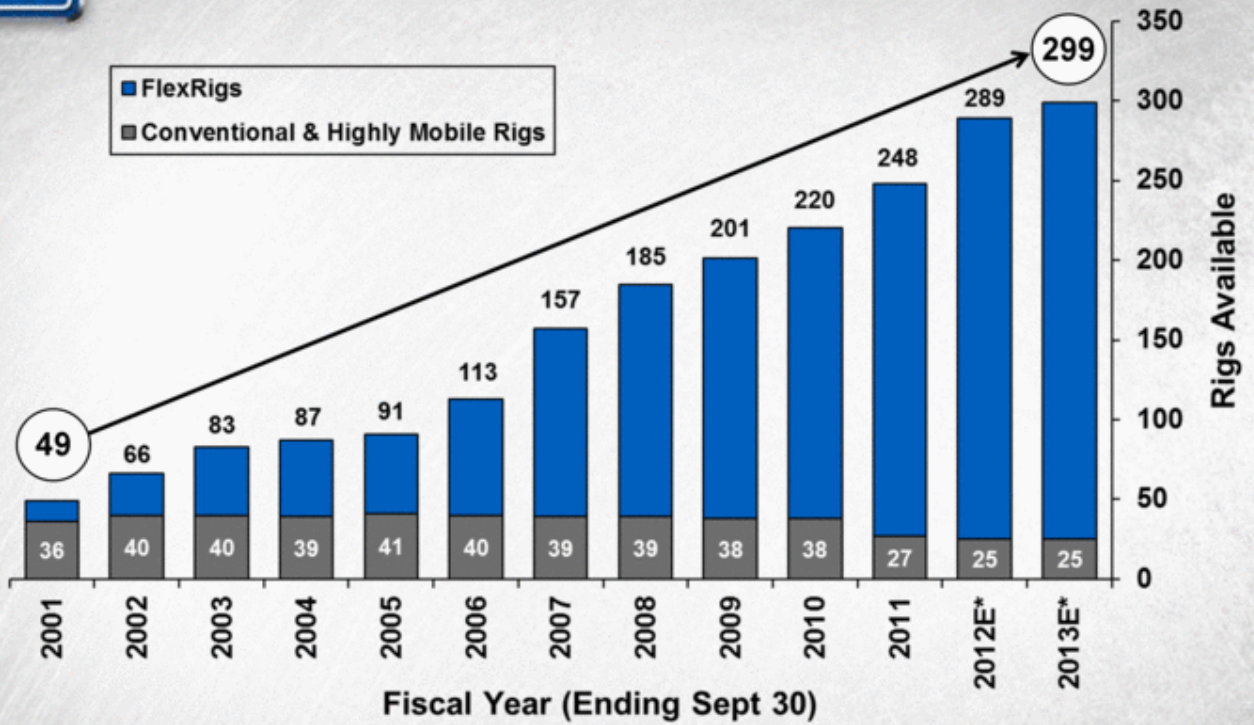


Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data, Smith Bits, and corporate filings.





# Organic U.S. Land Fleet Growth



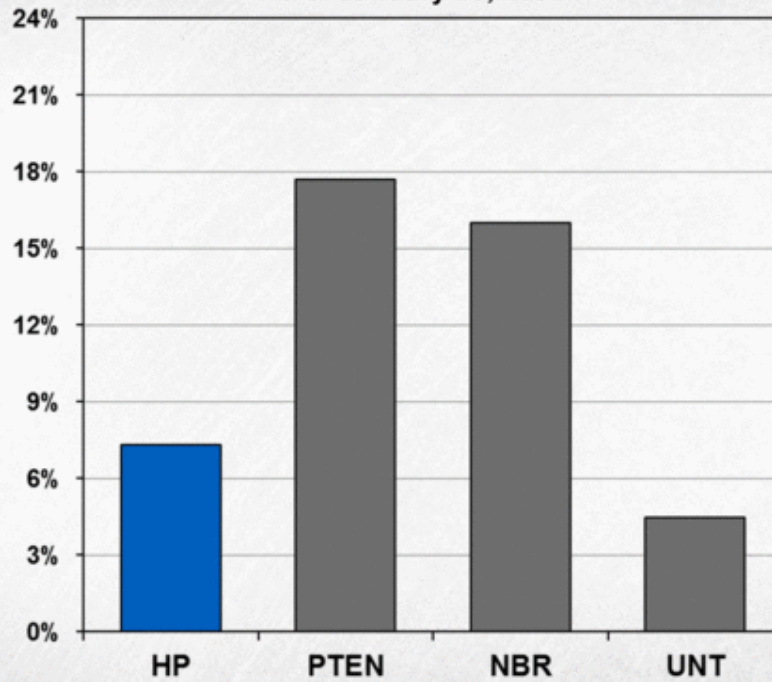
\* Estimates include existing rigs and announced new build commitments.





# Active Rig Market Share – Ten Years Ago

Lower 48 U.S. Land Market Share  
As of January 25, 2002



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

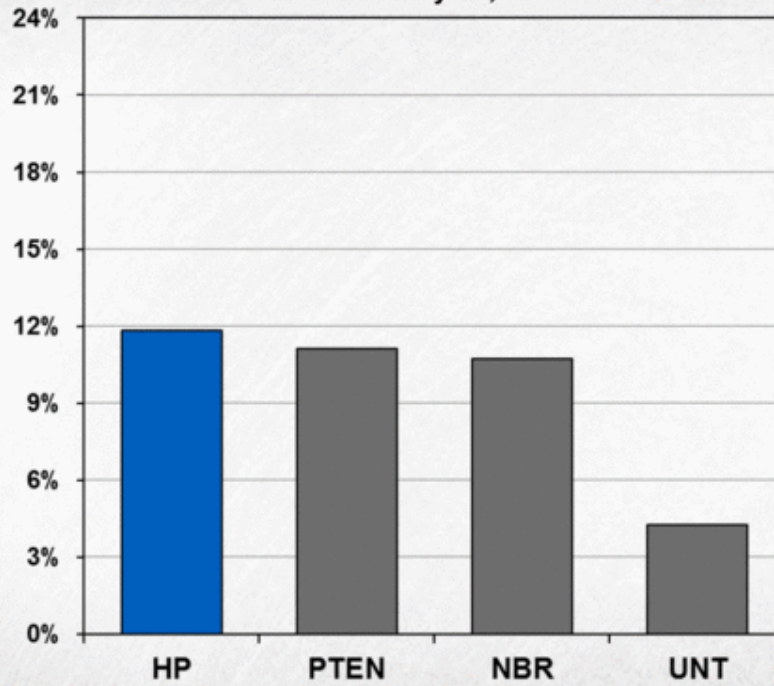






# Organically Growing Active Rig Market Share

Lower 48 U.S. Land Market Share  
As of January 27, 2012



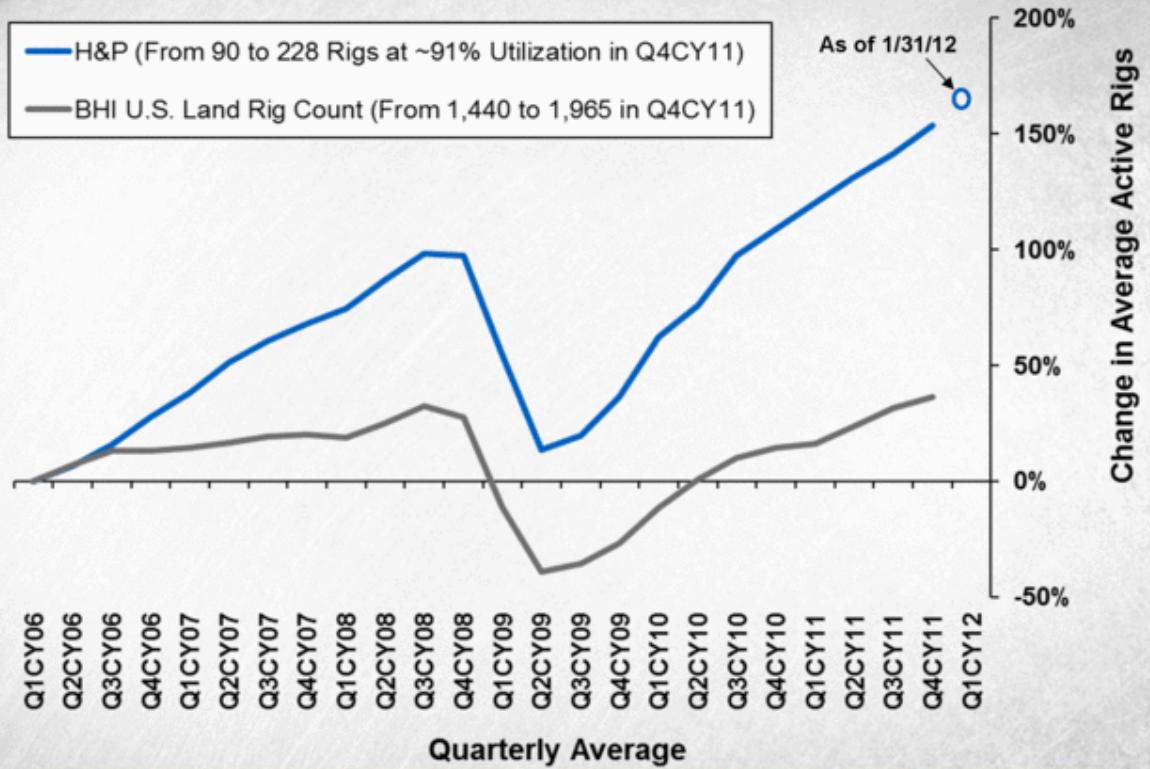
Note: The above estimates corresponding to U.S. land rig market share are derived from Smith Bits S.T.A.T.S..





# Highest U.S. Activity Level in Company History

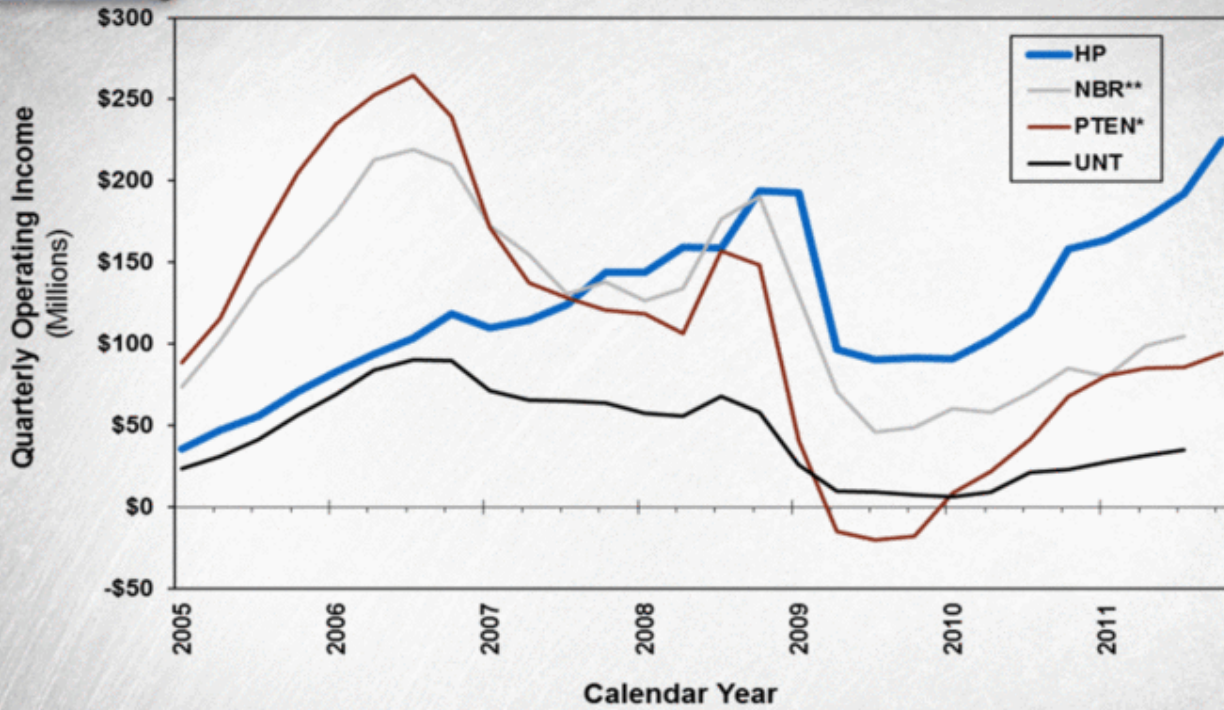
## Growth / Decline in U.S. Lower 48 Average Rig Activity





# Most Profitable Driller in U.S. Land Business

## U.S. Land Drilling Operating Income



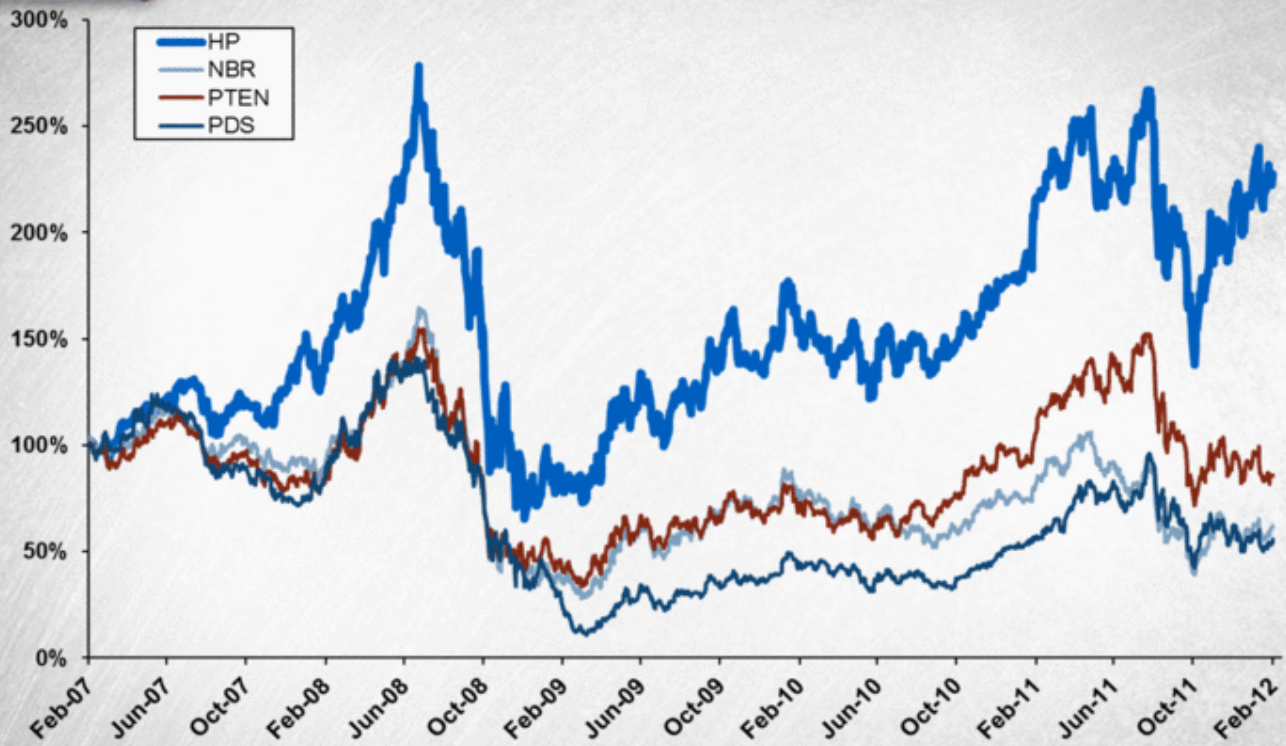
\* PTEN's operating income includes drilling operations in Canada.

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





# Five-Year Relative Shareholder Return



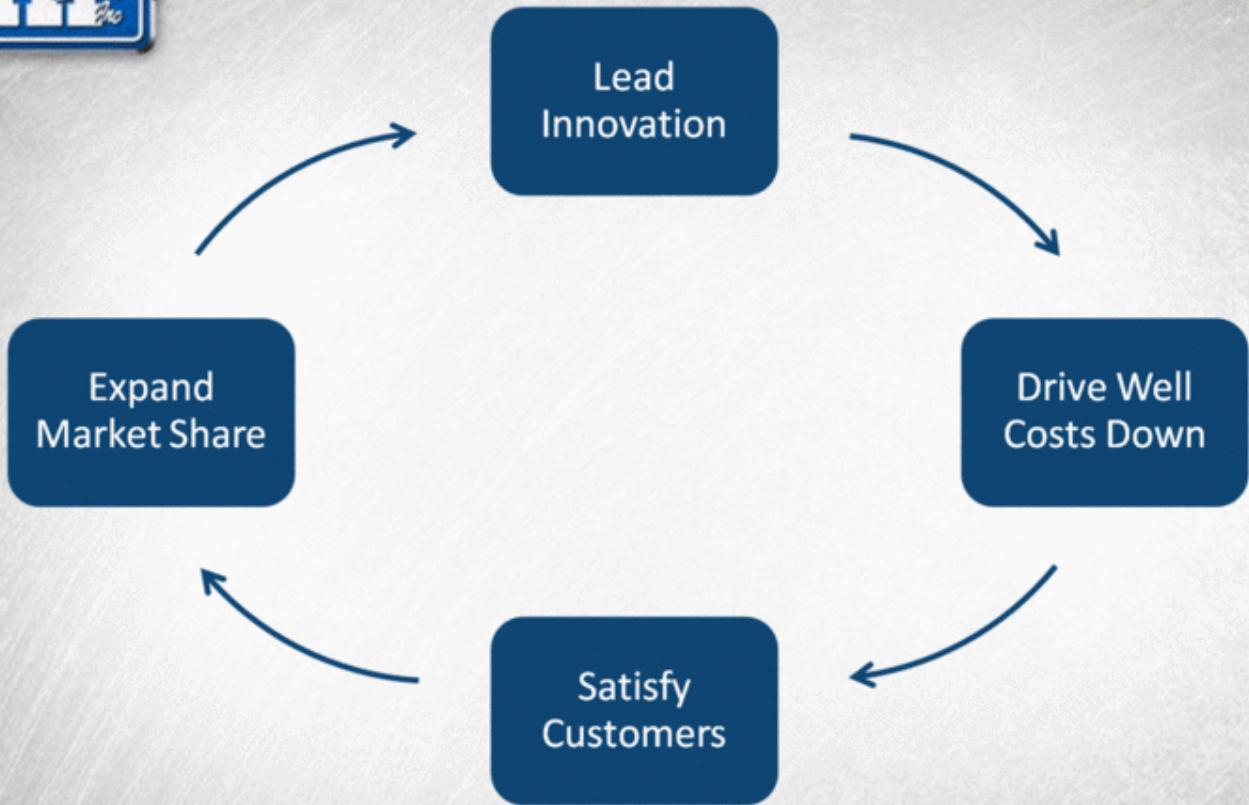
Source: Yahoo! Finance as of February 1, 2012







# Growing Shareholder Value





# H&P's FlexRig Advantage

## The FlexRig Difference: Key Advantages

- **Increased drilling productivity and reliability**
  - Variable frequency (AC) drives with increased precision and measurability
  - Computerized electronic driller that more 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**



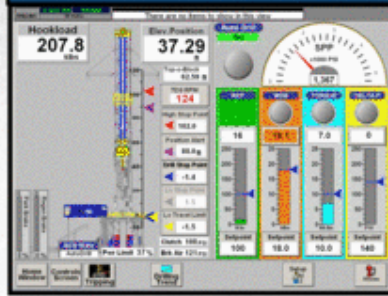


# Innovation & Applied Technology

**Driller's Cabin**



**Computerized Controls**



**AC Driven Systems & Integrated Top Drive**



**Satellite Communications**



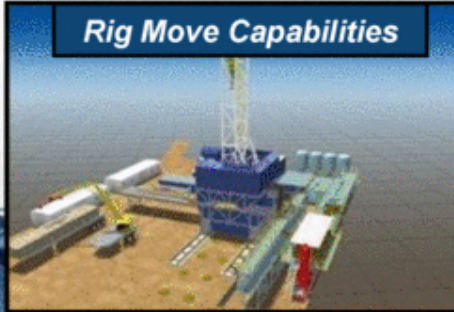
**BOP Handling**



**Mechanized Tubular Handling**



**Rig Move Capabilities**

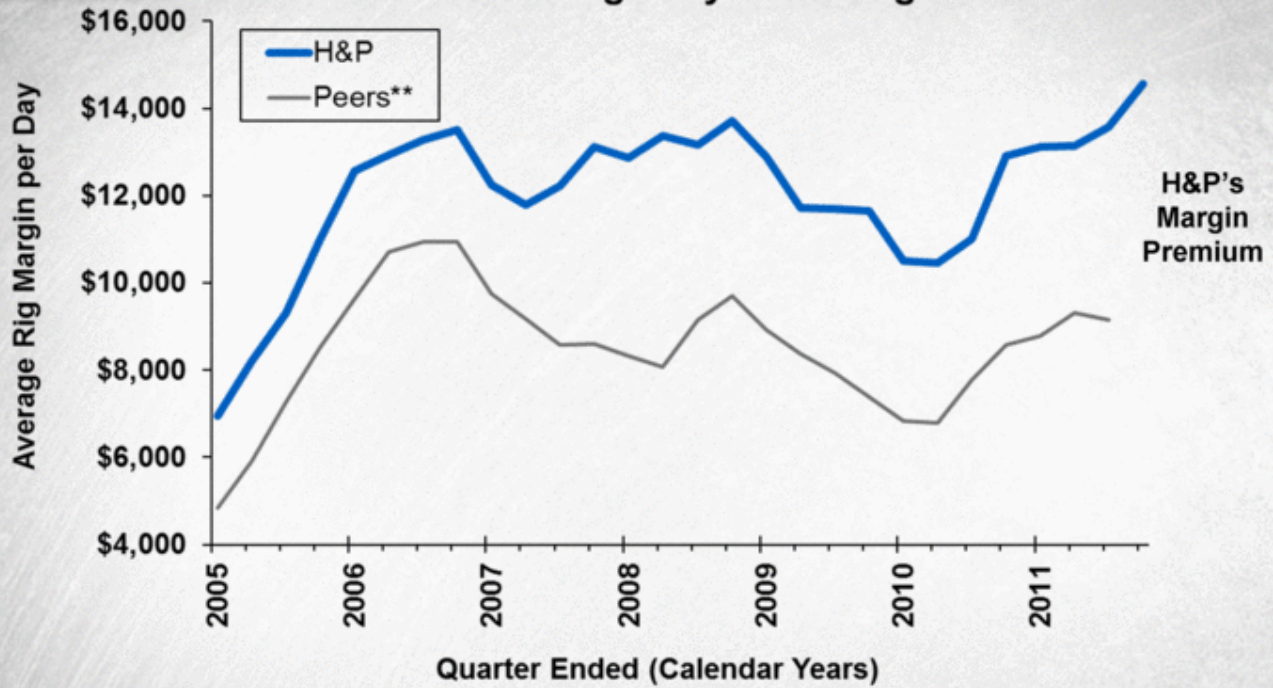






# Technology & Quality Service Make a Difference

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



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

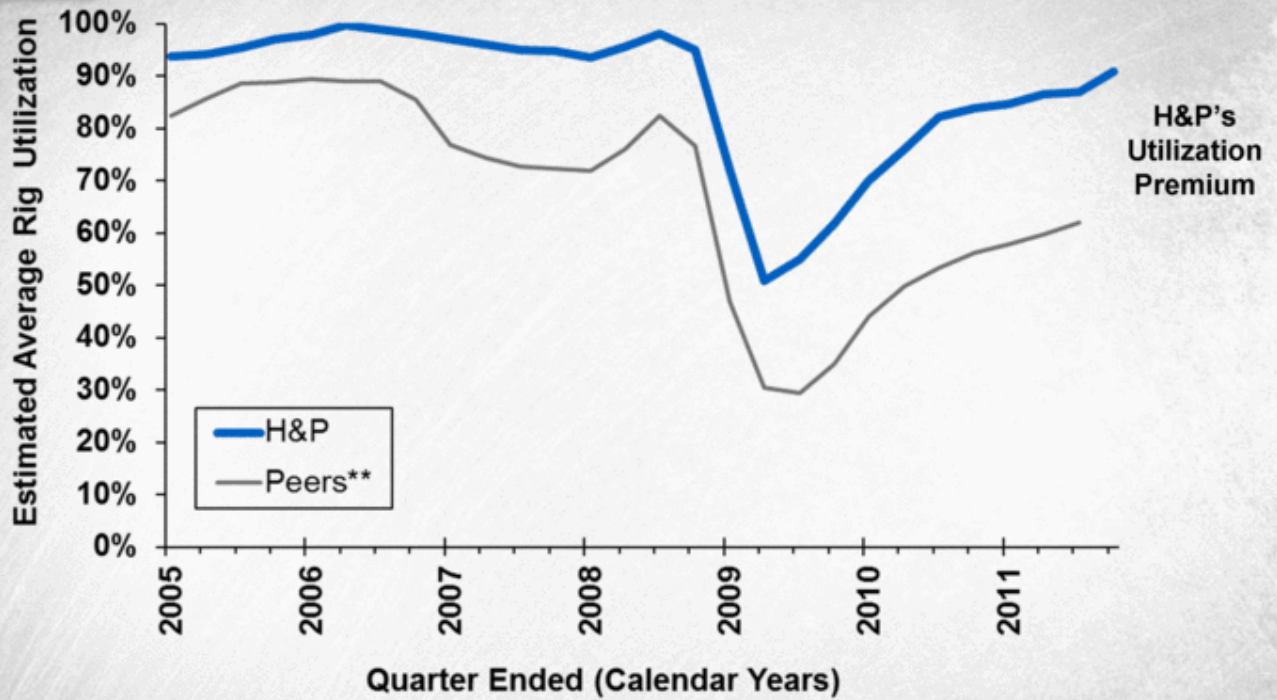
\*\* Represents weighted-average rig margin per day for PTEN, NBR and UNT through Q3CY11.





# 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 Q3CY11.





## Activity as of January 31, 2012

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
U.S. Land	259	236	91%
Offshore	9	7	78%
International Land	<u>26</u>	<u>22</u>	<u>85%</u>
Total	294	265	90%
FlexRig Construction*	40	40	
<b>Total Fleet</b>	<b>334</b>	<b>305</b>	

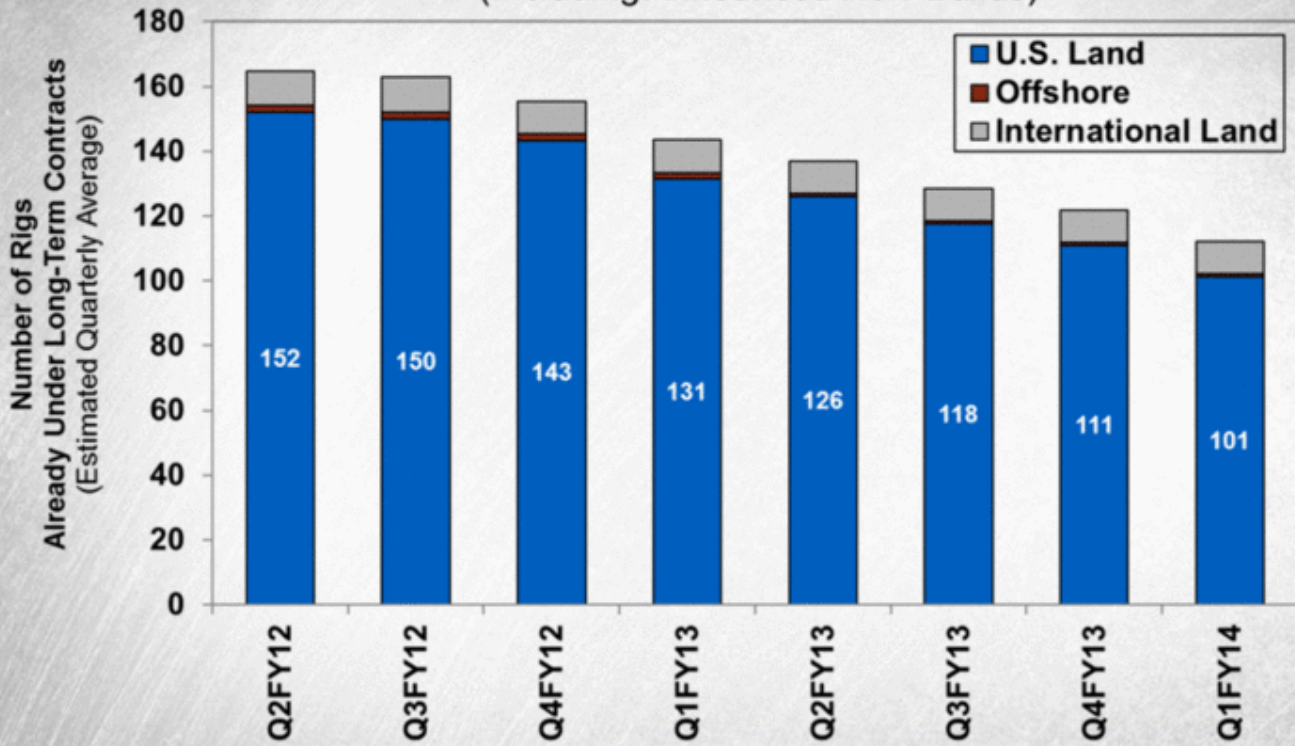
\* Includes new FlexRig commitments announced through January 31, 2012.





# H&P Global Fleet Under Term Contract

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





# Unconventional Plays Shaping Landscape

Well Complexity is increasing:

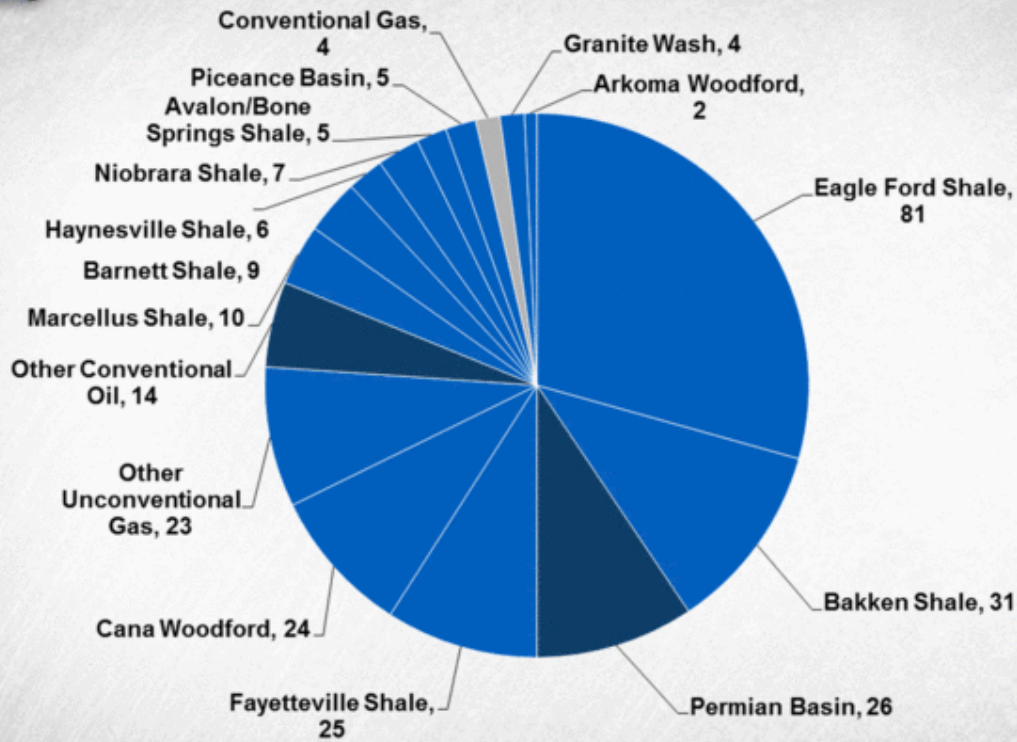
- Technology solutions that provide safe, environmentally sound and efficient operations are required by contractors to be competitive
- Extended reach laterals progressively longer
- Multi-well pad drilling gaining acceptance in more areas
- A factory approach to drilling wells is required
- This all creates an expanding level of demand for FlexRigs





# Leading U.S. Unconventional Driller

(276 H&P Contracted Land Rigs as of 1/31/12\*)



\* Includes announced new FlexRigs with customer commitments scheduled for completion in fiscal 2012 and fiscal 2013.





## H&P's New Build Advantages

- We have been improving and honing the process for over 10 years, prompting our assertion that we build a better rig for less
- Safety is our first priority, followed by a relentless focus on strong execution and performance in the field
- Exceptional fleet uniformity
- Extensive collaboration with customers and suppliers
- A strong organizational orientation to consistent, repeatable, field execution





## H&P New Builds

- Total of 74 new builds announced over the past 13 months
- Delivering new FlexRigs at the rate of four per month
- As of January 31, 2012, 40 announced new builds left to deliver in fiscal 2012 and fiscal 2013
- Encouraging conversations with customers continue regarding additional new build commitments







## A Few Performance Metrics on FlexRigs

- Over the last 13 months we have completed and deployed 43 new FlexRigs on time and on budget.
- These 40 newly commissioned FlexRigs were able to deliver safety performance during the first year of operation at a rate approximately two times better than the industry average.
- FlexRig productivity continues to improve, even as drilling complexity and well depths increase. From 2007 to 2011, H&P's U.S. land fleet experienced the following:
  - Increase in % of directional or horizontal drilling: 42% (62% to 88%)
  - Increase in average well depth: 35%
  - Increase in productivity (average feet per day): 38%





## Performance is Not Only About Better Rigs

### It's also about:

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





End of Presentation





## Additional References





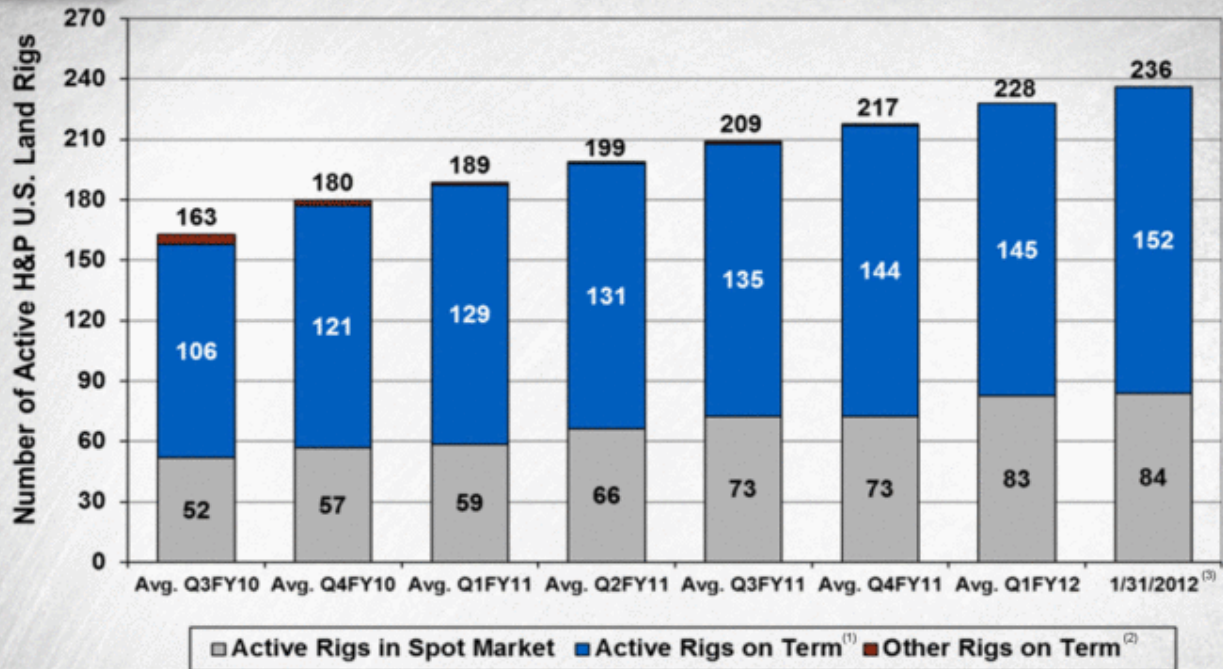
## H&P's U.S. Land Operations

- Driven primarily by incremental new builds, we expect total revenue days in the U.S. land segment to increase between two and three percent from the first to the second fiscal quarter of 2012.
- Quarterly average rig revenue per day is expected to improve slightly, by up to \$200 per day excluding expenses that are passed through to customers from the first to the second fiscal quarter of 2012.
- In the second fiscal quarter of 2012, we expect the base level of average rig expense per day to return to a \$12,700 per day range, excluding any expenses that are passed through to customers.
- Additionally, we expect wages in the second fiscal quarter to increase by approximately \$500 per day. Wage increases are passed through to customers and are expected to impact expense and revenue per day in equal amounts.





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



(1) Active rigs on term (in blue) generated both revenue and revenue days.

(2) Includes completed new builds that were waiting on operators and which generated revenue but did not generate revenue days.

(3) The number of active rigs as of 1/31/2012 includes two contracted rigs in transition from project to project and soon to be generating revenue days.





## H&P's Offshore Operations

- Seven of the Company's nine offshore platform rigs remain active, including two under long-term contracts. The Trinidad rig is returning to the U.S. and is expected to stack at the end of the second fiscal quarter.
- The number of revenue days during the second fiscal quarter of 2012 is expected to decrease by approximately ten percent as compared to the first fiscal quarter of 2012.
- Average rig margin per day is expected to decrease by ten to 15 percent during the second fiscal quarter of 2012 as compared to the first fiscal quarter.





## H&P's International Land Operations

- Of the 26 rigs assigned to international operations, 20 are currently active and an additional two are contracted and in transit to new projects.
- Total revenue days during the second fiscal quarter are expected to be roughly flat from the first fiscal quarter of 2012.
- Average rig margin per day is expected to decrease by ten to 15 percent during the second fiscal quarter of 2012 as compared to the first fiscal quarter.







# H&P's International Land Operations

## Rig Fleet Status (as of January 31, 2011)

	Active	Contracted	Idle	Total	Long-term Contracts
Argentina	5		3	8	4
Bahrain	4			4	4
Colombia <sup>(1)</sup>	5	1	1	7	2
Ecuador <sup>(2)</sup>	4	1		5	
Tunisia	2			2	
<b>Total</b>	<b>20</b>	<b>2</b>	<b>4</b>	<b>26</b>	<b>10<sup>(3)</sup></b>

(1) Contracted rig is currently in transit to Colombia from Argentina.

(2) Contracted rig is currently in transit to Ecuador from Colombia.

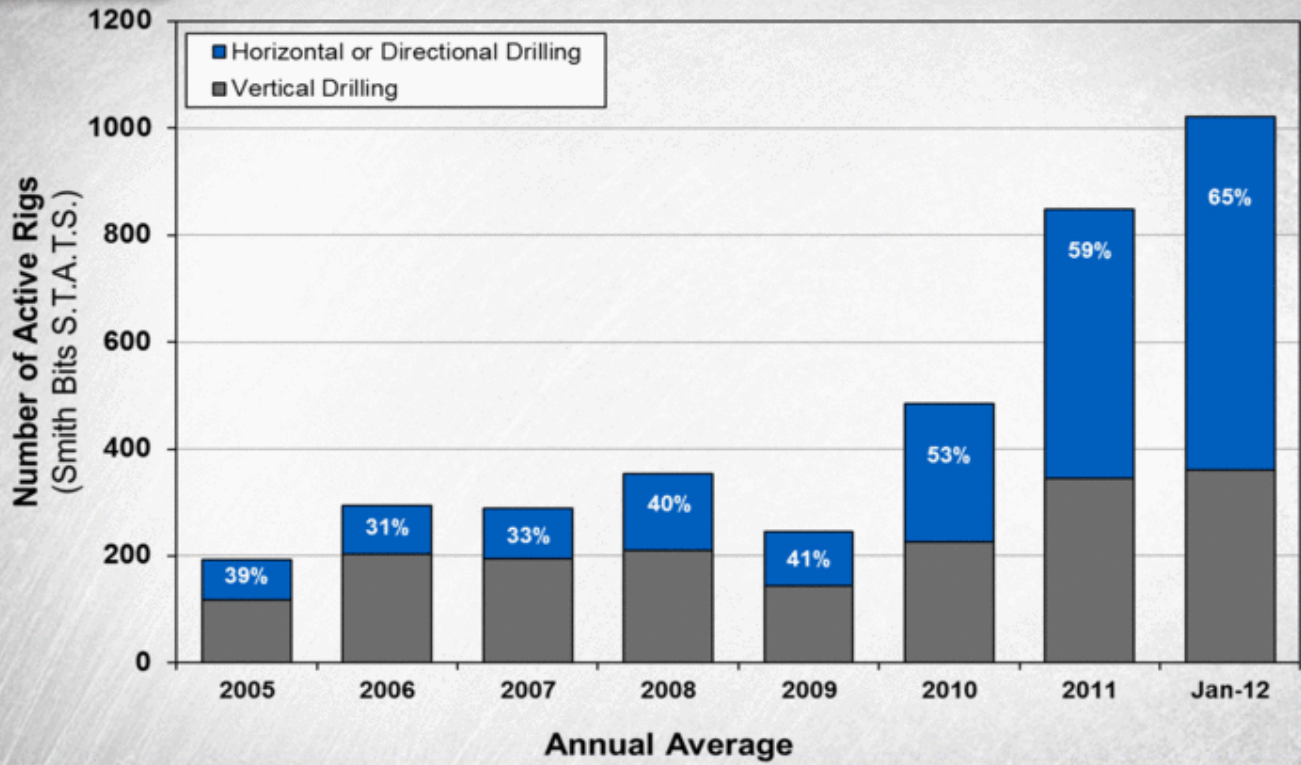
(3) 10 of 13 FlexRigs, included in the international fleet of 26 rigs, are under long-term contracts.





# Oil Related Drilling Increasingly Complex

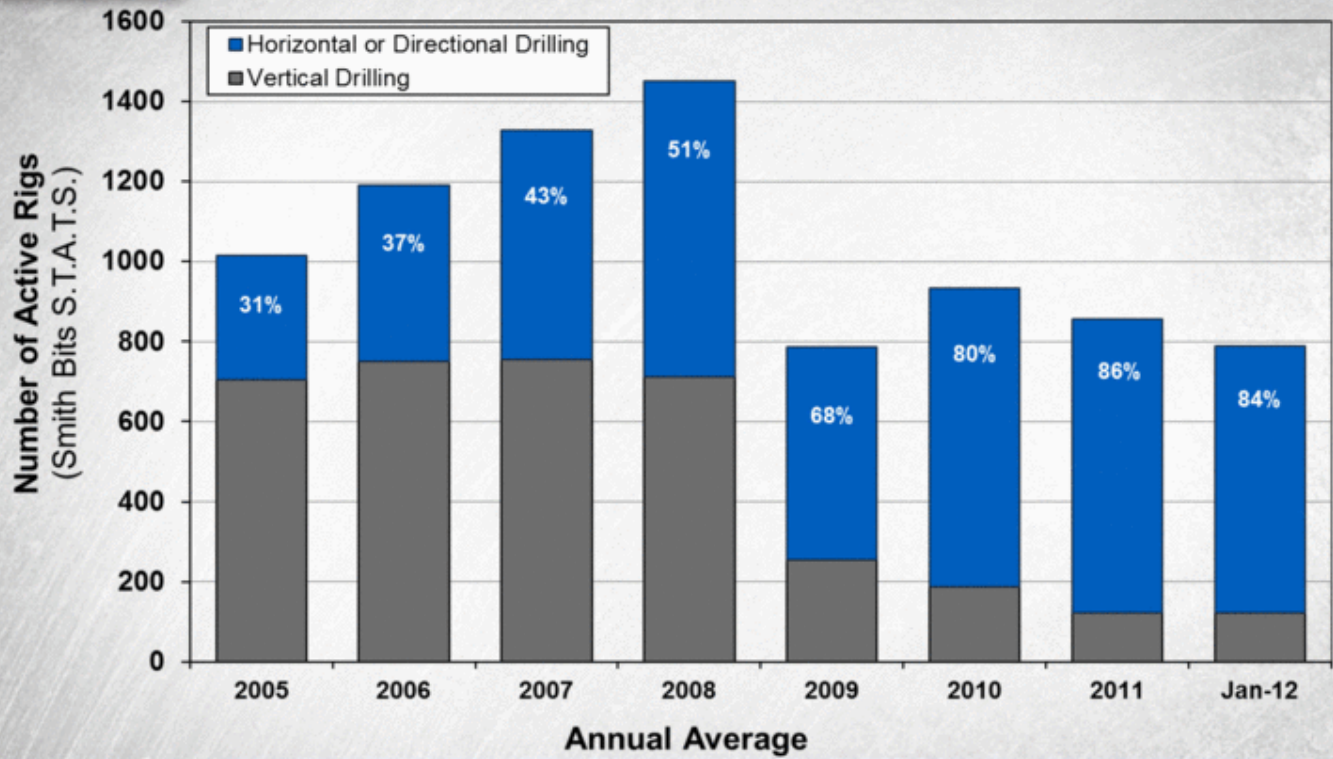
## Active Rigs in U.S. Land Drilling for Oil





# Increasing Focus on More Difficult Drilling

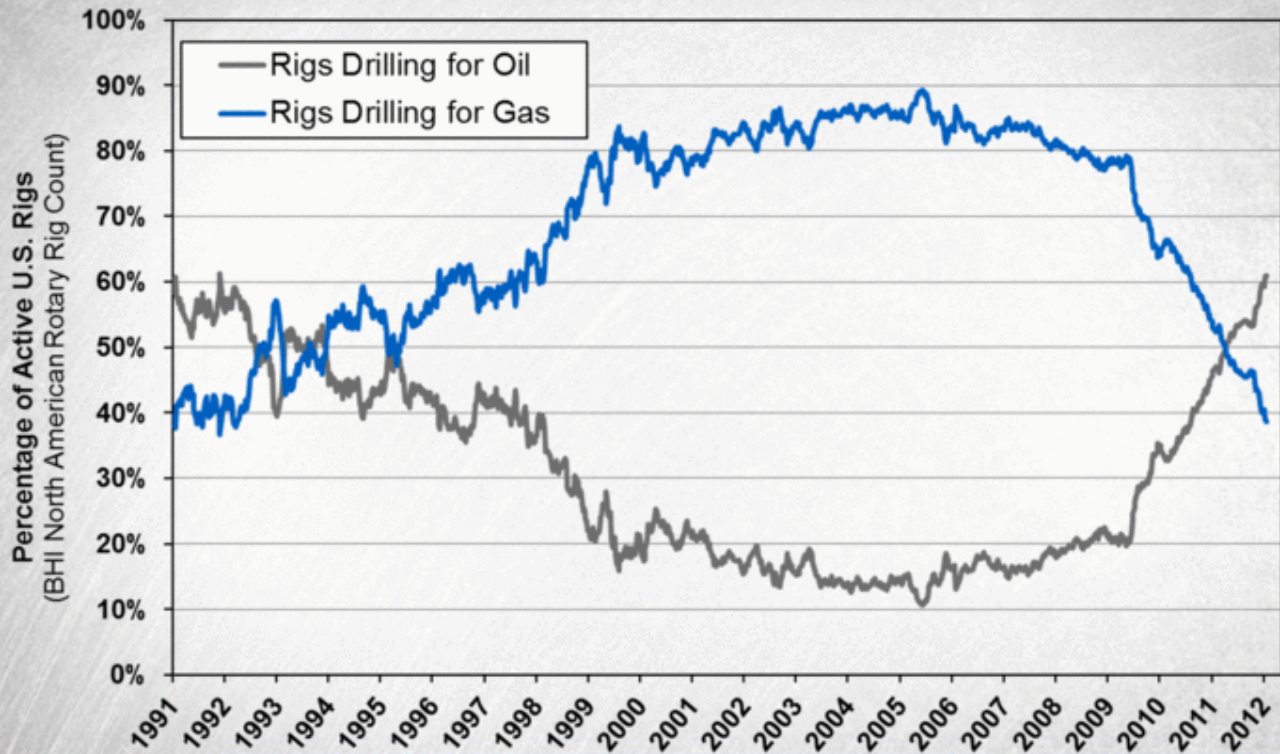
## Active Rigs in U.S. Land Drilling for Natural Gas





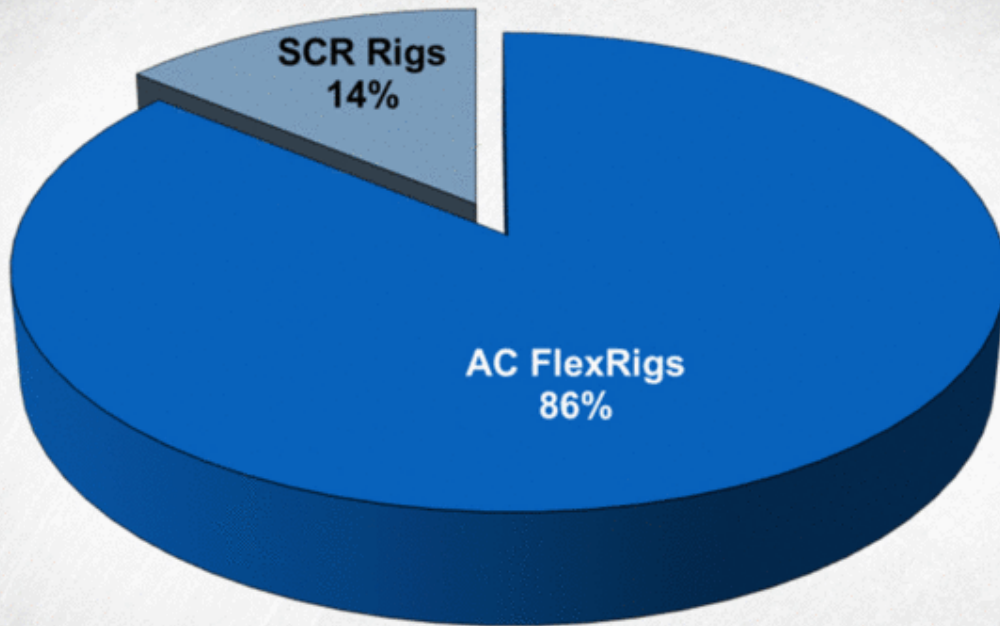
# Economics Shift Activity Towards Oil Drilling

## U.S. Rig Activity by Hydrocarbon Target





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

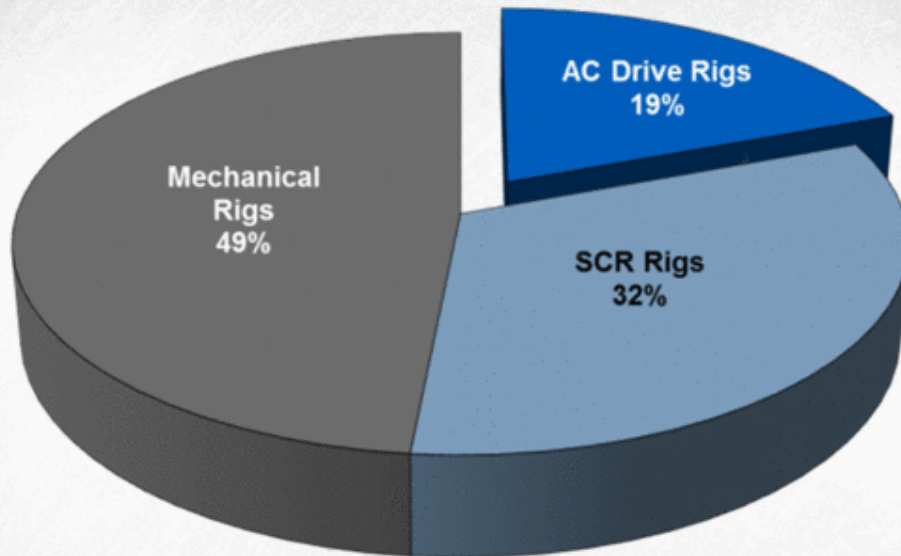


\* Includes New Build Commitments.





## 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.





# Customer Satisfaction Index

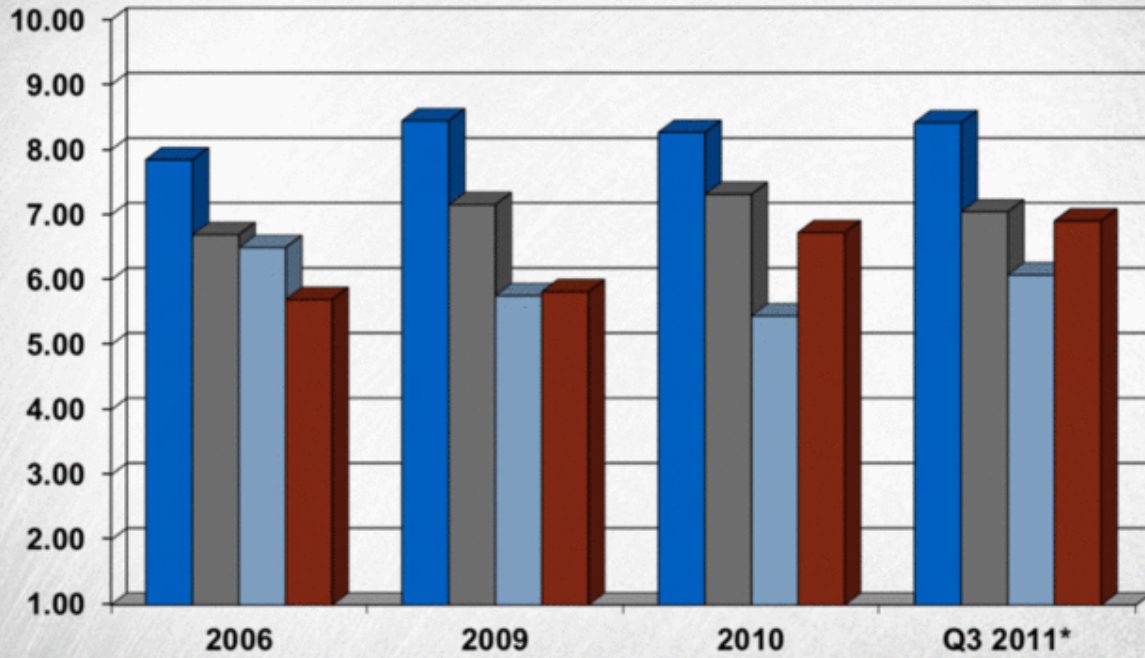
10 = "Highly Satisfied", 1 = "Highly Dissatisfied"

■ HP

■ Peer A

■ Peer B

■ Peer C



Source: EnergyPoint Research, Inc.

\* Trailing four quarters average





## 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







# Building a New FlexRig

**Lean Manufacturing**



**Processing Raw Materials**



**Fabricating New Structures**



**Commissioning / Delivery**



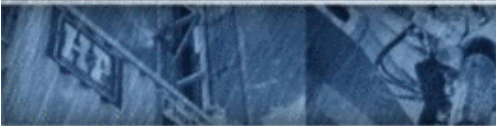
**Test Assembly and Outfitting**



**Unitizing Packages**



**New Electrical Systems**





# Driller on a Conventional Rig vs. FlexRig™





# Roughnecks on a Conventional Rig vs. FlexRig™





## 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 2011 (Spot Market)
1. Drilling days	20	11	9
Other days	3	3	3
Moving days	7	5	3.5
<i>Total rig revenue days per well</i>	<i>30</i>	<i>19</i>	<i>15.5</i>
2. Drilling contractor dayrate	\$17,500	\$23,000	\$26,000
Operator's other intangible cost per day estimate	\$25,000	\$25,000	\$25,000
<b>Total daily cost estimate</b>	<b>\$42,500</b>	<b>\$48,000</b>	<b>\$51,000</b>
<i>Total cost per well (daily services)</i>	<i>\$1,275,000</i>	<i>\$912,000</i>	<i>\$790,500</i>
3. Total well savings with H&P – per well	<b>\$484,500</b>	<b>\$121,500</b>	
per year	<b>\$11.4MM</b>	<b>\$2.9MM</b>	

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

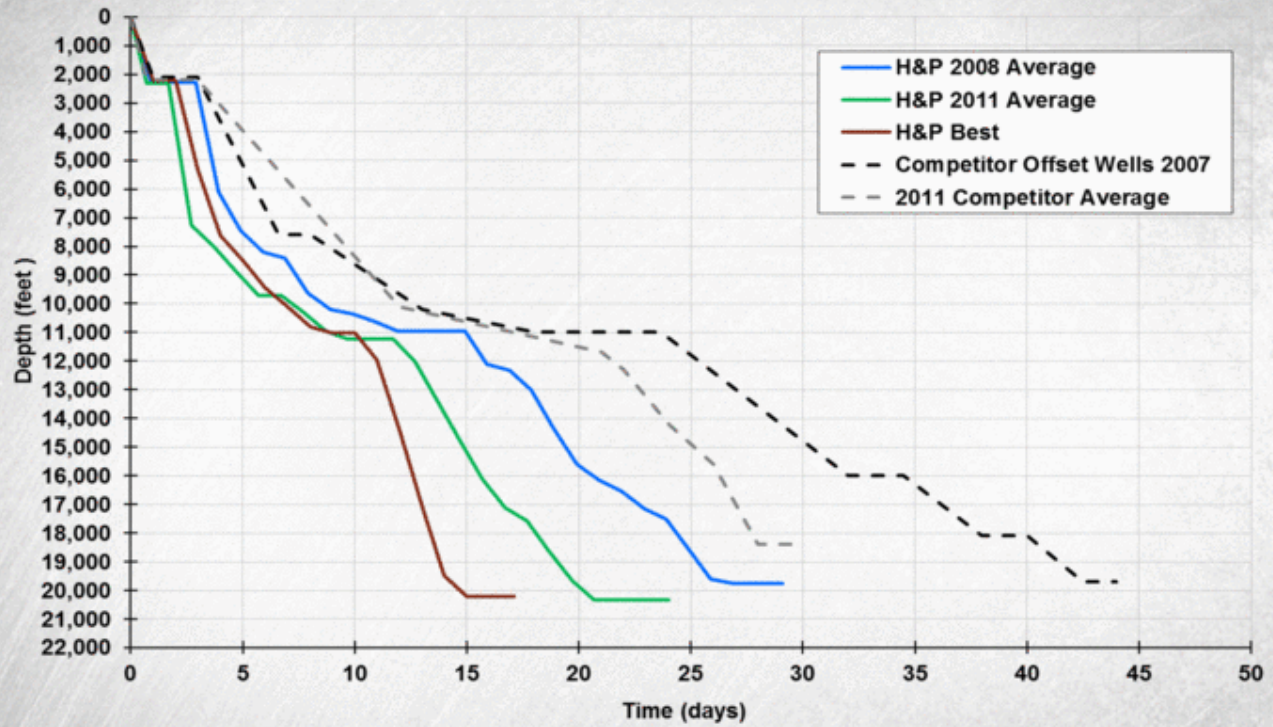
Increased wells per rig per year versus peer fit-for-purpose: 4 wells





# FlexRig3 – Performance Sample

FlexRig3 Bakken Shale



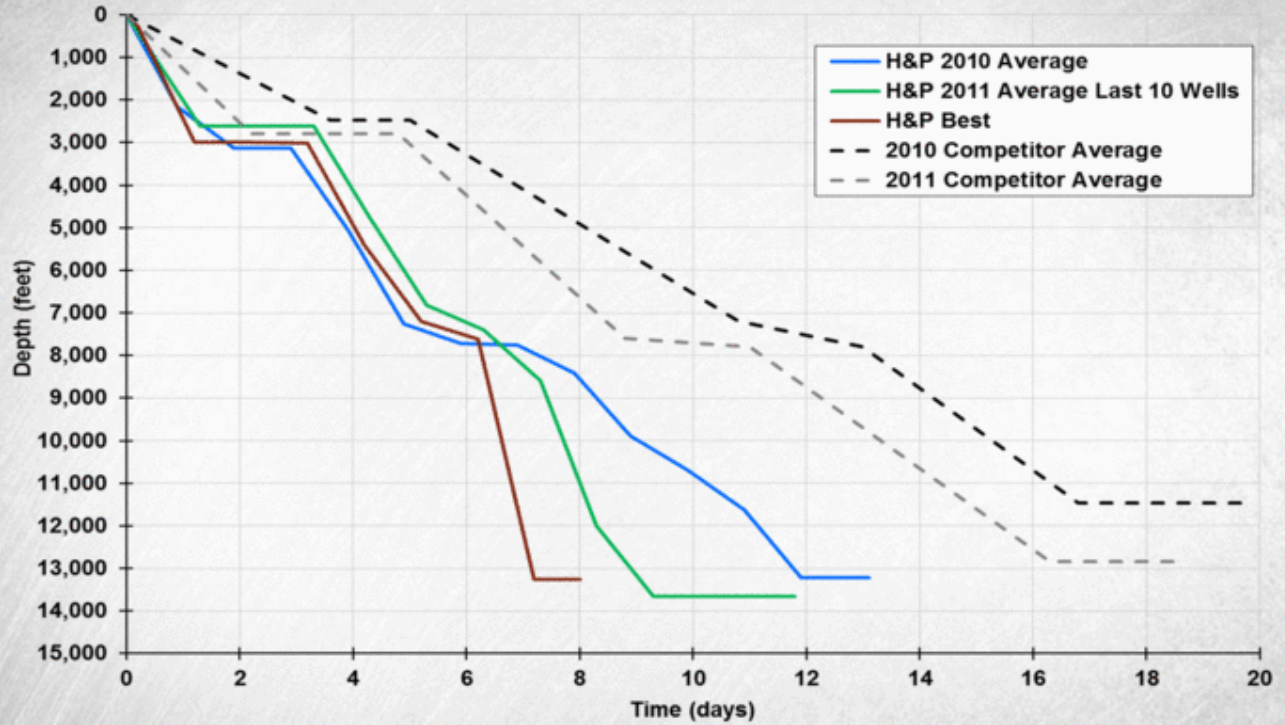
Note: Information from third party well database provider





# FlexRig3 – Performance Sample

FlexRig3 Eagle Ford Shale



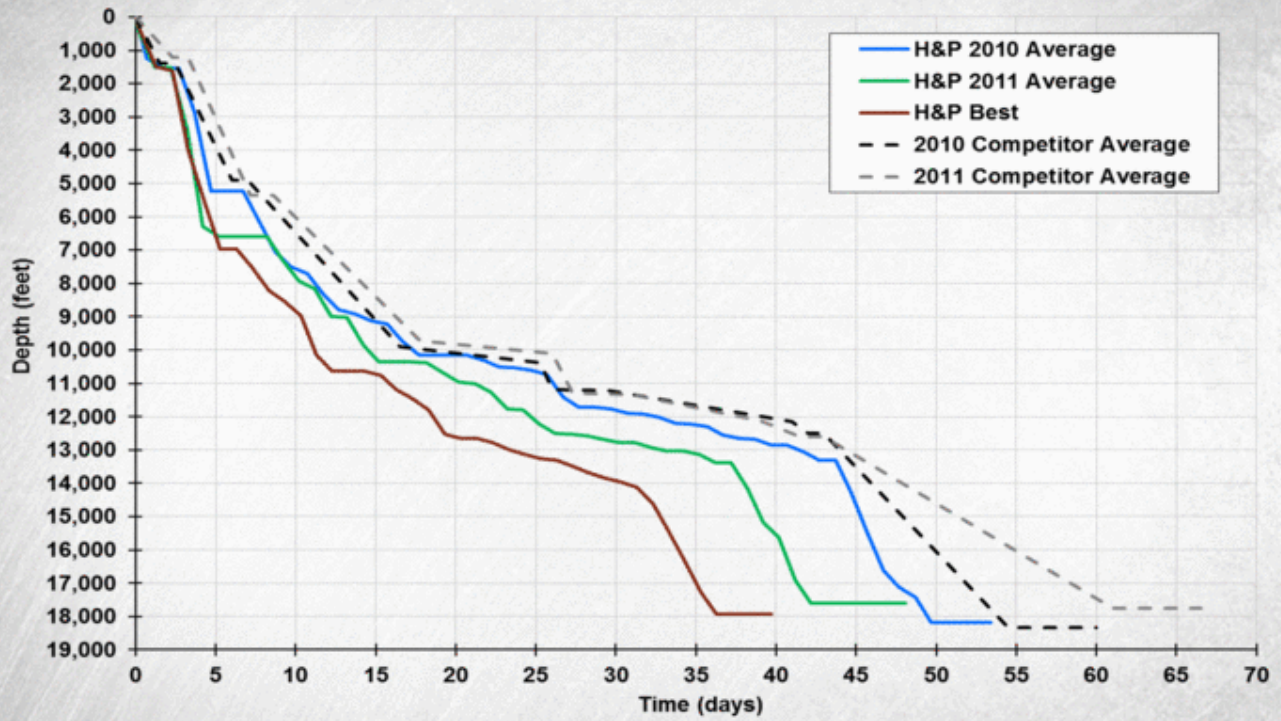
Note: Information from third party well database provider





# FlexRig3 – Performance Sample

FlexRig3 Cana Woodford Shale



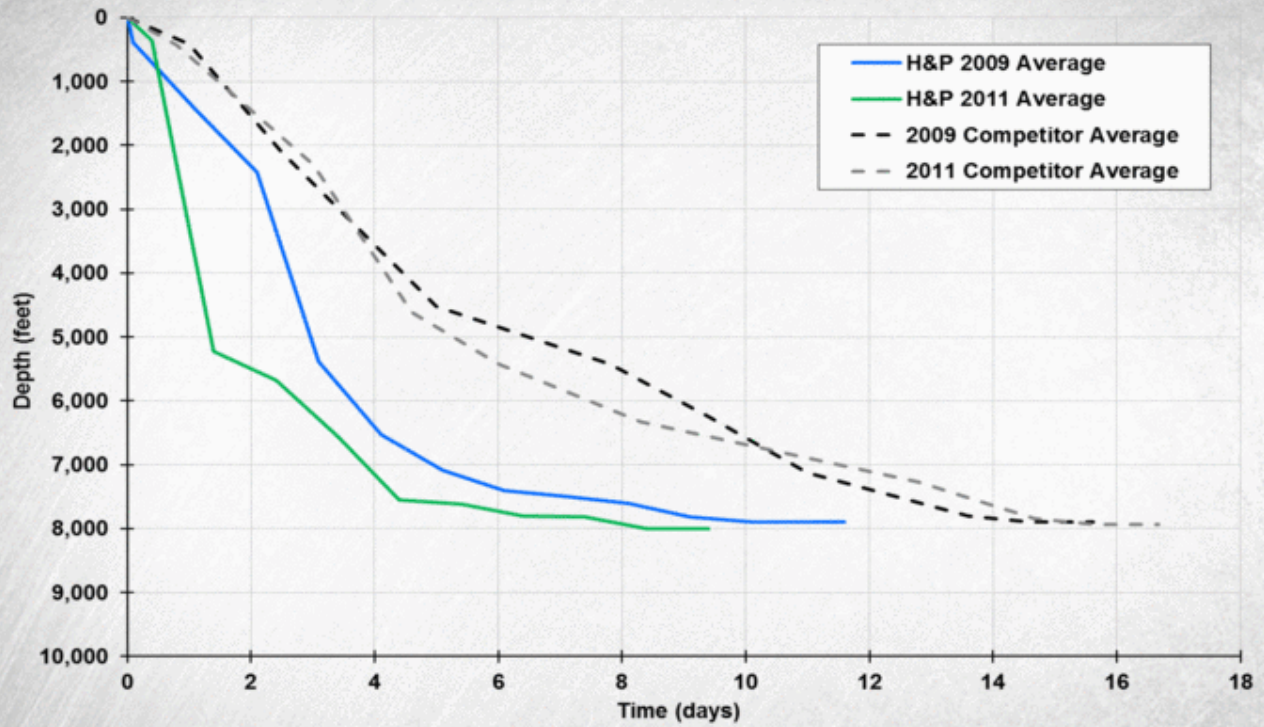
Note: Information from third party well database provider





# FlexRig4 – Performance Sample

FlexRig4 Permian Basin



Note: Information from third party well database provider

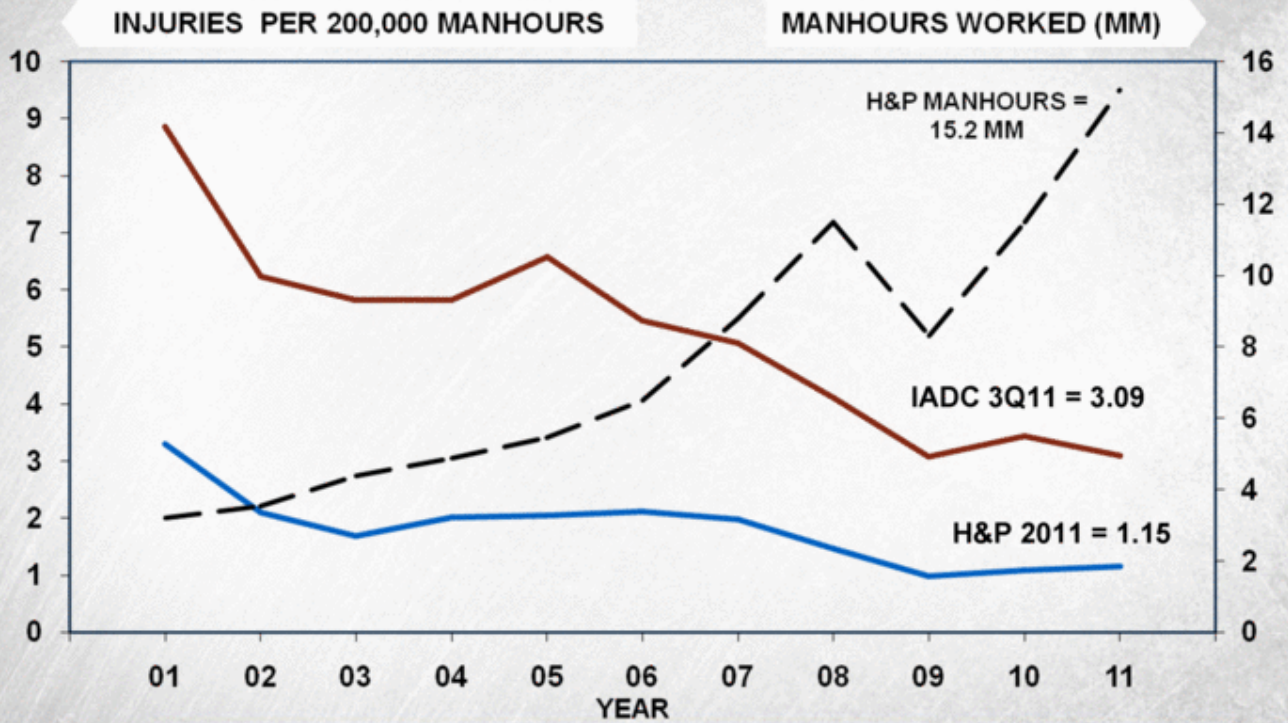






# Delivering Safety – H&P vs. Industry (IADC)

U.S. Land Safety Performance (1994 – 2011)  
OSHA Recordable Injury Incidence Rates

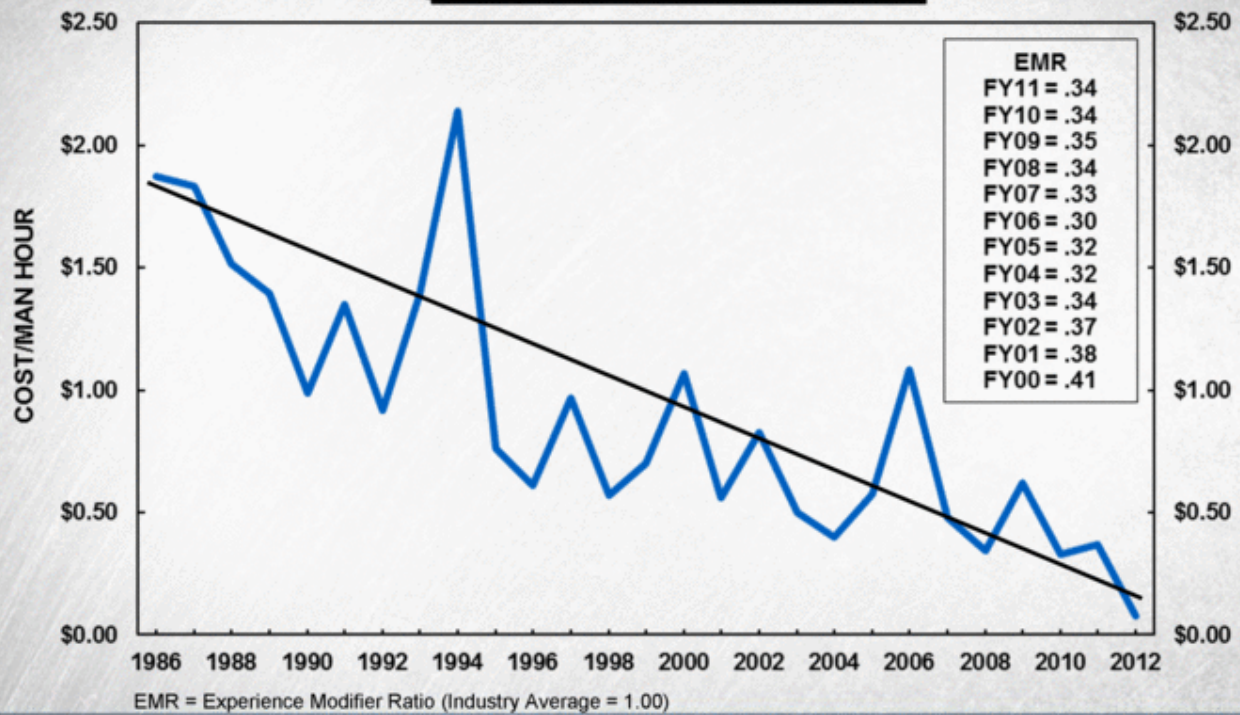




# Safety Excellence Also Generates Savings

Reduced Workers Comp and General Liability Losses per Man Hour

H&P Actual Cost Per Man Hour Worked  
U.S. Land & Offshore Operations





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