

# HELMERICH & PAYNE, INC.

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

Filed 12/07/16 for the Period Ending 12/07/16

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: **December 7, 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))
- 
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**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)

By: /s/ Jonathan M. Cinocca  
Name: Jonathan M. Cinocca  
Title: Corporate Secretary

DATE: December 7, 2016

**EXHIBIT INDEX**

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



**Helmerich & Payne, Inc.**  
Capital One Securities, Inc.  
2016 Energy Conference  
December 7, 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
- Most capable land drilling fleet
- Market share leader in the U.S.
- Robust term contract backlog
- Operational strategy focused on continued innovation, safety, performance excellence, reliability and customer satisfaction

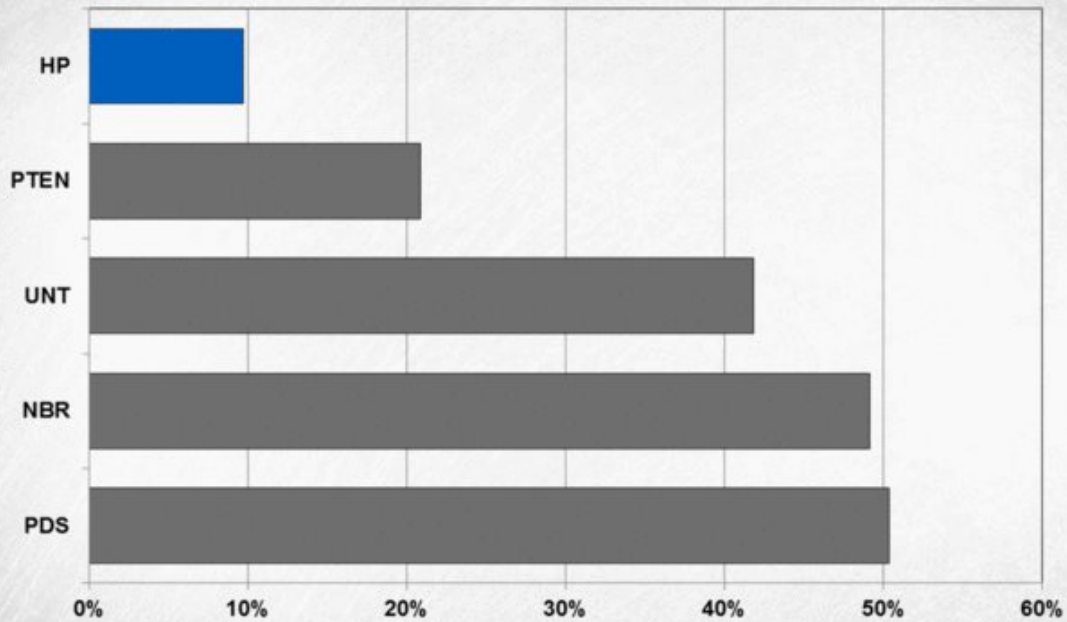




# H&P's Strong Balance Sheet

(As of September 30, 2016)

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



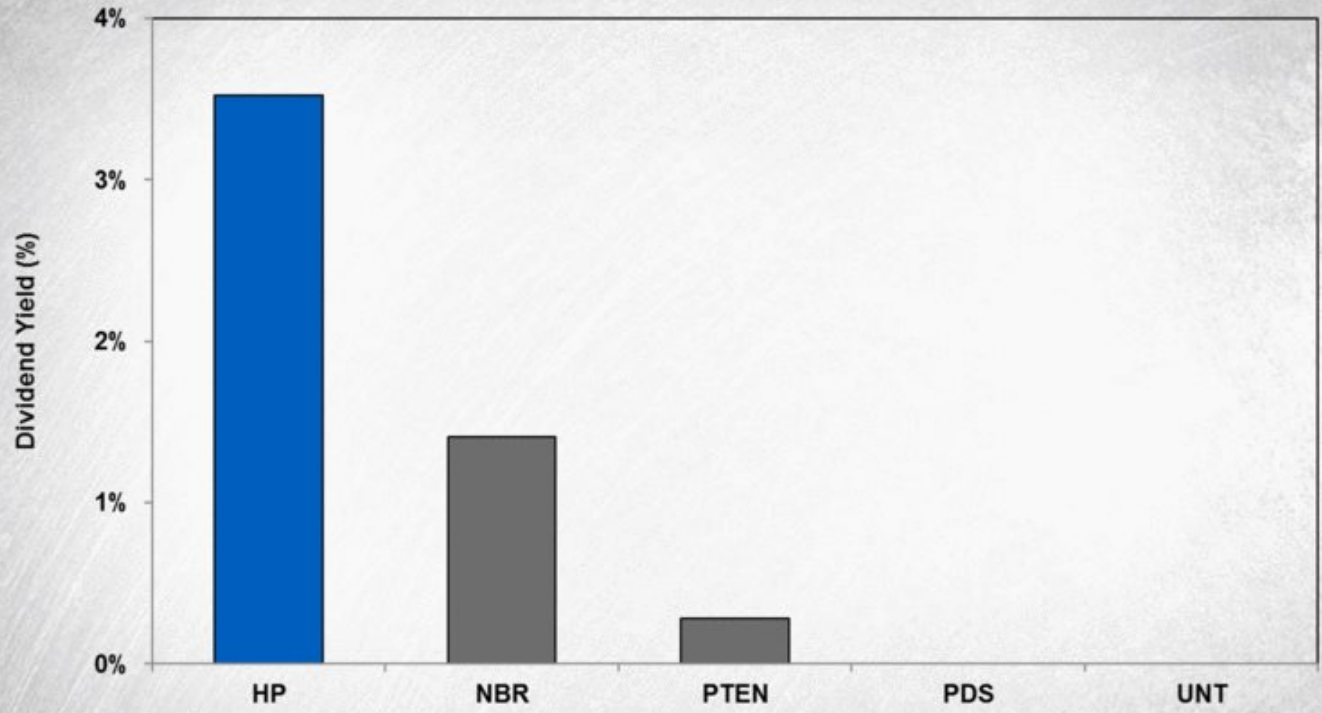
1. Total Capitalization is defined as Total Debt plus Shareholders' Equity.

Source: Company Filings.





# Current Dividend Yields



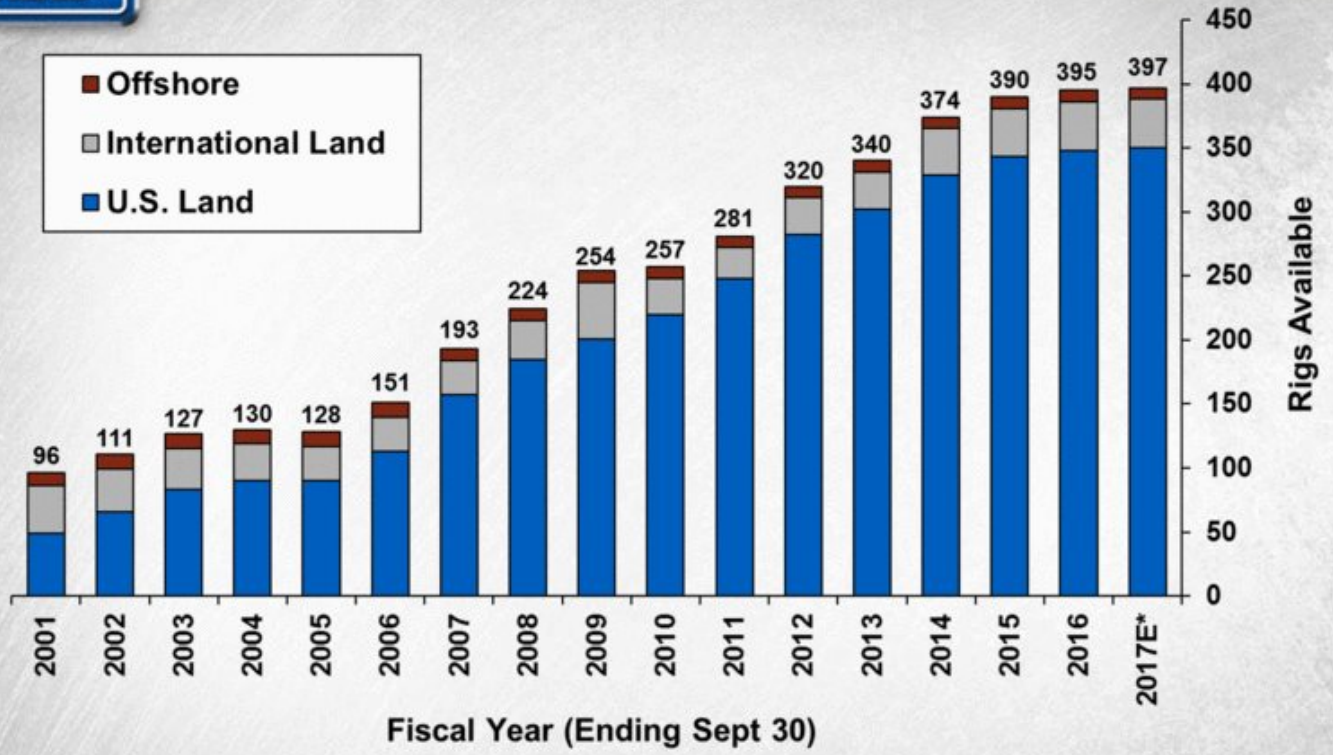
Source: Thomson Reuters. Yields calculated as of market close on December 2, 2016.







# H&P's Global Rig Fleet



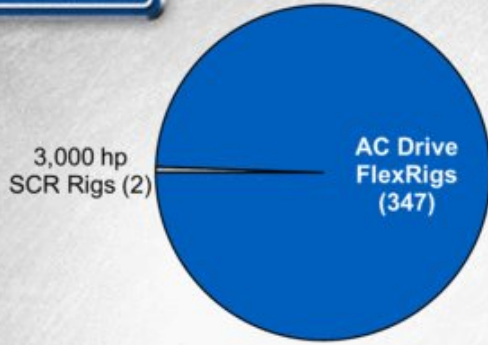
\* Estimates include existing rigs and announced new build commitments.



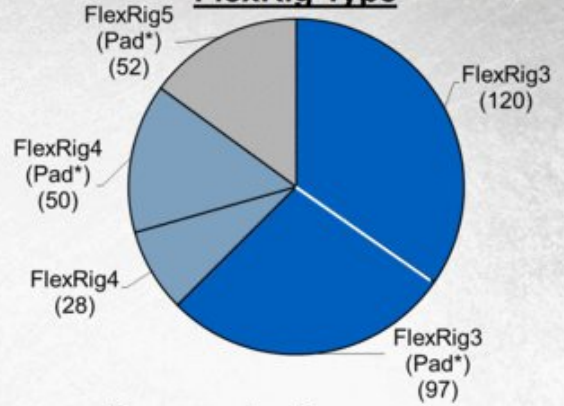


# H&P U.S. Land Fleet – Family of Solutions

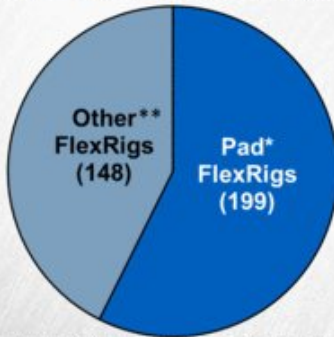
### Rig Power Type



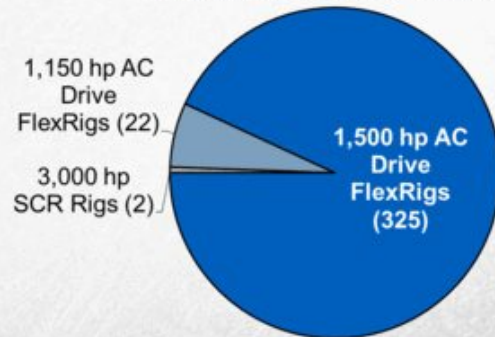
### FlexRig Type



### Pad\* AC Drive FlexRigs



### Drawworks Horsepower



\* Optimal for multiple-well pad drilling applications.

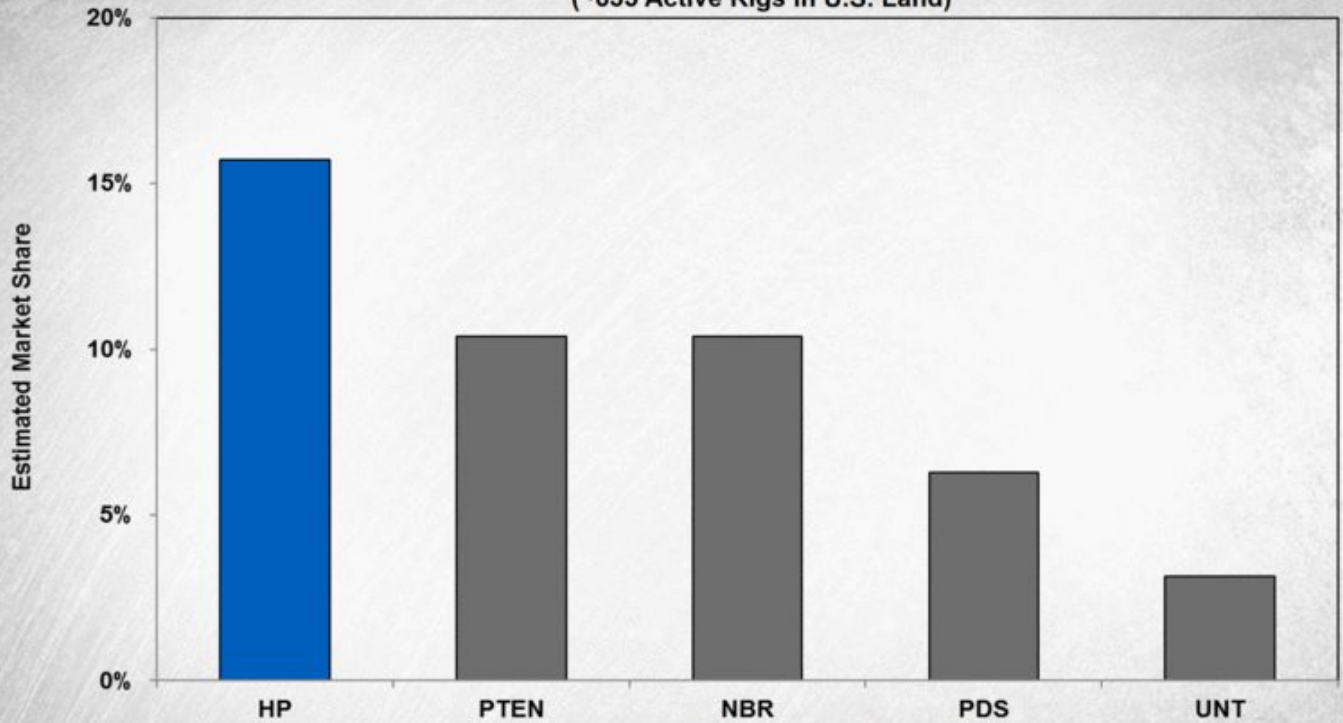
\*\* Approximately 120 FlexRig3s and 6 FlexRig4s of the 148 "Other FlexRigs" can be upgraded to Pad\* FlexRigs.





# U.S. Land Market Share Leader

As of December 2016  
(~635 Active Rigs in U.S. Land)



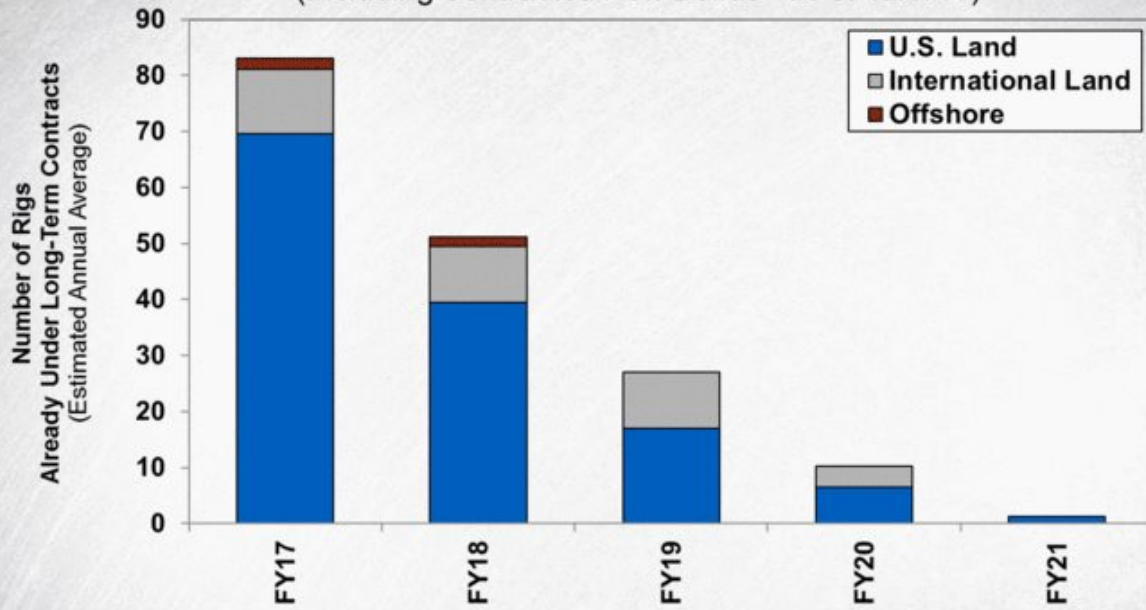
Note: The above estimates corresponding to market share are derived from Rig Data. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.





# H&P Global Fleet Under Term Contract

Term Contract Status - H&P Global Fleet\*  
(Including Contracted New Builds - as of 12/7/16)



\*The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 12/7/16. Given notifications as of 12/7/16, the Company expects to generate approximately \$9 million in the first fiscal quarter of 2017 and over \$30 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.





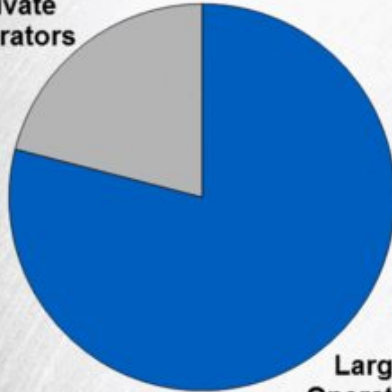
# H&P vs. Industry U.S. Land Customer Base

## H&P

U.S. Land Activity

Estimated Customer Distribution  
(December 2016)

Small &  
Private  
Operators



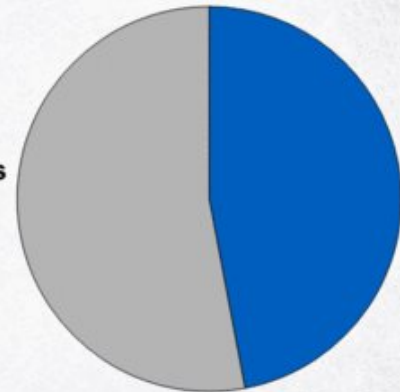
Large  
Operators

## Industry

U.S. Land Activity

Estimated Customer Distribution  
(December 2016)

Small &  
Private  
Operators



Large  
Operators

Note: The above estimates corresponding to the active rig fleet in the U.S. are derived from multiple sources including Rig Data. The category "Large Operators" includes majors and large independent E&P operators.





## U.S. Land Drilling Market Conditions



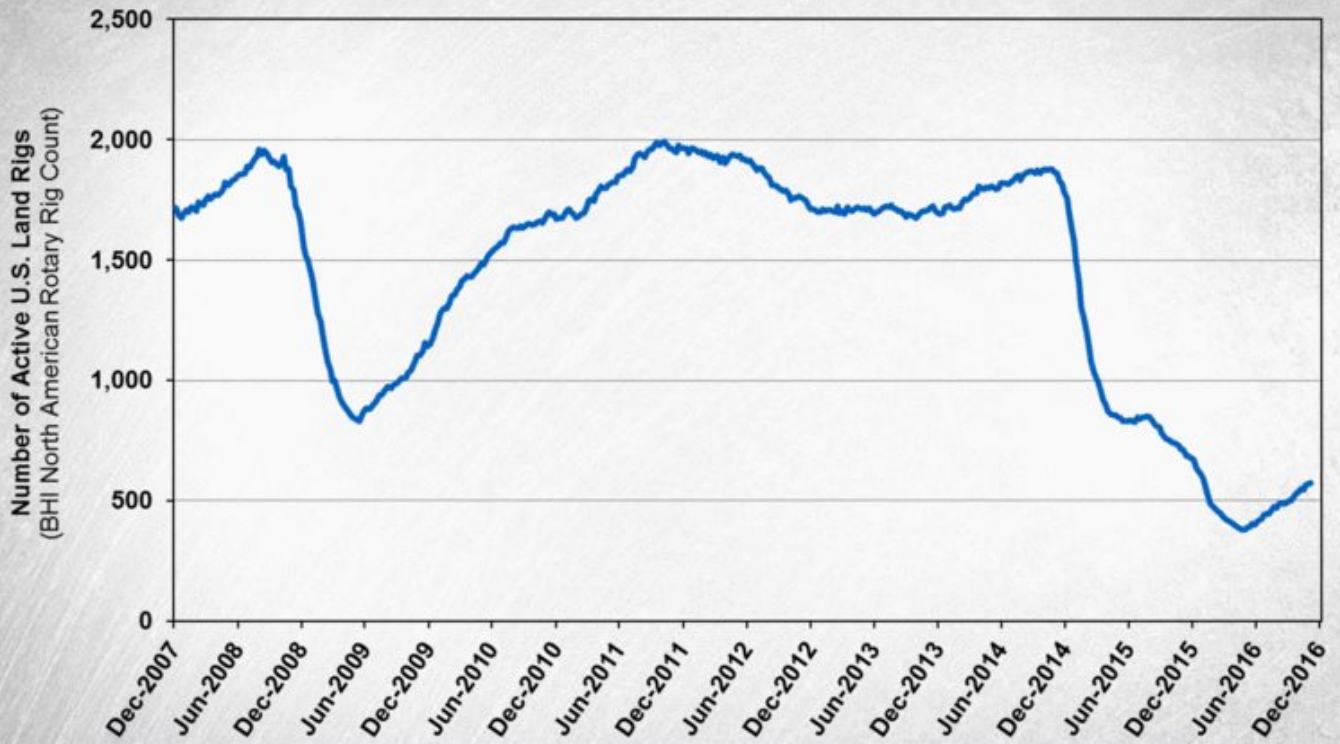
- The U.S. Land market is improving.
- Since the trough of activity in May, rigs have been reactivated across most basins, and the Permian is leading the recovery.
- Well designs are more challenging and complex with extended laterals requiring more hydraulic horsepower, drill string torque and greater capability.
- The industry's capacity to provide 1,500 horsepower AC drive rigs that have 7,500 psi circulating systems and multi-well pad drilling capability appears to be limited.





# Drilling Activity in the U.S.

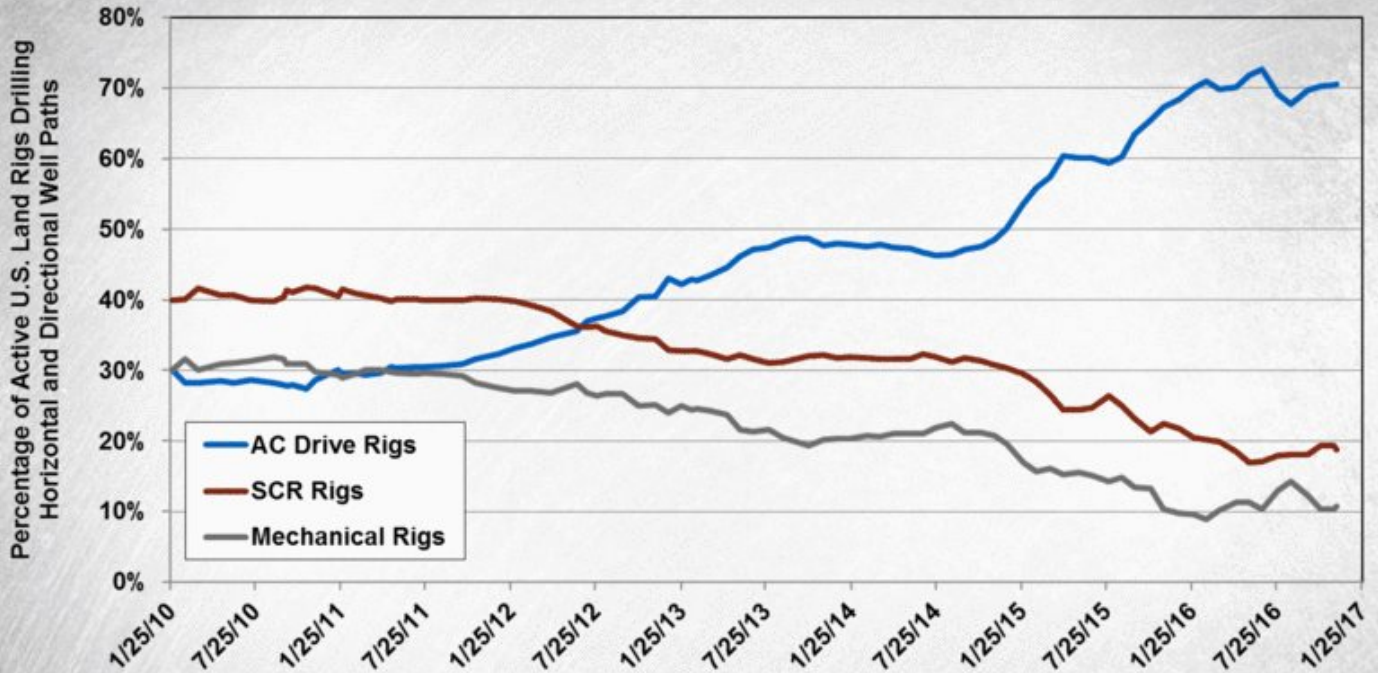
## BHI U.S. Land Rig Count





# U.S. Land Horizontal and Directional Activity

(As of December 2016)



Note: The above estimates corresponding to horizontal and directional rig activity by power type are derived from multiple sources including Rig Data 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.



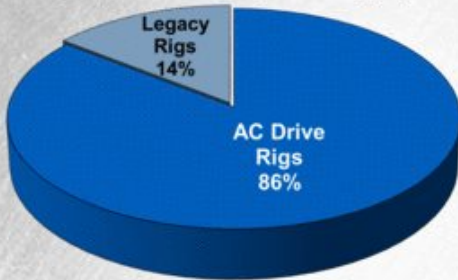




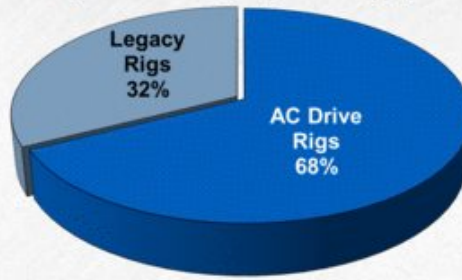
# The Replacement Cycle: Customer Adoption

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

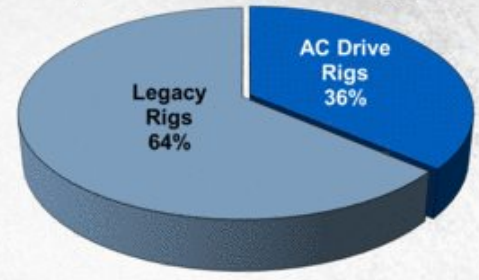
**Top 10 E&P Operators**  
(~140 Active Rigs by Power Type)



**Next ~90 E&P Operators**  
(~325 Active Rigs by Power Type)



**Remaining E&P Operators**  
(~170 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 ~22% of the industry's active drilling rigs.	They represent the next ~85 most active operators and employ ~51% of the industry's active drilling rigs.	They represent all other remaining active operators and employ ~27% of the industry's active drilling rigs.
~94% of their rigs are drilling horizontal or directional wells.	~94% of their rigs are drilling horizontal or directional wells.	~65% of their rigs are drilling horizontal or directional wells.
~12% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~27% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.	~33% of their rigs are drilling horizontal or directional wells with SCR or Mechanical rigs.

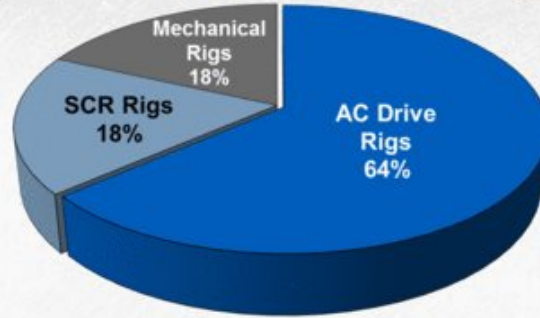
Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made in relation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



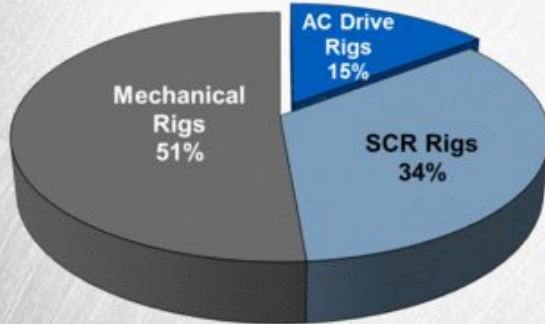


# The Replacement Cycle Continues

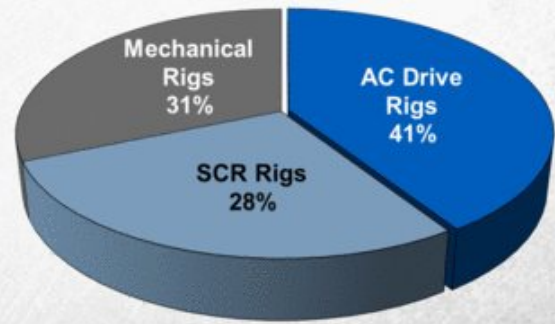
As of December 2016  
(~635 Active Rigs in U.S. Land By Power Type)



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)

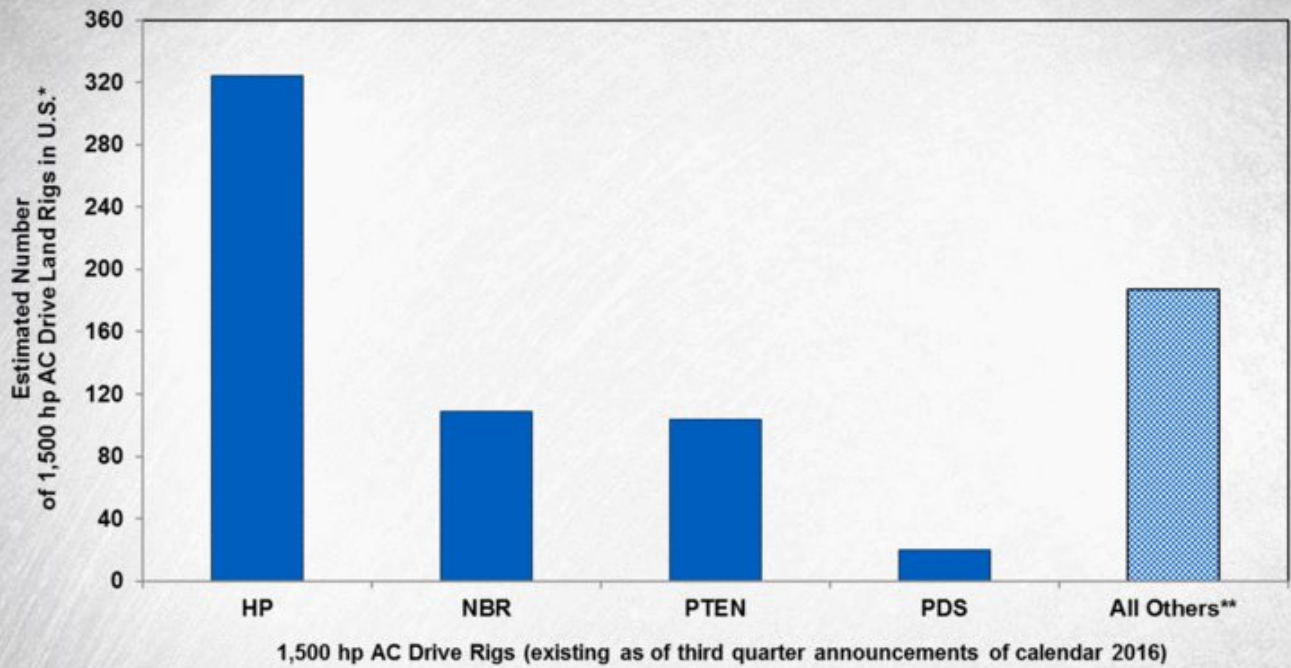


Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower. Certain assumptions were made in relation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





## H&P's Lead in U.S. Land 1,500 hp AC Drive Rigs



\* The above estimates corresponding to U.S. lower 48 1,500 hp AC Drive fleets are derived from Rig Data and corporate filings.

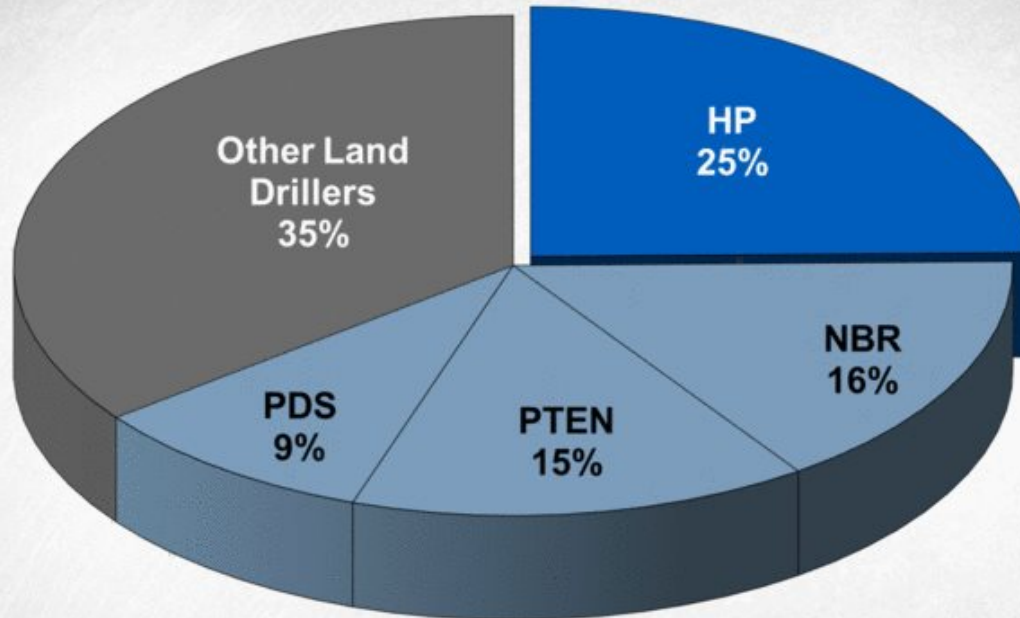
\*\* Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.





# Active AC Drive U.S. Rig Market Share

(~405 Rigs as of December 2016)



Note: The above estimates corresponding to rig activity are derived from multiple sources including Rig Data and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was greater than or equal to 600 horsepower.





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

- H&P's U.S. Land segment has approximately 117 contracted rigs generating revenue, including 115 rigs generating revenue days as of December 7, 2016 (~3% of the 115 rigs remain idle and on standby dayrates).
- Average FlexRig spot pricing remains down by more than 35%, as compared to spot pricing at the peak in November 2014.
- Spot pricing has stabilized and is beginning to improve.





## H&P Uniquely Positioned – “Family of Solutions”

- Positioned to take market share in a strong or moderate market recovery
- Uniquely leveraged to provide E&P companies the rig of choice
- Design of the FlexRig fleet allows for a broad range of rig upgrades





## H&P's Experience and Expertise

- Have the people, systems and the operational support structures to drive top performance and reliability
- Over 1,800 rig years of AC drive operational experience
- Expertise in designing, building and now upgrading the fleet provides great optionality for the customer





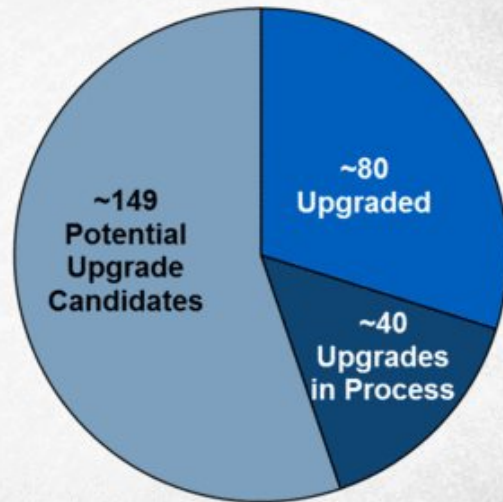
# H&P's U.S. Land Fleet Upgrade Potential

## H&P Rigs with Specifications in High Demand\*

**269 H&P U.S. Land FlexRigs  
Upgraded or Upgradeable to  
Rig Specifications in High Demand\***

### Rig Specifications in High Demand\*

- AC drive
- 1,500 hp drawworks
- 750K lbs. hookload
- Multi-well pad drilling capability
- 7,500 psi mud circulating systems



\* These combined high demand rig specifications meet the general criteria of what some industry followers have identified as "super-spec" rigs. Additional capabilities like a third mud pump, 25,000' setback and increased mud volume may also be important to meet customer requirements.

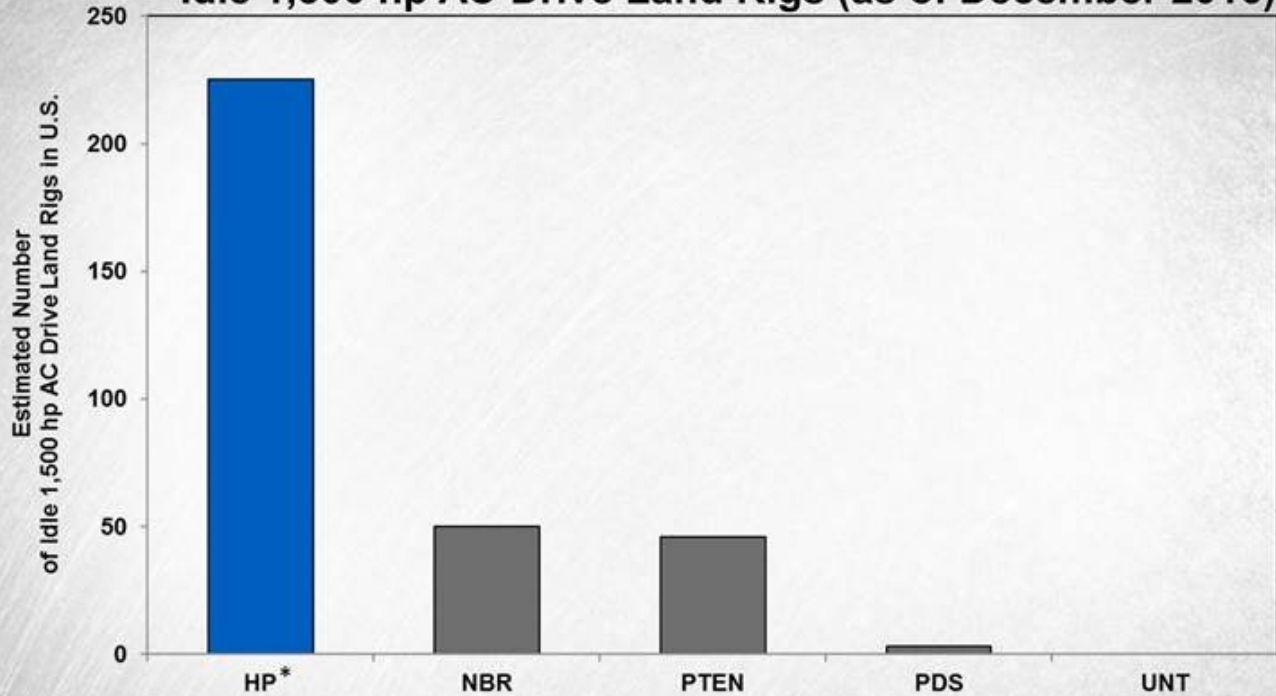






# H&P Very Well Positioned to Gain Share

## Idle 1,500 hp AC Drive Land Rigs (as of December 2016)



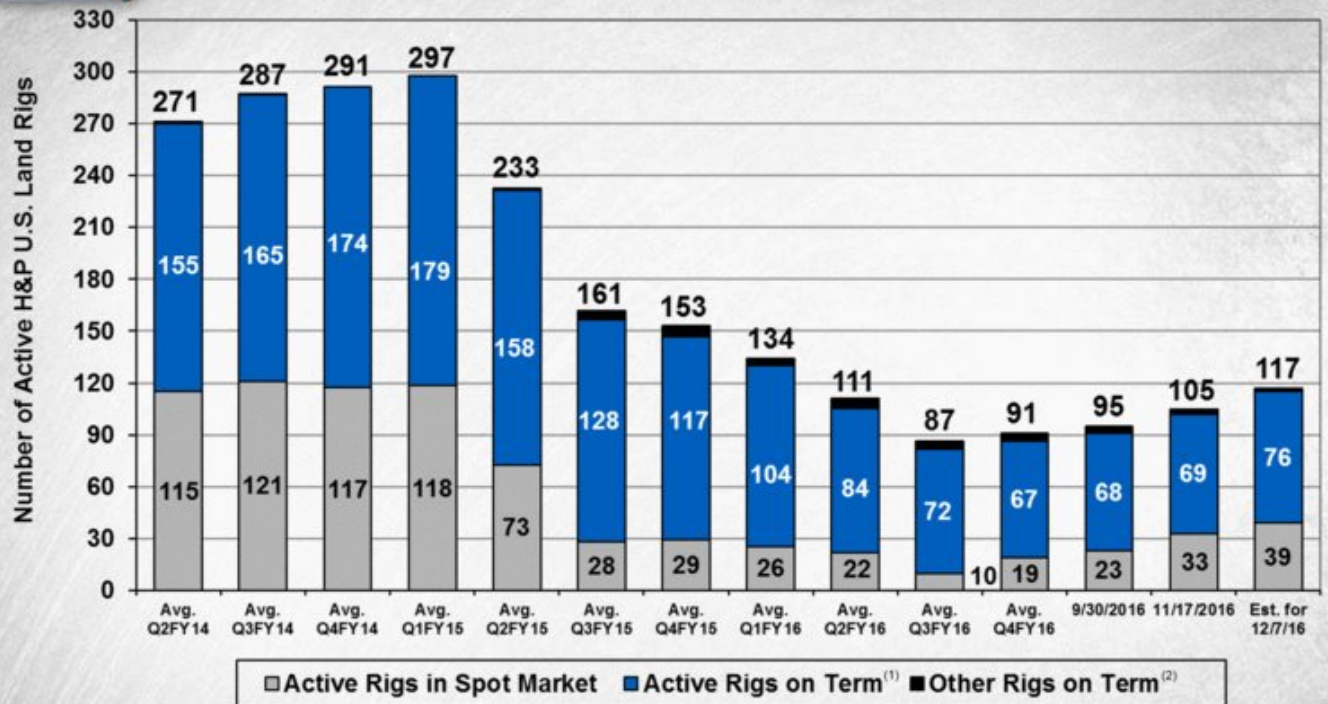
Note: The above estimates are derived from multiple sources including Rig Data and corporate filings.

\* Includes ~170 FlexRigs that have been or can be upgraded to what some industry followers refer to as "super-spec" rigs.





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



(1) Includes rigs on standby dayrates.

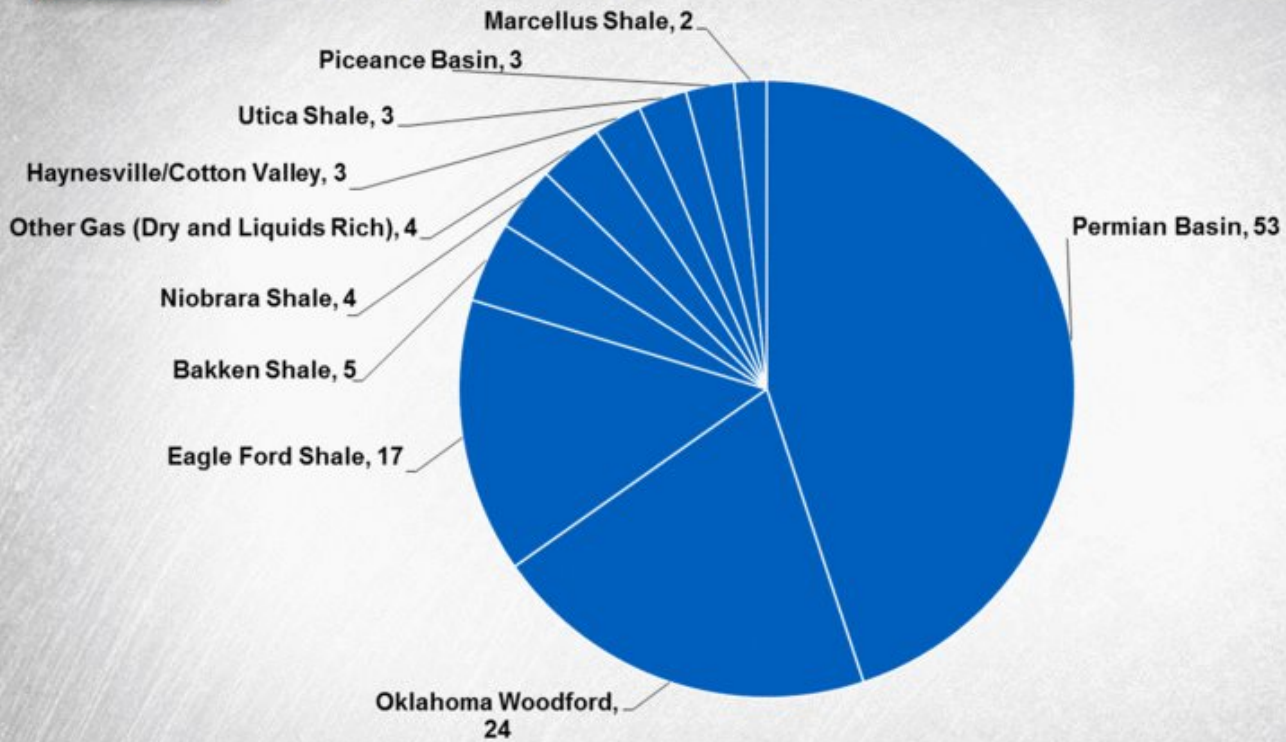
(2) Includes completed new builds pending delivery and not generating revenue days.





# Leading U.S. Unconventional Driller

(118 H&P Contracted Land Rigs as of 12/7/16\*)



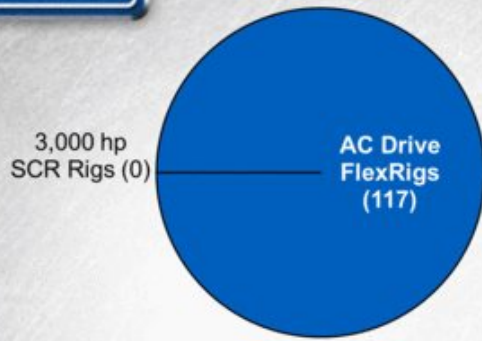
\* Includes 1 announced new FlexRigs with customer commitments scheduled for delivery in calendar 2016.



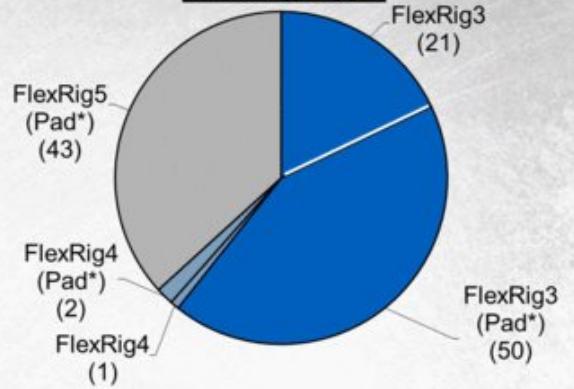


# H&P U.S. Land Fleet (Contracted Rigs as of 12/7/16)

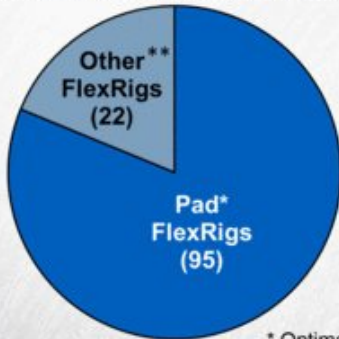
### Rig Power Type



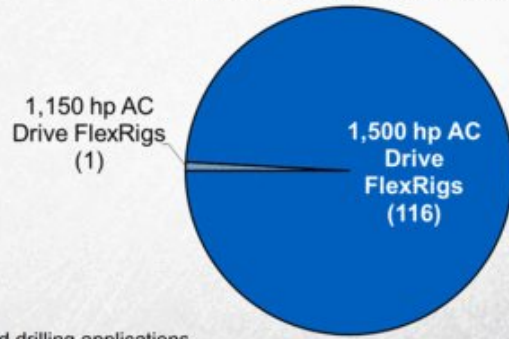
### FlexRig Type



### Pad\* AC Drive FlexRigs



### Drawworks Horsepower



\* Optimal for multiple-well pad drilling applications.

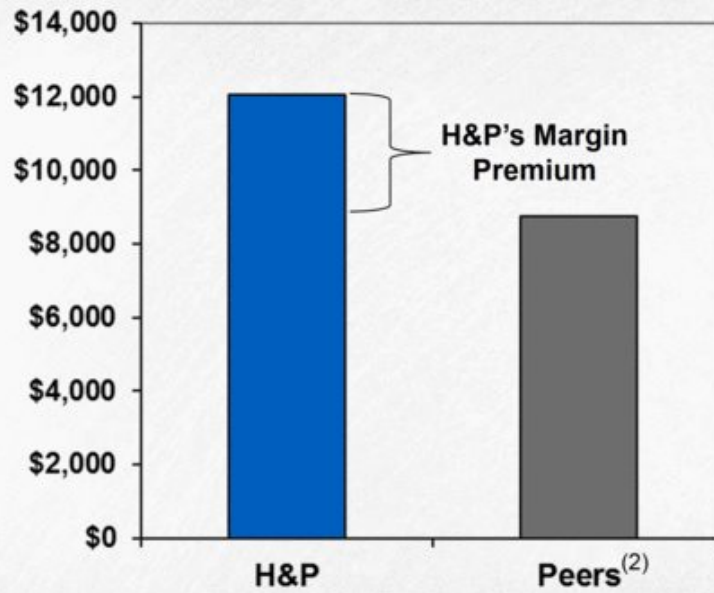
\*\* Most of the "Other FlexRigs" can be upgraded to Pad\* FlexRigs.





# Technology & Quality Service Make a Difference

Average U.S. Land Rig Margin per Day <sup>(1)</sup>  
(12 Months Ended September 30, 2016)



(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.





# 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**





## Ongoing U.S. Land Market Trends

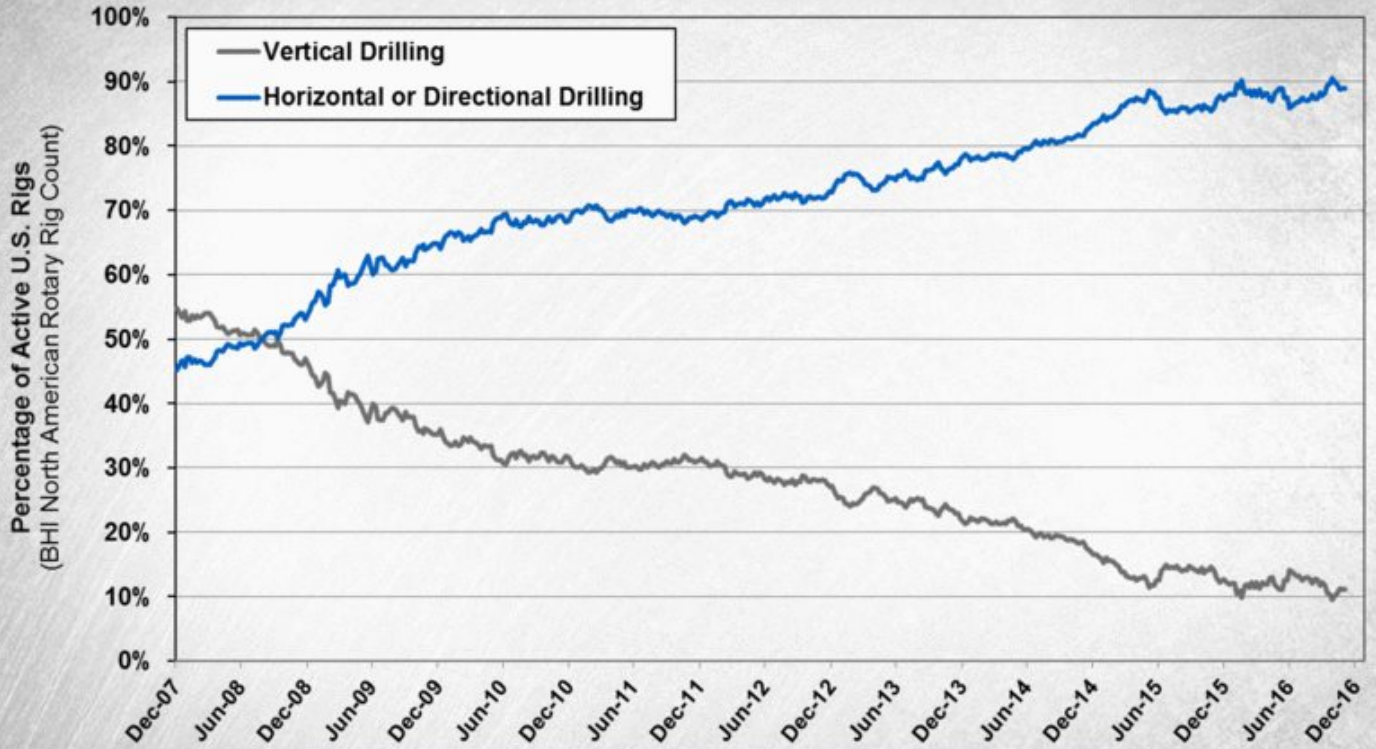
- Unconventional plays continue to shape the landscape.
- Well designs are increasingly complex, including longer laterals and more challenging drilling requirements.
- Customers continue to focus on safety, efficiency, technology, and reliable drilling performance.
- AC drive rigs are best suited and continue to be upgraded for more demanding drilling requirements.
- The replacement cycle is expected to continue.





# Increasing Focus on More Difficult Drilling

## U.S. Rig Activity by Drilling Type







## Center of Excellence – Tulsa, OK

24/7 Technical and Performance Solutions:



- **Support Structure**
- **Data Analysis**
- **Best Practices**





## H&P's Long Term Strategy

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





## Additional References





# First Fiscal Quarter H&P Outlook

(As of November 17, 2016)

## Drilling Operations Outlook for 1Q of Fiscal 2017 Compared to 4Q of Fiscal 2016

- U.S. Land Segment
  - Revenue days expected to increase by roughly 20%
  - Average rig revenue per day expected to be roughly \$23,500 (excluding the impact from early termination revenue)
  - Average rig expense per day expected to be roughly \$14,200
- Offshore Segment
  - Revenue days expected to be unchanged
  - Average rig margin per day expected to be approximately \$11,250
- International Land Segment
  - Revenue days expected to decrease by approximately 5%
  - Average rig margin per day expected to be roughly \$8,000

## Other Estimates (for Fiscal 2017)

- Depreciation expense expected to decrease to approximately \$525 million
- General and Administrative expenses expected to decrease to approximately \$140 million





## Estimated H&P Activity as of December 7, 2016

	<u>Rigs Available</u>	<u>Rigs Working/ Contracted</u>	<u>% Contracted</u>
<b>U.S. Land</b>	<b>349</b>	<b>117</b>	<b>34%</b>
AC Drive FlexRigs	347 <sup>(1)</sup>	117 <sup>(2)</sup>	34%
SCR Fleet	2	0	0%
<b>Offshore</b>	<b>9</b>	<b>7</b>	<b>78%</b>
<b>International Land</b>	<b><u>38</u></b>	<b><u>14</u></b>	<b><u>37%</u></b>
<b>Total</b>	<b>396</b>	<b>138</b>	<b>35%</b>
<b>FlexRig Construction<sup>(3)</sup></b>	<b>1</b>		
<b>Total Fleet</b>	<b>397</b>		

(1) 57% are FlexRigs that are optimal for multiple-well pad drilling applications.

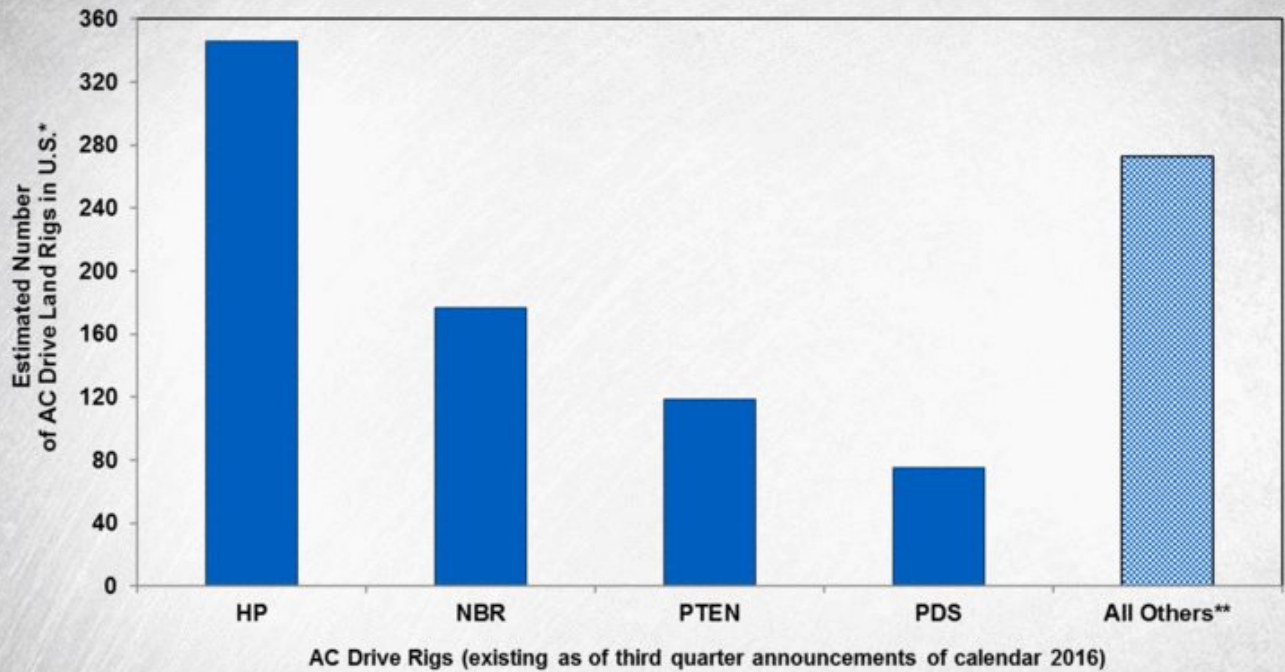
(2) 81% are FlexRigs that are optimal for multiple-well pad drilling applications.

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





# 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.

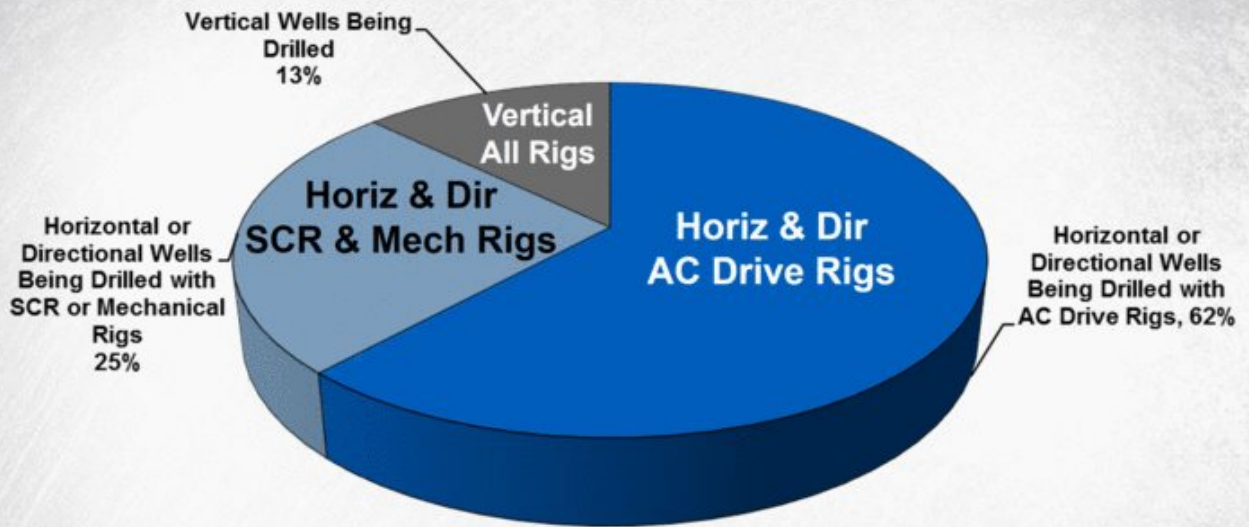
\*\* Estimated number of all other available AC Drive rigs not including those owned by HP, NBR, PTEN, and PDS.





# U.S. Activity by Well and Rig Type

~635 Active U.S. Land Rigs (December 2016)



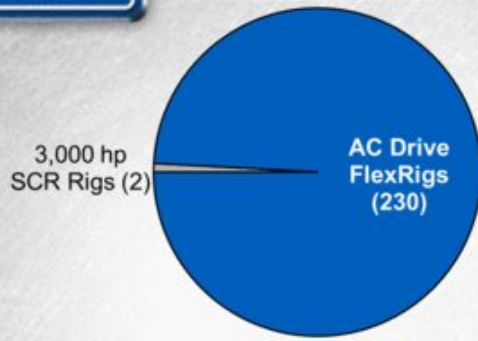
Note: The above estimates corresponding to rig activity and rig type are derived from multiple sources including Rig Data and corporate filings. Additionally, the drawworks capacity of each land rig included in the above analysis was equal to or greater than 600 horsepower.



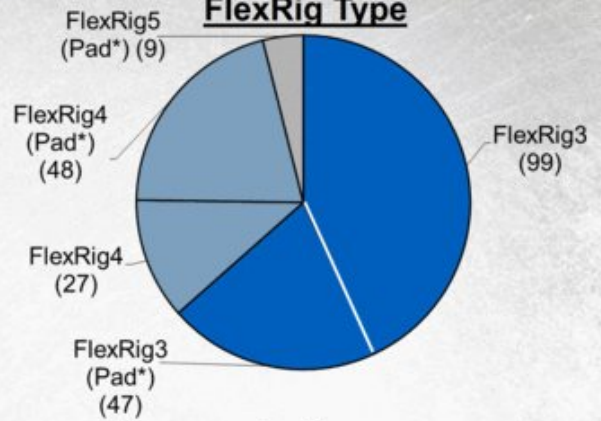


# H&P U.S. Land Fleet (Idle Rigs as of 12/7/16)

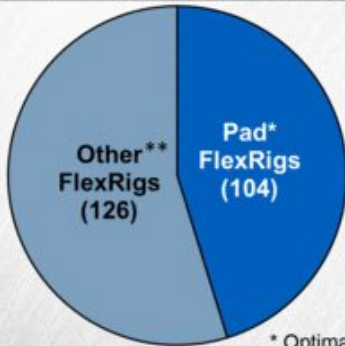
### Rig Power Type



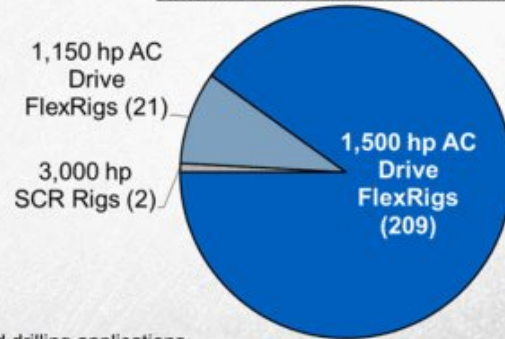
### FlexRig Type



### Pad\* AC Drive FlexRigs



### Drawworks Horsepower



\* Optimal for multiple-well pad drilling applications.

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







# H&P's International Land Operations

Rig Fleet Status (as of December 7, 2016)

	Contracted	Idle	Total	Long-term Contracts <sup>(1)</sup>
Argentina	11	8	19	10 <sup>(2)</sup>
Bahrain	1	2	3	
Colombia	2	6	8	1
Ecuador		6	6	
U.A.E.		2	2	
<b>Total</b>	<b>14</b>	<b>24</b>	<b>38</b>	<b>11<sup>(3)</sup></b>

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

(2) Some of the 10 contracted rigs in Argentina are on standby dayrates.

(3) 10 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 12/7/16)

Segment	Q1 FY17	Q2 FY17	Q3 FY17	Q4 FY17	Q1 FY18	Q2 FY18	Q3 FY18
U.S. Land	70.3	76.6	71.3	60.5	53.6	41.9	34.5
International Land	12.7	12.0	11.0	10.0	10.0	10.0	10.0
Offshore	2.0	2.0	2.0	2.0	2.0	2.0	1.9
<b>Total</b>	<b>85.0</b>	<b>90.6</b>	<b>84.3</b>	<b>72.5</b>	<b>65.6</b>	<b>53.9</b>	<b>46.4</b>

\* The above term contract coverage excludes long-term contracts for which the Company received early contract termination notifications as of 12/7/16. Given notifications as of 12/7/16, the Company expects to generate approximately \$9 million in the first fiscal quarter of 2017 and over \$30 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.





# 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**





# 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

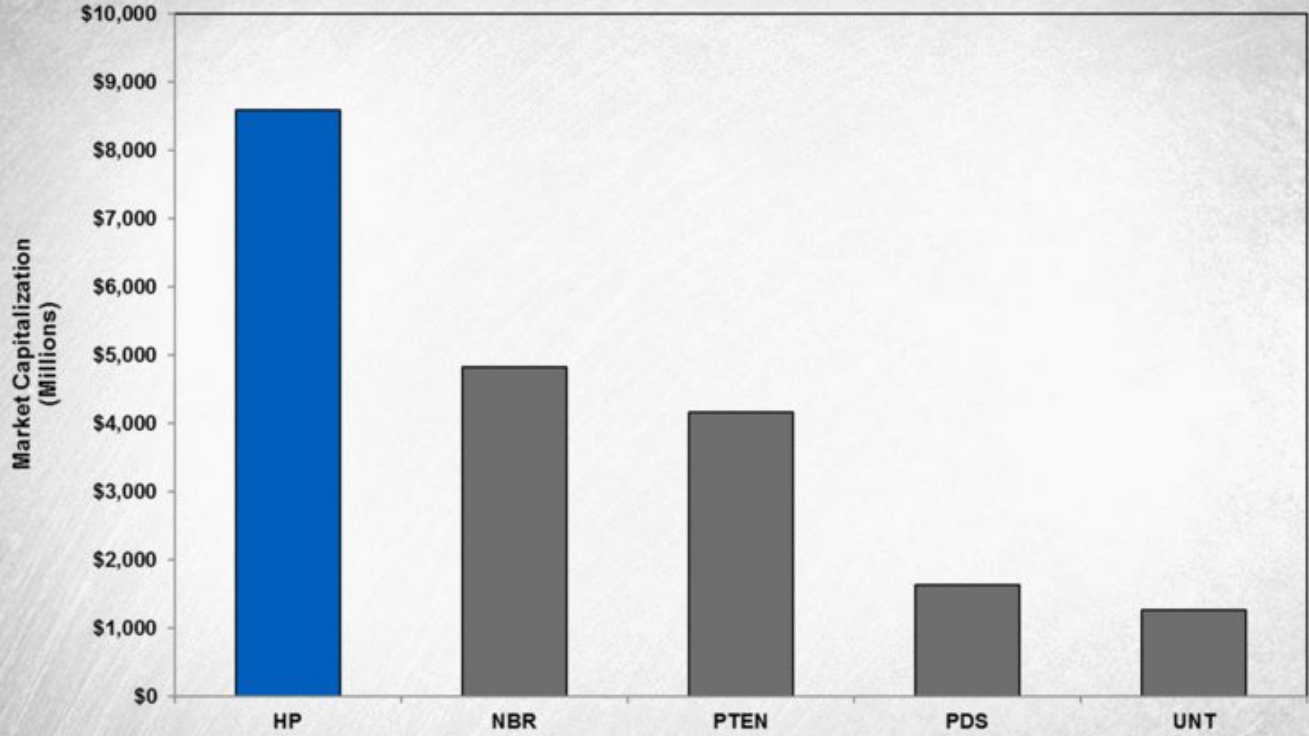


Source: Thomson Reuters as of December 2, 2016.





# Land Drilling Market Valuations

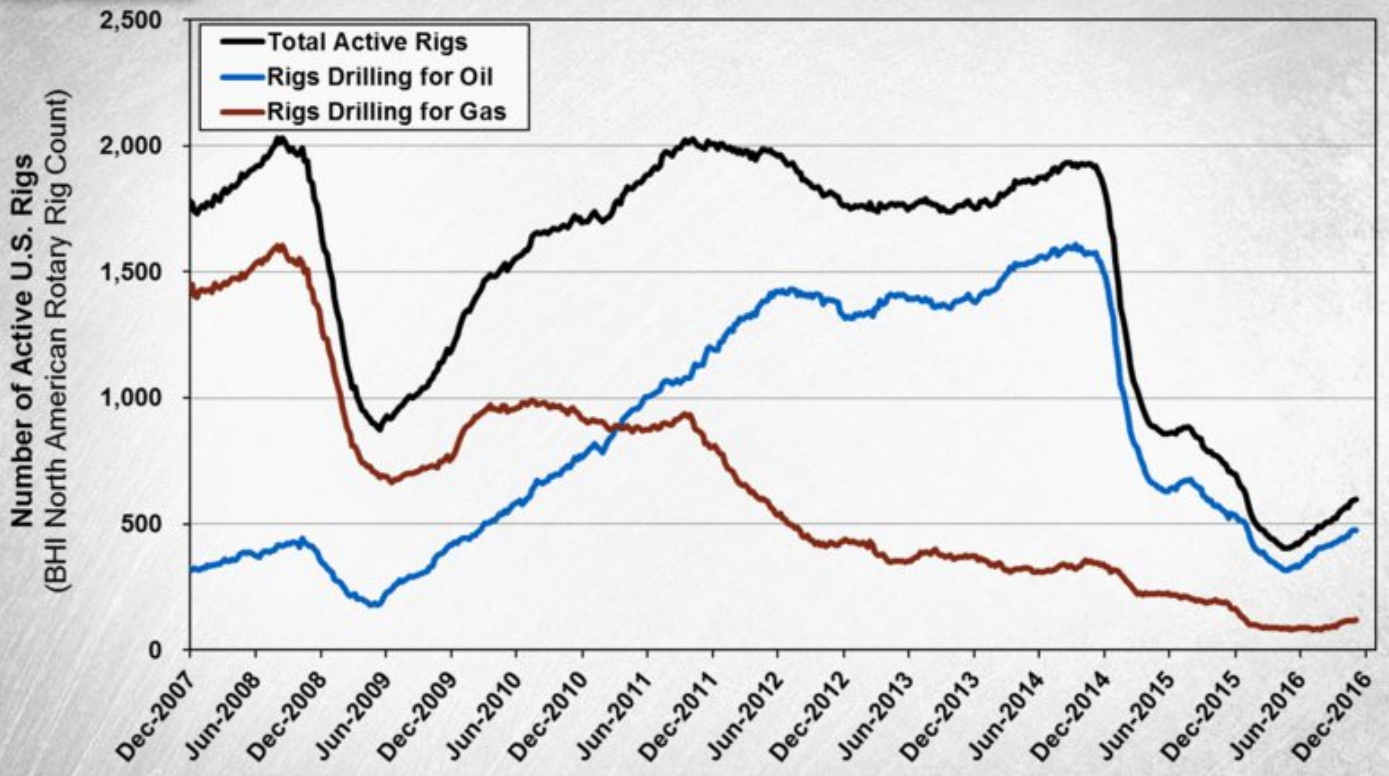


Source: Thomson Reuters as of December 2, 2016.



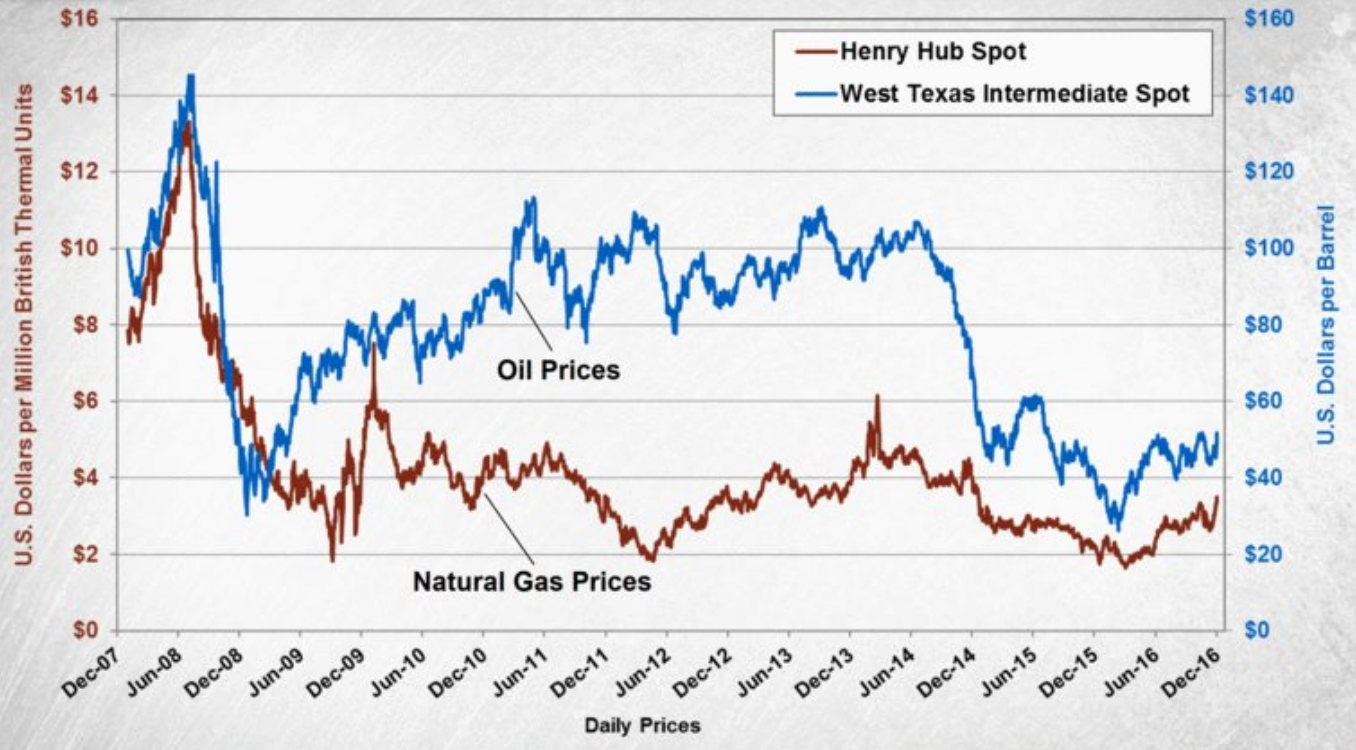


# Oil vs. Natural Gas Directed Rig Count





# Oil and Natural Gas Prices



Source: Energy Information Administration and Thomson Reuters.

