

Helmerich to step down as CEO

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Hans Helmerich

TULSA – Hans Helmerich believes the best days are ahead for Helmerich & Payne Inc.

“I believe we are in the early stages of the game; we are not even to halftime in terms of where the company is headed,” Helmerich said in an interview Wednesday.

Helmerich announced on Wednesday he will retire and step down as CEO of the Tulsa-based company following the conclusion of the annual stockholders meeting on March 5, 2014.

Helmerich will mark 25 years at the helm of the international drilling contractor. He will remain chairman of the board of directors.

Taking over will be John W. Lindsay, who is the president and chief operating officer. Lindsay will become the first person outside the Helmerich family to lead the drilling company. He will be only the fourth CEO in the company's 93-year history.

H&P stock fell \$1.04 per share to close at \$63.90 on the New York Stock Exchange on Wednesday.

John Gelcius, a securities analyst with Argus Research Co., said in a statement that Argus does not see any major effect on H&P or the stock based on this management transition, especially since Helmerich will remain on board as chairman and his successor has been with the company for more than 25 years. This month Argus lowered its rating on H&P to hold from buy.

“We based our downgrade on valuation and weaker conditions in the company's main markets,” Gelcius said. “H&P remains heavily leveraged to the U.S., where the rig count has been relatively flat in 2013. We expect continued weak drilling activity in the near term as E&P companies remain disciplined on capital spending.”

In a letter to employees, Helmerich said the best days of the company are still in the future, and the FlexRig is one reason why. The drilling market is entering a new phase, he said.

“The first phase you had the land boom associated with unconventional drilling success – where drilling was driven by new plays, leasehold acres,” Helmerich said. “Today, we have a second phase that is a developmental phase.”

When Helmerich started in the business 33 years ago, H&P's customers talked about hundreds of drilling locations.

“Today, they are not talking about hundreds, but thousands and tens of thousands of locations,” Helmerich said. “Companies are ready to drill and, with the right price for natural gas, have tens of thousands of locations staked.”

Plays in the Eagle Ford in southwest Texas, the Permian Basin in west Texas, and the Bakken in the Dakotas and Montana are waiting for the right market conditions to justify exploration and production.

“All this is driven by a factory approach that is the most efficient and safest drilling technique,” Helmerich said.

Qian Zhang, a market analyst with Tulsa's Fredric E. Russell Investment Management Co., said Helmerich's legacy will be the FlexRig.

“I think the FlexRig will be the legacy,” Helmerich said. “We went being third or fourth in the land drilling group to become the market leader and lead in market cap, earnings and other categories.”

For more than a decade, the FlexRig has dominated the drilling sector. H&P has become one of the major land and offshore platform drilling contractors in the world, with 300 land rigs in the U.S., 29 international land rigs and nine offshore platform rigs.

The fleet includes 300 FlexRigs designed and operated by H&P. Helmerich said he understands the day-to-day market movements and believes he is exiting at the right time.

"Guys have to pick a buy or hold call, I understand that," Helmerich said.

Market conditions can easily play into H&P's strength. However, Helmerich said the company's success has come from the people it has hired.

"A lot of our success has been through attracting the right people," Helmerich said. "We've received so many nice notes from customers and investors today, and almost without fail they do not talk about the financial success, but talk about people – how we hire from within, how we build our own."

Lindsay, 52, joined H&P in 1987 as a drilling engineer. He served in various positions, including operations manager for the company's Mid-Continent region and vice president of U.S. land operations and at H&P International Drilling Co. Lindsay was appointed executive vice president of U.S. and international operations in 2006. He became executive vice president and COO in 2010. Last year, Lindsay was named president.

"John and I have worked closely together and he has been an important part of the company's success for a long time," Helmerich wrote in his letter to employees.

Helmerich will become a nonemployee at his retirement. He will move from the 14th to the fifth floor.

"I wanted this to be a clean handoff and have a clear line of responsibility and accountability," Helmerich said. "The chain of command will be clear."

Helmerich serves on the boards of three other Fortune 1000 companies and will look for ways to contribute in those roles.

Helmerich and his wife, Lea, plan to travel.

"I am in good health," he said. "After 25 years in the same position, you have the calendar demands and all that means. Now, I look forward to less structure and free time."

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