

HELMERICH & PAYNE INC
Form DEF 14A
January 26, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

HELMERICH & PAYNE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

1437 South Boulder Avenue
Tulsa, Oklahoma 74119

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of Stockholders of Helmerich & Payne, Inc. (the "Company"), will be held at Boulder Towers, Granite Room, First Floor, 1437 South Boulder Avenue, Tulsa, Oklahoma, at 12:00 noon, Tulsa time, on Wednesday, March 4, 2009, for the following purposes:

1. To elect three Directors comprising the class of Directors of the Company known as the "Third Class" for a three-year term expiring in 2012.
2. To consider and transact any other business which properly may come before the meeting or any adjournment thereof.

In accordance with the By-laws, the close of business on January 9, 2009, has been fixed as the record date for the determination of the stockholders entitled to notice of, and to vote at, said meeting. The stock transfer books will not close.

The Company's Proxy Statement is submitted herewith and is first being sent or given to the stockholders on or about January 26, 2009. The Annual Report for the year ended September 30, 2008, accompanies this Proxy Statement.

STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND IN PERSON, BUT WISH THEIR STOCK TO BE VOTED ON MATTERS TO BE TRANSACTED, ARE URGED TO SIGN, DATE, AND MAIL THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES. YOU ALSO HAVE THE OPTION OF VOTING YOUR SHARES ON THE INTERNET OR BY TELEPHONE. VOTING INSTRUCTIONS ARE PRINTED ON YOUR PROXY. IF YOU VOTE BY INTERNET OR BY TELEPHONE, YOU DO NOT NEED TO MAIL BACK YOUR PROXY. THE PROMPT RETURN OF YOUR SIGNED PROXY, REGARDLESS OF THE NUMBER OF SHARES YOU HOLD, WILL AID THE COMPANY IN REDUCING THE EXPENSE OF ADDITIONAL PROXY SOLICITATION. THE GIVING OF SUCH PROXY DOES NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IN THE EVENT YOU ATTEND THE MEETING.

BY ORDER OF THE BOARD OF DIRECTORS

STEVEN R. MACKEY
Secretary

Tulsa, Oklahoma
January 26, 2009

1437 South Boulder Avenue
Tulsa, Oklahoma 74119

PROXY STATEMENT

General Information

The enclosed proxy is being solicited by and on behalf of the Board of Directors of Helmerich & Payne, Inc., and will be voted at the Annual Meeting of Stockholders on March 4, 2009. This statement and the accompanying proxy, together with the Annual Report for the year ended September 30, 2008, are first being sent or given to stockholders on or about January 26, 2009.

Throughout this Proxy Statement, Helmerich & Payne, Inc. is referred to as "the Company," "we," "our" or "us."

Any stockholder giving a proxy may revoke it at any time before it is voted by voting in person at the Annual Meeting or by delivery of a later-dated proxy.

The cost of this solicitation will be paid by us. In addition to solicitation by mail, arrangements may be made with brokerage houses and other custodians, nominees, and fiduciaries to send proxies and proxy material to their principals. Our officers and employees may also solicit proxies by telephone, fax, or in person. We do not intend to cause a solicitation to be made by specially engaged employees or other paid solicitors.

At the close of business on January 9, 2009, there were 105,488,286 issued and outstanding shares of our common stock, the holders of which are entitled to one vote per share on all matters. We have no other class of securities entitled to vote at the meeting. Only stockholders of record at the close of business on January 9, 2009, will be entitled to vote at the Annual Meeting.

Security Ownership of Certain Beneficial Owners

The following table sets forth the name and address of each of our stockholders who, to our knowledge, beneficially owns more than 5% of our common stock, the number of shares beneficially owned by each, and the percentage of outstanding stock so owned, as of January 12, 2009.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)	Percent of Class
Common Stock	State Farm Mutual Automobile Insurance Company One State Farm Plaza Bloomington, Illinois 61710	8,257,200(2)	7.83%

(1) Unless otherwise indicated, all shares are owned directly by the named entity, with such entity possessing sole voting and dispositive power with respect to such shares.

(2) This information is based upon State Farm Mutual Automobile Insurance Company's Schedule 13G Amendment dated January 30, 2008, and its January 15, 2009, verbal confirmation of shares owned.

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Security Ownership of Management

The following table sets forth the total number of shares of common stock beneficially owned by each of the present Directors and nominees, our Chief Executive Officer ("CEO") and all other executive officers named in the Summary Compensation Table, and all Directors and executive officers as a group, and the percent of the outstanding common stock so owned by each as of January 12, 2009.

Directors and Named Executive Officers	Title of Class	Amount and Nature of Beneficial Ownership (1)	Percent of Class (2)
W. H. Helmerich, III	Common Stock	2,500,415 (3)	2.37%
Hans Helmerich	Common Stock	2,086,375 (4)	1.95%
Douglas E. Fears	Common Stock	202,161 (5)	
John W. Lindsay	Common Stock	233,540 (6)	
M. Alan Orr	Common Stock	157,755 (7)	
Steven R. Mackey	Common Stock	110,361 (8)	
Hon. Francis Rooney	Common Stock	85,804 (9)	
John D. Zeglis	Common Stock	44,322(10)	
Glenn A. Cox	Common Stock	42,322(11)	
William L. Armstrong	Common Stock	40,322(12)	
Edward B. Rust, Jr.	Common Stock	37,122(13)	
Paula Marshall	Common Stock	23,364(14)	
Randy A. Foutch	Common Stock	10,006(15)	
All Directors and Executive Officers as a Group	Common Stock	5,573,869(16)	5.12%

- (1) Unless otherwise indicated, all shares are owned directly by the named person, and he or she has sole voting and investment power with respect to such shares. Shares owned include restricted shares over which the named person has voting but not investment power. Stock options held by the named person include options exercisable within 60 days of January 12, 2009.
- (2) Percentage calculation not included if beneficial ownership is less than one percent of class.
- (3) Includes 200,000 shares owned by The Helmerich Foundation, an Oklahoma charitable trust, for which Mr. Helmerich is Trustee, and 40,000 shares owned by Ivy League, Inc., of which Mr. Helmerich is President and Director. Mr. Helmerich possesses sole voting and investment power over all indirectly owned shares.
- (4) Includes options to purchase 1,404,560 shares; 6,667 restricted shares; 21,622 shares fully vested under our 401(k) Plan; 37,245 shares owned by Mr. Helmerich's wife and 39,585 shares held by Mr. Helmerich's children, with respect to which he has disclaimed all beneficial ownership; 29,600 shares held by Mr. Helmerich as Trustee for various trusts for members of his immediate family, as to which he has sole voting and investment power; 4,000 shares held by Mr. Helmerich as a Co-trustee for a family trust for which he shares voting and investment power; and 35,000 shares held by The Helmerich Trust, an Oklahoma charitable trust, for which Mr. Helmerich is a Co-trustee, and for which he shares voting and investment power.
- (5)

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Includes options to purchase 145,000 shares; 6,667 restricted shares; 457 shares fully vested under our 401(k) Plan; and 1,600 shares owned by a charitable foundation, for which Mr. Fears is Co-trustee, and for which he shares voting and investment power.

(6)

Includes options to purchase 179,250 shares; 35,000 restricted shares; and 9,290 shares fully vested under our 401(k) Plan.

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- (7) Includes options to purchase 111,250 shares; 20,000 restricted shares; and 16,505 shares fully vested under our 401(k) Plan.
- (8) Includes options to purchase 88,750 shares; 6,667 restricted shares; and 3,611 shares fully vested under our 401(k) Plan.
- (9) Includes options to purchase 19,804 shares and 66,000 shares held by entities controlled by Mr. Rooney
- (10) Includes options to purchase 30,322 shares.
- (11) Includes options to purchase 30,322 shares, and 12,000 shares held in a revocable trust with respect to which voting and investment power are shared with Mr. Cox's wife.
- (12) Includes options to purchase 30,322 shares.
- (13) Includes options to purchase 30,322 shares.
- (14) Includes options to purchase 22,964 shares.
- (15) Includes options to purchase 10,006 shares.
- (16) Includes options to purchase 2,102,872 shares; 75,001 restricted shares; and 51,485 shares fully vested under our 401(k) Plan.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors ("Board") is divided into three classes First Class, Second Class, and Third Class whose terms expire in different years. The terms of the Directors of the Third Class expire this year, and their successors are to be elected at this Annual Meeting. On December 2, 2008, at a regularly scheduled meeting of the Company's Board of Directors, Mr. Glenn A. Cox announced his retirement as a Director of the Third Class effective March 4, 2009, which is the expiration of his current term. On December 2, 2008, the Board of Directors, upon recommendation of Mr. William L. Armstrong, Chairman of the Nominating and Corporate Governance Committee, nominated Hon. Francis Rooney to fill the board seat being vacated by Mr. Cox. Mr. Rooney, who was appointed by the Board of Directors as a Director of the Second Class on June 4, 2008, will stand for election with the other members of the Third Class at the 2009 Annual Meeting of Stockholders. The terms of the Directors of the First Class and the Second Class do not expire until 2010 and 2011, respectively, and consequently their successors are not to be elected at this Annual Meeting. Upon the conclusion of this Annual Meeting, the First and Third Classes of Directors will be comprised of three Directors each, and the Second Class of Directors will be comprised of two Directors.

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The Directors belonging to the First Class and the Second Class, which are not coming up for election at this meeting, and Nominees for Directors of the Third Class, are as follows:

Directors of the First Class

Name	Age	Expiration of Present Term	Principal Occupation and Current Directorships	Year First Became Director
Hans Helmerich	50	2010	President of the Company and Chief Executive Officer; holds positions as Chairman, President and Chief Executive Officer of subsidiary companies. Director of Atwood Oceanics, Inc. and Cimarex Energy Co. Trustee of The Northwestern Mutual Life Insurance Company.	1987
Paula Marshall	55	2010	Chief Executive Officer of The Bama Companies, Inc. (manufacturer and marketer of food products). Director of BOK Financial Corp.	2002
Randy A. Foutch	57	2010	Chairman of the Board and Chief Executive Officer of Laredo Petroleum, Inc. (oil and gas exploration and production). Director of Bill Barrett Corporation.	2007

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Directors of the Second Class

Name	Age	Expiration of Present Term	Principal Occupation and Current Directorships	Year First Became Director
John D. Zeglis	61	2011	Retired Chief Executive Officer and Chairman, AT&T Wireless Services, Inc. (wireless phone services company). Director of AMX Corporation; Georgia-Pacific Corporation; State Farm Mutual Automobile Insurance Company; and Telstra Corporation Limited.	1989
William L. Armstrong	71	2011	President, Colorado Christian University. Chairman of Cherry Creek Mortgage Company (mortgage banking). Chairman of Denver-based Oppenheimer Funds.	1992

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Nominees for Directors of the Third Class

Name	Age	Expiration of Present Term	Principal Occupation and Current Directorships	Year First Became Director
W. H. Helmerich, III	86	2009	Chairman of the Board of the Company.	1949
Hon. Francis Rooney	55	2009	Chairman of Rooney Holdings, Inc. (holding company with interests in construction, construction management, and electronics). Director of Bank of Florida Corporation. Trustee, The Center for the Presidency. Member, the Advisory Board of the Panama Canal Authority. Former U.S. Ambassador to the Holy See, 2005-2008; former Director of the Company from 1996 to 2005.	2008
Edward B. Rust, Jr.	58	2009	Chairman of the Board, President and Chief Executive Officer of State Farm Mutual Automobile Insurance Company (insurance and financial services company). Director of State Farm VP Management Corp.; State Farm Mutual Fund Trust; The McGraw-Hill Companies, Inc. and Caterpillar, Inc.	1997

Mr. Hans Helmerich is a Director of Atwood Oceanics, Inc. ("Atwood"), and the Company, through its wholly-owned subsidiary, owns common stock of Atwood. As a result, Atwood may be deemed to be an affiliate of the Company.

The principal occupation of each of the Directors and the Nominees for Directors of the Third Class is as set forth in the tables above and has been the same occupation for the past five years except as noted above and as follows: (i) Mr. John D. Zeglis was Chief Executive Officer and Chairman of AT&T Wireless Services, Inc. from December, 1999 to November, 2004; (ii) Mr. William L. Armstrong became the President of Colorado Christian University in 2006; (iii) Mr. Edward B. Rust, Jr. became President of State Farm Mutual Automobile Insurance Company on January 1, 2007; and (iv) Mr. Randy A. Foutch founded

Laredo Petroleum, Inc. in 2007 where he serves as Chairman and Chief Executive Officer, became a director of Bill Barrett Corporation in 2006, and founded Latigo Petroleum, Inc. in 2002 and served as its President and Chief Executive Officer until May of 2006. Mr. Hans Helmerich is a son of Mr. W. H. Helmerich, III.

OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF THE PERSONS NOMINATED BY THE BOARD.

Attendance

There were four regularly scheduled meetings of the Board held during fiscal 2008, plus two special meetings held via teleconference. We require each Director to make a diligent effort to attend all Board and Committee meetings as well as the Annual Meeting of the Stockholders. All of our Directors attended the 2008 Annual Meeting of the Stockholders. During fiscal 2008, no incumbent Director attended fewer than 75% of the aggregate of the total number of meetings of the Board and its committees of which he or she is a member.

Committees

Messrs. Cox (Chairman), Foutch, Rust, and Zeglis are members of the Audit Committee. The Board has adopted a written charter for the Audit Committee. The primary functions of the Audit Committee are to assist the Board in fulfilling its independent and objective oversight responsibilities of financial reporting and internal financial and accounting controls of the Company and to monitor the qualifications, independence, and performance of our independent registered public accounting firm. The Board has determined that Mr. Glenn A. Cox is an "audit committee financial expert" as defined by Item 407 of Regulation S-K of the Securities and Exchange Commission ("SEC"). During the fiscal year ended September 30, 2008, the Audit Committee held twelve meetings.

Ms. Marshall and Messrs. Armstrong and Zeglis (Chairman) are members of the Human Resources Committee (which functions as our compensation committee). The Board has adopted a written charter for the Human Resources Committee. The primary functions of the Human Resources Committee are to evaluate the performance of our executive officers, to review and make decisions regarding compensation of our executive officers and make recommendations regarding compensation of non-employee members of our Board, and to review and make recommendations or decisions regarding incentive compensation and equity-based compensation plans. The Human Resources Committee may not delegate any of its authority to other persons or committees. During the fiscal year ended September 30, 2008, the Human Resources Committee held four meetings.

Ms. Marshall and Messrs. Armstrong (Chairman), Cox, Foutch, Rooney, Rust, and Zeglis are members of the Nominating and Corporate Governance Committee. The Board has adopted a written charter for the Nominating and Corporate Governance Committee. The primary functions of the Committee are to identify and to recommend to the Board the selection of Director nominees for each annual meeting of stockholders or for any vacancies on the Board, to make recommendations to the Board regarding the adoption or amendment of corporate governance principles applicable to us, and to assist the Board in developing and evaluating potential candidates for executive positions and generally oversee management succession planning. During the fiscal year ended September 30, 2008, the Nominating and Corporate Governance Committee held four meetings.

The non-management Directors, in fiscal 2008, met in executive session without management, prior to each regularly scheduled Board meeting. Mr. Armstrong was presiding Director for all executive sessions.

Corporate Governance

The Board has adopted Corporate Governance Guidelines to address significant corporate governance issues. The guidelines, as well as all Board committee charters, our Code of Business Conduct and Ethics, applicable to all our Directors, officers, and employees, the Code of Ethics for Principal Executive Officer and Senior Financial Officers, the Related Person Transaction Policies and Procedures, the Foreign Corrupt Practices Act Compliance Policy, and certain Audit Committee Practices are available on our website, www.hpinc.com, under the "Governance" section. The information on our website is not incorporated by reference in this Proxy Statement. A printed copy of the above mentioned documents will be provided without charge upon written request to our Corporate Secretary.

The Corporate Governance Guidelines provide a framework for our corporate governance initiatives and cover topics such as director independence and selection and nomination of director candidates, communication with the Board (all of which are addressed below), Board committee matters, and other areas of import.

Director Independence

Our Corporate Governance Guidelines provide that a majority of the Board must meet the requirements for being an independent director under the listing standards of the New York Stock Exchange ("NYSE") and applicable law, including the requirement that the Board affirmatively determine that the Director has no material relationship with us. To guide its determination of whether a Director is independent, the Board has adopted the following categorical standards:

A Director will not be independent if: (i) the Director is, or has been, within the last three years, our employee, or an immediate family member is, or has been within the last three years, our executive officer; (ii) the Director has received, or an immediate family member has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from us, other than Director and committee fees and pension and other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); (iii) the Director is a current partner or employee of a firm that is our internal or external auditor; (iv) the Director has an immediate family member who is a current partner of a firm that is our internal or external auditor; (v) the Director has an immediate family member who is a current employee of a firm that is our internal or external auditor and who personally works on the Company's audit; (vi) the Director or an immediate family member was within the last three years a partner or employee of a firm that is our internal or external auditor and personally worked on our audit within that time; (vii) the Director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company's compensation committee; or (viii) the Director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1,000,000 or two percent (2%) of such other company's consolidated gross revenues.

In addition, the following commercial and charitable relationships will not be considered material relationships that would impair a director's independence: (i) the Director (or an immediate family member of the Director) is, or during the last fiscal year has been, an affiliate or executive officer of another company (including banks or financial institutions) to which we were indebted, or to which such other company was indebted to us, during the last or current fiscal year and the total amount of indebtedness did not exceed two percent (2%) of the total consolidated assets of the indebted entity at the end of such fiscal year; (ii) the Director (or an immediate family member of the Director) is, or during the last fiscal year has been, an executive officer, director or trustee of a charitable organization where our annual discretionary charitable contributions to the charitable organization, in the last or current fiscal year did not exceed the greater of \$1,000,000 or two percent (2%) of that organization's consolidated gross

revenues; (iii) the Director (or an immediate family member of a Director) is a member of, employed by, or of counsel to a law firm or investment banking firm that performs services for us, provided the payments made by us to the firm during a fiscal year do not exceed two percent (2%) of the firm's gross revenues for the fiscal year, and the Director's relationship with the firm is such that his or her compensation is not linked directly or indirectly to the amount of payments the firm receives from us; or (iv) a relationship arising solely from a Director's position as a director of another company that engages in a transaction with us shall not be deemed a material relationship or transaction that would cause a Director to not be independent.

Finally, a Director who is a member of our Audit Committee will not be independent if such Director: (i) other than in his or her capacity as a member of the Audit Committee, the Board or any other Board committee, accepts directly or indirectly any consulting, advisory or other compensatory fee from us or any subsidiary (except for retirement benefits to the extent permitted by applicable SEC rules); or (ii) is an affiliated person (as defined by the SEC) of us or any subsidiary.

Generally, relationships not addressed by the NYSE rules or otherwise described above will not cause an otherwise independent Director to be considered not independent. For relationships that do not fall within the categories delineated above, the Directors who are otherwise independent under the guidelines will determine whether a relationship is material and, therefore, whether the Director would be independent.

In determining the independence of Ms. Marshall and Messrs. Armstrong, Cox, Foutch, Rust, Rooney, and Zeglis, the Board of Directors considered (i) State Farm Mutual Automobile Insurance Company's ownership of our common stock and that it held approximately \$8 million of our long-term unsecured debt, and (ii) Mr. Rust's position as Chairman, President and Chief Executive Officer of State Farm Mutual Automobile Insurance Company.

After applying the standards set forth above in our Corporate Governance Guidelines, the Board determined that Ms. Marshall and Messrs. Zeglis, Rust, Rooney, Foutch, Cox, and Armstrong had no material relationship with the Company and that each is independent under the categorical standards and the applicable requirements of the NYSE and applicable law.

Director Identification, Evaluation, and Nomination

General Principles and Procedures. We are of the view that the continuing service of qualified incumbents promotes stability and continuity in the boardroom, contributing to the Board's ability to work as a collective body, while giving us the benefit of familiarity and insight into our affairs that our Directors have accumulated during their tenure. Accordingly, the process for identifying nominees shall reflect our practice of re-nominating incumbent Directors who continue to satisfy the Nominating and Corporate Governance Committee's ("Committee") criteria for membership on the Board, whom the Committee believes continue to make important contributions to the Board, and who consent to continue their service on the Board.

In general, and as more fully outlined in the Corporate Governance Guidelines, in considering candidates for election at annual meetings of stockholders, the Committee will (i) consider if the Director continues to satisfy the minimum qualifications for director candidates as set forth in the Corporate Governance Guidelines, (ii) assess the performance of the Director during the preceding term, and (iii) determine whether there exist any special, countervailing considerations against re-nomination of the Director.

If the Committee determines that (i) an incumbent Director consenting to re-nomination continues to be qualified and has satisfactorily performed his or her duties as Director during the preceding term, and (ii) there exist no reasons, including considerations relating to the composition and functional needs of the

Board as a whole, why in the Committee's view the incumbent should not be re-nominated, then the Committee will, absent special circumstances, propose the incumbent Director for re-election.

The Committee will identify and evaluate new candidates for election to the Board where there is no qualified and available incumbent, including for the purpose of filling vacancies or a decision of the Directors to expand the size of the Board. The Committee will solicit recommendations for nominees from persons that the Committee believes are likely to be familiar with qualified candidates. The Committee may also determine to engage a professional search firm to assist in identifying qualified candidates.

As to each recommended candidate that the Committee believes merits consideration, the Committee will (i) cause to be assembled information concerning the background and qualifications of the candidate, (ii) determine if the candidate satisfies the minimum qualifications required by our Corporate Governance Guidelines, (iii) determine if the candidate possesses any of the specific qualities or skills that the Committee believes must be possessed by one or more members of the Board, (iv) consider the contribution that the candidate can be expected to make to the overall functioning of the Board, and (v) consider the extent to which the membership of the candidate on the Board will promote diversity among the Directors.

Based on all available information and relevant considerations, the Committee will select and recommend to the Board a candidate who, in the view of the Committee, is most suited for membership on the Board.

Stockholder Recommendations. The Committee shall consider recommendations for the nomination of qualified Directors submitted by holders of our shares entitled to vote generally in the election of Directors. The Committee will give consideration to these recommendations for positions on the Board where the Committee has determined not to re-nominate a qualified incumbent Director.

For each annual meeting of stockholders, the Committee will accept for consideration only one recommendation from any stockholder or affiliated group of stockholders. The Committee will only consider recommendations of nominees for Director who satisfy the minimum qualifications prescribed by our Corporate Governance Guidelines.

Only those recommendations whose submission complies with the following procedural requirements will be considered by the Committee:

- (1) *Stockholder Nominations to the Committee.* The Committee will consider qualified nominees recommended by stockholders who may submit recommendations to our Secretary at our headquarters address. To be considered by the Committee, stockholder nominations must be submitted before our fiscal year-end and must include the information listed in paragraph 2(i) and (ii)(a), (c) and (d) below, together with a statement of the number of shares of our stock beneficially owned by the stockholder making the nomination and by any other supporting stockholders.
- (2) *Stockholder Nominations at the Annual Meeting.* Our By-laws provide that any stockholder who is entitled to vote for the election of Directors at a meeting called for such purpose may nominate persons for election to the Board. A stockholder desiring to nominate a person or persons for election to the Board must send a timely (see Stockholder Proposals on page 38) written notice to the Corporate Secretary setting forth in reasonable detail the following: (i) as to each person whom the stockholder proposes to nominate for election all information relating to such person that is required to be included in a proxy statement filed pursuant to the proxy rules of the SEC (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); and (ii) as to the stockholder giving notice (a) the name and address of the stockholder making the nomination, (b) a representation that the stockholder is a holder of record of our stock entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the nomination, (c) the class or series and number of shares of our capital stock which are owned beneficially or of record by the stockholder, and (d) a description of all arrangements or understandings between the stockholder and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the stockholder.

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Candidates for Director who are properly recommended by our stockholders will be evaluated in the same manner as any other candidate for Director. The Committee may require the candidate to furnish other information as the Committee may reasonably request to assist the Committee in determining the eligibility of the candidate to serve as a Director. The Committee (or the presiding officer at any meeting of the stockholders) may disregard the purported nomination of any person not made in compliance with these procedures.

Director Qualification Standards

All persons nominated to serve as one of our Directors should possess the following minimum qualifications more fully discussed in our Corporate Governance Guidelines: all candidates (i) must be individuals of personal integrity and ethical character; (ii) should be free of conflicts of interest that would materially impair his or her judgment; (iii) must be able to represent fairly and equally all of our stockholders; (iv) must have demonstrated achievement in business, professionally, or the like; (v) must have sound judgment; (vi) must have a general appreciation regarding major issues facing public companies of a size and operational scope similar to ours; (vii) must have, and be prepared to devote, adequate time to the Board and its committees; and (viii) must not conflict with any of our term or age limits for Directors. Also, as part of the nomination process, the Committee will consider diversity in professional background, experience, expertise, perspective, age, gender, and ethnicity with respect to Board composition as a whole, and the Committee will also ensure that: (i) at least a majority of the Directors serving at any time on the Board are independent, as defined under the rules of the NYSE and applicable law; (ii) at least three of the Directors satisfy the financial literacy requirements required for service on the Audit Committee under the rules of the NYSE; and (iii) at least some of the independent Directors have experience as senior executives of a public or substantial private company.

These are only threshold criteria, however, and the Committee will also consider the contributions that a candidate can be expected to make to the collective functioning of the Board based upon the totality of the candidate's credentials, experience, and expertise, the composition of the Board at the time, and other relevant circumstances.

Communication with the Board

The Board has established several means for employees, stockholders, and other interested persons to communicate their concerns to the Board. If the concern relates to our financial statements, accounting practices or internal controls, the concern may be submitted in writing to the Chairperson of the Audit Committee in care of our Secretary at our headquarters address. If the concern relates to our governance practices, business ethics, or corporate conduct, the concern may be submitted in writing to the Chairperson of the Nominating and Corporate Governance Committee in care of our Secretary at our headquarters address. If the concern is intended for the non-management presiding Director or the non-management Directors as a group, the concern may be submitted in writing to such non-management Director(s) in care of our Secretary at our headquarters address. If the employee, stockholder, or other interested person is unsure as to which category his or her concern relates, he or she may submit it in writing to the Board or any one of the Directors in care of our Secretary at our headquarters address. Our headquarters address is 1437 South Boulder Avenue, Tulsa, OK 74119.

Each communication intended for any management or non-management Director(s) or for the entire Board of Directors and received by the Secretary which is related to our operations will be promptly forwarded to the specified party(ies).

EXECUTIVE COMPENSATION DISCUSSION & ANALYSIS

Overview

The Human Resources Committee ("Committee") has the responsibility for establishing, implementing and monitoring our executive compensation program. All compensation decisions relating to our executive officers are made by the Committee after soliciting input from all independent Directors. For purposes of deciding upon executives' compensation, the Committee generally meets in late November and early December following the end of each fiscal year to consider salary adjustments for the next calendar year and equity-based compensation awards and bonus compensation for the completed fiscal year. Prior to making final compensation decisions, the Committee reviews proposed executive compensation with the independent Directors as a group. Generally, the types of compensation and benefits paid to our executive officers are the same as those provided to other key employees. There are no material individual differences in compensation policies and decisions for our executive officers.

Our Chief Executive Officer ("CEO"), Chief Financial Officer, and the other three executive officers identified in the Summary Compensation Table for fiscal 2008 are referred to in this proxy statement as "named executive officers."

Compensation Philosophy and Objectives

The objectives of our executive compensation program are to compensate executives in a manner that advances the interests of the stockholders while ensuring that we are able to attract and retain qualified executives. To that end, we have designed our executive compensation program to reward the achievement of short- and long-term corporate goals that enhance stockholder value. The Committee monitors both performance and compensation to ensure that we maintain our ability to attract and retain qualified executives and that compensation paid to our executives remains competitive relative to compensation paid to executives of competitor companies. Our compensation elements consist of:

Base salary

Bonus

Long-term equity incentive compensation

Retirement benefits

Other benefits

We believe the Company should have the ability to recover compensation paid to executive officers and key employees under certain circumstances. As a result, we approved, during fiscal 2008, two policies addressing recoupment of bonus and equity compensation from executive officers and certain other key employees. The following is a summary of those policies:

In the event the Board determines that any fraud or intentional misconduct caused or was a substantial contributing factor to a restatement of the Company's financials, the Board may require reimbursement of any bonus compensation paid to an executive officer or certain other key employee to the extent the bonus paid exceeded what would have been paid had the financial results been properly reported. This policy applies to all bonuses paid after September 30, 2008, which coincide with the fiscal years that are subject to the restatement.

If the Committee reasonably believes that a participant under the Company's 2005 Long-Term Incentive Plan ("2005 Plan") has committed certain acts of misconduct, including fraud, embezzlement, or deliberate disregard of Company rules or policies, that may reasonably be expected to result in damage to the Company, the Committee may cancel all or part of any outstanding award under the 2005 Plan whether or not vested or deferred. Additionally, if the

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misconduct occurs during a fiscal year in which there was also an exercise or receipt of an award under the 2005 Plan, the Committee may recoup any value received from such award.

Role of Executive Officers in Compensation Decisions

The Committee annually evaluates the performance of the CEO and determines the CEO's compensation in light of the objectives of our compensation program. The CEO provides an annual assessment of his performance and the performance of the other named executive officers, together with his recommendations as to their compensation. The Committee considers the CEO's recommendations and, in its discretion, may modify his recommendations. The other named executive officers do not play a role in their own compensation decisions, other than discussing individual performance objectives with the CEO. The Executive Vice President and General Counsel and the Director of Human Resources review the compensation consultant's annual draft of its compensation analysis and provide comments for the consultant's consideration. They also attend Committee meetings and provide requested information to the Committee.

Role of Compensation Consultant

The Committee has engaged Deloitte Consulting LLP ("Deloitte") as its independent compensation consultant to provide research, market data, and survey information regarding executive and director compensation. At the Committee's request, Deloitte advises the Committee on all principal aspects of executive and director compensation including the competitiveness of program design and award values. It provides the Committee with an annual written executive compensation analysis with respect to the named executive officers. The written analysis for fiscal 2008 addressed, among other things:

Recent trends in executive compensation

Oil and Gas industry executive compensation trends

Retention strategies during difficult economic conditions

Comparison of named executive officers' compensation values to peer group proxy and survey data

The Committee generally reviews the compensation of the named executive officers in late November and early December following the end of a particular fiscal year. Deloitte attends at least one meeting and presents its written compensation analysis covering the named executive officers.

Deloitte periodically provides the Committee with a written director compensation analysis. The Committee reviews the analysis and determines whether to recommend to our Board of Directors a compensation increase for non-employee directors. The executive officers do not play a role in determining or recommending the amount or form of director compensation.

Deloitte was first retained by the Committee in December of 2003. Deloitte reports directly to the Committee although they may meet with management from time to time to gather information or to obtain management's perspective on executive compensation matters. The Committee has the sole authority under its Charter to retain or terminate the compensation consultant at any time. In addition, the Committee may conduct or authorize investigations of matters within its scope of responsibilities and may retain, at our expense, independent counsel or other advisors as it deems necessary.

Determining Executive Compensation

In making compensation decisions, the Committee compares each element of compensation against a peer group of publicly-traded contract drilling and oilfield service companies (collectively "Compensation Peer Group") and against published survey data. The Compensation Peer Group consists of companies

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that are representative of the types of companies that we compete against for talent. The companies in the Compensation Peer Group are as follows:

Diamond Offshore Drilling, Inc.	Noble Corporation
Smith International, Inc.	Nabors Industries Ltd.
Cameron International Corporation	ENSCO International Incorporated
Pride International, Inc.	Patterson-UTI Energy, Inc.
Rowan Companies, Inc.	Atwood Oceanics, Inc.
Unit Corporation	Hercules Offshore, Inc.
Key Energy Services, Inc.	Grey Wolf, Inc.
Petroleum Development Corporation	Parker Drilling Company
Pioneer Drilling Company	

The Committee also uses survey data to assist in compensation decisions, including those instances in which a named executive officer's position or duties do not match the position or duties of Compensation Peer Group executives. The data from these surveys is statistically regressed according to our revenue. This survey data includes oilfield services, energy, and general industry data. The surveys referenced in Deloitte's 2008 compensation report were:

Economic Research Institute 2008 Executive Compensation Assessor

Pearl Meyer 2008 Drilling Management Survey

Stone Partners 2008 Oilfield Manufacturing and Services Industry Executive Compensation Survey

Towers Perrin 2008 Oilfield Services Compensation Survey

Watson Wyatt 2008/2009 Survey Report on Top Management Compensation

William Mercer 2008 Executive and Energy Compensation Surveys

The Committee generally sets target total direct compensation for named executive officers within a range of approximately the 50th to 60th percentile of compensation paid to similarly situated executives of the companies comprising the Compensation Peer Group. Variations to this objective may occur as dictated by corporate performance, experience level, internal equity, nature of duties, market factors, and retention issues. At the time the Committee makes compensation decisions, it uses prior fiscal year peer data and available survey data. This data provides peer compensation comparisons on a historical basis. However, the Committee is unable to determine how current pay of the named executive officers compares to current pay of peer executives.

A significant portion of total compensation is variable based on corporate performance and relative stockholder return. The Committee considers individual performance during its annual review of base salary and equity awards. However, no specific individual performance criteria or guidelines are used by the Committee as a controlling factor in the Committee's ultimate judgment and final decision. In deciding on the type and amount of executive compensation, the Committee focuses on both current pay and the opportunity for future compensation. The Committee does not have a specific formula for allocating each element of pay, but instead bases the allocation on peer and survey data and the Committee's judgment.

Prior to fiscal 2005, the Committee generally awarded the same number of stock options on an annual basis to each named executive officer. The Committee, during fiscal 2005, revised its award methodology so that future equity awards would be based on an executive's base pay and the current Black-Scholes value of our common stock. Under the revised methodology, the Committee has generally limited the value of annual equity awards to a range of 250% to 300% of the CEO's base salary and 150% to 250% of the base salary of the other named executive officers. To determine the actual number of shares awarded to a named executive officer, the dollar value of the award is divided by the applicable Black-Scholes value. In

determining the Black-Scholes value for equity awards, the Committee uses an average price for our common stock over a 10-day trading period ending on the Friday before the week that equity awards are considered by the Committee. Exceptions to this policy have occurred and may occur in the future as dictated by retention considerations and market factors. For example, the Committee awarded a retention grant of time-vested restricted stock in fiscal 2007 to one named executive officer. In addition, the Committee generally limits annual merit salary adjustments to the same percentage that is applicable to all office-based employees.

2008 Executive Compensation Components

The principal components of compensation for named executive officers for the fiscal year ended September 30, 2008, are described below.

Base Salary

We provide named executive officers and other employees with a base salary to compensate them for services rendered during the fiscal year. Base salaries of named executive officers are set to generally approximate the median level of base salaries of similarly situated executives of companies included in the Compensation Peer Group. If base salaries of our named executive officers consistently fall below such median level, then the Committee will consider market adjustments to base salaries. Salary levels are typically considered annually as part of our review process as well as upon a promotion. Although named executive officers generally receive the same percentage salary increase applicable to office-based employees, the named executive officers may receive greater increases during periods of market adjustment for such officers' salaries. For calendar 2008, office-based employees generally received a 3.75% base salary increase. Four named executive officers received market salary adjustments for calendar 2008 ranging from 7.4% to 17.8%. One named executive officer received a 3.49% base salary increase.

Bonus

The Annual Bonus Plan for Executive Officers ("Bonus Plan") is a cash incentive plan for calculation of annual non-equity incentive-based compensation. These cash incentive awards are designed to reward short-term performance and achievement of strategic goals. Combined salaries and target bonus levels are intended to generally fall within a range of approximately the 50th to 60th percentile of the Compensation Peer Group's combined salary and annual bonus levels.

Pursuant to the terms of the Bonus Plan, each executive officer is assigned a threshold, target and reach bonus award opportunity expressed as a percentage of base salary. These bonus award opportunities range from 40% to 130% for the CEO and 25% to 100% for the other named executive officers. An executive officer's bonus opportunity is based upon three weighted corporate performance criteria. These performance criteria and their weighting are: earnings per share (35%); return on invested capital (35%); and operating earnings before interest, taxes, depreciation, and amortization (30%). At the beginning of each fiscal year, the Committee approves the assignment of a threshold, target, and reach objective for each performance criterion based upon the operating and capital budget approved by the Board. The target objective is established with an approximate 60 to 70 percent probability of achievement with threshold objective adjusted 20% below and the reach objective adjusted 30% above the target objective. Actual fiscal year financial results are compared to plan objectives in order to determine the amount of any executive officer bonus. If actual financial results fall between the threshold and target or the target and reach objectives, then bonuses are proportionately increased as a result of the threshold or target objective being exceeded. Notwithstanding the other provisions of the Bonus Plan, the Committee has the right to reduce or eliminate any bonus due an executive officer based upon the Committee's determination of individual performance, and the Committee has the discretion to adjust performance criteria during a fiscal year if, for example, the initially-established performance criteria are rendered unrealistic in light of

circumstances beyond the control of the Company and its management. However, the Committee neither reduced executive bonuses due to individual performance or revised performance criteria for fiscal 2008.

The approved corporate performance criteria for fiscal 2008 were:

	Threshold	Target	Reach
Earnings Per Share	\$ 2.53	\$ 3.17	\$ 4.11
Return on Invested Capital	12.5%	15.6%	20.1%
Operating EBITDA	\$ 624,028,000	\$ 729,504,000	\$ 887,717,000

The bonus, if any, is then subject to being increased or decreased by up to 50% based on the satisfaction of the approved safety goal and the Committee's overall assessment of our dayrates and utilization (10% weighting) and our stockholder returns relative to the stockholder returns of our competitors (40% weighting). However, if the approved safety goal is not met, then the bonus will not be subject to increase but may be decreased. The approved safety goal for fiscal 2008 was that our Occupational Safety and Health Administration rates be at least 25% below industry averages. In determining operational success, the Committee compared our dayrates and utilization to that of our competitors.

Within this framework, the Committee determined that the target objective for Earnings Per Share and Return On Invested Capital and the reach objective for operating EBITDA had been exceeded in fiscal 2008, and that the annual bonus for all named executive officers be increased by 50% due to our operational success, the satisfaction of the safety goal, and the achievement of favorable relative stockholder returns.

The fiscal 2008 bonuses for named executive officers are shown in both the "Bonus" and "Non-Equity Incentive Plan Compensation" columns in the Summary Compensation Table on page 21.

Long-Term Equity Incentive Compensation