

HELMERICH & PAYNE INC
Form DEF 14A
January 26, 2006

**UNITED STATES
SECURITIES AND EXCHANGE
COMMISSION**

Washington, D.C. 20549

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SCHEDULE 14A

**Proxy Statement Pursuant to Section 14(a) of the Securities
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Filed by the Registrant **x**
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Check the appropriate box:

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

- x** No fee required.
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1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

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1437 South Boulder Avenue
Tulsa, Oklahoma 74119

of Stockholders
To Be Held On
March 1, 2006

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Notice is hereby given that the Annual Meeting of Stockholders of Helmerich & Payne, Inc., 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 1, 2006, 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 2009.
2. To consider and vote upon the approval of the proposed Helmerich & Payne, Inc. 2005 Long-Term Incentive Plan (a copy of which is attached hereto and marked Appendix A).
3. 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, 2006, 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, 2006. The Annual Report for the year ended September 30, 2005, has either been mailed previously to stockholders or 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

January 26, 2006
Tulsa, Oklahoma

1437 South Boulder Avenue
Tulsa, Oklahoma 74119

**PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MARCH 1, 2006**

General Information

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The enclosed proxy is being solicited by and on behalf of the Board of Directors of Helmerich & Payne, Inc. (the Company), and will be voted at the Annual Meeting of Stockholders on March 1, 2006. This statement and the accompanying proxy are first being sent or given to stockholders on or about January 26, 2006.

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 the Company. 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. The Company does 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, 2006, there were 52,110,235 issued and outstanding shares of the common stock of the Company, the holders of which are entitled to one vote per share on all matters. There is no other class of securities of the Company entitled to vote at the meeting. Only stockholders of record at the close of business on January 9, 2006, 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 stockholder of the Company who, to the knowledge of the Company, beneficially owns more than 5% of the Company's common stock, the number of shares beneficially owned by each, and the percentage of outstanding stock so owned, as of January 9, 2006.

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	4,177,261(2)	8.016%
Common Stock	Lord, Abbett & Co. LLC 90 Hudson Street Jersey City, New Jersey 07302	2,645,563(3)	5.077%

- (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) State Farm Mutual Automobile Insurance Company has sole power to vote or to direct the vote of 4,128,600 shares and has shared voting and dispositive power over 48,661 shares. This information is based upon State Farm Mutual Automobile Insurance Company's Schedule 13G Amendment dated January 13, 2005.
- (3) This information is based upon Lord, Abbett & Co. LLC's Schedule 13G dated February 2, 2005.

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, the Company's Chief Executive Officer (CEO) and other three executive officers (the CEO and other three executive officers collectively, the named executive officers), and all Directors and executive officers as a group, and the percent of the outstanding common stock so owned by each as of January 9, 2006.

Directors and Named Executive Officers	Title of Class	Amount and Nature of	Percent of
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		Beneficial Ownership (1)	Class (2)
W. H. Helmerich, III	Common Stock	1,488,700(3)	2.86%
Hans Helmerich	Common Stock	999,409(4)	1.89%
George S. Dotson	Common Stock	594,933(5)	1.13%
Douglas E. Fears	Common Stock	154,921(6)	
Steven R. Mackey	Common Stock	61,694(7)	
John D. Zeglis	Common Stock	15,986(8)	
Glenn A. Cox	Common Stock	14,986(9)	
William L. Armstrong	Common Stock	13,986(10)	
Edward B. Rust, Jr.	Common Stock	12,386(11)	
Paula Marshall-Chapman	Common Stock	5,507(12)	
All Directors and Executive Officers As a Group	Common Stock	3,362,508(13)	6.28%

- (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.
- (2) Percentage calculation not included if beneficial ownership is less than one percent of class.
- (3) Includes 100,000 shares owned by The Helmerich Foundation, an Oklahoma charitable trust, for which Mr. Helmerich is Trustee, and 20,000 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.

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- (4) Includes options to purchase 726,300 shares; 10,823 shares fully vested under the Company's 401(k) Plan; 17,310 shares owned by Mr. Helmerich's wife, with respect to which he has disclaimed all beneficial ownership; 14,800 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; 2,000 shares held by Mr. Helmerich as a Co-trustee for a family trust for which he shares voting and investment power; and 36,837 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) Includes options to purchase 484,200 shares; 5,255 shares fully vested under the Company's 401(k) Plan; 45,554 shares owned by Mr. Dotson's wife, with respect to which he has disclaimed all beneficial ownership; and 26,625 shares owned by The Dotson Family Charitable Foundation, for which Mr. Dotson is Co-trustee, and for which he shares voting and investment power.
- (6) Includes options to purchase 133,695 shares; 229 shares fully vested under the Company's 401(k) Plan; and 800 shares owned by a charitable foundation, for which Mr. Fears is Co-trustee, and for which he shares voting and investment power.
- (7) Includes options to purchase 55,886 shares and 1,808 shares fully vested under the Company's 401(k) Plan.
- (8) Includes options to purchase 8,986 shares.
- (9) Includes options to purchase 8,986 shares and 2,000 shares held in a revocable trust known as the Glenn A. Cox Trust, UTA, with respect to which voting and investment power are shared with Mr. Cox's wife.
- (10) Includes options to purchase 8,986 shares.
- (11) Includes options to purchase 8,986 shares.

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- (12) Includes options to purchase 5,307 shares.
- (13) Includes options to purchase 1,441,332 shares and 18,115 shares fully vested under the Company's 401(k) Plan.

PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors of the Company (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. The terms of the Directors of the First Class and the Second Class do not expire until 2007 and 2008, 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.

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:

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Directors of the First Class

<u>Name</u>	<u>Age</u>	<u>Expiration of Present Term</u>	<u>Principal Occupation and Current Directorships</u>	<u>Year First Became Director</u>
Hans Helmerich	47	2007	President of the Company and Chief Executive Officer; holds positions as Chairman, or President or Executive Vice President and as Chief Executive Officer of subsidiary companies. Director of Atwood Oceanics, Inc. and Cimarex Energy Co.	1987
George S. Dotson	65	2007	Vice President of the Company and President and Chief Operating Officer of Helmerich & Payne International Drilling Co. (wholly owned subsidiary of the Company); holds similar positions as President and Chief Operating Officer of Helmerich & Payne International Drilling Co. subsidiary companies. Director of Atwood Oceanics, Inc.	1990
Paula Marshall-Chapman	52	2007	Chief Executive Officer of The Bama Companies, Inc. (manufacturer and marketer of food products). Director of BOK Financial Corp.	2002

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Directors of the Second Class

<u>Name</u>	<u>Age</u>	<u>Expiration of Present Term</u>	<u>Principal Occupation and Current Directorships</u>	<u>Year First Became Director</u>
	58	2008		1989

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<u>Name</u>	<u>Age</u>	<u>Expiration of Present Term</u>	<u>Principal Occupation and Current Directorships</u>	<u>Year First Became Director</u>
John D. Zeglis			Retired Chief Executive Officer and Chairman, AT&T Wireless Services, Inc. (wireless phone services company). Director of AMX Corporation; Georgia-Pacific Corporation; and State Farm Mutual Automobile Insurance Company.	
William L. Armstrong	68	2008	Chairman of Cherry Creek Mortgage Company (mortgage banking); The El Paso Mortgage Company (mortgage banking); and Centennial State Mortgage Company (mortgage banking). Chairman of Denver-based Oppenheimer Funds.	1992

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Nominees for Directors of the Third Class

<u>Name</u>	<u>Age</u>	<u>Expiration of Present Term</u>	<u>Principal Occupation and Current Directorships</u>	<u>Year First Became Director</u>
W. H. Helmerich, III	83	2006	Chairman of the Board of the Company.	1949
Glenn A. Cox	76	2006	Retired President and Chief Operating Officer of Phillips Petroleum Company (large integrated oil company). Director of Cimarex Energy Co.	1992
Edward B. Rust, Jr.	55	2006	Chairman of the Board 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

Messrs. Hans Helmerich and George S. Dotson are Directors 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.

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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 with respect to Mr. John D. Zeglis, who was Chief Executive Officer and Chairman of AT&T Wireless Services, Inc. from December, 1999 to November, 2004. Mr. Hans Helmerich is a son of Mr. W. H. Helmerich, III.

THE COMPANY S BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR EACH OF THE PERSONS NOMINATED BY THE BOARD.

Attendance

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There were four regularly scheduled meetings of the Board held during fiscal 2005. The Company requires 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 the Company's Directors attended the 2005 Annual Meeting of the Stockholders. 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 held during fiscal 2005.

Committees

Messrs. Cox (Chairman), Rust, and Zeglis are members of the Audit Committee. The Board has adopted a written charter for the Audit Committee which is attached to this Proxy Statement as Appendix B. 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 the Company's independent accountants. The Board has determined that Mr. Glenn Cox is an audit committee financial expert as defined by Item 401 of Regulation S-K of the Securities and Exchange Commission (SEC). During the fiscal year ended September 30, 2005, the Audit Committee held 11 meetings.

Ms. Marshall-Chapman and Messrs. Armstrong and Zeglis (Chairman) are members of the Human Resources Committee (which functions as the Company's compensation committee). The Board has adopted a written charter for the Human Resources Committee. The primary functions of the Human Resources Committee are to review and make decisions regarding compensation of the Company's executive officers and make recommendations regarding compensation of non-employee members of the Company's Board and to review and make recommendations or decisions regarding incentive compensation and equity-based compensation plans. During the fiscal year ended September 30, 2005, the Human Resources Committee held four meetings.

Ms. Marshall-Chapman and Messrs. Armstrong (Chairman), Cox, 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 and to make recommendations to the Board regarding the adoption or amendment of corporate governance principles applicable to the Company. During the fiscal year ended September 30, 2005, the Nominating and Corporate Governance Committee held four meetings.

The non-management Directors, in fiscal 2005, met in executive session without management, prior to each regularly scheduled Board meeting. Mr. Zeglis was presiding Director for one executive session and Mr. Francis Rooney, who resigned from the Board on October 17, 2005, was presiding Director at all other executive sessions.

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Corporate Governance

The Board has adopted Corporate Governance Guidelines to address significant corporate governance issues. The guidelines, as well as all Board committee charters, the Company's Code of Business Conduct and Ethics, and the Code of Ethics for Principal Executive Officer and Senior Financial Officers are available on the Company's website, www.hpinc.com, under Corporate Governance in the Investor Relations section. The information on the Company's 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 the Corporate Secretary of the Company.

The Corporate Governance Guidelines provide a framework for the Company's 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

The Company's 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 the Company. 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, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company; (ii) the Director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from the Company, other than Director and committee fees and pension and other forms of deferred compensation for prior

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service (provided such compensation is not contingent in any way on continued service); (iii) the Director or an immediate family member is a current partner of a firm that is the Company's internal or external auditor; (iv) the Director is a current employee of a firm that is the Company's internal or external auditor; (v) the Director has an immediate family member who is a current employee of a firm that is the Company's internal or external auditor and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; (vi) the Director or an immediate family member was within the last three years (but is no longer) a partner or employee of a firm that is the Company's internal or external auditor and personally worked on the Company's 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 the Company's 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, the Company 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 the Company was indebted, or to which such other company was indebted to the Company, 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

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of the Director) is, or during the last fiscal year has been, an executive officer, director or trustee of a charitable organization where the Company's 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 the Company, provided the payments made by the Company 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 the Company; or (iv) a relationship arising solely from a Director's position as a director of another company that engages in a transaction with the Company 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 the Company's 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 the Company 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 the Company or any subsidiary.

Generally, types of 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.

After applying the standards set forth above in the Company's Corporate Governance Guidelines, the Board determined that Ms. Marshall-Chapman and Messrs. Zeglis, Rust, 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. The Company is 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 the Company the benefit of familiarity and insight into the Company's affairs that its Directors have accumulated during their tenure. Accordingly, the process for identifying nominees shall reflect the Company's 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 renomination 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 the Company's 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 the Company's 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 the Company's 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 the Company's Secretary at the Company's headquarters address. To be considered by the Committee, stockholder nominations must be submitted before the Company's fiscal year-end and must include the information listed in paragraph 2(i) and (ii)(a) and (c) below, together with a statement of the number of shares of Company stock beneficially owned by the stockholder making the nomination and by any other supporting stockholders. (2) *Stockholder Nominations at the Annual Meeting.* The By-laws of the Company 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 27) 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 stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present the nomination, and (c) 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 the Company's 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 a Director of the Company should possess the following minimum qualifications more fully discussed in the Company's 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 stockholders of the Company; (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 the Company; (vii) must have, and be prepared to devote, adequate time to the Board and its committees; and (viii) must not conflict with any Company 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 the Company's financial statements, accounting practices or internal controls, the concern may be submitted in writing to the Chairperson of the Audit Committee in care of the Company's Secretary at the Company's headquarters address. If the concern relates to the Company's 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 the Company's Secretary at the Company's 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 the Company's Secretary at the Company's 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

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Board or any one of the Directors in care of the Company's Secretary at the Company's headquarters address. The Company's headquarters address is 1437 South Boulder Avenue, Tulsa, OK 74119. In addition, any issue or concern may be addressed in a confidential or anonymous manner by submitting the same to the Company through its ethics hotline at 1-800-205-4913.

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 the operation of the Company will be promptly forwarded to the specified party(ies).

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary of Cash and Certain Other Compensation

The information contained in the following Summary Compensation Table for fiscal years 2005, 2004, and 2003 is furnished with respect to the named executive officers.

Summary Compensation Table

<u>Annual Compensation</u>	<u>Long-Term Compensation</u>	
	<u>Awards</u>	<u>Payouts</u>

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Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			(2) All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	(1) Other Annual Compensation (\$)	Restricted Stock Awards (\$)	Securities Underlying Options (#)	LTIP Payouts (\$)	
Hans Helmerich President and CEO	2005	528,958	780,000	1,378		90,000		65,642
	2004	517,318	158,000	1,177		90,000		33,766
	2003	514,320	-0-	1,239		90,000		36,366
George S. Dotson Vice President and President of Drilling Subsidiary	2005	451,233	393,000	654		60,000		10,500
	2004	449,790	85,000	444		60,000		10,250
	2003	447,099	-0-	922		60,000		31,990
Douglas E. Fears Vice President Finance and CFO	2005	274,195	251,000	1,002		30,000		13,828
	2004	268,162	48,000	735		30,000		12,097
	2003	266,526	-0-	936				