

BAKER HUGHES INC
Form 425
September 09, 2015

Barclays CEO Energy Power
Conference
Jeff Miller
President, Halliburton
September 8, 2015

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2

Safe Harbor

The statements in this presentation that are not historical statements, including statements regarding future financial performance, macroeconomic trends, estimated demand by well type, the upside of the North American oil and gas industry, the expected closing of the pending Baker Hughes transaction, and the growth potential and other expected benefits and synergies of the Baker Hughes transaction, are forward-looking statements within the meaning of the federal securities laws. These statements are

subject
to
numerous
risks
and
uncertainties,
many
of
which
are
beyond
the
company's
control,
which
could
cause
actual
results
to
differ
materially
from
the
results
expressed
or
implied
by
the
statements.

These
risks
and
uncertainties
include,
but
are
not
limited

to: with respect to the pending acquisition of Baker Hughes, the terms and timing of any divestitures undertaken in order to obtain required regulatory approvals, the conditions to closing of the proposed transaction may not be satisfied or the closing of the proposed transaction otherwise does not occur, the risk that a regulatory approval that may be required for the proposed transaction is not obtained or is obtained subject to conditions that are not anticipated, the diversion of management time on transaction-related issues, the ultimate timing, outcome and results of integrating the operations of Halliburton and Baker Hughes and the ultimate outcome of Halliburton's operating efficiencies applied to Baker Hughes' products and services, the effects of business combination of Halliburton and Baker Hughes, including the combined company's future financial condition, results of operations, strategy and plans, expected synergies and other benefits from the proposed transaction and the ability of Halliburton to realize such synergies and other benefits, and expectations regarding regulatory approval of the transaction; changes in the demand for or price of oil and/or natural gas can be significantly impacted by weakness in the worldwide economy; changes in

capital spending by customers; and structural changes in the oil and natural gas industry. Halliburton's Form 10-K for the year ended December 31, 2014, Halliburton's Form 10-Q for the quarter ended June 30, 2015, recent Current Reports on Form 8-K and other Securities and Exchange Commission filings discuss some of the important risk factors identified that may affect Halliburton's business, results of operations, and financial condition. Halliburton undertakes no obligation to revise or update publicly any forward-looking statements for any reason.

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3

This communication does not constitute an offer to buy or sell or the solicitation of an offer to buy or sell any securities or a vote or approval. This communication relates to a proposed business combination between Halliburton and Baker Hughes. In c
this

proposed
business

combination,
Halliburton
has
filed
with
the
the
Securities
and
Exchange
Commission
(the
SEC)

a
registration
statement
on

Form S-4, including Amendments No. 1 and 2 thereto, and a definitive joint proxy statement/prospectus of Halliburton and Baker Hughes and other documents related to the proposed transaction. The registration statement was declared effective by the SEC on February 10, 2014. The definitive proxy statement/prospectus has been mailed to stockholders of Halliburton and Baker Hughes. INVESTORS AND SECURITY HOLDERS OF HALLIBURTON AND BAKER HUGHES ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND THE REGISTRATION STATEMENT AND OTHER DOCUMENTS FILED OR THAT MAY BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders are encouraged to request copies of these documents and other documents filed with the SEC by Halliburton and/or Baker Hughes through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by Halliburton are available free of charge on Halliburton's website at <http://www.halliburton.com> or by contacting Halliburton's Investor Relations Department by email at investors@halliburton.com or by phone at +1-281-871-2688. Copies of the documents filed with the SEC by Baker Hughes are available free of charge on Baker Hughes' website at <http://www.bakerhughes.com> or by contacting Baker Hughes' Investor Relations Department by email at alondra.oteyza@bakerhughes.com or by phone at +1-713-439-8822.

Halliburton, Baker Hughes, their respective directors and certain of their respective executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information about the directors and executive officers of Halliburton and Baker Hughes is set forth

in
its
Annual
Report
on
Form
10-K
for
the
year
ended
December
31,
2014,
which
was
filed
with
the

SEC

on

February

24,

2015,

its

proxy

statement for its 2015 annual meeting of stockholders, which was filed with the SEC on April 7, 2015, and its Quarterly Report for the quarter ended June 30, 2015, which was filed with the SEC on July 24, 2015. Information about the directors and executive officers of Baker Hughes is set forth in its Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the SEC on February 10, 2015, its proxy statement for its 2015 annual meeting of stockholders, which was filed with the SEC on March 27, 2015, and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, which was filed with the SEC on July 24, 2015. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, are contained in the proxy statement/prospectus and other relevant documents filed with the SEC.

Participants in Solicitation

Additional information

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4

Source: Baker Hughes US Rig Count
through 9/4/15

Index of the US Rig Count

Comparing the Cycles

-53%

-43%

-57%

0.40

0.60

0.80

1.00

1

7

13

19

25

31

37

43

49

55

61

67

73

79

85

91

97

103

109

115

121

127

133

139

145

151

Weeks

1997-2001

2001-2008

2008-2011

2014-Curr

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5

Macro Outlook

Customer Capital Allocation

Flexibility

Less Flexible

Lower Decline

Long Cycle
More Flexible
Higher Decline
Short Cycle
North America
Unconventionals
North America Gas
North America
Conventional Oil
Deepwater
Oil Sands
LNG
International
Oil & Gas
Lowest Cost of Supply
Source of Flexible Growth
Challenged Cost of Supply
Portfolio Diversification
Highest Cost of Supply
Robust Cash Flows once
Producing
Lower Average Cost of Supply
Higher Average Cost of Supply
OPEC
Source: ConocoPhillips, Internal Estimates

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6

Why North America is Attractive

Unconventionals are the Highest Service Opportunity Per Capex Dollar

Source: internal Estimates, Spears Oilfield Logix, Quest Offshore

<10%

Up to 50

%

Oil Sands

Deepwater

Exploration

Russia

Deepwater

Development

NAM

-

Conventional

Int'l Land

-

Conventional

OPEC

NAM

-

Unconventional

Service Opportunity % of Total Spend Per Well

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7

Lowest Cost per BOE
Lowest Cost per Foot
Reservoir Delivery
Incremental Barrels and
Maximum Recovery

We collaborate, execute and
innovate to create value for our customers.

Deep Water

Unconventionals

Mature Fields

Strategic Markets

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8

Challenges in Deepwater

48

%

55

%

Demand by Well Type
(2010-2014)

Demand by Well Type
(2015E-2019E)

Development

Development

Exploration Activity

Development Activity

Exploration Success Rate (Right-Axis)

Source: Quest Offshore

0%

10%

20%

30%

40%

50%

60%

70%

80%

0

100

200

300

400

2010

2011

2012

2013

2014

2015E

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9

Resiliency in Mature Fields

Decline Rate (per Annum) of Mature Fields

(2013-2016)

Consulting-Led Projects

Improved Recovery Rates

Customer 1
Customer 2
Customer 3
Customer 4
Customer 5
Sector Average
Customer 6
Customer 7
Customer 8
Customer 9
Customer 10

Source: Wood MacKenzie

-5.8%

-7.1%

-7.3%

-7.8%

-7.9%

-8.2%

-8.3%

-9.6%

-10.1%

-10.7%

-11.7%

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10

COST PER BOE

(PRODUCTION UNIT COST)

Improving Unconventional Economics

=

CUSTOM

CHEMISTRY
SUBSURFACE
INSIGHT

+

+

+

DRILLING
OPTIMIZATION
SUPPLY
CHAIN
FRAC OF THE
FUTURE

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11

EARLY

ADOPTERS

EARLY

MAJORITY

LATE

MAJORITY
LAGGING
ADOPTERS
CUSTOMER ADOPTION
TIME

=

CUSTOM
CHEMISTRY
SUBSURFACE
INSIGHT

+

Improving Unconventional Economics

+

+

DRILLING
OPTIMIZATION
SUPPLY
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12

Planned

Reservoir Recovery

Equidistant well spacing

Geometric stage placement

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13

Planned

Realized

BYPASSED

RESERVES

BYPASSED

RESERVES

Reservoir Recovery

2/3 of Stages Underperform

Less than 8% Oil Recovery Factor

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14

EARLY

ADOPTERS

EARLY

MAJORITY

LATE

MAJORITY
LAGGING
ADOPTERS
CUSTOMER ADOPTION
TIME
CUSTOM
CHEMISTRY
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15

PRODUCTION

INFILL PADS

Maximizing Recovery

NEW WELLS

Increasing

Reserves

REFRAC PADS

Lowest Cost Per

Barrel

Portfolio Approach to Technology

Current Wells

Barclays CEO Energy Power
Conference
Christian Garcia
Acting CFO

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17

Source:

EIA,

Baker

Hughes

US

Rig
Count

through

8/28/15

Unfavorable Activity Mix

Commodity Price Weakness

Pricing Pressure

North America Outlook

WTI Oil Price

Rig count appears to be bottoming
since the end of the second quarter

but currently has unfavorable
mix toward vertical rigs.

3Q15 vs 2Q15

-6%

9%

0.40

0.60

0.80

1.00

\$30

\$40

\$50

\$60

10-Apr

22-May

3-Jul

14-Aug

Horizontal/Directional

Vertical

International Outlook
Middle East
2%
International Rig Count
is Down
Year-to-Date
13%

Offshore vs

Land

Activity and Pricing

Currency Headwinds

Offshore

19%

Land

11%

Source: Baker Hughes International Rig Count

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18

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19

Halliburton and Baker Hughes

Creating a Leading Oilfield Services Company

Next Steps

Complete the Requirements for the EU Filing

Receive

2
nd
Round
of
Bids
for
Drilling
Services
and
Drill Bits
Announce Any Additional Divestitures
Complete the Divestiture Process
Receive Feedback from Regulatory Authorities
Compelling Strategic Combination
Significant Cost Synergies
Deal
Announced
Drilling Services and Drill
Bits Marketed For Sale
Received Indications
of Interest
Substantial
Compliance
with
DOJ
2
Request
Timing Agreement
With DOJ
Shareholder
Approval
Targeted Closing
In Late 2015
Next Steps
nd

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20

Summary

Looking through the Cycle

North America offers the greatest upside in the recovery

Making progress towards the Baker Hughes acquisition

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