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PATTERSON-UTI ENERGY ANDY HENDRICKS INTERVIEW

CNBC POWER LUNCH

TRANSCRIPT

BRIAN SULLIVAN: Andy Hendricks, he's the president and CEO of Patterson UTI. Maybe not a household name folks, but this is a very important company because when you see all those drilling rigs, to put new wells into the ground, it's probably on one of this guy's rigs. Andy, thanks for joining us.

ANDY HENDRICKS: Thanks, good to be here Brian.

BRIAN SULLIVAN: Well you surprised a lot of people a few months ago because you did a deal, 1.76 billion dollar deal for a company called 77 Energy. Again, not a household name, former offshoot of Chesapeake. And many analysts that I've talked to said "eh, why would you pay that kind of money when not even all of your drilling rigs are utilized?"

ANDY HENDRICKS: We're really excited about this potential merger with 77 Energy, we announced the plan to merge on December 13th, we hope to try to get to the closing by the end of March, that's our current target right now. 77 Energy has a lot of great people, a lot of high-quality assets and it marries up well with the same assets that we have at Patterson UTI Energy.

BRIAN SULLIVAN: But not all of your rigs are being utilized, so why go out and buy more?

ANDY HENDRICKS: They're not today, but this is the point of the cycle that we're at and it was just a really interesting opportunity for us. We first got to look at 77 Energy back in 2013 when it was still part of Chesapeake, so we know these assets very well, we know the people who are over there and it came a point in the cycle where we were able to go back and talk to them after their recent emergence from Chapter 11, when it made sense to combine these companies.

BRIAN SULLIVAN: Is this a sign of long-term optimism? Do you think we're at the bottom of the downturn? Is the worst behind us?

ANDY HENDRICKS: What we see today are the initial stages of a recovery. You know, if you look what the drilling rig count is in the U.S., you know, we're up over 60% since the bottom in late April. And you know, there is some optimism out there. With WTI trading at over \$50 a barrel, what we see is that the rig count will continue to go up.

BRIAN SULLIVAN: I know, and I m going to give my viewers a secret, I hate to take away from Friday, you know we get the Baker Hughes weekly numbers, but actually I ll give them a little hint. I look at your

daily numbers. You've got your rig summary, you guys update it almost every day. By basin. It's gone from what 40-50 to 77. Some other analysts are suggesting hey yeah, that's great news but do you have the people to work these rigs? Are there enough workers left in the industry if we continue to see rig counts go up?

ANDY HENDRICKS: It's the one part of the equation that we're going to see tighten up. We've been in good shape so far at Patterson-UTI, we've gotten to hire back over 600 people and that's just been great after a year and a half of a tough cycle for us. If you look at the people that we've gotten back, back in September-October. About 90 percent were returning employees now about 80 percent are returning employees. But this is going to tighten up. But we know how to handle this. We have a national footprint at Patterson-UTI Energy. In 2014, when we were busy and over half the people that we were hiring back into our company were transitioning military. And you know as well as I do that we have a lot of great men and women in the military who are going to be looking for positions in the private sector.

BRIAN SULLIVAN: And the big companies that are going to hire you, they've been beating you guys for price cuts, price cuts, price cuts. Have we seen the end of the price cuts? Because that's bad for them but probably good for you.

ANDY HENDRICKS: I don't want to get into the details of the pricing for Patterson-UTI Energy but there was an industry report that came out this week that showed that drilling day rates have gone up for the first time in two years. So we're moving in that direction.

BRIAN SULLIVAN: Ok quickly, 15 buys but 16 holds or sells on your stock. Talk to the analyst community, why should they be more optimistic about PTE and your stock?

ANDY HENDRICKS: You know we have a great story to tell. You know, we're in the high-spec drilling, we're in the completion business. And if you look at this merger with 77 Energy that we're working on today then we are well poised and well positioned as an investment in the North American play. So if you're looking at energy, considering everything that's been going on in the markets for the last week or so, it's worth looking at energy again.

BRIAN SULLIVAN: Andy Hendricks, I think you may have said that once or twice in the past, I'm just guessing. It was a pleasure to have you on Power Lunch and CNBC.

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This transcript does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. The proposed transaction will be submitted to the stockholders of each of Patterson-UTI Energy, Inc. (Patterson-UTI) and Seventy Seven Energy Inc. (SSE) for their consideration. Patterson-UTI will prepare and file a Registration Statement on Form S-4 that will include a prospectus and proxy statement jointly prepared by Patterson-UTI and SSE. SSE and Patterson-UTI may also file other documents with the Securities and Exchange Commission (the SEC) regarding the proposed transaction.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

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filed with the SEC by SSE will be available free of charge on SSE's website at www.77nrg.com under the tab Investors and then through the link titled SEC Filings or by contacting SSE's Investor Relations Department at IR@77nrg.com, or by phone at (405) 608-7730.

Participants in the Solicitation

Patterson-UTI, SSE and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Patterson-UTI in connection with the proposed transaction. Information about the directors and executive officers of Patterson-UTI is set forth in the Proxy Statement on Schedule 14A for Patterson-UTI's 2015 annual meeting of stockholders, which was filed with the SEC on April 15, 2016. Information about the directors and executive officers of SSE is set forth in the 2015 Annual Report on Form 10-K/A for SSE, which was filed with the SEC on April 29, 2016 and the Current Report on Form 8-K for SSE, which was filed with the SEC on August 1, 2016. These documents can be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

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