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Thomson StreetEvents℠

ESV - Q4 2009 Ensco Earnings Conference Call

Event Date/Time: Feb. 25. 2010 / 4:00PM GMT

THOMSON REUTERS

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PRESENTATION

Operator

Good day, everyone, and welcome to the Ensco International fourth quarter earnings for 2009 conference call. (Operator Instructions).

I will now turn this conference call over to Mr. Sean O'Neill, Vice President of Investor Relations, who will moderate the call. Please go ahead, sir.

Sean O'Neill - *Ensco - VP-IR*

Good morning, and welcome to Ensco's fourth quarter 2009 conference call. With me today are Dan Rabun, CEO; Bill Chadwick, our Chief Operating Officer; Jay Swent, Chief Financial Officer; as well as other members of our executive management team. We issued our earnings release, which is available on our website at enscointernational.com. Later today, we plan to file our SEC Form 10-K. As usual, we will keep our call to one hour.

Any comments we make about expectations are forward-looking statements and are subject to risks and uncertainties. Many factors could cause actual results to differ materially. Please refer to our earnings release and SEC filings on our website that define forward-looking statements and list risk factors and other events that could impact future results. Also please note that the Company undertakes no duty to update forward-looking statements.

As a reminder, our monthly rig status report was issued on February 16. Now let me turn the call over to Dan Rabun, Chairman and CEO.

Dan Rabun - *Ensco - Chairman, President & CEO*

Thanks, Sean, and good morning, everyone. Jay and I are in our new headquarters in London today. Before Jay takes us through the financial results, I would like to start by providing some color on fourth quarter and full year highlights, the state of our markets and our current outlook. On December 22nd of last year, we achieved an important milestone in Ensco's history. Shareholders approved our redomestication to the United Kingdom, and virtually the entire senior executive senior management team is in the process of moving to London.

The Company, customers and shareholders are all expected to benefit from the relocation to the UK. Executive management oversight will improve from a more centrally-located global headquarters in London. We will be closer to more of our major customers, and we expect to achieve a global effective tax rate comparable to our competitors domiciled in Europe. The move to the UK was a very logical next step for Ensco. We have operated in the United Kingdom for 16 years. We have more than 400 employees in the country supporting our North Sea operations, and 2009 UK revenues exceeded those in the US. Virtually all of our executives moving to the UK have worked outside the US previously on long-term assignments, so we anticipate a very smooth transition.

Another major achievement for 2009 was our safety record. Last quarter, I underscored the importance of safety and its strong ties to operational excellence, reliability, and customer satisfaction. I am extremely pleased that our rig crews and the entire workforce achieved the lowest incident rates in our history last year, which were also better than the industry averages. I should mention that the IADC industry average also improved significantly in 2009, which is great to see for our industry.

Now, let me turn to our operations. I'll start with our deepwater business. In 2009, our ultra deepwater expansion strategy that we initiated in 2005 became a reality. Ensco 8500 joined the fleet in June, and as you may have read, it drilled Anadarko's major new Lucius field discovery in the US Gulf of Mexico; and Ensco 8501, the second rig in the series, commenced operations in October. They will be joined this year by Ensco 8502, that we expect to commence operations in the third quarter; and then Ensco 8503, which is anticipated to be delivered in the fourth quarter. While we have lowered our previous deepwater segment revenue projections for 2010, as Jay will describe in a moment, we were very pleased with the overall startup of our 8500 Series rigs. We expect significant growth in our deepwater business over the next few years based on contracts already in place, and customers inquiries have picked up for our remaining uncommitted rigs for work beginning in 2011 and 2012, when they are scheduled for delivery. During 2008 and 2009, there were 90 new deepwater discoveries around the world, and it seems like there are new announcements every day, which will create positive demand for deepwater drilling in the future.

From a cash flow perspective, we also achieved an important milestone in 2009. Our $3 billion capital spending commitment for the deepwater newbuild program has declined to just $1.1 billion at year end, as our deepwater segment revenues have begun to ramp up as the new rigs commenced operations.

Turning now to our Jackup business, 2009 was clearly a challenging period for the whole industry. We were very pleased, however, at how we finished the year with an 11% point increase in utilization in the final quarter versus the third quarter, driven by our Asia-Pacific and North and South America business units. Our overriding strategy is to keep our rigs working wherever possible, even if that means working in accommodation mode, where we are able to lower our costs to achieve adequate margin, even at lower day rates.

We believe we have a competitive advantage in terms of a lower cost structure, and we have used this advantage to our benefit in the bidding process. Our ability to win bids, however, is not strictly tied to our cost advantage. Safety, reliability and the quality of our equipment are also critical factors. As I mentioned earlier, 2009 was Ensco's best year ever in terms of safety, and this is a very important factor with our customers.

I am also pleased to report that Ensco received very high marks in a recent independent survey of operators grading the offshore drillers. Customers ranked Ensco number one for performance and reliability. We are proud of the recognition and gratified that customers value the investments we have made both in our fleet and our people, which was evident in the high scores.

Now let's discuss the markets. I'll start with deepwater. In the fourth quarter, Petrobras issued two tenders for work for both dynamically positioned and moored semis. This is in addition to their plans for 28 rigs to be built in Brazil and underscores Petrobras' need for rigs on a near-term and medium-term basis. We continue to see new discoveries being made around the world. Recent examples include Petrobras in Brazil, ENI in Angola, Anadarko in Mozambique and our clients continue to make plans to drill deepwater exploration wells in prospective areas of Indonesia, China, Ghana and Australia. Additional discoveries also continue to be made in the US Gulf of Mexico, including the recent announcement of Anadarko's Lucius discovery that was drilled by Ensco 8500. We anticipate that demand for rigs will increase to undertake development activities over the next several years. We are actively marketing and are engaged in discussions with several operators regarding the prospective work opportunities for our three uncommitted ultra deepwater rigs, and we fully expect that our uncommitted rigs will be contracted well before their deliveries.

In the Jackup market, challenges continued during the quarter in terms of declining average day rates, and we expect this to continue for a period of time, as expiring rates from long-term contracts are renewed at lower market rates. With oil prices stabilizing in the $70 range, however, market day rates appear to be stabilizing as operators become more confident about prospects for 2010. We cannot make any predictions on the timing of a pricing recovery in the Jackup markets, other than to remind everyone that it usually takes several quarters of improved utilization, prompted by stable commodity prices and our customers' confidence in the long-term fundamentals.

Turning to specific markets, the Middle East, India, and Southeast Asia Pacific Rim remain very competitive Jackup markets. Several contracts have been awarded or extended, several tenders remain outstanding, and more are expected. In addition to the normal areas of activity, several opportunities stand out.

Saudi Aramco issued tenders for two high spec gas rigs and two workover rigs, and additional tenders are expected for requirements in late 2010 and early 2011. Some of these tenders will be against incumbent rigs. Kuwait Oil Company is expected to tender in the second quarter for a 15K Jackup. Iran increased its rig count by five rigs, helping to reduce supply in other markets where we operate. We did opt to cold stack one rig, Ensco 84, in Bahrain due to insufficient opportunities in the near-term for this 250-foot Jackup. In India, ONGC tendered for seven Jackups against incumbents. In addition to multiple opportunities throughout Southeast Asia and Australia, we have seen a major increase in bidding activity in Indonesia as a result of pressure to increase oil recovery and to capitalize on affordable rig rates. Since early December, there have been eight tenders for programs ranging from 90 to 490 days. The volume of tenders created a log jam, and caused many bids to fail due to the insufficient number of bidders because of stringent operator terms and regulatory conditions. I should add that Ensco also was ranked number one in the Asia-Pacific Rim region in the independent customer satisfaction survey I mentioned earlier.

Turning now to the North Sea, drilling economics remain fragile, with UK gas prices remaining low. However, it appears that operators are focused on development and appraisal of oil wells in known prospects, and recently we have seen a number of new inquiries surface for work starting in mid to late 2010. You will notice, for example, in our most recent fleet status report, that we have three rigs contracted with delayed start dates beginning in late second quarter and early third quarter 2010. The oil and gas lobby in the UK is pushing for tax relief in order to leverage existing infrastructure and to make more fields economical, which would be positive for drilling demand in the region.

In the US Gulf of Mexico, Jackup utilization has improved substantially. The utilization rate for premium Jackups is 90%, and we are bringing Ensco 90 out of cold stack to work under a new contract. As a result, we will now have six rigs operating in the Gulf and just one cold stacked. Opportunities in Latin America are also improving. We understand that Pemex has received approvals, and will come out to tender soon for five independent leg cantilever Jackups. Jackup programs are also emerging in Brazil, Colombia, Trinidad, Suriname, and Guyana. We are pursuing all of these opportunities.

Overall, we are seeing a healthy level of Jackup activity worldwide and more inquiries in the ultra deepwater markets.

While competition is significant, we believe our reputation for safety, operational excellence, and cost effective service will continue to make Ensco stand out versus competitors. Now, I will turn it over to Jay. Thank you.

Jay Swent - *Ensco - CFO & SVP*

Thanks, Dan. My comments today will cover Ensco's redomestication to the UK, details of the fourth quarter results, our outlook for the first quarter and full year 2010 and a review of our financial position.

As Dan mentioned, our redomestication to the UK is a pivotal event in Ensco's history. Over the past year, the UK government has taken major steps to attract and retain large multinational companies like Ensco through more progressive tax policies. Since some of these changes are relatively recent and not yet fully known in the marketplace, I will take a few moments to discuss our move to the UK. The most frequent questions raised by investors to date seem to fall into three basic categories -

First, why move to the UK, and not Switzerland like some of our competitors?

Secondly, isn't the UK taxation system similar to the US?

And third, will there be significant costs associated with restructuring operations and establishing a headquarters in the UK?

Let me start with why we chose the UK. First and foremost, as Dan mentioned, the UK, and London specifically, is an ideal location for our new headquarters, especially when you consider our global footprint. Secondly, US tax rules severely limit a US company's ability to redomesticate, and one of the few ways that this can be accomplished is to relocate to a country where you have substantial business activities. Our extensive North Sea operations uniquely qualify us to redomesticate to the UK. Just to quantify this for you, during 2009, 86% of our revenues were generated outside of the US, and our UK revenues exceeded the US by a meaningful amount. The last point I would make on this topic is that we are in the process of restructuring our operations to be managed more globally. When this process is completed, the majority of our assets will be owned by Swiss subsidiaries. So we will have the benefits of a Swiss subsidiary structure, plus all the advantages of London, a major business and financial center, and a global transportation hub.

With respect to the question of similarities between the US and UK international taxation systems, the answer is that the UK and US have historically been similar; but that changed quite significantly in 2008 and 2009, as the UK started to align more closely with the European Union, where many countries are on a territorial system as opposed to a worldwide taxation system. The UK has already made several changes to its tax policy for multinationals, and the UK Treasury and HMRC are committed to further changes in 2011, all of which are aimed at making the UK a more competitive business environment.

The answer to the third question, which deals with expenditures associated with restructuring operations and establishing a headquarters in the UK, is, yes, there are incremental expenditures involved, but we expect them to be more than offset by operational and other efficiencies. The cash outlays for all of the planned restructuring activities total approximately $55 million. Some of this has already been expensed, and some will be amortized. For example, in the fourth quarter of 2009, we incurred a $9 million tax charge that was included in our current tax provision, and $8 million of professional fees related to the UK redomestication that was reflected in G&A. We incurred a $31 million obligation during the fourth quarter of 2009 associated with the transfer of rigs among subsidiaries, but this amount will be amortized to the income statement over 30 years, so it will have a minimal P&L impact in 2010. There will also be some additional restructuring costs in 2010, estimated to be $4 million. These items add up to approximately $55 million, as I just mentioned.

The incremental G&A increase associated with the London headquarters is approximately $10 million annually. In addition, we expect approximately $5 million of annual expenses to be reclassified from contract drilling expense to G&A as a result of our restructuring activities.

The key question is, what does this all mean for Ensco's effective tax rate? We currently expect our 2010 effective tax rate will be approximately 16 to 17%, an improvement from our 19% tax rate in 2009. While we expect to substantially complete our restructuring activities by midyear, we will not realize the full benefit of these changes in 2010. If all factors remained equal in 2011, we would expect to achieve an effective tax rate below 15%.

In a nutshell, we expect our move to the UK will provide very meaningful and tangible benefits to the Company and our shareholders. The efficiency of our tax structure is similar to that of peers domiciled in Switzerland and positions us very competitively.

Now I will discuss our financial results. Fourth quarter earnings from continuing operations were $1.24 per diluted share, compared to $2.14 a year ago. In addition, we generated $38 million of pretax income from discontinued operations in the fourth quarter for payments received in Venezuela related to Ensco 69. As previously reported, Ensco 69 was reclassified as discontinued operations, but discussions with the customer are ongoing. Total revenue for the fourth quarter was $500 million, a 17% decline from last year. Jackup segment revenues declined by approximately 38% to $376 million.

Average Jackup day rates were down $31,000 year to year to $128,000, as shown in our earnings release tables, and Jackup utilization in the fourth quarter was 72%, down from 95% a year ago. This was partially offset by deepwater revenue increasing to $124 million, from just $100,000 a year ago. We had three deepwater semis, Ensco 7500, 8500, and 8501, operating in fourth quarter 2009 versus having only one rig, Ensco 7500, in the deepwater fleet a year ago. Ensco 7500 was mobilizing to Australia at that time, so its revenue was primarily deferred. We reduced contract drilling expense for all Jackup segments by approximately 14% versus fourth quarter 2008 by proactively lowering personnel and operating costs on our idle rigs. We also negotiated cost reductions from vendors and service providers. Offsetting this, deepwater segment contract drilling expenses increased $40 million, largely due to adding Ensco 8500 and 8501 to the active fleet.

Also, in the fourth quarter 2008, Ensco 7500 was deferring most of its expenses while mobilizing to Australia. Overall, this nets to an 8% year-over-year increase in total contract drilling expense. Now, let's discuss quarterly trends by comparing fourth quarter 2009 sequentially to the third quarter 2009. Fourth quarter revenue of $500 million increased 17% from third quarter levels. This increase is attributable to a $61 million increase in deepwater revenue, due mainly to the addition of Ensco 8501 to the fleet, and a significant improvement in utilization to 91% versus 64% in the third quarter, and a 4% increase in the Jackup segment revenues driven by an 11% point increase in utilization. This was offset in part by a $20,000 decline in average day rates. Total contract drilling expense was up 10% sequentially from the third quarter. This breaks down as follows. Deepwater segment contract drilling expense increased 29%, mostly due to Ensco 8501 joining the fleet in October, and Jackup expense rose 5% due to increased utilization.

Looking at other expenses, depreciation increased by $3 million, mainly due to Ensco 8501 coming online. G&A expense was $22 million. This was more than we had indicated on our last call, due mostly to higher legal and professional fees associated with the redomestication to the UK. Cash on hand at year end was $1.1 billion, even after $861 million of capital investments during the year, $623 million of which related to our deepwater fleet expansion.

Now, let's turn to our outlook for first quarter 2010. Revenue is expected to decrease by about 13% from fourth quarter levels. In the deepwater segment, revenues are projected to be down slightly due to lower utilization related to planned downtime for some equipment upgrades. For the first quarter and also the balance of the year, utilization is expected to be steady for our total Jackup segments with the 72% utilization we achieved in the fourth quarter 2009. However, the average day rate for our Jackup fleet will continue to decline, as expiring contracts are adjusted to today's lower rates. Moving to expenses, we anticipate first quarter 2010 contract drilling expense will decrease by approximately 5%. Depreciation expense should remain unchanged. And we anticipate G&A expense will be approximately $20 million in the first quarter, which includes $2 million of legal and professional fees related to the transition to the UK.

Now, let's move to the outlook for full year 2010. Deepwater revenues are estimated to be approximately $525 million, down from our prior forecast of almost $600 million. A delay in commencement of Ensco 8502 and planned downtime on other rigs in 2010 are the primary cause for the decline, but these issues are not anticipated to affect deepwater revenue beyond this year. Specifically, two weeks ago, we reported that Ensco 8502 is now scheduled to commence operations in the third quarter versus the second quarter, due to fire damage in the engine room. Fortunately, no one was injured and we are assessing the damage and are working diligently to complete the necessary repairs as quickly as possible. In addition, we anticipate approximately 18 days of downtime for Ensco 8501 in the first quarter, and 21 days for Ensco 8500 in the third quarter, both related to equipment upgrades, as well as 18 days of downtime for Ensco 7500 in the second quarter for scheduled repairs.

On the Jackup side, as I mentioned earlier, on average, 2010 utilization is expected to be stable with the 72% utilization we achieved in fourth quarter 2009. However, second quarter utilization is anticipated to be somewhat lower, and fourth quarter somewhat higher. As Dan described earlier, we have contracted some of our North Sea rigs with start dates in the latter half of 2010, which will benefit the fourth quarter, but these rigs are currently uncommitted for the second quarter. With respect to contract drilling expense, we expect a significant increase in the number of operating days for our semi fleet, and deepwater segment contract drilling expense is forecasted to increase approximately 85%. We expect this will be partially offset by an 8% decline in contract drilling expense for the Jackup fleet.

Depreciation is projected to increase to approximately $232 million with the addition of our new ultra deepwater rigs. G&A expense is anticipated to be approximately $74 million, reflecting higher professional and legal fees to complete the transition to the UK, as well as costs associated with our new London headquarters. As I mentioned earlier, our effective tax rate is projected to be 16% to 17% for the full year, with the benefit versus last year being driven in part by the redomestication to the UK. 2010 capital spending, which of course is subject to change throughout the year, is forecasted to decline by about $120 million to $740 million in 2010. The anticipated breakdown is as follows. $610 million is committed to our 8500 series rigs; $30 million is for rig enhancement projects; and $100 million is for sustaining projects.

In summary, I would like to emphasize that Ensco has become a much stronger Company, given our many accomplishments in 2009. We have new global headquarters in London, which will provide many benefits, as Dan described. Our deepwater fleet is growing rapidly and we expect deepwater segment revenues to more than double in 2010. Jackup utilization improved significantly in the final quarter of last year, and we see good opportunities for most of our expiring contracts to either be extended or to secure new work. Our balance sheet has never been stronger, and Ensco's commitment to training has been rewarded with our best year ever in terms of safety performance. All of these accomplishments put us in a very strong competitive position as we begin the new year. Now, I will turn the call back over to Sean.

Sean O'Neill - *Ensco - VP-IR*

Thank you, Jay. Operator, we can now open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). We'll take our first question from Brian Uhlmer with Pritchard Capital. Looks like he has disconnected. We'll go ahead and take our next question from Robin Shoemaker with Citi.

Robin Shoemaker - *Citigroup - Analyst*

Thank you. Wanted to, Dan, ask you about -- you mentioned a lot of tenders against incumbent rigs in several of the markets that you're anticipating. I wonder if you could just address where you see growth in Jackup markets globally, excluding tenders that are against incumbent rigs in those markets. It sounded like Indonesia is one area, but what about that market and a few others where you see real growth?

Dan Rabun - *Ensco - Chairman, President & CEO*

Robin, let me refer that over to Mark Burns, who is Head of our International Jackup Operations. He probably is best to address that for you.

Robin Shoemaker - *Citigroup - Analyst*

Okay.

Mark Burns - *Ensco - SVP*

Good morning, Robin. Yes, as Dan mentioned in his opening comments, there's several areas where we see potential growth. Looking at Southeast Asia, Indonesia has been very active in the fourth quarter and we look for it to continue to be active in the early part of the year. Vietnam is another area, and also Malaysia, we've seen some indication of increased activity -- bidding activity in Malaysia. Going into the Middle East, again, it continues to be a weak market, Robin. There's currently 20-plus Jackups idle there. We don't see a lot of incremental activity there in the near future.

India -- certainly the ONGC tender that just came out against the seven incumbent tenders, and that is another area that we're going to see some activity. As far as new Jackups will be delivered in 2010, currently, Robin, we anticipate 29 new Jackups to be delivered. That will also put pressure on various markets. So far, we've seen some good absorption of the new build Jackups. So there are some positive growth areas, and we'll continue to monitor those.

Robin Shoemaker - *Citigroup - Analyst*

Was Mexico one of the markets where you see tenders against incumbents, or actual growth?

William Chadwick - *Ensco - COO & EVP*

Robin, this is Bill Chadwick. The tender that has been indicated will be issued shortly in Mexico, is basically against incumbent rigs. What Pemex has also indicated, some new contractual specifications for the rigs it will accept. So there's a belief if Pemex holds to those standards that the incumbent rigs will not necessarily qualify for the forthcoming contracts, so that the number of rigs will remain constant or hopefully increase, but the actual rigs that are contracted in Mexico will change.

Robin Shoemaker - *Citigroup - Analyst*

Okay. So that was the one where they are specifying the rig can only be a certain number of years old, like built after a certain date?

William Chadwick - *Ensco - COO & EVP*

That's correct.

Robin Shoemaker - *Citigroup - Analyst*

Okay. Thank you. That's all for me.

Operator

We'll go to our next question from Brian Uhlmer with Pritchard Capital.

Brian Uhlmer - *Pritchard Capital - Analyst*

Good afternoon. Did it work this time?

Dan Rabun - *Ensco - Chairman, President & CEO*

Yes. Good morning, Brian.

Brian Uhlmer - *Pritchard Capital - Analyst*

Sorry about that. Had some headset issues. I had a couple of quick questions. First off, really on the operational cost fronts, as some of the other contractors, it's been kind of mixed throughout this quarter's reports of keeping costs in line, how do you see those heading out -- not just in 2010, but as we move through the year, as rigs start to come back to work?

Jay Swent - *Ensco - CFO & SVP*

Well, I think as we look at 2010, the way I would describe the dynamics of our business, Brian, is that the operating days and the Jackup business are going to be fairly similar year-over-year. As I said in my comments, we expect contract drilling expenses to come down about 8% and the Jackup business, our operating days in the deepwater business are almost double, and so our expenses are going to go up quite significantly there. When you look at it all on a kind of weighted average basis, I think our contract expense is going up 6% year-over-year. That's really driven by the large amount of additional days we're adding in the deepwater business. Relative to inflation, we're assuming pretty constant costs year-over-year. We're continuing to take costs out of the Jackup business and trim that up as much as we can to the utilization that we see for the year. But at the moment, we don't see a lot of cost pressure in the business. Let me -- does that answer the question for you?

Brian Uhlmer - *Pritchard Capital - Analyst*

Yes, yes, because we're looking on more of a per-rig basis on the Jackup front, that you're not actually seeing increases in that segment?

Jay Swent - *Ensco - CFO & SVP*

No, I mean if you do the math on our year-over-year number, our cost per day is coming down pretty meaningful.

Brian Uhlmer - *Pritchard Capital - Analyst*

Right. Okay. And then secondly, unrelated, when we look out at your dividend, how are you guys looking at that versus your committed CapEx and your growth plans, and do you see room for increasing that or doing something else with your cash flow?

Dan Rabun - *Ensco - Chairman, President & CEO*

Well, this is Dan. How are you doing?

Brian Uhlmer - *Pritchard Capital - Analyst*

Good.

Dan Rabun - *Ensco - Chairman, President & CEO*

Our answer to that's really consistent with what we've said previously, with the exception that we're feeling a lot better about the economic and banking climate than we have in our previous quarters. In addition, we only have about one third of the 8500 Series capital commitments remaining to fund, so we have -- still less working capital pressure than we had previously. With that being said, we still have 1.1 billion of remaining Ensco 8500 Series CapEx commitments. So our current focus is executing on our deepwater programs that generate organic growth. And beyond the 8500 Series program, we continue to proactively search for other opportunities to expand the deepwater fleet. As we've said in previous quarters, if we can't identify new investment opportunities, our Board continues at every Board meeting to evaluate opportunities to return capital to shareholders, either in the form of dividends or share repurchases, but this, of course, is a Board level decision. I would like to say that we have spent a great deal of time in the last three to four months soliciting the views of our major stockholders on this issue, and we're very mindful of their thoughts on this matter. And I will say that there also continues to remain an extreme diversity of views on this subject among our shareholders.

Brian Uhlmer - *Pritchard Capital - Analyst*

Great answer. Thanks. That was my two, so I'll turn it back.

Dan Rabun - *Ensco - Chairman, President & CEO*

Thanks, Brian.

Operator

We'll go next to Pierre Conner with Capital One Southcoast.

Pierre Conner - *Capital One Southcoast - Analyst*

Good afternoon, everyone.

Jay Swent - *Ensco - CFO & SVP*

Hi, Pierre.

Pierre Conner - *Capital One Southcoast - Analyst*

Hey, maybe Mark and Dan, put you on the spot for follow-up from a comment yesterday, Transocean on rates -- and arguably you might be better qualified actually. But to answer, they commented about incremental pricing and some premium rigs in certain markets. So, would you agree with that, and would you describe if that's the case, the character of that, as what kind of increases? As it costs or changes that you're seeing?

Jay Swent - *Ensco - CFO & SVP*

I'm sorry, Pierre, are you talking about Jackups?

Pierre Conner - *Capital One Southcoast - Analyst*

Yes, yes, specifically, yes.

Dan Rabun - *Ensco - Chairman, President & CEO*

Yes, let Mark talk about that, because he -- it is an interesting dynamic going on in the marketplace, specifically out in Asia.

Mark Burns - *Ensco - SVP*

Yes, Pierre, I think -- to answer your question, if I understood it correctly, I think it's what kind of pricing dynamics we're seeing in Southeast Asia, and was that the question, Pierre?

Pierre Conner - *Capital One Southcoast - Analyst*

Yes, and Mark, they commented in some markets they are seeing some improvement in pricing, and so my question about the character of that, less --

Mark Burns - *Ensco - SVP*

I think that is the case. It is interesting, particularly in Southeast Asia, as these newbuilds continue to come on, we have seen the rates actually stay up fairly strong, particularly in Southeast Asia. I think we're going to continue to see -- as we have seen, we're going to see pressure put on the lower spec Jackups, and those will eventually -- there will be more pressure to put the lower spec units to work. But we are seeing -- particularly in Southeast Asia, we're starting to see, we're starting to see, or have seen, rates fairly stable. And again, as I mentioned earlier, we're starting to see additional activity in Vietnam, potential additional activity in Malaysia. So that's also helping strengthen that market.

Pierre Conner - *Capital One Southcoast - Analyst*

And that leads right into what my follow-up was. It was really what are you seeing in terms of the character of the bidding from these additional -- you commented 29 that are coming. Do you see that those rigs are actively being bid right now? Are we expecting a wave of additional availability coming? How much of that is in the bid market from what you can tell of those 29 that are coming this year?

Mark Burns - *Ensco - SVP*

Yes, those 29 units that are coming this year, 11 currently have contracts. In addition, the -- several of those additional units will be going to non-core operating areas that we are not operating in. So we have seen some fairly good absorption of the rigs. They will -- the new builds will, however, continue to put pressure on rigs. And in Indonesia -- in Indonesia, again, we're starting to -- we have seen increased bidding activity, and it's really looking for the newer rigs, although we've been successful in keeping our lower end Jackups working. So I think based on that, we're going to -- we feel quite good about absorbing the majority of these Jackups into the market in 2010.

Pierre Conner - *Capital One Southcoast - Analyst*

Okay.

Jay Swent - *Ensco - CFO & SVP*

I just can't let it go without saying that four of those Jackups are delivered in December and three of them are on December 31.

Pierre Conner - *Capital One Southcoast - Analyst*

Good luck. I had an unrelated follow-up, really, Jay, probably more for you and Dan, related to your earlier comment, Dan, about pursuing flexibility of free cash. And does the relocation as you describe, Jay, some of the ownership just add a wrinkle in terms of your flexibility to do that? Will there be anything we should be aware of in terms of -- that would cause you extra time to evaluate a change to be able to get that flexibility?

Jay Swent - *Ensco - CFO & SVP*

I don't think so, Pierre. I think maybe part of your question, because I know it's a question from the people in Switzerland, is are there restrictions on dividends and share repurchase and that type of thing? And the answer to that question is, we are a UK Company and we're subject to the Company's Act. So there are some slightly different regulations, but we tried to structure everything in the redomestication process to give us maximum flexibility on both share repurchases and dividends, and I would say we really don't have any significant impediments that we didn't have before in that regard. There is a duty of care for directors that's a little higher standard in the UK around making dividend payments; but given our financial situation, it wouldn't have any impact on our ability to do that.

And in terms of the other questions on financial flexibility, quite frankly, the structure that we've put in place gives us dramatically more flexibility with respect to working capital than we had before. And we previously had to be very mindful of income that was earned outside of the US and income that was earned in the US, and not overlap those funds, and so -- and when you get to a point where 86% of your income is coming from outside of the US, that starts to become an impediment. So with the new structure, we're able to move working capital around pretty efficiently and really much better than we were able to in the old structure.

Pierre Conner - *Capital One Southcoast - Analyst*

Great. Just what I needed. Thanks, Jay.

Operator

We'll go next to Mike Urban with Deutsche Bank.

Mark Urban - *Deutsche Bank - Analyst*

Thanks. Good morning, and good afternoon over in London.

Jay Swent - *Ensco - CFO & SVP*

Hi, Mike.

Mark Urban - *Deutsche Bank - Analyst*

Certainly the level of bid tenders out there seems pretty encouraging, and it's pretty clear that it's up versus where it's been. But are you able to characterize or quantify what the level is or how much it might be up versus where you might have been last quarter, six months ago, or whatever time period you want to use as reference? In the Jackup market, sorry.

Dan Rabun - *Ensco - Chairman, President & CEO*

Do you want to take a stab at that one?

Mark Burns - *Ensco - SVP*

Yes, Mark, as I said, certainly during the middle part of 2009, the industry in terms of Jackup bids, we did see a lull in Jackup tenders. In the fourth quarter, in certain parts of the markets that we operate in, we've seen increased bidding activity. And into the first quarter of this year, we continue to see bidding activity -- increased bidding activity. So as far as quantifying it, I think it's good to see that there's been a steady number of inquiries come out, which I think is positive for us.

Dan Rabun - *Ensco - Chairman, President & CEO*

Yes, if you look at the historic trend lines over the last 20 years, as commodity prices have increased and stabilized, demand for Jackup and utilization has increased, and we see nothing different about the dynamics today than what we've seen over the last 20 years through the cycle. So I think to the extent commodity prices stayed in the neighborhood that they are and for the longer period they stay - and our customers have confidence in the stability of those prices, I would fully expect to see more demand.

Mark Urban - *Deutsche Bank - Analyst*

I would tend to agree. On a unrelated follow-up, one thing that Ensco's always done a good job over the years, is as you've added assets or upgraded the fleet and upgraded the quality of the fleet, you've perhaps looked to exit some lower end parts of the business. You're certainly seeing -- some of the lower spec Jackups, maybe 250 and below, struggle a little bit for the year. Is that something that you might look to do again going forward here as you do deliver deepwater rigs into the fleet -- again, kind of upgrading the quality of the asset base overall?

Dan Rabun - *Ensco - Chairman, President & CEO*

Yes, I mean, you're very familiar with our history, and we have a history of upgrading our fleet over long periods of time, and we've got rid of the platform rigs, the lake barges; we got rid of some Jackups over the years, so we're going to continue that trend. I mean, our trend is toward the ultra deepwater and to higher specification Jackups, and to the extent we see opportunities that we can place them -- of our other assets, and we'll do that.

Mark Urban - *Deutsche Bank - Analyst*

Okay. Great. Thank you.

Operator

We'll go next to Geoff Kieburtz with Weeden.

Geoff Kieburtz - *Weeden & Company - Analyst*

Thanks very much. Some of your peers have recently commented about the challenging nature of the deepwater market. As you look at your uncontracted floaters, how are you thinking about that market? Do you have any concerns?

Carey Lowe - *Ensco - SVP*

We -- this is Carey Lowe. We're seeing a strong increase in tendering activity, particularly in the last few months. I believe operators are becoming more and more comfortable with the oil price stability and are re-looking at their long-term programs and developments. And we're seeing an increase in tendering activity, and plus in places that are outside the traditional deepwater basin. So -- and that tendering activity is for 2011 and 2012 project starts, and that's when our rigs become available.

Geoff Kieburtz - *Weeden & Company - Analyst*

Okay, so no comparable concerns to some of the other comments? Do you think it's just they are looking at 2010 and early 2011more than -- ?

Dan Rabun - *Ensco - Chairman, President & CEO*

Yes, I think -- I've looked at some of the transcripts, and I think most of the references that they have made is 2010, there may be a few challenges. And I think that's just a holdover from what happened in late 2008 and 2009. These things have such a long lead time, there's just a little bit of a hangover from what commodity prices and financial prices that we were going through. So right now, our customers, as Carey said, our belief is that based on our conversations, they are getting much more confidence in commodity prices and long-term fundamentals. They are starting to plan these programs, which take long periods of time in advance to prepare and source rig demand, and we see a noticeable uptick in recent tendering activity and planning activity.

Geoff Kieburtz - *Weeden & Company - Analyst*

Right.

Dan Rabun - *Ensco - Chairman, President & CEO*

Probably planning is a better way to characterize it than tendering, because I think you all know the outstanding tenders. But in terms of planning activity and inquiries from customers, and we would fully expect based on the activity level we're seeing that we'll see an uptick in tendering activity as we move through the year.

Geoff Kieburtz - *Weeden & Company - Analyst*

We haven't really seen a lot of fixtures, though, so I guess the West Gemini contract kind of figures maybe more prominently than it should; but do you have any comments on the rate the West Gemini was contracted at, and as to whether it's a reasonably valid barometer of the current market rate?

Carey Lowe - *Ensco - SVP*

I think you have to -- this is Carey again -- I think you have to look at each tender on its own. It depends on what specifications are, what the term are, where the project is and a number of other factors, and you can't say that one fixture is going to determine the whole market rate; and I wouldn't -- I really don't want to get too specific because we have open tenders right now.

Geoff Kieburtz - *Weeden & Company - Analyst*

Sure. No, I understand. If I could squeeze one last one in just to clarify here, I think, Dan, you said that typically it takes several quarters of rising utilization in the Jackup market before you start to see increasing day rates, which I think is probably pretty true. You're forecasting for 2010 that your Jackup utilization is going to essentially going to stay flat. Can we infer that you're not anticipating any rate increases until sometime past 2010?

Dan Rabun - *Ensco - Chairman, President & CEO*

I think what we've said, we expect the market to be fairly stable this year, and that's how we see it right now. And I think that's how we see it for the year.

Jay Swent - *Ensco - CFO & SVP*

And I think, Geoff, we do see a slight uptick in the second half of the year, particularly in the North Sea where there's a lot of work that people want to do later in the year, but there's a bit of a lull right now. But I think we do anticipate utilization will start moving up as we get later into the year.

Dan Rabun - *Ensco - Chairman, President & CEO*

I made comments about the 20-year history, and looking at trend lines. What we've always seen historically -- and this appears to be no exception to the historic trend line -- is that the US Gulf of Mexico, you know, catches the cold the first and Asia-Pacific and the North Sea is the last one to catch the cold. And we're seeing the same thing. North Sea is kind of stabilized and ramped down a little bit and on its way -- probably be on its way back here pretty soon.

THOMSON REUTERS

Geoff Kieburtz - *Weeden & Company - Analyst*

Okay, great. Thank you.

Operator

We'll go next to Ian MacPherson with Simmons & Company.

Ian MacPherson - *Simmons & Company - Analyst*

Thanks. Just to catch up here on the cost guidance, I think I heard in the follow-up Q&A that it's essentially 6% higher in 2010 on an aggregate basis, is that correct?

Jay Swent - *Ensco - CFO & SVP*

That's for both businesses together, that's right, Ian.

Ian MacPherson - *Simmons & Company - Analyst*

Okay, got it. Unrelated question, could you comment on the -- there was some industry press commentary about Ensco and Keppel teaming together to work on a low cost drillship concept for Petrobras. Is there anything to that, that you would want to comment on now, or do you think that was overplayed in the press?

Dan Rabun - *Ensco - Chairman, President & CEO*

Well, we don't comment on rumors. And you all know, we actively pursue every opportunity that exists. But I was surprised to see the article.

Ian MacPherson - *Simmons & Company - Analyst*

Okay. Are your open -- your last couple 8500 series that don't have contracts, do you think that Brazil is a potential market for those?

Carey Lowe - *Ensco - SVP*

It's designed for that market, for West Africa. Yes, it is a possible market for those rigs.

Ian MacPherson - *Simmons & Company - Analyst*

Okay, and have you bid them against outstanding tender? I guess it's four-rig tender from Petrobras last quarter?

Carey Lowe - *Ensco - SVP*

It's improper for me to comment on that.

Ian MacPherson - *Simmons & Company - Analyst*

Okay. All right, that's it. Thanks. Good luck here.

Jay Swent - *Ensco - CFO & SVP*

Thank you.

Operator

We'll go next to Rob MacKenzie with FBR Capital Markets.

Rob MacKenzie - *FBR Capital Markets - Analyst*

Thank you. Actually, my questions have been answered.

Operator

Thank you. We'll take our last question from Joe Hill with Tudor Pickering.

Joe Hill - *Tudor, Pickering, Holt - Analyst*

Good afternoon.

Dan Rabun - *Ensco - Chairman, President & CEO*

Hi, Joe.

Joe Hill - *Tudor, Pickering, Holt - Analyst*

Most of my questions have been answered, too -- or not, as the case may be. But would you guys talk about your prospects for the 7500 post-August and what you think about mobing that rig?

Carey Lowe - *Ensco - SVP*

Well, we're -- our contract with Chevron actually extends into fourth quarter as part of the demob; and as far as what we plan on doing with the rig, we're looking for opportunities in many regions and are talking to people about projects.

Joe Hill - *Tudor, Pickering, Holt - Analyst*

Okay. Would a move to Brazil make sense?

Carey Lowe - *Ensco - SVP*

Many places we're looking at.

Joe Hill - *Tudor, Pickering, Holt - Analyst*

Okay, fair enough. Thanks, guys. Appreciate it.

Sean O'Neill - *Ensco - VP-IR*

Okay. Thank you, everyone, for participating on our call today and we'll see you next quarter. Thank you.

Operator

That concludes today's conference call. We appreciate your participation.