

FINAL TRANSCRIPT

Thomson StreetEventsSM

ESV - Q2 2010 Enscopl Energy Conference Call

Event Date/Time: Jul. 22. 2010 / 3:00PM GMT



Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 EnSCO plc Earnings Conference Call

CORPORATE PARTICIPANTS

Sean O'Neill

EnSCO plc - VP of IR

Dan Rabun

EnSCO plc - Chairman & CEO

Jay Swent

EnSCO plc - SVP & CFO

Carey Lowe

EnSCO plc - SVP of Deep Water

Mark Burns

EnSCO plc - SVP

William Chadwick

EnSCO plc - COO

CONFERENCE CALL PARTICIPANTS

Dan Boyd

Goldman Sachs - Analyst

Geoff Kiebertz

Weeden & Co. - Analyst

Ian Macpherson

Simmons & Co. - Analyst

Jud Bailey

Jefferies & Co. - Analyst

Mike Urban

Deutsche Bank - Analyst

Roger Read

Natixis Securities - Analyst

Waqar Syed

Macquarie Capital - Analyst

Arun Jayaram

Credit Suisse - Analyst

Scott Gruber

Sanford Bernstein - Analyst

Collin Gerry

Raymond James & Assoc. - Analyst

PRESENTATION

Operator

Good day everyone and welcome to EnSCO plc's second quarter earnings for 2010 conference call. As a reminder, this call is being recorded and your participation constitutes consent to its taping. 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.



Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscopl c Earnings Conference Call

Sean O'Neill - *Enscopl c - VP of IR*

Thank you, operator, and welcome everyone to Enscopl c's second quarter 2010 conference call. With me today are Dan Rabun, CEO, Bill Chadwick our Chief Operating Officer, Jay Swent, CFO, as well as other members of our executive management team. We issued our earnings release which is available on our newly designed website at www.enscopl c.com. Later today, we plan to file our SEC Form 10-Q.

As usual, we will keep our call to one hour. Any comments we make about expectations or 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 most recent fleet status report was issued on July 16.

Now let me turn it over to Dan Rabun, Chairman and CEO.

Dan Rabun - *Enscopl c - Chairman & CEO*

Thanks, Sean, and welcome everyone.

Understandably, events in the US Gulf of Mexico are being closely watched by industry participants and investors alike. And I will address our Gulf of Mexico operations in a moment. As I've told our employees, though, it's important to remember that Enscopl c operates a global business with customers in most of the major oil and gas markets around the world, and we need to remain focused on fulfilling our customers' global drilling needs. Geographic diversity is a key strength of Enscopl c, and I am pleased to report that our crews around the world are doing an excellent job.

Critically important, we continue to achieve very high safety standards with a total recordable incident rate through mid-year that is on par with our record results in 2010. You may recall on our third quarter earnings call last year I spoke extensively about the importance of safety. At the time, it may have been considered a minor issue to the investment community. But I wanted to emphasize that safety is a critical part of what we do every day at Enscopl c and the foundation for any success we have as an organization. I mention that safety is not only the right thing to do, but also directly tied to operational performance and customer satisfaction. We have dedicated significant resources to the training and development of our employees on both safety and operational excellence. And thirty-one of our offshore positions have been accredited by IADC more than any other driller. Our investments in training are evident not only in our strong safety record, but also in independent customer service scores where we ranked number one for performance and reliability.

In the second quarter, utilization of our rigs was quite good given the current market conditions. 91% for deep-water, and 73% for jackups. We remain bullish on the long term prospects for offshore drilling, and we have been actively high-grading our fleet consistent with our strategy of providing high-end equipment to our customers. A few weeks ago, we purchased an ultra-high spec rig, renamed ENSCO 109, that is ideally suited for the deep gas drilling market, an important growth area in the jackup market. Also our large investments dedicated to the expansion of our ultra-deep water fleet are progressing well. And I applaud our crews and capital projects teams for keeping us on schedule. Our outlook for offshore drilling was a major factor in our decision not only to make further investments, but also to announce a major increase to our regular quarterly dividend from \$0.10 a share per year to \$1.40 per share on an annual basis.

Now let's make some comments about the Gulf of Mexico. The tragic loss of life and environmental damage from the BP Macondo well incident is a defining moment for our industry. The investigations taking place will be critical to learn not only what happened, but more importantly what the industry can do better. Stringent compliance with best oil field practices will be the minimum standard. And increased testing and certifications will be instituted to ensure that a similar event never occurs again. We have been working very closely with our customers to comply with new regulations and we are assisting wherever possible in the permitting and re-permitting process.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscoplac Earnings Conference Call

As noted in our most recent rig status report, some customers have asserted that the situation in the Gulf of Mexico constitutes force majeure. We have respectfully disagreed, and we will enforce the protection we have under our contracts. To help alleviate the challenges in the Gulf for our customers, we will continue to keep our rigs in full compliance with new regulatory requirements and work with them on alternative plans. Our employees have done an exceptional job in this regard. For example, six of our seven marketed jackups in the US Gulf of Mexico are currently operating and earning full day rate. Most are working on side track or completion assignments, and one of our customers recently received a permit to drill a new well after satisfying all the new regulatory requirements under NTL-5 and NTL-6. This is the first permit we are aware of to drill a new well in the Gulf under the new regulatory framework. I should add that a majority of our customers contracted our rigs are optimistic about receiving permits for upcoming projects and our rigs will be ready.

On the deep-water side in terms of contingency plans with our customers, we are evaluating work outside of the Gulf including contract assignments to other oil and gas companies. Regarding contract protection for our deep water rigs in the US Gulf, let me start with a general comment. When we announced the contract signing for our first deep-water rig several years ago, we described the contracts as favorable. While we will not discuss the details of individual contracts for ENSCO 8500, 8501 and ENSCO 8502 now in the Gulf, please note that our most recent fleet rig status report generally describes the force majeure provisions of these contracts which provide that customers pay Enscoplac a significant portion of the future stream of revenues under the contract if the customer exercises its right to terminate for extended force majeure.

Now let me quickly go through the status of our deep water rigs in the Gulf. Enscoplac 8500's customers have sent us force majeure notices, which we have rejected as noted in the recent fleet status report. Our customers are currently pursuing permits. Enscoplac 8501 is working on a completion well and earning full day rate. For Enscoplac 8502, The customer has questioned whether the moratorium and new regulations may delay contract commencement. As noted in our fleet status report, Enscoplac believes Enscoplac 8502 is in full compliance with contractual requirements and current regulations.

Before I finalize my comments on the Gulf, let me add that I have the utmost confidence that our industry will become even stronger following recent events. I was privileged earlier this year to deliver the keynote address at our industry's annual safety conference. The professionals in our sector are devoted to protecting people and the environment, and I'm confident we will find improved methods to further enhance the safety of offshore drilling.

Now let's turn to other regions. The developments in the Gulf of Mexico will have an impact on other deep-water markets. At this time, it's just unclear to what extent these markets will be affected. On our last call, we indicated that we anticipated an increase in tendering activity in the second half of this year, however, the tendering and award activity for deep-water rigs has slowed since the Macondo well incident. There are upcoming programs for short and medium term work in West Africa, Brazil, Indonesia, China, Australia, South Korea, Saudi Arabia, and the Mediterranean. We anticipate some awards and tenders to be issued for work starting late this year, or in 2011 in Angola. In Indonesia, some operators are contemplating starting programs earlier than planned and expanding their work scopes.

On the jackup side we haven't seen much of an impact from the Gulf incident on other regions. In general, market conditions are relatively unchanged from our last conference call. In Mexico, all of our rigs are contracted. We received an extension for one jackup that renewed this year and Enscoplac's four other jackups with Pemex remain contracted through 2012. We expect a Pemex tender to be issued shortly for a 300 foot and a 350 foot independent leg jackup for 600-plus day contracts with operations beginning late this year. Middle East continues to be a challenging market as demand has subsided, but Saudi Aramco has a few outstanding tenders and they will likely renew several contracts for jackups in the current fleet.

In addition, we expect additional tenders from Saudi Aramco for high spec jackups for deep gas drilling, which will be a good fit longer term for our newest rig, Enscoplac 109. Iran has requirements for as many as ten jackups and should these programs materialize, the supply and demand pressure would ease on the jackup market in the Asia Pacific region. In India, several tenders are outstanding and we expect more tenders are forthcoming. In southeast Asia, utilization rates have improved since the first quarter, in addition market survey activity remains steady and there are several tenders outstanding for work in Indonesia,



Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscoplac Earnings Conference Call

Malaysia, and Vietnam. High spec jackups are also in demand in Southeast Asia. In the North Sea in the Mediterranean the story remains the same. Strong demand for heavy duty rigs, but continued pressure for standard duty jackups.

Overall, our outlook for jackup activity in 2010 is unchanged from our last conference call and we remain bullish on the long term prospects for the shallow water market as well as the deep-water market.

Now I'll turn it over to Jay.

Jay Swent - *Enscoplac - SVP & CFO*

Thanks, Dan Before I begin my detailed discussion of Enscoplac's financial results, I would like to review a few highlights from the second quarter.

First, it is worth repeating that in April, Enscoplac's Board of Directors approved a large increase to our quarterly dividend to \$1.40 per share on an annual basis from \$0.10 a share previously. This decision was based in part on feedback we received from shareholders as well as factors such as our strong cash position, conservative leverage ratio, substantial backlog, and positive cash flow projections relative to future capital commitments for our ultra deep water new build program. The first quarterly dividend payment at the higher rate was made on June 18. Management and the Board believe that this dividend level is prudent and sustainable and gives us adequate flexibility to make additional investments in our fleet and/or return additional capital back to shareholders.

In July, for example, we purchased Enscoplac 109, an ultra high-spec, Keppel FELS, MOD V, Super B jackup for \$186 million including spares and other inventory related to the rig. The average day rate for all rigs of this design in the market is about \$150,000 and we anticipate favorable returns over the life of the rig given its unique ability to handle deep gas drilling. We also made a partial tender offer for Scorpion Offshore during the quarter that we ultimately terminated. As noted in the news release, we earned a substantial breakup fee for our brief involvement in the tender process. Finally, we doubled the size of our revolving credit facility to \$700 million during the second quarter, giving us greater flexibility to pursue our strategic plans. We also secured a four year term highlighting the wide support of our banking group and confidence in Enscoplac's financial position.

The rest of my comments today will cover details of second quarter results, our outlook for third quarter and full year 2010, and a review of our financial position. Before I begin, let me remind everyone that ENSCO 57, which we sold in the second quarter, has been reclassified as discontinued operations. So all of my comments today regarding continuing operations for current and prior periods, as well as future periods, exclude ENSCO 57 as well as the two rigs we sold in the first quarter. And ENSCO 69 that was previously reclassified. Now I will discuss our results.

Second quarter earnings per diluted share were \$0.89 versus \$1.41 last year. Earnings from continuing operations were \$0.82 per share compared to \$1.55 a year ago. We earned \$0.07 per share from discontinued operations with \$0.04 related to the sale of ENSCO 57 and the balance mostly related to payments received in connection with ENSCO 69. Also as noted in our earnings release, second quarter 2010 results included a \$12 million impairment for the ENSCO 1 barge rig which is reported in contract drilling expense. In addition, we earned a \$15 million breakup fee related to Enscoplac's partial tender offer for Scorpion Offshore, and net of expenses, we recorded \$11 million in other income.

Total revenue for the second quarter was \$406 million, an 18% decline from last year. Jackup segment revenues decreased by approximately 34% to \$285 million. Average jackup day rates were down \$53,000 year to year to \$105,000 as shown in our earnings release, and jackup utilization in the second quarter was 73%, down from 75% a year ago. This jackup segment revenue decline was partially offset by deep-water revenues increasing 79% to \$121 million driven by ENSCO 8500 and 8501 which commenced operations in mid and late 2009, respectively.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 EnSCO plc Earnings Conference Call

Contract drilling expense increased for all jackup segments by approximately 9% versus a year ago mainly due to the \$12 million impairment for ENSCO I. Excluding the \$12 million impairment, contracted drilling expense would have been comparable with last year. Deepwater segment contract drilling expense increased \$23 million, or 96%, due primarily to adding ENSCO 8500 and 8501 to the active fleet. Overall, this totals 21% year-over-year increase in total contract drilling expense, or 14%, if adjusted for the \$12 million impairment, which reflects growth in our operating assets.

Now, let's discuss quarterly trends by comparing second quarter 2010 sequentially to first quarter 2010. Second quarter revenue decreased 8% to \$406 million. This decrease is attributable to an 8% decrease in jackup segment revenues driven by a \$7000 decline in average day rates and a 4 percentage point decrease in utilization. In addition, deepwater revenues decreased 7% mainly due to a decline in utilization to 91% versus 99% in the first quarter and an \$8000 decline in the average day rate.

Total contract drilling expense was up 13% sequentially from the first quarter, adjusted for the ENSCO 57 reclassification. This breaks down as follows. Jackup expense increased 17%, mostly due to the \$12 million impairment for EnSCO 1 as well as the higher repair and maintenance costs that we mentioned on our last conference call. Deepwater segment contract drilling expense was up slightly quarter over quarter. Looking at other expenses, depreciation was flat at \$53 million, and G&A expense increased 7% from the first quarter due to higher performance based compensation costs and costs associated with our new London headquarters. Cash at the end of the second quarter was \$1.2 billion, and as of today, the balance is approximately \$1.1 billion reflecting the purchase of ENSCO 109.

Now let's discuss the third quarter outlook. Revenues are expected to increase by about 2% from second quarter levels, mostly due to additional operating days as rigs are added. Deepwater segment revenues will be in line with the second quarter. A scheduled commencement of ENSCO 8502 in August is expected to largely offset projected shipyard time for ENSCO 7500 and potential day rate adjustments for our other semis. Total jackup segment utilization is projected to be in the mid-70% range and there will be more operating days with the addition of ENSCO 109. We expect third quarter jackup fleet day rates will be flat with the second quarter.

Moving to expenses, we anticipate third quarter 2010 contract drilling expense will decrease by approximately \$13 million from the second quarter. Which included the \$12 million impairment for ENSCO I that I mentioned earlier. Expenses related to the addition of ENSCO 8502 to the fleet will be largely offset by lower projected demob expense. We do not expect increased contract drilling expense from the acquisition of ENSCO 109 for the remainder of the year. This is due to an offsetting adjustment under GAAP related to the current below market day rate contract for ENSCO 109.

Depreciation expense should increase to about \$58 million due to the commencement of ENSCO 8502 and the acquisition of ENSCO 109. We anticipate G&A expense will decrease 14% to approximately \$19 million in the third quarter.

Now let's discuss our outlook for the full year. Let me begin by saying that there are far more moving parts than usual this quarter given the various scenarios that we are discussing with some of our customers, particularly in our deepwater business. This makes it difficult to be precise about the outlook and it is certainly possible that our projections could change. We'll keep you updated on changes to the status of our rigs through the fleet status report that we file monthly.

Starting with deepwater, revenues are estimated to be down approximately \$50 million from our prior outlook of \$525 million. This decline is mostly related to ENSCO's 7500 due to a change in the demob plans, scheduled shipyard time, and the likely recognition of the \$26 million demob fee in 2011 versus 2010 as noted in our most recent fleet status report. The outlook for our Gulf of Mexico deepwater rigs is also down somewhat, but the impact from the moratorium in the Gulf currently appears to be minimized by proactive steps we have taken to address new regulatory requirements with customers and also a favorable contract protection.

Our outlook for EnSCO's worldwide jackup business is largely unchanged from our last conference call and we remain positive about this segment as evidenced by our recent investment in ENSCO 109. Our jackup utilization outlook matches our prior estimate in the mid-70% range. And importantly, there is no major change to our assumptions for the Gulf of Mexico jackup



Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 EnSCO plc Earnings Conference Call

rigs despite the current situation in the Gulf; due to proactive contingency planning and steps we have taken to recertify our equipment for customers, most of whom have been moving forward with the permitting process. Total contract drilling expense for 2010 is essentially unchanged from prior guidance and I should add that the recertification process in the Gulf under the new regulatory framework to date has not added significant costs to our operations.

The impairment of ENSCO I in the second quarter will be offset by lower projected demob costs for ENSCO 7500 in the second half of 2010. And as I previously mentioned, we do not expect increased contract drilling expense from the acquisition of ENSCO 109 for the remainder of the year due to an offsetting adjustment under GAAP during the term of the current ENSCO 109 contract that has a below market day rate.

As stated last quarter, we anticipate a significant increase in deepwater segment operating days in 2010. So deepwater contract drilling expense is forecasted to increase approximately 80% versus last year. We expect this to be partially offset by a decline in contract drilling expense for the jackup fleet to approximately \$570 million.

Depreciation is projected to increase to about \$225 million with the addition of our new rigs. G&A expense is anticipated to be approximately \$80 million, up \$3 million from prior guidance. Our 2010 effective tax rate outlook has improved to approximately 15% versus our prior outlook of 16% to 17%. The improvement in our 2010 effective tax rate results primarily from our most recent projection for the mix of earnings between regions. 2010 capital spending, which of course is always subject to change throughout the year, is forecasted as follows. \$620 million for the construction of our 8500 series rigs. \$40 million for rig enhancement projects, \$100 million is for sustaining projects, and \$186 million was expended to acquire ENSCO 109.

In summary, I'd like to emphasize that our employees in the Gulf of Mexico are doing an excellent job managing through a challenging environment. Prompt actions to comply with new regulations, strong customer relationships, effective contingency planning, and favorable deepwater contract protections have minimized the near term impact of the BP Macondo well incident. Around the world, our rig crews have achieved strong safety records and high levels of operational excellence for our customers. As I've said before, EnSCO has come through the credit crisis and the resulting economic downturn as an even stronger Company. Strength is often most evident during times of adversity and our ability to perform well in the Gulf of Mexico despite recent challenges is a testament to our professionalism of our employees, the quality of our fleet, and the depth of our customer relationships, as well as the value of our disciplined and conservative risk management.

Now I will turn the call back to Sean.

Sean O'Neill - EnSCO plc - VP of IR

Okay, Operator if you could please now open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll pause for a moment to assemble the queue. And first we go to Dan Boyd with Goldman Sachs. Please go ahead.

Dan Boyd - Goldman Sachs - Analyst

Hi, thanks, good morning, guys.



Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscoplac Earnings Conference Call

Dan Rabun - *Enscoplac - Chairman & CEO*

Good morning.

Dan Boyd - *Goldman Sachs - Analyst*

Just wanted to ask you a little bit on the strategy side of your going after some high spec rigs here this past quarter. Can you help me understand what you're seeing on the tendering and demand side for these rigs that others might not be seeing? And maybe if you could just look at the demand that we saw for these types of assets last cycle relative to what you're seeing in the tenders today? Any additional color would be helpful.

Dan Rabun - *Enscoplac - Chairman & CEO*

Okay, great. Dan, before I answer that question, I just want to make a couple of additional comments. One of the, one of the things Jay mentioned in his script is that there's a lot of moving parts in there, and they continue to move fairly quickly. While we have been on the phone, we've been informed that ENSCO 8500 now has its drilling permit and is returning to drilling in the Gulf of Mexico. We're very pleased that our two rigs that are operating in the Gulf of Mexico are the only two rigs that we're aware of that have recertified under the new NTL-5 and are working again for our customers. So another piece of good news for our deepwater group.

The second comment I wanted to make and I'm sorry I didn't have it in my prepared remarks, is just to introduce a couple of folks that are new to our executive management team. Mike Wylie, who became Vice President of HR, and John Knowlton, who ran our North and South America Business Unit, is now our Vice President of Engineering and Capital Projects.

Getting back to your question, Dan, you know the -- we said in our remarks, pretty much in every market including the US Gulf of Mexico there is a fairly robust new tendering activity for jackups outside of the Middle East I would say which is probably the market that has continued to be a challenge. But pretty much across every market around the world we've seen a fairly nice increase over the last few quarters, quite frankly, of jackup tendering activity and we think that's going to continue.

Dan Boyd - *Goldman Sachs - Analyst*

Is there any aspect of this that's, while that's -- you're clearly playing offense, you're playing defense a little where you're seeing -- does seem like some of these lower spec rigs, especially in the Middle East, are having a tougher time finding work. Are you optimistic? I think you have three available currently. Or are you looking at high spec rigs because you're making more of that secular call that those will be replaced by -- as people go for deeper zones, I guess?

Dan Rabun - *Enscoplac - Chairman & CEO*

You're well aware of what our strategy has been for a long time. And we've been in a continuous state of evolution over the twenty years of this Company, migrating our fleet. So, it's just a continuation of that and quite frankly there have been some actionable opportunities which haven't been actionable for a period of time. So I think we've been talking about M&A for a long period of time and, quite frankly, there just hasn't been a whole lot of things actionable and certain things have kind of moved into the marketplace. So we took the opportunity to try to acquire some of these assets.

Jay Swent - *Enscoplac - SVP & CFO*

As we've said, Dan, to investors a number of times, unfortunately, you can't just call up your rig broker and say I'd like to sell ten old assets and buy ten new assets. So you've seen us over the last couple of quarters, sell some of the older assets where we

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 EnSCO plc Earnings Conference Call

had opportunities to sell them into geographies that we didn't think we'd find them coming back and competing against us in, and we recently had the opportunity to acquire ENSCO 109. But as Dan said, it's all part of a high grading strategy that will take place over a period of time. And I think, as you well know, the utilization rate for the higher spec jackups is much higher than it is for the older jackups. So, I think that speaks volumes to where the future of the drilling business is going to be relative to jackups.

Dan Boyd - *Goldman Sachs - Analyst*

Yes, I think that answers the question then. Okay, thanks.

Dan Rabun - *EnSCO plc - Chairman & CEO*

Thanks a lot.

Operator

And next we'll go to Geoff Kieburz with Weeden.

Geoff Kieburz - *Weeden & Co. - Analyst*

Thanks very much. I was actually going to ask a question about accounting related to force majeure, but your comment, Dan, has kind of made the question irrelevant. Can you just expand a little bit on this news you just shared with us about the 8500 going back to work? It is obviously doing something that is accepted in the framework of the moratorium?

Dan Rabun - *EnSCO plc - Chairman & CEO*

Yes, let me ask Carey Lowe, who's our Senior VP for Deepwater who has the most up to date knowledge to comment on that.

Carey Lowe - *EnSCO plc - SVP of Deep Water*

There's a number of well operations that are permitted under the current suspension moratorium. NTLs. We went through a process of recertifying BOPs, per NTL-5 which is the NTL concerning equipment. And we've been able to do this because we have the latest generation of BOPs and very good documentation on them. We were the first two. Our clients were the first two companies to receive permits under the new permitting rules. They're the only ones that have been issued so far as far as we know for deepwater rigs. I'm talking about deepwater rigs.

Geoff Kieburz - *Weeden & Co. - Analyst*

Sure.

Carey Lowe - *EnSCO plc - SVP of Deep Water*

It's a different story for jackups. And we're very confident about the other 8500 series rigs. They have the same BOPs and we have the same manufacturer for each of them.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscopl Earnings Conference Call

Geoff Kiebertz - Weeden & Co. - Analyst

I guess, should we be expecting -- nobody knows how long this moratorium is going to last. But are we going to be going here in steps where you finish the work under this permit and then the customer declares force majeure again until they get the next permit? Is this going to kind of -- how do you think this is going to work? Or does this permit then kind of fulfill the remainder of the contract on the 8500?

Carey Lowe - Enscopl - SVP of Deep Water

The permitting issue is really subject to the client and the operations that they have. You know, it's hard to say. We don't want to predict anything like that. But what we do know is that our rigs meet the requirements of NTL-05, which is a very stringent requirement and we'll see how it goes forward. As Dan and Jay have said, it's a moving target with a lot of moving pieces.

Geoff Kiebertz - Weeden & Co. - Analyst

Maybe I could clarify the question a little bit. The -- how long do you think the work will continue under the permit that's just been issued for the 8500?

Dan Rabun - Enscopl - Chairman & CEO

Let me answer the question this way. The customers have told us that they have sufficient amount of work that is permitted by the moratorium/suspension. So we fully anticipate that they'll proceed with permitting and they'll get them as they come due. So, and they got -- they've now got the first two, I assume the customers now have a better understanding of how to comply with the rules. And so we're cautiously optimistic that they'll get permits for the remainder of the work.

Geoff Kiebertz - Weeden & Co. - Analyst

So for the time being, it looks like force majeure is kind of a non-issue for Enscopl. I don't want to be too bold, but is that a fair sort of assumption to take?

Jay Swent - Enscopl - SVP & CFO

I don't think, Geoff, I would be quite that bold. I think, as we said, it's a function in the near term of getting permits and in the longer term of getting permits. But I think we've said in our prepared remarks that the outlook is our best guess of how all the different moving pieces are likely to turn out and there's obviously a lot of variability in what can happen, as we said.

Geoff Kiebertz - Weeden & Co. - Analyst

Okay, well I think -- sorry, go ahead.

Carey Lowe - Enscopl - SVP of Deep Water

I think we can say that the clients are starting to prepare additional permits for approval.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscopl Earnings Conference Call

Geoff Kiebertz - *Weeden & Co. - Analyst*

Okay. And just to be clear though, during the period in which force majeure, if it were to be declared, you would continue to recognize revenue?

Jay Swent - *Enscopl - SVP & CFO*

Well, we would have to make an assumption about what the probability of collecting that revenue would be. And I think right now, we feel like our contracts provide a substantial amount of protection. So it's easy pretty to calculate what the contract says.

Geoff Kiebertz - *Weeden & Co. - Analyst*

Okay, thank you.

Operator

The following question comes from Ian Macpherson with Simmons & Company.

Ian Macpherson - *Simmons & Co. - Analyst*

Hi, thanks. I'm sorry if I missed this in the prior response. Can you say what type of activity is allowed and being prosecuted? That's one question. Clarify also both the 8500 and 8501 have been re-permitted? Clarify that. And then a third question is just with regard to what you're doing in the shipyard with the 7500? I assume it's going to Singapore. What type of work are you doing? Is it just SPS or is it an upgrade? And if you can comment on the prospects for early '11 for the 7500 I'd appreciate this as well. Thanks.

Carey Lowe - *Enscopl - SVP of Deep Water*

Okay, this is Carey Lowe. There's a number of type of well activities that are permitted under the moratorium suspension NTLs. Completions, plug and in abandonments, some re-entry type things and those are the types of activities that we're doing right now. I can confirm that the 8500 and 8501 are working under current permits. And your question about Enscopl 7500. You've got 120 day to 150 day shipyard in Singapore planned. It's a combination of a number of things. Some SPS type stuff and upgrades of a number of pieces of equipment, life extension of some and so

Ian Macpherson - *Simmons & Co. - Analyst*

Can you comment on contract prospects?

Carey Lowe - *Enscopl - SVP of Deep Water*

At this time, we're getting the regular number places. We've recently submitted a tender for ENSCO 7500 for continuing work that would take place after the shipyard period. So it's -- don't want to go into specific prospects. But there is bidding activity that we're participating in.



Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Ensc0 plc Earnings Conference Call

Ian Macpherson - *Simmons & Co. - Analyst*

Okay. Thank you.

Operator

Next we'll go to Jud Bailey with Jefferies & Company.

Jud Bailey - *Jefferies & Co. - Analyst*

Thanks, good morning. A couple of follow-ups on the jackup market. First, the North Sea. It sounds like for 2011 we're starting to see a little bit of incremental activity. Could you maybe talk a little bit about that market and what you're seeing for, for prospects like this year and next year in terms of jackup demand.

Mark Burns - *Ensc0 plc - SVP*

Yes, Jud. This is Mark Burns. As you know, the North Sea essentially remains two markets at the time. You've got the standard duty rig market in the southern North Sea which is continues to be driven by natural gas prices. And in the last part of 2010, we're starting to see some programs coming up, some tendering activity increase. We're also starting to see some activity in 2011. Some longer term programs which will take some of these standard duty rigs out of idle mode and further tighten that up. Another point, Jud, is during the summer, the price of natural gas in the southern North Sea has averaged around \$6, a little over \$6 to \$6.50 in MCF. So, so all of that is boding well for the stabilization of the standard duty jackup market.

In the central North Sea, in Norway and areas like that which require a heavier duty jackups, again that market is essentially fully utilized, Jud, as you know. There is some long term work coming up over the next couple of years that we're taking a look at, so we think we will see continuing improvement in the North Sea over the next year.

Jud Bailey - *Jefferies & Co. - Analyst*

Okay. Thanks, Mark. And just to clarify the long term programs you're referring to, you believe those are probably incremental demands on top of what's working today?

Mark Burns - *Ensc0 plc - SVP*

Yes, that's correct, Jud.

Jud Bailey - *Jefferies & Co. - Analyst*

Okay, and then my follow up is, if you could comment, maybe Dan, on the Saudi tenders you expect to come out of Saudi Arabia. Maybe timing on when they could be looking at rigs to start and would the new -- the ENSCO 109 be appropriate for the work they'd be looking for?

Dan Rabun - *Ensc0 plc - Chairman & CEO*

Jud, that's Mark's area of operations, so I'm going to let them answer that.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscoplac Earnings Conference Call

Mark Burns - *Enscoplac - SVP*

Yes, Jud, first of all, our first question of the call, we're excited about the acquisition of the Enscoplac 109. It further enhances our fleet in terms of age and operating capability. It's a Keppel FELS, MOD V, super B design and we have five MOD V Bs already in our fleet, plus two MOD V As. So first of all, we're excited about that and the opportunities that we will have with that unit.

As far as Saudi Aramco, yes we do expect additional heavy duty rigs to be contracted there within the next few months, talking about potentially two separate programs. If you recall, there's an existing tender that's been, been in place but no awards have been announced yet. And potentially, a second one later, later in the year for heavier duty rigs.

As far as ENSCO 109, we're going to certainly look at it, and certainly a rig of that type and design and capability would fit in perfect with what Aramco's needs are there in Saudi Arabia.

Jud Bailey - *Jefferies & Co. - Analyst*

Okay, and for the next, the next tenders that come out. Would those be starting I assume at some point early to mid-2011? Is that fair to think about?

Mark Burns - *Enscoplac - SVP*

Yes, that's fair to say, Jud. They would be startups in 2011, yes.

Jud Bailey - *Jefferies & Co. - Analyst*

Okay, great. That's all I've got. Thank you.

Operator

Now we'll go to Mike Urban with Deutsche Bank.

Mike Urban - *Deutsche Bank - Analyst*

Thanks, good afternoon. The -- you talked about two markets for jackups in the North Sea, and I would argue we've rarely seen that kind of scenario globally, where you've got great demand utilization and starting to see pricing in the high spec market. Historically, as those higher spec rigs have started to go up in price, obviously there's a tradeoff between capability and price and as a result at some point you start to see that demand start to move down to the standard market. One, is that a dynamic you'd expect to play out at some point? And two, when might you see that happening just given the pickup in tendering that seems to be out there?

Dan Rabun - *Enscoplac - Chairman & CEO*

Well, general comment, we see nothing different about this market than all the other cycles. So we would expect that -- what you described to occur. The timing of which -- I really couldn't predict the timing. Usually what you see when you get utilizations north of about 80%, 85% is when you start seeing pricing momentum and in all the segments of the jackup business.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 EnscO plc Earnings Conference Call

Mike Urban - Deutsche Bank - Analyst

Okay. Thank you. And the -- actually, I think that was it for me. Thank you.

Dan Rabun - EnscO plc - Chairman & CEO

Okay.

Operator

We'll take the next question from Roger Read with Natixis.

Roger Read - Natixis Securities - Analyst

Yes, good morning. As you look at the deepwater rigs, you commented how you've got 8500, 8501 essentially recertified. Any work, or anything you think has to be done on your jackup fleet? I know it's deepwater moratorium, that's where all the issues are, but are you seeing anything you may have to do to recertify on that front?

Dan Rabun - EnscO plc - Chairman & CEO

Bill, you want to answer that?

William Chadwick - EnscO plc - COO

Roger, this is Bill Chadwick. All of our jackups in US waters with the exception of one, are currently working on permitted wells which means that their recertification has been approved by the BOEM under NTL number 5. We have one jackup which is not currently actively at work pending approval of a permit by a prospective client. So again, what we believe all of our jackups are currently either recertified, or in one case, capable of being recertified as such time as the customer wants to submit an otherwise qualified permit.

Roger Read - Natixis Securities - Analyst

Okay. And then the other question I had unrelated to that, but as -- obviously we've seen some movement on the M&A side, your efforts on Scorpion. And Jay, you made a comment earlier, it's tough to buy and sell these things when you want. But if you were to compare the market today to, say, over the last six months to twelve months in terms of the not just the number or availability of the rigs for sale, but also sort of the bid ask spread, could you give us an idea of what's been transitions there?

Jay Swent - EnscO plc - SVP & CFO

I think we've made the point a couple of times, Roger, that a lot of us were sitting around waiting for these rigs to collapse in value as people got into financial difficulties. And what we've all seen is that that has not happened. That the few that have traded -- of the new builds that have traded hands, have traded at pretty high prices. I think that has continued. And I don't think we've seen any weakness. And obviously, we just paid a fair amount of money for ENSCO 109. I think that -- what we paid reflects where the market really is for those rigs. And I think the reason for that quite frankly is that a lot of people are waking up to the fact that the newer, bigger, more capable rigs are what you're going to need for the future. And we can get by without them for today and for the next year. But if you look down the road five years from now, I think most people will look back on

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Ensc o plc Earnings Conference Call

what we've been doing the last several quarters and say, the move to sell older jackups and replace them with newer jackups makes a lot of sense.

So I think to say that, I think your basic question, the market has not changed very much. There's still very few rigs that are in the market -- of the high spec jackups that are really in the market for sale, and I don't think you're going to see any of those go at bargain basement prices at all.

Roger Read - *Natixis Securities - Analyst*

Okay, thank you.

Jay Swent - *Ensc o plc - SVP & CFO*

Thanks, Roger.

Operator

Waqar Syed with Macquarie Capital has the next question.

Waqar Syed - *Macquarie Capital - Analyst*

Good morning. Your rig under construction, rig 8504, becomes available in the second half of 2011. At what point do you start to -- would really want the rig to have a contract in hand? You mentioned there's some slow -- tendering has slowed down a little bit. But at what point do you say, well we may be willing to take a haircut and lock up the rig?

Carey Lowe - *Ensc o plc - SVP of Deep Water*

Well, I don't think we're there yet. It's still got some time before it's delivered. And I don't want to be specific on something like what we're going to bid, or when we might lower our desired day rates.

Waqar Syed - *Macquarie Capital - Analyst*

Okay. But typically --

Carey Lowe - *Ensc o plc - SVP of Deep Water*

-- for that rig unit delivered so obviously we're not there yet.

Waqar Syed - *Macquarie Capital - Analyst*

Sure. But six months ahead, is that typically a good time to -- if the rig doesn't have a contract, six months before it comes out of the shipyard, is that when typically contractors start to feel the contractors start to feel the pain?

Dan Rabun - *Ensc o plc - Chairman & CEO*

(Inaudible) Do you have another one?

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 EnSCO plc Earnings Conference Call

Waqar Syed - *Macquarie Capital - Analyst*

All right.

Dan Rabun - *EnSCO plc - Chairman & CEO*

(Inaudible) It could be tomorrow. You never know.

Waqar Syed - *Macquarie Capital - Analyst*

Okay. Thank you very much.

Operator

Now we'll go to Arun Jayaram with Credit Suisse.

Arun Jayaram - *Credit Suisse - Analyst*

Good afternoon gentlemen. Jay, I just wanted to clarify your sequential revenue guidance for Q3 versus Q2. I believe you mentioned that you anticipated revenues to be up 2% sequentially, is that correct?

Jay Swent - *EnSCO plc - SVP & CFO*

That's right.

Arun Jayaram - *Credit Suisse - Analyst*

And I just wanted to clarify, does the fact that you received a permit on ENSCO 8500 cause you to change that guidance? And perhaps what your expectations are for ENSCO 8502? Do you expect to start -- does that guidance suggest that you can start recognizing revenue in August?

Jay Swent - *EnSCO plc - SVP & CFO*

There's really no change in the guidance. We were anticipating that we would get that permit when we put the outlook together.

Arun Jayaram - *Credit Suisse - Analyst*

Okay, and then in terms of -- does the guidance assume that you start recognizing revenue in 8502 in August? I know that's a potential force majeure from Nexen. Given the inability to accept the rig, potentially.

Jay Swent - *EnSCO plc - SVP & CFO*

Arun, I'd love to give you lots of detailed descriptions on this. But I think we really have to stick with what we said before which is there's just lots of moving pieces on this. I can give you little hints about things. But I don't think we're going to serve you well by that. I think you'll just have to look at our overall guidance as our best guess of how things are going to turn out. And



Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Ensco plc Earnings Conference Call

as a segment we've made some assumptions about getting better or getting worse versus where they are right now. Those are all blended in there. And what you have is our most balanced outlook of how we think things are going to turn out.

Arun Jayaram - *Credit Suisse - Analyst*

Fair enough. Your guys do give very good guidance. No question about that.

Jay Swent - *Ensco plc - SVP & CFO*

We don't usually have to deal with a situation like we're in right now.

Arun Jayaram - *Credit Suisse - Analyst*

Fair enough. Just a quick question. Obviously, the ENSCO 8500 is a new design. Can you give us a sense of where you think the BOPs could potentially stack to all the potential changes there? Do you think you would have a retrofit some of these BOPs or not, given the potential changes?

Jay Swent - *Ensco plc - SVP & CFO*

Well, Carey covered that a bit in his comments. But it's probably worth him going through a little more detail for you because I think we've got a really good story there.

Carey Lowe - *Ensco plc - SVP of Deep Water*

Yes, Arun, all of our rigs actually have six rams on the BOPs which is considered to be I'd say a gold standard right now. And every one of the 8500 series has the same design and same manufacturer, which gives us a great advantage for any new requirements that do come up. There are many proposals out there and there's strap clause being discussed. It's too soon to speculate what requirements will come up and how they'll be implemented. What we do believe is that new requirements will have an implementation period that recognizes the time necessary for engineering, manufacturing and installation of any new equipments. And we've been working with our manufacturer since shortly after this incident, discussing possible what ifs. So I just can't tell you what's going to happen. And it doesn't -- what we do believe is that the changes we're hearing about right now, we'll have some implementation time.

Arun Jayaram - *Credit Suisse - Analyst*

It sounds like you're --

Dan Rabun - *Ensco plc - Chairman & CEO*

I would follow up on that. I think all of us that have just recently built the rigs with the most recent BOP equipment probably will have an advantage over older equipment. And the fact that we've been able to recertify, we are the only persons been able to have the BOPs recertified under the existing regulatory requirements probably bodes well for us.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscoplac Earnings Conference Call

Jay Swent - *Enscoplac - SVP & CFO*

Just to add financial commentary, there too, Arun. All of our existing contracts have changes in law and regulations provisions though to the extent that there's money required to upgrade these BOPs. A lot of that will be recoverable under our existing contracts.

Arun Jayaram - *Credit Suisse - Analyst*

Well --

Jay Swent - *Enscoplac - SVP & CFO*

And last point I would make on that is just that we've done as we've said. We've recertified all the BOPs on our jackups, we've recertified the ones on the deepwater rigs. And you didn't see a huge amount of money in our contract drilling expense for that this quarter. We managed to do that very cost effectively.

Arun Jayaram - *Credit Suisse - Analyst*

You guys don't leave many stones unturned. That's been my history with you guys. And last question would be regarding, Dan, the lawsuit you guys have filed regarding the validity of the moratorium. Can you give us what your end game is with that? And walk us through the thought process in deciding to file the lawsuit.

Dan Rabun - *Enscoplac - Chairman & CEO*

Sure. First of all, I'm sure you've looked at the petition. We think that the moratorium is not appropriate. And the judge has already ruled once in the Hornbeck case that that is in fact the case. And we agree with Hornbeck on that. We are very concerned about the issue -- first of all, we are not concerned about regulatory requirements. You heard our remarks. Our safety culture, I think, is second to none. So this is not about not complying with laws and not having safety standards removed. What we are concerned about the process by which this is occurring. The government seems to be issuing regulations that are not in accordance with how we think regulations should be issued. And then issuing regulations that are very difficult to comply with. So. If the government wants to issue additional regulations, they should follow the appropriate regulatory process and have notice and comment, and that is not what has occurred in our belief.

So the end game, if you will, is to try and get the government to comply with their own rules in issuing further safety requirements.

Arun Jayaram - *Credit Suisse - Analyst*

Fair enough, Dan. You're not going to be able to leave your law background behind you. Thanks, again.

Dan Rabun - *Enscoplac - Chairman & CEO*

Arun, I really wish. You can't imagine how I wish I could leave my law background behind me.

Arun Jayaram - *Credit Suisse - Analyst*

Thanks.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscoplac Earnings Conference Call

Operator

And now we'll go to Scott Gruber with Sanford Bernstein.

Scott Gruber - *Sanford Bernstein - Analyst*

Yes, good afternoon, gentlemen. I wanted to come back to the jackup bifurcation theme. Is the bifurcation phenomenon more of a preference for high spec rigs by the E&P since more are available? Or is there a real requirement today based upon changing reservoir target? In Mexico, it clearly seems that there was more of a preference. But in the US and the Middle East there's clearly a demand for real high spec units drilled at deep gas prospects. So there's clearly some of both out there in today's market. But as you look out across the globe, on balance, where do you see it? Is it more on the preference side, or more on the requirement side today?

Jay Swent - *Enscoplac - SVP & CFO*

I think we're going to let Mark Burns answer most of that question. But, I would say there's elements of both of that. And when all of these new build rigs first came into the market, a lot of people said, you know what I'd really like the new rig as opposed to an older rig. And there is some belief, I think, in the market that the newer rigs will be more reliable than the older rigs, is one issue. So some people, even though they haven't needed the capability, have shown a preference for newer rigs based on just reliability. I think the point I was making a little bit earlier, looking to the long term is people's requirements over time are going to become more and more demanding as they have over our history. And that's going to lead to not wanting those rigs, but needing those rigs.

I'm going to let Mark give a little more color on the regional view of that.

Mark Burns - *Enscoplac - SVP*

I'll just add a couple of points to what Jay was saying. He's exactly right. If you look at previous cycles that we've been through in this industry over the past 20, 25 years, as drilling markets tend to weaken in some areas, you'll always have a preference for newer equipment. Your smaller jackup will usually be the first ones to go idle. And your older equipment, or bigger equipment, will continue to work. And we're starting to see -- we're seeing that.

So, you know, as we've seen this request for higher spec rigs, there's been jackup, newbuild program that's been going on now the last three years or four years. So there's been a number of these newbuild heavy duty jackups delivered. Obviously, customers like newer equipment at some point. And plus, there's been enough capacity in the market where they can be more selective in their bigger and newer equipment.

Second point is, yes, you're exactly right. Well designs are getting larger. Heavier hook loads, longer strings of casing, that type of thing. Geologic targets are getting greater in certain areas such as the Middle East, the deep gas there. So there is a good bit of that. But I think as the industry and markets begin to recover, we'll start to see that the rigs that have worked successfully in the past continue to work successfully again. So I hope that answers your question.

Scott Gruber - *Sanford Bernstein - Analyst*

That's certainly good color. Where does southeast Asia stand today? I feel like I have a good grasp of the Atlantic Basin and the Middle East, but Southeast Asia there's obviously a fair number of the new builds working there today just based upon its proximity to the shipyards. Where does deep gas drilling activity stand today in southeast Asia and what's the prospect over the next three to five years?

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscopl c Earnings Conference Call

Mark Burns - *Enscopl c - SVP*

Well, I think, you know, certainly the demand and the activity level of jackups in southeast Asia has remained quite stable and robust. Today we're still seeing a high level of inquiries, a high level of tenders in that area. There was a lull in drilling in Indonesia about eighteen months ago and operators quit drilling, and now we're starting to see more programs being, being awarded there.

In Malaysia, we're starting to see deeper gas being drilled by some existing customers there. Brunei is another area and also Vietnam. We're starting to see a considerable amount of activity in that area. With all of that, it bodes well for continuing strong activity in southeast Asia. And we will see some deeper deep gas drilling, particularly I think in Brunei and Malaysia over the next year or so.

Scott Gruber - *Sanford Bernstein - Analyst*

Again, good color. Thanks, I'll turn it back.

Mark Burns - *Enscopl c - SVP*

Thank you.

Operator

And we have time for one more question. We'll take that from Collin Gerry with Raymond James.

Collin Gerry - *Raymond James & Assoc. - Analyst*

Hi, good morning. Seems like a pretty interesting development here with the 8500. Carey, I want to ask a follow-up on that. You've mentioned recertification of the BOP a couple of times. What does that actually mean practically speaking? Who does that? How long does it take? What steps are involved to actually recertify a BOP?

Dan Rabun - *Enscopl c - Chairman & CEO*

Well, someone asked a question about our law suit. When the government puts out regulations that say you need to certify your BOP and that's what the regulation says, your question is very apropos. How do you do that?

Collin Gerry - *Raymond James & Assoc. - Analyst*

That's what I don't understand. I don't know what that means?

Dan Rabun - *Enscopl c - Chairman & CEO*

That's what we said when we saw the regulations. I'll let Carey answer the question for you.

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscopl Earnings Conference Call

Carey Lowe - *Enscopl - SVP of Deep Water*

How do you follow that? You know there's -- as Dan mentioned, there really is no prescribed methodology. There are some commonalities that people are using, which is third party certification. How deep you go into the history and the equipment is so far not consistent, but it does take time and it helps that you have a relatively new and consistent process for your equipment. You have the certification pretty much in hand already. But it does take time, and there is no set methodology right now.

Dan Rabun - *Enscopl - Chairman & CEO*

Let me just make one additional comment. Because there were no regulatory guidelines for what that meant, our deepwater group was very pro-active in coming up with a methodology to certify working with third party vendors and we have provided that information to our customers who used it to obtain their permits. So whatever the process that we worked out is -- seems to be a process that's working. But it may or may not be the same process anybody else is following.

Collin Gerry - *Raymond James & Assoc. - Analyst*

Okay.

Dan Rabun - *Enscopl - Chairman & CEO*

Absolutely no guidance.

Collin Gerry - *Raymond James & Assoc. - Analyst*

So it seems to me it involves something about going back to the manufacturer and documenting things and submitting that to the BOEM. And some sort of -- I mean, that's the basic outline? And there's probably some more steps involved there.

Carey Lowe - *Enscopl - SVP of Deep Water*

It's a very comprehensive procedure that we developed. And this is done in conjunction with our clients and there are requirements that are somewhat well specific as well. But the basic equipment certification is common. And each operator may choose to submit something different. And that's what Dan said. There's really no specific guidance to do this.

Collin Gerry - *Raymond James & Assoc. - Analyst*

Interesting. Last one for me, I just kind of want to clarify and maybe beat the dead horse a little bit more, on the new permit. Is there some sort of nuance associated with the permit as it relates to the type of drilling that you're doing? I know that there are some operations that are allowed and this seems to be a separate issue. This is a new permit for a new well. So it's kind of -- in the traditional sense of what we used to think of drilling in the Gulf of Mexico, it seems like this is the first step, or first permit issued in that sense? Or is there some nuance to where it's a re-entry or some sort of development work or something along those lines?

Carey Lowe - *Enscopl - SVP of Deep Water*

There are operations for deepwater works that is permitted under the moratorium suspension NTL and --

Jul. 22. 2010 / 3:00PM, ESV - Q2 2010 Enscoplac Earnings Conference Call

Dan Rabun - *Enscoplac - Chairman & CEO*

I think to answer your question correctly, NTL-05 is more equipment specific and not drilling specific. It's operations specific.

Dan Rabun - *Enscoplac - Chairman & CEO*

NTL-05, that's what we are complying with in deep water, NTL-05. NTL-06 would be a far different thing. And it would depend on the geology, what you were doing.

Sean O'Neill - *Enscoplac - VP of IR*

Okay everyone, thank you very much for joining us on our call today. We look forward to talking to you next time. Thanks again.

Operator

Once again, this does conclude today's conference. We do thank you for joining us.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2010, Thomson Reuters. All Rights Reserved.

