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ENSCO International, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

[Operator Instructions]. And we'll go first to Collin Gerry with Raymond James.

Collin Gerry - Raymond James

Good morning, guys.

Daniel W. Rabun - Chairman, President and Chief Executive Officer

Good morning.

Collin Gerry - Raymond James

Appreciate the commentary on the jackup market. I guess my first question seems a little bit more relevant these days. We're watching natural gas pull back rather substantially, the merits or longevity of which can be debated all day long but what's your sense of the Gulf of Mexico's response to natural gas prices? Is there a floor price where you see demand tail off and what price are you assuming in your commentary about the strength of the market?

Daniel W. Rabun - Chairman, President and Chief Executive Officer

Yeah, you know, the commodity prices clearly have backed off here recently. We're basing our outlook based upon what we currently have booked for 2008.

Jay W. Swent - Senior Vice President and Chief Financial Officer

And Jay here. I don't think the operators are really focused on the spot market so much as they are some anticipated supply demand forecasts that they have in place and that's the basis for their activity level.

Collin Gerry - Raymond James

Okay. Which certainly helps with the major kind of coming back to the jackup market a little bit more, I would imagine?

Daniel W. Rabun - Chairman, President and Chief Executive Officer

Yeah. You know, the three factors we list which is the demand- supply equation and then people drilling on these areas they've recently acquired and then commodity pricing, I think those are the orders of priority. I think the biggest driver for demand right now is supply equation in the Gulf of Mexico.

Collin Gerry - Raymond James

Okay, and then I guess to follow-up, offsetting that, Mexico certainly seems like an incremental bullish kind of data point here. The incremental tenders are certainly positive news and I guess the rates that you all are bidding are a little bit higher than what I would have guessed. One of your competitors recently spoke about on top of that, PEMEX seeking to replace its current MAC fleet with independent cantilevers. Is that something you've heard as well?

Daniel W. Rabun - Chairman, President and Chief Executive Officer

We've seen a trend as those rigs are rolling off contracts that they are not renewing those contracts, but PEMEX has not stated that that is their position but it seems to be what's happening.

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