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Pride International, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

[Operator Instructions]. And our first question will come from Arun Jayaram from Credit Suisse.

Arun Jayaram - Credit Suisse First Boston

Good morning guys.

Louis A. Raspino - President and Chief Executive Officer

Good morning.

Arun Jayaram - Credit Suisse First Boston

Kevin tell me in the earlier days of the deepwater, drill ships tend to be viewed more as exploration tools and semis generally thought of as a better development tool. Looking at Petrobras' tender and others out there, is there a clear shift going on where operators now for development work are preferring brochures which would obviously favor you guys, given your newbuild program?

Kevin C. Robert - Senior Vice President, Marketing & Business Development

I believe there it is because there is some significant mobility and variable backlog advantages of the drill ship. The capital construction of both units are about the same and a lot of operators have crossed the bridge that used to inhabit their use of a drill ship and now have the confidence in the dynamic positioning systems to be confident that they can perform very complex completion operations that you used to drop them for to semi plus frankly the water depth. Once you get above 7000, 8000 feet, the mooring technology requires you to go to a lighter weight mooring system and we're getting heavier and heavier payloads out there that require a tool like a drill ship.

Arun Jayaram - Credit Suisse First Boston

That's interesting. And my follow up question unrelated but obviously gas prices have exceeded now \$9, yet we really haven't seen any real increase on the U.S side in the mat rig market in terms of demand. Brian what do you think that's the case?

Kevin C. Robert - Senior Vice President, Marketing & Business Development

I will take that one as well. I think that that is the case simply for two reasons; one absolutely the gas price and the activity levels were up and it's a very positive environment which is why we believe that current rates are the bottom of market. The ability for us to raise rates is driven by two things: first of all the deeper water jack ups have to get out there and get their rates up so that we can price

up against those rigs and as we have seen we are coming out of the period of time where the 300, 400 kind of compress their day rates down on top of the mat rigs. In fact I think the mat rigs help the market up more than the 300 floaters. The second thing that has to happen is we still have 14,15 rigs out there up stack ready to work and the fleet needs to build up some backlog that enables you to push the rates out and with that point at one of these half stack rigs have to compete with.

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