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Rowan Companies, Inc. Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. [Operator Instructions]. Our first question comes from Ian MacPherson with Simmons.

Ian MacPherson - Simmons & Company

Hi, good morning. I guess my first question would be on the Gorilla VII contract there. It looks like a very impressive day rate. And I was just wondering if you could put it in context, maybe, I know that that's a very unique rig and that you were talking about what types of alternatives you were competing against as you bid that rig, and how we should think about bid rates for other Gorilla class rigs on a leading edge basis.

D. F. McNease - Chairman, President and Chief Executive Officer

Well, in this case here, we were actually bidding against the small semis, and it was in water depths that a conventional jackup couldn't reach and it was also a high pressure, high temp well that we were going to be drilling. So, with these two factors, we pretty well was the only rig that was available that could do the job.

Ian MacPherson - Simmons & Company

Okay. With regards to the new build program ramping up, can you give us a sense as to what the return on capital parameters are behind that decision and really where you see day rates and long-term contract opportunities for those types of rigs three years from now as those rigs begin to get delivered into the market?

D. F. McNease - Chairman, President and Chief Executive Officer

What we believe is that market is going to continue to be strong. If you look at today's market and what return we're looking at when we made a proposal to the Board, we're looking at above? around 24%, 25% average is what we figured we would get as far as return on investment. I know there's a lot of skeptics out there that say, well, three years out the market is going to be in a case where there's too many rigs and too few jobs, we don't believe that. We focused on the Middle East, like I said, after making six trips over there this year. That market is strong and the type of rigs that are going to be needed to do the type of work is the type of rigs that we're building.

If you look in West Africa, for example, that was a case where we needed a high pressure, high temp rig with unique capabilities, that's the market we focus on. I think a lot of people say a rig is a rig and we don't believe that. We believe that you're going to have specialized equipment to do the type of

work that the people want to do. And we did a lot of research as we said in the press release and the conference call before we ever made that decision. We feel very strong about this decision and we believe it's the right decision.

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