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Diamond Offshore Drilling, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from Dan Boyd with Goldman Sachs.

Larry Dickerson

Good morning Dan.

Operator

Dan, your line is open.

Dan Boyd – Goldman Sachs

Can you hear me? Hello?

Larry Dickerson

(inaudible) Dan, thanks.

Dan Boyd – Goldman Sachs

Sorry about that. You mentioned that you're seeing a lot of opportunities for the Ocean Star. Is there any reason to expect the day rate lower than what you just received on the Valiant?

Larry Dickerson

I'll let John address the market.

John Gabriel

Than the Valiant? I suspect that there are some differentials between the international market in the Gulf of Mexico. I suspect that rate will be, at least in the near term, consistent with what we are looking at on the Ocean – on the Star as originally committed somewhere in that range similar to the America and the Victory, at least in the near term.

Dan Boyd – Goldman Sachs

Okay. Within the floater market, everything seems to be strong so far and actually rates is, in some cases, increased. Are there any regions that you would consider to be most vulnerable to oil below 65?

Larry Dickerson

Well, I don't know that we've seen the impacts of oil below 65 yet. We'll sort of see that as budgets come out. Certainly, I think, deeper water has larger reservoirs in general. This is what the customers seems to tell us. So I think that that provides protection and I would expect that your vulnerability would come from your smaller – trying to take advantage of smaller scale opportunities. And so that takes place in the variety of some of the more mature markets in the world.

Dan Boyd – Goldman Sachs

This is for the US Gulf of Mexico, North Sea, potentially?

Larry Dickerson

Yeah but I mean for deep water in the Gulf of Mexico, that is still largely a new area.

Dan Boyd – Goldman Sachs

Okay. Over the past couple of quarters, you've also talked about looking for different opportunities to grow the company's deep water fleet. Has this changed given the current market conditions or do you still think that that you're going to have opportunities over the next 12 months?

Larry Dickerson

Well, I would – certainly there's going to be opportunities out there on the rig construction side because you got, as you know there are parties involved in construction that may not be as well capitalized as you need to be in this current market. So those will provide opportunities whether or not we chose to acquire rigs and there would weigh up on a large number of factors but probably the price that we could obtain that rig at will be one of the largest factors.

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