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National Oilwell Varco Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. Ladies and gentlemen we will now begin our question-and-answer session (Operator Instructions). Our first question comes from the line of Jim Crandell. Please state your company affiliation, followed by your question. And please limit yourself to one question and a follow-up question. Please go ahead sir.

James Crandell - Barclays Capital

Yes, Barclays Capital. Very good quarter guidance and a excellent rundown.

Clay Williams

Thank you, Jim.

Merrill Miller, Jr.

Thanks, Jim. Thanks.

James Crandell - Barclays Capital

Pete or Clay, could you elaborate a little bit more on Brazil and the order picture there? It seems if were to achieve the 3 to 4 billion possible I guess in new orders, that Brazil could be a huge chunk of that, maybe as much as over half of incoming orders. Can you talk about what the potential is, you think the potential is there for Brazil to execute on the remainder of their 12 rig program? How do you see that being financed and how do you that overall picture unfolding?

Clay Williams

The announcement earlier, I think it was last week from the Board of Directors of Petrobras where they came out it with a \$174 billion budget, that I think it's a five year budget, it was up 55% from depreciating five year budget, to me that's a resolve that they are going to move forward. Previously in 2008, Jim, as you are aware Petrobras indicated the need for first... they indicated a need for 40 deepwater floaters to drill mostly the Santos basin and develop a sub-salt (ph) resources that they've discovered in that basin. The first trench of those were issued as the letters of intent, about a dozen floaters, and then behind that there is another 28 floaters.

And I don't think Petrobras, and I don't want... we are careful not to speak for them, but I don't think they backed off from that estimate of the need for floating rigs. And everything they've done point to a

lot of resolve in moving forward with that perfectly. And so, we're hopeful with the announcement just last week which I think also included the statement that their program is pretty healthy down to pretty lower oil price, indicates that they're going to move forward.

Merrill Miller, Jr.

And I think the other thing on that too Jim, is that we've invested pretty heavily in infrastructure down there. And I think Brazil is going to want a lot of local content, and we're positioned to be able to take advantage of that. As with anything like this, I think there is always timing issues, but we're pretty bullish on the fact that they're going to continue to move ahead. And I think Brazil realizes that the oil and gas is very, very important to their economy. And we're even see some movement on land actually in Brazil and they've come in and looked at things like Rapid rigs and Ideal rigs to be able to drill more gas wells on land. So we're pretty confident that they're going to push forward.

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