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EnSCO International Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, Mr. LeBlanc. (Operator Instructions). And our first question will come from Robin Shoemaker with Citigroup.

Robin Shoemaker - Citigroup

Thank you. Good morning. Jay, I was wondering if your comment about the 11% cost reduction for the jackup in 2009, it included I think as you said some fewer rig days, operating rig days. But in terms of a generic kind of cost trend with respect to wages and insurance and all the other cost that go into that, what is that trend on a year-over-year basis roughly?

James Swent, III

Well, I think Robin, I'd say, of all the expenses as I kind of highlighted in my comments, insurance is probably the one that people are likely to see big increases in year-over-year. I think we haven't made any firm decisions yet relative to wages, and as I always say, we operate in the market, we have to be competitive. So we will follow whatever the market does. At the moment, it's not looking like there's going to be any huge increases in labor, so. But in terms of where we expect cost to come out, there is always work to be done looking at rigs and trying to find more efficient ways to run them and we're doing that. We're also... obviously, there is fewer rig days as you said, there is a lot of moving pieces as you note from my comments in the first quarter. But at the end of the day, we will have fewer rig days unless the market turns back up and that's a big component of the savings as well.

Robin Shoemaker - Citigroup

Okay. And Dan, I was going to ask you about your strategy or the current state of your conversations with potential customers for the three 8500 Series rigs which are not yet contracted. And obviously, they are a little more than two years away from completion of the first one. But are we likely to see anything in that respect this year or is it in ENSCO's interest to wait for a better market environment perhaps in 2010.

Daniel Rabun

Good question. We continue to be pleasantly surprised by what's going on in the ultra-deepwater market with these major discoveries being announced. We have fairly substantial customer engagement and interest in these rigs. So, it's really difficult to predict. But, at the time if we have an opportunity, we're not going to hesitate to contract, I mean not just to judge by what the term and the

rate maybe. But yeah, it's difficult to predict whether it will be this year or when in this year it will be or next year. But I will say the interest is extremely high.

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