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Diamond Offshore Drilling, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator instructions). Your first question is from Ian Macpherson of Simmons & Company.

Ian Macpherson – Simmons & Company

Hey good morning, everybody. Congratulations on the good results. I guess my question would be about the fourth generation market. Larry, it sounds like the Gulf of Mexico is not a super hot market right now for bidding activity. Could you characterize what you think the pricing and contract term expectations are for customers? I know that Pemex did not accept your original bid for the Star I think it was. Where should analysts have expectations for fourth generation rigs as we kind of reset this year?

Larry Dickerson

Well, I'm a little loathe to just publish, here is what we're going to bid in a public forum. But I think everybody needs to understand that if you got weak demand on a large number of farm-outs that you are going to see rates decline from the levels that they were at. And we had pretty much closed the gap between fourth generation and fifth generation rigs when our fourth generation units were priced at \$500,000 a day. And with farm outs available on fifth gens, I think it's natural to assume that a logical gap will reestablish itself for the capability differences. What that gap is, is going to depend upon ours and a number of actions. And I just can't – I don't want you assuming that we're going to bust out earnings on that one level, but I can't see us telegraphing where exactly that we would bid. That data will certainly be coming out shortly.

Ian Macpherson – Simmons & Company

Okay. With respect to customer appetite for long-term contracts, is that gone or at an appropriate price, do you think you'll still be able to sign-up mid water rigs and fourth generation rigs with some decent term?

Gary Krenek

Well, in today's environment, that that term does presently exist, not necessarily in the U.S. Gulf of Mexico, but we are seeing opportunities, particularly in West Africa for fourth generation and fifth generation capable rigs. You mentioned Mexico earlier. There are opportunities I think in Brazil that have at least come to the market in form – in the form of a market inquiry, that will we suspect

ultimately develop into commitments. I don't see the term at least in the near-term being here in the Gulf of Mexico, but it does exist internationally.

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