

ENSCO combines newbuilds, upgrades, acquisitions

ENSCO INTERNATIONAL COMBINES upgrades, newbuilds and acquisitions to keep its fleet of jackups among the most modern in the industry. The company says it has the right structure and design of existing rigs that can take additional weight of new drilling packages and other equipment.

ENSCO will have spent about \$1 billion when its upgrade program is complete in 2005. Every rig, except its newbuilds and the former Chiles Offshore rigs it acquired, will have had some upgrade and/or life extension work.

"We think that makes a lot of sense," said **Richard LeBlanc**, ENSCO's Director of Investor Relations, "particularly if we can keep the net cost including the existing book value at 60-70% of the cost of a newbuild."

ENSCO's approach is to take its existing rigs, especially the large 350 ft water depth rigs, and upgrade them with addi-

tional mud pumps, repower the rig and basically install a complete new rig package to bring them up to their full capability.

ENSCO is also building several new jackups, and recently acquired **Chiles Offshore**, which built a number of state-of-the-art jackups. Mr LeBlanc said newbuilds allow for certain refinements that can't always be made with upgrading older rigs, such as deck space.

"Rigs built today have a much larger platform from which to work," he said, "and that can be a big consideration when drilling deep wells."

"There are clearly advantages to building new rigs," he continued, "but having said that, it is important that whatever you do is at a competitive cost."

ENSCO considers that it is not only upgrading the rig but is also extending the life of the unit as well by replacing

steel plate when necessary. The cost to upgrade its fleet of larger rigs, those rated for 350 ft of water and greater, ranges between \$25-\$40 million, depending upon the upgrade. Mr LeBlanc noted that the Marathon LeTourneau 116 Class and the 84 Class units with the larger substructure and larger platform on which to build were also upgraded with new drilling packages as well as life extension work.

"Those units were brought up to modern, state-of-the-art like-new condition," he said.

Modest enhancements are made to the smaller 250 ft and 300 ft jackups but not in the \$25-\$40 million range.

The cost of the upgrades compare favorably. For example, its most recent rig on order, the ENSCO 106 set for delivery in 2005, is being built for about \$105 million. The ENSCO 102, delivered in 2002, cost \$130 million. ■