

ENSCO PLC

FORM 10-Q (Quarterly Report)

Filed 10/30/03 for the Period Ending 09/30/03

Telephone	4402076594660
CIK	0000314808
Symbol	ESV
SIC Code	1381 - Drilling Oil and Gas Wells
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	12/31

ENSCO INTERNATIONAL INC

FORM 10-Q (Quarterly Report)

Filed 10/30/2003 For Period Ending 9/30/2003

Address	500 NORTH AKARD STREET SUITE 4300 DALLAS, Texas 75201-3331
Telephone	214-397-3000
CIK	0000314808
Industry	Oil Well Services & Equipment
Sector	Energy
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-8097

ENSCO International Incorporated

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

76-0232579

(I.R.S. Employer
Identification No.)

**500 North Akard Street
Suite 4300**

Dallas, Texas

(Address of principal executive offices)

75201-3331

(Zip Code)

Registrant's telephone number, including area code: **(214) 397-3000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 149,873,819 shares of Common Stock, \$.10 par value, of the registrant outstanding as of October 28, 2003.

ENSCO INTERNATIONAL INCORPORATED

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FOR THE QUARTER ENDED SEPTEMBER 30, 2003

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PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
of ENSCO International Incorporated

We have reviewed the accompanying consolidated balance sheet of ENSCO International Incorporated and subsidiaries (the Company), as of September 30, 2003, the related consolidated statements of income for the three-month and nine-month periods ended September 30, 2003 and 2002, and the related consolidated statements of cash flows for the nine-month periods ended September 30, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Dallas, Texas
October 15, 2003

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)
(Unaudited)

	Three Months Ended	
	September 30,	
	2003	2002
OPERATING REVENUES	\$199.6	\$179.2
OPERATING EXPENSES		
Contract drilling	114.7	93.5
Depreciation and amortization	33.7	29.9
General and administrative	5.2	4.8
	153.6	128.2
OPERATING INCOME	46.0	51.0
OTHER INCOME (EXPENSE)		
Interest income	.9	1.1
Interest expense, net	(8.9)	(7.7)
Other, net	.8	(1.8)
	(7.2)	(8.4)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	38.8	42.6

PROVISION FOR INCOME TAXES		
Current income taxes	1.9	4.1
Deferred income taxes	9.2	9.5
	11.1	13.6
INCOME FROM CONTINUING OPERATIONS	27.7	29.0
INCOME FROM DISCONTINUED OPERATIONS, NET	.1	1.5
NET INCOME	\$ 27.8	\$ 30.5
EARNINGS PER SHARE - BASIC		
Continuing operations	\$.18	\$.20
Discontinued operations	.01	.01
	\$.19	\$.21
EARNINGS PER SHARE - DILUTED		
Continuing operations	\$.18	\$.20
Discontinued operations	.01	.01
	\$.19	\$.21
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	149.8	143.6
Diluted	150.2	144.3
CASH DIVIDENDS PER COMMON SHARE	\$.025	\$.025

The accompanying notes are an integral part of these financial statements.

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)
(Unaudited)

	Nine Months Ended	
	September 30,	
	2003	2002
OPERATING REVENUES	\$591.6	\$455.3
OPERATING EXPENSES		
Contract drilling	337.0	246.4
Depreciation and amortization	100.6	84.6
General and administrative	15.9	13.8
	453.5	344.8

OPERATING INCOME	138.1	110.5
OTHER INCOME (EXPENSE)		
Interest income	2.5	4.2
Interest expense, net	(27.2)	(23.6)
Other, net	(.4)	6.4
	(25.1)	(13.0)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	113.0	97.5
PROVISION FOR INCOME TAXES		
Current income taxes	6.0	9.1
Deferred income taxes	26.2	22.0
	32.2	31.1
INCOME FROM CONTINUING OPERATIONS	80.8	66.4
DISCONTINUED OPERATIONS		
Income (loss) from discontinued operations, net	(3.1)	3.6
Gain on disposal of discontinued operations, net	4.1	--
	1.0	3.6
NET INCOME	\$ 81.8	\$ 70.0
EARNINGS PER SHARE - BASIC		
Continuing operations	\$.54	\$.48
Discontinued operations	.01	.03
	\$.55	\$.51
EARNINGS PER SHARE - DILUTED		
Continuing operations	\$.54	\$.48
Discontinued operations	.01	.02
	\$.55	\$.50
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	149.5	137.9
Diluted	150.0	138.7
CASH DIVIDENDS PER COMMON SHARE	\$.075	\$.075

The accompanying notes are an integral part of these financial statements.

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In millions, except par value amounts)

	<u>September 30,</u> 2003	<u>December 31,</u> 2002
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 326.9	\$ 147.1
Short-term investments	--	38.4
Accounts receivable, net	164.4	162.8
Prepaid expenses and other	41.0	39.2
	<hr/>	<hr/>
Total current assets	532.3	387.5
	<hr/>	<hr/>
PROPERTY AND EQUIPMENT, AT COST	3,100.4	3,090.0
Less accumulated depreciation	875.2	832.0
	<hr/>	<hr/>
Property and equipment, net	2,225.2	2,258.0
	<hr/>	<hr/>
GOODWILL	341.6	350.2
	<hr/>	<hr/>
OTHER ASSETS, NET	74.2	65.8
	<hr/>	<hr/>
	\$3,173.3	\$3,061.5
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 12.4	\$ 15.0
Accrued liabilities	186.3	161.8
Current maturities of long-term debt	23.0	21.5
	<hr/>	<hr/>
Total current liabilities	221.7	198.3
	<hr/>	<hr/>
LONG-TERM DEBT	558.4	547.5
	<hr/>	<hr/>
DEFERRED INCOME TAXES	325.8	332.3
	<hr/>	<hr/>
OTHER LIABILITIES	16.9	16.4
	<hr/>	<hr/>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
First preferred stock, \$1 par value, 5.0 million shares authorized and none issued	--	--
Preferred stock, \$1 par value, 15.0 million shares authorized and none issued	--	--
Common stock, \$.10 par value, 250.0 million shares authorized, 173.5 million and 172.6 million shares issued	17.3	17.2
Additional paid-in capital	1,399.5	1,383.5
Retained earnings	905.8	835.3
Restricted stock (unearned compensation)	(7.7)	(5.8)
Accumulated other comprehensive loss	(11.4)	(12.1)
Treasury stock, at cost, 23.7 million and 23.6 million shares	(253.0)	(251.1)
	<hr/>	<hr/>
Total stockholders' equity	2,050.5	1,967.0
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended	
	September 30,	
	2003	2002
OPERATING ACTIVITIES		
Net income	\$ 81.8	\$ 70.0
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations	3.1	(3.6)
Depreciation and amortization	100.6	84.6
Deferred income tax provision	26.2	22.0
Gain on sale of discontinued operations, net	(4.1)	--
Tax benefit from stock compensation	4.4	3.1
Amortization of other assets	4.1	7.1
Net (gain) loss on asset dispositions	.5	(5.9)
Other	1.7	2.6
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1.1)	(15.0)
Increase in prepaid expenses and other assets	(8.9)	(16.8)
Decrease in accounts payable	(2.7)	(3.6)
Increase in accrued liabilities	.5	6.7
Net cash provided by operating activities of continuing operations	206.1	151.2
INVESTING ACTIVITIES		
Additions to property and equipment	(141.3)	(156.7)
Net cash used in Chiles acquisition	--	(99.9)
Net proceeds from sale of discontinued operations	78.8	--
Proceeds from disposition of assets	4.4	24.4
Purchase of investments	--	(1.0)
Sale of investments	38.4	23.0
Investment in joint venture	(11.7)	--
Net cash used in investing activities of continuing operations	(31.4)	(210.2)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	26.7	--
Reduction of long-term borrowings	(14.5)	(57.3)
Cash dividends paid	(11.3)	(10.5)
Proceeds from exercise of stock options	7.7	17.3
Deferred financing costs	--	(1.3)
Other	(.7)	(1.1)
Net cash provided by (used in) financing activities of continuing operations	7.9	(52.9)

Effect of exchange rate changes on cash and cash equivalents	.8	(1.5)
Net cash used in discontinued operations	(3.6)	(2.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	179.8	(115.8)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	147.1	278.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$326.9	\$163.0

The accompanying notes are an integral part of these financial statements.

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Unaudited Financial Statements

The accompanying consolidated financial statements of ENSCO International Incorporated and subsidiaries (the "Company") have been prepared in accordance with accounting principles generally accepted within the United States, pursuant to the rules and regulations of the Securities and Exchange Commission included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included herein is unaudited but, in the opinion of management, includes all adjustments (consisting of normal recurring adjustments) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The December 31, 2002 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted within the United States.

The financial data for the three-month and nine-month periods ended September 30, 2003 and 2002 included herein have been subjected to a limited review by KPMG LLP, the registrant's independent accountants. The accompanying review report of independent accountants is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933, and the independent accountant's liability under Section 11 does not extend to it.

Results of operations for the three-month and nine-month periods ended September 30, 2003 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2003. It is recommended that these financial statements be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2002 included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K.

On August 7, 2002, the Company acquired Chiles Offshore Inc. ("Chiles"), which was accounted for as a purchase business combination in accordance with accounting principles generally accepted in the United States of America, with the Company treated as the acquirer.

On February 20, 2003, the Company reached an agreement to sell its 27-vessel marine transportation fleet (see Note 6 "Discontinued Operations"). The results of operations of the marine transportation fleet have been reclassified as discontinued operations in the consolidated statements of income for the three-month and nine-month periods ended September 30, 2003 and 2002. After receipt of various regulatory consents, the sale transaction was finalized on April 1, 2003, for approximately \$79.0 million and resulted in a pre-tax gain of approximately \$6.4 million. The operating results and net carrying value of the marine transportation fleet represent the entire marine transportation services segment, as previously reported by the Company. Accordingly, the Company's continuing operations now consist of one reportable segment, contract drilling services.

During the third quarter of 2003, the Company completed the sale of its two oldest, least capable rigs in its South America/Caribbean barge rig fleet. The carrying value of these rigs was previously reduced to the estimated net realizable value and the Company recognized a \$9.2 million impairment charge during 2001. The gain on the sale of these rigs was insignificant.

Certain reclassifications have been made to the 2002 unaudited consolidated financial statements to conform to the 2003 presentation.

Note 2 - Earnings Per Share

For the three-month and nine-month periods ended September 30, 2003 and 2002, there were no adjustments to net income for purposes of calculating basic and diluted earnings per share. The following is a reconciliation of the weighted average common shares used in the basic and diluted earnings per share computations for the three-month and nine-month periods ended September 30, 2003 and 2002 (in millions):

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Weighted average common shares-basic	149.8	143.6	149.5	137.9
Potentially dilutive common shares:				
Stock options	.4	.7	.5	.8
Weighted average common shares-diluted	150.2	144.3	150.0	138.7

Options to purchase 3.9 million shares and 3.3 million shares of common stock in the third quarters of 2003 and 2002, respectively, were not included in the computation of diluted earnings per share because the exercise price of the options exceeded the average market price of the common stock. Options to purchase 3.3 million and 2.5 million shares of common stock in the nine-month periods ended September 30, 2003 and 2002, respectively, were not included in the computation of diluted earnings per share because the exercise price of the options exceeded the average market price of the common stock.

The Company uses the intrinsic value method of accounting for employee stock options in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." No compensation expense related to employee stock options is included in the Company's net income, as the exercise price of the Company's stock options equals the market value of the underlying stock on the date of grant. The following table includes disclosures required by Statement of Financial Accounting Standards No. 123,

"Accounting for Stock-Based Compensation" ("SFAS 123"), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," and illustrates the effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of SFAS 123 (in millions, except per share amounts):

	Nine Months Ended			
	Three Months Ended		September 30,	
	September 30,	September 30,	September 30,	September 30,
	2003	2002	2003	2002
Net income as reported	\$27.8	\$30.5	\$81.8	\$70.0
Less stock-based employee compensation expense, net of tax	(2.5)	(3.3)	(6.7)	(7.3)
Pro forma net income	\$25.3	\$27.2	\$75.1	\$62.7
Basic earnings per share:				
As reported	\$.19	\$.21	\$.55	\$.51
Pro forma	.17	.19	.50	.45
Diluted earnings per share:				
As reported	\$.19	\$.21	\$.55	\$.50
Pro forma	.17	.19	.50	.45

Note 3 - Goodwill

The changes in the carrying amount of goodwill for the nine-month period ended September 30, 2003 are as follows (in millions):

Balance at December 31, 2002	\$350.2
Purchase price adjustments	(8.6)
Balance at September 30, 2003	\$341.6

During the nine-month period ended September 30, 2003, the Company adjusted the preliminary purchase price allocation of the Chiles acquisition. These adjustments resulted in a reduction of goodwill and corresponding adjustments to accrued liabilities and deferred income taxes.

The Company will complete its annual goodwill impairment analysis during the fourth quarter of 2003.

Note 4 - Derivative Financial Instruments

In connection with the acquisition of Chiles on August 7, 2002, the Company obtained \$80.0 million notional amount of outstanding treasury rate lock agreements. Upon closing of the acquisition, the Company designated \$65.0 million notional amount of the treasury rate lock agreements as an effective hedge against the variability in cash flows of \$76.5 million of United States Maritime Administration ("MARAD") guaranteed bonds that the Company intended to issue in October 2003. The Company deemed the remaining \$15.0 million notional amount of treasury rate lock agreements obtained in the Chiles acquisition to be speculative in nature and subsequently settled \$10.0 million notional amount in the fourth quarter of 2002 and the final \$5.0 million notional amount in the second quarter of 2003. The Company recognized a loss of \$300,000 for the nine-month period ended September 30, 2003 in connection with the decline in fair value of the \$5.0 million notional amount of

treasury rate lock agreements deemed to be speculative. The change in fair value of the \$65.0 million notional amount of treasury rate lock agreements designated as an effective hedge during the three-month and nine-month periods ended September 30, 2003 has been included in other comprehensive income, net of tax. The fair value of the \$65.0 million notional amount of treasury rate lock agreements designated as an effective hedge totaled \$9.5 million at September 30, 2003, and is included in accrued current liabilities. The Company settled the \$65.0 million notional amount of treasury locks on October 1, 2003 in connection with the pricing and subsequent issuance of the MARAD bonds (see Note 8 "Subsequent Events").

At September 30, 2003 the net unrealized losses on derivative instruments included in other comprehensive loss totaled \$10.3 million and the estimated amount that will be reclassified to earnings during the next twelve months is as follows (in millions):

Unrealized losses reclassified to interest expense	\$1.2
Unrealized gains reclassified to operating expenses	(1.0)
<hr/>	
Net unrealized loss reclassified to earnings	\$.2

The Company utilizes derivative instruments and undertakes hedging activities in accordance with its established policies for the management of market risk. The Company does not enter into derivative instruments for trading or other speculative purposes. Management believes that the Company's use of derivative instruments and related hedging activities do not expose the Company to any material interest rate risk, foreign currency exchange rate risk, commodity price risk, credit risk or any other market rate or price risk.

Note 5 - Comprehensive Income

The components of the Company's comprehensive income for the three-month and nine-month periods ended September 30, 2003 and 2002, are as follows (in millions):

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Net income	\$27.8	\$30.5	\$81.8	\$70.0
Other comprehensive income (loss):				
Net change in fair value of derivatives	1.8	(3.5)	.1	(2.7)
Reclassification of unrealized gains and losses on derivatives from other comprehensive income (loss) into net income	.2	.2	.6	.2
<hr/>				
Net other comprehensive income (loss)	2.0	(3.3)	0.7	(2.5)
<hr/>				
Total comprehensive income	\$29.8	\$27.2	\$82.5	\$67.5

The components of the accumulated other comprehensive loss section of stockholders' equity at September 30, 2003 and December 31, 2002, are as follows (in millions):

	<u>September 30,</u>	<u>December 31,</u>
	<u>2003</u>	<u>2002</u>
Cumulative translation adjustment	\$ 1.1	\$ 1.1
Net unrealized losses on derivatives	10.3	11.0
<hr/>		
Total accumulated other comprehensive loss	\$11.4	\$12.1

Note 6 - Discontinued Operations

On February 20, 2003, the Company reached an agreement to sell its 27-vessel marine transportation fleet. The transaction was completed on April 1, 2003 for approximately \$79.0 million, which resulted in a pre-tax gain of approximately \$6.4 million. The operating results of the marine transportation fleet, which represent the entire marine transportation services segment previously reported by the Company, have been reclassified as discontinued operations in the consolidated statements of income. Following is a summary of income from discontinued operations for the three-month and nine-month periods ended September 30, 2003 and 2002 (in millions):

	<u>Three Months</u> <u>Ended September 30,</u>		<u>Nine Months</u> <u>Ended September 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues	\$ --	\$12.6	\$ 7.6	\$36.0
Operating expenses	(.1)	12.6	12.4	35.5
Operating income (loss) before income taxes	.1	--	(4.8)	.5
Income tax benefit	--	1.5	1.7	3.1
Gain on sale of discontinued operations, net	--	--	4.1	--
Income from discontinued operations	\$.1	\$ 1.5	\$ 1.0	\$ 3.6

Note 7 - Investment in Joint Ventures

During the fourth quarter of 2000, the Company entered into an agreement with Keppel FELS Limited ("KFELS"), a major international shipyard, and acquired a 25% ownership interest in a harsh environment jackup rig under construction, which was subsequently named the ENSCO 102. During the second quarter of 2002, the Company and KFELS established a joint venture company, ENSCO Enterprises Limited ("EEL"), to own and charter the ENSCO 102. Upon completion of rig construction in May 2002, the Company and KFELS transferred their respective interests in the ENSCO 102 to EEL in exchange for promissory notes in the amount of \$32.5 million and \$97.3 million, respectively. The Company has an option to purchase the ENSCO 102 from EEL, at a formula derived price, which expires in May 2004 and either party may terminate the joint venture agreement if the purchase option is not exercised. The Company and KFELS had initial ownership interests in EEL of 25% and 75%, respectively.

Concurrent with the transfer of the rig to EEL, the Company agreed to charter the ENSCO 102 from EEL for a two-year period that expires in May 2004. Under the terms of the charter, the majority of the net cash flow generated by the ENSCO 102 operations is remitted to EEL in the form of charter payments. However, the charter obligation is determined on a cumulative basis such that cash flow deficits incurred prior to initial rig operations are satisfied prior to the commencement of charter payments. Charter proceeds received by EEL are used to pay interest on the promissory notes and any cash remaining after all accrued interest has been paid is used to repay the outstanding principal of the KFELS promissory note. Pursuant to an agreement between the Company and KFELS, the respective ownership interests of the Company and KFELS in EEL are adjusted concurrently with repayments of principal on the KFELS promissory note such that each party's ownership interest is equal to the ratio of its outstanding promissory note balance to the aggregate outstanding principal balance of both promissory notes.

A summary of the unaudited financial statements of EEL as of and for the period ended September 30, 2003, is as follows:

ENSCO Enterprises Limited
Condensed Balance Sheet
September 30, 2003
(In Millions)
(Unaudited)

Assets

Cash and cash equivalents	\$ 7.0
Charter revenue receivable	2.8
Property and equipment, net of accumulated depreciation	123.9
<hr/>	
	\$133.7

Liabilities and Stockholders' Equity

Interest payable	\$ 10.8
Notes payable	129.8
Stockholders' equity	
Common stock	--
Accumulated deficit	(6.9)
<hr/>	
Total stockholders' equity	(6.9)
<hr/>	
	\$133.7

ENSCO Enterprises Limited
Condensed Statement of Operations
Three and Nine Months Ended September 30, 2003
(In Millions)
(Unaudited)

	<u>Three Months Ended</u> <u>September 30, 2003</u>	<u>Nine Months Ended</u> <u>September 30, 2003</u>
Charter revenue	\$ 4.1	\$ 12.4
Depreciation expense	(2.0)	(4.0)
Interest expense	(2.4)	(7.3)
<hr/>		
Net income (loss)	(.3)	1.1

At September 30, 2003, the Company's net investment in EEL totaled \$39.0 million and is included in other assets, net on the consolidated balance sheet. The approximate \$5.0 million excess of the Company's investment carrying value over its equity in the underlying net assets of EEL is being amortized over the estimated 30-year useful life of the ENSCO 102. During the three-month and nine-month periods ended September 30, 2003, the Company recognized approximately \$600,000 and \$2.1 million, respectively, net of intercompany eliminations, from its equity in the earnings of EEL, which is included in operating expenses on the consolidated statement of income.

In March 2003, the Company entered into an agreement with KFELS to establish a second joint venture company, ENSCO Enterprises Limited II ("EEL II"), to construct a premium heavy duty jackup rig to be named the ENSCO 106. The Company will contribute \$3.0 million of procurement and management services and \$23.3 million in cash for a 25%

interest in EEL II. At September 30, 2003, the Company's net investment in EEL II totaled \$11.7 million and is included in other assets, net on the consolidated balance sheet. The terms of the EEL II agreement are similar to those of the EEL agreement, with the Company holding an option to purchase the ENSCO 106 from EEL II, at a formula derived price, at any time during construction or the two-year period after completion of construction. Additionally, if the Company has not exercised the purchase option upon completion of construction, the Company will charter the ENSCO 106 from EEL II for a two-year period under terms similar to those of the ENSCO 102 charter from EEL. Both the Company and KFELS have the right to terminate the joint venture at the end of the two-year period if the purchase option has not been exercised.

The Company's equity interests in, and related charter arrangements associated with, EEL and EEL II constitute variable interests in variable interest entities, as defined in the Financial Accounting Standards Board's Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"). However, the Company will not absorb a majority of the expected losses or receive a majority of the expected residual returns, as defined by FIN 46, of either EEL or EEL II, and accordingly, is not required to consolidate EEL or EEL II.

Note 8 - Subsequent Events

On October 8, 2003, the Company issued \$76.5 million of 17-year bonds to provide long-term financing for the ENSCO 105. The bonds are guaranteed by MARAD and will be repaid in 34 equal semiannual principal installments of \$2.25 million. Interest on the bonds is payable semiannually, in April and October, at a fixed rate of 4.65%. The bonds are collateralized by the ENSCO 105 and the Company has guaranteed the performance of its obligations under the bonds to MARAD. Proceeds from the bond issuance were used to retire a floating rate term loan that provided interim financing for the construction of the ENSCO 105. In connection with the issuance of the bonds, the Company settled the \$65.0 million notional amount of treasury lock agreements, designated as an effective hedge against the variability in cash flows of the bonds, for \$9.5 million.

In October 2003, the Company received and immediately sold 66,838 shares of Prudential Financial Incorporated. The shares were issued to the Company as a result of the Company's previous purchase of a Group Annuity Contract upon termination of a predecessor consolidated pension plan and Prudential Financial Incorporated's conversion from a mutual company to a stock company. The Company will recognize a gain of \$2.5 million in the fourth quarter of 2003 in connection with the receipt and sale of the aforementioned shares.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

BUSINESS ENVIRONMENT

ENSCO International Incorporated and subsidiaries ("ENSCO" or the "Company") is one of the leading international providers of offshore drilling services to the oil and gas industry. The Company's operations are conducted in the geographic regions of North America, Europe/Africa, Asia Pacific and South America/Caribbean.

Demand for the Company's services is significantly affected by worldwide expenditures for oil and gas drilling. Expenditures for oil and gas drilling activity fluctuate substantially from year to year and from region to region. Such fluctuations result from many factors, including demand for oil and gas, world economic conditions, the legislative environment in the United States and other countries in which the Company operates, production levels and other activities of OPEC and other oil and gas producers and the impact that these and other events have on the current and expected future pricing of oil and natural gas.

The Company's domestic operations are conducted in the Gulf of Mexico. The U.S. oil and natural gas market and trends in oil and gas company spending largely determine domestic offshore drilling industry conditions. Demand for jackup rigs in the Gulf of Mexico decreased during the first quarter of 2003, but has improved somewhat throughout the second and third quarters of 2003. The supply of jackup rigs in the Gulf of Mexico has declined during 2003 as rigs have mobilized to international markets in response to contract opportunities. Day rates for Gulf of Mexico jackup rigs have improved over the course of 2003 and the Company anticipates that this market will remain firm over the remainder of the year.

Industry conditions in most international offshore drilling markets have moderately improved over the last two years, as many of the major international and government-owned oil companies have increased spending in those markets. Demand and day rates for international jackup rigs remained fairly stable over the first half of 2003. However, day rates for jackup rigs in Europe have declined during the third quarter of 2003 due to limited long-term contract opportunities. Although some contracts have been executed recently at moderately increased rates, the Company anticipates a minor softening of its day rates in Europe during the remainder of 2003 due primarily to the lag effect of market derived rates. Day rates and activity levels have remained fairly stable in Asia Pacific over the first nine months of 2003. However, five of the Company's Asia Pacific jackup rigs have completed, or will complete, contracts during the fourth quarter of 2003. Two of these five rigs are scheduled to commence new term contracts during the fourth quarter of 2003 upon completion of shipyard work and opportunities for work commencing during the first quarter of 2004 exist for the three remaining rigs.

Certain statements made in this section and elsewhere in this report may be deemed to be forward-looking statements, including the Company's expectations for day rates for the remainder of the year. Please see the information contained in the section entitled "Outlook and Forward-Looking Statements."

RESULTS OF OPERATIONS

On August 7, 2002, the Company completed its merger with Chiles Offshore Inc. ("Chiles"), which has been accounted for as a purchase business combination in accordance with accounting principles generally accepted in the United States of America, with the Company treated as the acquirer. Under the terms of the Merger Agreement, each Chiles shareholder received 0.6575 of a share of the Company's common stock and \$5.25 in cash in exchange for each share of Chiles common stock held. Upon completion of the transaction, the Company issued approximately 13.3 million shares of its common stock and paid approximately \$106.6 million in cash to the holders of Chiles common stock. The acquired Chiles operations consisted of a fleet of five ultra premium jackup rigs, including two rigs operating in the Gulf of Mexico, one rig operating offshore Australia, one rig operating offshore Trinidad and Tobago, and one rig under construction that subsequently entered service in the Gulf of Mexico.

On February 20, 2003, the Company reached an agreement to sell its 27-vessel marine transportation fleet. The results of operations of the marine transportation fleet have been reclassified as discontinued operations in the consolidated statements of income for the

three-month and nine-month periods ended September 30, 2003 and 2002. After receipt of various regulatory consents, the sale transaction was finalized on April 1, 2003, for approximately \$79.0 million. The Company recognized a pre-tax gain of approximately \$6.4 million related to the sale transaction.

The following analysis highlights the Company's consolidated operating results for the three-month and nine-month periods ended September 30, 2003 and 2002 (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2003	September 30, 2002	September 30, 2003	September 30, 2002
Operating Results				
Revenues	\$199.6	\$179.2	\$591.6	\$455.3
Operating expenses				
Contract drilling	114.7	93.5	337.0	246.4
Depreciation and amortization	33.7	29.9	100.6	84.6
General and administrative	5.2	4.8	15.9	13.8
Operating income	46.0	51.0	138.1	110.5
Other expense, net	7.2	8.4	25.1	13.0
Provision for income taxes	11.1	13.6	32.2	31.1
Income from continuing operations	27.7	29.0	80.8	66.4
Income from discontinued operations	.1	1.5	1.0	3.6
Net income	\$27.8	\$30.5	\$81.8	\$70.0

Revenues				
Jackup rigs:				
North America	\$ 57.5	\$ 50.2	\$155.4	\$119.3
Europe/Africa	41.5	47.8	139.5	131.4
Asia Pacific	62.5	48.5	182.3	126.5
South America/Caribbean	8.4	4.1	24.1	4.1
Total jackup rigs	169.9	150.6	501.3	381.3
Semisubmersible rig - North America	16.5	17.2	50.0	44.3
Barge rig - Asia Pacific	5.0	2.1	14.4	2.1
Barge rigs - South America/Caribbean	4.1	3.7	11.4	12.4
Platform rigs - North America	4.1	5.6	14.5	15.2
Total	\$199.6	\$179.2	\$591.6	\$455.3

Contract Drilling Expense				
Jackup rigs:				
North America	\$ 38.9	\$ 32.9	\$112.6	\$ 92.1
Europe/Africa	24.7	22.9	73.9	58.4
Asia Pacific	33.7	22.5	99.5	54.7
South America/Caribbean	3.4	1.9	9.8	1.9
Total jackup rigs	100.7	80.2	295.8	207.1
Semisubmersible rig - North America	5.1	4.8	14.5	16.2
Barge rig - Asia Pacific	3.3	2.2	9.0	2.2
Barge rigs - South America/Caribbean	2.8	2.8	8.1	10.4
Platform rigs - North America	2.8	3.5	9.6	10.5
Total	\$114.7	\$ 93.5	\$337.0	\$246.4

Rig Utilization : ⁽¹⁾

Jackup rigs:

North America	86%	87%	86%	89%
Europe/Africa	91%	79%	93%	76%
Asia Pacific	88%	76%	87%	77%
South America/Caribbean	98%	100%	99%	100%

Total jackup rigs	88%	83%	88%	83%
Semisubmersible rig - North America	95%	100%	97%	89%
Barge rig - Asia Pacific	100%	100%	98%	100%
Barge rigs - South America/Caribbean	17%	15%	17%	16%
Platform rigs - North America	40%	60%	44%	56%

Total	76%	73%	77%	72%
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Average day rates : ⁽²⁾

Jackup rigs:

North America	\$ 31,987	\$ 30,542	\$ 29,208	\$ 25,095
Europe/Africa	61,025	78,507	67,534	78,363
Asia Pacific	62,989	59,029	62,980	58,126
South America/Caribbean	90,040	75,771	85,408	75,771

Total jackup rigs	47,803	47,993	47,512	44,027
Semisubmersible rig - North America	189,433	187,048	188,700	184,423
Barge rig - Asia Pacific	41,923	41,750	41,172	41,750
Barge rigs - South America/Caribbean	42,569	38,120	40,135	40,191
Platform rigs - North America	25,846	26,688	26,170	25,595

Total	\$ 50,118	\$ 50,290	\$ 49,587	\$ 46,456
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(1) Utilization is the ratio of aggregate contract days divided by the number of days in the period.

(2) Average day rates are derived by dividing contract drilling revenue by the aggregate number of contract days, adjusted to exclude certain types of non-recurring reimbursable revenue and lump sum revenue and contract days associated with certain mobilizations and demobilizations.

The following is an analysis of the Company's offshore drilling rigs at September 30, 2003 and 2002:

	<u>Number of Rigs</u>	
	<u>2003</u>	<u>2002</u>
Jackup rigs:		
North America	22	22
Europe/Africa	8	8
Asia Pacific	12	12
South America/Caribbean	1	1
Total jackup rigs	43	43
Semisubmersible rig - North America	1	1
Barge rig - Asia Pacific	1	1
Barge rigs - South America/Caribbean	6	6
Platform rigs - North America	5	5
Total	56	56

Explanations of the Company's operating results for the three-month and nine-month periods ended September 30, 2003, including detailed discussions of revenue and contract drilling expenses based on geographical location and type of asset, are set forth below. On a consolidated basis, third quarter 2003 revenues and contract drilling expenses increased

\$20.4 million and \$21.2 million, respectively, compared to the prior year third quarter. These increases are primarily due to the five rigs acquired from Chiles in August 2002 and the recently constructed ENSCO 102, which also commenced operations in August 2002. The increase in revenues and contract drilling expenses attributable to these six rigs was \$18.2 million and \$14.1 million, respectively. Contract drilling expenses for the remaining rigs in the Company's fleet increased \$7.1 million primarily due to the impact of a slight increase in utilization, increased personnel costs, including a wage increase effective July 1, 2003, and increased repair costs, partially offset by reduced insurance costs. The Company reduced its insurance premiums effective July 1, 2003 by increasing deductibles, but maintained existing insured rig values.

North America Jackup Rigs

Third quarter 2003 revenues for the North America jackup rigs increased by \$7.3 million, or 15%, and contract drilling expenses increased by \$6.0 million, or 18%, from the prior year third quarter. The increase in revenues was due primarily to the addition of the newly constructed ENSCO 105 to the Company's North America fleet as a result of the acquisition of Chiles and the results of the ENSCO 81, which was in a shipyard for the third quarter of 2002, partially offset by the results of the ENSCO 82, which was in a shipyard undergoing modifications, upgrades and regulatory work in the third quarter of 2003. During the third quarter of 2003, the ENSCO 105 and ENSCO 81 generated an aggregate \$8.0 million of revenues. The increase in contract drilling expenses was due primarily to the addition of three rigs to the North America jackup fleet in the third quarter of 2002 as a result of the Chiles acquisition. During the third quarter of 2003, these three rigs generated an aggregate \$7.9 million of contract drilling expenses compared to an aggregate of \$2.9 million during the third quarter of 2002. Excluding the impact of the three additional rigs, contract drilling expenses increased by \$1.1 million, or 4%, from the prior year third quarter due primarily to increased personnel costs.

For the nine months ended September 30, 2003, revenues for the North America jackup rigs increased by \$36.1 million, or 30%, and contract drilling expenses increased by \$20.5 million, or 22%, as compared to the same period a year earlier. The increases were due primarily to the addition of three rigs to the North America jackup rig fleet in the third quarter of 2002 as a result of the Chiles acquisition. During the nine months ended September 30, 2003 these three rigs generated an aggregate \$27.9 million of revenues and \$22.4 million of contract drilling expenses compared to an aggregate of \$6.7 million of revenues and \$2.9 million of contract drilling expenses in the same period a year earlier. Excluding the impact of the three additional rigs, revenues increased by \$14.9 million, or 13%, and contract drilling expenses increased by \$1.1 million, or 1%, from the same period a year earlier. The \$14.9 million increase in revenues was primarily attributable to a 15% increase in average day rates compared to the same period a year earlier, partially offset by a decrease in utilization to 86% in the nine months ended September 30, 2003 from 89% in the same period a year earlier. The \$1.1 million increase in contract drilling expenses was due primarily to increased personnel costs offset by the impact of decreased utilization.

Europe/Africa Jackup Rigs

Third quarter 2003 revenues for the Europe/Africa jackup rigs decreased by \$6.3 million, or 13%, from the prior year third quarter. The decrease was due primarily to a 22% decrease in average day rates and a \$2.8 million reduction in mobilization revenue resulting from the mobilization of the ENSCO 100 from the North Sea to Nigeria during the third quarter of 2002, partially offset by an increase in utilization to 91% in the third quarter of 2003 from 79% in the prior year third quarter. Contract drilling expenses increased by \$1.8 million, or 8%, from the prior year third quarter due primarily to the impact of increased utilization, increased personnel costs and \$900,000 of expenses associated with a crane failure during

the third quarter of 2003, partially offset by a \$2.5 million reduction of mobilization expense resulting from the ENSCO 100 mobilization to Nigeria during the second quarter of 2002.

For the nine months ended September 30, 2003, revenues for the Europe/Africa jackup rigs increased by \$8.1 million, or 6%, from the same period a year earlier. The increase in revenues was primarily attributable to an increase in utilization to 93% for the nine months ended September 30, 2003 from 76% in the same period a year earlier, partially offset by a 14% decrease in average day rates. Contract drilling expenses increased by \$15.5 million, or 27%, from the same period a year earlier due primarily to the impact of increased utilization and the increased cost structure associated with the ENSCO 100, which operated offshore Nigeria during all nine months ended September 30, 2003 compared to only two months during the nine months ended September 30, 2002.

Asia Pacific Jackup Rigs

Third quarter 2003 revenues for the Asia Pacific jackup rigs increased by \$14.0 million, or 29%, and contract drilling expenses increased by \$11.2 million, or 50%, as compared to the prior year third quarter. The increases were due primarily to the addition of the ENSCO 102 and the ENSCO 104 to the Asia Pacific jackup rig fleet in the third quarter of 2002. During the third quarter of 2003 these rigs generated an aggregate \$16.9 million of revenues and \$12.0 million of contract drilling expenses, including a net \$3.9 million of contract drilling expenses associated with the ENSCO 102 joint venture charter operations, compared to an aggregate of \$7.2 million of revenues and \$4.3 million of contract drilling expenses in the prior year third quarter. Excluding the impact of the ENSCO 102 and the ENSCO 104 from the Asia Pacific jackup rig fleet operations, revenues increased by \$4.3 million, or 10%, and contract drilling expenses increased by \$3.6 million, or 20%, from the prior year third quarter. The \$4.3 million increase in revenues was primarily attributable to improved utilization, which increased to 85% in the third quarter of 2003 from 79% in the prior year third quarter. The \$3.6 million increase in contract drilling expenses was due primarily to the impact of increased utilization and the increased cost structure associated with the ENSCO 53, which operated offshore Australia during the third quarter of 2003 compared to operating offshore Thailand during the third quarter of 2002.

For the nine months ended September 30, 2003, revenues for the Asia Pacific jackup rigs increased by \$55.8 million, or 44%, and contract drilling expenses increased by \$44.8 million, or 82%, as compared to the same period a year earlier. The increases were due primarily to the addition of the ENSCO 102 and the ENSCO 104 to the Asia Pacific jackup rig fleet in the third quarter of 2002. During the nine months ended September 30, 2003, these rigs generated an aggregate \$50.2 million of revenues and \$33.8 million of contract drilling expenses, including a net \$10.9 million of contract drilling expenses associated with the ENSCO 102 joint venture charter operations, compared to an aggregate of \$7.2 million of revenues and \$4.3 million of contract drilling expenses in the same period a year earlier. Excluding the impact of the ENSCO 102 and the ENSCO 104 from the Asia Pacific jackup rig fleet operations, revenues increased by \$12.8 million, or 11%, and contract drilling expenses increased by \$15.4 million, or 31%, from the prior year period. The \$12.8 million increase in revenues was primarily attributable to utilization, which increased to 84% in the nine months ended September 30, 2003 from 78% in the same period a year earlier. The \$15.4 million increase in contract drilling expenses was due primarily to the impact of increased utilization, the increased cost structure associated with the ENSCO 53, which operated offshore Australia during the current year period compared to operating offshore Thailand during the prior year period and increased personnel and repair expenses.

South America/Caribbean Jackup Rig

The Company has one jackup rig acquired in connection with the Chiles acquisition, the ENSCO 76, operating under a long-term contract in Trinidad and Tobago. The results of the

ENSCO 76 operations are included in the Company's operating results from the date of the Chiles acquisition on August 7, 2002. Revenues and contract drilling expenses for the third quarter 2003 and 2002 were \$8.4 million and \$3.4 million and \$4.1 million and \$1.9 million, respectively. Revenues and contract drilling expenses for the nine months ended September 30, 2003 and 2002 were \$24.1 million and \$9.8 million and \$4.1 million and \$1.9 million, respectively.

North America Semisubmersible Rig

Third quarter 2003 revenues for the ENSCO 7500 decreased by \$700,000, or 4%, as compared to the prior year third quarter. The decrease in revenues was due to a decrease in utilization to 95% in the third quarter of 2003 compared to 100% in the prior year third quarter due to repair time during the current year quarter as a result of damage sustained during a tropical storm, partially offset by a 1% increase in the average day rate. Third quarter 2003 contract drilling expenses increased by \$300,000, or 6%, as compared to the prior year third quarter due primarily to the repair costs associated with the aforementioned damage during third quarter of 2003.

For the nine months ended September 30, 2003, revenues for the ENSCO 7500 increased by \$5.7 million, or 13%, from the same period a year earlier. The increase in revenues was due primarily to an increase in utilization to 97% in the nine months ended September 30, 2003 from 89% in the same period a year earlier and to a lesser extent, a 2% increase in the average day rate. The rig experienced down time during nine months ended September 30, 2002 to undergo hull repairs. Contract drilling expenses decreased by \$1.7 million, or 10%, from the nine months ended September 30, 2002 due primarily to costs related to the aforementioned hull repairs incurred in the prior year nine-month period.

Asia Pacific Barge Rig

In August 2002 the ENSCO I was mobilized from Venezuela to a shipyard in Singapore for modifications and enhancements to fulfill a long-term contract in Indonesia. Contract operations commenced in Indonesia in late December 2002 after completion of shipyard procedures. Revenue for the quarter and nine months ended September 30, 2002 was \$2.1 million and consisted of mobilization revenue. Contract drilling expenses for the quarter and nine months ended September 30, 2002 was \$2.2 million and consisted primarily of mobilization expense.

Third quarter 2003 revenues and contract drilling expenses for the Asia Pacific barge rig increased by \$2.9 million and \$1.1 million, respectively, as compared to the prior year third quarter. The increases were due to contract operations in Indonesia at full utilization during the current year third quarter compared to mobilization and shipyard activity in the prior year third quarter.

For the nine months ended September 30, 2003, revenues and contract drilling expenses for the Asia Pacific barge rig increased by \$12.3 million and \$6.8 million, respectively, as compared to the same period a year earlier. The increases were due to nine months of contract operations in Indonesia during the current year period compared to 46 days of mobilization and shipyard activity in the prior year period.

South America/Caribbean Barge Rigs

During the third quarter of 2002 and 2003, one of the Company's six barge rigs was operating under a long-term contract in Venezuela. Third quarter 2003 revenues for the South America/Caribbean barge rigs increased by \$400,000, or 11%, as compared to the prior year quarter. The increase in revenues was due primarily to a 12% increase in the

average day rates. Contract drilling expenses were unchanged, as compared to the prior year third quarter.

For the nine months ended September 30, 2003, revenues for the South America/Caribbean barge rigs decreased by \$1.0 million, or 8%, and contract drilling expenses decreased by \$2.3 million, or 22%, as compared to the same period a year earlier. The decrease in revenues was due primarily to reduced activity for the ENSCO XII, which completed a contract and demobilized from Trinidad to Venezuela during the nine months ended September 30, 2002, but was idle during the nine months ended September 30, 2003 and to a lesser extent, a 2% decrease in the ENSCO II average day rate. The decrease in contract drilling expenses was due primarily to the aforementioned ENSCO XII demobilization and the devaluation of the Venezuelan currency during the current year.

Platform Rigs

Third quarter 2003 revenues for the platform rigs decreased by \$1.5 million, or 27%, as compared to the prior year third quarter. The decrease in revenues was due primarily to reduced utilization of the ENSCO 26, which was idle during the current year third quarter but earned a minor standby rate during the prior year third quarter, and the ENSCO 25, which earned a minor standby rate during the majority of the current year third quarter but operated under a full day rate during the prior year third quarter. Contract drilling expenses decreased by \$700,000 or 20%, from the prior year third quarter due primarily to reduced costs associated with the ENSCO 25, which did not operate during the majority of the current year third quarter.

For the nine months ended September 30, 2003, revenues for platform rigs decreased by \$700,000, or 5%, as compared to the same period a year earlier. The decrease in revenues was due primarily to reduced utilization of the ENSCO 26, which was idle during the majority of the nine months ended September 30, 2003, partially offset by a 2% increase in the average day rates. Contract drilling expenses decreased by \$900,000, or 9%, from the same period a year earlier due primarily to reduced costs associated with the ENSCO 26, which was idle the majority of the nine months ended September 30, 2003.

Depreciation and Amortization

Depreciation and amortization expense for the third quarter of 2003 increased by \$3.8 million, or 13%, as compared to the prior year third quarter. The increase was primarily attributable to the depreciation associated with the five rigs acquired from Chiles in August 2002 and depreciation on capital enhancement projects completed subsequent to the third quarter of 2002, partially offset by an approximate \$900,000 reduction in depreciation resulting from the Company's impairment of its barge rigs in Venezuela in the fourth quarter of 2002.

Depreciation and amortization expense for the nine months ended September 30, 2003 increased by \$16.0 million, or 19%, as compared to the same period a year earlier. The increase was primarily attributable to the depreciation associated with the five rigs acquired from Chiles in August 2002 and depreciation on capital enhancement projects completed subsequent to the third quarter of 2002, partially offset by an approximate \$2.8 million reduction in depreciation resulting from the Company's impairment of its barge rigs in Venezuela in the fourth quarter of 2002.

General and Administrative

General and administrative expense for the third quarter of 2003 increased by \$400,000, or 8%, as compared to the prior year third quarter. The increase was primarily due to

increases in personnel costs, partially offset by a decrease in professional fees.

General and administrative expense for the nine months ended September 30, 2003 increased by \$2.1 million, or 15%, as compared to the same period a year earlier. The increase was primarily attributable to the payment in the first quarter of 2003 of one-time severance costs of \$1.1 million under an employment contract assumed in connection with the Chiles acquisition and an increase in personnel costs.

Other Income (Expense)

Other income (expense) for the third quarter and nine months ended September 30, 2003 and 2002 was as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Interest income	\$.9	\$ 1.1	\$ 2.5	\$ 4.2
Interest expense, net:				
Interest expense	(9.4)	(9.2)	(28.5)	(26.5)
Capitalized interest	.5	1.5	1.3	2.9
	(8.9)	(7.7)	(27.2)	(23.6)
Other, net	.8	(1.8)	(.4)	6.4
	\$ (7.2)	\$ (8.4)	\$ (25.1)	\$ (13.0)

Interest income for the third quarter of 2003 decreased as compared to the prior year third quarter due to a decrease in average interest rates. Interest income for the nine months ended September 30, 2003 decreased as compared to the same period a year earlier due to lower average cash balances invested and a decrease in average interest rates. Interest expense for the third quarter and nine months ended September 30, 2003 increased as compared to the corresponding periods a year earlier due primarily to the additional debt assumed in the Chiles acquisition. Capitalized interest for the third quarter and nine months ended September 30, 2003 decreased compared to the corresponding prior year periods due to a decrease in the amount invested in new construction as a result of the completed construction of the ENSCO 102 in the third quarter of 2002 and the ENSCO 105 in the fourth quarter of 2002.

Other, net for the third quarter of 2003 consists primarily of a \$500,000 gain related to the receipt and sale of shares of common stock of Prudential Financial, Inc. The shares were issued to the Company as a result of the Company's previous purchase of a Group Annuity Contract upon termination of a predecessor consolidated pension plan and Prudential Financial Incorporated's conversion from a mutual company to a stock company. Other, net for the nine months ended September 30, 2003 consists primarily of \$800,000 in foreign currency translation losses and a loss of \$300,000 related to the decline in fair value of the \$5.0 million notional amount of speculative treasury lock agreements, partially offset by the \$500,000 gain related to the receipt of shares of common stock of Prudential Financial, Inc. Other, net for the third quarter of 2002 includes a \$1.1 million loss related to the decrease in fair value of treasury lock agreements obtained in connection with the Chiles acquisition. In the first quarter of 2002, the Company recognized a \$5.8 million gain in connection with the settlement of an insurance claim related to the ENSCO 51, which sustained damage from a natural gas well fire. Other, net for the nine months ended September 30, 2002 consists primarily of the \$5.8 million insurance gain and net foreign currency translation gains offset by the \$1.1 million loss related to the decrease in the fair value of treasury lock agreements.

Provision for Income Taxes

The provision for income taxes for the third quarter of 2003 decreased by \$2.5 million as compared to the prior year third quarter. The decrease is attributable to reduced profitability and a decrease in effective tax rate to 28.6% in the third quarter of 2003 from 31.9% in the prior year quarter. The provision for income taxes for the nine months ended September 30, 2003 increased by \$1.1 million as compared to the corresponding prior year period. The increase is attributable to the increased profitability of the Company, offset in part by a decrease in the effective tax rate to 28.5% in the current year period from 31.9% in the prior year period. The effective tax rate decreased in the current year three-month and nine-month periods from the corresponding prior year periods due primarily to projected changes in the relative portions of the Company's earnings generated by foreign subsidiaries whose earnings are being permanently reinvested and taxed at lower rates and to projected increases in certain tax credits and income not subject to tax.

Discontinued Operations

On February 20, 2003, the Company reached an agreement to sell its 27-vessel marine transportation fleet. After receipt of various regulatory consents, the sale transaction was finalized on April 1, 2003 for approximately \$79.0 million. The Company recognized a pre-tax gain of approximately \$6.4 million related to the sale transaction. The operating results of the marine transportation fleet, which represent the entire marine transportation services segment previously reported by the Company, have been reclassified as discontinued operations in the consolidated statements of income. Following is a summary of income from discontinued operations for the three-month and nine-month periods ended September 30, 2003 and 2002 (in millions):

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues	\$ --	\$12.6	\$ 7.6	\$36.0
Operating expenses	(.1)	12.6	12.4	35.5
Operating income (loss) before income taxes	.1	--	(4.8)	.5
Income tax benefit	--	1.5	1.7	3.1
Gain on sale of discontinued operations, net	--	--	4.1	--
Income from discontinued operations	\$.1	\$ 1.5	\$ 1.0	\$ 3.6

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow and Capital Expenditures

The Company's cash flow from operations and capital expenditures for the nine months ended September 30, 2003 and 2002 were as follows (in millions):

	<u>2003</u>	<u>2002</u>
Cash flow from operations	\$206.1	\$151.2
Capital expenditures		
New construction	\$.9	\$ 20.3
Enhancements	106.5	109.3
Minor upgrade and improvements	33.9	27.1
	\$141.3	\$156.7

Cash flow from operations increased by \$54.9 million for the nine months ended September 30, 2003 as compared to the same period a year earlier due primarily to increased operating income and changes in working capital.

Management anticipates that full year 2003 capital expenditures will total approximately \$210.0 million, including \$160.0 million for enhancements and \$50.0 million for minor upgrades and improvements. During 2003 management plans to invest approximately \$15.0 million in its joint ventures formed to construct and own the ENSCO 102 and ENSCO 106 (see "Off-Balance Sheet Arrangements" and Note 7 to the Company's Consolidated Financial Statements for information concerning the Company's investments in joint ventures related to the ENSCO 102 and ENSCO 106). Depending on market conditions and opportunities, the Company may also make capital expenditures to construct or acquire additional rigs or elect to exercise its option to acquire the ENSCO 102 and the ENSCO 106 in 2003.

Financing and Capital Resources

On October 8, 2003, the Company issued \$76.5 million of 17-year bonds to provide long-term financing for the ENSCO 105. The bonds are guaranteed by the United States Maritime Administration ("MARAD") and will be repaid in 34 equal semiannual principal installments of \$2.25 million. Interest on the bonds is payable semiannually, in April and October, at a fixed rate of 4.65%. The bonds are collateralized by the ENSCO 105 and the Company has guaranteed the performance of its obligations under the bonds to MARAD. Proceeds from the bond issuance were used to retire a floating rate term loan that provided interim financing for the construction of the ENSCO 105.

In connection with the acquisition of Chiles, the Company assumed bonds that were originally issued to provide long-term financing for the ENSCO 76 (formerly the Chiles Coronado). The bonds are guaranteed by MARAD and are being repaid in 24 equal semiannual principal installments of \$2.9 million, which commenced in January 2000 and will end in July 2011. Interest on the bonds is payable semiannually, in January and July, at a fixed rate of 5.63%. The bonds are collateralized by the ENSCO 76 and the Company has guaranteed the performance of its obligations under the bonds to MARAD. As of September 30, 2003, the Company had \$47.0 million outstanding under the bonds.

On January 25, 2001, the Company issued \$190.0 million of 15-year bonds to provide long-term financing for the ENSCO 7500. Interest on the bonds is payable semiannually, in June and December, at a fixed rate of 6.36%. The bonds, which are guaranteed by MARAD, are being repaid in 30 equal semiannual principal installments of \$6.3 million, which commenced in June 2001 and will end in December 2015. As of September 30, 2003, the Company had \$158.3 million outstanding under the bonds.

The Company has a \$250.0 million unsecured revolving credit agreement (the "Credit Agreement") with a syndicate of banks that matures in July 2007. Interest on amounts borrowed under the Credit Agreement is based on LIBOR plus an applicable margin rate (currently 0.525%), depending on the Company's credit rating. The Company pays a facility fee (currently 0.225% per annum) on the total \$250.0 million commitment, which also is based on the Company's credit rating. In addition, the Company is required to pay a utilization fee of 0.25% per annum on outstanding advances under the facility if such advances exceed 33% of the total \$250.0 million commitment. The Company is required to maintain certain financial covenants under the Credit Agreement, including a specified level of interest coverage, debt ratio and tangible net worth. As of September 30, 2003, the Company was in compliance with these covenants. The Company had no amounts outstanding under the Credit Agreement at September 30, 2003.

Off-Balance Sheet Arrangements

During the fourth quarter of 2000, the Company entered into an agreement with Keppel FELS Limited ("KFELS"), a major international shipyard, and acquired a 25% ownership interest in a harsh environment jackup rig under construction, which was subsequently named the ENSCO 102. During the second quarter of 2002, the Company and KFELS established a joint venture company, ENSCO Enterprises Limited ("EEL"), to own and charter the ENSCO 102. Upon completion of rig construction in May 2002, the Company and KFELS transferred their respective interests in the ENSCO 102 to EEL in exchange for promissory notes in the amount of \$32.5 million and \$97.3 million, respectively. The Company has an option to purchase the ENSCO 102 from EEL, at a formula derived price, which expires in May 2004 and either party may terminate the joint venture agreement in the event that the purchase option is not exercised. The Company and KFELS had initial ownership interests in EEL of 25% and 75%, respectively.

Concurrent with the transfer of the rig to EEL, the Company agreed to charter the ENSCO 102 from EEL for a two-year period that expires in May 2004. Under the terms of the charter, the majority of the net cash flow generated by the ENSCO 102 operations is remitted to EEL in the form of charter payments. However, the charter obligation is determined on a cumulative basis such that cash flow deficits incurred prior to initial rig operations are satisfied prior to the commencement of charter payments. Charter proceeds received by EEL are used to pay interest on the promissory notes and any cash remaining after all accrued interest has been paid is used to repay the outstanding principal of the KFELS promissory note. Pursuant to an agreement between the Company and KFELS, the respective ownership interests of the Company and KFELS in EEL are adjusted concurrently with repayments of principal on the KFELS promissory note such that each party's ownership interest is equal to the ratio of its outstanding promissory note balance to the aggregate outstanding principal balance of both promissory notes. (See Note 7 to the Company's Consolidated Financial Statements for summary financial statements of EEL.)

In March 2003, the Company entered into an agreement with KFELS to establish a second joint venture Company, ENSCO Enterprises Limited II ("EEL II"), to construct a premium heavy duty jackup rig to be named the ENSCO 106. The Company will contribute \$3.0 million of procurement and management services and \$23.3 million in cash for a 25% interest in EEL II. At September 30, 2003, the Company's net investment in EEL II totaled \$11.7 million and is included in other assets, net on the consolidated balance sheet. The terms of the EEL II agreement are similar to those of the EEL agreement, with the Company holding an option to purchase the ENSCO 106 from EEL II, at a formula derived price, at any time during construction or the two-year period after completion of construction. Additionally, if the Company has not exercised the purchase option upon completion of construction, the Company will charter the ENSCO 106 from EEL II for a two-year period under terms similar to those of the ENSCO 102 charter from EEL. Both the Company and KFELS have the right to terminate the joint venture at the end of the two-year period if the purchase option has not been exercised.

The Company's equity interests in, and related charter arrangements associated with, EEL and EEL II constitute variable interests in variable interest entities, as defined in the Financial Accounting Standards Board's Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"). However, the Company will not absorb a majority of the expected losses or receive a majority of the expected residual returns, as defined by FIN 46, of either EEL or EEL II, and accordingly, is not required to consolidate EEL or EEL II.

The Company has utilized the KFELS joint venture arrangements to increase its presence in the premium jackup rig market, while limiting present exposure through minimal capital investment, and management believes the Company's purchase options provide the flexibility to expand its premium jackup rig fleet in a cost-efficient manner.

Liquidity

The Company's liquidity position at September 30, 2003 and December 31, 2002 is summarized in the table below (in millions, except ratios):

	September 30, 2003	December 31, 2002
Cash and short-term investments	\$ 326.9	\$ 185.5
Working capital	310.6	189.2
Current ratio	2.4	2.0

At September 30, 2003, the Company had \$326.9 million of cash and cash equivalents and \$250.0 million available for borrowing under its Credit Agreement.

Management expects to fund the Company's short-term liquidity needs, including anticipated capital expenditures and any working capital requirements, from its cash and cash equivalents and operating cash flow.

Management expects to fund the Company's long-term liquidity needs, including all contractual obligations and anticipated capital expenditures, from its cash and cash equivalents, operating cash flow and, if necessary, funds drawn under its Credit Agreement or other future financing arrangements.

The Company has historically funded the majority of its liquidity from operating cash flow. While future operating cash flow cannot be accurately predicted, management believes its long-term liquidity will continue to be funded primarily by operating cash flow.

MARKET RISK

The Company uses various derivative financial instruments to manage its exposure to interest rate risk. The Company occasionally uses interest rate swap agreements to effectively convert the variable interest rate on debt to a fixed rate, and interest rate lock agreements to hedge against increases in interest rates on pending financing. At September 30, 2003 the Company had no outstanding interest rate swap agreements.

In connection with the acquisition of Chiles on August 7, 2002, the Company obtained \$80.0 million notional amount of outstanding treasury rate lock agreements. Upon closing of the acquisition, the Company designated approximately \$65.0 million notional amount of the treasury rate lock agreements as an effective hedge against the variability in cash flows of \$76.5 million of MARAD guaranteed bonds that the Company intended to issue in October 2003. The Company deemed the remaining \$15.0 million notional amount of treasury rate lock agreements obtained in the Chiles acquisition to be speculative in nature and subsequently settled \$10.0 million notional amount in the fourth quarter of 2002 and the final \$5.0 million notional amount in the second quarter of 2003. The change in fair value of the \$65.0 million notional amount of treasury lock agreements designated as an effective hedge during the three-month and nine-month periods ended September 30, 2003 has been included in other comprehensive income, net of tax. The fair value of the \$65.0 million notional amount treasury rate lock agreements designated as an effective hedge totaled \$9.5 million at September 30, 2003, and is included in accrued current liabilities. The Company settled the \$65.0 million notional amount of treasury locks on October 1, 2003 in connection with the pricing and subsequent issuance of the MARAD bonds. (See Note 8 to the Company's Consolidated Financial Statements.)

The Company utilizes derivative instruments and undertakes hedging activities in accordance with its established policies for the management of market risk. The Company does not enter into derivative instruments for trading or other speculative purposes. Management believes that the Company's use of derivative instruments and related hedging activities do not expose the Company to any material interest rate risk, foreign currency exchange rate risk, commodity price risk, credit risk or any other market rate or price risk.

OUTLOOK AND FORWARD-LOOKING STATEMENTS

Changes in industry conditions and the corresponding impact on the Company's operations cannot be accurately predicted because of the short-term nature of many of the Company's contracts and the volatility of oil and natural gas prices, which impact expenditures for oil and gas drilling and demand for drilling rigs. Whether recent levels of regional and worldwide expenditures for oil and gas drilling will increase, decrease or remain unchanged, is not determinable at this time.

The Company's domestic operations are conducted in the Gulf of Mexico. The U.S. oil and natural gas market and trends in oil and gas company spending largely determine domestic offshore drilling industry conditions. Demand for jackup rigs in the Gulf of Mexico decreased during the first quarter of 2003, but has improved somewhat throughout the second and third quarters of 2003. The supply of jackup rigs in the Gulf of Mexico has declined during 2003 as rigs have mobilized to international markets in response to contract opportunities. Day rates for Gulf of Mexico jackup rigs have improved over the course of 2003 and the Company anticipates that this market will remain firm over the remainder of the year.

Industry conditions in most international offshore drilling markets have moderately improved over the last two years, as many of the major international and government-owned oil companies have increased spending in those markets. Demand and day rates for international jackup rigs remained fairly stable over the first half of 2003. However, day rates for jackup rigs in Europe declined during the third quarter of 2003 due to limited long-term contract opportunities. Although some contracts have been executed recently at moderately increased rates, the Company anticipates a minor softening of its day rates in Europe during the remainder of 2003 due primarily to the lag effect of market derived rates. Day rates and activity levels have remained fairly stable in Asia Pacific over the first nine months of 2003. However, five of the Company's Asia Pacific jackup rigs have completed, or will complete, contracts during the fourth quarter of 2003. Two of these five rigs are scheduled to commence new term contracts during the fourth quarter of 2003 upon completion of shipyard work and opportunities for work commencing during the first quarter of 2004 exist for the three remaining rigs.

As of October 28, 2003, 19 of the Company's 22 jackup rigs in the North America region are working. Two of the three idle rigs are undergoing shipyard modifications, upgrades and regulatory work. The ENSCO 82 entered a shipyard in early February 2003 and is scheduled to return to service in November 2003. The ENSCO 60 entered a shipyard in July 2003 and is scheduled to return to service in December 2003. The Company is currently marketing the remaining idle rig and anticipates the rig commencing operations in early November 2003. The ENSCO 7500, the Company's deep water semisubmersible rig, is committed under contract until February 2004.

As of October 28, 2003, all eight of the Company's jackup rigs in the Europe/Africa region are operating.

As of October 28, 2003, eight of the Company's 12 jackup rigs in the Asia Pacific region are operating. The four idle rigs are undergoing shipyard modifications, upgrades and regulatory work. The ENSCO 97 entered a shipyard in September 2003 and is scheduled to

commence a new long-term contract during the first week of November 2003. The ENSCO 50 entered a shipyard in September 2003 and is scheduled to return to service in early January 2004. The ENSCO 53 entered a shipyard in September 2003 and is scheduled to return to service in December 2003. The ENSCO 94 entered a shipyard in October 2003 and is scheduled to commence a new long-term contract in December 2003. The ENSCO 57 was released from the shipyard in September 2003 and commenced a contract in Vietnam that is scheduled for completion in December 2003. The ENSCO 54 is currently mobilizing to a shipyard after recently completing a contract and is scheduled to return to service in December 2003. The Company's barge rig in the Asia Pacific region, ENSCO I, is currently operating under a long-term contract in Indonesia that is scheduled for completion in April 2004.

The Company's South America/Caribbean jackup rig, the ENSCO 76, is operating under a long-term contract offshore Trinidad and Tobago. As of October 28, 2003, four of the Company's six barge rigs located in Venezuela are without contract. The ENSCO II is operating under a contract through May 2004. The ENSCO III recently commenced a short-term contract that is scheduled for completion in December 2003. Due to the deterioration in the political and economic environment in Venezuela, the Company believes the timing of a recovery of drilling activity in Venezuela is uncertain and unlikely in the near term.

As of October 28, 2003, one of the Company's five platform rigs, the ENSCO 25, is operating under contract through April 2004. A second platform rig, the ENSCO 29, recently completed its contract and is currently demobilizing. The Company's platform rigs have experienced utilization in the 40% to 60% range since 1999, primarily as a result of reduced opportunities for deep well drilling contracts. The Company's platform rigs, which are rated to drill 25,000 to 30,000 feet wells, are best suited for long-term, deep well drilling applications where the platform rig components will stay in place for a substantial period of time. The Company's platform rigs currently compete against smaller, easier to mobilize and assemble, self-erecting platform rigs for shallow well drilling. The Company is not able to predict when there will be a recovery of drilling activity that will require increased use of the class of platform rigs owned and operated by the Company.

The Company completed the sale all of its marine transportation vessels in April 2003 and ceased conducting marine transportation operations upon close of the transaction.

This report contains forward-looking statements by management and the Company that are subject to a number of risks and uncertainties. The forward-looking statements contained in the report are based on information as of the date of this report. The Company assumes no obligation to update these statements based on information from and after the date of this report. Generally, forward-looking statements include words or phrases such as "anticipates," "believes," "expects," "plans," "intends" and words and phrases of similar impact. The forward-looking statements include, but are not limited to, statements regarding future operations, industry trends or conditions and the business environment, as well as statements regarding future levels of, or trends in, day rates, utilization, revenues, operating expenses, capital expenditures and financing. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including the following: (i) industry conditions and competition, (ii) fluctuations in the price of oil and natural gas, (iii) regional and worldwide expenditures for oil and gas drilling, (iv) demand for oil and gas, (v) operational risks, contractual indemnities and insurance, (vi) risks associated with operating in foreign jurisdictions, (vii) environmental liabilities that may arise in the future that are not covered by insurance or indemnity, (viii) the impact of current and future laws and government regulation, as well as repeal or modification of same, affecting the oil and gas industry, the environment, taxes and the Company's operations in particular, (ix) changes in costs associated with rig construction or enhancement, as well as changes in dates rigs being constructed or

undergoing enhancement will enter service, (x) renegotiations, nullification, or breaches of contracts with customers, vendors, subcontractors or other parties, (xi) unionization or similar collective actions by the Company's employees, (xii) consolidation among the Company's competitors or customers, and (xiii) the risks described elsewhere herein and from time to time in the Company's reports to the Securities and Exchange Commission.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are included in Note 1 to the consolidated financial statements for the year ended December 31, 2002 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. These policies, along with the underlying assumptions and judgments made by the Company's management in their application, have a significant impact on the Company's consolidated financial statements. The Company identifies its most critical accounting policies as those that are the most pervasive and important to the portrayal of the Company's financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates about matters that are inherently uncertain. The Company's most critical accounting policies are those related to property and equipment, impairment of assets and income taxes.

Property and Equipment

At September 30, 2003, the carrying value of the Company's property and equipment totaled \$2,225.2 million, which represents 70% of total assets. This carrying value reflects the application of the Company's property and equipment accounting policies, which incorporate estimates, assumptions and judgments by management relative to the capitalized costs, useful lives and salvage values of the Company's rigs.

The Company develops and applies property and equipment accounting policies that are designed to appropriately and consistently capitalize those costs incurred to enhance, improve and extend the useful lives of its assets and expense those costs incurred to repair or maintain the existing condition or useful lives of its assets. The development and application of such policies requires judgment and assumptions by management relative to the nature of, and benefits from, expenditures on Company assets. The Company establishes property and equipment accounting policies that are designed to depreciate or amortize its assets over their estimated useful lives. The assumptions and judgments used by management in determining the estimated useful lives of its property and equipment reflect both historical experience and expectations regarding future operations, utilization and performance of its assets. The use of different estimates, assumptions and judgments in the establishment of property and equipment accounting policies, especially those involving the useful lives of the Company's rigs, would likely result in materially different carrying values of assets and results of operations.

Impairment of Assets

The Company evaluates the carrying value of its property and equipment when events or changes in circumstances indicate that the carrying value of such assets may be impaired. The Company tests its \$341.6 million of goodwill for impairment on an annual basis, or when events or changes in circumstances indicate that the carrying value of the Company likely exceeds its fair value. Generally, extended periods of idle time and/or inability to contract assets at economical rates are an indication that an asset may be impaired. However, the offshore drilling industry is highly cyclical and it is not unusual for assets to be unutilized or underutilized for significant periods of time and subsequently resume full or near full utilization when business cycles change. Likewise, during periods of supply and demand imbalance, rigs are frequently contracted at or near cash break-even rates for extended periods of time until demand comes back into balance with supply. Impairment

situations may arise with respect to specific individual assets, groups of assets, such as a type of drilling rig, or assets in a certain geographic location. The Company's assets are mobile and may be moved from markets with excess supply, if economically feasible. The Company's jackup rigs and semisubmersible rig are suited for, and accessible to, broad and numerous markets throughout the world. However, there are fewer economically feasible markets available to the Company's barge rigs and platform rigs.

Asset impairment evaluations are, by nature, highly subjective. They involve expectations of future cash flows to be generated by the Company's assets, and are based on management's assumptions and judgments regarding future industry conditions and operations, as well as management's estimates of future expected utilization, contract rates, expense levels and capital requirements of the Company's drilling rigs. The estimates, assumptions and judgments used by management in the application of the Company's asset impairment policies reflect both historical experience and an assessment of current operational, industry, economic and political environments. The use of different estimates, assumptions, judgments and expectations regarding future industry conditions and operations, would likely result in materially different carrying values of assets and results of operations.

Income Taxes

The Company conducts operations and earns income in numerous foreign countries and is subject to the laws of taxing jurisdictions within those countries, as well as U.S. federal and state tax laws. At September 30, 2003, the Company has a \$316.9 million net deferred income tax liability and \$59.9 million of accrued liabilities for income taxes currently payable.

The carrying values of deferred income tax assets and liabilities reflect the application of the Company's income tax accounting policies in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), and are based on management's assumptions and estimates regarding future operating results and levels of taxable income, as well as management's judgments regarding the interpretation of the provisions of SFAS 109. The carrying values of liabilities for income taxes currently payable are based on management's interpretation of applicable tax laws, and incorporate management's assumptions and judgments regarding the use of tax planning strategies in various taxing jurisdictions. The use of different estimates, assumptions and judgments in connection with accounting for income taxes, especially those involving the deployment of tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and results of operations.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company was required to adopt SFAS 143 on January 1, 2003. The Company's adoption of SFAS 143 did not have a material impact on its consolidated financial position or results of operations.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). This statement supercedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30 ("APB 30"). SFAS 144 retains the fundamental provisions of SFAS

121 and the basic requirements of APB 30; however, it establishes a single accounting model to be used for long-lived assets to be disposed of by sale and it expands the presentation of discontinued operations to include more disposal transactions. The Company adopted the provisions of SFAS 144 effective January 1, 2002. (See Note 6 to the Company's Consolidated Financial Statements.)

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). SFAS 145 amends, updates, clarifies and simplifies various accounting pronouncements and impacts the financial accounting and/or reporting for gains and losses from extinguishment of debt, extinguishments of debt made to satisfy sinking-fund requirements, intangible assets of motor carriers, and leases. Some provisions of SFAS 145 became effective in May 2002 and the remaining provisions were adopted by the Company, as required, on January 1, 2003. The Company's adoption of SFAS 145 did not have a material impact on its consolidated financial position or results of operations.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" ("EITF 94-3"). SFAS 146 requires liability recognition for a cost associated with an exit or disposal activity on the date the liability is incurred, rather than on the date of commitment to an exit plan, as provided under EITF 94-3. The Company adopted SFAS 146 effective January 1, 2003. The Company's adoption of SFAS 146 did not have a material impact on its consolidated financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 expands existing accounting guidance and disclosure requirements for certain guarantees and requires recognition, at the inception of a guarantee, of a liability for the fair value of an obligation undertaken in connection with issuing a guarantee. The disclosure requirements of FIN 45 were effective for the Company's December 31, 2002 financial statements and the remaining provisions of FIN 45 apply to guarantees issued or modified after December 31, 2002. The adoption of this Interpretation did not have a material impact on the Company's consolidated financial position or results of operations.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"), which provides optional transition guidance for those companies electing to voluntarily adopt the accounting provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). In addition, SFAS 148 amends the disclosure requirements of SFAS 123 and requires certain disclosures in both annual and interim financial statements. The Company will continue to account for stock-based compensation in accordance with APB 25. As such, the Company does not expect this standard to have a material impact on its consolidated financial position or results of operations. The Company adopted the disclosure provisions of SFAS 148 in 2003. (See Note 2 to the Company's Consolidated Financial Statements.)

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"). FIN 46 requires a company to consolidate a variable interest entity, as defined, when the company will absorb a majority of the variable interest entity's expected losses, receive a majority of the variable

interest entity's expected residual returns, or both. FIN 46 also requires certain disclosures relating to consolidated variable interest entities and unconsolidated variable interest entities in which a company has a significant variable interest. The Company's equity interests in, and related charter arrangements with, EEL and EEL II constitute variable interests in variable interest entities under FIN 46. The Company has adopted the provisions of FIN 46 and is not required to consolidate EEL or EEL II.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). This statement amends and clarifies accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The Company's adoption of SFAS 149 did not have a material effect on its consolidated financial position, results of operations or cash flows.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity and requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in certain circumstances). SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company's adoption of SFAS 150 did not have material effect on its consolidated financial position or results of operations.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information required under Item 3. has been incorporated into Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk.

Item 4. *Controls and Procedures*

Based on their evaluation as of the end of the period covered by this Quarterly Report on Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Rule 13a-15 under the Securities and Exchange Act of 1934 (the "Exchange Act"), are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

During the fiscal quarter ended September 30, 2003, no change occurred in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. *Exhibits and Reports on Form 8-K*

(a) Exhibits Filed with this Report

Exhibit No.

- 10.1 ENSCO Non-Employee Director Deferred Compensation Plan
- 10.2 ENSCO Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2004
- 10.3 ENSCO Supplemental Executive Retirement Plan and Non-Employee Director Deferred Compensation Plan Trust Agreement, as revised and restated effective January 1, 2004
- 15.1 Letter of Independent Accountants Regarding Awareness of Incorporation by Reference
- 31.1 Certification of the Chief Executive Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of the Chief Financial Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of the Chief Executive Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of the Chief Financial Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K

During the quarter ended September 30, 2003, the Company filed Reports on Form 8-K on (i) July 17, 2003, announcing the Company's second quarter 2003 results, (ii) July 17, 2003, with respect to the contractual status of the Company's offshore rig fleet as of July 17, 2003, (iii) July 28, 2003, announcing James W. Swent as Senior Vice President and Chief Financial Officer, (iv) August 15, 2003, with respect to the contractual status of the Company's offshore rig fleet as of August 15, 2003, (v) August 25, 2003, announcing the appointment of Rita M. Rodriguez as a Class III Director and a member of the Audit Committee of the Board, and (vi) September 15, 2003, with respect to the contractual status of the Company's offshore rig fleet as of September 15, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENSCO INTERNATIONAL INCORPORATED

Date: October 28, 2003

/s/ H. E. MALONE, JR.

H. E. Malone, Jr.

Vice President - Accounting & Tax & Information
Systems

/s/ DAVID A. ARMOUR

David A. Armour

Controller

ENSCO
NON-EMPLOYEE DIRECTOR
DEFERRED COMPENSATION PLAN

Effective January 1, 2004

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**ENSCO
NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN**

THIS AGREEMENT, executed this 27th day of August, 2003, and effective the first day of January, 2004, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

WITNESSETH:

WHEREAS, effective January 1, 2004, the Company, desires to adopt the ENSCO Non-Employee Director Deferred Compensation Plan (the "Plan");

NOW THEREFORE, the Plan is hereby adopted to read as follows:

ARTICLE I

PURPOSE

The objective and purpose of this Plan is to attract and retain competent and qualified individuals to serve on the Board of Directors (the "Board") of the Company by offering flexible compensation opportunities to non-employee directors of the Company and to offer them an opportunity to build an estate or supplement income for use after their service on

the Board.

Through this Plan, the Company intends to permit the deferral of the retainer payable to the non-employee directors of the Company and to provide additional benefits. Accordingly, it is intended that this Plan shall not constitute a "qualified plan" subject to the limitations of section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), nor shall it constitute a "funded plan", for purposes of such requirements. It is also intended that this Plan shall be exempt from the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") by reason of the exclusions afforded plans which do not cover or provide compensation or benefits to employees.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

2.1 **Definitions.** When a word or phrase shall appear in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be a term defined in this Section 2.1. The following words and phrases with the initial letter capitalized shall have the meaning set forth in this Section 2.1, unless a different meaning is required by the context in which the word or phrase is used.

(a) "**Account**" means the individual bookkeeping account established for each Participant in the Plan, as described in Section 4.3.

(b) "**Administrator**" means the Board, except to the extent that the Board has appointed another person or persons to serve as the Administrator with respect to the Plan.

(c) "**Annual Committee Retainer**" means the annual amount which is paid quarterly and established from time to time by the Board as the fee to be paid to Non-Employee Directors for their services as chairs and/or members of standing committees of the Board.

(d) "**Annual Retainer**" means the annual amount which is paid quarterly and established from time to time by the Board as the fee to be paid to Non-Employee Directors for their service as directors for the Company.

(e) "**Beneficiary**" means the person designated in writing by the Participant pursuant to Section 5.4 to receive Benefits in the event of his death.

(f) "**Board**" means the Board of Directors of the Company, or any committee of the Board authorized to act on its behalf.

(g) "**Benefits**" means the sum of amounts representing the Participant's Deferrals, if any; and Company Discretionary Contributions, if any, credited to the Participant's Account, plus earnings thereon and less losses allocable thereto, if any, attributable to the investment of such amounts.

(h) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time. Reference to a section of the Code shall include that section, applicable Treasury regulations promulgated thereunder and any comparable section of any future legislation that amends, supplements or supersedes said section, effective as of the date such

comparable section is effective with respect to the Plan.

(i) **"Company"** means ENSCO International Incorporated, a Delaware corporation, or such other organization which, pursuant to a spinoff, merger, consolidation, reorganization, or similar corporate transaction where a significant portion of the Company's employees become employees of such organization, adopts and assumes the Plan as the sponsor with the consent of the Company and agrees to accept the duties, responsibilities and obligations of the sponsor of the Plan. Reference in the Plan to the Company shall refer to any such organization which adopts and assumes the sponsorship of the Plan.

(j) **"Company Discretionary Contributions"** means amounts credited to a Participant's Account pursuant to Section 4.2 hereof.

(k) **"Deferral"** means the Total Retainer deferral described in Section 4.1 made by a Participant who has elected to make a Total Retainer deferral to the Plan in such amount as provided in Section 4.1 of the Plan.

(l) **"Deferred Retainer"** means the amount credited to a Participant's Account pursuant to a Participant's Deferred Retainer Election in accordance with Section 4.1 hereof.

(m) **"Deferred Retainer Election"** means the election by a Participant to defer his Total Retainer as a Deferral in accordance with Section 4.1.

(n) **"Deferred Retainer/Participation Agreement"** means the written agreement between the Company and a Participant pursuant to which the Participant consents to participation in the Plan and the deferral of Total Retainer hereunder.

(o) **"Disability"** means a total and permanent disability suffered by a Participant which, in the opinion of the Administrator (which opinion shall be conclusive for purposes of the Plan), prevents such Participant from continuing his service as a Non-Employee Director.

(p) **"Effective Date"** means January 1, 2004.

(q) **"Insolvent"** means with respect to the Company, the Company being unable to pay its debts as they become due or being subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(r) **"Non-Employee Director"** means a member of the Board who is neither an officer nor an employee of the Company. For purposes of the Plan, an employee is an individual whose wages are subject to the withholding of federal income tax under section 3401 of the Code, and an officer is an individual elected or appointed by the Board or chosen in such other manner as may be prescribed in the Bylaws of the Company to serve as such.

(s) **"Participant"** means a Non-Employee Director who has elected to participate in the Plan by executing a Deferred Retainer/Participation Agreement in accordance with Section 4.1 hereof.

(t) **"Plan"** means the ENSCO Non-Employee Director Deferred Compensation Plan, as described in this document, and as it may hereafter be amended.

(u) **"Plan Year"** means the fiscal year of this Plan, which shall commence on January 1 each year and end on December 31 of such year.

(v) **"Total Retainer"** means the aggregate of the Annual Retainer and the Annual Committee Retainer.

2.2 **Construction.** If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions of this Plan shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced in accordance with the laws of the State of Texas and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code or other applicable federal law. The masculine gender, where appearing in this Plan, shall include the feminine gender, and vice versa.

ARTICLE III

PARTICIPATION AND VESTING

3.1 **Eligibility and Participation** Each Non-Employee Director shall be entitled to participate in the Plan for each Plan Year he serves as a Non-Employee Director. In addition, an individual who becomes a Non-Employee Director during a Plan Year shall be eligible to participate in the Plan for the remaining portion of that Plan Year. A Non-Employee Director shall be eligible to receive a Benefit hereunder if such Non-Employee Director has entered into a Deferred Retainer/Participation Agreement with the Company in accordance with Section 4.1 hereof.

3.2 **Cessation of Participation** A Participant will cease to be a Participant as of the earlier of (i) the date on which the Plan terminates, or (ii) the date on which he ceases to be a Non-Employee Director and has received a distribution of his Account.

ARTICLE IV

CONTRIBUTIONS AND ACCOUNTING

4.1 **Deferred Retainer.** A Non-Employee Director may become a Participant by electing to defer all or a portion of his Total Retainer pursuant to a Deferred Retainer/Participation Agreement. Such Deferred Retainer/Participation Agreement shall be entered into prior to the first day of the Plan Year for which the Deferred Retainer/Participation Agreement is effective or, in the case of an Non-Employee Director who becomes a member of the Board during such Plan Year, such Deferred Retainer/Participation Agreement shall be entered into within 30 days after such date of his becoming a Non-Employee Director and shall only be effective with respect to the Total Retainer earned after the date such Deferred Retainer/Participation Agreement is received by the Administrator. A Participant's Deferred Retainer/Participation Agreement shall only be effective with respect to a single Plan Year and shall be irrevocable for the duration of such Plan Year. Deferral elections for each subsequent Plan Year of participation shall be made pursuant to new Deferred Retainer/Participation Agreements.

(a) **Deferrals.** Prior to each Plan Year, the Board shall determine the maximum percentage of the Total Retainer that each Non-Employee Director may elect to defer under the Plan as a Deferral for the immediately following Plan Year.

(b) **Failure to Elect.** If a Non-Employee Director does not execute a Deferred

Retainer/Participation Agreement and elect to defer an amount of his Total Retainer for a particular Plan Year in accordance with this Section 4.1, he may not participate in the Plan for that Plan Year. Thereafter, he may elect to participate in the Plan with respect to future Plan Years, if he is then a Non-Employee Director, by executing a Deferred Retainer/Participation Agreement and irrevocably electing to defer a percentage of his Total Retainer prior to any such future Plan Year.

4.2 Company Discretionary Contributions. The Company may contribute hereunder as a Company Discretionary Contribution for a Plan Year such amount, if any, as shall be determined by the Board from time to time. Amounts representing Company Discretionary Contributions, if any, for a Plan Year shall be determined and credited to each Participant's Account at such times and in such amounts as determined by the Board for the Plan Year. Such contributions shall be 100% vested at all times. The value of Company Discretionary Contributions credited to a Participant's Account will be used, along with the value of the Participant's Deferred Retainer credited to his Account, to determine his Benefits as specified herein.

4.3 Accounting for Deferred Total Retainer. The Administrator shall establish and maintain an individual Account under the name of each Participant under the Plan. Each Account shall be adjusted at least quarterly to reflect the Deferrals and Company Discretionary Contributions credited thereto, if any; earnings credited on such Deferrals and Company Discretionary Contributions pursuant to Section 7.2; and any payment of amounts attributable to such Deferrals and Company Discretionary Contributions under this Plan. The amounts of Deferrals shall be credited to the Participant's Account at such time as such Total Retainer would have been paid to the Participant had the Participant not elected to defer such Total Retainer pursuant to the terms and provisions of the Plan. Each such Account shall be credited with earnings and/or losses computed pursuant to Section 7.2 in the manner specified by Section 7.2. In the sole discretion of the Administrator, more than one Account may be established for each Participant to facilitate record keeping convenience and accuracy. Each such Account shall be credited and adjusted as provided in this Plan. Amounts credited to each such Account shall be held with the general assets of the Company.

Establishment and maintenance of a separate Account or Accounts for each Participant shall not be construed as giving any person any interest in assets of the Company, or a right to payment other than as provided hereunder. Such Accounts shall be maintained until all amounts credited to such Account have been distributed in accordance with the terms and provisions of this Plan.

4.4 Plan Benefits. The Benefits to which a Participant and, if applicable, his Beneficiary shall be entitled under the Plan will consist of the Deferred Retainer and Company Discretionary Contributions credited to such Participant's Account, plus earnings thereon and less losses allocable thereto, if any, attributable to the investment of such amounts pursuant to Section 7.2 hereof.

ARTICLE V

DISTRIBUTION OF BENEFITS

5.1 Payment of Benefits. Except as provided in Section 10.2 in the event of a Change-in-Control of the Company (as defined in Section 10.2), the amount credited to a Participant's Account pursuant to Article IV hereof shall be payable to the Participant or, if applicable, to his Beneficiary in accordance with the provisions of this Article V. If the Company has obtained life insurance policies as a reserve for the discharge of its obligations

under the Plan, the Company acting through its Board may, in its discretion, distribute any such policy to a Participant when the Participant's Benefits become payable to satisfy all or a portion of the Company's obligation to the Participant hereunder. Unless paid earlier pursuant to Section 5.2 or Section 10.2, payment of a Participant's Benefit under the Plan shall commence in the form and at the time elected by the Participant pursuant to Section 5.3 hereof within 30 days following the Participant's death, Disability or termination of his directorship with the Company. A Participant may elect pursuant to Section 5.3 to defer the Benefit payment date or Benefit commencement date of his Benefits.

5.2 Timing of Certain Payments. Notwithstanding any other provision of this Plan to the contrary, the Board shall have the right to pay Benefits to Participants prior to the time such Benefits otherwise would be payable hereunder if the Board in good faith determines that either of the following conditions or events has occurred:

(a) **Change in Circumstances.** A change in circumstances relating to the operation of the Plan or the taxation of Participants, arising from a change in the federal or applicable state tax or revenue laws, a published ruling or similar announcement by the Internal Revenue Service, a regulation issued by the Secretary of the Treasury, a change in securities laws or regulations, the issuance of an advisory opinion, regulation or other published position by the Department of Labor, or a change in accounting requirements which causes (i) Participants to be taxable on their Benefits prior to the time Benefits otherwise would be payable hereunder, (ii) the Plan to be considered as funded for purposes of ERISA or the Code, or (iii) a material change regarding the tax or financial accounting consequences of maintaining the Plan to the Company.

(b) **An unforeseeable emergency of the Participant.** An unforeseeable emergency is a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent (as defined in section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. An unforeseeable emergency will not exist, however, if the emergency may be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause a severe financial hardship. In addition, an unforeseeable emergency will not exist, as a result of the Participant's need to send a child to college or desire to purchase a home. The amount distributed to a Participant on account of an unforeseeable emergency may not exceed the amount reasonably necessary to satisfy such emergency.

5.3 Form of Payment and Deferral of Timing of Payment. Each Participant may elect on his Deferred Retainer/Participation Agreement whether his Benefits will be paid in the form of a single sum payment or substantially equal monthly installments over a period of 60 months. In addition, the Participant may elect on his Deferred Retainer/Participation Agreement to defer the Benefit payment date or Benefit commencement date specified in Section 5.1 to a date that is not beyond the second anniversary of the normal Benefit payment date or Benefit commencement date specified in Section 5.1. For these purposes, the Participant's most recent Deferred Retainer/Participation Agreement will be controlling. The Participant may change the form in which his Benefits will be paid and/or the benefit payment date or benefit commencement date as specified in his most recent Deferred Retainer/Participation Agreement at any time before the one-year period ending on the date of his death, Disability or other termination of his directorship with the Company and once payments commence, the elections regarding the form and timing of payment shall be irrevocable. If a Participant has not elected a form of payment for his Benefits pursuant to this Section 5.3, the Participant's Benefits will be paid in a single sum payment. If such

Participant is receiving installment payments hereunder and dies prior to the payment of all monthly installments, the remaining portion of the Participant's Benefits will continue to be paid in monthly installments to his Beneficiary for the remaining installment period in the same amount and manner as they would have been paid to the Participant. If the Participant elects to defer the Benefit payment date or Benefit commencement date and dies before that deferred Benefit payment date or deferred Benefit commencement date specified in his Deferred Retainer/Participation Agreement, the Participant's Benefits will be paid or commence to be paid to his Beneficiary in the form and upon the date elected by the Participant.

5.4 Designation of Beneficiary. Each Participant must designate a Beneficiary to receive his Benefits in the event of his death, by completing his Deferred Retainer/Participation Agreement and filing it with the Administrator. The Administrator will recognize the most recent written Beneficiary designation on file prior to a Participant's death. If a designated Beneficiary is not living at the time of the Participant's death, then the Administrator will pay Participant's Benefits to the Participant's personal representative, executor, or administrator, as specified by the appropriate legal jurisdiction. Any such payment to the Participant's Beneficiary or, if applicable, to his personal representative, executor or administrator shall operate as a complete discharge of all obligations of the Administrator and the Company to the extent of the payment so made.

ARTICLE VI

PAYMENT LIMITATIONS

6.1 Payment Due an Incompetent. If the Administrator shall find that any person to whom any payment is payable under the Plan is unable to care for his affairs because of mental or physical illness, accident or death, or is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, a parent, a brother or sister or any person deemed by the Administrator, in its sole discretion, to have incurred expenses for such person otherwise entitled to payment, in such manner and proportions as the Administrator may determine. Any such payment shall be a complete discharge of the liabilities of the Company under this Plan, and the Company shall have no further obligation to see to the application of any money so paid.

6.2 Spendthrift Clause. No right, title or interest of any kind in the Plan shall be transferable or assignable by any Participant or Beneficiary or be subject to alienation, anticipation, encumbrance, garnishment, attachment, execution or levy of any kind, whether voluntary or involuntary, nor subject to the debts, contracts, liabilities, engagements, or torts of the Participant or Beneficiary. Any attempt to alienate, anticipate, encumber, sell, transfer, assign, pledge, garnish, attach or otherwise subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

ARTICLE VII

FUNDING

7.1 Funding. All Benefits under this Plan shall be paid or provided directly by the Company. Such Benefits shall be general obligations of the Company which shall not require the segregation of any funds or property therefor.

Notwithstanding the foregoing, in the discretion of the Company, the Company's obligations hereunder may be satisfied from a grantor trust established by the Company, the terms of which will be substantially similar to the terms of the model trust issued by the

Internal Revenue Service in Revenue Procedure 92-64, from an escrow account established at a bank or trust company, or from an insurance contract or contracts owned by the Company. The assets of any such trust, escrow account and any such insurance policy shall continue for all purposes to be a part of the general funds of the Company, shall be considered solely a means to assist the Company to meet its contractual obligations under this Plan and shall not create a funded account or security interest for the benefit of any Participant under this Plan. All such assets shall be subject to the claims of the general creditors of the Company in the event the Company is Insolvent.

If a single trust or other funding vehicle is established as a reserve for the obligations hereunder of more than one Affiliate, including by the Company and its Affiliates with respect to their obligations to a select group of management or highly compensated employees under the ENSCO Supplemental Executive Retirement Plan, the assets of any such trust or funding vehicle shall, to the extent attributable to contributions made by the Company or an Affiliate, be subject to the claims of the general creditors of the Company or that Affiliate in the event the Company or that Affiliate is Insolvent, and the Company and each Affiliate will be treated as a separate grantor to the extent of its participation in any trust so established. To the extent that any person acquires a right to receive a payment from the Company under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

7.2 Investments. If a trust is established as provided for in Section 7.1, earnings and/or losses of the trust attributable to amounts credited to a Participant's Account shall increase or, if applicable, decrease such Participant's Account for purposes of determining the Participant's Benefits payable hereunder. The Board may determine from time to time to direct the investment manager appointed pursuant to any such trust to invest the assets credited to a Participant's Account in accordance with the wishes and written directions of that Participant from among the registered mutual funds and the Company stock fund offered to the participants in the ENSCO Savings Plan from time to time under the terms of the ENSCO Savings Plan. If the Board determines for any reason that a particular fund cannot be made available, a comparable fund will be substituted in its place.

ARTICLE VIII

ADMINISTRATION

8.1 Authority of the Administrator. The Administrator shall have full power and authority to interpret, construe and administer the Plan. The Administrator's interpretation and construction hereof, and actions hereunder, including any determination of the amount or recipient of any payment to be made under the Plan, shall be binding and conclusive on all persons and for all purposes. In addition, the Administrator may employ attorneys, accountants, and other professional advisors to assist the Administrator in its administration of the Plan. The Company shall pay the reasonable fees of any such advisor employed by the Administrator. To the extent permitted by law, the Administrator, any member of the Board and any employee of the Company or an Affiliate shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to his own wilful misconduct or lack of good faith.

8.2 Claims Procedure. The Administrator shall process all benefit claims of Participants and Beneficiaries pursuant to procedures it establishes from time to time.

8.3 Cost of Administration. The cost of this Plan and the expenses of administering the Plan shall be paid by the Company.

8.4 **Limitations on Plan Administration.** No person to whom discretionary authority is granted hereunder shall vote or act upon any matter involving his own rights, benefits or participation in the Plan.

ARTICLE IX

OTHER BENEFIT PLANS OF THE COMPANY

9.1 **Other Plans.** Nothing contained in this Plan shall prevent a Participant prior to his death, or his spouse or other Beneficiary after his death, from receiving, in addition to any payments provided for under this Plan, any payments provided for under any other plan or benefit program of the Company, or which would otherwise be payable or distributable to him, his surviving spouse or Beneficiary under any plan or policy of the Company or otherwise. Nothing in this Plan shall be construed as preventing the Company from establishing any other or different plans providing for current or deferred compensation for directors.

ARTICLE X

AMENDMENT AND TERMINATION OF THE PLAN

10.1 **Amendment.** The Board shall have the right to amend this Plan at any time and from time to time, including a retroactive amendment. Any such amendment shall become effective upon the date stated therein; provided, however, that no such action shall affect any Benefit adversely to which a Participant would be entitled had his directorship terminated immediately before such amendment was effective.

10.2 **Termination.** The Company has established this Plan with the bona fide intention and expectation that from year to year it will deem it advisable to continue it in effect. However, the Board, in its sole discretion, reserves the right to terminate the Plan in its entirety at any time; provided, however, that no such action shall affect any Benefit adversely to which a Participant would be entitled had his directorship terminated immediately before such termination was effective.

Upon a Change-in-Control of the Company, the Plan shall automatically terminate and all Benefits shall be distributable in accordance with the elections of each Participant under Article V as if each such Participant's directorship with the Company had terminated as of the effective date of such Change-in-Control. For purposes of the Plan, a Change-in-Control of the Company shall be deemed to occur if (1) any person or group within the meaning of the Securities Exchange Act of 1934, as amended, acquired (together with voting securities of the Company held by such person or group) more than 50% of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record) pursuant to any transaction or combination of transactions, or (2) the individuals who, on January 1, 2004, constituted the Board (the "Incumbent Board") cease, for any reason, to constitute at least a majority thereof. For purposes of this provision, a person becoming a member of the Board subsequent to January 1, 2004 whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the members of the Board comprising the Incumbent Board shall for this purpose be considered as though he or she was a member of the Incumbent Board.

10.3 **Continuation.** The Company intends to continue this Plan indefinitely, but nevertheless assumes no contractual obligation beyond the promise to pay the benefits described in this Plan.

RETIREMENT PLAN
As Amended and Restated

Effective January 1, 2004

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ENSCO
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(As Amended and Restated Effective January 1, 2004)

THIS AGREEMENT, executed this 27th day of August, 2003, and effective the first day of January, 2004 unless specifically provided elsewhere in the Agreement, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

WITNESSETH:

WHEREAS, effective April 1, 1995, Energy Service Company, Inc. adopted the Energy Service Company, Inc. Select Executive Retirement Plan (the "Plan");

WHEREAS, the name of the Company was changed to ENSCO International

Incorporated;

WHEREAS, the Company amended and restated the Plan, effective January 1, 1997, to provide a discretionary profit sharing contribution, to rename the Plan the ENSCO Supplemental Executive Retirement Plan, and to coordinate the operation of the Plan with the ENSCO Savings Plan;

WHEREAS, the Pension and Welfare Benefits Administration of the Department of Labor issued final regulations establishing new standards for processing benefit claims of participants and beneficiaries under Section 8.2 of the Plan which were subsequently clarified by further guidance from the Pension and Welfare Benefits Administration (collectively the "Final Claims Procedure Regulations");

WHEREAS, the Company adopted Amendment No. 1 to the amended and restated Plan, effective as of January 1, 2002, to revise Section 8.2 of the Plan to provide that the administrator of the Plan shall process benefit claims of participants and beneficiaries pursuant to the claims procedure specified in the summary plan description for the Plan which shall comply with the Final Claims Procedure Regulations, as may be amended from time to time; and

WHEREAS, the Company now desires to amend the Plan in certain respects and to incorporate those amendments in the form of an amended and restated Plan effective as of January 1, 2004;

NOW THEREFORE, the Plan is hereby amended and restated to read as follows:

ARTICLE I

PURPOSE

The objective and purpose of this amended and restated Plan continues to be to attract and retain competent officers and key executives by offering flexible compensation opportunities to officers and key executives of the Company and its Affiliates and to offer them an opportunity to build an estate or supplement income for use after retirement. In addition to this Plan, the Company sponsors certain broad-based employee benefit plans covering its employees.

Through this Plan, the Company intends to permit the deferral of compensation and to provide additional benefits to a select group of management or highly compensated employees of the Company and its Affiliates. Accordingly, it is intended that this Plan shall not constitute a "qualified plan" subject to the limitations of section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), nor shall it constitute a "funded plan", for purposes of such requirements. It is also intended that this Plan shall be exempt from the participation and vesting requirements of Part 2 of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the funding requirements of Part 3 of Title I of ERISA, and the fiduciary requirements of Part 4 of Title I of ERISA by reason of the exclusions afforded plans which are unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

2.1 **Definitions.** When a word or phrase shall appear in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be a term defined in this Section 2.1. The following words and phrases with the initial letter capitalized shall have the meaning set forth in this Section 2.1, unless a different meaning is required by the context in which the word or phrase is used.

(a) "**Account**" means the individual bookkeeping account established for each Participant in the Plan, as described in Section 4.5.

(b) "**Administrator**" means the Board, except to the extent that the Board has appointed another person or persons to serve as the Administrator with respect to the Plan.

(c) "**Affiliate**" means a corporation that is a member of a controlled group of corporations (as defined in section 414(b) of the Code) which includes the Company, any trade or business (whether or not incorporated) which are in common control (as defined in section 414(c) of the Code) with the Company, or any entity that is a member of the same affiliated service group (as defined in section 414(m) of the Code) as the Company.

(d) "**Automatic Deferral**" means the Compensation deferral described in Section 4.1 made by a Participant who has reached the statutory limits on annual compensation (as provided and defined in section 1.5 of the 401(k) Plan), elective deferrals or contributions or benefits under the 401(k) Plan.

(e) "**Basic Deferral**" means the Compensation deferral described in Section 4.1 made by a Participant who has elected to make a Compensation deferral to the Plan in such amount as provided in Section 4.1 of the Plan.

(f) "**Beneficiary**" means the person designated in writing by the Participant pursuant to Section 5.4 to receive Benefits in the event of his death.

(g) "**Board**" means the Board of Directors of the Company, or any committee of the Board authorized to act on its behalf.

(h) "**Benefits**" means the sum of amounts representing the Participant's Automatic Deferrals, if any; Basic Deferrals; Discretionary Deferrals, if any; vested Employer Discretionary Contributions; and vested Matching Contributions credited to the Participant's Account, plus earnings thereon and less losses allocable thereto, if any, attributable to the investment of such amounts.

(i) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time. Reference to a section of the Code shall include that section, applicable Treasury regulations promulgated thereunder and any comparable section of any future legislation that amends, supplements or supersedes said section, effective as of the date such comparable section is effective with respect to the Plan.

(j) "**Company**" means ENSCO International Incorporated, a Delaware corporation, or such other organization which, pursuant to a spinoff, merger, consolidation, reorganization, or similar corporate transaction where a significant portion of the Company's employees become employees of such organization, adopts and assumes the Plan as the sponsor with the consent of the Company and agrees to accept the duties, responsibilities

and obligations of the sponsor of the Plan. Reference in the Plan to the Company shall refer to any such organization which adopts and assumes the sponsorship of the Plan.

(k) **"Compensation"** means wages as defined in section 3401(a) of the Code and all other payments of compensation to an eligible Employee by an Employer for a Plan Year for which the Employer is required to furnish the Employee a written statement under sections 6041(d) and 6051(a)(3) of the Code without regard to any rules under section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed, plus amounts applied to purchase benefits pursuant to a salary reduction agreement under a cafeteria plan as defined in section 125 of the Code sponsored by an Employer, amounts deferred pursuant to a salary reduction agreement authorized under the 401(k) Plan, and amounts deferred pursuant to a salary reduction agreement under any other plan described in sections 401(k) and 408(k) of the Code sponsored by an Employer.

(l) **"Deferred Compensation"** means the amount credited to a Participant's Account pursuant to a Participant's Deferred Compensation Election in accordance with Section 4.1 hereof and shall include Basic Deferrals under Section 4.1(a), Automatic Deferrals under Section 4.1(b) and Discretionary Deferrals under Section 4.1(c).

(m) **"Deferred Compensation Election"** means the election by a Participant to defer his Compensation as an Automatic Deferral, Basic Deferral and/or Discretionary Deferral in accordance with Section 4.1.

(n) **"Deferred Compensation/Participation Agreement"** means the written agreement between the Company or an Affiliate and a Participant pursuant to which the Participant consents to participation in the Plan and the deferral of Compensation hereunder.

(o) **"Disability"** means a total and permanent disability suffered by a Participant which, in the opinion of the Administrator (which opinion shall be conclusive for purposes of the Plan), prevents such Participant from continuing his work with all Employers and Affiliates.

(p) **"Discretionary Deferral"** means the Compensation deferral described in Section 4.1 made by a Participant who has elected to make a Compensation deferral to the Plan in such amount as provided in Section 4.1 of the Plan.

(q) **"Effective Date"** means January 1, 2004, except as expressly provided otherwise herein.

(r) **"Eligible Employee"** means an Employee who is selected by the Board pursuant to Section 3.1 hereof as eligible to participate in the Plan.

(s) **"Employee"** means any individual in the employ of an Employer who is on an Employer's United States dollar payroll (and who is classified as an Employee by the Employer). The term "Employee" shall not include any individual who by contract is not classified by the Employer as a common law employee of the Employer, even if such individual is included on the Employer's payroll for Federal income tax withholding purposes or whether such person is later classified as an employee by the Internal Revenue Service, the Department of Labor, a court, an administrative agency or an Employer.

(t) **"Employer"** means the Company and any other Affiliate, with respect to its

Employees, provided such Affiliate is designated by the governing body of the Company as an Employer under the Plan and whose designation as such has become effective and has continued in effect. The designation shall become effective only when it shall have been accepted by the governing body of the Employer. An Employer may revoke its acceptance of such designation at any time, but until such acceptance has been revoked, all of the provisions of the Plan and amendments thereto shall apply to the Employees of the Employer. In the event the designation of the Employer as such is revoked by the governing body of the Employer, such revocation will not be deemed a termination of the Plan.

(u) **"Employer Discretionary Contributions"** means amounts credited to a Participant's Account pursuant to Section 4.3 hereof.

(v) **"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and applicable regulations promulgated thereunder.

(w) **"401(k) Plan"** means the ENSCO Savings Plan, as such plan may be amended from time to time.

(x) **"Insolvent"** means with respect to each Employer, such Employer being unable to pay its debts as they become due or being subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(y) **"Matching Contributions"** means the contribution made by the Company on behalf of a Participant who makes Automatic Deferrals and/or Basic Deferrals to the Plan as described in Section 4.2.

(z) **"Normal Retirement Age"** means the date a Participant attains age 65.

(aa) **"Participant"** means an Eligible Employee who has elected to participate in the Plan by executing a Deferral Compensation/Participation Agreement in accordance with Section 4.1 hereof.

(bb) **"Plan"** means the ENSCO Supplemental Executive Retirement Plan, as described in this document, and as it may hereafter be amended.

(cc) **"Plan Year"** means the fiscal year of this Plan, which shall commence on January 1 each year and end on December 31 of such year.

(dd) **"Period of Service"** means for each Employee eligible to participate in the Plan on and after April 1, 1995, the period commencing April 1, 1995 and ending December 31, 1995 and thereafter, the twelve-month period ending each December 31. For an Employee who first becomes eligible to participate in the Plan after April 1, 1995, his first Period of Service shall commence on his eligibility date and shall end on the following December 31st.

(ee) **"Year of Service"** means each calendar year during which an Employee performs 1,000 hours of service for an Affiliate (and any other entity, if the Employee's service with such entity would be recognized for purposes of the 401(k) Plan), including all Years of Service prior to the Effective Date of the Plan.

2.2 **Construction.** If any provision of this Plan is determined to be for any reason

invalid or unenforceable, the remaining provisions of this Plan shall continue in full force and effect. All of the provisions of this Plan shall be construed and enforced in accordance with the laws of the State of Texas and shall be administered according to the laws of such state, except as otherwise required by ERISA, the Code or other applicable federal law. The masculine gender, where appearing in this Plan, shall include the feminine gender, and vice versa.

ARTICLE III

PARTICIPATION AND VESTING

3.1 Eligibility and Participation The Board shall meet at least once prior to each Period of Service during the term of this Agreement and irrevocably specify the name of each Employee who shall be entitled to participate in the Plan for the immediately following Period of Service. In addition, the Board may meet during a Period of Service for the purpose of designating an individual who has become an Employee during that Period of Service as eligible to participate in the Plan for the remaining portion of that Period of Service. An Employee shall be eligible to receive a Benefit hereunder if such Employee has been designated as an Eligible Employee pursuant to this Section 3.1 and has entered into a Deferred Compensation/Participation Agreement with the Employer in accordance with Section 4.1 hereof. If the Board fails to designate an Employee as eligible to participate in the Plan for a particular Period of Service and such Employee was eligible to participate in the Plan for the immediately preceding Period of Service, the Board shall notify the Employee in writing of his ineligibility to participate in the Plan as soon as administratively possible after making its decision regarding his eligibility.

3.2 Cessation of Participation A Participant will cease to be a Participant as of the earlier of (i) the date on which the Plan terminates, or (ii) the date on which he ceases to be an Eligible Employee under Section 3.1 and has received a distribution of his Account.

ARTICLE IV

CONTRIBUTIONS AND ACCOUNTING

4.1 Deferred Compensation. An Eligible Employee may become a Participant by electing to defer Compensation pursuant to a Deferred Compensation/Participation Agreement. Such Deferred Compensation/Participation Agreement shall be entered into prior to the first day of the Period of Service for which the Deferred Compensation/Participation Agreement is effective or, in the case of an Employee who is hired during such Plan Year and designated as eligible to participate in the Plan for such Plan Year, such Deferred Compensation/Participation Agreement shall be entered into within 30 days after such date of hire and shall only be effective with respect to Compensation earned after the date such Deferred Compensation/Participation Agreement is received by the Administrator. A Participant's Deferred Compensation/Participation Agreement shall only be effective with respect to a single Plan Year and shall be irrevocable for the duration of such Plan Year. Deferral elections for each subsequent Plan Year of participation shall be made pursuant to new Deferred Compensation/Participation Agreements.

(a) **Basic Deferrals.** Prior to each Period of Service, the Board shall determine the maximum percentage of Compensation that each Eligible Employee may elect to defer under the Plan as a Basic Deferral for the immediately following Period of Service.

(b) **Automatic Deferral.** Effective January 1, 2004, such Eligible Employee may elect to automatically have a percentage of his Compensation deferred under the Plan

as an Automatic Deferral when he reaches any of the following statutory limitations under the 401(k) Plan: (i) the \$200,000 limitation on annual compensation (as provided and defined in Section 1.5 of the 401(k) Plan) under section 401(a)(17) of the Code, as it may be adjusted pursuant to section 401(a)(17)(B) of the Code; (ii) the \$13,000 limitation imposed on elective deferrals under section 402(g) of the Code, or such other amount prescribed by the Secretary of the Treasury at the same time and in the same manner as provided under section 415(d) of the Code for adjusting the dollar limitation in effect under section 415(b)(1)(A) of the Code; (iii) the percentage limitations on elective deferrals under section 401(k) of the Code; or (iv) the limitations on contributions and benefits under section 415 of the Code. An Eligible Employee may elect to make Automatic Deferrals in addition to or in lieu of Basic Deferrals under Section 4.1(a).

(c) **Discretionary Deferrals.** Prior to each Period of Service, the Board shall determine the maximum percentage of Compensation that each Eligible Employee may elect to defer under the Plan as a Discretionary Deferral for the immediately following Period of Service.

(d) **Limit on Deferrals.** The maximum amount of Automatic Deferrals and Basic Deferrals made by a Participant, when aggregated with any other deferrals made by the Participant under the 401(k) Plan, for any calendar year, shall not exceed 50 percent of his Compensation for the calendar year. Notwithstanding the preceding provisions of this Section 4.1(d), for the first Period of Service in which an Employee becomes eligible to participate in the Plan, the Eligible Employee may elect to defer up to such maximum percentage of Compensation permitted by the Board for that Period of Service with respect to Compensation for services performed subsequent to the election.

(e) **Failure to Elect.** If an Eligible Employee does not execute a Deferred Compensation/Participation Agreement and elect to defer an amount of his Compensation, for a particular Period of Service in accordance with this Section 4.1, he may not participate in the Plan for that Period of Service. Thereafter, he may elect to participate in the Plan with respect to future Periods of Service, if he is then an Eligible Employee, by executing a Deferred Compensation/Participation Agreement and irrevocably electing to defer a percentage of his Compensation prior to any such future Period of Service.

4.2 Matching Contributions. For each calendar year, the Employer will credit each Participant's Account with amounts that represent Matching Contributions equal to such percentage, as determined from time to time by the Board under the 401(k) Plan, of the Participant's Deferred Compensation Election for that calendar year up to six percent of the Participant's Compensation, reduced by the amount of employer matching contributions, if any, made on behalf of the Participant to the 401(k) Plan for that calendar year. Amounts representing Matching Contributions shall be determined and credited to each Participant's Account after first crediting employer matching contributions to the Participant's account under the 401(k) Plan. The value of Matching Contributions credited to a Participant's Account will be used, along with the value of the Participant's Employer Discretionary Contributions, if any, and Deferred Compensation credited to his Account, to determine his Benefits as specified herein.

4.3 Employer Discretionary Contribution. Effective January 1, 1997, an Employer may contribute hereunder as an Employer Discretionary Contribution for a Plan Year such amount, if any, as shall be determined by the Board from time to time. The Employer Discretionary Contribution, if any, may be made with respect to active Participants and inactive Participants, as determined by the Board. Amounts representing Employer Discretionary Contributions, if any, for a Plan Year shall be determined and credited to each Participant's Account at such times and in such amounts as determined by the Board for the

Plan Year. Such contributions shall be vested at such time as determined by the Board in accordance with the resolutions of the Board authorizing the contribution. The value of Employer Discretionary Contributions credited to a Participant's Account will be used, along with the value of the Participant's Matching Contributions, if any, and Deferral Compensation credited to his Account, to determine his Benefits as specified herein.

4.4 Vesting. Participants shall be 100 percent vested in the Automatic Deferrals, Basic Deferrals and Discretionary Deferrals credited to his Account, including the earnings thereon if such amounts are invested pursuant to Section 7.2 hereof. A Participant will become vested in the Employer Discretionary Contributions, if any, credited to his Account, including the earnings thereon if such amounts are invested pursuant to Section 7.2, in accordance with the resolutions of the Board authorizing the contribution. A Participant will become vested in the Matching Contributions credited to his Account, including the earnings thereon if such amounts are invested pursuant to Section 7.2 hereof, as follows:

<u>Year of Service</u>	<u>Vested Percentage</u>
less than 2	0
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

In addition, a Participant will become 100 percent vested in the Employer Discretionary Contributions, if any, and Matching Contributions credited to his Account, including the earnings thereon if such amounts are invested pursuant to Section 7.2 hereof, regardless of his Years of Service upon the occurrence, while employed by an Employer, of his death or Disability, attainment of his Normal Retirement Age or termination of the Plan.

4.5 Accounting for Deferred Compensation. The Administrator shall establish and maintain an individual Account under the name of each Participant under the Plan. Each Account shall be adjusted at least quarterly to reflect the Basic Deferrals, Automatic Deferrals, Discretionary Deferrals, Matching Contributions and Employer Discretionary Contributions credited thereto, if any; earnings credited on such Basic Deferrals, Automatic Deferrals, Discretionary Deferrals, Matching Contributions and Employer Discretionary Contributions pursuant to Section 7.2; and any payment of amounts attributable to such Basic Deferrals, Automatic Deferrals, Discretionary Deferrals, Matching Contributions and Employer Discretionary Contributions under this Plan. The amounts of Basic Deferrals, Automatic Deferrals, Discretionary Deferrals, Matching Contributions, and Employer Discretionary Contributions shall be credited to the Participant's Account at such time as such Compensation would have been paid to the Participant had the Participant not elected to defer such Compensation pursuant to the terms and provisions of the Plan. Each such Account shall be credited with earnings and/or losses computed pursuant to Section 7.2 in the manner specified by Section 7.2. In the sole discretion of the Administrator, more than one Account may be established for each Participant to facilitate record keeping convenience and accuracy. Each such Account shall be credited and adjusted as provided in this Plan. Amounts credited to each such Account shall be held with the general assets of the Employer that employs that Participant.

Establishment and maintenance of a separate Account or Accounts for each Participant shall not be construed as giving any person any interest in assets of the Company or an

Employer, or a right to payment other than as provided hereunder. Such Accounts shall be maintained until all amounts credited to such Account have been distributed in accordance with the terms and provisions of this Plan.

4.6 Plan Benefits. Subject to the vesting provisions of Section 4.4 hereof and the provisions of Article V, the Benefits to which a Participant and, if applicable, his Beneficiary shall be entitled under the Plan will consist of Deferred Compensation, Employer Discretionary Contributions and Matching Contributions credited to such Participant's Account, plus earnings thereon and less losses allocable thereto, if any, attributable to the investment of such amounts pursuant to Section 7.2 hereof.

ARTICLE V

DISTRIBUTION OF BENEFITS

5.1 Payment of Benefits. Except as provided in Section 10.2 in the event of a Change-in-Control of the Company (as defined in Section 10.2), the amount credited to a Participant's Account pursuant to Article IV hereof, to the extent vested pursuant to Section 4.4, shall be payable to the Participant or, if applicable, to his Beneficiary in accordance with the provisions of this Article V. If the Employer has obtained life insurance policies as a reserve for the discharge of its obligations under the Plan, the Employer acting through its governing body may, in its discretion, distribute any such policy to a Participant when the Participant's Benefits become payable to satisfy all or a portion of the Employer's obligation to the Participant hereunder. Unless paid earlier pursuant to Section 5.2 or Section 10.2, payment of a Participant's Benefit under the Plan shall commence in the form and at the time elected by the Participant pursuant to Section 5.3 hereof within 30 days following the Participant's death, Disability or other termination of employment with the Employer. A Participant may elect pursuant to Section 5.3 to defer the Benefit payment date or Benefit commencement date of his Benefits.

5.2 Timing of Certain Payments. Notwithstanding any other provision of this Plan to the contrary, the Board shall have the right to pay Benefits to Participants prior to the time such Benefits otherwise would be payable hereunder if the Board in good faith determines that either of the following conditions or events has occurred:

(a) **Change in Circumstances.** A change in circumstances relating to the operation of the Plan or the taxation of Participants, arising from a change in the federal or applicable state tax or revenue laws, a published ruling or similar announcement by the Internal Revenue Service, a regulation issued by the Secretary of the Treasury, a change in securities laws or regulations, the issuance of an advisory opinion, regulation or other published position by the Department of Labor, or a change in accounting requirements which causes (i) Participants to be taxable on their Benefits prior to the time Benefits otherwise would be payable hereunder, (ii) the Plan to be considered as funded for purposes of Title I of ERISA, or (iii) a material change regarding the tax or financial accounting consequences of maintaining the Plan to the Company or any Employer.

(b) **An unforeseeable emergency of the Participant.** An unforeseeable emergency is a severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent (as defined in section 152(a) of the Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. An unforeseeable emergency will not exist, however, if the emergency may be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant's assets, to the extent the liquidation of such

assets would not itself cause a severe financial hardship. In addition, an unforeseeable emergency will not exist, as a result of the Participant's need to send a child to college or desire to purchase a home. The amount distributed to a Participant on account of an unforeseeable emergency may not exceed the amount reasonably necessary to satisfy such emergency.

5.3 Form of Payment and Deferral of Timing of Payment. Each Participant may elect on his Deferred Compensation/Participation Agreement whether his Benefits will be paid in the form of a single sum payment or substantially equal monthly installments over a period of 60 months. In addition, the Participant may elect on his Deferred Compensation/Participation Agreement to defer the Benefit payment date or Benefit commencement date specified in Section 5.1 to a date that is not beyond the second anniversary of the normal Benefit payment date or Benefit commencement date specified in Section 5.1. For these purposes, the Participant's most recent Deferred Compensation/Participation Agreement will be controlling. The Participant may change the form in which his Benefits will be paid and/or the benefit payment date or benefit commencement date as specified in his most recent Deferred Compensation/Participation Agreement at any time before the one-year period ending on the date of his death, Disability or other termination of employment with the Employer and once payments commence, the elections regarding the form and timing of payment shall be irrevocable. If a Participant has not elected a form of payment for his Benefits pursuant to this Section 5.3, the Participant's Benefits will be paid in a single sum payment. If such Participant is receiving installment payments hereunder and dies prior to the payment of all monthly installments, the remaining portion of the Participant's Benefits will continue to be paid in monthly installments to his Beneficiary for the remaining installment period in the same amount and manner as they would have been paid to the Participant. If the Participant elects to defer the Benefit payment date or Benefit commencement date and dies before that deferred Benefit payment date or deferred Benefit commencement date specified in his Deferred Compensation/Participation Agreement, the Participant's Benefits will be paid or commence to be paid to his Beneficiary in the form and upon the date elected by the Participant.

5.4 Designation of Beneficiary. Each Participant must designate a Beneficiary to receive his Benefits in the event of his death, by completing his Deferred Compensation/Participation Agreement and filing it with the Administrator. The Administrator will recognize the most recent written Beneficiary designation on file prior to a Participant's death. If a designated Beneficiary is not living at the time of the Participant's death, then the Administrator will pay Participant's Benefits to the Participant's personal representative, executor, or administrator, as specified by the appropriate legal jurisdiction. Any such payment to the Participant's Beneficiary or, if applicable, to his personal representative, executor or administrator shall operate as a complete discharge of all obligations of the Administrator and the Employer to the extent of the payment so made.

ARTICLE VI

PAYMENT LIMITATIONS

6.1 Payment Due an Incompetent. If the Administrator shall find that any person to whom any payment is payable under the Plan is unable to care for his affairs because of mental or physical illness, accident or death, or is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, a parent, a brother or sister or any person deemed by the Administrator, in its sole discretion, to have incurred expenses for such person otherwise entitled to payment, in such manner and proportions as the Administrator may determine. Any such payment shall be a complete discharge of the liabilities of the Employer under this Plan, and the Employer shall have no further obligation to see to the

application of any money so paid.

6.2 Spendthrift Clause. No right, title or interest of any kind in the Plan shall be transferable or assignable by any Participant or Beneficiary or be subject to alienation, anticipation, encumbrance, garnishment, attachment, execution or levy of any kind, whether voluntary or involuntary, nor subject to the debts, contracts, liabilities, engagements, or torts of the Participant or Beneficiary. Any attempt to alienate, anticipate, encumber, sell, transfer, assign, pledge, garnish, attach or otherwise subject to legal or equitable process or encumber or dispose of any interest in the Plan shall be void.

ARTICLE VII

FUNDING

7.1 Funding. All Benefits under this Plan shall be paid or provided directly by the Employer. Such Benefits shall be general obligations of the Employer which shall not require the segregation of any funds or property therefor.

Notwithstanding the foregoing, in the discretion of the Employer, the Employer's obligations hereunder may be satisfied from a grantor trust established by the Employer, the terms of which will be substantially similar to the terms of the model trust issued by the Internal Revenue Service in Revenue Procedure 92-64, from an escrow account established at a bank or trust company, or from an insurance contract or contracts owned by the Employer. The assets of any such trust, escrow account and any such insurance policy shall continue for all purposes to be a part of the general funds of the Employer, shall be considered solely a means to assist the Employer to meet its contractual obligations under this Plan and shall not create a funded account or security interest for the benefit of any Participant under this Plan. All such assets shall be subject to the claims of the general creditors of the Employer in the event the Employer is Insolvent.

If a single trust or other funding vehicle is established as a reserve for the obligations hereunder of more than one Employer, including by the Company with respect to its obligations to the non-employee directors under the ENSCO Non-Employee Director Deferred Compensation Plan, the assets of any such trust or funding vehicle shall, to the extent attributable to contributions made by a particular Employer, be subject to the claims of the general creditors of that Employer in the event such Employer is Insolvent, and each Employer will be treated as a separate grantor to the extent of its participation in any trust so established. To the extent that any person acquires a right to receive a payment from an Employer under the Plan, such right shall be no greater than the right of any unsecured general creditor of that Employer.

7.2 Investments. If a trust is established as provided for in Section 7.1, earnings and/or losses of the trust attributable to amounts credited to a Participant's Account shall increase or, if applicable, decrease such Participant's Account for purposes of determining the Participant's Benefits payable hereunder. The Board may determine from time to time to direct the investment manager appointed pursuant to any such trust to invest the assets credited to a Participant's Account in accordance with the wishes and written directions of that Participant from among the registered mutual funds and the Company stock fund offered to the participants in the 401(k) Plan from time to time under the terms of the 401(k) Plan.

ARTICLE VIII

ADMINISTRATION

8.1 Authority of the Administrator. The Administrator shall have full power and authority to interpret, construe and administer the Plan. The Administrator's interpretation and construction hereof, and actions hereunder, including any determination of the amount or recipient of any payment to be made under the Plan, shall be binding and conclusive on all persons and for all purposes. In addition, the Administrator may employ attorneys, accountants, and other professional advisors to assist the Administrator in its administration of the Plan. The Company shall pay the reasonable fees of any such advisor employed by the Administrator. To the extent permitted by law, the Administrator, any member of the Board and any employee of an Employer shall not be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to his own wilful misconduct or lack of good faith.

8.2 Claims Procedure. The Administrator shall process all benefit claims of Participants and Beneficiaries pursuant to the claims procedure specified in the summary plan description for the Plan and shall act in a manner which is consistent with regulations published from time to time by the Department of Labor.

8.3 Cost of Administration. The cost of this Plan and the expenses of administering the Plan shall be paid by the Employer.

8.4 Limitations on Plan Administration. No person to whom discretionary authority is granted hereunder shall vote or act upon any matter involving his own rights, benefits or participation in the Plan.

ARTICLE IX

OTHER BENEFIT PLANS OF THE COMPANY

9.1 Other Plans. Nothing contained in this Plan shall prevent a Participant prior to his death, or his spouse or other Beneficiary after his death, from receiving, in addition to any payments provided for under this Plan, any payments provided for under any other plan or benefit program of the Company or an Affiliate, or which would otherwise be payable or distributable to him, his surviving spouse or Beneficiary under any plan or policy of the Company or otherwise. Nothing in this Plan shall be construed as preventing the Company or any of its Affiliates from establishing any other or different plans providing for current or deferred compensation for employees. Unless specifically provided otherwise in any plan of the Company intended to "qualify" under section 401 of the Code, Compensation deferrals made under this Plan shall constitute earnings or compensation for purposes of determining contributions or benefits under such qualified plan.

ARTICLE X

AMENDMENT AND TERMINATION OF THE PLAN

10.1 Amendment. The Board shall have the right to amend this Plan at any time and from time to time, including a retroactive amendment. Any such amendment shall become effective upon the date stated therein, and shall be binding on all Employers then participating in the Plan, except as otherwise provided in such amendment; provided, however, that no such action shall affect any Benefit adversely to which a Participant would be entitled had his employment been terminated immediately before such amendment was effective.

10.2 Termination. The Company has established this Plan with the bona fide intention and expectation that from year to year it will deem it advisable to continue it in

effect. However, the Board, in its sole discretion, reserves the right to terminate the Plan in its entirety at any time; provided, however, that no such action shall affect any Benefit adversely to which a Participant would be entitled had his employment been terminated immediately before such termination was effective.

Upon a Change-in-Control of the Company, the Plan shall automatically terminate and all Benefits shall be distributable in accordance with the elections of each Participant under Article V as if each such Participant's employment with the Employer had terminated as of the effective date of such Change-in-Control. For purposes of the Plan, a Change-in-Control of the Company shall be deemed to occur if (1) any person or group within the meaning of the Securities Exchange Act of 1934, as amended, acquired (together with voting securities of the Company held by such person or group) more than 50% of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record) pursuant to any transaction or combination of transactions, or (2) the individuals who, on January 1, 2004, constituted the Board (the "Incumbent Board") cease, for any reason, to constitute at least a majority thereof. For purposes of this provision, a person becoming a member of the Board subsequent to January 1, 2004 whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the members of the Board comprising the Incumbent Board shall for this purpose be considered as though he or she was a member of the Incumbent Board.

10.3 Continuation. The Company intends to continue this Plan indefinitely, but nevertheless assumes no contractual obligation beyond the promise to pay the benefits described in this Plan.

ARTICLE XI

MISCELLANEOUS

11.1 Rights Against Employer. The Plan shall not be deemed to be a consideration for, or an inducement for, the employment of any Employee by the Employer. Nothing contained in the Plan shall be deemed to give any Employee the right to be retained in the service of the Employer or to interfere with the right of the Employer to discharge any Employee at any time, without regard to the effect such discharge may have on any rights under the Plan.

11.2 Action Taken in Good Faith. To the extent permitted by ERISA, the Administrator and each employee, officer and director of an Affiliate who have duties and responsibilities with respect to the establishment or administration of the Plan shall be fully protected with respect to any action taken or omitted to be taken by them in good faith.

11.3 Indemnification of Employees and Directors. The Company hereby indemnifies the Administrator and each employee, officer and director of an Affiliate to whom responsibilities are delegated under the Plan against any and all liabilities and expenses, including attorney's fees, actually and reasonably incurred by them in connection with any threatened, pending or completed legal action or judicial or administrative proceeding to which they may be a party, or may be threatened to be made a party, by reason of any delegation of responsibilities hereunder, except with regard to any matters as to which they shall be adjudged in such action or proceeding to be liable for gross negligence or willful misconduct in connection therewith.

11.4 Severability. In the event that any provision of this Plan shall be declared illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of this Plan but shall be fully severable and this Plan shall be construed and enforced as if said illegal or invalid provision had never been inserted herein.

IN WITNESS WHEREOF, the Company has executed this ENSCO Supplemental Executive Retirement Plan as of this 27th day of August 2003 to be effective January 1, 2004.

ENSCO INTERNATIONAL INCORPORATED

By: /S/

Name: Cary A. Moomjian, Jr.

Title: Vice President

TRUST AGREEMENT
(As Revised and Restated Effective January 1, 2004)

THIS AGREEMENT, executed this 27th day of August, 2003, and effective as of the first day of January, 2004, by and between ENSCO International Incorporated, a Delaware corporation (hereinafter referred to as the "Company"), each participating affiliated company who is or becomes a signatory to this Agreement (who, along with the Company, hereinafter shall be referred to as the "Employer") and T. Rowe Price Trust Company, a Maryland limited purpose trust company, and its successor or successors and assigns in the trust hereby evidenced, as trustee (hereinafter referred to as the "Trustee");

WITNESSETH:

WHEREAS, effective August 1, 1995, Energy Service Company, Inc. established the Energy Service Company, Inc. Select Executive Retirement Plan (hereinafter sometimes referred to as the "SERP") as a nonqualified deferred compensation arrangement for a select group of management or highly compensated employees of the Employer pursuant to which the Employer agreed to provide benefits to such employees upon their termination of employment as set forth in the SERP;

WHEREAS, effective August 1, 1995, the Company established a trust known as the "Energy Service Company, Inc. Benefit Reserve Trust" (the "Trust") by agreement with the Trustee in order to contribute to the Trust assets that shall be held therein as a reserve for the discharge of the Employer's obligations under the SERP, subject to the claims of each Employer's creditors in the event of the Employer's Insolvency, as herein defined, until paid to the employees covered by the SERP and their beneficiaries in such manner and at such times as specified in the SERP;

WHEREAS, the name of the Company was changed to ENSCO International Incorporated;

WHEREAS, the Company amended and restated the SERP, effective January 1, 1997 and, in connection therewith, renamed it the ENSCO Supplemental Executive Retirement Plan;

WHEREAS, the Company has established, effective as of January 1, 2004, an additional nonqualified deferred compensation plan known as the ENSCO Non-Employee Director Deferred Compensation Plan (hereinafter sometimes referred to as the "Non-Employee Director Deferred Compensation Plan") for the non-employee directors of the Company pursuant to which the Company has agreed to provide benefits to such directors after termination of their directorship as set forth in the Non-Employee Director Deferred Compensation Plan;

WHEREAS, the Company will also contribute to the Trust assets that shall be held therein as a reserve for the discharge of the Company's obligations under the Non-Employee Director Deferred Compensation Plan, subject to the claims of the Company's creditors in the event of the Company's Insolvency, as herein defined, until paid to the non-employee directors covered by the Non-Employee Director Deferred Compensation Plan and their beneficiaries in such manner and at such times as specified in the Non-Employee Director Deferred Compensation Plan;

WHEREAS, the Company desires to revise the Trust in certain respects and to incorporate those amendments in the form of a revised and restated Trust agreement to be effective as of January 1, 2004;

WHEREAS, the Trustee has agreed to continue to serve as Trustee of the revised and restated Trust;

WHEREAS, it is the intention of the parties that the revised and restated Trust shall continue to constitute an unfunded arrangement and shall not affect the status of the SERP as an unfunded arrangement for purposes of the Internal Revenue Code of 1986, as amended (the "Code") and as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees of the Employer for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended, or the status of the Non-Employee Director Deferred Compensation Plan as an unfunded plan maintained for the purpose of providing deferred compensation for the non-employee directors of the Company;

WHEREAS, it is the intention of the Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under both the SERP and the Non-Employee Director Deferred Compensation Plan; and

WHEREAS, the SERP and the Non-Employee Director Deferred Compensation Plan shall hereinafter be referred to singularly or collectively in this revised and restated Trust as the Plan and/or the Plans;

NOW, THEREFORE, the parties do hereby revise and restate the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Revision and Restatement and Funding of Trust.

(a) The current balance of the Trust and such other sums contributed to the Trust by the Employer in accordance with Section 1(e), together with all investments and reinvestments made therewith or proceeds thereof and all earnings and profits thereon, less all payments and charges as authorized herein, shall provide the source for payments of benefits to participants and beneficiaries of the Plans, which shall become the principal of

the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement.

(b) The Trust, as revised and restated effective January 1, 2004, shall continue to be irrevocable.

(c) The Trust is intended and shall continue to be a grantor trust, of which each Employer is a grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Code, with respect to the assets of the Trust attributable to the contributions of each such Employer, and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereof, shall be held separate and apart from other funds of the Employer and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in, any assets of the Trust. Any rights created under the Plans and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against their respective Employer, or in the case of a non-employee director, against the Company. Any assets held by the Trust attributable to the contributions of a particular Employer will be subject to the claims of that Employer's general creditors under federal and state law in the event of such Employer's Insolvency, as defined in Section 3(a) herein.

(e) The Employer, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with the Trustee to augment the principal to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Neither the Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits.

(f) Upon a Change-in-Control of the Company, the Employer shall, as soon as possible, but in no event longer than 30 days following the Change-in-Control, as defined herein, make an irrevocable contribution to the Trust in an amount that is sufficient to pay each Plan participant or beneficiary the benefits to which Plan participants or their beneficiaries would be entitled pursuant to the terms of the Plan under which they are covered as of the date on which the Change-in-Control occurred.

(g) For all purposes of the Trust, in any instance where the term Employer is being used with reference to a non-employee director of the Company, that reference shall be construed to refer only to the Company and shall in no way be construed to imply that any such non-employee director constitutes or shall be considered to be a common law employee of the Company.

Section 2. Payments to Individuals Covered Under the Plans and Their Beneficiaries.

(a) The Employer shall deliver to the Trustee a schedule (the "Payment Schedule") with respect to each Plan that indicates the amounts payable in respect of each Plan participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to the Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plans), and the time of commencement for payment of such amounts. Except as otherwise provided herein, the Trustee shall make payments to the Plan participants and their beneficiaries in accordance with such Payment Schedule. Pursuant to instruction by the Employer as to federal and state withholding requirements including, but not limited to, taxation rates, the Trustee shall

deduct from each payment under this Trust Agreement any federal or state withholding which the Trustee may be required to deduct under applicable law and shall pay such amounts to the appropriate taxing authorities; provided, however, that the Trustee shall be fully protected in relying upon information provided by the Employer as to federal and state tax withholding requirements.

(b) The entitlement of a Plan participant or his or her beneficiaries to benefits under either Plan shall be determined by the Company or such party as it shall designate under the Plans, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plans. The Trustee shall have no duty to inquire into the Company's decisions with respect to entitlement to benefits.

(c) The Employer may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plans. The Employer shall notify the Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plans, the Employer shall make the balance of each such payment as it falls due. Where principal and earnings are not sufficient, the Trustee shall notify the Employer to make the requested benefit payments; provided, however, the Trustee shall have no duty to require any contributions to be made, or to determine that any of the contributions received, comply with the conditions and limitations of either Plan.

Section 3. Trustee Responsibility Regarding Payments to Trust Beneficiary When the Employer is Insolvent.

(a) The Trustee shall cease payment of benefits to Plan participants and their beneficiaries if the Employer is Insolvent. The Employer shall be considered "Insolvent" for purposes of this Trust Agreement if (i) the Employer is unable to pay its debts as they become due, or (ii) the Employer is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust attributable to the contributions of a particular Employer shall be subject to claims of general creditors of that Employer under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of each Employer shall have the duty to inform the Trustee in writing of the Employer's Insolvency. If a person claiming to be a creditor of an Employer alleges in writing to the Trustee that such Employer has become Insolvent and such claim is confirmed by either the Board of Directors or the Chief Executive Officer of the Employer after receipt of notice from the Trustee as to the claim of the alleged third party creditor, the Trustee shall discontinue payment of benefits to Plan participants employed (or formerly employed) by that Employer, or in the case of a non-employee director, serving (or formerly serving) as a director of the Company, or their beneficiaries.

(2) Unless the Trustee has actual knowledge of an Employer's Insolvency, or has received notice from an Employer or a person claiming to be a creditor alleging that an Employer is Insolvent, the Trustee shall have no duty to inquire whether an Employer is Insolvent. The Trustee may in all events rely on such evidence concerning an Employer's solvency as may be furnished to the Trustee.

(3) If at any time the Trustee has determined as provided above that an Employer is Insolvent, the Trustee shall discontinue payments to Plan participants employed (or formerly employed) by that Employer, or in the case of a non-employee director, serving (or formerly serving) as a director of the Company, or their beneficiaries and shall hold the assets of the Trust for the benefit of that Employer's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of an Employer with respect to benefits due under the Plans or otherwise.

(4) The Trustee shall resume the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after the Trustee has determined that the Employer is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if the Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments due to Plan participants or their beneficiaries under the terms of the Plans for the period of such discontinuance, less the aggregate amount of any payments made to Plan participants or their beneficiaries by the Employer in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Payments to the Employer.

Except as provided in Sections 3 and 12(b) hereof, the Employer shall have no right or power to direct the Trustee to return to the Employer or to divert any of the Trust assets to anyone other than Plan participants or their beneficiaries before all payments of benefits have been made to Plan participants and their beneficiaries pursuant to the terms of the Plans.

Section 5. Investment Authority.

The Board of Directors of the Company (the "Board"), or a committee of the Board or other person or entity designated by the Board shall act as the investment manager (the "Investment Manager"). The Investment Manager will manage the Trust properties and shall direct the Trustee to invest and reinvest in property of any character, upon such terms and conditions and for such lengths of time as the Investment Manager deems proper in the Investment Manager's judgment and discretion, without any limitation upon the Investment Manager's power to do so and without being limited to investments authorized by law or custom for the investment of Trust properties. The Investment Manager may invest in securities (including stock or rights to acquire stock) or obligations issued by the Company. All rights associated with assets of the Trust will be exercised by the Investment Manager, but the Investment Manager may determine from time to time to invest the assets in accordance with the wishes and written directions of the Plan participants from among the registered mutual funds and the Company stock fund offered to the participants in the ENSCO Savings Plan from time to time under the terms of the ENSCO Savings Plan. The Trustee shall have no duty to question any action or direction, or any failure to take action or give direction, of the Investment Manager or, if applicable, any Plan participant, or to make any suggestion to the Investment Manager or, if applicable, any Plan participant, as to the investment, reinvestment, disposition or distribution of, any assets.

Section 6. Disposition of Income.

During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

Section 7. Accounting by the Trustee .

(a) The Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, and such specific records as shall be agreed upon in writing between the Company and the Trustee. Within 90 days following the close of each calendar year and within 90 days after the removal or resignation of the Trustee, the Trustee shall deliver to the Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by the Trustee, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be. The Investment Manager shall provide the Trustee with such information as the Trustee shall reasonably request to permit the Trustee to complete its responsibilities under this Section 7.

(b) The Company shall provide the Trustee with information sufficient to allow the Trustee to identify the particular Trust assets allocable to a particular Employer at a given time and to allow the Trustee to identify which Plan participants are employed (or were formerly employed) by any given Employer, or in the case of a non-employee director, are serving (or were formerly serving) as a director of the Company.

Section 8. Responsibility of Trustee and the Board .

(a) The Trustee and the Investment Manager (with respect to responsibilities under Section 4 hereof) shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that neither the Trustee nor the Investment Manager shall incur any liability, cost or expense to any person for any action taken pursuant to a direction, request or approval given by the Company which is contemplated by, and in conformity with, the terms of the Plans or this Trust and is given in writing by the Company. In the event of a dispute between the Company and a party, the Trustee and/or the Investment Manager, as the case may be, may apply to a court of competent jurisdiction to resolve the dispute.

If the Trustee or Investment Manager undertakes or defends any litigation arising in connection with this Trust, the Employer agrees to indemnify the Trustee or the Investment Manager, as the case may be, against the Trustee's or Investment Manager's, as the case may be, costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If the Employer does not pay such costs, expenses and liabilities in a reasonably timely manner, the Trustee or the Investment Manager, as the case may be, may obtain payment from the Trust.

(c) The Trustee and the Investment Manager may consult with legal counsel (who may also be counsel for the Company generally) with respect to any of their duties or obligations hereunder.

(d) The Trustee and the Investment Manager may hire agents, accountants,

actuaries, investment advisors, financial consultants or other professionals reasonably necessary for them to perform any of their duties or obligations hereunder.

(e) The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law, unless expressly provided otherwise herein; provided, however, that if an insurance policy is held as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(f) Notwithstanding any powers granted to the Trustee and the Investment Manager pursuant to this Trust Agreement or to applicable law, neither the Trustee nor the Investment Manager shall have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Code.

(g) The Trustee may hire custodians to hold any assets of the Trust, provided that the records of any such custodian shall at all times identify the Trust as the owner and such custodian shall hold such assets, or any part thereof, as nominee, for and on behalf of the Trustee. However, notwithstanding any other provisions of this Trust Agreement to the contrary, in the event the Trustee entrusts any assets of the Trust to a third party custodian, the Trustee shall be responsible and liable for all actions of such custodian, including any actions resulting in the loss or conversion of Trust assets, and shall indemnify the Plans, each Employer and the Company in respect to any negligent acts or omissions of the custodian which may result in the imposition of liabilities, damages, costs or expenses against the Plans, any Employer, or the Company, or result in the loss or conversion of Trust assets.

Section 9. Compensation and Expenses of the Trustee and the Investment Manager.

The Company shall pay all reasonable administrative fees and expenses, including, without limitation, the Trustee's and the Investment Manager's fees. The Trustee shall also be reimbursed by the Company for reasonable expenses or fees incurred in connection with the preparation of a response to any governmental or regulatory inquiries related to this Trust. If not so paid by the Company, the fees and expenses shall be paid from the Trust, and allocated on a pro-rata basis among the Employers.

Section 10. Resignation and Removal of the Trustee.

(a) The Trustee may resign at any time by written notice to the Company, which shall be effective 60 days after receipt of such notice unless the Company and the Trustee agree otherwise.

(b) The Trustee may be removed by the Company on 60 days notice or upon shorter notice accepted by the Trustee.

(c) Upon a Change-in-Control of the Company, as defined herein, the Trustee may not be removed by the Company for two years.

(d) If the Trustee resigns within two years of a Change-in-Control of the Company, as defined herein, the Trustee shall select a successor Trustee in accordance with the provisions of Section 11(b) hereof prior to the effective date of the Trustee's resignation.

(e) Upon resignation or removal of the Trustee and appointment of a successor Trustee, all assets shall subsequently be transferred to the successor Trustee. The transfer shall be completed within 60 days after receipt of notice of resignation, removal or transfer, unless the Company extends the time limit.

(f) If the Trustee resigns or is removed, a successor shall be appointed, in accordance with Section 11 hereof, by the effective date of resignation or removal under paragraphs (a) or (b) of this section. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

Section 11. Appointment of Successor.

(a) If the Trustee resigns or is removed in accordance with Section 10(a) or (b) hereof, the Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace the Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the Company or the successor Trustee to evidence the transfer.

If Trustee resigns pursuant to the provisions of Section 10(d) hereof and selects a successor Trustee, the Trustee may appoint any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law. The appointment of a successor Trustee shall be effective when accepted in writing by the new Trustee. The new Trustee shall have all the rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor Trustee to evidence the transfer.

Section 12. Amendment or Termination.

(a) This Trust Agreement may be amended by action of the Board. A written instrument evidencing any such amendment shall be executed by the Trustee and the Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan or shall make the Trust revocable.

(b) The Trust shall not terminate until the date on which all Plan participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plans. Upon termination of the Trust any assets remaining in the Trust shall be returned to the Company.

(c) Sections 1(f), 10(c), 10(d), 11(b) and 13(d) of this Trust Agreement, as well as this Section 12(c), may not be amended by the Company for two years following a Change-in-Control of the Company, as defined herein.

Section 13. Miscellaneous.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of the State of Maryland and applicable federal law.

(d) For purposes of this Trust, a Change-in-Control of the Company shall be deemed to occur if (1) any person or group within the meaning of the Securities Exchange Act of 1934, as amended, acquired (together with voting securities of the Company held by such person or group) more than 50% of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record) pursuant to any transaction or combination of transactions, or (2) the individuals who, on January 1, 2004, constituted the Board of Directors of the Company (the "Incumbent Board") cease, for any reason, to constitute at least a majority thereof. For purposes of this provision, a person becoming a member of the Board of Directors of the Company subsequent to January 1, 2004 whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the members of the Board of Directors of the Company comprising the Incumbent Board shall for this purpose be considered as though he or she was a member of the Incumbent Board.

Section 14. Effective Date.

The effective date of this revised and restated Trust Agreement shall be January 1, 2004.

IN WITNESS WHEREOF, ENSCO International Incorporated, the Company, and T. Rowe Price Trust Company, the Trustee, acting by and through their duly authorized officers, have caused this revised and restated Trust Agreement to be executed as of the day and year first above written.

ENSCO INTERNATIONAL INCORPORATED

By: /s/

Name: Cary A. Moomjian, Jr.

Title: Vice President

Dated: August 27, 2003

COMPANY

T. ROWE PRICE TRUST COMPANY

By: /s/

Name:
Title:
Date:

TRUSTEE

October 15, 2003

ENSCO International Incorporated
500 North Akard Street
Suite 4300
Dallas, Texas 75201-3331

Re: Registration Statement on Form S-3, (No. 33-42965, 33-46500, 33-49590, 33-43756, 33-64642, 333-03575, and 333-3789), Form S-8 (No. 333-58625, 33-14714, 33-32447, 33-35862, 33-40282, and 33-41294).

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated October 15, 2003 related to our review of interim financial information for the three and nine- month periods ended September 30, 2003.

Pursuant to Rule 436 under the Securities Act of 1933 (the "Act"), such report is not considered part of a registration statement prepared or certified by an accountant, or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Act. It should be noted, we have not performed any procedures subsequent to October 15, 2003.

/s/ KPMG LLP

Dallas, Texas

CERTIFICATION

I, Carl F. Thorne, certify that:

1. I have reviewed this report on Form 10-Q of ENSCO International Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2003

/s/ CARL F. THORNE

Carl F. Thorne
Chief Executive Officer

CERTIFICATION

I, James W. Swent III, certify that:

1. I have reviewed this report on Form 10-Q of ENSCO International Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation

of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2003

/s/ JAMES W. SWENT III

James W. Swent III
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ENSCO International Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl F. Thorne, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CARL F. THORNE

Carl F. Thorne
Chief Executive Officer
October 28, 2003

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of ENSCO International Incorporated (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Swent III, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JAMES W. SWENT III

James W. Swent III
Senior Vice President and Chief Financial Officer
October 28, 2003

End of Filing

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