

ENSCO PLC

FORM 10-Q (Quarterly Report)

Filed 04/24/08 for the Period Ending 03/31/08

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

**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 **March 31, 2008**

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 a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting
company)

Accelerated filer
Smaller reporting company

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

There were 144,345,866 shares of Common Stock, \$.10 par value, of the registrant outstanding as of April 23, 2008.

ENSCO INTERNATIONAL INCORPORATED

INDEX TO FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2008

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS	3
Report of Independent Registered Public Accounting Firm	3
Condensed Consolidated Statements of Income Three Months Ended March 31, 2008 and 2007	4
Condensed Consolidated Balance Sheets March 31, 2008 and December 31, 2007	5
Condensed Consolidated Statements of Cash Flows Three Months Ended March 31, 2008 and 2007	6
Notes to Condensed Consolidated Financial Statements	7
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	16
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	29
ITEM 4. CONTROLS AND PROCEDURES	29

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS	30
ITEM 1A. RISK FACTORS	32
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	33
ITEM 6. EXHIBITS	34

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are subject to a number of risks and uncertainties and are based on information as of the date of this report. We assume no obligation to update these statements based on information after the date of this report.

Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "could," "may," "might," "should," "will" and words and phrases of similar import. The forward-looking statements include, but are not limited to, statements regarding future operations, industry trends or conditions and the business environment; statements regarding future levels of, or trends in, day rates, utilization, revenues, operating expenses, contract backlog, capital expenditures, insurance, financing and funding; statements regarding future construction, enhancement, upgrade or repair of rigs and timing thereof, future mobilization, relocation or other movement of rigs and timing thereof, and future availability or suitability of rigs; and statements regarding the likely outcome of legal proceedings, investigations or claims and the timing thereof.

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:

- industry conditions and competition, including changes in rig supply and demand or new technology,
- cyclical nature of the industry,
- worldwide expenditures for oil and gas drilling,
- operational risks, including hazards created by severe storms and hurricanes,
- risks associated with offshore rig operations or rig relocations in general, and in foreign jurisdictions in particular,
- renegotiation, nullification, or breach of contracts or letters of intent with customers or other parties, including failure to negotiate definitive contracts following announcements or receipt of letters of intent,
- changes in the dates our rigs undergoing shipyard construction work, repairs or enhancement will enter a shipyard, be delivered, return to or enter service,
- changes in the dates new contracts actually commence,
- risks inherent to domestic and foreign shipyard rig construction, rig repair or rig enhancement, including unexpected rig enhancement project delays in equipment delivery and engineering or design issues following shipyard delivery,
- unavailability of transport vessels to relocate rigs,
- environmental or other liabilities, risks or losses including hurricane related equipment damage, loss or wreckage or debris removal in the U.S. Gulf of Mexico, that may arise in the future which are not covered by insurance or indemnity in whole or in part,
- the impact of current and future laws and government regulation affecting the oil and gas industry in general or our operations in particular, including taxation as well as repeal or modification of same,
- political and economic uncertainty,
- limited availability of economic insurance coverage for certain perils such as hurricanes in the Gulf of Mexico or removal of wreckage or debris,
- self-imposed or regulatory limitations on jackup rig drilling locations in the Gulf of Mexico during hurricane season,
- our ability to attract and retain skilled or other personnel,
- excess rig availability or supply resulting from delivery of new drilling units,
- heavy concentration of our rig fleet in premium jackups,
- expropriation, nationalization, deprivation, terrorism or military action impacting our operations, assets or financial performance, and
- the outcome of litigation, legal procedures, investigations or claims.

In addition to the numerous factors described above, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our Annual Report on Form 10-K for the year ended December 31, 2007, as updated in this report.



PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
ENSCO International Incorporated:

We have reviewed the accompanying condensed consolidated balance sheet of ENSCO International Incorporated and subsidiaries as of March 31, 2008, the related condensed consolidated statements of income for the three-month periods ended March 31, 2008 and 2007, and the related condensed consolidated statements of cash flows for the three-month periods ended March 31, 2008 and 2007. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 the standards of the Public Company Accounting Oversight Board (United States), 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 condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of ENSCO International Incorporated and subsidiaries as of December 31, 2007, and the related consolidated statements of income and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Dallas, Texas
April 24, 2008

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

	Three Months Ended	
	March 31,	
	2008	2007
OPERATING REVENUES	\$ 580.3	\$ 514.1
OPERATING EXPENSES		
Contract drilling	190.7	162.8
Depreciation	47.5	45.1
General and administrative	12.7	16.0
	250.9	223.9
OPERATING INCOME	329.4	290.2
OTHER INCOME (EXPENSE)		
Interest income	5.0	6.2
Interest expense, net	--	(1.1)
Other, net	(.5)	4.5
	4.5	9.6
INCOME BEFORE INCOME TAXES	333.9	299.8
PROVISION FOR INCOME TAXES		
Current income tax expense	56.6	69.3
Deferred income tax expense (benefit)	5.3	(1.8)
	61.9	67.5
NET INCOME	\$ 272.0	\$ 232.3
EARNINGS PER SHARE		
Basic	\$ 1.90	\$ 1.55
Diluted	1.90	1.54
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	142.8	149.9
Diluted	143.5	150.7
CASH DIVIDENDS PER COMMON SHARE	\$.025	\$.025

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value amounts)

	March 31, 2008 (Unaudited)	December 31, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 664.9	\$ 629.5
Accounts receivable, net	421.3	383.2
Other	118.2	116.6
Total current assets	1,204.4	1,129.3
PROPERTY AND EQUIPMENT, AT COST		
Less accumulated depreciation	1,391.6	1,345.8
Property and equipment, net	3,437.5	3,358.9
GOODWILL		
	336.2	336.2
LONG-TERM INVESTMENTS		
	74.9	--
OTHER ASSETS, NET		
	142.0	144.4
	\$5,195.0	\$4,968.8
LIABILITIES AND STOCKHOLDERS'		
EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 30.3	\$ 18.8
Accrued liabilities and other	392.7	465.6
Current maturities of long-term debt	20.3	19.1
Total current liabilities	443.3	503.5
LONG-TERM DEBT		
	291.4	291.4
DEFERRED INCOME TAXES		
	356.9	352.0
OTHER LIABILITIES		
	72.5	69.9
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, \$1 par value, 20.0 million shares authorized and none issued	--	--
Common stock, \$.10 par value, 250.0 million shares authorized, 180.4 million and 180.3 million shares issued	18.0	18.0
Additional paid-in capital	1,709.7	1,700.5
Retained earnings	3,245.9	2,977.5
Accumulated other comprehensive loss	(2.8)	(4.2)
Treasury stock, at cost, 36.4 million shares	(939.9)	(939.8)

Total stockholders' equity	4,030.9	3,752.0
	\$5,195.0	\$4,968.8

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

Table of Contents

**ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In millions)
(Unaudited)

	Three Months Ended	
	March 31,	
	2008	2007
OPERATING ACTIVITIES		
Net income	\$272.0	\$232.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	47.5	45.1
Amortization of other assets	8.3	1.9
Deferred income tax expense (benefit)	5.3	(1.8)
Share-based compensation expense	5.5	10.3
Unrealized loss on trading securities	3.1	--
Excess tax benefit from share-based compensation	(.6)	(1.1)
Other	1.6	.4
Changes in operating assets and liabilities:		
Increase in accounts receivable	(38.2)	(46.9)
Increase in investments designated as trading securities	(83.0)	--
Increase in other assets	(2.5)	(.1)
Increase in accounts payable	11.5	6.4
(Decrease) increase in accrued and other liabilities	(79.3)	33.2
Net cash provided by operating activities	151.2	279.7
INVESTING ACTIVITIES		
Additions to property and equipment	(116.2)	(106.0)
Proceeds from disposition of assets	1.0	1.6
Net cash used in investing activities	(115.2)	(104.4)
FINANCING ACTIVITIES		
Repurchase of common stock	(.1)	(127.8)
Cash dividends paid	(3.6)	(3.8)
Proceeds from exercise of share options	3.1	9.8
Excess tax benefit from share-based compensation	.6	1.1
Other	1.2	--
Net cash provided by (used in) financing activities	1.2	(120.7)
Effect of exchange rate changes on cash and cash equivalents	(1.8)	--
INCREASE IN CASH AND CASH EQUIVALENTS	35.4	54.6
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	629.5	565.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$664.9	\$620.4

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

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

Note 1 - Unaudited Condensed Consolidated Financial Statements

We prepared the accompanying condensed consolidated financial statements of ENSCO International Incorporated and subsidiaries (the "Company") in accordance with accounting principles generally accepted in the United States of America ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included in this report is unaudited but, in our opinion, includes all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The December 31, 2007 condensed consolidated balance sheet data were derived from the 2007 audited consolidated financial statements, but do not include all disclosures required by GAAP. Certain previously reported amounts have been reclassified to conform to the current-year presentation. The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies at the date of the financial statements. Actual results could differ from those estimates.

The financial data for the three-month periods ended March 31, 2008 and 2007 included herein have been subjected to a limited review by KPMG LLP, our independent registered public accounting firm. The accompanying independent registered public accounting firm's review report is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933 and the registered public accounting firm's liability under Section 11 does not extend to it.

Results of operations for the three-month period ended March 31, 2008 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2008. It is recommended that these condensed consolidated financial statements be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2007 included in our Annual Report on Form 10-K filed with the SEC on February 26, 2008.

Note 2 - Earnings Per Share

For the three-month periods ended March 31, 2008 and 2007, there were no adjustments to net income for purposes of calculating basic and diluted earnings per share. The following table is a reconciliation of the weighted average common shares used in the basic and diluted earnings per share computations for the three-month periods ended March 31, 2008 and 2007 (in millions):

	<u>2008</u>	<u>2007</u>
Weighted average common shares-basic	142.8	149.9
Potentially dilutive common shares:		
Non-vested share awards	.3	.3
Share options	.4	.5
Weighted average common shares-diluted	143.5	150.7

Options to purchase 908,450 and 6,750 shares of common stock during the three-month periods ended March 31, 2008 and 2007, 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 our common stock for the respective periods.

Note 3 - Long-Term Investments

As of March 31, 2008, we held \$83.0 million (par value) of long-term debt instruments with variable interest rates that periodically reset through an auction process ("auction rate securities"). All of our auction rate securities were originally acquired in January 2008 and have final maturity dates ranging from 2024 to 2047. We did not own any auction rate securities as of December 31, 2007.

Recent auctions for our auction rate securities have failed. An auction failure, which is not a default in the underlying debt instrument, occurs when there are more sellers than buyers at a scheduled interest rate auction date and parties desiring to sell their securities are unable to do so. When an auction fails, the interest rate is adjusted according to the provisions of the associated security agreement, which generally results in an interest rate that is higher than the interest rate the issuer pays in connection with successful auctions.

Our investment in auction rate securities as of March 31, 2008 was diversified across 18 separate issues and each issue maintains scheduled interest rate auctions in either 28-day or 35-day intervals. All of our auction rate securities are currently rated Aaa by Moody's, AAA by Standard & Poor's and/or AAA by Fitch, which is the highest rating issued by each respective rating agency. An aggregate \$74.4 million (par value) of our auction rate securities were issued by state agencies and are supported by student loans for which repayment is substantially guaranteed by the U.S. government under the Federal Family Education Loan Program ("FFELP"). The remaining \$8.6 million (par value) of our auction rate securities were issued by municipalities and repayment is insured by Financial Security Assurance Inc., a monoline bond insurance company that currently maintains a financial strength rating of Aaa by Moody's, AAA by Standard & Poor's and AAA by Fitch.

Auction failures and the resulting lack of liquidity are affecting the entire auction rate securities market and we are currently unable to determine whether these conditions will be temporary. Some issuers have recently refinanced their auction rate securities and other issuers are in the process of doing so. In April 2008, \$5.0 million of our auction rate securities were redeemed in full, but we are currently unable to determine whether other issuers of our auction rate securities will attempt and/or be able to refinance. Several of the financial institutions that conduct auctions and broker auction rate securities have indicated that they plan to develop secondary markets for auction rate securities, but we are currently unable to determine whether such plans will succeed or if alternate markets that provide for orderly purchases and sales of auction rate securities will otherwise develop. Although we acquired our auction rate securities with the intention of selling them in the near term, due to the aforementioned uncertainties, all of our auction rate securities not redeemed in April 2008 were classified as long-term investments on our condensed consolidated balance sheet as of March 31, 2008. The \$5.0 million of auction rate securities that were redeemed in April 2008 were classified as other current assets on our condensed consolidated balance sheet as of March 31, 2008.

Upon acquisition in January 2008, we designated our auction rate securities as trading securities in accordance with SFAS No. 115, "Accounting for Certain Debt and Equity Securities (as amended)" ("SFAS 115"), as it was our intent to sell them in the near term. Due to illiquidity in the auction rate securities market, as discussed above, we intend to hold our auction rate securities until they can be sold in a market that facilitates orderly transactions. Although we will hold our auction rate securities longer than originally anticipated, we continue to classify them as trading securities. Our auction rate securities were measured at fair value as of March 31, 2008, and an unrealized loss of \$3.1 million for the three-month period ended March 31, 2008 was included in other, net in our condensed consolidated statement of income. The carrying value of our auction rate securities classified as long-term investments on our condensed consolidated balance sheet as of March 31, 2008 was \$74.9 million. Cash flows from purchases and sales of our auction rate securities were classified as operating activities in our condensed consolidated statement of cash flows for the three-month period ended March 31, 2008. See "Note 5 - Fair Value Measurements" for additional information concerning fair value measurement of our auction rate securities.

Table of Contents

Note 4 - Comprehensive Income

The components of our comprehensive income for the three-month periods ended March 31, 2008 and 2007 were as follows (in millions):

	<u>2008</u>	<u>2007</u>
Net income	\$272.0	\$232.3
Other comprehensive income:		
Net change in fair value of derivatives	3.2	1.8
Reclassification of unrealized gains and losses on derivatives from other comprehensive income into net income	(1.8)	(1.1)
Net other comprehensive income	1.4	.7
Comprehensive income	\$273.4	\$233.0

Accumulated other comprehensive loss as of March 31, 2008 and December 31, 2007 was comprised of net unrealized losses on derivative instruments, net of tax. The estimated amount of unrealized gains and losses on derivative instruments, net of tax, as of March 31, 2008 that will be reclassified to earnings during the next twelve months was as follows (in millions):

Net unrealized gains to be reclassified to contract drilling expense	\$3.8
Net unrealized losses to be reclassified to interest expense	(.7)
Net unrealized gains to be reclassified to earnings	\$3.1

Note 5 - Fair Value Measurements

On January 1, 2008, we adopted SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which refines the definition of fair value, provides a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). Level 2 measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1. The following fair value hierarchy table categorizes information regarding our assets and liabilities measured at fair value on a recurring basis (in millions):

Assets Measured at Fair Value on a Recurring Basis

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of March 31, 2008				
Trading securities	\$ --	\$ --	\$79.9	\$79.9
Derivative instruments, net	--	5.1	--	5.1
Total financial assets	\$ --	\$ 5.1	\$79.9	\$85.0

As of December 31, 2007				
Derivative instruments, net	\$ --	\$ 4.6	\$ --	\$ 4.6
Total financial assets	\$ --	\$ 4.6	\$ --	\$ 4.6

All of our assets measured at fair value on a recurring basis using significant Level 3 inputs as of March 31, 2008 were auction rate securities. See "Note 3 - Long-Term Investments" for additional information on our auction rate securities, including a description of the securities and underlying collateral, a discussion of the uncertainties relating to their liquidity and our accounting treatment under SFAS 115. The following table summarizes our fair value measurements using significant Level 3 inputs, and changes therein, for the three-month period ended March 31, 2008 (in millions):

Balance as of December 31, 2007	\$ --
Purchases and sales, net	83.0
Unrealized losses ⁽¹⁾	(3.1)
Realized losses	--
Transfers in and/or out of Level 3	--
Balance as of March 31, 2008	\$ 79.9

(1) Unrealized losses are included in other, net in the condensed consolidated statement of income.

Table of Contents

Before utilizing Level 3 inputs in our fair value measurement, we considered whether observable inputs were available. As a result of continued auction failures, quoted prices for our auction rate securities did not exist as of March 31, 2008 and, accordingly, we concluded that Level 1 inputs were not available. Brokerage statements received from the five broker/dealers that held our auction rate securities included their estimated market value as of March 31, 2008. Four broker/dealers valued our auction rate securities at par and the fifth valued our auction rate securities at 97% of par. We made inquiries relative to the measurements utilized to derive the estimated market values quoted on our brokerage statements, but each broker/dealer declined to provide information relating to their valuation methodologies. Due to the lack of transparency into the methodologies used to determine the estimated market values, we concluded that estimated market values provided on our brokerage statements did not constitute valid inputs and thus we did not utilize them in measuring the fair value of our securities as of March 31, 2008.

We determined that use of a valuation model was the best available technique for measuring the fair value of our auction rate securities and we engaged an independent third party valuation firm to assist in the measurement process. We used an income approach valuation model to estimate the price that would be received to sell our securities in an orderly transaction between market participants ("exit price") as of March 31, 2008. The exit price was derived as the weighted average present value of expected cash flows over various periods of illiquidity, using a risk adjusted discount rate that was based on the credit risk and liquidity risk of the securities.

While our valuation model was based on both Level 2 (credit quality and interest rates) and Level 3 inputs, we determined that the Level 3 inputs were the most significant to the overall fair value measurement, particularly the estimates of risk adjusted discount rates and ranges of expected periods of illiquidity. The valuation model also reflected our intention to hold our auction rate securities until they can be liquidated in a market that facilitates orderly transactions and our belief that we have the ability to maintain our investment indefinitely.

Note 6 - Income Taxes

We conduct operations, earn income and are subject to tax in the U.S. and numerous international countries. In many of the international jurisdictions where we operate, tax laws relating to the offshore drilling industry are not well developed and change frequently. Furthermore, in most of the tax jurisdictions where we operate, we enter into transactions with affiliates or employ other tax planning strategies that are generally subject to complex tax regulations. Due to the foregoing, the tax liabilities and benefits we recognize in our financial statements may differ from the tax positions taken, or expected to be taken, in our tax returns.

In accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"), tax positions are evaluated for recognition using a more-likely-than-not threshold. Tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. We had \$16.4 million and \$13.5 million of unrecognized tax benefits as of March 31, 2008 and December 31, 2007, respectively, classified as other liabilities on our condensed consolidated balance sheets. As of March 31, 2008, \$11.0 million of the \$16.4 million of unrecognized tax benefits would impact our effective tax rate if recognized.

Accrued interest and penalties totaled \$12.2 million and \$19.2 million as of March 31, 2008 and December 31, 2007, respectively, and were included in other liabilities on our condensed consolidated balance sheets. We recognized a net benefit of \$7.7 million included in current income tax expense in our condensed consolidated statement of income for the three-month period ended March 31, 2008 associated with interest and penalties.

During the three-month period ended March 31, 2008, statutes of limitations applicable to certain of our tax positions lapsed, resulting in a \$2.9 million decrease in unrecognized tax benefits and an \$11.5 million net income tax benefit, inclusive of interest and penalties. During March 2008, in connection with an examination of a prior period tax return, we recognized a \$5.4 million liability for unrecognized tax benefits associated with certain tax positions taken in prior years, which resulted in an \$8.9 million net income tax expense, inclusive of interest and penalties, during the three-month period ended March 31, 2008.

Note 7 - Contingencies

FCPA Internal Investigation

Following disclosures by other offshore service companies announcing internal investigations involving the legality of amounts paid to and by customs brokers in connection with temporary importation of rigs and vessels into Nigeria, the Audit Committee of our Board of Directors and management commenced an internal investigation in July 2007. The investigation focuses on our payments to customs brokers relating to the temporary importation of ENSCO 100, our only rig recently operating offshore Nigeria. The principal purpose of the investigation is to determine whether any of the payments made to or by our customs brokers were inappropriate under the U.S. Foreign Corrupt Practices Act ("FCPA"). Our Audit Committee has engaged Miller & Chevalier, a Washington, D.C. law firm with significant experience in investigating and advising upon FCPA matters, to assist the Audit Committee and management in the internal investigation.

As is customary for companies operating offshore Nigeria, we engaged independent customs brokers to process ENSCO 100 temporary importation permits, extensions and renewals. One or more of the customs brokers that our subsidiary in Nigeria used to obtain these permits, extensions and renewals also provided services to other offshore service companies that have commenced similar investigations.

Following consultation with outside legal counsel, notification to the Audit Committee and notification to KPMG LLP, our independent registered public accounting firm, we voluntarily notified the SEC and the United States Department of Justice that an internal investigation was underway and that we intended to cooperate fully with both agencies. We are unable to predict whether either agency will initiate a separate investigation of this matter, expand the scope of the investigation to other issues in Nigeria or to other countries or, if an agency investigation is initiated, what potential corrective measures, sanctions or other remedies, if any, the agencies may seek against us or any of our employees.

The internal investigation process has involved extensive reviews of documents and records, as well as production to the authorities, and will entail interviews of selected personnel. Since ENSCO 100 completed its contract commitment and departed Nigeria in August of 2007, this matter is not expected to have a material effect on or disrupt our current operations. We are unable to predict the outcome of the investigation or estimate the extent to which we may be exposed to any resulting potential liability or significant additional expense.

Table of Contents

ENSCO 29 Wreck Removal

A portion of the ENSCO 29 platform drilling rig was lost over the side of a customer's platform during Hurricane Katrina in the third quarter of 2005. Although beneficial ownership of ENSCO 29 was subsequently transferred to our insurance underwriters when the rig was determined to be a constructive total loss, management believes we may be legally required to remove the ENSCO 29 wreckage and debris from the seabed and currently estimates that the removal cost could range from \$5.0 million to \$15.0 million. Our property insurance policies include coverage for ENSCO 29 wreckage and debris removal costs up to \$3.8 million. We also have liability insurance policies that provide specified coverage for wreckage and debris removal costs in excess of the \$3.8 million coverage provided under the property insurance policies.

Our liability insurance underwriters have issued letters reserving rights and effectively denying coverage by questioning the applicability of coverage for the potential ENSCO 29 wreckage and debris removal costs. During August 2007, we commenced litigation against underwriters alleging breach of contract, wrongful denial, bad faith and other claims which seek a declaration that the removal of wreckage and debris is covered under our liability insurance, monetary damages, attorneys' fees and other remedies. While we anticipate that any ENSCO 29 wreckage and debris removal costs incurred will be largely or fully covered by insurance, a \$1.2 million provision, representing the portion of the \$5.0 million low range of the estimated removal cost we believe is subject to liability insurance coverage, was recognized during the third quarter of 2006.

Asbestos Litigation

In August 2004, we and certain current and former subsidiaries were named as defendants, along with numerous other third party companies as co-defendants, in three multi-party lawsuits filed in the Circuit Courts of Jones County (Second Judicial District) and Jasper County (First Judicial District), Mississippi. The lawsuits sought an unspecified amount of monetary damages on behalf of individuals alleging personal injury or death, primarily under the Jones Act, purportedly resulting from exposure to asbestos on drilling rigs and associated facilities during the period 1965 through 1986.

In compliance with the Mississippi Rules of Civil Procedure, the individual claimants in the original multi-party lawsuits whose claims were not dismissed were ordered to file either new or amended single plaintiff complaints naming the specific defendant(s) against whom they intended to pursue claims. As a result, out of more than 600 initial multi-party claims, we have been named as a defendant by 66 individual plaintiffs. Of these claims, 63 claims or lawsuits are pending in Mississippi state courts and three are pending in the United States District Court as a result of their removal from state court. Currently, none of the pending Mississippi asbestos lawsuits against us have been set for trial.

We intend to vigorously defend against these claims and have filed responsive pleadings preserving all defenses and challenges to jurisdiction and venue. However, discovery is still ongoing and thus available information regarding the nature of these claims is limited. At present, we cannot reasonably determine how many of the claimants may have valid claims under the Jones Act or estimate a range of potential liability exposure, if any.

Although we do not expect the final disposition of the Mississippi asbestos lawsuits to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuits.

Table of Contents

In addition to the pending cases in Mississippi, we have assumed the defense and indemnity of two parties that formerly held an interest in a predecessor company named in a lawsuit pending in the Superior Court of the State of California. The assumption of their defense and indemnity arises pursuant to the terms and conditions of an Assumption Agreement given by Penrod Drilling Corporation ("Penrod"), the predecessor of one of the Company's subsidiaries. The plaintiff seeks monetary damages allegedly arising from exposure to asbestos or products containing asbestos while employed by Penrod and several other named defendants between 1960 and the early 1990s. (Plaintiff alleges employment with Penrod in 1980 and 1981.) Inasmuch as the discovery process is in an early stage, it is difficult to assess the exposure or predict the outcome of this lawsuit. While management does not expect the final disposition of the lawsuit to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuit.

Working Time Directive

Legislation known as the U.K. Working Time Directive ("WTD") was introduced in August 2003 and may be applicable to our employees and employees of other drilling contractors that work offshore in U.K. territorial waters or in the U.K. sector of the North Sea. Certain trade unions representing offshore employees have claimed that drilling contractors are not in compliance with the WTD in respect of paid time off (vacation time) for employees working offshore on a rotational basis (generally equal time working and off). The related issues are subject to pending or potential judicial, administrative and legislative review.

A Labor Tribunal in Aberdeen, Scotland, rendered decisions in claims involving other offshore drilling contractors and offshore service companies on February 21, 2008. We are currently evaluating the extent to which the decisions will impact us. We also understand that these decisions will be further reviewed on appeal.

We also have received inquiries from the Danish and Dutch authorities regarding applicability of the WTD as adopted by Denmark and The Netherlands to employees on our rigs operating in the Danish and Dutch sectors of the North Sea.

Based on information currently available, we do not expect the resolution of these matters to have a material adverse effect on our financial position, operating results or cash flows.

Other Matters

In addition to the foregoing, we and our subsidiaries are named defendants in certain other lawsuits, claims or proceedings incidental to our business and are involved from time to time as parties to governmental investigations or proceedings, including matters related to taxation, arising in the ordinary course of business. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, management does not expect these matters to have a material adverse effect on our financial position, operating results or cash flows.

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

BUSINESS ENVIRONMENT

During the first quarter of 2008, day rates remained at or near record levels for most jackup rig classes, utilization remained high and most recently executed contracts continued to include favorable terms and conditions for drilling contractors. Demand for deepwater drilling rigs continued to exceed the available supply on a global basis.

There are 120 new jackup and semisubmersible rigs reported to be on order, with approximately 40 of these rigs scheduled for delivery during 2008. We anticipate that demand for drilling rigs will continue to grow given the relatively high oil and gas prices, and that there will be sufficient rig demand to absorb new rig supply through much of 2008. For additional information concerning the potential risks and uncertainties these new drilling rigs may have on our business, our industry, global supply, day rates and utilization, see "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our Annual Report on Form 10-K for the year ended December 31, 2007.

Asia Pacific

Jackup rig drilling contracts in the Asia Pacific region have historically been for substantially longer durations than those in other geographical regions. Since day rates for such contracts generally are fixed, or fixed subject to adjustment for variations in the drilling contractor's costs, our Asia Pacific operations generally are not subject to the same level of day rate volatility as other regions where shorter term contracts are more prevalent. During 2007, demand for jackup rigs in this region exceeded the supply of available rigs, enabling drilling contractors to realize high day rates and utilization. During the first quarter of 2008, pressure from newbuild jackup rigs scheduled for delivery caused day rates in certain markets of this region to moderate, but continued demand for jackup rigs enabled drilling contractors to sustain high utilization rates.

Europe/Africa

Our Europe/Africa offshore drilling operations are mainly conducted in northern Europe (North Sea) where moderate duration jackup rig contracts are prevalent. During 2007, oil and gas companies continued to increase their spending in this region. A shortfall of available jackup rigs combined with additional demand led to increased day rates. During the first quarter of 2008, shortfalls in rig availability continued, causing a slight increase in day rates over the prior year. Although it is expected that several newbuild jackup rigs will be added to this region in 2008, based on current demand and the slight undersupply of jackup rigs in the region, a balanced market and relatively stable day rates are expected through the remainder of the year.

North and South America

Our North and South America offshore drilling operations are mainly conducted in the Gulf of Mexico where jackup rig contracts are normally entered into for relatively short durations and day rates are adjusted to current market rates upon contract renewal. Therefore, day rates in this region are more volatile than in regions where longer duration contracts are more prevalent.

Table of Contents

During 2007, demand declined and day rates softened in the Gulf of Mexico compared to prior levels as a result of competition for work among drilling contractors, particularly related to smaller premium jackup rigs. Oil and gas companies continued to shift their focus to more economically attractive prospects in the deeper waters of the Gulf of Mexico and elsewhere. Drilling contractors continued to pursue international opportunities and, despite relocation of several jackup rigs from the region in 2007, rig demand decreased at a faster pace than supply.

During the first quarter of 2008, demand for jackup rigs in the Gulf of Mexico increased. However, first quarter 2008 jackup rig day rates remained generally consistent with the prior year fourth quarter. Several oil and gas companies have confirmed new jackup rig programs slated to begin in the second and third quarters of 2008 while others recently extended their current commitments in the Gulf of Mexico. It is currently unclear whether hurricane season will have an offsetting negative impact on demand in this region.

Demand for deepwater semisubmersible rigs in the Gulf of Mexico continued to outpace supply resulting in high day rates and utilization during the first quarter of 2008. In addition to the ENSCO 7500 deepwater semisubmersible rig currently operating in the Gulf of Mexico, we have four ultra-deepwater semisubmersible rigs under construction with scheduled delivery dates in the third quarter of 2008, the first and fourth quarters of 2009 and the third quarter of 2010. The first three rigs to be delivered have secured long-term drilling contracts in the Gulf of Mexico and we entered into a letter of intent with a customer for a drilling contract on ENSCO 8503 during the first quarter of 2008. The contemplated contract will be for a two-year term, with an option for the customer to extend the contract at mutually agreed rates and term. The base operating rate is \$510,000 per day, and the day rate will be subject to adjustment for variances in operating costs from current levels. The letter of intent is subject to negotiation and execution of a definitive drilling contract.

As oil and gas companies continue to increase their investment in deepwater projects, it is anticipated that the deepwater semisubmersible rigs in the Gulf of Mexico, as well as other geographical regions of the world, will remain near full utilization for the next several years.

RESULTS OF OPERATIONS

The following table highlights our condensed consolidated operating results for the three-month periods ended March 31, 2008 and 2007 (in millions):

	<u>2008</u>	<u>2007</u>
Revenues	\$580.3	\$514.1
Operating expenses		
Contract drilling	190.7	162.8
Depreciation	47.5	45.1
General and administrative	12.7	16.0
Operating income	329.4	290.2
Other income (expense)	4.5	9.6
Provision for income taxes	61.9	67.5
Net income	\$272.0	\$232.3

Table of Contents

For the three-month period ended March 31, 2008, revenues increased by \$66.2 million, or 13%, and operating income increased by \$39.2 million, or 14%, as compared to the prior year first quarter. These increases were primarily due to improved average day rates earned by our jackup rigs in the Europe/Africa and Asia Pacific regions as compared to the prior year first quarter, partially offset by lower average day rates earned by our jackup rigs in the Gulf of Mexico as compared to the prior year first quarter. Detailed explanations of our operating results for the three-month periods ended March 31, 2008 and 2007, including discussions of revenues and contract drilling expense based on geographical region and type of rig, are set forth below.

Revenue and Contract Drilling Expense

The following analysis summarizes our revenues, contract drilling expense, rig utilization and average day rates for the three-month periods ended March 31, 2008 and 2007 (in millions except utilization and day rates):

	<u>2008</u>	<u>2007</u>
Revenues		
Jackup rigs:		
Asia Pacific	\$250.1	\$198.8
Europe/Africa	191.8	148.2
North and South America	108.7	144.2
Total jackup rigs	550.6	491.2
Semisubmersible rig - North America	24.6	17.7
Barge rig - Asia Pacific	5.1	5.2
Total	\$580.3	\$514.1

Contract Drilling Expense

Jackup rigs:		
Asia Pacific	\$ 74.0	\$ 60.9
Europe/Africa	57.9	47.7
North and South America	47.8	44.8
Total jackup rigs	179.7	153.4
Semisubmersible rigs - North America	8.5	6.1
Barge rig - Asia Pacific	2.5	3.3
Total	\$190.7	\$162.8

Table of Contents

	<u>2008</u>	<u>2007</u>
Rig Utilization ⁽¹⁾		
Jackup rigs:		
Asia Pacific	97%	99%
Europe/Africa	99%	95%
North and South America	92%	85%
<hr/>		
Total jackup rigs	95%	93%
<hr/>		
Semisubmersible rig - North America	96%	97%
Barge rig - Asia Pacific	92%	100%
<hr/>		
Total	95%	93%

Average Day Rates ⁽²⁾		
Jackup rigs:		
Asia Pacific	\$143,303	\$120,728
Europe/Africa	213,123	182,536
North and South America	89,361	117,858
<hr/>		
Total jackup rigs	142,524	133,238
<hr/>		
Semisubmersible rig - North America	279,962	195,740
Barge rig - Asia Pacific	72,800	56,509
<hr/>		
Total	\$144,407	\$132,843

(1) Utilization is derived by dividing the number of days under contract, including days associated with compensated mobilizations, 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, demobilizations, shipyard contracts and standby contracts.

Table of Contents

The following table summarizes our offshore drilling rigs by geographic region and type as of March 31, 2008 and 2007:

	<u>Number of Rigs</u>	
	<u>2008</u>	<u>2007</u>
Jackup rigs:		
Asia Pacific	19	19
Europe/Africa (1)	10	9
North and South America (1)	15	16
Total jackup rigs	44	44
Semisubmersible rigs:		
North America	1	1
Under construction (2)	4	3
Total semisubmersible rigs	5	4
Barge rig - Asia Pacific	1	1
Total	50	49

(1) During the second quarter of 2007, we mobilized ENSCO 105 from the Gulf of Mexico to Tunisia.

(2) During the second quarter of 2007, we entered into an agreement to construct ENSCO 8503 with delivery expected in the third quarter of 2010.

Asia Pacific Jackup Rigs

First quarter 2008 revenues for the Asia Pacific jackup rigs increased by \$51.3 million, or 26%, as compared to the prior year first quarter. The increase in revenues was primarily due to a 19% increase in average day rates and the increased size of the Asia Pacific jackup fleet. The increase in average day rates resulted from an increase in demand due to higher levels of spending by oil and gas companies and relatively limited rig availability in the region. We accepted delivery of ENSCO 108 late in the first quarter of 2007 upon completion of its construction, with drilling operations commencing in the second quarter of 2007. The addition of ENSCO 108 to the fleet contributed \$18.5 million to the increase in Asia Pacific jackup rig revenue over the comparable prior year quarter. First quarter 2008 contract drilling expense increased by \$13.1 million, or 22%, as compared to the prior year first quarter primarily due to the addition of ENSCO 108 to the fleet, which resulted in an additional \$4.1 million of contract drilling expense, as well as increased personnel costs and repair and maintenance expense as compared to the prior year first quarter.

Table of Contents

Europe/Africa Jackup Rigs

First quarter 2008 revenues for the Europe/Africa jackup rigs increased by \$43.6 million, or 29%, compared to the prior year first quarter. The increase was primarily attributable to the addition of ENSCO 105 to the Europe/Africa fleet, which provided an additional \$22.6 million in revenue as compared to the prior year first quarter, as well as a 17% increase in average day rates and an increase in utilization to 99% from 95% in the comparable prior year quarter. The increase in average day rates and rig utilization resulted from an increase in demand due to higher levels of spending by oil and gas companies and limited rig availability in the region. First quarter 2008 contract drilling expense for the Europe/Africa jackup rigs increased by \$10.2 million, or 21%, compared to the prior year first quarter. The increase in contract drilling expense was primarily due to the addition of ENSCO 105 to the fleet, which resulted in an additional \$6.2 million of contract drilling expense, as well as increased repair and maintenance expense and personnel costs, partially offset by reduced reimbursable expenses, as compared to the prior year first quarter.

North and South America Jackup Rigs

First quarter 2008 revenues for the North and South America jackup rigs decreased by \$35.5 million, or 25%, compared to the prior year first quarter. The decrease in revenues was due primarily to a 24% decrease in average day rates and the reduced size of the North and South America jackup rig fleet, partially offset by an increase in utilization to 92% from 85% in the comparable prior year quarter. The decrease in average day rates was primarily attributable to a decrease in demand by oil and gas companies who reduced shallow water spending in this region. First quarter 2008 contract drilling expense for the North and South America jackup rigs increased by \$3.0 million, or 7%, compared to the prior year first quarter. The increase in contract drilling expense was primarily due to increased personnel costs, partially offset by decreased mobilization and reimbursable expenses and the reduced size of the fleet as compared to the prior year first quarter.

North America Semisubmersible Rig

First quarter 2008 revenues for ENSCO 7500 increased by \$6.9 million, or 39%, and contract drilling expense increased by \$2.4 million, or 39%, as compared to the prior year first quarter. The increase in revenues was due to an increase in the average day rate to \$279,962 from \$195,740 in the comparable prior year quarter, as the ENSCO 7500 began earning a significantly higher day rate during February 2008. The increase in contract drilling expense was primarily due to increased personnel costs, as we have increased staffing levels on the rig in preparation for delivery of our ENSCO 8500 Series® rigs, the first of which is scheduled for the third quarter of 2008.

Depreciation

Depreciation expense for the first quarter of 2008 increased by \$2.4 million, or 5%, as compared to the prior year first quarter. The increase was primarily attributable to depreciation associated with capital enhancement projects completed subsequent to the first quarter of 2007 and depreciation on ENSCO 108, which was placed into service in the second quarter of 2007.

General and Administrative

General and administrative expense for the first quarter of 2008 decreased by \$3.3 million, or 21%, as compared to the prior year first quarter. The decrease was attributable to a \$3.9 million expense incurred during the prior year first quarter in connection with a retirement agreement with our former Chairman and Chief Executive Officer.

Table of Contents

Other Income (Expense)

Other income (expense) for the three-month periods ended March 31, 2008 and 2007 was as follows (in millions):

	<u>2008</u>	<u>2007</u>
Interest income	\$ 5.0	\$ 6.2
Interest expense, net:		
Interest expense	(5.7)	(8.6)
Capitalized interest	5.7	7.5
	--	(1.1)
Other, net	(.5)	4.5
	\$ 4.5	\$ 9.6

The decrease in interest income in the first quarter of 2008, as compared to the prior year first quarter, was due to lower average interest rates, partially offset by an increase in cash balances invested. The decrease in interest expense during the first quarter of 2008, as compared to the prior year first quarter, was primarily due to a decline in outstanding debt.

Other, net, in the three-month period ended March 31, 2008 primarily consisted of a \$3.1 million unrealized loss associated with the valuation of our auction rate securities and net foreign currency exchange gains of \$2.5 million. Our fair value measurements are discussed in Note 5 to the condensed consolidated financial statements.

Other, net, in the three-month period ended March 31, 2007 primarily consisted of a \$3.1 million net gain resulting from the settlement of litigation we initiated in relation to a non-operational dispute with a third party service provider and net foreign currency exchange gains of \$1.1 million.

Provision for Income Taxes

The provision for income taxes for the three-month period ended March 31, 2008 decreased by \$5.6 million in comparison to the prior year first quarter. The decrease was primarily attributable to a reduction in our effective income tax rate from 22.5% for the three-month period ended March 31, 2007 to 18.5% for the three-month period ended March 31, 2008, partially offset by increased profitability. The decrease in our effective tax rate was primarily due to an increase in the portion of our earnings from tax jurisdictions with lower tax rates.

Fair Value Measurements

All of our assets measured at fair value using significant Level 3 inputs as of March 31, 2008 were auction rate securities. See Note 3 to our condensed consolidated financial statements for additional information on our auction rate securities, including a description of the securities and underlying collateral, a discussion of the uncertainties relating to their liquidity and our accounting treatment under SFAS 115. As a result of continued auction failures, quoted prices for our auction rate securities did not exist as of March 31, 2008 and, accordingly, we concluded that Level 1 inputs were not available.

Table of Contents

We determined that use of a valuation model was the best available technique for measuring the fair value of our auction rate securities and we engaged an independent third party valuation firm to assist in the measurement process. We used an income approach valuation model to estimate the price that would be received to sell our securities in an orderly transaction between market participants ("exit price") as of March 31, 2008. The exit price was derived as the weighted average present value of expected cash flows over various periods of illiquidity, using a risk adjusted discount rate that was based on the credit risk and liquidity risk of the securities.

While our valuation model was based on both Level 2 (credit quality and interest rates) and Level 3 inputs, we determined that the Level 3 inputs were the most significant to the overall fair value measurement, particularly the estimates of risk adjusted discount rates and ranges of expected periods of illiquidity. The valuation model also reflected our intention to hold our auction rate securities until they can be liquidated in a market that facilitates orderly transactions and our belief that we have the ability to maintain our investment indefinitely.

We reviewed inputs to the valuations performed by the independent third party valuation firm, evaluated results and performed sensitivity analysis on key assumptions. Based on our review, we concluded that the fair value measurement of our auction rate securities as of March 31, 2008 was appropriate.

Based on the results of our fair value measurement, we recognized an unrealized loss of \$3.1 million for the three-month period ended March 31, 2008, which was included in other, net in our condensed consolidated statement of income. The carrying value of our auction rate securities as of March 31, 2008 totaled \$79.9 million, and included \$74.9 million classified as long-term investments and \$5.0 million classified as other current assets on our condensed consolidated balance sheet.

We anticipate realizing the par value of our auction rate securities because we intend to hold them until they are redeemed or until they can be sold in a market that facilitates orderly transactions. The \$3.1 million unrealized loss recognized for the three-month period ended March 31, 2008, resulted primarily from the liquidity risk (rather than credit risk) of our auction rate securities.

Assets measured at fair value using significant Level 3 inputs constituted 1.5% of our total assets as of March 31, 2008. No assets or liabilities were valued using Level 3 inputs as of December 31, 2007.

LIQUIDITY AND CAPITAL RESOURCES

Although our business is very cyclical, we historically have relied on our cash flow from operations to meet liquidity needs and fund the majority of our cash requirements. We have maintained a strong financial position through the disciplined and conservative use of debt. A substantial amount of our cash flow is invested in the expansion and enhancement of our fleet of drilling rigs.

During the three-month period ended March 31, 2008, our primary source of cash was \$151.2 million generated from operations and our primary use of cash was \$116.2 million for the construction, enhancement and other improvement of our drilling rigs.

During the three-month period ended March 31, 2007, our primary sources of cash included \$279.7 million generated from operations and \$9.8 million from the exercise of stock options. Our primary uses of cash for the same period included \$127.8 million for the repurchase of common stock and \$106.0 million for the construction, enhancement and other improvement of our drilling rigs.

Detailed explanations of our liquidity and capital resources for the three-month periods ended March 31, 2008 and 2007, are set forth below.

Table of Contents

Cash Flow and Capital Expenditures

Our cash flow from operations and capital expenditures for the three-month periods ended March 31, 2008 and 2007 were as follows (in millions):

	<u>2008</u>	<u>2007</u>
Cash flow from operations	\$151.2	\$279.7
Capital expenditures		
New rig construction	\$ 76.4	\$ 66.2
Rig enhancements	16.3	15.4
Minor upgrades and improvements	23.5	24.4
	<u>\$116.2</u>	<u>\$106.0</u>

Cash flow from operations decreased by \$128.5 million, or 46%, for the three-month period ended March 31, 2008 as compared to the prior year first quarter. The decrease resulted primarily from an \$83.0 million increase in our investment in auction rate securities, an \$86.2 million increase in tax related payments and a \$45.5 million increase in cash payments related to contract drilling expenses, partially offset by a \$78.5 million increase in cash receipts from drilling services.

We continue to expand the size and quality of our drilling rig fleet. We have four ultra-deepwater semisubmersible rigs under construction with scheduled delivery dates in the third quarter of 2008, the first and fourth quarters of 2009 and the third quarter of 2010. Our Board of Directors recently authorized construction of a fifth ultra-deepwater semisubmersible rig, with an estimated construction cost of approximately \$515.0 million and delivery in late 2011. The first three rigs to be delivered have secured long-term drilling contracts in the Gulf of Mexico and during the first quarter of 2008 we entered into a letter of intent with a customer for a long-term drilling contract on ENSCO 8503.

Based on our current projections, we expect capital expenditures in 2008 to include approximately \$545.0 million for construction of our five ENSCO 8500® Series rigs, approximately \$25.0 million for rig enhancement projects and approximately \$110.0 million for minor upgrades and improvements. Depending on market conditions and opportunities, we may also make additional capital expenditures to upgrade rigs and construct or acquire additional rigs.

Financing and Capital Resources

Our long-term debt, total capital and long-term debt to total capital ratio as of March 31, 2008 and December 31, 2007 are summarized below (in millions, except percentages):

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Long-term debt	\$ 291.4	\$ 291.4
Total capital*	4,322.3	4,043.4
Long-term debt to total capital	6.7%	7.2%

* Total capital includes long-term debt and stockholders' equity.

Table of Contents

In March 2006, our Board of Directors authorized the repurchase of up to \$500.0 million of our outstanding common stock. In August 2007, following completion of the authorized repurchase, our Board of Directors authorized the repurchase of an additional \$500.0 million of our outstanding common stock (the "supplemental authorization"). From inception of our stock repurchase programs in March 2006 through December 31, 2007, we repurchased an aggregate 12.8 million shares at a cost of \$681.6 million (an average cost of \$53.05 per share). No repurchases of common stock occurred under the supplemental authorization during the three-month period ended March 31, 2008. As of March 31, 2008, \$318.4 million of the supplemental authorization remained available for repurchases of our outstanding common stock.

Liquidity

Our liquidity position as of March 31, 2008 and December 31, 2007 is summarized in the table below (in millions, except ratios):

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Cash and cash equivalents	\$664.9	\$629.5
Working capital	761.1	625.8
Current ratio	2.7	2.2

We expect to fund our short-term liquidity needs, including contractual obligations, anticipated capital expenditures, stock repurchases and dividends as well as any working capital requirements, from our cash and cash equivalents and operating cash flow.

We expect to fund our long-term liquidity needs, including contractual obligations and anticipated capital expenditures, from our cash and cash equivalents, investments, operating cash flow and, if necessary, funds borrowed under our \$350.0 million unsecured revolving credit facility or other future financing arrangements.

We historically have funded the majority of our liquidity from operating cash flow. We anticipate a substantial amount of our cash flow in the near to intermediate-term will continue to be invested in the expansion of our deepwater semisubmersible drilling fleet and used to repurchase our outstanding common stock under the \$500.0 million supplemental authorization, of which, \$318.4 million remained available for repurchases as of March 31, 2008. While future operating cash flow cannot be accurately predicted, based on our contractual backlog and current industry conditions, management expects our long-term liquidity will continue to be funded primarily from operating cash flow.

In addition to \$664.9 million of cash and cash equivalents, we also held \$83.0 million (par value) of investments in auction rate securities as of March 31, 2008, which were classified as other current assets and long-term investments on our condensed consolidated balance sheet. See Note 3 to the condensed consolidated financial statements for additional information on our auction rate securities. Although we acquired these securities with the intention of selling them in the near term, we plan to hold them until they can be sold in a market that facilitates orderly transactions. We do not expect to experience liquidity problems if we hold these securities indefinitely.

MARKET RISK

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange risk. We predominantly structure our contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We also employ various strategies, including the use of derivative instruments, to match foreign currency denominated assets with equal or near equal amounts of foreign currency denominated liabilities, thereby minimizing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. We also utilize derivative instruments to hedge forecasted foreign currency denominated transactions. As of March 31, 2008, we had contracts outstanding to exchange an aggregate \$297.7 million U.S. dollars for various foreign currencies, all of which mature during the next fourteen months. If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, the net unrealized loss associated with our foreign currency denominated assets and liabilities and related foreign currency exchange contracts as of March 31, 2008 would approximate \$21.8 million.

We utilize derivative instruments and undertake foreign currency hedging activities in accordance with our established policies for the management of market risk. We do not enter into derivative instruments for trading or other speculative purposes. We believe that our use of derivative instruments and related hedging activities does not expose us to any material interest rate risk, foreign currency exchange rate risk, commodity price risk, credit risk or any other material market rate or price risk.

We have generated substantial cash balances, portions of which are invested in securities that meet our requirements for quality and return. Investment of our cash balances exposes us to market risk. We held \$83.0 million (par value) of auction rate securities with a carrying value of \$79.9 million as of March 31, 2008. Recent auctions for our securities have failed resulting in a lack of liquidity, but do not represent a default in the underlying debt instruments. See Note 3 to the condensed consolidated financial statements for additional information on our auction rate securities. We intend to hold these securities until they can be sold in a market that facilitates orderly transactions. Due to significant uncertainties related to the auction rate securities market, we will be exposed to the risk of changes in fair value of these securities in future periods.

CRITICAL ACCOUNTING POLICIES

The preparation of our consolidated financial statements and related disclosures in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2007 included in our Annual Report on Form 10-K filed with the SEC on February 26, 2008. These policies, along with our underlying assumptions and judgments made in their application, have a significant impact on our consolidated financial statements. We identify our most critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and results of operations, and that require the most difficult, subjective and/or complex judgments by management regarding estimates in matters that are inherently uncertain. Our most critical accounting policies are those related to property and equipment, impairment of long-lived assets and goodwill and income taxes.

Property and Equipment

As of March 31, 2008, the carrying value of our property and equipment totaled \$3,437.5 million, which represented 66% of total assets. This carrying value reflects the application of our property and equipment accounting policies, which incorporate management's estimates, assumptions and judgments relative to the capitalized costs, useful lives and salvage values of our rigs.

Table of Contents

We develop and apply 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 our assets and expense those costs incurred to repair or maintain the existing condition or useful lives of our assets. The development and application of such policies requires judgments and assumptions by management relative to the nature of, and benefits from, expenditures on our assets. We establish property and equipment accounting policies that are designed to depreciate our assets over their estimated useful lives. The assumptions and judgments used by management in determining the estimated useful lives of our property and equipment reflect both historical experience and expectations regarding future operations, utilization and performance of our assets. The use of different estimates, assumptions and judgments in the establishment of our property and equipment accounting policies, especially those involving the useful lives of our rigs, would likely result in materially different carrying values of assets and operating results.

For additional information concerning the useful lives of our drilling rigs, including an analysis of the impact of various changes in useful life assumptions, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in Part II of our Annual Report on Form 10-K for the year ended December 31, 2007.

Impairment of Long-Lived Assets and Goodwill

We evaluate the carrying value of our property and equipment, primarily our drilling rigs, when events or changes in circumstances indicate that the carrying value of such rigs may not be recoverable. Generally, extended periods of idle time and/or inability to contract rigs at economical rates are an indication that a rig may be impaired. However, the offshore drilling industry has historically been highly cyclical and it is not unusual for rigs 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 rigs, groups of rigs, such as a specific type of drilling rig, or rigs in a certain geographic region. Our rigs are mobile and may generally be moved from markets with excess supply, if economically feasible. Our jackup rigs and deepwater semisubmersible rigs are suited for, and accessible to, broad and numerous markets throughout the world.

We test goodwill for impairment on an annual basis, or when events or changes in circumstances indicate that a potential impairment exists. The goodwill impairment test requires us to identify reporting units and estimate the fair value of those units as of the testing date. If the estimated fair value of a reporting unit exceeds its carrying value, its goodwill is considered not impaired. If the estimated fair value of a reporting unit is less than its carrying value, we estimate the implied fair value of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to such excess. In the event we dispose of drilling rig operations that constitute a business, goodwill would be allocated in the determination of gain or loss on sale. Based on our goodwill impairment analysis performed as of December 31, 2007, there was no impairment of goodwill. No events or changes in circumstances indicating a potential impairment were identified during the three-month period ended March 31, 2008.

Asset impairment evaluations are, by nature, highly subjective. In most instances they involve expectations of future cash flows to be generated by our drilling rigs 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 our drilling rigs. The estimates, assumptions and judgments used by management in the application of our asset impairment policies reflect both historical experience and an assessment of current operational, industry, market, 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 operating results.

Table of Contents

Income Taxes

We conduct operations and earn income in numerous international countries and are subject to the laws of tax jurisdictions within those countries, as well as U.S. federal and state tax laws. As of March 31, 2008, we had a \$344.3 million net deferred income tax liability, a \$125.5 million liability for income taxes currently payable and a \$16.4 million liability for unrecognized tax benefits.

The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies in accordance with SFAS 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. Carryforwards and tax credits are assessed for realization as a reduction of future taxable income by using a more-likely-than-not determination. In December 2007, substantially all of the undistributed earnings of our non-U.S. subsidiaries were distributed to our U.S. parent. A U.S. deferred tax liability has not been recognized for the remaining undistributed earnings of our non-U.S. subsidiaries because it is our intention to reinvest such earnings indefinitely. Should our non-U.S. subsidiaries elect to make a distribution of these earnings, or be deemed to have made a distribution of them through application of various provisions of the Internal Revenue Code, we may be subject to additional U.S. income taxes.

The carrying values of liabilities for income taxes currently payable and unrecognized tax benefits reflect our application of the provisions of FIN 48 and 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 operating results.

We operate in many international jurisdictions where tax laws relating to the offshore drilling industry are not well developed. In jurisdictions where available statutory law and regulations are incomplete or underdeveloped, we obtain professional guidance and consider existing industry practices before utilizing tax planning strategies and meeting our tax obligations. Tax returns are routinely subject to audit in most jurisdictions and tax liabilities are frequently finalized through a negotiation process. While we have not historically experienced significant adjustments to previously recognized tax assets and liabilities as a result of finalizing tax returns, there can be no assurance that significant adjustments will not arise in the future. In addition, there are several factors that could cause the future level of uncertainty relating to our tax liabilities to increase, including the following:

- During recent years the portion of our overall operations conducted in international tax jurisdictions has been increasing and we currently anticipate this trend will continue.
- In order to utilize tax planning strategies and conduct international operations efficiently, our subsidiaries frequently enter into transactions with affiliates that are generally subject to complex tax regulations and frequently are reviewed by tax authorities.
- We may conduct future operations in certain tax jurisdictions where tax laws are not well developed and it may be difficult to secure adequate professional guidance.
- Tax laws, regulations, agreements and treaties change frequently, requiring us to modify existing tax strategies to conform to such changes.

NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative and Hedging Activities" ("SFAS 161"). This standard amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), to change the disclosure requirements for derivative instruments and hedging activities. This standard requires enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Adoption of SFAS 161 will require increased financial statement disclosures, but will not affect our consolidated financial position, operating results or cash flows.

In February 2008, the FASB issued FASB Staff Position 157-2 "Partial Deferral of the Effective Date of Statement 157" ("FSP 157-2"). FSP 157-2 delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The adoption of SFAS 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material effect on our consolidated financial position, operating results or cash flows. See Note 5 to the condensed consolidated financial statements. We do not expect adoption of SFAS 157 on January 1, 2009 for nonfinancial assets and liabilities to have a material effect on our financial position, operating results or cash flows.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141(R)"). This standard establishes principles and requirements for how an acquirer in a business combination recognizes and measures the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree in its financial statements. SFAS 141(R) also establishes principles and requirements for how an acquirer recognizes and measures the goodwill acquired in a business combination and it establishes disclosure requirements to facilitate an evaluation of the nature and financial effects of a business combination. SFAS 141(R) is effective for business combinations which occur during the first annual reporting period beginning on or after December 15, 2008. We expect the effect of adoption of this standard to be limited to any acquisitions which close subsequent to December 31, 2008.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). This standard amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements", to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest should be reported as equity in the consolidated financial statements and requires net income attributable to both the parent and the noncontrolling interest to be disclosed separately on the face of the consolidated statement of income. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We do not expect adoption of this standard to have a material effect on our consolidated financial position, operating results or cash flows.

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

Information required under Item 3. has been incorporated into "Item 2. 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, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as defined in Rule 13a-15 under the Securities and Exchange Act of 1934 (the "Exchange Act"), are effective.

During the fiscal quarter ended March 31, 2008, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

FCPA Internal Investigation

Following disclosures by other offshore service companies announcing internal investigations involving the legality of amounts paid to and by customs brokers in connection with temporary importation of rigs and vessels into Nigeria, the Audit Committee of our Board of Directors and management commenced an internal investigation in July 2007. The investigation focuses on our payments to customs brokers relating to the temporary importation of ENSCO 100, our only rig recently operating offshore Nigeria. The principal purpose of the investigation is to determine whether any of the payments made to or by our customs brokers were inappropriate under the U.S. FCPA. Our Audit Committee has engaged Miller & Chevalier, a Washington, D.C. law firm with significant experience in investigating and advising upon FCPA matters, to assist the Audit Committee and management in the internal investigation.

As is customary for companies operating offshore Nigeria, we engaged independent customs brokers to process ENSCO 100 temporary importation permits, extensions and renewals. One or more of the customs brokers that our subsidiary in Nigeria used to obtain these permits, extensions and renewals also provided services to other offshore service companies that have commenced similar investigations.

Following consultation with outside legal counsel, notification to the Audit Committee and notification to KPMG LLP, our independent registered public accounting firm, we voluntarily notified the SEC and the United States Department of Justice that an internal investigation was underway and that we intended to cooperate fully with both agencies. We are unable to predict whether either agency will initiate a separate investigation of this matter, expand the scope of the investigation to other issues in Nigeria or to other countries or, if an agency investigation is initiated, what potential corrective measures, sanctions or other remedies, if any, the agencies may seek against us or any of our employees.

The internal investigation process has involved extensive reviews of documents and records, as well as production to the authorities, and will entail interviews of selected personnel. Since ENSCO 100 completed its contract commitment and departed Nigeria in August of 2007, this matter is not expected to have a material effect on or disrupt our current operations. We are unable to predict the outcome of the investigation or estimate the extent to which we may be exposed to any resulting potential liability or significant additional expense.

ENSCO 29 Wreck Removal

A portion of the ENSCO 29 platform drilling rig was lost over the side of a customer's platform during Hurricane Katrina in the third quarter of 2005. Although beneficial ownership of ENSCO 29 was subsequently transferred to our insurance underwriters when the rig was determined to be a constructive total loss, management believes we may be legally required to remove the ENSCO 29 wreckage and debris from the seabed and currently estimates that the removal cost could range from \$5.0 million to \$15.0 million. Our property insurance policies include coverage for ENSCO 29 wreckage and debris removal costs up to \$3.8 million. We also have liability insurance policies that provide specified coverage for wreckage and debris removal costs in excess of the \$3.8 million coverage provided under the property insurance policies.

Our liability insurance underwriters have issued letters reserving rights and effectively denying coverage by questioning the applicability of coverage for the potential ENSCO 29 wreckage and debris removal costs. During August 2007, we commenced litigation against underwriters alleging breach of contract, wrongful denial, bad faith and other claims which seek a declaration that the removal of wreckage and debris is covered under our liability insurance, monetary damages, attorneys' fees and other remedies. While we anticipate that any ENSCO 29 wreckage and debris removal costs incurred will be largely or fully covered by insurance, a \$1.2 million provision, representing the portion of the \$5.0 million low range of the estimated removal cost we believe is subject to liability insurance coverage, was recognized during the third quarter of 2006.

Table of Contents

Asbestos Litigation

In August 2004, we and certain current and former subsidiaries were named as defendants, along with numerous other third party companies as co-defendants, in three multi-party lawsuits filed in the Circuit Courts of Jones County (Second Judicial District) and Jasper County (First Judicial District), Mississippi. The lawsuits sought an unspecified amount of monetary damages on behalf of individuals alleging personal injury or death, primarily under the Jones Act, purportedly resulting from exposure to asbestos on drilling rigs and associated facilities during the period 1965 through 1986.

In compliance with the Mississippi Rules of Civil Procedure, the individual claimants in the original multi-party lawsuits whose claims were not dismissed were ordered to file either new or amended single plaintiff complaints naming the specific defendant(s) against whom they intended to pursue claims. As a result, out of more than 600 initial multi-party claims, we have been named as a defendant by 66 individual plaintiffs. Of these claims, 63 claims or lawsuits are pending in Mississippi state courts and three are pending in the United States District Court as a result of their removal from state court.

We intend to vigorously defend against these claims and have filed responsive pleadings preserving all defenses and challenges to jurisdiction and venue. However, discovery is still ongoing and thus, available information regarding the nature of these claims is limited. At present, we cannot reasonably determine how many of the claimants may have valid claims under the Jones Act or estimate a range of potential liability exposure, if any. In any event, as the taking of deposition testimony from claimants progresses, there may be opportunities to settle or otherwise file Motions for Summary Judgment seeking dismissal of claims. Currently, none of the pending Mississippi asbestos lawsuits against us have been set for trial.

Although we do not expect the final disposition of the Mississippi asbestos lawsuits to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuits.

In addition to the pending cases in Mississippi, we have assumed the defense and indemnity of two parties that formerly held an interest in a predecessor company named in a lawsuit pending in the Superior Court of the State of California. The assumption of their defense and indemnity arises pursuant to the terms and conditions of an Assumption Agreement given by Penrod, the predecessor of one of the Company's subsidiaries. The plaintiff seeks monetary damages allegedly arising from exposure to asbestos or products containing asbestos while employed by Penrod and several other named defendants between 1960 and the early 1990s. (Plaintiff alleges employment with Penrod in 1980 and 1981.) Inasmuch as the discovery process is in an early stage, it is difficult to assess the exposure or predict the outcome of this lawsuit. While management does not expect the final disposition of the lawsuit to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuit.

Other Matters

In addition to the foregoing, we and our subsidiaries are named defendants in certain other lawsuits, claims or proceedings incidental to our business and are involved from time to time as parties to governmental investigations or proceedings, including matters related to taxation, all arising in the ordinary course of business. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, management does not expect these matters to have a material adverse effect on our financial position, operating results or cash flows.

Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to the other information set forth in this quarterly report, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our Annual Report on Form 10-K for the year ended December 31, 2007, which contains descriptions of significant factors that might cause the actual results of operations in future periods to differ materially from those currently anticipated or expected. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2007, except as set forth below:

WE HAVE INVESTED A PORTION OF OUR CASH IN AUCTION RATE SECURITIES, THE MARKET FOR WHICH HAS BECOME ILLIQUID. ALTHOUGH WE ACQUIRED THESE SECURITIES WITH THE INTENTION OF SELLING THEM IN THE NEAR TERM, WE MAY BE REQUIRED TO HOLD THEM INDEFINITELY.

As of March 31, 2008, we held \$83.0 million (par value) of auction rate securities. Recent auctions for our auction rate securities have failed. An auction failure, which is not a default in the underlying debt instrument, occurs when there are more sellers than buyers at a scheduled interest rate auction date and parties desiring to sell their securities are unable to do so. When an auction fails, the interest rate is adjusted according to the provisions of the associated security agreement, which generally results in an interest rate that is higher than the interest rate the issuer pays in connection with successful auctions.

All of our auction rate securities are currently rated Aaa by Moody's, AAA by Standard & Poor's and/or AAA by Fitch, which is the highest rating issued by each respective rating agency. An aggregate \$74.4 million (par value) of our auction rate securities were issued by state agencies and are supported by student loans for which repayment is substantially guaranteed by the U.S. government under the FFELP. The remaining \$8.6 million (par value) of our auction rate securities were issued by municipalities and repayment is insured by Financial Security Assurance Inc., a monoline bond insurance company that currently maintains a financial strength rating of Aaa by Moody's, AAA by Standard & Poor's and AAA by Fitch.

Table of Contents

Auction failures and the resulting lack of liquidity are affecting the entire auction rate securities market and we are currently unable to determine whether these conditions will be temporary. Some issuers have recently refinanced their auction rate securities and other issuers are in the process of doing so. In April 2008, \$5.0 million of our auction rate securities were redeemed in full, but we are currently unable to determine whether other issuers of our auction rate securities will attempt and/or be able to refinance. Several of the financial institutions that conduct auctions and broker auction rate securities have indicated they plan to develop secondary markets for auction rate securities, but we are currently unable to determine whether such plans will succeed or if alternate markets that provide for orderly purchases and sales of auction rate securities will otherwise develop. Although we acquired our auction rate securities with the intention of selling them in the near term, we do not expect to experience any liquidity problems or alter any business plans if we maintain our investment in these auction rate securities indefinitely. Our auction rate securities have final maturity dates ranging from 2024 to 2047.

We expect to fund short-term and long-term liquidity needs from our cash and cash equivalents totaling \$664.9 million as of March 31, 2008, operating cash flow and, if necessary, funds borrowed under our \$350.0 million unsecured revolving credit facility or other future financing arrangements.

The risks described in our Annual Report on Form 10-K for the year ended December 31, 2007 and the risk noted above are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The table below provides a summary of our repurchases of common stock during the three-month period ended March 31, 2008:

<u>Period</u>	<u>Issuer Purchases of Equity Securities</u>		<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under Plans or Programs</u>
	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>		
January 1 - January 31	--	\$ --	--	\$318,000,000
February 1 - February 29	969	\$55.68	--	\$318,000,000
March 1 - March 31	533	\$59.86	--	\$318,000,000
Total	1,502	\$57.16	--	

In March 2006, our Board of Directors authorized the repurchase of up to \$500.0 million of our outstanding common stock. In August 2007, following completion of the authorized repurchase, our Board of Directors approved the supplemental authorization to repurchase an additional \$500.0 million of our outstanding common stock. No repurchases of common stock occurred under the supplemental authorization during the three-month period ended March 31, 2008.

We repurchased 1,502 shares at an average cost of \$57.16 per share during the three-month period ended March 31, 2008 from employees in connection with the settlement of income tax withholding obligations arising from the vesting of share awards.

Table of Contents

Item 6. Exhibits

Exhibit No.

- 3.1 Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit A to the Company's Definitive Proxy Statement filed with the Commission on March 21, 2005, File No. 1-08097).
- 3.2 Revised and Restated Bylaws of the Company, effective November 9, 2004 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated November 9, 2004, File No. 1-08097).
- 4.1 Certificate of Designation of Series A Junior Participating Preferred Stock of the Company (incorporated by reference to Exhibit 4.6 to the Registrant's Annual Report on Form 10-K/A (Amendment No. 1) for the year ended December 31, 1995, File No. 1-08097).
- 4.2 Indenture, dated November 20, 1997, between the Company and Bankers Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated November 24, 1997, File No. 1-08097).
- 4.3 First Supplemental Indenture, dated November 20, 1997, between the Company and Bankers Trust Company, as trustee, supplementing the Indenture dated as of November 20, 1997 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated November 24, 1997, File No. 1-08097).
- 4.4 Form of Note (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated November 24, 1997, File No. 1-08097).
- 4.5 Form of Debenture (incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K dated November 24, 1997, File No. 1-08097).
- *10.1 Amendment No. 1 to the ENSCO Supplemental Executive Retirement Plan (As Amended and Restated Effective January 1, 2004), dated as of March 11, 2008.
- *10.2 Amendment No. 2 to the ENSCO 2005 Supplemental Executive Retirement Plan, dated as of March 11, 2008.
- *10.3 Amendment No. 1 to the ENSCO Non-Employee Director Deferred Compensation Plan, dated as of March 11, 2008.
- *10.4 Amendment No. 1 to the ENSCO 2005 Non-Employee Director Deferred Compensation Plan, dated as of March 11, 2008.
- *10.5 Amendment No. 12 to the ENSCO Savings Plan (As Revised and Restated Effective January 1, 1997), dated as of March 11, 2008.
- *10.6 Third Amendment to the ENSCO International Incorporated 2005 Long-Term Incentive Plan, dated as of April 1, 2008.
- *15.1 Letter regarding unaudited interim financial information.
- *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.

* Filed herewith.

** Furnished herewith.

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: April 24, 2008

/s/ JAMES W. SWENT III
James W. Swent III
Senior Vice President -
Chief Financial Officer

/s/ H. E. MALONE, JR.
H. E. Malone, Jr.
Vice President - Finance

/s/ DAVID A. ARMOUR
David A. Armour
Controller

**AMENDMENT NO. 1 TO THE
ENSCO
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(As Amended and Restated Effective January 1, 2004)**

WITNESSETH:

THIS AMENDMENT No. 1, executed this 11th day of March, 2008, and effective as of the dates specified herein, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

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

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

WHEREAS, the Company amended and restated the Original SERP, effective January 1, 1997, to (i) provide a discretionary profit sharing contribution, (ii) rename the Original SERP the "ENSCO Supplemental Executive Retirement Plan," and (iii) coordinate the operation of the Original SERP 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 Original SERP 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 Original SERP, effective as of January 1, 2002, to revise Section 8.2 of the Original SERP to provide that the administrator of the Original SERP shall process benefit claims of participants and beneficiaries pursuant to the claims procedure specified in the summary plan description for the Original SERP which shall comply with the Final Claims Procedure Regulations, as may be amended from time to time;

WHEREAS, the Company amended and restated the Original SERP, effective as of January 1, 2004;

WHEREAS, the Board of Directors of the Company, upon recommendation of its Nominating, Governance and Compensation Committee, has approved this Amendment No. 1 to the Original SERP, as amended and restated effective as of January 1, 2004, during a regular meeting held on March 10, 2008; and

WHEREAS, the Company now desires to adopt this Amendment No. 1 to the Original SERP, as amended and restated effective as of January 1, 2004, in order to amend Section 7.2 of the Original SERP to (i) revise, effective as of January 1, 2008, the investment funds available for election by a participant for investment of his account consistent with the simultaneous revision to the registered mutual funds offered to the participants in the ENSCO Savings Plan, (ii) expand, effective June 1, 2008, the permissible investment options of a participant's account to provide that a participant may direct that up to 100 percent of the balance of his account may be invested pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, and (iii) provide, effective June 1, 2008, a limitation on the portion of a participant's account that may be invested in the Company stock fund;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following Amendment No. 1 to the Original SERP:

Section 7.2 of the Original SERP is hereby amended to read as follows:

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 Committee may determine from time to time to direct the investment manager appointed pursuant to any such trust to invest the balance of 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 (which have been revised effective as of January 1, 2008) from time to time under the terms of the 401(k) Plan. If the Committee determines for any reason that a particular registered mutual fund available under the 401(k) Plan cannot be made available under the Plan, a comparable fund will be substituted in its place.

Up to 100 percent of the balance of a Participant's Account may be invested in the Company stock fund. Effective June 1, 2008, a Participant may not direct that more than 50 percent of the balance of his Account may be invested in the Company stock fund. Notwithstanding that the balance of a Participant's Account that is invested in the Company stock fund on June 1, 2008 is 50 percent or more of the total balance of his Account on that date, the Participant's Account may continue to hold that investment interest in the Company stock fund after May 31, 2008. A Participant shall not be permitted, however, to direct the investment manager (in writing, or if allowed by the Administrator, by giving an interactive electronic communication) after May 31, 2008 to change the investment of the then balance of his Account if (i) that investment election requires reinvestment of any portion of his Account into the Company stock fund and the balance of his Account that is invested in the Company stock fund on that date is 50 percent or more of the total balance of his Account on that date, or (ii) the effect of that investment election would result in more than 50 percent of the total balance of his Account on that date being invested in the Company stock fund.

Effective June 1, 2008, the Committee has also determined that it will direct the investment manager appointed pursuant to any such trust to invest up to 100 percent of the balance of a Participant's Account in accordance with the wishes and written directions of that Participant pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, as amended from time to time.

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officer, has caused this Amendment No. 1 to be executed on the date first above written.

ENSCO INTERNATIONAL INCORPORATED

/s/ Charles A. Mills

By: Charles A. Mills, Vice President - Human Resources and Security

**AMENDMENT NO. 2 TO THE
ENSCO 2005 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

THIS AMENDMENT No. 2, executed this 11th day of March, 2008, and effective as of the dates specified herein, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company adopted the ENSCO 2005 Supplemental Executive Retirement Plan (the "2005 SERP"), effective January 1, 2005;

WHEREAS, the Board of Directors of the Company, upon recommendation of its Nominating, Governance and Compensation Committee (the "Committee"), approved Amendment No. 1 to the 2005 SERP during a regular meeting held on November 6, 2007;

WHEREAS, the Board of Directors of the Company, upon recommendation of the Committee, has approved this Amendment No. 2 to the 2005 SERP during a regular meeting held on March 10, 2008; and

WHEREAS, the Company now desires to adopt this Amendment No. 2 to the 2005 SERP in order to amend Section 7.2 of the 2005 SERP to (i) revise, effective as of January 1, 2008, the investment funds available for election by a participant for investment of his account consistent with the simultaneous revision to the registered mutual funds offered to the participants in the ENSCO Savings Plan, (ii) expand, effective June 1, 2008, the permissible investment options of a participant's account to provide that a participant may direct that up to 100 percent of the balance of his account may be invested pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, (iii) provide, effective June 1, 2008, a limitation on the portion of a participant's account that may be invested in the Company stock fund, and (iv) provide, effective June 1, 2008, for the manner of investment of the account of any participant who fails to affirmatively direct the investment of his or her account when he or she initially becomes eligible to participate in the 2005 SERP;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following Amendment No. 2 to the 2005 SERP:

Section 7.2 of the 2005 SERP is hereby amended to read as follows:

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 Committee may determine from time to time to direct the investment manager appointed pursuant to any such trust to invest the balance of 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 (which have been revised effective as of January 1, 2008) from time to time under the terms of the 401(k) Plan. Separate elections may be made with respect to the different types of contributions credited to his Account. If the Committee determines for any reason that a particular registered mutual fund available under the 401(k) Plan cannot be made available under the Plan, a comparable fund will be substituted in its place.

Up to 100 percent of the balance of a Participant's Account attributable to Deferred Compensation, Employer Discretionary Contributions, if any, and Matching Contributions, if any, credited to his Account on or before May 31, 2008 may be invested in the Company stock fund. Effective June 1, 2008, a Participant may not direct more than 50 percent of the balance of his Account attributable to Deferred Compensation, Employer Discretionary Contributions, if any, and Matching Contributions, if any, credited to his Account after May 31, 2008 may be invested in the Company stock fund. If the investment election of any Participant in effect on June 1, 2008 provides for an election in excess of 50 percent to the Company stock fund, that investment election shall be automatically revised, effective June 1, 2008, with respect to the specific election to the Company stock fund to provide for an election of 50 percent to the Company stock fund and the percentage elected in excess of 50 percent shall be deemed to be an election of that excess percentage to the particular T. Rowe Price target date retirement fund offered to participants in the 401(k) Plan determined by the age of the Participant. Notwithstanding that the balance of a Participant's Account that is invested in the Company stock fund on June 1, 2008 is 50 percent or more of the total balance of his Account on that date, the Participant's Account may continue to hold that investment interest in the Company stock fund after May 31, 2008 and the investment election in the Company stock fund permitted by the two preceding sentences with respect to contributions credited to his Account after May 31, 2008 shall not be affected. A Participant shall not be permitted, however, to direct the investment manager (in writing, or if allowed by the Administrator, by giving an interactive electronic communication) after May 31, 2008 to change the investment of the then balance of his Account if (i) that investment election requires reinvestment of any portion of his Account into the Company stock fund and the balance of his Account that is invested in the Company stock fund on that date is 50 percent or more of the total balance of his Account on that date, or (ii) the effect of that investment election would result in more than 50 percent of the total balance of his Account on that date being invested in the Company stock fund.

Effective June 1, 2008, the Committee has also determined that it will direct the investment manager appointed pursuant to any such trust to invest up to 100 percent of the balance of a Participant's Account in accordance with the wishes and written directions of that Participant pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, as amended from time to time.

If a Participant is permitted to direct the investment manager appointed pursuant to any trust established pursuant to Section 7.1 to invest the balance of his Account and fails to complete and file with the Administrator using the form furnished by the Administrator or, if allowed by the Administrator, to give an interactive electronic communication, directing the investment manager concerning the investment of his Account, the entire balance of his Account shall be invested in the same manner as the investment allocation then currently in effect for that Participant's individual account in the 401(k) Plan pending the Administrator's receipt of investment direction from or an interactive electronic communication by the Participant, or in such other default investment fund or funds as may be determined by the Administrator from time to time.

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officer, has caused this Amendment No. 2 to be executed on the date first above written.

ENSCO INTERNATIONAL INCORPORATED

/s/ Charles A. Mills
By: Charles A. Mills, Vice President - Human Resources and Security

**AMENDMENT NO. 1 TO THE
ENSCO
NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN**

THIS AMENDMENT No. 1, executed this 11th day of March, 2008, and effective as of the dates specified herein, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

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

WHEREAS, the Board of Directors of the Company, upon recommendation of its Nominating, Governance and Compensation Committee, has approved this Amendment No. 1 to the Original Plan during a regular meeting held on March 10, 2008; and

WHEREAS, the Company now desires to adopt this Amendment No. 1 to the Original Plan in order to amend Section 7.2 of the Original Plan to (i) revise, effective as of January 1, 2008, the investment funds available for election by a participant for investment of his account consistent with the simultaneous revision to the registered mutual funds offered to the participants in the ENSCO Savings Plan, (ii) expand, effective June 1, 2008, the permissible investment options of a participant's account to provide that a participant may direct that up to 100 percent of the balance of his account may be invested pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, and (iii) provide, effective June 1, 2008, a limitation on the portion of a participant's account that may be invested in the Company stock fund;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following Amendment No. 1 to the Original Plan:

1. Section 7.2 of the Original Plan is hereby amended to read as follows:

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 Committee may determine from time to time to direct the investment manager appointed pursuant to any such trust to invest the balance of 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 (which have been revised as of January 1, 2008) from time to time under the terms of the ENSCO Savings Plan. If the Committee determines for any reason that a particular registered mutual fund available under the ENSCO Savings Plan cannot be made available under the Plan, a comparable fund will be substituted in its place.

Up to 100 percent of the balance of a Participant's Account may be invested in the Company stock fund. Effective June 1, 2008, a Participant may not direct that more than 50 percent of the balance of his Account may be invested in the Company stock fund. Notwithstanding that the balance of a Participant's Account that is invested in the Company stock fund on June 1, 2008 is 50 percent or more of the total balance of his Account on that date, the Participant's Account may continue to hold that investment interest in the Company stock fund after May 31, 2008. A Participant shall not be permitted, however, to direct the investment manager after May 31, 2008 to change the investment of the then balance of his Account if (i) that investment election requires reinvestment of any portion of his Account into the Company stock fund and the balance of his Account that is invested in the Company stock fund on that date is 50 percent or more of the total balance of his Account on that date, or (ii) the effect of that investment election would result in more than 50 percent of the total balance of his Account on that date being invested in the Company stock fund.

Effective June 1, 2008, the Committee has also determined that it will direct the investment manager appointed pursuant to any such trust to invest up to 100 percent of the balance of a Participant's Account in accordance with the wishes and written directions of that Participant pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, as amended from time to time.

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officer, has caused this Amendment No. 1 to be executed on the date first above written.

ENSCO INTERNATIONAL INCORPORATED

/s/ Charles A. Mills
By: Charles A. Mills, Vice President - Human Resources and Security

**AMENDMENT NO. 1 TO THE
ENSCO
2005
NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN**

THIS AMENDMENT No. 1, executed this 11th day of March, 2008, and effective as of the dates specified herein, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company adopted the ENSCO 2005 Non-Employee Director Deferred Compensation Plan (the "2005 Plan), effective January 1, 2005;

WHEREAS, the Board of Directors of the Company, upon recommendation of its Nominating, Governance and Compensation Committee, has approved this Amendment No. 1 to the 2005 Plan during a regular meeting held on March 10, 2008; and

WHEREAS, the Company now desires to adopt this Amendment No. 1 to the 2005 Plan in order to amend Section 7.2 of the 2005 Plan to (i) revise, effective as of January 1, 2008, the investment funds available for election by a participant for investment of his account consistent with the simultaneous revision to the registered mutual funds offered to the participants in the ENSCO Savings Plan, (ii) expand, effective June 1, 2008, the permissible investment options of a participant's account to provide that a participant may direct that up to 100 percent of the balance of his account may be invested pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, and (iii) provide, effective June 1, 2008, a limitation on the portion of a participant's account that may be invested in the Company stock fund;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following Amendment No. 1 to the 2005 Plan:

Section 7.2 of the 2005 Plan is hereby amended to read as follows:

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 Committee may determine from time to time to direct the investment manager appointed pursuant to any such trust to invest the balance of 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 (which have been revised effective as of January 1, 2008) from time to time under the terms of the ENSCO Savings Plan. If the Committee determines for any reason that a particular registered mutual fund available under the ENSCO Savings Plan cannot be made available under the Plan, a comparable fund will be substituted in its place.

Up to 100 percent of the balance of a Participant's Account attributable to Deferred Retainer and Company Discretionary Contributions, if any, credited to his Account on or before May 31, 2008 may be invested in the Company stock fund. Effective June 1, 2008, a Participant may not direct that more than 50 percent of the balance of his Account attributable to Deferred Retainer and Company Discretionary Contributions, if any, credited to his Account after May 31, 2008 may be invested in the Company stock fund. If the investment election of any Participant in effect on June 1, 2008 provides for an election in excess of 50 percent to the Company stock fund, that investment election shall be automatically revised, effective June 1, 2008, with respect to the specific election to the Company stock fund to provide for an election of 50 percent to the Company stock fund and the percentage elected in excess of 50 percent shall be deemed to be an election of that excess percentage to the particular T. Rowe Price target date retirement fund offered to participants in the ENSCO Savings Plan determined by the age of the Participant. Notwithstanding that the balance of a Participant's Account that is invested in the Company stock fund on June 1, 2008 is 50 percent or more of the total balance of his Account on that date, the Participant's Account may continue to hold that investment interest in the Company stock fund after May 31, 2008 and the investment election in the Company stock fund permitted by the two preceding sentences with respect to contributions credited to his Account after May 31, 2008 shall not be affected. A Participant shall not be permitted, however, to direct the investment manager after May 31, 2008 to change the investment of the then balance of his Account if (i) that investment election requires reinvestment of any portion of his Account into the Company stock fund and the balance of his Account that is invested in the Company stock fund on that date is 50 percent or more of the total balance of his Account on that date, or (ii) the effect of that investment election would result in more than 50 percent of the total balance of his Account on that date being invested in the Company stock fund.

Effective June 1, 2008, the Committee has also determined that it will direct the investment manager appointed pursuant to any such trust to invest up to 100 percent of the balance of a Participant's Account in accordance with the wishes and written directions of that Participant pursuant to the terms, conditions and limitations of the agreements governing the T. Rowe Price TradeLink+ self-directed brokerage investment program, as amended from time to time.

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officer, has caused this Amendment No. 1 to be executed on the date first above written.

ENSCO INTERNATIONAL INCORPORATED

/s/ Charles A. Mills

By: Charles A. Mills, Vice President - Human Resources and Security

**AMENDMENT NO. 12
TO THE
ENSCO SAVINGS PLAN
(As Revised and Restated Effective January 1, 1997)**

THIS AMENDMENT NO. 12, executed this 11th day of March, 2008, and effective as of the dates specified herein, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company revised and restated the ENSCO Savings Plan (the "Plan"), effective January 1, 1997, except for certain provisions for which another effective date was subsequently provided elsewhere in the terms of the Plan, to (i) incorporate the prior amendments to the Plan, (ii) incorporate such other provisions as were necessary due to the merger of the Penrod Thrift Plan and the Dual 401(k) Plan into the Plan, (iii) clarify the definition of "annual compensation" used for nondiscrimination testing under Sections 401(k) and 401(m) of the Code, and (iv) bring the Plan into compliance with the Internal Revenue Code of 1986, as amended (the "Code"), as modified by the Small Business Job Protection Act of 1996, the General Agreement on Tariffs and Trade under the Uruguay Round Agreements Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000, as well as all applicable rules, regulations and administrative pronouncements enacted, promulgated or issued since the date the Plan was last restated;

WHEREAS, the Company adopted Amendment No. 1 to the revised and restated Plan, effective January 1, 2002, to reflect the proposed Treasury regulations (the "Proposed Regulations") issued under Section 401(a)(9) of Code;

WHEREAS, the Company adopted Amendment No. 2 to the revised and restated Plan, effective as of January 1, 2002, except as specifically otherwise in Amendment No. 2, to (i) reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") which generally became applicable to the Plan effective as of January 1, 2002, and (ii) constitute good faith compliance with the requirements of EGTRRA;

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 15.6 of the Plan which have been clarified by further guidance from the Pension and Welfare Benefits Administration (collectively the "Final Claims Procedure Regulations");

WHEREAS, the Proposed Regulations for which the revised and restated Plan was amended by Amendment No. 1 were replaced by final Treasury regulations that were issued April 17, 2002 under section 401(a)(9) of the Code relating to required minimum distributions under Section 15.4 of the Plan (the "Final Required Minimum Distribution Regulations");

WHEREAS, the Company acquired Chiles Offshore Inc. "Chiles"), effective August 7, 2002, pursuant to a merger agreement among the Company, Chore Acquisition, Inc. ("Chore"), a wholly-owned subsidiary of the Company, and Chiles, whereby Chiles was merged with and into Chore, with Chore being the surviving company and continuing to exist as a wholly-owned subsidiary of the Company and the successor sponsor to Chiles of the Chiles Offshore Inc. 401(k) Retirement Savings Plan (the "Chiles 401(k) Plan");

WHEREAS, the employees of Chiles that continued as employees of a subsidiary of the Company on and after August 7, 2002 continued to be eligible to participate in the Chiles 401(k) Plan through September 30, 2002 and then became eligible to participate in the Plan effective October 1, 2002;

WHEREAS, the Chiles 401(k) Plan was merged into the Plan effective October 1, 2002 and the assets of the Chiles 401(k) Plan were transferred on October 1, 2002 from the trust established pursuant to the Chiles 401(k) Plan to the trust established pursuant to the Plan;

WHEREAS, the Company adopted Amendment No. 3 to the revised and restated Plan, effective as of October 1, 2002, unless specifically provided otherwise in Amendment No. 3, to, among other things, (i) revise Section 15.6 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, (ii) reflect the Final Required Minimum Distribution Regulations by amending Section 15.4 of the Plan consistent with the Model Amendment provided by the Internal Revenue Service in Rev. Proc. 2002-29, (iii) permit participation in the Plan on October 1, 2002 (the "Date of Participation") by all employees of Chiles who are both eligible to participate in the Chiles 401(k) Plan as of September 30, 2002 and are employed by the Company or a subsidiary of the Company on October 1, 2002, (iv) provide all employees of Chiles who begin to participate in the Plan as of the Date of Participation with credit for all actual service with Chiles for purposes of the eligibility and vesting provisions of the Plan, (v) provide that any participant in the Chiles 401(k) Plan who has credit under the Chiles 401(k) Plan for at least three years of vesting service as of the Date of Participation shall continue to vest under the Plan in his account balance in the Plan pursuant to the vesting schedule contained in the Chiles 401(k) Plan, (vi) provide that any participant in the Chiles 401(k) Plan who has credit under the Chiles 401(k) Plan for two years of vesting service as of the Date of Participation shall remain 40% vested in his account balance in the Plan but, subsequent to the Date of Participation, shall continue to vest in his account balance in the Plan pursuant to the vesting schedule of the Plan, (vii) provide that any participant in the Chiles 401(k) Plan who has credit under the Chiles 401(k) Plan for one year of vesting service as of the Date of Participation shall remain 20% vested in his account balance in the Plan but, subsequent to the Date of Participation, shall continue to vest in his account balance in the Plan pursuant to the vesting schedule of the Plan, (viii) provide that any participant in the Chiles 401(k) Plan as of the Date of Participation shall become fully vested in his account balance in the Plan as of the date he has both attained age 55 and received credit under the Plan for at least five years of vesting service, and (ix) provide that any participant in the Chiles 401(k) Plan as of the Date of Participation shall be eligible for an in-service withdrawal from the Plan under Section 15.5(c) of the Plan once every six months after he has attained 59-1/2;

WHEREAS, the Company adopted Amendment No. 4 to the revised and restated Plan to retroactively amend the definition of Profit Sharing Entry Date in Section 1.16 of the Plan to conform the terms of Section 1.16 of the Plan to the actual operation of the Plan as authorized by Section 2.07(3) of Appendix B to Rev. Proc. 2002-47;

WHEREAS, the Company adopted Amendment No. 5 to the revised and restated Plan to (i) reduce the service requirement to become eligible to participate in the 401(k) feature of the Plan, (ii) revise the requirements for an election to participate in the 401(k) feature of the Plan and for subsequent amendments to a salary reduction agreement, and (iii) increase the maximum deferral percentage that may be elected under a salary reduction agreement;

WHEREAS, EGTRRA amended Section 401(a)(31)(B) of the Code to require that mandatory distributions of more than \$1,000 from the Plan be paid in a direct rollover to an individual retirement plan as defined in Sections 408(a) and (b) of the Code if the distributee does not make an affirmative election to have the amount paid in a direct rollover to an eligible retirement plan or to receive the distribution directly and I.R.S. Notice 2005-5 provides that this provision becomes effective to the Plan for distributions on or after March 28, 2005;

WHEREAS, the Company adopted Amendment No. 6 to the revised and restated Plan (i) effective as of September 1, 2005, to increase the normal retirement age under the Plan from age 60 to age 65, and (ii) effective as of March 28, 2005, to comply with the provisions of Section 401(a)(31)(B) of the Code, as amended by EGTRRA and the guidance issued in I.R.S. Notice 2005-5 relating to the application of the new rules in connection with automatic rollovers of certain mandatory distributions;

WHEREAS, the Katrina Emergency Tax Relief Act of 2005 ("KETRA") amended the Code to immediately authorize tax-favored withdrawals and special provisions for loans from qualified retirement plans to provide relief relating to Hurricane Katrina;

WHEREAS, the Company adopted Amendment No. 7 to the revised and restated Plan, effective as of October 3, 2005, to provide temporary relief to certain participants and related individuals affected by Hurricane Katrina in the form of (i) hardship withdrawals from the Plan, and (ii) modified loan provisions for certain loans from the Plan;

WHEREAS, the Gulf Opportunity Zone Act of 2005 amended the Code to expand the hurricane-related relief provided under KETRA to victims of Hurricane Rita and Hurricane Wilma;

WHEREAS, the Company adopted Amendment No. 8 to the revised and restated Plan to provide temporary relief to certain participants and related individuals affected by Hurricane Rita and/or Hurricane Wilma in the form of (i) hardship withdrawals from the Plan, and (ii) modified loan provisions for certain loans from the Plan;

WHEREAS, the Company adopted Amendment No. 9 to the revised and restated Plan, effective January 1, 2007, to reduce the service requirement to become eligible to participate in the profit sharing feature of the Plan with respect to employees who are employed or reemployed after December 31, 2006;

WHEREAS, the Department of Treasury issued final regulations under Sections 401(k) and 401(m) of the Code which generally became applicable to the Plan effective as of January 1, 2006 (collectively the "Final 401(k)/401(m) Regulations");

WHEREAS, the Company adopted Amendment No. 10 to the revised and restated Plan (i) effective as of January 1 2006, to reflect the Final 401(k)/401(m) Regulations and to constitute good faith compliance with the Final 401(k)/(m) Regulations and (ii) effective as of January 1, 2007, to exclude Carl F. Thorne from further participation in the profit sharing feature of the Plan;

WHEREAS, the Company adopted Amendment No. 11 to the revised and restated Plan, effective January 1, 2008, to (i) clarify that certain highly compensated employees are not permitted to amend their salary reduction contribution elections for a year during the year, and (ii) amend the vesting schedule in Section 14.2 of the Plan;

WHEREAS, the Pension Protection Act of 2006 requires participant-directed individual account plans to provide quarterly benefit statements to the plans' participants providing certain specific information;

WHEREAS, the Department of Labor issued final regulations relating to qualified default investment alternatives in participant-directed individual account plans which may become applicable to a plan effective on or after December 24, 2007 (the "Qualified Default Investment Alternatives Regulations"); and

WHEREAS, the Company now desires to adopt this Amendment No. 12 to the revised and restated Plan, to (i) amend, effective as of January 1, 2008, the investment funds specified in Section 1.24 of the Plan available for participant direction of investment, (ii) amend, effective June 1, 2008, Section 1.24 and Section 22.8 of the Plan to provide a limitation on the portion of a participant's individual account that may be invested in Fund 5, (iii) amend, effective June 1, 2008, Section 3.1 of the Plan to provide for automatic enrollments, (iv) amend, effective as of January 1, 2007, Section 10.2 and Section 22.8 of the Plan to comply with the quarterly benefit statement requirements of the Pension Protection Act of 2006, (v) amend, effective June 1, 2008, Section 15.11 of the Plan to provide for eligible rollover distributions by non-spousal beneficiaries as permitted by the Pension Protection Act of 2006, and (vi) amend, effective June 1, 2008, Section 22.8 and Section 22.10 of the Plan to change the default investment fund and to specify related procedures in compliance with the Qualified Default Investment Alternatives Regulations governing the investment of the individual account of new participants with an employment or re-employment commencement date after May 31, 2008 who fail to affirmatively direct the investment of their individual accounts;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following Amendment No. 12 to the Plan:

1. Section 1.24 of the Plan is hereby amended, effective as of January 1, 2008 and effective June 1, 2008, to read as follows:

Sec. 1.24 Investment Fund or Funds means one or more funds designated by the Administrator pursuant to Section 22.8 from time to time and maintained for the purpose of providing a vehicle for the investment of assets of the Trust Fund, in accordance with the directions of each Participant, Former Participant or Beneficiary with respect to his Individual Account, until such Investment Fund or Funds shall be eliminated by action of the Administrator. As of January 1, 2008, the Investment Funds shall be:

- Fund 1 : T. Rowe Price Balanced Fund;
- Fund 2 : T. Rowe Price Spectrum Growth Fund;
- Fund 3 : T. Rowe Price Spectrum Income Fund;
- Fund 4 : T. Rowe Price Stable Value Fund (formerly known as the T. Rowe Price Blended Stable Value Fund prior to May 1, 2000);
- Fund 5 : Company Stock Fund;
- Fund 6 : T. Rowe Price Equity Income Fund;
- Fund 7 : Vanguard Institutional Index Fund;
- Fund 8 : T. Rowe Price Blue Chip Growth Fund;
- Fund 9 : T. Rowe Price Mid-Cap Growth Fund;
- Fund 10 : T. Rowe Price Small-Cap Stock Fund;
- Fund 11 : Vanguard Total Bond Market Index Signal Fund;
- Fund 12 : American Funds EuroPacific Growth R5 Fund;
- Fund 13 : T. Rowe Price Retirement Income Fund;
- Fund 14 : T. Rowe Price Retirement 2005 Fund;
- Fund 15 : T. Rowe Price Retirement 2010 Fund;
- Fund 16 : T. Rowe Price Retirement 2015 Fund;
- Fund 17 : T. Rowe Price Retirement 2020 Fund;
- Fund 18 : T. Rowe Price Retirement 2025 Fund;
- Fund 19 : T. Rowe Price Retirement 2030 Fund;
- Fund 20 : T. Rowe Price Retirement 2035 Fund;
- Fund 21 : T. Rowe Price Retirement 2040 Fund;
- Fund 22 : T. Rowe Price Retirement 2045 Fund;
- Fund 23 : T. Rowe Price Retirement 2050 Fund; and
- Fund 24 : T. Rowe Price Retirement 2055 Fund.

The Administrator may direct the Trustee to invest one or more of such funds with a specified insurance company or mutual fund, or appoint an investment advisor as provided in Section 22.5 to manage the same and may also direct the Trustee to establish new Investment Funds or delete existing Investment Funds from time to time. Effective June 1, 2008, a Participant may direct that the assets of his Individual Account may be invested in Fund 5 only in accordance with the specific limitations of Section 22.8.

2. Section 3.1 of the Plan is hereby amended, effective June 1, 2008, by adding a new subsection (b)(vi) to the end thereof to read as follows:

(vi) Automatic Enrollment Effective June 1, 2008. The Administrator shall provide a Notice described in this subsection (b)(vi) to each individual who is initially employed or re-employed as an Employee after May 31, 2008 but does not agree to a reduction in his Annual Compensation from his Employer pursuant to Section 3.1(a) by executing an enrollment form or, if allowed by the Administrator, by giving an Interactive Electronic Communication, containing a salary reduction agreement as described in Section 3.1(b). The Administrator may determine to limit the application of this subsection (b)(vi) to Employees who are subject to United States federal income tax. The Notice shall be provided to any such Employee as soon as administratively practicable after his employment or re-employment commencement date which is the date the Employee first performs an Hour of Service. The terms of that Notice shall provide that the Administrator shall automatically enroll each such Employee in the 401(k) feature of the Plan pursuant to Sections 2.2 and 3.1(a) and that such Employee shall be deemed to have agreed to a reduction in his Annual Compensation from his Employer in an amount equal to three percent of his Annual Compensation per payroll period commencing with the payroll period which next follows the 30th day following the 401(k) Entry Date which coincides with or next follows the date upon which he satisfies the eligibility requirements specified in Section 2.1 (ii) for participation in the 401(k) feature of the Plan, subject to the restrictions and limitations of Article IV hereof, unless the Employee affirmatively elects prior to that payroll period to cancel his automatic enrollment. If the Administrator determines that it is not administratively practicable to process the automatic enrollment of an Employee prior to the end of the payroll period specified in the preceding sentence, that automatic enrollment shall be effective as of the next succeeding payroll period. The Notice shall also provide that the balance of each such Employee's Individual Account shall be invested in the qualified default investment alternative in accordance with the provisions of Section 22.8. In addition, that Notice shall provide that each such Employee may elect to amend his automatic enrollment for the payroll period in which his automatic enrollment shall become effective, or cancel or amend his automatic enrollment for any future payroll period, in accordance with Section 3.1(b)(iii).

3. Section 10.2 of the Plan is hereby amended, effective as of January 1, 2007, to read as follows:

Sec. 10.2 Periodic Benefit Statements. Effective January 1, 2007, the Administrator shall advise, at least quarterly, each Participant, Former Participant, Beneficiary and Alternate Payee for whom an Individual Account is held hereunder of the then fair market value of such Individual Account and of such other information specified in Section 22.8 or as required by ERISA, Department of Labor regulations or other applicable guidance. Prior to January 1, 2007, the Administrator shall be required to provide an annual statement to each Participant, Former Participant, Beneficiary and Alternate Payee for whom an Individual Account is held hereunder of the then fair market value of such Individual Account.

4. Section 15.11 of the Plan is hereby amended, effective June 1, 2008, to read as follows:

Sec. 15.11 Tax Withholding and Participant's Direct Rollover . Unless provided otherwise in regulations promulgated by the Secretary of the Treasury, to the extent required under Section 3405 of the Code, the Trustee shall withhold 20% of the taxable portion of a Plan distribution or withdrawal made to a Participant, Former Participant, Alternate Payee or Beneficiary which constitutes an Eligible Rollover Distribution (as defined below). Any amount withheld shall be deposited by the Trustee with the Internal Revenue Service for the purpose of paying the distributee's federal income tax liability associated with the distribution or withdrawal. Notwithstanding the foregoing provisions, each Direct Rollover Distributee (as defined below) shall be provided with a Notice described in Section 15.2 and given the right to elect [pursuant to Section 401(a)(31) of the Code and the applicable Treasury regulations promulgated thereunder] during the period prescribed in Section 15.2 to rollover all or any portion of the taxable amount of such person's distribution or withdrawal (subject to limitations and restrictions, if any, adopted by the Administrator in accordance with applicable Treasury regulations) directly to an Eligible Retirement Plan (as defined below) and, to the extent a direct rollover is elected by any Direct Rollover Distributee, the withholding requirements of this Section 15.11 shall not apply. If permitted by the Code or applicable Treasury regulations, a direct rollover as described in the preceding sentence may be accomplished by delivering a check from the Plan to the Direct Rollover Distributee payable to the trustee or custodian of the Eligible Retirement Plan. Each such direct rollover election shall be in writing on a form prescribed by the Administrator for such purpose or, if allowed by the Administrator, by Interactive Electronic Communication, and given to the Direct Rollover Distributee within a reasonable period of time prior to the distribution or withdrawal.

For purposes of this Section 15.11, the following terms shall have the following meanings:

(a) "Direct Rollover Distributee" shall mean a Participant, a Former Participant, a spouse of a Participant or a Former Participant, and a Participant's or Former Participant's former spouse who is the Alternate Payee under a Qualified Domestic Relations Order. Effective June 1, 2008, Direct Rollover Distributee shall also include a Participant's or Former Participant's non-spouse designated Beneficiary who receives an otherwise qualifying distribution after May 31, 2008 from a Participant's or Former Participant's Individual Account, provided such distribution is directly rolled over to an individual retirement account described in Section 408(a) of the Code which is established as an inherited IRA in accordance with guidance issued by the Department of Treasury or the Internal Revenue Service.

(b) "Eligible Retirement Plan" shall mean, except as otherwise provided in this Section 15.11(b), an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), an annuity plan described in Section 403(a) of the Code, a qualified trust described in Sections 401(a) and 501(a) of the Code, and an eligible plan under Section 457(b) of the Code which is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state that will accept an Eligible Rollover Distribution and, in the case of an eligible plan under Section 457(b) of the Code, that agrees to separately account for amounts transferred into such plan from the Plan.

(c) "Eligible Rollover Distribution" shall mean any distribution of all or a portion of a Participant's or Former Participant's Individual Account to a Direct Rollover Distributee; provided, however, an Eligible Rollover Distribution shall not mean any distribution of all or a portion of a Participant's or Former Participant's Individual Account (i) that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Direct Rollover Distributee or the joint lives (or joint life expectancies) of the Direct Rollover Distributee and his designated Beneficiary, (ii) that is paid for a specified period of ten years or more, (iii) that is a part of a series of distributions during a calendar year to the extent that such distributions are expected to total less than \$200 or a total lump sum distribution which is less than \$200, as described in Q&A-11 of Treas. Reg. S1.401(a)(31)-1, (iv) to the extent such distribution is required by Section 401(a)(9) of the Code as provided in Section 15.4, and (v) to the extent such distribution is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Company Stock).

5. Section 22.8 of the Plan is hereby amended, effective as of January 1, 2008 and effective June 1, 2008, to read as follows:

Sec. 22.8 Participant Direction of Investments. To the extent permitted by the Administrator from time to time, based on a non-discriminatory policy, each Participant and Former Participant may direct the Trustee concerning the investment of his Individual Account among Investment Funds made available to the Participants and Former Participants by the Administrator from time to time. The investment direction rights under this Section 22.8 and the related procedures shall also apply to Beneficiaries and Alternate Payees for whom an Individual Account is held under the Plan. The Administrator may change the Investment Funds set forth in Section 1.24 at such time as it may determine in its sole and absolute discretion; provided, however, that the Administrator shall maintain, at a minimum, at least three investment funds representing a broad range of investment alternatives which provide Participants and Former Participants with a reasonable opportunity to materially affect the potential return on amounts in their Individual Accounts. The Administrator may use registered mutual funds, bank-maintained collective investment funds or similar arrangements as funding vehicles for the Investment Funds, provided that the underlying investments of any such arrangement are consistent with the investment objectives of the particular Investment Fund, as established by the Administrator. The Administrator, in its sole and absolute discretion, may at any time establish new Investment Funds or discontinue existing Investment Funds and may at any time increase or decrease the number of Investment Funds that are offered to Participants and Former Participants under the Plan. If the Administrator determines that there is insufficient participation in a particular Investment Fund, the Administrator may, in its sole and absolute discretion, discontinue the availability of that Investment Fund.

A Participant or Former Participant may elect to invest the balance of his Individual Account in any one or more of the Investment Funds, but any such election of the Investment Funds must be in 10% increments totaling 100%. At the time an Employee becomes a Participant, he shall complete and file with the Administrator using the form furnished by the Administrator or, if permitted by the Administrator, an Interactive Electronic Communication, designating the Investment Funds under which his Salary Reduction Contributions, accounts under a plan merged into the Plan, Rollover Contributions, if any, Employer profit sharing contributions and Matching Contributions, if any, allocated to his Individual Account, if any, are to be initially invested. Separate elections may be made with respect to different types of contributions. The Employer's profit sharing contributions pursuant to Section 3.3, if any, and Matching Contributions pursuant to Section 3.2, if any, shall be invested in accordance with the Participant's elections in effect at the time that such Employer profit sharing contributions and Matching Contributions are actually made to the Plan. The directions, and any change thereto, must be in writing or, if permitted by the Administrator, by Interactive Electronic Communication.

Up to 100% of the assets of a Participant's Individual Account attributable to contributions allocated to his Individual Account on or before May 31, 2008 may be invested in Fund 5. Effective June 1, 2008, a Participant may not direct that more than 50% of the assets of his Individual Account attributable to contributions allocated to his Individual Account after May 31, 2008 may be invested in Fund 5. If the investment election of any Participant in effect on June 1, 2008 provides for an election in excess of 50% to Fund 5, that investment election shall be automatically revised, effective June 1, 2008, with respect to the specific election to Fund 5 to provide for an election of 50% to Fund 5 and the percentage elected in excess of 50% shall be deemed to be an election of that excess percentage to the particular T. Rowe Price target date retirement fund (currently set forth in Section 1.24 as Funds 13-24) determined by the age of the Participant. Notwithstanding that the value of the assets in a Participant's Individual Account that are invested in Fund 5 on June 1, 2008 is 50% or more of the total value of the assets in his Individual Account on that date, the Participant's Individual Account may continue to hold that investment interest in Fund 5 after May 31, 2008 and the investment election in Fund 5 permitted by the two preceding sentences with respect to contributions allocated to his Individual Account after May 31, 2008 shall not be affected. A Participant shall not be permitted, however, to direct the Trustee (in writing, or if permitted by the Administrator, by giving an Interactive Electronic Communication) after May 31, 2008 to change the investment of the assets then allocated to his Individual Account if (i) that investment election requires reinvestment of any assets in his Individual Account into Fund 5 and the value of the assets in his Individual Account that are invested in Fund 5 on that date is 50% or more of the total value of the assets in his Individual Account on that date, or (ii) the effect of that investment election would result in more than 50% of the value of the total assets in his Individual Account on that date being invested in Fund 5.

If an Employee has an employment or re-employment commencement date after May 31, 2008 and fails to complete and file with the Administrator using the form furnished by the Administrator or, if allowed by the Administrator, to give an Interactive Electronic Communication, directing the Trustee concerning the investment of his Individual Account, the entire balance of his Individual Account shall be invested in the particular T. Rowe Price target date retirement fund (currently set forth in Section 1.24 as Funds 13-24) determined by the age of the Participant or Former Participant pending the Administrator's receipt of investment direction from, or an Interactive Electronic Communication by, the Participant or Former Participant, or in such other default investment fund or funds as may be designated by the Administrator from time to time for such purpose which constitute a "qualified default investment alternative under the applicable Department of Labor regulations. At such time or times required by Section 404(c) of ERISA and the Department of Labor regulations promulgated thereunder, the Administrator shall give each Participant and Former Participant a Notice of his rights and obligations under the default arrangement which is sufficiently accurate and comprehensive to apprise the Participant or Former Participant of such rights and obligations and is written in a manner to be understood by the average Participant, as well as of such other information required by the applicable Department of Labor regulations. The Notice must (i) explain the Participant's or Former Participant's rights under the Plan to specifically elect to exercise control over the investment of his Individual Account, (ii) explain how the Participant's or Former Participant's Individual Account will be invested in the absence of an investment election by the Participant or Former Participant, and (iii) include all other information required by the applicable Department of Labor regulations. Each Participant and Former Participant whose Individual Account has been invested in a default investment fund shall be permitted to transfer to any other Investment Fund as frequently as Participants and Former Participants who affirmatively elect to direct the investment of their Individual Accounts hereunder. If an Employee has an employment or re-employment commencement date before June 1, 2008 and fails to direct the investment of his Individual Account, the entire balance of his Individual Account shall be invested in Fund 4.

Effective January 1, 2007, the statement described in Section 10.2 that is required to be provided, at least quarterly, to the Participants, Former Participants, Beneficiaries and Alternate Payees for whom an Individual Account is held hereunder must include (i) the value of each investment to which assets in the individual's Individual Account are allocated (determined as of the Plan's most recent valuation date), (ii) an explanation of any limitations or restrictions on any right of the individual to direct an investment, (iii) an explanation, written in a manner calculated to be understood by the average Participant, of the importance, for the long-term retirement security of Participants of a well-balanced and diversified investment portfolio, including a statement of the risk that holding more than 20 percent of a portfolio in the security of one entity may not be adequately diversified, and (iv) a Notice directing the Participant, Former Participant, Beneficiary or Alternate Payee to the Internet website of the Department of Labor for sources of information on individual investing and diversification.

6. Section 22.10 of the Plan is hereby amended, effective June 1, 2008, to read as follows:

Sec. 22.10 Effect of Participant Direction of Investments. If a Participant or Former Participant shall exercise any such right to direct the investment of his Individual Account, including for this purpose, any Participant or Former Participant who timely receives the required Notice under Section 22.8 regarding the qualified default investment alternative but who fails to provide instructions to the Administrator directing the investment of his Individual Account as provided in Section 22.8, then, to that extent, the obligations, discretion, and duties with respect to such investments shall be deemed to have been allocated to that Participant or Former Participant within the meaning of Section 404(c) of ERISA and the Department of Labor regulations promulgated thereunder, and unless the direction is contrary to ERISA or the Administrator shall determine that such investment would be administratively infeasible and so notify that Participant or Former Participant, such directions shall be followed and no fiduciary with respect to the Plan shall be liable or responsible in any way for any losses or unfavorable results resulting therefrom. It is not intended that the Administrator be required to ascertain whether the Participant or Former Participant desires to give written or Interactive Electronic Communication directions pursuant to Section 22.8 before the Trustee exercises any power, right, or discretion granted the Trustee under the Trust Agreement.

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officers, has caused this Amendment No. 12 to be executed on the date first above written.

ENSCO INTERNATIONAL INCORPORATED

/s/ Charles A. Mills

By: Charles A. Mills, Vice President - Human Resources and Security

**THIRD AMENDMENT
TO THE
ENSCO INTERNATIONAL INCORPORATED
2005 LONG-TERM INCENTIVE PLAN**

THIS AMENDMENT is effective the 1st day of April 2008, except as otherwise specifically provided herein, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company has adopted the ENSCO International Incorporated 2005 Long-Term Incentive Plan (the "Plan") effective January 1, 2005; and

WHEREAS, the Nominating, Governance and Compensation Committee of the Board of Directors of the Company has approved this Third Amendment to the Plan during a regular meeting held on April 1, 2008; and

WHEREAS, the Company now desires to adopt this Third Amendment to the Plan in order to accord the Committee authority and discretion to grant restricted stock awards under the Plan that will not vest on termination of employment for certain reasons following a Change in Control of the Company and to clarify the applicability of the "good reason" event relating to the relocation of certain Participants;

NOW, THEREFORE, in consideration of the premises and the covenants therein contained, the Company hereby adopts the following Third Amendment to the Plan:

1) Section 3(b)(xix) shall be added to the Plan to read as follows:
"(xix) Notwithstanding the provisions of Section 9(c), to issue Awards of Restricted Stock, which, in the Committee's discretion, will not be subject to automatic waiver of the remaining restrictions and accelerated vesting if the employment of the Participant is terminated for certain reasons specified in Section 9(c) within the two-year period following a Change in Control of the Company, as shall be determined by the Committee and stated in the Award."

2) Former Sections 3(b)(xix) and (xx) shall be renumbered (xx) and (xxi) respectively.

3) Section 9(c)(v) is hereby clarified with respect to all outstanding Awards and all Awards to be granted in the future to read as follows:

"(v) requiring the Participant who is based in the present office of the Company in Dallas, Texas on the date a Change in Control of the Company occurs to be based anywhere other than within a 50 mile radius of the present office of the Company in Dallas, Texas, except for required travel on business to an extent substantially consistent with the Participant's business travel obligations immediately prior to the Change in Control."

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officer, has caused this Third Amendment to be executed effective as first above written.

ENSCO INTERNATIONAL INCORPORATED

/s/ Charles A. Mills

By: Charles A. Mills, Vice President - Human Resources and Security

April 24, 2008

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

Re: Registration Statements on Form S-3 (No. 333-37897) and Form S-8 (Nos. 333-58625, 333-10733, 33-40282, 333-97757 and 333-125048).

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated April 24, 2008 related to our review of interim financial information.

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 independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act. It should be noted, we have not performed any procedures subsequent to April 24, 2008.

/s/ KPMG LLP

Dallas, Texas

CERTIFICATION

I, Daniel W. Rabun, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending March 31, 2008 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 information; 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: April 24, 2008

/s/ DANIEL W. RABUN

Daniel W. Rabun
Chairman, President and
Chief Executive Officer

CERTIFICATION

I, James W. Swent III, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending March 31, 2008 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 information; 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: April 24, 2008

/s/ JAMES W. SWENT III

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

**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 March 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel W. Rabun, Chairman, President and 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/ DANIEL W. RABUN

Daniel W. Rabun
Chairman, President and
Chief Executive Officer
April 24, 2008

**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 March 31, 2008 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
April 24, 2008