

ENSCO PLC

FORM 10-Q (Quarterly Report)

Filed 08/02/96 for the Period Ending 06/30/96

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

ENSCO INTERNATIONAL INC

FORM 10-Q (Quarterly Report)

Filed 8/2/1996 For Period Ending 6/30/1996

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

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 June 30, 1996

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.)

2700 Fountain Place
1445 Ross Avenue, Dallas Texas
(Address of principal executive offices)

75202 - 2792
(Zip Code)

Registrant's telephone number, including area code: (214) 922-1500

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 twelve 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

There were 70,774,762 shares of Common Stock, \$.10 par value, of the registrant outstanding as of July 29, 1996.

ENSCO INTERNATIONAL INCORPORATED

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FOR THE QUARTER ENDED JUNE 30, 1996

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET**

	JUNE 30, 1996	DECEMBER 31, 1995
	-----	-----
	(UNAUDITED)	
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents.....	\$ 76,743	\$ 77,064
Short-term investments.....	-	5,000
Accounts and notes receivable, net.....	97,033	60,796
Prepaid expenses and other.....	27,137	22,893
Total current assets.....	200,913	165,753
PROPERTY AND EQUIPMENT, AT COST.....	1,153,187	818,266
Less accumulated depreciation.....	218,982	185,334
Property and equipment, net.....	934,205	632,932
OTHER ASSETS		
Goodwill.....	96,906	7,252
Other.....	9,838	15,514
Total other assets	106,744	22,766
	\$1,241,862	\$821,451
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable.....	\$ 12,811	\$ 8,936
Accrued liabilities.....	56,496	45,820
Current maturities of long-term debt.....	33,857	32,052
Total current liabilities.....	103,164	86,808
LONG-TERM DEBT.....	272,988	159,201
DEFERRED INCOME TAXES.....	47,348	26,800
OTHER LIABILITIES.....	31,250	17,393
STOCKHOLDERS' EQUITY		
Common stock, \$.10 par value, 125.0 million shares authorized, 77.1 million and 66.9 million shares issued.....	7,706	6,689
Additional paid-in capital.....	834,575	615,644
Retained earnings (deficit).....	12,673	(23,598)
Restricted stock (unearned compensation).....	(5,509)	(5,263)
Cumulative translation adjustment.....	(1,086)	(1,086)
Treasury stock at cost, 6.3 million shares....	(61,247)	(61,137)
Total stockholders' equity	787,112	531,249
	\$1,241,862	\$821,451

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

THREE MONTHS ENDED
JUNE 30,

	1996	1995
	-----	-----
	(RESTATED)	
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
OPERATING REVENUES.....	\$ 97,249	\$ 62,425
OPERATING EXPENSES		
Operating costs.....	49,227	36,164
Depreciation and amortization.....	17,880	14,307
General and administrative.....	2,950	2,478
	70,057	52,949
OPERATING INCOME.....	27,192	9,476
OTHER INCOME (EXPENSE)		
Interest income.....	1,098	1,652
Interest expense.....	(4,387)	(4,104)
Other, net.....	7,458	400
	4,169	(2,052)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST.....	31,361	7,424
Provision for (benefit from) income taxes		
Current income taxes.....	594	(855)
Deferred income taxes.....	8,255	1,000
	8,849	145
Minority interest.....	931	596
INCOME FROM CONTINUING OPERATIONS.....	21,581	6,683
Income from discontinued operation.....	-	401
NET INCOME	\$ 21,581	\$ 7,084

EARNINGS PER SHARE

Continuing operations.....	\$.34	\$.11
Discontinued operation.....	-	.01
	\$.34	\$.12
WEIGHTED AVERAGE SHARES OUTSTANDING.....	62,788	60,389

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
(Unaudited)

SIX MONTHS ENDED
JUNE 30,

	1996	1995
	-----	-----
		(RESTATED)
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
OPERATING REVENUES.....	\$181,795	\$123,555
OPERATING EXPENSES		
Operating costs.....	92,751	72,259
Depreciation and amortization.....	34,254	27,853
General and administrative.....	5,165	4,621
	132,170	104,733
OPERATING INCOME.....	49,625	18,822
OTHER INCOME (EXPENSE)		
Interest income.....	2,334	3,801
Interest expense.....	(8,436)	(8,495)
Other, net.....	7,722	1,343
	1,620	(3,351)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST.....	51,245	15,471
Provision for (benefit from) income taxes		
Current income taxes.....	961	(357)
Deferred income taxes.....	12,655	541
	13,616	184
Minority interest.....	1,358	1,198
INCOME FROM CONTINUING OPERATIONS.....	36,271	14,089
Income from discontinued operation.....	-	617
NET INCOME	\$ 36,271	\$ 14,706

EARNINGS PER SHARE

Continuing operations.....	\$.59	\$.23
Discontinued operation.....	-	.01
	\$.59	\$.24
WEIGHTED AVERAGE SHARES OUTSTANDING.....	61,719	60,518

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

SIX MONTHS ENDED
JUNE 30,

	1996	1995
	-----	-----
	(RESTATED)	
	(IN THOUSANDS)	
OPERATING ACTIVITIES		
Net income.....	\$ 36,271	\$ 14,706
Adjustments to reconcile net income to net cash provided by operating activities:		
Net cash provided by discontinued operation..	-	657
Depreciation and amortization.....	34,254	27,853
Deferred income tax provision.....	12,655	541
Amortization of other assets.....	1,646	1,787
Other.....	(2,104)	(1,024)
Changes in operating assets and liabilities:		
Increase in accounts receivable.....	(8,881)	(12,539)
Decrease in prepaid expenses and other.....	2,566	8,914
Increase in accounts payable.....	2,228	5,375
Increase (decrease) in accrued liabilities.	5,312	(2,557)
Net cash provided by operating activities.....	83,947	43,713
INVESTING ACTIVITIES		
Additions to property and equipment.....	(69,289)	(67,075)
Purchase of long-term investments.....	(18,112)	-
Sale of short-term investments.....	5,000	2,879
Net cash acquired in Dual acquisition.....	8,529	-
Other.....	1,495	(3,212)
Net cash used by investing activities.....	(72,377)	(67,408)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings.....	45,000	-
Reduction of long-term borrowings.....	(57,590)	(19,851)
Repurchase of common stock.....	-	(7,210)
Other.....	699	157
Net cash used by financing activities.....	(11,891)	(26,904)
DECREASE IN CASH AND CASH EQUIVALENTS.....	(321)	(50,599)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	77,064	147,851
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 76,743	\$ 97,252

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 - Unaudited Financial Statements

The consolidated financial statements included herein have been prepared by ENSCO International Incorporated (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with generally accepted accounting principles and, in the opinion of management, reflect all adjustments (which consist of normal recurring adjustments) which are necessary for a fair statement of the results of operations for the interim periods presented.

On June 12, 1996, the Company acquired DUAL DRILLING COMPANY ("Dual"). See "Note 2 - Acquisition" below. The Company's consolidated financial statements include the results of Dual from the June 12, 1996 acquisition date.

It is recommended that these statements be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 1995 included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K. As a result of the sale of the Company's technical services business effective September 30, 1995, the Company's 1995 Consolidated Statements of Income and of Cash Flows presented herein have been reclassified to present the Company's technical services operations as a discontinued operation.

Note 2 - Acquisition

On June 12, 1996, the Company acquired Dual pursuant to an Agreement and Plan of Merger among the Company, DDC Acquisition Company and Dual (the "Merger Agreement") approved by Dual stockholders on that date. Under the terms of the Merger Agreement, each share of Dual common stock was immediately converted into the right to receive 0.625 shares of the Company's common stock. The Company issued approximately 10.1 million shares of its common stock to the previous Dual stockholders in connection with the acquisition of Dual.

The Company accounted for the acquisition of Dual as a purchase acquisition. The purchase price allocation has been based on preliminary estimates of fair value and is subject to adjustment as additional information becomes available and is evaluated. The primary areas subject to further purchase price adjustment are reserves associated with insurance related matters and taxes.

The acquired Dual operations consist of a fleet of 20 offshore drilling rigs, including 10 jackup rigs and 10 platform rigs. Five of Dual's jackup rigs are located in the Gulf of Mexico and the remaining five jackup rigs are located offshore Indonesia, India and Qatar. Of the 10 platform rigs operated by Dual, seven are currently located in the Gulf of Mexico, two are located off the coast of California and one is located off the coast of China.

The following unaudited pro forma information shows the consolidated results of operations for the six months ended June 30, 1996 and 1995 based upon adjustments to the restated historical financial statements of the Company and the historical financial statements of Dual to give effect to the acquisition by the Company as if such acquisition had occurred January 1, 1995 (in thousands, except per share data):

	1996 -----	1995 -----
Operating revenues	\$235,337	\$169,653
Operating income	\$ 52,700	\$ 17,406
Income from continuing operations	\$ 34,773	\$ 7,232
Net income	\$ 34,773	\$ 7,849
Earnings per share	\$ 0.48	\$ 0.11

The pro forma consolidated results of operations are not necessarily indicative of the actual results that would have occurred had the acquisition occurred on January 1, 1995, or of results that may occur in the future.

Note 3 - Gain on Settlement

In February 1991, a subsidiary of the Company filed an action against TransAmerican Natural Gas Corporation and related subsidiaries and affiliates ("TransAmerican") seeking damages for breach of contract. On April 5, 1996, the U.S. District court for the Southern District of Texas, Houston Division, entered a judgment against TransAmerican. As a result of the judgment, on April 18, 1996, the subsidiary of the Company entered into a settlement agreement with TransAmerican. Under the terms of the settlement agreement, the subsidiary of the Company received approximately \$7.3 million. In the second quarter of 1996, the Company recorded a gain of \$6.4 million under the caption "Other, net" with a corresponding increase in deferred income tax expense of \$2.2 million for an after tax gain of \$4.2 million.

Note 4 - Long-Term Debt

On June 13, 1996, the Company amended its \$130.0 million revolving credit facility with a group of international banks, increasing availability under the revolving credit facility to \$150.0 million ("facility"). On the same date, the Company borrowed an additional \$45.0 million under the facility, increasing outstanding borrowings under the facility to \$111.0 million. Proceeds from the additional \$45.0 million of borrowings under the facility were used to refinance approximately \$41.8 million of Dual's long-term debt. Availability under the facility is reduced by \$7.0 million on a semi-annual basis commencing in October 1996, with the remaining outstanding balance due in October 2001. The facility continues to be collateralized by the majority of the Company's jackup rigs, including certain of the jackup rigs acquired in the acquisition of Dual. The covenants under the facility are similar to the covenants that existed under the original revolving credit facility and the interest rate continues to be tied to London InterBank Offered Rates. As of June 30, 1996, the interest rate on the facility was 7.1%.

At June 30, 1996, Dual had outstanding \$100.0 million (face amount) of 9 7/8% Senior Subordinated Notes due 2004 ("9 7/8% Notes"). As of June 30, 1996, the Company had purchased \$17.3 million (face amount) of the 9 7/8 % Notes on the open market. The Company's balance sheet at June 30, 1996 reflects long-term debt net of the \$17.3 million (face amount) of 9 7/8% Notes purchased by the Company. In mid-July 1996, the Company purchased an additional \$3.8 million (face amount) of the 9 7/8% Notes on the open market. Additionally, in mid-July 1996 \$5.0 million (face amount) of the 9 7/8% Notes were redeemed pursuant to an offer by Dual to purchase the 9 7/8% Notes following a change in control.

Note 5 - Provision for Income Taxes

The current income tax provisions for the three and six months ended June 30, 1996 are primarily for United States alternative minimum taxes and the Company's operations in Venezuela and the Netherlands. The deferred income tax provisions for the three and six months ended June 30, 1996 relate to the Company's operations in the U.S., the United Kingdom and Venezuela. No provision for regular U.S. federal income taxes has been recorded for the three and six months ended June 30, 1996 due to the utilization of net operating loss carryforwards to offset taxes currently payable.

At June 30, 1996, the Company had regular and alternative minimum tax net operating loss carryforwards of approximately \$264.7 million and \$140.8 million, respectively, and investment tax credit and alternative minimum tax credit carryforwards of approximately \$360,000 and \$1.5 million, respectively.

Note 6 - Commitments and Contingencies

In mid-January 1996, one of the Company's jackup rigs located in the Gulf of Mexico experienced damage as it was preparing to jack up on a new location. The jackup rig was mobilized to a shipyard where it is currently undergoing repairs and is expected to be available for work in late 1996. The Company is fully insured for damage to and salvage operations related to the jackup rig and the Company expects that all such costs incurred will be recoverable from its insurance coverage. As of June 30, 1996, the Company had a receivable recorded from its insurance carrier of approximately \$2.6 million related to damage to and salvage operations related to the rig.

Note 7 - Subsequent Events

The Company sold substantially all of the assets of its technical services business in 1995. The consideration received by the Company in the sale consisted of \$11.8 million in cash and two notes from the purchaser ("Purchaser") totalling \$6.1 million. The notes consisted of a \$3.6 million promissory note and a \$2.5 million convertible promissory note. In early July 1996, the Purchaser completed an initial public offering of its common stock ("Purchaser's IPO"). In connection with the Purchaser's IPO, the \$ 3.6 million promissory note was paid in full and the \$2.5 million convertible promissory note was converted into common stock of the Purchaser. The Purchaser's common stock received by the Company in connection with the conversion of the \$2.5 million convertible promissory

note was sold for \$5.4 million in the Purchaser's IPO. The Company will record a gain of approximately \$2.9 million, exclusive of taxes, in the third quarter of 1996 associated with the sale of the Purchaser's common stock received by the Company from conversion of the \$2.5 million convertible promissory note.

In mid-July 1996, the Company sold its remaining land rig, which was located in the Middle East, for \$2.5 million. The Company will record a gain of approximately \$750,000, exclusive of income taxes, in the third quarter of 1996 associated with the sale of the rig.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS ENVIRONMENT

ENSCO International Incorporated (the "Company") provides offshore contract drilling and marine transportation services to the oil and gas industry. The Company's contract drilling operations are primarily conducted in the Gulf of Mexico, the North Sea, Venezuela and Asia. The marine transportation services provided by the Company are currently conducted solely in the Gulf of Mexico.

Industry activity levels for offshore drilling rigs and Gulf of Mexico marine vessels have increased in the first half of 1996 over the already improved levels prevalent in the second half of 1995. The increased activity levels in 1996 have resulted in demand sufficient to absorb almost all of the rigs that are in working condition and being actively marketed in the major offshore oil and gas markets throughout the world and for Gulf of Mexico marine vessels that are in working condition and being actively marketed.

Industry activity levels for Gulf of Mexico drilling rigs have consistently increased since mid-1995. Management believes current Gulf of Mexico industry activity levels are sustainable for the remainder of 1996 unless there is a significant and unexpected deterioration in natural gas prices. In particular, demand for cantilever jackup rigs, which is the Company's main focus, is expected to remain strong due to the increased level of development activity which requires cantilevered drilling over existing production platforms. Activity levels for the Company's marine transportation vessels generally correspond with activity levels experienced for the Company's Gulf of Mexico rigs.

In the North Sea, industry activity levels increased in the first half of 1996 with full utilization of all actively marketed jackup rigs as compared to near full utilization in the second half of 1995. During 1996, reduced industry activity levels in the British sector of the North Sea (due to lower natural gas prices in the United Kingdom) have been offset by higher activity levels in other sectors of the North Sea, particularly Holland. Further decreases in United Kingdom natural gas prices and related activity levels in the British sector of the North Sea without an offsetting increase in activity levels in other sectors of the North Sea could adversely impact the overall North Sea market.

In Asia, during the first half of 1996, demand for offshore drilling rigs has increased while the supply of actively marketed offshore drilling rigs has continued to fall. Management anticipates that activity levels for offshore drilling rigs in Asia should remain fairly stable for the remainder of 1996 unless there is a significant deterioration in oil prices.

The Company's barge drilling rigs in Venezuela generally operate under long-term contracts for a national oil company. As a result, their activity levels are not as dependent on oil prices.

Offshore rig and marine vessel industry utilization for the three and six months ended June 30, 1996 and 1995 are summarized below:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1996	1995	1996	1995
INDUSTRY WIDE AVERAGES *				
Offshore Rigs				
U.S. Gulf of Mexico:				
Jackup Rigs:				
Rigs Under Contract	121	104	118	100
Total Rigs Available	137	142	137	141
% Utilization	88%	73%	86%	71%
Platform Rigs:				
Rigs Under Contract	18	9	16	10
Total Rigs Available	26	26	25	26
% Utilization	69%	35%	63%	37%
Worldwide:				
Jackup Rigs:				
Rigs Under Contract	346	319	340	315
Total Rigs Available	384	389	384	390
% Utilization	90%	82%	89%	81%
Platform Rigs:				
Rigs Under Contract	90	86	86	88
Total Rigs Available	122	137	118	133
% Utilization	74%	63%	73%	66%
Marine Vessels				
U.S. Gulf of Mexico:				
Vessels Under Contract	258	246	263	240
Total Vessels Available	278	277	280	277
% Utilization	93%	89%	94%	87%

* Industry utilization based on data published by OFFSHORE DATA SERVICES, INC.

RESULTS OF OPERATIONS

On June 12, 1996, the Company acquired DUAL DRILLING COMPANY ("Dual") in a purchase acquisition. The Company's consolidated financial statements include the results of Dual from the June 12, 1996 acquisition date. The acquired Dual operations consist of a fleet of 20 offshore drilling rigs, including 10 jackup rigs and 10 platform rigs. Five of Dual's jackup rigs are located in the Gulf of Mexico and the remaining five jackup rigs are located offshore Indonesia, India and Qatar. Of the 10 platform rigs operated by Dual, seven are currently located in the Gulf of Mexico, two are located off the coast of California and one, which is not owned but managed by Dual, is located off the coast of China.

The following analysis highlights the Company's operating results for the three and six months ended June 30, 1996 and 1995 (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1996	1995	1996	1995
OPERATING RESULTS				
Revenues	\$ 97,249	\$ 62,425	\$181,795	\$123,555
Operating margin (1)	48,022	26,261	89,044	51,296
Operating income	27,192	9,476	49,625	18,822
Other income (expense)	4,169	(2,052)	1,620	(3,351)
Provision for income taxes	(8,849)	(145)	(13,616)	(184)
Minority interest	(931)	(596)	(1,358)	(1,198)
Income from continuing operations	21,581	6,683	36,271	14,089
Income from discontinued operation	-	401	-	617
Net income	21,581	7,084	36,271	14,706
REVENUES				
Contract drilling				
Gulf of Mexico jackup rigs	\$ 41,279	\$ 26,172	\$ 77,332	\$ 53,894
North Sea jackup rigs	19,824	12,128	40,746	22,809
Asia jackup rigs	1,933	-	1,933	-
Total jackup rigs	63,036	38,300	120,011	76,703
Barge drilling rigs	19,179	15,649	35,087	31,146
Platform rigs	1,421	-	1,421	-
Dormant operations (2)	38	-	38	-
Total contract drilling	83,674	53,949	156,557	107,849
Marine transportation				
AHTS (3)	3,852	3,382	7,630	6,175
Supply	7,811	4,357	14,406	8,289
Mini-supply	1,912	737	3,202	1,242
Total marine transportation	13,575	8,476	25,238	15,706
Total	\$ 97,249	\$ 62,425	\$181,795	\$123,555
OPERATING MARGIN (1)				
Contract drilling				
Gulf of Mexico jackup rigs	\$ 20,305	\$ 8,723	\$ 36,459	\$ 19,004
North Sea jackup rigs	6,592	4,913	16,021	8,433
Asia jackup rigs	690	-	690	-
Total jackup rigs	27,587	13,636	53,170	27,437
Barge drilling rigs	13,119	9,920	23,113	19,654
Platform rigs	472	-	472	-
Dormant operations (2)	22	(65)	(9)	(179)
Total contract drilling	41,200	23,491	76,746	46,912
Marine transportation				
AHTS (3)	1,827	1,488	4,004	2,573
Supply	3,988	1,224	6,889	1,769
Mini-supply	1,007	58	1,405	42
Total marine transportation	6,822	2,770	12,298	4,384
Total	\$ 48,022	\$ 26,261	\$ 89,044	\$ 51,296

(1) Defined as revenues less operating expenses, exclusive of depreciation and general and administrative expenses.

(2) The Company has a management contract on a non-owned platform rig off the coast of China and owned one land rig in the Middle East, both of which were inactive. The land rig was sold in mid-July 1996.

(3) Anchor handling tug supply vessels.

The following is an analysis of certain operating information of the Company for the three and six months ended June 30, 1996 and 1995:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1996	1995	1996	1995
CONTRACT DRILLING				
Utilization:				
Gulf of Mexico jackup rigs	91%	84%	91%	86%
North Sea jackup rigs	78%	57%	86%	59%
Asia jackup rigs	86%	-	86%	-
Total jackup rigs	88%	78%	89%	80%
Barge drilling rigs	85%	87%	82%	93%
Platform rigs	78%	-	78%	-
Total	87%	81%	87%	84%
Average day rates:				
Gulf of Mexico jackup rigs	\$ 25,825	\$ 19,139	\$ 24,631	\$ 19,571
North Sea jackup rigs	45,522	43,410	44,375	41,269
Asia jackup rigs	24,772	-	24,772	-
Total jackup rigs	29,640	23,205	28,821	23,216
Barge drilling rigs	24,768	19,717	23,327	18,542
Platform rigs	15,074	-	15,074	-
Total	\$ 27,879	\$ 22,028	\$ 27,106	\$ 21,595
MARINE TRANSPORTATION				
Utilization:				
AHTS *	72%	87%	80%	78%
Supply	90%	79%	90%	75%
Mini-supply	95%	57%	80%	49%
Total	88%	75%	86%	70%
Average day rates:				
AHTS *	\$ 9,767	\$ 7,124	\$ 8,713	\$ 7,069
Supply	4,142	2,897	3,840	2,887
Mini-supply	2,766	1,786	2,730	1,757
Total	\$ 4,568	\$ 3,543	\$ 4,351	\$ 3,511

* Anchor handling tug supply vessels.

The Company's consolidated revenues, operating margin and operating income (defined as revenues less operating expenses, depreciation and general and administrative expenses) for the three and six months ended June 30, 1996 increased significantly from the same periods in 1995. The increases were due primarily to increased average day rates and utilization for the Company's rigs and vessels in 1996 and the return to work of various rigs and vessels that were in shipyards for major modifications and enhancements in the prior year periods.

Contract Drilling

The following is an analysis of the Company's offshore drilling rigs at June 30, 1996 and 1995:

	1996	1995
	-----	-----
Jackup rigs:		
Gulf of Mexico	23	18
North Sea	6	6
Asia	5 (1)	-
Total jackup rigs	34	24
Barge rigs - Venezuela	10	10
Platform rigs	10 (2)	-
Total	54	34

(1) Includes one jackup rig operated by the Company that is 49% owned.

(2) Seven are located in the Gulf of Mexico, two off the coast of California and one is not owned but is operated under a management contract off the coast of China.

Revenues and operating margins for the Company's contract drilling segment for the three months ended June 30, 1996 were up 55% and 75%, respectively, and for the six months ended June 30, 1996 were up 45% and 64%, respectively, compared to the prior year periods. The significantly improved 1996 results were primarily due to increased current year activity levels in the Gulf of Mexico and the North Sea. Average day rates for the three and six months ended June 30, 1996 on the Company's jackup rigs in the Gulf of Mexico increased by 35% and 26%, respectively, and average day rates on the Company's North Sea jackup rigs increased by 5% and 8%, respectively, as compared to the prior year periods.

The 1996 results also benefitted from the return to work of three of the Company's jackup rigs, two in the North Sea and one in the Gulf of Mexico, that were undergoing major modifications and enhancements in the prior year periods. The increased revenue and operating margin levels in 1996 were also due to payments received in 1996 on the Venezuela barge drilling rigs related to the recovery of past cost increases and the contribution from the rigs acquired from Dual.

The above increases in revenue and operating margin were partially offset by two barge drilling rigs in Venezuela coming off contract in the second quarter of 1995. One of the barge drilling rigs returned to work in mid-May 1996 and the other in early-July 1996 under new long-term contracts with Lagoven S.A. ("Lagoven"), a subsidiary of the Venezuela national oil company.

The Venezuelan currency experienced significant devaluation in the first half of 1994 and the Venezuelan government established policies to control the exchange rate of the Venezuelan currency and severely restricted the conversion of Venezuelan currency to U.S. dollars. The Venezuelan government further devalued the Venezuela currency against the U.S. dollar in late 1995. In April 1996, the Venezuela government removed all

conversion and exchange controls and the Venezuelan currency began trading freely. To date, the Company has not experienced problems associated with receiving U.S. dollar payments with respect to the U.S. dollar portion of its contracts with Lagoven. Changes in these conditions, other policy enactments, or political developments in Venezuela could have an adverse effect upon the Company. However, the Company believes such adverse effects are unlikely due to the volume of U.S. dollars paid to the parent company of Lagoven for its oil exports.

Marine Transportation

The following is an analysis of the Company's marine transportation vessels as of June 30, 1996 and 1995:

	1996	1995
	----	----
AHTS *	6	6
Supply	23	21
Mini-Supply	8	8
Total	37	35

* Anchor handling tug supply vessels.

Revenues and operating margins for the Company's marine transportation segment for the three months ended June 30, 1996 were up 60% and 146%, respectively, and for the six months ended June 30, 1996 were up 61% and 181%, respectively, in comparison to the prior year periods. The 1996 results improved significantly from the prior year periods due to increased current year activity levels in the Gulf of Mexico.

Average day rates for the Company's marine transportation vessels for the three and six months ended June 30, 1996 increased by 29% and 24% from the prior year periods. The 1996 results also benefitted from the return to work in mid-1995 of four mini-supply vessels that were undergoing modifications in the prior year periods and the purchase of six supply vessels in late-1995, four of which were previously operated under operating lease agreements.

Depreciation and Amortization

Depreciation and amortization expense increased by 25% and 23% for the three and six months ended June 30, 1996, respectively, as compared to the prior year periods due primarily to depreciation associated with major modifications and enhancements on various rigs and vessels that returned to work in 1995 and 1996, the addition of a North Sea jackup rig in March 1995 and depreciation on six supply vessels purchased in late 1995. Depreciation and amortization expense also increased in 1996 due to depreciation and amortization associated with the rigs acquired from Dual.

Other Income (Expense)

Other income (expense) for the three and six months ended June 30, 1996 and 1995 was as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1996	1995	1996	1995
Interest income	\$ 1,098	\$ 1,652	\$ 2,334	\$ 3,801
Interest expense	(4,387)	(4,104)	(8,436)	(8,495)
Other, net	7,458	400	7,722	1,343
	\$ 4,169	\$ (2,052)	\$ 1,620	\$ (3,351)

The Company's interest income decreased for the three and six months ended June 30, 1996 as compared to the prior year periods due primarily to lower average cash balances in the current year periods.

"Other, net" increased for the three and six months ended June 30, 1996 as compared to the prior year periods due primarily to a \$6.4 million gain on settlement with TransAmerican Natural Gas Corporation in the second quarter of 1996 as discussed in "Note 3 - Gain on Settlement" to the Company's Consolidated Financial Statements.

Provision for Income Taxes

The Company's provisions for income taxes increased significantly for the three and six months ended June 30, 1996 as compared to the prior year periods due primarily to increased deferred income tax provisions in the current year periods. The Company's U.S. deferred income tax provisions for the three and six months ended June 30, 1996 increased by \$6.4 million and \$8.3 million, respectively, from the prior year periods due primarily to the timing of the recognition of the expected utilization or expiration of U.S. net operating loss carryforwards. The deferred income tax provisions in the U.S., Venezuela and the United Kingdom also increased for the three and six months ended June 30, 1996 as compared to the prior year periods due, in part, to increased differences in the book and tax basis of property and equipment as the Company's asset additions and enhancements have increased the difference between the book and tax basis of the Company's property and equipment.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow and Capital Expenditures

The Company's cash flow from operations and capital expenditures for the six months ended June 30, 1996 and 1995 were as follows (in thousands):

	1996	1995
	-----	-----
Cash flow from operations	\$ 83,947	\$ 43,713
Capital expenditures		
Sustaining	\$ 6,264	\$ 5,228
Enhancements	49,754	48,321
New Construction	-	766
Acquisitions	13,271	12,760
	-----	-----
	\$ 69,289	\$ 67,075

Cash flow from operations increased by \$40.2 million for the six months

ended June 30, 1996 as compared to the prior year period. The increase in cash flow from operations is primarily a result of increased operating margins in the first six months of 1996 as compared to the prior year period and an increase in cash flow from the net change in various working capital accounts.

Management anticipates that capital expenditures in 1996 will be approximately \$130.0 million to \$150.0 million, including \$27.0 million to \$30.0 million for existing operations, \$90.0 million to \$107.0 million for modifications and enhancements of rigs and vessels and \$13.0 million related to a deferred purchase payment on a North Sea jackup rig acquired in March 1995. The Company may spend additional funds to acquire rigs or vessels in 1996, depending on market conditions and opportunities.

Financing and Capital Resources

The Company's long-term debt, total capital and debt to capital ratios at June 30, 1996 and December 31, 1995 are summarized below (in thousands, except percentages):

	JUNE 30, 1996	DECEMBER 31, 1995
	-----	-----
Long-term debt	\$ 272,988	\$159,201
Total capital	1,060,100	690,450
Long-term debt to total capital	26%	23%

The increase in long-term debt relates primarily to \$128.2 million of debt assumed in the acquisition of Dual offset, in part, by scheduled repayments of existing debt. The total capital of the Company increased due primarily to the issuance of shares of the Company's common stock in the acquisition of Dual valued at \$218.4 million, the net increase in long-term debt as discussed above and the profitability of the Company for the six months ended June 30, 1996.

On June 12, 1996, the Company acquired Dual pursuant to an Agreement and Plan of Merger among the Company, DDC Acquisition Company and Dual (the "Merger Agreement") approved by Dual stockholders on that date. Under the terms of the Merger Agreement, each share of Dual common stock was immediately converted into the right to receive 0.625 shares of the Company's common stock. The Company issued approximately 10.1 million

shares of its common stock to the previous Dual stockholders in connection with the acquisition of Dual.

The Company had \$39.0 million undrawn under a revolving line of credit at June 30, 1996. The revolving line of credit is reduced semi-annually by \$7.0 million commencing in October 1996, with the remaining line expiring in October 2001. See "Note 4 - Long-Term Debt" to the Company's Consolidated Financial Statements.

The Company's liquidity position at June 30, 1996 and December 31, 1995 is summarized in the table below (in thousands, except ratios):

	JUNE 30, 1996	DECEMBER 31, 1995
	-----	-----
Cash and short-term investments	\$76,743	\$82,064
Working capital	97,749	78,945
Current ratio	1.9	1.9

Based on current energy industry conditions, management believes cash flow from operations, the Company's existing credit facility and the Company's working capital should be sufficient to fund the Company's short and long-term liquidity needs.

OTHER MATTERS

In mid-July 1996, the Company purchased an additional \$3.8 million (face amount) of the Dual 9 7/8% Senior Subordinated Notes due 2004 ("9 7/8% Notes") on the open market. Additionally, in mid-July 1996 \$5.0 million (face amount) of the 9 7/8% Notes were redeemed pursuant to an offer by Dual to purchase the 9 7/8% Notes following a change in control.

The Company sold substantially all of the assets of its technical services business in 1995. The consideration received by the Company in the sale consisted of \$11.8 million in cash and two notes from the purchaser ("Purchaser") totalling \$6.1 million. The notes consisted of a \$3.6 million promissory note and a \$2.5 million convertible promissory note. In early July 1996, the Purchaser completed an initial public offering of its common stock ("Purchaser's IPO"). In connection with the Purchaser's IPO, the \$3.6 million promissory note was paid in full and the \$2.5 million convertible promissory note was converted into common stock of the Purchaser. The Purchaser's common stock received by the Company in connection with the conversion of the \$2.5 million convertible promissory note was sold for \$5.4 million in the Purchaser's IPO. The Company will record a gain of approximately \$2.9 million, exclusive of taxes, in the third quarter of 1996 associated with the sale of the Purchaser's common stock received by the Company from conversion of the \$2.5 million convertible promissory note.

In mid-July 1996, the Company sold its remaining land rig, which was located in the Middle East, for \$2.5 million. The Company will record a gain of approximately \$750,000, exclusive of income taxes, in the third quarter of 1996 associated with the sale of the rig.

PRIVATE LITIGATION SECURITIES REFORM ACT OF 1995

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The factors that could cause actual results to differ materially include the following: industry conditions and competition, cyclical nature of the industry, worldwide expenditures for oil and gas drilling, operational risks and insurance, risks associated with operating in foreign jurisdictions, and the risks described from time to time in the Company's reports to the Securities and Exchange Commission, which include the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In February 1991, a wholly-owned subsidiary of the Company filed an action against TransAmerican Natural Gas Corporation and related subsidiaries and affiliates ("TransAmerican") seeking damages for breach of contract. In August 1991, TransAmerican filed a state court action against the wholly-owned subsidiary of the Company seeking damages for breach of contract and tort claims. On April 5, 1996, the U.S. District Court for the Southern District of Texas, Houston Division, entered a judgment against TransAmerican. As a result of the judgment, on April 18, 1996 the wholly-owned subsidiary of the Company entered into a settlement agreement with TransAmerican. Under the terms of the settlement agreement, TransAmerican paid the wholly-owned subsidiary of the Company approximately \$7.3 million. Additionally, all claims or causes of action which TransAmerican had against the Company or its wholly-owned subsidiary have been dismissed. The Company recorded a gain on the settlement with TransAmerican of \$6.4 million in the second quarter of 1996.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On May 21, 1996, the Company held an annual meeting of stockholders to consider the following proposals: "Proposal 1" - To elect three Class II directors; "Proposal 2" - To approve the Company's 1996 Non-Employee Director Stock Option Plan; and "Proposal 3" - To approve the appointment of Price Waterhouse LLP as the company's independent accountants for 1996. A description of the foregoing matters is contained in the Company's proxy statement, dated March 25, 1996, relating to the 1996 annual meeting of stockholders.

There were 60,660,485 shares of the Company's common stock entitled to vote at the annual meeting based on the March 26, 1996 record date. The Company solicited proxies pursuant to Regulation 14 of the Securities Exchange Act of 1934, and there was no solicitation in opposition to management's nominees for directors as listed in the proxy statement. Each director received a minimum of 53,000,000 votes, which was in excess of 87% of the outstanding common shares entitled to vote.

With respect to Proposal 1 listed above, the voting was as follows:

	VOTES FOR -----	VOTES AGAINST -----	ABSTENTIONS -----
Craig I. Fields	53,162,916	824,849	471
Morton H. Meyerson	53,161,796	825,859	581
Richard A. Wilson	53,162,998	824,846	393

With respect to Proposals 2 and 3 listed above, the voting was as follows:

	VOTES FOR -----	VOTES AGAINST -----	ABSTENTIONS -----
Proposal 2	52,097,091	1,295,386	156,670

Proposal 3 53,886,730 54,905 46,379

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits and Exhibit Index

EXHIBIT NO.

10.25	Amendment No. 1 dated as of June 13, 1996 to the Amended and Restated Credit Facility Agreement dated as of September 27, 1995 by and among ENSCO Offshore Company and ENSCO Offshore U.K. Limited, as borrowers, and Christiana Bank OG Kreditkasse, New York Branch, and den Norske Bank AS, New York Branch, as the Banks
10.26	Amendment No. 3, dated June 13, 1996, to the First Preferred Fleet Mortgage dated December 17, 1993, as amended, by ENSCO Offshore Company and Bankers Trust Company, as trustee for the benefit of Christiana Bank OG Kreditkasse, New York Branch, and den Norske Bank AS, New York Branch.
10.27	First Preferred Fleet Mortgage dated June 13, 1996 by ENSCO Offshore Company II and Bankers Trust Company, as trustee for the benefit of Christiana Bank OG Kreditkasse, New York Branch, and den Norske Bank AS, New York Branch.

27 Financial Data Schedule

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K dated June 12, 1996, with respect to the acquisition of DUAL DRILLING COMPANY ("Dual") pursuant to an Agreement and Plan of Merger between the Company, DDC Acquisition Company and

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: August 1, 1996

/s/ C. Christopher Gaut

C. Christopher Gaut
Chief Financial Officer

/s/ H. E. Malone

H. E. Malone, Corporate Controller

and Chief Accounting Officer

AMENDMENT NO. 1

TO

AMENDED AND RESTATED CREDIT AGREEMENT

AMENDMENT NO. 1 dated as of June 13, 1996 to the Amended and Restated Credit Facility Agreement dated as of September 27, 1995 (the "Credit Agreement"), among ENSCO OFFSHORE COMPANY, a corporation organized and existing under the laws of the State of Delaware, ENSCO OFFSHORE U.K. LIMITED, a corporation organized and existing under the laws of England (collectively, the "Original Borrowers"), CHRISTIANIA BANK OG KREDITKASSE, New York Branch, a Norwegian bank and DEN NORSKE BANK ASA, New York branch, a Norwegian bank, (the "Banks"), CHRISTIANIA BANK OG KREDITKASSE, New York Branch, a Norwegian bank and DEN NORSKE BANK ASA, New York Branch, a Norwegian bank, as Agents for the Banks (the "Agents") and CHRISTIANIA BANK OG KREDITKASSE, New York Branch, a Norwegian bank as Administrative Agent (the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, pursuant to Assignment and Acceptance Agreements dated April 10, 1996 Banque Indosuez and MeesPierson N.V. became Banks under the Credit Agreement; and

WHEREAS, ENSCO has acquired by merger Dual Holding Company (formerly known as Dual Drilling Company; "Dual Holding Company"), its subsidiaries and affiliates and has caused four of the drilling rigs formerly owned by Dual Drilling Company subsidiaries to be transferred to a newly established Delaware company named ENSCO Offshore Company II ("ENSCO Offshore II"), a wholly-owned subsidiary of Dual Holding Company; and

WHEREAS, the Banks and the Original Borrowers wish to add Dual Holding Company as a Borrower, add a new revolving loan and letter of credit facility to the Credit Agreement and make other changes to the Credit Agreement;

NOW THEREFORE, in consideration of the above recitals and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to amend the Credit Agreement as follows:

1. Section 1.1 of the Credit Agreement is hereby amended as follows:

(a) The definition of "Advance" is hereby amended to read as follows:

"Advance" means a loan by the Banks to the Borrowers under Facility A, Facility B or Facility C.

(b) The definition of "Assignments" is hereby amended to read as

follows:

"Assignments" means the Assignment of Insurances on the Rigs, the Assignment of Drilling Contract Revenues and Earnings on the Rigs both dated December 17, 1993 and the ENSCO Offshore II Assignments

(c) The definition of "Commitments" is hereby amended to read as

follows:

"Commitments" means a maximum of USD 150,000,000 and "Commitment" means such Bank's portion of the Commitments as indicated on Schedule 1 to Amendment No. 1 as both may be reduced from time to time pursuant to the terms of this Agreement.

(d) The definition of "Credit Facility" is hereby amended to read as

follows:

"Credit Facility" means the aggregate amount of Advances made and outstanding and Letters of Credit issued hereunder and outstanding and the aggregate amount of the unused but still available portion of the Commitments.

(e) The definition of "Facility A" is hereby amended to read as

follows:

"Facility A" means the reducing revolving loan and letter of credit

facility described in Section 2 of this Agreement.

(f) The definition of "Facility A Commitments" is hereby amended to

read as follows:

"Facility A Commitments" means USD 50,000,000, subject to Section 4.6 below, and "Facility A Commitment" means each Bank's portion of the Facility A Commitments as indicated on Schedule 1 to Amendment No. 1.

(g) The definition of "Notes" is hereby amended to read as follows:

"Notes" means the Facility A Note, the Facility B Note and the Facility C Note."

(h) The definition of "Loan Documents" is hereby amended to read as

follows:

"Loan Documents" means this Agreement, the Mortgages, the Assignments, the Pledge, the ENSCO Guaranty, the Notes, the Trust Indenture and the New Loan Documents.

(i) The definition of "Mortgages" is amended to read as follows:

"Mortgages" means the U.S. First Preferred Fleet Mortgage (the "U.S. Mortgage") on the U.S. flag Rigs, the Bahamian Statutory Mortgages and Deed of Covenants dated December 17, 1993 (the "Bahamian Deed of Covenants") on the Bahamian flag Rigs, as amended by the Mortgage Amendments, and the Liberian First Preferred Fleet Mortgage (the "Liberian Mortgage") on the ENSCO Offshore II Rigs, all in form and substance satisfactory to the Banks.

(j) The definition of "Rigs" is hereby amended to read as follows:

"Rigs" means the fifteen (15) U.S. flag drilling rigs, the three (3) Bahamian flag drilling rigs and the four (4) Liberian flag drilling rigs listed on Schedule 2 attached to Amendment No. 1.

(k) The definition of "Subsidiaries" is hereby amended to read as

follows:

"Subsidiaries" means ENSCO Platform Company, a Delaware corporation, ENSCO Platform AS, a Norwegian corporation, ENSCO Oceanics Company II, a Delaware corporation, ENSCO Maritime Limited, a Bermuda corporation, ENSCO Arabia Limited, a Saudi Arabian corporation, ENSCO Asia Company, a Delaware Corporation, P.T. ENSCO Perkasa, an Indonesian corporation, ENSCO Malaysia Company, a Delaware corporation, Sime Dual Drilling SDN. BND, a Malaysian corporation, Sime Dual Drilling Ltd., a Bermuda corporation and any additional companies formed pursuant to Section 12.10 below.

(l) The definition of "Unencumbered Rigs" is hereby amended to read as follows:

"Unencumbered Rigs" means the three (3) U.S. flag drilling rigs, the three (3) Bahamian flag drilling rigs, the five (5) Liberian flag drilling rigs and the nine (9) platform drilling rigs listed on Schedule 3 attached to Amendment No. 1.

(m) The following new definitions are hereby added to

Section 1.1 of the Credit Agreement:

"Account Party" shall mean for Letters of Credit issued under Facility A, ENSCO Offshore and ENSCO U.K. and shall mean for Letters of Credit

issued under Facility C, Dual Holding Company.

"Availability Period" means the period commencing on the Closing Date and ending on the Maturity Date.

"Borrowers" means the Original Borrowers and Dual Holding Company and any of their permitted successors or assigns.

"Closing Date" means the date on which the conditions precedent contained in Section 18 of Amendment No. 1 are fulfilled and the modifications to the Credit Agreement contemplated by Amendment No. 1 become effective.

"Endorsements No. 1" means the Endorsements No. 1 to the Notes, substantially in the form of Exhibits A-1 and A-2 attached to Amendment No. 1.

"ENSCO Offshore II Assignments" means the Assignment of Insurances on the ENSCO Offshore II Rigs and the Assignment of Drilling Contract Revenues and Earnings on the ENSCO Offshore II Rigs, both in form and substance satisfactory to the Banks.

"ENSCO Offshore II Guaranty" means the guaranty by ENSCO Offshore II of the obligations of Dual Holding Company under Facility C, substantially in the form of Exhibit E attached to Amendment No. 1.

"ENSCO Offshore II Rigs" means the four (4) Liberian flag drilling rigs owned by ENSCO Offshore II and described on Schedule 2 to Amendment No. 1.

"Facility C" means the reducing revolving loan and letter of credit facility described in Section 3A of this Agreement.

"Facility C Commitments" means USD 50,000,000, subject to Section 4.6 below, and "Facility C Commitment" means each Bank's portion of the Facility C Commitments as indicated on Schedule 1 to Amendment No. 1.

"Facility C Note" means the promissory note of Dual Holding Company substantially in the form of Exhibit B to Amendment No. 1 evidencing Dual Holding Company's obligations under Facility C of this Agreement, and all renewals, extensions, rearrangements and replacements thereof.

"Guaranty Payment" means any amount paid out by the Administrative Agent on behalf of the Banks as a result of any drawing under any Letter of Credit.

"Letters of Credit" means the stand-by letters of credit, performance guaranties or bid bonds issued by the Administrative Agent under Facility A or Facility C of this Agreement, in the forms agreed to by the Administrative Agent pursuant to Section 4.7(b) of this Agreement.

"Liberian Mortgage" means the Liberian First Preferred Fleet Mortgage on the ENSCO Offshore II Rigs in favor of the Trustee, in form and substance satisfactory to the Banks.

"New Loan Documents" means Amendment No. 1, Endorsements No. 1, Amendment No. 1 to the ENSCO Guaranty, the ENSCO Offshore II

Assignments, the ENSCO Offshore II Guaranty, the Facility C Note, the Trust Indenture Amendment, the U.S. Mortgage Amendment and the Liberian Mortgage.

"Request for Letter of Credit" means a Request for Letter of Credit given by ENSCO Offshore II pursuant to Section 4.5 of this Agreement, substantially in the form of Exhibit C to Amendment No. 1.

"Trust Indenture Amendment" means Supplement No. 1 to the Trust Indenture, in form and substance satisfactory to the Banks and the Trustee.

"U. S. Mortgage Amendment" means Amendment No. 3 to the U.S. Mortgage, in form and substance satisfactory to the Banks.

2. Facility A. Section 2. of the Credit Agreement is hereby amended

to read as follows:

"Section 2. Facility A

2.1. Reducing Revolving Credit.

(a) Upon the terms and subject to the conditions herein set forth, each Bank agrees, from time to time prior to the Maturity Date, to make its share of an Advance or Advances to ENSCO Offshore and ENSCO U.K. in the aggregate amount not to exceed at any time USD 50,000,000 subject to Section 4.6. below.

(b) Within the USD 50,000,000 limit referred to above and subject to the reduction requirements of Sections 6.2(a), 6.2(b) and 6.4(d) below and the transfer provisions of Section 4.6 below, ENSCO Offshore and ENSCO U.K. may borrow and prepay such Advances pursuant to Section 6.3 below and reborrow under Section 2.1(a) above.

(c) All Advances under Facility A shall be in a minimum amount of USD 5,000,000 or if greater, in integral multiples of USD 1,000,000 or, in any event, the remaining availability under Facility A.

2.2. Letters of Credit. On the terms and subject to the conditions hereof, the Banks agree that during the Availability Period, the Administrative Agent will issue on behalf of the Banks Letters of Credit for the account of ENSCO Offshore or ENSCO U.K to act as performance guarantees and bid bonds or to secure such performance guarantees or bid bonds or for other purposes approved by the Agents in a total amount which when added to any Letters of Credit issued and outstanding under Facility C shall not exceed at any time USD 15,000,000. Within such USD 15,000,000 limit, ENSCO Offshore and ENSCO U.K. may, during the Availability Period, request new Letters of Credit to be issued by the Administrative Agent on behalf of the Banks as old Letters of Credit terminate or expire.

2.3. Counter Indemnity. ENSCO Offshore and ENSCO U.K. jointly and severally agree to immediately reimburse the Administrative Agent for the account of the Banks for any Guaranty Payment. Upon receipt of such reimbursement by the Administrative Agent, ENSCO Offshore and ENSCO U.K. may request the issuance of new Letters of Credit pursuant to the terms, and within the limits of Sections 2.2 and 4.7 of this Agreement.

2.4. Sublimit. Except as permitted by the transfer provisions of Section 4.6 below, the aggregate amount of Letters of Credit and Advances that may be outstanding under Facility A at any time may not be greater than USD 50,000,000.

2.5. The Facility A Note. The obligations of ENSCO Offshore and ENSCO U.K. to pay the principal and interest on all Advances made under Facility A and to reimburse the Administrative Agent for any Guaranty Payment and interest thereon shall be evidenced by the Facility A Note.

3. Facility C. There is hereby added to the Credit Agreement a new Section 3A as follows:

"Section 3A. Facility C.

3A.1 Revolving Credit. (a) Upon the terms and subject to the conditions herein set forth, each Bank agrees, from time to time prior to the Maturity Date, to make its share of an Advance or Advances to Dual Holding Company, the aggregate of such Advances not to exceed at any time USD 50,000,000, subject to Section 4.6 below.

(b) Within the USD 50,000,000 limit referred to above and subject to the reduction requirements of Section 6.2(a) and (b) and Section 6.4(d) below, and the transfer provisions of Section 4.6 below, Dual Holding Company may borrow and prepay such Advances pursuant to Section 6.3 below and reborrow under Section 3A.1(a).

(c) All Advances under Facility C shall be in a minimum amount of USD 5,000,000 or if greater, in integral multiples of USD 1,000,000 or, in any event, the remaining availability under Facility C.

3A.2 Letters of Credit. On the terms and subject to the conditions hereof, the Banks hereby agree that during the Availability Period the Administrative Agent will issue on behalf of the Banks Letters of Credit for the account of Dual Holding Company to act as performance guarantees and bid bonds or to secure such performance guarantees or bid bonds, or for other purposes approved by the Agents, in a total amount which when added to any Letters of Credit issued and outstanding under Facility A shall not exceed at any time USD 15,000,000. Within such USD 15,000,000 limit Dual Holding Company may, during the Availability Period, request new Letters of Credit to be issued

by the Administrative Agent on behalf of the Banks as old Letters of Credit terminate or expire.

3A.3 Counter Indemnity. Dual Holding Company agrees to immediately reimburse the Administrative Agent for the account of the Banks for any Guaranty Payment. Upon receipt of such reimbursement by the Administrative Agent, Dual Holding Company may request the issuance of new Letters of Credit pursuant to the terms, and within the limits, of Section 3A.2 above.

3A.4 Sublimit. Except as permitted by the transfer provisions of Section 4.6 below, the aggregate amount of Letters of Credit and Advances that may be outstanding under Facility C at any time may not be greater than USD 50,000,000.

3A.5 The Facility C Note. Dual Holding Company's obligations to pay the principal and the interest on all Advances made under Facility C and to reimburse the Administrative Agent for any Guaranty Payment and interest thereon shall be evidenced by the Facility C Note.

3A.6 Guaranty of Facility C.

(a) ENSCO Offshore hereby guarantees the payment by Dual Holding Company of all amounts due by Dual Holding Company under Facility C of this Credit Agreement and the Facility C Note (the obligations of Dual Holding Company under Facility C of this Credit Agreement and the Facility C Note are hereinafter referred to as the "Facility C Obligations") and agrees in addition to pay any and all expenses incurred by the Agents or the Banks in enforcing any of their rights under this Section 3A.6.

(b) ENSCO Offshore hereby guarantees that the Facility C Obligations will be paid strictly in accordance with the terms of this Agreement and the Facility C Note, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agents or the Banks with respect thereto. The liability of ENSCO Offshore under this Section 3A.6 shall be absolute, unconditional and irrevocable irrespective of:

(i) any lack of validity or enforceability of this Section 3A.6, any Facility C Advance, any Facility C Letter of Credit, the Facility C Note or any other agreement or instrument entered into between the Borrowers, the Banks, the Trustee or the Agents;

(ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Facility C Obligations, or any other amendment or waiver of or any consent to departure from Section 3A of this Agreement or the Facility C Note;

(iii) any circumstances which might otherwise

constitute a defense available to, or a discharge of, Dual Holding Company in respect of the Facility C Obligations or ENSCO Offshore in respect of this Section 3A.6.

(c) the guaranty contained in this Section 3A.6 is a guaranty of payment and not of collection and the Agents shall not be required to make any demand upon, or exhaust their remedies against, Dual Holding Company before requiring ENSCO Offshore to pay under this guaranty.

(d) The guaranty contained in this Section 3A.6 shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Facility C Obligations is rescinded or must otherwise be returned by the Agents or the Banks upon the insolvency, bankruptcy or reorganization of Dual Holding Company or otherwise, all as though such payment had not been made.

(e) ENSCO Offshore hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Facility C Obligations and the guaranty contained in this Section 3A.6 and any requirement that the Trustee, the Agents or the Banks exhaust any right or take any action against Dual Holding Company or any other person or entity or any collateral.

(f) ENSCO Offshore will not exercise any rights which it may acquire by way of subrogation under the guaranty contained in this Section 3A.6, by any payment made hereunder or otherwise, until the Facility C Obligations shall have been paid in full. If any amount shall be paid to ENSCO Offshore on account of such subrogation rights at any time when all the Facility C Obligations shall not have been paid in full, such amount, or such portion as is necessary to fully satisfy the Facility C Obligations, shall be forthwith paid to the Administrative Agent to be credited and applied against the Facility C Obligations. If (i) ENSCO Offshore shall make payment to the Administrative Agent of all or any part of the Facility C Obligations and

(ii) all the Facility C Obligations shall be paid in full, the Administrative Agent will, at ENSCO Offshore's request, execute and deliver to ENSCO Offshore appropriate documents, without recourse and without representation or warranty, transferring to ENSCO Offshore or necessary to evidence the transfer by subrogation to ENSCO Offshore of any interest in the Facility C Obligations resulting from such payment by ENSCO Offshore."

4. Manner of Drawdown or Manner of Issuance. Section 4 of the

Credit Agreement is hereby amended by adding the following additional

subsections:

"4.5 Manner of Issuance of Letter of Credit

(a) The Account Party requesting a Letter of Credit shall give the Administrative Agent a Request for Letter of Credit not later than 12:00 noon, New York time, seven (7) Business Days (three (3) Business Days if the form of the Letter of Credit has been approved in advance by the Administrative Agent) before it wishes to have a Letter of Credit issued. The Request for Letter of Credit shall after three (3) Business Days (one (1) Business Day if the form of the Letter of Credit has been approved in advance by the Administrative Agent) be irrevocable. The Administrative Agent shall promptly notify each Bank of each Request for Letter of Credit.

(b) Subject to Section 4.5(a) above, if the issuance of a Letter of Credit requested in a Request for Letter of Credit fails to take place or is delayed because any of the conditions specified in Section 8.2 hereof are not satisfied, the Account Party requesting such Letter of Credit shall indemnify the Administrative Agent and the Banks against any loss or reasonable expenses incurred as a result of the giving of the Request for Letter of Credit. A certificate of the Administrative Agent as to the amount of any such loss or expenses incurred by the Banks or the Administrative Agent shall (save for manifest error) be conclusive and binding on such Account Party for all purposes.

(c) The Administrative Agent shall, on the date of each issuance of a Letter of Credit by it, give each Bank and the Borrowers written notice of the issuance of such Letter of Credit, together with a copy of such Letter of Credit.

4.6 Transfer of Unused Portion of Commitments

(a) After the first Advance the Borrowers may request the Banks to transfer up to USD 15,000,000 but no less than USD 500,000, of the Commitments under Facility A or Facility C not used by the Borrowers to the other Facility.

(b) The Facility from which the amount is being transferred shall be reduced by the amount being transferred and the Facility to which the amount is being transferred shall be increased by the amount being transferred without the requirement of amending this Agreement, however endorsements to the Facility A and Facility C Notes shall be made evidencing such transfers.

(c) The Borrowers may request a transfer of unused Commitments under this Section 4.6 up to six times during the term of this Agreement.

4.7 Provisions of Letters of Credit

(a) Term. Letters of Credit shall have terms of no longer than thirty (30) months from their date of issuance; provided, however, that no Letter of Credit may have an expiration date later than the Maturity Date unless expressly agreed to in

writing by the Administrative Agent.

(b) Form. Letters of Credit shall be in such forms as shall be acceptable to the Administrative Agent.

(c) Recalculation. Whenever the Administrative Agent issues a Letter of Credit in a currency other than Dollars, the outstanding amount of such Letter of Credit at such time shall be calculated on the basis of the Dollar equivalent of the face amount of such Letter of Credit. Any Dollar equivalent established according to the preceding sentence shall remain in effect until such date during the term of the Letter of Credit as the calculation of the Dollar equivalent determined as above, if made on such date, would yield a Dollar equivalent which varies by greater than 10.0% from the Dollar equivalent then in effect, at which time the outstanding amount of the remaining Facility A or Facility C Commitments, respectively, shall be adjusted to reflect the current Dollar equivalent of the face amount of such Letter of Credit. Subsequent adjustments shall then be made on any date on which the current calculation of the Dollar equivalent would yield a result which varies by greater than 10.0% from the Dollar equivalent then in effect.

(d) Drawings Under Letters of Credit. The Administrative Agent shall not concern itself with the regularity or propriety of any demand made under any Letter of Credit beyond the face thereof, provided that such demand strictly complies with the terms of such Letter of Credit and (subject to such proviso) it shall not be a defense to a claim of the Administrative Agent under Section 2.3 or Section 3A.3 above that the Administrative Agent could have resisted the payment in respect of which such claim is made.

(e) Obligations Absolute. The obligation of the Account Party for such Letter of Credit to reimburse the Administrative Agent on behalf of the Banks with respect to any Guaranty Payment (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which such Account Parties may have or have had against the Administrative Agent or any Bank, including, without limitation, any defense based upon the failure of any drawing under a Letter of Credit to conform to the terms of the Letter of Credit (other than the failure of the Administrative Agent to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit) or any nonapplication or misapplication by the beneficiary of the proceeds of such drawing; provided, however, that the Account Party for such Letter of Credit shall not be obligated to reimburse the Administrative Agent for any wrongful payment made by the Administrative Agent under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of the Administrative Agent.

(f) Security. The obligations of any Account Party under Section 2.3 and Section 3A.3 above shall be in addition to and not in substitution for any security now or hereafter held by the Trustee in respect of the Account Parties' obligations under this Agreement.

(g) Certificates. A certificate, together with evidence of payment submitted by the Administrative Agent to any Account Party as to the amount of any Guaranty Payment made by the Administrative Agent shall (save for manifest error) be conclusive and binding on such Account Party for all purposes.

(h) Letter of Credit Participations.

(i) Immediately upon the issuance by the Administrative Agent of any Letter of Credit, the Administrative Agent shall be deemed to have sold and transferred to each other Bank, and each such Bank (each a "Participant") shall be deemed irrevocably and unconditionally to have purchased and received from the Administrative Agent, without recourse or warranty, an undivided interest and participation, in proportion to its Facility A or Facility C Commitment, respectively, in such Letter of Credit, each substitute Letter of Credit, each drawing made thereunder and the obligations of the Account Party for such Letter of Credit under this Agreement with respect thereto (although the Letter of Credit fee provided for in Section 20(b) of Amendment No. 1 shall be payable directly to the Administrative Agent for the account of the Banks and the Participants shall have no right to receive any portion of any facing fee paid to the Administrative Agent pursuant to Section 20(c) of Amendment No. 1) and any security therefor or guaranty pertaining thereto.

(ii) In determining whether to pay under any Letter of Credit, the Administrative Agent shall not have any obligation relative to the Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by the Administrative Agent under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for the Administrative Agent any resulting liability to the Participants.

(iii) In the event that the Administrative Agent makes any Guaranty Payment and the Account Party for such Letter of Credit shall not have reimbursed such amount in full to the Administrative Agent pursuant to Section 2.3 or Section 3A.3 above, the Administrative Agent shall promptly notify each Participant of such failure, and each Participant shall promptly and unconditionally pay to the Administrative Agent its proportionate share of such

unreimbursed Guaranty Payment in Dollars and in same day funds: provided, however, that no Participant shall be obligated to pay to the Administrative Agent its proportionate share of such unreimbursed Guaranty Payment for any wrongful payment made by the Administrative Agent under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence on the part of the Administrative Agent. If the Administrative Agent so notifies any Participant required to fund an unreimbursed Guaranty Payment prior to 12:00 Noon (New York time) on any Business Day, such Participant shall make available to the Administrative Agent its proportionate share of the amount of such unreimbursed Guaranty Payment on such Business Day in same day funds. If and to the extent such Participant shall not have so made its proportionate share of the amount of such unreimbursed Guaranty Payment available to the Administrative Agent, such Participant agrees to pay to the Administrative Agent, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent at the overnight rate for interbank transfers of Federal Funds. The failure of any Participant to make available to the Administrative Agent its proportionate share of any unreimbursed Guaranty Payment shall not relieve any other Participant of its obligation hereunder to make available to the Administrative Agent its proportionate share of any unreimbursed Guaranty Payment on the date required, as specified above, but no Participant shall be responsible for the failure of any other Participant to make available to the Administrative Agent such other Participant's proportionate share of any such payment.

(iv) Whenever the Administrative Agent receives a payment of a reimbursement obligation as to which it has received any payments from the Participants pursuant to

Section 4.7(h)(iii) above, the Administrative Agent shall pay to each Participant which has paid its proportionate share of any Guaranty Payment, in Dollars and in same day funds, an amount equal to such Participant's proportionate share of any Guaranty Payment and interest thereon, accruing at the overnight rate for interbank transfers of Federal Funds until the date such Participant receives such payment.

(v) The obligations of the Participants to make payments to the Administrative Agent with respect to any Guaranty Payment shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever (provided that no Participant shall be required to make payments resulting from the Administrative Agent's gross negligence or willful misconduct) and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(A) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(B) the existence of any claim, set-off, defense or other right which the Account Party, any Borrower, the Guarantors or ENSCO Offshore II may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person from whom any such transferee may be acting), the Administrative Agent, any Bank or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the Account Party, any Borrower, the Guarantors or ENSCO Offshore II and the beneficiary named in any such Letter of Credit);

(C) any draft, certificate or other document presented under the Letter of Credit proving to be forged, fraudulent, or invalid in any respect or any statement therein being untrue or inaccurate in any respect;

(D) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents; or

(E) the occurrence of any Event of Default.

(i) Increased Costs. If at any time after the date of the Agreement, the adoption or effectiveness of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof or compliance by the Administrative Agent or any Bank with any request or directive (whether or not having the force of law but with which such Bank customarily complies even though the failure to comply therewith would not be unlawful) by any such authority, central bank or comparable agency shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by the Administrative Agent or such Bank's participation therein, or

(ii) shall impose on the Administrative Agent or any Bank any other conditions affecting this Agreement, any Letter of Credit or such Bank's participation therein, and the result of any of the foregoing is to increase the cost to the Administrative Agent or such Bank of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by the Administrative Agent or such Bank hereunder (other than any increased cost or reduction in the amount received or receivable resulting from the imposition of or change in the rate or basis of taxes or similar charges), then, upon demand to the Account Party of such Letter of Credit by the Administrative Agent on behalf of such affected Bank, such Account Party shall pay to the Administrative Agent on behalf of such affected Bank such additional amount or amounts as will

compensate the Administrative Agent or such affected Bank, for such increased cost or reduction. A certificate, together with all supporting documentation concerning such loss, rule or regulation or any change therein or any interpretation thereof forming the basis for such increased cost of reduction, submitted to the Account Party of such Letter of Credit by the Administrative Agent on behalf of such affected Bank, as the case may be, setting forth the basis for the determination of such additional amount or amounts necessary to compensate the Administrative Agent or such affected Bank as aforesaid shall be conclusive and binding on the Account Party of such Letter of Credit absent manifest error.

(j) Indemnities. The Account Parties, severally and not jointly, hereby agree to reimburse and indemnify the Administrative Agent for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its respective duties in any way relating to or arising out of its issuance of Letters of Credit at the request of such Account Parties; provided that the Account Parties shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct. To the extent the Administrative Agent is not indemnified by the Account Parties, the Participants will reimburse and indemnify the Administrative Agent in proportion to their respective Facility A or Facility C Commitments, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, suits, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by the Administrative Agent in performing its respective duties in any way relating to or arising out of its issuance of Letters of Credit; provided that no Participants shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Administrative Agent's gross negligence or willful misconduct.

(k) Interest on Guaranty Payments.

(i) Rate of Interest. (i) The Account Parties, severally and not jointly, agree to pay interest in respect of any Guaranty Payment at a rate per annum which is 2% higher than the Administrative Agent's prime rate announced from time to time in New York, N.Y. plus the Margin; (ii) interest on any Guaranty Payment shall be computed on the basis of a year of 360 days and the actual number of days elapsed.

(ii) Payment of Interest. Interest shall be paid by the Account Parties in respect of any Guaranty Payment from

the date of such Guaranty Payment up to and including the date such amount is paid by the Account Party of such Letter of Credit."

5. Commitment Reduction and Loan Repayment. Section 6.2 of the

Credit Agreement is hereby amended to read as follows:

"6.2 Commitment Reduction and Loan Repayment. All amounts outstanding under this Agreement shall be repaid by the Borrowers as follows:

(a) Following the effectiveness of Amendment No. 1, the Commitments shall be permanently reduced by eleven (11) consecutive semi-annual reductions on each Commitment Reduction Date. The first ten (10) reductions shall be in the amount of USD 7,000,000 each and the eleventh and final reduction shall be in the amount of USD 80,000,000. The Borrowers may designate to the Administrative Agent that such reduction shall be applied to any or all of the Facilities; provided, however, that if no such designation is made by the Borrowers, such reductions shall be applied pro rata to the Facility A, Facility B and Facility C Commitments. Such reductions in the Commitments shall be irrespective of whether any amounts are outstanding under any Facility and irrespective of whether any repayment is due by the Borrowers under Section 6.2(b) below.

(b) If the amount outstanding under any Facility on any Commitment Reduction Date is greater than the Banks' Facility A, Facility B, or Facility C Commitments on such Commitment Reduction Date (after taking into account any reduction under Section 6.2(a) above or any transfer under Section 4.6 above), the Borrowers shall reduce the amount outstanding under such Facility by a payment of such excess on such Commitment Reduction Date together with any interest accrued on such amount.

(c) All amounts outstanding under Facility A, Facility B and Facility C shall be repaid by the Borrowers on the Maturity Date."

6. Voluntary Prepayments. The first paragraph of Section 6.3 of the

Credit Agreement is hereby amended to read as follows:

"6.3 Voluntary Prepayments. The Borrowers shall have the right to prepay all amounts outstanding under Facility A, Facility B and Facility C in whole or in part, without premium or penalty, from time to time pursuant to this Section 6.3 on the following terms and conditions:"

7. Voluntary Reduction of Commitments. Section 6.4(c) of the Credit

Agreement is hereby amended to read as follows:

"6.4(c) the Borrowers may designate that such reduction shall be applied to any or all of the Facilities; provided that (i) if no such designation is made by the Borrowers of the reduction to a Facility or Facilities, such reduction shall be applied pro rata to the Facility A, Facility B and Facility C Commitments and shall be irrespective of whether any amounts are outstanding under any Facility and (ii) if a designation is made by the Borrowers, such reduction shall reduce each remaining reduction of the designated Facility or Facilities pro rata; and"

8. Changes in Circumstances. Section 6.9(b) (iii)(B) of the Credit

Agreement is hereby amended by changing the reference in such subsection

from "Facilities A or B" to "Facilities A, B or C".

9. Security. Section 7 of the Credit Agreement is hereby amended by

adding the following new subsection as subsection 7.6 and by renumbering

the existing subsection 7.6 as subsection 7.7 and the existing subsection

7.7 as subsection 7.8:

"7.6 ENSCO Offshore II Guaranty. Facility C shall be secured in accordance with the provisions of the ENSCO Offshore II Guaranty."

10. Additional Conditions Precedent. Section 8.2 of the Credit

Agreement is hereby amended to read as follows:

"8.2 Additional Conditions Precedent to Subsequent Advances or Letters of Credit. The obligation of the Banks to make each subsequent Advance or of the Administrative Agent to issue Letters of Credit shall be subject to the further condition precedent that the Administrative Agent shall have received certificates (dated the date of such Advance or the date of issuance of such Letter of Credit) of officers of the Borrowers certifying that:

(a) the representations and warranties contained in Section 10 hereof are correct on and as of the date such Advance is made or the date of issuance of such Letter of Credit as though made on and as of such date except those contained in Section 10.7 below and those expressly made as of another date; and

(b) no event has occurred and is continuing, or would result from such Advance or the issuance of such Letter of Credit, which constitutes an Event of Default or with the passing of time or the giving of notice would constitute an Event of

Default."

11. Insurance. Section 11.2 of the Credit Agreement is hereby

amended so that the first sentence of such subsection shall read as

follows:

"The Borrowers shall insure, or cause to be insured, the Rigs pursuant to the terms of Article I, Section 15 of the U.S. Mortgage, Article II, Section 5 of the Bahamian Deed of Covenants and Article I, Section 15 of the Liberian Mortgage."

12. Indebtedness. (a) Section 12.5(a) of the Credit Agreement is

hereby amended to read as follows:

"(a) the Advances and Guaranty Payment obligations for Letters of Credit;"

(b) Section 12.5(c) of the Credit Agreement is hereby amended by changing the reference in such subsection to "USD 5,000,000" to "USD 15,000,000."

(c) Section 12.5(e) of the Credit Agreement is hereby amended by changing the reference in such subsection to "USD 5,000,000" to "USD 15,000,000."

(d) Section 12.5(f) of the Credit Agreement is hereby amended by changing the reference in such subsection to "USD 5,000,000" to USD 20,000,000."

(e) Section 12.5 of the Credit Agreement is hereby further amended by adding the following new subsection (l) at the end of it:

"(l) subordinated indebtedness of Dual Holding Company in an amount not to exceed USD 100,000,000 issued pursuant to the Indenture of Trust dated January 15, 1994."

13. Events of Default. Section 13.1 of the Credit Agreement is

hereby amended as follows:

(a) The references in Sections 13.1(c), (e) and (f) to "either Borrower or either Guarantor" are changed to "any of the Borrowers, either Guarantor or ENSCO Offshore II."

(b) The term "ENSCO Offshore II Guaranty" is added to Section 13.1(c) after the term "ENSCO Guaranty."

14. Appointment and Duties of Agents. Section 15.2(c)(i) of the

Credit Agreement is hereby amended to read as follows:

"(i) act pursuant to the instructions of the Banks in all matters

relating to the terms and interest rate on the Notes and the Letters of Credit, all collateral for the Obligations, waivers or amendments of Sections 4.7(e), 12.5, 12.14, 13.1(a) and 14 hereof and Sections 8(i), 8(j), 8(k) and 8(l) of the ENSCO Guaranty; and"

15. Notices. Section 16.4 of the Credit Agreement is hereby amended

by adding the following additional information.

(a) under the heading "Borrowers":

Dual Holding Company
2700 Fountain Place
1445 Ross Avenue
Dallas, Texas 75202
Telefax No. 214-855-0300

Attention: Chief Financial Officer

(b) under the heading "Banks":

Banque Indosuez
47, Rue de Monceau
F 7500 Paris
France
Telefax No. 011 331 4420 1934 Attention: Francine Struxiano-Auffray

with copies to:

Banque Indosuez, Representative Office Ruselekkveien 6
Oslo 0120
Norway
Telefax No. 011 472 283 3055 Attention: Bjorn Hurdevadt-Gulbrandsen

MeesPierson N.V.
Camomile Court
23 Camomile Street
London EC3A 7PP
England
Telefax No. 011 44 171 444 8810 Attention: Shipping Department

16. Agent for Borrowers. There is hereby added a new Section 16.18

to the Credit Agreement as follows:

"16.18 Agent for Borrowers and ENSCO Offshore II.

(a) The Borrowers agree that ENSCO Offshore shall be the true and lawful agent and attorney-in-fact of the Borrowers and ENSCO Offshore II hereunder in connection with all of the rights,

powers and duties of the Borrowers and ENSCO Offshore II hereunder, including, without limitation, the giving or withholding and the receipt of consents and notices.

(b) The Agents and the Banks shall be entitled to and agree to treat any notice given or action taken by ENSCO Offshore, acting in its capacity as agent, as a notice from or an action by the Borrowers or ENSCO Offshore II and that such notice or action shall be on behalf of all of the Borrowers and ENSCO Offshore II unless it is specifically stated to be limited to one or more of such companies."

17. Amendments to Schedules. (a) Schedule 1 to the Credit Agreement

is hereby amended and replaced by Schedule 1 to this Amendment No. 1.

(b) Schedule 2 to the Credit Agreement is hereby amended and replaced

by Schedule 2 to this Amendment No. 1.

(c) Schedule 3 to the Credit Agreement is hereby amended and replaced

by Schedule 3 to this Amendment No. 1.

18. Conditions Precedent.

18.1 Documents Required as Conditions Precedent to Amendment No. 1.

The effectiveness of the modifications to the Credit Agreement contemplated

by this Amendment No. 1 are subject to the condition precedent that the

Agents shall have received at or prior to the Closing Date all of the

following, each dated on or before the Closing Date and each in form and

substance satisfactory to the Agents and their counsel:

(a) Executed counterparts of each of the New Loan Documents.

(b) Certified copies of the resolutions of the Board of

Directors of the Borrowers and ENSCO Offshore II authorizing the

execution and delivery by the Borrowers and ENSCO Offshore II of the

New Loan Documents to which they are parties, and all documents

evidencing other necessary corporate action with respect to the New

Loan Documents.

(c) Certificates of the Secretaries or the Assistant Secretaries

of the Borrowers and ENSCO Offshore II certifying the names and true

signatures of the officers of the Borrowers and ENSCO Offshore II authorized to sign the New Loan Documents on behalf of the Borrowers and ENSCO Offshore II and the other documents or certificates to be executed by the Borrowers and ENSCO Offshore II pursuant to this Amendment No. 1;

(d) Copies certified as of a recent date by the Secretaries or the Assistant Secretaries of the Borrowers and ENSCO Offshore II of their By-laws or comparable documents;

(e) Copies of the Borrowers' and ENSCO Offshore II's Certificates of Incorporation or comparable documents certified by the relevant officials of their jurisdiction of incorporation not more than thirty (30) days prior to the Closing Date and certificates dated as of a recent date by the relevant officials of their jurisdiction of incorporation as to the continued existence and tax good standing of the Borrowers.

(f) Opinions of (i) Robert O. Isaac, counsel to the Borrowers, the Guarantors and ENSCO Offshore II and (ii) Gardere Wynne Sewell & Riggs, L.L.P., counsel to the Banks; both in form and substance satisfactory to the Agents.

(g) ENSCO Offshore II shall have executed and delivered to the Agents copies of all documents and filings and shall have taken all actions necessary to record the Liberian Mortgage at the office of the Deputy Commissioner of Maritime Affairs of the Republic of Liberia and to perfect the security interests created by the ENSCO Offshore II Assignments as first priority perfected security interests on the property covered thereby.

(h) All orders, consents, approvals, licenses, authorizations and validations of, and filings, recordings and registrations with and

exemptions by any Governmental Agency or any Person (other than any routine filings which may be required after the date hereof with appropriate governmental authorities in connection with the operation of the Rigs) required to (i) authorize the execution, delivery and performance by the Borrowers and ENSCO Offshore II of the New Loan Documents to which they are parties, (ii) continue the perfection and priority of the Mortgages and the Assignments executed and delivered prior to the date of this Amendment No. 1, or (iii) prevent the execution, delivery and performance by the Borrowers and ENSCO Offshore II of the New Loan Documents to which they are parties from resulting in a breach of any of the terms or conditions of, or resulting in the imposition of any lien, charge or encumbrance upon any properties of the Borrowers and ENSCO Offshore II pursuant to, or constituting a default (with due notice or lapse of time or both), if such breach, imposition or default would result in a materially adverse change in the financial position of the Borrowers and ENSCO Offshore II, or resulting in an occurrence of any event for which any holder or holders of Indebtedness may declare the same due and payable under, any indenture, agreement, order, judgment or instrument under which the Borrowers and ENSCO Offshore II are a party (other than the Mortgages or the Assignments) or to the Borrowers' knowledge after due inquiry by which any of the Borrowers or ENSCO Offshore II or their property may be bound or affected, or under the Certificates of Incorporation or By-laws of the Borrowers and ENSCO Offshore II, shall have been obtained or made.

(i) Evidence of the insurance on the Rigs required by Section 11.2 of the Credit Agreement and evidence of insurance maintained by ENSCO Offshore II on its assets and a broker's report as

to such insurance.

(j) Copies of any charters, leases and/or management agreements

relating to the employment or operation of the ENSCO Offshore II Rigs

certified as true, correct and complete by the Secretary or Assistant

Secretary of ENSCO Offshore II.

(k) Confirmation of class certificates for the ENSCO Offshore II

Rigs from the American Bureau of Shipping showing the ENSCO Offshore

II Rigs to be classified as Maltese Cross A1 elevating drilling units

with no outstanding recommendations affecting class.

(l) Copies of valuations dated no more than thirty (30) days

prior to the Closing Date of the fair market value of the ENSCO

Offshore II Rigs without charter or other contractual commitments by

an independent drilling rig broker or appraiser selected by the

Borrowers but acceptable to the Agents.

(m) Evidence of the payment of the facility amendment fee

referred to in Section 20 below.

18.2 Waiver of Conditions Precedent. All of the conditions precedent

contained in this Section 18 are for the sole benefit of the Banks and the

Agents may waive any of them in their absolute discretion, and on such

conditions as they may deem proper.

19. Representations and Warranties of the Borrowers. The Borrowers

represent and warrant to the Banks as follows:

19.1 Due Incorporation Qualification, Etc. Each Borrower and ENSCO

Offshore II is duly organized, validly existing and in good standing under

the laws of its jurisdiction and each is duly qualified and in good

standing as a foreign corporation to do business in the jurisdictions in

which the failure to be so qualified would have a material adverse effect

on its business or financial condition and each has full corporate power

and authority to own its properties and assets and to conduct its business as presently conducted.

19.2 Capacity. Each Borrower and ENSCO Offshore II has full corporate power and authority to execute and deliver, and to perform and observe the provisions of the New Loan Documents to which it is a party and to carry out the transactions contemplated hereby and thereby.

19.3 Authority and Enforceability. The execution, delivery and performance by the Borrowers and ENSCO Offshore II of the New Loan Documents to which they are parties have been or will be duly authorized by all necessary corporate action. This Amendment No. 1 (including the New York choice of law) constitutes and the other New Loan Documents constitute legal, valid and binding obligations of the Borrowers and ENSCO Offshore II party to such documents enforceable against the Borrowers and ENSCO Offshore II in accordance with their respective terms, subject to laws affecting creditors' rights generally and to applicable equity principles.

The Liberian Mortgage and the ENSCO Offshore II Assignments shall on the Closing Date create and constitute valid and perfected first priority security interests in and to the properties covered thereby, subject to the exceptions contained therein, enforceable against all third parties, subject to laws affecting creditors' rights generally and to applicable equity principles and shall secure only the Facility C Commitments.

19.4 Governmental Approvals. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with (other than any routine filings which may be required after the date hereof with appropriate governmental authorities in connection with the operation of the Rigs or required in connection with the perfection of the security interests created by any of the New Loan Documents), or exemption by, any Governmental Agency, is required to authorize the execution, delivery and

performance by the Borrowers and ENSCO Offshore II of the New Loan

Documents to which they are parties.

19.5 Compliance with Other Instruments. The execution and delivery of this Amendment No. 1 and compliance with its terms and the execution and delivery of the other New Loan Documents to which the Borrowers and ENSCO Offshore II are parties and the compliance with their terms as contemplated herein, will not result in a breach of any of the terms or conditions of, or result in the imposition of any lien, charge or encumbrance (except those contemplated by this Amendment No. 1) upon any properties of the Borrowers and ENSCO Offshore II pursuant to, or constitute a default (with due notice or lapse of time or both), or result in an occurrence of any event for which any holder or holders of Indebtedness may declare the same due and payable under any indenture, agreement, order, judgment or instrument under which the Borrowers and ENSCO Offshore II are parties or to the Borrowers' knowledge, after due inquiry, by which the Borrowers and ENSCO Offshore II or their property may be bound or affected, or under the Certificates of Incorporation or By-laws (or comparable documents) of the Borrowers and ENSCO Offshore II and, to the Borrowers' knowledge, after due inquiry will not violate any provision of applicable law.

19.6 Litigation, Etc. Except as heretofore disclosed in ENSCO's or Dual Holding Company's 10Q filings with the U.S. Securities and Exchange Commission for the period ending March 31, 1996, there are no actions, suits or proceedings pending, or to the knowledge of the Borrowers threatened, against or affecting ENSCO, ENSCO Offshore II or the Borrowers at law or in equity, which, if adversely determined, would have a material adverse effect on ENSCO, ENSCO Offshore II or the Borrowers. To the Borrowers' knowledge, as of the date of this Amendment No. 1, neither ENSCO, ENSCO Offshore II nor any Borrower is in violation or default with

respect to any applicable laws and/or regulations which non-compliance would give rise to a material adverse effect nor is ENSCO, ENSCO Offshore II or any Borrower in violation or default with respect to any order, writ, injunction, demand or decree of any court or any Person or in violation or default (nor is there any waiver in effect which, if not in effect, would result in a violation or default) in any material respect under any indenture, agreement or other instrument under which ENSCO, ENSCO Offshore II or any Borrower is a party or may be bound, default under which would have a material adverse effect.

19.7 Principal Place of Business. The chief executive office and principal place of business of ENSCO, ENSCO Offshore and ENSCO Offshore II and the principal place of business of ENSCO U.K. in the United States is located at 2700 Fountain Place, 1445 Ross Avenue, Dallas, Texas, 75202.

19.8 Patent and Other Rights. ENSCO, ENSCO Offshore II and the Borrowers have the right to use all patents, licenses, trademarks, trade names, trade secrets, copyrights and all rights with respect thereto, which are required to conduct their business as now conducted without known conflict with the rights of others which would materially and adversely affect such business.

19.9 Taxes. The Borrowers and ENSCO Offshore II have timely filed or caused to be timely filed all tax returns which are required to be filed by them, pursuant to the laws, regulations or orders of each Person with taxing power over the Borrowers and ENSCO Offshore II or their assets. The Borrowers and ENSCO Offshore II have paid, or made provision for the payment of, all Taxes, assessments, fees and other governmental charges shown to be due on said returns or pursuant to any assessment received by the Borrowers and ENSCO Offshore II, except such taxes, if any, as are being contested in good faith and as to which adequate reserves (determined

in accordance with GAAP) have been provided. The charges, accruals and reserves in respect of taxes on the books of the Borrowers and ENSCO Offshore II are adequate (determined in accordance with GAAP). Other than is disclosed in ENSCO's or Dual Holding Company's 10Q filings with the U.S. Securities and Exchange Commission for the period ended March 31, 1996 there are no proposed tax assessments which would have a material adverse effect on any of the Borrowers and ENSCO Offshore II and no extension of time for the assessment of federal, state or local taxes of the Borrowers and ENSCO Offshore II is in effect or has been requested. The representations and warranties contained in this Section 19.9 are, in respect of Dual Holding Company and ENSCO Offshore II only, limited to those filings and those payments the failure to complete would have a material adverse effect.

19.10 Compliance with Federal Reserve Board Regulations. No part of the proceeds of the Loan or any Letter of Credit will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or for the purpose of purchasing or carrying or trading in any securities under such circumstances as to involve the Borrowers or ENSCO Offshore II in a violation of Regulation X of said Board, or the Agents or the Banks in a violation of Regulation U of said Board. In particular, without limitation of the foregoing, the Borrowers will not use any part of the proceeds of the Loan made or to be made under the Credit Agreement or any Letter of Credit to be issued under the Credit Agreement to acquire for themselves or for any other person any publicly-held securities of any kind. The assets of the Borrowers do not include any margin securities, and the Borrowers and ENSCO Offshore II have no present intention of acquiring any margin securities. As used in this

Section, the terms "margin security" and "purpose of purchasing or carrying" shall have the meanings assigned to them in the aforesaid Regulation U, and the term "publicly-held," in respect of securities, shall have the meaning assigned to it in Section 220.7(a) of Regulation T of said Board. If requested by the Administrative Agent, the Borrowers will furnish to the Administrative Agent a statement in conformity with the requirements of Federal Reserve Form U-1 referred to in said Regulation U.

19.11 Employee Retirement Income Security Act of 1974. No Reportable Event has occurred and is continuing with respect to the Plan of any Borrower (other than Dual Holding Company) and ENSCO Offshore II. In respect of Dual Holding Company, no Reportable Event has occurred which would have a material adverse effect.

19.12 Investment Company Act of 1940. The Borrowers and ENSCO Offshore II are not "investment companies" within the meaning of the Investment Company Act of 1940.

19.13 Subsidiaries. As of the date of this Amendment No. 1 the Borrowers have no subsidiaries other than the Subsidiaries except that ENSCO U.K. is a wholly owned subsidiary of ENSCO Offshore and ENSCO Offshore II is a wholly-owned subsidiary of Dual Holding Company.

19.14 Environmental Compliance.

(a) The Borrowers and ENSCO Offshore II have duly complied with, and the Rigs and all of their other properties and operations are in compliance in all material respects with, the provisions of all applicable environmental, health and safety laws, codes and ordinances and all rules and regulations promulgated thereunder of all Governmental Agencies, unless such compliance would violate the laws or regulations of the jurisdiction in which the Rigs are operating.

(b) As of the date of this Amendment No. 1, except as disclosed

to the Agents in writing, the Borrowers and ENSCO Offshore II have received no notice from any Governmental Agency, and have no knowledge, of any fact(s) which constitute a violation of any applicable environmental, health or safety laws, codes or ordinances, and any rules or regulations promulgated thereunder of all Governmental Agencies, which relate to the use or ownership of the Rigs or other properties owned or operated by the Borrowers or ENSCO Offshore II.

(c) The Borrowers and ENSCO Offshore II have been issued all required applicable permits, licenses, certificates and approvals of all Governmental Agencies relating to (i) air emissions, (ii) discharges to surface water or ground water, (iii) noise emissions, (iv) solid or liquid waste disposal, (v) the use, generation, storage, transportation, treatment, recycling or disposal of Hazardous Substances or (vi) other environmental, health or safety matters necessary for the ownership or operation of the Rigs or other properties owned or operated by the Borrowers and ENSCO Offshore II and such permits, licenses, certificates and approvals are in full force and effect on the date of this Amendment No. 1.

(d) Except as disclosed to the Agents in writing, to the best of the Borrowers' knowledge, except in accordance with a valid governmental permit, license, certificate or approval, there has been no spill or unauthorized discharge or release of any Hazardous Substance to the environment at, from, or as a result of any operations on the Rigs or other properties and operations owned or operated by the Borrowers and ENSCO Offshore II required to be reported to any Governmental Agency.

(e) Except as disclosed to the Agents in writing, there has been

no material complaint, compliance order, compliance schedule, notice letter, notice of citation or other similar notice from any applicable environmental agency which concerns the operations of the Rigs and operations owned or operated by the Borrowers and ENSCO Offshore II.

(f) All of the representations and warranties contained in Section 19.14 (a) - (e) above are, as to Dual Holding Company, ENSCO Offshore II, the ENSCO Offshore II Rigs and the other properties and operations of Dual Holding Company and ENSCO Offshore II, limited to those matters which would have a material adverse effect.

20. Fees and Expenses.

(a) Amendment Fee. The Borrowers jointly and severally agree to pay the Agents a facility amendment fee payable pursuant to a letter agreement dated the date of this Amendment No. 1.

(b) Letter of Credit Fees. (i) The Account Parties agree to pay the Administrative Agent, for distribution to the Banks which are not in default of their obligations under Section 4.7(h) of the Credit Agreement, a Letter of Credit Fee of 1% per annum on the outstanding amount of Letters of Credit issued at their request, such fee to be payable in arrears on the quarterly anniversaries of the date of this Amendment No. 1.

(ii) The Account Parties agree to pay to the Administrative Agent a facing fee of .25% per annum on the outstanding amount of Letters of Credit issued at their request, such fee to be payable in arrears on the quarterly anniversaries of the date of this Amendment No. 1.

(c) Expenses. The Borrowers jointly and severally agree to promptly, whether or not the modifications to the Credit Agreement contemplated by this Amendment No. 1 become effective, (x) reimburse

the Administrative Agent, upon demand, for all reasonable fees and disbursements of the Agents including, but not limited to, travel and other out-of-pocket expenses of the Agents and the reasonable fees and expenses of external counsel to the Agents incurred in connection with (i) the preparation, execution and delivery of the New Loan Documents and the making of Advances and the issuance of Letters of Credit under the Credit Agreement, and any amendments or waivers to or termination of such documents, (ii) the recording, filing and perfection of all security interests created by the New Loan Documents and (iii) the confirmation of any Letters of Credit by local banks requested by Dual Holding Company or by any beneficiary of any Letter of Credit; and (y) the protection of the rights of the Agents, the Banks and the Trustee under the New Loan Documents, whether by judicial proceedings or otherwise. The obligations of the Borrowers under this Section 10(c) shall survive payment of the Loan.

21. Wherever and in each such place the terms "Credit Facility Agreement", "Credit Agreement" or "this Agreement" are used throughout the Credit Agreement, such terms shall be read to mean the Credit Agreement as amended by this Amendment No. 1.

22. Except as specifically amended by this Amendment No. 1, all of the terms and provisions of the Credit Agreement shall remain in full force and effect.

23. All capitalized terms used herein but not defined herein shall have the meanings given to them in the Credit Agreement.

24. THIS AMENDMENT NO. 1 TO CREDIT FACILITY AGREEMENT SHALL BE **GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK.**

IN WITNESS WHEREOF, the parties hereto have duly executed this

Amendment No. 1 on the date first written above.

ENSCO OFFSHORE COMPANY

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac
Title: Assistant Secretary

ENSCO OFFSHORE U.K. LIMITED

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac
Title: Secretary

DUAL HOLDING COMPANY

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac
Title: Assistant Secretary

**CHRISTIANIA BANK OG KREDITKASSE,
New York Branch, as Agent**

By: /s/ MARTIN LUNDER

Name: Martin Lunder
Title: First Vice President

By: /s/ HANS CHR. KJELSRUD

Name: Hans Chr. Kjelsrud

Title: Vice President

DEN NORSKE BANK ASA, New York Branch, as Agent

By: /s/ THEODORE S. JADICK, JR.

Name: Theodore S. Jadick, Jr.
Title: Senior Vice President

By: /s/ BARBARA GRONQUIST

Name: Barbara Gronquist
Title: Vice President
By: /s/ THEODORE S.

CHRISTIANIA BANK OG KREDITKASSE,
New York Branch

By: /s/ MARTIN LUNDER

Name: Martin Lunder
Title: First Vice President

By: /s/ HANS CHR. KJELSRUD

Name: Hans Chr. Kjelsrud
Title: Vice President

**DEN NORSKE BANK ASA, New York
Branch**

By: /s/ THEODORE S. JADICK, JR.

Name: Theodore S. Jadick, Jr.
Title: Senior Vice President

By: /s/ BARBARA GRONQUIST

Name: Barbara Gronquist
Title: Vice President

MEESPIERSON N.V.

By: /s/ DAVID JUNGMAN

Name: David Jungman

Title: Attorney-in-Fact

BANQUE INDOSUEZ

By: /s/ DAVID JUNGMAN

Name: David Jungman
Title: Attorney-in-Fact

Agreed and accepted this 13th
day of June 1996.

ENSCO INTERNATIONAL INCORPORATED

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac
Title: Assistant Secretary

ENSCO DELAWARE, INC.

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac
Title: Assistant Secretary

ENSCO OFFSHORE COMPANY II

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac

Title: Assistant Secretary

List of Schedules and Exhibits

Schedule 1	-	Bank Commitments
Schedule 2	-	List of Rigs
Schedule 3	-	List of Unencumbered Rigs
Exhibit A-1	-	Form of Endorsement No. 1 to Facility A Note
Exhibit A-2	-	Form of Endorsement No. 1 to Facility B Note
Exhibit B	-	Form of Facility C Note
Exhibit C	-	Form of Request for Letter of Credit
Exhibit D	-	Form of Amendment No. 1 to ENSCO Guaranty

Exhibit E - Form of ENSCO Offshore II Guaranty

SCHEDULE 1 TO AMENDMENT NO. 1 TO AMENDED
AND RESTATED CREDIT FACILITY AGREEMENT

COMMITMENTS

BANK -----	FACILITY A -----	FACILITY B -----	FACILITY C -----	TOTAL COMMITMENT -----
Christiania Bank og Kreditkasse, New York Branch	\$20,192,307.67	\$20,192,307.67	\$20,192,307.67	\$ 60,576,923.01
Den norske Bank ASA, New York Branch	\$20,192,307.67	\$20,192,307.67	\$20,192,307.67	\$ 60,576,923.01
Banque Indosuez MeesPierson N.V.	\$ 5,769,230.66 \$ 3,846,154.00	\$ 5,769,230.66 \$ 3,846,154.00	\$ 5,769,230.66 \$ 3,846,154.00	\$ 17,307,691.98 \$ 11,538,462.00
Total	\$50,000,000.00	\$50,000,000.00	\$50,000,000.00	\$150,000,000.00

/TABLE

SCHEDULE 2 TO AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT FACILITY AGREEMENT

R I G S

NAME -----	OWNER -----	FLAG -----	HOME PORT -----	OFFICIAL NO. -----
ENSCO 68	ENSCO Offshore Company	U.S.	New Orleans	574668
ENSCO 81	ENSCO Offshore Company	U.S.	New Orleans	606512
ENSCO 82	ENSCO Offshore Company	U.S.	New Orleans	606912
ENSCO 83	ENSCO Offshore Company	U.S.	New Orleans	605536
ENSCO 84	ENSCO Offshore Company	U.S.	New Orleans	637544
ENSCO 86	ENSCO Offshore Company	U.S.	New Orleans	643110
ENSCO 87	ENSCO Offshore Company	U.S.	New Orleans	648969
ENSCO 88	ENSCO Offshore Company	U.S.	New Orleans	645637
ENSCO 89	ENSCO Offshore Company	U.S.	New Orleans	652440
ENSCO 90	ENSCO Offshore Company	U.S.	New Orleans	647859
ENSCO 93	ENSCO Offshore Company	U.S.	New Orleans	651385
ENSCO 94	ENSCO Offshore Company	U.S.	New Orleans	638685
ENSCO 95	ENSCO Offshore Company	U.S.	New Orleans	642112
ENSCO 98 (f/k/a ENSCO 63)	ENSCO Offshore Company	U.S.	New Orleans	589096
ENSCO 99	ENSCO Offshore Company	U.S.	New Orleans	682070
ENSCO 80	ENSCO Offshore U.K. Ltd.	Bahamas	Nassau	724944
ENSCO 85	ENSCO Offshore U.K. Ltd.	Bahamas	Nassau	724945
ENSCO 92	ENSCO Offshore U.K. Ltd.	Bahamas	Nassau	724946
ENSCO 50 (f/k/a DUAL 38)	ENSCO Offshore Company II	Liberia	Monrovia	9383
ENSCO 51 (f/k/a DUAL 41)	ENSCO Offshore Company II	Liberia	Monrovia	9384
ENSCO 53 (f/k/a DUAL 88)	ENSCO Offshore Company II	Liberia	Monrovia	10260
ENSCO 54 (f/k/a DUAL 89)	ENSCO Offshore Company II	Liberia	Monrovia	10159

/TABLE

SCHEDULE 3 TO AMENDMENT NO. 1 TO AMENDED AND RESTATED CREDIT FACILITY AGREEMENT

NAME -----	OWNER -----	FLAG -----	HOME PORT -----	OFFICIAL NO. -----
ENSCO 52 (f/k/a Dual 42)	ENSCO Offshore Company II	Liberian	Monrovia, Liberia	9385
ENSCO 55 (f/k/a Dual 91)	ENSCO Offshore Company II	Liberian	Monrovia, Liberia	8911
ENSCO 60 (f/k/a Dual 87)	ENSCO Offshore Company II	Liberian	Monrovia, Liberia	8697
ENSCO 64 (to later be renamed ENSCO 91)	ENSCO Offshore Company	U.S.	New Orleans	553088
ENSCO 69	ENSCO Offshore Company	U.S.	New Orleans	574669
ENSCO 70	ENSCO Offshore Company	Bahamas	Nassau, Bahamas	725305
ENSCO 71	ENSCO Offshore Company	Bahamas	Nassau, Bahamas	725304
ENSCO 72	ENSCO Offshore Company	Bahamas	Nassau, Bahamas	704622
ENSCO 96 (f/k/a Dual 96)	ENSCO Offshore Company II	Liberian	Monrovia, Liberia	9400
ENSCO 97 (f/k/a Dual 86)	ENSCO Offshore Company II	Liberian	Monrovia, Liberia	8910

ENSCO 67 ENSCO Offshore Company U.S. New Orleans 574310

ENSCO PLATFORM RIGS

NAME -----	OWNER -----	FLAG -----	HOME PORT -----	OFFICIAL NO. -----
ENSCO 21 (f/k/a Dual 46)	ENSCO Platform AS	N/A	N/A	N/A
ENSCO 22 (f/k/a Dual 47)	ENSCO Platform AS	N/A	N/A	N/A
ENSCO 23 (f/k/a Dual 23)	ENSCO Platform Company	N/A	N/A	N/A
ENSCO 24 (f/k/a Dual 24)	ENSCO Platform Company	N/A	N/A	N/A
ENSCO 25 (f/k/a Dual 25)	ENSCO Platform AS	N/A	N/A	N/A
ENSCO 26 (f/k/a Dual 39)	ENSCO Platform AS	N/A	N/A	N/A
ENSCO 27 (f/k/a Dual 44)	ENSCO Platform AS	N/A	N/A	N/A
ENSCO 28 (f/k/a Dual 45)	ENSCO Platform AS	N/A	N/A	N/A
ENSCO 29 (f/k/a Dual 29)	ENSCO Platform AS	N/A	N/A	N/A

/TABLE

**EXHIBIT A-1 TO AMENDMENT NO. 1 TO
CREDIT FACILITY AGREEMENT**

ENDORSEMENT NO. 1

Endorsement No. 1 dated June _____, 1996 to the Facility A Amended and

Restated Promissory Note dated September 27, 1995 (the "Note") in the principal amount of USD 80,000,000 from ENSCO OFFSHORE COMPANY and ENSCO OFFSHORE U.K. LIMITED (the "Borrowers") in favor of CHRISTIANIA BANK OG

KREDITKASSE, New York Branch, as Administrative Agent for the Banks

referred to in the Amended and Restated Credit Facility Agreement dated as of September 27, 1995 (the "Credit Agreement").

The Note is hereby amended, effective the date hereof, as follows:

1. The principal amount of the Note is hereby changed to USD 50,000,000 wherever it appears; provided, however, that such amount is subject to the transfer provisions of Section 4.6 of the Credit Agreement.

2. Section 2.2 of the Note is hereby amended to read as follows:

"2.2 This Note evidences the Facility A Advances made by the Banks under Section 2 of the Credit Agreement and the obligation of the Borrowers to reimburse the Administrative Agent for any Guaranty Payment and any interest thereon."

3. Wherever and in each place the term "Credit Agreement" is used in the Note, such term shall be read to mean the Credit Agreement as amended by Amendment No. 1 to Credit Facility Agreement dated as of June 13, 1996.

4. Wherever and in each place the term "Note" is used in the Note, it shall be read to mean the Note as amended by this Endorsement No. 1.

IN WITNESS WHEREOF, the parties hereto have executed this Endorsement

No. 1 the day and year first above written.

ENSCO OFFSHORE COMPANY

By: _____

Name: Robert O. Isaac
Title: Assistant Secretary

ENSCO OFFSHORE U.K. LIMITED

By: _____

Name: Robert O. Isaac
Title: Secretary

CHRISTIANIA BANK OG KREDITKASSE,

New York Branch, as
Administrative Agent

By: _____

Name: _____
Title: _____

By: _____

Name: _____ Title: _____

**EXHIBIT A-2 TO AMENDMENT NO. 1 TO
CREDIT FACILITY**

ENDORSEMENT NO. 1

Endorsement No. 1 dated June _____, 1996 to the Facility B Amended and

Restated Promissory Note dated September 27, 1995 in the principal amount of USD 50,000,000 (the "Note") from ENSCO Offshore U.K. Limited (the "Borrower") in favor of Christiania Bank og Kreditkasse, New York Branch, as Administrative Agent for the Banks referred to in the Amended and

Restated Credit Facility Agreement dated as of September 27, 1995 (the "Credit Agreement").

The Note is hereby amended, effective the date hereof, as follows:

1. Wherever and in each place the term "Credit Agreement" is used in the Note, such term shall be read to mean the Credit Agreement as amended by Amendment No. 1 to Credit Facility Agreement dated as of June 13, 1996.

IN WITNESS WHEREOF, the parties hereto have executed this Endorsement

No. 1 the day and year first above written.

ENSCO OFFSHORE U.K. LIMITED

By: _____
Name: Robert O. Isaac
Title: Secretary

**CHRISTIANIA BANK OG KREDITKASSE,
New York Branch, as
Administrative Agent**

By: _____
Name: _____
Title: _____

By: _____
Name: _____ Title: _____

**EXHIBIT B TO AMENDMENT NO. 1 TO
CREDIT FACILITY AGREEMENT**

DUAL HOLDING COMPANY

FACILITY C PROMISSORY NOTE

USD 50,000,000 June 13, 1996

FOR VALUE RECEIVED, DUAL HOLDING COMPANY (the "Borrower") hereby promises

to pay to CHRISTIANIA BANK OG KREDITKASSE, New York Branch, as

Administrative Agent for the Banks (the "Banks") referred to in the Amended

and Restated Credit Facility Agreement dated as of September 27, 1995, as

amended, restated or supplemented from time to time (the "Credit

Agreement") among the Borrowers, the Banks and the Agents or order, on or

before October 18, 2001, or otherwise, as hereinafter provided, FIFTY

MILLION DOLLARS OF THE UNITED STATES OF AMERICA (USD 50,000,000), or so

much thereof as may be advanced and outstanding under Facility C of the

Credit Agreement, and to pay interest on the unpaid portion of said

principal sum outstanding from time to time, as hereinafter provided.

PRINCIPAL AND INTEREST

1.1 (a) Interest on this Note shall be payable at the times and the rates

as provided in Section 5.1 of the Credit Agreement.

(b) In case any payment of principal or interest is not paid when

due, additional interest at the rate determined as provided in Section 5.3

of the Credit Agreement shall be payable on all overdue principal and, to

the extent that the same may be lawful, on all overdue interest.

1.2 Interest shall be calculated as provided in Section 5.1 of the Credit

Agreement.

1.3 The Facility C Commitments shall be reduced in installments as

provided in Section 6.2(a) of the Credit Agreement or otherwise as provided

in Sections 6.4 and 6.5 of the Credit Agreement. All payments under this Note shall be made to the Administrative Agent as provided in Section 6.6 of the Credit Agreement.

SECURITY

2.1 This Note is one of the promissory notes issued under and pursuant to the Credit Agreement and is secured by, among other things, (i) a Guaranty of ENSCO Offshore Company II, a subsidiary of the Borrower, which is, in turn secured by, among other things, a Liberian First Preferred Fleet Mortgage on four Liberian flag drilling rigs dated the date of this Note, and (ii) a Guaranty of ENSCO Offshore Company, an affiliate of the Borrower, which is, in turn, secured by, among other things, a U.S. First Preferred Fleet Mortgage on Fifteen U.S. flag drilling rigs dated December 17, 1993, as amended, both in favor of Bankers Trust Company as Trustee for the Banks (the "Mortgages"). Reference is hereby made to the Mortgages for a description of the property thereby mortgaged, the nature and extent of the security afforded thereby and the rights of the Borrower, the Banks, the Agents and the Trustee with respect to such security as provided in the Mortgages. Payment of this Note may be demanded prior to the maturity of this Note under certain circumstances and conditions, in the manner, and with the effect, provided in the Mortgages or the Credit Agreement. A true and complete copy of the form of the Credit Agreement is attached to the Mortgages and made a part thereof.

2.2 This Note evidences the Facility C Advances made by the Banks under Section 3A of the Credit Agreement and the obligation of the Borrower to reimburse the Administrative Agent for any Guaranty Payment and any interest thereon.

2.3 The principal amount of this Note is subject to the transfer

provisions of Section 4.6 of the Credit Agreement.

MISCELLANEOUS

3.1 All parties hereto, including endorsers hereof, hereby waive

presentment for payment, demand, protest and notice of protest and non-

payment hereof and hereby consent that any and all securities or other

property, if any, held by or for the holders hereof at any time as security

for this Note may be exchanged, released or surrendered and that the time

of payment of this Note may be extended, all in the sole discretion of the

holders hereof and without notice and without affecting in any manner the

liability of the parties hereto.

3.2 No course of dealing between the Borrower and the Agents, the Banks or

the Trustee in exercising any rights hereunder shall operate as a waiver of

any right of any holders except to the extent expressly waived in writing

by such holder.

3.3 Whenever any payment to be made hereunder shall be due on a day which

is not a Business Day, such payments shall be made on the next Business

Day; provided, however, that if such next succeeding Business Day is in a

new month, then the payment required under the Credit Agreement or this

Note shall be made on the first Business Day preceding the original date on

which payment was due.

3.4 Any notice to be given pursuant to this Note shall be given in

accordance with Section 16.4 of the Credit Agreement.

3.5 THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE

INTERNAL LAWS OF THE STATE OF NEW YORK EXCEPT THAT WITH RESPECT TO THE

PROVISIONS OF THIS NOTE WHICH PROVIDE FOR OR RELATE TO THE PAYMENT OF

INTEREST, ANY PROVISIONS OF APPLICABLE FEDERAL LAW WHICH PERMIT THE BANKS

TO CHARGE THE HIGHER OF THE RATE PERMITTED BY SUCH APPLICABLE LAW OR BY THE

LAWS OF THE STATE IN WHICH THE BANKS ARE LOCATED SHALL BE DEEMED GOVERNING AND CONTROLLING.

3.6 THE BORROWER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH IT IS A PARTY INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS NOTE OR ANY OF THE LOAN DOCUMENTS.

3.7 Capitalized terms used in this Note but not defined herein shall have the meanings given to them in the Credit Agreement.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed the day and year first above written.

DUAL HOLDING COMPANY

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac
Title: Assistant Secretary

**EXHIBIT C TO AMENDMENT NO. 1 TO
CREDIT FACILITY AGREEMENT**

_____, 199__

CHRISTIANIA BANK OG
KREDITKASSE, New York Branch,
as Administrative Agent
11 West 42nd Street, 7th Floor
New York, New York 10036

Attention: Credit Administration/Shipping Department

REQUEST FOR LETTER OF CREDIT

Dear Sirs:

Pursuant to Section 4.5 of the Amended and Restated Facility Agreement dated as of September 27, 1995 as amended by Amendment No. 1 dated as of June 13, 1996 (the "Credit Agreement") among you as Administrative Agent, the Agents, the Banks and the Borrowers, we hereby irrevocably request that a Standby Letter of Credit in the amount of USD _____ be issued in favor of _____ for the account of _____ to secure the obligations of _____ under _____ with such letter of credit having an expiration date of _____ and with the following special provisions: _____ in accordance with the terms of the Credit Agreement.

If the issuance of the above mentioned Letter of Credit fails to take place or is delayed because of any of the conditions precedent specified in Section 8.2 of the Credit Agreement have not been satisfied subject to Section 4.5(a) of the Credit Agreement, we hereby agree to indemnify you and the Banks against any loss or reasonable expense incurred as a result of the giving of this Request for Letter of Credit including without limitation, any loss resulting from actions taken by you or the Banks to issue or fund the requested Letter of Credit. We further agree that a certificate from you as the Administrative Agent stating in reasonable detail the amount of, and basis for, any such loss incurred by you and the Banks shall be (save for manifest error) be conclusive and binding for all purposes.

All capitalized terms used in this Request for Letter of Credit and not defined herein shall have the meanings given to them in the Credit Agreement.

Very truly yours,

[Account Party under Facility A or Facility C]

By: _____
Name: _____
Title: _____

**EXHIBIT D TO AMENDMENT NO. 1 TO
CREDIT FACILITY AGREEMENT**

**AMENDMENT NO. 1
TO
ENSCO GUARANTY**

Amendment No. 1 dated as of June 13, 1996 to the Amended and Restated ENSCO Guaranty (the "ENSCO Guaranty"), dated as of September 27, 1995, made jointly and severally by ENSCO INTERNATIONAL INCORPORATED ("ENSCO"), a corporation organized and existing under the laws of the State of Delaware and ENSCO DELAWARE, INC. (formerly known as PENROD, INC.; "ENSCO DELAWARE"), a corporation organized and existing under the laws of the State of Delaware, (collectively, the "Guarantors") in favor of CHRISTIANIA BANK OG KREDITKASSE, New York Branch, DEN NORSKE BANK ASA, New York Branch, BANQUE INDOSUEZ and MEESPIERSON N.V. and the other financial institutions from time to time party to the Credit Agreement defined below (the "Banks").

WHEREAS, pursuant to the ENSCO Guaranty, the Guarantors guaranteed certain obligations of their affiliates, ENSCO OFFSHORE COMPANY, a Delaware corporation and ENSCO OFFSHORE U.K. LTD., a corporation organized and existing under the laws of England (the "Original Borrowers"), under (i) the Amended and Restated Credit Facility Agreement dated as of September 27, 1995 among the Original Borrowers, the Banks, the Agents, and the Administrative Agent named therein (the "Restated Credit Agreement") (ii) the promissory notes of the Original Borrowers in favor of the Agents on behalf of the Banks dated September 27, 1995 (the "Original Notes") and (iii) the other Loan Documents; and

WHEREAS, the Original Borrowers, the Banks and the Agents wish to amend the Restated Credit Agreement in order to, among other things, add Facility C to the Restated Credit Agreement in the original principal amount of USD 50,000,000 and add Dual Holding Company ("Dual Holding", and together with the Original Borrowers, the "Borrowers") as a Borrower under Facility C of the Restated Credit Agreement, pursuant to the terms of Amendment No. 1 to Amended and Restated Credit Agreement dated the date hereof ("Amendment No. 1"); and

WHEREAS, the obligations of Dual Holding under Facility C of the Restated Credit Agreement as amended is evidenced by the promissory note dated the date hereof ("Facility C Note") of Dual Holding in favor of the Administrative Agent on behalf of the Banks; and

WHEREAS, in order to induce the Banks to enter into Amendment No. 1, the Guarantors, as affiliates of the Borrowers, have agreed pursuant to this Amendment No. 1 to ENSCO Guaranty to reaffirm their guarantee to the Banks of the due and punctual payment of the Borrowers' obligations under the Restated Credit Agreement as amended by Amendment No. 1, the Notes and the other Loan Documents and the documents and transactions referred to therein.

NOW, THEREFORE, in consideration of the premises, the Guarantors hereby agree as follows:

5. Each reference in the ENSCO Guaranty to the term "Guaranty" shall mean the ENSCO Guaranty, as amended by this Amendment No. 1.

6. Each reference in the ENSCO Guaranty, as amended hereby, to the Credit Agreement shall mean the Restated Credit Agreement, as amended by Amendment No. 1.

7. Each reference in the ENSCO Guaranty to the term "Notes" shall mean the Original Notes and the Facility C Note.

8. Each reference in the ENSCO Guaranty to the term "Borrowers" shall mean ENSCO Offshore Company, ENSCO Offshore U.K. Ltd. and Dual Holding Company.

9. Except as specifically amended by this Amendment No. 1, all of the terms and provisions of the ENSCO Guaranty shall remain in full force and effect and each Guarantor hereby confirms the validity and enforceability of its guarantee hereunder and thereunder.

10. Each of the Guarantors acknowledges receipt of Amendment No. 1 to the Restated Credit Agreement and the documents referred therein and the terms thereof.

11. All capitalized terms used but not defined herein shall have the meanings given to them in the ENSCO Guaranty.

12. THIS AMENDMENT NO. 1 TO ENSCO GUARANTY SHALL BE GOVERNED BY AND

CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF STATE OF NEW YORK.

IN WITNESS HEREOF, the parties hereto have caused this Amendment No. 1 to ENSCO Guaranty to be executed by their duly authorized officers, all as of the date noted above.

ENSCO INTERNATIONAL INCORPORATED

By: _____
Name: _____
Title: _____

ENSCO DELAWARE, INC.

By: _____
Name: _____
Title: _____

ACCEPTED this 13th day of June, 1996.

CHRISTIANIA BANK OG KREDITKASSE, NEW YORK BRANCH

By: _____
Name: _____
Title: _____

DEN NORSKE BANK ASA, NEW YORK BRANCH

By: _____
Name: _____
Title: _____

BANQUE INDOSUEZ

By: _____
Name: _____
Title: _____

MEESPIERSON N.V.

By: _____
Name: _____ Title: _____

**EXHIBIT E TO AMENDMENT NO. 1
TO CREDIT FACILITY AGREEMENT**

ENSCO OFFSHORE II GUARANTY

GUARANTY, dated as of June 13, 1996, made by ENSCO OFFSHORE COMPANY

II, a corporation organized and existing under the laws of the State of

Delaware (the "Guarantor"), in favor of CHRISTIANIA BANK OG KREDITKASSE,

New York Branch, and DEN NORSKE BANK ASA, New York Branch, BANQUE INDOSUEZ,

MEESPIERSON, N.V. and the other financial institutions from time to time

party to the Credit Agreement defined below (the "Banks").

WHEREAS, DUAL HOLDING COMPANY, a Delaware corporation and the sole

shareholder of the Guarantor ("Dual Holding"), ENSCO OFFSHORE COMPANY, a

Delaware corporation and ENSCO OFFSHORE U.K. LIMITED, a corporation

organized and existing under the laws of England (collectively, the

"Borrowers"), have entered into the Amended and Restated Credit Facility

Agreement dated as of September 27, 1995, as amended by Amendment No. 1

thereto dated the date hereof among the Borrowers, the Banks and the Agents

named therein, (the "Credit Agreement");

WHEREAS, in order to induce the Banks to enter into Amendment No. 1 to

the Amended and Restated Credit Facility Agreement, the Guarantor, as a

subsidiary of Dual Holding, has agreed pursuant to this ENSCO Offshore II

Guaranty to guarantee to the Banks the due and punctual payment and

performance of Dual Holding's obligations under Facility C of the Credit

Agreement; and

WHEREAS, it is to the corporate benefit of the Guarantor that Dual

Holding execute the Credit Agreement, and

WHEREAS, the Agents and the Banks are prepared to enter into Amendment

No. 1 to the Amended and Restated Credit Facility Agreement in

consideration, among other things, of the execution of this ENSCO II

Guaranty by the Guarantor;

NOW, THEREFORE, in consideration of the above recitals, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

SECTION 1. Guaranty. The Guarantor hereby unconditionally and irrevocably guarantees the payment by Dual Holding of all amounts due by Dual Holding under Facility C of the Credit Agreement and the Facility C Note and the performance by Dual Holding of all of its obligations under the Credit Agreement and the other New Loan Documents (the obligations of Dual Holding under the Credit Agreement, the Facility C Note and the other New Loan Documents are hereinafter referred to as the "Obligations") and agrees in addition to pay any and all reasonable expenses incurred by the Banks and the Agents in enforcing any of the rights of the Banks under this Guaranty.

SECTION 2. Guaranty Absolute. (a) The Guarantor hereby guarantees that the Obligations will be paid and performed strictly in accordance with the terms of the Credit Agreement, the Facility C Note and the other New Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agents with respect thereto. The liability of the Guarantor under this Guaranty shall be absolute, unconditional and irrevocable irrespective of:

- (i) any lack of validity or enforceability of the Credit Agreement, the Facility C Note or any other New Loan Document;
- (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment thereof or waiver of or any consent to departure therefrom;
- (iii) any other circumstance, except payment of the Obligations, which might otherwise constitute a defense available to, or a

discharge of Dual Holding in respect of the Obligations or the

Guarantor in respect of this Guaranty.

(b) This is a guaranty of payment and performance and not of

collection and the Banks shall not be required to exhaust their remedies against Dual Holding before requiring the Guarantor to pay and perform under this Guaranty.

(c) This Guaranty shall continue to be effective or be reinstated, as

the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Banks upon the insolvency, bankruptcy or reorganization of the Borrowers or otherwise, all as though such payment had not been made.

SECTION 3. Waiver. The Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guaranty (other than notices required by the Credit Agreement) and any requirement that the Agents exhaust any right or take any action against the Borrowers or any other person or entity or any collateral.

SECTION 4. Subrogation. The Guarantor will not exercise any rights which it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise, until all the Obligations shall have been paid in full. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all the Obligations shall not have been paid in full, such amount, or such portion as is necessary to fully satisfy the Facility C Obligations, shall be forthwith paid to the Banks to be credited and applied against the Obligations. If (i) the Guarantor shall make payment to the Banks of all or any part of the Obligations and (ii) all the Obligations shall be paid in full, the Banks will execute and deliver to the Guarantor appropriate documents, without

recourse and without representation or warranty, releasing this Guaranty and transferring to the Guarantor any and all rights the Banks have or may have had against the Borrowers and necessary to evidence the transfer by subrogation to the Guarantor of any interest in the Obligations resulting from such payment by the Guarantor.

SECTION 5. Payments Free and Clear of Taxes, Etc. (a) All sums payable by the Guarantor under this Guaranty, whether of principal, interest, fees or otherwise, shall be paid in full without set-off or counterclaim and in such amounts as may be necessary in order that all such payments after deduction or withholding for or on account of any present or future taxes, levies, imposts, duties or other charges of whatsoever nature imposed by any Governmental Agency or taxing authority thereof, other than any tax, on or measured by the income of the Agents or the Banks (collectively the "Taxes"), shall not be less than the amounts otherwise specified to be paid under this Guaranty.

(b) A certificate as to any additional amounts payable to the Agents under this Section 5 submitted to the Guarantor by the Banks shall show in reasonable detail the amount payable and the calculations used to determine in good faith such amount and shall be conclusive absent manifest error.

(c) With respect to each deduction or withholding for or on account of any Taxes, the Guarantor shall promptly furnish to the Agents such certificates, receipts and other documents as may be required (in the reasonable judgment of the Agents) to establish any income tax credit to which any of the Banks may be entitled. In the event that such a deduction or withholding for Taxes becomes so applicable, the Banks and the Guarantor will use their best efforts to minimize the effect of such Taxes.

(d) If any Taxes specified in subsection (a) above are paid by any Bank, the Guarantor will, upon demand of the Administrative Agent whether

or not such Taxes shall be correctly or legally asserted, indemnify such Bank for such payments, together with any interest, penalties and expenses in connection therewith. In such case, the Guarantor shall be subrogated to the rights of the Banks to appear and contest the levy or assessment of any such Taxes. The Administrative Agent will give written notice to the Guarantor upon receipt of any notice regarding the assessment of any Taxes and will cooperate with the Guarantor in the event the Guarantor contests the assessment or payment of any Taxes.

(e) If for the purpose of obtaining an order or judgment, or execution thereon, it should become necessary for a court to convert the amount due hereunder into another currency, the Guarantor agrees that the rate of exchange to be applied shall be that at which, in accordance with normal banking procedures, the Administrative Agent could purchase Dollars, with such other currency in London (or if unable to purchase Dollars, in London, then in New York) on the Business Day preceding that on which such order or judgment is given (whether or not this includes a premium over any official or other rate of exchange). Further, the Guarantor agrees to reimburse the Banks for any loss incurred by them as a result of any judgment or order being expressed in a currency other than Dollars and as a result of any variation having occurred in rates of exchange (as determined in accordance with the above formula) between the date of any such amount becoming due hereunder and the date of actual payment thereof.

SECTION 6. Consent to Jurisdiction: Waiver of Immunities. (a) The Guarantor represents and warrants to the Banks that the Guarantor is generally subject to suit and that neither it nor its property enjoys any right to immunity from legal proceedings or execution on the grounds of sovereignty or otherwise. The Guarantor irrevocably waives any immunity it may have from the jurisdictions of the courts of the United States or of

its state of incorporation or which its property may have from attachment (before or after judgment) or execution by a court of the United States or any state. The Guarantor irrevocably consents to the non-exclusive jurisdiction of the courts of the State of New York or the United States District Court for the Southern District of New York or courts of any country or place where the Guarantor has its principal place of business or its assets may be found, at the election of the Agents. Any legal process shall be sufficiently served on the Guarantor in connection with proceedings in the State of New York if delivered to the Guarantor at 2700 Fountain Place, 1445 Ross Avenue, Dallas, Texas 75202. The Guarantor agrees that a final, non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Nothing in this Section 6 shall affect the right of the Banks to serve legal process in any other manner permitted by law or affect the right of the Banks to bring any action or proceeding against the Guarantor or its property in the courts of any other jurisdictions.

(c) To the extent that the Guarantor has or hereafter may acquire any immunity from jurisdiction of any court or from any legal process (whether through service of notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, the Guarantor hereby irrevocably waives such immunity in respect of its obligations under this Guaranty.

SECTION 7. Representations and Warranties. The Guarantor hereby represents and warrants as to the following:

(a) It is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business in the jurisdictions in which the failure to be so qualified

would have a material adverse effect as defined in the Credit Agreement.

(b) The execution, delivery and performance by the Guarantor of this Guaranty and any other documents contemplated herein and the completion of all other transactions herein contemplated are within the Guarantor's corporate authority, are in furtherance of its corporate purposes, have been duly authorized by all necessary corporate action and will not contravene any applicable law or regulation nor violate the Guarantor's Articles of Incorporation or By-Laws nor any agreement binding on the Guarantor nor any applicable law or regulation or order or decree of any governmental authority or agency of the United States of America or the State of Texas.

(c) This Guaranty is supported by adequate and sufficient consideration, has been validly signed on behalf of the Guarantor and represents the valid and binding obligation of the Guarantor, enforceable in accordance with its terms and will not result in the Guarantor's liabilities exceeding the fair market value of its assets. The enforceability of this Guaranty, however, is subject to all applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally and to general equity principles.

(d) The legality, validity, enforceability or admissibility of this Guaranty are not subject or conditional upon this Guaranty being filed, recorded or enrolled with any governmental authority or agency or stamped with any stamp, duty or similar transaction tax of the United States of America or the State of Texas.

(e) The execution, delivery and performance by the Guarantor of this Guaranty and of each instrument given to secure this Guaranty do not to the best of its knowledge after due inquiry (1) violate any law, statute, ordinance, decree, order, judgment issued by any non-United States

government, the government of the United States, any state of the United States and any political subsidiaries thereof, and any agency, department, commission, board or court having jurisdiction over the Borrowers or the Guarantor or its respective assets or property; (2) conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, any agreement or instrument to which the Guarantor is now a party or by which the Guarantor or its property may be bound; (3) result in the creation of any lien, charge or encumbrance upon any of Guarantor's property or assets (other than as provided in the New Loan Documents); (4) violate the Guarantor's Articles of Incorporation; or (5) require (x) any consent of any other person (including, without limitation, shareholders of any affiliate of Guarantor) or (y) any consent, license, permit, authorization or other approval of, any giving of notice to, any exemption by, any registration, declaration or filing (other than the routine filing of security documents) with, or any taking of any other action in respect of, any court arbitrator, administrative agency or any non-United States government, the government of the United States, any state of the United States and any political subdivisions thereof, and any agency, department, commission, board or court having jurisdiction over the Guarantor or its assets or property.

(f) The execution and delivery of this Guaranty to the Banks will benefit directly or indirectly the Guarantor.

(g) No representation or warranty contained in this Guaranty and no statement contained in any certificate, schedule, list, financial statement or other instrument furnished by or on behalf of Guarantor to the Agents or the Banks contains any untrue statement of material fact.

(h) There are no pending, or to the best of the Guarantor's knowledge, any threatened actions or proceedings affecting the Guarantor,

any of the Guarantor's affiliates or any of the Guarantor's property before any court, governmental agency or arbitrator in any country, which may materially adversely affect the financial condition or operations of the Guarantor.

(i) Dual Holding is the sole shareholder of the Guarantor.

SECTION 8. Covenants. The Guarantor covenants and agrees that, so long as any part of the Obligations shall remain unpaid, it will, unless the Banks shall otherwise consent in writing, comply with the covenants set forth in the Credit Agreement to the extent applicable to the Guarantor.

SECTION 9. The Credit Agreement and the Facility C Note. The Guarantor hereby acknowledges receipt of the Credit Agreement and the Facility C Note in execution form and hereby consents and agrees to the Credit Agreement and the Facility C Note and to all the terms and provisions thereof.

SECTION 10. Amendments, Etc. No amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by the Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 11. Notices. (a) All notices, requests, consents, demands and other communications provided for or permitted hereunder shall be effective three (3) days after being duly deposited in the mails, certified, return receipt requested, or upon receipt if delivered by Federal Express or similar courier company or transmitted by telefax, addressed to the respective party at the address set forth below.

Banks: Christiania Bank og Kreditkasse,
New York Branch
11 West 42nd Street, 7th Floor
New York, New York 10036
Telefax No. (212) 827-4888
Attention: Head of Shipping

Den norske Bank ASA, New York Branch 200 Park Avenue
New York, New York 10166
Telefax No. (212) 681-3900 Attention: Shipping Group Head

Banque Indosuez
47, Rue de Monceau
F 7500 Paris
France
Telefax No. 011 331 4420 1934 Attention: Francine Struxiano-Auffray with copies to:

Banque Indosuez
Representative Office
Ruselokkveien 6
Oslo 0120
Norway
Telefax No. 011 472 283 3055 Attention: Bjorn Hurdevadt-Gulbrandsen

MeesPierson N.V.
Camomile Court
23 Camomile Street
London EC3A 7PP
England
Telefax No. 011 44 171 444 8810 Attention: Shipping Department

Guarantor: ENSCO Offshore Company II
 2700 Fountain Place
 1445 Ross Avenue
 Dallas, Texas 75202
 Telefax No. (214) 855-0300
 Attention: Chief Financial Officer

(b) Any of the parties hereto may change its respective address by
notice in writing given to the other parties to this Agreement.

SECTION 12. No Waiver; Remedies. No failure on the part of the Agents
or the Banks to exercise, and no delay in exercising, any right hereunder
shall operate as a waiver thereof; nor shall any single or partial exercise
of any right hereunder preclude any other or further exercise thereof or
the exercise of any other right. The remedies herein provided are
cumulative and not exclusive of any remedies provided by law.

SECTION 13. Continuing Guaranty. This Guaranty is a continuing guaranty and shall (i) remain in full force and effect until payment in full of the Obligations and payment in full of all other amounts due under this Guaranty, (ii) be binding upon the Guarantor, its successors or assigns, as the case may be, and (iii) inure to the benefit of and be enforceable by the Agents and the Banks and their successors, permitted transferees and permitted assigns, provided, however, that the Guarantor may not transfer the Guaranty or any part thereof without the prior written consent of the Banks.

SECTION 14. Survival. The representations, covenants and agreements herein set forth shall continue and survive until the termination of this Guaranty at which time it shall be returned to the Guarantor.

SECTION 15. Defined Terms. All terms used in this Guaranty which are not defined herein shall have the meanings given to them in the Credit Agreement.

SECTION 16. GOVERNING LAW. THIS GUARANTY AND ALL ISSUES ARISING IN CONNECTION WITH THIS GUARANTY AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ITS CONFLICT OF LAWS RULES.

SECTION 17. WAIVER OF JURY TRIAL. THE GUARANTOR AND THE BANKS HEREBY WAIVE THE RIGHT TO TRIAL BY JURY IN ANY JUDICIAL PROCEEDING TO WHICH THEY ARE PARTIES INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT, RELATED TO, OR CONNECTED WITH THIS GUARANTY, ANY OF THE LOAN DOCUMENTS OR THE RELATIONSHIP ESTABLISHED HEREUNDER.

SECTION 18. CONFLICTS. IN THE EVENT OF A CONFLICT BETWEEN THE PROVISIONS OF THIS GUARANTY AND THOSE OF ANY OTHER LOAN DOCUMENT, INCLUDING, WITHOUT LIMITATION, THE CREDIT AGREEMENT, THE PROVISIONS OF THE

CREDIT AGREEMENT SHALL CONTROL.

IN WITNESS WHEREOF, the Guarantor has duly executed and delivered this

Guaranty, as of the date first above written.

ENSCO OFFSHORE COMPANY II

By: /s/ ROBERT O. ISAAC

Name: Robert O. Isaac
Title: Assistant Secretary

ACCEPTED this ___ day of June, 1996.

CHRISTIANIA BANK OG KREDITKASSE, New York Branch

By: _____ Name: _____ Title: _____

By: _____ Name: _____ Title: _____

DEN NORSKE BANK ASA, New York Branch

By: _____ Name: _____ Title: _____

By: _____ Name: _____ Title: _____

BANQUE INDOSUEZ

By: /s/ DAVID JUNGMAN

Name: David Jungman
Title: Attorney-in-Fact

MEESPIERSON N.V.

By: /s/ DAVID JUNGMAN

Name: David Jungman
Title: Attorney-in-Fact

AMENDMENT NO. 3

TO

FIRST PREFERRED FLEET MORTGAGE

AMENDMENT NO. 3 dated June 13, 1996 ("Amendment No. 3") by ENSCO OFFSHORE COMPANY, a Delaware corporation with its principal place of business at 2700 Fountain Place, 1445 Ross Avenue, Dallas, Texas 75202 (the "Shipowner"), to BANKERS TRUST COMPANY, a New York banking corporation with an office at Four Albany Street, Fourth Floor, New York, New York 10006, not in its individual capacity but solely as Trustee (the "Mortgagee").

WITNESSETH:

WHEREAS, the Shipowner is the owner of 100% of the following U.S. flag drilling rigs (the "Vessels"):

NAME	OFFICIAL NO.	HOME PORT
ENSCO 68	574668	New Orleans, LA
ENSCO 81	606512	New Orleans, LA
ENSCO 82	602912	New Orleans, LA
ENSCO 83	605536	New Orleans, LA
ENSCO 84	637544	New Orleans, LA
ENSCO 86	643110	New Orleans, LA
ENSCO 87	648969	New Orleans, LA
ENSCO 88	645637	New Orleans, LA
ENSCO 89	652440	New Orleans, LA
ENSCO 90	647859	New Orleans, LA
ENSCO 93	651385	New Orleans, LA
ENSCO 94	638685	New Orleans, LA
ENSCO 95	642112	New Orleans, LA
ENSCO 98	589096	New Orleans, LA
ENSCO 99	682070	New Orleans, LA

which Vessels have been duly registered in the name of the Shipowner in accordance with the laws of the United States of America; and

WHEREAS, the Shipowner executed and delivered to the Mortgagee the First Preferred Fleet Mortgage dated September 27, 1995 covering 100% of each of the Vessels (the "Mortgage" and the terms herein, unless otherwise defined, being used as defined in the Mortgage); and

WHEREAS, the Shipowner granted the Mortgage to secure, among other things, payment of all amounts due and owing under the Amended and Restated Credit Agreement dated as of September 27, 1995, as amended (the "Credit Agreement"), among the Banks listed therein, the Shipowner, ENSCO Offshore (U.K.) Ltd. (together with the Shipowner, the "Original Borrowers"), and the Agents and Administrative Agent named therein, and the Facility A and Facility B Notes issued in connection therewith, as amended; and

WHEREAS, a true and correct copy of the Credit Agreement is attached to the Mortgage as Exhibit A and forms a part thereof; and

WHEREAS, pursuant to the terms of the Trust Indenture dated December 17, 1993 among the Original Borrowers and the Mortgagee, the Mortgagee has agreed to act as Trustee for the benefit of the Banks with respect to the collateral granted by the Borrowers to secure their obligations under the Credit Agreement; and

WHEREAS, the Mortgage was received for record on December 17, 1993 at 10:23 a.m. at the United States Coast Guard Vessel Documentation Office in New Orleans, Louisiana and recorded in Book PM-247, page 109; and

WHEREAS, pursuant to Amendment No. 1 to the Credit Agreement dated as of November 1, 1994, certain terms of the Credit Agreement were amended and the Mortgage was amended by Amendment No. 1 to the Mortgage to reflect such changes in the Credit Agreement; and

WHEREAS, Amendment No. 1 to the Mortgage was received for record at 9:35 a.m. on January 13, 1995 at the United States Coast Guard Vessel Documentation Office in New Orleans, Louisiana and was recorded in Book PM- 9501, Instrument 206; and

WHEREAS, the Credit Agreement was amended and restated pursuant to the terms of the Amended and Restated Credit Facility Agreement dated as of September 27, 1995, and the Mortgage was amended pursuant to Amendment No. 2 to the Mortgage to reflect such changes to the Credit Agreement; and

WHEREAS, Amendment No. 2 to the Mortgage was received for record at 1:45 p.m. on September 27, 1995 in the United States Coast Guard Vessel Documentation Office in New Orleans, Louisiana and was recorded in Book 9509, Instrument 125; and

WHEREAS, pursuant to Amendment No. 1 to Amended and Restated Credit Agreement dated as of the date hereof ("Amendment No. 1") the Banks have agreed, among other things, to make available to Dual Holding Company, an affiliate of the Shipowner (together with the Original Borrowers, the "Borrowers"), a credit facility of up to USD 50,000,000 or, in the circumstances provided in Section 4.6 of the Credit Agreement, up to USD 65,000,000 and such additional amount is to be secured by the Mortgage and evidenced by the Facility C Note (together with the Facility A and Facility B Notes, as amended, restated and endorsed, the "Notes").

NOW, THEREFORE, THIS AMENDMENT NO. 3 WITNESSETH:

ARTICLE FIRST

SECTION 1. The form of Credit Agreement as Exhibit A to the Mortgage is hereby supplemented by adding to it Amendment No. 1 to Amended and Restated Credit Agreement in the form of Exhibit A to this Amendment No. 3.

SECTION 2. Hereinafter each reference in the Mortgage, as amended, to the Credit Agreement shall refer to the Credit Agreement as amended by Amendment No. 1.

SECTION 3. Article III, Section 9 of the Mortgage is hereby amended to read as follows:

"SECTION 9. The maximum principal amount that may be outstanding under this Mortgage at any one time is One Hundred Fifty Million United States Dollars (USD 150,000,000) and for the purpose of recording this Mortgage as required by Chapter 313 of Title 46 of the United States Code, the total amount of this Mortgage is USD 150,000,000 plus interest, costs, expenses and performance of mortgage covenants. The discharge amount is the same as the total amount."

SECTION 4. For the purpose of recording this Amendment No. 3, as required by 46 U.S. Code Ch. 313, it amends mortgage covenants; the total amount of the Mortgage is increased to One Hundred Fifty Million United States Dollars (USD 150,000,000) plus interest, costs, expenses and performance of mortgage covenants; the discharge amount is the same as the total amount; and there is no separate discharge amount.

ARTICLE SECOND

SECTION 1. All of the covenants and agreements on the part of the Shipowner which are set forth in, and all of the rights, privileges, powers and immunities of the Mortgagee which are provided for in the Mortgage are incorporated herein and shall apply to the Vessels hereby and heretofore subjected to the lien of the Mortgage and otherwise with the same force and effect as though set forth at length in this supplement.

SECTION 2. This instrument is executed as and shall constitute an instrument supplemental to the Mortgage, and shall be construed in connection with and as part of the Mortgage.

SECTION 3. Except as modified and expressly amended by this Amendment No. 3 and any other supplement, the Mortgage is in all respects ratified and confirmed and all the terms, provisions and conditions thereof shall be and remain in full force and effect.

SECTION 4. THIS AMENDMENT NO. 3 TO FIRST PREFERRED FLEET MORTGAGE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE UNITED STATES OF AMERICA AND, TO THE EXTENT THEY DO NOT APPLY, TO THE INTERNAL LAWS OF THE STATE OF NEW YORK.

SECTION 5. This Amendment No. 3 may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original.

IN WITNESS WHEREOF, Amendment No. 3 has been executed and delivered on the day and year date first above written.

ENSCO OFFSHORE COMPANY

BY: /s/ ROBERT O. ISAAC

NAME: Robert O. Isaac
TITLE: Assistant Secretary

BANKERS TRUST COMPANY, not in its individual capacity but solely as Trustee, as Mortgagee

BY: /s/ JACQUELINE BARTNICK

NAME: Jacqueline Bartnick

TITLE: Assistant Vice President

THE STATE OF TEXAS :

:

COUNTY OF HARRIS :

On this 13th day of June, 1996, before me personally came Robert O. Isaac, to me known, who, being by me duly sworn, did depose and say that his address is 2700 Fountain Place, 1445 Ross Avenue, Dallas, Texas 75202; that he is the Assistant Secretary of ENSCO Offshore Company, the corporation described in and which executed the foregoing instrument; and that he signed his name thereto pursuant to authority granted to him by the Board of Directors of said corporation.

/s/ S. N. NIXON

Notary Public, State of Texas

[-----]
[]
[Notary S. N. NIXON]
[Seal Notary Public, State of Texas]
[Commission Expires 7-18-99]
[] [-----]

THE STATE OF NEW YORK :

:

COUNTY OF NEW YORK :

On this 13th day of June, 1996, before me personally came Jackie Bartnick, to me known, who, being by me duly sworn, did depose and say that her address is Four Albany Place, Fourth Floor, New York, New York 10006; that she is Asst. Vice President of Bankers Trust Company, the corporation described in and which executed the foregoing instrument; and that she signed her name thereto pursuant to authority granted to her by the Board of Directors of said corporation.

/s/ MARGARET BEREZA

Notary Public, State of Texas

[-----]

[]

[Notary MARGARET BEREZA]

[Seal Notary Public, State of New York]

[No. 31-5023900]

[Qualified in New York County]

[Commission Expires 2-22-98]

[]

[-----]

Dated June 13, 1996

ENSCO OFFSHORE COMPANY II

and

BANKERS TRUST COMPANY, AS TRUSTEE

FIRST PREFERRED FLEET MORTGAGE

FIRST PREFERRED FLEET MORTGAGE

FIRST PREFERRED FLEET MORTGAGE, made the 13th day of June, 1996 by ENSCO OFFSHORE COMPANY II, a corporation formed under the laws of the State of Delaware, with its address at 2700 Fountain Place, 1445 Ross Avenue, Dallas, Texas (herein called the "Shipowner"), to BANKERS TRUST COMPANY, a corporation organized under the laws of the State of New York, with its address at Four Albany Street, Fourth Floor, New York, New York 10006, not in its individual capacity but solely as Trustee, its successors and assigns (herein called the "Mortgagee");

WHEREAS:

A. The Shipowner is the sole owner of the whole of the following Liberian Flag jackup drilling units:

NAME	OFFICIAL NO.	GROSS TONS	NET TONS	HOME PORT
ENSCO 50	9383	5395	1618	Monrovia
ENSCO 51	9384	4089	4089	Monrovia
ENSCO 53	10260	4976	1244	Monrovia
ENSCO 54	10159	5563	1668	Monrovia

duly documented in the name of the Shipowner under the law of the Republic of Liberia.

B. ENSCO Offshore Company, ENSCO Offshore U.K. Ltd. and Dual Holding Company ("Dual", and collectively, the "Borrowers"), each an affiliate of the Shipowner, are parties to that certain Amended and Restated Credit Agreement dated as of September 27, 1995, as amended by Amendment No. 1 dated as of June 13, 1996 among the Borrowers and the Banks, the Agents and the Administrative Agent named therein (as the same may be amended from time to time, the "Credit Agreement") pursuant to which the Banks have agreed to make available a credit facility to the Borrowers of up to ONE HUNDRED FIFTY MILLION AND 00/100 UNITED STATES DOLLARS (USD 150,000,000.00) upon the terms and conditions therein set forth. A copy of the form of the Credit Agreement, is attached hereto as Exhibit A and made a part hereof.

C. The Shipowner has, pursuant to the ENSCO Offshore II Guaranty dated as of June 13, 1996 (the "Guaranty") in favor of the Banks, the form of which is attached as Exhibit E to Amendment No. 1 to the Credit Agreement guaranteed to the Banks the due and punctual payment of all amounts due under Facility C of the Credit Agreement and the performance of all of Dual's obligations under the Facility C Note and the Credit Agreement. The Facility C Commitments are USD 50,000,000 or, in the circumstances provided in Section 4.6 of the Credit Agreement, up to USD 65,000,000. Consequently the amount of this Mortgage is USD 65,000,000 and the maturity date of this Mortgage is on demand.

D. Pursuant to the terms of the Trust Indenture among the Borrowers, the Shipowner and the Mortgagee dated September 27, 1995, as amended by Supplement No. 1 dated as of June 13, 1996 (the "Trust Indenture"), the Mortgagee has agreed to act on behalf of the Banks, the

Agent and the Administrative Agent with respect to the security granted by the Borrowers and the Shipowner to secure the obligations under the Credit Agreement and the Guaranty.

E. In order to secure the obligations of the Shipowner under the Guaranty and the payment of all other sums that may hereinafter be secured by this Mortgage in accordance with the terms hereof, and to secure the performance and observance of and compliance with all the agreements, covenants and conditions of this Mortgage, the Shipowner has duly authorized the execution and delivery of this First Preferred Fleet Mortgage.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, and in order to secure the payment of all amounts outstanding under Facility C guaranteed by the Guaranty (including the principal of and interest thereon) according to the terms of this Mortgage, the Guaranty and the Credit Agreement, and the payment of all other sums that may hereafter be secured by this Mortgage in accordance with the terms hereof (all such principal, interest, and other sums being hereinafter called the "Indebtedness hereby secured") and to secure the performance and observance of and compliance with all of the agreements, covenants and conditions of this Mortgage, the Guaranty and the Credit Agreement, the Shipowner has granted, conveyed, mortgaged, pledged, confirmed, assigned, transferred and set over and by these presents does grant, convey, mortgage, pledge, confirm, assign, transfer and set over, unto the Mortgagee, and its successors and assigns the whole of the jackup drilling units ENSCO 50, ENSCO 51, ENSCO 53 and ENSCO 54 including, without being limited to, all of the boilers, engines, machinery, masts, spars, boats, anchors, cables, chains, rigging, tackle, capstans, outfit, tools, pumps and pumping equipment, drills, apparel, furniture, fittings, equipment, drilling equipment, spare parts, and all other appurtenances thereunto appertaining or belonging, whether now owned or hereafter acquired, and also any and all additions, improvements, renewals and replacements hereafter made in or to such drilling rigs or any part thereof, including all items and appurtenances aforesaid (such drilling rigs, together with all of the foregoing, being herein called the "Vessels").

TO HAVE AND TO HOLD all and singular the above mortgaged and described property unto the Mortgagee and its successors and assigns, to its and to its successors' and assigns' own use, benefit and behoof forever.

PROVIDED, and these presents are upon the condition, that, if the Shipowner or its successors or assigns shall pay or cause to be paid the Indebtedness hereby secured as and when the same shall become due and payable in accordance with the Credit Agreement, the Guaranty and this Mortgage, and all other such sums as may hereafter become secured by this Mortgage in accordance with the terms hereof, and the Shipowner shall duly perform, observe and comply with or cause to be performed, observed, or complied with all the covenants, terms and conditions of this Mortgage, the Guaranty and the Credit Agreement expressed or implied, to be performed, then this Mortgage and the estate and rights hereunder shall cease, determine and be void, otherwise to remain in full force and effect.

The Shipowner for itself, its successors and assigns, hereby covenants, declares and agrees with the Mortgagee and its successors and assigns that the Vessels are to be held subject to the further covenants, conditions, terms and uses hereinafter set forth.

ARTICLE I

Representations and Covenants of the Shipowner.

Section 1. (a) The Shipowner hereby acknowledges that it is justly indebted in the principal amount of USD 65,000,000 and will pay the Indebtedness hereby secured and will observe, perform and comply with the covenants, terms and conditions herein and in the Guaranty and the Credit Agreement, express or implied, on its part to be observed, performed or complied with.

(b) The obligation of the Indebtedness hereby secured is an obligation in Dollars of the United States of America and the term "USD" when used herein shall mean such Dollars. Notwithstanding fluctuations in the value or rate of Dollars in terms of gold, or any other currency, all payments hereunder or otherwise in respect of the Indebtedness hereby secured shall be payable in terms of Dollars when due, and if not paid when due, in terms of Dollars when paid, whether such payment is made before or after the due date.

Section 2. The Shipowner is a corporation duly organized and existing under the laws of the State of Delaware and is qualified as a Foreign Maritime Entity under the laws of the Republic of Liberia. The Shipowner has full power and authority to own and mortgage the Vessels; all action necessary and required by law for the execution and delivery of this Mortgage has been duly and effectively taken; and the Indebtedness hereby secured is and will be the valid and enforceable obligation of the Shipowner in accordance with its terms.

Section 3. The Shipowner lawfully owns and is lawfully possessed of the Vessels free from any lien or encumbrance whatsoever other than (a) liens for current crew's wages, (b) liens covered by valid policies of insurance held by the Shipowner and meeting the requirements of Section 15 below, and (c) liens not covered by insurance incurred in the ordinary course of business and not more than thirty days past due as permitted by

Section 12.1 of the Credit Agreement (together with (a) and (b) "Permitted Liens"), and will warrant and defend the title and possession thereto and to every part thereof for the benefit of the Mortgagee against the claims and demands of all persons whomsoever.

Section 4. The Shipowner will cause this Mortgage to be duly recorded in accordance with the provisions of Chapter 3 of Title 22 of the Liberian Code of Laws of 1956, as amended (hereinafter called the "Liberian Maritime Law"), and will otherwise comply with and satisfy all of the provisions of the Liberian Maritime Law in order to establish and maintain this Mortgage as a first preferred mortgage lien thereunder upon the Vessels and upon all renewals, replacements and improvements made in or to the same for the amount of the Indebtedness hereby secured.

Section 5. The Shipowner will not cause or permit the Vessels to be operated in any manner contrary to law, and the Shipowner will not engage in any unlawful trade or violate any law or carry any cargo that will expose the Vessels to penalty, forfeiture or capture, and will not do, or suffer or permit to be done, anything which can or may injuriously affect the registration or enrollment of the Vessels under the laws and regulations of the Republic of Liberia and will at all times keep the Vessels duly documented thereunder.

Section 6. The Shipowner will pay and discharge when due and payable, from time to time, all taxes, assessments, governmental charges, fines and penalties lawfully imposed on the Vessels or any income therefrom; provided that the Shipowner shall not be required to pay any such tax, assessment or charge if the validity or amount thereof is concurrently contested in good faith by appropriate proceedings and if the Shipowner shall have set aside on its books reserves in accordance with generally accepted accounting principles in the United States deemed by it adequate with respect to such tax, assessment or charge; and provided further, however, that the Shipowner will pay or cause to be paid all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any lien which is attached as security therefor.

Section 7. Neither the Shipowner, any charterer, the Master of any Vessel nor any other person has or shall have any right, power or authority to create, incur or permit to be placed or imposed or continued upon any Vessel any lien whatsoever other than for crew's wages and salvage, the lien of this Mortgage and Permitted Liens.

Section 8. The Shipowner will place, and at all times and places will retain, a properly certified copy of this Mortgage on board each Vessel with her papers and will cause each such certified copy to be exhibited to any and all persons having business therewith which might give rise to any lien thereon other than liens for crew's wages and salvage, and to any representative of the Mortgagee; and will place and keep prominently displayed in the chart room and in the Master's cabin of each Vessel a framed printed notice in plain type reading as follows:

"NOTICE OF MORTGAGE

This Vessel is covered by a First Preferred Fleet Mortgage in favor of Bankers Trust Company, as Trustee, under authority of the Chapter 3 of Title 22 of the Liberian Code of Laws of 1956, as amended. Under the terms of said Mortgage, neither the Owner, nor any charterer or the Master of this Vessel nor any other person has any right, power or authority to create, incur or permit to be imposed upon this Vessel any other lien whatsoever except liens for crew's wages and salvage and Permitted Liens as defined in such Mortgage."

Section 9. Except for the lien of this Mortgage and Permitted Liens, the Shipowner will not suffer to be continued any lien, encumbrance or charge on the Vessels, and in due course and in any event within ninety (90) days after the same becomes due and payable, will pay or cause to be discharged, or make adequate provision for the satisfaction or discharge

of, all claims or demands, which, if not paid, may give rise to any lien, encumbrance or charge on the Vessels, or will cause the Vessels to be released or discharged from any lien, encumbrance or charge therefor.

Section 10. If a libel or complaint be filed against any Vessel or any Vessel be otherwise attached, levied upon or taken into custody by virtue of any legal proceeding in any court, tribunal or governmental entity (de jure or de facto) or if any Vessel suffers damage in excess of USD 500,000, the Shipowner will promptly notify the Mortgagee thereof by telefax, confirmed by letter, at its address, as specified in this Mortgage, and within thirty (30) days will cause such Vessel to be released and all liens thereon other than this Mortgage to be discharged and will promptly notify the Mortgagee thereof in the manner aforesaid.

Section 11. The Shipowner will at all times and without cost or expense to the Mortgagee maintain and preserve, or cause to be maintained and preserved, the Vessels and all its equipment, outfit and appurtenances, tight, staunch, strong, in good condition, working order and repair and in all respects seaworthy and fit for its intended service, and will keep the Vessels, or cause her to be kept, in such condition as will entitle her to the highest classification and rating for vessels of the same age and type in American Bureau of Shipping, or other classification society of like standing approved by the Mortgagee. The Vessels shall, and the Shipowner covenants that they will, at all times comply with all applicable laws, treaties and conventions to which the Republic of Liberia is a party, and rules and regulations issued thereunder, and shall have on board as and when required thereby valid certificates showing compliance therewith. The Shipowner will not make, or permit to be made any change in the physical characteristics of any Vessel which would, in the reasonable judgment of the Mortgagee, materially interfere with the suitability of such Vessel for normal commercial offshore drilling operations without first receiving the written approval thereof by the Mortgagee, which approval shall not be unreasonably withheld.

Section 12. The Shipowner will at all reasonable times afford the Mortgagee or its authorized representatives full and complete access to the Vessels during normal business hours for the purpose of inspecting the Vessels and their cargoes and papers, and the Shipowner will deliver for inspection copies of such contracts and documents relating to the Vessels, whether on board or not, as the Mortgagee may reasonably request. All reasonable expenses incurred by the Mortgagee or its authorized representatives in the exercise of its right of inspection hereunder shall be promptly paid by the Shipowner.

Section 13. The Shipowner will not transfer or change the flag or port of documentation of any Vessel without the written consent of the Mortgagee first had and obtained, and any such written consent to any one transfer or change of flag or port of documentation shall not be construed to be a waiver of this provision with respect to any subsequent proposed transfer or change of flag or port of documentation.

Section 14. The Shipowner will not sell or mortgage, without the written consent of the Mortgagee first had and obtained, and any such written consent to any one sale or mortgage shall not be construed to be a

waiver of this provision with respect to any subsequent proposed sale or mortgage. Any such sale or mortgage of the Vessels shall be subject to the provisions of this Mortgage and the lien hereof.

Section 15. Insurance. (a) The Shipowner will, at its own expense, when and so long as this Mortgage shall be outstanding, insure or cause to be insured each Vessel against the risks indicated below, in addition to such other risks which would be covered by experienced, prudent, and responsible companies engaged in the offshore contract drilling of hydrocarbons in places and under conditions comparable to those in which the Vessels are employed from time to time and possessing financial and operating characteristics similar to those of the Shipowner ("Similar Companies") in accordance with the usual and customary practices of Similar Companies, and keep them collectively insured, in lawful money of the United States, for not less than the greater of (i) 125% of the Facility C Commitments and (ii) the amount of coverage that would be within the range obtained by Similar Companies on such Vessels. Such insurance shall be on the basis of "new for old" with no deduction for depreciation and shall have the following minimum limits:

(i) Full form marine hull and machinery insurance extended to insure against all risks of loss or damage, including but not limited to the risk of loss from blowout and cratering and against such risks and in such form as are approved by the Mortgagee and are necessary or advisable for the protection of the interests of the Mortgagee and the Shipowner in an amount not less than the greater of (A) 125% of the Facility C Commitments or (B) the amount of coverage that would be within the range obtained by Similar Companies on such Vessels. The deductible or self-insured retention under the policy shall not exceed USD 250,000 per occurrence. The policies shall be endorsed to delete the sue and labor requirements as applied to the Mortgagee and to provide coverage for collision and earthquake hazards;

(ii) Full form marine protection and indemnity and comprehensive general liability insurance (including any excess liability insurance), including coverage for contractual liability, pollution liability, contractual and legal wreck removal, crew coverage, excess collision, salvage and general average, care, custody and control coverage. Such protection and indemnity insurance shall be maintained in the broadest forms generally available to Similar Companies in the United States, London or Scandinavian markets and shall be in an amount not less than the greater of (A) the range of that carried by Similar Companies and (B) USD 200,000,000. Said policy shall not include a deductible or self-insured retention in excess of USD 250,000 per occurrence. Such insurance shall include a cross-liability endorsement;

(iii) The Shipowner shall, at all times during which the Vessels are operating within the jurisdiction of the United States of America, maintain or cause operators of the Vessels to maintain insurance or post bond or satisfy the requirements for evidence of financial responsibility with respect to the Vessels to cover the actual cost of removal of discharged oil for which the Shipowner or the Vessels may be held strictly liable (or held liable due to negligence of the

Shipowner or any other Person) under the Clean Water Act of 1977, the Oil Pollution Act of 1990 or the Outer Continental Shelf Lands Act, or under any other federal or state law which, in the future, may apply to the Vessels or to the Shipowner; and the Shipowner shall maintain or cause operators of the Vessels to maintain insurance or post bond or satisfy the requirements for evidence of financial responsibility covering similar pollution risks or liabilities incident thereto under any law, regulation or judicial decision of any foreign jurisdiction or jurisdictions or political subdivision thereof applicable to the Shipowner, the Vessels or its operations;

(iv) Such workmen's compensation or longshoremen's and harbor workers' insurance as shall be required by applicable law, including endorsements for Outer Continental Shelf operations, borrowed servant, voluntary compensation and in rem claims;

(v) Insurance (with a limit of USD 50,000,000 per occurrence) naming the Shipowner and the Mortgagee assureds and loss payees, as their interests may appear, against Operator's Extra Expense ("O.E.E.") liability in connection with operations conducted by the Vessels with respect to Vessels operating under a drilling contract with a financially responsible operator acceptable to the Mortgagee that indemnifies against such "O.E.E." arising out of blowout (above and below ground), cratering, redrilling/recompletion, cost of control, clean-up, containment seepage, pollution, spillage or leakage in connection with operations conducted by the Vessel, in form and substance satisfactory to the Mortgagee, and third party liabilities ("T.P.L.") that may be assumed by a contract which is legally enforceable and in form and substance satisfactory to the Mortgagee. Deductibles or self-insured retentions shall not exceed USD 250,000 ("O.E.E.")("T.P.L.") and shall be for the account of the Shipowner;

(vi) Excess seepage, pollution, clean-up and containment liability coverage in the amount of USD 50,000,000 in respect of offshore operations in excess of and following the seepage, pollution, clean-up and containment liability coverage recited in Section 15(a)(v) above;

(vii) Subject to the provisions of this subsection, War and Political Risk insurance naming the Shipowner and the Mortgagee as assureds and loss payees, which shall be maintained in the broadest forms generally available to Similar Companies in the United States, London or Scandinavian markets, and shall include coverage for war risk hull and machinery, war risk protection and indemnity, confiscation, expropriation, nationalization, deprivation and inability to export. Such insurance shall be in amounts, with deductibles or self-insured retentions not to exceed, the corresponding policies described in subparagraphs (i) and (ii) above. The Shipowner shall obtain and maintain War and Political Risk Insurance for any Vessel operating in an area deemed to be hostile by the Shipowner's underwriters or protection and indemnity club;

(viii) Upon prior written notice to the Shipowner, the Mortgagee may obtain mortgagee's interest insurance or breach of warranty

endorsement in favor of the Mortgagee with such underwriters and under forms of policies approved by the Mortgagee in an amount equal to at least 125% of the Facility C Commitments. The Shipowner shall reimburse the Mortgagee, upon the Mortgagee's written demand, from time to time, the reasonable costs and expenses incurred by the Mortgagee in effecting and maintaining such mortgagee's interest insurance on such terms and in such amounts and with such underwriters as the Mortgagee shall deem appropriate; and

(ix) Upon prior written notice to the Shipowner, the Mortgagee may obtain an Additional Perils-Pollution endorsement covering the possible consequences of pollution involving the Vessels including, without limitation, the risk of expropriation or sequestration of any Vessel or the imposition of a lien or encumbrance of any kind having priority over this Mortgage. The Shipowner shall reimburse the Mortgagee, upon the Mortgagee's written demand, from time to time, the reasonable costs and expenses incurred by the Mortgagee in effecting and maintaining on such terms and in such amounts and with such underwriters such Additional Perils-Pollution insurance coverage as the Mortgagee shall deem appropriate.

(b) The Shipowner will furnish the Mortgagee from time to time on request and, in any event, at least annually a detailed report signed by a firm of marine insurance brokers or insurance companies acceptable to the Mortgagee with respect to the insurance carried and maintained on each Vessel, together with their opinion that the insurance carried is sufficient in that it is customary insurance which an experienced broker would effect in similar circumstances with Similar Companies and that, in the opinion of the brokers, it complies with the provisions of this Section 15 and any requirements which the Mortgagee may have notified to the Shipowner. The Shipowner will use its best efforts to cause such firm to agree to advise the Mortgagee in writing promptly of any default in the payment of any premium or call and of any other act or omission on the part of the Shipowner of which it has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on any Vessel.

(c) Unless the Mortgagee shall otherwise agree, all insurance for the Vessels shall be placed through independent brokers of recognized standing and with clubs or first class underwriters reasonably acceptable to the Mortgagee and must (i) name the Mortgagee as a named assured (except as to the insurance referred to in Section 15(a)(iv) above), but without liability for premiums, calls or assessments, (ii) contain a cancellation clause providing that the insurers undertake not to exercise any right of cancellation which they may have by reason of non-payment of premiums or calls when due without giving thirty days' prior written notice of such cancellation to the Mortgagee and an opportunity of paying any such unpaid premium or call, (iii) if possible, based on the Shipowner's best efforts, contain a provision that the insurance will not be permitted to lapse, terminate or be materially modified without thirty days' prior written notice being given to the Mortgagee (except as to the insurance referred to in Section 15(a)(ii) and (v) above for which fourteen days' prior written notice shall be required and (iv) contain the agreement of the insurer that any loss thereunder shall be payable to the Mortgagee notwithstanding any action, inaction or breach of representation or warranty by the Shipowner,

except to the extent provided by subsection (d) hereof. The Shipowner shall not change underwriters or clubs as to any insurance for the Vessels without prompt written notice to the Mortgagee of any such change.

(d) All amounts of whatsoever nature payable under any insurance shall be payable to the Mortgagee for distribution first to itself and thereafter to the Shipowner or others as their interests may appear. Nevertheless, until otherwise required by the Mortgagee by notice to the underwriters, (i) amounts payable under any insurance on the Vessels with respect to the protection and indemnity risks shall be paid directly to the Shipowner to reimburse it for any loss, damage or expense incurred by it and covered by such insurance or to the person to whom any liability covered by such insurance has been incurred, and (ii) amounts payable under any insurance with respect to the Vessels involving any damage to any Vessel not constituting an actual or constructive total loss, shall be paid by the underwriters directly for the repair, salvage or other charges involved or, if the Shipowner shall have first fully repaired the damage or paid all of the salvage or other charges, shall be paid to the Shipowner as reimbursement therefor, provided, no amount in excess of USD 2,000,000 shall be paid from any insurances without the prior written consent of the Mortgagee.

(e) In the event of an actual or constructive total loss or a compromised constructive total loss or requisition of any Vessel, all insurance payments therefor shall be paid to the Mortgagee and applied to the Obligations in accordance with the terms of Article II, Section 206 of the Trust Indenture. The Shipowner shall not declare or agree with underwriters that any Vessel is a constructive or compromised, agreed or arranged constructive total loss without the prior written consent of the Mortgagee.

(f) In the event of an actual or constructive total loss of any Vessel, the Mortgagee shall retain out of the insurance payments received on account of such loss and held by the Mortgagee in accordance with Section 305 of the Trust Indenture, any sum or sums that shall be or become owing the Mortgagee under this Mortgage for the cost, if any, of collecting the insurance, which sum or sums shall become the sole property of the Mortgagee, and pay the balance to the Banks for application pursuant to Section 6.5 of the Credit Agreement.

Section 16. The Shipowner will reimburse the Mortgagee promptly with interest at the rate described in Section 5.3 of the Credit Agreement, for any and all expenditures which the Mortgagee may from time to time make, lay out or expend in providing such protection in respect of insurance, discharge or purchase of liens, taxes, dues, assessments, governmental charges, fines and penalties lawfully imposed, repairs, attorney's fees, necessary translation fees for documents made in a language other than English, and other matters as the Shipowner is obligated herein to provide, but fails to provide. Such obligation of the Shipowner to reimburse the Mortgagee shall be an additional indebtedness due from the Shipowner, secured by this Mortgage, and shall be payable by the Shipowner on demand. The Mortgagee, though privileged to do so, shall be under no obligation to the Shipowner to make any such expenditures, nor shall the making thereof relieve the Shipowner of any default in that

respect.

Section 17. The Shipowner will fully perform any and all charter parties or drilling contracts which are, or may be, entered into with respect to the Vessels.

Section 18. The Shipowner further covenants and agrees with the Mortgagee that, so long as any part of the Indebtedness hereby secured remains unpaid, there shall be no change in the ownership of the Vessels, without the prior written consent of the Mortgagee.

Section 19. Requisition, Seizure or Forfeiture. The Shipowner covenants and agrees that, in the event any of the Vessels are requisitioned, seized or forfeited by any Governmental Agency or by any group or body purporting to act as such, and such requisition, seizure or forfeiture is not reversed and the Vessels released therefrom within thirty (30) days, the Shipowner will cause all payments made in respect of any such requisition, seizure or forfeiture to be paid to the Mortgagee to be held and applied by the Mortgagee for prepayment of the Facility C Note in the manner set forth in Section 11 of Article II of this Mortgage; provided however, that if any such requisition, seizure or forfeiture applies only to the use of the Vessels, the provisions of this Section 19 shall not apply if and so long as the Shipowner shall not be in default in respect of any of its obligations under this Mortgage, the Credit Agreement or the Facility C Note secured hereby.

ARTICLE II

Events of Default and Remedies.

Section 1. In case any one or more of the events described in Section 13.1 of the Credit Agreement as "Events of Default" shall occur and be continuing:

THEN, upon the occurrence and continuance of any Event of Default after the applicable grace period, and in each and every such case, the Mortgagee shall have the right in accordance with the terms of the Trust Indenture to:

- (1) Declare all the then unpaid Indebtedness hereby secured to be due and payable immediately, and upon such declaration the same, including interest to date of declaration, shall become and be immediately due and payable;
- (2) Exercise all of the rights and remedies in foreclosure and otherwise given to mortgagees by the provisions of the law of the Republic of Liberia or of any other jurisdiction where any Vessel may be found;
- (3) Bring suit at law, in equity or in admiralty, as it may be advised by counsel, to recover judgment for the Indebtedness hereby secured, and collect the same out of any and all property of the Shipowner whether covered by this Mortgage or otherwise;

(4) Take and enter into possession of the Vessels, at any time, wherever the same may be, without legal process and without being responsible for loss or damage, and the Shipowner or other person in possession forthwith upon demand of the Mortgagee shall surrender to the Mortgagee possession of the Vessels and the Mortgagee may, without being responsible for loss or damage, hold, lay up, lease, charter, operate or otherwise use such Vessels for such time and upon such terms as it may deem to be for its best advantage, and demand, collect and retain all hire, freights, earnings, issues, revenues, income, profits, return premiums, salvage awards or recoveries, recoveries in general average, and all other sums due or to become due in respect of such Vessels or in respect of any insurance thereon from any person whomsoever, accounting only for the net profits, if any, arising from such use of the Vessels and charging upon all receipts from the use of the Vessels or from the sale thereof by court proceedings or pursuant to Subsection (5) next following, all costs, expenses, charges, damages or losses by reason of such use; and if at any time the Mortgagee shall avail itself of the right herein given it to take the Vessels, the Mortgagee shall have the right to dock the Vessels, for a reasonable time at any dock, pier or other premises of the Shipowner without charge, or to dock her at any other place at the cost and expense of the Shipowner;

(5) Without legal process and without being responsible for any loss or damage, sell any or all of the Vessels at such places and at such time as the Mortgagee may specify and in such manner as the Mortgagee may deem advisable free from any claim by the Shipowner in admiralty, in equity, at law or by statute, after first giving notice of the time and place of any such sale with a general description of the property in the following manner:

(a) by publishing such notice for ten consecutive days in a daily newspaper of general circulation published in Dallas, Texas;

(b) if the place of sale should not be in Dallas, Texas then also by publication of a similar notice in a daily newspaper, if any, published at the place of sale; and

(c) by mailing a similar notice to the Shipowner on the day of first publication.

The Mortgagee may adjourn any such sale from time to time by announcement at the time and place appointed for such sale or for such adjourned sale, and without further notice or publication the Mortgagee may make any such sale at the time and place to which the same shall be so adjourned. Any such sale may be conducted without bringing the Vessels to the place designated for such sale and in such manner as Mortgagee may deem to be for its best advantage.

Section 2. Any sale of a Vessel made in pursuance of this Mortgage, whether under the power of sale hereby granted or any judicial proceedings, shall operate to divest all right, title and interest of any nature whatsoever of the Shipowner therein and thereto, and shall bar the

Shipowner, its successors and assigns, and all persons claiming by, through or under them. No purchaser shall be bound to inquire whether notice has been given, or whether any default has occurred, or as to the propriety of the sale, or as to the application of the proceeds thereof. In case of any such sale, the Mortgagee, if it is the purchaser, shall be entitled for the purpose of making settlement or payment for the property purchased to use and apply the Indebtedness hereby secured in order that there may be credited against the amount remaining due and unpaid thereon the sums payable out of the net proceeds of such sale to the Mortgagee after allowing for the costs and expense of sale and other charges; and thereupon such purchaser shall be credited, on account of such purchase price, with the net proceeds that shall have been so credited upon the Indebtedness hereby secured. At any such judicial sale, the Mortgagee may bid for and purchase such property and upon compliance with the terms of sale may hold, retain and dispose of such property without further accountability therefor.

Section 3. The Mortgagee is hereby appointed attorney-in-fact of the Shipowner, to execute and deliver to any purchaser aforesaid, and is hereby vested with full power and authority to make, in the name and in behalf of the Shipowner, a good conveyance of the title to the Vessel so sold. In the event of any sale of the Vessel, under any power herein contained, the Shipowner will, if and when required by the Mortgagee, execute such form of conveyance of the Vessel as the Mortgagee may direct or approve.

Section 4. The Mortgagee is hereby appointed attorney-in-fact of the Shipowner upon the happening of any event of default, in the name of the Shipowner to demand, collect, receive, compromise and sue for, so far as may be permitted by law, all freight, hire, earnings, issues, revenues, income and profits of the Vessels and all amounts due from underwriters under any insurance thereon as payment of losses or as return premiums or otherwise, salvage awards and recoveries, recoveries in general average or otherwise, and all other sums due or to become due at the time of the happening of any event of default in respect of the Vessels, or in respect of any insurance thereon, from any person whomsoever, and to make, give and execute in the name of the Shipowner acquittances, receipts, releases or other discharges for the same, whether under seal or otherwise, and to endorse and accept in the name of the Shipowner all checks, notes, drafts, warrants, agreements and other instruments in writing with respect to the foregoing.

Section 5. Whenever any right to enter and take possession of the Vessels accrues to the Mortgagee, it may require the Shipowner to deliver, and the Shipowner shall on demand, at its own cost and expense, deliver to the Mortgagee the Vessels as demanded. If the Mortgagee shall be entitled to take any legal proceedings to enforce any right under this Mortgage, the Mortgagee shall be entitled as a matter of right to the appointment of a receiver of the Vessels and of the freights, hire, earnings, issues, revenues, income and profits due or to become due and arising from the operation thereof.

Section 6. The Shipowner authorizes and empowers the Mortgagee or its appointees or any of them to appear in the name of the Shipowner, its successors and assigns, in any court of any country or nation of the world where a suit is pending against a Vessel because of or on account of any alleged lien against the Vessel from which the Vessel has not been

released and to take such proceedings as to them or any of them may seem proper towards the defense of such suit and the purchase or discharge of such lien, and all expenditures made or incurred by them or any of them for the purpose of such defense or purchase or discharge shall be a debt due from the Shipowner, its successors and assigns, to the Mortgagee, and shall be secured by the lien of this Mortgage in like manner and extent as if the amount and description thereof were written herein.

Section 7. The Shipowner covenants that upon the happening of any one or more of the events of default, the Shipowner will pay to the Mortgagee the whole amount due and payable in respect of the Indebtedness hereby secured; and in case the Shipowner shall fail to pay the same forthwith, the Mortgagee shall be entitled to recover judgment for the whole amount so due and unpaid, together with such further amounts as shall be sufficient to cover the reasonable compensation to the Mortgagee's agents, attorneys and counsel and any necessary advances, expenses and liabilities made or incurred by it hereunder. All moneys collected by the Mortgagee under this Section 7 shall be applied by the Mortgagee in accordance with the provisions of Section 11 of this Article II.

Section 8. Each and every power and remedy herein given to the Mortgagee shall be cumulative and shall be in addition to every other power and remedy herein given or now or hereafter existing at law, in equity, in admiralty or by statute, and each and every power and remedy whether herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by the Mortgagee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other power or remedy. No delay or omission by the Mortgagee in the exercise of any right or power or in the pursuance of any remedy accruing upon any default as above defined shall impair any such right, power or remedy or be construed to be a waiver of any such event of default or to be an acquiescence therein; nor shall the acceptance by the Mortgagee of any security or of any payment of or on account of the Indebtedness hereby secured maturing after any event of default or of any payment on account of any past default be construed to be a waiver of any right to take advantage of any future event of default or of any past event of default not completely cured thereby. No consent, waiver or approval of the Mortgagee shall be deemed to be effective unless in writing and duly signed by authorized signatories of the Mortgagee.

Section 9. If at any time after an event of default and prior to the actual sale of a Vessel by the Mortgagee or prior to any enforcement or foreclosure proceedings the Shipowner offers completely to cure all events of default and to pay all expenses, advances and damages to the Mortgagee consequent on such events of default, with interest with respect to the Shipowner's obligations as provided herein or in the Guaranty as set forth therein, then the Mortgagee may accept such offer and payment and restore the Shipowner to its former position, but such action, if taken, shall not affect any subsequent event of default or impair any rights consequent thereon.

Section 10. In case the Mortgagee shall have proceeded to enforce any right, power or remedy under this Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Mortgagee, then and in every such case the Shipowner and the Mortgagee shall be restored to their former positions and rights hereunder with respect to the property subjects or intended to be subjects to this Mortgage, and all rights, remedies and powers of the Mortgagee shall continue as if no such proceedings had been taken.

Section 11. The proceeds of any sale of a Vessel and the net earnings of any charter operation or other use of the Vessel and any and all other moneys received by the Mortgagee pursuant to or under the terms of this Mortgage or in any proceedings hereunder, the application of which has not elsewhere herein been specifically provided for, shall be applied as follows:

First: To the payment of all expenses and charges, including the expenses of any sale, the expenses of any retaking, attorney's fees, court costs, and any other expenses or advances made or incurred by the Mortgagee in the protection of its rights or the pursuance of its remedies hereunder;

Second: To the payment of the Indebtedness hereby secured pursuant to Section 6.4 of the Credit Agreement, whether due or not, including interest thereon to the date of such payment; and

Third: To the Shipowner or to whomsoever may be entitled thereto.

Section 12. Until one or more of the Events of Default herein above described shall happen, the Shipowner (a) shall be suffered and permitted to retain actual possession and use of the Vessels; (b) may at any time alter, repair, change or re-equip the Vessels, subject, however, to the provisions of Section 11 of Article I hereof and (c) shall have the right, from time to time in its discretion and without application to the Mortgagee, and without obtaining a release thereof by the Mortgagee, to dispose of, free from the lien hereof, any boilers, engines, machinery, masts, spars, sails, rigging, boats, anchors, chains, tackle, apparel, furniture, fittings, drilling equipment, pumps, drill pipes, collars, racking, housing, spare parts and supporting inventory, vehicles or living quarters or any other appurtenances of the Vessels, provided, however that during any consecutive twelve (12) month period, the Shipowner may make such disposition from the Vessels only up to an aggregate value of USD 2,000,000 and provided further that such limitation shall not apply if the Shipowner first or simultaneously replaces the same by boilers, engines, machinery, masts, spars, sails, rigging, boats, anchors, chains, tackle, apparel, furniture, fittings, drilling equipment, pumps, drill pipes, collars, racking, housing, spare parts and supporting inventory, vehicles or living quarters or any other appurtenance with those of substantially equal value to the Shipowner, which shall forthwith become subject to the lien of this Mortgage as a preferred mortgage thereon.

Section 13. (a) If any provision of this Mortgage should be deemed invalid or shall be deemed to affect adversely the preferred status of this Mortgage under any applicable law, such provision shall cease to be a part of this Mortgage without affecting the remaining provisions, which shall remain in full force and effect.

(b) In the event that the Guaranty, the Credit Agreement or this Mortgage or any of the documents or instruments which may from time to time be delivered hereunder or thereunder or any provision hereof or thereof shall be deemed invalidated by present or future law of any nation or by decision of any court, or if any third party shall fail or refuse to recognize any of the powers granted to the Mortgagee hereunder when it is sought to exercise them, this shall not affect the validity and/or enforceability of all or any other parts of the Guaranty, the Credit Agreement or the Mortgage or such documents or instruments and, in any such case, the Shipowner covenants and agrees that, on demand, it will execute and deliver such other and further agreements and/or documents and/or instruments and do such things as the Mortgagee in its sole discretion may deem to be necessary to carry out the true intent of this Mortgage, the Guaranty and the Credit Agreement.

(c) Anything herein to the contrary notwithstanding, it is intended that nothing herein shall waive the preferred status of this Mortgage and that, if any provision or portion thereof herein shall be construed to waive the preferred status of this Mortgage, then such provision to such extent shall be void and of no effect.

ARTICLE III

Sundry Provisions.

Section 1. All of the covenants, promises, stipulations and agreements of the Shipowner in this Mortgage contained shall bind the Shipowner and its successors and assigns and shall inure to the benefit of the Mortgagee and its respective successors and assigns. In the event of any assignment or transfer of this Mortgage, the term "Mortgagee", as used in this Mortgage, shall be deemed to mean any such assignee or transferee.

Section 2. Wherever and whenever herein any right, power or authority is granted or given to the Mortgagee, such right, power or authority may be exercised in all cases by the Mortgagee or such agent or agents as it may appoint, and the act or acts of such agent or agents when taken shall constitute the act of the Mortgagee hereunder.

Section 3. This Mortgage may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF TEXAS)
: ss. :
COUNTY OF HARRIS)

On this 13th day of June, 1996, before me personally appeared Robert O. Isaac, to me known, who, being by me duly sworn, did depose and say that he resides at 2700 Fountain Place Dallas, Texas; that he is the Assistant Secretary of ENSCO Offshore Company II, a Delaware corporation, and the corporation described in the foregoing instrument; that he signed his name thereto by order of the authority from the Board of Directors of said corporation and that the foregoing instrument is the act and deed of the corporation.

/s/ S. N. Nixon

Notary Public

For use in
the Republic of Liberia

[-----]
[]
[Notary S. N. NIXON]
[Seal Notary Public, State of Texas]
[Commission Expires 7-18-99]
[]

[-----]

ARTICLE 5

EXHIBIT NO. 27 This schedule contains summary financial information extracted from the June 30, 1996 financial statements and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1,000

PERIOD TYPE: 6 MOS

FISCAL YEAR END: DEC 31 1996

PERIOD END: JUN 30 1996

CASH: \$ 76,743

SECURITIES: 0

RECEIVABLES: 98,048

ALLOWANCES: 1,015

INVENTORY: 4,516

CURRENT ASSETS: 200,913

PP&E: 1,153,187

DEPRECIATION: 218,982

TOTAL ASSETS: 1,241,862

CURRENT LIABILITIES: 103,164

BONDS: 272,988

COMMON: 7,706

PREFERRED MANDATORY: 0

PREFERRED: 0

OTHER SE: 779,406

TOTAL LIABILITY AND EQUITY: 1,241,862

SALES: 0

TOTAL REVENUES: 181,795

CGS: 0

TOTAL COSTS: 92,751

OTHER EXPENSES: 39,419

LOSS PROVISION: 454

INTEREST EXPENSE: 8,436

INCOME PRETAX: 51,245

INCOME TAX: 13,616

INCOME CONTINUING: 36,271

DISCONTINUED: 0

EXTRAORDINARY: 0

CHANGES: 0

NET INCOME: 36,271

EPS PRIMARY: 0.59

EPS DILUTED: 0.59

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