ENSCO PLC

FORM 10-K
(Annual Report)

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

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 plc

(Exact name of registrant as specified in its charter)

England and Wales (State or other jurisdiction of incorporation or organization)	**98-0635229** (I.R.S. Employer Identification No.)
6 Chesterfield Gardens **London, England** (Address of principal executive offices)	**W1J5BQ** (Zip Code)

Registrant's telephone number, including area code: **+44 (0) 20 7659 4660**

Securities registered pursuant to Section 12(b) of the Act:

Ti tle of each class	Name of each exchange on which registered
Class A O rdin ary Shares, U.S. $0.10 par value	N e w York Stock Exchange*
American Depositary Shares, each representing one Class A Ordinary Share, U.S. $0.10 par value per Class A Ordinary Share	New York Stock Exchange

*Not for trading, but only in connection with the registration of American depositary shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (S232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

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

The aggregate market value of our American depositary shares, each representing one Class A ordinary share, (based upon the closing price on the New York Stock Exchange on June 30, 2010 of $39.28) of Ensco plc held by nonaffiliates of the registrant at that date was approximately $3,939,320,000.

As of February 22, 2011, there were 143,397,356 American depositary shares of the registrant issued and outstanding, each representing one Class A ordinary share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for the 2011 General Meeting of Shareholders are incorporated by reference into Part III of this report.

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FO R W A RD-LOOKING STATEMENTS

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

Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "could," "may," "might," "should," "will" and words and phrases of similar import. The forward-looking statements include, but are not limited to, statements regarding future operations; market conditions; cash generation; the impact of the BP Macondo well incident in the U.S. Gulf of Mexico (including the expected departure of deepwater rigs from the U.S Gulf of Mexico); contributions from our ultra-deepwater semisubmersible rig fleet expansion program; high-grading the rig fleet by investing in new equipment and divesting selected assets; expense management; industry trends or conditions; the overall business environment; future levels of, or trends in, utilization, day rates, revenues, operating expenses, contract term, contract backlog, capital expenditures, insurance, financing and funding; future rig construction (including construction in progress and completion thereof), enhancement, upgrade or repair and timing thereof; future delivery, mobilization, contract commencement, relocation or other movement of rigs and timing thereof; future availability or suitability of rigs and the timing thereof; our intention to explore alternative strategies to keep underutilized rigs operating, statements regarding the likely outcome of litigation, legal proceedings, investigations or insurance or other claims and the timing thereof; the timing and closing of the proposed merger with Pride International, Inc. ("Pride") and related transactions, including the contemplated financing of the transaction; the consideration payable in connection with the proposed merger with Pride; and the anticipated effects and results of the proposed merger with Pride, including expected benefits, synergies, expense savings and operational and administrative efficiencies.

Forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including:

- changes in U.S. or non-U.S. laws, including tax laws, that could effectively reduce or eliminate the benefits we expect to achieve from the December 2009 reorganization of the Company's corporate structure (the "redomestication"), adversely affect our status as a non-U.S. corporation or otherwise adversely affect our anticipated consolidated effective income tax rate,

- regulatory or legislative activity that would impact U.S. Gulf of Mexico operations, potentially resulting in claims of a force majeure situation under our drilling contracts,

- an inability to realize expected benefits from the redomestication,

- the impact of the BP Macondo well incident in the U.S. Gulf of Mexico upon future deepwater and other offshore drilling operations in general, and as respects current and future actual or de facto drilling permit and operations delays, moratoria or suspensions, new and future regulatory, legislative or permitting requirements (including requirements related to equipment and operations), future lease sales, laws and regulations that have or may impose increased financial responsibility and oil spill abatement contingency plan capability requirements and other governmental activities that may impact deepwater and other offshore operations in the U.S. Gulf of Mexico in general, and our existing drilling contracts for ENSCO 8500, ENSCO 8501, ENSCO 8502, ENSCO 8503 and our U.S. Gulf of Mexico jackup rigs in particular,

- industry conditions and competition, including changes in rig supply and demand or new technology,

- risks associated with the global economy and its impact on capital markets and liquidity,

- prices of oil and natural gas and their impact upon future levels of drilling activity and expenditures,

- worldwide expenditures for oil and natural gas drilling,
- further declines in drilling activity, which may cause us to idle or stack additional rigs,
- excess rig availability or supply resulting from delivery of newbuild drilling rigs,
- concentration of our rig fleet in premium jackups,
- concentration of our active ultra-deepwater semisubmersible drilling rigs in the U.S. Gulf of Mexico,
- cyclical nature of the industry,
- risks associated with offshore rig operations or rig relocations,
- inability to collect receivables,
- availability of transport vessels to relocate rigs,
- the ultimate resolution of the ENSCO 69 pending litigation and related package policy political risk insurance recovery,
- changes in the timing of revenue recognition resulting from the deferral of certain revenues for mobilization of our drilling rigs, time waiting on weather or time in shipyards, which are recognized over the contract term upon commencement of drilling operations,
- operational risks, including excessive unplanned downtime due to rig or equipment failure, damage or repair in general and hazards created by severe storms and hurricanes in particular,
- changes in the dates our rigs will enter a shipyard, be delivered, return to service or enter service,
- risks inherent to shipyard rig construction, repair or enhancement, including risks associated with concentration of our remaining three ENSCO 8500 Series® rig construction contracts and the two new jackup rig construction contracts in a single shipyard in Singapore, unexpected delays in equipment delivery and engineering or design issues following shipyard delivery,
- changes in the dates new contracts actually commence,
- renegotiation, nullification, cancellation or breach of contracts or letters of intent with customers or other parties, including failure to negotiate definitive contracts following announcements or receipt of letters of intent,
- environmental or other liabilities, risks or losses, whether related to hurricane damage, losses or liabilities (including wreckage or debris removal) in the Gulf of Mexico or otherwise, that may arise in the future which are not covered by insurance or indemnity in whole or in part,
- limited availability or high cost of insurance coverage for certain perils such as hurricanes in the Gulf of Mexico or associated removal of wreckage or debris,

- self-imposed or regulatory limitations on drilling locations in the Gulf of Mexico during hurricane season,
- impact of current and future government laws and regulation affecting the oil and gas industry in general and our operations in particular, including taxation, as well as repeal or modification of same,
- our ability to attract and retain skilled personnel,
- governmental action and political and economic uncertainties, which may result in expropriation, nationalization, confiscation or deprivation of our assets or result in claims of a force majeure situation,
- terrorism or military action impacting our operations, assets or financial performance,
- outcome of litigation, legal proceedings, investigations or insurance or other claims,
- adverse changes in foreign currency exchange rates, including their impact on the fair value measurement of our derivative instruments,
- potential long-lived asset or goodwill impairments,
- potential reduction in fair value of our auction rate securities and the ultimate resolution of our pending arbitration proceedings,
- the ability to consummate the proposed merger with Pride, including the receipt of necessary shareholder approvals of both parties,
- failure, difficulties and delays in obtaining regulatory clearances and approvals for the proposed merger with Pride,
- failure, difficulties and delays in achieving expected synergies and cost savings associated with the proposed merger with Pride, or
- failure, difficulties and delays in meeting conditions required for closing set forth in the Pride merger agreement, including the ability to obtain necessary financing and the potential terms thereof.

In addition to the numerous factors described above, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of this Form 10-K.

PART I

Item 1. *Business*

General

Ensco plc is a global offshore contract drilling company. As of February 15, 2011, our offshore rig fleet included 40 jackup rigs, five ultra-deepwater semisubmersible rigs and one barge rig. Additionally, we have three ultra-deepwater semisubmersible rigs and two ultra-high specification harsh environment jackup rigs under construction.

We are one of the leading providers of offshore contract drilling services to the international oil and gas industry. Our operations are concentrated in the geographic regions of Asia Pacific (which includes Asia, the Middle East and Australia), Europe and Africa, and North and South America. Unless the context requires otherwise, the terms "Ensco," "Company," "we," "us" and "our" refer to Ensco plc together with all subsidiaries and predecessors.

We provide drilling services on a "day rate" contract basis. Under day rate contracts, we provide a drilling rig and rig crews and receive a fixed amount per day for drilling a well. Our customers bear substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well. In addition, our customers may pay all or a portion of the cost of moving our equipment and personnel to and from the well site. We do not provide "turnkey" or other risk-based drilling services.

We have assembled one of the largest and most capable offshore drilling rig fleets in the world. We have grown our fleet through corporate acquisitions, rig acquisitions and new rig construction. A total of 27 jackup rigs in our current fleet were obtained through the acquisitions of Penrod Holding Corporation during 1993, Dual Drilling Company during 1996 and Chiles Offshore Inc. during 2002. During 2000, we completed construction of ENSCO 101, a harsh environment jackup rig, and ENSCO 7500, a dynamically positioned ultra-deepwater semisubmersible rig capable of drilling in water depths of up to 8,000 feet.

During 2004 and 2005, we acquired full ownership of ENSCO 102, a harsh environment jackup rig, and ENSCO 106, an ultra-high specification jackup rig. Both rigs were initially constructed through joint ventures with Keppel FELS Limited ("KFELS"), a major international shipyard. During 2006 and 2007, we completed construction of ENSCO 107 and ENSCO 108, respectively, both of which are ultra-high specification jackup rigs. During 2010, we acquired an ultra-high specification jackup rig constructed in 2008 and renamed the rig ENSCO 109. In February 2011, we entered into agreements with KFELS to construct two ultra-high specification harsh environment jackup rigs which are currently uncontracted and scheduled for delivery during the first and second half of 2013, respectively.

We previously contracted KFELS to construct seven ultra-deepwater semisubmersible rigs (the "ENSCO 8500 Series®" rigs) based on our proprietary design. The ENSCO 8500 Series® rigs are enhanced versions of ENSCO 7500 capable of drilling in up to 8,500 feet of water. ENSCO 8500 and ENSCO 8501 were delivered in September 2008 and June 2009, respectively, and commenced drilling operations in the U.S. Gulf of Mexico under long-term contracts during 2009. ENSCO 8502 was delivered in January 2010 and commenced drilling operations in the U.S. Gulf of Mexico under a short-term sublet agreement during the fourth quarter of 2010. ENSCO 8503 was delivered in September 2010 and is expected to commence drilling operations in French Guiana under a short-term sublet agreement during the first quarter of 2011. ENSCO 8502 and ENSCO 8503 are expected to commence drilling operations in the U.S. Gulf of Mexico under two-year contracts during 2011. ENSCO 8504, ENSCO 8505 and ENSCO 8506 currently are uncontracted and expected to be delivered during the third quarter of 2011 and the first and second half of 2012, respectively.

Our business strategy has been to focus on ultra-deepwater semisubmersible rig and premium jackup rig operations and de-emphasize other operations and assets considered to be non-core or that do not meet our standards for financial performance. Accordingly, we sold our marine transportation service vessel fleet, two platform rigs and two barge rigs during 2003. We sold one jackup rig and two platform rigs to KFELS during 2004 in connection with the execution of the ENSCO 107 construction agreement. We disposed of five barge rigs and one platform rig during 2005 and our last remaining platform rig during 2006. We also sold three jackup rigs located in the Asia Pacific region and one jackup rig located in the North and South America region during 2010.

Our predecessor, ENSCO International Incorporated ("Ensco Delaware"), was formed as a Texas corporation during 1975 and reincorporated in Delaware during 1987. In December 2009, we completed the reorganization of the corporate structure of the group of companies controlled by Ensco Delaware, pursuant to which an indirect, wholly-owned subsidiary merged with Ensco Delaware, and Ensco plc became our publicly-held parent company incorporated under English law (the "redomestication"). In connection with the redomestication, each issued and outstanding share of common stock of Ensco Delaware was converted into the right to receive one American depositary share ("ADS" or "share"), each representing one Class A ordinary share, par value U.S. $0.10 per share, of Ensco plc. Our ADSs are governed by a deposit agreement with Citibank, N.A. as depositary and trade on the New York Stock Exchange (the "NYSE") under the symbol "ESV," the symbol for Ensco Delaware common stock before the redomestication.

The redomestication was accounted for as an internal reorganization of entities under common control and, therefore, Ensco Delaware's assets and liabilities were accounted for at their historical cost basis and not revalued in the transaction. We remain subject to the U.S. Securities and Exchange Commission (the "SEC") reporting requirements, the mandates of the Sarbanes-Oxley Act and the applicable corporate governance rules of the NYSE, and we will continue to report our consolidated financial results in U.S. dollars and in accordance with U.S. generally accepted accounting principles ("GAAP"). We also must comply with additional reporting requirements of English law.

Our principal executive office is located at 6 Chesterfield Gardens, London W1J5BQ, England, United Kingdom, and our telephone number is +44 (0) 7659 4660. Our website is located at www.enscoplc.com.

Pending Merger with Pride

On February 6, 2011, Ensco plc entered into an Agreement and Plan of Merger with Pride International, Inc., a Delaware corporation (“Pride”), Ensco Delaware, and ENSCO Ventures LLC, a Delaware limited liability company and an indirect, wholly-owned subsidiary of Ensco (“Merger Sub”). Pursuant to the merger agreement and subject to the conditions set forth therein, Merger Sub will merge with and into Pride, with Pride as the surviving entity and an indirect, wholly-owned subsidiary of Ensco. As a result of the merger, each outstanding share of Pride’s common stock (other than shares of common stock held directly or indirectly by Ensco, Pride or any wholly-owned subsidiary of Ensco or Pride (which will be cancelled as a result of the merger), those shares with respect to which appraisal rights under Delaware law are properly exercised and not withdrawn and other shares held by certain U.K. residents if determined by Ensco) will be converted into the right to receive $15.60 in cash and 0.4778 Ensco ADSs. Under certain circumstances, U.K. residents may receive all cash consideration as a result of compliance with legal requirements.

We estimate that the total consideration to be delivered in the merger to be approximately $7,400.0 million, consisting of $2,800.0 million of cash, the delivery of approximately 86.0 million Ensco ADSs (assuming that no Pride employee stock options are exercised before the closing of the merger) with an aggregate value of $4,550.0 million based on the closing price of Ensco ADSs of $52.88 on February 15, 2011 and the estimated fair value of $45.0 million of Pride employee stock options assumed by Ensco. The value of the merger consideration will fluctuate based upon changes in the price of Ensco ADSs and the number of shares of Pride common stock and employee options outstanding on the closing date. The merger agreement and the merger were approved by the respective Boards of Directors of Ensco and Pride. Consummation of the merger is subject to the approval of the shareholders of Ensco and the stockholders of Pride, regulatory approvals and the satisfaction or waiver of various other conditions as more fully described in the merger agreement. Subject to receipt of required approvals, it is anticipated that the closing of the merger will occur during the second quarter of 2011.

Contract Drilling Operations

We are in the process of developing a fleet of ultra-deepwater semisubmersible rigs and established a separate business unit to manage our deepwater operations during 2008. Our jackup rigs and barge rig are managed by major geographic region. Accordingly, our business consists of four operating segments: (1) Deepwater, (2) Asia Pacific, (3) Europe and Africa and (4) North and South America. Each of our four operating segments provides one service, contract drilling. We engage in the drilling of offshore oil and natural gas wells by providing our drilling rigs and crews under contracts with major international, government-owned and independent oil and gas companies.

We currently own and operate 40 jackup rigs, five ultra-deepwater semisubmersible rigs and one barge rig. Of the 40 jackup rigs, 17 are located in the Asia Pacific geographic region, ten are located in the Europe and Africa geographic region and 13 are located in the North and South America geographic region.

Our ENSCO 7500 ultra-deepwater semisubmersible rig is undergoing an enhancement project in a shipyard in Singapore and is expected to commence drilling operations in Brazil under a two-and-a-half year contract during the third quarter of 2011. ENSCO 8500 and ENSCO 8501 are operating under long-term contracts in the U.S. Gulf of Mexico. ENSCO 8502 was delivered in January 2010 and commenced drilling operations in the U.S. Gulf of Mexico under a short-term sublet agreement during the fourth quarter of 2010. ENSCO 8503 was delivered in September 2010 and is expected to commence drilling operations in French Guiana under a short-term sublet agreement during the first quarter of 2011. ENSCO 8502 and ENSCO 8503 are expected to commence drilling operations in the U.S. Gulf of Mexico under two-year contracts during 2011.

In addition, we have three uncontracted ultra-deepwater semisubmersible rigs and two uncontracted ultra-high specification harsh environment jackup rigs under construction by KFELS at a shipyard in Singapore. The rigs are scheduled for delivery during the third quarter of 2011, the first and second half of 2012 and the first and second half of 2013, respectively. Our barge rig is currently stacked in Singapore.

Our drilling rigs are used to drill and complete oil and natural gas wells. Demand for our drilling services is based upon many factors which are beyond our control, including:

- market price of oil and natural gas and the stability thereof,
- production levels and related activities of the Organization of Petroleum Exporting Countries ("OPEC") and other oil and natural gas producers,
- global oil supply and demand,
- regional natural gas supply and demand,
- worldwide expenditures for offshore oil and natural gas drilling,
- long-term effect of worldwide energy conservation measures,
- applicable regulatory and legislative restrictions,
- the development and use of alternatives to hydrocarbon-based energy sources, and
- worldwide economic activity.

Our drilling contracts are the result of negotiations with our customers, and most contracts are awarded upon competitive bidding. Our drilling contracts generally contain the following commercial terms:

- contract duration extending over a specific period of time or a period necessary to drill one or more wells,
- term extension options in favor of our customer, generally exercisable upon advance notice to us, at mutually agreed, indexed or fixed rates,
- provisions permitting early termination of the contract (i) if the rig is lost or destroyed or (ii) by the customer if operations are suspended for a specified period of time due to breakdown of major rig equipment, unsatisfactory performance, "force majeure" events beyond the control of either party or other specified conditions,
- some of our drilling contracts permit early termination of the contract by the customer for convenience (without cause), generally exercisable upon advance notice and in some cases without making an early termination payment to us,
- payment of compensation to us (generally in U.S. dollars although some contracts require a portion of the compensation to be paid in local currency) on a "day work" basis such that we receive a fixed amount for each day ("day rate") that the drilling unit is operating under contract (lower rates or no payments ("zero rate") generally apply during periods of equipment breakdown and repair or in the event operations are suspended or interrupted by other specified conditions, some of which may be beyond our control),
- payment by us of the operating expenses of the drilling unit, including crew labor and incidental rig supply costs, and
- provisions in term contracts allowing us to recover certain labor and other operating cost increases from our customers through day rate adjustment or otherwise.

Financial information regarding our operating segments and geographic regions is presented in Note 13 to our consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data." Additional financial information regarding our operating segments is presented in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Backlog Information

Our contract drilling backlog reflects firm commitments, typically represented by signed drilling contracts, and was calculated by multiplying the contracted operating day rate by the firm contract period. The contracted operating day rate excludes certain types of non-recurring revenues for rig mobilization, demobilization, contract preparation and other customer reimbursables.

The following table summarizes our contract backlog of business as of February 1, 2011 and 2010 (in millions):

	2011 (*)	2010 (*)
Deepwater	$1,723.4	$1,689.9
Asia Pacific	388.6	466.5
Europe and Africa	651.0	363.4
North and South America	305.7	435.3
Total	$3,068.7	$2,955.1

(*) Backlog includes revenues realized during January of the respective year.

Our Deepwater backlog increased by $33.5 million primarily due to a new ENSCO 7500 contract entered into in early 2011, mostly offset by revenues realized during 2010. Our Asia Pacific backlog declined by $77.9 million primarily due to limited tender activity during 2010 and lower contracted day rates. Our Europe and Africa backlog increased by $287.6 million primarily due to an extension of the current ENSCO 102 contract through May 2016, in addition to incremental tender activity in the region. Our North and South America backlog declined by $129.6 million primarily due to revenues realized on our long-term contracts in Mexico. The table summarizes our annual backlog by operating segment as of February 1, 2011 (in millions):

	2011 (*)	2012	2013	2014 and Beyond	Total
Deepwater	$ 535.5	$731.8	$428.3	$27.8	$1,723.4
Asia Pacific	304.2	84.3	.1	--	388.6
Europe and Africa	282.2	115.6	74.1	179.1	651.0
North and South America	247.8	57.9	--	--	305.7
Total	$1,369.7	$989.6	$502.5	$206.9	$3,068.7

(*) Backlog for the year ended December 31, 2011 includes revenues realized during January 2011.

Our drilling contracts generally contain provisions permitting early termination of the contract (i) if the rig is lost or destroyed or (ii) by the customer if operations are suspended for a specified period of time due to breakdown of major rig equipment, unsatisfactory performance, "force majeure" events beyond the control of either party or other specified conditions. In addition, some of our drilling contracts permit early termination of the contract by the customer for convenience (without cause), generally exercisable upon advance notice to us and in some cases without making an early termination payment to us. There can be no assurances that our customers will be able to or willing to fulfill their contractual commitments to us. Therefore, revenues recorded in future periods could differ materially from the backlog amounts presented in the table above.

Major Customers

We provide our contract drilling services to major international, government-owned and independent oil and gas companies. During 2010, Chevron and Petr ó leos Mexicanos ("PEMEX") represented 14% and 11% of our consolidated revenues, respectively, and our five largest customers accounted for 43% of consolidated revenues in the aggregate.

Competition

The offshore contract drilling industry is highly competitive with numerous industry participants. Drilling contracts are, for the most part, awarded on a competitive bid basis. Price competition is often the primary factor in determining which contractor is awarded a contract, although quality of service, operational and safety performance, equipment suitability and availability, location of equipment, reputation and technical expertise are also factors. We have numerous competitors in the offshore contract drilling industry, several of which are larger and have greater resources than us.

Governmental Regulation

Our operations are affected by political developments and by laws and regulations that relate directly to the oil and gas industry, including laws and regulations that have or may impose increased financial responsibility and oil spill abatement contingency plan capability requirements. Accordingly, we will be directly affected by the approval and adoption of laws and regulations curtailing exploration and development drilling for oil and natural gas for economic, environmental, safety or other policy reasons. It is also possible that these laws and regulations could adversely affect our operations in the future by significantly increasing our operating costs.

Environmental Matters

Our operations are subject to laws and regulations controlling the discharge of materials into the environment, pollution, contamination and hazardous waste disposal or otherwise relating to the protection of the environment. Environmental laws and regulations specifically applicable to our business activities could impose significant liability on us for damages, clean-up costs, fines and penalties in the event of oil spills or similar discharges of pollutants or contaminants into the environment or improper disposal of hazardous waste generated in the course of our operations, which may not be covered by contractual indemnification or insurance and could have a material adverse effect on our financial position, operating results and cash flows. To date, such laws and regulations have not had a material adverse effect on our operating results, and we have not experienced an accident that has exposed us to material liability arising out of or relating to discharges of pollutants into the environment. However, the legislative and regulatory response to the BP Macondo well incident could substantially increase our customers' liabilities in respect of oil spills and also could increase our liabilities. In addition to potential increased liabilities, such legislative or regulatory action could impose increased financial, insurance or other requirements that may adversely impact the entire offshore drilling industry.

The International Convention on Oil Pollution Preparedness, Response and Cooperation, the U.K. Merchant Shipping Act 1995, the U.K. Merchant Shipping (Oil Pollution Preparedness, Response and Cooperation Convention) Regulations 1998 and other related legislation and regulations and the Oil Pollution Act of 1990 ("OPA 90"), as amended, and other U.S. federal statutes applicable to us and our operations, as well as similar statutes in Texas, Louisiana, other coastal states and other non-U.S. jurisdictions, address oil spill prevention and control and significantly expand liability, fine and penalty exposure across many segments of the oil and gas industry. Such statutes and related regulations impose a variety of obligations on us related to the prevention of oil spills, disposal of waste and liability for resulting damages. For instance, OPA 90 imposes strict and, with limited exceptions, joint and several liability upon each responsible party for oil removal costs as well as a variety of fines, penalties and damages. Similar environmental laws apply in our other areas of operation. Failure to comply with these statutes and regulations, including OPA 90, may subject us to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance and could have a material adverse effect on our financial position, operating results and cash flows.

Events in recent years, including the BP Macondo well incident, have heightened governmental and environmental concerns about the oil and gas industry. From time to time, legislative proposals have been introduced that would materially limit or prohibit offshore drilling in certain areas. We are adversely affected by restrictions on drilling in certain areas of the U.S. Gulf of Mexico and elsewhere, including the conditions for lifting the recent moratorium/suspension in the U.S. Gulf of Mexico, the adoption of associated new safety requirements and policies regarding the approval of drilling permits, restrictions on development and production activities in the U.S. Gulf of Mexico and associated Notices to Lessees ("NTLs") that have and may further impact our operations. If new laws are enacted or other government action is taken that restrict or prohibit offshore drilling in our principal areas of operation or impose environmental protection requirements that materially increase the liabilities, financial requirements or operating or equipment costs associated with offshore drilling, exploration, development or production of oil and natural gas, our financial position, operating results and cash flows could be materially adversely affected.

Non-U.S. Operations

Revenues from non-U.S. operations were 75%, 86% and 79% of our total consolidated revenues during 2010, 2009 and 2008, respectively. Our non-U.S. operations and shipyard rig construction and enhancement projects are subject to political, economic and other uncertainties, including:

- terrorist acts, war and civil disturbances,
- expropriation, nationalization, deprivation or confiscation of our equipment,
- expropriation or nationalization of a customer's property or drilling rights,
- repudiation or nationalization of contracts,
- assaults on property or personnel,
- piracy, kidnapping and extortion demands,
- exchange restrictions,
- currency fluctuations,
- changes in the manner or rate of taxation,
- limitations on our ability to recover amounts due,
- increased risk of government and/or vendor/supplier corruption,
- changes in political conditions, and
- changes in monetary policies.

We historically have maintained insurance coverage and obtained contractual indemnities that protect us from some, but not all, of the risks associated with our non-U.S. operations such as nationalization, deprivation, confiscation, political and war risks. However, there can be no assurance that any particular type of contractual or insurance protection will be available in the future or that we will be able to purchase our desired level of insurance coverage at commercially feasible rates. Moreover, we may initiate a self-insurance program through one or more captive insurance subsidiaries. In circumstances where we have insurance protection for some or all of the risks associated with non-U.S. operations, such insurance may be subject to cancellation on short notice, and it is unlikely that we will be able to remove our rig or rigs from the affected area within the notice period. Accordingly, a significant event for which we are uninsured, underinsured or self-insured, or for which we have not received an enforceable contractual indemnity from a customer, could cause a material adverse effect on our financial position, operating results and cash flows.

We are subject to various tax laws and regulations in substantially all of the countries in which we operate or have a legal presence. We evaluate applicable tax laws and employ various business structures and operating strategies to obtain the optimal level of taxation on our revenues, income, assets and personnel. Actions by tax authorities that impact our business structures and operating strategies, such as changes to tax treaties, laws and regulations, or the interpretation or repeal of same, adverse rulings in connection with audits or otherwise or other challenges, may substantially increase our tax expense.

Our non-U.S. operations also face the risk of fluctuating currency values, which can impact our revenues, operating costs and capital expenditures. We currently conduct contract drilling operations in certain countries that have experienced substantial fluctuations in the value of their currency compared to the U.S. dollar. In addition, some of the countries in which we operate have occasionally enacted exchange controls. Historically, these risks have been limited by invoicing and receiving payment in U.S. dollars (our functional currency) or freely convertible currency and, to the extent possible, by limiting acceptance of foreign currency to amounts which approximate our expenditure requirements in such currencies. However, there is no assurance that our contracts will contain such terms in the future.

A portion of the costs and expenditures incurred by our non-U.S. operations, including a portion of the construction payments for our ENSCO 8500 Series® rigs, are settled in local currencies, exposing us to risks associated with fluctuation in the value of these currencies relative to the U.S. dollar. We use foreign currency forward contracts to reduce this exposure. However, the relative weakening in the value of the U.S. dollar in relation to the local currencies in these countries may increase our costs and expenditures.

Our non-U.S. operations are also subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the operation of drilling rigs and the requirement for equipment thereon. Governments in some countries have become increasingly active in regulating and controlling the ownership of oil, natural gas and mineral concessions and companies holding concessions, the exploration of oil and natural gas and other aspects of the oil and gas industry in their countries. In addition, government action, including initiatives by OPEC, may continue to cause oil and/or natural gas price volatility. In some areas of the world, government activity has adversely affected the amount of exploration and development work performed by major international oil and gas companies and may continue to do so. Moreover, certain countries accord preferential treatment to local contractors or joint ventures, which can place us at a competitive disadvantage. There can be no assurance that such laws and regulations or activities will not have a material adverse effect on our future operations.

Executive Officers

The table below sets forth certain information regarding our principal officers including our executive officers:

Name	Age	Position
Daniel W. Rabun	56	Chairman, President and Chief Executive Officer
William S. Chadwick, Jr.	63	Executive Vice President - Chief Operating Officer
John Mark Burns	54	Senior Vice President
Patrick Carey Lowe	52	Senior Vice President
James W. Swent III	60	Senior Vice President - Chief Financial Officer
David A. Armour	53	Vice President - Finance
John Knowlton	51	Vice President - Engineering and Capital Projects
H. E. Malone, Jr.	67	Vice President and Assistant Secretary
Cary A. Moomjian, Jr.	63	Vice President, General Counsel and Secretary
Sean P. O'Neill	47	Vice President - Investor Relations
Michael K. Wiley	51	Vice President - Human Resources and Security
Michael B. Howe	44	Treasurer
Douglas J. Manko	36	Controller and Assistant Secretary

Set forth below is certain additional information on our executive officers, including the business experience of each executive officer for at least the last five years:

Daniel W. Rabun joined Ensco in March 2006 as President and as a member of the Board of Directors. Mr. Rabun was appointed to serve as the Company's Chief Executive Officer effective January 1, 2007 and elected Chairman of the Board of Directors in May 2007. Prior to joining the Company, Mr. Rabun was a partner at the international law firm of Baker & McKenzie LLP where he had practiced law since 1986, except for one year when he served as Vice President, General Counsel and Secretary of a company in Dallas, Texas. Mr. Rabun provided legal advice and counsel to us for over fifteen years before joining the Company and served as one of our directors during 2001. He has been a Certified Public Accountant since 1976 and a member of the Texas Bar since 1983. He holds a Bachelor of Business Administration Degree in Accounting from the University of Houston and a Juris Doctorate Degree from Southern Methodist University.

William S. Chadwick, Jr. joined Ensco in June 1987 and was elected to his current position of Executive Vice President - Chief Operating Officer effective January 1, 2006. Prior to his current position, Mr. Chadwick served the Company as Senior Vice President - Operations, Senior Vice President, Member - Office of the President and Chief Operating Officer and Vice President - Administration and Secretary. Mr. Chadwick holds a Bachelor of Science Degree in Economics from the Wharton School of the University of Pennsylvania.

John Mark Burns joined Ensco in June 2008 and was elected to his current position of Senior Vice President in December 2009. Mr. Burns is now responsible for Ensco's worldwide fleet of premium jackup rigs. Prior to his current position, Mr. Burns served as President of ENSCO Offshore International Company, a subsidiary of the Company. Prior to joining Ensco, Mr. Burns served in various international capacities with Noble Corporation (a leading offshore drilling contractor) and most recently served as Vice President & Division Manager responsible for offshore units located in the Gulf of Mexico. In 2007, Mr. Burns was named IADC Drilling Contractor of the Year. Mr. Burns holds a Bachelor of Arts Degree in Business and Political Science from Sam Houston State University.

Patrick Carey Lowe joined Ensco in August 2008 as Senior Vice President. His responsibilities include the Deepwater Business Unit, capital projects and engineering. Prior to joining Ensco, Mr. Lowe was Vice President - Latin America for Occidental Oil & Gas (one of the world's largest independent oil and natural gas producers). He also served as President & General Manager, Occidental Petroleum of Qatar Ltd. from 2001 to 2007. Mr. Lowe held various drilling-related management positions with Sedco Forex and Schlumberger Oilfield Services from 1980 to 2000, including Business Manager - Drilling, North and South America and General Manager - Oilfield Services, Saudi Arabia, Bahrain and Kuwait. Following Schlumberger, he was associated with a business-to-business e-procurement company until he joined Occidental during 2001. Mr. Lowe holds a Bachelor of Science Degree in Civil Engineering from Tulane University.

James W. Swent III joined Ensco in July 2003 and thereupon was elected to his current position of Senior Vice President - Chief Financial Officer. Mr. Swent previously held various financial executive positions in the information technology, telecommunications and manufacturing industries, including positions with Memorex Corporation and Nortel Networks. He served as Chief Financial Officer and Chief Executive Officer of Cyrix Corporation from 1996 to 1997 and Chief Financial Officer and Chief Executive Officer of American Pad and Paper Company from 1998 to 2000. Prior to joining the Company, Mr. Swent served as Co-Founder and Managing Director of Amrita Holdings, LLC. Mr. Swent holds a Bachelor of Science Degree in Finance and a Masters Degree in Business Administration from the University of California at Berkeley.

David A. Armour joined Ensco in October 1990 and was elected to his current position of Vice President - Finance in September 2008. Prior to his current position, Mr. Armour served the Company as Assistant Controller and Controller. From 1981 to 1990, Mr. Armour served in various capacities as an employee of the public accounting firm Deloitte & Touche LLP and its predecessor firm Touche Ross & Co. Mr. Armour holds a Bachelor of Business Administration Degree from The University of Texas at Austin.

John Knowlton joined the Company in June 1998 and was elected to his current position of Vice President – Engineering & Capital Projects in July 2010. Prior to his current position, Mr. Knowlton served the Company as General Manager – North & South America, Operations Manager – Asia Pacific Rim, and Operations Manager overseeing the construction and operation of the Company’s first ultra-deepwater semisubmersible ENSCO 7500. Before joining the Company, Mr. Knowlton served in various domestic and international capacities with Ocean Drilling & Exploration Company and Diamond Offshore Drilling, Inc. Mr. Knowlton holds a Bachelor of Science Degree in Civil Engineering from Tulane University.

H. E. Malone, Jr. joined Ensco in August 1987 and was elected to his current position of Vice President and Assistant Secretary in December 2009. Prior to his current position, Mr. Malone served as Vice President - Finance (International), Vice President - Finance, Vice President - Accounting, Tax and Information Systems and Vice President - Controller. Mr. Malone holds Bachelor of Business Administration Degrees from The University of Texas at Austin and Southern Methodist University and a Masters of Business Administration Degree from the University of North Texas.

Cary A. Moomjian, Jr. joined Ensco in January 2002 and thereupon was elected to his current position of Vice President, General Counsel and Secretary. Mr. Moomjian has over thirty years of experience in the contract drilling industry. From 1976 to 2001, Mr. Moomjian served in various management and executive capacities as an employee of Santa Fe International Corporation, including Vice President, General Counsel and Secretary from 1993 to 2001. Mr. Moomjian was admitted to the California Bar during 1972 and to the Texas Bar during 1994. He holds a Bachelor of Arts Degree from Occidental College and a Juris Doctorate Degree from Duke University School of Law.

Sean P. O'Neill joined the Company in May 2009 as Vice President-Investor Relations. Prior to joining Ensco, Mr. O'Neill had served as Senior Vice President, Investor Relations and Corporate Communications of First Industrial Realty Trust, Inc. , an owner and operator of industrial real estate and provider of supply chain solutions to multinational corporations and regional customers, since 2004. Mr. O'Neill previously held similar positions at two Fortune 500 companies and was Managing Director of Strategic Investor Relations Consulting at Thomson Financial (Thomson Reuters). Mr. O'Neill holds a Bachelor of Science Degree in Finance from Fairfield University and a Masters of Business Administration Degree from DePaul University, Kellstadt Graduate School of Business. Mr. O'Neill is also a member of DePaul University's Finance Advisory Board.

Michael K. Wiley joined the Company in 1993 as part of Ensco’s acquisition of Penrod and was elected to his current position of Vice President-Human Resources and Security in July 2010. Mr. Wiley has 29 years of combined service time which includes assignments in a variety of disciplines including human resources, finance and accounting while in Singapore and Dallas. Mr. Wiley holds a Bachelor of Business Administration Degree from Texas State University.

Michael B. Howe joined Ensco in February 2009 as Treasurer. Prior to joining the Company, Mr. Howe was an employee of Devon Energy Corp. (the largest U.S. based independent oil and natural gas producer) where he had served as Assistant Treasurer since 2002. Mr. Howe previously held positions in various capacities at Enron Corp., BG Group PLC and Arthur Andersen. Mr. Howe holds a Bachelor of Science Degree in Accounting from Oklahoma State University and a Masters of Business Administration Degree from The University of Texas at Austin.

Douglas J. Manko joined Ensco in May 2004 and was elected to his current position of Controller and Assistant Secretary in December 2009. Prior to his current position, Mr. Manko served as Controller, Director - Management Systems and Manager - Accounting Public Reporting. From 1996 to 2004, Mr. Manko served in various capacities as an employee of the public accounting firm Ernst & Young LLP. Mr. Manko holds a Bachelor of Arts Degree in Business Administration from Baldwin Wallace College.

Officers generally serve for a one-year term or until successors are elected and qualified to serve.

Employees

We employed 3,725 personnel worldwide as of February 1, 2011, of which 2,752 were full-time employees. The majority of our personnel work on rig crews and are compensated on an hourly basis.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports that we file or furnish to the SEC in accordance with the Securities Exchange Act of 1934, as amended, are available on our website at www.enscoplc.com. These reports are also available in print without charge by contacting our Investor Relations Department at 214-397-3045 as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC. The information contained on our website is not included as part of, or incorporated by reference into, this report.

Item 1A. ***Risk Factors***

Risks Related to Our Business

There are numerous factors that affect our business and operating results, many of which are beyond our control. The following is a description of significant factors that might cause our future operating results to differ materially from those currently expected. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not specified herein, not currently known to us or currently deemed to be immaterial also may materially adversely affect our business, financial position, operating results and/or cash flows.

THE SUCCESS OF OUR BUSINESS LARGELY DEPENDS ON THE LEVEL OF ACTIVITY IN THE OIL AND GAS INDUSTRY WHICH CAN BE SIGNIFICANTLY AFFECTED BY VOLATILE OIL AND NATURAL GAS PRICES.

The success of our business largely depends on the level of activity in offshore oil and natural gas exploration, development and production. Oil and natural gas prices, and market expectations of potential changes in these prices, may significantly affect the level of drilling activity. An actual decline, or the perceived risk of a decline, in oil and/or natural gas prices could cause oil and gas companies to reduce their overall level of activity or spending, in which case demand for our services may decline and revenues may be adversely affected through lower rig utilization and/or lower day rates.

Worldwide military, political, environmental and economic events also contribute to oil and natural gas price volatility. Numerous other factors may affect oil and natural gas prices and the level of demand for our services, including:

- demand for oil and natural gas,
- the ability of OPEC to set and maintain production levels and pricing,
- the level of production by non-OPEC countries,
- U.S. and non-U.S. tax policy,
- laws and government regulations that limit, restrict or prohibit exploration and development of oil and natural gas in various jurisdictions,
- advances in exploration and development technology,
- disruption to exploration and development activities due to hurricanes and other severe weather conditions and the risk thereof,
- the worldwide military or political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas of the Middle East or geographic areas in which we operate, or acts of terrorism, and
- global economic conditions.

THE OFFSHORE CONTRACT DRILLING INDUSTRY HISTORICALLY HAS BEEN CYCLICAL, WITH PERIODS OF LOW DEMAND AND EXCESS RIG AVAILABILITY THAT COULD RESULT IN ADVERSE EFFECTS ON OUR BUSINESS.

Financial operating results in the offshore contract drilling industry historically have been very cyclical and primarily are related to the demand for drilling rigs and the available supply of drilling rigs. Demand for rigs is directly related to the regional and worldwide levels of offshore exploration and development spending by oil and gas companies, which is beyond our control. Offshore exploration and development spending may fluctuate substantially from year-to-year and from region-to-region.

The supply of offshore drilling rigs has increased in recent years, however, new rigs require substantial capital investment and a long period of time to construct. There are over 75 new jackup and semisubmersible rigs reported to be on order or under construction with delivery expected by the end of 2013. More than half of these rigs are scheduled for delivery during 2011 representing an approximate 6% increase in the total worldwide fleet of jackups and semisubmersible rigs. There are no assurances that the market in general or a geographic region in particular will be able to fully absorb the supply of new rigs in future periods.

The increase in supply of offshore drilling rigs during 2011 and future periods could result in an oversupply of offshore drilling rigs and could cause a decline in utilization and/or day rates, a situation which could be exacerbated by a decline in demand for drilling rigs. Lower utilization and/or day rates in one or more of the regions in which we operate could adversely affect our revenues, utilization and profitability.

Certain events, such as limited availability or non-availability of insurance for certain perils in some geographic areas, rig loss or damage due to hurricanes, blowouts, craterings, punchthroughs and other operational events, may impact the supply of rigs in a particular market and cause rapid fluctuations in utilization and day rates.

Future periods of reduced demand and/or excess rig supply may require us to idle additional rigs or enter into lower day rate contracts or contracts with less favorable terms. There can be no assurance that the current demand for drilling rigs will not decline in future periods. A decline in demand for drilling rigs or an increase in drilling rig supply could adversely affect our financial position, operating results and cash flows.

OUR OFFSHORE DRILLING OPERATIONS COULD BE ADVERSELY IMPACTED BY THE BP MACONDO WELL INCIDENT AND THE RESULTING CHANGES IN REGULATION OF OFFSHORE OIL AND GAS EXPLORATION AND DEVELOPMENT ACTIVITY.

In May 2010, the U.S. Department of the Interior implemented a six-month moratorium/suspension on certain drilling activities in water depths greater than 500 feet in the U.S. Gulf of Mexico. The U.S. Department of the Interior subsequently issued NTLs implementing additional safety and certification requirements applicable to drilling activities in the U.S. Gulf of Mexico, imposed additional requirements with respect to development and production activities in the U.S. Gulf of Mexico and has delayed the approval of applications to drill in both deepwater and shallow-water areas. On July 12, 2010, the U.S. Department of the Interior issued a revised moratorium/suspension on drilling in the U.S. Gulf of Mexico, which was lifted on October 12, 2010 after the adoption on September 30, 2010 of new regulations relating to the design of wells and testing of the integrity of wellbores, the use of drilling fluids, the functionality and testing of well control equipment, including third-party inspections, minimum requirements for personnel, blowout preventers and other safety regulations.

As a condition to lifting of the moratorium/suspension, the Bureau of Ocean Energy Management, Regulation and Enforcement (the "BOEM") was directed to require that each operator demonstrate that it has in place written and enforceable commitments that ensure that containment resources are available promptly in the event of a blowout and that the Chief Executive Officer of each operator certify to the BOEM that the operator has complied with applicable regulations. Before deepwater drilling is resumed, the BOEM intends to conduct inspections of each deepwater drilling operation for compliance with regulations, including but not limited to the testing of blowout preventers. It is unclear when these requirements will be satisfied, due in part to the limited staffing of the BOEM.

Certain of our drilling rigs currently in the U.S. Gulf of Mexico have been or may be further affected by the regulatory developments and other actions that have or may be imposed by the U.S. Department of the Interior, including the regulations issued on September 30, 2010. The moratoriums/suspensions (which have been lifted), related NTLs, delays in processing drilling permits and other actions are being challenged in litigation by Ensco and others. Ensco rig utilization and day rates have been negatively influenced due to regulatory requirements and delays in our customers' ability to secure permits. Current or future NTLs or other directives and regulations may further impact our customers' ability to obtain permits and commence or continue deep or shallow water operations in the U.S. Gulf of Mexico.

We have filed suit in the U.S. District Court for the Eastern District of Louisiana to seek relief from these actions which we believe violate the U.S. Administrative Procedure Act and the Outer Continental Shelf Lands Act. We are not able to predict the outcome of these legal proceedings, whether enforcement of any new actual or de facto moratorium/suspension and other related restrictions and delays will be enjoined, or whether the U.S. Department of the Interior will seek to implement additional restrictions on or prohibitions of drilling activities in the U.S. Gulf of Mexico. We have nine rigs under contract in the U.S. Gulf of Mexico, including three ultra-deepwater semisubmersible rigs. Our customers may seek to move rigs to locations outside the U.S. Gulf of Mexico, perform activities permitted under the enhanced safety requirements or attempt to terminate our contracts pursuant to their respective force majeure or other provisions.

At this time, we cannot predict the impact of the BP Macondo well incident and resulting changes in the regulation of offshore oil and gas exploration and development activity on our operations or contracts, the extent to which drilling operations subsequent to the moratorium period will be affected, the extent to which the issuance of permits for new or continued drilling will be delayed, the effect on the cost or availability of relevant insurance coverage, the effect on the demand for our services in the U.S. Gulf of Mexico or what actions may be taken by our customers, other industry participants or the U.S. or other governments in response to the incident. Future legislative or regulatory enactments may impose new requirements for well control and blowout prevention equipment that could increase our costs and cause delays in our operations due to unavailability of associated equipment.

Prolonged actual or de facto delays, moratoria or suspensions of drilling activity in the U.S. Gulf of Mexico and associated new regulatory, legislative or permitting requirements in the U.S. or elsewhere, including laws and regulations that have or may impose increased financial responsibility and oil spill abatement contingency plan capability requirements, could materially adversely affect our financial condition, operating results or cash flows.

WE MAY SUFFER LOSSES IF OUR CUSTOMERS TERMINATE OR SEEK TO RENEGOTIATE OUR CONTRACTS, IF OPERATIONS ARE SUSPENDED OR INTERRUPTED OR IF A RIG BECOMES A TOTAL LOSS.

Our drilling contracts often are subject to termination without cause upon specific notice by the customer. Although contracts may require the customer to pay an early termination payment in the event of a termination for convenience (without cause), such payment may not fully compensate for the loss of the contract and some of our contracts permit termination by the customer without an early termination payment. In periods of rapid market downturn, our customers may not honor the terms of existing contracts (including contracts for new rigs under construction), may terminate contracts or may seek to renegotiate contract day rates and terms to conform with depressed market conditions.

Drilling contracts customarily specify automatic termination or termination at the option of the customer in the event of a total loss of the drilling rig and often include provisions addressing termination rights or reduction or cessation of day rates if operations are suspended or interrupted for extended periods due to breakdown of major rig equipment, unsatisfactory performance, "force majeure" events beyond the control of either party or other specified conditions. Our financial position, operating results and cash flows may be adversely affected by early termination of contracts, contract renegotiations or cessation of day rates while operations are suspended.

RIG CONSTRUCTION, UPGRADE AND ENHANCEMENT PROJECTS ARE SUBJECT TO RISKS, INCLUDING DELAYS AND COST OVERRUNS, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR OPERATING RESULTS. THE RISKS ARE CONCENTRATED BECAUSE OUR THREE ULTRA-DEEPWATER SEMISUBMERSIBLE RIGS AND TWO ULTRA-HIGH SPECIFICATION HARSH ENVIRONMENT JACKUP RIGS CURRENTLY UNDER CONSTRUCTION ARE AT A SINGLE SHIPYARD IN SINGAPORE. THESE RIGS DO NOT HAVE DRILLING CONTRACTS.

There are over 75 new jackup and semisubmersible rigs reported to be on order or under construction with expected delivery dates through 2013. As a result, shipyards and third-party equipment vendors are under significant resource constraints to meet delivery obligations. Such constraints may lead to substantial delivery and commissioning delays and/or equipment failures and/or quality deficiencies. Furthermore, new drilling rigs may face start-up or other operational complications following completion of construction work or other unexpected difficulties including equipment failures, design or engineering problems that could result in significant downtime at reduced or zero day rates or the cancellation or termination of drilling contracts.

We currently have three ultra-deepwater semisubmersible rigs and two ultra-high specification harsh environment jackup rigs under construction. In addition, we may construct additional rigs and continue to upgrade the capability and extend the service lives of our existing rigs. Rig construction, upgrade, life extension and repair projects are subject to the risks of delay or cost overruns inherent in any large construction project, including the following:

- failure of third-party equipment to meet quality and/or performance standards,
- delays in equipment deliveries or shipyard construction,
- shortages of materials or skilled labor,
- damage to shipyard facilities or construction work in progress, including damage resulting from fire, explosion, flooding, severe weather or terrorism,
- unforeseen design or engineering problems,
- unanticipated actual or purported change orders,
- strikes, labor disputes or work stoppages,
- financial or operating difficulties of equipment vendors or the shipyard while constructing, upgrading, refurbishing or repairing a rig or rigs,
- unanticipated cost increases,
- foreign currency exchange rate fluctuations impacting overall cost,
- inability to obtain the requisite permits or approvals,
- claims of force majeure events, and
- additional risks inherent to shipyard projects in a non-U.S. location.

Our risks are concentrated because our three ultra-deepwater semisubmersible rigs and two ultra-high specification harsh environment jackup rigs currently under construction are at a single shipyard in Singapore. Although based on the design of ENSCO 7500 which has operated without significant downtime since its delivery in 2000, the three ultra-deepwater semisubmersible rigs and the recently delivered ENSCO 8500, ENSCO 8501, ENSCO 8502 and ENSCO 8503 have a common risk of unforeseen design or engineering problems.

ENSCO 8504, ENSCO 8505, ENSCO 8506 and our two ultra-high specification harsh environment jackup rigs have not secured drilling contracts upon completion of their construction. These rigs are scheduled to be delivered during the third quarter of 2011, first and second half of 2012 and first and second half of 2013, respectively. There is no assurance that we will secure drilling contracts for these rigs or that the drilling contracts we may be able to secure will be based upon rates and terms that will provide a reasonable rate of return on these investments. Our failure to secure contractual commitments for these rigs at rates and terms that result in a reasonable return upon completion of construction may result in a material adverse effect on our financial position, operating results and cash flows. If we are able to secure drilling contracts prior to completion, we will be exposed to the risk of delays that could impact the projected financial results or the viability of the contracts and could have a material adverse effect on our financial position, operating results and cash flows.

DETERIORATION OF THE GLOBAL ECONOMY AND/OR A DECLINE IN OIL AND NATURAL GAS PRICES COULD CAUSE OUR CUSTOMERS TO REDUCE SPENDING ON EXPLORATION AND DEVELOPMENT DRILLING. THESE CONDITIONS COULD ALSO CAUSE OUR CUSTOMERS AND/OR VENDORS TO FAIL TO FULFILL THEIR COMMITMENTS AND/OR FUND FUTURE OPERATIONS AND OBLIGATIONS, WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

The success of our business largely depends on the level of activity in offshore oil and natural gas exploration and development drilling worldwide. Oil and natural gas prices, and market expectations of potential changes in these prices, significantly impact the level of worldwide drilling activity.

A decline in oil and natural gas prices, whether caused by economic conditions, international or national climate change regulations or other factors, could cause oil and gas companies to reduce their overall level of drilling activity and spending. Disruption in the capital markets could also cause oil and gas companies to reduce their overall level of drilling activity and spending.

Historically, when drilling activity and spending decline, utilization and day rates also decline and drilling may be reduced or discontinued, resulting in an oversupply of drilling rigs. The oversupply of drilling rigs could be exacerbated by the entry of newbuild rigs into the market. When idled or stacked, drilling rigs do not earn revenues, but continue to require cash expenditures for crews, fuel, insurance, berthing and associated items.

A decline in oil and natural gas prices, together with a deterioration of the global economy, could substantially reduce demand for drilling rigs and adversely affect our financial position, operating results and cash flows.

WE MAY INCUR ASSET IMPAIRMENTS AS A RESULT OF DECLINING DEMAND FOR OFFSHORE DRILLING RIGS.

We evaluate the carrying value of our property and equipment, primarily our drilling rigs, when events or changes in circumstances indicate that the carrying value of such rigs may not be recoverable. The offshore drilling industry historically has been highly cyclical, and it is not unusual for rigs to be unutilized or underutilized for significant periods of time and subsequently resume full or near full utilization when business cycles change. Likewise, during periods of supply and demand imbalance, rigs are frequently contracted at or near cash break-even rates for extended periods of time until day rates increase when demand comes back into balance with supply. However, if the global economy were to deteriorate and/or the offshore drilling industry were to incur a significant prolonged downturn, impairment charges may occur with respect to specific individual rigs, groups of rigs, such as a specific type of drilling rig, or rigs in a certain geographic location.

We test goodwill for impairment on an annual basis or when events or changes in circumstances indicate that a potential impairment exists. The goodwill impairment test requires us to identify reporting units and estimate each unit's fair value as of the testing date. In most instances, our calculation of the fair value of our reporting units is based on estimates of future discounted cash flows to be generated by our drilling rigs, which reflect management's judgments and assumptions regarding the appropriate risk-adjusted discount rate, as well as future industry conditions and operations, including expected utilization, day rates, expense levels, capital requirements and terminal values for each of our rigs. If the aggregate fair value of our reporting units exceeds our market capitalization, we evaluate the reasonableness of the implied control premium. If we determine the implied control premium is not reasonable, we adjust the discount rate in our discounted cash flow model and reduce the estimated fair values of our reporting units.

If the global economy were to deteriorate and the offshore drilling industry were to incur a significant prolonged downturn, our expectations of future cash flows may decline and could ultimately result in a goodwill impairment. Additionally, a significant decline in the market value of our shares could result in a goodwill impairment.

OUR BUSINESS MAY BE MATERIALLY ADVERSELY AFFECTED IF CERTAIN CUSTOMERS CEASE TO DO BUSINESS WITH US.

We provide our services to major international, government-owned and independent oil and gas companies. During 2010, our five largest customers accounted for 43% of consolidated revenues in the aggregate, with our two largest customers representing 25%. Our financial position, operating results and cash flows may be materially adversely affected if a major customer terminates its contracts with us, fails to renew its existing contracts with us, requires renegotiation of our contracts or declines to award new contracts to us.

FAILURE TO RECRUIT AND RETAIN SKILLED PERSONNEL COULD ADVERSELY AFFECT OUR OPERATIONS AND FINANCIAL RESULTS.

We require skilled personnel to operate our drilling rigs and to provide technical services and support for our business. Competition for skilled and other labor has intensified as additional rigs are added to the worldwide fleet. There are over 75 new jackup and semisubmersible rigs reported to be on order or under construction with delivery expected by the end of 2013, more than half of which are scheduled for delivery during 2011. These rigs will require new skilled and other personnel to operate. In periods of high utilization, it is more difficult and costly to recruit and retain qualified employees. Competition for such personnel could increase our future operating expenses, with a resulting reduction in net income, or impact our ability to fully staff and operate our rigs.

Notwithstanding current global economic conditions, we may be required to maintain or increase existing levels of compensation to retain our skilled workforce. Much of the skilled workforce is nearing retirement age, which may impact the availability of skilled personnel. We also are subject to potential further unionization of our labor force or legislative or regulatory action that may impact working conditions, paid time off or other conditions of employment. If such labor trends continue, they could further increase our costs or limit our ability to fully staff and operate our rigs.

OUR DRILLING CONTRACTS WITH NATIONAL OIL COMPANIES EXPOSE US TO GREATER RISKS THAN WE NORMALLY ASSUME.

We currently have 12 jackup rigs contracted with national oil companies. The terms of these non-U.S. contracts are often non-negotiable and may expose us to greater commercial, political and operational risks than we assume in other contracts such as exposure to greater environmental liability, the risk that the contract may be terminated by our customer without cause on short-term notice, contractually or by governmental action, under certain conditions that may not provide us an early termination payment, collection risks and political risks. While we believe that the financial, commercial and risk allocation terms of these contracts and our operating safeguards mitigate these risks, we can provide no assurance that the increased risk exposure will not have an adverse impact on our future operations or that we will not increase the number of rigs contracted to national oil companies with commensurate additional contractual risks.

OUR DRILLING RIG FLEET IS CONCENTRATED IN PREMIUM JACKUP RIGS, WHICH LEAVES US VULNERABLE TO RISKS RELATED TO LACK OF DIVERSIFICATION.

The offshore contract drilling industry is generally divided into two broad markets: deepwater and shallow water drilling. These broad markets are generally divided into smaller sub-markets based upon various factors, including the type of drilling rig. The primary types of drilling rigs include jackup rigs, semisubmersible rigs, drillships, platform rigs, barge rigs and submersible rigs. While all drilling rigs are affected by general economic and industry conditions, each type of drilling rig can be affected differently by changes in demand. We currently have 40 jackup rigs, five ultra-deepwater semisubmersible rigs and one barge rig. Additionally, we have three ultra-deepwater semisubmersible rigs and two ultra-high specification harsh environment jackup rigs under construction.

Our drilling rig fleet is concentrated in premium jackup rigs. If the market for premium jackup rigs should decline relative to the markets for other drilling rig types, our operating results could be more adversely affected relative to our competitors with drilling fleets that are less concentrated in premium jackup rigs.

OUR NON-U.S. OPERATIONS INVOLVE ADDITIONAL RISKS NOT ASSOCIATED WITH U.S. OPERATIONS.

Revenues from non-U.S. operations were 75%, 86% and 79% of our total revenues during 2010, 2009 and 2008, respectively. Our non-U.S. operations and shipyard rig construction and enhancement projects are subject to political, economic and other uncertainties, including:

- terrorist acts, war and civil disturbances,
- expropriation, nationalization, deprivation or confiscation of our equipment,
- expropriation or nationalization of a customer's property or drilling rights,
- repudiation or nationalization of contracts,
- assaults on property or personnel,
- piracy, kidnapping and extortion demands,
- exchange restrictions,
- currency fluctuations,
- changes in the manner or rate of taxation,
- limitations on our ability to recover amounts due,
- increased risk of government and vendor/supplier corruption,
- changes in political conditions, and
- changes in monetary policies.

We historically have maintained insurance coverage and obtained contractual indemnities that protect us from some, but not all, of the risks associated with our non-U.S. operations such as nationalization, deprivation, confiscation, political and war risks. However, there can be no assurance that any particular type of contractual or insurance protection will be available in the future or that we will be able to purchase our desired level of insurance coverage at commercially feasible rates. Moreover, we may initiate a self-insurance program through one or more captive insurance subsidiaries. In circumstances where we have insurance protection for some or all of the risks associated with non-U.S. operations, such insurance may be subject to cancellation on short notice, and it is unlikely that we will be able to remove our rig or rigs from the affected area within the notice period. Accordingly, a significant event for which we are uninsured, underinsured or self-insured, or for which we have not received an enforceable contractual indemnity from a customer, could cause a material adverse effect on our financial position, operating results and cash flows.

We are subject to various tax laws and regulations in substantially all countries in which we operate or have a legal presence. We evaluate applicable tax laws and employ various business structures and operating strategies to obtain the optimal level of taxation on our revenues, income, assets and personnel. Actions by tax authorities that impact our business structures and operating strategies, such as changes to tax treaties, laws and regulations, or the interpretation or repeal of same, adverse rulings in connection with audits or otherwise, or other challenges may substantially increase our tax expense.

Our non-U.S. operations also face the risk of fluctuating currency values, which can impact our revenues, operating costs and capital expenditures. We currently conduct contract drilling operations in certain countries that have experienced substantial fluctuations in the value of their currency compared to the U.S. dollar. In addition, some of the countries in which we operate have occasionally enacted exchange controls. Historically, these risks have been limited by invoicing and receiving payment in U.S. dollars (our functional currency) or freely convertible currency and, to the extent possible, by limiting acceptance of foreign currency to amounts which approximate our expenditure requirements in such currencies. However, there is no assurance that our contracts will contain such terms in the future.

A portion of the costs and expenditures incurred by our non-U.S. operations, including a portion of the construction payments for the ENSCO 8500 Series® rigs, are settled in local currencies, exposing us to risks associated with fluctuation in the value of these currencies relative to the U.S. dollar. We use foreign currency forward contracts to reduce this exposure. However, the relative weakening in the value of the U.S. dollar in relation to the local currencies in these countries may increase our costs and expenditures.

Our non-U.S. operations are also subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the operation of drilling rigs and the requirement for equipment thereon. Governments in some non-U.S. countries have become increasingly active in regulating and controlling the ownership of oil, natural gas and mineral concessions and companies holding concessions, the exploration of oil and natural gas and other aspects of the oil and gas industry in their countries. In addition, government action, including initiatives by OPEC, may continue to cause oil and/or natural gas price volatility. In some areas of the world, government activity has adversely affected the amount of exploration and development work performed by major international oil companies and may continue to do so. Moreover, certain countries accord preferential treatment to local contractors or joint ventures, which can place us at a competitive disadvantage. There can be no assurance that such laws and regulations or activities will not have a material adverse effect on our future operations.

THE POTENTIAL FOR GULF OF MEXICO HURRICANE RELATED WINDSTORM DAMAGE OR LIABILITIES COULD RESULT IN UNINSURED LOSSES AND MAY CAUSE US TO ALTER OUR OPERATING PROCEDURES DURING HURRICANE SEASON, WHICH COULD ADVERSELY AFFECT OUR BUSINESS.

Certain areas in and near the Gulf of Mexico experience hurricanes and other extreme weather conditions on a relatively frequent basis. Some of our drilling rigs in the Gulf of Mexico are located in areas that could cause them to be susceptible to damage and/or total loss by these storms, and we have a larger concentration of jackup rigs in the Gulf of Mexico than most of our competitors. We currently have nine jackup rigs and three ultra-deepwater semisubmersible rigs in the Gulf of Mexico. Damage caused by high winds and turbulent seas could result in rig loss or damage, termination of drilling contracts on lost or severely damaged rigs or curtailment of operations on damaged drilling rigs with reduced or suspended day rates for significant periods of time until the damage can be repaired. Moreover, even if our drilling rigs are not directly damaged by such storms, we may experience disruptions in our operations due to damage to our customers' platforms and other related facilities in the area. Our drilling operations in the Gulf of Mexico have been impacted by hurricanes, including the total loss of one jackup rig during 2004, one platform rig during 2005 and one jackup rig during 2008, with associated loss of contract revenues and potential liabilities.

Insurance companies incurred substantial losses in the offshore drilling, exploration and production industries as a consequence of hurricanes that occurred in the Gulf of Mexico during 2004, 2005 and 2008. Accordingly, insurance companies have substantially reduced the nature and amount of insurance coverage available for losses arising from named tropical storm or hurricane damage in the Gulf of Mexico ("windstorm damage") and have dramatically increased the cost of available windstorm coverage. The tight insurance market not only applies to coverage related to Gulf of Mexico windstorm damage or loss of our drilling rigs, but also impacts coverage for potential liabilities to third parties associated with property damage, personal injury or death and environmental liabilities as well as coverage for removal of wreckage and debris associated with hurricane losses. We have no assurance that the tight insurance market for windstorm damage, liabilities and removal of wreckage and debris will not continue into the foreseeable future.

Upon renewal of our annual insurance policies effective July 1, 2010, we obtained $450.0 million of annual coverage for ultra-deepwater semisubmersible rig hull and machinery losses arising from Gulf of Mexico windstorm damage with a $50.0 million per occurrence self-insured retention (deductible). However, due to the significant premium, high self-insured retention and limited coverage, we decided not to purchase windstorm insurance for our jackup rigs remaining in the Gulf of Mexico. Accordingly, we have retained the risk for loss or damage of our nine jackup rigs remaining in the Gulf of Mexico arising out of windstorm damage.

Our current liability insurance policies only provide coverage for Gulf of Mexico windstorm exposures for removal of wreckage and debris in excess of $50.0 million per occurrence as respects both our jackup and ultra-deepwater semisubmersible rig operations and have an annual aggregate limit of $450.0 million. Our limited windstorm insurance coverage exposes us to a significant level of risk due to jackup rig damage or loss related to severe weather conditions caused by Gulf of Mexico hurricanes.

We have established operational procedures designed to mitigate risk to our jackup rigs in the Gulf of Mexico during hurricane season. In addition to procedures designed to better secure the drilling package on jackup rigs, improve jackup leg stability and increase the air gap to position the hull above waves, our procedures involve analysis of prospective drilling locations, which may include enhanced bottom surveys. These procedures may result in a decision to decline to operate on a customer designated location during hurricane season notwithstanding that the location, water depth and other standard operating conditions are within a rig's normal operating range. Our procedures and the associated regulatory requirements addressing Mobile Offshore Drilling Unit operations in the Gulf of Mexico during hurricane season, coupled with our decision to retain (self-insure) certain windstorm related risks, may result in a significant reduction in the utilization of our jackup rigs in the Gulf of Mexico.

As noted above, we have a $50.0 million per occurrence deductible for windstorm loss or damage to our ultra-deepwater semisubmersible rigs in the Gulf of Mexico and have elected not to purchase loss or damage insurance coverage for our nine jackup rigs in the area. Moreover, we have retained the risk for the first $50.0 million of liability exposure for removal of wreckage and debris resulting from windstorm related exposures associated with our rigs in the Gulf of Mexico. These and other retained exposures for property loss or damage and wreckage and debris removal or other liabilities associated with Gulf of Mexico hurricanes could have a material adverse effect on our financial position, operating results and cash flows if we sustain significant uninsured or underinsured losses or liabilities as a result of Gulf of Mexico hurricanes.

THE LOSS OF ENSCO 74 MAY EXPOSE US TO COSTS ASSOCIATED WITH REMOVAL OF WRECKAGE AND DEBRIS, LIABILITIES FOR PROPERTY LOSS OR DAMAGE, PERSONAL INJURY OR DEATH OR ENVIRONMENTAL LIABILITIES THAT MAY NOT BE FULLY RECOVERABLE UNDER OUR INSURANCE OR CONTRACTUAL INDEMNITIES.

In September 2008, ENSCO 74 was lost as a result of Hurricane Ike in the Gulf of Mexico. Portions of its legs remained underwater adjacent to the customer's platform, and we conducted extensive aerial and sonar reconnaissance but did not locate the rig hull. In March 2009, the sunken rig hull of ENSCO 74 was located approximately 95 miles from the original drilling location when it was struck by an oil tanker. As an interim measure, the wreckage was appropriately marked, and the U.S. Coast Guard issued a Notice to Mariners. During the fourth quarter of 2010, wreck removal operations on the sunken rig hull of ENSCO 74 were completed. As of December 31, 2010, wreckage and debris removal costs had been incurred and paid by Ensco totaling $26.8 million related to removal of the hull, substantially all of which has been recovered through insurance without any additional retention.

We are involved in civil litigation in the U.S. District Court for the Southern District of Texas in which the owners of the tanker SKS Satilla are seeking monetary damages of $10.0 million for losses incurred when the tanker struck the sunken hull of ENSCO 74. We are involved in civil litigation in the U.S. District Court for the Southern District of Texas in which the owner of a pipeline, High Island Offshore System, LLC, alleges that ENSCO 74 damaged the pipeline in the aftermath of Hurricane Ike and is seeking damages for the cost of repairs and business interruption in excess of $26.0 million.

We also are involved in civil litigation in the Fifteenth Judicial Court for the Parish of Lafayette and in the Nineteenth Judicial Court for the Parish of Baton Rouge, State of Louisiana in which the owner of a pipeline, Sea Robin Pipeline Company, LLC, is seeking unspecified damages in relation to the cost of repairing damage to the pipeline, loss of revenues, survey and other damages allegedly caused by ENSCO 74 in the aftermath of Hurricane Ike.

The owners of two other subsea pipelines presented claims in the exoneration or limitation of liability proceedings we filed in U.S. District Court for the Southern District of Texas as described below. The claims were filed on behalf of Stingray Pipeline Company, LLC, and Tennessee Gas Pipeline seeking monetary damages incurred by reason of damage to pipelines allegedly caused by ENSCO 74 in the aftermath of Hurricane Ike. The Stingray claim is in the amount of $14.0 million, and the Tennessee Gas Pipeline claim is for unspecified damages.

We filed a petition for exoneration or limitation of liability under U.S. admiralty and maritime law in the U.S. District Court for the Southern District of Texas on September 2, 2009. The petition seeks exoneration from or limitation of liability for any and all injury, loss or damage caused, occasioned or occurred in relation to the ENSCO 74 loss in September 2008. The exoneration/limitation proceedings currently includes the SKS Satilla claim and the four pipeline claims described above, which effectively supersedes their prior civil litigation filings. The matter has been scheduled for trial in March 2012. See Note 12 to our consolidated financial statements for additional information on the loss of ENSCO 74 and associated contingencies.

We are exposed to costs associated with removal of the ENSCO 74 legs that remain underwater adjacent to the customer's platform, in addition to the removal of related debris. Although we expect the cost of removal of the leg sections and related debris to be covered by available insurance and contractual indemnification, we may not be fully protected from such costs, liability or exposure (without any additional deductible or self-insured retention). Our liability insurance may not fully protect us from cost, liability or exposure associated with the loss of ENSCO 74. As respects liabilities to third-parties, including the aforementioned tanker and pipeline claims, our applicable insurance is subject to a $10.0 million per occurrence self-insured retention and an annual aggregate policy limit of $500.0 million. We believe all liabilities associated with the ENSCO 74 loss during Hurricane Ike resulted from a single occurrence under the terms of the applicable insurance policies. However, legal counsel for certain liability underwriters have asserted that the liability claims arise from separate occurrences. In the event of multiple occurrences, the self-insured retention is $15.0 million for two occurrences and $1.0 million for each occurrence thereafter.

OUR BUSINESS INVOLVES NUMEROUS OPERATING HAZARDS, AND WE ARE NOT FULLY INSURED AGAINST ALL OPERATING HAZARDS.

Contract drilling and offshore oil and gas operations in general are subject to numerous risks, including the following:

- rig or other property damage, liability or loss, including removal of wreckage or debris, resulting from hurricanes and other severe weather conditions, collisions, groundings, blowouts, fires, explosions and other accidents or terrorism,
- blowouts, fires, explosions and other loss of well control events causing damage to wells, reservoirs, production facilities and other properties and which may require wild well control, including drilling of relief wells,
- craterings, punchthroughs or other events causing rigs to capsize, sink or otherwise incur significant damage or total loss,
- extensive uncontrolled rig or well fires, blowouts, oil spills or other discharges of pollutants causing damage to the environment,
- machinery breakdowns, equipment failures, personnel shortages, failure of subcontractors and vendors to perform or supply goods and services and other events causing the suspension or cancellation of drilling operations, and
- unionization or similar collective actions by our employees or employees of subcontractors causing suspension of drilling operations or significant increases in operating costs.

In addition to these risks to property and the environment, many of the hazards and risks associated with our operations and accidents or other events resulting from such hazards and risks, as well as our routine operations, expose our personnel, as well as personnel of our customers, subcontractors, vendors and other third-parties, to the risk of personal injury or death.

Although we currently maintain broad insurance coverage, subject to certain significant deductibles and levels of self-insurance or risk retention, it does not cover all types of losses and in some situations, such as rig loss or damage resulting from Gulf of Mexico hurricane related windstorm exposures, may not provide coverage for damages, losses or liabilities resulting from our operations in whole or in part. Except for windstorm coverage on our Gulf of Mexico rigs subsequent to July 1, 2006, which was placed on a limited coverage basis, we historically have maintained insurance coverage for damage to or loss of our drilling rigs in amounts not less than the estimated fair market value thereof. Even when insured, we have encountered circumstances in which insurance companies have issued reservations of rights or denied coverage which has, in certain circumstances, resulted in litigation. However, in the event of total loss, such coverage is unlikely to be sufficient to recover the cost of a newly-constructed replacement rig. Since we do not maintain business interruption or loss of hire insurance, we are fully exposed to loss of contract drilling revenues resulting from rig loss or damage.

We generally obtain contractual indemnification obligating our customers to protect and indemnify us for all or part of the liabilities resulting from pollution and damage to the environment, damage to wells, reservoirs and other customer property, control of wild wells, drilling of relief wells and certain non-rig crew personnel injuries. Such indemnification protection may be qualified or limited and may exclude certain perils, causes or events or the application of local law. In some circumstances, we are unable to obtain indemnification protection for some or all of the risks generally assumed by our customers, including risks and liabilities relating to environmental damage or loss, well loss or damage or wild well control. The inability to obtain such indemnification or the failure of a customer to meet indemnification obligations or losses or liabilities resulting from uninsured or underinsured events could have a material adverse effect on our financial position, operating results and cash flows.

Our contracts generally protect us in whole or part from certain losses sustained as a result of our negligence, most frequently as respects pollution and damage to the environment, damage to wells or reservoirs, control of wild wells, drilling of relief wells and consequential damages. However, losses resulting from contracts that do not contain such protection could have a material adverse affect on our financial position, operating results and cash flows. Losses resulting from our gross negligence or willful misconduct may not be protected contractually by specific provision or by application of law, and our insurance may not provide adequate protection for such losses. Moreover, we may not maintain the same types or levels of insurance in the future which would expose us to additional uninsured losses and liabilities.

COMPLIANCE WITH OR BREACH OF ENVIRONMENTAL LAWS CAN BE COSTLY AND COULD LIMIT OUR OPERATIONS.

Our operations are subject to laws and regulations controlling the discharge of materials into the environment, pollution, contamination and hazardous waste disposal or otherwise relating to the protection of the environment. Environmental laws and regulations specifically applicable to our business activities could impose significant liability on us for damages, clean-up costs, fines and penalties in the event of oil spills or similar discharges of pollutants or contaminants into the environment or improper disposal of hazardous waste generated in the course of our operations. To date, such laws and regulations have not had a material adverse effect on our operating results, and we have not experienced an accident that has exposed us to material liability arising out of or relating to discharges of pollutants into the environment. However, the legislative and regulatory response to the BP Macondo well incident could substantially increase our customers' liabilities in respect of oil spills and also could increase our liabilities. In addition to potential increased liabilities, such legislative or regulatory action could impose increased financial, insurance or other requirements that may adversely impact the entire offshore drilling industry.

The International Convention on Oil Pollution Preparedness, Response and Cooperation, the U.K. Merchant Shipping Act 1995, the U.K. Merchant Shipping (Oil Pollution Preparedness, Response and Cooperation Convention) Regulations 1998 and other related legislation and regulations and OPA 90 and other U.S. federal statutes applicable to us and our operations, as well as similar statutes in Texas, Louisiana, other coastal states and other non-U.S. jurisdictions, address oil spill prevention and control and significantly expand liability, fine and penalty exposure across many segments of the oil and gas industry. Such statutes and related regulations impose a variety of obligations on us related to the prevention of oil spills, disposal of waste and liability for resulting damages. For instance, OPA 90 imposes strict and, with limited exceptions, joint and several liability upon each responsible party for oil removal costs as well as a variety of fines, penalties and damages. Failure to comply with these statutes and regulations, including OPA 90, may subject us to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance and could have a material adverse effect on our financial position, operating results and cash flows.

Events in recent years, including the BP Macondo well incident, have heightened governmental and environmental concerns about the oil and gas industry. From time to time, legislative proposals have been introduced that would materially limit or prohibit offshore drilling in certain areas. We are adversely affected by restrictions on drilling in certain areas of the U.S. Gulf of Mexico and elsewhere, including the conditions for lifting the recent moratorium/suspension in the U.S. Gulf of Mexico, the adoption of associated new safety requirements and policies regarding the approval of drilling permits, restrictions on development and production activities in the U.S. Gulf of Mexico and associated NTLs that have and may further impact our operations. If new laws are enacted or other government action is taken that restrict or prohibit offshore drilling in our principal areas of operation or impose environmental protection requirements that materially increase the liabilities, financial requirements or operating or equipment costs associated with offshore drilling, exploration, development or production of oil and natural gas, our financial position, operating results and cash flows could be materially adversely affected.

LAWS AND GOVERNMENTAL REGULATIONS MAY ADD TO COSTS, LIMIT OUR DRILLING ACTIVITY OR REDUCE DEMAND FOR OUR DRILLING SERVICES.

Our operations are affected by political developments and by laws and regulations that relate directly to the oil and gas industry, including initiatives to limit greenhouse gas emissions. The offshore contract drilling industry is dependent on demand for services from the oil and gas industry. Accordingly, we will be directly affected by the approval and adoption of laws and regulations limiting or curtailing exploration and development drilling for oil and natural gas for economic, environmental, safety and other policy reasons. We may be exposed to risks related to new laws or regulations pertaining to climate change, carbon emissions or energy use that could reduce the use of oil or natural gas, thus reducing demand for hydrocarbon-based fuel and our drilling services. Governments also may pass laws or regulations encouraging or mandating the use of alternative energy sources, such as wind power and solar energy, which may reduce demand for oil and natural gas and our drilling services. Furthermore, we may be required to make significant capital expenditures or incur substantial additional costs to comply with new governmental laws and regulations. It is also possible that legislative and regulatory activity could adversely affect our operations by limiting drilling opportunities or significantly increasing our operating costs.

TERRORIST ATTACKS, PIRACY AND MILITARY ACTION COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Terrorist acts, piracy, kidnapping, extortion or acts of war may cause damage to or disruption of our operations, employees, property and equipment or customers, suppliers and subcontractors, which may not be covered by insurance or an enforceable contractual indemnity and could significantly impact our financial position, operating results and cash flows. These acts create many economic and political uncertainties and the potential for future similar acts, the national and international responses and other acts of war or hostility could create many economic and political uncertainties, including an impact upon oil and natural gas drilling, exploration and development. This could adversely affect our business in ways that cannot readily be determined.

LEGAL PROCEEDINGS COULD AFFECT US ADVERSELY.

We are involved in litigation, including various claims, disputes and regulatory proceedings that arise in the ordinary course of business, many of which are uninsured and relate to commercial, employment or regulatory activities. We also are concluding an internal investigation relating to compliance with the anti-bribery, recordkeeping and accounting provisions of the U.S. Foreign Corrupt Practices Act ("FCPA") that focuses on activities related to our former operations in Nigeria and the associated accounting entries and internal accounting controls and have self-reported to the appropriate U.S. government authorities. See Note 12 to our consolidated financial statements for additional information on our legal proceedings and other contingent liabilities.

Although we cannot accurately predict the outcome of our litigation, claims, disputes, regulatory proceedings and investigations or the amount or impact of any associated liability or other sanctions, these matters could adversely affect our financial position, operating results or cash flows.

WE HAVE INVESTED A PORTION OF OUR CASH IN AUCTION RATE SECURITIES AND WE MAY BE REQUIRED TO HOLD THEM INDEFINITELY DUE TO AN ILLIQUID MARKET.

As of December 31, 2010, we held $50.1 million (par value) of auction rate securities. Auctions for most of our auction rate securities began to fail in February 2008, as there were more sellers than buyers at scheduled interest rate auctions and parties desiring to sell their auction rate securities were unable to do so. When an auction fails, the interest rate is adjusted according to the provisions of the associated security agreement. The majority of our auction rate securities are currently rated Aaa by Moody's, AAA by Standard & Poor's and/or AAA by Fitch. All of our auction rate securities were issued by state agencies and are supported by student loans for which repayment is substantially guaranteed by the U.S. government under the Federal Family Education Loan Program.

Auction failures and the resulting lack of liquidity have affected the entire auction rate securities market, and we are currently unable to determine whether these conditions will continue for an extended duration. While it is estimated that the majority of the auction rate securities market has been refinanced, student loan supported auction rate securities remain mostly constrained and illiquid. Although $16.7 million, $5.5 million and $6.0 million of our auction rate securities were redeemed at par value during the years ended December 31, 2010, 2009 and 2008, respectively, we are currently unable to determine whether issuers of our auction rate securities will attempt and/or be able to refinance.

We are also unable to determine if alternative markets that provide orderly purchases and sales of auction rate securities will develop. Pursuant to regulatory settlements, several major brokerage firms have offered to repurchase auction rate securities from retail investors, charities and small businesses, and use best efforts to provide liquidity to institutional investors within the next several years. However, we are currently unable to determine whether these brokerage firms will be able to comply with the terms of their regulatory settlements. Moreover, current global economic conditions may impede auction rate security repurchases.

Although we acquired our auction rate securities with the intention of selling them in the near-term, we do not currently expect to experience liquidity problems or alter any business plans if we maintain our investment in these securities indefinitely. Our auction rate securities have final maturity dates ranging from 2025 to 2047.

Risks Related to the Proposed Merger with Pride

Our expectations regarding our business may be impacted by the following risk factors related to the pending merger with Pride:

FAILURE TO COMPLETE THE MERGER WITH PRIDE COULD NEGATIVELY AFFECT OUR SHARE PRICE AND OUR FUTURE BUSINESS AND OPERATING RESULTS.

Completion of the merger with Pride is not assured and is subject to risks, including the risks that approval of the transaction by our shareholders and the stockholders of Pride is not obtained or that certain other closing conditions are not satisfied. If the merger is not completed, our ongoing business may be adversely affected and will be subject to several risks, including the following:

- having to pay certain significant costs relating to the merger without receiving the benefits of the merger including, in certain circumstances, a termination fee of up to $260.0 million to Pride;
- the attention of our management will have been diverted to the merger instead of on our operations and pursuit of other opportunities that may have been beneficial to us; and
- resulting negative customer perception could adversely affect our ability to compete for, or to obtain, new and renewal business in the marketplace.

WE WILL INCUR SUBSTANTIAL TRANSACTION AND MERGER-RELATED COSTS IN CONNECTION WITH THE MERGER AND OUR SHAREHOLDERS WILL BE DILUTED BY THE MERGER.

We expect to incur a number of non-recurring transaction and merger-related costs associated with completing the merger with Pride, combining the operations of the two companies and achieving desired synergies. These fees and costs will be substantial. Additional unanticipated costs may be incurred in the integration of the businesses of Ensco and Pride. Although we expect that the elimination of certain duplicative costs, as well as the realization of other efficiencies related to the integration of the two businesses, will offset the incremental transaction and merger-related costs over time, this net benefit may not be achieved in the near-term, or at all.

IF THE MERGER IS COMPLETED, WE WILL BE SUBJECT TO ADDITIONAL RISKS.

The success of the merger will depend, in part, on our ability to realize anticipated benefits from combining the businesses of Ensco and Pride. However, to realize these anticipated benefits, we must successfully integrate the operations and personnel of Pride into our business, including the expected relocation of our U.S. headquarters to Houston from Dallas. If we are not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected. Because Ensco and Pride have operated independently and, until the completion of the merger, will continue to operate independently, it is possible that the integration process could take longer than anticipated and could result in the loss of valuable employees or the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures, practices, policies and compensation arrangements, which could adversely affect our ability to achieve the anticipated benefits of the merger. Our results of operations after the merger could also be adversely affected by any issues attributable to either company's operations that arise or are based on events or actions that occur prior to the closing of the merger. Further, the size of the merger may make integration difficult, expensive and disruptive, adversely affecting our operating results after the merger. Failure to achieve the anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and prospects. In addition, we may not be able to eliminate duplicative costs or realize other efficiencies from integrating the businesses to offset part or all of the transaction and merger-related costs that have and will be incurred.

Our performance following the merger could be adversely affected if we are unable to retain certain key employees. The loss of key personnel may also negatively impact the productivity and profitability of certain projects and can result in lost rig contracting opportunities during periods of unanticipated demand. Our inability to bid on new and attractive projects, or maintain productivity and profitability on existing projects, including those developed by Pride, due to the loss of key employees could negatively affect our profitability and operating results.

In addition, the approval or regulatory requirements of certain government or regulatory agencies in connection with the merger could contain terms, conditions, or restrictions, such as the divestiture of assets, that would be detrimental to us after the merger. Additionally, even after the statutory waiting period under the antitrust laws and even after completion of the merger, governmental authorities could seek to block or challenge the merger as they deem necessary or desirable in the public interest. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. Ensco or Pride may not prevail and may incur significant costs in defending or settling any such action under the antitrust laws.

THE MERGER AGREEMENT CONTAINS PROVISIONS THAT LIMIT EACH PARTY'S ABILITY TO PURSUE ALTERNATIVES TO THE MERGER, COULD DISCOURAGE A POTENTIAL COMPETING ACQUIRER OF EITHER PRIDE OR ENSCO FROM MAKING A FAVORABLE ALTERNATIVE TRANSACTION PROPOSAL AND, IN CERTAIN CIRCUMSTANCES, COULD REQUIRE PAYMENT OF A $260.0 MILLION TERMINATION FEE.

Under the merger agreement, Pride or Ensco Delaware may be required to pay to Ensco or Pride, respectively, a termination fee of up to $260.0 million if the merger agreement is terminated under certain circumstances. If such a termination fee is payable, the payment of this fee could have material and adverse consequences to the financial condition and operating results of the company making such payment.

Under the merger agreement, Ensco and Pride are restricted from entering into alternative transactions. Unless and until the merger agreement is terminated, subject to specified exceptions, both Ensco and Pride are restricted from soliciting, initiating, knowingly and intentionally encouraging or facilitating, or negotiating, any inquiry, proposal or offer for a competing acquisition proposal with any person. Additionally, under the merger agreement, in the event of a potential change by the board of directors of either party of its recommendation with respect to the merger, such party must provide the other with two business days to propose an adjustment to the terms and conditions of the merger agreement. Ensco and Pride may terminate the merger agreement and enter into an agreement with respect to a superior proposal only if specified conditions have been satisfied, including compliance with the no solicitation provisions of the merger agreement. These provisions could discourage a third party that may have an interest in acquiring all or a significant part of Ensco or Pride from considering or proposing that acquisition, even if such third party were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the merger, or might result in a potential competing acquirer proposing to pay a lower price than it would otherwise have proposed to pay because of the added expense of the termination fee that may become payable in certain circumstances. As a result of these restrictions, neither Ensco nor Pride may be able to enter into an agreement with respect to a more favorable alternative transaction without incurring potentially significant liability to the other.

IF OUR FINANCING FOR THE MERGER BECOMES UNAVAILABLE, THE MERGER MAY NOT BE COMPLETED AND WE MAY BE IN BREACH OF THE MERGER AGREEMENT.

We intend to finance a portion of the cash component of the merger consideration with debt financing. On February 6, 2011, Ensco entered into a bridge commitment letter (the "Commitment Letter") with Deutsche Bank AG Cayman Islands Branch ("DBCI"), Deutsche Bank Securities Inc. and Citigroup Global Markets Inc. ("Citi"). Pursuant to the Commitment Letter, DBCI and Citi have committed to provide a $2,750.0 million unsecured bridge term loan facility (the "Bridge Term Facility") to fund a portion of the cash consideration in the merger with Pride. The Bridge Term Facility would mature 364 days after closing. The commitment is subject to various conditions, including the absence of a material adverse effect on Pride or Ensco having occurred, the maintenance by us of investment grade credit ratings, the execution of satisfactory documentation and other customary closing conditions. We intend to fund the cash component of the merger consideration through internal cash resources, the Bridge Term Facility and potentially the proceeds of other sources of debt financing.

In the event that the financing contemplated by the Bridge Term Facility is not available, other financing may not be available on acceptable terms, in a timely manner or at all. If other financing becomes necessary and we are unable to secure such additional financing, we could be in breach of the merger agreement assuming all other conditions to closing are satisfied, may be obligated to pay damages to Pride or may be compelled to specifically perform its obligations to consummate the transaction.

WE EXPECT TO INCUR SUBSTANTIAL ADDITIONAL INDEBTEDNESS TO FINANCE THE MERGER AND PRIDE'S EXISTING INDEBTEDNESS WILL REMAIN OUTSTANDING UPON COMPLETION OF THE MERGER, WHICH MAY DECREASE OUR BUSINESS FLEXIBILITY AND INCREASE OUR BORROWING COSTS.

Upon completion of the merger, we will increase our indebtedness which will include acquisition debt financing of approximately $2,800.0 million and approximately $1,860.0 million of Pride's debt obligations will remain outstanding after the merger. Our increased indebtedness and higher debt-to-equity ratio in comparison to that of Ensco on a recent historical basis may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs. In addition, the terms and conditions of such indebtedness may not be favorable to us, and as such, could further increase the cost of the merger, as well as the overall burden of such indebtedness upon us and our business flexibility. Unfavorable debt financing terms may also adversely affect our operating results.

PENDING LITIGATION AGAINST PRIDE AND ENSCO COULD RESULT IN AN INJUNCTION PREVENTING THE CONSUMMATION OF THE MERGER OR MAY ADVERSELY AFFECT OUR BUSINESS, FINANCIAL CONDITION OR OPERATING RESULTS FOLLOWING THE MERGER.

In connection with the merger, various lawsuits have been filed in the Delaware Court of Chancery and in the District Courts of Harris County, Texas against Pride, its directors and Ensco and/or certain of its subsidiaries alleging violations of various fiduciary duties in approving the merger and that Ensco and/or Pride aided and abetted such alleged violations. Among other remedies, the plaintiffs seek to enjoin the merger. While Ensco and Pride believe these suits are without merit and intend to vigorously defend against such claims, the outcome of any such litigation is inherently uncertain. Any and all applicable insurance policies may not provide sufficient coverage for the defense costs and claims under these lawsuits, and individual director and officer rights of indemnification with respect to these lawsuits will continue after the completion of the merger. The defense or settlement of any lawsuit or claim that remains unresolved at the time the merger closes may adversely affect our business, financial condition or operating results.

WE MAY BE UNABLE TO OBTAIN THE REGULATORY CLEARANCES AND APPROVALS REQUIRED TO COMPLETE THE PROPOSED MERGER WITH PRIDE OR, IN ORDER TO DO SO, WE MAY BE REQUIRED TO COMPLY WITH MATERIAL RESTRICTIONS OR CONDITIONS.

The merger is subject to review by the Antitrust Division and the FTC under the HSR Act and by other governmental entities under non-U.S. antitrust or competition merger control statutes. The expiration or termination of the waiting period (and any extension of the waiting period) applicable to the merger under the HSR Act is a condition to closing the merger. The merger may also be subject to the regulatory requirements of other municipal, state and federal, domestic or foreign, governmental agencies and authorities. We can provide no assurance that all required regulatory approvals will be obtained or that these approvals will not contain terms, conditions or restrictions, such as the divestiture of assets or lines of business, that would be detrimental to us after the effective time of the merger.

Additionally, even after the statutory waiting period, and any extensions of such period agreed to by the parties, under the HSR Act has expired, and even after completion of the merger, governmental authorities could seek to block or challenge the merger as they deem necessary or desirable in the public interest. In addition, in some jurisdictions, a competitor, customer or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the merger, before or after it is completed. We may not prevail and may incur significant costs in defending or settling any action under the antitrust laws.

ANY DELAY IN COMPLETING THE MERGER MAY SUBSTANTIALLY REDUCE THE BENEFITS EXPECTED TO BE OBTAINED FROM THE MERGER.

In addition to obtaining the required governmental clearances and approvals, the merger is subject to a number of other conditions beyond the control of Pride and Ensco that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether or when the conditions required to complete the merger will be satisfied. The requirements for obtaining the required clearances and approvals could delay the effective time of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger may materially adversely affect the synergies and other benefits that we expect to achieve if the merger and the integration of our respective businesses are completed within the expected timeframe.

OUR FUTURE RESULTS OF OPERATIONS COULD BE ADVERSELY AFFECTED IF THE GOODWILL RECORDED IN THE MERGER SUBSEQUENTLY REQUIRES IMPAIRMENT.

When we acquire a business, generally goodwill is recorded as an asset on our balance sheet and is equal to the excess amount we pay for the business, including the fair value of liabilities assumed, over the fair value of the tangible and identified intangible assets of the business we acquire. FASB ASC 350 requires that goodwill and other intangible assets that have indefinite useful lives not be amortized, but instead be tested at least annually for impairment, and that intangible assets that have finite useful lives be amortized over their useful lives. FASB ASC 350 provides specific guidance for testing goodwill and other indefinite lived intangible assets for impairment. FASB ASC 350 requires our management to make certain estimates, judgments and assumptions when allocating goodwill to reporting units and determining the fair value of those reporting units, including, among other things, appropriate risk-adjusted discount rates, as well as future industry conditions and operations, expected utilization, day rates, expense levels, capital requirements and terminal values for each of our rigs. Absent any impairment indicators, we perform our impairment tests annually during the fourth quarter. Any future impairments would negatively impact our results of operations for the period in which the impairment is recognized.

PRIDE'S BUSINESS, AND ANY OTHER BUSINESSES THAT WE MAY ACQUIRE AFTER COMPLETION OF THE MERGER, MAY BE DIFFICULT TO INTEGRATE, DISRUPT OUR BUSINESS, DILUTE SHAREHOLDER VALUE OR DIVERT MANAGEMENT ATTENTION.

Risks with respect to our merger with Pride, and any other recent and future acquisitions, include:

- difficulties in the integration of the operations and personnel of Pride;
- diversion of management's attention away from other business concerns; and
- the assumption of any undisclosed or other potential liabilities of the acquired company.

OUR SHAREHOLDERS WILL BE DILUTED BY THE MERGER.

The merger will dilute the ownership position of our current shareholders. We will issue approximately 86.0 million Class A ordinary shares represented by Ensco ADSs (based on the number of outstanding shares of Pride common stock and restricted stock unit awards as of February 4, 2011 and based on the assumption that no employee stock options to purchase shares of Pride common stock are exercised prior to completion of the merger). Our shareholders and Pride stockholders are expected to hold approximately 62.0% and 38.0%, respectively, of our ADSs outstanding immediately after the merger based on these same assumptions.

Risks Related to Our Redomestication to the U.K.

WE HAVE NOT REQUESTED AN HMRC RULING ON THE U.K. TAX ASPECTS OF THE REDOMESTICATION, AND HMRC MAY DISAGREE WITH OUR CONCLUSIONS.

Based on current U.K. corporation tax law and the current U.K.-U.S. income tax treaty, as amended, we expect that the redomestication will not result in any material U.K. corporation tax liability to Ensco plc. Further, we believe that we have satisfied all stamp duty reserve tax ("SDRT") payment and filing obligations in connection with the issuance and deposit of our Class A ordinary shares into the ADS facility pursuant to the deposit agreement governing the ADS facility.

However, if HMRC disagrees with this view, it may take the position that material U.K. corporation tax or SDRT liabilities or amounts on account thereof are payable by Ensco plc as a result of the redomestication, in which case we expect that we would contest such assessment. If we were unsuccessful in disputing the assessment, the implications could be materially adverse to us. We have not requested an HMRC ruling on the U.K. tax aspects of the redomestication, and there can be no assurance that HMRC will agree with our interpretations of U.K. corporation tax law or any related matters associated therewith.

Subject to certain exemptions and other forms of relief, a U.K. resident company, such as Ensco plc, is liable to corporation tax on the income profits (whether or not distributed) of any controlled company which is resident in a foreign jurisdiction and is subject to a lower level of taxation on those profits. A controlled company will be regarded as being subject to a lower level of taxation if the amount of foreign income tax on its profits is less than three-quarters of the corresponding corporation tax that would be payable in the U.K. if the company were resident in the U.K. Any such foreign income tax on the profits of the controlled company is generally creditable for U.K. corporation tax purposes.

HMRC has, subject to certain conditions and limitations based on our facts and circumstances, granted exemption from the Controlled Foreign Companies (“CFC”) regime in respect of all material subsidiaries of Ensco plc under the “motive test” exclusion for a period after the merger ending December 31, 2012, which period may be reduced or altered by subsequent legislation. The present U.K. Government is consulting on a potentially major reform of the CFC regime and has stated its intention to introduce interim reform in 2011 and full reform in 2012. However, the U.K. Government has not yet put any of these reform proposals into effect and there can be no certainty about the nature and extent of any future changes to the current CFC regime.

THE IRS MAY DISAGREE WITH OUR CONCLUSIONS ON TAX TREATMENT OF THE REDOMESTICATION.

We expect that the redomestication will not result in any material U.S. federal income tax liability to Ensco plc. However, the IRS may disagree with our assessments of the effects or interpretation of the tax laws, treaties or regulations or their enforcement with respect to the redomestication. Nevertheless, even if our conclusions on the U.S. tax treatment of the redomestication to Ensco plc do not ultimately prevail, we do not believe that a contrary treatment of the redomestication by the IRS would result in a material increase in U.S. taxes compared to our pre-redomestication U.S. tax position. In this event we may not realize the expected tax benefits of the redomestication, and our operating results may be adversely affected in comparison to what they would have been if the IRS agreed with our conclusions.

IF ENSCO PLC AND ITS NON-U.S. SUBSIDIARIES BECOME SUBJECT TO U.S. FEDERAL INCOME TAX, OUR FINANCIAL POSITION, OPERATING RESULTS AND CASH FLOWS WOULD BE ADVERSELY AFFECTED.

Ensco plc and its non-U.S. subsidiaries will conduct their operations in a manner intended to minimize the risk that Ensco plc or its non-U.S. subsidiaries engage in the conduct of a U.S. trade or business. Our U.S. and U.S.-owned subsidiaries will continue to be subject to U.S. federal income tax on their worldwide income, and our non-U.S. subsidiaries will continue to be subject to U.S. federal income tax on their U.S. operations. However, if Ensco plc or any of its non-U.S. subsidiaries is or are determined to be engaged in a trade or business in the U.S., Ensco plc or such non-U.S. subsidiaries would be required to pay U.S. federal income tax on income that is subject to the taxing jurisdiction of the U.S. If this occurs, our financial position, operating results and cash flows may be adversely affected.

We believe the redomestication should improve our ability to maintain a competitive consolidated effective income tax rate because the U.K. corporate tax rate is lower than the U.S. corporate tax rate and because the U.K. has implemented a dividend exemption system that generally does not subject non-U.K. earnings to U.K. tax when such earnings are repatriated to the U.K. in the form of dividends from non-U.K. subsidiaries. In 2010, the new U.K. Government announced its intention that there will be a phased reduction in the headline rate of U.K. corporation tax from 27% to 24% by 2014, its lowest ever rate.

The U.K. has implemented controlled foreign companies rules (the "CFC rules") under which, in certain circumstances, the income profits of controlled non-U.K. resident companies which are subject to a lower level of taxation may be subject to U.K. corporation tax, subject to credit relief for foreign tax on those profits. The HMRC has granted us an exemption from the CFC rules in respect of our material non-U.K. operations under the “motive test” exemption until December 31, 2012, subject to certain conditions and limitations based on our facts and circumstances.

THE REDOMESTICATION MAY NOT ALLOW US TO MAINTAIN A COMPETITIVE CONSOLIDATED EFFECTIVE INCOME TAX RATE.

In June 2010, the new U.K. Government announced in its Emergency Budget that it aims to create the most competitive corporate tax system in the G20, and that as a first step it will reform the U.K.'s CFC rules, which it recognized as a key priority for U.K. multinationals. The U.K. Government's policy is that the U.K.'s corporate tax system should focus more on profits from U.K. activity in determining the tax base, rather than attributing the worldwide income of a group to the U.K. It has been announced that legislation for new CFC rules will be introduced in the spring of 2012, allowing time to consider how to make the rules more competitive, to enhance long-term stability and to provide adequate protection of the U.K. tax base. The U.K. Government launched a consultation on the reform of the CFC rules in November 2010 which will continue until late February 2011, and it intends to publish draft legislation in respect of the same during the second half of 2011. At the same time, the U.K. Government also launched a consultation on certain interim improvements to the current CFC rules, to make the rules easier to operate and, where possible, increase competitiveness. The U.K. Government published draft legislation in respect of the same on December 9, 2010. Legislation on interim improvements to the CFC rules will be introduced during the first half of 2011. The effect of any changes to the CFC rules on our effective rate of income taxation will not be clear until the new legislation is published and enacted in its entirety. However, it is anticipated that these reforms will generally be favorable to us, as compared to the current CFC rules. Nevertheless, as the U.K.'s current CFC rules for the most part do not apply to our material overseas operations until December 31, 2012, our ability to efficiently manage those operations with a view to managing our effective income tax rates may be restricted by virtue of the new CFC rules from January 1, 2013. In the event that the U.K. Government adopts changes to the CFC rules that have the effect of increasing our consolidated effective income tax rate, our results of operations may be adversely affected unless we are able to identify and implement any mitigating actions.

We cannot provide any assurances as to what our effective income tax rates will be because of, among other things, uncertainty regarding the nature and extent of our business activities in any particular jurisdiction in the future and the tax laws of such jurisdictions, as well as potential changes in U.K. and U.S. tax laws. Our actual effective income tax rates may vary from our expectations and those variances may be material. Additionally, the tax laws of other jurisdictions could change in the future, and such changes could cause a material change in our consolidated effective income tax rate.

We also could be subject to future audits conducted by U.K., U.S. and other tax authorities, and the resolution of such audits could significantly impact our effective income tax rates in future periods, as would any reclassification or other matter (such as changes in applicable accounting rules) that increases the amounts we have provided for income taxes in our consolidated financial statements. There can be no assurance that we would be successful in attempting to mitigate the adverse impacts resulting from any changes in law, audits and other matters. Our inability to mitigate the negative consequences of any changes in the law, audits and other matters could cause our effective income tax rates to increase and our financial position, operating results or cash flows to be adversely affected.

CHANGES IN LAWS, INCLUDING TAX LAW CHANGES, COULD ADVERSELY AFFECT ENSCO, ITS SUBSIDIARIES AND ITS SHAREHOLDERS.

Changes in tax laws, regulations or treaties or the interpretation or enforcement thereof, in the U.S., the U.K. or elsewhere, could adversely affect the tax consequences of the redomestication to Ensco and its shareholders and/or our effective income tax rates (whether associated with the redomestication or otherwise). For example, one reason for the redomestication was to begin to align our structure so as to have an opportunity to take advantage of U.K. corporate tax rates, which are lower than the U.S. income tax rates, and to take advantage of the recent dividend exemption system implemented in the U.K., which generally does not subject earnings of non-U.K. subsidiaries to U.K. tax when such earnings are repatriated to the U.K. as dividends. Future changes in tax laws, regulations or treaties or the interpretation or enforcement thereof in general or any such changes resulting in a material change in the U.S. or U.K. tax rates in particular could reduce or eliminate the benefits that we expect to achieve from the redomestication.

CHANGES IN EFFECTIVE INCOME TAX RATES OR ADVERSE OUTCOMES RESULTING FROM EXAMINATION OF OUR TAX RETURNS COULD ADVERSELY AFFECT OUR FINANCIAL RESULTS.

Changes in the valuation of our deferred tax assets and liabilities or changes in tax treaties, regulations, accounting principles or interpretations thereof in one or more countries in which we operate could result in a higher effective income tax rate on our worldwide earnings and such change could be significant to our financial results. Our future effective income tax rates could also be adversely affected by lower than anticipated earnings in countries where we have lower statutory rates and higher than anticipated earnings in countries where we have higher statutory rates. In addition, we are subject to examinations of our income tax returns by HMRC, the IRS and other tax authorities. We regularly assess the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of our provision for income taxes. There can be no assurance that such examinations will not have an adverse effect on our financial position, operating results or cash flows.

THE EXPECTED FINANCIAL, LOGISTICAL AND OPERATIONAL BENEFITS OF THE REDOMESTICATION MAY NOT BE REALIZED.

We cannot be assured that all of the goals of the redomestication will be achieved, particularly as achievement of our goals is in many important respects subject to factors that we do not control. These factors include the reactions of U.K. and U.S. tax authorities, the reactions of third parties with whom we enter into contracts and conduct business and the reactions of investors and analysts.

While we expect that the redomestication will enable us to take advantage of lower U.K. tax rates and the benefits of the U.K. dividend exemption system for certain non-U.K. source dividends repatriated to the U.K. in the years after implementation of the redomestication to a greater extent than would likely have been available if the redomestication had not occurred, these benefits may not be achieved. In particular, U.K. or U.S. tax authorities may challenge our application and/or interpretation of relevant tax laws, regulations or treaties, valuations and methodologies or other supporting documentation. If they are successful in doing so, we may not experience the level of benefits we anticipate, or we may be subject to adverse tax consequences. Even if we are successful in maintaining our positions, we may incur significant expenses in defending our position and contesting claims or positions asserted by tax authorities.

Whether we realize other expected financial benefits of the redomestication will depend on a variety of factors, many of which are beyond our control. These factors include changes in the relative rate of economic growth in the U.K. compared to the U.S., our financial performance in jurisdictions with lower tax rates, foreign currency exchange rate fluctuations (especially as between the British pound and the U.S. dollar), and significant changes in trade, monetary or fiscal policies of the U.K. or the U.S., including changes in interest rates. It is difficult to predict or quantify the effect of these factors, individually and in the aggregate, in part because the occurrence of any of these events or circumstances may be interrelated. If any of these events or circumstances occur, we may not be able to realize the expected financial benefits of the redomestication, and our expenses may increase to a greater extent than if we had not completed the redomestication.

Realization of the logistical and operational benefits of the redomestication is also dependent on a variety of factors including the geographic regions in which our rigs are deployed, the location of the business unit offices that oversee our global offshore contract drilling operations, the locations of our customer's corporate offices and principal areas of operation and the location of our investors. If events or changes in circumstances occur affecting the aforementioned factors, we may not be able to realize the expected logistical and operational benefits of the redomestication.

INVESTOR ENFORCEMENT OF CIVIL JUDGMENTS AGAINST US MAY BE MORE DIFFICULT.

Because our parent company is now a public limited company incorporated under English law, investors could experience more difficulty enforcing judgments obtained against us in U.S. courts than would have been the case for U.S. judgments obtained against us prior to the redomestication. In addition, it may be more difficult (or impossible) to bring some types of claims against us in courts in England than it would be to bring similar claims against a U.S. company in a U.S. court.

WE HAVE LESS FLEXIBILITY AS A U.K. PUBLIC LIMITED COMPANY WITH RESPECT TO CERTAIN ASPECTS OF CAPITAL MANAGEMENT THAN U.S. CORPORATIONS DUE TO INCREASED SHAREHOLDER APPROVAL REQUIREMENTS.

Directors of a Delaware and other U.S. corporation may issue, without further shareholder approval, shares of common stock authorized in its certificate of incorporation that were not already issued or reserved. The business corporation laws of Delaware and other U.S. states also provide substantial flexibility in establishing the terms of preferred stock. However, English law provides that a board of directors may only allot shares with the prior authorization of shareholders, such authorization being up to the aggregate nominal amount of shares and for a maximum period of five years, each as specified in the articles of association or relevant shareholder resolution. Such authorization would need to be renewed by our shareholders upon its expiration (i.e., at least every five years). An ordinary resolution was adopted prior to the effective time of the redomestication in December 2009 to authorize the allotment of additional shares for a five-year term and renewal of such authorization for additional five-year terms may be sought more frequently.

English law also generally provides shareholders preemptive rights when new shares are issued for cash. However, it is possible for the articles of association or shareholders in a general meeting to exclude preemptive rights. Such an exclusion of preemptive rights may be for a maximum period of up to five years from the date of adoption of the articles of association, if the exclusion is contained in the articles of association, or from the date of the shareholder resolution, if the exclusion is by shareholder resolution. In either case, this exclusion would need to be renewed upon its expiration (i.e., at least every five years). A special resolution was adopted to exclude preemptive rights prior to the effective time of the redomestication in December 2009 for a five-year term and renewal of such exclusion for additional five-year terms may be sought more frequently.

English law prohibits us from conducting "on-market purchases" as our shares will not be traded on a recognized investment exchange in the U.K. English law also generally prohibits a company from repurchasing its own shares by way of "off-market purchases" without the prior approval of 75% of its shareholders by special resolution. Such approval lasts for a maximum period of up to five years. A special resolution was adopted in December 2009 to permit "off-market purchases" prior to the effective time of the redomestication. This special resolution will need to be renewed upon expiration (i.e., at least every five years) to permit "off-market purchases" and renewal for additional five-year terms may be sought more frequently.

We have no assurances that situations will not arise where such shareholder approval requirements for any of these actions would deprive our shareholders of substantial benefits.

THE REDOMESTICATION WILL RESULT IN ADDITIONAL ONGOING COSTS.

The redomestication has resulted in an increase in some of our ongoing expenses and will require us to incur some new expenses. Some costs, including those related to relocation and employment of expatriate officers and other employees in our U.K. offices and holding Board of Directors meetings in the U.K., are expected to be higher than would be the case if our principal executive offices remained in the U.S. We also have incurred and expect to continue to incur additional expenses, including professional fees, to comply with U.K. corporate and tax laws.

THE MARKET FOR ADSs REPRESENTING CLASS A ORDINARY SHARES MAY DIFFER FROM THE MARKET FOR COMMON STOCK OF U.S. CORPORATIONS.

Although the ADSs are listed on the NYSE under the symbol "ESV," which is the same symbol under which common stock of Ensco Delaware was formerly listed, the market prices, trading volume and volatility of the ADSs could be different from those of the shares of Ensco Delaware common stock and certain funds and institutional holders may have rules or policies that restrict investment in ADSs.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. Properties

Contract Drilling Fleet

The following table provides certain information about the rigs in our drilling fleet by operating segment as of February 15, 2011:

Rig Name	Rig Type	Year Built/ Rebuilt	Design	Maximum Water Depth/ Drilling Depth	Current Location	Current Customer
Deepwater						
ENSCO 7500	Semisubmersible	2000	Dynamically Positioned	8,000'/30,000'	Singapore	Shipyard/mob/sea trials
ENSCO 8500	Semisubmersible	2008	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Eni/Anadarko
ENSCO 8501	Semisubmersible	2009	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Nexen/Noble Energy
ENSCO 8502	Semisubmersible (1)	2010	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Nexen
ENSCO 8503	Semisubmersible (1)	2010	Dynamically Positioned	8,500'/35,000'	French Guiana	Mob/Tullow/Cobalt
ENSCO 8504	Semisubmersible (2)	2011	Dynamically Positioned	8,500'/35,000'	Singapore	Under construction (3)
ENSCO 8505	Semisubmersible (2)	2012	Dynamically Positioned	8,500'/35,000'	Singapore	Under construction (3)
ENSCO 8506	Semisubmersible (2)	2012	Dynamically Positioned	8,500'/35,000'	Singapore	Under construction (3)
Asia Pacific						
ENSCO 52	Jackup	1983/1997	F&G L-780 MOD II-C	300'/25,000'	Malaysia	Petronas Carigali
ENSCO 53	Jackup	1982/2009	F&G L-780 MOD II-C	300'/25,000'	Malaysia	Talisman
ENSCO 54	Jackup	1982/1997	F&G L-780 MOD II-C	300'/25,000'	U.A.E.	ADOC/Bunduq
ENSCO 56	Jackup	1982/1997	F&G L-780 MOD II-C	300'/25,000'	Indonesia	Pertamina
ENSCO 67	Jackup	1976/2005	MLT 84-CE	400'/30,000'	Indonesia	Pertamina
ENSCO 76	Jackup	2000	MLT Super 116-C	350'/30,000'	Saudi Arabia	Saudi Aramco
ENSCO 84	Jackup	1981/2005	MLT 82 SD-C	250'/25,000'	Bahrain	Cold stacked
ENSCO 88	Jackup	1982/2004	MLT 82 SD-C	250'/25,000'	Qatar	Ras Gas
ENSCO 94	Jackup	1981/2001	Hitachi 250-C	250'/25,000'	Qatar	Ras Gas
ENSCO 95	Jackup	1981/2005	Hitachi 250-C	250'/25,000'	Bahrain	Cold stacked
ENSCO 96	Jackup	1982/1997	Hitachi 250-C	250'/25,000'	Bahrain	Available
ENSCO 97	Jackup	1980/1997	MLT 82 SD-C	250'/25,000'	Bahrain	Available
ENSCO 104	Jackup	2002	KFELS MOD V-B	400'/30,000'	Indonesia	ConocoPhillips
ENSCO 106	Jackup	2005	KFELS MOD V-B	400'/30,000'	Malaysia	Petronas Carigali
ENSCO 107	Jackup	2006	KFELS MOD V-B	400'/30,000'	Vietnam	Premier Oil
ENSCO 108	Jackup	2007	KFELS MOD V-B	400'/30,000'	Brunei	Total
ENSCO 109	Jackup	2008	KFELS MOD V- Super B	350'/35,000'	Australia	Apache
ENSCO I	Barge	1999	Barge	--/18,000'	Singapore	Cold stacked
TBD 1	Jackup (2)	2013	KFELS Super A	400'/40,000'	Singapore	Under construction (3)
TBD 2	Jackup (2)	2013	KFELS Super A	400'/40,000'	Singapore	Under construction (3)
Europe and Africa						
ENSCO 70	Jackup	1981/1996	Hitachi K1032N	250'/30,000'	Denmark	Maersk
ENSCO 71	Jackup	1982/1995	Hitachi K1032N	225'/25,000'	Denmark	Maersk
ENSCO 72	Jackup	1981/1996	Hitachi K1025N	225'/25,000'	United Kingdom	RWE
ENSCO 80	Jackup	1978/1995	MLT 116-CE	225'/30,000'	United Kingdom	Sterling
ENSCO 85	Jackup	1981/1995	MLT 116-C	300'/25,000'	Tunisia	Available
ENSCO 92	Jackup	1982/1996	MLT 116-C	225'/25,000'	United Kingdom	Available/contracted
ENSCO 100	Jackup	1987/2009	MLT 150-88-C	350'/30,000'	United Kingdom	Shipyard
ENSCO 101	Jackup	2000	KFELS MOD V-A	400'/30,000'	United Kingdom	Maersk
ENSCO 102	Jackup	2002	KFELS MOD V-A	400'/30,000'	United Kingdom	ConocoPhillips
ENSCO 105	Jackup	2002	KFELS MOD V-B	400'/30,000'	Tunisia	Available

Rig Name	Rig Type	Year Built/ Rebuilt	Design	Maximum Water Depth/ Drilling Depth	Current Location	Current Customer
North & South America						
ENSCO 68	Jackup	1976/2004	MLT 84-CE	400'/30,000'	Gulf of Mexico	Chevron
ENSCO 69	Jackup	1976/1995	MLT 84-Slot	300'/25,000'	Gulf of Mexico	Cold stacked
ENSCO 75	Jackup	1999	MLT Super 116-C	400'/30,000'	Gulf of Mexico	Apache
ENSCO 81	Jackup	1979/2003	MLT 116-C	350'/30,000'	Gulf of Mexico	Shipyard
ENSCO 82	Jackup	1979/2003	MLT 116-C	300'/30,000'	Gulf of Mexico	Chevron
ENSCO 83	Jackup	1979/2007	MLT 82 SD-C	250'/25,000'	Mexico	Pemex
ENSCO 86	Jackup	1981/2006	MLT 82 SD-C	250'/30,000'	Gulf of Mexico	Apache
ENSCO 87	Jackup	1982/2006	MLT 116-C	350'/25,000'	Gulf of Mexico	Apache
ENSCO 89	Jackup	1982/2005	MLT 82 SD-C	250'/25,000'	Mexico	Pemex
ENSCO 90	Jackup	1982/2002	MLT 82 SD-C	250'/25,000'	Gulf of Mexico	Stone
ENSCO 93	Jackup	1982/2008	MLT 82 SD-C	250'/25,000'	Mexico	Pemex
ENSCO 98	Jackup	1977/2003	MLT 82 SD-C	250'/25,000'	Mexico	Pemex
ENSCO 99	Jackup	1985/2005	MLT 82 SD-C	250'/30,000'	Gulf of Mexico	ExxonMobil

(1) ENSCO 8502 was delivered in January 2010 and commenced drilling operations in the U.S. Gulf of Mexico under a short-term sublet agreement during the fourth quarter of 2010. ENSCO 8503 was delivered in September 2010 and is expected to commence drilling operations in French Guiana under a short-term sublet agreement during the first quarter of 2011. ENSCO 8502 and ENSCO 8503 are expected to commence drilling operations in the U.S. Gulf of Mexico under two-year contracts during 2011 subsequent to completion of drilling operations under their respective sublet agreements.

(2) Ri g is currently under construction. The "year built" provided is based on the current construction schedule.

(3) We are currently marketing ENSCO 8504, ENSCO 8505, ENSCO 8506 and two ultra-high specification harsh environment jackup rigs and anticipate they will be contracted in advance of delivery. For additional information on our rigs under construction, see "Cash Flow and Capital Expenditures" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The equipment on our drilling rigs includes engines, drawworks, derricks, pumps to circulate the drilling fluid, well control systems, drill string and related equipment. The engines power a top-drive mechanism that turns the drill string and drill bit so that the hole is drilled by grinding subsurface materials, which are then returned to the rig by the drilling fluid. The intended water depth, well depth and drilling conditions are the principal factors that determine the size and type of rig most suitable for a particular drilling project.

Jackup rigs stand on the ocean floor with their hull and drilling equipment elevated above the water on connected leg supports. Jackup rigs are generally preferred over other rig types in shallow water depths of 400 feet or less, primarily because jackup rigs provide a more stable drilling platform with above water well control equipment. Our jackup rigs are of the independent leg design where each leg can be fixed into the ocean floor at varying depths and equipped with a cantilever that allows the drilling equipment to extend outward from the hull over fixed platforms enabling safe drilling of both exploratory and development wells. The jackup rig hull supports the drilling equipment, jacking system, crew quarters, storage and loading facilities, helicopter landing pad and related equipment and supplies.

Semisubmersible rigs are floating offshore drilling units with pontoons and columns that partially submerge to a predetermined depth when sea water is permitted to enter the hull. Semisubmersible rigs can be held in a fixed location over the ocean floor either by being anchored to the sea bottom with mooring chains or dynamically positioned by computer-controlled propellers or "thrusters." ENSCO 7500, which is capable of drilling in water depths up to 8,000 feet, is a dynamically positioned rig that also can be adapted for moored operations. The rig uses a riser system to manage the drilling fluid and well control equipment located on the ocean floor. The ENSCO 8500 Series® rigs are enhanced versions of the ENSCO 7500, capable of drilling in up to 8,500 feet of water, and can be upgraded to 10,000 foot water-depth capability if required. Enhancements over ENSCO 7500 include a two million pound quad derrick, upgraded riser tensioning systems, offline pipe handling capability, increased drilling capacity, greater variable deck load, increased capacity in rig crew living quarters, improved automatic station keeping and the ability to modify the rig with an additional drilling platform. With these features, we believe the ENSCO 8500 Series® rigs are especially well-suited for deepwater development and exploratory well drilling.

Over the life of a typical rig, many of the major systems are replaced due to normal wear and tear or technological advancements in drilling equipment. All of our rigs are in good condition. As of February 15, 2011 we owned all of the rigs in our fleet.

We lease our executive offices in London, England and own offices and other facilities in Louisiana and Scotland. In addition to our executive offices, we currently lease office space in Dallas and Houston, Texas, Abu Dhabi, Australia, Brunei, Denmark, Dubai, Indonesia, Malaysia, Mexico, Qatar, Saudi Arabia, Singapore, Tunisia and Vietnam.

Item 3. ***Legal Proceedings***

Shareholder Class Actions

On February 10, 2011, a lawsuit styled Saratoga Advantage Trust vs. Pride International, Inc., et al, was filed in the Court of Chancery of the State of Delaware. This is a purported shareholder class action brought on behalf of the holders of Pride International, Inc. common stock against Pride, Pride's directors and Ensco plc arising out of the proposed sale of Pride to Ensco in a stock and cash transaction valued at $41.60 per share of Pride common stock. The lawsuit alleges that the proposed transaction undervalues Pride's shares, that Pride and the individual (director) defendants violated their fiduciary duties and that Ensco aided and abetted the breach of fiduciary duties. The lawsuit seeks injunctive relief, a declaration of breach of fiduciary duties, an order requiring the individual defendants to properly exercise their fiduciary duties, and a declaration that the proposed transaction is void or, if consummated, ordering rescission, and attorneys' fees and costs. At this time, we are unable to predict the outcome of this matter or estimate the extent to which we may be exposed to any resulting liability.

On February 11, 2011, similar actions were filed in the District Court of Harris County Texas styled Abrams v. Pride International, Inc., et al., and Astor BK Realty Trust v. Pride International, Inc. These also are purported shareholder class actions against Pride and its individual directors, which name ENSCO Ventures LLC and ENSCO International Incorporated as parties defendant. These actions generally allege that the defendants violated their fiduciary duties and seek to enjoin the proposed transaction unless and until Pride adopts and implements a procedure or process to obtain a transaction that provides the best possible terms and value for Pride's shareholders and issues a statement containing full and accurate disclosure. The causes of action against the individual (director) defendants are based upon alleged breach of fiduciary duties and the causes of action against Pride and the Ensco entities are based upon aiding and abetting such breaches of fiduciary duties. The prayers for relief seek to enjoin the defendants from consummating the proposed transaction unless and until the individual (directors) defendants adopt and implement the aforesaid procedure or process, a declaration that the transaction is void or, if consummated, rescinded, monetary damages as well as costs, fees and expenses. At this time, we are unable to predict the outcome of these matters or estimate the extent to which we may be exposed to any resulting liability.

On February 17, 2011, a similar action was filed in the Court of Chancery of the State of Delaware styled Elizabeth Wiggs-Jacques vs. Pride International, Inc., et al. This also is a purported shareholder class action against Pride and its individual directors, which names ENSCO International Incorporated and ENSCO Ventures LLC as parties defendant. This lawsuit generally alleges that the defendants violated their fiduciary duties and that the proposed merger is unfair to Pride's stockholders. The causes of action against the individual (director) defendants are based upon alleged breach of fiduciary duties and the causes of action against Pride and the Ensco entities are based upon aiding and abetting such breaches of fiduciary duties. The prayer for relief generally seeks to enjoin the defendants from consummating the proposed transaction unless and until Pride adopts and implements a procedure or process to obtain the highest possible price or, if consummated, rescind the transaction or award monetary damages, as well as costs, fees and expenses. At this time, we are unable to predict the outcome of this matter or estimate the extent to which we may be exposed to any resulting liability.

FCPA Internal Investigation

Following disclosures by other offshore service companies announcing internal investigations involving the legality of amounts paid to and by customs brokers in connection with temporary importation of rigs and vessels into Nigeria, the Audit Committee of our Board of Directors and management commenced an internal investigation in July 2007. The investigation initially focused on our payments to customs brokers relating to the temporary importation of ENSCO 100, our only rig that operated offshore Nigeria during the pertinent period.

As is customary for companies operating offshore Nigeria, we had engaged independent customs brokers to process customs clearance of routine shipments of equipment, materials and supplies and to process the ENSCO 100 temporary importation permits, extensions and renewals. One or more of the customs brokers that our subsidiary in Nigeria used to obtain the ENSCO 100 temporary import permits, extensions and renewals also provided this service to other offshore service companies that have undertaken FCPA compliance internal investigations.

The principal purpose of our investigation was to determine whether any of the payments made to or by our customs brokers were inappropriate under the anti-bribery provisions of the FCPA or whether any violations of the recordkeeping or internal accounting control provisions of the FCPA occurred. Our Audit Committee engaged a Washington, D.C. law firm with significant experience in investigating and advising upon FCPA matters to assist in the internal investigation.

Following notification to the Audit Committee and to KPMG LLP, our independent registered public accounting firm, in consultation with the Audit Committee's external legal counsel, we voluntarily notified the United States Department of Justice and SEC that we had commenced an internal investigation. We expressed our intention to cooperate with both agencies, comply with their directives and fully disclose the results of the investigation. The internal investigation process has involved extensive reviews of documents and records, as well as production to the authorities, and interviews of relevant personnel. In addition to the temporary importation of ENSCO 100, the investigation has examined our customs clearance of routine shipments and immigration activities in Nigeria.

Our internal investigation has essentially been concluded. Discussions were held with the authorities to review the results of the investigation and discuss associated matters during 2009 and the first half of 2010. On May 24, 2010, we received notification from the SEC Division of Enforcement advising that it does not intend to recommend any enforcement actions. We expect to receive a determination by the United States Department of Justice in the near-term.

Although we believe the United States Department of Justice will take into account our voluntary disclosure, our cooperation with the agency and the remediation and compliance enhancement activities that are underway, we are unable to predict the ultimate disposition of this matter, whether we will be charged with violation of the anti-bribery, recordkeeping or internal accounting control provisions of the FCPA or whether the scope of the investigation will be extended to other issues in Nigeria or to other countries. We also are unable to predict what potential corrective measures, fines, sanctions or other remedies, if any, the United States Department of Justice may seek against us or any of our employees.

In November 2008, our Board of Directors approved enhanced FCPA compliance recommendations issued by the Audit Committee's external legal counsel, and the Company embarked upon an enhanced compliance initiative that included appointment of a Chief Compliance Officer and a Director - Corporate Compliance. We engaged consultants to assist us in implementing the compliance recommendations approved by our Board of Directors, which include an enhanced compliance policy, increased training and testing, prescribed contractual provisions for our service providers that interface with foreign government officials, due diligence for the selection of such service providers and an increased Company-wide awareness initiative that includes periodic issuance of FCPA Alerts.

Since ENSCO 100 completed its contract commitment and departed Nigeria in August 2007, this matter is not expected to have a material effect on or disrupt our current operations. As noted above, we are unable to predict the outcome of this matter or estimate the extent to which we may be exposed to any resulting potential liability, sanctions or significant additional expense.

ENSCO 74 Loss

In September 2008, ENSCO 74 was lost as a result of Hurricane Ike in the Gulf of Mexico. Portions of its legs remained underwater adjacent to the customer's platform, and we conducted extensive aerial and sonar reconnaissance but did not locate the rig hull. The rig was a total loss, as defined under the terms of our insurance policies.

In March 2009, the sunken rig hull of ENSCO 74 was located approximately 95 miles from the original drilling location when it was struck by the oil tanker SKS Satilla. As an interim measure, the wreckage was appropriately marked, and the U.S. Coast Guard issued a Notice to Mariners. During the fourth quarter of 2010, wreck removal operations on the sunken rig hull of ENSCO 74 were completed.

On March 17, 2009, we received notice from legal counsel representing certain underwriters in a subrogation claim alleging that ENSCO 74 caused a pipeline to rupture during Hurricane Ike. On September 4, 2009, High Island Offshore System, LLC, commenced civil litigation against us in the U.S. District Court for the Southern District of Texas seeking damages for the cost of repairs and business interruption in excess of $26.0 million. Based on information currently available, primarily the adequacy of available defenses, we have not concluded that it is probable that a liability exists with respect to this matter.

On March 18, 2009, SKS OBO & Tankers AS and Kristen Gehard Jebsen Skipsrederi AS, the owner and manager of the SKS Satilla, commenced civil litigation against us in the U.S. District Court for the Southern District of Texas seeking monetary damages of $10.0 million for losses incurred when the tanker struck the sunken hull of ENSCO 74. Based on information currently available, primarily the adequacy of available defenses, we have not concluded that it is probable a liability exists with respect to this matter.

On September 18, 2009, Sea Robin Pipeline Company, LLC, commenced civil litigation against us in the Fifteenth Judicial Court for the Parish of Lafayette and in the Nineteenth Judicial Court for the Parish of Baton Rouge, State of Louisiana seeking unspecified damages in relation to the cost of repairing damage to the pipeline, loss of revenues, survey and other damages. Based on information currently available, we have concluded that it is remote that a liability exists with respect to this matter.

The owners of two other subsea pipelines have also presented claims filed on behalf of Stingray Pipeline Company, LLC, and Tennessee Gas Pipeline seeking monetary damages incurred by reason of damage to pipelines allegedly caused by ENSCO 74 during Hurricane Ike. The Stingray claim is in the amount of $14.0 million, and the Tennessee Gas Pipeline claim is for unspecified damages. Based on information currently available, we have concluded that it is remote that liabilities exist with respect to these matters.

We filed a petition for exoneration or limitation of liability under U.S. admiralty and maritime law in the U.S. District Court for the Southern District of Texas on September 2, 2009. The petition seeks exoneration from or limitation of liability for any and all injury, loss or damage caused, occasioned or occurred in relation to the ENSCO 74 loss in September 2008. The exoneration/limitation proceedings currently include the tanker claim and the four pipeline claims described above, which effectively supersedes their prior civil litigation filings. The matter is scheduled for trial in March 2012.

We have liability insurance policies that provide coverage for claims such as the tanker and pipeline claims as well as removal of wreckage and debris in excess of the property insurance policy sublimit, subject to a $10.0 million per occurrence self-insured retention for third-party claims and an annual aggregate limit of $500.0 million. We believe all liabilities associated with the ENSCO 74 loss during Hurricane Ike resulted from a single occurrence under the terms of the applicable insurance policies. However, legal counsel for certain liability underwriters have asserted that the liability claims arise from separate occurrences. In the event of multiple occurrences, the self-insured retention is $15.0 million for two occurrences and $1.0 million for each occurrence thereafter.

Although we do not expect final disposition of the claims associated with the ENSCO 74 loss to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome.

ENSCO 69

We have filed an insurance claim under our package policy, which includes coverage for certain political risks, and are evaluating legal remedies against Petrosucre for contractual and other ENSCO 69 related damages. ENSCO 69 has an insured value of $65.0 million under our package policy, subject to a $10.0 million deductible.

By letter dated September 30, 2009, legal counsel acting for the package policy underwriters denied coverage under the package policy and reserved rights. On March 15, 2010, underwriters commenced litigation in the U.K. High Court of Justice, Commercial Court, for purposes of enforcing mediation under the disputes clause of our package policy and precluding us from pursuing litigation in the United States. On that date, we commenced litigation styled ENSCO International Incorporated vs. Certain Underwriters at Lloyds, et al, in the District Court, Dallas County, Texas to recover on our political risk package policy claim. Our lawsuit seeks recovery under the policy for the loss of ENSCO 69 and includes claims for wrongful denial of coverage, breach of contract, breach of the Texas insurance code, failure to timely respond to the claim and bad faith. Our lawsuit seeks actual damages in the amount of $55.0 million (insured value of $65.0 million less a $10.0 million deductible), punitive damages and attorneys' fees.

On April 26, 2010, we obtained a temporary injunction from the Texas Court that effectively prohibits the insurance underwriters from pursuing litigation they filed in the U.K. On July 27, 2010, we agreed with underwriters to submit the matter to arbitration, which will be held in Houston, Texas. The U.K. litigation has been dismissed and the Dallas District Court litigation has been stayed. Until these proceedings are concluded, there can be no assurances as to the ultimate outcome. See Note 11 to our consolidated financial statements for additional information on ENSCO 69.

ENSCO 29 Wreck Removal

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

Our liability insurance underwriters have issued letters reserving rights and effectively denying coverage by questioning the applicability of coverage for the potential ENSCO 29 wreckage and debris removal costs. During 2007, we commenced litigation in the Texas District Court of Dallas County against certain underwriters at Lloyd's of London and other insurance companies, Bryan Johnson and BC Johnson Associates, LLC (collectively "the Underwriters") alleging breach of contract, wrongful denial, bad faith and other claims which seek a declaration that removal of wreckage and debris is covered under our liability insurance, monetary damages, attorneys' fees and other remedies. The matter is scheduled for trial in April 2011.

While we anticipate that any ENSCO 29 wreckage and debris removal costs incurred will be largely or fully covered by insurance, a $1.2 million provision, representing the portion of the $5.0 million low end of the range of estimated removal cost we believe is subject to liability insurance coverage, was recognized during 2006.

Asbestos Litigation

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

In compliance with the Mississippi Rules of Civil Procedure, the individual claimants in the original multi-party lawsuits whose claims were not dismissed were ordered to file either new or amended single plaintiff complaints naming the specific defendant (s) against whom they intended to pursue claims. As a result, out of more than 600 initial multi-party claims, we have been named as a defendant by 65 individual plaintiffs. Of these claims, 62 claims or lawsuits are pending in Mississippi state courts and three are pending in the U.S. District Court as a result of their removal from state court.

To date, written discovery and plaintiff depositions have taken place in eight cases involving us. While several cases have been selected for trial during 2011, none of the cases pending against us in Mississippi state court are included within those selected cases.

The three cases removed from state court have been assigned to the Multi-District Litigation 875, which is currently before the U.S. District Court for the Eastern District of Pennsylvania. Although actions were taken by the plaintiffs in these three cases to bring the cases back to Mississippi state court, the U.S. District Court denied the plaintiffs' motion by order dated December 10, 2009.

We were recently notified that the Houston firm representing the plaintiffs in all 65 claims had dissolved effective as of November 30, 2010. Currently, the plaintiffs are represented by local Mississippi counsel, and we expect that additional counsel located in Tyler, Texas, will be entering as counsel of record. The impact, if any, of the substitution of counsel is unknown at this time.

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

In addition to the pending cases in Mississippi, we have two other asbestos or lung injury claims pending against us in litigation in other jurisdictions. Although we do not expect the final disposition of the Mississippi and other asbestos or lung injury lawsuits to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuits.

Other Matters

On July 9, 2010, Ensco Offshore Company, a subsidiary of Ensco plc filed suit in the U.S. District Court for the Eastern District of Louisiana in New Orleans against the U.S. Department of the Interior, the U.S. Bureau of Ocean Energy Management, Regulation and Enforcement ("BOEM") and other defendants seeking a ruling that the defendants violated the U.S. Administrative Procedures Act and the Outer Continental Shelf Lands Act by imposing a six-month deepwater drilling moratorium in the U.S. Gulf of Mexico, by imposing new substantive safety and certification requirements for both shallow-water and deepwater drilling in the U.S. Gulf of Mexico without following the required notice-and-comment procedures and by unreasonably delaying approval of applications to drill in the U.S. Gulf of Mexico. The complaint was amended on July 20, 2010 to address the actions taken by the U.S. Department of the Interior on July 12, 2010 to impose a second moratorium/suspension that generally applied to deepwater drilling in the U.S. Gulf of Mexico and documentary and permitting requirements with respect to both shallow-water and deepwater development and production drilling and related activities in the U.S. Gulf of Mexico that lack proper legislative authorization. We filed a motion to amend the complaint again on December 22, 2010.

The lawsuit continues to seek a more well-defined regulatory process for instituting new safety measures and operational and permitting requirements for U.S. Gulf of Mexico shallow-water and deepwater offshore drilling so as to comply with the U.S. Administrative Procedures Act and the Outer Continental Shelf Lands Act. On September 29, 2010, a partial summary judgment motion was heard in the U.S. District Court for the Eastern District of Louisiana. The court granted Ensco’s motion for summary judgment as to Count III (challenging the validity of NTL-5) and dismissed its claims regarding the first and second moratorium (Counts I and II) on the grounds of mootness due to the U.S. Government’s decision to purportedly terminate the second moratorium on the same day (October 12, 2010) as the final briefs were submitted.

Following a hearing held on January 12, 2011, our motion for reconsideration of the dismissal of Counts I and II was denied, both our motion for an injunction addressing Count IV (unreasonable delay in processing permits) and the government’s motion to dismiss or for summary judgment on that count and on Counts V and VI (relating to documentary and permitting requirements for development and production activities) were denied, and the government’s opposition to our motion to file a new amended complaint (which, inter alia, adds ATP Oil & Gas Corporation as a co-plaintiff) was denied. The judge also ordered that the matter be brought to trial expeditiously and moved the trial date from July 25, 2011 to May 16, 2011. On February 17, 2011, the Court rescinded and vacated its previous order and granted Ensco's motion for a preliminary injunction compelling the BOEM to process five pending drilling permit applications related to Ensco rigs within 30 days. There can be no assurances as to the ultimate outcome of these proceedings.

During 2009, we filed arbitration claims with the Financial Industry Regulatory Authority (“FINRA”) alleging fraud, conflict of interest and breach of contract against Citigroup Global Markets, Inc. and Merrill Lynch, Pierce, Fenner & Smith, Inc. and breach of contract against Jefferies & Company, Inc. and Oppenheimer & Co., Inc. in connection with the sale of certain auction rate securities to us for the aggregate remaining principal amount of $50.1 million. Since the filing of these claims, Oppenheimer has repurchased, at par value, all of the auction rate securities purchased through them. The claims against Jefferies were heard in November 2010 by an arbitration panel appointed by FINRA, which concluded that Ensco was not entitled to recover the damages which were sought. Currently, the claims against Merrill Lynch are scheduled to be heard commencing in April 2011. There can be no assurances as to the outcomes of our remaining outstanding claims.

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

Item 4. ***Removed and Reserved***

PART II

Item 5. ***Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities***

Market Information

The following table provides the high and low sales price of shares of common stock, U.S. $.10 par value, Ensco Delaware until December 22, 2009 and of our ADSs thereafter for each period indicated during the last two fiscal years:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2010 High	$46.98	$52.32	$47.28	$53.93	$53.93
2010 Low	$37.45	$33.33	$38.91	$43.08	$33.33
2009 High	$32.37	$42.47	$43.14	$51.30	$51.30
2009 Low	$22.04	$25.05	$32.26	$39.73	$22.04

Our ADSs are traded on the NYSE with the ticker symbol "ESV." We had 975 holders of record of our ADSs on February 1, 2011.

Dividends

We began paying a $.025 per share quarterly cash dividend during the third quarter of 1997 and continued to pay this quarterly dividend through March 31, 2010. During the second quarter of 2010, the Board of Directors of Ensco plc declared a regular quarterly cash dividend of $.35 per share, and we have continued to pay this quarterly cash dividend through December 31, 2010. Cash dividends totaling $1.075 and $.10 per share were paid during 2010 and 2009, respectively. We currently intend to continue paying quarterly dividends for the foreseeable future. However, our Board of Directors may change the timing and amount of payment of dividends on our shares depending on several factors including our profitability, liquidity, financial condition, reinvestment opportunities and capital requirements.

Exchange Controls

There are no U.K. government laws, decrees or regulations that restrict or affect the export or import of capital, including but not limited to, foreign exchange controls on remittance of dividends on our ordinary shares or on the conduct of our operations.

U.K. Taxation

The following paragraphs are intended to be a general guide to current U.K. tax law and HMRC practice applying as of the date of this report (both of which are subject to change at any time, possibly with retrospective effect) in respect of the taxation of capital gains, the taxation of dividends paid by Ensco plc and stamp duty and SDRT on the transfer of Class A ordinary shares, uncertificated ADSs and ADSs evidenced by American depositary receipts ("ADRs"). In addition, the following paragraphs relate only to persons who are beneficial owners of the ADSs ("ADS holders").

These paragraphs may not relate to certain classes of holders of the ADSs, such as employees or directors of Ensco plc or its affiliates, persons who are connected with Ensco plc, insurance companies, charities, collective investment schemes, pension schemes or persons who hold ADSs other than as an investment, or U.K. resident individuals who are not domiciled in the U.K.

These paragraphs do not describe all of the circumstances in which ADS holders may benefit from an exemption or relief from taxation. It is recommended that all ADS holders obtain their own taxation advice. In particular, non-U.K. resident or domiciled ADS holders are advised to consider the potential impact of any relevant double tax treaties, including the Convention Between the United States of America and the United Kingdom for the Avoidance of Double Taxation with respect to Taxes on Income, to the extent applicable.

U.K. Taxation of Dividends

U.K. Withholding Tax - Dividends paid by Ensco plc will not be subject to any withholding or deduction for or on account of U.K. tax, irrespective of the residence or the individual circumstances of the ADS holders.

U.K. Income Tax - An individual ADS holder who is resident or ordinarily resident in the U.K. may, depending on his or her individual circumstances, be subject to U.K. income tax on dividends received from Ensco plc. An individual ADS holder who is not resident or ordinarily resident in the U.K. will not be subject to U.K. income tax on dividends received from Ensco plc, unless the ADS holder carries on (whether solely or in partnership) any trade, profession or vocation through a branch or agency in the U.K. and the ADSs are used by or held by or for that branch or agency. In these circumstances, the non-U.K. resident ADS holder may, depending on his or her individual circumstances, be subject to U.K. income tax on dividends received from Ensco plc.

The rate of U.K. income tax which is payable with respect to dividends received by higher rate taxpayers in the tax year 2010/2011 is 32.5%. Individuals whose total income subject to income tax exceeds £150,000 will be subject to income tax in respect of dividends in excess of that amount at the rate of 42.5% in the tax year 2010/2011. An individual's dividend income is treated as the top slice of their total income which is subject to income tax. Individual ADS holders who are resident in the U.K. will be entitled to a tax credit equal to one-ninth of the amount of the dividend received from Ensco plc, which will be taken into account in computing the gross amount of the dividend which is subject to income tax. The tax credit will be credited against the ADS holder's liability (if any) to income tax on the gross amount of the dividend. An individual ADS holder who is not subject to U.K. income tax on dividends received from Ensco plc will not be entitled to claim payment of the tax credit in respect of such dividends. The right to a tax credit for an individual ADS holder who is not resident in the U.K. will depend on his or her individual circumstances.

U.K. Corporation Tax - Unless an exemption is available as discussed below, a corporate ADS holder that is resident in the U.K. will be subject to U.K. corporation tax on dividends received from Ensco plc. A corporate ADS holder that is not resident in the U.K. will not be subject to U.K. corporation tax on dividends received from Ensco plc unless the ADS holder carries on a trade in the U.K. through a permanent establishment in the U.K. and the ADSs are used by, for or held by or for, the permanent establishment. In these circumstances, the non-U.K. resident corporate ADS holder may, depending on its individual circumstances and if the exemption discussed below is not available, be subject to U.K. corporation tax on dividends received from Ensco plc.

The full rate of corporation tax payable with respect to dividends received from Ensco plc in financial year 2011 is 27%, although small companies may be entitled to claim the small companies rate of tax. If dividends paid by Ensco plc fall within an exemption from U.K. corporation tax set out in Part 9A of the U.K. Corporation Tax Act 2009, the receipt of the dividend by a corporate ADS holder will be exempt from U.K. corporation tax. Generally, the conditions for exemption from U.K. corporation tax on dividends paid by Ensco plc should be satisfied, although the conditions which must be satisfied in any particular case will depend on the individual circumstances of the corporate ADS holders.

ADS holders that are regarded as small companies should generally be exempt from U.K. corporation tax on dividends received from Ensco plc, unless the dividends are received as part of a tax advantage scheme. ADS holders that are not regarded as small companies should generally be exempt from U.K. corporation tax on dividends received from Ensco plc on the basis that the Class A ordinary shares underlying the ADSs should be regarded as non-redeemable ordinary shares. Alternatively, ADS holders that are not small companies should also generally be exempt from U.K. corporation tax on dividends received from Ensco plc if they hold ADSs which represent less than 10% of the issued share capital of Ensco plc, would be entitled to less than 10% of the profits available for distribution to equity- holders of Ensco plc and would be entitled on a winding up to less than 10% of the assets of Ensco plc available for distribution to such equity-holders. In certain limited circumstances, the exemption from U.K. corporation tax will not apply to such ADS holders if a dividend is made as part of a scheme which has a main purpose of falling within the exemption from U.K. corporation tax.

U.K. Taxation of Capital Gains

U.K. Withholding Tax - Capital gains accruing to non-U.K. resident ADS holders on the disposal of ADSs will not be subject to any withholding or deduction for or on account of U.K. tax, irrespective of the residence or the individual circumstances of the ADS holders.

U.K. Capital Gains Tax - A disposal of ADSs by an individual ADS holder who is resident or ordinarily resident in the U.K. may, depending on his or her individual circumstances, give rise to a taxable capital gain or an allowable loss for the purposes of U.K. capital gains tax. An individual ADS holder who temporarily ceases to be resident or ordinarily resident in the U.K. for a period of less than five years and who disposes of his or her ADSs during that period of temporary non-residence may be liable to U.K. capital gains tax on a taxable capital gain accruing on the disposal on his or her return to the U.K. under certain anti-avoidance rules.

An individual ADS holder who is neither resident nor ordinarily resident in the U.K. will not be subject to U.K. capital gains tax on capital gains arising on the disposal of their ADSs unless the ADS holder carries on a trade, profession or vocation in the U.K. through a branch or agency in the U.K. and the ADSs were acquired, used in or for the purposes of the branch or agency or used in or for the purposes of the trade, profession or vocation carried on by the ADS holder through the branch or agency. In these circumstances, the non-U.K. resident ADS holder may, depending on his or her individual circumstances, be subject to U.K. capital gains tax on taxable gains arising from a disposal of their ADSs. The rate of U.K. capital gains tax on taxable gains is 28% in the tax year 2010/2011.

U.K. Corporation Tax - A disposal of ADSs by a corporate ADS holder which is resident in the U.K. may give rise to a taxable gain or an allowable loss for the purposes of U.K. corporation tax. A corporate ADS holder that is not resident in the U.K. will not be liable for U.K. corporation tax on taxable gains accruing on the disposal of its ADSs unless it carries on a trade in the U.K. through a permanent establishment in the U.K. and the ADSs were acquired, used in or for the purposes of the permanent establishment or used in or for the purposes of the trade carried on by the ADS holder through the permanent establishment. In these circumstances, the non-U.K. resident ADS holder may, depending on its individual circumstances, be subject to U.K. corporation tax on taxable gains arising from a disposal of its ADSs.

The full rate of U.K. corporation tax on taxable gains in the financial year 2011 is 27%, although small companies may be entitled to claim the small companies rate of tax. Corporate ADS holders will be entitled to an indexation allowance in computing the amount of a taxable gain accruing on a disposal of the ADSs, which will provide relief for the effects of inflation by reference to movements in the U.K. retail price index. If the conditions of the substantial shareholding exemption set out in s.192A and Schedule 7AC of the U.K. Taxation of Chargeable Gains Act 1992 are satisfied in relation to a taxable gain accruing to a corporate ADS holder, the taxable gain will be exempt from U.K. corporation tax.

The conditions of the substantial shareholding exemption which must be satisfied will depend on the individual circumstances of the corporate ADS holder. One of the conditions of the substantial shareholding exemption which must be satisfied is that the corporate ADS holder must have held a substantial shareholding in Ensco plc throughout a twelve-month period beginning not more than two years before the day on which the disposal takes place. Ordinarily, a corporate ADS holder will not be regarded as holding a substantial shareholding in Ensco plc unless it (whether alone, or together with other group companies) directly holds not less than 10% of Ensco plc's ordinary share capital (not represented by ADRs).

U.K. Stamp Duty and Stamp Duty Reserve Tax

The discussion below relates to holders of Class A ordinary shares or ADSs wherever resident (but not to holders such as market makers, brokers, dealers and intermediaries, to whom special rules apply).

Transfer of Class A Ordinary Shares and Uncertified ADSs - Provided that any instrument of transfer is not executed in the U.K. and remains at all times outside the U.K. and the transfer does not relate to any matter or thing done or to be done in the U.K., no U.K. stamp duty is payable on the acquisition or transfer of (i) Class A ordinary shares not represented by ADSs and (ii) uncertificated ADSs (i.e., not evidenced by ADRs) held in a direct registration system.

ADSs held in book-entry form on the facilities of The Depository Trust Company are not considered to be in a direct registration system. However, an unconditional agreement for such transfer, or a conditional agreement which subsequently becomes unconditional, will be liable to U.K. SDRT generally at the rate of 0.5% of the consideration for the transfer; but such liability will be cancelled if the agreement is completed by a duty stamped instrument of transfer within six years of the date of the agreement, or if the agreement was conditional, the date the agreement became unconditional. Where U.K. stamp duty is paid, any SDRT previously paid will be repaid on the making of an appropriate claim. U.K. Stamp duty and SDRT are normally paid by the purchaser.

Transfer of ADSs Evidenced by ADRs - No U.K. stamp duty need, in practice, be paid on the acquisition or transfer of ADSs evidenced by ADRs provided that any instrument of transfer or contract for sale is not executed in the U.K. and remains at all times outside the U.K. and the transfer does not relate to any matter or thing done or to be done in the U.K. An agreement for the transfer of ADSs evidenced by ADRs will not give rise to a SDRT liability.

Equity Compensation Plans

For information on shares issued or to be issued in connection with our equity compensation plans, see "Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters."

Issuer Purchases of Equity Securities

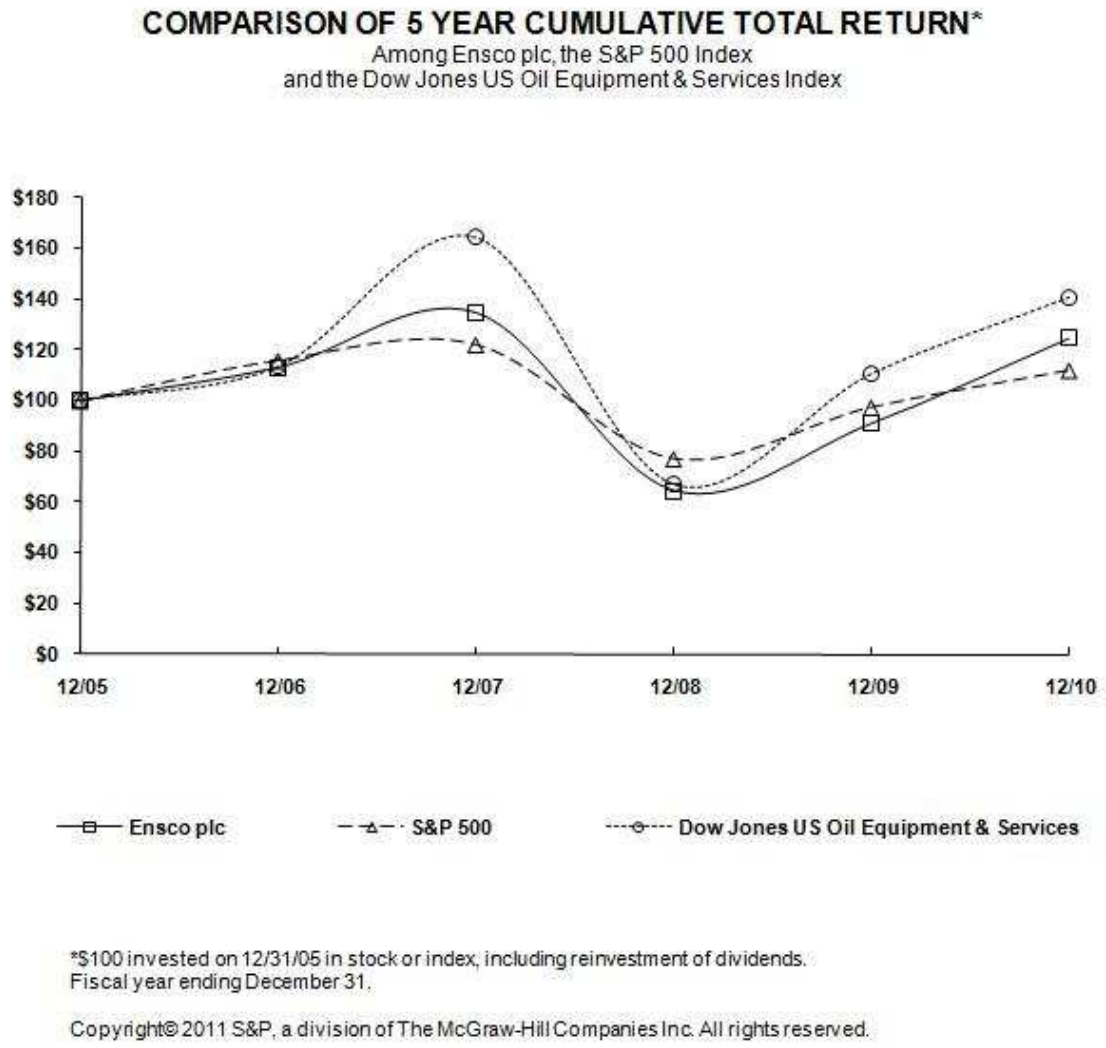
The following table provides a summary of our repurchases of our ADSs during the quarter ended December 31, 2010:

Period	Total Number of ADSs Purchased	Average Price Paid per ADS	Total Number of ADSs Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of ADSs that May Yet Be Purchased Under Plans or Programs
October 1 - October 31	862	$44.92	--	$562,000,000
November 1 - November 30	1,481	$49.24	--	$562,000,000
December 1 - December 31	2,062	$49.92	--	$562,000,000
Total	4,405	$48.71	--	

During the quarter ended December 31, 2010, repurchases of our ADSs were primarily made by an affiliated employee benefit trust from employees and non-employee directors in connection with the settlement of income tax withholding obligations arising from the vesting of share awards. Such ADSs remain available for reissuance in connection with employee and non-employee director share awards.

The Board of Directors of Ensco Delaware previously authorized the repurchase of up to $1,500.0 million of our shares. In December 2009, the then-Board of Directors of Ensco International Limited, a predecessor of Ensco plc, continued the prior authorization and, subject to shareholder approval, authorized management to repurchase up to $562.4 million of our ADSs from time to time pursuant to share repurchase agreements with two investment banks. The then-sole shareholder of Ensco International Limited approved such share repurchase agreements for a five-year term. From inception of our share repurchase programs during 2006 through December 31, 2008, we repurchased an aggregate 16.5 million shares at a cost of $937.6 million (an average cost of $56.79 per share). No shares were repurchased under the share repurchase programs during the years ended December 31, 2010 and 2009. Although $562.4 million remained available for repurchase as of December 31, 2010, we will not repurchase any shares under our share repurchase program without further consultation with and approval by the Board of Directors of Ensco plc.

The chart below presents a comparison of the five-year cumulative total return, assuming $100 invested on December 31, 2005 and the reinvestment of dividends, for our shares, the Standard & Poor's 500 Stock Price Index and the Dow Jones U.S. Oil Equipment & Services Index.*



	Cumulative Total Return					
	12/05	12/06	12/07	12/08	12/09	12/10
Ensco plc	100.00	113.12	134.96	64.40	90.88	124.61
S & P 500	100.00	115.80	122.16	76.96	97.33	111.99
Dow Jones U.S. Oil Equipment & Services	100.00	113.47	164.47	66.94	110.56	140.78

* $100 invested on December 31, 2005 in shares or index, including reinvestment of dividends for fiscal year ending December 31.

Item 6. ***Selected Financial Data***

The financial data below should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data."

	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(in millions, except per share amounts)				
Consolidated Statement of Income Data					
Revenues	$1,696.8	$1,888.9	$2,242.6	$1,899.3	$1,632.6
Operating expenses					
Contract drilling (exclusive of depreciation)	768.1	709.0	736.3	613.4	519.8
Depreciation	216.3	189.5	172.6	165.5	155.0
General and administrative	86.1	64.0	53.8	59.5	44.6
Operating income	626.3	926.4	1,279.9	1,060.9	913.2
Other income (expense), net	18.2	8.8	(4.2)	37.8	(5.9)
Provision for income taxes	96.0	180.0	222.4	235.1	225.7
Income from continuing operations	548.5	755.2	1,053.3	863.6	681.6
Income from discontinued operations, net [1]	37.4	29.3	103.4	135.3	93.6
Cumulative effect of accounting change, net [2]	--	--	--	--	.6
Net income	585.9	784.5	1,156.7	998.9	775.8
Net income attributable to noncontrolling interests	(6.4)	(5.1)	(5.9)	(6.9)	(6.1)
Net income attributable to Ensco	$ 579.5	$ 779.4	$1,150.8	$ 992.0	$ 769.7
Earnings per share – basic					
Continuing operations	$ 3.80	$ 5.28	$ 7.32	$ 5.80	$ 4.42
Discontinued operations	.26	.20	.72	.91	.61
Cumulative effect of accounting change	--	--	--	--	.00
	$ 4.06	$ 5.48	$ 8.04	$ 6.71	$ 5.03
Earnings per share - diluted					
Continuing operations	$ 3.80	$ 5.28	$ 7.31	$ 5.78	$ 4.40
Discontinued operations	.26	.20	.71	.91	.61
Cumulative effect of accounting change	--	--	--	--	.00
	$ 4.06	$ 5.48	$ 8.02	$ 6.69	$ 5.01
Net income attributable to Ensco shares					
Basic	$ 572.1	$ 769.7	$1,138.2	$ 984.7	$ 765.4
Diluted	$ 572.1	$ 769.7	$1,138.2	$ 984.7	$ 765.4
Weighted-average shares outstanding					
Basic	141.0	140.4	141.6	146.7	152.2
Diluted	141.0	140.5	141.9	147.2	152.8
Cash dividends per share	$ 1.075	$ .10	$ .10	$ .10	$ .10

Consolidated Balance Sheet and Cash Flow Statement Data					
Working capital	$1,087.7	$1,167.9	$ 973.0	$ 625.8	$ 602.3
Total assets	7,051.5	6,747.2	5,830.1	4,968.8	4,334.4
Long-term debt, net of current portion	240.1	257.2	274.3	291.4	308.5
Ensco shareholders' equity	5,959.5	5,499.2	4,676.9	3,752.0	3,216.0
Cash flow from continuing operations	816.7	1,185.6	1,014.7	1,094.3	847.8

(1) See Note 11 to our consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" for information on discontinued operations.

(2) On January 1, 2006, we recognized a cumulative adjustment related to the adoption of certain provisions of FASB ASC 718.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

INTRODUCTION

Our Business

We are a leading provider of offshore contract drilling services to the oil and gas industry. We own and operate a fleet of 46 drilling rigs, including 40 jackup rigs, five ultra-deepwater semisubmersible rigs and one barge rig. Additionally, we have three ultra-deepwater semisubmersible rigs and two ultra-high specification harsh environment jackup rigs under construction. We are concentrated in premium jackup rigs, but are currently in the process of developing a fleet of ultra-deepwater semisubmersible rigs. Our 46 drilling rigs are located throughout the world and concentrated in the major geographic regions of Asia Pacific (which includes Asia, the Middle East and Australia), Europe and Africa, and North and South America.

We provide our drilling services to major international, government-owned and independent oil and gas companies on a "day rate" contract basis. Under day rate contracts, we provide a drilling rig and rig crews and receive a fixed amount per day for drilling a well. Our customers bear substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well. Drilling contracts are, for the most part, awarded on a competitive bid basis. We do not provide "turnkey" or other risk-based drilling services.

In May 2010, the U.S. Department of the Interior implemented a six-month moratorium/suspension on certain drilling activities in water depths greater than 500 feet in the U.S. Gulf of Mexico. The U.S. Department of the Interior subsequently issued NTLs implementing additional safety and certification requirements applicable to drilling activities in the U.S. Gulf of Mexico, imposed additional requirements with respect to development and production activities in the U.S. Gulf of Mexico and has delayed the approval of applications to drill in both deepwater and shallow-water areas. On July 12, 2010, the U.S. Department of the Interior issued a revised moratorium/suspension on drilling in the U.S. Gulf of Mexico, which was lifted on October 12, 2010 after the adoption on September 30, 2010 of new regulations relating to the design of wells and testing of the integrity of wellbores, the use of drilling fluids, the functionality and testing of well control equipment, including third-party inspections, minimum requirements for personnel, blowout preventers and other safety regulations. It is uncertain what impact these new regulations may have upon our operations and our customers' ability to obtain new drilling permits.

As a condition to lifting of the moratorium/suspension, the Bureau of Ocean Energy Management, Regulation and Enforcement (the “BOEM”) was directed to require that each operator demonstrate that it has in place written and enforceable commitments that ensure that containment resources are available promptly in the event of a blowout and that the Chief Executive Officer of each operator certify to the BOEM that the operator has complied with applicable regulations. Before deepwater drilling is resumed, the BOEM intends to conduct inspections of each deepwater drilling operation for compliance with regulations, including but not limited to the testing of blowout preventers. It is unclear when these requirements will be satisfied, due in part to the limited staffing of the BOEM.

Certain of our drilling rigs currently in the U.S. Gulf of Mexico have been or may be further affected by the regulatory developments and other actions that have or may be imposed by the U.S. Department of the Interior, including the regulations issued on September 30, 2010. The moratoriums/suspensions (which have been lifted), related NTLs, delays in processing drilling permits and other actions are being challenged in litigation by Ensco and others. Utilization and day rates for certain of our drilling rigs have been negatively influenced due to regulatory requirements and delays in our customers’ ability to secure permits. Current or future NTLs or other directives and regulations may further impact our customers' ability to obtain permits and commence or continue deepwater or shallow-water operations in the U.S. Gulf of Mexico.

Operating results in our Deepwater segment improved during 2010, partially offset by lower utilization and day rates incurred as a result of the aforementioned regulatory developments and other actions imposed by the U.S. Department of the Interior. ENSCO 7500 operated in Australia at a day rate of approximately $550,000 for the majority of the year and currently is undergoing an enhancement project in order to commence drilling operations in Brazil under a two-and-a-half year contract during the third quarter of 2011. ENSCO 8500 and ENSCO 8501 continued to operate under their long-term contracts in the U.S. Gulf of Mexico. ENSCO 8502 was delivered in January 2010 and commenced drilling operations in the U.S. Gulf of Mexico under a short-term sublet agreement during the fourth quarter of 2010. ENSCO 8503 was delivered in September 2010 and is expected to commence drilling operations in French Guiana under a short-term sublet agreement during the first quarter of 2011. ENSCO 8502 and ENSCO 8503 are expected to commence drilling operations in the U.S. Gulf of Mexico under two-year contracts during 2011.

During 2010, we continued construction of ENSCO 8504, ENSCO 8505 and ENSCO 8506. These rigs currently are uncontracted and scheduled for delivery during the third quarter of 2011 and the first and second half of 2012, respectively. We have funded our ultra-deepwater semisubmersible fleet expansion initiative with cash flows generated from continuing operations. We believe our strong balance sheet, including $1,050.7 million of cash and cash equivalents as of December 31, 2010, and over $3,000.0 million of contract backlog will enable us to sustain an adequate level of liquidity during 2011 and beyond.

The decline in oil and natural gas prices from their record highs reached during 2008 and the deterioration of the global economy resulted in significantly reduced levels of jackup rig demand during 2009. Although oil prices have stabilized and recently improved, incremental drilling activity during 2010 was limited resulting in continued softness in day rates for standard duty jackup rigs. Accordingly, our jackup rig operating results continued to decline from their 2009 levels due to a decline in day rates for our jackup rigs in all geographic regions.

In conjunction with our long-established strategy of high-grading our jackup rig fleet by investing in newer equipment, we sold three jackup rigs located in the Asia Pacific region and one jackup rig located in the North and South America region during 2010. In addition, we acquired an ultra-high specification jackup rig constructed in 2008. The rig was renamed ENSCO 109 and is currently operating in Australia.

In February 2011, we entered into agreements with KFELS to construct two ultra-high specification harsh environment jackup rigs. These rigs currently are uncontracted and scheduled for delivery during the first and second half of 2013, respectively.

Pending Merger with Pride

On February 6, 2011, Ensco plc entered into an Agreement and Plan of Merger with Pride International, Inc., a Delaware corporation ("Pride"), Ensco Delaware, and ENSCO Ventures LLC, a Delaware limited liability company and an indirect, wholly-owned subsidiary of Ensco ("Merger Sub"). Pursuant to the merger agreement and subject to the conditions set forth therein, Merger Sub will merge with and into Pride, with Pride as the surviving entity and an indirect, wholly-owned subsidiary of Ensco. As a result of the merger, each outstanding share of Pride's common stock (other than shares of common stock held directly or indirectly by Ensco, Pride or any wholly-owned subsidiary of Ensco or Pride (which will be cancelled as a result of the merger), those shares with respect to which appraisal rights under Delaware law are properly exercised and not withdrawn and other shares held by certain U.K. residents if determined by Ensco) will be converted into the right to receive $15.60 in cash and 0.4778 Ensco ADSs. Under certain circumstances, U.K. residents may receive all cash consideration as a result of compliance with legal requirements.

We estimate that the total consideration to be delivered in the merger to be approximately $7,400.0 million, consisting of $2,800.0 million of cash, the delivery of approximately 86.0 million Ensco ADSs (assuming that no Pride employee stock options are exercised before the closing of the merger) with an aggregate value of $4,550.0 million based on the closing price of Ensco ADSs of $52.88 on February 15, 2011 and the estimated fair value of $45.0 million of Pride employee stock options assumed by Ensco. The value of the merger consideration will fluctuate based upon changes in the price of Ensco ADSs and the number of shares of Pride common stock and employee options outstanding on the closing date. The merger agreement and the merger were approved by the respective Boards of Directors of Ensco and Pride. Consummation of the merger is subject to the approval of the shareholders of Ensco and the stockholders of Pride, regulatory approvals and the satisfaction or waiver of various other conditions as more fully described in the merger agreement. Subject to receipt of required approvals, it is anticipated that the closing of the merger will occur during the second quarter of 2011.

Our Industry

Historically, operating results in the offshore contract drilling industry have been cyclical and directly related to the demand for drilling rigs and the available supply of drilling rigs.

Drilling Rig Demand

Demand for rigs is directly related to the regional and worldwide levels of offshore exploration and development spending by oil and gas companies, which is beyond our control. Offshore exploration and development spending may fluctuate substantially from year-to-year and from region-to-region. Such spending fluctuations result from many factors, including:

- demand for oil and natural gas,
- regional and global economic conditions and changes therein,
- political, social and legislative environments in major oil-producing countries,
- production and inventory levels and related activities of OPEC and other oil and natural gas producers,
- technological advancements that impact the methods or cost of oil and natural gas exploration and development,
- disruption to exploration and development activities due to hurricanes and other severe weather conditions and the risk thereof, and
- the impact that these and other events, whether caused by economic conditions, international or national climate change regulations or other factors, may have on the current and expected future prices of oil and natural gas.

Depressed oil and natural gas prices and the deterioration of the global economy resulted in a modest decline in demand for ultra-deepwater semisubmersible rigs during 2009, however, global utilization and day rates generally were stable due to the long-term nature of deepwater projects. Demand for ultra-deepwater semisubmersible rigs in the U.S. Gulf of Mexico remained stable during the first half of 2010 but came under pressure as a result of delays in operators' ability to secure permits due to regulatory developments and other actions imposed by the U.S. Department of the Interior. There is significant uncertainty as to the near-term impact the BP Macondo well incident and associated new regulatory, legislative or permitting requirements may have on deepwater drilling in the U.S. Gulf of Mexico, in addition to the potential impact on the global deepwater market.

Depressed oil and natural gas prices and the deterioration of the global economy led to an abrupt reduction in demand for jackup rigs during 2009. Although oil prices have stabilized and recently improved, incremental drilling activity during 2010 was limited resulting in continued softness in day rates for standard duty jackup rigs. We are encouraged by improving tender activity due to a modest increase in jackup rig demand for work in 2011 across various regions. However, it is uncertain as to the impact the BP Macondo well incident and associated new regulatory, legislative or permitting requirements may have on jackup rig demand in general, and in the U.S. Gulf of Mexico in particular.

Since factors that affect offshore exploration and development spending are beyond our control and, because rig demand can change quickly, it is difficult for us to predict future industry conditions, demand trends or future operating results. Periods of low rig demand often result in excess rig supply, which generally results in reductions in utilization levels and day rates; periods of high rig demand often result in a shortage of rigs, which generally results in increased utilization levels and day rates.

Drilling Rig Supply

During recent periods of high demand for drilling rigs, various industry participants ordered the construction of over 170 new jackup and semisubmersible rigs, over 100 of which were delivered during the last three years.

Semisubmersible rig supply continues to increase as a result of newbuild construction programs. It has been reported that over 20 newbuild semisubmersible rigs are currently under construction, over half of which are scheduled for delivery during 2011. The majority of semisubmersible rigs scheduled for delivery are contracted. We expect newbuild semisubmersible rigs will be absorbed into the global market without a significant effect on utilization and day rates.

Jackup rig supply also continues to increase as a result of newbuild construction programs, the majority of which were initiated prior to the 2008 decline in oil and natural gas prices and the deterioration of the global economy. It has been reported that over 30 newbuild jackup rigs are currently under construction, over half of which are scheduled for delivery during 2011. The majority of jackup rigs scheduled for delivery are not contracted.

Newbuild jackup rigs may reduce utilization and day rates as rigs are absorbed into the fleet, especially in light of current levels of standard duty jackup rig demand. A significant portion of rig construction is occurring in the Asia Pacific region and it is time consuming and expensive to move drilling rigs between markets in response to changes in supply and demand. Accordingly, the supply of rigs in the Asia Pacific region, or other regions where newbuild rigs are delivered, may not adjust quickly which could lead to sudden changes in utilization and day rates. It is unlikely that the market in general or any geographic region in particular will be able to fully absorb newbuild jackup rig deliveries in the near-term, especially in consideration of the existing oversupply.

The limited availability of insurance for certain perils in some geographic regions and rig loss or damage due to hurricanes, blowouts, craterings, punchthroughs and other operational events may impact the supply of jackup or semisubmersible rigs in a particular market and cause fluctuations in utilization and day rates.

BUSINESS ENVIRONMENT

Deepwater

During 2008, global demand for ultra-deepwater semisubmersible rigs exceeded supply resulting in high utilization levels and day rates. During 2009, lower oil and natural gas prices resulted in a modest decline in demand for ultra-deepwater semisubmersible rigs with utilization and day rates generally remaining stable due to the long-term nature of deepwater projects. Although utilization and day rates remained stable during the first half of 2010, a significant number of U.S. Gulf of Mexico deepwater projects have been delayed as a result of delays in operators' ability to secure permits. Certain well operations were permitted to continue under the moratorium/suspension, such as workovers and completions, forcing operators and contractors to pursue non-conventional, short-term programs. Most contractors have hesitated to abandon the substantial deepwater reservoir potential in the region, while continuing to monitor developments regarding permitting delays. Although a limited number of rigs have mobilized from the U.S. Gulf of Mexico to other regions, additional rigs are expected to exit the U.S. Gulf of Mexico in the near-term. Utilization and day rates could come under pressure if additional deepwater contracts in the U.S. Gulf of Mexico are terminated and/or those rigs are marketed in, or relocated to, other regions. Future ultra-deepwater semisubmersible rig utilization and day rates will depend, in large part, on projected oil and natural gas prices, the global economy and the near-term impact the BP Macondo well incident and associated new regulatory, legislative or permitting requirements may have on the U.S. Gulf of Mexico and global deepwater markets.

Asia Pacific

During the first half of 2008, Asia Pacific jackup rig utilization remained high and day rates stabilized as strong rig demand was offset by new rig deliveries. During the latter half of 2008, jackup rig demand was significantly impacted by the decline in oil and natural gas prices and the deterioration of the global economy, resulting in a significant reduction in utilization and day rates during 2009. The Asia Pacific jackup market began to stabilize during 2010 with incremental demand seen as multiple tenders were recently issued for work in 2011 and beyond. In consideration of an expected increase in the supply of available jackup rigs from newbuild deliveries, Asia Pacific jackup rig utilization and day rates may remain under pressure in the near-term.

Europe and Africa

Our Europe and Africa offshore drilling operations are mainly conducted in Northern Europe. During 2008, shortfalls in rig availability in this region led to high utilization levels and day rates. Depressed oil and natural gas prices and the deterioration of the global economy resulted in several cancelled tenders and unexercised contract extension options during the latter portion of 2009. Tender activity during 2010 was limited but with a recent increase seen in inquiries for work beginning in mid-2011 resulting from incremental demand in the region. However, with limited tender activity for work beginning in early 2011 and an excess supply of standard duty jackup rigs, Europe and Africa jackup rig utilization and day rates may remain under pressure in the near-term.

North and S ou th America

A significant portion of our North and South America offshore drilling operations are conducted in Mexico, where demand for rigs increased during 2008 and 2009 as Petróleos Mexicanos ("PEMEX"), the national oil company of Mexico, accelerated drilling activities in an attempt to offset continued depletion of its major oil and natural gas fields. During 2010, the number of jackup rigs contracted in Mexico declined as contracts expired. However, additional tender activity for work beginning in 2011 is expected in the near-term as PEMEX attempts to replenish its jackup rig fleet. We expect future day rates in Mexico to face pressure as jackup rig contracts in the region continue to expire and drilling contractors with idle rigs in the U.S. Gulf of Mexico and other geographic regions pursue the available contract opportunities.

We also conduct a portion of our North and South America jackup rig operations in the U.S. Gulf of Mexico. During 2008, damage caused by Hurricanes Gustav and Ike reduced the supply of available jackup rigs, however, the reduction was more than offset by a decrease in demand resulting from the decline in oil and natural gas prices and the deterioration of the global economy. The U.S. Gulf of Mexico jackup rig market remained extremely weak during 2009, with drilling activity reaching historic lows. During early 2010, tender activity in the U.S. Gulf of Mexico improved as operators capitalized on cost-effective terms offered by drilling contractors. During the latter portion of 2010, certain operators experienced an inability to timely obtain drilling permits which negatively influenced utilization and day rates in the region. Due to the uncertainty regarding the impact the BP Macondo well incident and associated new regulatory, legislative or permitting requirements may have on jackup rig drilling operations in the region, U.S. Gulf of Mexico jackup rig utilization and day rates may remain under pressure in the near-term.

RESULTS OF OPERATIONS

The following table summarizes our consolidated operating results for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Revenues	$1,696.8	$1,888.9	$2,242.6
Operating expenses			
Contract drilling (exclusive of depreciation)	768.1	709.0	736.3
Depreciation	216.3	189.5	172.6
General and administrative	86.1	64.0	53.8
Operating income	626.3	926.4	1,279.9
Other income (expense), net	18.2	8.8	(4.2)
Provision for income taxes	96.0	180.0	222.4
Income from continuing operations	548.5	755.2	1,053.3
Income from discontinued operations, net	37.4	29.3	103.4
Net income	585.9	784.5	1,156.7
Net income attributable to noncontrolling interests	(6.4)	(5.1)	(5.9)
Net income attributable to Ensco	$ 579.5	$ 779.4	$1,150.8

During 2010, revenues declined by $192.1 million, or 10%, and operating income declined by $300.1 million, or 32%, as compared to the prior year. These declines were primarily due to a decline in utilization and average day rates of our Europe and Africa and Asia Pacific jackup rig fleets coupled with a decline in average day rates of our North and South America jackup rig fleet, partially offset by a significant increase in revenues and operating income generated by our ultra-deepwater semisubmersible rig fleet.

During 2009, revenues declined by $353.7 million, or 16%, and operating income declined by $353.5 million, or 28%, as compared to the prior year. These declines were primarily due to a decline in jackup rig utilization in all geographic regions, partially offset by the commencement of ENSCO 8500 and ENSCO 8501 drilling operations and an increase in average day rates earned by our jackup rigs contracted in Mexico and ENSCO 7500.

A significant number of our drilling contracts are of a long-term nature. Accordingly, a decline in demand for contract drilling services typically affects our operating results and cash flows gradually over many quarters as long-term contracts expire. The significant decline in oil and natural gas prices during the latter half of 2008 and the deterioration of the global economy resulted in a dramatic decline in demand for contract drilling services during 2009 and 2010, which is expected to continue to negatively impact our operating results during 2011.

Furthermore, the BP Macondo well incident and associated new regulatory, legislative or permitting requirements negatively influenced demand for contract drilling services in the U.S. Gulf of Mexico during 2010, which is expected to continue during 2011.

While we have contract backlog of over $1,300.0 million for 2011, it is uncertain whether revenue, operating income and cash flow levels achieved during 2010 will be sustained during 2011.

Rig Locations, Utilization and Average Day Rates

As discussed below, we manage our business through four operating segments. Our jackup rigs are mobile and occasionally move between operating segments in response to market conditions and contract opportunities. The following table summarizes our offshore drilling rigs by segment and rigs under construction as of December 31, 2010, 2009 and 2008:

	2010	2009	2008
Dee p w ater [(1)]	5	3	2
Asia Pacific [(2)]	18	17	17
Europe and Africa	10	10	10
North and South America	13	13	13
Under construction [(1)]	3	5	6
Total [(3)]	49	48	48

(1) ENSCO 8502 was delivered in January 2010 and commenced drilling operations in the U.S. Gulf of Mexico under a short-term sublet agreement during the fourth quarter of 2010. ENSCO 8503 was delivered in September 2010 and is expected to commence drilling operations in French Guiana under a short-term sublet agreement during the first quarter of 2011. ENSCO 8502 and ENSCO 8503 are expected to commence drilling operations in the U.S. Gulf of Mexico under two-year contracts during 2011.

During 2009, we accepted delivery of ENSCO 8501, which commenced drilling operations in the U.S. Gulf of Mexico under a three-and-a-half year contract in October 2009.

(2) In July 2010, we acquired an ultra-high specification jackup rig. The rig was renamed ENSCO 109 and is currently operating offshore Australia.

(3) The total number of rigs for each period excludes rigs reclassified to discontinued operations.

The following table summarizes our rig utilization and average day rates from continuing operations by operating segment for each of the years in the three-year period ended December 31, 2010:

	2010	2009	2008
Rig utilization [1]			
Deepwater	81%	85%	95%
Asia Pacific [3]	71%	74%	95%
Europe and Africa	71%	77%	96%
North and South America [4]	90%	72%	97%
Total	77%	75%	96%
Average day rates [2]			
Deepwater	$375,098	$425,190	$334,688
Asia Pacific [3]	112,601	142,894	148,214
Europe and Africa	129,914	198,595	221,164
North and South America [4]	83,818	120,230	104,282
Total	$128,784	$163,568	$155,767

(1) Rig utilization is derived by dividing the number of days under contract by the number of days in the period. Days under contract equals the total number of days that rigs have earned a day rate, including days associated with compensated downtime and mobilizations. For newly constructed or acquired rigs, the number of days in the period begins upon commencement of drilling operations for rigs with a contract or when the rig becomes available for drilling operations for rigs without a contract.

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

(3) ENSCO I, the only barge rig in our fleet, is currently cold-stacked in Singapore and has been excluded from rig utilization and average day rates for our Asia Pacific operating segment.

(4) ENSCO 69 has been excluded from rig utilization and average day rates for our North and South America operating segment during the period the rig was controlled and operated by Petrosucre, a subsidiary of Petróleos de Venezuela S.A., the national oil company of Venezuela (January 2009 - August 2010). See Note 11 to our consolidated financial statements for additional information on ENSCO 69.

Detailed explanations of our operating results, including discussions of revenues, contract drilling expense and depreciation expense by operating segment, are provided below.

Operating Income

We are in the process of developing a fleet of ultra-deepwater semisubmersible rigs and established a separate business unit to manage our deepwater operations during 2008. Our jackup rigs and barge rig are managed by major geographic region. Accordingly, our business consists of four operating segments: (1) Deepwater, (2) Asia Pacific, (3) Europe and Africa and (4) North and South America. Each of our four operating segments provides one service, contract drilling.

The following tables summarize our operating income for each of the years in the three-year period ended December 31, 2010 (in millions). General and administrative expense is not allocated to our operating segments for purposes of measuring segment operating income and were included in "Reconciling Items."

Year Ended December 31, 2010

	Deepwater	Asia Pacific	Europe And Africa	North and South America	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$475.2	$502.2	$341.2	$378.2	$1,696.8	$ --	$1,696.8
Operating expenses							
Contract drilling (exclusive of depreciation)	176.1	234.2	191.5	166.3	768.1	--	768.1
Depreciation	44.8	75.9	47.5	46.8	215.0	1.3	216.3
General and administrative	--	--	--	--	--	86.1	86.1
Operating income (loss)	$254.3	$192.1	$102.2	$165.1	$ 713.7	$(87.4)	$ 626.3

Year Ended December 31, 2009

	Deepwater	Asia Pacific	Eu ro pe And Africa	North and South America	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$254.1	$645.0	$569.1	$420.7	$1,888.9	$ --	$1,888.9
Operating expenses							
Contract drilling (exclusive of depreciation)	108.1	219.3	208.8	172.8	709.0	--	709.0
Depreciation	22.2	74.1	44.5	47.4	188.2	1.3	189.5
General and administrative	--	--	--	--	--	64.0	64.0
Operating income (loss)	$123.8	$351.6	$315.8	$200.5	$ 991.7	$(65.3)	$ 926.4

Year Ended December 31, 2008

	Deepwater	Asia Pacific	Eu ro pe And Africa	North and South America	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 84.4	$869.6	$804.1	$484.5	$2,242.6	$ --	$2,242.6
Operating expenses							
Contract drilling (exclusive of depreciation)	31.2	269.4	246.7	189.0	736.3	--	736.3
Depreciation	9.1	72.0	43.0	46.6	170.7	1.9	172.6
General and administrative	--	--	--	--	--	53.8	53.8
Operating income (loss)	$ 44.1	$528.2	$514.4	$248.9	$1,335.6	$(55.7)	$1,279.9

Deepwater

During 2010, Deepwater revenues increased by $221.1 million, or 87%, as compared to the prior year. The increase in revenues was due to revenues earned by ENSCO 8500, ENSCO 8501 and ENSCO 8502 which were added to our Deepwater fleet and commenced drilling operations during the second and fourth quarters of 2009 and the third quarter of 2010, respectively, and due to additional revenues earned by ENSCO 7500 associated with the demobilization of the rig to Singapore. The increase in revenues was partially offset by lower utilization and day rates incurred by ENSCO 8500, ENSCO 8501 and ENSCO 8502 as a result of the aforementioned regulatory developments and other actions imposed by the U.S. Department of the Interior in the U.S. Gulf of Mexico. Contract drilling expense increased by $68.0 million, or 63%, and depreciation expense increased by $22.6 million due to the commencement of ENSCO 8500, ENSCO 8501 and ENSCO 8502 drilling operations as previously noted.

During 2009, Deepwater revenues increased by $169.7 million as compared to the prior year. The increase in revenues was due to the commencement of ENSCO 8500 and ENSCO 8501 drilling operations, an increase in the day rate earned by ENSCO 7500 and the recognition of ENSCO 7500 mobilization revenues deferred during the rig's mobilization to Australia. In October 2008, we amended the existing ENSCO 7500 drilling contract and agreed to relocate the rig to Australia where we commenced drilling operations in April 2009 at a day rate of approximately $550,000. Revenues earned during the mobilization period were deferred and recognized ratably over the firm commitment period of the contract. The increase in revenues was partially offset by the deferral of ENSCO 7500 revenues during the rig's mobilization to Australia during the first quarter of 2009. Contract drilling expense increased by $76.9 million as compared to the prior year due to the commencement of ENSCO 8500 and ENSCO 8501 drilling operations, ENSCO 7500 mobilization expense and incremental expenses associated with operating ENSCO 7500 in Australia as compared to the U.S. Gulf of Mexico. Depreciation expense increased by $13.1 million, primarily due to the addition of ENSCO 8500 and ENSCO 8501 to our Deepwater fleet as noted above.

Asia Pacific

During 2010, Asia Pacific revenues declined by $142.8 million, or 22%, as compared to the prior year. The decline in revenues was primarily due to a 21% decline in average day rates and a decline in utilization to 71% from 74% during the prior year, due to lower levels of spending by oil and gas companies and excess rig availability in the region. Contract drilling expense increased by $14.9 million, or 7%, as compared to the prior year, primarily due to a $12.2 million loss on impairment of ENSCO I, our only barge rig. Depreciation expense increased by 2% as compared to the prior year, primarily due to the addition of ENSCO 109 to our Asia Pacific fleet during the third quarter of 2010.

During 2009, Asia Pacific revenues declined by $224.6 million, or 26%, as compared to the prior year. The decline in revenues was primarily due to a decline in utilization to 74% from 95% during the prior year. The decline in utilization occurred due to lower levels of spending by oil and gas companies and excess rig availability in the region. Contract drilling expense declined by $50.1 million, or 19%, as compared to the prior year, primarily due to the impact of lower utilization and a decline in repair and maintenance expense. Depreciation expense increased by 3% as compared to the prior year, primarily due to a capital enhancement project on ENSCO 53 completed during the second quarter of 2009 and depreciation on minor upgrades and improvements to our Asia Pacific fleet completed during 2008 and 2009.

Europe and Africa

During 2010, Europe and Africa revenues declined by $227.9 million, or 40%, as compared to the prior year. The decline in revenues was primarily due to a 35% decline in average day rates and a decline in utilization to 71% from 77% during the prior year, due to lower levels of spending by oil and gas companies and excess rig availability in the region. Contract drilling expense declined by $17.3 million, or 8%, as compared to the prior year, primarily due to a decline in repair and maintenance expense and personnel costs. Depreciation expense increased by 7% due to a capital enhancement project on ENSCO 100 completed during the fourth quarter of 2009 and depreciation on minor upgrades and improvements to our Europe and Africa fleet completed during 2010.

During 2009, Europe and Africa revenues declined by $235.0 million, or 29%, as compared to the prior year. The decline in revenues was primarily due to a decline in utilization to 77% from 96% during the prior year. The decline in utilization occurred due to lower levels of spending by oil and gas companies and excess rig availability in the region. Contract drilling expense declined by $37.9 million, or 15%, as compared to the prior year, due to a decline in mobilization expense and the impact of lower utilization. Depreciation expense increased by 3% as compared to the prior year due to depreciation on minor upgrades and improvements to our Europe and Africa fleet completed during 2008 and 2009.

North and South America

During 2010, North and South America revenues declined by $42.5 million, or 10%, as compared to the prior year. The decline in revenues was primarily due to a 30% decline in average day rates, partially offset by an increase in utilization to 90% from 72% in the prior year. The increase in utilization resulted from the reduced supply of available jackup rigs in the U.S. Gulf of Mexico, including the mobilization of four of our jackup rigs to Mexico during 2009, and lower market day rates in the region. Contract drilling expense declined by $6.5 million, or 4%, as compared to the prior year, primarily due to a $17.3 million loss recorded on the disposal of ENSCO 69 during 2009, partially offset by an $11.9 million reduction of our allowance for doubtful accounts during 2009 which was recorded during 2008 and related to ENSCO 69 drilling operations. Depreciation expense was comparable to the prior year.

During 2009, North and South America revenues declined by $63.8 million, or 13%, as compared to the prior year. The decline in revenues was primarily due to a decline in utilization to 72% from 97% during the prior year, partially offset by a 15% increase in average day rates. The decline in utilization occurred due to lower levels of spending by oil and gas companies in the U.S. Gulf of Mexico. The increase in average day rates was largely due to the relocation of ENSCO 83, ENSCO 89, ENSCO 93 and ENSCO 98 to Mexico and ENSCO 68 to Venezuela, where day rates are generally higher than the U.S. Gulf of Mexico. Contract drilling expense declined by $16.2 million, or 9%, as compared to the prior year, primarily due to the impact of decreased utilization and an $11.9 million reduction of our allowance for doubtful accounts as noted above, partially offset by a $17.3 million loss recorded on the disposal of ENSCO 69. Depreciation expense increased by 2% as compared to the prior year due to capital enhancement projects on ENSCO 89 and ENSCO 93 completed during the second quarter of 2009, a capital enhancement project on ENSCO 98 completed during the third quarter of 2009 and depreciation on minor upgrades and improvements to our North and South America fleet completed during 2008 and 2009.

Other

During 2010, general and administrative expense increased by $22.1 million, or 35%, as compared to the prior year. This increase was primarily due to increased share-based compensation expense, costs related to operating our new London headquarters and professional fees incurred in connection with various reorganization efforts undertaken as a result of our redomestication to the U.K. in December 2009.

During 2009, general and administrative expense increased by $10.2 million, or 19%, as compared to the prior year. The increase was primarily due to $7.6 million of professional fees incurred in connection with our redomestication to the U.K. in December 2009 and a $1.9 million expense incurred in connection with a separation agreement with our former Senior Vice President of Operations.

Other Income (Expense), Net

The following table summarizes other income (expense), net, for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Interest income	$ .7	$ 2.2	$ 14.0
Interest expense, net:			
Interest expense	(21.3)	(20.9)	(21.6)
Capitalized interest	21.3	20.9	21.6
	--	--	--
Other, net	17.5	6.6	(18.2)
	$ 18.2	$ 8.8	$ (4.2)

During 2010 and 2009, interest income declined as compared to the respective prior years due to lower average interest rates. Interest expense increased during 2010 as compared to the prior year due to an increase in the amortization of deferred financing fees associated with the renewal of our revolving credit facility, partially offset by a decline in outstanding debt. Interest expense declined during 2009 as compared to the prior year due to a decline in outstanding debt. All interest expense incurred during each of the years in three-year period ended December 31, 2010 was capitalized in connection with the construction of our ENSCO 8500 Series® rigs.

Our functional currency is the U.S. dollar, and a portion of the revenues earned and expenses incurred by some of our subsidiaries are denominated in currencies other than the U.S. dollar ("foreign currencies"). These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Other, net, included net foreign currency exchange gains of $3.5 million and $2.6 million and net foreign currency exchange losses of $10.4 million during 2010, 2009 and 2008, respectively.

During 2010, we recognized a gain of $10.1 million, net of related expenses, for a break-up fee resulting from our unsuccessful tender offer for Scorpion Offshore Ltd. The net gain was included in other, net, for the year ended December 31, 2010.

Other, net, also included net unrealized gains of $700,000 and $1.8 million and net unrealized losses of $8.1 million associated with the fair value measurement of our auction rate securities during 2010, 2009 and 2008, respectively. The fair value measurement of our auction rate securities is discussed in Note 8 to our consolidated financial statements.

Provision for Income Taxes

Income tax rates imposed in the tax jurisdictions in which our subsidiaries conduct operations vary, as does the tax base to which the rates are applied. In some cases, tax rates may be applicable to gross revenues, statutory or negotiated deemed profits or other bases utilized under local tax laws, rather than to net income. Our drilling rigs frequently move from one taxing jurisdiction to another to perform contract drilling services. In some instances, the movement of drilling rigs among taxing jurisdictions will involve the transfer of ownership of the drilling rigs among our subsidiaries. As a result of the frequent changes in taxing jurisdictions in which our drilling rigs are operated and/or owned, our consolidated effective income tax rate may vary substantially from one reporting period to another, depending on the relative components of our earnings generated in tax jurisdictions with higher tax rates or lower tax rates.

Subsequent to our redomestication to the U.K. in December 2009, we reorganized our worldwide operations, which included, among other things, the transfer of ownership of several of our drilling rigs among our subsidiaries.

Income tax expense was $96.0 million, $180.0 million and $222.4 million and our consolidated effective income tax rate was 14.9%, 19.2% and 17.4% during the years ended December 31, 2010, 2009 and 2008, respectively. The decline in our 2010 consolidated effective income tax rate to 14.9% from 19.2% in the prior year was primarily due to the aforementioned transfer of drilling rig ownership in connection with the reorganization of our worldwide operations, which resulted in an increase in the relative components of our earnings generated in tax jurisdictions with lower tax rates, and an $8.8 million non-recurring current income tax expense incurred during 2009 in connection with certain restructuring activities undertaken immediately following our redomestication to the U.K. The increase in our 2009 consolidated effective income tax rate to 19.2% from 17.4% in the prior year was primarily related to the aforementioned non-recurring current income tax expense incurred during 2009. Excluding the impact from this non-recurring item, our 2009 consolidated effective income tax rate was 18.3%.

Discontinued Operations

Rig Sales

In recent years, we have focused on the expansion of our ultra-deepwater semisubmersible rig fleet and high-grading our premium jackup fleet. Accordingly, we sold jackup rig ENSCO 60 in November 2010 for $25.7 million and recognized a pre-tax gain of $5.7 million, which was included in gain on disposal of discontinued operations, net, in our consolidated statement of income for the year ended December 31, 2010. The rig's net book value and inventory and other assets on the date of sale totaled $20.0 million. ENSCO 60 operating results were reclassified to discontinued operations in our consolidated statements of income for each of the years in the three-year period ended December 31, 2010 and previously were included within our North and South America operating segment.

In April 2010, we sold jackup rig ENSCO 57 for $47.1 million, of which a deposit of $4.7 million was received in December 2009. We recognized a pre-tax gain of $17.9 million in connection with the disposal of ENSCO 57, which was included in gain on disposal of discontinued operations, net, in our consolidated statement of income for the year ended December 31, 2010. The rig's net book value and inventory and other assets on the date of sale totaled $29.2 million. ENSCO 57 operating results were reclassified to discontinued operations in our consolidated statements of income for each of the years in the three-year period ended December 31, 2010 and previously were included within our Asia Pacific operating segment.

In March 2010, we sold jackup rigs ENSCO 50 and ENSCO 51 for an aggregate $94.7 million, of which a deposit of $4.7 million was received in December 2009. We recognized an aggregate pre-tax gain of $33.9 million in connection with the disposals of ENSCO 50 and ENSCO 51, which was included in gain on disposal of discontinued operations, net, in our consolidated statement of income for the year ended December 31, 2010. The two rigs' aggregate net book value and inventory and other assets on the date of sale totaled $60.8 million. ENSCO 50 and ENSCO 51 operating results were reclassified to discontinued operations in our consolidated statements of income for each of the years in the three-year period ended December 31, 2010 and previously were included within our Asia Pacific operating segment.

ENSCO 69

From May 2007 to June 2009, ENSCO 69 was contracted to Petrosucre. In January 2009, we suspended drilling operations on ENSCO 69 after Petrosucre failed to satisfy its contractual obligations and meet commitments relative to the payment of past due invoices. Petrosucre then took over complete control of ENSCO 69 drilling operations utilizing Petrosucre employees and a portion of the Venezuelan rig crews we had utilized. In June 2009, we terminated our contract with Petrosucre and removed all remaining Ensco employees from the rig.

Due to Petrosucre's failure to satisfy its contractual obligations and meet payment commitments, and in consideration of the Venezuelan government's nationalization of certain assets owned by other international oil and gas companies and oilfield service companies, we concluded it was remote that ENSCO 69 would be returned to us by Petrosucre and operated again by Ensco. Therefore, we recorded the disposal of ENSCO 69 during 2009 and reclassified its operating results to discontinued operations.

On August 24, 2010, possession of ENSCO 69 was returned to Ensco. Due to the return of ENSCO 69 from Petrosucre and our ability to significantly influence the future operations of the rig and to incur significant future cash flows related to those operations until the pending insurance claim is resolved and possibly thereafter, ENSCO 69 operating results were reclassified to continuing operations for each of the years in the three-year period ended December 31, 2010.

There can be no assurances relative to the recovery of outstanding contract entitlements, insurance recovery and related pending litigation or the imposition of customs duties in relation to the rig's recent presence in Venezuela. See Note 12 to our consolidated financial statements for additional information on contractual matters, insurance and legal proceedings related to ENSCO 69.

ENSCO 74

In September 2008, ENSCO 74 was destroyed as a result of Hurricane Ike and the rig was a total loss, as defined under the terms of our insurance policies. The operating results of ENSCO 74 were reclassified to discontinued operations in our consolidated statement of income for the year ended December 31, 2008. See Note 12 to our consolidated financial statements for additional information on the loss of ENSCO 74 and associated contingencies.

The following table summarizes income from discontinued operations for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	**2009**	**2008**
Revenues	$12.5	$83.0	$244.0
Operating expenses	17.1	54.2	89.3
Operating (loss) income before income taxes	(4.6)	28.8	154.7
Income tax (benefit) expense	(3.4)	(.5)	27.8
Gain (loss) on disposal of discontinued operations, net	38.6	--	(23.5)
Income from discontinued operations	$37.4	$29.3	$103.4

Fair Value Measurements

Auction Rate Securities

Our auction rate securities were measured at fair value as of December 31, 2010 and 2009 using significant Level 3 inputs. As a result of continued auction failures, quoted prices for our auction rate securities did not exist as of December 31, 2010 and, accordingly, we concluded that Level 1 inputs were not available. We used an income approach valuation model to estimate the price that would be received in exchange for our auction rate securities in an orderly transaction between market participants ("exit price") as of December 31, 2010. The exit price was derived as the weighted-average present value of expected cash flows over various periods of illiquidity, using a risk-adjusted discount rate that was based on the credit risk and liquidity risk of our auction rate securities.

While our valuation model was based on both Level 2 (credit quality and interest rates) and Level 3 inputs, we determined that Level 3 inputs were significant to the overall fair value measurement, particularly the estimates of risk-adjusted discount rates and ranges of expected periods of illiquidity. We reviewed these inputs to our valuation model, evaluated the results and performed sensitivity analysis on key assumptions. Based on our review, we concluded that the fair value measurement of our auction rate securities as of December 31, 2010 was appropriate.

Based on the results of our fair value measurements, we recognized net unrealized gains of $700,000 and $1.8 million and net unrealized losses of $8.1 million for the years ended December 31, 2010, 2009 and 2008, respectively, included in other income (expense), net, in our consolidated statements of income. The carrying values of our auction rate securities, classified as long-term investments on our consolidated balance sheets, were $44.5 million and $60.5 million as of December 31, 2010 and 2009, respectively. We anticipate realizing the $50.1 million (par value) of our auction rate securities on the basis that we intend to hold them until they are redeemed, repurchased or sold in a market that facilitates orderly transactions.

Auction rate securities measured at fair value using significant Level 3 inputs constituted 53% of our assets measured at fair value on a recurring basis and less than 1% of our total assets as of December 31, 2010. See Note 8 to our consolidated financial statements for additional information on our fair value measurements.

ENSCO I Impairment

In June 2010, we recorded a $12.2 million loss from the impairment of ENSCO I, the only barge rig in our fleet, which is currently cold-stacked in Singapore and is included in our Asia Pacific operating segment. The loss on impairment was included in contract drilling expense in our consolidated statement of income for the year ended December 31, 2010. The impairment resulted from the adjustment of the rig's carrying value to its estimated fair value based on a change in our expectation that it is more-likely-than-not that the rig will be disposed of significantly before the end of its estimated useful life. ENSCO I was not classified as held-for-sale as of December 31, 2010, as a sale was not deemed probable of occurring within the next twelve months.

We utilized an income approach valuation model to estimate the price that would be received in exchange for the rig in an orderly transaction between market participants as of June 30, 2010. The resulting exit price was derived as the present value of expected cash flows from the use and eventual disposition of the rig, using a risk-adjusted discount rate. Level 3 inputs were significant to the overall fair value measurement of ENSCO I, due to the limited availability of observable market data for similar assets. We reviewed those inputs, evaluated the results and performed sensitivity analysis on key assumptions. Based on our review, we concluded that the fair value measurement of ENSCO I as of June 30, 2010 was appropriate.

The estimated fair value of ENSCO I using significant Level 3 inputs constituted less than 1% of our total assets as of December 31, 2010. See Note 8 to our consolidated financial statements for additional information on our fair value measurements.

LIQUIDITY AND CAPITAL RESOURCES

Although our business has historically been very cyclical, we have relied on our cash flows from continuing operations to meet liquidity needs and fund the majority of our cash requirements. We have maintained a strong financial position through the disciplined and conservative use of debt. A substantial portion of our cash flow is invested in the expansion and enhancement of our fleet of drilling rigs in general and construction of our ENSCO 8500 Series® rigs in particular.

During 2010, our cash flows from operations were negatively influenced by the BP Macondo well incident and associated new regulatory, legislative or permitting requirements, which is expected to continue during 2011. However, based on $1,050.7 million of cash and cash equivalents on hand as of December 31, 2010 and our current contractual backlog of over $3,000.0 million, we believe our future operations and obligations associated with our newbuild construction will be funded from existing cash and cash equivalents and future operating cash flow.

On February 6, 2011, we entered into a definitive merger agreement with Pride. The merger is expected to close during the second quarter of 2011 and will be financed through a combination of existing cash and cash equivalents, an unsecured bridge term loan facility, potential issuances of debt securities, funds borrowed under our credit facility or other future financing arrangements. Total consideration to be paid to Pride shareholders will be approximately $2,800.0 million of cash and the delivery of approximately 86.0 million Ensco ADSs. Given the number of rigs under construction by both Ensco and Pride, it is contemplated that subsequent to closing of the merger, our cash flows initially will be dedicated to finance newbuild rigs.

During the three-year period ended December 31, 2010, our primary source of cash was an aggregate $3,017.0 million generated from operating activities of continuing operations and $167.5 million of proceeds from the sale of four jackup rigs. Our primary uses of cash during the same period included an aggregate $2,496.7 million for the construction, enhancement and other improvement of our drilling rigs, including $1,842.4 million invested in the construction of our ENSCO 8500 Series® rigs, $272.2 million for the repurchase of our shares, $186.0 million for the acquisition of an ultra-high specification jackup rig and accompanying inventory and $182.2 million for the payment of dividends.

Detailed explanations of our liquidity and capital resources for each of the years in the three-year period ended December 31, 2010 are set forth below.

Cash Flows and Capital Expenditures

Our cash flows from operating activities of continuing operations and capital expenditures on continuing operations for each of the years in the three-year period ended December 31, 2010 were as follows (in millions):

	2010	2009	2008
Cash flows from operating activities of continuing operations	$816.7	$1,185.6	$1,014.7
Capital expenditures on continuing operations:			
New rig construction	$567.5	$ 623.4	$ 651.5
Rig acquisition	184.2	--	--
Minor upgrades and improvements	87.3	80.8	79.0
Rig enhancements	36.3	153.0	33.7
	$875.3	$ 857.2	$ 764.2

During 2010, cash flows from continuing operations decreased by $368.9 million, or 31%, as compared to the prior year. The decrease resulted primarily from a $329.0 million decline in cash receipts from contract drilling services and a $44.4 million increase in cash payments related to contract drilling expenses.

During 2009, cash flows from continuing operations increased by $170.9 million, or 17%, as compared to the prior year. The increase resulted primarily from a $186.4 million decline in tax payments and a $77.8 million decline in our investment in trading securities offset by a $90.2 million decline in cash receipts from contract drilling services and an $11.0 million decline in cash received from interest income.

We continue to expand the size and quality of our drilling rig fleet. During the three-year period ended December 31, 2010, we invested $1,842.4 million in the construction of new drilling rigs and an additional $223.0 million upgrading the capability and extending the useful lives of our existing fleet. ENSCO 8500 and ENSCO 8501 were delivered in 2008 and 2009, respectively, and commenced drilling operations in the U.S. Gulf of Mexico under long-term contracts during 2009. ENSCO 8502 was delivered in January 2010 and commenced drilling operations in the U.S. Gulf of Mexico under a short-term sublet agreement during the fourth quarter of 2010. ENSCO 8503 was delivered in September 2010 and is expected to commence drilling operations in French Guiana under a short-term sublet agreement during the first quarter of 2011. ENSCO 8502 and ENSCO 8503 are expected to commence drilling operations in the U.S. Gulf of Mexico under two-year contracts during 2011.

We also have three uncontracted ENSCO 8500 Series® ultra-deepwater semisubmersible rigs under construction with scheduled delivery dates during the third quarter of 2011 and the first and second half of 2012. Our ENSCO 7500 ultra-deepwater semisubmersible rig currently is undergoing an enhancement project in a shipyard in Singapore and is expected to commence drilling operations in Brazil under a two-and-a-half year contract during the third quarter of 2011.

In conjunction with our long-established strategy of high-grading our jackup rig fleet by investing in newer equipment, we sold three jackup rigs located in the Asia Pacific region and one jackup rig located in the North and South America region during 2010 for an aggregate $167.5 million in cash. In addition, we acquired an ultra-high specification jackup rig and accompanying inventory during 2010 with available cash for $186.0 million. The rig, renamed ENSCO 109, was constructed in 2008 and is currently operating in Australia.

In February 2011, we entered into agreements with KFELS to construct two ultra-high specification harsh environment jackup rigs for estimated total construction costs of approximately $230.0 million per rig. These rigs currently are uncontracted and scheduled for delivery during the first and second half of 2013, respectively.

Based on our current projections, notwithstanding the proposed merger with Pride, we expect capital expenditures during 2011 to include approximately $190.0 million for construction of our ENSCO 8500 Series® rigs, approximately $95.0 million for construction of two ultra-high specification harsh environment jackup rigs, approximately $125.0 million for rig enhancement projects and $100.0 million for minor upgrades and improvements. Depending on market conditions and opportunities, we may make additional capital expenditures to upgrade rigs for customer requirements and construct or acquire additional rigs.

Financing and Capital Resources

Our long-term debt, total capital and long-term debt to total capital ratios as of December 31, 2010, 2009 and 2008 are summarized below (in millions, except percentages):

	2010	2009	2008
Long-term debt	$ 240.1	$ 257.2	$ 274.3
Total capital *	6,199.6	5,756.4	4,951.2
Long-term debt to total capital	3.9%	4.5%	5.5%

* Total capital includes long-term debt plus Ensco shareholders' equity.

On February 6, 2011, we entered into a bridge commitment letter (the “Commitment Letter”) with Deutsche Bank AG Cayman Islands Branch (“DBCI”), Deutsche Bank Securities Inc. and Citigroup Global Markets Inc. (“Citi”). Pursuant to the Commitment Letter, DBCI and Citi have committed to provide a $2,750.0 million unsecured bridge term loan facility (the “Bridge Term Facility”) to fund a portion of the cash consideration in the merger with Pride. The Bridge Term Facility would mature 364 days after closing. The commitment is subject to various conditions, including the absence of a material adverse effect on Pride or Ensco having occurred, the maintenance by us of investment grade credit ratings, the execution of satisfactory documentation and other customary closing conditions.

On May 28, 2010, we entered into an amended and restated agreement (the "2010 Credit Facility") with a syndicate of banks that provides for a $700.0 million unsecured revolving credit facility for general corporate purposes. The 2010 Credit Facility has a four-year term, expiring in May 2014, and replaces our $350.0 million five-year credit agreement which was scheduled to mature in June 2010. Advances under the 2010 Credit Facility generally bear interest at LIBOR plus an applicable margin rate (currently 2.0% per annum), depending on our credit rating. We are required to pay an annual undrawn facility fee (currently .25% per annum) on the total $700.0 million commitment, which is also based on our credit rating. We also are required to maintain a debt to total capitalization ratio less than or equal to 50% under the 2010 Credit Facility. We have the right, subject to lender consent, to increase the commitments under the 2010 Credit Facility up to $850.0 million. We had no amounts outstanding under the 2010 Credit Facility or the prior credit agreement as of December 31, 2010, 2009 and 2008.

We filed a Form S-3 Registration Statement with the SEC in January 2009, which provides us the ability to issue debt and/or equity securities in one or more offerings. The registration statement was immediately effective and expires in January 2012.

As of December 31, 2010, we had an aggregate $108.4 million outstanding under two separate bond issues guaranteed by the United States of America, acting by and through the United States Department of Transportation, Maritime Administration, that require semiannual principal and interest payments. We also make semiannual interest payments on $150.0 million of 7.20% debentures due in 2027. See Note 4 to our consolidated financial statements for more information on our long-term debt.

The Board of Directors of Ensco Delaware previously authorized the repurchase of up to $1,500.0 million of our ADSs, representing our Class A ordinary shares. In December 2009, the then-Board of Directors of Ensco International Limited, a predecessor of Ensco plc, continued the prior authorization and, subject to shareholder approval, authorized management to repurchase up to $562.4 million of ADSs from time to time pursuant to share repurchase agreements with two investment banks. The then-sole shareholder of Ensco International Limited approved such share repurchase agreements for a five-year term. From inception of our share repurchase programs during 2006 through December 31, 2008, we repurchased an aggregate 16.5 million shares at a cost of $937.6 million (an average cost of $56.79 per share). No shares were repurchased under the share repurchase programs during the years ended December 31, 2010 and 2009. Although $562.4 million remained available for repurchase as of December 31, 2010, we will not repurchase any shares under our share repurchase program without further consultation with and approval by the Board of Directors of Ensco plc.

Contractual Obligations

We have various contractual commitments related to our new rig construction agreements, long-term debt and operating leases. We expect to fund these commitments from our existing cash and cash equivalents and future operating cash flows. The actual timing of our new rig construction payments may vary based on the completion of various construction milestones, which are beyond our control. Notwithstanding the proposed merger with Pride, the table below summarizes our significant contractual obligations as of December 31, 2010 and the periods in which such obligations are due (in millions):

	Payments due by period				
	2011	2012 and 2013	2014 and 2015	After 2015	Total
New rig construction agreements [1]	$ 435.6	$223.9	$ --	$ --	$ 659.5
Principal payments on long-term debt	17.2	34.4	34.4	172.4	258.4
Interest payments on long-term debt	16.7	30.3	26.2	131.5	204.7
Operating leases	8.2	6.3	4.2	5.3	24.0
Total contractual obligations [2][3]	$477.7	$294.9	$64.8	$309.2	$1,146.6

(1) In February 2011, we entered into agreements to construct two ultra-high specification harsh environment jackup rigs. The amounts disclosed above exclude construction obligations of $87.6 million for 2011 and $350.2 million for 2013 related to these rigs.

In connection with the aforementioned agreements to construct two new jackup rigs, we agreed with the shipyard contractor to defer $340.0 million of contractual commitments due during 2011 related to the construction of ENSCO 8505 and ENSCO 8506 until the rigs are delivered during the first and second half of 2012, respectively. The amounts disclosed above exclude the aforementioned deferral of contractual commitments.

(2) Contractual obligations do not include $13.7 million of unrecognized tax benefits included on our consolidated balance sheet as of December 31, 2010. Substantially all of our unrecognized tax benefits relate to uncertain tax positions that were not under review by taxing authorities. Therefore, we are unable to specify the future periods in which we may be obligated to settle such amounts.

(3) Contractual obligations do not include foreign currency forward contracts ("derivatives"). As of December 31, 2010, we had derivatives outstanding to exchange an aggregate $239.9 million U.S. dollars for various foreign currencies, including $121.0 million for Singapore dollars. As of December 31, 2010, our consolidated balance sheet included net derivative assets of $16.4 million. All of our outstanding derivatives mature during the next 18 months.

Liquidity

Our liquidity position as of December 31, 2010, 2009 and 2008 is summarized below (in millions, except ratios):

	2010	2009	2008
Cash and cash equivalents	$1,050.7	$1,141.4	$789.6
Working capital	1,087.7	1,167.9	973.0
Current ratio	4.1	3.4	3.3

We expect to fund our short-term liquidity needs, including approximately $555.0 million of contractual obligations and anticipated capital expenditures, as well as any dividends, stock repurchases or working capital requirements, from our cash and cash equivalents and operating cash flow. We expect to fund our long-term liquidity needs, including contractual obligations, anticipated capital expenditures and dividends, from our cash and cash equivalents, investments, operating cash flow and, if necessary, funds borrowed under our credit facility or other future financing arrangements.

Based on our $1,050.7 million of cash and cash equivalents as of December 31, 2010 and our current contractual backlog of over $3,000.0 million, we believe our $1,097.3 million of contractual obligations associated with the construction of our ENSCO 8500 Series® rigs and two ultra-high specification harsh environment jackup rigs will be funded from existing cash and cash equivalents and future operating cash flow. We may decide to access debt markets to raise additional capital or increase liquidity as necessary.

We expect to fund the proposed merger with Pride from cash and cash equivalents, the Bridge Term Facility and potentially funds borrowed under our credit facility or other future financing arrangements. In addition, we intend to use such internal cash resources and financing as well as cash and cash equivalents of Pride following the merger to pay advisory, legal, valuation and other professional fees incurred by both Ensco and Pride of approximately $69.0 million, ADS issuance costs of approximately $70.0 million, debt issuance costs of approximately $20.0 million, as well as change in control severance for certain Pride employees of approximately $33.0 million. Upon completion of the proposed merger, we will increase our indebtedness, which will include acquisition debt financing of approximately $2,800.0 million and approximately $1,860.0 million of Pride's debt obligations will remain outstanding after the merger. In addition, various commitments and contractual obligations in connection with Pride's normal course of business will remain outstanding after the merger, including obligations associated with Pride's newbuild program of approximately $1,320.0 million.

Effects of Climate Change and Climate Change Regulation

Greenhouse gas emissions have increasingly become the subject of international, national, regional, state and local attention. Cap and trade initiatives to limit greenhouse gas emissions have been introduced in the European Union. Similarly, numerous bills related to climate change have been introduced in the U.S. Congress, which could adversely impact most industries. In addition, future regulation of greenhouse gas could occur pursuant to future treaty obligations, statutory or regulatory changes or new climate change legislation in the jurisdictions in which we operate. It is uncertain whether any of these initiatives will be implemented. However, based on published media reports, we believe that it is not reasonably likely that the current proposed initiatives in the U.S. will be implemented without substantial modification. If such initiatives are implemented, we do not believe that such initiatives would have a direct, material adverse effect on our operating results.

Restrictions on greenhouse gas emissions or other related legislative or regulatory enactments could have an indirect effect in those industries that use significant amounts of petroleum products, which could potentially result in a reduction in demand for petroleum products and, consequently, our offshore contract drilling services. We are currently unable to predict the manner or extent of any such effect. Furthermore, one of the long-term physical effects of climate change may be an increase in the severity and frequency of adverse weather conditions, such as hurricanes, which may increase our insurance costs or risk retention, limit insurance availability or reduce the areas in which, or the number of days during which, our customers would contract for our drilling rigs in general and in the Gulf of Mexico in particular. We are currently unable to predict the manner or extent of any such effect.

MARKET RISK

Derivatives

We use derivatives to reduce our exposure to various market risks, primarily foreign currency exchange rate risk. Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our revenues are denominated in U.S. dollars, however, a portion of the expenses incurred by some of our subsidiaries are denominated in currencies other than the U.S. dollar. We maintain a foreign currency exchange rate risk management strategy that utilizes derivatives to reduce our exposure to unanticipated fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates. We occasionally employ an interest rate risk management strategy that utilizes derivative instruments to minimize or eliminate unanticipated fluctuations in earnings and cash flows arising from changes in, and volatility of, interest rates.

We utilize derivatives to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk associated with the portion of our remaining ENSCO 8500 Series® construction obligations denominated in Singapore dollars and contract drilling expenses denominated in various other foreign currencies. As of December 31, 2010, $172.7 million of the aggregate remaining contractual obligations associated with our ENSCO 8500 Series® construction projects was denominated in Singapore dollars, of which $115.8 million was hedged through derivatives.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to changes in foreign currency exchange rates. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We also employ various strategies, including the use of derivatives, to match foreign currency denominated assets with equal or near equal amounts of foreign currency denominated liabilities, thereby minimizing exposure to earnings fluctuations caused by changes in foreign currency exchange rates.

We utilize derivatives and undertake foreign currency exchange rate hedging activities in accordance with our established policies for the management of market risk. We minimize our credit risk relating to the counterparties of our derivatives by transacting with multiple, high-quality financial institutions, thereby limiting exposure to individual counterparties, and by monitoring the financial condition of our counterparties. We do not enter into derivatives for trading or other speculative purposes. We believe that our use of derivatives and related hedging activities reduces our exposure to foreign currency exchange rate risk and interest rate risk and does not expose us to material credit risk or any other material market risk.

As of December 31, 2010, we had derivatives outstanding to exchange an aggregate $239.9 million for various foreign currencies, including $121.0 million for Singapore dollars. If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealized losses associated with our foreign currency denominated assets and liabilities and related derivatives as of December 31, 2010 would approximate $21.8 million, including $11.8 million related to our Singapore dollar exposures. A portion of these unrealized losses generally would be offset by corresponding gains on certain underlying expected future transactions being hedged. All of our derivatives mature during the next 18 months. See Note 5 to our consolidated financial statements for additional information on our derivative instruments.

Auction Rate Securities

We have generated a substantial cash balance, portions of which are invested in securities that meet our requirements for quality and return. Investment of our cash exposes us to market risk. We held $50.1 million (par value) of auction rate securities with a carrying value of $44.5 million as of December 31, 2010. We intend to hold these securities until they can be redeemed by issuers, repurchased by brokerage firms or sold in a market that facilitates orderly transactions. Due to significant uncertainties related to the auction rate securities market, we will be exposed to the risk of changes in the fair value of these securities in future periods.

To measure the fair value of our auction rate securities as of December 31, 2010, we used an income approach valuation model to estimate the price that would be received in exchange for our auction rate securities in an orderly transaction between market participants. The resulting exit price was derived as the weighted-average present value of expected cash flows over various periods of illiquidity, using a risk-adjusted discount rate based on the credit risk and liquidity risk of our auction rate securities. If we were to incur a hypothetical 10% adverse change in the risk-adjusted discount rate and a 10% adverse change in the periods of illiquidity, the additional net unrealized losses on our auction rate securities as of December 31, 2010 would approximate $1.2 million. See Note 3 to our consolidated financial statements for additional information on our auction rate securities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with GAAP requires our management to make estimates, judgments and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our consolidated financial statements. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our consolidated financial statements. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results, and that require the most difficult, subjective and/or complex judgments by management regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to property and equipment, impairment of long-lived assets and goodwill and income taxes.

Property and Equipment

As of December 31, 2010, the carrying value of our property and equipment totaled $5,049.9 million, which represented 72% of total assets. This carrying value reflects the application of our property and equipment accounting policies, which incorporate management's estimates, judgments and assumptions relative to the capitalized costs, useful lives and salvage values of our rigs.

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

The useful lives of our drilling rigs are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and natural gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. We evaluate the remaining useful lives of our rigs on a periodic basis, considering operating condition, functional capability and market and economic factors. Our most recent change in estimated useful lives occurred during 1998, when we extended the useful lives of our drilling rigs by an average of five to six years.

Our fleet of 40 jackup rigs represented 68% of the gross cost and 59% of the net carrying amount of our depreciable property and equipment as of December 31, 2010. Our jackup rigs are depreciated over useful lives ranging from 15 to 30 years. Our fleet of five ultra-deepwater semisubmersible rigs, exclusive of the ENSCO 8500 Series® rigs under construction, represented 28% of the gross cost and 38% of the net carrying amount of our depreciable property and equipment as of December 31, 2010. Our ultra-deepwater semisubmersible rigs are depreciated over a 30-year useful life. The following table provides an analysis of estimated increases and decreases in depreciation expense that would have been recognized for the year ended December 31, 2010 for various assumed changes in the useful lives of our drilling rigs effective January 1, 2010:

Increase (decrease) in useful lives of our drilling rigs	Estimated increase (decrease) in depreciation expense that would have been recognized (in millions)
10%	$(29.3)
20%	(46.2)
(10%)	13.1
(20%)	42.5

Impairment of Long-Lived Assets and Goodwill

We evaluate the carrying value of our property and equipment, primarily our drilling rigs, when events or changes in circumstances indicate that the carrying value of such rigs may not be recoverable. Generally, extended periods of idle time and/or inability to contract rigs at economical rates are an indication that a rig may be impaired. However, the offshore drilling industry has historically been highly cyclical, and it is not unusual for rigs to be unutilized or underutilized for significant periods of time and subsequently resume full or near full utilization when business cycles change. Likewise, during periods of supply and demand imbalance, rigs are frequently contracted at or near cash break-even rates for extended periods of time until day rates increase when demand comes back into balance with supply. Impairment situations may arise with respect to specific individual rigs, groups of rigs, such as a specific type of drilling rig, or rigs in a certain geographic location. Our rigs are mobile and may generally be moved from markets with excess supply, if economically feasible. Our jackup and ultra-deepwater semisubmersible rigs are suited for, and accessible to, broad and numerous markets throughout the world.

For property and equipment used in our operations, recoverability is generally determined by comparing the carrying value of an asset to the expected undiscounted future cash flows of the asset. If the carrying value of an asset is not recoverable, the amount of impairment loss is measured as the difference between the carrying value of the asset and its estimated fair value. The determination of expected undiscounted cash flow amounts requires significant estimates, judgments and assumptions, including utilization, day rates, expense levels and capital requirements, as well as cash flows generated upon disposition, for each of our drilling rigs. Due to the inherent uncertainties associated with these estimates, we perform sensitivity analysis on key assumptions as part of our recoverability test.

If the global economy deteriorates and/or other events or changes in circumstances indicate that the carrying value of one or more drilling rigs may not be recoverable, we will conclude that a triggering event has occurred and perform a recoverability test. If, at the time of the recoverability test, management's judgments and assumptions regarding future industry conditions and operations have diminished, it is reasonably possible that we could conclude that one or more of our drilling rigs are impaired.

We test goodwill for impairment on an annual basis or when events or changes in circumstances indicate that a potential impairment exists. The goodwill impairment test requires us to identify reporting units and estimate each unit's fair value as of the testing date. Our four operating segments represent our reporting units. In most instances, our calculation of the fair value of our reporting units is based on estimates of future discounted cash flows to be generated by our drilling rigs, which reflect management's judgments and assumptions regarding the appropriate risk-adjusted discount rate, as well as future industry conditions and operations, including expected utilization, day rates, expense levels, capital requirements and terminal values for each of our rigs. Due to the inherent uncertainties associated with these estimates, we perform sensitivity analysis on key assumptions as part of our goodwill impairment test.

If the aggregate fair value of our reporting units exceeds our market capitalization, we evaluate the reasonableness of the implied control premium which includes a comparison to implied control premiums from recent market transactions within our industry or other relevant benchmark data. To the extent that the implied control premium based on the aggregate fair value of our reporting units is not reasonable, we adjust the discount rate used in our discounted cash flow model and reduce the estimated fair values of our reporting units.

If the estimated fair value of a reporting unit exceeds its carrying value, its goodwill is considered not impaired. If the estimated fair value of a reporting unit is less than its carrying value, we estimate the implied fair value of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to such excess. In the event we dispose of drilling rig operations that constitute a business, goodwill would be allocated in the determination of gain or loss on disposal. Based on our annual goodwill impairment test performed as of December 31, 2010, there was no impairment of goodwill, and none of our reporting units were determined to be at risk of a goodwill impairment in the near-term under the current circumstances.

If the global economy deteriorates and/or our expectations relative to future offshore drilling industry conditions decline, we may conclude that the fair value of one or more of our reporting units has more-likely-than-not declined below its carrying amount and perform an interim period goodwill impairment test. If, at the time of the goodwill impairment test, management's judgments and assumptions regarding future industry conditions and operations have diminished, or if the market value of our shares has declined, we could conclude that the goodwill of one or more of our reporting units has been impaired. It is reasonably possible that the judgments and assumptions inherent in our goodwill impairment test may change in response to future market conditions.

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

Income Taxes

We conduct operations and earn income in numerous countries and are subject to the laws of numerous tax jurisdictions. As of December 31, 2010, our consolidated balance sheet included a $348.7 million net deferred income tax liability, an $11.9 million liability for income taxes currently payable and a $13.7 million liability for unrecognized tax benefits.

The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies and are based on management's estimates, judgments and assumptions regarding future operating results and levels of taxable income. Carryforwards and tax credits are assessed for realization as a reduction of future taxable income by using a more-likely-than-not determination.

We do not provide deferred taxes on the undistributed earnings of our U.S. subsidiary and predecessor, Ensco Delaware, because our policy and intention is to reinvest such earnings indefinitely or until such time that they can be distributed in a tax-free manner. We do not provide deferred taxes on the undistributed earnings of Ensco Delaware's non-U.S. subsidiaries because our policy and intention is to reinvest such earnings indefinitely.

The carrying values of liabilities for income taxes currently payable and unrecognized tax benefits are based on management's interpretation of applicable tax laws and incorporate management's estimates, judgments and assumptions regarding the use of tax planning strategies in various taxing jurisdictions. The use of different estimates, judgments and assumptions in connection with accounting for income taxes, especially those involving the deployment of tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and operating results.

We operate in many jurisdictions where tax laws relating to the offshore drilling industry are not well developed. In jurisdictions where available statutory law and regulations are incomplete or underdeveloped, we obtain professional guidance and consider existing industry practices before utilizing tax planning strategies and meeting our tax obligations.

Tax returns are routinely subject to audit in most jurisdictions and tax liabilities are occasionally finalized through a negotiation process. While we have not historically experienced significant adjustments to previously recognized tax assets and liabilities as a result of finalizing tax returns, there can be no assurance that significant adjustments will not arise in the future. In addition, there are several factors that could cause the future level of uncertainty relating to our tax liabilities to increase, including the following:

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

NEW ACCOUNTING PRONOUNCEMENTS

In December 2010, the FASB issued Accounting Standards Update 2010-28, "Intangibles – Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" ("Update 2010-28"). Update 2010-28 provides amendments to Topic 350 that modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts by establishing a requirement that Step 2 of the goodwill impairment test be performed for those reporting units if it is more-likely-than-not that a goodwill impairment exists. Update 2010-28 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. We do not expect the adoption of Update 2010-28 to have a material effect on our future goodwill impairment tests.

In December 2010, the FASB issued Accounting Standards Update 2010-29, "Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations" ("Update 2010-29"). Update 2010-29 provides amendments to Topic 805 that specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. Furthermore, this update provides amendments to Topic 805 that expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. Update 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We expect the effect of adoption of Update 2010-29 to be limited to pro forma disclosures of any future acquisitions.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

Information required under Item 7A. has been incorporated into "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk."

Item 8. ***Financial Statements and Supplementary Data***

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) or 15d-15(f). Our internal control over financial reporting system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, we have concluded that our internal control over financial reporting is effective as of December 31, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

KPMG LLP, the independent registered public accounting firm who audited our consolidated financial statements, have issued an audit report on our internal control over financial reporting. KPMG LLP's audit report on our internal control over financial reporting is included herein.

February 24, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Ensco plc:

We have audited the accompanying consolidated balance sheets of Ensco plc and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ensco plc and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Ensco plc and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 24, 2011, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Dallas, Texas
February 24, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Ensco plc:

We have audited Ensco plc and subsidiaries' (Ensco) internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Ensco's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Ensco maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Ensco plc and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated February 24, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Dallas, Texas
February 24, 2011

ENSCO PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions, except per share amounts)

	Year Ended December 31,		
	2010	2009	2008
OPE RAT ING REVENUES	$1,696.8	$1,888.9	$2,242.6
OPERATING EXPENSES			
Contract drilling (exclusive of depreciation)	768.1	709.0	736.3
Depreciation	216.3	189.5	172.6
General and administrative	86.1	64.0	53.8
	1,070.5	962.5	962.7
OPERATING INCOME	626.3	926.4	1,279.9
OTHER INCOME (EXPENSE), NET	18.2	8.8	(4.2)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	644.5	935.2	1,275.7
PROVISION FOR INCOME TAXES			
Current income tax expense	81.7	159.5	218.3
Deferred income tax expense	14.3	20.5	4.1
	96.0	180.0	222.4
INCOME FROM CONTINUING OPERATIONS	548.5	755.2	1,053.3
DISCONTINUED OPERATIONS			
(Loss) income from discontinued operations, net	(1.2)	29.3	126.9
Gain (loss) on disposal of discontinued operations, net	38.6	--	(23.5)
	37.4	29.3	103.4
NET INCOME	585.9	784.5	1,156.7
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(6.4)	(5.1)	(5.9)
NET INCOME ATTRIBUTABLE TO ENSCO	$ 579.5	$ 779.4	$1,150.8
EARNINGS PER SHARE - BASIC			
Continuing operations	$ 3.80	$ 5.28	$ 7.32
Discontinued operations	.26	.20	.72
	$ 4.06	$ 5.48	$ 8.04
EARNINGS PER SHARE - DILUTED			
Continuing operations	$ 3.80	$ 5.28	$ 7.31
Discontinued operations	.26	.20	.71
	$ 4.06	$ 5.48	$ 8.02
NET INCOME ATTRIBUTABLE TO ENSCO SHARES			
Basic	$ 572.1	$ 769.7	$1,138.2
Diluted	$ 572.1	$ 769.7	$1,138.2
WEIGHTED-AVERAGE SHARES OUTSTANDING			
Basic	141.0	140.4	141.6
Diluted	141.0	140.5	141.9
CASH DIVIDENDS PER SHARE	$ 1.075	$ .10	$ .10

The a ccom panying notes are an integral part of these consolidated financial statements.

ENSCO PLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share and par value amounts)

ASSETS	December 31, 2010	December 31, 2009
CURRENT ASSETS		
Cash and cash equivalents	$1,050.7	$1,141.4
Accounts receivable, net	214.6	324.6
Other	171.4	186.8
Total current assets	1,436.7	1,652.8
PROPERTY AND EQUIPMENT, AT COST	6,744.6	6,151.2
Less accumulated depreciation	1,694.7	1,673.9
Property and equipment, net	5,049.9	4,477.3
GOODWILL	336.2	336.2
LONG-TERM INVESTMENTS	44.5	60.5
OTHER ASSETS, NET	184.2	220.4
	$7,051.5	$6,747.2

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT L IABI LITIES		
Accounts payable - trade	$ 163.5	$ 159.1
Accrued liabilities and other	168.3	308.6
Current maturities of long-term debt	17.2	17.2
Total current liabilities	349.0	484.9
LONG-TERM DEBT	240.1	257.2
DEFERRED INCOME TAXES	358.0	377.3
OTHER LIABILITIES	139.4	120.7
COMMITMENTS AND CONTINGENCIES		
ENSCO SHAR EH OLDERS' EQUITY		
Class A ordinary shares, U.S. $.10 par value, 450.0 million shares authorized, 150.0 million shares issued as of December 31, 2010 and 2009	15.0	15.0
Class B ordinary shares, £1 par value, 50,000 shares authorized and issued as of December 31, 2010 and 2009	.1	.1
Additional paid-in capital	637.1	602.6
Retained earnings	5,305.0	4,879.2
Accumulated other comprehensive income	11.1	5.2
Treasury shares, at cost, 7.1 million shares and 7.5 million shares	(8.8)	(2.9)
Total Ensco shareholders' equity	5,959.5	5,499.2
NONCONTROLLING INTERESTS	5.5	7.9
Total equity	5,965.0	5,507.1
	$7,051.5	$6,747.2

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

ENSCO PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2010	2009	2008
OPERATING ACTIVITIES			
Net income	$ 585.9	$ 784.5	$1,156.7
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:			
Depreciation expense	216.3	189.5	172.6
Share-based compensation expense	44.5	35.5	27.3
Amortization expense	31.4	31.0	30.5
Deferred income tax expense	14.3	20.5	4.1
Loss on asset impairment	12.2	17.3	--
Loss (income) from discontinued operations, net	1.2	(29.3)	(126.9)
(Gain) loss on disposal of discontinued operations, net	(38.6)	--	23.5
Bad debt expense	(.8)	4.5	16.2
Other	7.4	3.0	2.1
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	110.9	167.4	(110.7)
Decrease (increase) in trading securities	16.7	5.5	(72.3)
Increase in other assets	(27.3)	(73.1)	(40.5)
(Decrease) increase in liabilities	(157.4)	29.3	(67.9)
Net cash provided by operating activities of continuing operations	816.7	1,185.6	1,014.7
INVESTING ACTIVITIES			
Additions to property and equipment	(875.3)	(857.2)	(764.2)
Proceeds from disposal of discontinued operations	158.1	14.3	45.1
Proceeds from disposition of assets	1.5	2.6	4.7
Net cash used in investing activities	(715.7)	(840.3)	(714.4)
FINANCING ACTIVITIES			
Cash dividends paid	(153.7)	(14.2)	(14.3)
Reduction of long-term borrowings	(17.2)	(17.2)	(19.0)
Financing costs	(6.2)	--	--
Repurchase of shares	(6.0)	(6.5)	(259.7)
Proceeds from exercise of share options	1.4	9.6	27.3
Other	(10.9)	(5.9)	1.5
Net cash used in financing activities	(192.6)	(34.2)	(264.2)
Effect of exchange rate changes on cash and cash equivalents	(.5)	.5	(15.0)
Net cash provided by operating activities of discontinued operations	1.4	40.2	139.0
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(90.7)	351.8	160.1
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,141.4	789.6	629.5
CASH AND CASH EQUIVALENTS, END OF YEAR	$1,050.7	$1,141.4	$ 789.6

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

1. DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

We are one of the leading providers of offshore contract drilling services to the international oil and gas industry. We have one of the largest and most capable offshore drilling rig fleets in the world comprised of 46 drilling rigs, including 40 jackup rigs, five ultra-deepwater semisubmersible rigs and one barge rig. Additionally, we have three ultra-deepwater semisubmersible rigs and two ultra-high specification harsh environment jackup rigs under construction. We drill and complete offshore oil and natural gas wells for major international, government-owned and independent oil and gas companies on a "day rate" contract basis, under which we provide our drilling rigs and rig crews and receive a fixed amount per day for drilling the well. Our customers bear substantially all of the ancillary costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

Our contract drilling operations are integral to the exploration, development and production of oil and natural gas. Our business levels and corresponding operating results are significantly affected by worldwide levels of offshore exploration and development spending by oil and gas companies. Such spending may fluctuate substantially from year-to-year and from region-to-region based on various social, political, economic and environmental factors. See "Note 13 - Segment Information" for additional information on our operations by segment and geographic region.

Pending Merger with Pride

On February 6, 2011, Ensco plc entered into an Agreement and Plan of Merger with Pride International, Inc., a Delaware corporation (“Pride”), Ensco Delaware, and ENSCO Ventures LLC, a Delaware limited liability company and an indirect, wholly-owned subsidiary of Ensco (“Merger Sub”). Pursuant to the merger agreement and subject to the conditions set forth therein, Merger Sub will merge with and into Pride, with Pride as the surviving entity and an indirect, wholly-owned subsidiary of Ensco. As a result of the merger, each outstanding share of Pride’s common stock (other than shares of common stock held directly or indirectly by Ensco, Pride or any wholly-owned subsidiary of Ensco or Pride (which will be cancelled as a result of the merger), those shares with respect to which appraisal rights under Delaware law are properly exercised and not withdrawn and other shares held by certain U.K. residents if determined by Ensco) will be converted into the right to receive $15.60 in cash and 0.4778 Ensco ADSs. Under certain circumstances, U.K. residents may receive all cash consideration as a result of compliance with legal requirements.

We estimate that the total consideration to be delivered in the merger to be approximately $7,400.0 million, consisting of $2,800.0 million of cash, the delivery of approximately 86.0 million Ensco ADSs (assuming that no Pride employee stock options are exercised before the closing of the merger) with an aggregate value of $4,550.0 million based on the closing price of Ensco ADSs of $52.88 on February 15, 2011 and the estimated fair value of $45.0 million of Pride employee stock options assumed by Ensco. The value of the merger consideration will fluctuate based upon changes in the price of Ensco ADSs and the number of shares of Pride common stock and employee options outstanding on the closing date. The merger agreement and the merger were approved by the respective Boards of Directors of Ensco and Pride. Consummation of the merger is subject to the approval of the shareholders of Ensco and the stockholders of Pride, regulatory approvals and the satisfaction or waiver of various other conditions as more fully described in the merger agreement. Subject to receipt of required approvals, it is anticipated that the closing of the merger will occur during the second quarter of 2011.

Redomestication

In December 2009, we completed a reorganization of the corporate structure of the group of companies controlled by our predecessor, ENSCO International Incorporated ("Ensco Delaware"), pursuant to which an indirect, wholly-owned subsidiary merged with Ensco Delaware, and Ensco plc became our publicly-held parent company incorporated under English law (the "redomestication"). In connection with the redomestication, each issued and outstanding share of common stock of Ensco Delaware was converted into the right to receive one American depositary share ("ADS" or "share"), each representing one Class A ordinary share, par value U.S. $0.10 per share, of Ensco plc. The ADSs are governed by a deposit agreement with Citibank, N.A. as depositary and trade on the New York Stock Exchange (the "NYSE") under the symbol "ESV," the symbol for Ensco Delaware common stock before the redomestication. We are now incorporated under English law as a public limited company and have relocated our principal executive offices to London, England. Unless the context requires otherwise, the terms "Ensco," "Company," "we," "us" and "our" refer to Ensco plc together with all subsidiaries and predecessors.

The redomestication was accounted for as an internal reorganization of entities under common control and, therefore, Ensco Delaware's assets and liabilities were accounted for at their historical cost basis and not revalued in the transaction. We remain subject to the U.S. Securities and Exchange Commission (the "SEC") reporting requirements, the mandates of the Sarbanes-Oxley Act and the applicable corporate governance rules of the NYSE, and we will continue to report our consolidated financial results in U.S. dollars and in accordance with U.S. generally accepted accounting principles ("GAAP"). We also must comply with additional reporting requirements of English law.

Basis of Presentation—U.K. Companies Act 2006 Section 435 Statement

The accompanying consolidated financial statements have been prepared in accordance with GAAP, which the directors consider to be the most meaningful presentation of results of operations and financial position of Ensco plc and its subsidiaries. The accompanying consolidated financial statements do not constitute statutory accounts required by the U.K. Companies Act 2006, which for year ended December 31, 2010 will be prepared in accordance with generally accepted accounting principles in the U.K. and delivered to the Registrar of Companies in the U.K. following the annual general meeting of shareholders. The U.K. statutory accounts are expected to include an unqualified auditor’s report, which is not expected to contain any references to matters to which the auditors drew attention by way of emphasis without qualifying the report or any statements under Sections 498(2) or 498(3) of the U.K. Companies Act 2006.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Ensco plc and its majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain previously reported amounts have been reclassified to conform to the current year presentation.

Pervasiveness of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies as of the date of the financial statements. Actual results could differ from those estimates.

Foreign Currency Remeasurement

Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our revenues are denominated in U.S. dollars, however, a portion of the expenses incurred by our non-U.S. subsidiaries are denominated in currencies other than the U.S. dollar ("foreign currencies"). These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Transaction gains and losses, including certain gains and losses on our derivative instruments, are included in other income (expense), net, in our consolidated statement of income. We incurred net foreign currency exchange gains of $3.5 million and $2.6 million and net foreign currency exchange losses of $10.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Cash Equivalents and Short-Term Investments

Highly liquid investments with maturities of three months or less at the date of purchase are considered cash equivalents. Highly liquid investments with maturities of greater than three months but less than one year as of the date of purchase are classified as short-term investments.

Property and Equipment

All costs incurred in connection with the acquisition, construction, enhancement and improvement of assets are capitalized, including allocations of interest incurred during periods that our drilling rigs are under construction or undergoing major enhancements and improvements. Repair and maintenance costs are charged to contract drilling expense in the period in which they occur. Upon sale or retirement of assets, the related cost and accumulated depreciation are removed from the balance sheet and the resulting gain or loss is included in contract drilling expense.

Our property and equipment is depreciated on the straight-line method, after allowing for salvage values, over the estimated useful lives of our assets. Drilling rigs and related equipment are depreciated over estimated useful lives ranging from 4 to 30 years. Buildings and improvements are depreciated over estimated useful lives ranging from 2 to 30 years. Other equipment, including computer and communications hardware and software costs, is depreciated over estimated useful lives ranging from 2 to 6 years.

We evaluate the carrying value of our property and equipment for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. For property and equipment used in our operations, recoverability is generally determined by comparing the carrying value of an asset to the expected undiscounted future cash flows of the asset. If the carrying value of an asset is not recoverable, the amount of impairment loss is measured as the difference between the carrying value of the asset and its estimated fair value. Property and equipment held for sale is recorded at the lower of net book value or net realizable value.

We recorded no impairment charges during the three-year period ended December 31, 2010, except for the impairment of ENSCO I as further discussed in "Note 2 - Property and Equipment." However, if the global economy were to deteriorate and/or the offshore drilling industry were to incur a significant prolonged downturn, it is reasonably possible that impairment charges may occur with respect to specific individual rigs, groups of rigs, such as a specific type of drilling rig, or rigs in a certain geographic location.

Goodwill

We are in the process of developing a fleet of ultra-deepwater semisubmersible rigs and established a separate business unit to manage our deepwater operations during 2008. Our jackup rigs and barge rig are managed by major geographic region. Accordingly, our business consists of four operating segments: (1) Deepwater, (2) Asia Pacific, (3) Europe and Africa and (4) North and South America. Each of our four operating segments provides one service, contract drilling.

Our four operating segments represent our reporting units. As a result of our 2008 reorganization to four operating segments and reporting units, we reassigned goodwill to our reporting units based on a relative fair value allocation approach as follows (in millions):

Deepwater	$143.6
Asia Pacific	84.6
Europe and Africa	61.4
North and South America	46.6
Total	$336.2

Goodwill is not allocated to operating segments in the measure of segment assets regularly reported to and used by management. No goodwill was acquired or disposed of during the three-year period ended December 31, 2010.

We test goodwill for impairment on an annual basis as of December 31 of each year or when events or changes in circumstances indicate that a potential impairment exists. The goodwill impairment test requires us to identify reporting units and estimate each unit's fair value as of the testing date. In most instances, our calculation of the fair value of our reporting units is based on estimates of future discounted cash flows to be generated by our drilling rigs.

We determined there was no impairment of goodwill as of December 31, 2010. However, if the global economy deteriorates and the offshore drilling industry were to incur a significant prolonged downturn, it is reasonably possible that our expectations of future cash flows may decline and ultimately result in impairment of our goodwill. Additionally, a significant decline in the market value of our shares could result in a goodwill impairment.

Operating Revenues and Expenses

Substantially all of our drilling contracts ("contracts") are performed on a day rate basis, and the terms of such contracts are typically for a specific period of time or the period of time required to complete a specific task, such as drill a well. Contract revenues and expenses are recognized on a per day basis, as the work is performed. Day rate revenues are typically earned, and contract drilling expense is typically incurred, on a uniform basis over the terms of our contracts.

In connection with some contracts, we receive lump-sum fees or similar compensation for the mobilization of equipment and personnel prior to the commencement of drilling services or the demobilization of equipment and personnel upon contract completion. Fees received for the mobilization or demobilization of equipment and personnel are included in operating revenues. The costs incurred in connection with the mobilization and demobilization of equipment and personnel are included in contract drilling expense.

Mobilization fees received and costs incurred are deferred and recognized on a straight-line basis over the period that the related drilling services are performed. Demobilization fees and related costs are recognized as incurred upon contract completion. Costs associated with the mobilization of equipment and personnel to more promising market areas without contracts are expensed as incurred.

Deferred mobilization costs were included in other current assets and other assets, net, on our consolidated balance sheets and totaled $51.0 million and $52.7 million as of December 31, 2010 and 2009, respectively. Deferred mobilization revenue was included in accrued liabilities and other, and other liabilities on our consolidated balance sheets and totaled $82.8 million and $99.3 million as of December 31, 2010 and 2009, respectively.

In connection with some contracts, we receive up-front lump-sum fees or similar compensation for capital improvements to our drilling rigs. Such compensation is deferred and recognized as revenue over the period that the related drilling services are performed. The cost of such capital improvements is capitalized and depreciated over the useful life of the asset. Deferred revenue associated with capital improvements was included in accrued liabilities and other, and other liabilities on our consolidated balance sheets and totaled $27.4 million and $22.5 million as of December 31, 2010 and 2009, respectively.

We must obtain certifications from various regulatory bodies in order to operate our drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortized over the corresponding certification periods. Deferred regulatory certification and compliance costs were included in other current assets and other assets, net, on our consolidated balance sheets and totaled $7.0 million and $9.7 million as of December 31, 2010 and 2009, respectively.

In certain countries in which we operate, taxes such as sales, use, value-added, gross receipts and excise may be assessed by the local government on our revenues. We generally record our tax-assessed revenue transactions on a net basis in our consolidated statement of income.

Derivative Instruments

We use foreign currency forward contracts ("derivatives") to reduce our exposure to various market risks, primarily foreign currency exchange rate risk. See "Note 5 - Derivative Instruments" for additional information on how and why we use derivatives.

All derivatives are recorded on our consolidated balance sheet at fair value. Accounting for the gains and losses resulting from changes in the fair value of derivatives depends on the use of the derivative and whether it qualifies for hedge accounting. Derivatives qualify for hedge accounting when they are formally designated as hedges and are effective in reducing the risk exposure that they are designated to hedge. Our assessment of hedge effectiveness is formally documented at hedge inception, and we review hedge effectiveness and measure any ineffectiveness throughout the designated hedge period on at least a quarterly basis.

Changes in the fair value of derivatives that are designated as hedges of the fair value of recognized assets or liabilities or unrecognized firm commitments ("fair value hedges") are recorded currently in earnings and included in other income (expense), net, in our consolidated statement of income. Changes in the fair value of derivatives that are designated as hedges of the variability in expected future cash flows associated with existing recognized assets or liabilities or forecasted transactions ("cash flow hedges") are recorded in accumulated other comprehensive income (loss) ("AOCI"). Amounts recorded in AOCI associated with cash flow hedges are subsequently reclassified into contract drilling, depreciation or interest expense as earnings are affected by the underlying hedged forecasted transactions.

Gains and losses on a cash flow hedge, or a portion of a cash flow hedge, that no longer qualifies as effective due to an unanticipated change in the forecasted transaction are recognized currently in earnings and included in other income (expense), net, in our consolidated statement of income based on the change in the fair value of the derivative. When a forecasted transaction is no longer probable of occurring, gains and losses on the derivative previously recorded in AOCI are reclassified currently into earnings and included in other income (expense), net, in our consolidated statement of income.

We occasionally enter into derivatives that hedge the fair value of recognized assets or liabilities, but do not designate such derivatives as hedges or the derivatives otherwise do not qualify for hedge accounting. In these situations, there generally is a natural hedging relationship where changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. Changes in the fair value of these derivatives are recognized currently in earnings in other income (expense), net, in our consolidated statement of income.

Derivatives with asset fair values are reported in other current assets or other assets, net, on our consolidated balance sheets depending on maturity date. Derivatives with liability fair values are reported in accrued liabilities and other, or other liabilities on our consolidated balance sheets depending on maturity date.

Income Taxes

We conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries, including U.K. and U.S. tax laws. Current income taxes are recognized for the amount of taxes payable or refundable based on the laws and income tax rates in the taxing jurisdictions in which operations are conducted and income is earned.

Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the enacted tax rates in effect at year-end. A valuation allowance for deferred tax assets is recorded when it is more-likely-than-not that the benefit from the deferred tax asset will not be realized.

In many of the jurisdictions in which we operate, tax laws relating to the offshore drilling industry are not well developed and change frequently. Furthermore, we may enter into transactions with affiliates or employ other tax planning strategies that generally are subject to complex tax regulations. As a result of the foregoing, the tax liabilities and assets we recognize in our financial statements may differ from the tax positions taken, or expected to be taken, in our tax returns. Our tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties relating to income taxes are included in current income tax expense in our consolidated statement of income. See "Note 10 - Income Taxes" for additional information on our unrecognized tax benefits.

Our drilling rigs frequently move from one taxing jurisdiction to another based on where they are contracted to perform drilling services. The movement of drilling rigs among taxing jurisdictions may involve a transfer of drilling rig ownership among our subsidiaries. The pre-tax profit resulting from intercompany rig sales is eliminated and the carrying value of rigs sold in intercompany transactions remains at the historical net depreciated cost prior to the transaction. Our consolidated financial statements do not reflect the asset disposition transaction of the selling subsidiary or the asset acquisition transaction of the acquiring subsidiary. Income taxes resulting from the transfer of drilling rig ownership among subsidiaries, as well as the tax effect of any reversing temporary differences resulting from the transfers, are deferred and amortized on a straight-line basis over the remaining useful life of the rig.

In some instances, we may determine that certain temporary differences will not result in a taxable or deductible amount in future years, as it is more-likely-than-not we will commence operations and depart from a given taxing jurisdiction without such temporary differences being recovered or settled. Under these circumstances, no future tax consequences are expected and no deferred taxes are recognized in connection with such operations. We evaluate these determinations on a periodic basis and, in the event our expectations relative to future tax consequences change, the applicable deferred taxes are recognized.

We do not provide deferred taxes on the undistributed earnings of our U.S. subsidiary and predecessor, Ensco Delaware, because our policy and intention is to reinvest such earnings indefinitely or until such time that they can be distributed in a tax-free manner. We do not provide deferred taxes on the undistributed earnings of Ensco Delaware's non-U.S. subsidiaries because our policy and intention is to reinvest such earnings indefinitely. See "Note 10 - Income Taxes" for additional information on the undistributed earnings of Ensco Delaware's non-U.S. subsidiaries.

Share-Based Compensation

We sponsor share-based compensation plans that provide equity compensation to our employees, officers and directors. Share-based compensation cost is measured at fair value on the date of grant and recognized on a straight-line basis over the requisite service period (usually the vesting period). The amount of compensation cost recognized in our consolidated statement of income is based on the awards ultimately expected to vest and, therefore, reduced for estimated forfeitures. All changes in estimated forfeitures are based on historical experience and are recognized as a cumulative adjustment to compensation cost in the period in which they occur. See "Note 9 - Benefit Plans" for additional information on our share-based compensation.

Fair Value Measurements

We measure certain of our assets and liabilities based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). Level 2 measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1.

Our auction rate securities, marketable securities held in our supplemental executive retirement plans ("SERP") and derivatives are measured at fair value on a recurring basis. Our auction rate securities are measured at fair value using an income approach valuation model (Level 3 inputs) to estimate the price that will be received in exchange for our auction rate securities in an orderly transaction between market participants ("exit price"). The exit price is derived as the weighted-average present value of expected cash flows over various periods of illiquidity, using a risk-adjusted discount rate that is based on the credit risk and liquidity risk of our auction rate securities. See "Note 3 - Long-Term Investments" for additional information on our auction rate securities, including a description of the securities and underlying collateral, a discussion of the uncertainties relating to their liquidity and our accounting treatment.

Assets held in our SERP are measured at fair value based on quoted market prices (Level 1 inputs). Our derivatives are measured at fair value based on market prices that are generally observable for similar assets and liabilities at commonly quoted intervals (Level 2 inputs). See "Note 5 - Derivative Instruments" for additional information on our derivative instruments, including a description of our foreign currency hedging activities and related methods used to manage foreign currency exchange rate risk.

See "Note 8 - Fair Value Measurements" for additional information on the fair value measurement of certain of our assets and liabilities.

Earnings Per Share

We compute basic and diluted earnings per share ("EPS") in accordance with the two-class method. Net income attributable to Ensco used in our computations of basic and diluted EPS is adjusted to exclude net income allocated to non-vested shares granted to our employees and non-employee directors. Weighted-average shares outstanding used in our computation of diluted EPS includes the dilutive effect of share options using the treasury stock method and excludes non-vested shares.

The following table is a reconciliation of net income attributable to Ensco shares used in our basic and diluted EPS computations for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Net income attributable to Ensco	579.5	$779.4	$1,150.8
Net income allocated to non-vested share awards	(7.4)	(9.7)	(12.6)
N et income attributable to Ensco shares	572.1	$769.7	$1,138.2

The following table is a reconciliation of the weighted-average shares used in our basic and diluted earnings per share computations for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Weighted-average shares - basic	141.0	140.4	141.6
Potentially dilutive share options	.0	.1	.3
Weighted-average shares - diluted	141.0	140.5	141.9

Antidilutive share options totaling 1.1 million for each of the years ended December 31, 2010 and 2009 and 746,000 for the year ended December 31, 2008 were excluded from the computation of diluted EPS.

Noncontrolling Interests

Noncontrolling interests are classified as equity on o u r consolidated balance sheet and net income attributable to noncontrolling interests is presented separately on our consolidated statement of income. In our Asia Pacific operating segment, local third parties hold a noncontrolling ownership interest in three of our subsidiaries.

I nc o me from continuing operations attributable to Ensco for each of the years in the three-year period ended December 31, 2010 was as follows (in millions):

	2010	2009	2008
Income from continuing operations	$548.5	$755.2	$1,053.3
Income from continuing operations attributable to noncontrolling interests	(6.2)	(4.2)	(5.1)
Income from continuing operations attributable to Ensco	$542.3	$751.0	$1,048.2

Income from discontinued operations, net, attributable to Ensco for each of the years in the three-year period ended December 31, 2010 was as follows:

	2010	2009	2008
Income from discontinued operations	$37.4	$29.3	$103.4
Income from discontinued operations attributable to noncontrolling interests	(.2)	(.9)	(.8)
Income from discontinued operations attributable to Ensco	$37.2	$28.4	$102.6

2. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2010 and 2009 consisted of the following (in millions):

	2010	2009
Drilling rigs and equipment	$5,175.2	$4,801.1
Other	50.4	47.0
Work in progress	1,519.0	1,303.1
	$6,744.6	$6,151.2

Work in pro gr ess as of December 31, 2010 primarily consisted of $1,401.1 million related to the construction of our ENSCO 8500 Series® ultra-deepwater semisubmersible rigs and costs associated with various modification and enhancement projects. ENSCO 8503 was delivered in September 2010 and the related construction costs will remain classified as work in progress until the rig is placed into service during the first quarter of 2011. Work in progress as of December 31, 2009 primarily consisted of $1,262.5 million related to the construction of our ENSCO 8500 Series® rigs and costs associated with various modification and enhancement projects.

In June 2010, we recorded a $12.2 million loss from the impairment of ENSCO I, the only barge rig in our fleet, which is currently cold-stacked in Singapore and is included in our Asia Pacific operating segment. The loss on impairment was included in contract drilling expense in our consolidated statement of income for the year ended December 31, 2010. The impairment resulted from the adjustment of the rig's carrying value to its estimated fair value based on a change in our expectation that it is more-likely-than-not that the rig will be disposed of significantly before the end of its estimated useful life. ENSCO I was not classified as held-for-sale as of December 31, 2010, as a sale was not deemed probable of occurring within the next twelve months. See "Note 8 – Fair Value Measurements" for additional information on the fair value measurement of ENSCO I.

3. LONG-TERM INVESTMENTS

As o f December 31, 2010 and 2009, we held long-term debt instruments with variable interest rates that periodically reset through an auction process ("auction rate securities") totaling $50.1 million and $66.8 million (par value), respectively. Our auction rate securities were originally acquired in January 2008 and have final maturity dates ranging from 2025 to 2047.

Our investments in auction rate securities as of December 31, 2010 were diversified across eleven separate issues and each issue maintains scheduled interest rate auctions in either 28-day or 35-day intervals. The majority of our auction rate securities are currently rated Aaa by Moody's, AAA by Standard & Poor's and/or AAA by Fitch. All of our auction rate securities were issued by state agencies and are supported by student loans for which repayment is substantially guaranteed by the U.S. government under the Federal Family Education Loan Program ("FFELP").

Upon acquisition in January 2008, we designated our auction rate securities as trading securities as it was our intent to sell them in the near-term. Due to illiquidity in the auction rate securities market, we intend to hold our auction rate securities until they can be redeemed by issuers, repurchased by brokerage firms or sold in a market that facilitates orderly transactions. Although we will hold our auction rate securities longer than originally anticipated, we continue to designate them as trading securities. Cash flows from purchases and sales of our auction rate securities are classified as operating activities in our consolidated statement of cash flows.

Our auction rate securities were measured at fair value as of December 31, 2010 and 2009. Net unrealized gains of $700,000 and $1.8 million and net unrealized losses of $8.1 million were included in other income (expense), net, in our consolidated statements of income for the years ended December 31, 2010, 2009 and 2008, respectively. See "Note 8 - Fair Value Measurements" for additional information on the fair value measurement of our auction rate securities.

The carrying values of our auction rate securities were $44.5 million and $60.5 million as of December 31, 2010 and 2009, respectively. Although $16.7 million, $5.5 million and $6.0 million of our auction rate securities were redeemed at par value during the years ended December 31, 2010, 2009 and 2008, respectively, we are currently unable to determine whether issuers of our auction rate securities will attempt and/or be able to refinance them and have classified our auction rate securities as long-term investments on our consolidated balance sheets.

4. LONG-TERM DEBT

Long-term debt as of December 31, 2010 and 2009 consisted of the following (in millions):

	2010	2009
7.20% Debentures due 2027	$148.9	$148.9
6.36% Bonds due 2015	63.4	76.0
4.65% Bonds due 2020	45.0	49.5
	257.3	274.4
Less current maturities	(17.2)	(17.2)
Total long-term debt	$240.1	$257.2

Debentures Due 2027

In November 1997, Ensco Delaware issued $150.0 million of unsecured 7.20% Debentures due November 15, 2027 (the "Debentures") in a public offering. Interest on the Debentures is payable semiannually in May and November and may be redeemed at any time at our option, in whole or in part, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, and a make-whole premium. The indenture under which the Debentures were issued contains limitations on the incurrence of indebtedness secured by certain liens and limitations on engaging in certain sale/leaseback transactions and certain merger, consolidation or reorganization transactions. The Debentures are not subject to any sinking fund requirements. In December 2009, in connection with the redomestication, Ensco plc entered into a supplemental indenture to unconditionally guarantee the principal and interest payments on the Debentures.

Bonds Due 2015 and 2020

In January 2001, a subsidiary of Ensco Delaware issued $190.0 million of 15-year bonds to provide long-term financing for ENSCO 7500. The bonds will be repaid in 30 equal semiannual principal installments of $6.3 million ending in December 2015. Interest on the bonds is payable semiannually, in June and December, at a fixed rate of 6.36%. In October 2003, a subsidiary of Ensco Delaware issued $76.5 million of 17-year bonds to provide long-term financing for ENSCO 105. The bonds will be repaid in 34 equal semiannual principal installments of $2.3 million ending in October 2020. Interest on the bonds is payable semiannually, in April and October, at a fixed rate of 4.65%.

Both bond issuances are guaranteed by the United States of America, acting by and through the United States Department of Transportation, Maritime Administration ("MARAD"), and Ensco Delaware issued separate guaranties to MARAD, guaranteeing the performance of obligations under the bonds. In February 2010, the documents governing MARAD's guarantee commitments were amended to address certain changes arising from the redomestication and to include Ensco plc as an additional guarantor of the debt obligations.

Revolving Credit Facility

On May 28, 2010, we entered into an amended and restated agreement (the "2010 Credit Facility") with a syndicate of banks that provides for a $700.0 million unsecured revolving credit facility for general corporate purposes. The 2010 Credit Facility has a four-year term, expiring in May 2014, and replaces our $350.0 million five-year credit agreement which was scheduled to mature in June 2010. Advances under the 2010 Credit Facility generally bear interest at LIBOR plus an applicable margin rate (currently 2.0% per annum), depending on our credit rating. We are required to pay an annual undrawn facility fee (currently .25% per annum) on the total $700.0 million commitment, which is also based on our credit rating. We also are required to maintain a debt to total capitalization ratio less than or equal to 50% under the 2010 Credit Facility. We have the right, subject to lender consent, to increase the commitments under the 2010 Credit Facility up to $850.0 million. We had no amounts outstanding under the 2010 Credit Facility or the prior credit agreement as of December 31, 2010 and 2009, respectively.

Maturities

The aggregate maturities of our long-term debt, excluding unamortized discounts of $1.1 million, as of December 31, 2010 were as follows (in millions):

2011	$ 17.2
2012	17.2
2013	17.2
2014	17.2
2015	17.2
Thereafter	172.4
Total	$258.4

Interest expense totaled $21.3 million, $20.9 million and $21.6 million for the years ended December 31, 2010, 2009 and 2008, respectively. All interest expense incurred during each of the years in the three-year period ended December 31, 2010 was capitalized in connection with the construction of our ENSCO 8500 Series® rigs.

5. DERIVATIVE INSTRUMENTS

We use derivatives to reduce our exposure to various market risks, primarily foreign currency exchange rate risk. We maintain a foreign currency exchange rate risk management strategy that utilizes derivatives to reduce our exposure to unanticipated fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates. Although no interest rate related derivatives were outstanding as of December 31, 2010 and 2009, we occasionally employ an interest rate risk management strategy that utilizes derivatives to minimize or eliminate unanticipated fluctuations in earnings and cash flows arising from changes in, and volatility of, interest rates. We minimize our credit risk relating to the counterparties of our derivatives by transacting with multiple, high-quality financial institutions, thereby limiting exposure to individual counterparties, and by monitoring the financial condition of our counterparties. We do not enter into derivatives for trading or other speculative purposes.

All derivatives were recorded on our consolidated balance sheets at fair value. Accounting for the gains and losses resulting from changes in the fair value of derivatives depends on the use of the derivative and whether it qualifies for hedge accounting. See "Note 1 - Description of the Business and Summary of Significant Accounting Policies" for additional information on our accounting policy for derivatives and "Note 8 - Fair Value Measurements" for additional information on the fair value measurement of our derivatives.

As of December 31, 2010 and 2009, our consolidated balance sheets included net foreign currency derivative assets of $16.4 million and $13.2 million, respectively. All of our derivatives mature during the next 18 months. Derivatives recorded at fair value in our consolidated balance sheets as of December 31, 2010 and 2009 consisted of the following (in millions):

	Derivative Assets		Derivative Liabilities	
	2010	2009	2010	2009
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current [1]	$16.8	$10.2	$.6	$1.1
Foreign currency forward contracts - non-current [2]	.1	3.8	.1	--
	16.9	14.0	.7	1.1
Derivatives not Designated as Hedging Instruments				
Foreign currency forward contracts - current [1]	.2	.3	--	.0
	.2	.3	--	.0
Total	$17.1	$14.3	$.7	$1.1

[1] Derivative assets and liabilities that have maturity dates equal to or less than twelve months from the respective balance sheet dates were included in other current assets and accrued liabilities and other, respectively, on our consolidated balance sheets.

[2] Derivative assets and liabilities that have maturity dates greater than twelve months from the respective balance sheet dates were included in other assets, net, and other liabilities, respectively, on our consolidated balance sheets.

We utilize derivatives designated as hedging instruments to hedge forecasted foreign currency denominated transactions ("cash flow hedges"), primarily to reduce our exposure to foreign currency exchange rate risk associated with the portion of our remaining ENSCO 8500 Series® construction obligations denominated in Singapore dollars and contract drilling expenses denominated in various other currencies. As of December 31, 2010, we had cash flow hedges outstanding to exchange an aggregate $216.4 million for various foreign currencies, including $118.8 million for Singapore dollars, $77.6 million for British pounds, $9.2 million for Australian dollars and $10.8 million for other currencies.

Gains and losses, net of tax, on derivatives designated as cash flow hedges included in our consolidated statements of income for each of the years in the three-year period ended December 31, 2010 were as follows (in millions):

	Gain (Loss) Recognized in Other Comprehensive Income ("OCI") on Derivatives (Effective Portion)			(Loss) Gain Reclassified from AOCI into Income (Effective Portion)			Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) [1]		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Interest rate lock contracts [2]	$ --	$ --	$ --	$ (.6)	$ (.7)	$ (.7)	$ --	$ --	$ --
Foreign currency forward contracts [3]	7.6	13.5	(16.4)	2.3	(8.0)	(2.9)	.3	(2.9)	(1.0)
Total	$ 7.6	$13.5	$(16.4)	$ 1.7	$(8.7)	$(3.6)	$ .3	$(2.9)	$(1.0)

[1] Gains and losses recognized in income for ineffectiveness and amounts excluded from effectiveness testing were included in other income (expense), net, in our consolidated statements of income.

[2] Gains and losses on derivatives reclassified from AOCI into income (effective portion) were included in other income (expense), net, in our consolidated statements of income.

[3] Gains and losses on derivatives reclassified from AOCI into income (effective portion) were included in contract drilling expense in our consolidated statements of income.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange rate risk. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities but do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of December 31, 2010, we had derivatives not designated as hedging instruments outstanding to exchange an aggregate $23.5 million for various foreign currencies, including $15.3 million for Australian dollars, $3.0 million for Malaysian ringgits, $2.2 million for Singapore dollars and $3.0 million for other currencies.

Net gains of $2.9 million and $4.6 million and net losses of $3.5 million associated with our derivatives not designated as hedging instruments were included in other income (expense), net, in our consolidated statements of income for the years ended December 31, 2010, 2009 and 2008, respectively.

As of December 31, 2010, the estimated amount of net gains associated with derivatives, net of tax, that will be reclassified to earnings during the next twelve months was as follows (in millions):

Net unrealized gains to be reclassified to contract drilling expense	$1.1
Net realized losses to be reclassified to other income (expense), net	(.3)
Net gains to be reclassified to earnings	$ .8

6. COMPREHENSIVE INCOME

Accumulated other comprehensive income as of December 31, 2010 and 2009 was comprised of gains and losses on derivative instruments, net of tax. The components of comprehensive income, net of tax, for each of the years in the three-year period ended December 31, 2010 were as follows (in millions):

	2010	2009	2008
Net income	$585.9	$784.5	$1,156.7
Other comprehensive income:			
Net change in fair value of derivatives	7.6	13.5	(16.4)
Reclassification of gains and losses on derivative instruments from other comprehensive (income) loss into net income	(1.7)	8.7	3.6
Net other comprehensive income (loss)	5.9	22.2	(12.8)
Comprehensive income	591.8	806.7	1,143.9
Comprehensive income attributable to noncontrolling interests	(6.4)	(5.1)	(5.9)
Comprehensive income attributable to Ensco	$585.4	$801.6	$1,138.0

7. SHAREHOLDERS' EQUITY

Activity in our v ariou s shareholders' equity accounts for each of the years in the three-year period ended December 31, 2010 was as follows (in millions):

	Shares	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Noncontrolling Interest
B AL A NCE, December 31, 2007	180.3	$18.0	$1,700.5	$2,977.5	$ (4.2)	$(939.8)	$ 4.6
Net income	--	--	--	1,150.8	--	--	5.9
Cash dividends paid	--	--	--	(14.3)	--	--	--
Distributions to noncontrolling interests	--	--	--	--	--	--	(3.8)
Shares issued under share-based compensation plans, net	1.6	.2	27.1	--	--	--	--
Tax benefit from share-based compensation	--	--	5.3	--	--	--	--
Repurchase of shares	--	--	--	--	--	(259.7)	--
Share-based compensation cost	--	--	28.3	--	--	--	--
Net other comprehensive loss	--	--	--	--	(12.8)	--	--
BALANCE, December 31, 2008	181.9	18.2	1,761.2	4,114.0	(17.0)	(1,199.5)	6.7
Net income	--	--	--	779.4	--	--	5.1
Cash dividends paid	--	--	--	(14.2)	--	--	--
Distributions to noncontrolling interests	--	--	--	--	--	--	(3.9)
Shares issued under share-based compensation plans, net	.9	.1	9.5	--	--	--	--
Tax deficiency from share-based compensation	--	--	(2.4)	--	--	--	--
Repurchase of shares	--	--	--	--	--	(6.5)	--
Retirement of treasury shares	(40.2)	(4.0)	(1,200.0)	--	--	1,203.9	--
Share-based compensation cost	--	--	34.3	--	--	--	--
Net other comprehensive income	--	--	--	--	22.2	--	--
Cancellation of shares of common stock during redomestication	(142.6)	(14.3)	--	--	--	--	--
Issuance of ordinary shares pursuant to the redomestication	150.1	15.1	--	--	--	(.8)	--
BALANCE, December 31, 2009	150.1	15.1	602.6	4,879.2	5.2	(2.9)	7.9
Net income	--	--	--	579.5	--	--	6.4
Cash dividends paid	--	--	--	(153.7)	--	--	--
Distributions to noncontrolling interests	--	--	--	--	--	--	(8.8)
Shares issued under share-based compensation plans, net	--	--	1.4	--	--	.1	--
Tax deficiency from share-based compensation	--	--	(2.2)	--	--	--	--
Repurchase of shares	--	--	--	--	--	(6.0)	--
Share-based compensation cost	--	--	35.3	--	--	--	--
Net other comprehensive income	--	--	--	--	5.9	--	--
BALANCE, December 31, 2010	150.1	$15.1	$ 637.1	$5,305.0	$ 11.1	$ (8.8)	$ 5.5

The Board of Directors of Ensco Delaware previously authorized the repurchase of up to $1,500.0 million of our ADSs, representing our Class A ordinary shares. In December 2009, the then-Board of Directors of Ensco International Limited, a predecessor of Ensco plc, continued the prior authorization and, subject to shareholder approval, authorized management to repurchase up to $562.4 million of ADSs from time to time pursuant to share repurchase agreements with two investment banks. The then-sole shareholder of Ensco International Limited approved such share repurchase agreements for a five-year term. From inception of our share repurchase programs during 2006 through December 31, 2008, we repurchased an aggregate 16.5 million shares at a cost of $937.6 million (an average cost of $56.79 per share). No shares were repurchased under the share repurchase programs during the years ended December 31, 2010 and 2009. Although $562.4 million remained available for repurchase as of December 31, 2010, we will not repurchase any shares under our share repurchase program without further consultation with and approval by the Board of Directors of Ensco plc.

8. FAIR VALUE MEASUREMENTS

The following fair value hierarchy table categorizes information regarding our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009 (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of December 31, 2010				
Auction rate securities	$ --	$ --	$44.5	$44.5
Supplemental executive retirement plan assets	23.0	--	--	23.0
Derivatives, net	--	16.4	--	16.4
Total financial assets	$23.0	$16.4	$44.5	$83.9
As of December 31, 2009				
Auction rate securities	$ --	$ --	$60.5	$60.5
Supplemental executive retirement plan assets	18.7	--	--	18.7
Derivatives, net	--	13.2	--	13.2
Total financial assets	$18.7	$13.2	$60.5	$92.4

Auction Rate Securities

As of December 31, 2010 and 2009, we held auction rate securities totaling $50.1 million and $66.8 million (par value), respectively. See "Note 3 - Long-Term Investments" for additional information on our auction rate securities.

Our auction rate securities were measured at fair value on a recurring basis using significant Level 3 inputs as of December 31, 2010 and 2009. The following table summarizes the fair value measurements of our auction rate securities using significant Level 3 inputs, and changes therein, for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Beginning Balance	$60.5	$64.2	$ --
Purchases	--	--	83.0
Sales	(16.7)	(5.5)	(10.7)
Unrealized gains (losses)*	.7	1.8	(8.1)
Transfers in and/or out of Level 3	--	--	--
Ending balance	$44.5	$60.5	$64.2

*Unrealized gains (losses) are included in other income (expense), net, in our consolidated statement of income.

Before utilizing Level 3 inputs in our fair value measurements, we considered whether observable inputs were available. As a result of continued auction failures, quoted prices for our auction rate securities did not exist as of December 31, 2010. Accordingly, we concluded that Level 1 inputs were not available. Brokerage statements received from the three broker/dealers that held our auction rate securities included their estimated market value as of December 31, 2010. All three broker/dealers valued our auction rate securities at par. Due to the lack of transparency into the methodologies used to determine the estimated market values, we have concluded that estimated market values provided on our brokerage statements do not constitute valid inputs, and we do not utilize them in measuring the fair value of our auction rate securities.

We used an income approach valuation model to estimate the price that would be received in exchange for our auction rate securities in an orderly transaction between market participants ("exit price") as of December 31, 2010. The exit price was derived as the weighted-average present value of expected cash flows over various periods of illiquidity, using a risk-adjusted discount rate based on the credit risk and liquidity risk of our auction rate securities.

While our valuation model was based on both Level 2 (credit quality and interest rates) and Level 3 inputs, we determined that Level 3 inputs were significant to the overall fair value measurement of our auction rate securities, particularly the estimates of risk-adjusted discount rates and ranges of expected periods of illiquidity. We have the ability to maintain our investment in these securities until they are redeemed, repurchased or sold in a market that facilitates orderly transactions.

Supplemental Executive Retirement Plans

Our Ensco supplemental executive retirement plans (the "SERP") are non-qualified plans that provide for eligible employees to defer a portion of their compensation for use after retirement. Assets held in the SERP were marketable securities measured at fair value on a recurring basis using Level 1 inputs and were included in other assets, net, on our consolidated balance sheets as of December 31, 2010 and 2009. The fair value measurement of assets held in the SERP was based on quoted market prices.

Derivatives

Our derivatives were measured at fair value on a recurring basis using Level 2 inputs as of December 31, 2010 and 2009. See "Note 5 - Derivative Instruments" for additional information on our derivatives, including a description of our foreign currency hedging activities and related methodologies used to manage foreign currency exchange rate risk. The fair value measurement of our derivatives was based on market prices that are generally observable for similar assets or liabilities at commonly quoted intervals.

Other Financial Instruments

The carrying values and estimated fair values of our debt instruments as of December 31, 2010 and 2009 were as follows (in millions):

	December 31, 2010		December 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
7.20% Debentures	$148.9	$165.0	$148.9	$155.9
6.36% Bonds, including current maturities	63.4	71.9	76.0	85.8
4.65% Bonds, including current maturities	45.0	50.6	49.5	53.8

The estimated fair value of our 7.20% Debentures was determined using quoted market prices. The estimated fair values of our 6.36% Bonds and 4.65% Bonds were determined using an income approach valuation model. The estimated fair value of our cash and cash equivalents, receivables, trade payables and other liabilities approximated their carrying values as of December 31, 2010 and 2009.

ENSCO I Impairment

In June 2010, we recorded a $12.2 million loss from the impairment of ENSCO I, the only barge rig in our fleet. The impairment resulted from the adjustment of the rig's carrying value to its estimated fair value based on a change in our expectation that it is more-likely-than-not that the rig will be disposed of significantly before the end of its estimated useful life.

We utilized an income approach valuation model to estimate the price that would be received in exchange for the rig in an orderly transaction between market participants as of June 30, 2010. The resulting exit price was derived as the present value of expected cash flows from the use and eventual disposition of the rig, using a risk-adjusted discount rate. Level 3 inputs were significant to the overall fair value measurement of ENSCO I, due to the limited availability of observable market data for similar assets.

9. BENEFIT PLANS

Non-Vested Share Awards

During 2005, our shareholders approved the 2005 Long-Term Incentive Plan (the "LTIP") to provide for the issuance of non-vested share awards, share option awards and performance awards. Under the LTIP, 10.0 million shares were reserved for issuance as awards to officers, non-employee directors and key employees who are in a position to contribute materially to our growth, development and long-term success. The LTIP originally provided for the issuance of non-vested share awards up to a maximum of 2.5 million new shares. In May 2009, our shareholders approved an amendment to the LTIP to increase the maximum number of non-vested share awards from 2.5 million to 6.0 million. As of December 31, 2010, there were 2.3 million shares available for issuance of non-vested share awards under the LTIP. Non-vested share awards may be satisfied by delivery of newly issued shares or by delivery of shares held by a subsidiary or affiliated entity at the Company's discretion.

Under the LTIP, grants of non-vested share awards generally vest at rates of 20% or 33% per year, as determined by a committee or subcommittee of the Board of Directors. Prior to the adoption of the LTIP, non-vested share awards were issued under a predecessor plan and generally vested at a rate of 10% per year. All non-vested share awards have voting and dividend rights effective on the date of grant. Compensation expense is measured using the market value of our shares on the date of grant and is recognized on a straight-line basis over the requisite service period (usually the vesting period).

The following table summarizes non-vested share award related compensation expense recognized during each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Contract drilling	$17.2	$16.8	$11.4
General and administrative	13.9	11.4	7.6
Non-vested share award related compensation expense included in operating expenses	31.1	28.2	19.0
Tax benefit	(6.3)	(7.0)	(4.7)
Total non-vested share award related compensation expense included in net income	$24.8	$21.2	$14.3

The following table summarizes the value of non-vested share awards granted and vested during each of the years in the three-year period ended December 31, 2010:

	2010	2009	2008
Weighted-average grant-date fair value of non-vested share awards granted (per share)	$35.81	$40.91	$67.99
Total fair value of non-vested share awards vested during the period (in millions)	$22.1	$18.6	$17.9

The following table summarizes non-vested share award activity for the year ended December 31, 2010 (shares in thousands):

	Shares	Weighted-Average Grant-Date Fair Value
Non-vested as of January 1, 2010	1,811	$54.21
Granted	626	35.81
Vested	(576)	54.59
Forfeited	(70)	51.75
Non-vested as of December 31, 2010	1,791	$47.75

As of December 31, 2010, there was $65.3 million of total unrecognized compensation cost related to non-vested share awards, which is expected to be recognized over a weighted-average period of 2.9 years.

Share Option Awards

Under the LTIP, share option awards ("options") may be issued to our officers, non-employee directors and key employees who are in a position to contribute materially to our growth, development and long-term success. A maximum 7.5 million shares were reserved for issuance as options under the LTIP. Options granted to officers and employees generally become exercisable in 25% increments over a four-year period or 33% increments over a three-year period and, to the extent not exercised, expire on the seventh anniversary of the date of grant. Options granted to non-employee directors are immediately exercisable and, to the extent not exercised, expire on the seventh anniversary of the date of grant. The exercise price of options granted under the LTIP equals the market value of the underlying shares on the date of grant. As of December 31, 2010, options to purchase 1.3 million shares were outstanding under the LTIP and 4.1 million shares were available for issuance as options. Upon option exercise, issuance of shares may be satisfied by delivery of newly issued shares or by delivery of shares held by a subsidiary or affiliated entity at the Company's discretion.

The following table summarizes option related compensation expense recognized during each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Contract drilling	$ .7	$ 1.7	$ 3.3
General and administrative	2.8	3.7	5.0
Option related compensation expense included in operating expenses	3.5	5.4	8.3
Tax benefit	(.6)	(1.6)	(2.3)
Total option related compensation expense included in net income	$ 2.9	$ 3.8	$ 6.0

The fair value of each option is estimated on the date of grant using the Black-Scholes option valuation model. No options were granted during the year ended December 31, 2008. The following weighted-average assumptions were utilized in the Black-Scholes model for each of the years in the two-year period ended December 31, 2010:

	2010	2009
Risk-free interest rate	1.8%	1.8%
Expected term (in years)	4.0	3.9
Expected volatility	53.1%	53.3%
Dividend yield	4.1%	.2%

Expected volatility is based on the historical volatility in the market price of our shares over the period of time equivalent to the expected term of the options granted. The expected term of options granted is derived from historical exercise patterns over a period of time equivalent to the contractual term of the options granted. We have not experienced significant differences in the historical exercise patterns among officers, employees and non-employee directors for them to be considered separately for valuation purposes. The risk-free interest rate is based on the implied yield of U.S. Treasury zero-coupon issues on the date of grant with a remaining term approximating the expected term of the options granted.

The following table summarizes option activity for the year ended December 31, 2010 (shares and intrinsic value in thousands, term in years):

	Shares	Weighted-Average Exercise Price	Weighted-Average Contractual Term	Intrinsic Value
Outstanding as of January 1, 2010	1,213	$48.98		
Granted	160	34.45		
Exercised	(38)	37.26		
Forfeited	(3)	53.12		
Expired	(11)	51.79		
Outstanding as of December 31, 2010	1,321	$47.52	3.3	$9,915
Exercisable as of December 31, 2010	1,022	$49.12	2.6	$6,036

The following table summarizes the value of options granted and exercised during each of the years in the three-year period ended December 31, 2010:

	2010	2009	2008
Weighted-average grant-date fair value of options granted (per share)	$11.05	$17.17	$ --
Intrinsic value of options exercised during the year (in millions)	$ .4	$ 3.6	$25.5

The following table summarizes information about options outstanding as of December 31, 2010 (shares in thousands):

	Options Outstanding			Options Exercisable	
Exer ci se Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$23.12 - $34.45	294	4.1 years	$34.03	134	$33.54
41.29 - 47.12	380	3.2 years	45.10	311	45.94
50.09 - 52.82	351	2.5 years	50.31	347	50.31
57.38 - 60.74	296	3.4 years	60.71	230	60.71
	1,321	3.3 years	$47.52	1,022	$49.12

As of December 31, 2010, there was $2.9 million of total unrecognized compensation cost related to options, which is expected to be recognized over a weighted-average period of 1.6 years.

Performance Awards

In November 2009, our Board of Directors approved amendments to the LTIP which, among other things, provide for a type of performance award payable in Ensco shares, cash or a combination thereof upon attainment of specified performance goals based on relative total shareholder return and absolute and relative return on capital employed. The performance goals are determined by a committee or subcommittee of the Board of Directors. The LTIP provides for the issuance of up to a maximum of 2.5 million new shares for the payment of performance awards, all of which were available for the payment of performance awards as of December 31, 2010. Performance awards that are paid in Ensco shares may be satisfied by delivery of newly issued shares or by delivery of shares held by a subsidiary or affiliated entity at the Company's discretion.

Performance awards may be issued to certain of our officers who are in a position to contribute materially to our growth, development and long-term success. Performance awards generally vest at the end of a three-year measurement period based on attainment of performance goals. Our performance awards are classified as liability awards with compensation expense measured based on the estimated probability of attainment of the specified performance goals and recognized on a straight-line basis over the requisite service period. The estimated probable outcome of attainment of the specified performance goals is based on historical experience and any subsequent changes in this estimate are recognized as a cumulative adjustment to compensation cost in the period in which the change in estimate occurs. The aggregate grant-date fair value of performance awards granted during 2010 and 2009 totaled $4.3 million and $12.1 million, respectively. The aggregate fair value of performance awards vested during 2010 totaled $2.4 million, all of which was paid in cash.

During the years ended December 31, 2010 and 2009, we recognized $9.9 million and $1.9 million of compensation expense for performance awards, respectively, which was included in general and administrative expense in our consolidated statements of income. No performance award compensation expense was recognized during the year ended December 31, 2008. As of December 31, 2010, there was $10.3 million of total unrecognized compensation cost related to unvested performance awards, which is expected to be recognized over a weighted-average period of 1.7 years.

Savings Plans

We have profit sharing plans (the "Ensco Savings Plan" and the "Ensco Multinational Savings Plan") which cover eligible employees, as defined. The Ensco Savings Plan includes a 401(k) savings plan feature which allows eligible employees to make tax deferred contributions to the plan. Contributions made to the Ensco Multinational Savings Plan may or may not qualify for tax deferral based on each plan participant's local tax requirements.

We generally make matching cash contributions to the profit sharing plans. We match 100% of the amount contributed by the employee up to a maximum of 5% of eligible salary. Matching contributions totaled $5.0 million, $4.1 million and $5.0 million for the years ended December 31, 2010, 2009 and 2008, respectively. Profit sharing contributions made into the plans require Board of Directors approval and are generally paid in cash. We recorded profit sharing contribution provisions of $16.2 million, $14.2 million and $16.6 million for the years ended December 31, 2010, 2009 and 2008, respectively. Matching contributions and profit sharing contributions become vested in 33% increments upon completion of each initial year of service with all contributions becoming fully vested subsequent to achievement of three or more years of service. We have 1.0 million shares reserved for issuance as matching contributions under the Ensco Savings Plan.

10. INCOME TAXES

Ensco Delaware, our predecessor company, was domiciled in the U.S. and subject to a statutory rate of 35% through December 23, 2009, the effective date of the redomestication. We were subject to the U.K. statutory rate of 28% during 2010 and for eight days of 2009. Our consolidated effective income tax rate information for the years ended December 31, 2009 and 2008 has been presented from the perspective of an enterprise domiciled in the U.S.

We generated $90.5 million, $292.2 million and $374.1 million of income from continuing operations before income taxes in the U.S. and $554.0 million, $643.0 million and $901.6 million of income from continuing operations before income taxes in non-U.S. countries for the years ended December 31, 2010, 2009 and 2008, respectively.

The following table summarizes components of the provision for income taxes from continuing operations for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Current income tax expense:			
U.S.	$ 9.8	$ 71.9	$103.7
Non-U.S.	71.9	87.6	114.6
	81.7	159.5	218.3
Deferred income tax expense (benefit):			
U.S.	15.2	20.5	13.9
Non-U.S.	(.9)	--	(9.8)
	14.3	20.5	4.1
Total income tax expense	$96.0	$180.0	$222.4

The following table summarizes significant components of deferred income tax assets (liabilities) as of December 31, 2010 and 2009 (in millions):

	2010	2009
Deferred tax assets:		
Deferred revenue	$ 28.9	$ 34.1
Employee benefits, including share-based compensation	21.1	25.6
Other	10.9	18.3
Total deferred tax assets	60.9	78.0
Deferred tax liabilities:		
Property and equipment	(335.6)	(348.9)
Intercompany transfers of property	(35.2)	(45.5)
Deferred costs	(24.5)	(23.5)
Other	(14.3)	(7.7)
Total deferred tax liabilities	(409.6)	(425.6)
Net deferred tax liability	$(348.7)	$(347.6)
Net current deferred tax asset	$ 9.3	$ 29.7
Net noncurrent deferred tax liability	(358.0)	(377.3)
Net deferred tax liability	$(348.7)	$(347.6)

The realization of certain of our deferred tax assets is dependent on generating sufficient taxable income during future periods in various jurisdictions in which we operate. Although realization of certain of our deferred tax assets is not assured, we believe it is more-likely-than-not that our deferred tax assets will be realized. The amount of deferred tax asset considered realizable could be reduced in the near-term if estimates of future taxable income were reduced.

Subsequent to our redomestication to the U.K. in December 2009, we reorganized our worldwide operations, which included, among other things, the transfer of ownership of several of our drilling rigs among our subsidiaries.

The decline in our 2010 consolidated effective income tax rate to 14.9% from 19.2% in the prior year was primarily due to the aforementioned transfer of drilling rig ownership in connection with the reorganization of our worldwide operations, which resulted in an increase in the relative components of our earnings generated in tax jurisdictions with lower tax rates, and an $8.8 million non-recurring current income tax expense incurred during 2009 in connection with certain restructuring activities undertaken immediately following our redomestication to the U.K. The increase in our 2009 consolidated effective income tax rate to 19.2% from 17.4% in the prior year was primarily related to the aforementioned non-recurring current income tax expense incurred during 2009.

Our consolidated effective income tax rate on continuing operations for each of the years in the three-year period ended December 31, 2010, differs from the U.K. or U.S. statutory income tax rates as follows:

	2010	2009	2008
Statutory income tax rate	28.0%	35.0%	35.0%
Non-U.K./U.S. taxes	(18.4)	(17.6)	(19.2)
Amortization of deferred charges associated with intercompany rig sales	2.7	1.8	1.3
Redomestication related income taxes	.0	.9	--
Net (benefit) expense in connection with resolutions of tax issues and adjustments relating to prior years	(.5)	(.9)	.5
Other	3.1	--	(.2)
Effective income tax rate	14.9%	19.2%	17.4%

Unrecognized Tax Benefits

Our tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement with a taxing authority that has full knowledge of all relevant information. As of December 31, 2010, we had $13.7 million of unrecognized tax benefits, of which $11.0 million would impact our consolidated effective income tax rate if recognized. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2010 and 2009 is as follows (in millions):

	2010	2009
Balance, beginning of year	$17.6	$26.8
Increases in unrecognized tax benefits as a result of tax positions taken during the current year	1.0	2.0
Increases in unrecognized tax benefits as a result of tax positions taken during prior years	--	--
Decreases in unrecognized tax benefits as a result of tax positions taken during prior years	(.2)	(2.7)
Settlements with taxing authorities	--	(8.7)
Lapse of applicable statutes of limitations	(1.3)	(.8)
Impact of foreign currency exchange rates	(3.4)	1.0
Balance, end of year	$13.7	$17.6

Accrued interest and penalties totaled $12.0 million and $15.8 million as of December 31, 2010 and 2009, respectively, and were included in other liabilities on our consolidated balance sheets. We recognized net expense of $1.5 million and $3.3 million and net benefits of $6.8 million associated with interest and penalties during the years ended December 31, 2010, 2009 and 2008, respectively. Interest and penalties are included in current income tax expense in our consolidated statement of income.

Tax years as early as 2003 remain subject to examination in the tax jurisdictions in which we operated. We participate in the U.S. Internal Revenue Service's Compliance Assurance Process which, among other things, provides for the resolution of tax issues in a timely manner and generally eliminates the need for lengthy post-filing examinations. Our 2009 and 2010 U.S. federal tax returns remain subject to examination.

During 2010, statutes of limitations applicable to certain of our tax positions lapsed resulting in a $1.3 million decline in unrecognized tax benefits and a $2.5 million net income tax benefit, inclusive of interest and penalties.

During 2009, in connection with the audit of prior year tax returns, we reached a settlement with the tax authority in one of our non-U.S. jurisdictions which resulted in an $8.7 million reduction in unrecognized tax benefits and a $4.4 million net income tax benefit, inclusive of interest and penalties.

During 2008, in connection with an examination of a prior period tax return, we recognized a $5.4 million liability for unrecognized tax benefits associated with certain tax positions taken in prior years, which resulted in an $8.9 million net income tax expense, inclusive of interest and penalties.

During 2008, statutes of limitations applicable to certain of our tax positions lapsed resulting in a $2.9 million decline in unrecognized tax benefits and an $11.5 million net income tax benefit, inclusive of interest and penalties.

Statutes of limitations applicable to certain of our tax positions will lapse during 2011. Therefore, it is reasonably possible that our unrecognized tax benefits will decline during the next twelve months by $3.9 million, which includes $2.0 million of accrued interest and penalties.

Intercompany Transfer of Drilling Rigs

Subsequent to our redomestication to the U.K. in December 2009, we reorganized our worldwide operations, which included, among other things, the transfer of ownership of several of our drilling rigs among our subsidiaries during 2010 and 2009.

In April and December of 2010, we transferred ownership of several of our drilling rigs among certain of our subsidiaries, all of which are resident in the same tax jurisdiction and included in a consolidated tax return. We incurred no income tax liability associated with gains and losses realized on the intercompany transfers by the selling subsidiaries.

In December 2009, we transferred ownership of four of our drilling rigs among two of our subsidiaries. The income tax liability associated with the gain on the intercompany transfer totaled $30.8 million and was paid by the selling subsidiary during 2010. The related income tax expense was deferred and is being amortized on a straight-line basis over the remaining useful lives of the associated rigs, which range from 29 to 30 years. Similarly, the tax effects of $45.6 million of reversing temporary differences of the selling subsidiary were also deferred and are being amortized on the same basis and over the same periods as described above.

As of December 31, 2010 and 2009, the unamortized balance associated with deferred charges for income taxes incurred in connection with intercompany transfers of drilling rigs totaled $74.6 million and $99.0 million, respectively, and was included in other assets, net, on our consolidated balance sheets. Current income tax expense for the years ended December 31, 2010, 2009 and 2008 included $24.4 million, $23.1 million and $23.1 million, respectively, of amortization of income taxes incurred in connection with intercompany transfers of drilling rigs.

As of December 31, 2010 and 2009, the deferred tax liability associated with temporary differences of transferred drilling rigs totaled $35.2 million and $45.5 million, respectively, and was included in deferred income taxes on our consolidated balance sheets. Deferred income tax expense for the years ended December 31, 2010, 2009 and 2008 included benefits of $10.3 million, $7.0 million and $7.2 million, respectively, of amortization of deferred reversing temporary differences associated with intercompany transfers of drilling rigs.

Undistributed Earnings

We do not provide deferred taxes on the undistributed earnings of Ensco Delaware because our policy and intention is to reinvest such earnings indefinitely or until such time that they can be distributed in a tax-free manner. We do not provide deferred taxes on the undistributed earnings of Ensco Delaware's non-U.S. subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Furthermore, both our U.S. and non-U.S. subsidiaries have significant net assets, liquidity, contract backlog and other financial resources available to meet their operational and capital investment requirements and otherwise allow management to continue to maintain its policy of reinvesting the undistributed earnings of Ensco Delaware and Ensco Delaware's non-U.S. subsidiaries indefinitely.

As of December 31, 2010, the aggregate undistributed earnings of Ensco Delaware and Ensco Delaware's non-U.S. subsidiaries totaled $2,138.0 million and were indefinitely reinvested. Should we make a distribution in the form of dividends or otherwise, we may be subject to additional income taxes. The unrecognized deferred tax liability related to the undistributed earnings of Ensco Delaware and Ensco Delaware's non-U.S. subsidiaries was $517.6 million as of December 31, 2010.

11. DISCONTINUED OPERATIONS

Rig Sales

We sold jackup rig ENSCO 60 in November 2010 for $25.7 million and recognized a pre-tax gain of $5.7 million, which was included in gain on disposal of discontinued operations, net, in our consolidated statement of income for the year ended December 31, 2010. The rig's net book value and inventory and other assets on the date of sale totaled $20.0 million. ENSCO 60 operating results were reclassified to discontinued operations in our consolidated statements of income for each of the years in the three-year period ended December 31, 2010 and previously were included within our North and South America operating segment.

In April 2010, we sold jackup rig ENSCO 57 for $47.1 million, of which a deposit of $4.7 million was received in December 2009. We recognized a pre-tax gain of $17.9 million in connection with the disposal of ENSCO 57, which was included in gain on disposal of discontinued operations, net, in our consolidated statement of income for the year ended December 31, 2010. The rig's net book value and inventory and other assets on the date of sale totaled $29.2 million. ENSCO 57 operating results were reclassified to discontinued operations in our consolidated statements of income for each of the years in the three-year period ended December 31, 2010 and previously were included within our Asia Pacific operating segment.

In March 2010, we sold jackup rigs ENSCO 50 and ENSCO 51 for an aggregate $94.7 million, of which a deposit of $4.7 million was received in December 2009. We recognized an aggregate pre-tax gain of $33.9 million in connection with the disposals of ENSCO 50 and ENSCO 51, which was included in gain on disposal of discontinued operations, net, in our consolidated statement of income for the year ended December 31, 2010. The two rigs' aggregate net book value and inventory and other assets on the date of sale totaled $60.8 million. ENSCO 50 and ENSCO 51 operating results were reclassified to discontinued operations in our consolidated statements of income for each of the years in the three-year period ended December 31, 2010 and previously were included within our Asia Pacific operating segment.

ENSCO 69

From May 2007 to June 2009, ENSCO 69 was contracted to Petrosucre. In January 2009, we suspended drilling operations on ENSCO 69 after Petrosucre failed to satisfy its contractual obligations and meet commitments relative to the payment of past due invoices. Petrosucre then took over complete control of ENSCO 69 drilling operations utilizing Petrosucre employees and a portion of the Venezuelan rig crews we had utilized. In June 2009, we terminated our contract with Petrosucre and removed all remaining Ensco employees from the rig.

Due to Petrosucre's failure to satisfy its contractual obligations and meet payment commitments, and in consideration of the Venezuelan government's nationalization of certain assets owned by other international oil and gas companies and oilfield service companies, we concluded it was remote that ENSCO 69 would be returned to us by Petrosucre and operated again by Ensco. Therefore, we recorded the disposal of ENSCO 69 during 2009 and reclassified its operating results to discontinued operations.

On August 24, 2010, possession of ENSCO 69 was returned to Ensco. Due to the return of ENSCO 69 from Petrosucre and our ability to significantly influence the future operations of the rig and to incur significant future cash flows related to those operations until the pending insurance claim is resolved and possibly thereafter, ENSCO 69 operating results were reclassified to continuing operations for each of the years in the three-year period ended December 31, 2010.

There can be no assurances relative to the recovery of outstanding contract entitlements, insurance recovery and related pending litigation or the imposition of customs duties in relation to the rig's recent presence in Venezuela. See "Note 12 – Commitments and Contingencies" for additional information on contractual matters, insurance and legal proceedings related to ENSCO 69.

ENSCO 74

In September 2008, ENSCO 74 was destroyed as a result of Hurricane Ike and the rig was a total loss, as defined under the terms of our insurance policies. The operating results of ENSCO 74 were reclassified to discontinued operations in our consolidated statement of income for the year ended December 31, 2008. See "Note 12 - Commitments and Contingencies" for additional information on the loss of ENSCO 74 and associated contingencies.

The following table summarizes income from discontinued operations for each of the years in the three-year period ended December 31, 2010 (in millions):

	2010	2009	2008
Revenues	$12.5	$83.0	$244.0
Operating expenses	17.1	54.2	89.3
Operating (loss) income before income taxes	(4.6)	28.8	154.7
Income tax (benefit) expense	(3.4)	(.5)	27.8
Gain (loss) on disposal of discontinued operations, net	38.6	--	(23.5)
Income from discontinued operations	$37.4	$29.3	$103.4

Debt and interest expense are not allocated to our discontinued operations.

12. COMMITMENTS AND CONTINGENCIES

Leases

We are obligated under leases for certain of our offices and equipment. Rental expense relating to operating leases was $15.9 million, $14.2 million and $13.9 million during the years ended December 31, 2010, 2009 and 2008, respectively. Future minimum rental payments under our noncancellable operating lease obligations are as follows: $8.2 million during 2011; $3.8 million during 2012; $2.5 million during 2013; $2.1 million during 2014 and $7.4 million thereafter.

Capital Commitments

The following table summarizes the aggregate contractual commitments related to our three ENSCO 8500 Series® rigs currently under construction as of December 31, 2010 (in millions):

2011	$ 435.6
2012	223.9
Total	$659.5

In February 2011, we entered into agreements to construct two ultra-high specification harsh environment jackup rigs. The amounts disclosed above exclude construction obligations of $87.6 million for 2011 and $350.2 million for 2013 related to these rigs.

In connection with the aforementioned agreements to construct two new jackup rigs, we agreed with the shipyard contractor to defer $340.0 million of contractual commitments due during 2011 related to the construction of ENSCO 8505 and ENSCO 8506 until the rigs are delivered during the first and second half of 2012, respectively. The amounts disclosed above exclude the aforementioned deferral of contractual commitments.

The actual timing of these expenditures may vary based on the completion of various construction milestones, which are, to a large extent, beyond our control.

Shareholder Class Actions

In February 2011, four shareholder class action lawsuits were brought on behalf of the holders of Pride International, Inc. ("Pride") common stock against Pride, Pride's directors and Ensco challenging Pride's proposed merger with Ensco. The plaintiffs in such actions generally allege that each member of the Pride board of directors breached his or her fiduciary duties to Pride and its stockholders by authorizing the sale of Pride to Ensco for what plaintiffs deem "inadequate" consideration, Pride directly breached and/or aided and abetted the other defendants' alleged breach of fiduciary duties and/or Ensco aided and abetted the alleged breach of fiduciary duties by Pride and its directors. These lawsuits generally seek, among other things, to enjoin the defendants from consummating the merger on the agreed-upon terms. At this time, we are unable to predict the outcome of this matter or estimate the extent to which we may be exposed to any resulting liability.

FCPA Internal Investigation

Following disclosures by other offshore service companies announcing internal investigations involving the legality of amounts paid to and by customs brokers in connection with temporary importation of rigs and vessels into Nigeria, the Audit Committee of our Board of Directors and management commenced an internal investigation in July 2007. The investigation initially focused on our payments to customs brokers relating to the temporary importation of ENSCO 100, our only rig that operated offshore Nigeria during the pertinent period.

As is customary for companies operating offshore Nigeria, we had engaged independent customs brokers to process customs clearance of routine shipments of equipment, materials and supplies and to process the ENSCO 100 temporary importation permits, extensions and renewals. One or more of the customs brokers that our subsidiary in Nigeria used to obtain the ENSCO 100 temporary import permits, extensions and renewals also provided this service to other offshore service companies that have undertaken Foreign Corrupt Practices Act ("FCPA") compliance internal investigations.

The principal purpose of our investigation was to determine whether any of the payments made to or by our customs brokers were inappropriate under the anti-bribery provisions of the FCPA or whether any violations of the recordkeeping or internal accounting control provisions of the FCPA occurred. Our Audit Committee engaged a Washington, D.C. law firm with significant experience in investigating and advising upon FCPA matters to assist in the internal investigation.

Following notification to the Audit Committee and to KPMG LLP, our independent registered public accounting firm, in consultation with the Audit Committee's external legal counsel, we voluntarily notified the United States Department of Justice and SEC that we had commenced an internal investigation. We expressed our intention to cooperate with both agencies, comply with their directives and fully disclose the results of the investigation. The internal investigation process has involved extensive reviews of documents and records, as well as production to the authorities, and interviews of relevant personnel. In addition to the temporary importation of ENSCO 100, the investigation has examined our customs clearance of routine shipments and immigration activities in Nigeria.

Our internal investigation has essentially been concluded. Discussions were held with the authorities to review the results of the investigation and discuss associated matters during 2009 and the first half of 2010. On May 24, 2010, we received notification from the SEC Division of Enforcement advising that it does not intend to recommend any enforcement action. We expect to receive a determination by the United States Department of Justice in the near-term.

Although we believe the United States Department of Justice will take into account our voluntary disclosure, our cooperation with the agency and the remediation and compliance enhancement activities that are underway, we are unable to predict the ultimate disposition of this matter, whether we will be charged with violation of the anti-bribery, recordkeeping or internal accounting control provisions of the FCPA or whether the scope of the investigation will be extended to other issues in Nigeria or to other countries. We also are unable to predict what potential corrective measures, fines, sanctions or other remedies, if any, the United States Department of Justice may seek against us or any of our employees.

In November 2008, our Board of Directors approved enhanced FCPA compliance recommendations issued by the Audit Committee's external legal counsel, and the Company embarked upon an enhanced compliance initiative that included appointment of a Chief Compliance Officer and a Director - Corporate Compliance. We engaged consultants to assist us in implementing the compliance recommendations approved by our Board of Directors, which include an enhanced compliance policy, increased training and testing, prescribed contractual provisions for our service providers that interface with foreign government officials, due diligence for the selection of such service providers and an increased Company-wide awareness initiative that includes periodic issuance of FCPA Alerts.

Since ENSCO 100 completed its contract commitment and departed Nigeria in August 2007, this matter is not expected to have a material effect on or disrupt our current operations. As noted above, we are unable to predict the outcome of this matter or estimate the extent to which we may be exposed to any resulting potential liability, sanctions or significant additional expense.

ENSCO 74 Loss

In September 2008, ENSCO 74 was lost as a result of Hurricane Ike in the Gulf of Mexico. Portions of its legs remained underwater adjacent to the customer's platform, and we conducted extensive aerial and sonar reconnaissance but did not locate the rig hull. The rig was a total loss, as defined under the terms of our insurance policies.

In March 2009, the sunken rig hull of ENSCO 74 was located approximately 95 miles from the original drilling location when it was struck by an oil tanker. As an interim measure, the wreckage was appropriately marked, and the U.S. Coast Guard issued a Notice to Mariners. During the fourth quarter of 2010, wreck removal operations on the sunken rig hull of ENSCO 74 were completed. As of December 31, 2010, wreckage and debris removal costs had been incurred and paid by Ensco totaling $26.8 million related to removal of the hull, substantially all of which has been recovered through insurance without any additional retention.

We believe it is probable that we are required to remove the leg sections of ENSCO 74 remaining adjacent to the customer's platform because they may interfere with the customer's future operations, in addition to the removal of related debris. We estimate the leg and related debris removal costs to range from $21.0 million to $35.0 million. We expect the cost of removal of the legs and related debris to be fully covered by our insurance without any additional retention.

Physical damage to our rigs caused by a hurricane, the associated "sue and labor" costs to mitigate the insured loss and removal, salvage and recovery costs are all covered by our property insurance policies subject to a $50.0 million per occurrence self-insured retention. The insured value of ENSCO 74 was $100.0 million, and we have received the net $50.0 million due under our policy for loss of the rig.

Coverage for ENSCO 74 sue and labor costs and wreckage and debris removal costs under our property insurance policies is limited to $25.0 million and $50.0 million, respectively. Supplemental wreckage and debris removal coverage is provided under our liability insurance policies, subject to an annual aggregate limit of $500.0 million. We also have a customer contractual indemnification that provides for reimbursement of any ENSCO 74 wreckage and debris removal costs that are not recovered under our insurance policies.

A $21.0 million liability, representing the low end of the range of estimated leg and related debris removal costs, and a corresponding receivable for recovery of those costs was recorded as of December 31, 2010 and included in accrued liabilities and other and other assets, net, on our consolidated balance sheet.

In March 2009, we received notice from legal counsel representing certain underwriters in a subrogation claim alleging that ENSCO 74 caused a pipeline to rupture during Hurricane Ike. In September 2009, civil litigation was filed seeking damages for the cost of repairs and business interruption in an amount in excess of $26.0 million. Based on information currently available, primarily the adequacy of available defenses, we have not concluded that it is probable a liability exists with respect to this matter.

In March 2009, the owner of the oil tanker that struck the hull of ENSCO 74 commenced civil litigation against us seeking monetary damages of $10.0 million for losses incurred when the tanker struck the sunken hull of ENSCO 74. Based on information currently available, primarily the adequacy of available defenses, we have not concluded that it is probable a liability exists with respect to this matter.

We filed a petition for exoneration or limitation of liability under U.S. admiralty and maritime law in September 2009. The petition seeks exoneration from or limitation of liability for any and all injury, loss or damage caused, occasioned or occurred in relation to the ENSCO 74 loss in September 2008. The owner of the tanker that struck the hull of ENSCO 74 and the owners of four subsea pipelines have presented claims in the exoneration/limitation proceedings. The matter is scheduled for trial in March 2012.

We have liability insurance policies that provide coverage for claims such as the tanker and pipeline claims as well as removal of wreckage and debris in excess of the property insurance policy sublimit, subject to a $10.0 million per occurrence self-insured retention for third-party claims and an annual aggregate limit of $500.0 million. We believe all liabilities associated with the ENSCO 74 loss during Hurricane Ike resulted from a single occurrence under the terms of the applicable insurance policies. However, legal counsel for certain liability underwriters have asserted that the liability claims arise from separate occurrences. In the event of multiple occurrences, the self-insured retention is $15.0 million for two occurrences and $1.0 million for each occurrence thereafter.

Although we do not expect final disposition of the claims associated with the ENSCO 74 loss to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome.

ENSCO 69

We have filed an insurance claim under our package policy, which includes coverage for certain political risks, and are evaluating legal remedies against Petrosucre for contractual and other ENSCO 69 related damages. ENSCO 69 has an insured value of $65.0 million under our package policy, subject to a $10.0 million deductible.

In September 2009, legal counsel acting for the package policy underwriters denied coverage under the package policy and reserved rights. In March 2010, we commenced litigation to recover on our political risk package policy claim. Our lawsuit seeks recovery under the policy for the loss of ENSCO 69 and includes claims for wrongful denial of coverage, breach of contract, breach of the Texas insurance code, failure to timely respond to the claim and bad faith. Our lawsuit seeks actual damages in the amount of $55.0 million (insured value of $65.0 million less a $10.0 million deductible), punitive damages and attorneys' fees. In July 2010, we agreed with underwriters to submit the matter to arbitration.

We were unable to conclude that collection of insurance proceeds associated with ENSCO 69 was probable as of December 31, 2010. Accordingly, no ENSCO 69 related insurance receivables were recorded on our consolidated balance sheet as of December 31, 2010. See "Note 11 - Discontinued Operations" for additional information on ENSCO 69.

ENSCO 29 Wreck Removal

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

Our liability insurance underwriters have issued letters reserving rights and effectively denying coverage by questioning the applicability of coverage for the potential ENSCO 29 wreckage and debris removal costs. During 2007, we commenced litigation against certain underwriters alleging breach of contract, wrongful denial, bad faith and other claims which seek a declaration that removal of wreckage and debris is covered under our liability insurance, monetary damages, attorneys' fees and other remedies. The matter is scheduled for trial in April 2011.

While we anticipate that any ENSCO 29 wreckage and debris removal costs incurred will be largely or fully covered by insurance, a $1.2 million provision, representing the portion of the $5.0 million low end of the range of estimated removal cost we believe is subject to liability insurance coverage, was recognized during 2006.

Asbestos Litigation

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

In compliance with the Mississippi Rules of Civil Procedure, the individual claimants in the original multi-party lawsuits whose claims were not dismissed were ordered to file either new or amended single plaintiff complaints naming the specific defendant (s) against whom they intended to pursue claims. As a result, out of more than 600 initial multi-party claims, we have been named as a defendant by 65 individual plaintiffs. Of these claims, 62 claims or lawsuits are pending in Mississippi state courts and three are pending in the U.S. District Court as a result of their removal from state court.

To date, written discovery and plaintiff depositions have taken place in eight cases involving us. While several cases have been selected for trial during 2011, none of the cases pending against us in Mississippi state court are included within those selected cases.

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

In addition to the pending cases in Mississippi, we have two other asbestos or lung injury claims pending against us in litigation in other jurisdictions. Although we do not expect the final disposition of the Mississippi and other asbestos or lung injury lawsuits to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuits.

Working Time Directive

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

A Labor Tribunal in Aberdeen, Scotland, rendered decisions in claims involving other offshore drilling contractors and offshore service companies in February 2008. The Tribunal decisions effectively held that employers of offshore workers in the U.K. sector employed on an equal time on/time off rotation are obligated to accord such rotating personnel two-weeks annual paid time off from their scheduled offshore work assignment period. Both sides of the matter, employee and employer groups, appealed the Tribunal decision. The appeals were heard by the Employment Appeal Tribunal ("EAT") in December 2008.

In an opinion rendered in March 2009, the EAT determined that the time off work enjoyed by U.K. offshore oil and gas workers, typically 26 weeks per year, meets the amount of annual leave employers must provide to employees under the WTD. The employer group was successful in all arguments on appeal, as the EAT determined that the statutory entitlement to annual leave under the WTD can be discharged through normal field break arrangements for offshore workers. As a consequence of the EAT decision, an equal time on/time off offshore rotation has been deemed to be fully compliant with the WTD. The employee group (led by a trade union) was granted leave to appeal to the highest civil court in Scotland (the Court of Session). A hearing on the appeal occurred in June 2010, and a decision was rendered in October 2010 in favor of the employer group. The employee group has appealed to the U.K. Supreme Court, and a hearing is scheduled in October 2011.

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

Other Matters

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

13. SEGMENT INFORMATION

We are in the process of developing a fleet of ultra-deepwater semisubmersible rigs and established a separate business unit to manage our deepwater operations during 2008. Our jackup rigs and barge rig are managed by major geographic region. Accordingly, our business consists of four operating segments: (1) Deepwater, (2) Asia Pacific, (3) Europe and Africa and (4) North and South America. Each of our four operating segments provides one service, contract drilling.

Segment information for each of the years in the three-year period ended December 31, 2010 is presented below (in millions). General and administrative expense is not allocated to our operating segments for purposes of measuring segment operating income and were included in "Reconciling Items." Assets not allocated to our operating segments were also included in "Reconciling Items." As of December 31, 2010, 2009 and 2008, total asset reconciling items consisted primarily of cash and cash equivalents and goodwill.

Year Ended December 31, 2010

	Deepwater	Asia Pacific	Europe and Africa	North and South America	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 475.2	$ 502.2	$341.2	$378.2	$1,696.8	$ --	$1,696.8
Operating expenses							
Contract drilling (exclusive of depreciation)	176.1	234.2	191.5	166.3	768.1	--	768.1
Depreciation	44.8	75.9	47.5	46.8	215.0	1.3	216.3
General and administrative	--	--	--	--	--	86.1	86.1
Operating income (loss)	$ 254.3	$ 192.1	$102.2	$165.1	$ 713.7	$ (87.4)	$ 626.3
Total assets	$3,068.2	$1,285.1	$857.8	$715.1	$5,926.2	$1,125.3	$7,051.5
Capital expenditures	632.5	196.4	39.4	2.9	871.2	4.1	875.3

Year Ended December 31, 2009

	Deepwater	Asia Pacific	Europe and Africa	North and South America	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 254.1	$ 645.0	$569.1	$420.7	$1,888.9	$ --	$1,888.9
Operating expenses							
Contract drilling (exclusive of depreciation)	108.1	219.3	208.8	172.8	709.0	--	709.0
Depreciation	22.2	74.1	44.5	47.4	188.2	1.3	189.5
General and administrative	--	--	--	--	--	64.0	64.0
Operating income (loss)	$ 123.8	$ 351.6	$315.8	$200.5	$ 991.7	$ (65.3)	$ 926.4
Total assets	$2,444.6	$1,290.6	$779.9	$856.0	$5,371.1	$1,376.1	$6,747.2
Capital expenditures	644.4	42.1	66.2	101.8	854.5	2.7	857.2

Year Ended December 31, 2008

	Deepwater	Asia Pacific	Europe and Africa	North and South America	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 84.4	$ 869.6	$804.1	$484.5	$2,242.6	$ --	$2,242.6
Operating expenses							
Contract drilling (exclusive of depreciation)	31.2	269.4	246.7	189.0	736.3	--	736.3
Depreciation	9.1	72.0	43.0	46.6	170.7	1.9	172.6
General and administrative	--	--	--	--	--	53.8	53.8
Operating income (loss)	$ 44.1	$ 528.2	$514.4	$248.9	$1,335.6	$ (55.7)	$1,279.9
Total assets	$1,759.9	$1,327.7	$806.7	$773.1	$4,667.4	$1,162.7	$5,830.1
Capital expenditures	657.8	34.8	22.7	46.2	761.5	2.7	764.2

Information about Geographic Areas

As of December 31, 2010, our Deepwater operating segment consisted of four ultra-deepwater semisubmersible rigs located in the U.S. Gulf of Mexico, one ultra-deepwater semisubmersible rig located in Singapore and three ultra-deepwater semisubmersible rigs under construction in Singapore. Our Asia Pacific operating segment consisted of 17 jackup rigs and one barge rig deployed in various locations throughout Asia, the Middle East and Australia. Our Europe and Africa operating segment consisted of eight jackup rigs deployed in various territorial waters of the North Sea and two jackup rigs located offshore Tunisia. Our North and South America operating segment consisted of eight jackup rigs located in the U.S. Gulf of Mexico and five jackup rigs located offshore Mexico.

Certain of our drilling rigs currently in the U.S. Gulf of Mexico have been or may be further affected by the regulatory developments and other actions that have or may be imposed by the U.S. Department of the Interior, including the regulations issued on September 30, 2010. The moratoriums/suspensions (which have been lifted), related Notices to Lessees ("NTLs"), delays in processing drilling permits and other actions are being challenged in litigation by Ensco and others. Utilization and day rates for certain of our drilling rigs have been negatively influenced due to regulatory requirements and delays in our customers' ability to secure permits. Current or future NTLs or other directives and regulations may further impact our customers' ability to obtain permits and commence or continue deepwater or shallow-water operations in the U.S. Gulf of Mexico. During the year ended December 31, 2010, revenues provided by our drilling operations in the U.S. Gulf of Mexico totaled $421.3 million, or 25% of our consolidated revenues. Of this amount, 65% was provided by our deepwater drilling operations in the U.S. Gulf of Mexico. Prolonged actual or de facto delays, moratoria or suspensions of drilling activity in the U.S. Gulf of Mexico and associated new regulatory, legislative or permitting requirements in the U.S. or elsewhere could materially adversely affect our financial condition, operating results or cash flows.

For purposes of our geographic areas disclosures, we attribute revenues to the geographic location where such revenues are earned and assets to the geographic location of the drilling rig as of the end of the applicable year. For new construction projects, assets are attributed to the location of future operation if known or to the location of construction if the ultimate location of operation is undetermined. Information by country for those countries that account for more than 10% of total revenues or 10% of our long-lived assets was as follows (in millions):

	Revenues			Long-lived Assets		
	2010	2009	2008	2010	2009	2008
United States	$ 421.3	$ 263.0	$ 461.4	$1,993.3	$1,806.7	$1,663.6
Australia	225.3	188.7	97.0	194.9	175.0	274.4
United Kingdom	219.0	353.2	478.3	429.2	457.4	309.0
Mexico	179.8	159.5	53.9	259.3	229.3	41.2
Indonesia	56.8	72.3	254.2	134.6	50.2	153.9
Singapore	--	--	--	1,235.6	720.1	550.5
Other countries	594.6	852.2	897.8	803.0	1,038.6	878.7
Total	$1,696.8	$1,888.9	$2,242.6	$5,049.9	$4,477.3	$3,871.3

14. SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Balance Sheet Information

Accounts receivable, net, as of December 31, 2010 and 2009 consisted of the following (in millions):

	2010	2009
Trade	$209.9	$310.1
Other	7.8	17.9
	217.7	328.0
Allowance for doubtful accounts	(3.1)	(3.4)
	$214.6	$324.6

Other current assets as of December 31, 2010 and 2009 consisted of the following (in millions):

	2010	2009
Inventory	$ 56.4	$ 53.1
Prepaid taxes	47.4	39.6
Deferred mobilization costs	19.7	29.0
Derivative assets	17.0	10.5
Prepaid expenses	12.9	13.6
Deferred tax assets	9.5	30.0
Other	8.5	11.0
	$171.4	$186.8

Other assets, net, as of December 31, 2010 and 2009 consisted of the following (in millions):

	2010	2009
Prepaid taxes on intercompany transfers of property	$ 74.6	$ 99.0
Deferred mobilization costs	31.3	23.7
Wreckage and debris removal receivables	26.8	55.8
Supplemental executive retirement plan assets	23.0	18.7
Other	28.5	23.2
	$184.2	$220.4

Accrued liabilities and other as of December 31, 2010 and 2009 consisted of the following (in millions):

	2010	2009
Personnel costs	$ 58.0	$ 48.6
Deferred revenue	48.1	89.0
Taxes	22.1	97.3
Wreckage and debris removal	21.0	50.3
Other	19.1	23.4
	$168.3	$308.6

Other liabilities as of December 31, 2010 and 2009 consisted of the following (in millions):

	2010	2009
Deferred revenue	$ 68.0	$ 51.2
Unrecognized tax benefits (inclusive of interest and penalties)	25.7	33.4
Supplemental executive retirement plan liabilities	26.0	21.0
Other	19.7	15.1
	$139.4	$120.7

Consolidated Statement of Income Information

Repair and maintenance expense related to continuing operations for each of the years in the three-year period ended December 31, 2010 was as follows (in millions):

	2010	2009	2008
Repair and maintenance expense	$120.0	$120.6	$111.4

Consolidated Statement of Cash Flows Information

Cash paid for interest and income taxes for each of the years in the three-year period ended December 31, 2010 was as follows (in millions):

	2010	2009	2008
Interest, net of amounts capitalized	$ .1	$ .1	$ .5
Income taxes	171.6	152.9	327.7

Capitalized interest totaled $21.3 million, $20.9 million and $21.6 million during the years ended December 31, 2010, 2009 and 2008, respectively. Capital expenditure accruals totaling $39.7 million, $83.8 million and $105.1 million for the years ended December 31, 2010, 2009 and 2008, respectively, were excluded from investing activities in our consolidated statements of cash flows.

Concentration of Credit Risk

We are exposed to credit risk relating to our receivables from customers, our cash and cash equivalents and investments and our use of derivatives in connection with the management of foreign currency exchange rate risk. We minimize our credit risk relating to receivables from customers, which consist primarily of major international, government-owned and independent oil and gas companies, by performing ongoing credit evaluations. We also maintain reserves for potential credit losses, which to date have been within management's expectations. We minimize our credit risk relating to cash and investments by focusing on diversification and quality of instruments. Cash balances are maintained in major, highly-capitalized commercial banks. Cash equivalents consist of a portfolio of high-grade instruments. Custody of cash and cash equivalents is maintained at several major financial institutions, and we monitor the financial condition of those financial institutions. Substantially all of our investments were issued by state agencies and are substantially guaranteed by the U.S. government under FFELP. We minimize our credit risk relating to the counterparties of our derivatives by transacting with multiple, high-quality counterparties, thereby limiting exposure to individual counterparties, and by monitoring the financial condition of our counterparties.

During the year ended December 31, 2010, two customers provided a total of $421.4 million, or 25%, of consolidated revenues which were attributable to our Deepwater and North and South America operating segments. During the year ended December 31, 2009, one customer provided $249.6 million, or 13%, of consolidated revenues which were attributable to our Europe and Africa and Asia Pacific operating segments. During the year ended December 31, 2008, no customer provided more than 10% of consolidated revenues.

15. UNAUDITED QUARTERLY FINANCIAL DATA

The following table summarizes our unaudited quarterly consolidated income statement data for the years ended December 31, 2010 and 2009 (in millions, except per share amounts):

2010	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$448.6	$411.4	$428.3	$408.5	$1,696.8
Operating expenses					
Contract drilling (exclusive of depreciation)	182.4	206.0	194.1	185.6	768.1
Depreciation	51.7	51.9	55.6	57.1	216.3
General and administrative	20.6	22.0	20.6	22.9	86.1
Operating income	193.9	131.5	158.0	142.9	626.3
Other income (expense), net	3.1	12.8	2.7	(.4)	18.2
Income from continuing operations before income taxes	197.0	144.3	160.7	142.5	644.5
Provision for income taxes	35.0	22.4	26.7	11.9	96.0
Income from continuing operations	162.0	121.9	134.0	130.6	548.5
Income (loss) from discontinued operations, net	29.6	6.0	(1.9)	3.7	37.4
Net income	191.6	127.9	132.1	134.3	585.9
Net income attributable to noncontrolling interests	(1.8)	(1.6)	(1.6)	(1.4)	(6.4)
Net income attributable to Ensco	$189.8	$126.3	$130.5	$132.9	$ 579.5
Earnings (loss) per share – basic					
Continuing operations	$ 1.12	$ .85	$ .92	$ .90	$ 3.80
Discontinued operations	.21	.04	(.01)	.03	.26
	$ 1.33	$ .89	$ .91	$ .93	$ 4.06
Earnings (loss) per share - diluted					
Continuing operations	$ 1.12	$ .85	$ .92	$ .90	$ 3.80
Discontinued operations	.21	.04	(.01)	.03	.26
	$ 1.33	$ .89	$ .91	$ .93	$ 4.06

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$484.8	$497.4	$408.9	$497.8	$1,888.9
Operating expenses					
Contract drilling (exclusive of depreciation)	161.5	196.3	175.4	175.8	709.0
Depreciation	43.7	45.3	48.9	51.6	189.5
General and administrative	12.0	16.0	13.6	22.4	64.0
Operating income	267.6	239.8	171.0	248.0	926.4
Other income (expense), net	(4.3)	6.9	3.6	2.6	8.8
Income from continuing operations before income taxes	263.3	246.7	174.6	250.6	935.2
Provision for income taxes	52.2	47.9	29.6	50.3	180.0
Income from continuing operations	211.1	198.8	145.0	200.3	755.2
Income from discontinued operations, net	11.0	2.6	5.8	9.9	29.3
Net income	222.1	201.4	150.8	210.2	784.5
Net income attributable to noncontrolling interests	(1.4)	(1.1)	(1.1)	(1.5)	(5.1)
Net income attributable to Ensco	$220.7	$200.3	$149.7	$208.7	$ 779.4
Earnings per share - basic					
Continuing operations	$ 1.48	$ 1.39	$ 1.01	$ 1.40	$ 5.28
Discontinued operations	.08	.02	.04	.06	.20
	$ 1.56	$ 1.41	$ 1.05	$ 1.46	$ 5.48
Earnings per share - diluted					
Continuing operations	$ 1.48	$ 1.39	$ 1.01	$ 1.40	$ 5.28
Discontinued operations	.08	.02	.04	.06	.20
	$ 1.56	$ 1.41	$ 1.05	$ 1.46	$ 5.48

16. SUBSEQUENT EVENT

Pending Merger with Pride

On February 6, 2011, Ensco plc entered into an Agreement and Plan of Merger with Pride International, Inc., a Delaware corporation ("Pride"), Ensco Delaware, and ENSCO Ventures LLC, a Delaware limited liability company and an indirect, wholly-owned subsidiary of Ensco ("Merger Sub"). Pursuant to the merger agreement and subject to the conditions set forth therein, Merger Sub will merge with and into Pride, with Pride as the surviving entity and an indirect, wholly-owned subsidiary of Ensco. As a result of the merger, each outstanding share of Pride's common stock (other than shares of common stock held directly or indirectly by Ensco, Pride or any wholly-owned subsidiary of Ensco or Pride (which will be cancelled as a result of the merger), those shares with respect to which appraisal rights under Delaware law are properly exercised and not withdrawn and other shares held by certain U.K. residents if determined by Ensco) will be converted into the right to receive $15.60 in cash and 0.4778 Ensco ADSs. Under certain circumstances, U.K. residents may receive all cash consideration as a result of compliance with legal requirements.

We estimate that the total consideration to be delivered in the merger to be approximately $7,400.0 million, consisting of $2,800.0 million of cash, the delivery of approximately 86.0 million Ensco ADSs (assuming that no Pride employee stock options are exercised before the closing of the merger) with an aggregate value of $4,550.0 million based on the closing price of Ensco ADSs of $52.88 on February 15, 2011 and the estimated fair value of $45.0 million of Pride employee stock options assumed by Ensco. The value of the merger consideration will fluctuate based upon changes in the price of Ensco ADSs and the number of shares of Pride common stock and employee options outstanding on the closing date. The merger agreement and the merger were approved by the respective Boards of Directors of Ensco and Pride. Consummation of the merger is subject to the approval of the shareholders of Ensco and the stockholders of Pride, regulatory approvals and the satisfaction or waiver of various other conditions as more fully described in the merger agreement. Subject to receipt of required approvals, it is anticipated that the closing of the merger will occur during the second quarter of 2011.

On February 6, 2011, we entered into a bridge commitment letter (the “Commitment Letter”) with Deutsche Bank AG Cayman Islands Branch (“DBCI”), Deutsche Bank Securities Inc. and Citigroup Global Markets Inc. (“Citi”). Pursuant to the Commitment Letter, DBCI and Citi have committed to provide a $2,750.0 million unsecured bridge term loan facility (the “Bridge Term Facility”) to fund a portion of the cash consideration in the merger. The Bridge Term Facility would mature 364 days after closing. The commitment is subject to various conditions, including the absence of a material adverse effect on Pride or Ensco having occurred, the maintenance by us of investment grade credit ratings, the execution of satisfactory documentation and other customary closing conditions.

Shareholder Class Actions

Four shareholder class actions were brought on behalf of the holders of Pride International, Inc. common stock against Pride, Pride’s directors and Ensco plc and certain of its subsidiaries arising out of the proposed sale of Pride to Ensco. See “Note 12 – Commitments and Contingencies” for additional information on these shareholder class actions.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

Not applicable.

Item 9A. ***Controls and Procedures***

CONCLUSION REGARDING THE EFFECTIVENESS OF DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as defined in Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), are effective.

During the fiscal quarter ended December 31, 2010, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

See "Item 8. Financial Statements and Supplementary Data" for Management's Report on Internal Control Over Financial Reporting.

Item 9B. ***Other Information***

Not applicable.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item with respect to our directors, corporate governance matters and committees of the Board of Directors is contained in our Proxy Statement for the Annual General Meeting of Shareholders ("the Proxy Statement") to be filed with the Commission not later than 120 days after the end of our fiscal year ended December 31, 2010 and incorporated herein by reference.

The information required by this item with respect to our executive officers is set forth in "Executive Officers" in Part I of this Annual Report on Form 10-K.

Information with respect to Section 16(a) of the Exchange Act is included under "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement and is incorporated herein by reference.

The guidelines and procedures of the Board of Directors are outlined in our Corporate Governance Policy. The committees of the Board of Directors operate under written charters adopted by the Board of Directors. The Corporate Governance Policy and committee charters are available on our website at www.enscoplc.com in the Corporate Governance section and are available in print without charge by contacting our Investor Relations Department at 214-397-3045.

We have a Code of Business Conduct Policy that applies to all employees, including our principal executive officer, principal financial officer and controller. The Code of Business Conduct Policy is available on our website at www.enscoplc.com in the Corporate Governance section and is available in print without charge by contacting our Investor Relations Department. We intend to disclose any amendments to or waivers from our Code of Business Conduct Policy by posting such information on our website. Our Proxy Statement contains governance disclosures, including information on our Code of Business Conduct Policy, the Ensco Corporate Governance Policy, the director nomination process, shareholder director nominations, shareholder communications to the Board of Directors and director attendance at the Annual General Meeting of Shareholders.

Item 11. ***Executive Compensation***

The information required by this item is contained in our Proxy Statement and incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

The following table summarizes certain information related to our compensation plans under which our shares are authorized for issuance as of December 31, 2010:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) [1]
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,321,316	$47.52	4,085,725
Equity compensation plans not approved by security holders [2]	98	23.12	--
Total	1,321,414	$47.52	4,085,725

(1) Under the LTIP, 4.1 million shares remained available for future issuances of equity awards as of December 31, 2010. Of the 4.1 million shares authorized for future issuances, 4.1 million are authorized for future option issuances, 2.3 million are authorized for future issuances of non-vested share awards and 2.5 million are authorized for future issuances for the payment of performance awards. Our performance award grants may be settled in Ensco shares, cash or a combination thereof.

(2) In connection with the acquisition of Chiles Offshore Inc. ("Chiles") during 2002, we assumed Chiles' option plan and the outstanding options thereunder. As of December 31, 2010, options to purchase 98 shares, at a weighted-average exercise price of $23.12 per share, were outstanding under this plan. No shares are available for future issuance under this plan, no further options will be granted under this plan and the plan will be terminated upon the earlier of the exercise or expiration date of the last outstanding option.

Additional information required by this item is included in our Proxy Statement and incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is contained in our Proxy Statement and incorporated herein by reference.

Item 14. ***Principal Accounting Fees and Services***

The information required by this item is contained in our Proxy Statement and incorporated herein by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) The following documents are filed as part of this report:

1. Financial Statements

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2. Financial Statement Schedules:

The schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable or provided elsewhere in the financial statements and, therefore, have been omitted.

3. Exhibits

Exhibit No.		
2.1	-	Agreement and Plan of Merger and Reorganization, dated as of November 9, 2009, between ENSCO International Incorporated and ENSCO Newcastle LLC (incorporated by reference to Annex A to the Registration Statement of ENSCO International Limited on Form S-4 (File No. 333-162975) filed on November 9, 2009).
2.2	-	Agreement and Plan of Merger by and among Ensco plc, Pride International, Inc., ENSCO International Incorporated, and ENSCO Ventures LLC, dated February 6, 2011 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed on February 7, 2011, File No. 1-8097).
3.1	-	Articles of Association of Ensco International plc (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on December 16, 2009, File No. 1-8097).
3.2	-	Certificate of Incorporation on Change of Name (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on April 1, 2010, File No. 1-8097).
4.1	-	Deposit Agreement, dated as of September 29, 2009, by and among ENSCO International Limited, Citibank, N.A., as Depositary, and the holders and beneficial owners of American Depositary Shares issued thereunder (incorporated by reference to Exhibit 4.1 to the Registration Statement of ENSCO International Limited on Form S-4 (File No. 333-162975) filed on November 9, 2009).
4.2	-	Form of American Depositary Receipt for American Depositary Shares representing Deposited Class A Ordinary Shares of Ensco plc (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on April 1, 2010, File No. 1-8097).
4.3	-	Indenture, dated November 20, 1997, between the Company and Bankers Trust Company, as Trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on November 24, 1997, File No. 1-8097).
4.4	-	First Supplemental Indenture, dated November 20, 1997, between the Company and Bankers Trust Company, as trustee, supplementing the Indenture dated as of November 20, 1997 (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed on November 24, 1997, File No. 1-8097).
4.5	-	Second Supplemental Indenture dated December 22, 2009, among ENSCO International Incorporated, Ensco International plc and Deutsche Bank Trust Company Americas, as trustee (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
4.6	-	Form of Debenture (incorporated by reference to Exhibit 4.4 to the Registrant's Current Report on Form 8-K filed on November 24, 1997, File No. 1-8097).

4.7	-	In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, certain instruments as respects long-term debt of the Company have been omitted but will be furnished to the Commission upon request.
10.1	-	Second Amended and Restated Credit Agreement, dated as of May 28, 2010, among Ensco plc, ENSCO International Incorporated, ENSCO Universal Limited, and ENSCO Offshore International Company, as Borrowers, Ensco plc, ENSCO Global Limited, and ENSCO International Incorporated, as Guarantors, the Banks named therein, as Banks, Citibank, N.A., as Administrative Agent, Wells Fargo Bank, National Association and DnB NOR Bank ASA, as Syndication Agents, and Wells Fargo Bank, National Association, Citibank, N.A. and DnB NOR Bank ASA, each as an Issuing Bank (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on June 3, 2010, File No. 1-8097).
10.2	-	Second Amended and Restated Guaranty, dated as of May 28, 2010, made by Ensco plc, ENSCO Global Limited, and ENSCO International Incorporated, as Guarantors, in favor of Citibank, N.A., as Administrative Agent under the Credit Agreement (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed on June 3, 2010, File No. 1-8097).
+10.3	-	ENSCO International Incorporated 1998 Incentive Plan (incorporated by reference to Exhibit 4.1 to the Registrant's Form S-8 filed on July 7, 1998, Registration No. 333-58625).
+10.4	-	Amendment to the ENSCO International Incorporated 1998 Incentive Plan (incorporated by reference to Exhibit 10.19 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-8097).
+10.5	-	Amendment to the ENSCO International Incorporated 1998 Incentive Plan (incorporated by reference to Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, File No. 1-8097).
+10.6	-	Amendment to the ENSCO International Incorporated 1998 Incentive Plan, dated as of May 31, 2006 (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, File No. 1-8097).

+10.7	-	Amendment to the ENSCO International Incorporated 1998 Incentive Plan, executed on December 22, 2009 and effective as of December 23, 2009 (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.8	-	ENSCO International Incorporated 2000 Stock Option Plan (formerly known as the Chiles Offshore Inc. 2000 Stock Option Plan) (incorporated by reference to Exhibit 4.6 to the Registrant's Registration Statement on Form S-8 filed on August 7, 2002, Registration No. 333-97757).
+10.9	-	Amendment No. 1 to the ENSCO International Incorporated 2000 Stock Option Plan (incorporated by reference to Exhibit 4.7 to the Registrant's Registration Statement on Form S-8 filed on August 7, 2002, Registration No. 333-97757).
+10.10	-	Amendment No. 2 to the ENSCO International Incorporated 2000 Stock Option Plan (incorporated by reference to Exhibit 4.8 to the Registrant's Registration Statement on Form S-8 filed on August 7, 2002, Registration No. 333-97757).
+10.11	-	Amendment No. 3 to the ENSCO International Incorporated 2000 Stock Option Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-8097).
+10.12	-	Amendment No. 4 to the ENSCO International Incorporated 2000 Stock Option Plan, executed on December 22, 2009 and effective as of December 23, 2009 (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.13	-	ENSCO Non-Employee Director Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, File No. 1-8097).
+10.14	-	Amendment No. 1 to the ENSCO Non-Employee Director Deferred Compensation Plan, dated as of March 11, 2008 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, File No. 1-8097).
+10.15	-	Amendment No. 2 to the ENSCO Non-Employee Director Deferred Compensation Plan, dated August 4, 2009 (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-8097).
+10.16	-	Amendment No. 3 to the ENSCO Non-Employee Director Deferred Compensation Plan, executed on December 22, 2009 and effective as of the dates indicated therein (incorporated by reference to Exhibit 10.11 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).

+10.17	-	ENSCO Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2004 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, File No. 1-8097).
+10.18	-	Amendment No. 1 to the ENSCO Supplemental Executive Retirement Plan (As Amended and Restated Effective January 1, 2004), dated as of March 11, 2008 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, File No. 1-8097).
+10.19	-	Amendment No. 2 to the ENSCO Supplemental Executive Retirement Plan (As Amended and Restated effective January 1, 2004), dated November 4, 2008 (incorporated by reference to Exhibit 10.57 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8097).
+10.20	-	Amendment No. 3 to the ENSCO Supplemental Executive Retirement Plan (As Amended and Restated Effective January 1, 2004), dated August 4, 2009 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-8097).
+10.21	-	Amendment No. 4 to the ENSCO Supplemental Executive Retirement Plan (As Amended and Restated Effective January 1, 2009), executed on December 22, 2009 and effective as of the dates indicated therein (incorporated by reference to Exhibit 10.10 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.22	-	ENSCO Supplemental Executive Retirement Plan and Non-Employee Director Deferred Compensation Plan Trust Agreement, as revised and restated effective January 1, 2004 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, File No. 1-8097).
+10.23	-	ENSCO 2005 Non-Employee Director Deferred Compensation Plan, effective January 1, 2005 (incorporated by reference to Exhibit 99.2 to the Registrant's Current Report on Form 8-K filed on January 5, 2005, File No. 1-8097).
+10.24	-	Amendment No. 1 to the ENSCO 2005 Non-Employee Director Deferred Compensation Plan, dated as of March 11, 2008 (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, File No. 1-8097).

+10.25	-	Amendment No. 2 to the ENSCO 2005 Non-Employee Director Deferred Compensation Plan, dated as of November 4, 2008 (incorporated by reference to Exhibit 10.60 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8097).
+10.26	-	Amendment No. 3 to the ENSCO 2005 Non-Employee Director Deferred Compensation Plan, dated August 4, 2009 (incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-8097).
+10.27	-	Amendment No. 4 to the ENSCO 2005 Non-Employee Director Deferred Compensation Plan, executed on December 22, 2009 and effective as of December 23, 2009 (incorporated by reference to Exhibit 10.9 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.28	-	ENSCO 2005 Supplemental Executive Retirement Plan (As Amended and Restated effective January 1, 2005), dated November 4, 2008 (incorporated by reference to Exhibit 10.56 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8097).
+10.29	-	Amendment No. 1 to the ENSCO 2005 Supplemental Executive Retirement Plan (As Amended and Restated Effective January 1, 2005), dated August 4, 2009 (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-8097).
+10.30	-	Amendment No. 2 to the ENSCO 2005 Supplemental Executive Retirement Plan (As Amended and Restated Effective January 1, 2005) dated November 3, 2009 (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009, File No. 1-8097).
+10.31	-	Amendment No. 3 to the ENSCO 2005 Supplemental Executive Retirement Plan (As Amended and Restated Effective January 1, 2005), executed on December 22, 2009 and effective as of December 23, 2009 (incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K filed on December 23, 2009).
+10.32	-	ENSCO 2005 Benefit Reserve Trust, effective January 1, 2005 (incorporated by reference to Exhibit 99.3 to the Registrant's Current Report on Form 8-K filed on January 5, 2005, File No. 1-8097).
*+10.33	-	ENSCO International Incorporated Savings Plan (As Revised and Restated Effective January 1, 2002), incorporating Amendments Nos. 1 - 17 dated November 18, 2010.

+10.34	-	Amended and Restated Trust Deed with respect to the Trust to be known as The Ensco Multinational Savings Plan between Ensco International Incorporated (as Plan Sponsor) and Citco Trustees (Cayman) Limited (as Original Trustee), dated February 16, 2009 (incorporated by reference to Exhibit 10.61 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8097).
+10.35	-	Deed of Amendment to the Ensco Multinational Savings Plan between Citco Trustees (Cayman) Limited (as Trustee) and ENSCO International Incorporated (as Plan Sponsor), dated August 4, 2009 (incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-8097).
+10.36	-	Deed of Amendment No. 2 to the Ensco Multinational Savings Plan, executed as of December 21, 2009 and effective as of December 23, 2009 (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
*+10.37	-	Deed of Amendment No. 3 to the Ensco Multinational Savings Plan, dated as of November 4, 2010.
+10.38	-	Deed of Assumption, dated December 22, 2009, executed by Ensco International plc (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.39	-	ENSCO International Incorporated 2005 Long-Term Incentive Plan (As Revised and Restated on December 22, 2009 and As Assumed by Ensco International plc as of December 23, 2009, including Annex 1 and Annex 2 thereto) (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.40	-	Form of ENSCO International Incorporated 2005 Long-Term Incentive Plan Performance Unit Award Agreement Terms and Conditions (incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed on November 6, 2009, File No. 1-8097).
+10.41	-	Form of Ensco Performance-Based Long-Term Incentive Award Summary (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed on November 6, 2009, File No. 1-8097).
+10.42	-	ENSCO International Incorporated 2005 Cash Incentive Plan, effective January 1, 2005 (incorporated by reference to Exhibit C to the Registrant's Definitive Proxy Statement filed on March 21, 2005, File No. 1-8097).
+10.43	-	Amendment to the ENSCO International Incorporated 2005 Cash Incentive Plan, dated as of May 21, 2008 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, File No. 1-8097).

+10.44	-	Second Amendment to the ENSCO International Incorporated 2005 Cash Incentive Plan, dated as of November 4, 2008 (incorporated by reference to Exhibit 10.59 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, File No. 1-8097).
+10.45	-	2009 Performance Criteria for Named Executive Officers under the ENSCO 2005 Cash Incentive Plan (incorporated by reference to "Compensation Discussion and Analysis - Executive Officer Compensation Philosophy - ECIP Cash Bonus" in the Registrant's Definitive Proxy Statement filed on April 5, 2010, File No. 1-8097).
+10.46	-	ENSCO International Incorporated Form of Indemnification Agreement with Non-Employee Directors (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 6, 2009, File No. 1-8097).
+10.47	-	ENSCO International Incorporated Form of Indemnification Agreement with Executive Officers (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 6, 2009, File No. 1-8097).
+10.48	-	ENSCO International Incorporated Form of Indemnification Agreement with Daniel W. Rabun (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed on November 6, 2009, File No. 1-8097).
+10.49	-	ENSCO International Incorporated Form of Indemnification Agreement with John Mark Burns (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed on November 6, 2009, File No. 1-8097).
+10.50	-	Form of Indemnification Agreement of ENSCO International Incorporated (incorporated by reference to Exhibit 10.12 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.51	-	Form of Deed of Indemnity of Ensco International plc (incorporated by reference to Exhibit 10.13 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.52	-	Employment Offer Letter Agreement dated January 13, 2006 and accepted on February 6, 2006 between the Company and Daniel W. Rabun (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 6, 2006, File No. 1-8097).
+10.53	-	Amendment to the Employment Offer Letter Agreement between ENSCO International Incorporated and Daniel W. Rabun, dated December 22, 2009 (incorporated by reference to Exhibit 10.15 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).

+10.54	-	Amendment and Restatement of the Letter Agreement between ENSCO International Incorporated and William S. Chadwick, Jr., dated December 22, 2009 (incorporated by reference to Exhibit 10.14 to the Registrant's Current Report on Form 8-K filed on December 23, 2009, File No. 1-8097).
+10.55	-	Employment Offer Letter dated May 19, 2008 and accepted on May 22, 2008 between the Registrant and Mark Burns (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, File No. 1-8097).
+10.56	-	Employment Offer Letter dated June 23, 2008 and accepted July 22, 2008 between the Registrant and Carey Lowe (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-8097).
+10.57	-	Summary of Changes in Compensation of Non-Employee Directors, effective June 1, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, File No. 1-8097).
+10.58	-	Retirement Agreement dated February 28, 2007 between the Company and Carl F. Thorne (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 28, 2007, File No. 1-8097).
+10.59	-	Summary of Relocation Benefits of Certain Executive Officers (incorporated by reference to Item 5.02 to the Registrant's Current Report on Form 8-K filed on December 1, 2009, File No. 1-8097).
10.60	-	Bridge Commitment Letter among Ensco plc, Deutsche Bank AG Cayman Islands Branch, Deutsche Bank Securities Inc. and Citigroup Global Markets Inc. dated February 6, 2011 (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on February 7, 2011, File No. 1-8097).
*21.1	-	Subsidiaries of the Registrant.
*23.1	-	Consent of Independent Registered Public Accounting Firm.
**31.1	-	Certification of the Chief Executive Officer of Registrant pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**31.2	-	Certification of the Chief Financial Officer of Registrant pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

**32.1	-	Certification of the Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	-	Certification of the Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**101.INS	-	XBRL Instance Document
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**101.DEF	-	XBRL Taxonomy Extension Definition Linkbase
**101.LAB	-	XBRL Taxonomy Extension Label Linkbase
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***** Filed herewith
****** Furnished herewith
+ Management contracts or compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(b) of this report.

Certain agreements relating to our long-term debt have not been filed as exhibits as permitted by paragraph (b)(4)(iii)(A) of Item 601 of Regulation S-K since the total amount of securities authorized under any such agreements do not exceed 10% of our total assets on a consolidated basis. Upon request, we will furnish to the SEC all constituent agreements defining the rights of holders of our long-term debt not filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on February 24, 2011.

Ensco plc
(Registrant)

By /s/ DANIEL W. RABUN
Daniel W. Rabun
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signatures	Title	Date
/s/ DANIEL W. RABUN Daniel W. Rabun	Chairman, President and Chief Executive Officer	February 24, 2011
/s/ J. RODERICK CLARK J. Roderick Clark	Director	February 24, 2011
/s/ C. CHRISTOPHER GAUT C. Christopher Gaut	Director	February 24, 2011
/s/ GERALD W. HADDOCK Gerald W. Haddock	Director	February 24, 2011
/s/ THOMAS L. KELLY II Thomas L. Kelly II	Director	February 24, 2011
/s/ KEITH O. RATTIE Keith O. Rattie	Director	February 24, 2011
/s/ RITA M. RODRIGUEZ Rita M. Rodriguez	Director	February 24, 2011
/s/ PAUL E. ROWSEY, III Paul E. Rowsey, III	Director	February 24, 2011
/s/ JAMES W. SWENT III James W. Swent III	Senior Vice President and Chief Financial Officer	February 24, 2011
/s/ DAVID A. ARMOUR David A. Armour	Vice President - Finance	February 24, 2011
/s/ DOUGLAS J. MANKO Douglas J. Manko	Controller and Assistant Secretary	February 24, 2011

Exhibit 10.33

ENSCO SAVINGS PLAN

(As Revised and Restated Effective 1 January 2002)

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ENSCO SAVINGS PLAN
(As Revised and Restated Effective 1 January 2002)

THIS AGREEMENT, executed this _____ day of November, 2010, and effective 1 January 2002 unless specifically provided otherwise in this Agreement, by ENSCO International Incorporated, having its principal office in Dallas, Texas (hereinafter referred to as the "Company").

W I T N E S S E T H:

WHEREAS, the Company established the Energy Service Company, Inc. Profit Sharing Plan (the "Plan") effective May 15, 1991 in the form of a profit sharing plan designed to constitute a "qualified plan" within the meaning of applicable sections of the Internal Revenue Code of 1986, as amended (the "Code"), including Section 401(k) thereof;

WHEREAS, the Plan was amended effective May 15, 1991 by resolution of the Board of Directors of the Company (the "Board") dated February 16, 1993 to change the name of the Plan to the "ENSCO Savings Plan";

WHEREAS, the Company also maintained the ENSCO Profit Sharing Plan which was merged into the Plan effective July 1, 1991;

WHEREAS, the Company acquired Penrod Drilling Corporation ("Penrod") and the Penrod Thrift Plan maintained by Penrod was merged into the Plan effective December 31, 1993 and Penrod became a participating employer in the Plan effective as of January 1, 1994;

WHEREAS, the Plan was amended by Amendment No. II effective December 31, 1993 to provide (i) that all matching contributions by the Company to the Plan will be made in shares of common stock of the Company, (ii) that the vesting schedule used by the Plan shall be a six-year schedule pursuant to which a participant is 20% vested after two years of service and an additional 20% for each year thereafter, (iii) for the direct rollover rules of Section 401(a)(31) of the Code, (iv) for the new compensation limitation of Section 401(a)(17) of the Code, (v) for elimination of the requirement that a participant be employed on December 31 of a plan year to receive an allocation of a Company matching contribution made for that plan year and (vi) for such other administrative provisions as the officers of the Company deemed appropriate;

WHEREAS, the Company appointed T. Rowe Price Trust Company successor trustee of the Plan effective January 1, 1995;

WHEREAS, the Company acquired Dual Drilling Company ("Dual") effective June 12, 1996 and Dual Holding Company, a wholly-owned subsidiary of the Company, became the successor sponsor to Dual of the Dual Drilling Company Employees Tax Deferred/Thrift Savings Plan and Trust [the "Dual 401(k) Plan"];

WHEREAS, the eligible employees of Dual became eligible to participate in the Plan effective July 1, 1996;

WHEREAS, the Plan was amended by Amendment No. III effective July 1, 1996 by resolution of the Board to (i) provide all employees of Dual as of June 12, 1996 with credit for all service with Dual for purposes of the eligibility and vesting provisions of the Plan, (ii) permit participation in the Plan as of July 1, 1996 by all participants in the Dual 401(k) Plan as of June 30, 1996, (iii) provide that any participant in the Dual 401(k) Plan as of June 30, 1996 shall be fully vested in his account balance in the Plan as of the date he has both attained age 55 and received credit under the Plan for at least five years of vesting service, (iv) eliminate the $500 minimum withdrawal requirement with respect to in-service withdrawals of pre-tax contributions to the Plan, and (v) provide for the same rules in the Plan as are presently contained in the Dual 401(k) Plan with respect to in-service withdrawals of amounts attributable to after-tax contributions which are to be transferred to the trust of the Plan pursuant to the merger of the Dual 401(k) Plan into the Plan;

WHEREAS, the Dual 401(k) Plan was subsequently amended and restated effective as of January 1, 1989 and such restatement provided that, effective June 1, 1996, each participant in the Dual 401(k) Plan shall be fully vested in his individual account in the Dual 401(k) Plan;

WHEREAS, the Plan was amended by Amendment No. IV effective April 1, 1997 to change the "entry dates" for the Plan;

WHEREAS, (i) the Board approved the merger of the Dual 401(k) Plan into the Plan as soon as administratively practicable following the issuance by the National Office of the Internal Revenue Service of a compliance statement pursuant to the application filed by Dual Holding Company, as successor sponsor to Dual of the Dual 401(k) Plan, under the Voluntary Compliance Resolution program of the Internal Revenue Service and (ii) following receipt by Dual Holding Company of that compliance statement, the Dual 401(k) Plan was merged into the Plan effective as of January 31, 2000;

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

WHEREAS, the Company adopted Amendment No. 1 to the 1997 Restatement, effective January 1, 2002, to reflect the proposed Treasury regulations (the "Proposed Regulations") issued under Section 401(a)(9) of the Code;

WHEREAS, the Company adopted Amendment No. 2 to the 1997 Restatement, effective as of January 1, 2002, except as specifically otherwise in Amendment No. 2, to (i) reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") which generally became applicable to the Plan effective as of January 1, 2002, and (ii) constitute good faith compliance with the requirements of EGTRRA;

WHEREAS, the Pension and Welfare Benefits Administration of the Department of Labor issued final regulations establishing new standards for processing benefit claims of participants and beneficiaries under Section 15.6 of the 1997 Restatement which have been clarified by further guidance from the Pension and Welfare Benefits Administration (collectively the "Final Claims Procedure Regulations");

WHEREAS, the Proposed Regulations for which the 1997 Restatement was amended by Amendment No. 1 were replaced by final Treasury regulations that were issued April 17, 2002 under Section 401(a)(9) of the Code relating to required minimum distributions under Section 15.4 of the 1997 Restatement (the "Final Required Minimum Distribution Regulations");

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

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

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

WHEREAS, the Company adopted Amendment No. 3 to the 1997 Restatement, effective as of October 1, 2002, unless specifically provided otherwise in Amendment No. 3, to, among other things, (i) revise Section 15.6 of the 1997 Restatement to provide that the administrator of the Plan shall process benefit claims of participants and beneficiaries pursuant to the claims procedure specified in the summary plan description for the Plan which shall comply with the Final Claims Procedure Regulations, as may be amended from time to time, (ii) reflect the Final Required Minimum Distribution Regulations by amending Section 15.4 of the 1997 Restatement consistent with the Model Amendment provided by the Internal Revenue Service in Rev. Proc. 2002-29, (iii) permit participation in the Plan on October 1, 2002 (the "Date of Participation") by all employees of Chiles who are both eligible to participate in the Chiles 401(k) Plan as of September 30, 2002 and are employed by the Company or a subsidiary of the Company on October 1, 2002, (iv) provide all employees of Chiles who begin to participate in the Plan as of the Date of Participation with credit for all actual service with Chiles for purposes of the eligibility and vesting provisions of the Plan, (v) provide that any participant in the Chiles 401(k) Plan who has credit under the Chiles 401(k) Plan for at least three years of vesting service as of the Date of Participation shall continue to vest under the Plan in his account balance in the Plan pursuant to the vesting schedule contained in the Chiles 401(k) Plan, (vi) provide that any participant in the Chiles 401(k) Plan who has credit under the Chiles 401(k) Plan for two years of vesting service as of the Date of Participation shall remain 40% vested in his account balance in the Plan but, subsequent to the Date of Participation, shall continue to vest in his account balance in the Plan pursuant to the vesting schedule of the Plan, (vii) provide that any participant in the Chiles 401(k) Plan who has credit under the Chiles 401(k) Plan for one year of vesting service as of the Date of Participation shall remain 20% vested in his account balance in the Plan but, subsequent to the Date of Participation, shall continue to vest in his account balance in the Plan pursuant to the vesting schedule of the Plan, (viii) provide that any participant in the Chiles 401(k) Plan as of the Date of Participation shall become fully vested in his account balance in the Plan as of the date he has both attained age 55 and received credit under the Plan for at least five years of vesting service, and (ix) provide that any participant in the Chiles 401(k) Plan as of the Date of Participation shall be eligible for an in-service withdrawal from the Plan under Section 15.5(c) of the 1997 Restatement once every six months after he has attained 59½;

WHEREAS, the Company adopted Amendment No. 4 to the 1997 Restatement to retroactively amend the definition of Profit Sharing Entry Date in Section 1.16 of the 1997 Restatement to conform the terms of Section 1.16 of the 1997 Restatement to the actual operation of the Plan as authorized by Section 2.07(3) of Appendix B to Rev. Proc. 2002-47;

WHEREAS, the Company adopted Amendment No. 5 to the 1997 Restatement to (i) reduce the service requirement to become eligible to participate in the 401(k) feature of the Plan, (ii) revise the requirements for an election to participate in the 401(k) feature of the Plan and for subsequent amendments to a salary reduction agreement, and (iii) increase the maximum deferral percentage that may be elected under a salary reduction agreement;

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

WHEREAS, the Company adopted Amendment No. 6 to the 1997 Restatement (i) effective as of September 1, 2005, to increase the normal retirement age under the Plan from age 60 to age 65, and (ii) effective as of March 28, 2005, to comply with the provisions of Section 401(a)(31)(B) of the Code, as amended by EGTRRA and the guidance issued in I.R.S. Notice 2005-5 relating to the application of the new rules in connection with automatic rollovers of certain mandatory distributions;

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

WHEREAS, the Company adopted Amendment No. 7 to the 1997 Restatement, effective as of October 3, 2005, to provide temporary relief to certain participants and related individuals affected by Hurricane Katrina in the form of (i) hardship withdrawals from the Plan, and (ii) modified loan provisions for certain loans from the Plan;

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

WHEREAS, the Company adopted Amendment No. 8 to the 1997 Restatement to provide temporary relief to certain participants and related individuals affected by Hurricane Rita and/or Hurricane Wilma in the form of (i) hardship withdrawals from the Plan, and (ii) modified loan provisions for certain loans from the Plan;

WHEREAS, the Company adopted Amendment No. 9 to the 1997 Restatement, effective January 1, 2007, to reduce the service requirement to become eligible to participate in the profit sharing feature of the Plan with respect to employees who are employed or reemployed after December 31, 2006;

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

WHEREAS, the Company adopted Amendment No. 10 to the 1997 Restatement (i) effective as of January 1 2006, to reflect the Final 401(k)/401(m) Regulations and to constitute good faith compliance with the Final 401(k)/401(m) Regulations and (ii) effective as of January 1, 2007, to exclude Carl F. Thorne from further participation in the profit sharing feature of the Plan;

WHEREAS, the Company adopted Amendment No. 11 to the 1997 Restatement, effective January 1, 2008, to (i) clarify that certain highly compensated employees are not permitted to amend their salary reduction contribution elections for a year during the year, and (ii) amend the vesting schedule in Section 14.2 of the 1997 Restatement;

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

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

WHEREAS, the Company adopted Amendment No. 12 to the 1997 Restatement, to (i) amend, effective as of January 1, 2008, the investment funds specified in Section 1.24 of the 1997 Restatement available for participant direction of investment, (ii) amend, effective June 1, 2008, Section 1.24 and Section 22.8 of the 1997 Restatement to provide a limitation on the portion of a participant's individual account that may be invested in Fund 5, (iii) amend, effective June 1, 2008, Section 3.1 of the 1997 Restatement to provide for automatic enrollments, (iv) amend, effective as of January 1, 2007, Section 10.2 and Section 22.8 of the 1997 Restatement to comply with the quarterly benefit statement requirements of the Pension Protection Act of 2006, (v) amend, effective June 1, 2008, Section 15.11 of the 1997 Restatement to provide for eligible rollover distributions by non-spousal beneficiaries as permitted by the Pension Protection Act of 2006, and (vi) amend, effective June 1, 2008, Section 22.8 and Section 22.10 of the 1997 Restatement to change the default investment fund and to specify related procedures in compliance with the Qualified Default Investment Alternatives Regulations governing the investment of the individual account of new participants with an employment or re-employment commencement date after May 31, 2008 who fail to affirmatively direct the investment of their individual accounts;

WHEREAS, the Company adopted Amendment No. 13 to the 1997 Restatement, to (i) amend, effective as of February 1, 2009, the investment funds specified in Section 1.24 of the 1997 Restatement available for participant direction of investment, (ii) amend, effective January 1, 2009, except as otherwise specifically provided therein to the contrary, Article II and Section 3.1(b)(iv) of the 1997 Restatement to provide for the exclusion from initial or continued eligibility to participate in the Plan of all employees of the Company and Affiliated Companies who become or may subsequently become eligible to participate in the Ensco Multinational Savings Plan on or after January 1, 2009, or would otherwise become or subsequently become eligible to participate in the Ensco Multinational Savings Plan on or after January 1, 2009 but for the fact that any such employee is not working outside the country of the employee's permanent residence, (iii) amend, effective January 1, 2008, Section 3.2 of the 1997 Restatement to provide that an employer shall make additional matching contributions as of the last day of any plan year, commencing with the plan year ending December 31, 2008, to the extent the Plan administrator determines that a participant did not receive the same amount of matching contributions to which the participant was entitled for that plan year based on his salary reduction contributions and his annual compensation for that plan year, and (iv) amend, effective January 1, 2008, Section 7.4 of the 1997 Restatement to provide for the exclusion of all participants and employees of the Company and Affiliated Companies who become or may subsequently become eligible to participate in the Ensco Multinational Savings Plan on or after January 1, 2009, or would otherwise become or subsequently become eligible to participate in the Ensco Multinational Savings Plan on or after January 1, 2009 but for the fact that any such employee is not working outside the country of the employee's permanent residence, from initial or continued eligibility to share in the allocation of any profit sharing contribution (as well as the forfeitures, if any, that may become allocable under Section 7.4 of the 1997 Restatement along with such profit sharing contributions) that may be made to the Plan under Section 3.3 of the 1997 Restatement for any plan year beginning on or after January 1, 2008;

WHEREAS, final Treasury regulations were issued under Section 415 of the Code which became effective to the Plan as of January 1, 2008 (the "Final 415 Regulations");

WHEREAS, the Company adopted Amendment No. 14 to the 1997 Restatement, to (i) amend, effective January 1, 2008, Article VIII of the 1997 Restatement to reflect the Final 415 Regulations, and (ii) amend, effective October 1, 2009, Section 22.8 of the 1997 Restatement to reduce the increments by which participants can select investment funds from ten percent to the lowest increment determined from time to time by the administrator of the Plan and to reduce the limitation on the portion of a participant's individual account that may be invested in Fund 5;

WHEREAS, the Company adopted Amendment No. 15 to the 1997 Restatement, to (i) amend, effective January 1, 2008, Section 4.1 of the 1997 Restatement to reflect the change made to the Code by the provisions of the Worker, Retiree, and Employer Recovery Act of 2008 which provide that the correction of excess elective deferrals by distribution for taxable years beginning after December 31, 2007 shall not require the distribution of gap period income, i.e., earnings attributable to such distributed amounts after the end of the taxable year through the date prior to the date of distribution, (ii) amend Sections 4.3 and 5.2 of the 1997 Restatement, as amended, to reflect the provisions of the Pension Protection Act of 2006 which provide that the correction of excess salary reduction contributions and excess matching contributions by distribution for plan years beginning after December 31, 2007 shall not require the distribution of gap period income, i.e., earnings attributable to such distributed amounts after the end of the plan year through the date prior to the date of distribution, and (iii) amend, effective for distributions after December 31, 2006, Section 15.2 of the 1997 Restatement, as amended, to reflect the provisions of the Pension Protection Act of 2006 which specify the content and timing requirements for notices required to be provided to participants regarding their distribution election rights under the Plan;

WHEREAS, the board of directors of the Company and the stockholders of the Company approved the adoption of the Agreement and Plan of Merger and Reorganization (the "Merger Agreement") by and between the Company and ENSCO Newcastle LLC, a newly formed Delaware limited liability company ("Ensco Mergeco") and a wholly-owned subsidiary of ENSCO Global Limited, a newly formed Cayman Islands exempted company ("Ensco Cayman") and a wholly-owned subsidiary of the Company, pursuant to which Ensco Mergeco merged (the "Merger") with and into the Company, with the Company surviving the Merger as a wholly-owned subsidiary of Ensco Cayman;

WHEREAS, Ensco Cayman became, in connection with the Merger, a wholly-owned subsidiary of ENSCO International Limited, a newly formed private limited company incorporated under English law which, prior to the effective time of the Merger, re-registered as a public limited company named "Ensco International plc" ("Ensco UK");

WHEREAS, pursuant to the Merger Agreement, each issued and outstanding share of the common stock of the Company was converted into the right to receive one American depositary share (each an "ADS" and collectively, the "ADSs"), which represents one Class A ordinary share of Ensco UK and is evidenced by an American depositary receipt;

WHEREAS, the Company adopted Amendment No. 16 to the 1997 Restatement to amend, effective as of December 23, 2009 (or, if different, the effective date of the Merger), (i) Section 1.10 of the 1997 Restatement to define "Ensco ADS" instead of "Company Stock," (ii) Section 1.14 of the 1997 Restatement to prohibit any Affiliated Company that is a UK or English company from becoming an Employer under the Plan, (iii) the fund listed as Fund 5 in Section 1.24 of the 1997 Restatement to mean the Ensco ADS Fund, (iv) Section 21.6 of the 1997 Restatement to reflect the voting rights and procedures in connection with the ADSs and the underlying Shares (as defined in such section), (v) Section 21.7 of the 1997 Restatement to reflect certain concepts under English law related to offers as described in such section, (vi) Section 22.10 of the 1997 Restatement to specifically provide that each share of Common Stock held by the Trust Fund on the effective date of the Merger was converted into one ADS, pursuant to the Merger Agreement, and (vii) to make such other conforming changes to the 1997 Restatement as determined necessary;

WHEREAS, the name of Ensco UK was changed to "Ensco plc" and the name of the Plan was changed to "Ensco Savings Plan";

WHEREAS, the Company adopted Amendment No. 17 to the 1997 Restatement, to amend (i) Sections 1.10, 21.6 and 22.10 of the 1997 Restatement to reflect the change to the name of Ensco UK to "Ensco plc," (ii) Section 1.36 of the 1997 Restatement to reflect the change to the name of the Plan to "Ensco Savings Plan," and (iii) Section 3.1(b)(vi) of the 1997 Restatement, effective January 1, 2007, to increase the default deferral percentage under the automatic enrollment feature of the Plan from three percent to five percent;

WHEREAS, pursuant to the guidance issued by the Internal Revenue Service in Rev. Proc. 2007-44, the Plan has been assigned a five-year remedial amendment cycle of Cycle E which requires the Plan to be amended no later than January 31, 2011 (except as may be provided otherwise by Rev. Proc. 2007-44 or other published guidance for certain interim amendments) to bring the Plan into compliance with the 2009 Cumulative List of Changes in Plan Qualification Requirements published by the Internal Revenue Service in Notice 2009-98 for Cycle E plans (the "Cycle E Cumulative List"), which identifies all changes in the qualification requirements applicable to Cycle E plans resulting from statutory, regulatory and other guidance published in the Internal Revenue Bulletin;

WHEREAS, the Pension Protection Act of 2006 enacted other changes to the Code, certain provisions of which become applicable to the Plan for Years beginning on or after January 1, 2007;

WHEREAS, the Company now desires to amend and restate the Plan, effective January 1, 2002 (the "2002 Restatement"), except for certain provisions for which another effective date is subsequently provided otherwise in the terms of the 2002 Restatement, to (i) incorporate the provisions of Amendment Nos. 1-17 to the 1997 Restatement, (ii) bring the Plan into compliance with the Code, as modified by the changes in the qualification requirements applicable to the Plan that are identified in the Cycle E Cumulative List, including, but not limited to EGTRRA, the Final Required Minimum Distribution Regulations, the Final 401(k)/401(m) Regulations, the Final 415 Regulations, and the Worker, Retiree, and Employer Recovery Act of 2008, (iii) reflect certain provisions of the Pension Protection Act of 2006 and to constitute good faith compliance with the requirements of the Pension Protection Act of 2006, and (iv) bring the Plan into compliance with all applicable rules, regulations and administrative pronouncements enacted, promulgated or issued since the Plan was restated by the 1997 Restatement; and

WHEREAS, (i) the benefits payable from the Plan are independent of any benefits an Employee is or may become entitled to under any other funded pension, profit sharing or savings plan, (ii) the benefits payable to an Employee, former Employee or Beneficiary under the Plan shall be determined solely by reference to the provisions of the Plan in effect on the date of such Employee's retirement or other termination of employment, except as otherwise specifically provided herein, and (iii) except as otherwise provided in the Plan or any amendment to the Plan, the provisions of any amendment to the Plan shall apply solely to an Employee, former Employee, Participant or Former Participant whose employment with an Employer terminates on or after the effective date of the amendment;

NOW, THEREFORE, in consideration of the premises and the covenants herein contained, the Company hereby adopts the following as the provisions of the 2002 Restatement:

Article I

DEFINITIONS

Unless by the context hereof a different meaning is clearly indicated, whenever used in the Plan, the following words shall have the meanings hereinafter set forth:

Sec. 1.1 Administrator for the purposes of ERISA means the Company; provided, that the Company, by action of its governing body, may designate another person or entity, including the Trustee, the Recordkeeper or a Committee, as Administrator of the Plan. For purposes of applying the applicable provisions of ERISA to the Plan, the Company shall mean the "administrator" as described in Section 3(16)(A) of ERISA.

Sec. 1.2 Affiliated Company means the Company and any other entity which is, along with the Company, a member of a controlled group of corporations or a controlled group of trades or businesses [as defined in Section 414(b) or (c) of the Code], any entity which along with the Company is included in an affiliated service group as defined in Section 414(m) of the Code, and any other entity which is required to be aggregated with the Company pursuant to Section 414(o) of the Code.

Sec. 1.3 Allocation Date means the last day of each payroll period of the Year and each additional date or dates designated by the Administrator from time to time on which allocations of contributions or forfeitures are made.

Sec. 1.4 Alternate Payee means a person defined in Section 414(p)(8) of the Code who is entitled to benefits under the Plan pursuant to a Qualified Domestic Relations Order.

Sec. 1.5 Annual Compensation means with respect to an Employee, the base salary or wages, including overtime pay and, for Years ending prior to January 1, 1998, field bonuses paid to such Employee by an Employer which are includible in the Employee's gross income for the Year, plus (i) amounts deferred to the Plan pursuant to a salary reduction agreement authorized in Section 3.1, (ii) amounts applied to purchase benefits pursuant to a salary reduction agreement under a cafeteria plan as defined in Section 125 of the Code sponsored by an Employer,(iii) amounts deferred pursuant to a salary reduction agreement under any other plan described in Sections 401(k) and 408(k) of the Code sponsored by an Employer, and (iv) elective amounts that are not includible in gross income by reason of Section 132(f)(4) of the Code, but excluding all other items of compensation. For each Year, only $200,000 of Annual Compensation shall be taken into account by the Plan with respect to any Participant [or, for each Year beginning after December 31, 2002, such other amount as may be determined under Section 401(a)(17)(B) of the Code to reflect cost-of-living-increases] (hereinafter referred to as the "Compensation Limitation"); provided, however, if a Participant's Annual Compensation for the Year exceeds the maximum amount of Annual Compensation that can be taken into account for any purpose under the Plan, the Participant may designate which portion of his total compensation shall be considered for any such purpose.

Sec. 1.6 Beneficiary means any person or fiduciary designated by a Participant or Former Participant in accordance with the terms hereof and Section 401(a)(9) of the Code to receive benefits hereunder following the death of such Participant or Former Participant. Each Participant and Former Participant may, from time to time, select one or more Beneficiaries to receive benefits pursuant to Section 11.1 in the event of the death of such Participant or Former Participant. Such selection shall be made in writing by Notice to the Administrator. Unless the provisions of the Plan or a Qualified Domestic Relations Order provide otherwise, the last such selection filed with the Administrator prior to the date of death of the Participant or Former Participant shall determine to whom Plan benefits shall be paid.

If the Participant or Former Participant is married at the date of his death, the Beneficiary shall be the surviving spouse unless the spouse has consented in writing to the designation of some other Beneficiary, which designation may not be changed without spousal consent unless the voluntary consent of the spouse (i) expressly permits designations by the Participant or Former Participant without any requirement of further consent by the spouse, and (ii) acknowledges that the spouse has the right to limit the consent to a specific Beneficiary. Such written consent must acknowledge the effect of such selection and such consent must be witnessed by a Plan representative or a notary public. Spousal consent is not required if it is established to the satisfaction of the Plan representative that the consent may not be obtained (i) because the Participant or Former Participant has no spouse, (ii) because the spouse cannot be located or (iii) because of such other circumstances as the Secretary of Treasury may by regulations prescribe. Any consent by a spouse (or establishment that the consent of the spouse is not required) shall be effective only with respect to that particular spouse.

If the Administrator cannot readily determine whether a Participant or Former Participant has a spouse under the laws of the state in which the Participant or Former Participant resides resulting from an individual's claim to be a "common law" spouse of a Participant or Former Participant or similar circumstances, the Administrator may request such individual to provide the Administrator with a legal opinion satisfactory to the Administrator or other evidence demonstrating the individual's status as a spouse of the Participant or Former Participant. The Administrator has the sole and absolute authority to determine an individual's status as a spouse of a Participant or Former Participant and any such determination shall be final, binding and conclusive on all parties ever claiming an interest in the Plan. If a Participant is divorced and the Participant's spouse was a Beneficiary named by the Participant, the spouse shall be deemed to have predeceased the Participant and such designation of the spouse shall be void and the next successive Beneficiary or Beneficiaries shall become the Beneficiary(ies) entitled to the benefits under the Plan, unless a Qualified Domestic Relations Order requires a death benefit be payable to the spouse or the Participant designates the former spouse as Beneficiary again after such divorce.

If a Participant's or Former Participant's selection is not made in compliance with these provisions or if all designated persons shall predecease the Participant or Former Participant, or the designation becomes void as provided in the preceding paragraph, Beneficiary means the first of the following classes of successive preference beneficiaries then surviving: the Participant's or Former Participant's:

(a) surviving spouse,

(b) descendants, *per stirpes* (including adopted children),

(c) parents in equal shares,

(d) brothers and sisters in equal shares, and

(e) estate.

If more than one Beneficiary of a particular class (primary or secondary) is entitled to benefits, payments shall be made in equal shares to such Beneficiaries, unless some other specific proportions are clearly designated by the Participant or Former Participant. If more than one Beneficiary of a particular class (primary or secondary) is named, the interest of any deceased Beneficiary of that class shall pass to the surviving Beneficiary or Beneficiaries of that class except to the extent that the designation provides for payment to any secondary Beneficiary or Beneficiaries upon the death of a primary Beneficiary. In determining whether any person named as a Beneficiary is living at the time of a Participant's or Former Participant's death, if such person and the Participant or Former Participant died in a common disaster and there is insufficient evidence to determine which person died first, then it shall be deemed that the Beneficiary died first.

Sec. 1.7 Catch-up Contribution means Salary Reduction Contributions to the Plan pursuant to an election by a Catch-up Eligible Participant that are in excess of an otherwise applicable Plan limit, other than the limit on Catch-up Contributions specified in Section 4.1. For this purpose, an otherwise applicable Plan limit is a limit in the Plan that applies to Salary Reduction Contributions without regard to Catch-up Contributions, such as the limit for each Year under Section 415 of the Code on Annual Additions as described in Article VII, the dollar limitation for each calendar year on Salary Reduction Contributions under Section 402(g) of the Code (not counting Catch-up Contributions) as described in Section 4.1, the Actual Deferral Percentage tests of Section 401(k) of the Code that must be satisfied each Year as described in Section 4.2, and the contribution limit for each Year applicable to Salary Reduction Contributions described in Section 3.1.

Sec. 1.8 Catch-up Eligible Participant means any Participant (i) who will attain age 50 by the close of a calendar year and (ii) with respect to whom no other Salary Reduction Contributions may (without regard to Section 4.1) be made to the Plan pursuant to Section 3.1 for the calendar year or the Year, whichever is applicable, by reason of an otherwise applicable Plan limit described in Section 1.7.

Sec. 1.9 Chiles 401(k) Plan means the Chiles Offshore Inc. 401(k) Retirement Savings Plan maintained by Chiles Offshore Inc. as of the Plan Merger Date.

Sec. 1.10 Code means the Internal Revenue Code of 1986, as it may be amended from time to time. Reference to a section of the Code shall include that section, applicable Treasury regulations promulgated thereunder and any comparable section of any future legislation that amends, supplements or supersedes said section, effective as of the date such comparable section is effective with respect to the Plan.

Sec. 1.11 Committee means the committee appointed under Article XVII to administer the Plan, as from time to time constituted. If no such committee is appointed, the Company shall constitute the Committee.

Sec. 1.12 Company means ENSCO International Incorporated, formerly Energy Service Company, Inc., a Delaware corporation, or such other organization which, pursuant to a spinoff, merger, consolidation, reorganization, or similar corporate transaction where a significant portion of the Company's employees become employees of such organization, adopts and assumes the Plan and the Trust Agreement as the sponsor with the consent of the Company and agrees to accept the duties, responsibilities and obligations of the sponsor of the Plan and the Trust Agreement. References in the Plan to the Company shall refer to any such organization which adopts and assumes the sponsorship of the Plan and the Trust Agreement.

Sec. 1.13 Company Stock means the Common Stock of the Company or any other security that qualifies as a qualifying employer security under ERISA.

Sec. 1.14 Disability means a total and permanent disability suffered by a Participant which, in the opinion of the Administrator (which opinion shall be conclusive for purposes of the Plan), prevents such Participant from continuing his work with all Employers and Affiliated Companies.

Sec. 1.15 Dual 401(k) Plan means the Dual Drilling Company Employees Tax Deferred/Thrift Savings Plan and Trust formerly maintained by Dual Drilling Company. Dual Holding Company, a wholly-owned subsidiary of the Company, became the successor sponsor of the Dual 401(k) Plan as of June 12, 1996 when the Company acquired Dual Drilling Company. The employees of Dual Drilling Company who were eligible to participate in the Dual 401(k) Plan ceased to be eligible to participate in that plan on June 30, 1996 and became eligible to participate in the Plan on July 1, 1996. The governing body of the Company approved the merger of the Dual 401(k) Plan into the Plan as soon as administratively practicable following the issuance by the National Office of the Internal Revenue Service of a compliance statement pursuant to the application filed by Dual Holding Company, as successor sponsor to Dual Drilling Company of the Dual 401(k) Plan, under the Voluntary Compliance Resolution program of the Internal Revenue Service. The effective date of the merger of the Dual 401(k) Plan into the Plan was January 31, 2000.

Sec. 1.16 Employee means any individual in the employ of an Employer who is on an Employer's United States dollar payroll (and who is classified as an Employee by the Employer), excluding (i) any Leased Employee that Section 414(n) of the Code treats as an Employee of an Employer, unless classification of such Leased Employee as an Employee is necessary to maintain the qualification of the Plan, and (ii) any employee included in a unit of Employees covered by a collective bargaining agreement between an Employer and employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the employees who are covered pursuant to that agreement are professional employees [as defined in Treas. Reg. §1.410(b)-9]. The term "Employee" shall not include any individual who by contract is not classified by the Employer as a common law employee of the Employer, regardless of whether such individual is included on the Employer's payroll for Federal income tax withholding purposes or whether such person is later classified as an employee by the Internal Revenue Service, the Department of Labor, a court, an administrative agency or an Employer.

Sec. 1.17 Employer means the Company and any other Affiliated Company, with respect to its Employees, provided such Affiliated Company is designated by the governing body of the Company as an Employer under the Plan and whose designation as such has become effective and has continued in effect; provided, however, that, effective as of the effective date of the Merger, no Affiliated Company that is either a UK company or an English company shall become an Employer. The designation shall become effective only when it shall have been accepted by the governing body of the Employer and shall be effective for the Year determined by the governing body of the Company and the Employer. An Employer may revoke its acceptance of such designation at any time, but until such acceptance has been revoked, all of the provisions of the Plan and amendments thereto shall apply to the Employees of the Employer. In the event the designation of the Employer as such is revoked by the governing body of the Employer, such revocation will not be deemed a termination of the Plan. The Company shall have the exclusive right to determine whether an Affiliated Company shall become or continue to be an Employer for purposes of the Plan.

Sec. 1.18 Employer Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant, Former Participant or Beneficiary reflecting the monetary value of such person's individual interest in the Trust Fund attributable to an Employer's Matching Contributions under Section 3.2 and the Employer profit sharing contributions, if any, under Section 3.3. If the Participant or Former Participant was a participant in the Penrod Thrift Plan as of December 31, 1993, his Employer Account will also reflect his individual interest in the Trust Fund attributable to the balance in his matching account maintained under the Penrod Thrift Plan as of the Plan Merger Date. If the Participant or Former Participant was a participant in the Chiles 401(k) Plan as of September 30, 2002, his Employer Account will also reflect his individual interest in the Trust Fund attributable to the balance in his matching employer contributions account maintained under the Chiles 401(k) Plan as of the Plan Merger Date.

Sec. 1.19 Ensco ADS means an American depository share, evidenced by an American depositary receipt, which represents a Class A ordinary share in Ensco plc (formerly named "Ensco International plc"), a company incorporated under English law which wholly owns the Company. Pursuant to the Merger Agreement, each share of Company Stock held by the Trust Fund on the effective date of the Merger, including each such share allocated to the Individual Accounts of each Participant, was converted into one Ensco ADS. Except with respect to Section 1.13, the first paragraph of Section 20.6, Section 20.7 and the second paragraph of Section 21.10, prior to the effective date of the Merger, references (specific or otherwise) to Ensco ADSs in the Plan shall be read and considered to be references to shares of Company Stock and all references (specific or otherwise) to "holders of Ensco ADSs" shall be read and considered to be references to stockholders of the Company, and all provisions of the Plan shall be consistently interpreted and applied.

Sec. 1.20 Entry Date means (i) with respect to an eligible Employee's ability to make Salary Reduction Contributions, the first business day of any calendar month occurring on or following the date the Employee satisfies the eligibility requirements of Section 2.1 for the 401(k) feature of the Plan [the "401(k) Entry Date"] and (ii) with respect to an eligible Employee's participation in the profit sharing feature of the Plan, the first day of the calendar month coincident with or next following the date the Employee satisfies the eligibility requirements of Section 2.1 for the profit sharing feature of the Plan (the "Profit Sharing Entry Date"); provided, however, that (i) effective January 1, 2007, the Profit Sharing Entry Date for an Employee who completes his 90 th day of employment during the month of December shall be the date he completes such 90 th day of employment, and (ii) effective January 1, 1994 and prior to January 1, 2007, the Profit Sharing Entry Date for an Employee who completes his one-year Period of Service during the month of December shall be the date he completes such one-year Period of Service.

Sec. 1.21 ERISA means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time, and applicable regulations promulgated thereunder.

Sec. 1.22 Former Participant means any individual who has been a Participant in the Plan, who is no longer in the employ of an Employer and who has not yet received the entire benefit to which he is entitled under the Plan.

Sec. 1.23 401(k) Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant, Former Participant or Beneficiary reflecting the monetary value of such person's individual interest in the Trust Fund attributable to Salary Reduction Contributions made on the Participant's behalf pursuant to a salary reduction agreement described in Section 3.1 and attributable to qualified non-elective contributions under Section 3.4. If the Participant was a participant in the Penrod Thrift Plan as of December 31, 1993, the Dual 401(k) Plan as of June 30, 1996, or the Chiles 401(k) Plan as of September 30, 2002, his 401(k) Account will also reflect his individual interest in the Trust Fund attributable to (i) the balance in his accelerated retirement account maintained under the Penrod Thrift Plan as of the Plan Merger Date, (ii) the balance in his 401(k) contributions account maintained under the Dual 401(k) Plan as of the Plan Merger Date, or (iii) the balance in his deferral contributions account maintained under the Chiles 401(k) Plan as of the Plan Merger Date, whichever is applicable.

Sec. 1.24 Highly Compensated Employee means any Employee who is determined to be included in subsection (a) after applying the special rules in subsection (b).

(a) Any Employee who:

(i) was, at any time during the Year or the preceding Year, a more than five-percent owner of any Employer [within the meaning of Section 414(q)(2) of the Code]; or

(ii) during the preceding Year received Annual Compensation [as defined in Section 7.2(f)] from all Employers in excess of $85,000 [as adjusted pursuant to subsection (b)(iii)], and, if the Administrator elects by Plan amendment, was in the top 20% of the Employees for the preceding Year (when ranked on the basis of Annual Compensation for such Year).

(b) For purposes of determining the Employees who are to be included in subsection (a) above, the following special rules shall apply to this Section 1.24:

(i) In determining the top 20% of Employees pursuant to subsection (a)(ii), Employees who (A) have not completed at least six months of service at the end of the Year, (B) normally work fewer than 17½ hours per week, (C) normally work during not more than six months during any Year, (D) have not attained age 21 by the end of the Year or (E) are covered under a collective bargaining agreement (except to the extent provided in applicable Treasury regulations) shall be excluded from such determination.

(ii) A former Employee whose employment terminates prior to the Year of determination shall be treated as a Highly Compensated Employee for the Year of determination if such Employee was a Highly Compensated Employee when such Employee's employment with his Employer and all Affiliated Companies terminated, or such Employee was a Highly Compensated Employee at any time after attaining age 55.

(iii) The dollar amount in subsection (a)(ii) shall be adjusted to such other amount as the Secretary of the Treasury shall prescribe at the same time and in the same manner as provided under Section 415(d) of the Code for adjusting the dollar limitation in effect under Section 415(c)(1)(A) of the Code, except that the base period shall be the calendar quarter ending on the date determined pursuant to Section 414(q)(1) of the Code.

(iv) In determining the number of Employees pursuant to this Section, any Employee who is a nonresident alien and who receives no earned income [within the meaning of Section 911(d)(2) of the Code] from any Employer which constitutes income from sources within the United States [within the meaning of Section 861(a)(3) of the Code] shall be excluded from such determination.

Sec. 1.25 Hours of Service means each hour credited to an individual for which he is either directly or indirectly paid, or entitled to payment, by any Affiliated Company or, to the extent permitted by the governing body of the Company or the Administrator in accordance with Section 401(a)(4) of the Code, by the predecessor company. Effective December 12, 1994, each period of qualified military service (within the meaning of Chapter 43 of Title 38, United States Code) served by an Employee who is reemployed under that chapter by an Affiliated Company following such service shall be considered service with an Affiliated Company for purposes of determining his Hours of Service.

Sec. 1.26 Individual Account means an account or record to be maintained by the Trustee or the Recordkeeper reflecting the monetary value of the undivided interest in the Trust Fund of each Participant, each Former Participant and each Beneficiary and shall include the Employer Account, 401(k) Account, Prior Plan Account, Reinstatement Account, Rollover Account, if any, Transfer Account, if any, and Savings Account, if any, and such other additional account or accounts as the Administrator may establish from time to time.

Sec. 1.27 Interactive Electronic Communication means, to the extent available under the Plan, a communication between a Participant, Former Participant or Beneficiary and the Recordkeeper pursuant to a system maintained by the Recordkeeper and communicated to each Participant, Former Participant and Beneficiary in compliance with final Treasury regulations and final Department of Labor regulations whereby each such individual may (i) obtain financial information regarding his Individual Account and amounts available for withdrawal, and (ii) initiate investment transfer elections and exercise options as described herein with respect to his Individual Account, as well as other actions approved from time to time by the Administrator, through the use of the telephone, Internet or such other system and a personal identification number assigned to the Participant, Former Participant or Beneficiary by the Recordkeeper or the Administrator. If a Participant, Former Participant or Beneficiary (i) consents to participate in the Plan's Interactive Electronic Communication procedures adopted by the Administrator and (ii) acknowledges that actions taken by such Participant, Former Participant or Beneficiary through the use of his personal identification number constitute his signature, to the extent allowed by the Administrator, for purposes of initiating Investment Fund changes, Participant loans, Beneficiary designations, Salary Reduction Contribution election changes, Plan withdrawals and distributions, including waiver of the 30-day period described in Section 14.2, and such other actions approved from time to time by the Administrator, the Participant, Former Participant or Beneficiary, as the case may be, will be deemed to have given his written consent and authorization to any action resulting from the use of the Interactive Electronic Communication system by the Participant, Former Participant or Beneficiary.

Sec. 1.28 Investment Fund or Funds means one or more funds designated by the Committee pursuant to Section 21.8 from time to time and maintained for the purpose of providing a vehicle for the investment of assets of the Trust Fund, in accordance with the directions of each Participant, Former Participant and, to the extent applicable, Beneficiary and Alternate Payee with respect to his Individual Account, until such Investment Fund or Funds shall be eliminated by action of the Committee. As of February 1, 2009, the Investment Funds shall be:

Fund 1 : T. Rowe Price Balanced Fund;
Fund 2 : T. Rowe Price Spectrum Growth Fund;
Fund 3 : T. Rowe Price Spectrum Income Fund;
Fund 4 : T. Rowe Price Stable Value Fund (formerly known as the T. Rowe Price Blended Stable Value Fund prior to May 1, 2000);
Fund 5 : Ensco ADS Fund (formerly known as the Company Stock Fund prior to the effective date of the Merger);
Fund 6 : T. Rowe Price Equity Income Fund;
Fund 7 : Vanguard Institutional Index Fund;
Fund 8 : T. Rowe Price Blue Chip Growth Fund;
Fund 9 : T. Rowe Price Mid-Cap Growth Fund;
Fund 10 : Columbia Small Cap Value I Z Fund;
Fund 11 : Vanguard Total Bond Market Index Signal Fund;
Fund 12 : American Funds EuroPacific Growth R5 Fund;
Fund 13 : T. Rowe Price Retirement Income Fund;
Fund 14 : T. Rowe Price Retirement 2005 Fund;
Fund 15 : T. Rowe Price Retirement 2010 Fund;
Fund 16 : T. Rowe Price Retirement 2015 Fund;
Fund 17 : T. Rowe Price Retirement 2020 Fund;
Fund 18 : T. Rowe Price Retirement 2025 Fund;
Fund 19 : T. Rowe Price Retirement 2030 Fund;
Fund 20 : T. Rowe Price Retirement 2035 Fund;
Fund 21 : T. Rowe Price Retirement 2040 Fund;
Fund 22 : T. Rowe Price Retirement 2045 Fund;
Fund 23 : T. Rowe Price Retirement 2050 Fund;
Fund 24 : T. Rowe Price Retirement 2055 Fund; and
Fund 25 : Perimeter Small Cap Growth Investor Fund.

The Administrator may direct the Trustee to invest one or more of such funds with a specified insurance company or mutual fund, or appoint an investment advisor as provided in Section 21.5 to manage the same and may also direct the Trustee to establish new Investment Funds or delete existing Investment Funds from time to time. Up to 100% of the assets of the Trust Fund may be invested in Fund 5. Effective June 1, 2008, a Participant may direct that the assets of his Individual Account may be invested in Fund 5 only in accordance with the specific limitations of Section 21.8.

Sec. 1.29 Leased Employee means an individual who is not in the employ of an Employer and who, pursuant to a leasing agreement between an Employer and any other person (including such individual) (the "leasing organization"), has performed services for an Employer [or for an Employer and any other person related to an Employer determined in accordance with Section 414(n)(6) of the Code] on a substantially full-time basis for at least one year and who performs such services under the primary direction or control by the Employer. Leased Employee shall also include any individual who is deemed to be an employee of an Employer under Section 414(o) of the Code. Notwithstanding the preceding sentences, if individuals described in the preceding sentences constitute less than 20% of an Employer's non-highly compensated work force within the meaning of Section 414(n)(5)(C)(ii) of the Code, the Plan shall not treat an individual as a Leased Employee if the leasing organization covers the individual in a money purchase pension plan providing immediate participation, full and immediate vesting and a non-integrated contribution formula equal to at least ten percent of the individual's annual compensation [as defined in Section 415(c)(3) of the Code, but including amounts contributed by an Employer pursuant to a salary reduction agreement which are excludable from the individual's gross income under Sections 125, 402(e)(3), 402(h)(1)(B), 403(b) or 132(f)(4) of the Code]. If any Leased Employee shall be treated as an Employee of an Employer, however, contributions or benefits provided by the leasing organization which are attributable to services of the Leased Employee performed for an Employer shall be treated as provided by the Employer.

Sec. 1.30 Matching Contribution means the contribution made by an Employer pursuant to Section 3.2.

Sec. 1.31 Merger means the merger consummated pursuant to the Merger Agreement of Ensco Mergeco (as defined in Section 1.32) with and into the Company, with the Company surviving the Merger as a wholly-owned subsidiary of Ensco Cayman (as defined in Section 1.32).

Sec. 1.32 Merger Agreement means the Agreement and Plan of Merger and Reorganization approved and adopted by the stockholders of the Company at the Special Meeting of Stockholders on December 22, 2009, by and between the Company and ENSCO Newcastle LLC, a newly formed Delaware limited liability company ("Ensco Mergeco") and a wholly-owned subsidiary of ENSCO Global Limited, a newly formed Cayman Islands exempted company ("Ensco Cayman") and a wholly-owned subsidiary of the Company, pursuant to which the Merger occurred. Ensco Cayman became, in connection with the Merger, a wholly-owned subsidiary of ENSCO International Limited, a newly formed private limited company incorporated under English law which, prior to the effective time of the Merger, re-registered as a public limited company named "Ensco International plc." The name of Ensco International plc was subsequently changed to "Ensco plc."

Sec. 1.33 Named Fiduciary means the Company, except to the extent the Company has delegated specific functions to the Committee, if any, appointed by the Company pursuant to Article XVII. If no Committee is appointed, the Company will perform the functions of the Committee.

Sec. 1.34 Non-Highly Compensated Employee means any Employee who is not a Highly Compensated Employee. The determination of an Employee's status as a Non-Highly Compensated Employee for a Year shall be determined based on the definition of Highly Compensated Employee in Section 1.24 that is applicable for that Year.

Sec. 1.35 Normal Retirement Date means a Participant's or Former Participant's 65 th birthday; provided that Normal Retirement Date means a Participant's or Former Participant's 60 th birthday with respect to any Participant or Former Participant who has completed a Period of Service of at least three years, whether or not consecutive, as of September 1, 2005.

Sec. 1.36 Notice means, unless otherwise provided specifically in the Plan, (i) written Notice on an appropriate form provided by the Administrator, which is properly completed and executed by the party giving such Notice and which is delivered by hand or by mail to the Administrator or to such other party designated by the terms of the Plan or by the Administrator to receive the Notice or (ii) Notice by Interactive Electronic Communication, to the extent authorized by the Administrator, to the Recordkeeper. Notice to the Administrator, the Recordkeeper or to any other person as provided herein shall be deemed to be given when it is actually received (either physically or by Interactive Electronic Communication, as the case may be) by the party to whom such Notice is given.

Sec. 1.37 Participant means an Employee who (i) has met the eligibility requirements of the Plan as provided in Article II hereof and elected to participate in the Plan pursuant to Section 2.2 or (ii) has received an allocation of a profit sharing contribution under Section 6.4 or a qualified non-elective contribution under Section 6.5. An Employee who elects to make a Rollover Contribution to the Plan or who has a Transfer Contribution made to the Plan on his behalf but who has not met the eligibility requirements of the Plan as provided in Article II hereof, shall, until he satisfies such requirements, be considered a Participant only for purposes of applying the relevant provisions of the Plan relating to the investment and distribution of his Rollover Account or Transfer Account and his rights and responsibilities under ERISA with respect to such contribution.

Sec. 1.38 Penrod Thrift Plan means the Penrod Thrift Plan maintained by Penrod Drilling Corporation as of the Plan Merger Date.

Sec. 1.39 Period of Service means the months and years of an Employee's employment with one or more Affiliated Companies, such employment commencing with the date the Employee first performs an Hour of Service (or following a Period of Severance, again performs an Hour of Service) and ending on his Severance from Service Date.

An Employee shall be given credit for all periods following the date he first becomes an Employee which do not constitute a Period of Severance, except that no credit shall be given (even though no Period of Severance shall occur) for absences referred to in Section 1.51(b). If an Employee's employment with his Employer and all Affiliated Companies terminates by reason of quitting, discharge or retirement and thereafter he again completes an Hour of Service within 12 months of his Severance from Service Date, the period of absence shall be credited for purposes of eligibility and vesting. All Periods of Service, including noncontinuous periods, shall be aggregated and fractional periods shall be determined on the basis that 365 days equal a year of service.

Effective December 12, 1994, each period of qualified military service (within the meaning of Chapter 43 of Title 38, United States Code) served by an Employee who is reemployed under that chapter by an Affiliated Company following such service shall be considered service with an Affiliated Company for purposes of determining his Period of Service. In addition, an Employee shall be credited with the following periods of service, whichever are applicable:

(a) the service he completed with International Tool and Supply Company, Inc. or Petroleum Rental Services, as the case may be, immediately prior to the date such Employee first completed an Hour of Service;

(b) all service credited to such Employee under the Argosy Offshore, Ltd. Employee Savings Plan as of the date Argosy Offshore, Ltd. became an Affiliated Company;

(c) all service credited to such Employee under the Penrod Thrift Plan as of December 31, 1993, the Plan Merger Date for that plan into the Plan;

(d) all service credited to such Employee under the Dual 401(k) Plan as of July 1, 1996, the date the employees of Dual Drilling Company ceased to be eligible to participate in the Dual 401(k) Plan and became eligible to participate in the Plan;

(e) all service credited to such Employee under the Chiles 401(k) Plan for actual service with Chiles Offshore Inc. as of October 1, 2002, the date the employees participating in the Chiles 401(k) Plan ceased to be eligible to participate in the Chiles 401(k) Plan and became eligible to participate in the Plan; or

(f) the service he completed with Diamond Offshore Drilling, Inc. and its affiliates immediately prior to the date such Employee first completed an Hour of Service.

Sec. 1.40 Period of Severance means any period of 12 or more consecutive months beginning with an Employee's Severance from Service Date during which an Employee does not perform an Hour of Service for an Affiliated Company.

Sec. 1.41 Plan means the plan embodied herein, as the same may be amended from time to time, and shall be known as the "Ensco Savings Plan" (formerly named the "ENSCO Savings Plan" prior to the Merger).

Sec. 1.42 Plan Merger Date means the effective date of the merger of the Penrod Thrift Plan, the Dual 401(k) Plan or the Chiles 401(k) Plan into the Plan. The Plan Merger Date is (i) December 31, 1993 for the Penrod Thrift Plan, (ii) January 31, 2000 for the Dual 401(k) Plan, a date determined by the Company following the issuance by the National Office of the Internal Revenue Service of a compliance statement pursuant to the application filed by Dual Holding Company, as successor sponsor to Dual Drilling Company of the Dual 401(k) Plan, under the Voluntary Compliance Resolution program of the Internal Revenue Service, and (iii) October 1, 2002 for the Chiles 401(k) Plan.

Sec. 1.43 Prior Plan Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant who was a participant in the Dual 401(k) Plan as of June 30, 1996, reflecting the monetary value of such person's individual interest in the Trust Fund attributable to the balance in his company matching contributions account and discretionary profit sharing contributions account, if any, maintained under the Dual 401(k) Plan as of the Plan Merger Date.

Sec. 1.44 Qualified Domestic Relations Order means any judgment, decree or order (including approval of a property settlement agreement) which (i) relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child or other dependent of a Participant or Former Participant, (ii) is made pursuant to a state domestic relations law, (iii) creates or recognizes the existence of an Alternate Payee's right to, or assigns to an Alternate Payee the right to, receive all or a portion of the benefits payable with respect to a Participant or Former Participant under the Plan, and (iv) complies with the requirements of Section 414(p) of the Code.

Sec. 1.45 Recordkeeper means any person or entity appointed by the Company or the Committee to perform recordkeeping and other administrative services on behalf of the Plan. If no Recordkeeper is appointed, the Trustee shall perform the duties of the Recordkeeper.

Sec. 1.46 Reinstatement Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Participant who repays a distribution to the Plan pursuant to Section 13.3 reflecting the monetary value of that Participant's individual interest in the Trust Fund attributable to his repayment.

Sec. 1.47 Rollover Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Employee or Participant who makes a Rollover Contribution reflecting the monetary value of such person's individual interest in the Trust Fund attributable to his Rollover Contribution. If the Employee or Participant was a participant in (i) the Penrod Thrift Plan as of December 31, 1993, (ii) the Dual 401 (k) Plan as of July 1, 1996, or (iii) the Chiles 401(k) Plan as of September 1, 2002, his Rollover Account shall also reflect his individual interest in the Trust Fund attributable to the balance in his rollover account, if any, maintained under the Penrod Thrift Plan, the Dual 401(k) Plan or the Chiles 401(k) Plan as of the Plan Merger Date.

Sec. 1.48 Rollover Contribution means all or any portion of an eligible rollover distribution, as defined in Section 402(c)(4) of the Code, transferred to the Plan pursuant to a Participant's election as described in Section 401(a)(31)(A) of the Code from an eligible retirement plan, including (i) a qualified plan described in Section 401 (a) or 403(a) of the Code, (ii) an annuity contract described in Section 403(b) of the Code, and (iii) an eligible plan under Section 457(b) of the Code which is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; provided, that the amount transferred to the Plan from an eligible retirement plan described in clause (i) or (ii) may not include after-tax employee contributions to such plan. An eligible rollover distribution shall not include any portion of a hardship withdrawal within the meaning of Section 401(k)(2)(B)(i)(IV) of the Code of amounts (and, if applicable, the earnings attributable thereto) deferred pursuant to a salary reduction agreement under any other plan described in Section 401(k) of the Code. In addition, a Rollover Contribution means any amount transferred to the Plan which would constitute a rollover contribution within the meaning of Section 403(a)(4) or 408(d)(3) of the Code. Any such rollover contribution (which is not a direct rollover from another plan) must consist of either (i) all or a portion of the property (in excess of employee contributions) that the Employee received in a distribution from an employee's trust described in Section 401(a) of the Code which is exempt from tax under Section 501(a) of the Code, an annuity plan described in Section 403(a) of the Code and any earnings thereon [whether such contribution is paid directly by the Employee, from such other trust or annuity plan, or from an individual retirement account or individual retirement annuity described in Section 408(a) or 408(b) of the Code that is eligible to be rolled over and would otherwise be includible in gross income], an annuity contract described in Section 403(b) or 408(d)(3) of the Code, or an eligible plan under Section 457(b) of the Code which is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or a political subdivision of a state, or (ii) all or a portion of the proceeds from the sale of property received in such a distribution pursuant to Section 402(c)(6) of the Code.

Sec. 1.49 Salary Reduction Contribution means contributions made by an Employer on behalf of each Participant pursuant to a salary reduction agreement described in Section 3.1.

Sec. 1.50 Savings Account means, with respect to any Participant who was a participant in either the Penrod Thrift Plan as of December 31, 1993 or the Dual 401(k) Plan as of July 1, 1996 and while participating in either such plan made after-tax contributions to that plan, the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each such Participant reflecting the monetary value of that Participant's individual interest in the Trust Fund attributable to (i) the balance in his savings account maintained under the Penrod Thrift Plan as of the Plan Merger Date to reflect the after-tax contributions he made to that plan or (ii) the balance in his participant after-tax employee contributions account maintained under the Dual 401(k) Plan as of the Plan Merger Date to reflect the after-tax contributions to that plan.

Sec. 1.51 Severance from Service Date means the earlier of the date on which an Employee ceases to be employed by an Affiliated Company, or

(a) the first anniversary of the date on which the Employee begins an unpaid leave of absence (other than a military leave) authorized by his Employer in accordance with standard personnel policies of his Employer applied in a nondiscriminatory manner to all Employees similarly situated;

(b) the second anniversary of the date on which the Employee begins an absence from the service of an Affiliated Company by reason of (i) pregnancy of the individual, (ii) birth of a child of the individual, (iii) placement of a child with the individual in connection with the adoption of such child by such individual, or (iv) for purposes of caring for such child for a period beginning immediately following such birth or placement, provided that the Employee timely furnishes the Administrator information establishing (i) that the absence from the service of an Affiliated Company was for one or more of the foregoing reasons and (ii) the number of days for which there was an absence; or

(c) the first date on an Employee's qualified military service ends (within the meaning of Chapter 43, Title 38, United States Code) and he is not reemployed under that chapter by an Affiliated Company.

Sec. 1.52 Transfer Account means the portion of the Individual Account maintained by the Trustee or the Recordkeeper for each Employee or Participant who had a Transfer Contribution made on his behalf to the Plan, reflecting the monetary value of such person's individual interest in the Trust Fund attributable to such Transfer Contribution. If any portion of the Transfer Contribution is attributable to elective contributions made on behalf of the Employee pursuant to Section 401(k) of the Code to another plan described in Section 401(k) of the Code, the Administrator may direct the Trustee or the Recordkeeper to credit such portion of the Transfer Contribution to the Employee's 401(k) Account. If the Employee or Participant was a participant in either the Penrod Thrift Plan as of December 31, 1993 or the Dual 401(k) Plan as of July 1, 1996, his Transfer Account will also reflect his individual interest in the Trust Fund attributable to the balance in his transfer account, if any, maintained under the Penrod Thrift Plan or the Dual 401(k) Plan as of the Plan Merger Date.

Sec. 1.53 Transfer Contribution means all or part of the balance to the credit of an Employee in another plan described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code, other than a plan described as (i) a defined benefit plan and a defined contribution plan which is subject to the funding standards of Section 412 of the Code or (ii) a defined contribution plan which is subject to the requirements of Section 401(a)(11)(B) of the Code with respect to an Employer, which was transferred directly by the trustee of such other plan to the Trustee.

Sec. 1.54 Trust Agreement means the T. Rowe Price Trust Company Trust Agreement entered into between the Company and the Trustee to carry out the purposes of the Plan and under which the Trust Fund is maintained; provided that if such agreement be amended or supplemented, Trust Agreement, as of a particular date, shall mean such agreement, as amended and supplemented and in force on such date.

Sec. 1.55 Trust Fund means all assets of whatsoever kind and nature from time to time held by the Trustee pursuant to terms and conditions of the Trust Agreement out of which benefits of the Plan are provided. The Trust Fund shall be divided into Investment Funds as provided in Section 21.8.

Sec. 1.56 Trustee means T. Rowe Price Trust Company, or any successor trustee or additional trustee or trustees acting at any time as Trustee under the Trust Agreement.

Sec. 1.57 Valuation Date means each business day of the Year or such other date or dates as the Administrator may establish from time to time.

Sec. 1.58 Year means the 12-month period from January 1 of each year to the next following December 31.

Sec. 1.59 Gender and Number . Except as otherwise indicated by the context, any masculine terminology used herein also includes the feminine and neuter, and vice versa, and the definition of any term herein in a singular shall also include the plural, and vice versa.

Article II

ELIGIBILITY OF EMPLOYEES

Sec. 2.1 Eligibility . Except as provided in this Article II to the contrary, each Employee who was eligible to participate in either or both the 401(k) feature of the Plan and the profit sharing feature of the Plan on December 31, 2001 shall continue to be eligible to participate in that feature or those features of the Plan, as applicable, as of January 1, 2002. Each other Employee (i) shall be eligible to become a Participant in the 401(k) feature of the Plan as provided in Section 2.2 on the 401(k) Entry Date which coincides with or which next follows the date upon which he shall have both attained age 18 and completed a one-month Period of Service (or, prior to January 1, 2004, a three-month Period of Service), and (ii) who is employed or is reemployed (without having previously satisfied the then-applicable service requirement of this Section 2.1 for the profit sharing feature of the Plan) by an Employer after December 31, 2001, shall be eligible to participate in the profit sharing feature of the Plan (subject to the allocation requirements of Section 6.4) on the Profit Sharing Entry Date which coincides with or which next follows the date upon which he shall have both attained age 18 and completed at least 90 days of employment with the Employer (or, prior to January 1, 2007, a one-year Period of Service); provided, in each case, the Employee is employed by an Employer on the applicable Entry Date in a class of employment eligible for participation in the Plan. Each Employee who was eligible to participate in the Chiles 401(k) Plan on September 30, 2002 became eligible to participate in both the 401(k) feature and the profit sharing feature of the Plan on October 1, 2002, provided he was employed by an Employer on October 1, 2002. In connection with the purchase on 7 July 2010 of the Ensco 109, formerly Diamond Offshore Drilling, Inc.'s Ocean Shield, each Employee who was formerly employed by Diamond Offshore Drilling, Inc. or an affiliate with an assignment to that rig on that date and whose employment as an Employee commenced on 21 August 2010 with a continued assignment to the Ensco 109 became eligible to participate in both the 401(k) feature and the profit sharing feature of the Plan on 21 August 2010.

Sec. 2.2 Election to Participate . An Employee who is eligible to become a Participant in the 401(k) feature of the Plan may do so by either (i) completing and timely returning the written enrollment forms provided by the Administrator for that purpose or (ii) if allowed by the Administrator, timely giving an Interactive Electronic Communication, prior to the 401(k) Entry Date as of which he becomes eligible to commence participation in the 401(k) feature of the Plan, including forms or, if permitted, Interactive Electronic Communication, which (i) designate a Salary Reduction Contribution rate and authorize an Employer to reduce his Annual Compensation as provided in Section 3.1, (ii) designate a Beneficiary, and (iii) elect the Investment Funds to which his contributions are to be allocated pursuant to Section 21.8. For purposes of this Article II, the enrollment forms described in clauses (i)-(iii) of the preceding sentence shall be collectively referred to as the Enrollment Forms. If an Employee does not elect to become a Participant in the 401(k) feature of the Plan when he first becomes eligible to participate, he may thereafter elect to become a Participant in the 401(k) feature of the Plan as of any subsequent payroll period with respect to which (or, prior to August 26, 2003, as of any subsequent 401(k) Entry Date as of which) he continues to be employed by an Employer in a class of employment eligible for participation in the Plan by either (i) completing the Enrollment Forms and timely returning them to the Administrator, or (ii) if allowed by the Administrator, timely giving the Enrollment Forms by Interactive Electronic Communication.

An eligible Employee's participation in the 401(k) feature of the Plan shall commence on the 401(k) Entry Date following the date or, effective August 26, 2003, any subsequent payroll period with respect to which, the Administrator timely receives his Enrollment Forms or, if applicable, he timely gives his Interactive Electronic Communication, in accordance with the provisions of this Section 2.2 and Section 3.1 and shall continue in effect until amended or terminated. For purposes of the Plan, an Employee's Enrollment Forms shall be considered to have been timely received by the Administrator or to have been timely given by Interactive Electronic Communication with respect to his 401(k) Entry Date or, if applicable, the subsequent payroll period if the forms are received by the Administrator, or the Interactive Electronic Communication is given by the Employee, prior to that 401(k) Entry Date or the end of that subsequent payroll period and the Administrator determines, in its sole and absolute discretion, that it is administratively practicable to process his enrollment prior to that 401(k) Entry Date or the end of that subsequent payroll period. If the Administrator determines that it is not administratively practicable to process an Employee's enrollment prior to his 401(k) Entry Date or the end of a particular payroll period, his enrollment shall be effective as of the next succeeding payroll period (or, prior to August 26, 2003, the next succeeding 401(k) Entry Date). The Administrator may determine from time to time to require an Employee to return the Enrollment Forms required by this Article II and any amendments to a salary reduction agreement pursuant to Article III directly to the Recordkeeper. By signing such Enrollment Forms or, if allowed by the Administrator, by giving the Enrollment Forms by Interactive Electronic Communication, the Employee and his Beneficiary agree to be bound by all the terms and conditions of the Plan as then in effect or as thereafter amended.

Sec. 2.3 Eligibility upon Reemployment . Notwithstanding Section 2.1, each Employee who is not employed by an Employer in a class of employment eligible for participation on the Entry Date on which he would have been eligible to become a Participant in the Plan with respect to either the 401(k) feature or the profit sharing feature of the Plan, shall be eligible to become a Participant hereunder in that feature as of the first Entry Date for that feature following the date on which he resumes employment as an Employee with an Employer in a class of employment eligible for participation and either (i) timely submits his Enrollment Forms to the Administrator or (ii) if allowed by the Administrator, timely gives the Enrollment Forms by Interactive Electronic Communication. The Administrator shall determine whether an Employee timely submitted his Enrollment Forms or, if applicable, timely gave his Enrollment Forms by Interactive Electronic Communication, in accordance with the guidelines specified in Section 2.2.

Sec. 2.4 Reemployment of Participant . Except as provided in this Section, if the employment of a Participant terminates for any reason and he subsequently is reemployed as an Employee by an Employer in a class of employment eligible for participation, he shall be eligible to become a Participant as of the 401(k) Entry Date following the date he resumes employment as an Employee with an Employer and continues to be employed in a class of employment eligible for participation and either (i) timely submits his Enrollment Forms to the Administrator or (ii) if allowed by the Administrator, timely gives the Enrollment Forms by Interactive Electronic Communication; provided that if the Participant had satisfied the eligibility requirements under Section 2.1 to participate in the 401(k) feature of the Plan but not the profit sharing feature of the Plan as of the date his employment terminated, he shall not be eligible to participate in the profit sharing feature of the Plan until he satisfies the eligibility requirements of Section 2.1 that are applicable to the profit sharing feature of the Plan. The Administrator shall determine whether an Employee timely submitted his Enrollment Forms or, if applicable, timely gave his Enrollment Forms by Interactive Electronic Communication, in accordance with the guidelines specified in Section 2.2.

Sec. 2.5 Changes in Classification and Cessation of Participation . A Participant shall immediately cease to be eligible to make any further Salary Reduction Contributions and shall immediately cease to be eligible for any further Matching Contributions to the Plan upon the occurrence of either of the following events:

(a) termination of his salary reduction agreement established pursuant to Section 3.1; or

(b) termination of his status as an Employee with all Employers for any reason.

If a Participant is subsequently transferred to, or is included on December 31, 2008 in, a class of employment not eligible for participation in the Plan but continues to be employed by an Affiliated Company, no further contributions to the Trust Fund shall be made by or on behalf of the Participant under the Plan with respect to periods on and after the date of subsequent transfer to or, if applicable, inclusion on December 31, 2008 in, a class of employment not eligible for participation in the Plan, or such other earlier period specified in Section 2.9. Any Participant described in the preceding sentence may recommence his participation in the features of the Plan for which he was eligible at the time of the subsequent transfer to or, if applicable, inclusion on December 31, 2008 in, an ineligible class of employment if he is transferred back to an eligible class of employment and new Enrollment Forms are executed or, if allowed by the Administrator, an Interactive Electronic Communication is given, in accordance with Section 3.1. During the period of his employment in a class of employment not eligible for participation in the Plan, the Participant shall continue to (i) vest in his Employer Account, (ii) be eligible for withdrawals (subject to the requirements of Section 14.5), (iii) be permitted to transfer his Individual Account among the Investment Funds in accordance with the provisions of Section 21.8, and (iv) be permitted to change Beneficiaries in accordance with the provisions of the Plan.

Sec. 2.6 Exclusion of Employees Covered by Collective Bargaining . Notwithstanding Section 2.1, an Employee covered by a collective bargaining agreement between an Employer and a collective bargaining representative certified under the Labor Management Relations Act who is otherwise eligible to become a Participant under this Article II shall be considered to be employed in an ineligible class of employment and excluded from eligibility to participate in the Plan if retirement benefits were the subject of good faith bargaining between the Employee's representative and the Employer and if the agreement does not require the Employer to include such Employee in the Plan. An Employee who is a Participant in the Plan when he is excluded under the provisions of this Section 2.6 shall cease active participation in the Plan on the effective date of that collective bargaining agreement and shall not participate in Employer contributions while a member of the ineligible class, but shall not be considered to have terminated employment.

Sec. 2.7 Exclusion of Certain Employees who are Non-U.S. Taxpayers . Notwithstanding Section 2.1, an Employee who is otherwise eligible to become or continue to be a Participant under this Article II shall be considered to be employed in an ineligible class of employment and excluded from eligibility to participate in the Plan if the Employee (i) is included on January 1, 2009 in, or subsequently transferred to, a class of employment eligible to participate on such date in the Ensco Multinational Savings Plan, or (ii) would be described in clause (i) of this sentence but for the fact that he is not employed and working outside the country of his permanent residence. An Employee who is a Participant in the Plan when he is excluded under the provisions of this Section 2.7 shall cease active participation in the Plan on the effective date of his inclusion in that ineligible class of employment and shall not participate in Employer contributions while employed in that ineligible class of employment, but shall not be considered to have terminated employment.

Sec. 2.8 Eligibility Upon Entry or Reentry into an Eligible Class of Employees . In the event a Participant is excluded because he is no longer a member of an eligible class of Employees as specified in this Article II, such Employee shall be eligible to become a Participant immediately upon his return to employment as an Employee of an Employer in an eligible class of Employees. In the event that an Employee who is not a former Participant in the Plan becomes a member of the eligible class, such Employee shall be eligible to become a Participant immediately if such Employee has satisfied the eligibility requirements of Section 2.1 and would have previously been eligible to become a Participant had he been in the eligible class and new Enrollment Forms are executed or, if allowed by the Administrator, new Enrollment Forms are given by Interactive Electronic Communication, in accordance with Section 3.1.

Sec. 2.9 Exclusion of Certain Employees from the Profit Sharing Feature of the Plan . Notwithstanding the foregoing provisions of this Article II and any other provision of the Plan, (i) effective as of January 1, 2007, Carl F. Thorne shall be excluded from participation in the profit sharing feature of the Plan and the allocation of Employer profit sharing contributions, if any, under Section 6.4 (as well as the forfeitures, if any, that may become allocable under Section 6.4 along with such profit sharing contributions) that are made pursuant to Section 3.3 for any Year beginning on or after January 1, 2007, and (ii) effective as of January 1, 2008, all Participants and Employees of the Company and Affiliated Companies, including those Employees who are included on December 31, 2008 in, or subsequently transferred to, a class of employees not eligible for participation in the Plan and, as a result shall cease to be a Participant for purposes of certain provisions of the Plan as specified in Section 2.5, shall be excluded from participation in the profit sharing feature of the Plan and the allocation of Employer profit sharing contributions, if any, under Section 6.4 (as well as the forfeitures, if any, that may become allocable under Section 6.4 along with such profit sharing contributions) that are made pursuant to Section 3.3 for the Year beginning January 1, 2008 and for any Year beginning on or after January 1, 2009 with respect to which the Employee does not satisfy the allocation requirements of Section 6.4, including because he is employed in an ineligible class of employment on the last day of the Year.

Article III

CONTRIBUTIONS

Sec. 3.1 Salary Reduction Contributions .

(a) Amount of Contributions . On satisfying the requirements of Article II for participation in the 401(k) feature of the Plan, an eligible Employee may elect to have the Employer make Salary Reduction Contributions to the Trust Fund on his behalf by executing an enrollment form or, if allowed by the Administrator, by giving an Interactive Electronic Communication, containing a salary reduction agreement as described in Section 3.1(b). The terms of any such salary reduction agreement shall provide that the Employee agrees to accept a reduction in his Annual Compensation from his Employer in an amount equal to not less than one percent but up to ten percent (in whole percentages) of his Annual Compensation per payroll period, subject to the restrictions and limitations of Articles IV and VII hereof. The maximum deferral percentage in the preceding sentence shall be (i) increased to 50% for any Year beginning after December 31, 2003 for any eligible Employee who is a Non-Highly Compensated Employee for that Year, and (ii) increased to 15% for any Year beginning after 31 December 2010 for any eligible Employee who is a Highly Compensated Employee for that Year and was not invited to participate in the Ensco 2005 Supplemental Executive Retirement Plan (the "2005 SERP") for the plan year of the 2005 SERP that coincides with that Year. The maximum percentage that an Employee may elect to reduce his Annual Compensation shall be determined from time to time by the Administrator taking into account the restrictions and limitations imposed by Articles IV and VII hereof.

Effective April 1, 2002, in addition to the Salary Reduction Contributions made by a Participant in accordance with the preceding provisions of this Section 3.1(a) for a Year, a Participant who is a Catch-up Eligible Participant for that Year shall be eligible to make Catch-up Contributions in the form of Salary Reduction Contributions in accordance with, and subject to the limitations of, Section 414(v) of the Code as described in Section 4.1.

(b) Salary Reduction Agreement .

(i) Nature of Agreement . The salary reduction agreement referred to in Section 3.1(a) shall be a legally binding agreement (on a form prescribed by the Administrator, which may include an Interactive Electronic Communication) whereby (A) the Participant agrees that, as of the effective date of the agreement, the Annual Compensation otherwise payable to him thereafter shall be reduced by a whole percentage (as selected by the Participant) not to exceed the maximum percentage permitted under Section 3.1(a), and (B) the Employer agrees to contribute the total amount of such reduction in Annual Compensation to the Trust Fund on behalf of the Participant as a Salary Reduction Contribution under Section 3.1(a). If a Participant's Annual Compensation for the Year exceeds the maximum amount of Annual Compensation that can be taken into account, the Participant may designate which portion of his total compensation is subject to his salary reduction agreement as long as the total amount deferred for the Year does not exceed the maximum amount allowed by law, calculated with respect to his Annual Compensation up to the maximum compensation that may be considered for the Year. Salary Reduction Contributions shall be made by the Employer to the Trust Fund shortly after the end of each payroll period from which they are reduced, provided that in no event shall the Employer's aggregate contribution on behalf of the Participant under Section 3.1(a) for any month occur later than the 15th Valuation Date of the month following the month to which such contribution relates or such other date prescribed by the Code or applicable Treasury or Department of Labor regulations, rulings, notices or other promulgated documents of general applicability. Subject to the provisions of paragraph (iv) of this Section 3.1(b) and Article IV hereof, a Participant's salary reduction agreement shall remain in effect until modified or terminated in accordance with paragraphs (iii) or (iv) of this Section 3.1(b).

(ii) Effective Date of Agreement . The effective date of a Participant's salary reduction agreement shall be the 401(k) Entry Date following the date, or such other subsequent payroll period as provided in Section 2.2 with respect to which, such agreement is timely received in executed form by the Administrator or, if allowed, an Interactive Electronic Communication is timely given, as required by Article II; provided that such effective date shall not be determined to be earlier than the 401(k) Entry Date the Participant first becomes eligible to participate in the Plan. The Administrator shall determine whether an Employee timely submitted his salary reduction agreement or, if applicable, timely gave an Interactive Electronic Communication, in accordance with the guidelines specified in Section 2.2.

(iii) Amendment of Salary Reduction Contribution Elections . A Participant may amend his elections authorizing the Employer to make Salary Reduction Contributions as of any payroll period with respect to Annual Compensation not yet paid (A) to increase or to decrease the whole percentage of his Annual Compensation [within the limits of Section 3.1(a)] to be used to determine his Salary Reduction Contributions or (B) to cease entirely such contributions. A Participant's amended Salary Reduction Contribution election shall be effective no earlier than the first day of the first payroll period during which either (i) an amended salary reduction agreement is timely received in executed form by the Administrator or (ii) if allowed by the Administrator, an Interactive Electronic Communication is timely given, or such other date as the Administrator may prescribe from time to time. If a Participant elects to cease making Salary Reduction Contributions, the Participant may elect to again participate in the 401(k) feature of the Plan and resume making contributions to the Trust Fund under Section 3.1(a) by executing a new salary reduction agreement or, if allowed by the Administrator, by giving an Interactive Electronic Communication; provided that the effective date of such new salary reduction agreement shall be no earlier than the first day of the first payroll period during which the new salary reduction agreement is timely received in executed form by the Administrator, or if allowed by the Administrator, the Interactive Electronic Communication is timely given. An amendment to a salary reduction agreement, including one to cease Salary Reduction Contributions, and a new salary reduction agreement shall be considered to have been timely received if it is received by the Administrator or, if applicable, the Interactive Electronic Communication is timely given, prior to the end of the applicable payroll period and the Administrator determines, in its sole and absolute discretion, that it is administratively practicable to process that amendment or new salary reduction agreement, whichever is applicable, for that payroll period. If the Administrator determines that it is not administratively practicable to process an amendment or new salary reduction agreement, whichever is applicable, prior to the end of a particular payroll period, that amendment or new salary reduction agreement shall be effective as of the next succeeding payroll period. Notwithstanding the preceding provisions of this Section 3.1(b)(iii) to the contrary, no Participant who (i) is considered a Highly Compensated Employee for a Year beginning after December 31, 2007, and (ii) was invited and actually elected to participate in the 2005 SERP [as defined in Section 3.1(a)] for the plan year of the 2005 SERP that coincides with that Year by first agreeing pursuant to Section 3.1(a) to defer to the Plan the maximum Salary Reduction Contribution rate determined for that Year by the Administrator pursuant to Section 3.1(a) and Section 4.4, may subsequently amend or revoke his Salary Reduction Contribution election under this Section 3.1(b)(iii) during that Year.

(iv) Transfer to Ineligible Employment or Termination of Employment . A Participant's salary reduction election shall terminate automatically if the Participant (A) is transferred to, or is included on December 31, 2008 in, a class of employment not eligible for participation in the Plan, or (B) if his employment as an Employee with all Employers terminates. Upon return of the Participant to an eligible class of employment as an Employee with an Employer, the Participant shall be permitted to execute a new salary reduction agreement or, if allowed, give an Interactive Electronic Communication, and resume having contributions made to the Trust Fund on his behalf under Section 3.1(a); provided that the effective date of the new salary reduction agreement shall be no earlier than the later of (A) the first day of the first payroll period during which the new salary reduction agreement is timely received in executed form by the Administrator or, if applicable, an Interactive Electronic Communication is timely given, or (B) the date the Participant resumes eligible employment as an Employee with an Employer. Transfers of Participants to different payroll systems among the Employers shall be administered by procedures established by the Administrator.

(v) No Pre-Service Contributions . In no event shall an Employer deliver (i) any Salary Reduction Contributions for any Year beginning after December 31, 2005 to the Trust Fund on behalf of any Participant prior to the date the Participant performs the services as an Employee with respect to which the Salary Reduction Contributions are being made, or (ii) any Matching Contributions for any Year beginning after December 31, 2005 to the Trust Fund on behalf of any Participant prior to the date the Participant performs the services as an Employee with respect to which the Matching Contributions are being made, unless such pre-funding is to accommodate a bond fide administrative concern and is not for the principal purpose of accelerating deductions.

(vi) Automatic Enrollment Effective June 1, 2008 . The Administrator shall provide a Notice described in this subsection (b)(vi) to each individual who is initially employed or re-employed as an Employee after May 31, 2008 but does not agree to a reduction in his Annual Compensation from his Employer pursuant to Section 3.1(a) by executing an enrollment form or, if allowed by the Administrator, by giving an Interactive Electronic Communication, containing a salary reduction agreement as described in Section 3.1(b). The Administrator may determine to limit the application of this subsection (b)(vi) to Employees who are subject to United States federal income tax. The Notice shall be provided to any such Employee as soon as administratively practicable after his employment or re-employment commencement date which is the date the Employee first performs an Hour of Service. The terms of that Notice shall provide that the Administrator shall automatically enroll each such Employee in the 401(k) feature of the Plan pursuant to Sections 2.2 and 3.1(a) and that such Employee shall be deemed to have agreed to a reduction in his Annual Compensation from his Employer in an amount equal to three percent of his Annual Compensation per payroll period commencing with the payroll period which next follows the 30 th day following the 401(k) Entry Date which coincides with or next follows the date upon which he satisfies the eligibility requirements specified in Section 2.1(ii) for participation in the 401(k) feature of the Plan, subject to the restrictions and limitations of Article IV hereof, unless the Employee affirmatively elects prior to that payroll period to cancel his automatic enrollment. The automatic enrollment percentage specified by the preceding sentence shall be five percent for each individual who is initially employed or re-employed as an Employee after September 30, 2010 but does not agree to a reduction in his Annual Compensation from his Employer pursuant to Section 3.1(a) by executing an enrollment form or, if allowed by the Administrator, by giving an Interactive Electronic Communication, containing a salary reduction agreement as described in Section 3.1 (b). If the Administrator determines that it is not administratively practicable to process the automatic enrollment of an Employee prior to the end of the payroll period specified in the preceding sentence, that automatic enrollment shall be effective as of the next succeeding payroll period. The Notice shall also provide that the balance of each such Employee's Individual Account shall be invested in the qualified default investment alternative in accordance with the provisions of Section 21.8. In addition, that Notice shall provide that each such Employee may elect to cancel or amend his automatic enrollment for the payroll period in which his automatic enrollment shall become effective, or cancel or amend his automatic enrollment for any future payroll period, in accordance with Section 3.1(b)(iii).

(c) Special Rule for Qualified Military Service . Notwith-standing the limitation of Section 3.1(a), a Participant who is in qualified military service (within the meaning of Chapter 43 of Title 38, United States Code) who is reemployed under that chapter shall be permitted to elect to have his Employer make additional Salary Reduction Contributions to the Trust Fund on his behalf in the amount provided in this Section 3.1(c) or such lesser amount as is elected by the Participant. The Participant shall be entitled to elect to have these additional Salary Reduction Contributions made on his behalf during the period which begins on the date of his reemployment with the Employer following such period of qualified military service and continues for a period of time equal to the lesser of (i) the product of three and the period of qualified military service which resulted in such right and (ii) five years. The amount of additional Salary Reduction Contributions that a Participant may elect to have made on his behalf under this Section 3.1(c) is equal to the excess of (i) the maximum amount of Salary Reduction Contributions that the Participant would have been permitted to have made on his behalf to the Plan in accordance with the applicable limitations of Section 4.1 and Section 7.1 during the period of qualified military service if the Participant had continued to be employed by his Employer during such period and had continued to receive Annual Compensation as determined in the manner provided in Section 6.4 during any such period of qualified military service over (ii) the actual amount of Salary Reduction Contributions made on behalf of that Participant pursuant to Section 3.1(a) during that same period.

Sec. 3.2 Employer Matching Contributions . For each payroll period, an Employer may contribute hereunder as a Matching Contribution an amount equal to a stated dollar amount or a stated percentage of the Salary Reduction Contributions, if any, made for such payroll period on behalf of each Participant entitled to an allocation under Section 6.3; provided that the Salary Reduction Contributions made on behalf of each Participant for a payroll period for which an Employer shall make a Matching Contribution shall be considered only to the extent that it (i) does not exceed six percent of the portion of the Participant's Annual Compensation paid during such payroll period, unless the governing body of the Company determines otherwise, and (ii) was not initially made to the Plan under Section 3.1(a) as a Catch-up Contribution. If, as of the last day of any Year beginning after December 31, 2007, the Administrator determines that a Participant did not receive the amount of Matching Contributions to which such Participant was entitled for the Year based on his Salary Reduction Contributions made during the Year and his Annual Compensation for the Year, his Employer shall make an additional Matching Contribution on behalf of such Participant in an amount necessary to provide the Participant with the Matching Contribution to which he is entitled for such Year. The Matching Contributions for a Year shall be determined by the governing body of the Company in its sole and absolute discretion; provided that the Administrator reserves the right to impose limits from time to time on the Matching Contributions that can be made by any Employer to the extent necessary to meet the limitations and restrictions of Articles V and VII. Matching Contributions made pursuant to this Section 3.2 shall be subject to the limitations and restrictions of Articles V and VII. The Matching Contributions, if any, made pursuant to this Section 3.2 shall be reduced by the forfeitures for such Year under Articles IV, V, XIII and XIV that are designated under Section 13.5 by the Company to be applied to reduce the Matching Contributions for the Year and such forfeitures shall be allocated as provided in Section 6.3 in lieu of such contributions. If additional Salary Reduction Contributions are made on behalf of a Participant pursuant to Section 3.1(c), the Employer shall make the same Matching Contribution pursuant to this Section 3.2 for that Participant which would have been made with respect to such Salary Reduction Contributions if those Salary Reduction Contributions had actually been made on behalf of that Participant during that period of qualified military service.

Sec. 3.3 Employer Profit Sharing Contributions . In addition to the Matching Contribution under Section 3.2, if any, for any Year, an Employer may elect to make a voluntary profit sharing contribution (after taking into account the Matching Contribution, if any, under Section 3.2) on behalf of the Participants entitled to an allocation under Section 6.4 for that Year in an amount determined and authorized by the governing body of that Employer for such Year. The Employer profit sharing contributions, if any, made pursuant to this Section 3.3 shall be allocated along with the forfeitures for such Year under Articles IV, V, XIII and XIV, if any, that are designated by the Company under Section 13.5 for allocation under Section 6.4 with the Employer profit sharing contributions. The Administrator reserves the right to impose limits from time to time on the profit sharing contributions that can be made by any Employer to the extent necessary for the Plan to retain its qualified status under the Code.

Sec. 3.4 Employer Qualified Non-Elective Contributions . To insure that the Actual Deferral Percentage tests of Section 401(k) of the Code as described in Section 4.2 hereof or the Contribution Percentage tests of Section 401(m) of the Code as described in Section 5.1 hereof are met for any Year, an Employer, under such rules and regulations as the Secretary of the Treasury may prescribe, in addition to the Salary Reduction Contributions made by the Employer pursuant to Section 3.1, the Matching Contributions under Section 3.2, if any, and any Employer profit sharing contributions under Section 3.3, may make additional contributions which shall constitute "qualified non-elective contributions" within the meaning of Section 401(m)(4)(C) of the Code on behalf of any Participant selected by the Employer who is an eligible Non-Highly Compensated Employee (as defined in Section 4.2) with respect to the current Year or the preceding Year, whichever is applicable under Section 4.2 or Section 5.1. Each Year an Employer shall designate the portion, if any, of the qualified non-elective contributions that it made for the Year that shall be considered under Section 4.2 for the Actual Deferral Percentage test and the portion, if any, that shall be considered under Section 5.1 for the Contribution Percentage test. The qualified non-elective contributions that are made for any Year beginning after December 31, 2005 and are designated by the Employer for consideration under Section 4.2 for the Actual Deferral Percentage test for that Year must satisfy the requirements of Section 4.6 and the qualified non-elective contributions that are made for any Year beginning after December 31, 2005 and are designated by the Employer for consideration under Section 5.1 for the Contribution Percentage test for that Year must satisfy the requirements of Section 5.5.

Sec. 3.5 Time and Form of Contributions . Payments of Employer contributions due with respect to any Year shall be made in cash (by check or wire transfer), Ensco ADSs, or any combination thereof, as determined by the Company, in its sole and absolute discretion. In addition to any other requirements hereunder relating to the timing of contributions, contributions made by an Employer pursuant to Sections 3.1, 3.2, 3.3 or 3.4, if any, may be made at any time and from time to time, except, as provided in Sections 3.1(b)(i), 4.3(c) and 5.2(c), the total contribution for any Year shall be paid in full not later than the time prescribed by law to enable the Employer to obtain a deduction therefore on its federal income tax return for said Year. If in advance of a Year the governing body of any Employer authorizes Employer contributions pursuant to Section 3.2 or 3.3 for that Year, such governing body may provide that all or a portion of such contributions shall be allocated monthly, quarterly or on some other basis rather than by payroll period during the Year or at the end of such Year. Contributions made after the last day of the Year but within the time for filing an Employer's federal income tax return (including extensions thereof) shall be deemed made as of the last day of that Year if so directed by the Employer, except such contributions shall not share in increases, decreases, or income to the Trust Fund prior to the date actually made. Notwithstanding the foregoing, on an Employer's request, a contribution which was made on a mistake of fact or conditioned on deductibility of the contribution shall be returned to the Employer within one year after payment of the contribution or disallowance of the deduction (to the extent disallowed), as the case may be; provided, however, the amount returned to an Employer shall not be increased by any earnings thereon and shall be reduced by any losses attributable to such amount.

Sec. 3.6 Limit on Employer Contributions . Notwithstanding the foregoing provisions of Sections 3.1, 3.2, 3.3 or 3.4, the contribution of an Employer for any Year (whether made pursuant to Sections 3.1, 3.2, 3.3 or 3.4) shall be first authorized by the governing body of the Employer and shall in no event exceed an amount which will, under the law then in effect, be deductible by the Employer in computing its federal taxes based on income for that Year; provided that the Administrator reserves the right to impose limits from time to time on (i) the Matching Contributions that can be made by any Employer to the extent necessary to meet the limitations and restrictions of Article V and (ii) the profit sharing contributions that can be made by any Employer to the extent necessary for the Plan to retain its qualified status under the Code. As permitted by Section 401(a)(27) of the Code, any Employer may make contributions to the Plan without regard to net profits, current or accumulated.

Sec. 3.7 Contributions May be Made with Respect to a Particular Employer . In making its determination of Matching Contributions and Employer profit sharing contributions with respect to any Year, the governing body of the Company may make its determination separately with respect to any Employer or business or operating unit within an Employer; provided, however, that any such determination must be nondiscriminatory within the meaning of the Treasury regulations under Section 401(a)(4) of the Code and must satisfy the minimum coverage requirements of Section 410(b) of the Code. In such case, the contribution to such Employer or business or operating unit within an Employer shall be allocated only to Participants who are Employees of such Employer or business or operating unit within that Employer.

Sec. 3.8 Manner of Making Contributions . All contributions to the Trust Fund shall be paid directly to the Trustee. In connection with each contribution, the Employer shall provide the Recordkeeper with information that:

(a) identifies each Participant on whose behalf the contribution is being made and the amount thereof; and

(b) states whether the amount contributed on behalf of the Participant is a Salary Reduction Contribution, a Matching Contribution, an Employer profit sharing contribution, a qualified non-elective contribution, a Rollover Contribution or a Transfer Contribution.

The Recordkeeper shall provide the Trustee with any of the information received by it which is necessary for the Trustee to perform its duties and obligations with respect to the Trust Fund.

Sec. 3.9 Rollover and Transfer Contributions . An Employee, regardless of whether he is a Participant in the Plan, may, if authorized by the Administrator and after complying with all applicable laws and filing with the Trustee the form prescribed by the Administrator or, if allowed, by giving an Interactive Electronic Communication, make or have made on his behalf a Rollover Contribution or have a Transfer Contribution made on his behalf to the Plan at any time. The Administrator may adopt rollover and transfer procedures and, before permitting a Rollover Contribution or Transfer Contribution, may require an Employee or his prior employer to furnish such information regarding the amount proposed to be rolled over or transferred to the Plan as the Administrator determines is necessary or appropriate. These procedures shall be designed to enable the Administrator to reasonably conclude whether a Rollover Contribution is valid and shall specify that if the Administrator later determines or is otherwise informed that the Rollover Contribution was not valid, the Administrator shall direct the Trustee to distribute the amount of the invalid Rollover Contribution, plus the earnings attributable thereto, to the Employee as soon as administratively practicable thereafter. If the Employee is not a Participant hereunder, his Rollover Account or Transfer Account shall constitute his entire interest under the Plan and the provisions of the Plan shall be generally applicable to such Employee and the Rollover Contribution or Transfer Contribution, unless expressly provided otherwise herein. Except as otherwise directed by the Administrator, the Recordkeeper shall allocate and credit a Rollover Contribution or Transfer Contribution to the Employee's Rollover Account or Transfer Account as of the Valuation Date immediately following the date on which the Rollover Contribution or Transfer Contribution is made. A Rollover Contribution and a Transfer Contribution shall be nonforfeitable and the value thereof shall be paid to the Participant in the manner the Participant (or, if applicable, the Participant’s Beneficiary) elects pursuant to Sections 14.2 and/or 14.5. An investment election on a form prescribed by the Administrator or, if allowed by the Administrator, an Interactive Electronic Communication, shall be submitted or given with the Employee's Rollover Contribution or Transfer Contribution and shall direct that such contribution be invested in the Investment Funds in accordance with Section 21.8. In no event shall the existence of a Rollover Contribution or Transfer Contribution held for the benefit of an Employee be construed to entitle the Employee to any amount in the Plan to which such Employee is not otherwise entitled under the other provisions of the Plan.

Sec. 3.10 Contributions with Respect to Military Leave . Notwithstanding any provision of the Plan to the contrary, contributions with respect to qualified military service (within the meaning of Chapter 43 of Title 38, United States Code) shall be permitted in accordance with Section 414(u) of the Code.

Article IV

LIMITATIONS AND RESTRICTIONS

ON SALARY REDUCTION CONTRIBUTIONS

Sec. 4.1 Dollar Limitation and Excess Elective Deferrals . For any taxable year of a Participant, the aggregate amount of (i) the Participant's Salary Reduction Contributions made pursuant to Section 3.1(a) for that taxable year and (ii) amounts deferred by the Participant for that taxable year pursuant to a salary reduction agreement under any other plan, contract or agreement described in Sections 401(k), 403(b), 408(k)(6) or 408(p) of the Code sponsored by an Affiliated Company shall not exceed the Annual Deferral Limitation for that taxable year. The Annual Deferral Limitation for the taxable year beginning in 2002 is $11,000 [or, beginning January 1, 2003, such other dollar limitation prescribed by Section 402(g)(4) of the Code for that taxable year as adjusted by the Secretary of the Treasury in accordance with Section 402(g)(4) of the Code at the same time and in the same manner as provided under Section 415(d) of the Code for adjusting the dollar limitation in effect under Section 415(b)(1)(A) of the Code], plus, if applicable, the limitation on Catch-up Contributions for that taxable year as provided in the next paragraph.

For any taxable year of a Catch-up Eligible Participant, the aggregate amount of (i) the Catch-up Eligible Participant's Catch-up Contributions made pursuant to Section 3.1(a) for that taxable year and (ii) amounts deferred by the Catch-up Eligible Participant for that taxable year pursuant to a salary reduction agreement as a catch-up contribution within the meaning of Section 414(v) of the Code under any other plan, contract or arrangement described in Sections 401(a), 403(b), 457(b), 408(k) or 408(p) of the Code sponsored by an Affiliated Company shall not exceed the Catch-up Contribution Limitation for that taxable year. The Catch-up Contribution Limitation for a taxable year shall mean the lesser of (i) the applicable dollar amount under Section 414(v)(2)(B) of the Code for that taxable year, or (ii) the excess (if any) of (A) the Catch-up Eligible Participant's Annual Compensation [as defined in Section 7.2(f)] for the taxable year, over (B) any other Salary Reduction Contributions made pursuant to Section 3.1(a) and any other elective deferrals described in the preceding paragraph of the Catch-up Eligible Participant for such taxable year which are made without regard to Section 414(v) of the Code. The applicable dollar amount referred to in clause (i) of the preceding sentence is $1,000 for the taxable year beginning in 2002, $2,000 for the taxable year beginning in 2003, $3,000 for the taxable year beginning in 2004, $4,000 for the taxable year beginning in 2005, $5,000 for the taxable year beginning in 2006, $5,000 for the taxable year beginning in 2007, $5,000 for the taxable year beginning in 2008, $5,500 for the taxable year beginning in 2009, and $5,500 for the taxable year beginning in 2010. For taxable years beginning after December 31, 2010, the Secretary of the Treasury shall adjust annually the applicable dollar amount for increases in the cost-of-living at the same time and in the same manner as adjustments under Section 415(d) of the Code, as modified by Section 414(v)(2)(C) of the Code.

Catch-up Contributions shall not be subject to or taken into account in applying the limitation for each Year on Annual Additions of Section 415 of the Code as described in Article VII and are not counted in determining the minimum allocation for each Year under Section 416 of the Code as described in Article XXII (but, to the extent the Plan is subject to the top heavy provisions contained in Section 416 of the Code as described in Article XXII, Catch-up Contributions made in prior years are counted in determining whether the Plan is a Top Heavy Plan). The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Section 401(k)(3), 410(b) or 416 of the Code, as applicable, by reason of the making of such Catch-up Contributions.

If the Salary Reduction Contributions made pursuant to Section 3.1(a) on behalf of a Participant for a taxable year exceed the Annual Deferral Limitation (including, if applicable, the Catch-up Contribution Limitation) for that year, the amount of such excess shall be referred to as "Excess Elective Deferrals." Excess Elective Deferrals (adjusted for the income or loss attributable to such excess amount) shall be distributed to the Participant not later than the April 15 immediately following the taxable year of the Participant for which the Excess Elective Deferrals were made to the Plan. The Administrator shall reduce the amount of the Excess Elective Deferrals for a taxable year distributable to the Participant under this Section 4.1 by the amount of Excess Salary Reduction Contributions (as determined under Section 4.3), if any, previously distributed to the Participant for the Year beginning in that taxable year.

For taxable years beginning after December 31, 2005, the Administrator shall determine the net income or net loss to adjust Excess Elective Deferrals up to the date of distribution in the manner described in this paragraph. The income or loss allocable to Excess Elective Deferrals shall be equal to the sum of (i) the income or loss allocable to the Participant's 401(k) Account for the taxable year multiplied by a fraction, the numerator of which shall be the amount of the Participant's Excess Elective Deferrals for the taxable year under this Section 4.1 and the denominator of which shall be the balance of his 401(k) Account without regard to any income or loss occurring during the taxable year and (ii) ten percent of the amount determined under clause (i) multiplied by the number of whole calendar months between the end of the Participant's taxable year and the date of distribution of the Excess Elective Deferrals, counting the month of distribution of the Excess Elective Deferrals if the distribution occurs after the 15 th of such month. The Administrator may, in its discretion, determine to use any other reasonable method for computing the income or loss attributable to Excess Elective Deferrals, provided that the method (i) does not violate Section 401(a)(4) of the Code, (ii) is used consistently for all Participants and for all corrective distributions under the Plan for the taxable year, and (iii) is used by the Plan for allocating income or loss to Participants' Individual Accounts. In adjusting a Participant’s Excess Elective Deferrals for the income or loss attributable to such Excess Elective Deferrals made in taxable years after December 31, 2007, the income or loss for the "gap period" shall not be considered.

For taxable years beginning before January 1, 2006, the Administrator shall determine the net income or net loss in the same manner as described in Section 4.3 for Excess Salary Reduction Contributions for Years beginning before January 1, 2006, except the numerator of the allocation fraction shall be the amount of the Participant's Excess Elective Deferrals for the taxable year under this Section 4.1 and the denominator of the allocation fraction shall be the balance of the Participant's 401(k) Account attributable to Salary Reduction Contributions as of the end of the taxable year [without regard to the net income or net loss for the taxable year on that portion of the Participant's 401(k) Account]; provided, however, if there is a loss attributable to such excess amount, the amount of the distribution adjusted for such loss shall be limited to an amount which does not exceed the lesser of (i) the balance of the Participant's 401(k) Account or (ii) the Salary Reduction Contributions made on behalf of the Participant for that taxable year. In adjusting a Participant's Excess Elective Deferrals for the income or loss attributable to such Excess Elective Deferrals, the income or loss attributable to such excess deferrals for the "gap period" shall not be considered. For purposes of this Section 4.1, "gap period" shall mean the period beginning with the first day of the taxable year next following the taxable year for which the Excess Elective Deferrals were made on behalf of the Participant and ending on the date of distribution.

If the Participant also (i) participates in one or more other qualified cash or deferred arrangements within the meaning of Section 401(k) of the Code, including the Dual 401(k) Plan for the period beginning January 1, 1996 and ending June 30, 1996 or the Chiles 401(k) Plan for the period beginning January 1, 2002 and ending September 30, 2002, (ii) has an employer contribution made on his behalf pursuant to a salary reduction agreement under Section 408(k) of the Code, or (iii) has an employer contribution made on his behalf pursuant to a salary reduction agreement toward the purchase of an annuity contract under Section 403(b) of the Code, and the sum of the elective deferrals [as defined in Section 402(g)(3) of the Code] that are made for the Participant during a taxable year under such other arrangements and the Plan exceeds the Annual Deferral Limitation (including, if applicable, the Catch-up Contribution Limitation) for that taxable year, the Participant shall, not later than the March 1 following the close of his taxable year for which the Excess Elective Deferrals have been made, notify the Administrator in writing of the portion of the Excess Elective Deferrals that he wishes to be allocated to the Plan, if any, and request that the Salary Reduction Contributions made on his behalf pursuant to Section 3.1 (a) be reduced by the allocable amount specified by the Participant. If all plans, contracts and agreements described in Section 401(k), 403(b) and 408(k) of the Code pursuant to which the Participant is able to defer amounts for a taxable year for which Excess Elective Deferrals have been made are sponsored by an Affiliated Company, the Administrator shall determine to which plan, contract or agreement (including the Plan) the Excess Elective Deferrals shall be allocated for that taxable year and if the Excess Elective Deferrals are to be allocated to the Plan, the Administrator shall notify the Trustee and the Participant in writing not later than March 1 following the close of that taxable year. Such notification shall be deemed to be a notification by the Participant to the Administrator. The portion of the Excess Elective Deferrals that is allocated to the Plan, if any, shall be adjusted for income and loss in the manner provided above and shall then be distributed to the Participant no later than the immediately following April 15. If the Salary Reduction Contributions made on behalf of a Participant pursuant to Section 3.1(a) for a taxable year do not exceed the Annual Deferral Limitation (including, if applicable, the Catch-up Contribution Limitation) for that taxable year and the Administrator has not received any written Notice from the Participant (or deemed to have received written Notice from the Participant pursuant to the provisions hereof) by the March 1 immediately following that taxable year notifying the Administrator that the Participant allocates a portion of the Excess Elective Deferrals, if any, for that taxable year to the Plan, the Administrator may assume that none of the Salary Reduction Contributions made on behalf of the Participant for that taxable year constitute Excess Elective Deferrals and that no distribution is required to be made from the Participant's 401(k) Account pursuant to this Section 4.1. Notwithstanding the fact that Excess Elective Deferrals have been (or will be) distributed to a Highly Compensated Employee as provided above, the excess amount of such Salary Reduction Contributions or the portion of such Salary Reduction Contributions that are deemed to constitute Excess Elective Deferrals by reason of the Administrator's or Participant's written Notice of allocation hereunder shall still be treated as a Salary Reduction Contribution for purposes of applying the Actual Deferral Percentage test described in Section 4.2 hereof for the Year in which such Excess Elective Deferrals were made, except to the extent provided under rules prescribed by the Secretary of the Treasury.

Sec. 4.2 Actual Deferral Percentage Tests . For each Year, the Administrator shall determine whether the aggregate amount allocated to each Participant's 401(k) Account attributable to Salary Reduction Contributions (other than Catch-up Contributions) made pursuant to Section 3.1(a) and qualified non-elective contributions (that are designated under Section 3.4 for consideration under this Section 4.2) made for that Year shall satisfy one of the following tests:

(a) the "Actual Deferral Percentage" for the Year for the group consisting of all eligible Highly Compensated Employees (as defined below) shall not exceed the "Actual Deferral Percentage" for the preceding Year for the group consisting of all eligible Non-Highly Compensated Employees (as defined below) multiplied by 1.25; or

(b) the "Actual Deferral Percentage" for the Year for the group consisting of all eligible Highly Compensated Employees shall not exceed the lesser of (i) 200% of the "Actual Deferral Percentage" for the preceding Year for the group consisting of all eligible Non-Highly Compensated Employees or (ii) the "Actual Deferral Percentage" for the preceding Year for the group consisting of all eligible Non-Highly Compensated Employees plus two percentage points or such lesser amount as the Secretary of the Treasury shall prescribe.

Notwithstanding subsections (a) and (b) above, the Administrator may elect by Plan amendment in accordance with Treasury regulations or other Internal Revenue Service guidance promulgated under Section 401(k) of the Code to determine compliance with either of the tests under subsection (a) or (b) for a Year by reference to the Actual Deferral Percentage of the eligible Non-Highly Compensated Employees for the current Year in lieu of determining such compliance based on the Actual Deferral Percentage of the eligible Non-Highly Compensated Employees for the preceding Year.

For purposes of this Article IV, the following terms shall have the following meanings:

(a) "Actual Deferral Percentage" for a Year or a preceding Year means, with respect to the group consisting of the eligible Highly Compensated Employees and the group consisting of the eligible Non-Highly Compensated Employees, the average (expressed as a percentage) of the ratios, calculated separately for each Employee in each such group and rounded to the nearest one-hundredth of one percent, of the amount of Salary Reduction Contributions (other than Catch-up Contributions) made pursuant to Section 3.1(a) and qualified non-elective contributions (that are designated under Section 3.4 for consideration under this Section 4.2 and that satisfy the requirements of Section 4.6 for any Year beginning after December 31, 2005) allocated to each Employee's 401(k) Account under Section 6.2 and Section 6.5, respectively, (unreduced in the case of Highly Compensated Employees by distributions made to any such Employee pursuant to Section 4.1 hereof) for such Year or preceding Year, whichever is applicable, to such Employee's Annual Compensation [as defined in subsection (c) below] paid or accrued during the Year or preceding Year, whichever is applicable, in which the Employee was an eligible Highly Compensated Employee or an eligible Non-Highly Compensated Employee. Notwithstanding the preceding sentence, a qualified non-elective contribution can be considered in calculating the Actual Deferral Percentage of an eligible Non-Highly Compensated Employee for a Year only if the qualified non-elective contribution is allocated as of a date within that Year and is actually contributed to the Trust Fund by an Employer no later than the last day of the Year immediately following the Year to which that qualified non-elective contribution relates.

(b) "Actual Deferral Ratio" means each separately calculated ratio under subsection (a) above. An Employee who is considered a Highly Compensated Employee under Section 1.24 or a Non-Highly Compensated Employee under Section 1.34 shall be considered an "eligible Highly Compensated Employee" or an "eligible Non-Highly Compensated Employee" for purposes of this Section 4.2 for each Year he is employed by an Employer if he has satisfied the eligibility requirements of Article II and reached a 401(k) Entry Date or other payroll period as of which he could have become a Participant, regardless of whether (i) he has elected to have an Employer make a Salary Reduction Contribution to the Plan on his behalf under Section 3.1(a) for that Year, or (ii) he is suspended from further contributions during the Year due to the limitations of Section 415 of the Code as described in Article VII. Moreover, the eligible Non-Highly Compensated Employees for a preceding Year shall be determined for that Year as described in the preceding sentence and shall not be affected by any such Non-Highly Compensated Employee's status as an Employee, Highly Compensated Employee or Non-Highly Compensated Employee for the current Year. Consequently, for purposes of this Section 4.2, the Actual Deferral Ratio for each Highly Compensated Employee and Non-Highly Compensated Employee who is eligible to, but does not elect to have an Employer make a Salary Reduction Contribution on his behalf to the Plan pursuant to Section 3.1(a) for a Year, shall be zero for that Year, unless the Employer makes a qualified non-elective contribution to the Plan pursuant to Section 4.3(c) for a Year to satisfy the Actual Deferral Percentage tests, in which case the Actual Deferral Ratio for each such Non-Highly Compensated Employee shall be the ratio of that portion of the qualified non-elective contribution attributable to contributions made by the Employer to satisfy the Actual Deferral Percentage tests which is allocated to his 401(k) Account under Section 6.5 for that Year to his Annual Compensation [as defined in subsection (c) below] paid or accrued by an Employer during that Year in which the Employee was an eligible Non-Highly Compensated Employee.

If any Employee who is an eligible Highly Compensated Employee is a participant for any Year beginning after December 31, 2005 in two or more cash or deferred arrangements described in Section 401(k) of the Code that are maintained by an Affiliated Company and that are not mandatorily disaggregated pursuant to Treas. Reg. §1.410(b)-7(c), as modified by Treas. Reg. §1.401(k)-1(b)(4) [without regard to the prohibition on aggregating plans with inconsistent testing methods contained in Treas. Reg. §1.401(k)-1(b)(4)(iii)(B) and the prohibition on aggregating plans with different plan years contained in Treas. Reg. §1.410(b)-7(d)(5)], for purposes of determining such Highly Compensated Employee's Actual Deferral Ratio under this Section 4.2 for any Year, all such cash or deferred arrangements shall be treated as one cash or deferred arrangement and all elective contributions [as defined in Treas. Reg. §1.401(k)-6] and qualified non-elective contributions (taken into account in determining actual deferral percentages) to such other plans maintained by an Affiliated Company shall be treated as if all such contributions were made to the Plan; provided, however, that if any such plan has a plan year different from the Year, any such elective contributions and qualified non-elective contributions made to such Highly Compensated Employee's accounts under that other plan during the Year shall be treated as if such contributions were made to the Plan. For purposes of this Section 4.2, if two or more plans or arrangements described in Section 401(k) of the Code are treated as one plan for the purposes of Section 401(a)(4) or Section 410(b) of the Code (other than the average benefits percentage test), such plans or arrangements shall be treated as a single plan or arrangement, and the Administrator shall determine the Highly Compensated Employee's Actual Deferral Ratio by aggregating his Salary Reduction Contributions, elective contributions and qualified non-elective contributions as if the Plan and such other plan or plans were a single plan; provided, however, the Plan and any such other plan or plans may be aggregated as described in this sentence only if the Plan and such other plan or plans have the same plan year and utilize the same testing method to satisfy the requirements of Section 401(k) of the Code.

If any Employee who is an eligible Highly Compensated Employee is a participant for any Year beginning before January 1, 2006 in two or more cash or deferred arrangements described in Section 401 (k) of the Code that are maintained by an Affiliated Company, excluding any such arrangement that is part of an employee stock ownership plan [as defined in Section 4975(e)(7) of the Code] for purposes of determining his ratio under this Section 4.2 for any such Year, all such cash or deferred arrangements shall be treated as one cash or deferred arrangement to the extent required under Section 401(k) of the Code. For purposes of this Section 4.2, if two or more plans or arrangements described in Section 401(k) of the Code are considered one plan for the purposes of Sections 401(a)(4) or 410(b) of the Code (other than the average benefits percentage test), such plans or arrangements shall be treated as a single plan or arrangement, and if the plans use different plan years, the Administrator shall determine the combined Salary Reduction Contributions and ratios on the basis of the plan years ending in the same calendar year.

The Recordkeeper shall maintain records to demonstrate compliance with the tests under this Section 4.2, including the extent to which the Plan used qualified non-elective contributions made pursuant to Section 3.4 and, for any Year beginning after December 31, 2005, that satisfy the requirements of Section 4.6 to satisfy a test.

Notwithstanding the preceding provisions of this Section 4.2, if the Plan provides that Employees are eligible to make Salary Reduction Contributions before they have satisfied the minimum age and service requirements under Section 410(a)(1) of the Code and applies Section 410(b)(4)(B) of the Code in determining whether the cash or deferred arrangement under the Plan meets the requirements of Section 410(b)(1) of the Code for any Year beginning after December 31, 2005, the Administrator may apply the limitations on Salary Reduction Contributions of Highly Compensated Employees described in this Section 4.2 either (i) by comparing the Actual Deferral Percentage of all Employees who are eligible Highly Compensated Employees for the Year to the Actual Deferral Percentage for the Year or the preceding Year, whichever is applicable under Section 4.2, of those Employees who are Non-Highly Compensated Employees and who have satisfied the minimum age and service requirements under Section 410(a)(1) of the Code, or (ii) separately with respect to Employees who have not satisfied the minimum age and service requirements under Section 410(a)(1) of the Code and Employees who have satisfied such minimum age and service requirements under Section 410(a)(1) of the Code.

(c) "Annual Compensation" means for a particular Year, the definition of compensation determined by the Administrator to be used under this Section 4.2 for that Year, provided that any such definition of compensation must satisfy Section 414(s) of the Code as determined under Treas. Reg. §1.414(s)-1(c). In the case of a Participant who commences, resumes or ceases to be eligible to participate in the Plan during the Year, the Administrator may determine to consider only the amount of the Annual Compensation received by the Participant during the portion of the Year in which he was eligible to participate, provided that this limit is applied to all eligible Employees under the Plan.

Sec. 4.3 Adjustments Required to Satisfy an Actual Deferral Percentage Test . If Salary Reduction Contributions made pursuant to Section 3.1(a) for any Year do not satisfy one of the tests set forth in Section 4.2, the excess amount that would result in a test being satisfied for that Year if it had not been made to the Plan shall be referred to as an "Excess Salary Reduction Contribution" and the Administrator shall, in its sole and absolute discretion and notwithstanding any other provision of the Plan to the contrary (but subject to the provisions of Sections 4.4, 4.5, and 4.6), make appropriate adjustments pursuant to one or more of the following provisions:

(a) If one or more Highly Compensated Participants are Catch-up Eligible Participants for the Year with respect to which an Excess Salary Reduction Contribution was made, the Plan shall then classify any portion of the Salary Reduction Contributions made by the Catch-up Eligible Participants as Catch-up Contributions to the extent such classification (i) is permissible under Section 414(v) of the Code, (ii) will assist the Plan in meeting the Actual Deferral Percentage test for that Year, and (iii) is applied only to Salary Reduction Contributions that are not otherwise Catch-up Contributions;

(b) Within 2½ months following the close of the Year for which an Excess Salary Reduction Contribution was made, if administratively possible, and not later than the close of the Year immediately following the Year for which an Excess Salary Reduction Contribution was made, the Excess Salary Reduction Contribution (plus any income and minus any loss attributable thereto) shall be distributed to the Highly Compensated Employees to whose 401(k) Accounts all or a portion of such Excess Salary Reduction Contribution was allocated first from such Highly Compensated Employees' unmatched Salary Reduction Contributions made pursuant to Section 3.1(a), and then, if necessary, from such Highly Compensated Employees' matched Salary Reduction Contributions made pursuant to Section 3.1(a); provided, however, that if matched Salary Reduction Contributions made pursuant to Section 3.1(a) are distributed to correct an Excess Salary Reduction Contribution, the Matching Contribution to which such Excess Salary Reduction Contribution relates (plus any income and minus any loss attributable thereto) shall be forfeited (whether or not vested) at the time the Excess Salary Reduction Contribution is distributed and the forfeiture shall be applied as set forth in Section 13.5; or

(c) Not later than the last day of the Year with respect to which an Excess Salary Reduction Contribution would be considered to have been made if not for the adjustments under this Section 4.3, the Employer shall, if the conditions applicable to qualified non-elective contributions under Section 4.6 are satisfied with respect to any Year beginning after December 31, 2005, or the applicable Treasury regulations with respect to any Year beginning before January 1, 2006, make a qualified non-elective contribution pursuant to Section 3.4 on behalf of the eligible Non-Highly Compensated Employees with respect to the preceding Year (as defined in Section 4.2) who meet the requirements of Section 6.5 in an amount sufficient to satisfy one of the tests set forth in Section 4.2 [before or after the application of either or both of subsections (a) and (b) above]. If, however, the Administrator properly elects under Section 4.2 (and the Plan is amended as provided in Section 4.2) to determine compliance with either of the tests set forth in Section 4.2 for a Year by reference to the Actual Deferral Percentage of the eligible Non-Highly Compensated Employees for the current Year in lieu of determining such compliance based on the Actual Deferral Percentage of the eligible Non-Highly Compensated Employees for the preceding Year, the Employer must make the qualified non-elective contribution, if any, pursuant to Section 3.4 on behalf of the eligible Non-Highly Compensated Employees with respect to the current Year (as defined in Section 4.2) who meet the requirements of Section 6.5 and any such qualified non-elective contribution must be made within the time prescribed by law to enable the Employer to obtain a deduction for a contribution on its federal income tax return for the Year.

The amount of the Excess Salary Reduction Contributions, if any, to be distributed pursuant to subsection (b) hereof for a Year shall be determined by a three-step process. First, a leveling method shall be used by the Administrator under which the Actual Deferral Ratio of the Highly Compensated Employee with the highest Actual Deferral Ratio for that Year is reduced to the extent required to (i) enable the Plan to satisfy for that Year one of the Actual Deferral Percentage tests set forth in Section 4.2 or (ii) cause such Highly Compensated Employee's Actual Deferral Ratio for that Year to equal the Actual Deferral Ratio of the Highly Compensated Employee with the next highest Actual Deferral Ratio for that Year. The Actual Deferral Ratio of any Highly Compensated Employee included for that Year in the leveling method of the first step shall be the Actual Deferral Ratio determined after the amount of that Highly Compensated Employee's Salary Reduction Contributions made pursuant to Section 3.1(a) for that Year have been reduced by the amount of Excess Elective Deferrals for the Year, if any, that have been previously distributed under Section 4.1 to the Employee for the taxable year ending in that Year. This procedure shall be repeated until the Plan satisfies one of the Actual Deferral Percentage tests set forth in Section 4.2. Then the Administrator shall determine, with respect to each Highly Compensated Employee included for that Year in the leveling method of the first step, the difference between (i) that Highly Compensated Employee's Salary Reduction Contributions made pursuant to Section 3.1(a) for that Year and (ii) the amount equal to the product of that Highly Compensated Employee's adjusted Actual Deferral Ratio determined for that Year pursuant to the leveling method of the first step multiplied by his Annual Compensation [as defined in Section 4.2(c)] for that Year. Finally, the Administrator shall add all amounts determined for that Year pursuant to the second step described in the preceding sentence which shall constitute the amount of the Excess Salary Reduction Contributions to be distributed pursuant to subsection (b) for that Year.

Once the Plan satisfies one of the Actual Deferral Percentage tests, the amount of the Excess Salary Reduction Contributions determined for that Year pursuant to the preceding paragraph shall be allocated to one or more Highly Compensated Employees for that Year pursuant to a leveling method under which the dollar amount of the Salary Reduction Contributions made pursuant to Section 3.1(a) of the Highly Compensated Employee with the highest dollar amount of Salary Reduction Contributions made pursuant to Section 3.1(a) for that Year is reduced to the extent required (i) to allocate to that Highly Compensated Employee all of the Excess Salary Reduction Contributions determined for that Year pursuant to the preceding paragraph or (ii) to cause such Highly Compensated Employee's dollar amount of Salary Reduction Contributions made pursuant to Section 3.1(a) to equal the dollar amount of Salary Reduction Contributions of the Highly Compensated Employee with the next highest dollar amount of Salary Reduction Contributions made pursuant to Section 3.1 (a). This procedure shall be repeated until the entire amount of the Excess Salary Reduction Contributions determined for that Year has been allocated to one or more Highly Compensated Employees for that Year. The amount of the Excess Salary Reduction Contributions for a Year to be distributed to any Highly Compensated Employee for that Year shall be adjusted for income or loss as provided in the following paragraphs. The Administrator shall then direct the Trustee to distribute the adjusted Excess Salary Reduction Contributions to each such Highly Compensated Employee.

Except as determined otherwise by the Administrator pursuant to this paragraph, the income or loss attributable to the portion of the Excess Salary Reduction Contributions for any Year beginning after December 31, 2005 that are to be distributed to a Highly Compensated Employee hereunder shall be determined by multiplying the amount of the income or loss allocable to the Participant's 401(k) Account for the Year by a fraction, the numerator of which is the portion of the Excess Salary Reduction Contributions for the Year that are to be distributed to that Participant and the denominator of which is the sum of the balance of the Participant's 401(k) Account as of the first day of the Year and any Salary Reduction Contributions allocated to the Participant’s 401(k) Account for that Year. The Administrator may, in its discretion, determine to use any other reasonable method for computing the income or loss attributable to Excess Salary Reduction Contributions, provided that the method (i) does not violate Section 401(a)(4) of the Code, (ii) is used consistently for all Participants and for all corrective distributions under the Plan for the Year, and (iii) is used by the Plan for allocating income or loss to Participants’ Individual Accounts. The Plan shall not be considered to fail to use a reasonable method for computing the income or loss attributable to Excess Salary Reduction Contributions merely because the income or loss attributable to Excess Salary Reduction Contributions is determined on a date that is no more than seven days before the date of distribution of such Excess Salary Reduction Contributions.

In adjusting a Participant's Excess Salary Reduction Contributions for the income or loss attributable to such Excess Salary Reduction Contributions for the Years beginning January 1, 2006 and January 1, 2007, the income or loss attributable to such excess contributions for the "gap period" shall be considered. For purposes of this Section 4.3, "gap period" shall mean the period beginning with the first day of the Year next following the Year for which the Excess Salary Reduction Contributions were made on behalf of the Participant and ending on the date of distribution of such Excess Salary Reduction Contributions. The Administrator may, in its discretion, determine to use the safe harbor method to determine income or loss attributable to Excess Salary Reduction Contributions for the gap period under which the income or loss attributable to Excess Salary Reduction Contributions for the gap period shall be equal to ten percent of the income or loss attributable to Excess Salary Reduction Contributions for the Year that would be determined under the immediately preceding paragraph, multiplied by the number of calendar months that have elapsed since the end of that Year. For purposes of calculating the number of calendar months that have elapsed under this safe harbor method, a corrective distribution that is made on or before the 15 th day of a month shall be treated as made on the last day of the preceding month and a corrective distribution that is made after the 15 th day of a month shall be treated as made on the last day of that month. The Administrator may, however, in its discretion determine the income or loss attributable to Excess Salary Reduction Contributions for the aggregate of the Year for which the Excess Salary Reduction Contributions were made and the gap period following that Year, by applying the standard method described in the immediately preceding paragraph to this aggregate period, which shall be accomplished by (i) substituting the income or loss for that Year and that gap period for the income or loss for that Year, and (ii) substituting the amounts taken into account under the Actual Deferral Percentage test for that Year and that gap period in determining the fraction that is multiplied by that income or loss.

For Years beginning before January 1, 2006, the income or loss attributable to the portion of the Excess Salary Reduction Contributions that is to be distributed to a Highly Compensated Employee hereunder shall be determined by multiplying the amount of the income or loss allocable to the Participant’s 401(k) Account for the Year by a fraction, the numerator of which is the portion of the Excess Salary Reduction Contributions for the Year that is to be distributed to that Participant and the denominator of which is the balance of his 401(k) Account on the last day of the Year after adjustment as of such date under Section 8.2. In adjusting a Participant’s Excess Salary Reduction Contributions for the income or loss attributable to such Excess Salary Reduction Contributions, the income or loss attributable to such Excess Salary Reduction Contributions for the "gap period" as defined in this Section 4.3 shall not be considered.

Sec. 4.4 Additional Adjustments of Salary Reduction Contributions . For purposes of assuring compliance with the Actual Deferral Percentage tests of Section 4.2 hereof, the Administrator may, in its sole and absolute discretion, make such adjustments, reductions or suspensions to Salary Reduction Contribution rates under Section 3.1(a) of Participants who are Highly Compensated Employees at such times and in such amounts as the Administrator shall reasonably deem necessary, including prospective reductions of Salary Reduction Contributions at any time prior to or within the Year. The Administrator shall make such adjustments, reductions or suspensions based on periodic reviews of the Salary Reduction Contribution rates of Highly Compensated Employees under Section 3.1(a) during the Year and may make such adjustments, reductions or suspensions in any amount notwithstanding any other provisions hereof. In addition, the Administrator shall take any other action to assure compliance with the Actual Deferral Percentage tests as shall be prescribed by the Secretary of the Treasury.

Sec. 4.5 Other Permissible Methods of Testing and Correction . The provisions of this Article IV are intended to conform with Sections 401(k) and 402(g) of the Code. In the event that the Administrator determines, based on changes to the Code or interpretations or guidance issued by the Internal Revenue Service, that the requirements of such Code sections may be applied in a manner different from that prescribed in this Article IV, the Administrator may make appropriate adjustments to the administration of the Plan to incorporate such changes to the Code or interpretations or guidance. If a change to the Code or interpretations or guidance issued by the Internal Revenue Service results in more than one additional option in the manner in which this Article IV may be administered, the Administrator shall have the limited discretion to select the option to be used, provided that such option, when compared to the other option or options, results in the smallest adjustment to Participants' Individual Accounts.

Sec. 4.6 Targeted Qualified Non-Elective Contributions Limit . Employer qualified non-elective contributions made pursuant to Section 3.4 to satisfy the Actual Deferral Percentage test under Section 4.2 for a Year beginning after December 31, 2005 cannot be taken into account in determining the Actual Deferral Ratio for an eligible Non-Highly Compensated Employee (as defined in Section 4.2) for the current Year or the preceding Year, whichever is applicable under Section 4.2, to the extent such contributions exceed the product of that Non-Highly Compensated Employee's Annual Compensation [as defined in Section 4.2(c)] for the current Year or the preceding Year, whichever is applicable under Section 4.2, and the greater of five percent or two times the Plan's "representative contribution rate." Any qualified non-elective contributions taken into account under the Contribution Percentage test under Section 5.1 (including the determination of the "representative contribution rate" under Section 5.5) for a Year shall not be taken into account for purposes of this Section 4.6 (including the determination of the "representative contribution rate" under this Section 4.6). For purposes of this Section 4.6, the following terms shall have the following meanings:

(a) The Plan's "representative contribution rate" is the lowest "applicable contribution rate" of any eligible Non-Highly Compensated Employee for the current Year or the preceding Year, whichever is applicable under Section 4.2, in either (i) the group consisting of half of all eligible Non-Highly Compensated Employees for the applicable Year, or (ii) the group consisting of all eligible Non-Highly Compensated Employees for the applicable Year who are employed by the Employer on the last day of the applicable Year, whichever results in the greater amount.

(b) The "applicable contribution rate" for an eligible Non-Highly Compensated Employee for purposes of allocating qualified non-elective contributions that may be included in determining his Actual Deferral Ratio under Section 4.2 for the current Year or the preceding Year, whichever is applicable under Section 4.2, shall mean the qualified non-elective contributions made at the election of the Administrator pursuant to Section 4.3(c) for the eligible Non-Highly Compensated Employee for the applicable Year [excluding any qualified non-elective contributions made at the election of the Administrator pursuant to Section 5.2(c) that are included in determining his Actual Contribution Ratio under Section 5.1 for the preceding Year], divided by the eligible Non-Highly Compensated Employee's Annual Compensation [as defined in Section 4.2(c)] for the applicable Year.

Employer qualified non-elective contributions made pursuant to Section 3.4 to satisfy the Actual Deferral Percentage test under Section 4.2 for any such Year cannot be taken into account in determining the Actual Deferral Ratio for an eligible Non-Highly Compensated Employee (as defined in Section 4.2) for the current Year or the preceding Year, whichever is applicable under Section 4.2, to the extent such contributions are taken into account for purposes of satisfying any other actual deferral percentage test under Section 401(k) of the Code, any contribution percentage test under Section 401(m) of the Code, or the safe harbor requirements of Treas. Reg. §1.401(k)-3, the safe harbor requirements of Treas. Reg. §1.401(m)-3, or the SIMPLE 401(k) plan requirements of Treas. Reg. §1.401(k)-4.

Article V

LIMITATIONS AND RESTRICTIONS ON MATCHING CONTRIBUTIONS

Sec. 5.1 Contribution Percentage Tests . For each Year, the Administrator shall determine, after first applying the provisions of Section 4.3(b), whether the sum of (i) the amounts allocated to the Employer Account of each Participant attributable to Matching Contributions, if any, made for that Year and forfeitures that are allocated under Section 6.3 as Matching Contributions for that Year and (ii) the amount allocated to each such Participant's 401(k) Account attributable to qualified non-elective contributions (that are designated under Section 3.4 for consideration under this Section 5.1) for that Year shall satisfy one of the following tests:

(a) the "Contribution Percentage" for the Year for the group consisting of all eligible Highly Compensated Employees (as defined below) shall not exceed the "Contribution Percentage" for the preceding Year for the group consisting of all eligible Non-Highly Compensated Employees (as defined below) multiplied by 1.25; or

(b) the "Contribution Percentage" for the Year for the group consisting of all eligible Highly Compensated Employees shall not exceed the lesser of (i) 200% of the "Contribution Percentage" for the preceding Year for the group consisting of all eligible Non-Highly Compensated Employees or (ii) the "Contribution Percentage" for the preceding Year for the group consisting of all eligible Non-Highly Compensated Employees plus two percentage points or such lesser amount as the Secretary of the Treasury shall prescribe.

Notwithstanding subsections (a) and (b) above, the Administrator may elect by Plan amendment in accordance with Treasury regulations or other Internal Revenue Service guidance promulgated under Section 401(m) of the Code to determine compliance with either of the tests under subsection (a) or (b) for a Year by reference to the Contribution Percentage of the eligible Non-Highly Compensated Employees for the current Year in lieu of determining such compliance based on the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Year.

Notwithstanding the preceding provisions of this Section 5.1, any Matching Contributions which are attributable to additional Salary Reduction Contributions that are deemed to have been made pursuant to Section 3.1(c) for a taxable year shall not be considered Matching Contributions for that Year for purposes of the Contribution Percentage tests of this Section 5.1.

For purposes of this Article V, the following terms shall have the following meanings:

(a) "Contribution Percentage" for a Year or a preceding Year means, with respect to the group consisting of the eligible Highly Compensated Employees and the group consisting of the eligible Non-Highly Compensated Employees, the average (expressed as a percentage) of the ratios, calculated separately for each Employee in each such group and rounded to the nearest one-hundredth of one percent, of the sum of (i) the amount of Matching Contributions, if any, and forfeitures allocated as Matching Contributions to each Employee's Employer Account under Section 6.3 for such Year or preceding Year, whichever is applicable, after reduction for forfeited Matching Contributions, if any, under Section 4.3(b), and (ii) the amount allocated as Matching Contributions to each Employee's 401(k) Account under Section 6.5 attributable to qualified non-elective contributions (that are designated under Section 3.4 for consideration under this Section 5.1 and that satisfy the requirements of Section 5.5 for any Year beginning after December 31, 2005) for such Year or preceding Year, whichever is applicable, to such Employee's Annual Compensation [as defined in subsection (c) below] paid or accrued during the Year or preceding Year, whichever is applicable, in which the Employee was an eligible Highly Compensated Employee or an eligible Non-Highly Compensated Employee. Notwithstanding the preceding sentence, a qualified non-elective contribution can be considered in calculating the Contribution Percentage of an eligible Non-Highly Compensated Employee for a Year only if the qualified non-elective contribution is allocated as of a date within that Year and is actually contributed to the Trust Fund by an Employer no later than the last day of the Year immediately following the Year to which that qualified non-elective contribution relates.

(b) "Actual Contribution Ratio" means each separately calculated ratio under subsection (a) above. An Employee who is considered a Highly Compensated Employee under Section 1.24 or a Non-Highly Compensated Employee under Section 1.34 shall be considered an "eligible Highly Compensated Employee" or an "eligible Non-Highly Compensated Employee" for purposes of this Section 5.1 for each Year he is employed by an Employer if he has satisfied the eligibility requirements of Article II and reached a 401(k) Entry Date or other date on which he could have become a Participant, regardless of whether he is eligible to receive an allocation of a Matching Contribution under Section 6.3 for that Year because (i) he elected to have an Employer make a Salary Reduction Contribution to the Plan on his behalf under Section 3.1(a) for that Year, or (ii) he is suspended from further contributions during the Year due to the limitations of Section 415 of the Code as described in Article VII. Moreover, the eligible Non-Highly Compensated Employees for a preceding Year shall be determined for that Year as described in the preceding sentence and shall not be affected by any such Non-Highly Compensated Employee's status as an Employee, Highly Compensated Employee or Non-Highly Compensated Employee for the current Year. Consequently, for purposes of this Section 5.1, the Actual Contribution Ratio for each Highly Compensated Employee and Non-Highly Compensated Employee who is eligible to, but does not elect to have an Employer make a Salary Reduction Contribution on his behalf to the Plan for a Year and who does not receive an allocation of a Matching Contribution for that Year, shall be zero for that Year, unless an Employer makes a qualified non-elective contribution to the Plan pursuant to Section 5.2(c) for a Year to satisfy the Contribution Percentage tests, in which case the Actual Contribution Ratio for each such Non-Highly Compensated Employee shall be the ratio of that portion of the qualified non-elective contribution attributable to contributions made by an Employer to satisfy the Contribution Percentage tests which is allocated to his 401(k) Account under Section 6.5 for that Year to his Annual Compensation [as defined in subsection (c) below] paid or accrued by an Employer during that Year in which the Employee was an eligible Non-Highly Compensated Employee.

If any Employee who is an eligible Highly Compensated Employee is a participant for any Year beginning after December 31, 2005 in two or more plans described in Section 401(a) of the Code that are maintained by an Affiliated Company and that are not mandatorily disaggregated pursuant to Treas. Reg. §1.410(b)-7(c), as modified by Treas. Reg. §1.401(m)-1(b)(4) [without regard to the prohibition on aggregating plans with inconsistent testing methods contained in Treas. Reg. §1.401(m)-1(b)(4)(iii)(B) and the prohibition on aggregating plans with different plan years contained in Treas. Reg. §1.410(b)-7(d)(5)], for purposes of determining such Highly Compensated Employee's Actual Contribution Ratio under this Section 5.1 for any Year, all such plans shall be treated as one plan and all matching contributions within the meaning of Section 401(m)(4)(A) of the Code, employee voluntary after-tax contributions, and qualified non-elective contributions (taken into account in determining actual contribution percentages) to such other plans maintained by an Affiliated Company shall be treated as if all such contributions were made to the Plan; provided, however, that if any such plan has a plan year different from the Year, any such matching contributions, employee voluntary after-tax contributions and non-elective contributions made to such Highly Compensated Employee's accounts under that other plan during the Year shall be treated as if such contributions were made to the Plan. For purposes of this Section 5.1, if two or more plans of an Employer to which matching contributions, employee voluntary after-tax contributions, or qualified non-elective contributions are made are treated as one plan for purposes of Section 401(a)(4) or Section 410(b) of the Code (other than the average benefits percentage test), such plans or arrangements shall be treated as a single plan or arrangement and the Administrator shall determine the Highly Compensated Employee's Actual Contribution Ratio by aggregating his Matching Contributions, matching contributions, employee voluntary after-tax contributions and qualified non-elective contributions as if the Plan and any such other plan or plans were a single plan; provided, however, the Plan and such other plan or plans may be aggregated as described in this sentence only if the Plan and such other plan or plans have the same plan year and utilize the same testing method to satisfy the requirements of Section 401(m) of the Code.

For purposes of this Section 5.1, if two or more plans of an Employer to which matching contributions within the meaning of Section 401(m)(4)(A) of the Code, employee voluntary after-tax contributions or elective deferrals within the meaning of Section 401(m)(4)(B) of the Code are made are treated as one plan for any Year beginning before January 1, 2006 for purposes of Sections 401(a)(4) and 410(b) of the Code, [other than the average benefits percentage test, and excluding allocations under an employee stock ownership plan as defined in Section 4975(e)(7) or 409 of the Code, or the portion of a plan which constitutes an employee stock ownership plan], such plans or arrangements shall be treated as one plan or arrangement for purposes of this Section 5.1, and if the plans use different plan years, the Administrator shall determine the combined Matching Contributions and the ratios on the basis of the plan years ending in the same calendar year. In addition, if any Employee who is an eligible Highly Compensated Employee participates for any Year beginning before January 1, 2006 in two or more plans described in Section 401(a) of the Code which are maintained by an Affiliated Company to which such contributions are made, all such contributions shall be aggregated for purposes of this Section 5.1 to the extent required under Section 401(m) of the Code.

The Recordkeeper shall maintain records to demonstrate compliance with the tests under this Section 5.1, including the extent to which the Plan used qualified non-elective contributions made pursuant to Section 3.4 and, for any Year beginning after December 31, 2005, that satisfy the requirements of Section 5.5 to satisfy a test.

Notwithstanding preceding provisions of this Section 5.1, if the Plan provides that Employees are eligible to receive Matching Contributions before they have satisfied the minimum age and service requirements under Section 410(a)(1) of the Code and applies Section 410(b)(4)(B) of the Code in determining whether the portion of the Plan subject to Section 401(m) of the Code meets the requirements of Section 410(b)(1) of the Code for any Year beginning after December 31, 2005, the Administrator may apply the limitations on Matching Contributions of Highly Compensated Employees described in this Section 5.1 either (i) by comparing the Contribution Percentage of all Employees who are eligible Highly Compensated Employees for the Year to the Contribution Percentage for the Year or the preceding Year, whichever is applicable under Section 5.1, of those Employees who are Non-Highly Compensated Employees and who have satisfied the minimum age and service requirements under Section 410(a)(1) of the Code, or (ii) separately with respect to Employees who have not satisfied the minimum age and service requirements under Section 410(a)(1) of the Code and Employees who have satisfied such minimum age and service requirements under Section 410(a)(1) of the Code.

(c) "Annual Compensation" means for a particular Year, the definition of compensation determined by the Administrator to be used under this Section 5.1 for that Year, provided that any such definition of compensation must satisfy Section 414(s) of the Code as determined under Treas. Reg. §1.414(s)-1(c). In the case of a Participant who commences, resumes or ceases to be eligible to participate in the Plan during the Year, the Administrator may determine to consider only the amount of the Annual Compensation received by the Participant during the portion of the Year in which he was eligible to participate, provided that this limit is applied to all eligible Employees under the Plan.

Sec. 5.2 Adjustments Required to Satisfy a Contribution Percentage Test . If Matching Contributions, if any, made for any Year and allocated under Section 6.3 do not satisfy one of the tests set forth in Section 5.1, the excess amount that would result in a test being satisfied for the Year if it had not been made to the Plan shall be referred to as an "Excess Matching Contribution" and the Administrator shall, in its sole and absolute discretion and notwithstanding any other provision of the Plan to the contrary, make appropriate adjustments in accordance with Sections 401(a)(4) and 401(m) of the Code (and the Treasury regulations thereunder) pursuant to subsections (a) and (b), or pursuant to subsection (c) in lieu of the application of subsections (a) and (b), or pursuant to subsection (c) in addition to the application of subsections (a) and (b), as determined by the Administrator, as follows:

(a) To the extent that the portion of the Excess Matching Contribution for the Year allocable to an Employer Account of a Highly Compensated Employee is nonforfeitable under Section 13.2, such nonforfeitable portion (plus any income and minus any loss attributable thereto) shall be distributed to the Highly Compensated Employee within 2½ months following the close of that Year, if administratively possible, and not later than the close of the Year immediately following that Year; and

(b) To the extent that the portion of the Excess Matching Contribution for the Year allocable to an Employer Account of a Highly Compensated Employee is forfeitable under Section 13.2, within 2½ months following the close of that Year, if administratively possible, and not later than the close of the Year immediately following that Year such forfeitable portion (plus any income and minus any loss attributable thereto) shall be forfeited and applied as set forth in Section 13.5; or

(c) In lieu of or in addition to the application of subsections (a) and (b) above, not later than the last day of the Year with respect to which an Excess Matching Contribution would be considered to have been made if not for the adjustments under this Section 5.2, the Employer shall, if the conditions applicable to qualified non-elective contributions under Section 5.5 are satisfied with respect to any Year beginning after December 31, 2005, or the applicable Treasury regulations with respect to any Year beginning before January 1, 2006, make a qualified non-elective contribution pursuant to Section 3.4 on behalf of the eligible Non-Highly Compensated Employees with respect to the preceding Year (as defined in Section 5.1) who meet the requirements of Section 6.5 in an amount sufficient to satisfy one of the tests set forth in Section 5.1 [before or after the application of subsections (a) and (b)]. If, however, the Administrator properly elects under Section 5.1 (and the Plan is amended as provided in Section 5.1) to determine compliance with either of the tests set forth in Section 5.1 for a Year by reference to the Contribution Percentage of the eligible Non-Highly Compensated Employees for the current Year in lieu of determining such compliance based on the Contribution Percentage of the eligible Non-Highly Compensated Employees for the preceding Year, the Employer must make the qualified non-elective contribution, if any, pursuant to Section 3.4 on behalf of the eligible Non-Highly Compensated Employees with respect to the current Year (as defined in Section 5.1) who meet the requirements of Section 6.5 and any such qualified non-elective contribution must be made within the time prescribed by law to enable the Employer to obtain a deduction for a contribution on its federal income tax return for the Year.

The amount of the Excess Matching Contributions, if any, to be distributed or forfeited pursuant to subsections (a) and (b) hereof for a Year shall be determined by a three-step process. First, a leveling method shall be used by the Administrator under which the Actual Contribution Ratio of the Highly Compensated Employee with the highest Actual Contribution Ratio for that Year is reduced to the extent required to (i) enable the Plan to satisfy for that Year one of the Contribution Percentage tests set forth in Section 5.1 or (ii) cause such Highly Compensated Employee's Actual Contribution Ratio for that Year to equal the Actual Contribution Ratio of the Highly Compensated Employee with the next highest Actual Contribution Ratio for that Year. This procedure shall be repeated until the Plan satisfies one of the Contribution Percentage tests set forth in Section 5.1. Then the Administrator shall determine, with respect to each Highly Compensated Employee included for that Year in the leveling method of the first step, the difference between (i) that Highly Compensated Employee's Matching Contributions for that Year and (ii) the amount equal to the product of that Highly Compensated Employee's adjusted Actual Contribution Ratio determined for that Year pursuant to the leveling method of the first step multiplied by his Annual Compensation [as defined in Section 5.1(c)] for that Year. Finally, the Administrator shall add all amounts determined for that Year pursuant to the second step described in the preceding sentence which shall constitute the amount of the Excess Matching Contributions to be distributed and/or forfeited, as applicable, pursuant to subsection (a) and/or (b)for that Year.

Once the Plan satisfies one of the Contribution Percentage tests, the amount of the Excess Matching Contributions determined for that Year pursuant to the preceding paragraph shall be allocated to one or more Highly Compensated Employees for that Year pursuant to a leveling method under which the dollar amount of the Matching Contributions of the Highly Compensated Employee with the highest dollar amount of Matching Contributions for that Year is reduced to the extent required to (i) allocate to that Highly Compensated Employee all of the Excess Matching Contributions determined for that Year pursuant to the preceding paragraph or (ii) cause such Highly Compensated Employee's dollar amount of Matching Contributions to equal the dollar amount of Matching Contributions of the Highly Compensated Employee with the next highest dollar amount of Matching Contributions. This procedure shall be repeated until the entire amount of the Excess Matching Contributions determined for that Year has been allocated to one or more Highly Compensated Employees for that Year. The amount of the Excess Matching Contributions for a Year to be distributed to any Highly Compensated Employee for that Year shall be adjusted for income or loss as provided in the following paragraphs. The Administrator shall then direct the Trustee to distribute the adjusted Excess Matching Contributions to each such Highly Compensated Employee.

Except as determined otherwise by the Administrator pursuant to this paragraph, the income or loss attributable to the portion of the Excess Matching Contributions for any Year beginning after December 31, 2005 that are to be distributed to a Highly Compensated Employee or forfeited from his Employer Account hereunder shall be determined by multiplying the amount of the income or loss allocable to the Participant's Employer Account for the Year by a fraction, the numerator of which is the portion of the Excess Matching Contributions for the Year that are to be distributed to that Participant or forfeited from his Employer Account and the denominator of which is the sum of the balance of the Participant's Employer Account as of the first day of the Year and any Matching Contributions allocated to the Participant’s Employer Account for that Year. The Administrator may, in its discretion, determine to use any other reasonable method for computing the income or loss attributable to Excess Matching Contributions, provided that the method (i) does not violate Section 401(a)(4) of the Code, (ii) is used consistently for all Participants and for all corrective distributions and forfeitures under the Plan for the Year, and (iii) is used by the Plan for allocating income or loss to Participants’ Individual Accounts. The Plan shall not be considered to fail to use a reasonable method for computing the income or loss attributable to Excess Matching Contributions merely because the income or loss attributable to Excess Matching Contributions is determined on a date that is no more than seven days before the date of distribution or forfeiture of such Excess Matching Contributions.

In adjusting a Participant's Excess Matching Contributions for the income or loss attributable to such Excess Matching Contributions for the Years beginning January 1, 2006 and January 1, 2007, the income or loss attributable to such excess contributions for the "gap period" shall be considered. For purposes of this Section 5.2, "gap period" shall mean the period beginning with the first day of the Year next following the Year for which the Excess Matching Contributions were made on behalf of the Participant and ending on the date of distribution or forfeiture of such Excess Matching Contributions. The Administrator may, in its discretion, determine to use the safe harbor method to determine income or loss attributable to Excess Matching Contributions for the gap period under which the income or loss attributable to Excess Matching Contributions for the gap period shall be equal to ten percent of the income or loss attributable to Excess Matching Contributions for the Year that would be determined under the immediately preceding paragraph, multiplied by the number of calendar months that have elapsed since the end of that Year. For purposes of calculating the number of calendar months that have elapsed under this safe harbor method, a corrective distribution or forfeiture that is made on or before the 15 th day of a month shall be treated as made on the last day of the preceding month and a corrective distribution or forfeiture that is made after the 15 th day of a month shall be treated as made on the last day of that month. The Administrator may, however, in its discretion determine the income or loss attributable to Excess Matching Contributions for the aggregate of the Year for which the Excess Matching Contributions were made and the gap period following that Year, by applying the standard method described in the immediately preceding paragraph to this aggregate period, which shall be accomplished by (i) substituting the income or loss for that Year and that gap period for the income or loss for that Year, and (ii) substituting the amounts taken into account under the Contribution Percentage test for that Year and that gap period in determining the fraction that is multiplied by that income or loss.

For Years beginning before January 1, 2006, the income or loss attributable to the portion of the Excess Matching Contributions for a Year that is to be distributed to a Highly Compensated Employee or forfeited from his Employer Account hereunder shall be determined by multiplying the amount of the income or loss allocable to the Participant's Employer Account for the Year by a fraction, the numerator of which is the portion of the Excess Matching Contributions for the Year that is to be distributed to that Participant or forfeited from his Employer Account and the denominator of which is the balance of the Participant's Employer Account on the last day of the Year after adjustment as of such date under Section 8.2. In adjusting a Participant's Excess Matching Contributions for the income or loss attributable to such Excess Matching Contributions, the income or loss attributable to such Excess Matching Contributions for the "gap period" as defined in this Section 5.2 shall not be considered.

Sec. 5.3 Testing of Salary Reduction Contributions Under Contribution Percentage Test . Notwithstanding the foregoing provisions of this Article V or of Article IV, all or a portion of the Salary Reduction Contributions made on behalf of eligible Non-Highly Compensated Employees may be treated as Matching Contributions made on behalf of such eligible Non-Highly Compensated Employees for the purpose of meeting the Contribution Percentage test set forth in Section 5.1, provided that the Actual Deferral Percentage test of Section 4.2 can be met, both when the Salary Reduction Contributions treated as Matching Contributions hereunder are included in performing such Actual Deferral Percentage test and when such Salary Reduction Contributions are excluded in performing such Actual Deferral Percentage test. Except for purposes of meeting the Contribution Percentage test of Section 5.1 to the extent described hereunder, any such Salary Reduction Contributions shall continue to be treated as Salary Reduction Contributions for all other purposes of the Plan.

Sec. 5.4 Other Permissible Methods of Testing and Corrections . The provisions of this Article V are intended to conform with Section 401(m) of the Code. In the event that the Administrator determines, based on changes to the Code or interpretations or guidance issued by the Internal Revenue Service, that the requirements of such Code section may be applied in a manner different from that prescribed in this Article V, the Administrator may make appropriate adjustments to the administration of the Plan to incorporate such changes to the Code or interpretations or guidance. If a change to the Code or interpretations or guidance issued by the Internal Revenue Service results in more than one additional option in the manner in which this Article V may be administered, the Administrator shall have the limited discretion to select the option to be used, provided that such option, when compared to the other option or options, results in the smallest adjustment to Participants' Individual Accounts.

Sec. 5.5 Targeted Qualified Non-Elective Contributions Limit . Employer qualified non-elective contributions made pursuant to Section 3.4 to satisfy the Contribution Percentage test under Section 5.1 for a Year cannot be taken into account in determining the Actual Contribution Ratio for an eligible Non-Highly Compensated Employee (as defined in Section 5.1) for the current Year or the preceding Year, whichever is applicable under Section 5.1, to the extent such contributions exceed the product of that Non-Highly Compensated Employee's Annual Compensation [as defined in Section 5.1(c)] for the current Year or the preceding Year, whichever is applicable under Section 5.1, and the greater of five percent or two times the Plan's "representative contribution rate." Any qualified non-elective contributions taken into account under the Actual Deferral Percentage test under Section 4.2 (including the determination of the "representative contribution rate" under Section 4.6) for a Year shall not be taken into account for purposes of this Section 5.5 (including the determination of the "representative contribution rate" under this Section 5.5). For purposes of this Section 5.5, the following terms shall have the following meanings:

(a) The Plan's "representative contribution rate" is the lowest "applicable contribution rate" of any eligible Non-Highly Compensated Employee for the current Year or the preceding Year, whichever is applicable under Section 5.1, in either (i) the group consisting of half of all eligible Non-Highly Compensated Employees for the applicable Year, or (ii) the group consisting of all eligible Non-Highly Compensated Employees for the applicable Year who are employed by the Employer on the last day of the applicable Year, whichever results in the greater amount.

(b) The "applicable contribution rate" for an eligible Non-Highly Compensated Employee for purposes of allocating qualified non-elective contributions that may be included in determining his Actual Contribution Ratio under Section 5.1 for the current Year or the preceding Year, whichever is applicable under Section 5.1, shall mean the qualified non-elective contributions made at the election of the Administrator pursuant to Section 5.2(c) for the eligible Non-Highly Compensated Employee for the applicable Year [excluding any qualified non-elective contributions made at the election of the Administrator pursuant to Section 4.3(c) that are included in determining his Actual Deferral Ratio under Section 4.2 for the preceding Year], divided by the eligible Non-Highly Compensated Employee's Annual Compensation [as defined in Section 5.1(c)] for the applicable Year.

Employer qualified non-elective contributions made pursuant to Section 3.4 to satisfy the Contribution Percentage test under Section 5.1 for any such Year cannot be taken into account in determining the Actual Contribution Ratio for an eligible Non-Highly Compensated Employee (as defined in Section 5.1) for the current Year or the preceding Year, whichever is applicable under Section 5.1, to the extent such contributions are taken into account for purposes of satisfying any actual deferral percentage test under Section 401(k) of the Code, any other contribution percentage test under Section 401(m) of the Code, or the safe harbor requirements of Treas. Reg. §1.401(k)-3, the safe harbor requirements of Treas. Reg. §1.401(m)-3, or the SIMPLE plan requirements of Treas. Reg. §1.401(k)-4.

Article VI

ALLOCATION OF CONTRIBUTIONS

Sec. 6.1 Establishment of Accounts . The Recordkeeper shall establish and maintain a separate account as a record of each Participant's and Former Participant's interest in the Trust Fund with respect to each Individual Account in which a Participant or Former Participant has an interest, including, as appropriate, sub-accounts for the Participant's Salary Reduction Contributions, his Matching Contributions, his profit sharing contributions, his after-tax employee contributions to either the Penrod Thrift Plan or the Dual 401(k) Plan, his Rollover Contributions and his Transfer Contributions. Within each such Individual Account, one or more sub-accounts shall be maintained to reflect the Participant's investment elections among the Investment Funds.

Sec. 6.2 Allocation of Salary Reduction Contributions . As of each Allocation Date, but after adjustment of the Individual Accounts as provided in Section 8.2, the Employer contributions deposited with the Trustee during the period since the last Allocation Date that were made pursuant to a salary reduction agreement entered into with a Participant pursuant to Section 3.1 shall be allocated by the Recordkeeper to the Participant's 401(k) Account; provided, however, that the amount allocated hereunder shall be subject to the limitations of Sections 4.1 and 4.2.

Sec. 6.3 Allocation of Matching Contributions and Certain Forfeitures . As of each Allocation Date, but after adjustment of the Individual Accounts as provided in Section 8.2, and after applying the limitations of Section 5.1, the Administrator shall, to the extent permitted by either of the Contribution Percentage tests of Section 5.1, direct the Recordkeeper to allocate each Matching Contribution deposited with the Trustee during the period since the last Allocation Date that were made pursuant to Section 3.2, including certain forfeitures under Articles IV, V, XIII and XIV that were applied, subject to the application of Section 13.5, to reduce that Matching Contribution and shall credit the same to the Employer Accounts of all Participants as follows:

> Each such Participant shall be entitled to have his Employer Account credited with that proportion of the Employer's Matching Contribution and the forfeitures, if any, which were designated by the Company to be applied to reduce Matching Contributions as provided in Section 13.5 for said period which the Salary Reduction Contribution made on his behalf for that period and which is considered under Section 3.2 in determining the Matching Contribution of an Employer for such period shall bear to the aggregate Salary Reduction Contributions made on behalf of all Participants entitled to share in such allocation for that period and which are considered under Section 3.2 for that period.

Sec. 6.4 Allocation of Employer Profit Sharing Contributions Made Under Section 3.3 and Certain Forfeitures . As of the last day of each Year, but after adjustment of the Individual Accounts as provided in Section 8.2, the Administrator shall direct the Recordkeeper to allocate the profit sharing contribution of the Employer, if any, made pursuant to Section 3.3 and certain forfeitures under Articles IV, V, XIII and XIV, subject to the application of Section 13.5, for the Year and shall credit the same to the Employer Accounts of all Participants in the Plan who either (i) had their service with the Employer terminated by reason of death, retirement on or after Normal Retirement Age or Disability during the Year, or (ii) were in the service of the Employer on the last day of the Year, as follows:

> Each such Participant shall be entitled to have his Employer Account credited with that proportion of the Employer's profit sharing contribution made pursuant to Section 3.3 and the forfeitures, if any, which were designated under Section 13.5 by the Company for allocation pursuant to this Section 6.4 for such Year which his Annual Compensation for such Year shall bear to the aggregate Annual Compensation for that Year of all Participants entitled to share in such allocation;

provided, however, effective January 1, 2008, all Participants and Employees of the Company and Affiliated Companies, including those Employees who are included on December 31, 2008 in, or subsequently transferred to, a class of employees not eligible for participation in the Plan and, as a result shall cease to be a Participant for purposes of certain provisions of the Plan as specified in Section 2.5, shall be excluded from participation in the profit sharing feature of the Plan and the allocation of Employer profit sharing contributions, if any, under this Section 6.4 (as well as the forfeitures, if any, that may become allocable under Section 6.4 along with such profit sharing contributions) that are made pursuant to Section 3.3 for the Year beginning January 1, 2008 and for any Year beginning on or after January 1, 2009 with respect to which the Employee does not satisfy the allocation requirements of this Section 6.4, including because he is employed in an ineligible class of employment on the last day of the Year.

For purposes of this Section 6.4, while a Participant is in qualified military service (within the meaning of Chapter 43 of Title 38, United States Code), he shall be considered to be in the employment of the Employer and to receive Annual Compensation during any such period of qualified military service in an amount equal to the Annual Compensation he would have received during such period if he were not in such service, determined based on the rate of pay he would have received from the Employer but for the absence during the period of such service; provided, however, if the Annual Compensation the Participant would have received during such period is not reasonably certain, the Participant's average Annual Compensation from the Employer during the 12-month period immediately preceding the qualified military service (or, if shorter, the period of employment immediately preceding the qualified military service) shall be used.

Sec. 6.5 Allocation of Employer Qualified Non-Elective Contributions . As of the last day of each Year, but after adjustment of the Individual Accounts as provided in Section 8.2, if an Employer made qualified non-elective contributions for a Year under Section 3.4 on behalf of any Participants who are Non-Highly Compensated Employees for the current or the preceding Year, whichever is applicable under Section 4.3 or 5.2, in order to insure that one of the Actual Deferral Percentage tests described in Section 4.2 are met for such Year or that one of the Contribution Percentage tests described in Section 5.1 are met for such Year, such qualified non-elective contributions (that satisfy the requirements of Section 4.6 or Section 5.5, whichever is applicable, for any Year after December 31, 2005) shall be allocated to the 401(k) Accounts of such Non-Highly Compensated Employees for the current or the preceding Year, whichever is applicable under Section 4.3 or 5.2, as determined by the governing body of the Company in the manner determined by the governing body of the Company.

Sec. 6.6 Credit of Rollover Contributions and Transfer Contributions . A Rollover Contribution made by an Employee or a Transfer Contribution made on behalf of an Employee during the period since the last Allocation Date shall be credited to his Rollover Account or Transfer Account, as the case may be.

Sec. 6.7 Included Individual Accounts . For the purposes of this Article VI, references to the Individual Accounts of Participants shall include the Individual Accounts of those who die, become disabled, retire, or whose employment terminates during the Year in question.

Sec. 6.8 Special 410(b) Allocation . The Plan must satisfy the minimum coverage requirements of Section 410(b) of the Code each Year. If the Administrator determines that the Plan is to satisfy Section 410(b) of the Code for a Year by satisfying the ratio percentage test of Treas. Reg. §1.410(b)-2(b)(2), but because of the allocation eligibility requirements of Section 6.4 it would not otherwise satisfy the ratio percentage test of Treas. Reg. §1.410(b)-2(b)(2), then notwithstanding the requirement of Section 6.4 that an individual be in the active employment of an Employer on the last day of a Year in order to receive an allocation of Employer profit sharing contributions, if any, for such Year, certain Participants (as determined by the Administrator) who performed for an Affiliated Company more than 500 Hours of Service during the Year and were not in the active employment of an Employer on the last day of such Year shall be eligible to receive a "special allocation" hereunder for such Year to the extent required for the Plan to satisfy the ratio percentage test of Treas. Reg. §1.410(b)-2(b)(2) (or its successor). If the Administrator determines to apply this Section 6.8, the Administrator will suspend the accrual requirements of Section 6.4 with respect to certain Participants, beginning first with the Participants in the active employment of an Employer on the last day of the Year, then the Participants who have the latest severance from employment during the Year, and continuing to suspend in descending order the accrual requirements for each Participant who incurred an earlier severance from employment, from the latest to the earliest severance from employment date, until the Plan satisfies the ratio percentage test of Treas. Reg. §1.410(b)-2(b)(2) for the Year. If two or more Participants have a severance from employment on the same day, the Administrator will suspend the accrual requirements for all such Participants, irrespective of whether the Plan can satisfy the ratio percentage test of Treas. Reg. §1.410(b)-2(b)(2) by accruing benefits for fewer than all such Participants. If the Plan suspends the accrual requirements for a Participant, that Participant will share in the allocation of Employer profit sharing contributions and forfeitures, if any, designated pursuant to Section 13.5 for allocation under Section 6.4 with the profit sharing contributions without regard to whether he is in the active employment of an Employer on the last day of the Year. The Administrator shall determine the number of Participants, selected in order of ranking, to receive a special allocation, if any. Notwithstanding the above, individuals who are not in the active employment of an Employer on the last day of the Year and are excludable from testing under Section 410 (b) of the Code shall not be eligible for a special allocation under this Section 6.8.

Article VII

LIMITATION ON ALLOCATIONS

Sec. 7.1 Limitation on Allocations . Notwithstanding any other provision of the Plan, effective January 1, 2008, the following provisions shall be applicable to the Plan:

(a) If the Plan is the only plan maintained by an Employer which covers the class of Employees eligible to participate hereunder and the Participant does not participate in and has never participated in a Related Plan or a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer, or an individual medical account, as defined in Section 415(1)(2) of the Code, maintained by the Employer, which provides an Annual Addition, the Annual Additions which may be allocated under the Plan to a Participant's Individual Account for a Limitation Year shall not exceed the lesser of:

(i) the Maximum Permissible Amount; or

(ii) any other limitation contained in the Plan.

(b) If an Employer maintains, in addition to the Plan, (i) a Related Plan which covers the same class of Employees eligible to participate hereunder, (ii) a welfare benefit fund, as defined in Section 419 (e) of the Code, or (iii) an individual medical account, as defined in Section 415(l)(2) of the Code, which provides an Annual Addition, the Annual Additions which may be allocated under the Plan to a Participant's Individual Account for a Limitation Year shall not exceed the lesser of:

(i) the Maximum Permissible Amount, reduced by the sum of any Annual Additions allocated to the Participant's accounts for the same Limitation Year under the Plan and such other Related Plan and the welfare plans described in clauses (ii) and (iii) above; or

(ii) any other limitation contained in the Plan.

Sec. 7.2 Definitions . For purposes of this Article VII, the following terms shall have the meanings set forth below:

(a) "Annual Additions" means the sum of the following amounts allocated to a Participant's Individual Account for a Limitation Year:

(i) all Employer contributions;

(ii) all forfeitures;

(iii) all Employee contributions other than catch-up contributions made pursuant to Section 414(v) of the Code; and

(iv) all amounts allocated to an individual medical account, as defined in Section 415(l)(2) of the Code, which is part of a pension or annuity plan maintained by the Employer and amounts derived from contributions which are attributable to post-retirement medical benefits allocated to the separate account of a key employee, as defined in Section 419A(d)(3) of the Code, under a welfare benefit fund, as defined in Section 419(e) of the Code, maintained by the Employer.

In addition, Annual Additions shall include Excess Elective Deferrals under Section 4.1 that are not distributed under that section to the Participant before April 15 following the taxable year of deferral, Excess Salary Reduction Contributions within the meaning of Section 4.3, and Excess Matching Contributions within the meaning of Section 5.2, but shall not include Restorative Payments.

For purposes of this Article VII, Employee contributions shall be determined without regard to any (i) rollover contribution within the meaning of Sections 401(a)(31), 402(c)(1), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16) of the Code, (ii) repayment of prior Plan distributions described in Section 411(a)(7)(B) of the Code (in accordance with Section 411(a)(7)(C) of the Code) and Section 411(a)(3)(D) of the Code, (iii) contribution by the Employee to a simplified employee pension, (iv) contribution by the Employee to an individual retirement account or individual retirement annuity, (v) repayments of loans made to the Participant from the Plan, and (iv) direct transfer of Employee contributions from a plan described in Section 401(a) of the Code to the Plan.

(b) "Excess Amount" means the excess of the Annual Additions allocated to a Participant's Individual Account for the Limitation Year over the Maximum Permissible Amount, less loading and other administrative charges allocable to such excess.

(c) "Limitation Year" means a twelve consecutive month period ending on the last day of the Year. All qualified plans maintained by the Employer must use the same Limitation Year unless different years are elected as allowed by procedures established by the Internal Revenue Service. The Limitation Year may be changed only by a Plan amendment. Furthermore, if the Plan is terminated effective as of a date other than the last day of the Limitation Year, the Plan shall be treated as if the Plan had been amended to change the Limitation Year.

(d) "Maximum Permissible Amount" for a Limitation Year with respect to any Participant shall be the lesser of:

(i) $46,000 [or, beginning January 1, 2009, and each January thereafter, such other dollar limitation determined for the Limitation Year by automatically adjusting the $46,000 limitation by the cost-of-living adjustment factor prescribed by the Secretary of the Treasury under Section 415(d) of the Code in such manner as the Secretary shall prescribe]; or

(ii) 100% of the Participant's Annual Compensation for the Limitation Year.

The compensation limit referred to in clause (ii) above shall not apply to any contribution for medical benefits after separation from service [within the meaning of Section 401(h) or 419A(f)(2) of the Code], which is otherwise treated as an Annual Addition.

(e) "Employer" means for purposes of this Article VII, the Employer and any Affiliated Company that adopts the Plan; provided, however, the determination under Sections 414(b) and (c) of the Code shall be made as if the phrase "more than 50 percent" were substituted for the phrase "at least 80 percent" each place it is incorporated into Section 414(b) and (c) of the Code.

(f) "Annual Compensation" means, notwithstanding Section 1.5, for the purposes of this Article VII, a Participant's earned income, wages, salaries, fees for professional service and other amounts received (without regard to whether an amount is paid in cash) for personal services actually rendered in the course of employment with an Employer maintaining the Plan to the extent that the amounts are includible in gross income [including, but not limited to, commissions paid salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, fringe benefits, and reimbursements, or other expense allowances under a nonaccountable plan, as described in Treas. Reg.§ 1.62-2(c)], and excluding the following:

(i) Employer contributions to a plan of deferred compensation to the extent contributions are not included in gross income of the Employee for the taxable year in which contributed, or on behalf of an Employee to a simplified employee pension plan to the extent such contributions are deductible by the Employee, and any distributions from a plan of deferred compensation whether or not includible in the gross income of the Employee when distributed;

(ii) amounts realized under Section 83 of the Code from the exercise of a non-qualified share option [which is an option other than a statutory option defined in Treas. Reg. §1.421-1(b)], or when restricted shares (or property) held by an Employee either become freely transferable or are no longer subject to a substantial risk of forfeiture within the meaning of Section 83 of the Code;

(iii) amounts realized from the sale, exchange or other disposition of shares acquired under a statutory share option [as defined in Treas. Reg. §1.421-1(b)]; and

(iv) other amounts which receive special tax benefits, such as premiums for group-term life insurance (but only to the extent that the premiums are includible in the gross income of the Employee and are not salary reduction amounts that are described in Section 125 of the Code).

Annual Compensation shall be determined hereunder without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed.

Annual Compensation shall include:

(i) amounts contributed by an Employer pursuant to a salary reduction agreement which are excludable from the Participant's gross income under Sections 125, 402(e)(3), 402(h)(1)(B), 408(p)(2)(A)(i), 457 or 403(b) of the Code, and elective amounts that are not includible in the gross income of the Participant by reason of Section 132(f)(4) of the Code; and

(ii) amounts includible in the Participant's gross income under the rules of Section 409A of the Code and Section 457(f)(1)(A) of the Code or because amounts are constructively received by the Employee.

Annual Compensation for any Limitation Year is the Annual Compensation actually paid or includible in gross income during such Limitation Year and, except as provided in this paragraph, shall not include amounts paid to a Participant after severance from employment. Annual Compensation shall include the following amounts that are paid prior to the later of two and one-half months after a Participant's severance from employment or the end of the Limitation Year that includes the date of such severance from employment:

(i) payments of regular compensation for services during the Participant's regular working hours, or compensation for services outside his regular working hours (such as overtime or shift differential), commissions, bonuses or other similar payments, that would have been paid to the Participant prior to a severance from employment had he continued in employment with the Employer; and

(ii) payments for unused accrued bona fide sick, vacation or other leave, but only if (A) the Participant would have been able to use the leave if his employment had continued, and (B) the payments would have been included in the definition of Annual Compensation if those payments had been paid prior to the Participant's severance from employment.

(g) "Related Plan" means any other defined contribution plan [as defined in Section 415(k) of the Code] maintained by any Employer as defined in Section 7.2(e).

(h) "Restorative Payments" means payments made to restore losses to the Plan resulting from actions by a fiduciary for which there is reasonable risk of liability for breach of a fiduciary duty under ERISA or under other applicable federal or state law, where Participants who are similarly situated are treated similarly with respect to the payments. Generally, payments are Restorative Payments only if the payments are made in order to restore some or all of the Plan's losses due to an action (or a failure to act) that creates a reasonable risk of liability for such a breach of fiduciary duty (other than a breach of fiduciary duty arising from failure to remit contributions to the Plan). Restorative Payments include payments to the Plan made pursuant to a Department of Labor order, the Department of Labor's Voluntary Fiduciary Correction Program, or a court-approved settlement, to restore losses to the Plan on account of the breach of fiduciary duty (other than a breach of fiduciary duty arising from failure to remit contributions to the Plan). Payments made to the Plan to make up for losses due merely to market fluctuations and other payments that are not made on account of a reasonable risk of liability for breach of a fiduciary duty under ERISA are not Restorative Payments and generally constitute Employer contributions that are considered Annual Additions.

Sec. 7.3 Correction of Excess Amounts . Notwithstanding any provision of the Plan to the contrary, if the Plan holds Excess Amounts because the Annual Additions for one or more Participants exceed the Maximum Permissible Amount, then the Plan may only correct such Excess Amounts in accordance with the Employee Plans Compliance Resolution System, as set forth in Revenue Procedure 2008-50 issued by the Internal Revenue Service, as the principles of such Revenue Procedure may be modified or expanded from time to time, or any other correction procedures available generally to the Company with respect to the Plan, including, but not limited to, the preamble of the final Treasury regulations issued under Section 415 of the Code.

Sec. 7.4 Aggregation and Disaggregation of Plans . For purposes of this Article VII, the following provisions shall be applicable to each Employer covered by the Plan:

(a) For purposes of applying the limitations of Section 415 of the Code, all defined contributions plans (without regard to whether a plan has been terminated) ever maintained by the Employer (or a "predecessor employer") under which the Participant receives annual additions are treated as one defined contribution plan. For purposes of this Section 7.4(a):

(i) A former Employer is a "predecessor employer" with respect to a participant in a plan maintained by an Employer if the Employer maintains a plan under which the Participant had accrued a benefit while performing services for the former Employer, but only if that benefit is provided under the plan maintained by the Employer. For this purpose, the formerly affiliated plan rules in Treas. Reg. §1.415(f)-1(b)(2) shall apply as if the Employer and predecessor employer constituted a single Employer under the rules described in Treas. Reg. §§1.415(a)-1(f)(1) and (2) immediately prior to the cessation of affiliation [and, as if the Employer and predecessor employer constituted two unrelated employers under the rules described in Treas. Reg. §§1.415(a)-1(f)(1) and (2) immediately after the cessation of affiliation] and cessation of affiliation was the event that gives rise to the predecessor employer relationship, such as a transfer of benefits or plan sponsorship.

(ii) With respect to an Employer of a Participant, a former entity that antedates the Employer is a "predecessor employer" with respect to the Participant if, under the facts and circumstances, the Employer constitutes a continuation of all or a portion of the trade or business of the former entity.

(b) For purposes of aggregating plans for Section 415 of the Code, a "formerly affiliated plan" of an Employer shall be taken into account for purposes of applying the limitations under Section 415 of the Code to the Employer, but the formerly affiliated plan shall be treated as if it had terminated immediately prior to the "cessation of affiliation." For purposes of this Section 7.4(b), a "formerly affiliated plan" of an Employer is a plan that, immediately prior to the cessation of affiliation, was actually maintained by one or more of the entities that constitute the Employer [as determined under the employer affiliation rules described in Treas. Reg. §§1.415(a)-1(f)(1) and (2)], and, immediately after the cessation of affiliation, is not actually maintained by any of the entities that constitute the Employer [as determined under the employer affiliation rules described in Treas. Reg. §§1.415(a)-1(f)(1) and (2)]. For purposes of this Section 7.4(b), a "cessation of affiliation" means the event that causes an entity to no longer be aggregated with one or more other entities as a single employer under the employer affiliation rules described in Treas. Reg. §§1.415(a)-1(f)(1) and (2) (such as the sale of a subsidiary outside a controlled group), or that causes a plan to not actually be maintained by any of the entities that constitute the Employer under the employer affiliation rules of Treas. Reg. §§1.415(a)-1(f)(1) and (2) (such as a transfer of plan sponsorship outside of a controlled group).

(c) Two or more defined contribution plans that are not required to be aggregated pursuant to Section 415(f) of the Code as of the first day of a Limitation Year do not fail to satisfy the requirements of Section 415 of the Code with respect to a Participant for the Limitation Year merely because those plans are aggregated later in that Limitation Year, provided that no annual additions are credited to the Participant’s individual account after the date on which the plans are required to be aggregated.

Article VIII

ADJUSTMENT OF INDIVIDUAL ACCOUNTS

Sec. 8.1 Trust Fund Valuation . The value of each Investment Fund and of the Trust Fund shall be determined by the Trustee as of the close of business on each Valuation Date, or as soon thereafter as practicable, and shall be the fair market value of all securities or other property held in the Investment Funds, plus cash, accrued interest and the fair market value of other assets held by the Trust Fund, with equitable adjustments for pending trades, less all charges, expenses, reserves and liabilities due which are determined to be properly chargeable to the Investment Funds or other investments of the Trust Fund as of the Valuation Date.

While it is contemplated that the Trust Fund will be valued by the Trustee and allocations made only on the Valuation Date, at any time that the Plan's valuations are not performed on a daily basis, should it be necessary to make distributions under the provisions hereof and the Administrator, in good faith determines that, because of (i) an extraordinary change in general economic conditions, (ii) the occurrence of some casualty materially affecting the value of the Trust Fund or a substantial part thereof, or (iii) a significant fluctuation in the value of the Trust Fund has occurred since the immediately preceding Valuation Date, the Administrator may, in its sole discretion, to prevent the payee from receiving a substantially greater or lesser amount than what he would be entitled to, based on current values, cause a revaluation of the Trust Fund to be made and a reallocation of the interests therein as of the date the payee's right of distribution becomes fixed. The Administrator's determination to make such special valuation and the valuation of the Trust Fund as determined by the Trustee shall be conclusive and binding on all persons ever interested hereunder.

If the Administrator in good faith determines that certain expenses of administration paid by the Trustee during the Year under consideration are not general, ordinary and usual and should not equitably be borne by all Participants, Former Participants and Beneficiaries, but should be borne only by one or more Participants, Former Participants or Beneficiaries, for whom or because of whom such specific expenses were incurred, the net earnings and adjustments in value of the Individual Accounts shall be increased by the amounts of such expenses, and the Administrator shall make suitable adjustments by debiting the particular Individual Account or Individual Accounts of such one or more Participants, Former Participants or Beneficiaries; provided, however, that any such adjustment must be nondiscriminatory and consistent with the provisions of Section 401(a) of the Code.

Sec. 8.2 Adjustments to Participant's and Former Participant's Individual Accounts . Each Investment Fund shall be valued at fair market value as of the close of business on each Valuation Date. Except as provided below with respect to Fund 5 (as defined in Section 1.28), the value of a Participant's or Former Participant's Individual Account (including for this purpose, the separate value of the sub-accounts of a Participant's or Former Participant's Individual Account, i.e., his Employer Account, his 401(k) Account, his Prior Plan Account, his Reinstatement Account, if any, his Rollover Account, if any, his Transfer Account, if any, and his Savings Account, if any) held in an Investment Fund maintained hereunder shall be determined as of each Valuation Date by:

(a) First, allocating the Net Gains or Losses of such Investment Fund since the preceding Valuation Date to the Participant's or Former Participant's Individual Account within such Investment Fund in the same ratio as the value of the Participant's or Former Participant's Individual Account in such Investment Fund (as adjusted below) bears to the aggregate value of all Individual Accounts in such Investment Fund (as adjusted below).

An Individual Account shall be adjusted on the Valuation Date for purposes of allocating Net Gains or Losses under the above paragraph by taking the value of such Individual Account as of the prior Valuation Date and (i) adding thereto (A) all contributions or loan repayments designated for investment in such Investment Fund which were made with respect to the immediately prior valuation period but were received by the Trustee after the prior Valuation Date, plus (B) any transfers from any other Investment Fund under the Plan to the Participant's Individual Account within this Investment Fund that were made after the prior Valuation Date and were effective as of the first day after such prior Valuation Date and (ii) deducting therefrom (A) any transfers to any other Investment Fund or Funds under the Plan from the Participant's Individual Account within this Investment Fund that were made after the prior Valuation Date and were effective as of the first day after such prior Valuation Date and any Participant loans, withdrawals, distributions or forfeitures from the Individual Account made after, but effective as of, the preceding Valuation Date.

(b) Second, crediting the contributions and loan repayments made by or on behalf of the Participant with respect to the valuation period ending on the current Valuation Date and designated for investment in such Investment Fund and any transfers from the other Investment Funds under the Plan to the Participant's Individual Account within this Investment Fund made since the preceding Valuation Date.

(c) Last, deducting any transfers to the other Investment Funds under the Plan from the Participant's Individual Account maintained within this Investment Fund and any loans, withdrawals and distributions (including forfeitures) from his Individual Account maintained within this Investment Fund made since the preceding Valuation Date.

An Individual Account invested in Fund 5 shall have allocated to it whole number of shares of Company Stock and cash to the extent share(s) have not been acquired for such fund and the earnings, losses and distributions on shares held in an Individual Account invested in Fund 5 shall be allocated solely to that Individual Account.

For the purpose of this Section, "Net Gains or Losses" shall mean the fair market value of the assets of the Investment Fund (if invested in a group insurance investment contract, such value being determined in accordance with the terms of the contract) as of the current Valuation Date, over such value which was utilized for the prior Valuation Date, less the sum of any deposits plus the sum of any loans, withdrawals, distributions or other deductions, if any, made to pay any expenses incurred with respect to the operations of this fund. The initial Valuation Date for an Investment Fund shall be the date the funds are first invested in such Investment Fund.

Article IX

INDIVIDUAL ACCOUNTS

Sec. 9.1 Participant Interest in Individual Accounts . Each Participant and Former Participant shall at all times have a nonforfeitable interest in his 401(k) Account, Prior Plan Account, Savings Account, Reinstatement Account, Rollover Account and Transfer Account, but he shall have no right, title or interest in the balance of his Individual Account except as hereinafter provided. In no event shall his nonforfeitable interest exceed the amount to the credit of his Individual Account as the same may be adjusted from time to time.

Sec. 9.2 Periodic Benefit Statements . Effective January 1, 2007, the Administrator shall advise, at least quarterly, each Participant, Former Participant, Beneficiary and Alternate Payee for whom an Individual Account is held hereunder of the then fair market value of such Individual Account and of such other information specified in Section 21.8 or as required by ERISA, Department of Labor regulations or other applicable guidance. Prior to January 1, 2007, the Administrator shall be required to provide an annual statement to each Participant, Former Participant, Beneficiary and Alternate Payee for whom an Individual Account is held hereunder of the then fair market value of such Individual Account.

Article X

RETIREMENT

Sec. 10.1 Normal Retirement . A Participant may retire from the employ of his Employer and all Affiliated Companies on or after his Normal Retirement Date. If not fully-vested, a Participant's Individual Account shall become nonforfeitable on his Normal Retirement Date.

Sec. 10.2 Benefits on Normal Retirement . Upon the retirement of a Participant from the employ of his Employer and all Affiliated Companies on or after his Normal Retirement Date, his entire Individual Account shall be held for his benefit. Said Participant shall receive payments from his Individual Account in accordance with Article XIV hereof commencing as of the Valuation Date immediately following the date of his retirement that he determines in his advance written election filed with the Administrator or, if allowed by the Administrator, that he provides in his Interactive Electronic Communication.

Sec. 10.3 Commencement of Benefits . Notwithstanding any other provision of the Plan to the contrary, a Participant or Former Participant shall begin receiving distributions from the Plan, as provided in Article XIV, by his Required Beginning Date as defined in Section 14.4(j)(ii).

Sec. 10.4 Final Contribution After Distribution of Benefits . If a Participant who has already received a distribution of his Individual Account under this Article is entitled to an allocation of an Employer profit sharing contribution under Section 6.4 or a qualified non-elective contribution under Section 6.5 for the Year in which such distribution was made, such contribution shall be paid to the Participant as soon as administratively practicable following the completion of the allocations under Article VI for such Year.

Article XI

DEATH

Sec. 11.1 Benefits on Death . Upon the death of a Participant who is employed by an Employer or an Affiliated Company, his entire Individual Account shall be held for the benefit of his Beneficiary. Upon the death of a Participant whose employment with his Employer and all Affiliated Companies has terminated, his nonforfeitable interest (determined under Section 13.2) in his Individual Account which has not been distributed at the time of his death under Articles X-XIII shall be held for the benefit of his Beneficiary. His Beneficiary shall receive payments from his Individual Account in accordance with Article XIV hereof commencing as of the Valuation Date immediately following the date of the Participant's death that the Beneficiary determines in his advance written election filed with the Administrator or, if allowed by the Administrator, that he provides in his Interactive Electronic Communication.

Sec. 11.2 Final Contribution After Distribution of Benefits . If the Individual Account of a deceased Participant whose Beneficiary has already received a distribution of the Participant's Individual Account under this Article is entitled to an allocation of an Employer profit sharing contribution under Section 6.4 or a qualified non-elective contribution under Section 6.5 for the Year in which such distribution was made, such contributions shall be paid to the Beneficiary as soon as administratively practicable following the completion of the allocations under Article VI for such Year.

Article XII

DISABILITY

Sec. 12.1 Benefits on Disability . If a Participant's employment with his Employer and all Affiliated Companies terminates due to his Disability, his entire Individual Account shall be held for his benefit. The date a Participant's employment terminates as described in the preceding sentence shall be referred to as his "Disability Date". If the balance of the Participant's Individual Account exceeds $5,000, the Participant shall receive payments from his Individual Account in accordance with Article XIV hereof commencing as of the Valuation Date immediately following his Disability Date that he determines in his advance written election filed with the Administrator or, if allowed by the Administrator, that he provides in his Interactive Electronic Communication. If the balance of the Participant's Individual Account does not exceed $5,000, the Administrator shall notify the Participant of his right to receive a distribution of his entire Individual Account. Thereafter, the Administrator shall direct the Trustee to distribute the entire Individual Account to the Participant in a single lump sum distribution or, effective for distributions on or after March 28, 2005, in a direct rollover to an individual retirement rollover account if required by Section 14.2, as soon as administratively practicable after the end of the calendar quarter in which his Disability Date occurs and the Participant receives the Notice following the date his Disability occurs or prior to such date if so directed in writing by the Participant or, if allowed by the Administrator, by his Interactive Electronic Communication.

Sec. 12.2 Final Contribution After Distribution of Benefits . If a Participant who has already received a distribution of his Individual Account under this Article is entitled to an allocation of an Employer profit sharing contribution under Section 6.4 or a qualified non-elective contribution under Section 6.5 for the Year in which the distribution was made, such contributions shall be paid to the Participant as soon as administratively practicable following the completion of the allocations under Article VI for such Year.

Article XIII

TERMINATION BENEFITS

Sec. 13.1 Termination of Employment Other than by Reason of Death, Disability or Retirement . If the employment of a Participant with his Employer and all Affiliated Companies terminates for any reason other than retirement on or after his Normal Retirement Date, death or Disability, such Participant shall be entitled to such benefits as are hereinafter provided in Section 13.2 at the time specified in Section 13.3.

Sec. 13.2 Vested Interest . A Participant to whom the provisions of Section 13.1 are applicable shall be entitled to receive the entire amount then standing to his credit in his 401(k) Account, his Prior Plan Account, his Savings Account, his Reinstatement Account, his Rollover Account and his Transfer Account. In addition, he shall be entitled (as a vested interest) to receive a percentage of the then balance to his credit in his Employer Account determined in accordance with the following schedule:

Period of Service in Years	Vested Interest
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

If a Participant was a participant in the Chiles 401(k) Plan on September 30, 2002 and became a Participant in the Plan on October 1, 2002 (a "Chiles Participant"), the following provisions shall apply:

(a) Notwithstanding the above vesting schedule in this Section 13.2, the entire Employer Account of each Chiles Participant shall become nonforfeitable and fully vested on the date he attains age 55 and has credit for a Period of Service of at least five years.

(b) Each Chiles Participant who had credit under the Chiles 401(k) Plan as of October 1, 2002 for a Period of Service of either one or two years shall have his vested interest in his Employer Account determined under the above schedule, provided that (i) any such Chiles Participant with credit for a Period of Service of one year shall remain 20% vested in his Employer Account until he receives credit under the Plan for a Period of Service of three years, and (ii) any such Chiles Participant with credit for a Period of Service of two years shall remain 40% vested in his Employer Account until he receives credit under the Plan for a Period of Service of four years.

(c) Each Chiles Participant who had credit under the Chiles 401(k) Plan as of October 1, 2002 for a Period of Service of at least three years shall be entitled (as a vested interest) to receive a percentage of the then balance to his credit in his Employer Account determined in accordance with the following schedule:

Period of Service in Years	Vested Interest
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

Notwithstanding the preceding provisions of this Section 13.2, any such Participant who (i) has credit for a Period of Service of less than six years before January 1, 2008, and (ii) receives credit for at least one Hour of Service after December 31, 2007 shall be entitled (as a vested interest) to receive a percentage of the then balance to his credit in his Employer Account determined in accordance with the following schedule:

Period of Service in Years	Vested Interest
Less than 1	0%
1 but less than 2	33 1/3%
2 but less than 3	66 2/3%
3 or more	100%

If a Participant incurs a forfeiture from his Employer Account pursuant to this Article XIII and the forfeiture is subsequently reinstated through the Participant's timely repayment or deemed repayment of the distribution, thereafter the vested portion of his restored Employer Account shall, until such time as he may become 100% vested therein or such Employer Account is again forfeited, be an amount ("X") determined by the formula: X=P (AB+D)-D. For purposes of applying this formula: P is the vested percentage at the relevant time; AB is the account balance at the relevant time; and D is the amount of the prior distribution (or deemed distribution).

Sec. 13.3 Time of Distribution . If the employment of a Participant with his Employer and all Affiliated Companies terminates for any reason other than retirement, death or Disability, and the value of the vested portion of his Individual Account exceeds $5,000, then the Administrator shall direct the Trustee, with such Participant's written consent, or, if allowed by the Administrator, by his Interactive Electronic Communication, to distribute to such Participant the portion of his Individual Account to which he is entitled under Section 13.2 in accordance with Article XIV hereof as soon as administratively practicable after the later of (i) the date the Participant's employment terminates or (ii) the earlier of (A) the Valuation Date immediately following the date determined by such Participant in his advance written election filed with the Administrator or, if allowed by the Administrator, by his Interactive Electronic Communication, or (B) the Valuation Date next following the date on which such Participant attains age 62 or his earlier death occurs, but not later than the time specified in Section 14.4. If such Participant does not consent to an early distribution, the vested portion of his Individual Account shall continue to be invested in the Investment Funds or Funds selected by the Participant pursuant to his current investment direction, if any, or if none, in the default Investment Fund determined by Section 21.8.

However, if the vested balance of a terminated Participant's Individual Account does not exceed $5,000, the Administrator shall notify the Participant of his right to receive a distribution of his entire Individual Account. Thereafter, the Administrator shall direct the Trustee to distribute the vested balance of the Individual Account to such Participant in a single lump sum distribution or, effective for distributions on or after March 28, 2005, in a direct rollover to an individual retirement rollover account if required by Section 14.2, as soon as administratively practicable after the end of the calendar quarter in which the Participant's termination of employment occurs and the Participant receives the Notice following the date of such termination, or prior to such date if so directed in writing by the Participant or, if allowed by the Administrator, by his Interactive Electronic Communication. Effective with respect to each Participant whose employment with his Employer and all Affiliated Companies terminates after December 31, 2001, Rollover Contributions (and earnings attributable thereto) shall be excluded in determining the value of the vested portion of the terminated Participant's Individual Account for purposes of this Section 13.3. The balance to the credit of a terminated Participant in his Employer Account which is not vested under the schedule in Section 13.2, if not previously forfeited, shall be forfeited as of the earlier of (i) the date his entire vested Individual Account balance has been distributed under Article XIV or (ii) the last day of the Year in which such Participant incurs a 60-consecutive month Period of Severance. If the Participant is not entitled to any portion of his Individual Account, he shall be deemed to have received a distribution and shall forfeit the balance of his Employer Account on the date of his employment terminates; provided, however, that this deemed forfeiture shall not apply if the Participant has a balance in his 401(k) Account. Effective with respect to each Participant whose employment with his Employer and all Affiliated Companies terminates after December 31, 2001, Rollover Contributions (and earnings attributable thereto) shall be excluded in determining the value of the vested portion of the terminated Participant’s Individual Account for purposes of this Section 13.3. The forfeited amount under this Section 13.3 shall remain in the Trust Fund and shall be applied as provided in Section 13.5. If a Former Participant is reemployed by an Affiliated Company without incurring a 60-consecutive month Period of Severance, he shall have the right to restore in full the portion of his Employer Account which was forfeited hereunder upon repayment to the Plan of the full amount of the distribution from such accounts. Such repayment must be made not later than the earlier of the fifth anniversary of his return to employment or the last day of the Year in which the Participant incurs a 60-consecutive month Period of Severance after the date of his distribution. The Participant's repayment, if any, shall be held in the Participant's Reinstatement Account and the reinstated forfeiture shall be held in the Participant's Employer Account. If the Participant resumes active employment with an Affiliated Company and does not repay a prior distribution prior to the time specified above, the portion of his Employer Account which was forfeited hereunder shall not be restored. If the Participant was deemed to receive a distribution as provided in this Section, the forfeited portion of his Employer Account shall be automatically reinstated upon his reemployment. If currently unallocated forfeitures are not adequate to effect the restoration, the Company or the Affiliated Company shall make such additional contribution to the Plan as is necessary to restore the forfeited portion of his Employer Account, if any.

Sec. 13.4 Forfeiture and Return to Employment Prior to Complete Distribution . After a 60-consecutive month Period of Severance, a Participant to whom this Article XIII is applicable, other than a Participant described in Section 13.3, shall forfeit that portion of the amount of his Employer Account to which he is not entitled under Section 13.2 and the amount thus forfeited shall remain in the Trust Fund and shall be applied as provided in Section 13.5. The amount forfeited by a Participant hereunder shall be charged to his Employer Account on the last day of the Year as of which he shall incur a 60-consecutive month Period of Severance. If the Participant returns to the employment of the Employer after a 60-consecutive month Period of Severance, but before the full payment of his Individual Account, Employer contributions after such 60-consecutive month Period of Severance shall be allocated to an Employer Account established on behalf of such Participant which is separate from the Individual Account of such Participant to which is allocated his account balance attributable to service prior to the 60-consecutive month Period of Severance.

Sec. 13.5 Application of Forfeitures . The forfeitures occurring as provided in Articles IV, V, XIII and XIV shall first be used to restore the account of a Former Participant who has been located during that Year as provided in Section 14.9. If additional forfeitures remain after full restorations under Section 14.9, then remaining forfeitures shall be used to restore accounts of Former Participants who are entitled to restorations for that Year under Section 13.3. If additional forfeitures remain for a Year after application of the two preceding sentences, the remaining forfeitures may be used to (i) make corrective allocations and reduce corrective contributions on behalf of any Participant or Former Participant for that Year, if any, pursuant to Section 18.11, and (ii) pay fees and expenses of the Plan as provided in Section 18.8. If additional forfeitures remain thereafter, the forfeitures for a Year may be designated by the Company (i) to be used to reduce the Matching Contribution of any Employer under Section 3.2 and for allocation under Section 6.3 as of any Allocation Date as a Matching Contribution or (ii) for allocation under Section 6.4 in addition to the Employer profit sharing contribution, if any, made for such Year under Section 3.3.

Article XIV

DISTRIBUTIONS AND WITHDRAWALS

Sec. 14.1 Payment Options . Whenever a Participant, Former Participant, or Beneficiary is entitled to receive benefits hereunder as provided in Articles X to XIX, inclusive, the Administrator shall direct the Trustee, if so directed in writing signed by such Participant, Former Participant or Beneficiary or, if allowed by the Administrator, by an Interactive Electronic Communication, to pay such benefits in any one or more of the following ways:

(a) A lump sum, payable in cash (except that any distribution from Fund 5 shall be made in whole shares of Ensco ADSs, with the value of any fractional share allocated thereto being distributed in cash unless the Participant or Former Participant (or Beneficiary) elects for all or a portion of such distribution to be made in cash), at the fair market value as of the Valuation Date immediately preceding the date of distribution plus the actual amount of any contributions made by the Participant subsequent to such Valuation Date; provided that a life annuity may not be a part of a lump sum distribution;

(b) Periodic installments not more frequently than monthly over such period of time as the Participant or Former Participant shall determine in accordance with the provisions of Section 14.4; provided, that in no event may the period of installment payments exceed the lesser of (i) ten years or (ii) the joint life expectancy of the Participant or Former Participant whose account is being distributed and his Beneficiary. If benefits are payable over the joint life expectancy of the Participant or Former Participant and his Beneficiary, the present value of the payments to be made over the Participant's or Former Participant's life expectancy must be more than 50% of the present value of the payments to be made over the joint life expectancy of the Participant or Former Participant and his Beneficiary. If distributions are made in installments, the amount of the monthly installment shall be adjusted each year by determining the value of the Individual Account as of the end of the preceding Year and dividing such amount by the remaining life expectancy determined in accordance with Section 14.4. If the Trust Fund is adjusted to reflect the allocation of gains and losses after the time of the adjustment in the amount of the monthly installment payments due to the change in the life expectancy, the remaining monthly payments for such Year shall be adjusted to reflect any increase or decrease in the value of the Individual Account. Any adjustment which would decrease the amount of the remaining monthly payments shall be mutually agreed to by the affected Participant or Former Participant and the Administrator; or

(c) by electing a direct rollover to an eligible retirement plan as described in Section 402(c)(8)(B) of the Code pursuant to the provisions of Section 14.11.

Sec. 14.2 Determination of Form and Timing of Payment . In determining which method or methods permitted in Section 14.1 shall be used in any case, the Administrator shall follow the directions of the Participant, Former Participant or Beneficiary involved. Notwithstanding the foregoing or any other provision of the Plan to the contrary, effective for distributions on or after March 28, 2005, if the vested balance of the Participant's or Former Participant's Individual Account is $5,000 or less but more than $1,000, and the Participant or Former Participant does not elect, pursuant to Section 14.11, to have such vested balance paid directly to an Eligible Retirement Plan (as defined in Section 14.11) specified by the Participant or Former Participant in a direct rollover pursuant to Section 14.11 or to receive the mandatory distribution directly, then the Administrator shall direct the Trustee to pay the total distribution (including any amount rolled over to the Plan) in a direct rollover to an individual retirement rollover account ("IRRA") designated by the Administrator. Any Participant or Former Participant affected by this mandatory distribution shall receive Notice of the automatic rollover advising the Participant or Former Participant of the investment vehicle and fees and expenses of maintaining the IRRA. If the vested balance of the Participant's or Former Participant's Individual Account does not exceed $1,000, or for distributions prior to March 28, 2005, does not exceed $5,000, then subject to the requirements of Section 14.11, the Administrator shall direct the Trustee to pay the vested balance to the Participant, Former Participant or Beneficiary, as the case may be, in a single lump sum distribution.

If the vested balance of the Participant's or Former Participant's Individual Account exceeds $5,000 and any part of the Individual Account could be distributed to the Participant or Former Participant before the Participant or Former Participant attains (or would have attained if not deceased) the later of his Normal Retirement Date or age 62, the Participant or Former Participant must consent in writing or, if allowed by the Administrator, by Interactive Electronic Communication, to any distribution of such Individual Account. The consent of the Participant or Former Participant must be obtained in writing or, if allowed by the Administrator, by Interactive Electronic Communication, within the 90-day period prior to the date benefit payments are to commence. The Administrator shall notify the Participant or Former Participant of (i) the right to defer any distribution until his Required Beginning Date [as defined in Section 14.4(j)(ii)], and (ii) effective for any such Notice provided after December 31, 2006, the consequences of failing to defer such receipt. Such Notice shall be provided no less than 30 days and no more than 90 days before benefit payments are to commence and shall include a general description of the material features, and an explanation of the relative values of, the forms of benefit available under Section 14.1 in a manner that would satisfy the notice requirements of Section 417(a)(3) of the Code and a description of his direct rollover rights under Section 14.11. Effective January 1, 2007, the 90-day period specified in this Section 14.2 shall automatically be revised to 180 days. Such distribution may commence less than 30 days after the Notice required under Treas. Reg. §1.411(a)-11(c) is given, provided that (i) the Administrator clearly informs the Participant or Former Participant that the Participant or Former Participant has a right to a period of at least 30 days after receiving the Notice to consider the decision of whether or not to elect a distribution (and, if applicable, a particular distribution option) and (ii) the Participant or Former Participant, after receiving the Notice, affirmatively elects a distribution either in writing to the Administrator or, if allowed by the Administrator, by Interactive Electronic Communication. The consent of the Participant or Former Participant is not required to the extent that a distribution is required to satisfy either Section 401(a)(9) or Section 415 of the Code.

Sec. 14.3 Minority or Disability of Distributee . During the minority or disability of a person entitled to receive benefits hereunder, the Administrator may, in its sole discretion, direct payment by the Trustee of all or any portion of such benefits due such person directly to him or to his spouse or a relative or to any individual or institution having custody of such person. Neither an Employer, the Committee, the Administrator, the Named Fiduciary nor the Trustee shall be required to see to the application of any payments so made and the receipt of the payee (including the endorsement of a check or checks) shall be conclusive as to all interested parties. Any payment made pursuant to the power herein conferred on the Administrator shall operate as a complete discharge of all obligations of the Administrator and the Trustee, to the extent of the distributions so made.

Sec. 14.4 Additional Requirements Relating to Benefit Payments and Death Distributions . Notwithstanding any other provisions of the Plan, the following provisions shall be applicable to the Plan for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year:

(a) General Distribution Deadline . Payment of benefits shall begin, unless the Participant otherwise elects, not later than the 60 th day after the last day of the Year in which the latest of the following events occurs:

(i) the Participant reaches the earlier of age 65 or his Normal Retirement Date;

(ii) the tenth anniversary of the date on which the Participant commenced participation in the Plan occurs, but not later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70½ if such Participant is a Five-Percent Owner; or

(iii) the date the Participant's employment with his Employer and all Affiliated Companies terminates, but in no event later than the April 1 of the calendar year following the calendar year in which the Participant attains age 70½ if such Participant is a Five-Percent Owner.

If a Participant is entitled to receive a distribution of all or a portion of his Individual Account pursuant to Article X, XI, XII or XIII, he may elect to defer the date of distribution or commencement of distribution of that amount, but not beyond his Required Beginning Date. Once distributions have begun to a Five-Percent Owner after his Required Beginning Date, they must continue to be distributed, even if the Participant ceases to be a Five-Percent Owner in a subsequent Year. If the Participant fails to consent to a distribution at a time when any part of the balance of the Individual Account could be distributed prior to the Participant's Normal Retirement Date or age 62, such failure shall be deemed to be an election to defer commencement of payment of any benefit under this Section 14.4(a); provided that in no event shall he commence to receive distribution of the vested portion of his Individual Account later than his Required Beginning Date.

(b) Required Compliance with Code and Treasury Regulations . All distributions required under this Article XIV shall be determined and made in accordance with Section 401(a)(9) of the Code and the Treasury regulations thereunder. All distributions that commenced to any Participant, Former Participant or Beneficiary on or before January 1, 2003 shall continue to be subject to provisions of section 15.4 of the Plan, as revised and restated effective January 1, 1997, as it existed prior to being amended effective January 1, 2003 by Amendment No. 3 thereto.

(c) Time and Manner of Distribution .

(i) Required Beginning Date and Election to Defer Benefit Commencement . The Participant's entire Individual Account shall be distributed, or commence to be distributed, to the Participant no later than the Participant's Required Beginning Date. An election of a Participant to defer receipt of benefits shall be made by submitting to the Administrator a written statement signed by the Participant or, if allowed by the Administrator, by an Interactive Electronic Communication, describing the benefits and the date on which the Participant requests that the payments commence; provided, however, a Participant may not elect to defer receipt or commencement of receipt of benefits beyond his Required Beginning Date.

(ii) Death of Participant Before Distributions Commence . If the Participant dies before distribution of his Individual Account has commenced, the Participant's entire Individual Account shall be distributed, or commence to be distributed, no later than as follows:

(A) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, then, except as elected by the surviving spouse as provided below, distributions to the surviving spouse shall commence by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 70½, if later.

(B) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, then, except as provided below, distributions to the Designated Beneficiary shall commence by December 31 of the calendar year immediately following the calendar year in which the Participant died.

(C) If there is no Designated Beneficiary of the Participant as of September 30 of the year following the year of the Participant's death, the Participant's entire Individual Account shall be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(D) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse have commenced, this Section 14.4(c)(ii), other than Section 14.4(c)(ii)(A), shall apply as if the surviving spouse were the Participant.

If the Participant dies before distributions commence and there is a Designated Beneficiary, distribution to the Designated Beneficiary is not required to begin by the date specified above in this Section 14.4(c)(ii), but the Participant's entire Individual Account shall be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving spouse is the Participant's Designated Beneficiary, the surviving spouse may elect to apply the distribution requirement of Section 14.4(c)(ii) without regard to the prior sentence. If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies after the Participant but before distributions to either the Participant or the surviving spouse have commenced, this election shall apply as if the surviving spouse were the Participant. For purposes of this Section 14.4(c)(ii) and Section 14.4(e), unless Section 14.4(c)(ii)(D) applies, distributions are considered to begin on the Participant's Required Beginning Date. If Section 14.4(c)(ii)(D) applies, distributions are considered to begin on the date distributions are required to begin to the surviving spouse under Section 14.4(c)(ii)(A).

(iii) Forms of Distribution . Unless the Participant's Individual Account is distributed in a single lump sum on or before the Required Beginning Date, as of the first Distribution Calendar Year distributions will be made in accordance with Sections 14.4(d) and (e).

(d) Required Minimum Distributions During Participant's Lifetime .

(i) Amount of Required Minimum Distribution for Each Distribution Calendar Year . During the Participant's lifetime, the minimum amount that shall be distributed for each Distribution Calendar Year is the lesser of:

(A) the quotient obtained by dividing the Participant's Individual Account Balance by the distribution period in the Uniform Lifetime Table set forth in Treas. Reg. §1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year; or

(B) if the Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant's Individual Account Balance by the number in the Joint and Last Survivor Table set forth in Treas. Reg. §1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year.

(ii) Lifetime Required Minimum Distributions Continue Through Year of Participant's Death . Required minimum distributions shall be determined under this Section 14.4(d) commencing with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's date of death.

(e) Required Minimum Distributions After Participant's Death .

(i) Death On or After Date Distributions Commence .

(A) Participant Survived by Designated Beneficiary . If the Participant dies on or after the date distributions have commenced and there is a Designated Beneficiary, the minimum amount that shall be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Individual Account Balance by the longer of the remaining Life Expectancy of the Participant or the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as follows:

(1) The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(2) If the Participant's surviving spouse is the Participant's sole Designated Beneficiary, the remaining Life Expectancy of the surviving spouse is calculated for each Distribution Calendar Year after the year of the Participant's death using the surviving spouse's age as of the spouse's birthday in that year. For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(3) If the Participant's surviving spouse is not the Participant's sole Designated Beneficiary, the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year.

(B) No Designated Beneficiary . If the Participant dies on or after the date distributions have commenced and there is no Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that shall be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Individual Account Balance by the Participant's remaining Life Expectancy calculated using the age of the Participant in the year of death, reduced by one for each subsequent year.

(ii) Death Before Date Distributions Commence .

(A) Participant Survived by Designated Beneficiary . Except as provided below, if the Participant dies before the date distributions have commenced and there is a Designated Beneficiary, the minimum amount that shall be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant's Individual Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary determined as provided in Section 14.4(e)(i).

(B) No Designated Beneficiary . If the Participant dies before the date distributions have commenced and there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, distribution of the Participant's entire Individual Account shall be completed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(C) Death of Surviving Spouse Before Distributions to Surviving Spouse Are Required to Commence . If the Participant dies before the date distributions have commenced, the Participant's surviving spouse is the Participant's sole Designated Beneficiary, and the surviving spouse dies before distributions are required to commence to the surviving spouse under Section 14.4(c)(ii)(A), this Section 14.4(e)(ii) shall apply as if the surviving spouse were the Participant.

(f) Election to Allow Participants or Beneficiaries to Elect Five-Year Rule . Participants or Beneficiaries may elect on an individual basis whether the five-year rule in Section 14.4(c)(ii) or the Life Expectancy rule in Section 14.4(e)(ii) applies to distributions after the death of a Participant who has a Designated Beneficiary. The election must be made no later than the earlier of September 30 of the calendar year in which distribution would be required to begin under Section 14.4(c)(ii), or by September 30 of the calendar year which contains the fifth anniversary of the Participant's (or, if applicable, surviving spouse's) death. If neither the Participant nor Beneficiary makes an election under this Section 14.4(f), distributions shall be made in accordance with Section 14.4(c)(ii) and Section 14.4(e)(ii).

(g) Election to Allow Participants to Waive 2009 Required Minimum Distributions . Notwithstanding the preceding provisions of this Section 14.4, a Participant or Designated Beneficiary who would have been required to receive required minimum distributions for the 2009 calendar year but for the enactment of Section 401(a)(9)(H) of the Code ("2009 RMDs"), and who would have satisfied that requirement by receiving distributions that are (i) equal to the 2009 RMDs or (ii) one or more payments in a series of substantially equal distributions (that include the 2009 RMDs) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and his Designated Beneficiary, or for a period of at least ten years ("Extended 2009 RMDs"), shall receive those distributions for the 2009 calendar year unless the Participant or Designated Beneficiary chooses not to receive such distributions. Participants and Designated Beneficiaries described in the preceding sentence shall be given the opportunity to elect to stop receiving the distributions described in the preceding sentence. Notwithstanding the foregoing provisions of this Section 14.4(g), a direct rollover shall be offered only for distributions that would be eligible rollover distributions from the Plan without regard to Section 401(a)(9)(H) of the Code.

(h) Definitions . For purposes of this Section 14.4, the following terms shall have the meanings set forth below:

(i) "Designated Beneficiary" means the individual who is designated as the Beneficiary under Section 1.6 and is the designated beneficiary under Section 401(a)(9) of the Code and Treas. Reg. §1.401(a)(9)-4, Q&A-1.

(ii) "Distribution Calendar Year" means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under Section 14.4(c)(ii). The required minimum distribution for the Participant's first Distribution Calendar Year shall be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, shall be made on or before December 31 of that Distribution Calendar Year.

(iii) "Five-Percent Owner" means a Participant who is a five-percent owner of the Company within the meaning of Section 416(i)(1)(B)(i) of the Code (determined in accordance with Section 416 of the Code but without regard to whether the Plan is top heavy) at any time during the Year ending with or within the calendar year in which such owner attains age 70½.

(iv) "Life Expectancy" means the life expectancy as computed by use of the Single Life Table in Treas. Reg. §1.401(a)(9)-9.

(v) "Participant's Individual Account Balance" means the balance of the Participant's Individual Account as of the last valuation date in the calendar year immediately preceding the Distribution Calendar Year (valuation calendar year) increased by the amount of any contributions made and allocated or forfeitures allocated to the Individual Account Balance as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The Individual Account Balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

(vi) "Required Beginning Date" of a Participant means the date determined as follows:

(A) If the Participant is not a Five-Percent Owner and has not attained age 70½ prior to January 1, 1998, his Required Beginning Date is the April 1 of the calendar year following the later of (1) the calendar year in which the Participant attains age 70½ or (2) the calendar year in which the Participant retires; or

(B) If the Participant is a Five Percent-Owner or if the Participant has attained age 70½ prior to January 1, 1998, his Required Beginning Date is the April 1 of the calendar year following the calendar year in which the Participant attains age 70½ even if he has not retired.

Sec. 14.5 Withdrawals . Except as provided in subsections (a), (b), (c) and (d) below, no amounts may be withdrawn by a Participant from his 401(k) Account, Savings Account, Reinstatement Account, Employer Account, Prior Plan Account, Rollover Account or Transfer Account until the Participant's employment with his Employer and all Affiliated Companies has terminated.

(a) A Participant, by giving advance written Notice in the manner prescribed by the Administrator or, if allowed by the Administrator, by Interactive Electronic Communication, may withdraw from the Trust Fund all or any part of his Savings Account, determined as of the Valuation Date immediately preceding such written Notice. The Participant shall determine the amount of the withdrawal pursuant to this subsection (a). A Participant making a withdrawal pursuant to this subsection (a) shall continue to be eligible to make Salary Reduction Contributions pursuant to Section 3.1.

(b) After withdrawal of the entire balance of his Savings Account, if any, pursuant to subsection (a) above, a Participant, by giving advance written Notice in the manner prescribed by the Administrator or, if allowed by the Administrator, by Interactive Electronic Communication, may withdraw from the Trust Fund all or any part of his Rollover Account, determined as of the Valuation Date immediately preceding such written Notice. The Participant shall determine the amount of the withdrawal pursuant to this subsection (b). In no event may more than one such withdrawal be made with respect to any Year. A Participant making a withdrawal pursuant to this subsection (b) shall continue to be eligible to make Salary Reduction Contributions pursuant to Section 3.1.

(c) After withdrawal of the entire balance of his Savings Account, if any, pursuant to subsection (a) above and the entire balance of his Rollover Account, if any, pursuant to subsection (b) above, a Participant who is an Employee and at least age 59½ or older, by giving advance written Notice in the manner prescribed by the Administrator or, if allowed by the Administrator, by Interactive Electronic Communication, may withdraw from the Trust Fund all or any part of his 401(k) Account and the vested balance of his Employer Account and Reinstatement Account, determined as of the Valuation Date immediately preceding such written Notice. The Participant shall determine the amount of the withdrawal pursuant to this subsection (c). In no event may more than one such withdrawal be made with respect to any Year; provided, however if the Participant was a Participant in the Chiles 401(k) Plan as of September 30, 2002, he may make a withdrawal pursuant to this Section 14.5(c) once every six months. A Participant making a withdrawal pursuant to this subsection (c) shall continue to be eligible to make Salary Reduction Contributions pursuant to Section 3.1.

(d) Except as provided in subsections (a)-(c) above, no amounts may be withdrawn by a Participant from his 401(k) Account and Employer Account, unless the Participant is able to demonstrate financial hardship satisfying the requirements of this subsection (d), prior to his (1) severance from employment with his Employer and all Affiliated Companies, (2) his disability, (3) termination of the Plan without establishment of a successor defined contribution plan [other than an employee stock ownership plan as defined in Section 4975(e)(7) of the Code, a tax credit employee stock ownership plan as defined in Section 409 of the Code, a simplified employee pension plan as defined in Section 408(k) of the Code, a SIMPLE IRA plan as defined in Section 408(p) of the Code, a plan or contract that meets the requirements of Section 403(b) of the Code, or a plan that is described in Section 457(b) or (f) of the Code] by the Employer, (4) the date of the sale or disposition by the Employer to an entity that is not an Affiliated Company of substantially all of the assets [within the meaning of Section 409(d)(2) of the Code] used by the Employer in a trade or business of the Employer with respect to a Participant who continues employment with the entity acquiring such assets, (5) the date of the sale or disposition by the Employer of its interest in a subsidiary [within the meaning of Section 409(d)(3) of the Code] to an entity which is not an Affiliated Company with respect to a Participant who continues employment with such subsidiary, or (6) such other date or dates as may be permitted by the Internal Revenue Service in its published rulings, notices or announcements or by Treasury regulations.

Subject to the foregoing, a Participant, by giving advance written Notice in the manner prescribed by the Administrator or, if allowed by the Administrator, by Interactive Electronic Communication, may withdraw on or before the Hurricane Relief Deadline (as defined in the next sentence) all or any part of his 401(k) Account and the vested portion of his Employer Account for a financial hardship only if, under uniform rules and regulations, the Administrator determines that (i) the purpose of the withdrawal is to meet the Immediate Financial Need (as defined below) of an eligible Participant or of a Participant's eligible lineal ascendant or descendant, dependent or spouse, and (ii) the amount of the withdrawal does not exceed the lesser of (A) the aggregate value of the Participant's 401(k) Account and vested Employer Account as of the Valuation Date immediately preceding the date of the withdrawal, and (B) for any taxable year of the Participant, $100,000 reduced by the aggregate amounts distributed under this subsection (d) from such Participant's Individual Account for all prior taxable years. For purposes of this subsection (d), Hurricane Relief Deadline means (i) December 31, 2006 in the case of any withdrawal necessary because of an economic loss sustained by a Participant, and (ii) March 31, 2006 (or such later date as may be specified by the Internal Revenue Service) in the case of any withdrawal necessary because of an economic loss sustained by a Participant's eligible lineal ascendant or descendant, dependent or spouse. Hardship withdrawals shall be taken from a Participant's Individual Account in the following order: the 401(k) Account, then the portion of the Employer Account attributable to Matching Contributions, and then the portion of the Employer Account attributable to Employer profit sharing contributions.

For purposes of this subsection (d), "Immediate Financial Need" shall mean (i) an economic loss sustained by a Participant whose principal place of abode on August 28, 2005 was located in the Hurricane Katrina disaster area, (ii) an economic loss sustained by a Participant whose principal place of abode on September 23, 2005 was located in the Hurricane Rita disaster area, (iii) an economic loss sustained by a Participant whose principal place of abode on October 23, 2005 was located in the Hurricane Wilma disaster area, (iv) or an economic loss sustained by a Participant's lineal ascendant or descendant, dependent or spouse whose principal place of abode on August 29, 2005 was located in the Hurricane Katrina disaster area. The Administrator may rely upon representations by the Participant as to the Immediate Financial Need, unless the Administrator has actual knowledge to the contrary.

A Participant may, at any time during the three-year period beginning on the day after the date on which a hardship withdrawal (hereinafter referred to as a "Qualified Hurricane Distribution") is received under this subsection (d), recontribute to the Plan all or any portion of the amount of that Qualified Hurricane Distribution. If a Participant elects to make a recontribution or recontributions of a Qualified Hurricane Distribution, such amount or amounts shall be allocated to the Participant's Individual Account in the following order: the 401(k) Account to the extent the Qualified Hurricane Distribution was originally taken from the 401(k) Account, and then the Employer Account to the extent the Qualified Hurricane Distribution was originally taken from the Employer Account with any such amount to be considered first a recontribution of amounts attributable to Matching Contributions and then amounts attributable to Employer profit sharing contributions to the same extent such amounts were so considered upon withdrawal.

No withdrawal may be made under this subsection (d) by reason of an event described in (3), (4) or (5) of the first paragraph of this subsection (d) unless the distribution is in the form of a "lump sum distribution" within the meaning of Section 401(k)(10)(B)(ii) of the Code. In addition, no withdrawal may be made by reason of an event described in (3) or (4) of the first paragraph of this subsection (d) unless the transferor corporation continues to maintain the Plan after the disposition. Each withdrawal under this subsection (d) at the time it is paid shall be charged to the Individual Account of the Participant from which the withdrawal is made.

All withdrawals under this Section 14.5 shall be made as soon as administratively practicable following the date Notice of withdrawal is received by the Administrator or, if allowed by the Administrator, the Interactive Electronic Communication is given. The advance Notice requirement of this Section 14.5 may be waived by the Administrator in its sole discretion. All withdrawals under this Section 14.5 shall be based on the value of the Participant's 401(k) Account, Savings Account, Employer Account, Reinstatement Account and Rollover Account, as the case might be, as of the Valuation Date for which the withdrawal is to be made. Withdrawals under this Section 14.5 shall, to the extent required by the Code, be subject to the provisions of Section 14.11. For all withdrawals under this Section 14.5, the Administrator shall allocate the withdrawal on a pro rata basis among the Participant's Investment Fund elections, subject to any restrictions or limitations applicable to a particular Investment Fund. Payments under this Section 14.5 shall be made in a single sum payment in cash.

Sec. 14.6 Claims Procedure . The Administrator shall process all benefit claims of Participants, Former Participants and Beneficiaries pursuant to the claims procedure specified in the summary plan description for the Plan and shall act in a manner which is consistent with regulations published from time to time by the Department of Labor.

Sec. 14.7 Administrator's Duty to Trustee . The Administrator will notify the Trustee at the appropriate time of all facts which may be necessary hereunder for the proper allocation of increases, decreases, expenses, and contributions for Participants, the proper payment or distribution of benefits, or the proper performance of any other act required of the Trustee hereunder. The Administrator shall notify the Trustee of such facts as are needed by the Trustee to perform its functions under the Plan and the Trust Agreement. The Administrator shall secure appropriate elections, directions, and designations for Participants, Former Participants and Beneficiaries provided for in the Plan.

Sec. 14.8 Duty to Keep Administrator Informed of Distributee's Current Address . Each Participant, Former Participant and Beneficiary must file with the Administrator from time to time in writing or, if allowed by the Administrator, by Interactive Electronic Communication, his mailing address and each change of mailing address. Any communication, statement or Notice addressed to a Participant, Former Participant or Beneficiary at his last mailing address filed with the Administrator or if no address is filed with the Administrator then at his last mailing address as shown on an Employer's records, shall be binding on the Participant or Former Participant, and his Beneficiaries, for all purposes of the Plan. Neither the Administrator nor the Trustee shall be required to search for or locate a Participant, Former Participant or Beneficiary.

Sec. 14.9 Failure to Claim Benefits . If the Administrator notifies the Participant, Former Participant or Beneficiary by registered or certified mail at his last known address that he is entitled to a distribution and also notifies him of the provisions of this Section 14.9, and the Participant, Former Participant or Beneficiary fails to claim his benefits under the Plan or make his current address known to the Administrator within a reasonable period of time after such notification, the Administrator shall use reasonable efforts to locate the Participant, Former Participant or Beneficiary. If those reasonable efforts are unsuccessful, the Administrator shall direct that all unpaid amounts which would have been payable to such Participant, Former Participant or Beneficiary will be forfeited and applied as provided in Section 13.5. The Individual Account of a Participant, Former Participant or Beneficiary described in this Section 14.9 shall not be subject to the mandatory distribution provisions of Section 14.2 that would result in the automatic rollover of such amounts without the individual's consent. In the event that the Participant, Former Participant or Beneficiary is subsequently located, the amounts which were forfeited shall be distributed to the Participant, Former Participant or Beneficiary, and an Employer shall contribute an amount to the Plan which is equal to the amount distributed under the terms of this Section 14.9 to the extent that such amount cannot be reinstated through forfeitures occurring during the Year of payment. Notwithstanding the preceding sentences, if the Administrator is trying to locate a Participant, Former Participant or Beneficiary in connection with (i) a minimum required distribution under Section 14.4 or (ii) a return of Excess Elective Deferrals under Section 4.1, Excess Salary Reduction Contributions under Section 4.3, or Excess Matching Contributions under Section 5.2, and the Administrator determines that such Participant, Former Participant or Beneficiary cannot be located, the Administrator shall establish an escrow account outside of the Plan in the name of that Participant, Former Participant or Beneficiary and direct the Trustee to distribute such amount to that account.

Sec. 14.10 Distribution Pursuant to Qualified Domestic Relations Orders . The Administrator shall establish policies and procedures for reviewing domestic relations orders relating to a Participant's or Former Participant's interest in the Plan. The Administrator or its delegate shall determine whether any such domestic relations order is a Qualified Domestic Relations Order. Notwithstanding any other provision of the Plan to the contrary, if the provisions of a Qualified Domestic Relations Order provide that distributions shall be made to an Alternate Payee prior to the time that the Participant with respect to whom the Alternate Payee's benefits are derived attains age 50 or would be entitled to a distribution of assets from the Plan, the Administrator shall direct the Trustee to commence payments to the Alternate Payee as soon as administratively practicable following the later of (i) the receipt of such Qualified Domestic Relations Order by the Administrator or (ii) the date the Administrator receives the Alternate Payee's written consent to such distribution if the Alternate Payee's benefits under the Plan as determined by the provisions of the Qualified Domestic Relations Order exceed $5,000. Until such time as payment is made to an Alternate Payee pursuant to this Section 14.10, the Administrator shall direct the Recordkeeper to identify the Alternate Payee's interest in the Trust Fund and the Alternate Payee shall have no rights under the Plan other than the rights of a Beneficiary and the right pursuant to the provisions of Section 21.8 to direct the investment of amounts awarded to the Alternate Payee. A distribution to an Alternate Payee who is the former spouse of the Participant or Former Participant shall be subject to the provisions of Section 14.11.

Sec. 14.11 Tax Withholding and Participant's Direct Rollover . Unless provided otherwise in regulations promulgated by the Secretary of the Treasury, to the extent required under Section 3405 of the Code, the Trustee shall withhold 20% of the taxable portion of a Plan distribution or withdrawal made to a Participant, Former Participant, Alternate Payee or Beneficiary which constitutes an Eligible Rollover Distribution (as defined below). Any amount withheld shall be deposited by the Trustee with the Internal Revenue Service for the purpose of paying the distributee's federal income tax liability associated with the distribution or withdrawal. Notwithstanding the foregoing provisions, each Direct Rollover Distributee (as defined below) shall be provided with a Notice described in Section 14.2 and given the right to elect [pursuant to Section 401(a)(31) of the Code and the applicable Treasury regulations promulgated thereunder] during the period prescribed in Section 14.2 to rollover all or any portion of the taxable amount of such person's distribution or withdrawal (subject to limitations and restrictions, if any, adopted by the Administrator in accordance with applicable Treasury regulations) directly to an Eligible Retirement Plan (as defined below) and, to the extent a direct rollover is elected by any Direct Rollover Distributee, the withholding requirements of this Section 14.11 shall not apply. If permitted by the Code or applicable Treasury regulations, a direct rollover as described in the preceding sentence may be accomplished by delivering a check from the Plan to the Direct Rollover Distributee payable to the trustee or custodian of the Eligible Retirement Plan. Each such direct rollover election shall be in writing on a form prescribed by the Administrator for such purpose or, if allowed by the Administrator, by Interactive Electronic Communication, and given to the Direct Rollover Distributee within a reasonable period of time prior to the distribution or withdrawal.

For purposes of this Section 14.11, the following terms shall have the following meanings:

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

(b) "Eligible Retirement Plan" shall mean, except as otherwise provided in this Section 14.11(b), an individual retirement account described in Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), an annuity plan described in Section 403(a) of the Code, an annuity contract described in Section 403(b) of the Code, a qualified trust described in Sections 401(a) and 501(a) of the Code, effective June 1, 2008, an eligible plan under Section 457(b) of the Code which is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state that will accept an Eligible Rollover Distribution and, in the case of an eligible plan under Section 457(b) of the Code, that agrees to separately account for amounts transferred into such plan from the Plan, and, effective for distributions after December 31, 2007, a Roth IRA described in Section 408A(b) of the Code; provided, however, that in the case of an Eligible Rollover Distribution to the surviving spouse of a Participant or Former Participant before June 1, 2008, an Eligible Retirement Plan shall mean only an individual retirement account or an individual retirement annuity.

(c) "Eligible Rollover Distribution" shall mean any distribution of all or any portion of a Participant's or Former Participant's Individual Account to a Direct Rollover Distributee; provided, however, an Eligible Rollover Distribution shall not mean any distribution of all or any portion of a Participant's or Former Participant's Individual Account (i) that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Direct Rollover Distributee or the joint lives (or joint life expectancies) of the Direct Rollover Distributee and his designated Beneficiary, (ii) that is paid for a specified period of ten years or more, (iii) that is a part of a series of distributions during a calendar year to the extent that such distributions are expected to total less than $200 or a total lump sum distribution which is less than $200, as described in Q&A-11 of Treas. Reg. §1.401(a)(31)-1, (iv) to the extent such distribution is required by Section 401(a)(9) of the Code as provided in Section 14.4, (v) to the extent such distribution is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to Ensco ADSs), and (vi) that is a hardship withdrawal if the Plan is amended to permit such withdrawals.

Article XV

NOTICES

Sec. 15.1 Notice . As soon as practicable after a Participant, Former Participant or Beneficiary makes a request for payment, the Administrator shall notify the Trustee of the following information and give such directions as are necessary or advisable under the circumstances:

(a) name and address of the Participant, Former Participant or Beneficiary,

(b) amount to be distributed, and

(c) any other information required by the Trustee for federal or state income tax withholding and reporting purposes.

In addition to the information described above, for distributions and withdrawals, the Administrator shall notify the Recordkeeper and/or the Trustee, if applicable, as to the identity, address and other pertinent information of Eligible Retirement Plans as described in Section 14.11 to which the Direct Rollover Distributee (as defined in Section 14.11) has elected to rollover directly such distribution or withdrawal pursuant to Section 14.11.

Sec. 15.2 Modification of Notice . At any time and from time to time after giving the Notice as provided for in Section 15.1, the Administrator may modify such original Notice or any subsequent Notice by means of a further Notice or notices to the Trustee but any action taken or payments made by the Trustee pursuant to a prior Notice shall not be affected by a subsequent Notice.

Sec. 15.3 Reliance on Notice . Upon receipt of any Notice as provided in this Article XV, the Recordkeeper and/or the Trustee, as applicable, shall promptly take whatever action and make whatever payments are called for therein, it being intended that the Recordkeeper and/or the Trustee, as applicable, may rely on the information and directions in such Notice absolutely and without question. However, the Recordkeeper and/or the Trustee, as applicable, may call to the attention of the Administrator any error or oversight which the Recordkeeper or the Trustee believes to exist in any Notice.

Article XVI

AMENDMENT OR TERMINATION OF PLAN

Sec. 16.1 Amendment or Termination by Company . At any time the Company acting through its governing body may amend or modify the Plan in whole or in part, retroactively or otherwise, or may terminate or partially terminate the Plan, or discontinue or modify Employer contributions to the Plan, subject, however, to the other provisions of this Article XVI. Such termination may be made without consent being obtained from the Trustee, the Recordkeeper, any Employer or Affiliated Company, the Administrator, the Committee, the Participants or their Beneficiaries, the Employees or any other interested person. Also the Plan shall be considered terminated if the Company ceases business operations or if there is a complete discontinuance of Employer contributions to the Plan.

Sec. 16.2 Effect of Amendment . No amendment or modification hereof by the Company, unless made to secure the approval of the Commissioner of Internal Revenue or other governmental bureau or agency, shall:

(a) operate retroactively to reduce or divest the then vested interest in any Individual Account or to reduce or divest any benefit then payable hereunder; or

(b) change the duties or responsibilities of the Trustee without the written consent or approval of the Trustee.

Each such amendment shall be in writing signed by duly authorized officers of the Company with such consents or approval, if any, as provided above and shall become effective as designated in such amendment.

Sec. 16.3 Distribution on Termination or Discontinuance of Contributions . Upon termination of the Plan or complete discontinuance of contributions to the Plan, any amount of the Trust Fund previously unallocated, including any amounts in a suspense account established under Article VII, shall be allocated (unless such allocation would violate Article VII), and the Individual Accounts of all Participants, Former Participants, and Beneficiaries shall thereupon be and become fully vested and nonforfeitable to the extent then funded. The Trustee shall deduct from the Trust Fund all unpaid charges and expenses including those relating to said termination, except as the same may be paid by an Employer. The Trustee shall then adjust the balance of all Individual Accounts on the basis of the net value of the Trust Fund. Subject to the limitations on distributions provided in the next paragraph, the Administrator shall direct the Trustee to distribute the amount to the credit of each Participant, Former Participant and Beneficiary when all appropriate administrative procedures have been completed. If any amount in a suspense account shall not be allocable because of the provisions of Article VII, such amount shall be returned to the Employer. Upon any complete discontinuance of contributions by an Employer, the assets of the Trust Fund shall be held and administered by the Trustee for the benefit of the Participants employed by such Employer discontinuing contributions in the same manner and with the same powers, rights, duties and privileges herein described until the Trust Fund with respect to such Employer has been fully distributed. Upon the partial termination of the Plan, the Individual Accounts of affected Participants, Former Participants and Beneficiaries shall thereupon be and become fully vested and nonforfeitable to the extent then funded and shall be distributed to such Participants, Former Participants and Beneficiaries by the Trustee when all appropriate administrative procedures have been completed.

If no other defined contribution plan [other than an employee stock ownership plan as defined in Section 4975(e)(7) of the Code, a tax credit employee stock ownership plan as defined in Section 409 of the Code, a simplified employee pension plan as defined in Section 408(k) of the Code, a SIMPLE IRA plan as defined in Section 408(p) of the Code, a plan or contract that meets the requirements of Section 403(b) of the Code, or a plan that is described in Section 457(b) or (f) of the Code] is maintained by the Company or any other Affiliated Company as of the Plan termination date, the Administrator shall direct the Trustee to distribute each Participant's entire Individual Account in a single lump sum distribution to him, or to an Eligible Retirement Plan as defined in Section 14.11 pursuant to the Participant's direct rollover election described in Section 14.11, as soon as administratively practicable after the later of (i) the termination date of the Plan or (ii) the receipt following application of a favorable determination letter from the Internal Revenue Service with respect to the termination of the Plan. If, however, the Company or any Affiliated Company maintains another defined contribution plan [other than an employee stock ownership plan as defined in Section 4975(e)(7) of the Code, a tax credit employee stock ownership plan as defined in Section 409 of the Code, a simplified employee pension plan as defined in Section 408(k) of the Code, a SIMPLE IRA plan as defined in Section 408(p) of the Code, a plan or contract that meets the requirements of Section 403(b) of the Code, or a plan that is described in Section 457(b) or (f) of the Code] either (i) as of the Plan termination date or (ii) at any time during the 12-consecutive month period ending on the anniversary of the date on which all assets of the Plan have been distributed, then except as provided in the next sentence, each Participant's entire Individual Account shall be transferred by the Trustee, without the Participant's consent, to such other defined contribution plan. A Participant may request in writing or, if allowed by the Administrator, by Interactive Electronic Communication, that the Trustee distribute his Individual Account, excluding the balance attributable to his 401(k) Account unless distribution of such account would be permitted under Section 401(k)(2)(B) of the Code and the applicable Treasury regulations thereunder, in a single lump sum distribution to him, or to an Eligible Retirement Plan as defined in Section 14.11 pursuant to the Participant's direct rollover election described in Section 14.11, as soon as administratively practicable after the later of (i) the termination date of the Plan or (ii) the receipt following application of a favorable determination letter from the Internal Revenue Service with respect to the termination of the Plan.

Sec. 16.4 Reversion of Contributions to Employer . Except as provided in Section 3.5 and Section 16.3, under no circumstances or conditions shall the Trust Fund or any portion thereof revert to any Employer or be used for or diverted to the benefit of anyone other than Participants, Former Participants and Beneficiaries, it being understood that the Trust Fund shall be for the exclusive benefit of Participants, Former Participants and Beneficiaries.

Sec. 16.5 Amendment of Vesting Schedule . At any time that the vesting schedule of the Plan is amended, or the Plan is amended in any way that directly or indirectly affects the computation of the Participant's nonforfeitable interest in his Individual Account, each Participant who has completed a Period of Service of at least three years, whether or not consecutive, may elect to have his vested interest in his Employer Account determined under the vesting schedule in effect prior to such amendment. An election made under the preceding sentence may be made at any time within 60 days after the later of the date:

(a) the amendment is adopted;

(b) t h e amendment becomes effective; or

(c) the Participant is issued written notice of the amendment by the Administrator.

An election under this Section shall be made in a written instrument delivered to the Administrator or, if allowed by the Administrator, by Interactive Electronic Communication, and once made, shall be irrevocable. For the purposes of this Section, a Participant shall be considered to have completed a Period of Service of at least three years, described in this Section if he shall have completed such years prior to the end of the period during which he could make an election hereunder.

Sec. 16.6 Merger or Consolidation of Plan . In the event of any merger or consolidation of the Plan with, or transfer in whole or in part of the assets and liabilities of the Trust Fund to, another trust fund held under any other plan of deferred compensation maintained or to be established for the benefit of all or some of the Participants in the Plan, the assets of the Trust Fund applicable to such Participants shall be transferred to the other trust fund only if:

(a) each Participant would (if either the Plan or the other plan had then terminated) receive a benefit immediately after the merger, consolidation, or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation, or transfer (if the Plan had then terminated); and

(b) such other plan and trust fund are qualified under Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code.

Sec. 16.7 Withdrawal of Employer . If an Employer withdraws from participation in the Plan or completely discontinues contributions to the Plan without the immediate establishment of a new retirement plan, distribution of benefits to affected Participants will be made at the time and in the manner provided in Section 16.3. However, pursuant to rules applied by the Administrator in a nondiscriminatory manner to all employees similarly situated or if the withdrawal or discontinuance by an Employer is deemed to be a partial termination of the Plan, the provisions of Section 16.3 hereof shall apply to an Employer's withdrawal or discontinuance as if it were a part of the complete termination of the Plan, but the participation of other Employers hereunder shall not be affected nor shall the continuation of the Plan with respect to the participation therein by other Employers be affected by such withdrawal or discontinuance by an Employer. The assets attributable to the Participants employed by the withdrawing or discontinuing Employer, may, in the Administrator's discretion, be retained in and subject to the provisions of the Plan or distributed in liquidation.

Article XVII

COMMITTEE

Sec. 17.1 Committee Composition . The Company may appoint a Committee consisting of any number of members as determined by the Company. The Company may remove any member of the Committee at any time and a member may resign by written notice to the Company. Any vacancy in the membership of the Committee shall be filled by appointment by the governing body of the Company, but pending the filling of any such vacancy the then members of the Committee may act hereunder as though they alone constitute the full Committee.

Sec. 17.2 Committee Actions . Any and all acts and decisions of the Committee shall be by at least a majority of the then members, or by a unanimous written decision taken without a meeting, but the Committee may delegate to any one or more of its members the authority to sign notices or other documents on its behalf or to perform ministerial acts for it, in which event the Trustee and any other person may accept such notice, document or act without question as having been authorized by the Committee.

Sec. 17.3 Committee Procedure . The Committee may, but need not, call or hold formal meetings and any decisions made or action taken pursuant to written approval of a majority of the then members shall be sufficient. The Committee shall maintain adequate records of its decisions which records shall be subject to inspection by the Company, any Employer, any Participant, Former Participant or Beneficiary, and any other person to the extent required by law, but only to the extent that they apply to such person. Also the Committee may designate one of its members as Chairman and one of its members as Secretary and may establish policies and procedures governing it as long as the same are not inconsistent with the terms of the Plan.

Sec. 17.4 Delegation to Committee and Company's Duty to Furnish Information . The Committee shall perform the duties and may exercise the powers and discretion given to it in the Plan and its decisions and actions may be relied upon by all persons affected thereby. The Trustee and the Recordkeeper may rely without question upon any notices, directions, or other documents received from the Committee. The Company and each Employer shall furnish the Committee with all data and information available to the Company which the Committee may reasonably require in order to perform its duties. The Committee may rely without question upon any such data or information furnished by the Company and each Employer.

In addition to any other powers and responsibilities allocated to the Committee pursuant to the terms of this Plan, the following powers and responsibilities shall be exercised by the Committee:

(a) To administer the Plan as provided in Section 17.5.

(b) To establish and administer the Plan's claims procedure pursuant to Section 14.6 in a uniform and nondiscriminatory manner and, if appropriate in its sole discretion, to designate persons or entities to be responsible for initial claims and requests for review of claims decisions.

(c) To adopt such rules, forms and procedures as it shall deem necessary for the efficient administration of the Plan in accordance with its terms and the terms of any applicable law.

(d) To prepare and submit to governmental agencies, Participants, Former Participants and Beneficiaries such Plan descriptions, reports and other documents, or summaries thereof, as may be required by applicable law or necessary in the administration of the Plan.

(e) To remedy possible ambiguities, inconsistencies or omissions in connection with its power to interpret the Plan; provided, however, that all such actions and decisions shall be applied in a uniform manner to all Employees similarly situated.

(f) To authorize disbursements from the Trust Fund, including refunds of contributions permitted by the Plan (any instructions of the Committee to the Trustee shall be evidenced in writing and signed by a member of the Committee delegated with such authority by a majority of the Committee).

(g) To appoint a Recordkeeper who shall perform, without discretionary authority or control, administrative functions within the framework of policies, interpretations, rules, practices and procedures adopted by the Committee or the Administrator.

(h) To employ such advisors (including but not limited to attorneys, independent public accountants and investment advisors) and such other technical and clerical personnel as may be required in the Committee's discretion for the proper administration of the Plan, and to pay the reasonable expenses of such persons from the Trust Fund.

(i) To establish and to instruct the Trustee and any investment manager with respect to asset administration objectives and policies consistent with Plan requirements and establish Investment Funds in accordance with such objectives and policies.

(j) To review from time to time, but at least as often as annually, the investment performance of the Trustee and any insurance company or investment manager acting with respect to any portion of the Trust Fund. The Committee may engage the services of such person it deems appropriate including, investment managers, to review investments held by the Plan and the financial condition of insurance companies issuing insurance contracts to the Plan.

(k) To supervise at least one audit of the Plan's assets for each Year and review the Trustee's annual accounting.

Sec. 17.5 Construction of Plan and Trustee's and Recordkeeper's Reliance . Any and all matters involving the Plan, including but not limited to any and all disputes which may arise involving Participants, Former Participants, and Beneficiaries and/or the Trustee or the Recordkeeper shall be referred to the Committee. The Committee has the exclusive discretionary authority to construe the terms of the Plan and the exclusive discretionary authority to determine eligibility for all benefits hereunder. Any such determinations or interpretations of the Plan adopted by the Committee shall be final and conclusive and shall bind all parties. The Trustee and the Recordkeeper may rely upon the decision of the Committee with respect to any question concerning the meaning, interpretation, or application of any provision of the Plan. The Committee's interpretations and determinations with respect to the Plan and the Trust Agreement shall be based on such information as is reasonably available to the Committee at the time a decision is made. In addition, in administering the Plan, the Committee may rely conclusively upon an Affiliated Company's payroll and personnel records maintained in the ordinary course of business.

Sec. 17.6 Committee Member's Abstention in Cases Involving Own Rights . Notwithstanding any other provision of this Article XVII, no Committee member shall vote or act upon any matter involving his own rights, benefits, or participation in the Plan.

Sec. 17.7 Counsel to Committee . The Committee may engage agents to assist it and may engage legal counsel who may be legal counsel for the Company. All reasonable expenses incurred by the Committee may be paid from the Trust Fund.

Sec. 17.8 Indemnification of Employees and Directors . The Company hereby indemnifies each member of the Committee and each employee, officer and director of an Affiliated Company who are delegated responsibilities under or pursuant to the Plan against any and all liabilities and expenses, including attorneys' fees, actually and reasonably incurred by them in connection with any threatened, pending or completed legal action or judicial or administrative proceeding to which they may be a party, or may be threatened to be made a party, by reason of membership on the Committee or other delegation of responsibilities, except with regard to any matters as to which they shall be adjudged in such action or proceeding to be liable for gross negligence or willful misconduct in connection therewith. In addition, the Company may provide appropriate insurance coverage for the members of the Committee or each such other individual indemnified pursuant to this Section 17.8 who is not otherwise appropriately insured.

Sec. 17.9 Action Taken in Good Faith . To the extent permitted by ERISA, the members of the Committee and each employee, officer and director of an Affiliated Company who are fiduciaries with respect to the Plan shall be entitled to rely upon, and be fully protected with respect to any action taken or suffered by them in good faith in reliance upon, all tables, valuations, certificates, reports and opinions furnished by the Recordkeeper, the Trustee, or any accountant, attorney, insurance company or investment manager acting at any time hereunder.

Article XVIII

MISCELLANEOUS

Sec. 18.1 No Employment or Compensation Agreement . Nothing contained in the Plan shall be construed as giving any person or entity any legal or equitable right against the Company, any Employer, any Affiliated Company, their shareholders or partners, officers or directors, the Named Fiduciary, the Committee, the Administrator, the Trustee or the Recordkeeper, except as the same shall be specifically provided in the Plan. The Plan shall not be deemed to constitute a contract between the Employer and any Participant or to be a consideration or an inducement for the employment of any Participant or Employee. Nor shall anything in the Plan give any Participant or other Employee the right to be retained in the service of any Employer or to interfere with the right of the Employer to discharge any Participant or Employee at any time regardless of the effect which such discharge shall have upon him as a Participant in the Plan. The employment of all persons by any Employer shall remain subject to termination by that Employer to the same extent as if the Plan had never been executed.

Sec. 18.2 Spendthrift Provision . Except (i) as provided in Section 21.11 with respect to Participant loans, (ii) as provided by the terms of a domestic relations order which is determined to be qualified under Section 414(p) of the Code, or (iii) as permitted pursuant to Section 401(a)(13) of the Code and Section 206(d) of ERISA, no Participant, Former Participant or Beneficiary shall have the right to assign, alienate or transfer his interest hereunder, nor shall his interest be subject to claims of his creditors or others, it being understood that all provisions of the Plan shall be for the exclusive benefit of those designated herein.

Sec. 18.3 Construction . It is the intention of each Employer that the Plan be qualified under Section 401 of the Code and comply with the applicable provisions of ERISA, and all provisions hereof should be construed to that result.

Sec. 18.4 Titles . Titles of Articles and Sections hereof are for convenience only and shall not be considered in construing the Plan.

Sec. 18.5 Texas Law Applicable . The Plan and each of its provisions shall be construed and their validity determined by the laws of the State of Texas to the extent not preempted by ERISA or other applicable federal law.

Sec. 18.6 Successors and Assigns . The Plan shall be binding upon the successors and assigns of the Company and each Employer and the Trustee and upon the heirs and personal representatives of those individuals who become Participants hereunder.

Sec. 18.7 Allocation of Fiduciary Responsibility by Named Fiduciary . A fiduciary with respect to the Plan, as described in Section 3(21) of ERISA, shall only have those specific powers, duties, responsibilities and obligations as are explicitly given such fiduciary under the terms of the Plan and the Trust Agreement or allocated to such fiduciary pursuant to the procedures set forth herein. The Company shall be the administrator of the Plan as described in Section 3(16)(A) of ERISA and, except as provided otherwise herein, the Company shall have all the duties and responsibilities of an administrator of purposes of ERISA. Except as otherwise provided herein or subsequently delegated to other persons pursuant to the provisions hereof, the Names Fiduciary shall possess general authority to manage the operation and administration of the Plan. The governing body of the Company may appoint an administrative committee to perform all or a portion of the functions of the Named Fiduciary hereunder. The Named Fiduciary or, if the governing body of the Company appoints a Committee, the Committee may, by written instrument, allocate some or all of its responsibilities to another fiduciary, including the Trustee, or designate another person to carry out some or all of its fiduciary responsibilities. Each fiduciary to whom responsibilities are allocated by the Named Fiduciary or, if applicable, by the Committee, will be furnished a copy of the Plan and their acceptance of such responsibility will be made by agreeing in writing to act in the capacity designated. It is intended that each fiduciary shall be responsible only for the proper exercise of his own powers, duties, responsibilities and obligations under the Plan and shall not be responsible for any act or failure to act of another fiduciary. The Named Fiduciary shall not be liable for an act or omission of any person (who is allocated a fiduciary responsibility or who is designated to carry out such responsibility) in carrying out a fiduciary responsibility except to the extent that with respect to the allocation or designation, continuation thereof, or implementation or establishment of the allocation or designation procedures the Named Fiduciary (i) did not perform all of his duties and responsibilities and exercise his powers hereunder with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, (ii) knowingly participates in or knowingly undertakes to conceal an act or omission of another fiduciary of the Plan, with the knowledge that such act or omission is a breach of fiduciary responsibility, (iii) did not make reasonable efforts under the circumstances to remedy a breach of fiduciary responsibility of which the Named Fiduciary has knowledge, or (iv) did not carry out its specific responsibilities, in accordance with the standard set forth in (i) above, and as a result, it has enabled another fiduciary of the Plan to commit a breach. Any person or group of persons may serve in more than one fiduciary capacity with respect to the Plan.

Sec. 18.8 Fees and Expenses of Administration . Except to the extent paid by an Employer or as otherwise provided in this Section 18.8 or prohibited by ERISA, the Administrator shall cause the Trustee to pay from the assets of the Plan, including from the unallocated forfeitures as provided in Section 13.5, all fees and expenses incurred in the administration of the Plan, including expenses of the Committee, the Recordkeeper and the Administrator, and expenses and compensation of the Trustee and the expenses of counsel. The Company, from time to time, may change the manner in which fees and expenses are allocated under the Plan.

Sec. 18.9 Plan Controls . The Trust Agreement is a part of the Plan. In case of any inconsistency between the terms of the Plan and the Trust Agreement, the provisions of the Plan shall control. In the event of any conflict between the terms of the Plan and any summary thereof or other document relating thereto, from whatever source, the terms of the Plan shall govern.

Sec. 18.10 Effect of Mistakes . In the event of a mistake or misstatement as to the age or eligibility of any person, or the amount of any kind of contributions, withdrawals or distributions made or to be made to a Participant, or other person, the Administrator shall, to the extent it deems possible, make such adjustment as will in its judgment afford to such person the credits, distributions or other rights to which he is properly entitled under the Plan.

Sec. 18.11 Operation of the Plan; Permitted Corrections . The Company intends to operate and administer the Plan as a tax-qualified retirement plan under Section 401(a) of the Code. In the event that the Administrator determines that the operation of the Plan or the form of the Plan, or both, fails to comply in any respect with the applicable requirements of the Code, the Company may take whatever action it deems necessary and appropriate under the circumstances to comply with its intent to maintain the Plan as a tax-qualified retirement plan, including (i) the contribution of "qualified non-elective contributions" within the meaning of Section 401(m)(4)(C) of the Code to be allocated for any Year determined by the governing body of the Company to the 401(k) Accounts of the Non-Highly Compensated Employees determined for that Year by the governing body of the Company in the manner determined by the governing body of the Company and (ii) corrections made pursuant to, or consistent with the purposes of, the Employee Plans Compliance Resolution System, as set forth in Revenue Procedure 2008-50 issued by the Internal Revenue Service, as the principles of such Revenue Procedure may be modified or expanded from time to time, or any other correction procedures available generally to the Company with respect to the Plan. The Administrator also is permitted to take any action it deems necessary and appropriate under the circumstances to make corrections under the Voluntary Fiduciary Correction Program established by the Department of Labor and/or to assist another Plan fiduciary in connection with its compliance actions under such program.

Article XIX

ADOPTION BY AFFILIATED COMPANIES

Sec. 19.1 Transfer of Employment to Another Employer . When an Employee's employment with any Employer is terminated, but such Employee continues to be a Participant by reason of continued employment by another Employer, the Participant concerned shall not be considered to have changed employers for purposes of determining the Participant's eligibility, vesting rights, participation, and Plan benefits.

Sec. 19.2 Contributions and Forfeitures . Each Participant shall have his Employer Account credited with his share of his former Employer's Matching Contributions and profit sharing contributions, if any, and with his share of his new Employer's Matching Contributions and profit sharing contributions, if any. The aggregate of the Salary Reduction Contributions by such Participant during the portion of the Year employed by an Employer shall constitute the basis for his allocation of that particular Employer's Matching Contribution, if any, for that Year and the aggregate of the Participant's Annual Compensation during the portion of the Year employed by an Employer shall constitute the basis for his allocation of that particular Employer's profit sharing contribution, if any, for that Year. Forfeitures shall be applied as provided in Section 13.5 (as determined by the Administrator) to reduce the contribution of any or all Employers during the Year.

Sec. 19.3 Action by Company . The Employers delegate to the Company the authority to amend the Plan, remove the Trustee, Administrator and Recordkeeper, or a Committee member, appoint a new or additional Trustee or Committee member, appoint a new Administrator or Recordkeeper, or take all other actions concerning the Plan without joinder or approval of the other Employers.

Article XX

THE TRUSTEE

Sec. 20.1 Trust Fund . A Trust Fund has been created and will be maintained for the purposes of the Plan, and the monies thereof will be invested in accordance with the terms of the Trust Agreement which forms a part of the Plan. All Salary Reduction Contributions, Matching Contributions, Employer profit sharing contributions and Employer qualified non-elective contributions will be paid into the Trust Fund, and all benefits under the Plan will be paid from the Trust Fund.

Sec. 20.2 Trustee's Duties . Except as otherwise specifically provided in the Trust Agreement, the Trustee's obligations, duties and responsibilities are governed solely by the terms of the Trust Agreement, reference to which is hereby made for all purposes.

Sec. 20.3 Benefits Only from Trust Fund . Any person having any claim under the Plan will look solely to the assets of the Trust Fund for satisfaction. In no event will any Employer or any of its officers, Employees, agents, members of its governing body, the Trustee, any successor trustee, the Administrator, the Recordkeeper or any member of the Committee, be liable in their individual capacities to any person whomsoever, under the provisions of the Plan or the Trust Agreement, absent a breach of fiduciary responsibility determined pursuant to the applicable provisions of ERISA.

Sec. 20.4 Trust Fund Applicable Only to Payment of Benefits . The Trust Fund will be used and applied only in accordance with the provisions of the Plan, to provide the benefits thereof, except as provided in Section 18.8 regarding payment of administrative fees and expenses, and no part of the corpus or income of the Trust Fund will be used for, or diverted to, purposes other than for the exclusive benefit of the Participants and other persons thereunder entitled to benefits.

Sec. 20.5 Texas Trust Code . Although it is intended that the foregoing powers of the Trustee be applicable hereunder, it is also intended that all provisions of the Texas Trust Code, and any amendments thereto, not inconsistent with the above enumerated powers or other provisions of the Plan, shall be applicable in the administration of the Trust Fund.

Sec. 20.6 Voting of Ensco ADS and Company Stock . The Trustee shall, upon receipt of notice to it of any meeting at which the holders of the Class A ordinary shares in Ensco plc (the "Shares") are entitled to vote, promptly send (or cause a third party to send, at the expense of the Company) each Participant and Former Participant a copy of the proxy solicitation materials, together with a form requesting confidential voting instructions to the Trustee regarding the Ensco ADSs allocated to his Individual Account. Each Participant and Former Participant shall be entitled to direct the Trustee as to the manner in which the Trustee is to instruct the depositary for the Ensco ADSs (the "Depositary") to vote (or, if applicable, cause the custodian appointed by the Depositary (the "Custodian") to vote) all Ensco ADSs (including fractional Ensco ADSs) allocated to his Individual Account, provided he delivers instructions to the Trustee directing it how to instruct the Depositary (or the Custodian, if applicable) to vote Ensco ADSs at least five business days prior to the date such vote shall be required (or such other period of time as may be required by the Trustee). In the event a Participant or Former Participant delivers conflicting instructions, the instructions delivered last in time shall control. In the event a Participant or Former Participant fails to deliver such instructions, the Trustee shall instruct the Depositary to vote, or cause the Custodian to vote, such Ensco ADSs proportionately to the ratio of the votes of the Participants and Former Participants who have delivered voting instructions to the Trustee. Voting instructions may be given only in respect of a number of Ensco ADSs representing an integral number of the Shares. All instructions shall be maintained by the Trustee to safeguard the confidentiality of the instructions.

Prior to the effective date of the Merger, the Trustee shall, upon notice to it of any stockholders' meeting of the Company, promptly cause the Transfer Agent for the Company (the "Transfer Agent") to send each Participant and Former Participant a copy of the proxy solicitation materials, together with a form requesting confidential voting instructions to the Transfer Agent regarding shares of Company Stock allocated to his Individual Account. Each Participant and Former Participant shall be entitled to direct the Trustee as to the manner in which all shares (including fractional shares) of Company Stock allocated to his Individual Account are to be voted, provided he delivers instructions to the Transfer Agent directing it how to vote such shares at least five business days prior to the date such vote shall be required. In the event a Participant or Former Participant delivers conflicting instructions, the instructions delivered last in time shall control. In the event a Participant or Former Participant fails to deliver such instructions, the Trustee shall vote such shares proportionately to the ratio of the votes of the Participants and Former Participants who have delivered voting instructions to the Transfer Agent. All instructions shall be maintained by the Transfer Agent to safeguard the confidentiality of the instructions.

Sec. 20.7 Tender and Exchange Offers . The provisions of this Section 20.7 shall apply in the event that a tender offer (as defined below) is made for the Ensco ADSs or underlying Shares (as defined in Section 20.6) or an offer to exchange securities (as defined below) for the Ensco ADSs (or the Shares) which are subject to the U.S. Securities Act of 1933, as amended, is made.

(a) Definitions . A tender offer and an exchange offer or offer to exchange shall have the meanings set forth below:

(i) an offer that is subject to Section 14(d)(1) of the U.S. Securities Exchange Act of 1934, as amended; and

(ii) a "takeover offer" as defined in Section 974 of the UK Companies Act 2006 and if, at the relevant time, the Company is subject to the UK City Code on Takeovers and Mergers, an "offer" (as defined therein).

(b) Notice and Directions . Upon such a tender or exchange offer occurring, the Company and the Trustee shall utilize their best efforts to notify each affected Participant and Former Participant and to cause to be distributed to him such information as will be distributed to the holders of the Ensco ADSs or the Shares, whichever shall apply, generally in connection with any such tender or exchange offer and a form by which the Participant or Former Participant may direct the Trustee in writing as to what action, as set forth below, to take on behalf of that Participant or Former Participant with respect to the Ensco ADSs allocated to his Individual Account under the Plan or, if applicable, the Shares represented by such Ensco ADSs. If the Trustee does not receive such written directions from a Participant or Former Participant, the Trustee shall not tender or deliver in acceptance of the exchange offer any of the Ensco ADSs (or surrender the Ensco ADSs in connection with a tender or exchange offer over the Shares) held in that Participant's or Former Participant's Individual Account.

(c) Cash Tender Offer – Ensco ADSs . In connection with a cash tender offer for Ensco ADSs, a Participant or Former Participant may direct the Trustee to tender any or all Ensco ADSs held in the Participant's or Former Participant's Individual Account. Any cash received by the Trustee as a result of such tender shall be invested by the Trustee in such short-term interest bearing investments as it deems appropriate pending direction from Participants and Former Participants regarding the reinvestment of such cash in the Investment Funds then available under the Plan.

(d) Exchange Offer – Ensco ADSs . In connection with an exchange offer for Ensco ADSs, a Participant or Former Participant may direct the Trustee to deliver in acceptance of the exchange offer any or all Ensco ADSs held in the Participant's or Former Participant's Individual Account. Any property received by the Trustee in connection with such exchange shall be held by the Trustee in separate accounts for the affected Participants and Former Participants pending directions from them regarding the reinvestment of such property in the Investment Funds that are available under the Plan.

(e) Tender and Exchange Offer – Ensco ADSs . In connection with a combination tender and exchange offer for Ensco ADSs, a Participant or Former Participant may direct the Trustee to tender and deliver in acceptance of the exchange offer any or all Ensco ADSs held in the Participant's or Former Participant's Individual Account with any cash received by the Trustee as a result of such tender treated as provided in subsection (c) above and any property received by the Trustee in connection with the exchange treated as provided in subsection (d) above.

(f) Cash Tender Offer – Shares . In connection with a cash tender offer for Shares, a Participant or Former Participant may direct the Trustee to surrender to the Depositary any or all Ensco ADSs held in the Participant's or Former Participant's Individual Account and withdraw the Shares and then deliver the Shares in acceptance of the tender offer. Any cash received by the Trustee as a result of such tender shall be invested as provided in subsection (c) above.

(g) Exchange Offer – Shares . In connection with an exchange offer for Shares, a Participant or Former Participant may direct the Trustee to surrender to the Depositary any or all Ensco ADSs held in the Participant's or Former Participant's Individual Account and withdraw the Shares, and then deliver the Shares in acceptance of the exchange offer. Any property received by the Trustee in connection with such exchange shall be held by the Trustee as provided in subsection (d) above.

(h) Tender and Exchange Offer – Shares . In connection with a combination tender and exchange offer for Shares, a Participant or Former Participant may direct the Trustee to surrender to the Depositary any or all Ensco ADSs held in the Participant's or Former Participant's Individual Account and withdraw the Shares, and tender and deliver the Shares in acceptance of the exchange offer. Any cash received by the Trustee as a result of such tender shall be invested as provided in subsection (c) above and any property received by the Trustee in connection with the exchange shall be held by the Trustee as provided in subsection (d) above.

(i) Revocation of Directions . A tender or exchange offer direction given by a Participant or Former Participant may be revoked by the Participant or Former Participant by completion of the form prescribed therefor by the Administrator, provided such form is filed with the Trustee at least two business days prior to the withdrawal-date-deadlines provided for in the regulations with respect to tender or exchange offers prescribed by the Securities and Exchange Commission or other applicable law.

(j) Best Efforts. The Trustee shall use its best efforts to effect on a uniform and nondiscriminatory basis the sale or exchange of the Ensco ADSs or the Shares, as applicable, as directed by the Participants and Former Participants. However, neither the Administrator, the Committee nor the Trustee insures that all or any part of the Ensco ADSs or the Shares directed by a Participant or Former Participant to be tendered or exchanged will be accepted under the tender or exchange offer. Any such Ensco ADSs (including the Ensco ADSs related to a tender or exchange offer for the Shares) not so accepted shall remain in the Participant's or Former Participant's Individual Account and the Participant or Former Participant shall continue to have the same rights with respect to such Ensco ADSs as he had immediately prior to the Trustee’s tendering of the Ensco ADSs or the Shares.

(k) Conditional Obligations of the Trustee. Any obligation belonging to the Trustee under the foregoing provisions of this Section 20.7 is conditional upon the tender offer or exchange offer:

(i) not conflicting with, constituting a breach of, or contravening any law, regulation, directive, judgment or order of any legislative, governmental or supervisory body of the United Kingdom or the European Union; and

(ii) being carried out in compliance with any requirement to file a prospectus or other filing with, or obtain prior consent, approval, authorization from, or a license, order, registration, qualification or decree of any court or governmental authority or agency or supervisory body.

If the conditions above are not met, the Trustee will not be required to perform such obligation.

If a tender or exchange offer is made, the Administrator shall adopt such rules, prescribe the use of such special administrative forms and procedures, delegate such authority, take such action and execute such instruments or documents and do every other act or thing as shall be necessary or in its judgment proper for the implementation of this Section 20.7. All instructions from Participants and Former Participants regarding a tender or exchange offer shall be maintained by the Trustee to safeguard the confidentiality of the instructions.

Notwithstanding anything in the Plan to the contrary, in administering the tendering or exchange of Ensco ADSs or Shares pursuant to the applicable provisions of the Plan, it is intended that the confidentiality of the tenders or exchanges, as the case may be, made by Participants or Former Participants pursuant to the provisions of the Plan shall be maintained by the Trustee as may be contemplated by applicable law.

Prior to the effective date of the Merger, the provisions governing a tender offer made for the shares of Company Stock or an offer to exchange securities of another company for the shares of Company Stock were specified in section 21.7 of the Plan, as revised and restated effective January 1, 1997, as it existed prior to being amended effective as of the effective date of the Merger by Amendment No. 16 thereto.

Article XXI

INVESTMENTS

Sec. 21.1 Permitted Investments . The investments permitted under the provisions of this Article XXI shall be in addition to any investments authorized pursuant to the provisions of the Trust Agreement.

Sec. 21.2 Investment of Trust Assets . Subject to Participants' investment directions under Section 21.8, and subject to Committee directions under Section 17.4, the Trustee shall have the sole responsibility for the administration of the Trust Fund and the management of the assets held thereunder, as provided in the Trust Agreement. In addition to all investments allowable under the Texas Trust Code, and subject to the instructions of an Investment Advisor who is duly appointed as provided in Section 21.5, the Trustee may invest and reinvest the principal and income of the Trust Fund and shall keep such assets invested, without distinction between principal and income, in such property, real or personal, or part interests therein, wherever situated, as the Trustee may deem suitable without regard to the proportion such property or property of a similar character held in the Trust Fund may bear to the entire amount so held, including, but not limited to, capital, common and preferred stocks; personal, corporate, and governmental obligations; trust and participation certificates, oil, mineral, or gas properties, fee simple interests in real property; royalty interests or rights (including equipment pertaining thereto); machinery, equipment, leaseholds; mortgages (including mortgages inferior to other liens); other interests in real or personal property; notes and other evidences of indebtedness or ownership, secured or unsecured; partnership interests; contracts, and chooses in action. In addition, the Trustee shall, upon direction of the Administrator, make a loan to a Participant to the extent permitted in Section 21.11. The Trustee shall be obliged to use good faith and to exercise its honest judgment as to what investments are from time to time in the best interests of the Trust Fund and those entitled to benefit under the Plan. Furthermore, the Trustee may hold any portion of the Trust Fund in cash and uninvested whenever it deems such holding necessary or advisable.

Sec. 21.3 Investment in Qualifying Employer Real Property and Qualifying Employer Securities . If directed by the Administrator, the Trustee is permitted to hold or to lease or to purchase from or to sell or lease to an Employer or any other person or entity "qualifying employer real property," and to hold, or to purchase from or sell to an Employer or any other person or entity "qualifying employer securities," as each term is defined in Section 407(d) of ERISA. Up to 100% of the fair market value of the assets of the Trust Fund may be invested in qualifying employer real property and qualifying employer securities. The Trustee shall purchase and sell securities only in compliance with applicable state and federal securities laws and in accordance with directions of the Administrator.

Sec. 21.4 Investment in Certificate of Deposit . The Trustee, if a bank, may invest in certificates of deposit issued by the Trustee or its affiliates provided such certificates of deposit bear both a competitive and reasonable rate of interest.

Sec. 21.5 Appointment of Investment Advisor . The Named Fiduciary may appoint an investment advisor as permitted by Section 402(c)(3) of ERISA to direct the Trustee with regard to the investment of the assets held under the Plan. For purposes of this Section 21.5, "investment advisor" shall mean a fiduciary of the Plan who (i) is registered as an investment advisor under the Investment Advisers Act of 1940, (ii) is a bank, as defined in the Investment Advisers Act of 1940, or (iii) an insurance company qualified under the laws of more than one state to manage, acquire, or dispose of any asset of the Plan. If such an investment advisor be so appointed, the Trustee shall invest the assets held under the Plan in accordance with the written directions received from such investment advisor. The Trustee shall not be obligated to accept direction from the investment advisor until such investment advisor acknowledges in writing that it is a fiduciary of the Plan.

Sec. 21.6 Named Fiduciary's Control of Investments . Notwithstanding any other provision in this Article XXI, the Named Fiduciary is hereby given the right and power to direct the Trustee in writing to purchase, sell, lease, or otherwise act for the Trust Fund in regard to any property, whether real, personal, tangible or intangible, and to the extent that the Named Fiduciary so directs the Trustee, all rights, duties, and obligations with respect to said investment shall have been allocated to the Named Fiduciary within the meaning of Section 405 of ERISA, unless the direction is contrary to ERISA, and the Trustee shall carry out said directions without being liable or responsible in any way for any losses or unfavorable results resulting therefrom. However, the Named Fiduciary may specifically abdicate part or all of such right and power in a written instrument so stating delivered to the Trustee. Furthermore, it is not intended that the Trustee be required to ascertain whether the Named Fiduciary desires to give written directions pursuant to this Section before the Trustee exercises any power, right, or discretion granted to the Trustee hereunder.

Sec. 21.7 Investment in Collective Investment Trust . The Trustee may invest the assets of the Trust Fund in any common or collective investment trust or pooled investment fund maintained by a bank or trust company supervised by a state or federal agency or pooled investment fund maintained by an insurance company licensed to do business in a state, including any bank, trust company or insurance company which may be a fiduciary or an affiliate of a fiduciary of the Plan, which fund or funds then provide for the pooling of the assets of plans described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code. The provisions of the document governing such common or collective investment trust or pooled investment fund, as it may be amended from time to time, shall govern any investment therein and are hereby made a part of the Plan.

Furthermore, the Trustee, for collective investment purposes, may combine into one trust fund the Trust Fund and the trust created under any other qualified retirement plan of an Affiliated Company. However, the Trustee shall maintain separate records of account for the assets of each trust in order to properly reflect each Participant's interest under each such plan.

Sec. 21.8 Participant Direction of Investments . To the extent permitted by the Administrator from time to time, based on a non-discriminatory policy, each Participant and Former Participant may direct the Trustee concerning the investment of his Individual Account among Investment Funds made available to the Participants and Former Participants by the Administrator from time to time. The investment direction rights under this Section 21.8 and the related procedures shall also apply to Beneficiaries and Alternate Payees for whom an Individual Account is held under the Plan. The Administrator may change the Investment Funds set forth in Section 1.28 at such time as it may determine in its sole and absolute discretion; provided, however, that the Administrator shall maintain, at a minimum, at least three investment funds representing a broad range of investment alternatives which are flexible enough to meet the retirement needs of the largest possible group of the Participants and Former Participants taking into account their differing ages, retirement objectives, and investment philosophies and which provide Participants, Former Participants and Beneficiaries with a reasonable opportunity to materially affect the potential return on amounts in their Individual Accounts. The Administrator may use registered mutual funds, bank-maintained collective investment funds or similar arrangements as funding vehicles for the Investment Funds, provided that the underlying investments of any such arrangement are consistent with the investment objectives of the particular Investment Fund, as established by the Administrator. The Administrator, in its sole and absolute discretion, may at any time establish new Investment Funds or discontinue existing Investment Funds and may at any time increase or decrease the number of Investment Funds that are offered to Participants and Former Participants under the Plan. If the Administrator determines that there is insufficient participation in a particular Investment Fund, the Administrator may, in its sole and absolute discretion, discontinue the availability of that Investment Fund.

A Participant or Former Participant may elect to invest the balance of his Individual Account in any one or more of the Investment Funds, but any such election of the Investment Funds must be in one percent increments (or such other minimum increment as may be determined by the Administrator) totaling 100%. Prior to October 1, 2009, increments of ten percent were required. At the time an Employee becomes a Participant, he shall complete and file with the Administrator using the form furnished by the Administrator or, if allowed by the Administrator, an Interactive Electronic Communication, designating the Investment Funds under which his Salary Reduction Contributions, accounts under a plan merged into the Plan, Rollover Contributions, if any, Employer profit sharing contributions and Matching Contributions, if any, allocated to his Individual Account, if any, are to be initially invested. Separate elections may be made with respect to different types of contributions. The Employer's profit sharing contributions pursuant to Section 3.3, if any, and Matching Contributions pursuant to Section 3.2, if any, shall be invested in accordance with the Participant's elections in effect at the time that such Employer profit sharing contributions and Matching Contributions are actually made to the Plan, unless the Participant completes and files with the Administrator a separate form or gives a separate Interactive Electronic Communication designating the Investment Fund or Funds under which his future Matching Contributions and Employer profit sharing contributions allocated to his Individual Account are to be invested. The directions, and any change thereto, must be in writing or, if permitted by the Administrator, by Interactive Electronic Communication.

Up to 100% of the assets of a Participant's Individual Account attributable to contributions allocated to his Individual Account on or before May 31, 2008 may be invested in Fund 5. Effective June 1, 2008, a Participant may not direct that more than 50% of the assets of his Individual Account attributable to contributions allocated to his Individual Account after May 31, 2008 may be invested in Fund 5. If the investment election of any Participant in effect on June 1, 2008 provides for an election in excess of 50% to Fund 5, that investment election shall be automatically revised, effective June 1, 2008, with respect to the specific election to Fund 5 to provide for an election of 50% to Fund 5 and the percentage elected in excess of 50% shall be deemed to be an election of that excess percentage to the particular T. Rowe Price target date retirement fund (currently set forth in Section 1.28 as Funds 13-24) determined by the age of the Participant. Notwithstanding that the value of the assets in a Participant's Individual Account that are invested in Fund 5 on June 1, 2008 is 50% or more of the total value of the assets in his Individual Account on that date, the Participant's Individual Account may continue to hold that investment interest in Fund 5 after May 31, 2008 and the investment election in Fund 5 permitted by the two preceding sentences with respect to contributions allocated to his Individual Account after May 31, 2008 shall not be affected. A Participant shall not be permitted, however, to direct the Trustee (in writing, or if allowed by the Administrator, by giving an Interactive Electronic Communication) after May 31, 2008 to change the investment of the assets then allocated to his Individual Account if (i) that investment election requires reinvestment of any assets in his Individual Account into Fund 5 and the value of the assets in his Individual Account that are invested in Fund 5 on that date is 50% or more of the total value of the assets in his Individual Account on that date, or (ii) the effect of that investment election would result in more than 50% of the value of the total assets in his Individual Account on that date being invested in Fund 5.

Effective October 1, 2009, a Participant may not direct that more than 25% of the assets of his Individual Account attributable to contributions allocated to his Individual Account after September 30, 2009 may be invested in Fund 5. If the investment election of any Participant in effect on October 1, 2009 provides for an election in excess of 25% to Fund 5, that investment election shall be automatically revised, effective October 1, 2009, with respect to the specific election to Fund 5 to provide for an election of 25% to Fund 5 and the percentage elected in excess of 25% shall be deemed to be an election of that excess percentage to the particular T. Rowe Price target date retirement fund (currently set forth in Section 1.28 as Funds 13-24) determined by the age of the Participant. Notwithstanding that the value of the assets in a Participant's Individual Account that are invested in Fund 5 on October 1, 2009 is 25% or more of the total value of the assets in his Individual Account on that date, the Participant's Individual Account may continue to hold that investment interest in Fund 5 after September 30, 2009 and the investment election in Fund 5 permitted by the two preceding sentences with respect to contributions allocated to his Individual Account after September 30, 2009 shall not be affected. A Participant shall not be, however, to direct the Trustee (in writing, or if allowed by the Administrator, by giving an Interactive Electronic Communication) after September 30, 2009 to change the investment of the assets then allocated to his Individual Account if (i) that investment election requires reinvestment of any assets in his Individual Account into Fund 5 and the value of the assets in his Individual Account that are invested in Fund 5 on that date is 25% or more of the total value of the assets in his Individual Account on that date, or (ii) the effect of that investment election would result in more than 25% of the value of the total assets in his Individual Account on that date being invested in Fund 5.

If an Employee has an employment or re-employment commencement date after May 31, 2008 and fails to complete and file with the Administrator using the form furnished by the Administrator or, if allowed by the Administrator, to give an Interactive Electronic Communication, directing the Trustee concerning the investment of his Individual Account, the entire balance of his Individual Account shall be invested in the particular T. Rowe Price target date retirement fund (currently set forth in Section 1.28 as Funds 13-24) determined by the age of the Participant or Former Participant pending the Administrator's receipt of investment direction from, or an Interactive Electronic Communication by, the Participant or Former Participant, or in such other default investment fund or funds as may be designated by the Administrator from time to time for such purpose which constitute a "qualified default investment alternative" under the applicable Department of Labor regulations. At such time or times required by Section 404(c) of ERISA and the Department of Labor regulations promulgated thereunder, the Administrator shall give each Participant and Former Participant a Notice of his rights and obligations under the default arrangement which is sufficiently accurate and comprehensive to apprise the Participant or Former Participant of such rights and obligations and is written in a manner to be understood by the average Participant, as well as of such other information required by the applicable Department of Labor regulations. The Notice must (i) explain the Participant's or Former Participant's rights under the Plan to specifically elect to exercise control over the investment of his Individual Account, (ii) explain how the Participant's or Former Participant's Individual Account will be invested in the absence of an investment election by the Participant or Former Participant, and (iii) include all other information required by the applicable Department of Labor regulations. Each Participant and Former Participant whose Individual Account has been invested in a default investment fund shall be permitted to transfer to any other Investment Fund as frequently as Participants and Former Participants who affirmatively elect to direct the investment of their Individual Accounts hereunder. If an Employee has an employment or re-employment commencement date before June 1, 2008 and fails to direct the investment of his Individual Account, the entire balance of his Individual Account shall be invested in Fund 4.

Effective January 1, 2007, the statement described in Section 9.2 that is required to be provided, each quarter to the Participants, Former Participants, Beneficiaries and Alternate Payees for whom an Individual Account is held hereunder must include (i) the value of each investment to which assets in the individual's Individual Account are allocated (determined as of the Plan's most recent valuation date), (ii) an explanation of any limitations or restrictions on any right of the individual to direct an investment, (iii) an explanation, written in a manner calculated to be understood by the average Participant, of the importance, for the long-term retirement security of Participants of a well-balanced and diversified investment portfolio, including a statement of the risk that holding more than 20% of a portfolio in the security of one entity may not be adequately diversified, and (iv) a Notice directing the Participant, Former Participant, Beneficiary or Alternate Payee to the Internet website of the Department of Labor for sources of information on individual investing and diversification.

Sec. 21.9 Changes to Prior Participant Direction of Investments . A Participant's or Former Participant's direction (or a default election under Section 21.8) of the investment of his Individual Account shall remain the same until changed by such Participant or Former Participant pursuant to this Section. A Participant or Former Participant may change the direction of the investment of the current balance of his Individual Account or future contributions allocated to his Individual Account, or both, effective as of any day following any Valuation Date by filing the appropriate form, or by Interactive Electronic Communication (if applicable), prior to such Valuation Date.

Sec. 21.10 Effect of Participant Direction of Investments . If a Participant or Former Participant shall exercise any such right to direct the investment of his Individual Account, including, effective June 1, 2008, for this purpose, any Participant or Former Participant who timely receives the required Notice under Section 21.8 regarding the qualified default investment alternative but who fails to provide instructions to the Administrator directing the investment of his Individual Account as provided in Section 21.8, and, as a result, the balance of his Individual Account is invested on a qualified default investment alternative then, to that extent, the obligations, discretion, and duties with respect to such investments shall be deemed to have been allocated to that Participant or Former Participant within the meaning of Section 404(c) of ERISA and the Department of Labor regulations promulgated thereunder, and unless the direction is contrary to ERISA or the Administrator shall determine that such investment would be administratively infeasible and so notify that Participant or Former Participant, such directions shall be followed and no fiduciary with respect to the Plan shall be liable or responsible in any way for any losses or unfavorable results resulting therefrom. It is not intended that the Administrator be required to ascertain whether the Participant or Former Participant desires to give written or Interactive Electronic Communication directions pursuant to Section 21.8 before the Trustee exercises any power, right, or discretion granted the Trustee under the Trust Agreement.

Pursuant to the Merger Agreement, each share of Company Stock held by the Trust Fund on the effective date of the Merger, including each such share allocated to the Individual Accounts of each Participant, was converted into one Ensco ADS.

Sec. 21.11 Participant Loans . The Administrator may, in its sole discretion and in accordance with a uniform and nondiscriminatory policy established by it, permit loans to be made to a Participant, former Participant or Beneficiary [who is a "party in interest" within the meaning of Section 3(14) of ERISA], provided that any such loan (i) shall be made available to all such Participants, former Participants and Beneficiaries on a reasonably equivalent basis, (ii) shall not be made available to Highly Compensated Employees in an amount greater than the amount made available to other Participants, (iii) shall bear a reasonable rate of interest, (iv) shall be adequately secured, and (v) shall provide for periodic repayment over a reasonable period of time. In addition, loans granted or renewed pursuant to this Section 21.11 shall be granted or renewed in accordance with a written loan policy established by the Administrator (which policy, when properly adopted, is hereby incorporated by reference and made a part of this Plan). Such written loan policy, once established may be modified or amended in writing from time to time without the necessity of amending this Section 21.11. The loan policy established by the Administrator shall comply with the applicable provisions of ERISA and regulations promulgated pursuant thereto and with any limitations imposed by the Code and regulations promulgated pursuant thereto to prevent the loan from being deemed to be a taxable distribution to the Participant. The loan policy may provide that loan repayments may be suspended under the Plan as permitted under Section 414(u)(4) of the Code.

A loan to a Participant pursuant to this Section 21.11 shall be treated as a separate investment option with respect to such Participant; provided, however, the transfer of assets from one Investment Fund to another in order to facilitate a Plan loan to a Participant shall not constitute an investment election change pursuant to Section 21.9. Each loan under the Plan shall be granted from the Participant's vested Individual Account and shall come from his 401(k) Account, the vested portion of his Employer Account, and his Rollover Account, if any, on a pro-rata basis, each determined as of the most recent Valuation Date. To the extent the loan funds are taken from an account in accordance with the preceding sentence, they shall be withdrawn from that account on a pro-rata basis from each of the Investment Funds in which that account is invested. A loan subaccount shall be established and maintained by the Recordkeeper to account for the funding of any loan and the Participant's balance in the Investment Funds from which the loan proceeds are taken shall be reduced as provided in the preceding sentence to account for the funding of the loan. The Participant's loan subaccount shall be credited with interest at the loan repayment rate. As the Participant repays the loan, the balance in the loan subaccount shall be reduced and the Participant's balance in the Investment Funds then selected by the Participant for the particular account of the Participant from which the loan proceeds were originally derived shall be increased by allocating the Participant's loan repayments to such Investment Funds in which that account is invested in the same proportion as the Participant's most recent investment direction election.

Article XXII

TOP HEAVY PROVISIONS

Sec. 22.1 Minimum Allocation Requirements . For any Year in which the Plan is a Top Heavy Plan and no other plan is maintained by an Employer or an Affiliated Company that provides the minimum benefit applicable to top heavy plans within the meaning of Section 416(g) of the Code, Employer contributions (excluding Employer contributions to Social Security and Salary Reduction Contributions made to the Plan for any Year under Section 6.2 and Matching Contributions included in the Contribution Percentage test for the Year under Section 5.1) and forfeitures which are allocated to any Employee who has satisfied the eligibility requirements of Section 2.1, without regard to whether he has elected to participate in the Plan pursuant to Section 2.2, and who on the last day of the Year is a Non-Key Employee shall not be less than the lesser of (i) three percent of such Participant's Annual Compensation [as defined in Section 7.2(f)] or (ii) the largest percentage of Employer contributions (including Salary Reduction Contributions and Matching Contributions), as a percentage of the amount of the Annual Compensation [as defined in Section 7.2(f)] of Participants who are Key Employees, but not in excess of the Compensation Limitation as defined in Section 1.5 allocated to any such Participant who is a Key Employee for that Year; provided, however, if an Employer maintains a defined benefit plan which designates the Plan to satisfy Section 401 or 410 of the Code, (ii) above shall not apply. No Employer contributions allocated to a Non-Key Employee under this Section may be forfeited as a result of such Employee's withdrawal of his Salary Reduction Contributions under Section 14.5(d). Matching Contributions that are used to satisfy the minimum contribution requirements of this Section 22.1 shall be treated as Matching Contributions for purposes of the Contribution Percentage tests of Section 5.1 and the other requirements of Section 401(m) of the Code.

Sec. 22.2 Definitions .

(a) "Determination Date" means for any Year the last day of the preceding Year, or in the case of the first Year of the Plan, the last day of that Year.

(b) "Key Employee" means, as of any Determination Date, any Employee or former Employee (or Beneficiary of such Employee) who, at any time during the Year which includes the Determination Date, is:

(i) an officer of any Employer having Annual Compensation [as defined in Section 7.2(f)] greater than $130,000 [as adjusted under Section 416(i)(1) of the Code for Years beginning after December 31, 2002];

(ii) a more than five-percent owner of any Employer; or

(iii) a more than one percent owner of any Employer having Annual Compensation [as defined in Section 7.2(f)] from all Employers of more than $150,000.

For purposes of subsection (b)(i), no more than 50 Employees (or, if lesser, the greater of three or ten percent of the Employees) shall be treated as officers. The constructive ownership rules of Section 318 of the Code (or the principles of that section, in the case of an unincorporated Employer) will apply to determine ownership in each Employer.

(c) "Non-Key Employee" means any Employee who is not a Key Employee.

(d) "Permissive Aggregation Group" means the Required Aggregation Group plus any other qualified plan or plans maintained by an Employer which, when considered as a group with the Required Aggregation Group, would continue to satisfy the requirements of Sections 401(a)(4) and 410 of the Code.

(e) "Required Aggregation Group" means (i) each qualified plan of an Employer in which at least one Key Employee participates or participated at any time during the Year containing the Determination Date or any of the four preceding Years (regardless of whether the plan has terminated), and (ii) any other qualified plan of an Employer which enables a plan described in (i) to meet the requirements of Sections 401(a)(4) or 410 of the Code.

(f) "Top Heavy Plan" means the Plan (i) if the Plan is not part of a Required Aggregation Group or a Permissive Aggregation Group and the Top Heavy Ratio for the Plan as of the Determination Date exceeds 60%, (ii) if the Plan is part of a Required Aggregation Group but not part of a Permissive Aggregation Group and the Top Heavy Ratio for the group of plans exceeds 60%, or (iii) if the Plan is part of a Required Aggregation Group and part of a Permissive Aggregation Group and the Top Heavy Ratio for the Permissive Aggregation Group exceeds 60%.

(g) "Top Heavy Ratio" means:

(i) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer or any other Employer has not maintained any defined benefit plan which during the one-year period (five-year period in determining whether the plan is top heavy for Years beginning before January 1, 2002) ending on the Determination Date(s) has or has had accrued benefits, the Top Heavy Ratio for the Plan alone or for the Required Aggregation Group or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of the account balances of all Key Employees of the Employers as of the Determination Date(s), including any part of any account balance distributed during the one-year period ending on the Determination Date(s)(five-year period ending on the Determination Date in the case of a distribution made for a reason other than severance from employment, death or Disability and in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002), and the denominator of which is the sum of all account balances, including any part of any account balance distributed during the one-year period ending on the Determination Date(s) (five-year period ending on the Determination Date in the case of a distribution made for a reason other than severance from employment, death or Disability and in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002), both computed in accordance with Section 416 of the Code and the Treasury regulations thereunder. Both the numerator and denominator of the Top Heavy Ratio are increased to reflect any contribution not actually made as of the Determination Date, but which is required to be taken into account on that date under Section 416 of the Code and the Treasury regulations thereunder.

(ii) If the Employer maintains one or more defined contribution plans (including any simplified employee pension plan) and the Employer or any other Employer maintains or has maintained one or more defined benefit plans which during the one-year period (five-year period in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002) ending on the Determination Date(s) has or has had any accrued benefits, the Top Heavy Ratio for any Required Aggregation Group or Permissive Aggregation Group, as appropriate, is a fraction, the numerator of which is the sum of account balances under the aggregated defined contribution plan or plans for all Key Employees of the Employers, determined in accordance with subsection (g)(i) above, and the present value of accrued benefits under the aggregated defined benefit plan or plans for all Key Employees of the Employers as of the Determination Date, and the denominator of which is the sum of the account balances under the aggregated defined contribution plan or plans for all participants, determined in accordance with subsection (g)(i) above, and the present value of accrued benefits under the defined benefit plan or plans for all participants as of the Determination Date, all determined in accordance with Section 416 of the Code and the Treasury regulations thereunder. The accrued benefits under a defined benefit plan in both the numerator and denominator of the Top Heavy Ratio are increased for any distribution of an accrued benefit made in the one-year period ending on the Determination Date(s) (five-year period ending on the Determination Date in the case of a distribution made for a reason other than severance from employment, death or Disability and in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002).

(iii) For purposes of subsection (g)(i) and (ii) above, the value of account balances and the present value of accrued benefits shall be determined as of the most recent valuation date that falls within or ends with the 12-month period ending on the Determination Date, except as provided in Section 416 of the Code and the Treasury regulations thereunder for the first and second plan years of a defined benefit plan. The account balances and accrued benefits of a Participant (A) who is not a Key Employee but who was a Key Employee in a prior year, or (B) who has not been credited with at least one Hour of Service with any Employer maintaining the Plan at any time during the one-year period (five-year period in determining whether the Plan is a Top Heavy Plan for Years beginning before January 1, 2002) ending on the Determination Date shall be disregarded. The calculation of the Top Heavy Ratio, and the extent to which distributions, rollovers, and transfers are taken into account shall be made in accordance with Section 416 of the Code and the Treasury regulations thereunder. Deductible employee contributions shall not be taken into account for purpose of computing the Top Heavy Ratio. When aggregating plans the value of account balances and accrued benefits shall be calculated with reference to the Determination Dates that fall within the same calendar year.

The accrued benefit of a Participant other than a Key Employee shall be determined under (A) the method, if any, that uniformly applies for accrual purposes under all defined benefit plans maintained by the Employer or any other Employer, or (B) if there is no such method, as if such benefit accrued no more rapidly than the slowest accrual rate permitted under the fractional rule of Section 411(b)(1)(C) of the Code.

IN WITNESS WHEREOF, ENSCO International Incorporated, the Company, acting by and through its duly authorized officers, has caused this Agreement to be executed as of the day and year first above written.

ENSCO INTERNATIONAL INCORPORATED

By Dean A. Kewish
COMPANY

Exhibit 10.37

Deed of Amendment No. 3

The Ensco Multinational Savings Plan

04 November 2010

between

Citco Trustees (Cayman) Limited

(as Trustee)

and

Ensco plc

This Deed of Amendment is made the 4th day of November 2010

Between:

(1) **Citco Trustees (Cayman) Limited** , a trust company incorporated under the laws of the Cayman Islands whose registered office is at 89 Nexus Way, Camana Bay, PO Box 31106, Grand Cayman, KY1-1205, Cayman Islands (" **Trustee** "); and

(2) **Ensco plc** of 6 Chesterfield Gardens, 3rd Floor, London, W1J 5BQ, England (" **Ensco** ")

Whereas:

(A) This deed is supplemental to:

(i) a trust deed dated 31 December 2008 (the " **Trust Deed** ") made between the Trustee and Ensco International Incorporated as the Plan Sponsor establishing the trust known as the Ensco Multinational Savings Plan;

(ii) an amended and restated trust deed (the " **Amended and Restated Deed** ") dated 16 February 2009 made between the Trustee and Ensco International Incorporated as the Plan Sponsor;

(iii) a first deed of amendment dated 25 September 2009 made between the Trustee and Ensco International Incorporated as the Plan Sponsor; and

(iv) a second deed of amendment (the " **Second Deed of Amendment** ") dated 21 December 2009 made between the Trustee and Ensco International Incorporated as the Plan Sponsor

the Trust Deed as amended being hereinafter referred to as the " **Trust** ".

(B) The Trustee is the present sole trustee of the Trust.

(C) By the Amended and Restated Deed the Trustee declared that it holds $100 on the trust of the Trust and on the additional terms of the Rules.

(D) By the Second Deed of Amendment, the Trust was, *inter alia* , amended so that references to the Plan Sponsor are references to Ensco International plc as Plan Sponsor.

(E) By sub-clause 24.1 of the Trust, the Trustee has power (the " **Power**), with the written consent of the Plan Sponsor and with written notice to the Participants, by deed to amend, modify, alter or add to the provisions of the Trust and the Rules in such manner and to such extent as the Trustee considers to be in the best interests of the Participants.

(F) Sub-clause 24.2 of the Trust provides, *inter alia* , that, unless the Trustee certifies in writing that in its opinion, the amendment, modification, alteration or addition made pursuant to sub-clause 24.1 of the Trust does not materially prejudice the interests of the then existing Participants and does not operate to release the Trustee from any responsibility to Participants (the " **Certification** "), the amendment, modification, alteration or addition shall require the consent of the majority of Participants.

(G) On 31 March 2010, Ensco Incorporated plc changed its name to Ensco plc.

(H) The Trustee wishes to exercise the Power in the manner set out below and intends that this deed shall serve as the Certification.

(I) Ensco wishes to consent to the proposed amendments as set out in this deed to be made to the Trust.

(J) Ensco confirms that notice of the proposed amendments as set out in this deed has been given to the Participants.

This Deed witnesses as follows:

1 Definitions and Construction

In this deed, where the context allows:

1.1 the definitions and rules of construction contained in the Trust shall apply and, subject to that, the following definition shall apply:

1.2 "Effective Date" means the 21 August 2010.

2 Amendments

2.1 In exercise of the Power and of each and every other power (if any) it enabling, the Trustee hereby declares that the Trust is hereby amended so that:

(a) the requirement of 30 days of continuous employment set forth in Rule 1.1 (a) of Schedule A of the Trust shall not apply, on and from the Effective Date, to all employees who have become employed by an Employer pursuant to the acquisition of the rig known as ENSCO 109 (formerly known as Diamond Offshore's Ocean Shield) (each an "ENSCO 109 Employee" and together the "ENSCO 109 Employees"); and

(b) for the purposes of Rule 5 of Schedule A of the Trust (provisions relating to vesting) and for all other purposes, the length of time that each ENSCO 109 Employee was an employee of Diamond Offshore Drilling, Inc and its affiliated companies shall be included in that ENSCO 109 Employee's Service Time

PROVIDED THAT all other provisions and restrictions applicable to an Eligible Employee or Participant shall apply to the ENSCO 109 Employees.

2.2 In further exercise of the Power and of each and every other power (if any) it enabling, the Trustee hereby declares that the Trust is hereby amended so that all references in the Trust to 'Ensco International plc' shall be deleted and replaced with 'Ensco plc'.

3 Certification

The Trustee hereby certifies that, in its opinion, the amendments set out in Clause 2 of this deed do not materially prejudice the interests of the Participants as at the Effective Date and do not operate to release the Trustee from any responsibility to the Participants.

4 Consent

Ensco hereby consents to the amendments to the Trust as set out herein.

5 Confirmation

Except as specifically amended herein, all the provisions of the Trust (as previously amended) shall remain in full force and effect, and the Trust as further amended herein shall be read as a single, integrated document with all terms used in this amendment having the meanings set forth in the Trust.

6 Governing Law

Cayman Islands law shall govern the construction and interpretation of this deed and the parties hereby submit to the non-exclusive jurisdiction of the courts of the Cayman Islands.

In witness whereof this instrument has been executed and delivered the day and year first above written.

Executed as a deed and delivered by the said **CITCO TRUSTEES (CAYMAN) LIMITED** by its common seal being affixed in the presence of	))))	_____ **CITCO TRUSTEES (CAYMAN) LIMITED**

……..
Witness

Executed as a deed and delivered by the said **Ensco plc** by its common seal being affixed in the presence of	))))	**/s/ Cary A. Moomjian, Jr.** **ENSCO PLC**

……..
Witness

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

The following list sets forth the name and jurisdiction of incorporation of each subsidiary of the Registrant and the percentage of voting securities owned by each entity's immediate parent as of December 31, 20010. Each subsidiary was included in our consolidated financial statements.

	Percentage of Voting Securities Owned by Registrant	Percentage of Voting Securities Owned by Immediate Parent
ENSCO Global Limited (Cayman Islands)	100%	
ENSCO International Incorporated (U.S. – Delaware)		100%
ENSCO Drilling Company LLC (U.S. – Delaware)		100%
ENSCO Incorporated (U.S. – Texas)		100%
ENSCO Corporate Resources LLC (U.S. – Delaware)		100%
ENSCO Global Resources Limited (England and Wales)		100%
ENSCO Associates Company (Cayman Islands)		100%
ENSCO Investments LLC (U.S. – Nevada)		100%
ENSCO Holding Company (U.S. – Delaware)		100%
ENSCO Offshore Company (U.S. – Delaware)		100%
ENSCO Development Limited (Cayman Islands)		100%
ENSCO Capital Limited (Cayman Islands)		100%
ENSCO Universal Limited (England and Wales)		100%
ENSCO (Bermuda) Limited		100%
ENSCO Rigs Limited		100%
ENSCO Global Investments L.P. (England and Wales)		50%
Ensco Holdco Limited (England and Wales)		100%
ENSCO Offshore International Company (Cayman Islands)		100%
ENSCO Drilling Limited (Cayman Islands)		100%
ENSCO Offshore U.K. Limited (England and Wales)		100%
ENSCO Services Limited (England and Wales)		100%
ENSCO Limited (Cayman Islands)		100%
ENSCO Netherlands Ltd. (Cayman Islands)		100%
ENSCO de Venezuela, S.R.L. (Venezuela)		100%
ENSCO Deepwater LLC (U.S. – Delaware)		100%
ENSCO Oceanics International Company (Cayman Islands)		100%
ENSCO Maritime Limited (Bermuda)		100%
ENSCO Arabia Co. Ltd. (Saudi Arabia)		50%
ENSCO Asia Pacific Pte. Limited (Singapore)		100%
Petroleum Finance Corporation (Cayman Islands)		100%
ENSCO Drilling Company (Nigeria) Ltd. (Nigeria)		100%
ENSCO Oceanics Company LLC (U.S. – Delaware)		100%
ENSCO Gerudi (M) Sdn. Bhd. (Malaysia)		49%
ENSCO Asia Company LLC (U.S. – Texas)		100%
P.T. ENSCO Sarida Offshore (Indonesia)		95%
Ensco (Thailand) Limited (Thailand)		98%
ENSCO Worldwide Investments Limited (England and Wales)		100%
ENSCO Worldwide GmbH (Switzerland)		100%
ENSCO Finance Limited (England and Wales)		100%
ENSCO Global GmbH (Switzerland)		100%
ENSCO Resources Management Limited (Cayman Islands)		100%
ENSCO Drilling Mexico LLC (U.S. – Delaware)		100%
ENSCO Services LLC (U.S. – Delaware)		100%
ENSCO Drilling (Caribbean), Inc. (Cayman Islands)		100%
ENSCO Drilling Venezulea, Inc. (Cayman Islands)		100%
ENSCO Offshore International Holdings Limited (Cayman Islands)		100%
ENSCO Offshore International Inc. (Marshall Islands)		100%
ENSCO Overseas Limited (Cayman Islands)		100%
ENSCO Australia Pty. Limited (Australia)		100%
ENSCO Holland B.V. (The Netherlands)		100%
ENSCO Brazil Servicos de Petroleo Ltda. (Brazil)		100%
ENSCO Labuan Limited (Malaysia)		100%

ENSCO (Barbados) Limited (Cayman Islands)	100%
ENSCO U.K. Limited	100%

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Ensco plc:

We consent to the incorporation by reference in the registration statements on Form S-8 (Nos. 333-58625, 33-40282, 333-97757, 333-125048 and 333-156530) and on Form S-3 (No. 333-156705) of Ensco plc of our reports dated February 24, 2011, with respect to the consolidated balance sheets of Ensco plc as of December 31, 2010 and 2009, and the related consolidated statements of income and cash flows for each of the years in the three-year period ended December 31, 2010, and the effectiveness of internal control over financial reporting as of December 31, 2010, which reports appear in the December 31, 2010 annual report on Form 10-K of Ensco plc.

KPMG LLP

Dallas, Texas
February 24, 2011

Exhibit 31.1

CERTIFICATION

I, Daniel W. Rabun, certify that:

1. I have reviewed this report on Form 10-K of Ensco plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Dated: February 24, 2011

Daniel W. Rabun
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, James W. Swent III, certify that:

1. I have reviewed this report on Form 10-K of Ensco plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Dated: February 24, 2011

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

Exhibit 32.1

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

In connection with the Annual Report of Ensco plc (the "Company") on Form 10-K for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel W. Rabun, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Daniel W. Rabun
Chairman, President and Chief Executive Officer
February 24, 2011

Exhibit 32.2

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

In connection with the Annual Report of Ensco plc (the "Company") on Form 10-K for the period ending December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Swent III, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

James W. Swent III
Senior Vice President and Chief Financial Officer
February 24, 2011