

ENSCO PLC

FORM 10-Q (Quarterly Report)

Filed 05/11/01 for the Period Ending 03/31/01

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

ENSCO INTERNATIONAL INC

FORM 10-Q (Quarterly Report)

Filed 5/11/2001 For Period Ending 3/31/2001

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

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2001

OR

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

Commission File Number 1-8097

ENSCO International Incorporated

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

76-0232579

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

**2700 Fountain Place
1445 Ross Avenue**

Dallas, Texas

(Address of principal executive offices)

75202-2792

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 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

There were 138,862,011 shares of Common Stock, \$.10 par value, of the registrant outstanding as of May 7, 2001.

ENSCO INTERNATIONAL INCORPORATED

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FOR THE QUARTER ENDED MARCH 31, 2001

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PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
of ENSCO International Incorporated:

We have reviewed the accompanying consolidated balance sheet of ENSCO International Incorporated (the "Company") as of March 31, 2001, and the related consolidated statement of income and cash flows for the three-month period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists

principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

/s/ Arthur Andersen LLP

Dallas, Texas,
May 7, 2001

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

| | Three Months Ended | |
|-------------------------------|---------------------------|--------------------|
| | March 31, | |
| | <u>2001</u> | <u>2000</u> |
| OPERATING REVENUES | \$195.3 | \$ 96.2 |
| OPERATING EXPENSES | | |
| Operating costs | 89.6 | 63.8 |
| Depreciation and amortization | 28.9 | 23.5 |
| General and administrative | 3.7 | 3.1 |
| | <hr/> 122.2 | <hr/> 90.4 |
| OPERATING INCOME | 73.1 | 5.8 |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 2.3 | 2.0 |
| Interest expense, net | (8.3) | (3.0) |
| Other, net | .2 | .1 |
| | <hr/> (5.8) | <hr/> (.9) |
| INCOME BEFORE INCOME TAXES | 67.3 | 4.9 |
| PROVISION FOR INCOME TAXES | | |
| Current income taxes | 13.5 | -- |
| Deferred income taxes | 6.9 | 1.8 |
| | <hr/> 20.4 | <hr/> 1.8 |
| NET INCOME | \$ 46.9 | \$ 3.1 |
| EARNINGS PER SHARE | | |
| Basic | \$.34 | \$.02 |

| | | |
|--|---------|---------|
| Diluted | .34 | .02 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING | | |
| Basic | 138.2 | 136.9 |
| Diluted | 139.7 | 138.6 |
| CASH DIVIDENDS PER SHARE | | |
| | \$.025 | \$.025 |

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

(In millions, except par value amounts)

| | <u>March 31,</u> <u>2001</u> (Unaudited) | <u>December 31,</u> <u>2000</u> |
|--|--|------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 209.8 | \$ 106.6 |
| Accounts receivable, net | 152.9 | 159.1 |
| Prepaid expenses and other | 23.4 | 23.0 |
| Total current assets | 386.1 | 288.7 |
| PROPERTY AND EQUIPMENT, AT COST | | |
| Less accumulated depreciation | 2,288.4 | 2,269.0 |
| | 610.0 | 583.7 |
| Property and equipment, net | 1,678.4 | 1,685.3 |
| OTHER ASSETS, NET | | |
| | 126.4 | 134.0 |
| | \$2,190.9 | \$2,108.0 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 5.9 | \$ 13.2 |
| Accrued liabilities | 80.6 | 91.2 |
| Current maturities of long-term debt | 12.7 | 12.7 |
| Total current liabilities | 99.2 | 117.1 |
| LONG-TERM DEBT | 474.9 | 422.2 |
| DEFERRED INCOME TAXES | 237.2 | 230.3 |
| OTHER LIABILITIES | 9.6 | 9.5 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock, \$1 par value, 20.0 million shares authorized, none issued | -- | -- |
| Common stock, \$.10 par value, 250.0 million shares authorized, | | |

| | | |
|---|------------------|------------------|
| 157.6 million and 157.3 million shares issued | 15.8 | 15.7 |
| Additional paid-in capital | 885.4 | 876.5 |
| Retained earnings | 639.9 | 596.6 |
| Restricted stock (unearned compensation) | (6.2) | (4.9) |
| Accumulated other comprehensive loss | (11.0) | (1.1) |
| Treasury stock, at cost, 18.8 million shares | (153.9) | (153.9) |
| Total stockholders' equity | 1,370.0 | 1,328.9 |
| | \$2,190.9 | \$2,108.0 |

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)
(Unaudited)

| | Three Months Ended | |
|---|---------------------------|--------------------|
| | March 31, | |
| | <u>2001</u> | <u>2000</u> |
| OPERATING ACTIVITIES | | |
| Net income | \$ 46.9 | \$ 3.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 28.9 | 23.5 |
| Deferred income tax provision | 6.9 | 1.8 |
| Tax benefit from stock compensation | 2.5 | -- |
| Amortization of other assets | 2.0 | 1.9 |
| Gain on asset dispositions | (.9) | (.8) |
| Other | .1 | .3 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 6.3 | (11.2) |
| Increase in prepaid expenses and other | (2.2) | (1.5) |
| Decrease in accounts payable | (7.4) | (.9) |
| Increase (decrease) in accrued liabilities | (.7) | 2.7 |
| Net cash provided by operating activities | 82.4 | 18.9 |
| INVESTING ACTIVITIES | | |
| Additions to property and equipment | (31.8) | (86.5) |
| Proceeds from disposition of assets | 1.8 | 5.1 |
| Sale of short-term investments | -- | 20.9 |
| Acquisition of minority interest | -- | (9.7) |
| Net cash used by investing activities | (30.0) | (70.2) |
| FINANCING ACTIVITIES | | |
| Proceeds from long-term borrowings | 52.7 | 62.6 |
| Reduction of long-term borrowings | -- | (74.9) |
| Cash dividends paid | (3.5) | (3.4) |
| Proceeds from exercise of stock options | 4.9 | 5.3 |
| Deferred financing costs | (3.3) | (.1) |

| | | |
|--|---------|---------|
| Net cash provided (used) by financing activities | 50.8 | (10.5) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 103.2 | (61.8) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 106.6 | 144.4 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$209.8 | \$ 82.6 |

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

ENSCO INTERNATIONAL INCORPORATED AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 - Unaudited Financial Statements

The accompanying consolidated financial statements of ENSCO International Incorporated (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States, pursuant to the rules and regulations of the Securities and Exchange Commission included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included herein is unaudited but, in the opinion of management, includes all adjustments (consisting of normal recurring adjustments) which are necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The December 31, 2000 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States.

The financial data for the three month period ended March 31, 2001 included herein have been subjected to a limited review by Arthur Andersen LLP, the registrant's independent accountants. The accompanying review report of independent accountants is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933 and the independent accountant's liability under Section 11 does not extend to it. The Company's consolidated financial statements for the year ended December 31, 2000 were audited by other independent accountants.

Results of operations for the three month period ended March 31, 2001 are not necessarily indicative of results of operations which will be realized for the year ending December 31, 2001. It is recommended that these statements be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended December 31, 2000 included in the Company's Annual Report to the Securities and Exchange Commission on Form 10-K.

Note 2 - Earnings Per Share

For the three months ended March 31, 2001 and 2000, there were no adjustments to net income for purposes of calculating basic and diluted earnings per share. The following is a reconciliation of the weighted average common shares used in the basic and diluted earnings

per share computations for the three months ended March 31, 2001 and 2000 (in millions):

| | <u>2001</u> | <u>2000</u> |
|--|-------------|-------------|
| Weighted average common shares - basic | 138.2 | 136.9 |
| Potentially dilutive common shares | | |
| Restricted stock grants | .1 | .2 |
| Stock options | 1.4 | 1.5 |
| <hr/> | | |
| Weighted average common shares - diluted | 139.7 | 138.6 |

Options to purchase 82,000 shares and 49,000 shares of common stock in the three month periods ended March 31, 2001 and 2000, respectively, were not included in the computation of diluted earnings per share because the exercise price of the options exceeded the average market price of the common stock.

Note 3 - Long-term Debt

In December 1999, the Company entered into a floating rate term loan agreement (the "Interim Construction Loan") with a major financial institution (the "Lender") to provide interim financing during the construction of the ENSCO 7500, the Company's new semisubmersible rig. The Company began borrowing under the Interim Construction Loan in March 2000 and the balance outstanding at December 31, 2000 totaled \$137.3 million. Interest on amounts borrowed under the Interim Construction Loan was payable semiannually at a variable rate based on the Lender's cost of funds plus .15% (6.78% at December 31, 2000). The Interim Construction Loan was guaranteed by the United States Maritime Administration ("MARAD").

On January 25, 2001, the Company issued \$190.0 million of 15-year bonds to provide long-term financing for the ENSCO 7500. The bonds are guaranteed by MARAD and will be repaid in 30 equal semiannual principal installments of \$6.3 million, beginning in June 2001 and ending in December 2015. Interest on the bonds is payable semiannually, in June and December, at a fixed rate of 6.36%. Net proceeds from the bond issuance totaled \$49.5 million after settlement of interest rate lock contracts, underwriting fees and repayment of the \$137.3 million Interim Construction Loan.

Note 4 - Adoption of SFAS 133

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended. Under SFAS 133, derivatives are recorded on the balance sheet as assets and liabilities, measured at fair value. Accounting for the gains and losses resulting from changes in the value of derivatives depends on the use of the derivative and whether it qualifies for hedge accounting. The Company uses derivative instruments to reduce its exposure to various market risks, primarily interest rate risk and foreign currency risk.

The Company employs an interest rate risk management strategy that uses derivative instruments to minimize or eliminate unanticipated fluctuations in earnings and cash flows arising from changes in, and volatility of, interest rates. The Company maintains a foreign currency risk management strategy that occasionally utilizes derivative instruments to reduce its exposure to unanticipated fluctuations in earnings and cash flows caused by

changes in foreign currency exchange rates.

The adoption of SFAS 133 had no impact on the Company's net income. However, in accordance with the provisions of SFAS 133, the Company recorded a one-time, non-cash transition adjustment to stockholders' equity and comprehensive income upon adoption of SFAS 133, as follows (in millions):

| | |
|---|---------|
| Recognition of outstanding derivative instruments at fair value | \$ 3.8 |
| Reclassification of unrealized losses on derivative instruments | 7.4 |
| <hr/> | |
| Total transition adjustment | \$ 11.2 |
| <hr/> | |

The \$3.8 million transition adjustment resulted from the recognition of the fair value of the Company's outstanding treasury rate lock agreements to set the interest rate on \$150 million of its pending 15-year bonds. The treasury rate lock agreements, which were designated and effective as cash flow hedges, were settled for \$2.7 million on January 25, 2001, concurrent with the issuance of the Company's bonds. The \$2.7 million unrealized loss is being reclassified from accumulated other comprehensive loss to earnings over the 15-year life of the bonds. The \$1.1 million change in the fair value of the treasury rate lock agreements from January 1, 2001 to January 25, 2001 has been included in other comprehensive income (loss) for the three months ended March 31, 2001.

The \$7.4 million transition adjustment resulted from the reclassification of unrealized losses on derivative instruments previously reported as deferred finance costs and included in other assets on the consolidated balance sheet. The unrealized losses on derivative instruments are being reclassified from accumulated other comprehensive loss to earnings over the life of the associated debt.

At March 31, 2001, the net unrealized losses on derivative instruments included in other comprehensive loss totaled \$9.9 million, and the Company estimates that \$900,000 of this amount will be reclassified into earnings during the next 12 months. Amounts reclassified are reported as a component of interest expense in the consolidated statement of income.

Note 5 - Comprehensive Income

The components of the Company's comprehensive income for the three months ended March 31, 2001 and 2000, are as follows (in millions):

| | <u>2001</u> | <u>2000</u> |
|--|-------------|-------------|
| Net income | \$ 46.9 | \$ 3.1 |
| Other comprehensive income (loss): | | |
| Transition adjustment for cumulative effect of adopting SFAS 133 | (11.2) | -- |
| Net change in fair value of derivative instruments | 1.1 | -- |
| Reclassification of unrealized losses on derivative instruments from other comprehensive income (loss) into net income | .2 | -- |
| <hr/> | | |
| Net other comprehensive loss | (9.9) | -- |
| <hr/> | | |
| Total comprehensive income | \$ 37.0 | \$ 3.1 |
| <hr/> | | |

The components of accumulated other comprehensive loss included in the consolidated

balance sheet at March 31, 2001 and December 31, 2000, are as follows (in millions):

| | <u>March 31,</u> <u>2001</u> | <u>December 31,</u> <u>2000</u> |
|---|---------------------------------|------------------------------------|
| Cumulative translation adjustment | \$ 1.1 | \$ 1.1 |
| Net unrealized losses on derivative instruments | 9.9 | -- |
| <hr/> | | |
| Total accumulated other comprehensive loss | \$ 11.0 | \$ 1.1 |

Note 6 - Segment Information

The Company's operations are categorized into two operating segments which are differentiated based on the core services provided by the Company, (1) contract drilling services and (2) marine transportation services. The Company's contract drilling segment owns a fleet of 54 offshore drilling rigs, including 37 jackup rigs, nine barge rigs, seven platform rigs and one semisubmersible rig. The Company's marine transportation segment owns a fleet of 28 oilfield support vessels. Operating income (loss) for each segment includes an allocation of general and administrative expenses of the Company's corporate office. Depreciation expense of the Company's corporate office is not allocated to the operating segments. Segment information for the three months ended March 31, 2001 and 2000 is as follows (in millions):

| | INDUSTRY SEGMENT | | | |
|-------------------------|------------------|-----------------------|--------------|---------|
| | Contract | Marine | | Total |
| | <u>Drilling</u> | <u>Transportation</u> | <u>Other</u> | |
| 2001 | | | | |
| Revenues | \$180.5 | \$ 14.8 | \$ -- | \$195.3 |
| Operating income (loss) | 69.7 | 3.9 | (.5) | 73.1 |
| 2000 | | | | |
| Revenues | \$ 88.1 | \$ 8.1 | \$ -- | \$ 96.2 |
| Operating income (loss) | 6.8 | (.5) | (.5) | 5.8 |

Note 7 - Contingencies

In September 2000, the Company was named as a defendant in a purported class action, anti-trust lawsuit. The lawsuit alleges, among other things, that the Company and more than 15 other defendant companies, whose collective operations represent a majority of the U.S. offshore contract drilling industry, conspired to avoid competition for drilling labor by illegally fixing or suppressing the wages and benefits paid their drilling employees in violation of certain provisions of the Sherman and Clayton Acts. The plaintiffs have alleged damages in excess of \$5 billion, which could be trebled under anti-trust laws, as well as attorney's fees and costs. The Company denies the plaintiffs' claims and has mounted a vigorous defense in opposition thereto.

Recently, several defendant companies have announced pending settlements, however the specific terms and conditions of these settlements have not been disclosed. Most of the announced settlements are attributable to defendant companies with insurance coverage who elected to settle for amounts within their policy limits.

Complex litigation such as this, by its very nature, has inherent risks. While the Company cannot provide any assurances as to the outcome of this lawsuit, and a definitive

assessment of the outcome is made further difficult due to ongoing discovery which is still at a relatively early stage, the Company does not expect the outcome of this lawsuit to have a material adverse effect on its operations, financial condition or cash flow.

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

BUSINESS ENVIRONMENT

ENSCO International Incorporated is one of the leading international providers of offshore drilling services and marine transportation services to the oil and gas industry. The Company's operations are conducted in the geographic regions of North America, Europe, Asia Pacific and South America.

Demand for the Company's services is significantly affected by worldwide expenditures for oil and gas drilling. Expenditures for oil and gas drilling activity fluctuate based upon many factors including world economic conditions, the legislative environment in the U.S. and other major countries, production levels and other activities of OPEC and other oil and gas producers, and the impact that these and other events have on the current and expected future pricing of oil and natural gas.

Industry conditions were adversely impacted during 1999 as a result of curtailed or deferred exploration and development spending by oil companies. Due primarily to cutbacks in oil production by OPEC and to a more favorable outlook for worldwide oil demand, oil prices increased during 1999 and early 2000. The increased oil prices have been sustained throughout 2000 and the first quarter of 2001 primarily due to tightness in worldwide crude oil inventories. Higher oil prices have resulted in exploration and development spending increases by some oil companies. Although increases in drilling expenditures by the oil companies are expected during the remainder of 2001, the rate of such spending increases and the corresponding impact on the Company's operations and financial results are uncertain.

Improved oil prices and U.S. natural gas prices since the first quarter of 2000 have led to improved demand for drilling rigs and an increasing trend in day rates, particularly in North America and Europe.

RESULTS OF OPERATIONS

The Company's results for the first quarter of 2001 reflect an improvement in industry conditions from those experienced during 2000. The majority of the improvement in current year operating results as compared to the prior year is attributable to the Company's domestic drilling operations, which have experienced significant increases in day rates.

The following analysis highlights the Company's operating results for the three months ended March 31, 2001 and 2000 (in millions):

| | <u>2001</u> | <u>2000</u> |
|--|-------------|-------------|
| <u>Operating Results</u> | | |
| Revenues | \$195.3 | \$ 96.2 |
| Operating expenses, including general and administrative | 93.3 | 66.9 |
| Depreciation and amortization | 28.9 | 23.5 |

| | | |
|----------------------------|------|-----|
| Operating income | 73.1 | 5.8 |
| Other expense, net | 5.8 | .9 |
| Provision for income taxes | 20.4 | 1.8 |

| | | |
|------------|---------|--------|
| Net income | \$ 46.9 | \$ 3.1 |
|------------|---------|--------|

Revenues

| | | |
|-------------------|---------|---------|
| Contract drilling | | |
| Jackup rigs: | | |
| North America | \$ 95.6 | \$ 51.7 |
| Europe | 29.9 | 3.2 |
| Asia Pacific | 20.3 | 17.1 |

| | | |
|-------------------------------------|-------|------|
| Total jackup rigs | 145.8 | 72.0 |
| Semisubmersible rig - North America | 12.5 | -- |
| Barge rigs - South America | 12.4 | 11.0 |
| Platform rigs - North America | 9.8 | 5.1 |

| | | |
|-------------------------|-------|------|
| Total contract drilling | 180.5 | 88.1 |
|-------------------------|-------|------|

| | | |
|-----------------------|------|-----|
| Marine transportation | | |
| AHTS(1) | 3.0 | 3.6 |
| Supply | 11.8 | 4.3 |
| Mini-Supply | -- | .2 |

| | | |
|-----------------------------|------|-----|
| Total marine transportation | 14.8 | 8.1 |
|-----------------------------|------|-----|

| | | |
|-------|---------|---------|
| Total | \$195.3 | \$ 96.2 |
|-------|---------|---------|

Operating Margin(2)

| | | |
|-------------------|---------|---------|
| Contract drilling | | |
| Jackup rigs: | | |
| North America | \$ 61.2 | \$ 23.8 |
| Europe | 13.4 | (4.2) |
| Asia Pacific | 8.8 | 5.3 |

| | | |
|-------------------------------------|------|------|
| Total jackup rigs | 83.4 | 24.9 |
| Semisubmersible rig - North America | 8.2 | -- |
| Barge rigs - South America | 4.9 | 5.1 |
| Platform rigs - North America | 3.7 | 1.5 |

| | | |
|-------------------------|-------|------|
| Total contract drilling | 100.2 | 31.5 |
|-------------------------|-------|------|

| | | |
|-----------------------|-----|------|
| Marine transportation | | |
| AHTS(1) | .9 | 1.0 |
| Supply | 4.6 | -- |
| Mini-Supply | -- | (.1) |

| | | |
|-----------------------------|-----|----|
| Total marine transportation | 5.5 | .9 |
|-----------------------------|-----|----|

| | | |
|-------|---------|---------|
| Total | \$105.7 | \$ 32.4 |
|-------|---------|---------|

(1) Anchor handling tug supply vessels.

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

The following is an analysis of certain operating information of the Company for the three months ended March 31, 2001 and 2000:

| | <u>2001</u> | <u>2000</u> |
|-------------------------------------|-------------|-------------|
| Contract Drilling | | |
| Rig utilization: | | |
| Jackup rigs: | | |
| North America | 98% | 99% |
| Europe | 82% | 14% |
| Asia Pacific | 85% | 69% |
| <hr/> | | |
| Total jackup rigs | 92% | 77% |
| Semisubmersible rig - North America | 80% | -- |
| Barge rigs - South America | 33% | 33% |
| Platform rigs - North America | 57% | 48% |
| <hr/> | | |
| Total | 77% | 65% |
| <hr/> | | |
| Average day rates: | | |
| Jackup rigs: | | |
| North America | \$49,151 | \$26,045 |
| Europe | 50,903 | 34,538 |
| Asia Pacific | 37,847 | 35,761 |
| <hr/> | | |
| Total jackup rigs | 47,529 | 28,084 |
| Semisubmersible rig - North America | 179,561 | -- |
| Barge rigs - South America | 45,282 | 39,341 |
| Platform rigs - North America | 26,590 | 21,316 |
| <hr/> | | |
| Total | \$47,736 | \$28,645 |
| <hr/> | | |
| Marine Transportation | | |
| Fleet utilization: | | |
| AHTS* | 57% | 55% |
| Supply | 81% | 69% |
| Mini-Supply | -- | 23% |
| <hr/> | | |
| Total | 77% | 60% |
| <hr/> | | |
| Average day rates: | | |
| AHTS* | \$11,607 | \$13,479 |
| Supply | 6,999 | 2,991 |
| Mini-Supply | -- | 1,889 |
| <hr/> | | |
| Total | \$ 7,606 | \$ 4,522 |
| <hr/> | | |

* Anchor handling tug supply vessels.

Discussions relative to each of the Company's operating segments and significant changes in operating results for the three months ended March 31, 2001 compared with the results of the corresponding prior year period are set forth below. See "Business Environment" and "Outlook and Forward-Looking Statements" for additional information about the Company's current expectations regarding future operations, day rates and utilization.

Contract Drilling

The following is an analysis of the Company's offshore drilling rigs at March 31, 2001 and 2000:

| | <u>2001</u> | <u>2000</u> |
|--------------------------------------|-------------|-------------|
| Jackup rigs: | | |
| North America | 22 | 22 |
| Europe | 8 | 8 |
| Asia Pacific | 7 | 7 |
| <hr/> | | |
| Total jackup rigs | 37 | 37 |
| Semisubmersible rig - North America* | 1 | -- |
| Barge rigs - South America | 9 | 9 |
| Platform rigs - North America | 7 | 7 |
| <hr/> | | |
| Total | 54 | 53 |
| <hr/> | | |

* The ENSCO 7500, the Company's newly constructed semisubmersible rig, commenced drilling operations in December 2000.

First quarter 2001 revenues for the Company's contract drilling segment compared to the first quarter of 2000 increased by \$92.4 million, or 105%, and operating margin increased by \$68.7 million, or 218%. These increases are due primarily to higher average day rates, which increased 67% from the prior year quarter, and higher utilization, which increased to 77% in the first quarter of 2001 from 65% in the first quarter of 2000. Operating expenses for the contract drilling segment increased by \$23.7 million, or 42%, from the prior year due primarily to higher utilization and increased personnel costs.

North America Jackup Rigs

Revenues for the first quarter of 2001 for the North America jackup rigs increased by \$43.9 million, or 85%, and operating margin increased by \$37.4 million, or 157%, as compared to the prior year first quarter. The increase in revenues and operating margin is due primarily to an 89% increase in average day rates as compared to the prior year quarter. Operating expenses increased by \$6.5 million, or 23%, as compared to the prior year quarter due primarily to increases in personnel related costs.

Europe Jackup Rigs

First quarter 2001 revenues for the Europe jackup rigs increased by \$26.7 million, or 834%, and operating margin increased by \$17.6 million, or 419%, as compared to the prior year quarter. These increases are due primarily to an increase in utilization, to 82% in the current year quarter from 14% in the prior year quarter, and to a 47% increase in average day rates. Operating expenses for the Europe jackup rigs increased by \$9.1 million, or 123%, from the prior year quarter due primarily to improved utilization.

Asia Pacific Jackup Rigs

First quarter 2001 revenues for the Asia Pacific jackup rigs increased by \$3.2 million, or 19%, and operating margin increased by \$3.5 million, or 66%, as compared to the prior year quarter. These increases are due primarily to an increase in utilization, to 85% in the current quarter from 69% in the prior year quarter, and to a 6% increase in average day rates. Operating expenses decreased by \$300,000, or 3%, from the prior year quarter due primarily to lower rig mobilization costs incurred in the current year quarter, offset in part by increased costs resulting from improved utilization.

North America Semisubmersible Rig

The Company completed construction of the ENSCO 7500, a dynamically positioned semisubmersible rig, in the fourth quarter of 2000. The rig completed sea trials and commenced drilling operations in the Gulf of Mexico in December 2000 under an approximate \$190 million, three year contract.

In the first quarter of 2001, ENSCO 7500 earned \$12.5 million of revenue and contributed \$8.2 million to the Company's operating margin while receiving an average day rate of approximately \$180,000 per day.

South America Barge Rigs

First quarter 2001 revenues for the South America barge rigs increased by \$1.4 million, or 13%, and operating margin decreased by \$200,000, or 4%, as compared to the prior year quarter. The increase in revenue as compared to the prior year quarter is due primarily to a 15% increase in average day rates, which resulted from contractual rate adjustments that compensate the Company for certain cost increases. The slight decrease in operating margin is primarily attributable to higher operating expenses, which increased by \$1.6 million, or 27%, from the prior year quarter. The increase is primarily due to higher personnel costs resulting from new collective contracts with the unions representing petroleum industry personnel in Venezuela.

Platform Rigs

First quarter 2001 revenues for the platform rigs increased by \$4.7 million, or 92%, and operating margin increased by \$2.2 million, or 147%, as compared to the prior year quarter. These increases are due primarily to a 25% increase in average day rates, and an increase in utilization to 57% in the current quarter from 48% in the prior year quarter. Operating expenses increased by \$2.5 million, or 69%, as compared to the prior year quarter due primarily to higher utilization.

Marine Transportation

The following is an analysis of the Company's marine transportation vessels as of March 31, 2001 and 2000:

| | <u>2001</u> | <u>2000</u> |
|----------------|-------------|-------------|
| AHTS(1) | 5 | 5 |
| Supply | 23 | 23 |
| Mini-Supply(2) | -- | 2 |
| Total(3) | 28 | 30 |

(1) Anchor handling tug supply vessels.

(2) The Company sold one mini-supply vessel during the second quarter of 2000 and sold one mini-supply vessel during the fourth quarter of 2000.

All of the Company's marine transportation vessels are located in the Gulf of Mexico.

(3)

For the first quarter 2001, revenues for the Company's marine transportation segment increased by \$6.7 million, or 83%, and operating margin increased by \$4.6 million, or 511%, as compared to the prior year quarter. The increase in revenues and operating margin is due primarily to a 68% increase in average day rates, and an increase in utilization to 77% in the current quarter from 60% in the prior year quarter. Operating expenses increased by

\$2.1 million, or 29%, due primarily to higher utilization.

Depreciation and Amortization

Depreciation and amortization expense for the first quarter of 2001 increased by \$5.4 million, or 23%, as compared to the prior year quarter. The increase is primarily attributable to depreciation associated with the Company's new semisubmersible rig placed in service in December 2000 and depreciation of a new harsh environment jackup rig placed in service in July 2000. In addition, depreciation was suspended on two of the Company's jackup rigs during the first quarter of 2000 while the rigs were in the shipyard undergoing major enhancements.

General and Administrative

General and administrative expense for the first quarter of 2001 increased by \$600,000, or 19%, as compared to the prior year quarter. The increase is primarily due to an increase in performance based compensation.

Other Income (Expense)

Other income (expense) for the three months ended March 31, 2001 and 2000 was as follows (in millions):

| | <u>2001</u> | <u>2000</u> |
|------------------------|-------------|-------------|
| Interest income | \$ 2.3 | \$ 2.0 |
| Interest expense, net: | | |
| Interest expense | (8.6) | (7.3) |
| Capitalized interest | .3 | 4.3 |
| | (8.3) | (3.0) |
| Other, net | .2 | .1 |
| | \$ (5.8) | \$ (.9) |

Interest income increased \$300,000 in the first quarter of 2001 as compared to the prior year quarter due primarily to higher average invested cash balances. Interest expense increased \$1.3 million as compared to the prior year quarter due primarily to higher average debt balances attributable to borrowings in connection with the construction of the ENSCO 7500, the Company's new semisubmersible rig. Capitalized interest decreased \$4.0 million in the first quarter of 2001 as compared to the prior year quarter due to a decrease in the amount invested in construction projects, primarily the ENSCO 7500.

Provision for Income Taxes

The provision for income taxes was \$20.4 million, resulting in an effective rate of 30.3%, in the first quarter of 2001 compared to \$1.8 million, resulting in an effective rate of 36.7%, in the prior year quarter. The \$18.6 million increase in the income tax provision is attributable to the increased profitability of the Company. The decrease in the effective tax rate results from projected changes in the relative portions of the Company's earnings generated by foreign subsidiaries whose earnings are being permanently reinvested and taxed at lower rates and, to a lesser extent, to projected increases in certain tax credits and income not subject to tax.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow and Capital Expenditures

The Company's cash flow from operations and capital expenditures for the three months ended March 31, 2001 and 2000 are as follows (in millions):

| | <u>2001</u> | <u>2000</u> |
|-----------------------------------|-------------|-------------|
| Cash flow from operations | \$ 82.4 | \$ 18.9 |
| Capital expenditures | | |
| New construction and acquisitions | \$ 9.5 | \$ 63.1 |
| Enhancements | 14.7 | 21.3 |
| Sustaining | 7.6 | 2.1 |
| | \$ 31.8 | \$ 86.5 |

Cash flow from operations increased by \$63.5 million for the first quarter of 2001 as compared to the prior year quarter. The increase in cash flow from operations is primarily attributable to substantially improved operating margins.

Management anticipates that capital expenditures for the full year 2001 will be approximately \$165 million, including \$100 million for enhancements, \$45 million for sustaining operations and \$20 million for new construction projects and acquisitions.

Financing and Capital Resources

The Company's long-term debt, total capital and debt to capital ratios at March 31, 2001 and December 31, 2000 are summarized below (in millions, except percentages):

| | <u>March 31,</u> <u>2001</u> | <u>December 31,</u> <u>2000</u> |
|---------------------------------|---------------------------------|------------------------------------|
| Long-term debt | \$ 474.9 | \$ 422.2 |
| Total capital | 1,844.9 | 1,751.1 |
| Long-term debt to total capital | 25.7% | 24.1% |

In June 1999, the Company received a commitment from the United States Maritime Administration ("MARAD") for the guarantee of approximately \$195 million of long-term debt for the construction of the ENSCO 7500, the Company's new semisubmersible rig. The MARAD guarantee covers both an interim term loan ("Interim Construction Loan") during the construction period and 15-year bonds issued upon completion of construction. The Company began borrowing under the Interim Construction Loan in March 2000 and the balance outstanding on December 31, 2000 totaled \$137.3 million. On January 25, 2001 the Company issued \$190.0 million of 15-year bonds and used \$137.3 million of the proceeds to retire the Interim Construction Loan. Interest on the bonds is payable semiannually at a fixed rate of 6.36%. The bonds will be repaid in 30 semiannual installments of \$6.3 million, beginning in June 2001 and ending in December 2015.

The Company continues to maintain its \$185.0 million unsecured revolving line of credit (the "Credit Agreement") with a syndicate of banks to provide additional liquidity and resources for growth. As of March 31, 2001, the full \$185.0 million was undrawn and available for borrowings under the Credit Agreement. The Credit Agreement matures in May 2003.

The Company's liquidity position at March 31, 2001 and December 31, 2000 is

summarized in the table below (in millions, except ratios):

| | <u>March 31,</u> <u>2001</u> | <u>December 31,</u> <u>2000</u> |
|---------------------------------|---------------------------------|------------------------------------|
| Cash and short-term investments | \$ 209.8 | \$ 106.6 |
| Working capital | 286.9 | 171.6 |
| Current ratio | 3.9 | 2.5 |

Based on the current financial condition of the Company, management believes cash flow from operations, the Company's existing Credit Agreement and the Company's working capital should be sufficient to fund the Company's anticipated short-term and long-term liquidity needs.

MARKET RISK

The Company uses various derivative financial instruments to manage its exposure to interest rate risk. The Company occasionally uses interest rate swap agreements to effectively convert the variable interest rate on debt to a fixed rate, and interest rate lock agreements to hedge against increases in interest rates on pending financing. However, at March 31, 2001 the Company had no outstanding interest rate swap agreements or interest rate lock agreements and none of the Company's outstanding debt was subject to a variable interest rate.

The Company uses various methods to manage its exposure to foreign currency exchange risk. The Company predominantly structures its drilling rig contracts in U.S. dollars, which significantly reduces the portion of the Company's cash flows and assets denominated in foreign currencies. The Company also employs various strategies, including the use of derivative instruments, to match foreign currency denominated assets with equal or near equal amounts of foreign currency liabilities, thereby minimizing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. The Company occasionally utilizes derivative instruments to hedge foreign currency denominated transactions or firm commitments. At March 31, 2001, the Company had foreign currency exchange contracts outstanding to exchange U.S. dollars for Dutch guilders totaling \$1.9 million. These outstanding foreign currency exchange contracts do not qualify for hedge accounting under SFAS 133 and changes in their fair value are recognized in earnings currently.

The Company is exposed to credit risk relating to its receivables from customers, its cash and cash equivalents, and its use of derivative instruments in connection with the management of interest rate risk and foreign currency risk. The Company minimizes its credit risk relating to receivables from customers, which consist primarily of major and independent oil and gas producers as well as government-owned oil companies, by performing ongoing credit evaluations. The Company also maintains reserves for potential credit losses, which to date have been within management's expectations. The Company minimizes its credit risk relating to cash and cash equivalents by maintaining such instruments in high-grade, short-term investments through a portfolio of major financial institutions, and by monitoring the financial condition of those financial institutions. The Company minimizes its credit risk relating to the counterparties to its derivative instruments by transacting with multiple, high-quality counterparties, thereby limiting exposure to individual counterparties, and by monitoring the financial condition of those counterparties.

The Company utilizes derivative instruments and undertakes hedging activities in accordance with its established policies for the management of market risk. The Company does not use derivative instruments for trading or other speculative purposes. Management

believes that the Company's use of derivative instruments and related hedging activities do not expose the Company to any material interest rate risk, foreign currency exchange rate risk, commodity price risk, credit risk or any other market rate or price risk.

OUTLOOK AND FORWARD-LOOKING STATEMENTS

Due to the short-term nature of many of the Company's contracts and the unpredictable nature of oil and natural gas prices, which affect demand for drilling activity, changes in industry conditions and the corresponding impact on the Company's operations cannot be accurately predicted. Whether recent price levels for oil and natural gas will be sustained and the level of reinvestment by the oil companies in drilling activity are not determinable at this time.

Improved oil prices and U.S. natural gas prices have increased demand for drilling rigs in domestic markets. The increases in domestic day rates and utilization experienced by the Company during the fourth quarter of 1999 have continued throughout 2000 and into 2001. The Company believes that improvements in day rates in domestic markets will generally continue during 2001.

Demand for drilling rigs in international markets began increasing during 2000 and has continued to increase into 2001. Although improvement in international market day rates was modest in 2000, the rate of improvement in international market day rates has increased during 2001.

In March 2001, the ENSCO 51 sustained extensive damage from a natural gas well fire while operating in the Gulf of Mexico. The rig, which was fully insured, is expected to be out of service for the remainder of the year undergoing repairs. The Company has also scheduled approximately 250 rig days of shipyard work for enhancements to certain other North America jackup rigs during the remainder of 2001. With the exception of the shipyard repair and enhancement work discussed above, the Company expects its North America jackup rig fleet to operate at full or near full utilization for the remainder of 2001. In the Europe region, the Company currently has two jackup rigs in the shipyard undergoing regulatory inspections and minor enhancements. The Company expects these two rigs to resume drilling operations in May 2001 and to remain fully utilized for the remainder of the year. The remaining six jackup rigs in the Europe region are currently operating and the Company expects these rigs to remain at full or near full utilization through 2001. All seven of the Company's jackup rigs in the Asia Pacific region are currently operating and the Company expects these rigs to remain at full or near full utilization for the remainder of 2001. The Company has six idle barge rigs in South America. In the Company's marine transportation segment, fleet utilization increased throughout 2000 and into the first quarter of 2001. The Company expects the utilization of the marine transportation fleet for the remainder of 2001 to exceed the levels experienced during the first quarter.

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements include words or phrases such as "management anticipates," "the Company believes," "the Company anticipates," "the Company expects," "the Company plans" and words and phrases of similar impact, and include, but are not limited to, statements regarding future operations and business environment. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The factors that could cause actual results to differ materially from those in the forward-looking statements include the following: (i) industry conditions and competition, (ii) cyclical nature of the industry, (iii) worldwide expenditures for oil and gas drilling, (iv) operational risks and insurance, (v) risks associated with operating in foreign jurisdictions, (vi) environmental liabilities which may arise in the future which are not covered by insurance or indemnity, (vii) the impact of current and future laws and government regulation, as well as repeal or

modification of same, affecting the oil and gas industry and the Company's operations in particular, (viii) changes in the dates the Company's rigs being constructed or undergoing enhancement will enter service, (ix) renegotiation, nullification, or breach of contracts with customers or other parties, and (x) the risks described elsewhere, herein and from time to time in the Company's other reports to the Securities and Exchange Commission.

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

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

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

In September 2000, the Company was named as a defendant in a purported class action, anti-trust lawsuit. The lawsuit alleges, among other things, that the Company and more than 15 other defendant companies, whose collective operations represent a majority of the U.S. offshore contract drilling industry, conspired to avoid competition for drilling labor by illegally fixing or suppressing the wages and benefits paid their drilling employees in violation of certain provisions of the Sherman and Clayton Acts. The plaintiffs have alleged damages in excess of \$5 billion, which could be trebled under anti-trust laws, as well as attorney's fees and costs. The Company denies the plaintiffs' claims and has mounted a vigorous defense in opposition thereto.

Recently, several defendant companies have announced pending settlements, however the specific terms and conditions of these settlements have not been disclosed. Most of the announced settlements are attributable to defendant companies with insurance coverage who elected to settle for amounts within their policy limits.

Complex litigation such as this, by its very nature, has inherent risks. While the Company cannot provide any assurances as to the outcome of this lawsuit, and a definitive assessment of the outcome is made further difficult due to ongoing discovery which is still at a relatively early stage, the Company does not expect the outcome of this lawsuit to have a material adverse effect on its operations, financial condition or cash flow.

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

(a) Exhibits Filed with this Report

Exhibit No.

- 3.1 Bylaws of the Company, as amended, effective March 30, 2001.
- 10.1 Bond Purchase Agreement of ENSCO Offshore Company dated January 22, 2001, concerning \$190,000,000 of United States Government Guaranteed Ship Financing Obligations.
- 10.2 United States Government Guaranteed Ship Financing Bond issued by ENSCO Offshore Company dated January 25, 2001.
- 10.3 Supplement No.1, dated January 25, 2001, to the Trust indenture dated December 15, 1999, between ENSCO Offshore Company and Bankers Trust

Company (which Trust Indenture was filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).

10.4 Ratification of Guaranty by ENSCO International Incorporated in favor of the United States of America dated January 25, 2001 and associated Guaranty Agreement by ENSCO International Incorporated in favor of the United States of America dated December 15, 1999.

15.1 Letter of Independent Accountants regarding Awareness of Incorporation by Reference.

(b) Reports on Form 8-K

The Company filed Reports on Form 8-K dated (i) January 11, 2001, with respect to restated earnings for the year ended December 31, 1999 and the first three quarters of 2000, (ii) February 20, 2001, with respect to the contractual status of the Company's offshore rig fleet as of February 15, 2001, and (iii) March 19, 2001, with respect to the contractual status of the Company's offshore rig fleet as of March 15, 2001.

SIGNATURES

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

ENSCO INTERNATIONAL INCORPORATED

Date: May 7, 2001

/s/ C. Christopher Gaut
C. Christopher Gaut
Chief Financial Officer

/s/ H. E. Malone
H. E. Malone
Corporate Controller and
Chief Accounting Officer

BYLAWS

OF

(f/k/a ENERGY SERVICE COMPANY, INC.)

ENSCO INTERNATIONAL INCORPORATED

Dated: March 30, 2001

ENERGY SERVICE COMPANY, INC.

* * * * *

BYLAWS

* * * * *

ARTICLE I

OFFICES

Section 1. The principal office shall be in the City of Dallas, County of Dallas, State of Texas.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders for the election of directors shall be held in the City of Dallas, State of Texas, at such place as may be fixed from time to time by the board of directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Texas, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders commencing with the year 1988 shall be held on the dates designated by the board of directors in each year. At such meeting the stockholders entitled to vote shall elect by a majority vote the directors of the corporation to be elected at such meeting pursuant to the provisions of these by-laws, and may transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten

nor more than sixty days before the date of the meeting.

Section 4. Business transacted at the annual meeting of stockholders shall, unless a majority of the directors in office on the day immediately preceding the date of the annual meeting otherwise determines, be limited to the purposes stated in the notice of such annual meeting. Where business introduced by a stockholder is not specified in the notice of annual meeting, then in addition to any other applicable requirements, for business to be properly introduced by a stockholder at an annual meeting of stockholders, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received by the secretary of the corporation, at the principal executive office of the corporation, not less than fifty (50) days nor more than seventy-five (75) days prior to the meeting, subject to any other requirements of law; provided, however, that in the event that less than sixty-five (65) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. A stockholder's notice must set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting; (ii) the name and record address of the stockholder proposing such business; (iii) the number of shares of the corporation which are beneficially owned by the stockholder; and (iv) any material interest of the stockholder in such business.

Section 5. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 6. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the board of directors, the chairman of the board of directors or the president. Special meetings of the stockholders may not be called by any other person or persons.

Section 7. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 8. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 9. The holders of at least a majority of the stock issued and outstanding and entitled to vote thereat, present at a meeting, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. The Chairman or the holders of a majority of the stock having voting power present at any meeting of stockholders shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally notified. If the

adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. A holder of stock shall be treated as being present at a meeting if the holder of such stock is (i) present in person at the meeting or (ii) represented at the meeting by a valid proxy executed in writing (or in such other manner permitted by the General Corporation Law of Delaware) by the stockholder, or by such person's duly authorized attorney in fact.

Section 10. When a quorum is present at any meeting, action on a matter (including the election of directors) shall be approved if the votes cast in favor of the matter exceed the votes cast opposing the matter. In determining the number of votes cast, shares abstaining from voting or not voted on a matter (including elections) will not be treated as votes cast. The provisions of this paragraph will govern with respect to all votes of stockholders except as otherwise provided for in these bylaws or in the certificate of incorporation or by some specific statutory provision superseding the provisions contained in these bylaws or the certificate of incorporation.

Section 11. Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three years from its date, unless the proxy provides for a longer period. Each holder of common stock shall be entitled to one vote per share of common stock owned by such stockholder. The voting rights of holders of preferred stock shall be determined by the certificate of incorporation or the certificate of designation with respect to such preferred stock. Cumulative voting of shares of stock of the corporation, whether common or preferred stock, is prohibited.

Section 12. Unless otherwise provided in the certificate of incorporation and subject to the rights, if any, of the holders of any then outstanding class or series of preferred stock or indebtedness of the corporation with special rights to elect directors, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of the stockholders or by unanimous written consent of the stockholders, and stockholders may not otherwise act by written consent.

Section 13. (a) The corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. Each inspector shall perform all duties required of him by the Delaware General Corporation Law or other applicable law.

(b) The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting. No ballot, proxies or votes, nor any revocations thereof or changes thereto, shall be accepted by the inspectors after the closing of the polls unless the Delaware Court of Chancery upon application by a stockholder shall determine otherwise.

ARTICLE III

DIRECTORS

Section 1. The number of directors of the corporation shall be not less than three nor

more than fifteen. The number of directors shall be fixed within the foregoing limits from time to time by resolution duly adopted by the board of directors. The directors of the corporation, other than the directors elected pursuant to the special voting rights of any class or series of preferred stock or indebtedness then outstanding, shall be classified, with respect to the time for which they severally hold office, into three (3) classes, (Class I, Class II and Class III) as nearly equal in number as possible and as provided in these by-laws. The initial term of Class I shall expire at the annual meeting of stockholders to be held in 1994; the initial term of Class II shall expire at the annual meeting of stockholders to be held in 1993; and the initial term of Class III shall expire at the annual meeting of stockholders to be held in 1992; with each class to hold office until its successors are duly elected and qualified. At each annual meeting of stockholders beginning with the annual meeting for 1992, the number of directors equal to the number of the class whose term expires at such meeting shall be elected to hold office until the third succeeding annual meeting of stockholders. Nominations of persons for election to the board of directors of the corporation at the annual meeting of stockholders shall be made at the annual meeting by or at the direction of the board of directors by any nominating committee or person appointed by the board of directors, or by any stockholder of the corporation entitled to vote on the election of directors at the meeting who timely complies with the notice procedures herein set forth. To be timely, a stockholder's notice must be delivered to or mailed to and received by the secretary of the corporation at the principal executive offices of the corporation not less than fifty (50) days nor more than seventy-five (75) days prior to the meeting, subject to any other requirements of law; provided, however, that in the event that less than sixty-five (65) days notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the fifteenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. Except as provided in Section 2 of this Article and subject to the rights, if any, of the holders of any then outstanding class or series of preferred stock or indebtedness of the corporation with special rights to elect directors, directors of the class whose term is expiring at an annual meeting of stockholders shall be elected at such annual meeting, and each director elected shall hold office until his successor is elected and qualified or until his death, retirement, resignation or removal for cause. Directors need not be stockholders.

Section 2. (a) In the event of any change in the authorized number of directors, the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the board of directors among the classes of directors so as to maintain such classes as nearly equal as possible.

(b) Should a vacancy on the board of directors occur or be created, whether arising through death, retirement, resignation or removal of a director for cause, or through an increase in the number of directors of any class, such vacancy shall be filled by the majority vote of the remaining directors of all classes, whether or not a quorum, or by a sole remaining director. A director so elected to fill a vacancy shall serve for the remainder of the then present term of office of the class to which he was elected. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

Section 3. The business of the corporation shall be managed by or under the direction of its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of the board of directors following the election of directors at the annual meeting shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting following the election of directors at the annual meeting, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in written waiver signed by all of the directors.

Section 6. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board may be called by the chairman of the board or the president on two days notice to each director, either personally or by mail or by telegram; special meetings shall be called by the president or secretary, in like manner and on like notice on the written request of two directors unless the board consists of only one director; in which case special meetings shall be called by the president or secretary in like manner and on like notice on the written request of the sole director.

Section 8. At all meetings of the board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 9. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

Section 10. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES OF DIRECTORS

Section 11. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the certificate of incorporation, (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix any of the preferences or rights of such shares relating to voting, dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the by-laws of the corporation; and, unless the resolution or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock or to adopt a certificate of ownership and merger. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors.

Section 12. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

COMPENSATION OF DIRECTORS

Section 13. Unless otherwise restricted by the certificate of incorporation or these by-laws, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

REMOVAL OF DIRECTORS

Section 14. Subject to the rights, if any, of the holders of any then outstanding class or series of preferred stock or indebtedness of the corporation with special rights to elect directors, any or all of the directors of the corporation may be removed from office at any time, but only with cause and only by the affirmative vote of the holders of a majority of the outstanding shares of the corporation then entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE IV

NOTICES

Section 1. Whenever, under the provisions of the statutes or of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing and signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V

OFFICERS

Section 1. The officers of the corporation shall consist of a president and a secretary and may include a chairman of the board, one or more vice presidents and a treasurer, each of whom shall be elected by the board of directors. Any number of offices may be held by the same person unless the certificate of incorporation otherwise provides.

Section 2. The officers of the corporation shall be elected by the board of directors in such manner and shall hold their offices for such term as are prescribed herein or determined by the board of directors.

Section 3. Such other officers and assistant officers and agents as may be deemed necessary may be elected or appointed by the board of directors.

Section 4. Any officer of the corporation may be removed at any time, with or without cause, by the board of directors.

Section 5. The salaries of all officers and agents of the corporation shall be fixed by the board of directors.

Section 6. Each officer of the corporation shall hold office until his successor is elected and qualified or until his earlier resignation or removal. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the board of directors or other governing body.

CHAIRMAN OF THE BOARD AND PRESIDENT

Section 7. The chairman of the board, if one has been appointed, shall perform such duties as may be delegated by the board of directors. The board of directors may designate whether the chairman of the board, if such an officer shall have been appointed, or the president, shall be the chief executive officer of the corporation. In the absence of a contrary designation, the president shall be the chief executive officer. The chairman of the board, if one has been appointed, or the president shall preside at all meetings of the stockholders and the board of directors.

Section 8. Unless the board of directors shall otherwise delegate such duties, the president shall have general and active management of the business of the corporation, and shall see that all orders and resolutions of the board of directors are carried into effect. The president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The president shall have such powers and duties as usually pertain to such office, except as the same may be modified by the board of directors.

VICE PRESIDENT

Section 9. The vice presidents, in the order of their seniority, unless otherwise

determined by the board of directors, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.

SECRETARY

Section 10. The secretary or other officer appointed by the board of directors shall attend meetings of the board of directors and stockholders, and record all the proceedings of the meetings of the corporation and of the board of directors in a book to be kept for that purpose. The secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors or president, under whose supervision he shall be. He shall keep in safe custody the seal of the corporation, and, when authorized by the board of directors, affix the same to any instrument requiring it, and, when so affixed, it shall be attested by his signature or by the signature of the treasurer, an assistant secretary, or an assistant treasurer.

Section 11. The assistant secretaries, in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the power of the secretary. They shall perform such other duties and have such other power as the board of directors may from time to time prescribe or as the president may from time to time delegate.

TREASURER

Section 12. The treasurer shall have the custody of the corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors.

Section 13. The treasurer shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the president and the board of directors at its regular meetings, or when the board of directors so requires, an account of all his transactions as treasurer, and of the financial condition of the corporation. The treasurer shall perform such other duties and have such other authority and powers as the board of directors may from time to time prescribe or as the president may from time to time delegate.

Section 14. If required by the board of directors, the treasurer shall give the corporation a bond in such sum, and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 16. The assistant treasurers, in the order of their seniority, unless otherwise determined by the board of directors, shall, in the absence or disability of the treasurer, perform the duties and exercise the power of the treasurer. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe or the president may from time to time delegate.

ARTICLE VI

CERTIFICATES FOR SHARES

Section 1. The shares of the corporation shall be represented by a certificate or shall be uncertificated. Certificates shall be signed by, or in the name of the corporation by, the chairman or vice-chairman of the board of directors, or the president or a vice president and the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation.

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the corporation shall issue, to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Section 151, 156, 202 (a) or 218 (a) of the General Corporation Law of Delaware or a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Any or all of the signatures on a certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

Section 3. The board of directors may direct a new certificate or certificates or uncertificated shares to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertificated shares, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFER OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession,

assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the older certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares such uncertificated shares shall be cancelled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the corporation.

FIXING RECORD DATE

Section 5. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meeting contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the word "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

Section 7. The corporation shall indemnify its officers, directors, employees and agents to the full extent permitted by the General Corporation Law of Delaware.

ARTICLE VIII

AMENDMENTS

Section 1. These by-laws may be altered, amended or repealed or new by-laws may be adopted by the board of directors. In addition, these by-laws may be altered, amended or repealed by the affirmative vote of sixty-six and two-thirds percent (66-2/3%) of the outstanding stock of the corporation entitled to vote thereon.

EXECUTION COPY

ENSCO OFFSHORE COMPANY

\$190,000,000

United States Government Guaranteed

Ship Financing Obligations, 7500 Series

BOND PURCHASE AGREEMENT

Dated January 22, 2001

BOND PURCHASE AGREEMENT

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\$190,000,000

United States Government Guaranteed

Ship Financing Obligations, 7500 Series

BOND PURCHASE AGREEMENT

Dated January 22, 2001

To the Purchasers named
in Schedule I hereto

Dear Sirs:

The undersigned, ENSCO OFFSHORE COMPANY (the "Shipowner"), a Delaware corporation, and ENSCO INTERNATIONAL INCORPORATED ("EII"), a Delaware corporation, hereby agree with each of you (each, a "Purchaser") as follows:

1. The Bonds. The United States Government Guaranteed Ship Financing Obligations, 7500 Series, due December 1, 2015, referred to above (collectively the "Bonds") in the aggregate principal amount set forth opposite your name in Schedule I hereto are proposed to be issued and sold by the Shipowner upon fulfillment of the terms and conditions set forth herein. Such Bonds will be issued and sold to aid in financing the construction of one semi-submersible drilling unit now known as ENSCO 7500 (the "Vessel"). The Vessel will be owned by the Shipowner. Such Bonds will be in book-entry form only and will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the date of issuance at 6.36 % per annum. Interest is payable semi-annually, on June 1 and December 1 of each year until maturity, commencing June 1, 2001.

The Bonds will be issued under a Trust Indenture (the "Indenture"), dated as of December 15, 1999, between the Shipowner and Bankers Trust Company, a New York banking corporation, as trustee (the "Indenture Trustee"), as supplemented by Supplement No. 1 to Trust Indenture. Payment of the principal of and interest on the Bonds will be fully and unconditionally guaranteed by the United States of America pursuant to the guarantee imprinted on the Bonds (the "Guarantee") under Title XI ("Title XI") of the Merchant Marine Act, 1936, as amended and in effect on the Closing Date (the "Act"). The aggregate principal amount of the Bonds to be issued and sold by the Shipowner on the Closing Date (as hereinafter defined) shall not exceed the aggregate principal amount of Bonds eligible for the Guarantees, as determined by the Secretary of Transportation, acting by and through the Maritime Administrator (the "Secretary"). The Guarantees will be endorsed on the Bonds by the Indenture Trustee on behalf of the United States of America pursuant to the authorization contained in the Authorization Agreement (as amended through the Closing Date, the "Authorization Agreement") between the United States of America and the Indenture Trustee.

Title XI provides that the full faith and credit of the United States of America is pledged to the payment of the Guarantees; that the Guarantees are conclusive evidence of the eligibility of the Bonds for such Guarantees and that the Secretary must find, prior to entering into a commitment to guarantee the Bonds, that the property or project financed by the Bonds will be, in his opinion, economically sound. Title XI also provides that the Secretary, prior to guaranteeing the Bonds, must approve the Shipowner as being responsible and possessing the ability, experience, financial resources, and other qualifications necessary for the adequate operation and maintenance of the Vessel. Accordingly, it is understood that you will not have the responsibility to examine or review independently the financial condition (including the financial statements) of the Shipowner and may rely completely on the Secretary's determination regarding such financial matters. In regard to the sufficiency of instruments (other than the Authorization Agreement, the Indenture, the Guarantees and the Bonds), documents (other than those addressed to you or required by you pursuant to the terms of this Agreement) and other formalities of the closing, it is further understood that you may rely on the Secretary's determination that the same are sufficient for the Secretary to execute the Guarantees.

The Bonds, the Indenture, the Guarantees and the Authorization Agreement shall conform in all material respects to the descriptions thereof contained in the Preliminary Offering Circular, dated January 15, 2001, as amended by the Final Offering Circular (the "Offering Circular"), with such changes as may be approved by you or your special counsel and the Secretary.

2. Agreement to Purchase. (A) Subject to the conditions hereinafter set forth, the Shipowner agrees to sell to you, and subject to the terms and conditions hereof and in reliance on the representations and warranties of the Shipowner contained herein, you agree to purchase from the Shipowner on the Closing Date (as hereinafter defined), the Bonds in the principal amount set forth opposite your name in Schedule I hereto at a purchase price equal to 100% of such principal amount thereof.

(B) If you should fail to fulfill your obligation to purchase and pay for any Bond as herein provided, then the Shipowner may on or prior to the Closing Date (as hereinafter defined) arrange for a person or persons (which may be an affiliate of the Shipowner) to take delivery of and pay for the Bonds (or a portion thereof) agreed to be purchased by you, provided that, no action taken pursuant to this paragraph shall relieve you from liability in respect of any default of the Purchaser under this Bond Purchase Agreement. The term "other Purchasers", "each Purchaser" or "any Purchaser" as used in paragraphs 6(J), 14 and 15 hereof, and the term "Purchasers" used in paragraphs 6(J), 14 and 15 hereof, shall include only the Purchaser and any such person or persons substituted as provided in this paragraph 2(B).

3. Closing. Delivery of the Bonds shall be in book-entry form through the facilities of The Depository Trust Company ("DTC"), at a closing commencing at 9:00 a.m., Eastern time, on January 25, 2001 (the "Closing Date", which term includes any later date permitted hereby) or such other place or such later business day agreed to by the parties hereto (which date shall not be later than January 30, 2001), against payment therefor in funds immediately available to Bankers Trust Company, as Indenture Trustee, for the benefit of the Lenders (the "Lenders") under the Credit Agreement dated as of December 15, 1999, as amended through the Closing Date (the "Credit Agreement", among the Shipowner, such Lenders, Citibank International PLC, as Facility Agent and Citicorp North America, Inc., as Primary Lender Agent (the "Agent"), in repayment of the outstanding principal amount of the Floating Rate Note which is equal to the principal amount of the Bonds to be sold to you on the Closing Date. A single global Fixed Rate Bond dated the Closing Date, authenticated by the Indenture Trustee, guaranteed by the United States of America, and registered in the name of Cede & Co., as the nominee of DTC, and issued in a denomination equal to the principal amount of Bonds to be purchased by you, will be delivered to DTC. Except as you may otherwise direct the Shipowner and the Indenture Trustee, the Indenture Trustee is hereby authorized to receive on your behalf the global Fixed Rate Bond to be delivered to DTC, on your behalf, on the Closing Date, to execute receipt therefor and to transmit such global Fixed Rate Bond to DTC. For the purposes of this Agreement, a "business day" is a day which is not a Saturday, Sunday or bank holiday under the laws of the United States of America or the States of New York and Texas.

4. Representations and Warranties by the Shipowner and EII. Each of the Shipowner and EII represents and warrants to you that:

(A) Each of the Shipowner and EII is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has been duly qualified to do business in, and is in good standing as a foreign corporation in each jurisdiction in which the conduct of its business or the ownership of its properties requires it to be so qualified, has full power, authority and legal right to own its properties and conduct its business as it is presently conducted; and the Shipowner is eligible to receive loan guarantee assistance under Title XI of the Act.

(B) The consummation of the transactions contemplated by, and compliance with the terms and provisions of, this Agreement, the Indenture and the Bonds and any other documents and instruments referred to in any of the foregoing will not result in a breach of any terms or provisions of, or constitute a default under or conflict with or violate any existing indenture, contract, agreement or undertaking of either the Shipowner or EII or by which either the Shipowner or EII is bound or the formation and organizational documents of either the Shipowner or EII or any applicable law, statute, decree, order, rule, judgment or regulation of any court, regulatory body or administrative agency binding on either the Shipowner or EII.

(C) All authorizations, approvals, orders, registrations or filings from or with any governmental or public regulatory body or authority required for the execution, delivery and performance of this Agreement, the Indenture and the Bonds and for the issuance and sale by the Shipowner of the Bonds to you, have been duly obtained or made, or duly applied for and are, or on the Closing Date will be, in full force and effect, and if such further authorizations, approvals, orders, registrations or filings should hereafter become necessary, each of the Shipowner and EII, as applicable, will obtain or make all such authorizations, approvals, orders, registrations or filings. Without limiting the foregoing, it is not necessary to register the Bonds or the Guarantees under the Securities Act of 1933 or to qualify the Indenture under the Trust Indenture Act of 1939, as amended, either for the purpose of the sale of such Bonds to the Purchaser or, as such laws are now in effect, for the purpose of resale of such Bonds by the Purchaser.

(D) This Agreement has been duly authorized, executed and delivered by each of the Shipowner and EII and constitutes, in accordance with its terms, a legal, valid and binding instrument enforceable against each of the Shipowner and EII, except as limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally. On the Closing Date, the Indenture and the Bonds will have been duly authorized, executed and delivered by the Shipowner and will constitute, in accordance with their respective terms, legal, valid and binding instruments enforceable against the Shipowner, except as limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally, and the Bonds will be entitled to the benefits of the Indenture, the Guarantees and the Authorization Agreement.

(E) Each of the Shipowner and EII, as applicable, has full power, authority and legal right (a) to execute and deliver this Agreement, the Indenture and the Bonds, (b) to perform and observe the terms and provisions of each of said documents to be performed or observed by it, (c) to consummate the transactions contemplated thereby, and (d) to own its properties and conduct its business as presently conducted.

(F) No part of the proceeds of the sale of the Bonds will be used by the Shipowner, directly or indirectly, for the purpose of purchasing or carrying any margin security within the meaning of Regulation U (12 C.F.R. Part [207]) of the Board of Governors of the Federal Reserve System.

(G) There is no litigation, proceeding or investigation pending or, to the best of either of the Shipowner's and EII's knowledge, threatened, involving either the Shipowner or EII or any of their respective properties which could, if adversely determined, materially and adversely affect the issuance and sale to you or the validity of the Bonds and the Guarantees or the performance by each of the Shipowner and EII of its obligations under this Agreement, the Indenture or the Bonds.

(H) The Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(I) The Vessel neither is nor will be used for military purposes voluntarily by the Shipowner.

5. Expenses. Whether or not the transactions contemplated hereby are consummated, each of EII and the Shipowner agrees to pay all reasonable fees and expenses incident to the transactions contemplated hereby and by the Offering Circular, including without limitation reasonable fees and expenses (i) of your special counsel (including disbursements) in connection with the transactions contemplated hereby and in connection with any future modifications requested by EII or the Shipowner of this Agreement, the Bonds or the Indenture or any waiver or consent under or in respect of any thereof, (ii) relating to the preparation, printing and filing of, and the performance by either EII or the Shipowner of its obligations under the Offering Circular, this Agreement, and the Indenture (including all instruments constituting exhibits or appendices thereto or annexed thereto), (iii) of preparing any future modification requested by EII or the Shipowner of this Agreement, the Bonds or the Indenture or any waiver or consent under or in respect of any thereof, and of all certificates on behalf of EII or the Shipowner, (iv) for payment of necessary stamp and other taxes, if any, in connection with the original issuance of the Bonds (each of EII and the Shipowner hereby agrees to hold you harmless in respect thereof, such agreement to survive any disposition or payment of the Bonds), (v) of you or any of your affiliates, as agreed between such firm and EII or the Shipowner in connection with the sale of the Bonds and (vi) otherwise relating to the issuance and delivery of the Bonds.

6. Conditions to Purchaser's Obligations. Your obligation under this Agreement to purchase the Bonds on the Closing Date is subject to the accuracy of and compliance with the representations and warranties of the Shipowner and EII contained in paragraph 4 hereof on and as of the date hereof and on and as of the Closing Date and to the following further conditions:

(A) Opinion of Counsel for the Shipowner. The Shipowner shall have furnished to you the opinion or opinions, addressed to you, the Lenders and the Indenture Trustee and dated the Closing Date of Gardere Wynne Sewell & Riggs, L.L.P., special counsel for the Shipowner and EII, which opinion or opinions shall be satisfactory in form and substance to you, to the effect that:

- (1) Each of the Shipowner and EII is a corporation duly organized, validly existing and in good standing under the laws of its applicable jurisdiction of incorporation.
- (2) Each of the Shipowner and EII, as applicable, has full corporate power, authority and legal right to issue and sell the Bonds to the Purchaser, and to enter into and carry out the terms of this Agreement, the Indenture and the Bonds.
- (3) This Agreement, the Indenture and the Bonds (a) have each been duly authorized by each of the Shipowner and EII, as applicable, and duly executed and delivered by an officer of each of the Shipowner and EII, as applicable, authorized to execute and deliver such agreements and instruments on behalf of either the Shipowner or EII, as applicable, (b) constitute, in accordance with their respective terms, legal, valid and binding instruments enforceable against each of the Shipowner and EII, as applicable, and (c) in the case of the Bonds, have been duly authenticated by the Indenture Trustee and are entitled to the benefits of the Indenture, the Authorization Agreement and the Guarantees.

- (4) The execution, delivery and performance by each of the Shipowner and EII, as applicable of the agreements and instruments referred to in clause (3) hereof do not contravene any provision of the formation and organizational documents of such party or any provision of any existing law, statute, decree, order, judgment, rule or regulation applicable to such party or result in any violation of, or default under, any existing indenture, contract, agreement or other instrument known to such counsel to be binding on such party.
- (5) No approval, consent, order or authorization of or registration with, or notice to any governmental or public body or authority is required to be obtained, effected or given by either the Shipowner or EII in connection with the execution or delivery of, or the performance by either the Shipowner or EII of the agreements or instruments referred to in clause (3) hereof (except such approvals, consents, orders or authorizations as shall have been duly obtained, effected or given and are in full force and effect).
- (6) To the best of such counsel's knowledge, there is no action, suit, proceeding or investigation pending, or threatened, before any court, administrative agency, arbitrator or governmental body against, or which relates to, either the Shipowner or EII which could, if adversely determined, prevent or materially and adversely affect the performance by either the Shipowner or EII of any of the agreements or instruments referred to in clause (3) hereof.
- (7) The Bonds, as guaranteed, and the Guarantees constitute exempted securities under Section 3(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, it is not necessary to register the Bonds or the Guarantees under said Act or to qualify the Indenture under the Trust Indenture Act of 1939, as amended, either for the purpose of the sale of such Bonds to the Purchaser or, as such laws are now in effect, for the purpose of resale of such Bonds by the Purchaser.
- (8) The Guarantees and the Authorization Agreement have been duly authorized, executed and delivered by the United States of America pursuant to Title XI and constitute legal, valid and binding obligations of the United States of America enforceable in accordance with their respective terms.
- (9) The descriptions in the Offering Circular of statutes, the Indenture, the Bonds and other matters (to the extent they constitute matters of law or legal conclusions) are accurate and fairly summarize the principal terms of such statutes, documents and matters.
- (10) Based upon such counsel's participation in the preparation of the Offering Circular, but without independent check or verification thereof, no facts have come to such counsel's attention that have led it to believe that as of its date or as of the Closing Date the Offering Circular (other than any financial statements and related schedules and other financial and statistical data included or incorporated by reference therein or omitted therefrom, as to which counsel need express no belief), contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.
- (11) Such other matters as you or your special counsel may reasonably request.

(B) Opinion of the Chief Counsel of the Maritime Administration. Your special counsel shall have received a reproduction copy of the opinion of the Chief Counsel of the Maritime Administration dated the Closing Date, signed by or on behalf of such Chief Counsel, addressed to the Purchaser and the Indenture Trustee, executed copies of which will be delivered to the Indenture Trustee and your special counsel, to the effect that the Guarantees and the Authorization Agreement have been duly authorized, executed and delivered by the United States of America, and constitute legal, valid and binding obligations of the United States of America, enforceable in accordance with their respective terms.

(C) Opinion of Special Counsel for the Purchaser. All corporate proceedings and other legal matters incident to the sale of the Bonds shall be satisfactory in form and substance to Sidley & Austin, special counsel for the Purchaser, and you shall have received the opinion, addressed to you and dated the Closing Date of such special counsel with respect to the matters covered by clauses (7), (8) and (10) of paragraph 6(A) above, and such other matters as you may reasonably request.

(D) Qualification of Opinions of Counsel. In rendering the opinions required by paragraphs (A) and (C) above, special counsel for the Shipowner and special counsel for the Purchaser, respectively, may (i) state that the enforceability of the rights and remedies provided in any agreement or instrument against any particular party is subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar

laws of general application relating to or affecting the enforcement of creditors' rights from time to time in effect, (ii) state that the availability of the remedy of specific performance or of injunctive relief or of any other equitable remedy is subject to the discretion of the court before which any proceeding therefor may be brought, (iii) state that no opinion whatsoever is expressed with respect to the securities laws of any state in which the Bonds have been offered or sold, (iv) assume, insofar as the opinion concerns the legality, validity and binding effect of any agreement or instrument, that such agreement or instrument constitutes a legal, valid and binding obligation of the other parties purportedly obligated thereunder and (v) as to the matters covered by clause (3) of paragraph 6(A) above, may rely upon certificates of officers of the Indenture Trustee delivered on the Closing Date. Counsel for the Shipowner may rely, as to factual matters, upon certificates of officers of the Shipowner satisfactory to said counsel. In rendering the opinion required by paragraph 6(A), above, counsel for the Shipowner may rely, as to the matters covered by clause (8) of paragraph 6(A) with respect to the due authorization, execution and delivery of the Authorization Agreement and the Guarantees, upon the opinion of the Chief Counsel of the Maritime Administration required by paragraph 6(B) above. In rendering the opinion required by paragraph 6(C) above, counsel for the Purchaser may qualify its opinion similarly and rely on said opinion of the Chief Counsel of the Maritime Administration.

(E) Officer's Certificates. You shall have received (1) a certificate dated the Closing Date signed by the President or a Vice President of the Shipowner to the effect that (a) the Shipowner has performed all agreements and satisfied all conditions on its part to be performed or satisfied hereunder on or prior to the Closing Date, (b) the representations and warranties of the Shipowner herein contained are true and correct in all material respects to the same extent as if made on and as of the Closing Date, and (c) the conditions specified in paragraph 6(H) below have been fulfilled and (2) a certificate dated the Closing Date signed by the President or a Vice President of EII to the effect that the representations and warranties of EII herein contained are true and correct in all material respects to the same extent as if made on and as of the Closing Date.

(F) Indenture Trustee Certificate. The Purchaser shall have received a certificate, satisfactory in form and substance to the Purchaser, dated the Closing Date, signed by a Vice President or an Assistant Vice President, Secretary or Assistant Secretary or Treasurer or Assistant Treasurer or a Senior Corporate Trust Officer of the Indenture Trustee, certifying as to the resolutions supporting the Indenture Trustee's authority to enter into the Indenture and to authenticate the Bonds and certifying the incumbency and titles of the officers executing or having executed the same.

(G) Legality of Purchase. The purchase of the Bonds by you shall not be prohibited under the law of any jurisdiction of the United States to which you are subject on the Closing Date and shall qualify as of the Closing Date as a legal investment for you under all applicable laws.

(H) No Events of Default or Indenture Defaults. The terms of the Indenture shall have been complied with by the Shipowner, and, as of the Closing Date, there shall not exist any condition or event which constitutes, or which after lapse of time or notice or both would constitute, an Indenture Default as defined in the Indenture.

(I) Execution of Documents. The Indenture and the Authorization Agreement shall have been duly executed and delivered, the Bonds shall have been duly executed, delivered and authenticated pursuant to the Indenture and the Authorization Agreement, and the Guarantees shall have been endorsed upon the Bonds and each shall be in full force and effect and shall conform in all material respects to the descriptions thereof contained in the Offering Circular (with such changes as shall have been approved by you or your special counsel and the Maritime Administration).

(J) Sale of Bonds to Other Purchasers. Concurrently with the sale and delivery of the Bonds to be purchased by you on the Closing Date, the Shipowner may, as contemplated by the provisions of paragraph 2(B) hereof, sell to the other Purchasers the Bonds to be purchased by them on the Closing Date.

(K) Payment of Underwriting Commissions & Fees & Expenses. You shall have received from EII or the Shipowner, in immediately available funds, all underwriting commissions and fees and all other expenses to be paid under that certain engagement letter dated May 7, 1999 among you, Ensco Offshore Company and Ensco International Incorporated.

(L) Miscellaneous. All agreements herein contained to be performed on the part of the Shipowner at or prior to the Closing Date shall have been performed.

If any of the conditions specified in this paragraph 6 shall not have been fulfilled by the Shipowner and EII, as applicable, when and as required by this Agreement to be fulfilled, this Agreement and all of your obligations hereunder may be canceled on, or at any time prior to, the Closing Date by you. Notice of such cancellation shall be given to the Shipowner in writing, or by telegraph or telephone confirmed in writing.

7. Home Office Payment. Payments of principal of and interest on the Bonds will be made by the Shipowner through the Indenture Trustee to DTC (or its successor as depository), unless Bonds in definitive registered form (the "Definitive Bonds") are issued in the limited circumstances described in the Indenture. So long as you shall hold any of the Definitive Bonds in your name (or in the name of your nominee, if you shall have given the Shipowner and the Indenture Trustee written notice as to the name and address of each nominee), the Shipowner will cause to be paid to you (or to such nominee) all amounts due on such Bonds in accordance with all of the following:

(A) Interest on all such Bonds shall, except as provided below, be paid through the Indenture Trustee by mailing a check to you (or such nominee) at your last address appearing on the Obligation Register (as defined in the Indenture) or Schedule I (or at the address of such nominee furnished in writing as aforesaid) or at such other address as from time to time you have theretofore furnished in writing, without presentment of such Bonds.

(B) Upon redemption in whole of any such Bond and upon the maturity of any such Bond, the principal (and premium, if any) and interest due thereon shall be paid to you (or such nominee) upon surrender of such Bond, by mail or other means to the Indenture Trustee at the office of the Indenture Trustee set forth in the Special Provisions of the Indenture.

(C) Upon the redemption in part of any such Bond, pursuant to any of the terms of the Indenture, the principal (and premium, if any) and interest due upon such redemption shall, except as provided below, be paid to you (or such nominee) at the address referred to in paragraph (A), above, without presentment of such Bonds.

(D) Payments referred to in the preceding paragraphs (A) and (C) shall be made by the Indenture Trustee or any paying agent for the Bonds by mailing to you (or such nominee) a check, first class postage prepaid, unless you so request by written notice received by the Indenture Trustee at least three (3) business days prior to any such date of payment (which notice shall be effective until rescinded or changed by like notice) such payments shall be made to you (or such nominee), without presentment of such Bonds in immediately available funds either (i) by crediting the amount thereof to an account maintained by you or such nominee with the Indenture Trustee, or (ii) by transferring such amount by wire to such other commercial bank in the United States as shall be specified in such written notice for credit to an account maintained by you or such nominee with such bank. If Schedule I hereto contains a wire transfer address for the Purchaser, such Schedule will constitute the written notice referred to above, and shall, until the Purchaser indicates otherwise by similar written notice, apply to all payments of interest, all payments of premium and all payments of principal (whether upon partial redemption or at maturity) at any time the Bonds are in definitive form. Any such payments by wire transfer shall be made in the manner specified in Schedule I hereto. Prior to any sale, assignment or transfer by you (or any such nominee) of any such Bond in definitive form in respect to which a principal payment has been made in the manner provided in paragraph (C), you agree that you will either (i) cause a proper notation of all such principal payments to be made on such Bond or (ii) present such Bond to the Indenture Trustee so that it may make such notation.

The provisions of this paragraph 7 shall apply to you, to any of your affiliates to whom you shall transfer all or any part of the Bonds, and to any subsequent transferee of all or any part of the Bonds.

8. Termination. You shall have the right to cancel your obligation to purchase the Bonds if there shall have occurred any of the following:

- (i) A general banking moratorium shall have been established by any United States federal authorities, New York or, Texas State authorities or District of Columbia authorities; or
- (ii) There shall have been an outbreak or escalation of hostilities involving the United States or any calamity or crisis having an effect on the financial markets or the market for the Bonds and other similar securities that, in the reasonable judgment of the Purchaser, makes it impracticable to proceed with the offering or the delivery of such Bonds as contemplated herein and by the related Offering Circular; or
- (iii) Any event involving a default on securities issued by or on a financial guarantee issued by the United States government, including, without limitation, the Guarantees, shall have occurred which, in the reasonable judgment of the Purchaser, makes it impracticable to proceed with the offering or the delivery of the Bonds as contemplated herein and by the Offering Circular.

9. Conditions of Shipowner's Obligations. The obligation of the Shipowner to sell and deliver the Bonds under this Agreement on the Closing Date are subject to all of the following conditions:

(A) On the Closing Date all the Bonds to be delivered on said date by the Shipowner shall have simultaneously been purchased by the Purchaser, subject to the provisions of paragraph 2(B) hereof.

(B) On or before the Closing Date (i) the Secretary shall have duly authorized the execution and delivery of the Guarantees of the Bonds and shall have duly executed and delivered the Authorization Agreement; and (ii) the Indenture Trustee shall have duly executed and delivered the Indenture and the Authorization Agreement relating to the Bonds.

10. Free Exchange and Delivery of Bonds. Notwithstanding anything in the Indenture to the contrary, the Shipowner will pay the costs of all deliveries of Bonds from your home office to the Indenture Trustee for any exchange provided for in Section 2.10 of Exhibit I to the Indenture, and the cost of delivering to your home office all Bonds issued on any such exchange. The cost of delivery shall include the cost of insurance against loss or theft in amounts satisfactory to you, and, anything in the Indenture to the contrary notwithstanding, no charge to you (other than for transfer taxes, if any) shall be made for any exchange or delivery provided for in this paragraph 10.

11. Survival of Agreements, Representations and Warranties. All agreements, representations and warranties contained herein and in certificates delivered pursuant hereto shall survive the execution and delivery of this Agreement and the sale of the Bonds regardless of any investigation at any time made by you or on your behalf, and (except as provided in paragraph 5 hereof) shall terminate upon the payment in full of all the Bonds, whether by the Shipowner or by the United States of America in accordance with the Guarantees, except for EII's or the Shipowner's obligations pursuant to paragraph 5 above if same has not been satisfied.

12. Entire Agreement Embodied, Changes, Additional Provisions. This Agreement embodies the entire agreement and understanding among EII, the Shipowner and you relating to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter. This Agreement or any term hereof may not be changed, waived, discharged, or terminated orally, but may be changed, waived, discharged, or terminated only by a written instrument signed by the party against whom enforcement of the change, waiver, discharge or termination is sought and with the written consent of the Secretary.

13. Miscellaneous.

(A) Except as otherwise expressly provided in this Agreement, (i) whenever notice is required by the provisions hereof to be given to the Shipowner, such notice shall be in writing addressed to EnSCO Offshore Company, 2700 Fountain Place, 1445 Ross Avenue, Dallas, Texas 75202-2792, Attn: Vice President - Treasurer (ii) whenever notice is required by the provisions hereof to be given to EII, such notice shall be in writing addressed to EnSCO International Incorporated, 2700 Fountain Place, 1445 Ross Avenue, Dallas, Texas 75202-2792, Attn: Vice President - Treasurer and (iii) whenever notice is required by the provisions of this Agreement to be given to you, such notice shall be in writing addressed to you at your address set forth in Schedule I hereto or any other address specified in a written notice to the Shipowner.

(B) This Agreement is made solely for the benefit of you, the Shipowner and your and its respective successors and assigns, and no other person shall acquire or have any right under, or by virtue of, this Agreement.

(C) If this Agreement shall be canceled or terminated by you because of nonfulfillment of the conditions set forth in paragraph 6 hereof or because of the Shipowner's failure to comply on or before the Closing Date with the conditions precedent set forth herein, or for reasons beyond the Shipowner's control, neither EII or Shipowner shall have any further obligations or liability hereunder to you except that (i) EII and/or the Shipowner will reimburse you for out-of-pocket expenses reasonably incurred by you (including reasonable fees and disbursements of your counsel and interest on funds forwarded by you for delivery on the Closing Date to purchase Bonds, such interest to be at the rate borne by the Bonds for the period from the proposed Closing Date to the date on which such funds are returned to you) and (ii) any obligations of EII or the Shipowner under paragraphs 14, 15 or 16 shall survive such cancellation or termination.

(D) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(E) This Agreement shall be governed by and construed in accordance with the laws of the

State of New York (without regard to its principles of conflicts of law other than Section 5-1401 of the New York General Obligations Law).

(F) This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(G) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

14. Indemnification. (A) Each of the Shipowner and EII shall jointly and severally indemnify and hold harmless each Purchaser and each person, if any, who controls the Purchaser within the meaning of the Securities Act or within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (each, a "Shipowner Indemnified Person") from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which such Shipowner Indemnified Person may become subject, under the Securities Act, Exchange Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Offering Circular or in any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Shipowner Indemnified Person for any legal or other expenses reasonably incurred by that Shipowner Indemnified Person in connection with preparing to defend or defending against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action as such expenses are incurred; provided that neither the Shipowner nor EII shall be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement of a material fact in, or omission or alleged omission from the Offering Circular or any such amendment or supplement in reliance upon and in conformity with written information relating to a Purchaser and furnished to the Shipowner or EII by such Purchaser specifically for use therein.

(B) Each Purchaser, severally and not jointly, shall indemnify and hold harmless the Shipowner and each person, if any, who controls the Shipowner within the meaning of the Securities Act or the Exchange Act (each, a "Purchaser Indemnified Person"), against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which such Purchaser Indemnified Person may become subject, under the Securities Act, Exchange Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Offering Circular or in any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information relating to a Purchaser and furnished to the Shipowner by that Purchaser specifically for use in the Offering Circular, and shall reimburse the Shipowner for any legal or other expenses reasonably incurred by the Shipowner in connection with preparing to defending against or appearing as third party witness in connection with any such loss, claim, damage, liability or action as such expenses and incurred, it being understood and agreed that the only such information furnished by any such Purchaser consists of the information concerning the intention, if any, of the Purchasers to make a market in the Bonds and the identity of the Purchaser and its affiliates as described under the heading "Selling Arrangements" in the Offering Circular.

(C) Promptly after receipt by a Shipowner Indemnified Person or a Purchaser Indemnified Person (each, an "Indemnified Person") under this paragraph 14 of notice of any claim or the commencement of any action or proceeding (including a governmental investigation), such Indemnified Person will, if a claim in respect thereof is to be made against the Shipowner and EII, or the Purchaser under this paragraph 14, notify each applicable indemnifying party in writing of the claim or the commencement of such action; provided, however, that the failure to notify such indemnifying party (i) will not relieve the indemnifying party from any liability under this paragraph 14 unless and except to the extent such indemnifying party did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of any substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any liability which it may have to an Indemnified Person otherwise than under this paragraph 14. In case any such claim or action is brought against any Indemnified Person and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that they may wish, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person; provided, however, that if the defendants in any such action include both the indemnifying party and the Indemnified Person and the Indemnified Person shall have reasonably concluded based upon a written opinion of counsel that there may be one or more legal defenses available to it and/or other Indemnified Persons which are different from or additional to those available to the indemnifying party, the indemnifying party shall not have the right to direct the defense of such action on behalf of such Indemnified Person or Persons and such Indemnified Person or Persons shall have the right to select separate counsel to defend such action on behalf of such Indemnified Person or Persons. After notice from an indemnifying party to such Indemnified Person of its election to

assume the defense of such claim or action, and approval by such Indemnified Person of counsel appointed to defend such action, the indemnifying party will not be liable to such Indemnified Person under this paragraph 14 for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof, unless (i) the Indemnified Person shall have employed separate counsel in accordance with the proviso to the next preceding sentence (it being understood, however, that in connection with such action the indemnifying party shall not be liable for the expenses of more than one separate counsel (in addition to local counsel) in any one action or separate but substantially similar actions in the same jurisdiction arising out of the same general allegations or circumstances, representing the Indemnified Persons under this paragraph 14 who are parties to such action or actions) or (ii) the indemnifying party has authorized the employment of counsel for the Indemnified Person at the expense of the indemnifying party. Each Indemnified Person, as a condition of the indemnity agreements contained in paragraphs 14(A) and 14(B), shall use all reasonable efforts to cooperate with the indemnifying party in the defense of such action or claim. After such notice from the indemnifying party to such Indemnified Person, the indemnifying party will not be liable for the costs and expenses of any settlement of any such action effected by such Indemnified Person without the consent of the indemnifying party (which consent shall not, in light of such action and the defenses available to the indemnified party, be unreasonably withheld), unless such Indemnified Person waived its rights under this paragraph 14 in which case the Indemnified Person may effect such a settlement without such consent. Neither the Shipowner nor EII will, without the prior written consent of a Shipowner Indemnified Person, which consent will not be unreasonably withheld, settle or compromise, or consent to the entry of any judgment with respect to, any pending or threatened claim, action, suit or proceeding unless such settlement, compromise, or consent includes an unconditional release of each Shipowner Indemnified Person (reasonably satisfactory to each such Indemnified Person) from all liability arising out of such claim, action, suit or proceeding.

(D) The obligations of the Shipowner, EII and the Purchasers in this paragraph 14 and in paragraph 15 are in addition to any other liability which the Shipowner, EII or the Purchasers, as the case may be, may otherwise have.

15. Contribution. If the indemnification provided for in paragraph 14 is unavailable or insufficient to hold harmless an Indemnified Person under paragraph 14(A) or (B), then each indemnifying party shall, in lieu of indemnifying such Indemnified Person, contribute to the amount paid or payable by such Indemnified Person as a result of such loss, claim, damage or liability, or action in respect thereof, in such proportion as is appropriate to reflect the relative benefits received by the Shipowner and EII on the one hand and the Purchasers on the other from the offering of the Bonds. If the allocation provided by the immediately preceding sentence is unavailable for any reason, then each indemnifying party shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Shipowner and EII on the one hand and any Purchaser on the other with respect to the statements or omissions in the Offering Circular which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Shipowner and EII on the one hand and the Purchasers on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Bonds purchased under this Agreement (before deducting expenses) received by the Shipowner bear to the total underwriting discounts and commissions received by the Purchasers with respect to the Bonds purchased under this Agreement. The Shipowner, EII and each Purchaser agree that it would not be just and equitable if contributions pursuant to this paragraph 15 were to be determined by pro rata allocation (even if the Purchasers were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an Indemnified Person as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this paragraph 15 shall be deemed to include, for purposes of this paragraph 15, any legal or other expenses reasonably incurred by such Indemnified Person in connection with defending any such action or claim. Notwithstanding the provisions of this paragraph 15, no Purchaser shall be required to contribute any amount in excess of the amount of the total underwriting discounts and commissions received by the Purchasers with respect to the Bonds purchased under this Agreement, less the amount of any damages which such Purchaser has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. To the extent the Shipowner sells Bonds to other Purchasers as contemplated by paragraph 2(B), the Purchasers' obligations to contribute as provided in this paragraph 15 are several in proportion to their respective underwriting obligations and not joint.

16. Consent to Jurisdiction and Service of Process. (A) Each of the Shipowner and EII irrevocably submits to the jurisdiction of any Federal court (or, if such court refuses to take jurisdiction, any New York State Court) located in the Borough of Manhattan, City of New York, State of New York over any suit, action or proceeding arising out of or relating to this Agreement. Each of the Shipowner and EII irrevocably waives, to the fullest extent permitted by law, any objection which it may have to the laying of the venue of any such suit, action or proceeding brought in such a court and any claim that any suit, action or proceeding brought in such a court has been brought in an inconvenient forum. Each of the Shipowner and EII

agrees that final judgment in any such suit, action or proceeding brought in such a court shall be conclusive and binding upon it and may be enforced in the courts of New York or any other courts to the jurisdiction of which either the Shipowner or EII is subject, by a suit upon judgment.

(B) Each of the Shipowner and EII will, until the later of (i) the date 10 years from the date hereof and (ii) the date on which any litigation arising out of this Agreement or the transactions contemplated hereby and which is pending at the date referred to in clause (i) of this paragraph 16(B) has been settled or is the subject of a final non-appealable judgment, have an authorized agent in the State of New York upon whom process may be served in any suit, action or proceeding arising out of or relating to this Agreement. Service of process upon such agent and written notice of such service mailed or delivered to the each of the Shipowner and EII, as applicable, shall, to the extent permitted by law, be deemed in every respect effective service of process upon the Shipowner and EII, as applicable, in any such suit, action or proceeding. Each of the Shipowner and EII hereby irrevocably appoints CT Corporation System whose address is, as of the date hereof, 111 Eighth Avenue, New York, New York 10011, United States of America, as its agent for such purpose and covenants and agrees that service of process in any such suit, action or proceeding may be made upon it at the office of such agent at said address (or at such other address in the State of New York as either the Shipowner or EII may designate by written notice to the Purchaser).

(C) Each of the Shipowner and EII hereby consents to process being served in any suit, action or proceeding of the nature referred to in the preceding paragraphs by service upon such agent together with the mailing of a copy thereof by registered or certified mail, postage prepaid, return receipt requested or by private courier, prepaid, to the address of such party as set forth in Section 13(A) or to any other address of which the Shipowner or EII shall have given written notice to the Purchaser. Each of the Shipowner and EII hereby irrevocably waives, to the fullest extent permitted by law, all claim of error by reason of any such service (but does not waive any right to assert lack of subject matter jurisdiction) and agrees that such service and mailing (i) shall be deemed in every respect effective service of process upon the Shipowner or EII, as applicable, in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by law, be taken and held to be valid personal service.

If you are in agreement with the foregoing, please sign the form of acceptance on the accompanying counterparts of this Agreement, retain one counterpart for your records and return the other counterparts to the Shipowner, whereupon this Agreement shall become a binding contract among you, the Shipowner and EII.

Very truly yours,

ENSCO OFFSHORE COMPANY

By: _____

Name: _____

Title: _____

ENSCO INTERNATIONAL INCORPORATED
(as to paragraphs 4, 5, 6(E), 6(K) and 11-16 only)

By: _____

Name: _____

Title: _____

The foregoing Agreement is hereby confirmed and accepted as of the date first above written

SALOMON SMITH BARNEY INC.

By: _____

Name: _____

Title: _____

SCHEDULE I

All payments on account of the Fixed Rate Bonds in definitive form held by such purchaser shall be made by wire transfer of immediately available funds not later than 12:00 noon on the date payment is due for credit to the account designated by such purchaser from time to time. Each such wire transfer shall set forth the name of the Shipowner and the coupon rate of the Bonds.

Aggregate Principal
Amount of Bonds To
Be Purchased
\$190,000,000

Purchaser

SALOMON SMITH BARNEY INC

Bank One, NA, having its principal office
in Chicago, Illinois Account Name: Salomon Brothers Inc.
Account #: 514332
ABA#: 071 00013
Ref: ENSCO Offshore Company

Addresses for all communications and
notices,

Salomon Smith Barney Inc
390 Greenwich Street
4th Floor
New York, New York 10013
Attention: James Brodt
Telephone: (212) 723-6225
Fax: (212) 723-8677

Unless this certificate is presented by an authorized representative of the Depository Trust Company, a New York corporation ("DTC"), to issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

CUSIP No. 29358BAA0

\$190,000,000.00

UNITED STATES GOVERNMENT GUARANTEED

SHIP FINANCING BOND, 7500 SERIES

6.36% Sinking Fund Bond due December 1, 2015

Issued by

ENSCO OFFSHORE COMPANY

Principal and interest guaranteed under Title XI of the Merchant Marine Act, 1936, as amended.

ENSCO OFFSHORE COMPANY (herein called the "Shipowner"), a Delaware corporation, FOR VALUE RECEIVED, promises to pay to CEDE & CO. or its registered assigns at the corporate trust office of Bankers Trust Company, a New York banking corporation, in its capacity as Indenture Trustee, at Four Albany

Street, New York, New York 10006, or at such other address of the Indenture Trustee or any Paying Agent as the Indenture Trustee may direct from time to time in writing, the principal sum of ONE HUNDRED NINETY MILLION AND NO/100 DOLLARS (\$190,000,000.00) on the earlier of June 30, 2017, or the fifteenth anniversary of the Delivery Date and to pay interest, semiannually on June 1 and December 1 of each year, commencing on the date which is the earlier of (A) six months after the delivery of the Vessel and (B) June 30, 2002 on the unpaid principal amount of this Bond at the rate of 6.36% per annum (calculated on the basis of a 360-day year of twelve (12) thirty (30) day months), until payment of said principal sum has been made or duly provided for, and at the same rate per annum on any overdue principal.

The principal of and the interest on this Bond, as well as any premium payment with respect to this Bond in the case of certain redemptions hereof prior to maturity, are payable in immediately available funds to the registered Holder hereof at the Corporate Trust Office of the Indenture Trustee (as defined below) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts therein and provided further, that the Shipowner and the registered owner hereof may enter into other arrangements as to payment in accordance with the Special Provisions of the Indenture.

This Bond is one of an issue of bonds of the Shipowner of up to One Hundred Ninety Million Dollars (\$190,000,000) aggregate principal amount of Bonds, designated as its "United States Government Guaranteed Ship Financing Bonds, 7500 Series", all issued under a Trust Indenture dated December 15, 1999 (said Trust Indenture, as the same may be amended, modified or supplemented from time to time as permitted thereunder, herein called the "Indenture"), among the Shipowner and Bankers Trust Company, a New York banking corporation in the United States, as Indenture Trustee (said Indenture Trustee, and its successor as defined in the Indenture, herein called the "Indenture Trustee") to aid in financing the cost of the construction by the Shipowner of the Vessel (as defined in the Indenture). Reference is hereby made to the Indenture for a definition of certain terms used herein and a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Shipowner and the Indenture Trustee and the rights and limitations of rights of the Holders of the Bonds, including this Bond.

In accordance with the terms of an Authorization Agreement dated as December 15, 1999 (herein the "Authorization Agreement"), between the United States of America, represented by the Secretary of Transportation, acting by and through the Maritime Administrator (herein called the "Secretary") and the Indenture Trustee and by endorsement of the guarantee of the United States of America (herein collectively called the "Guarantees") on each of the Bonds and the authentication and delivery of the Guarantees by the Indenture Trustee, all pursuant to Title XI of the Merchant Marine Act, 1936, as amended and in effect on this date (herein called the "Act"), the Bonds are guaranteed by the United States of America as provided in the Authorization Agreement and in the Guarantees endorsed thereon. Reference is hereby made to the Authorization Agreement for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Secretary and the Indenture Trustee and the rights and limitations of rights of the Holders of the Bonds.

Section 1103(d) of Title XI of the Act provides that:

"The full faith and credit of the United States is pledged to the payment of all guarantees made under this title with respect to both principal and interest, including interest, as may be provided for in the guarantee, accruing between the date of default under a guaranteed obligation and the payment in full of the guarantee."

If an Indenture Default shall have occurred and be continuing, the Indenture Trustee, as provided in the Indenture, shall promptly, but not later than sixty (60) days from the date of such Indenture Default, demand payment by the Secretary of the Guarantees, whereupon the entire unpaid principal amount of the Outstanding Bonds and all unpaid interest thereon shall become due and payable in United States currency on the first to occur of the date which is thirty (30) days from the date of such demand or the date on which the Secretary pays the Guarantees. If no demand for payment of the Guarantees shall have been made by the Indenture Trustee on or before the 30th day following an Indenture Default, the Holder of any Outstanding Bond may, in the manner provided in the Indenture, make such demand in place of the Indenture Trustee. In the event of an Indenture Default of which the Secretary has actual knowledge, the Secretary, as provided in the Authorization Agreement, will publish notice in the Authorized Newspapers, which shall include "The Wall Street Journal" (all editions) and "The Journal of Commerce", of the occurrence of such Indenture Default within 30 days from the date of such Indenture Default unless demand for payment under the Guarantees shall previously have been made by the Indenture Trustee, but any failure to publish such notice or any defect therein shall not affect in any way any rights of the Indenture Trustee or any Holder of a Bond in respect of such Indenture Default.

Within thirty (30) days from the date of any demand for payment of the Guarantees, the Secretary shall pay to the Indenture Trustee, as agent and attorney-in-fact for the Holders of the Outstanding Bonds (including this Bond), all of the unpaid interest to the date of such payment on, and the unpaid balance of the principal of, such Bonds in full, in United States currency in cash; provided that, in the case of a demand made as a result of

a Payment Default, the Secretary shall not be required to make any such payment if within such thirty (30) day period (and prior to any payment of the Guarantees by the Secretary) the Secretary finds either that there was no Payment Default or that such Payment Default was remedied prior to the demand for payment of the Guarantees, in which event the Guarantees shall continue in full force and effect.

The Holder of this Bond by the purchase and acceptance hereof, hereby irrevocably appoints the Indenture Trustee and each other Holder of any Outstanding Bond as agent and attorney-in-fact for the purpose of making any demand for payment of the Guarantees and (in the case of the Indenture Trustee) of receiving and distributing such payment; provided that no action or failure to act by the Indenture Trustee shall affect the right of the Holder of this Bond to take any action whatsoever permitted by law and not in violation of the terms of this Bond or of the Indenture.

In the event of (a) a default, continued for twenty-five (25) days, in the payment of the principal of or interest on the Bonds (including this Bond) when due or (b) any default under the Security Agreements, the Mortgages or any related agreement between the Secretary and the Shipowner or between the Secretary and any Shipowner, the Secretary shall have the right to and may, in its discretion by written notice given to the Indenture Trustee on or after said twenty-five (25) day period or after such default but prior to receipt by the Secretary of a demand in accordance with the Indenture for payment under the Guarantees, assume all of the rights and obligations of the Shipowner under the Indenture and the Bonds and, if such default relates to the payment of the principal of and interest on the Bonds, make all payments then in default under the Bonds.

Any amount payable by the Secretary under the Guarantees shall not be subject to any claim or defense of the United States of America, the Secretary, or others, whether by way of counter-claim, set-off, reduction or otherwise. Further, the Holder of this Bond shall have no right, title or interest in any collateral or security given by the Shipowner to the Secretary.

After payment of the Guarantees by the Secretary to the Indenture Trustee, this Bond (1) if it has not then been surrendered for cancellation or canceled, shall represent only the right to receive payment in cash of an amount (less the amount, if any, required to be withheld in respect of transfer or other taxes on payments to the Holder of this Bond) equal to the unpaid principal amount hereof and the unpaid interest accrued hereon to the date on which the Secretary shall have paid the Guarantees in full in cash to the Indenture Trustee, (2) shall otherwise no longer constitute or represent an obligation of the Shipowner, and (3) shall not be entitled to any other rights or benefits provided in the Indenture, subject to Section 6.08 of the Indenture.

The Bonds (including this Bond) may be prepaid or redeemed on any Payment Date upon the terms and conditions provided in the Indenture, in whole or in part, at the option of the Shipowner, at any time or from time to time upon at least fifteen (15) and not more than sixty (60) days' prior notice and request given by the Shipowner as provided in the Indenture, in either case at a redemption price equal to one hundred percent (100%) of the principal amount thereof being so prepaid or redeemed, together with interest accrued thereon to the date fixed for redemption, plus the Make Whole Premium as described in the Indenture. No Make Whole Premium shall be owed in connection with any mandatory redemptions of this Bond, any redemptions of this Bond at the option of the Secretary, or any redemption of this Bond pursuant to any provisions of this Bond not set forth in this paragraph.

This Bond is also subject to repayment, upon the terms and conditions provided in the Indenture and upon like notice, through the operation of a mandatory repayment schedule providing for the repayment of consecutive semi-annual installments, commencing on the earlier of (A) six (6) months after the Delivery Date and (B) June 30, 2002 (the "Initial Payment Date"), and semi-annually thereafter commencing with the date that is six months following the Initial Payment Date (each, a "Payment Date") to and including the date that is no later than fifteen (15) years following the Delivery Date, at one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to such date, of a principal amount equal to the applicable semiannual installments indicated below, and, on a date no later than fifteen (15) years after the Delivery Date of the Vessel the entire unpaid principal amount of this Bond shall be paid in full, together with all interest accrued thereon to such date, provided, however, that, notwithstanding the foregoing provisions of this paragraph, in case the principal amount of this Bond shall be reduced by reason of any prepayment or redemption described in the second immediately succeeding paragraph, the principal amount of this Bond to be repaid through the operation of the mandatory repayment schedule on each subsequent mandatory redemption date shall be subject to reduction as provided in the Indenture.

The Bonds (including this Bond) are also subject to redemption, upon the terms and conditions provided in the Indenture, in whole or in part, at one hundred percent (100%) of the principal amount thereof plus interest accrued thereon to the date of redemption, upon at least thirty (30) and not more than sixty (60) days prior notice: (a) in the event that Bonds must be redeemed so that the principal amount of all Obligations Outstanding after such redemption will not exceed 87.5% of the depreciated actual cost or actual cost, as the case may be, of the Vessel financed by such Bonds, as determined by the Secretary, (b) in the event of an

actual, constructive, agreed or compromised total loss of, or requisition of title to, or seizure or forfeiture of, the Vessel or (c) in the event that, after an assumption by the Secretary of this Bond, a purchaser of the Vessel from the Secretary does not assume all the rights and obligations of the Shipowner under the Indenture.

The Bonds (including this Bond) may also be redeemed upon the terms and conditions provided in the Indenture, in whole or in part, at the option of the Secretary, at any time following an assumption of the Bonds and the Indenture by the Secretary and prior to any sale of the Vessel to a purchaser which assumes the Obligor's rights and obligations under the Bonds and the Indenture, upon at least forty (40) and not more than sixty (60) days' prior notice given as provided in the Indenture, at a Redemption Price equal to one hundred percent (100%) of the principal amount to be prepaid or redeemed plus interest accrued to the date fixed for redemption.

Any optional prepayment or redemption shall be subject to the receipt of the prepayment or redemption monies by the Indenture Trustee or any Paying Agent. Bonds called for prepayment or redemption shall (unless the Shipowner shall cancel the proposed optional redemption) cease to bear interest on and after the date fixed for prepayment or redemption.

As provided in the Indenture and to the extent permitted thereby, compliance by the Shipowner with any of the terms of the Indenture may be waived, and the Indenture and the rights and obligations of the Shipowner and the rights of the Holders of the Bonds (including this Bond) thereunder may be modified, at any time with the prior consent of the Secretary and, except as otherwise expressly provided in the Indenture, the consent of the Holders of at least sixty percent (60%) in principal amount of the Outstanding Bonds affected thereby in the manner and subject to the limitations set forth in the Indenture; provided that no such waiver or modification shall (1) without the consent of the Holder of each Bond affected thereby: (a) change the Stated Maturity or reduce the principal amount of any Bond, (b) extend the time of payment of, or reduce the rate of, interest thereon, (c) change the due date of or reduce the amount of any sinking fund or scheduled payment, (d) reduce any premium payable upon the redemption thereof or (e) change the coin or currency in which any Bond or the interest thereon is payable; or (2) without the consent of all Holders of Bonds: (v) terminate or modify any of the Guarantees or the obligations of the United States of America thereunder, (w) reduce the amount of any of the Guarantees, (x) eliminate, modify or condition the duties of the Indenture Trustee to demand payment of the Guarantees, (y) eliminate or reduce the eligibility requirements of the Indenture Trustee, or (z) reduce the percentage of principal amount of Bonds the consent of whose Holders is required for any such modification or waiver.

The Indenture provides that the Bonds (including this Bond) shall no longer be entitled to any benefit provided therein if the Bonds shall have become due and payable at Maturity (whether by repayment, prepayment, redemption or otherwise) and funds sufficient for the payment thereof (including interest to the date fixed for such payment, together with any premium thereon) and available for such payment (1) shall be held by the Indenture Trustee or any Paying Agent, or (2) shall have been so held and shall thereafter have been paid to the Shipowner after having been unclaimed for 6 years after the date of maturity thereof (whether by redemption or otherwise) or the date of payment of the Guarantees, except for the right, if any, of the Holder to receive payment from the Shipowner of any amounts paid to the Shipowner as provided in clause (2) above of this sentence with respect to this Bond, all subject, however, to the provisions of Section 6.08 to the Indenture.

This Bond is transferable by the registered Holder or by his duly authorized attorney, at the Corporate Trust Office of the Indenture Trustee, upon surrender or cancellation of this Bond, accompanied by an instrument of transfer in form satisfactory to the Shipowner and the Indenture Trustee, duly executed by the registered Holder hereof or his attorney duly authorized in writing, and thereupon a new, fully registered Bond or Bonds of like series and maturity for the same aggregate principal amount will be issued to the transferee in exchange therefor, each in the principal amount of One Thousand Dollars (\$1,000) or any integral multiple thereof subject to the provisions of the Indenture. The Indenture provides that the Shipowner shall not be required to make transfers or exchanges of Bonds (1) for a period of fifteen (15) days immediately prior to an interest payment date or (2) after demand for payment of the Guarantees and prior to payment thereof or rescission of such demand as provided in Section 6.02(a) to the Indenture or (3) if all or any portion thereof has been selected for repayment, prepayment or redemption in whole or in part.

The Shipowner, the Secretary, the Indenture Trustee and any office or agency for the payment of Bonds may deem and treat the person in whose name this Bond is registered as the absolute owner thereof for all purposes, and this rule may not be altered by any notice to the contrary to any of these entities, whether this Bond shall be past due or not.

No recourse shall be had for the payment of principal of, or the interest or premium (if any) on, this Bond, or for any claim based hereon or on the Indenture, against any incorporator or any past, present or future subscriber to the capital stock, stock-holder, limited partner, member, officer or director of the Shipowner or of

any successor corporation, as such, either directly or indirectly through the Shipowner or any such successor corporation, under any constitution, statute or rule of law or by the enforcement of any assessment, or otherwise, all such liability being expressly waived and released by the acceptance of this Bond and by the terms of the Indenture. So long as the Guarantee is in effect, there shall be no recourse against the Shipowner.

Neither this Bond nor the Guarantee endorsed hereon shall be valid or become an obligation of the Shipowner for any purpose until the Indenture Trustee shall have fully signed the authentication certificate endorsed hereon.

IN WITNESS WHEREOF, the Shipowner has caused this Bond to be duly executed by the manual or facsimile signatures of its duly authorized officers under its corporate seal or facsimile thereof.

Dated as of January 25, 2001.

ENSCO OFFSHORE COMPANY

By: _____

Title: _____

(SEAL)

Attest:

UNITED STATES GOVERNMENT GUARANTEED

SHIP FINANCING BOND, 7500 SERIES

6.36 % Sinking Fund Bond due December 1, 2015

Issued by

ENSCO OFFSHORE COMPANY

Mandatory Redemption Schedule

| Mandatory Payment Date | Principal Payment Amount | Mandatory Payment Date | Principal Payment Amount |
|-----------------------------------|---|-----------------------------------|---|
| June 1, 2001 | \$6,333,000 | December 1, 2001 | \$6,333,000 |
| June 1, 2002 | \$6,333,000 | December 1, 2002 | \$6,333,000 |
| June 1, 2003 | \$6,333,000 | December 1, 2003 | \$6,333,000 |
| June 1, 2004 | \$6,333,000 | December 1, 2004 | \$6,333,000 |
| June 1, 2005 | \$6,333,000 | December 1, 2005 | \$6,333,000 |
| June 1, 2006 | \$6,333,000 | December 1, 2006 | \$6,333,000 |
| June 1, 2007 | \$6,333,000 | December 1, 2007 | \$6,333,000 |
| June 1, 2008 | \$6,333,000 | December 1, 2008 | \$6,333,000 |
| June 1, 2009 | \$6,333,000 | December 1, 2009 | \$6,333,000 |
| June 1, 2010 | \$6,333,000 | December 1, 2010 | \$6,333,000 |
| June 1, 2011 | \$6,333,000 | December 1, 2011 | \$6,333,000 |
| June 1, 2012 | \$6,333,000 | December 1, 2012 | \$6,333,000 |
| June 1, 2013 | \$6,333,000 | December 1, 2013 | \$6,333,000 |
| June 1, 2014 | \$6,333,000 | December 1, 2014 | \$6,333,000 |
| June 1, 2015 | \$6,333,000 | December 1, 2015 | \$6,343,000 |

TO

TRUST INDENTURE

THIS SUPPLEMENT NO. 1 (“Supplement No. 1”), dated as of January ____, 2001 (the “Effective Date”), to that certain Trust Indenture dated as of December 15, 1999 (the Indenture”) is by and between BANKERS TRUST COMPANY, a national banking association, as indenture trustee (the “Indenture Trustee”), and ENSCO OFFSHORE COMPANY (the “Shipowner”, and together with the Indenture Trustee, the “Parties”).

WHEREAS, on December 15, 1999, the Shipowner executed the Indenture, and issued thereunder a Floating Rate Note designated “United States Government Guaranteed Ship Financing Note, 1999 Series” with a maximum principal amount of \$194,855,000;

WHEREAS, Article Third of the Special Provisions of the Indenture provides that the Shipowner may redeem or repay the Floating Rate Note, in whole, on a Redemption Date designated by the Shipowner, from the proceeds of the issuance of one or more Bonds;

WHEREAS the Parties wish to amend the Indenture in order to provide for the complete redemption of the Floating Rate Note and for the escrow funding contemplated by Section 2.03 hereof, by the issuance of a Bond in the amount of \$190,000,000, and to amend a definition thereunder.

NOW THEREFORE, in consideration of the mutual rights and obligations set forth herein and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE FIRST

Section 1.01. Schedule A. Schedule A to the Indenture is hereby amended by amending the following definitions:

“Make Whole Premium” means, with respect to any optional redemption of a Bond, the amount which the Indenture Trustee determines on the second Business Day prior to such Redemption Date is equal to the excess, if any, of (i) the sum of the respective Payment Values (as defined below) of each “Prospective Payment” (as defined below) over (ii) 100% of the aggregate principal amount being redeemed on such date. “Redemption” means, with respect to the redemption of Bonds, the repayment or prepayment of Bonds, as applicable.

All other capitalized terms used herein have the meanings set forth in Schedule A to the Indenture, as amended.

ARTICLE SECOND

The Indenture shall be amended as follows:

Section 2.01. The Obligations. Article Second (a) of the Special Provisions of the Indenture is restated in its entirety as follows:

(a) The Obligations issued hereunder shall be designated “United States Government Guaranteed Ship Financing Bonds, 7500 Series”, and shall be in the form of Exhibit 2B to this Indenture; and, the aggregate principal amount of Obligations which may be issued under this Indenture shall not exceed One Hundred Ninety Million United States Dollars (\$190,000,000), and shall mature and bear interest and have such other terms

and provisions as set forth therein.

Section 2.02. Cancellation of Floating Rate Note. On the Effective Date, the Floating Rate Note issued on December 15, 1999 shall be marked to show its cancellation upon repayment of the outstanding amount thereunder.

Section 2.03. Issuance of Bond. On and after the Effective Date, the Shipowner shall issue and deliver to the Trustee on behalf of the Holder thereof a single Bond in accordance with the Indenture in the form of Exhibit 2B to the Indenture.

Except as so amended, the provisions of the Indenture are hereby confirmed, and shall remain in full force and effect.

This Supplement No. 1 to the Indenture may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Notwithstanding any provision herein, in the event there are any inconsistencies between the original of this document held by the Secretary, and an original held by any other party to this transaction, the provisions of the original held by the Secretary shall prevail.

IN WITNESS WHEREOF, this Supplement No. 1 to the Indenture has been duly executed by the Parties as of the day and year first above written.

ATTEST: ENSCO OFFSHORE COMPANY
By: _____
Name: _____
Title: _____

Assistant Secretary/Secretary

ATTEST: BANKERS TRUST COMPANY, solely in its
capacity as Indenture Trustee
By: _____
Name: _____
Title: _____

Vice President

CONSENT:

Pursuant to Section 10.05 of the General Provisions Incorporated into the Trust Indenture by Reference attached as Exhibit 1 to the Trust Indenture, the Secretary hereby consents to this Supplement No. 1 to the Trust Indenture.

ATTEST: UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
BY: MARITIME ADMINISTRATION

By: _____

Secretary
Maritime Administration

RATIFICATION OF GUARANTY

This Ratification of Guaranty (this "Ratification") is made and entered into as of the _____ day of January, 2001 by and between ENSCO INTERNATIONAL INCORPORATED (the "Guarantor"), in favor of THE UNITED STATES OF AMERICA, represented by the SECRETARY OF TRANSPORTATION, acting by and through the MARITIME ADMINISTRATOR (the "Secretary"). For and in consideration of the mutual covenants and agreements herein contained, the Guarantor hereby ratifies as of the date of this Ratification that certain Guaranty (the "Guaranty"), as amended, executed by Guarantor in favor of the Secretary dated as of December 15, 1999.

- A. WHEREAS, the Guarantor is the ultimate parent of ENSCO OFFSHORE COMPANY, a Delaware corporation (the "Shipowner"); and
- B. WHEREAS, the Shipowner, in connection with the financing of the Vessel, issued a floating rate promissory note to Citibank International, plc as Facility Agent (the "Govco Note"); and
- B. WHEREAS, pursuant to Title XI of the Merchant Marine Act, 1936, as amended, the Secretary authorized a guarantee to be endorsed upon the Govco Note and any Obligations issued in replacement thereof (the "Guarantee"); and
- C. WHEREAS, the Shipowner, pursuant to the terms and provisions of the Security Agreement dated December 15, 1999, between the Shipowner and the Secretary (the "Security Agreement"), issued and delivered to the Secretary a promissory note in the original principal amount of \$194,855,000 (said promissory note, as amended, modified, supplemented or endorsed, herein called the "Secretary's Note"), in consideration of the issuance of the Guarantee by the Secretary of the payment of the unpaid interest on, and the unpaid balance of the principal of the Obligations issued by the Shipowner; and
- D. WHEREAS, on the date hereof, the Shipowner has issued its United States Government Guaranteed Ship Financing Bond, 7500 Series (the "Bond"), to, among other things, refinance the Govco Note; and
- E. WHEREAS, the Secretary requires, as a condition to authorizing the endorsement of Guarantee upon the Bond that the Guarantor ratify its obligations under the Guaranty.

NOW THEREFORE, the parties agree as follows:

1. The Guarantor agrees that the terms, conditions, representations and warranties of the Guaranty shall remain unchanged, and the terms, conditions, representations, warranties and covenants of the Guaranty are true as of the date hereof, are ratified and confirmed in all respects and shall be continuing and binding upon the Guarantor and the Guaranty shall be fully applicable to the obligations to the Secretary made by Shipowner under the Secretary's Note, as the Secretary's Note may be amended or restated from time to time, notwithstanding the issuance by the Shipowner of the Bond and refinancing of the Govco Note.

2. All capitalized terms used in this Ratification and not defined herein are used

with the meanings given to them in the Security Agreement.

3. This Ratification shall be deemed to be a contract under and subject to, and shall be construed for all purposes by the federal law of the United States of America or in the absence of applicable federal law by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties have executed this Ratification to be executed as of the _____ day of January, 2001.

ENSCO INTERNATIONAL INCORPORATED

BY: _____
NAME: _____
TITLE: _____

CONSENT:

The Secretary hereby consents to this Ratification of Guaranty.

ATTEST:

UNITED STATES OF AMERICA,
SECRETARY OF TRANSPORTATION
BY: MARITIME ADMINISTRATION

By: _____
Secretary
Maritime Administration

Document 8.01

GUARANTY AGREEMENT IN FAVOR OF THE UNITED STATES

This Guaranty Agreement (the "Guaranty Agreement") dated this __th day of December, 1999 by ENSCO INTERNATIONAL INCORPORATED, a Delaware corporation (the "Guarantor"), to the United States of America, represented by the Secretary of Transportation, acting by and through the Maritime Administrator (the "Secretary").

RECITALS:

A. WHEREAS, the Guarantor is the owner of 100% of the shares of ENSCO OFFSHORE COMPANY, a Delaware corporation (the "Shipowner"); and

B. WHEREAS, the Shipowner, in connection with the financing of the cost of construction of the ENSCO 7500, wholly owned by the Shipowner (the "Vessel"), on the date hereof, borrowed certain funds and created and authorized the issuance of obligations (1) designated "United States Government Guaranteed Ship Financing Note, 1999 Series" (the "Notes", consisting on the date hereof of \$194,855,000 aggregate principal amount of the Notes, bearing interest at the rate specified therein and issued under a trust indenture (the "Indenture") between the Shipowner and Bankers Trust Company, a New

York corporation (the "Indenture Trustee") as trustee, dated as of the date hereof, said Notes constituting the legal, valid and binding obligations of the Shipowner and (2) designated "United States Government Guaranteed Ship Financing Bonds, 7500 Series" (the "Bonds," and together with the Notes, the "Obligations"), to be issued upon delivery of the Vessel and repayment of the Notes; and

C. WHEREAS, the Shipowner, on the date hereof, accepted the Secretary's Commitment to Guarantee Obligations (the "Commitment") pursuant to Title XI of the Merchant Marine Act, 1936, as amended (the "Act"), whereby the Secretary authorized a guarantee to be endorsed upon each of the Obligations (the "Guarantees"); and

D. WHEREAS, the Shipowner has, in consideration of the issuance of the Guarantees by the Secretary of the payment of the unpaid interest on, and the unpaid balance of the principal of the Obligations issued by the Shipowner in the aggregate principal amount of \$194,855,000, pursuant to the terms and provisions of the Security Agreement dated the date hereof, between the Shipowner and the Secretary (the "Security Agreement"), issued and delivered to the Secretary a promissory note in the principal amount of \$194,855,000 (said promissory note, as originally executed and as the same may hereafter be amended, modified, supplemented or endorsed, herein called the "Secretary's Note").

E. WHEREAS, the Secretary has required this Guaranty Agreement from the Guarantor as an integral part of the consideration offered by or on behalf of the Shipowner as a condition of the Secretary's decision to enter into the Commitment to issue the Guarantees, and the Guarantor has agreed to enter into this Guaranty Agreement for the purpose of guaranteeing the Shipowner's obligations to the Secretary under the Secretary's Note.

NOW THEREFORE, in consideration of the premises, and of other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Guarantors hereby agree as follows:

1. Definitions. Unless otherwise specifically defined herein, the capitalized terms used herein which are defined in Schedule X to the Security Agreement, dated the date hereof and any reference therein to other instruments shall have the respective meanings stated in Schedule X of the Security Agreement or such other instruments.

2. Guarantee.

a) (i) The Guarantor hereby absolutely, irrevocably and unconditionally guarantees the due and punctual payment of the principal of and the interest on the Secretary's Note. The Guarantor shall be required to make said payments under this Guaranty Agreement upon receipt of a written notice from the Secretary which states that the Shipowner has not promptly, completely or effectively made said payments. The failure of Guarantor to receive such a written notice or the failure of the Secretary to send said notice shall not relieve the Guarantor of its obligations under this Guaranty Agreement. The Guarantor shall immediately pay to the Secretary or its designee in immediately available funds such payments guaranteed herein.

(ii) The Guarantor further guarantees that the Guarantor shall provide sufficient capital to the Shipowner to insure that (A) the Shipowner is able to satisfy its current liabilities (as determined in accordance with generally accepted accounting principles) as they become due, including without limitation all payments required in respect of the Obligations, and (B) the Shipowner maintains a positive level of Working Capital.

b) The Guarantor hereby consents and agrees that its obligations under this

Guaranty Agreement will not be discharged by any act or omission to act of any kind by the Secretary or any other person or any other circumstances whatsoever (including, but not limited to, any extension, rearrangement or renewal with respect to any indebtedness or other obligation of the Shipowner with or without notice to the Guarantor, any waiver of any right of the Secretary under the terms of the Secretary's Note, the Security Agreement, the Mortgage or this Guaranty Agreement, any release of security, any transfer or assignment of rights or obligations accruing to the Secretary under the Secretary's Note, the Security Agreement, the Mortgage or this Guaranty Agreement, any corporate reorganization, dissolution, merger, acquisition of or by or other alteration of the corporate existence or structure of the Shipowner or the Guarantor, discharge of the Shipowner in bankruptcy, the invalidity, illegality or unenforceability of the Secretary's Note, the Security Agreement, the Mortgage or this Guaranty Agreement or the absence of any action to enforce the obligations of the Shipowner) which might constitute a legal or equitable discharge of the Guarantor; it being the intention of the Guarantor that this Guaranty Agreement be absolute, continuing and unconditional and the guarantee hereunder shall only be discharged by the payment in full of all sums so guaranteed hereunder.

c) The Guarantor hereby irrevocably and unconditionally waives: (i) notice of any of the matters referred to in this Guaranty Agreement and any action by the Secretary in reliance thereon; (ii) all notices which may be required by statute, rule of law or otherwise to preserve any rights against the Guarantor hereunder, including without limitations, any demand, protest, proof of notice of non-payment of all sums payable under the Secretary's Note or any notice of any failure on the part of the Shipowner to perform or comply with any covenant, term or obligations of any agreement to which it is a party; (iii) any requirement for the enforcement, assertion or exercise of any right, remedy, power or privilege under or with respect to the Mortgage, the Security Agreement or the Secretary's Note; (iv) any requirement of diligence; (v) any requirement that the Shipowner be joined as a party to any proceedings for the enforcement of any provision of this Guaranty Agreement or that the Secretary proceed against any other guarantor executing this Guaranty Agreement or any other guaranty agreement; (vi) any and all defenses to payment hereunder, except the defense of payment already made; (vii) presentment, demand, protest, notice of protest and dishonor, notice of intent to accelerate and notice of acceptance; or (viii) the right to require the Secretary to pursue any remedy in the Secretary's power whatsoever.

d) The Guarantor hereby agrees that this Guaranty Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time payment of any sum hereby guaranteed is rescinded or must be otherwise restored or returned by the Secretary, upon the insolvency, bankruptcy or reorganization of the Shipowner, or otherwise, all as though such payment had not been made. The Guarantor further agrees that if the maturity of any obligations guaranteed herein be accelerated by bankruptcy or otherwise, such maturity shall also be deemed accelerated for the purpose of this Guaranty Agreement without demand or notice to the Guarantor.

e) Any amount payable hereunder shall not be subject to any reduction by reason of any counterclaim, set-off, deduction, abatement or otherwise.

f) The Guarantor shall pay all reasonable costs and expenses (including, without limitation, attorneys' fees and expenses) incurred in connection with the enforcement of the obligations of the Guarantor under this Guaranty Agreement.

g) The Secretary's Note may be amended, modified or endorsed without the consent of the Guarantor.

h) The Secretary may enforce the Guarantor's obligations hereunder without in any way first pursuing or exhausting any other rights or remedies which the Secretary may have

against the Shipowner or any other person, firm or corporation or against any security the Secretary may hold.

3. Secretary's Rights. The Guarantor authorizes the Secretary, without notice or demand and without affecting the Guarantor's liability hereunder, to take and hold security for the payment of this Guaranty Agreement and/or any of the obligations guaranteed herein and exchange, enforce, waive and release any such security; and to apply such security and direct the order or manner of sale thereof as the Secretary in his discretion may determine; and to obtain a guarantee of any of the obligations guaranteed herein from any one or more persons, corporations or entities whomsoever and at any time or times to enforce, waive, rearrange, modify, limit or release such other persons, corporations or entities from their obligations under such guarantees.

4. Primary Liability. It is expressly agreed that the liability of the Guarantor for the payment of the obligations guaranteed herein shall be primary and not secondary.

5. Representations and Warranties. The Guarantor represents and warrants as follows:

a) The Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has full power and authority (corporate, legal and other) to execute, deliver and carry out the terms of this Guaranty Agreement;

b) This Guaranty Agreement has been duly authorized, executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms;

c) The execution, delivery and performance the Guarantor of this Guaranty Agreement does not require the approval or consent of its shareholders or of any governmental authority and does not contravene either of the Guarantors' Certificate of Incorporation or any mortgage, indenture or other agreement binding upon it, or any law, regulation, order, judgment or decree applicable to the Guarantor; and

d) The Guarantor's guarantee pursuant to this Guaranty Agreement may be expected to benefit, directly or indirectly, the Guarantor.

e) The Guarantor has fully adequate financial resources, funds, and assets to satisfy its obligations under this Guaranty Agreement, and the Guarantor will in the future retain financial resources, funds, and assets to fully satisfy its obligations under this Guaranty Agreement.

6. Continuing Guarantee. This Guaranty Agreement is a continuing guarantee of payment and collectibility and shall:

a) Remain in full force and effect so long as any obligation of the Shipowner to the Secretary referred to herein exists;

b) Be binding upon the Guarantor, its successors and assigns; and

c) Be executed and issued for the sole and exclusive benefit of the United States, and no other party shall be permitted to claim any benefit, direct or indirect, therefrom. This Guaranty Agreement is nonassignable, any assignment thereof shall be null and void and have no legal effect whatsoever.

d) Inure to the benefit of, and be enforceable by the Secretary, his successors and

assigns.

7. Default. A default under the terms of this Guaranty Agreement shall be deemed to occur if the Guarantor fails to make any payments guaranteed hereunder.

8. Notices. All communications may be made or delivered in person or by certified or registered mail, postage prepaid, addressed to the Guarantor or the Secretary as provided below or to such other address as the Guarantor or the Secretary may hereafter specify in a written notice to the other and all notices or other communications shall be in writing so addressed and shall be effective upon receipt by the addressee thereof:

Guarantor: ENSCO INTERNATIONAL INCORPORATED
2700 Fountain Place
1445 Ross Avenue
Dallas, Texas 75202-2792
Attention: General Counsel

Secretary: SECRETARY OF TRANSPORTATION
c/o Maritime Administrator
Maritime Administration
U.S. Department of Transportation
400 Seventh Street, SW
Washington, DC 20590
Attention: Chief, Division of Ship Financing
Contracts

9. Amendments and Supplements. No agreement shall be effective to change or modify, supplement, amend or discharge in whole or in part this Guaranty Agreement unless such agreement is in writing, signed by the Guarantor and the Secretary.

10. Governing Law. This Guaranty Agreement shall be governed by the federal law of the United States of America or in the absence of applicable federal law by the laws of the State of Texas.

11. Counterparts. This Guaranty Agreement may be executed in one or more counterparts. All such counterparts shall be deemed to be originals and shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, this Guaranty Agreement has been executed on the day and year first above written.

ENSCO INTERNATIONAL INCORPORATED

BY: _____
NAME: _____
TITLE: _____

Attest:

May 7, 2001

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We are aware that ENSCO International Incorporated (the "Company") has incorporated by reference in its Registration Statements on Form S-3 (No. 33-42965, 33-46500, 33-49590, 33-43756, 33-64642, 333-03575, and 333-37897) and Form S-8 (No. 333-58625, 33-14714, 33-32447, 33-35862, 33-40282, and 33-41294) its Form 10-Q for the quarter ended March 31, 2001, which includes our report dated May 7, 2001 covering the unaudited interim financial information contained therein. Pursuant to Regulation C of the Securities Act of 1933, that report is not considered a part of the registration statement prepared or certified by our firm or a report prepared or certified by our firm within the meaning of Sections 7 and 11 of the Act. It should be noted that we have not performed any procedures subsequent to May 7, 2001.

Yours very truly,

/s/ Arthur Andersen LLP
Dallas, Texas

End of Filing

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