

We are getting there....

Pareto Oil and Offshore Conference

Oslo, August 29, 2007

Seadrill 

2005:

This was the story

- "Crazy speculators..."
- "They cannot build all these rigs..."
- "No one will ever award them a contract..."
- "They have no people and cannot operate..."



2007:

This is the story:





“Crazy speculators!”



Strategic opportunities

- In May 2005, the founders of Seadrill took a positive view on the outlook for the drilling industry
- Our competitors took the same view
- Seadrill acted on their view and ordered some US\$5 billion worth of newbuilds without drilling contracts
- Our competitors did not act on their view unless they had a drilling contract

The market for drilling services is stronger than ever



2007:

Even our competitors will agree:

Seadrill were not as crazy after all!





**“They cannot build
these rigs!”**



Status newbuild projects

- Jack-ups and Tender rigs

Unit	Delivery
West Ceres	May 2006
West Berani	December 2006
West Prospero	June 2007
T10	August 2007
West Atlas	September 2007
West Triton	On schedule
West Ariel	On schedule
T11	On schedule
West Berani II	On schedule



Deliveries on time and budget



Status newbuild projects (as of July 07)

- Deepwater units

Unit	Order date	% complete	Delivery ahead/behind	Comment
West Phoenix	2005	91%	- 4%	Start-up Norway – 2Q08 as planned
West Sirius	2005	88%	- 1,5%	Start-up GoM – 2/3Q08 as planned
West Hercules	2005	73%	- 1,5%	Start-up China – 2Q08 as planned
West Polaris	2005	76%	+ 2%	Start-up as planned – 3Q08
West Aquarius	2006	46%	- 2%	Start-up as planned – 3Q08
West Eminence	2006	62%	- 4%	Delivery 3Q08 – no contract
West Taurus	2006	67%	0%	Delivery 4Q08 – no contract
West Capella	2006	30%	+ 4%	Start-up 4Q08 as planned
West Orion	2007	15%	-	Delivery 2Q10
West Gemini	2007	15%	-	Delivery 2Q10

Percentage of total construction period, 1% ≈ 10 days

Delivery outlook +/- one month



West Phoenix (ex West E-drill)



West Sirius



West Hercules



West Polaris



Remaining risks

- Major component delays and/or failures
- Commissioning/testing
- Delays main yards, including knock-on effects from other yard activities

Risk mitigation and contingency plans in place



Major components delays/failures

Example: DAT cylinders (Direct acting tensioners)



A core component of the riser tensioner system



Commissioning

SUCCESSFUL
COMMISSIONING



Commissioning

THE YARD

- Mechanical completion
- C-docs + plans
- Organization/personnel

**SUCCESSFUL
COMMISSIONING**



Commissioning



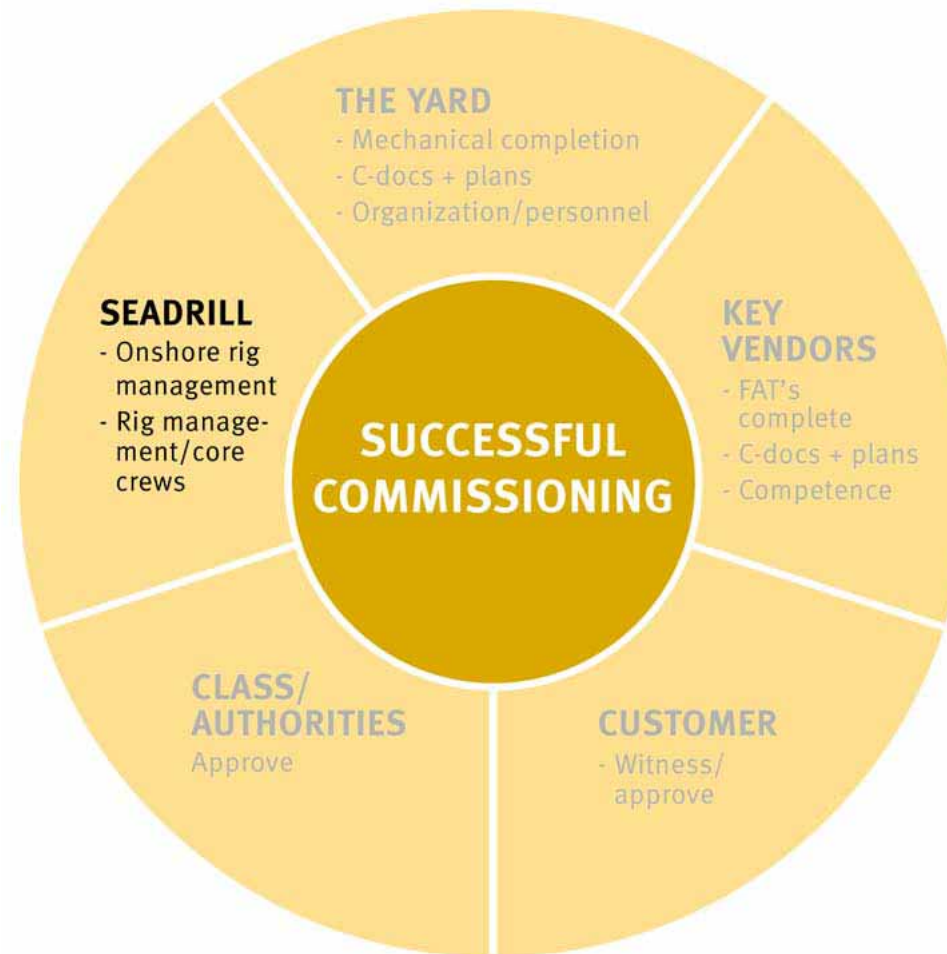
Commissioning



Commissioning



Commissioning



Commissioning



Commissioning is the yard's responsibility



Deepwater projects - status

- Progress basically as planned
- So far no catastrophes to report
- (not even the baby brother of a catastrophe.....)
- Still risks remaining

Good chance this will go well indeed!!





**“No one will ever award
them a contract!”**



Contract backlog of US\$5.2 billion

First class oil companies like Exxon, Total, Devon, StatoilHydro, Shell, Husky were prepared to award us **a total of US\$5.2 billion worth of contracts.**

Not bad for a crazy speculator!



Quality contract awards

Unit	Customer	Dayrate (US\$/d)	Term	Contract value (US\$ mill.)
West Sirius	Devon	460,000	4 yrs	US\$ 672 mill
West Phoenix	Total	496,500	3 yrs	US\$ 526 mill
West Polaris	Exxon	520,000	3 yrs	US\$ 569 mill
West Hercules	Husky	525,000	3 yrs	US\$ 575 mill
West Capella	TBN	518,000	5 yrs	US\$ 958 mill
West Aquarius	Exxon	520,000	3 yrs	US\$ 575 mill
West Navigator	Shell/Hydro	561,500	4 yrs	US\$ 819 mill
West Alpha	Consortium	460,000	3 yrs	US\$ 504 mill

US\$ 5,198 mill



Contract backlog of US\$7.6 billion

Deepwater newbuilds



US\$ 3,940 mill

Existing deepwater units



US\$ 1,700 mill

Jack-up rigs



US\$ 780 mill

Tender rigs



US\$ 1,200 mill



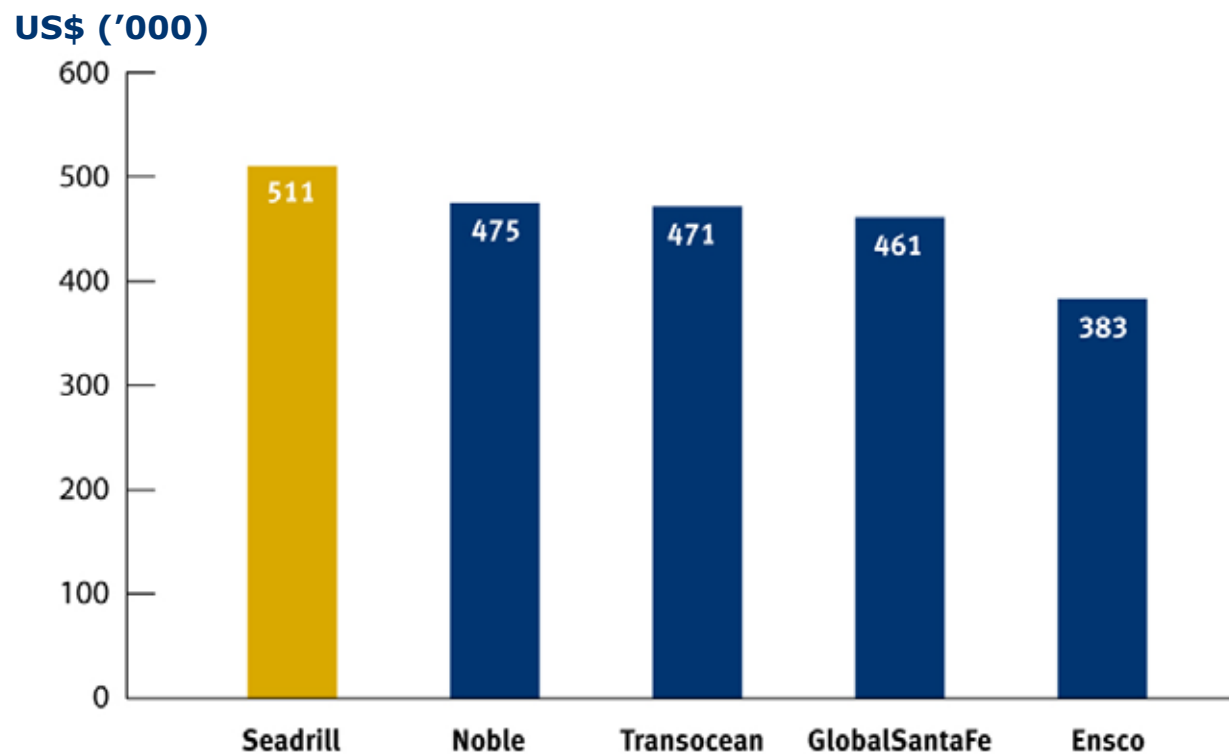
and...

**were the contracts
any good?**



Contracts awarded after 2005 (ultra deepwater units)

Average dayrate



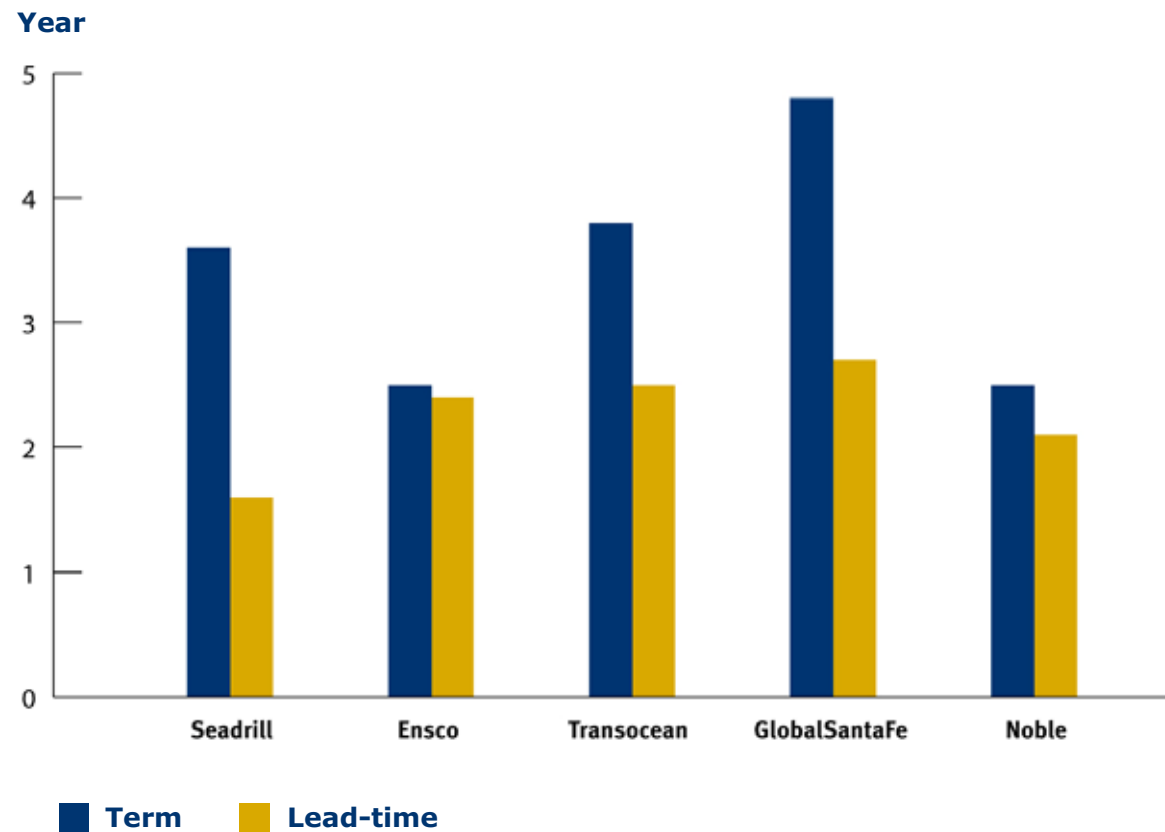
Source: DnB Nor Markets

Highest average dayrate in the industry



Contracts awarded after 2005 (ultra deepwater units)

Average duration/average lead-time



Source: DnB Nor Markets





**“They have no people
and cannot operate!”**



These are the facts

- Current operations of 22 units in 14 countries
- 5413 excellent employees
- Need 1900 additional employees, of which 240 are core crews
- Recruitment of additional employees are ahead of plan

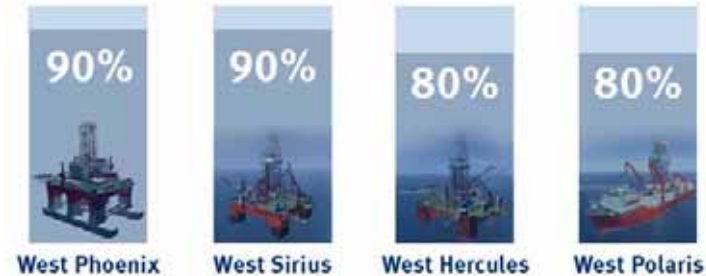


On track to set up effective operating organization



We do have some people

- **85 percent** of core crews for the first four newbuild deepwater rigs are recruited or promoted

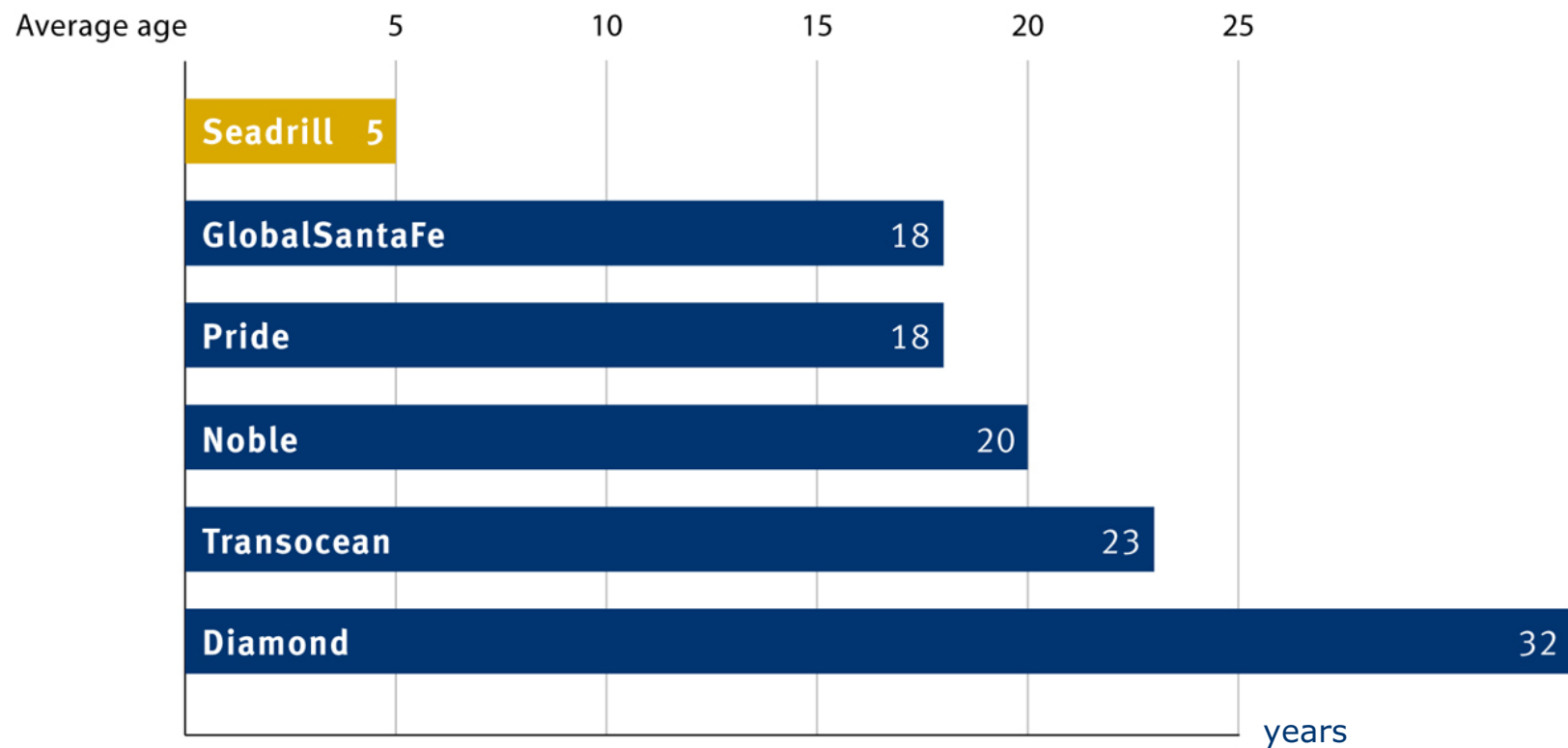


- Additional core crew candidates have been identified
- Seadrill stands out as a very attractive employer
 - Newest fleet
 - Long-term contracts
 - Competitive global career opportunities
 - Will work through cycles

Join us in building the greatest drilling contractor in the world!!!



Floaters – average age in 2010



Source: DnB Nor Markets



Strategy

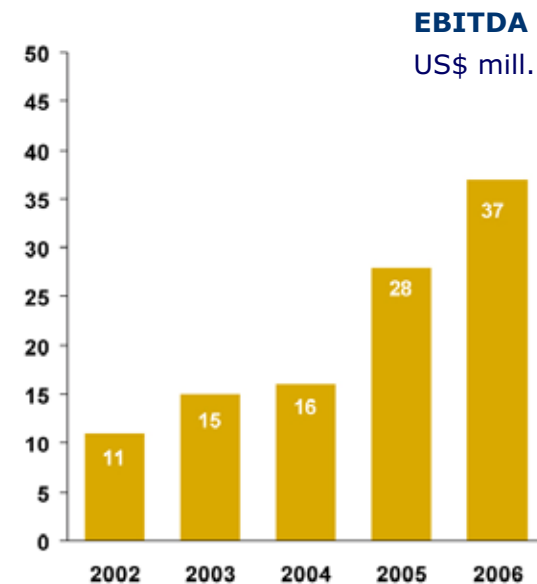
- Execute what we have as planned
- Divest older jack-ups
- Further develop market leader position in the tender rig market
- Open for consolidation
- Further newbuilds not imminent
- Financing structures geared towards capital repayment
 - MLP's
 - Sale leaseback
 - Gearing



Well services strategy

- Consider spinning out (list separately) the Well services division
- Create "SEAWELL"
 - Focus
 - Easier access to strategic opportunities

Well services development 2002 - 2007



An excellent opportunity to create a premier oil field services entity



In summary

- Newbuild projects are going well
- We are winning contracts
- Recruiting progressing as planned
- An extremely exciting year ahead of us

We are quite happy and very busy!



They said we could not do it...



**So far:
We have done it!**

