

802.1(d)

September 30, 2005

Via Facsimile

Michael B. Verne, Esq.
Premerger Notification Office
Federal Trade Commission
Room 303
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Re: Application of Exemption for Transaction in
the Ordinary Course of Business

Dear Mr. Verne:

Pursuant to our telephone conversations yesterday, I am writing to confirm the eligibility of a transaction for an exemption from the notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act (the "Act") under section 802.1(d)(3) of the Commission's regulations.

Our client, Seller, owns and operates approximately 25 mobile offshore drilling units directly and through a wholly-owned subsidiary. Most of these units are jack-up drilling units built in the 1980s or later, although several of the jack-up units were built in the 1970s. One unit is a semi-submersible drilling unit built in 1976. Seller intends to cause one of its wholly-owned subsidiaries to sell the semi-submersible unit (the "Asset") to Buyer for the price of \$60 million. Seller and Buyer are both U.S. persons. For purposes of this inquiry, you should assume that Seller and Buyer meet both the commerce and size-of-person requirements of the Act. The parties contemplate concluding this transaction during the month of October, 2005.

Given the number of drilling units owned by Seller, the Asset does not constitute all or substantially all of the assets of a business unit. Moreover, the Asset is a used good which has a useful life of more than one (1) year.¹ Accordingly, it would appear that the transaction is eligible for an exemption under section 802.1(d)(3) if Seller is replacing the capacity of the Asset as contemplated by that regulation.

¹ It is our understanding that Buyer will convert the Asset for use as a "floating offshore installation," which has been defined by one major vessel classification society as "a buoyant construction engaged in offshore operations including drilling, production, storage or support functions, and which is designed and built for installation at a particular offshore location."

As part of an on-going fleet upgrade during which Seller is replacing older drilling units with new units, Seller has recently acquired a new jack-up drilling unit to replace the Asset.² This new drilling unit was built by a wholly-owned subsidiary of the Seller's. While the new rig was documented as a U.S. flag vessel in the name of the Seller on April 21, 2005 it was not delivered until August 31, 2005. Whereas the Asset can drill in water with depths up to 1,200 feet, the new unit can drill in water with depths up to 250 feet. However, the new unit has technical capabilities superior to those of the Asset, is more efficient and, most importantly for your consideration, has a drilling capacity equal to or greater than the drilling capacity of the Asset.

Given the number of units operated by the Seller, by companies other than the Seller and the Buyer's intended use of the Asset, we believe that this transaction does not raise any substantive antitrust concerns.

Moreover, it is our understanding that because the Asset does not constitute all or substantially all of the assets of a business unit of Seller, the proposed sale may qualify as a sale in the ordinary course of business. Further, it is our understanding that because the Asset is a used durable good and Seller has acquired a new drilling rig with production capacity equal to or greater than that of the Asset within the six (6) months preceding the contemplated transaction, by taking delivery of the new drilling rig on August 31, 2005, the transaction is exempt from the notification requirements of the Act under section 802.1(d)(3) of the Commission's regulations.

We would appreciate your confirmation that the foregoing understanding is accurate. Of course, if you should require any further information, please do not hesitate to contact me by telephone. Because the parties intend to proceed with this transaction in the next few weeks, your prompt attention to this inquiry would be appreciated.

Thank you in advance for your assistance.

Very truly yours,



AGREE -
Burchard
9/30/05

² Seller also has signed contracts for the delivery of at least two more new jack-up drilling rigs, which rigs will be delivered more than six months after the completion of the proposed transaction.