



How to execute the largest floater construction program

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Seadrill

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Company profile

- Bermuda based offshore drilling company
- Current fleet of 22 offshore units
 - 1 drillship, 2 semi-submersible units, 5 jack-ups, 12 tender rigs and 2 FPSOs
- 14 offshore drilling units under construction
 - 2 drillships, 6 semi-submersible units, 4 jack-ups and 2 tender rigs
- Operations in the North Sea, West Africa and Southeast Asia
- Listed on the Oslo Stock Exchange
- Current market capitalization of approximately US\$6 billion

Creating the 2nd largest ultra-deepwater player



Largest newbuild program ever

- Largest newbuild program ever undertaken by a drilling contractor totaling some US\$4,561 million
 - 2 drillships totaling some US\$965 million *
 - 6 semi-submersibles units totaling some US\$2,908 million *
 - 4 jack-ups totaling some US\$518 million *
 - 2 tender rigs totaling some US\$170 million *
- Has already taken delivery of one jack-up and one tender rig on time and budget

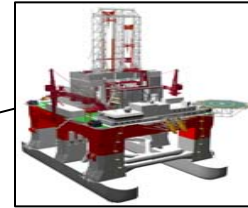
* Excluding spares, construction supervision, capitalized interest and operation preparation



Newbuild projects



2 drillships at Samsung Korea



2 semis at Samsung Korea



2 semis at Daewoo Korea



2 semis at Jurong Singapore



2 tender barges in Malaysia

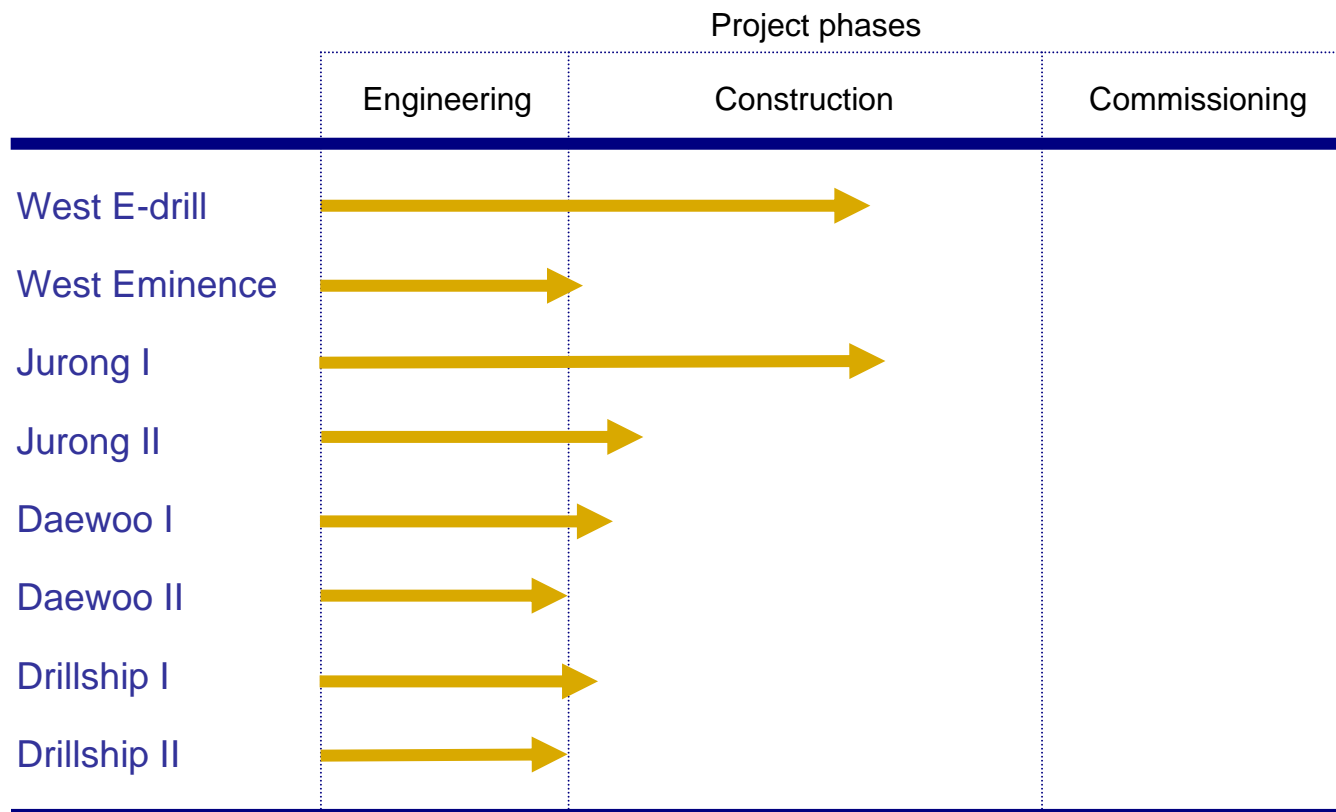


4 jack-ups at KFELS and PPL Singapore

Building the most modern fleet at quality yards



Newbuild deepwater program

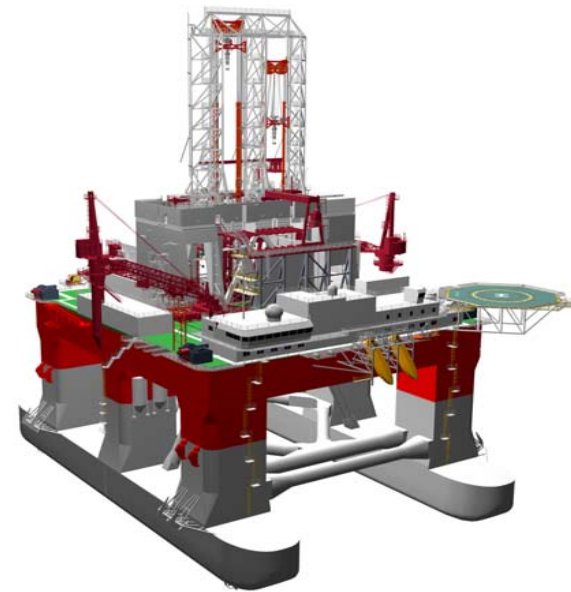


Main milestones reached according to plan



West E-drill and West Eminence

- Two semi-submersible rigs
- Builder: Samsung
- Delivery: 4Q 2007/3Q 2008
- Design: DP drilling vessel
- Rated water depth: 10,000ft
- Rated drilling depth: 30,000ft
- Dual derrick
- Risers: 4,100ft
- Contract price: US\$580/578 million *



* Including spares, construction supervision, capitalized interest and operation preparation





West Sirius and West Taurus

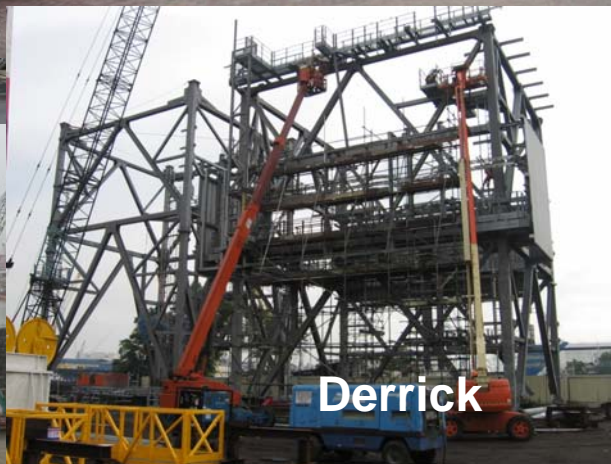
- Two semi-submersible rigs
- Builder: Jurong
- Delivery: 2Q/4Q 2008
- Design: Friede Goldman ExD
- Rated water depth: 10,000ft
- Rated drilling depth: 35,000ft
- Risers: 10,000ft
- Top drive: MH DDM 750/1,000 AC
- Contract price: US\$443/428 million *



* Excluding spares, construction supervision, capitalized interest, operation preparation and mobilization



West Sirius



West Hercules and West Aquarius

- Two semi-submersible rigs
- Builder: Daewoo
- Delivery: 2Q/3Q 2008
- Design: GVA 7500
- Rated water depth: 10,000ft
- Rated drilling depth: 35,000ft
- Risers: 10,000ft
- Top drive: MH DDM 750/1,000 AC
- Contract price: US\$536/526 million *



* Excluding spares, construction supervision, capitalized interest, operation preparation and mobilization



West Polaris & West Capella

- Two deepwater drillships
- Builder: Samsung
- Delivery: 2Q/4Q 2008
- Design: Samsung 10,000
- Rated water depth: 10,000ft
- Rated drilling depth: 35,000ft
- Riser: 10,000ft
- Top Drive: 2 HPS 1,000 short tons (dual motor AC)
- Contract price: US\$485/480 million *



* Excluding spares, construction supervision, capitalized interest, operation preparation and mobilization



Seadrill newbuild characteristics

- First units to be ordered
- Copies of existing units
- Proven technology
- Delivery time reflects previous experience
- Quality yards
- Fixed price turnkey contracts
- Main yard installments to be paid at delivery



Quality yards

- Samsung (2 semis & 2 drillships)
 - Extensive experience with drillships and offshore structures
 - Track record for delivering on time and on budget
- Daewoo (2 semis)
 - Extensive experience with semi-submersibles
 - Track record for delivering on time and on budget
- Jurong (2 semis)
 - Copy effect from GSF's Development Driller units including using "as-built" drawings



Turnkey contracts

- All yards are responsible for the contracts with the sub-contractors such as:
 - Maritime Hydraulics & National Oilwell Varco (drilling packages)
 - Cameron & Schaeffer (subsea equipment and BOPs)
- Drilling package and BOP have traditionally been OFE (Owner Furnished Equipment)
- Reduces risk for owner and ensures yard focus and responsibility for engineering, installation, interfaces and commissioning

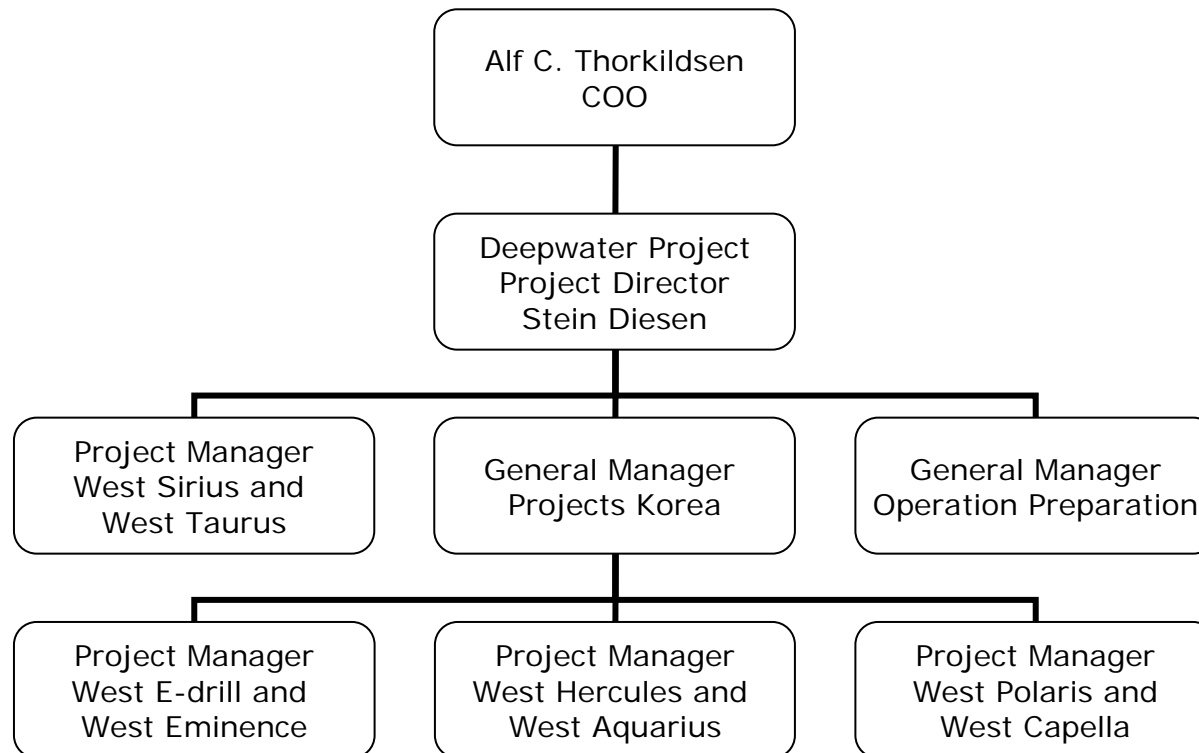


Key challenges

- On time delivery within budget
- Keep variation orders to a minimum
- Monitor yard progress
- Safeguard timely delivery of equipment from sub-contractors
- Control factory acceptance tests of equipment
- Ensure efficient commissioning and testing of equipment
- Secure seamless process from construction to operation



Project organization Seadrill Management AS



Project organization

- Independent organization for construction and operation preparation of approximately 100 people
- The project teams have combined project management experience from nine deepwater newbuild projects since 1996 through Smedvig, GSF and Stena
- Operational personnel used as part of the project teams and most of the project engineers have operation experience
- Customer (Operators) interface will be handled through operation preparation not the project teams



Scale advantages

- Common use of specialists
- Staggered delivery schedule resulting in experience transfer
- Mainly the same suppliers of key equipment



Relationship policy

- Develop good relations and trust with upper management on all yards
- Show respect for the yards' expertise
- Share our expertise and experience with the yards
- Focus on creating production friendly solutions for the yards without compromising operability, capabilities and safety
- Avoid unnecessary confrontations
- Maintain close dialogue with yard Project Management Team



Minimize project variation orders

- Minimize changes to the specification
- Cost associated with variation orders are high
- Often cause for permissible delay
- Difficult to make changes during construction phase, especially with Samsung and Daewoo due to production line methods



Monitor yard progress

- Ensure extensive reporting from the yards including their sub-contractors
- Establish Seadrill's own baseline using the experience within the project organization
- Evaluate and report against Seadrill's own baseline
- Forecast delivery by own schedule simulations
- Independent verification of shipyards and its vendors progress in key areas
- Close monitoring of Factory Acceptance Tests and equipment deliveries



Major vendors (ex OFE)

- There are differences between the yards on how they follow-up the “new” (OFE) subcontractors. Some take a very active role and dispatch engineering resources to the vendors to participate in the engineering process. Others only dispatch cost controllers and quality control personnel
- The Korean yards probably have the best logistic systems anywhere in the world
- The yards are largely used to standard equipment from their regular vendors, they are not used to the “on-offs” type of equipment that we have in the offshore industry and are often dependent on our know-how



Comprehensive commissioning program

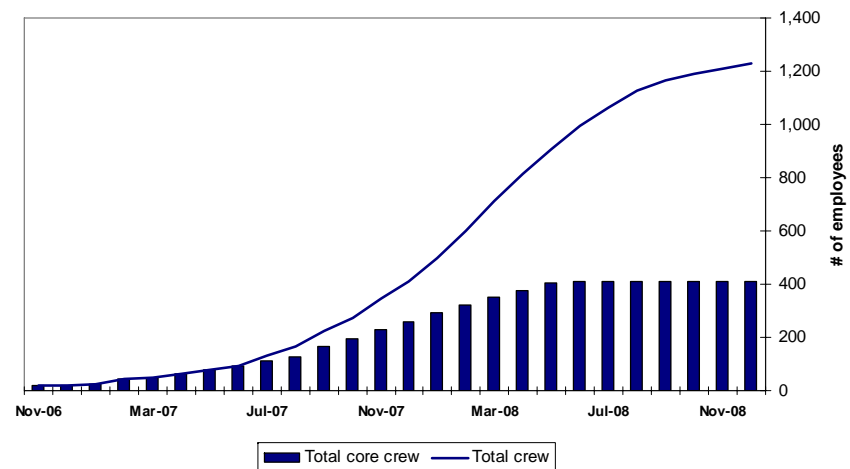
- Some of the yards have completed similar projects before but they have limited experience with commissioning as the drilling equipment has been OFE and the owners and the OFE subcontractors have been responsible for commissioning
- It is challenging to get the commissioning programs to meet our expectations, Seadrill contributes with expertise and experience through the project team
- Seadrill will mobilize a core crew (21 key positions) for each vessel to assist the yard with the commissioning



From construction to operations

- Some 400 core people required to staff deepwater newbuilds
- Recruitment plan on schedule
- Training and development plan initiated and on schedule

Deepwater newbuilds staffing plan



Majority of core crew will be recruited internally



Summary

- Largest newbuild program in the industry
- Hands on project organization
- All projects are progressing according to plan
- All units are through the engineering phase and into the construction phase
- Focus is on construction in tandem with operation preparation

**Project management based on construction experience
blended with operational knowledge**



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