

# Standard Drilling

## November 2011 Company Update



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# Largest Pure Play Premium Jackup Company

Strong Capital Structure, fully funded until Feb 2013, with \$120 million cash projected 2011YE

Experienced Board, Building Management Team

Strategically Positioned to Capitalize on the Strong Market



Premium Rigs Constructed in a World Class Yard

Superior Delivery Schedule

## Recent Highlights

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- **August 2011: Hired Mark Jackson as CEO**
  - Mr. Jackson has over 30 years of experience in the energy industry, first having served as CFO of Santa Fe Snyder and Apache Corporation before joining the drilling and oil service sector. Joining Noble Corporation as CFO, he assumed responsibility for Western Hemisphere operations, before being promoted to COO, President CEO and then Chairman. Mr. Jackson also serves on the Board of Leadership and Liberty, an organization founded by former general Tommie Franks, dedicated to the development of America's future leaders.
  
- **September 2011: Sold rig B319 further strengthening the balance sheet**
  - Standard Drilling to book a net gain on sale of approximately 0.13 USD per share
  
- **October 2011: Hired Geir Johansen as CFO**
  - Mr. Johansen is Norwegian and has 20+ years of experience within the maritime and oil & gas industry. Having spent most of his career outside Norway he has gained extensive experience within the field of finance from Asia, the Americas and Europe. Prior to joining S.D. Standard Drilling Mr. Johansen has served as CFO for the DOF Subsea Group as well as Global Financial Director for DNV Maritime.

# Overview

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## Background

- Founded in December 2010
  - Listed on the Oslo Axess in March 2011
  - Experienced board with strong track record
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## Current Status

- Pure play premium jackup company
  - Six Keppel FELS Mod V B jackups under construction in Singapore
  - All rigs possess 20/80 financing and fully financed until delivery of 1st rig in February '13
  - Successfully building management team filling both the CEO and CFO positions
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## Strategy

- Create shareholder value through operations, growth and consolidation
- Focus on premium high specification jackup rigs
- Build a best-in-class management team

# Value Added Investor Group



- Private equity firm with solid track record in Asia
- Experienced in building businesses
- Actively involved in Standard Drilling



- Experienced investment firm with substantial rig experience
- Successfully invested in 16 rig projects
- Actively involved in Standard Drilling

Equity Ownership	Percentage
Clearwater	29.9%
Ferncliff, Thabo Energy and Associates	~10.0%
Others	~ 60.0%

# Board of Directors

## **Øystein Stray Spetalen**

- Chairman and owner of Ferncliff TIH AS
- Co-Founder and Director of Standard Drilling
- Successful investment track record
- Founder of multiple rig companies including:
  - Songa Offshore
  - Standard Drilling ASA
  - SD Standard Drilling

## **Gunnar Hvammen**

- Co-Founder and Director of Standard Drilling
- Founder of multiple offshore oil related companies including:
  - Songa Offshore
  - Offshore Heavy Transport ASA
  - SD Standard Drilling

## **Stephen J. Marzo**

- Previously Group CFO of the Noble Group Limited a commodities trading company with \$57 billion revenue in 2010
- Independent director of Standard Drilling
- Solid track record of growing businesses and capital raising

## **Robert Petty**

- Managing Partner and Co-Founder of Clearwater Capital Partners
- Chairman of the Board of Standard Drilling
- 27-year successful career investing profitably across cycles sectors and geographies with business building experience

## **Amit Gupta**

- Partner and Co-Founder of Clearwater Capital Partners
- Director of Standard Drilling
- Active board involvement in multiple portfolio companies with 19-years of successful investing in Asia

## **Demetrios Aletraris**

- General Manager in CP Reinsurance Co Ltd
- Director at Standard Drilling

## **George Crystallis**

- Managing Director of M.G. Crystallis & Co Limited
- Director at Standard Drilling

# Premium Rig and World Class Yard

## KFELS B-Class

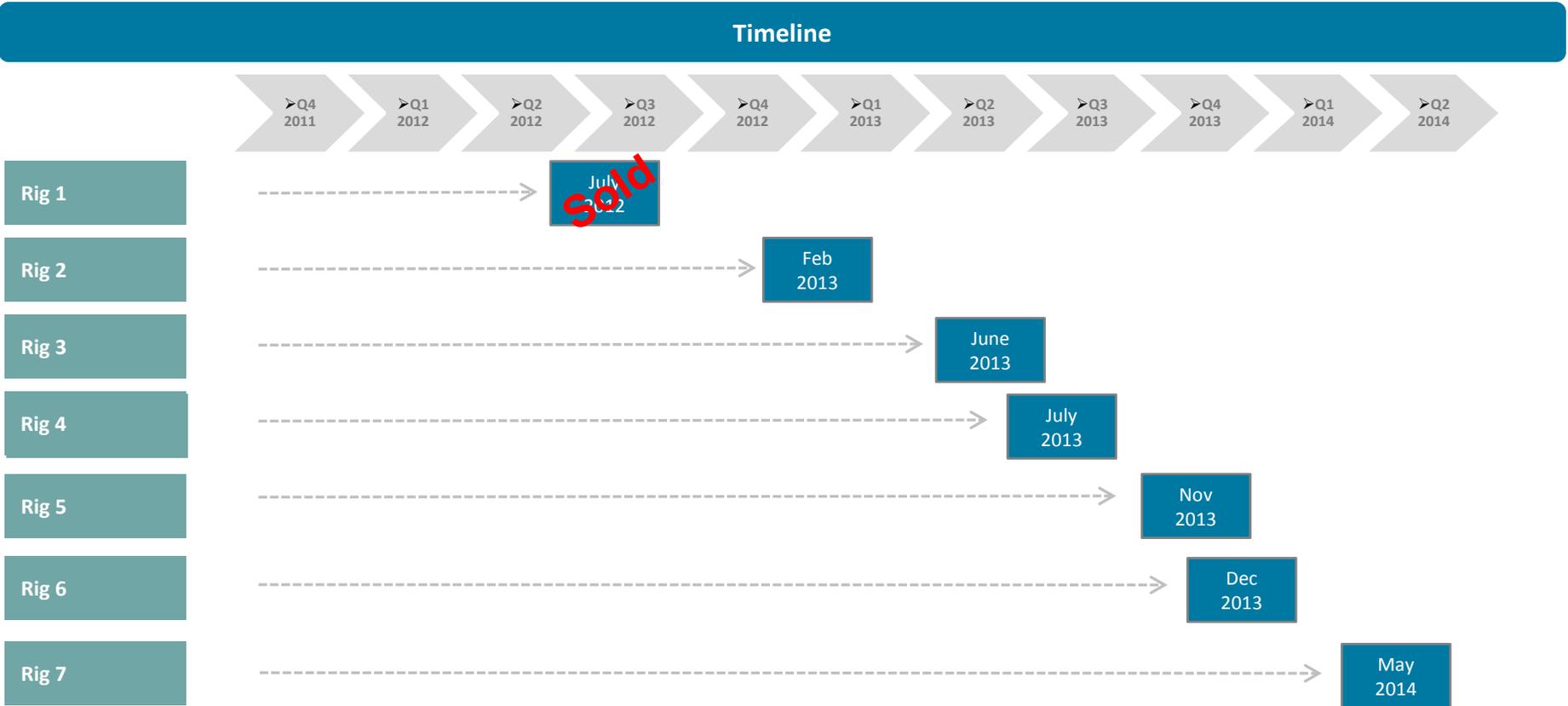
- The KFELS B-Class jackup rig is a first class rig design
  - Over 30 orders secured worldwide since design was launched in 2000
- Preferred design by major drilling companies
- Cost-effective solution, proven for non-harsh environments
- Surpasses other rigs of similar size in terms of environmental ratings and load carry capacity
- Highly adaptable for harsher environment deployment
- Fully automated high-capacity jacking system and self-positioning fixation system
- National Oilwell Varco Drilling Package

## Keppel FELS track record

- Established in 1967, Keppel FELS is the global leader in rig design, construction and repair, ship repair and conversion and specialized shipbuilding
- The world's leading jackup construction yard with an excellent track record, having built over 40% of the world's jackups in the last 10 years
- 24 Mod V B Class jackup units built by Keppel in Singapore since 2006

# Superior Delivery Schedule

- Monetized Rig 1 at a solid valuation further strengthening the balance sheet
- Significant value in early delivery schedule providing substantial value over new orders
- First remaining rig delivery in February 2013 provides a strategic advantage in marketing
- Uniform rig design reduces project management cost and creates efficiency in post delivery operations cost



## Aging Fleet

- Difficult for established players to renew jackup fleet without acquisitions

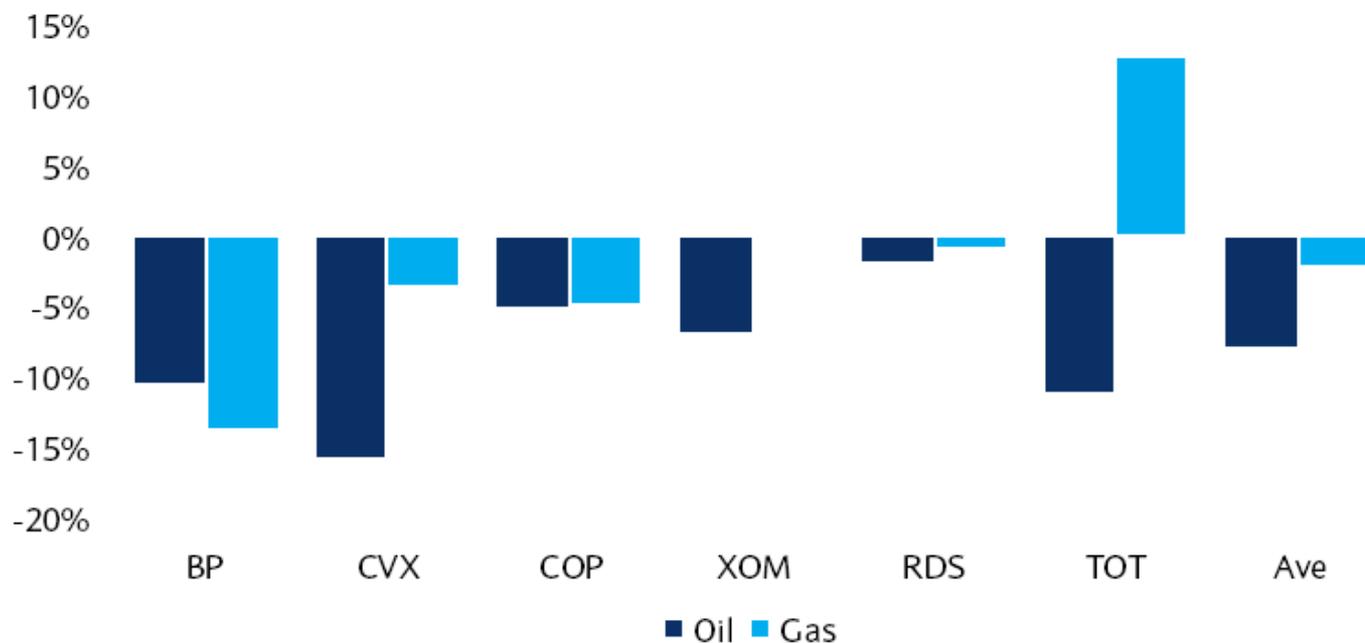
### Jackup Fleet For Major Offshore Drillers

	Current Fleet	2011-2014 Newbuilds	2014 Total Fleet	2014 Average Age
Transocean	61	4	65	30
Ensco	48	3	51	28
Noble	43	6	49	29
Rowan	29	2	31	18
Seadrill	16	6	22	6
<b>Standard</b>	<b>0</b>	<b>6</b>	<b>6</b>	<b>1</b>

# Declining Production Driving Activity

- Average year over year decline in production of 8% in the third quarter
- Excluding BP from the analysis, the average decline was still 6%
- Of the 6% decline, oil production was down 8%

## Change in 3Q11 Oil and Gas Production



# Stacked Rigs Decreasing

## Jackup Status

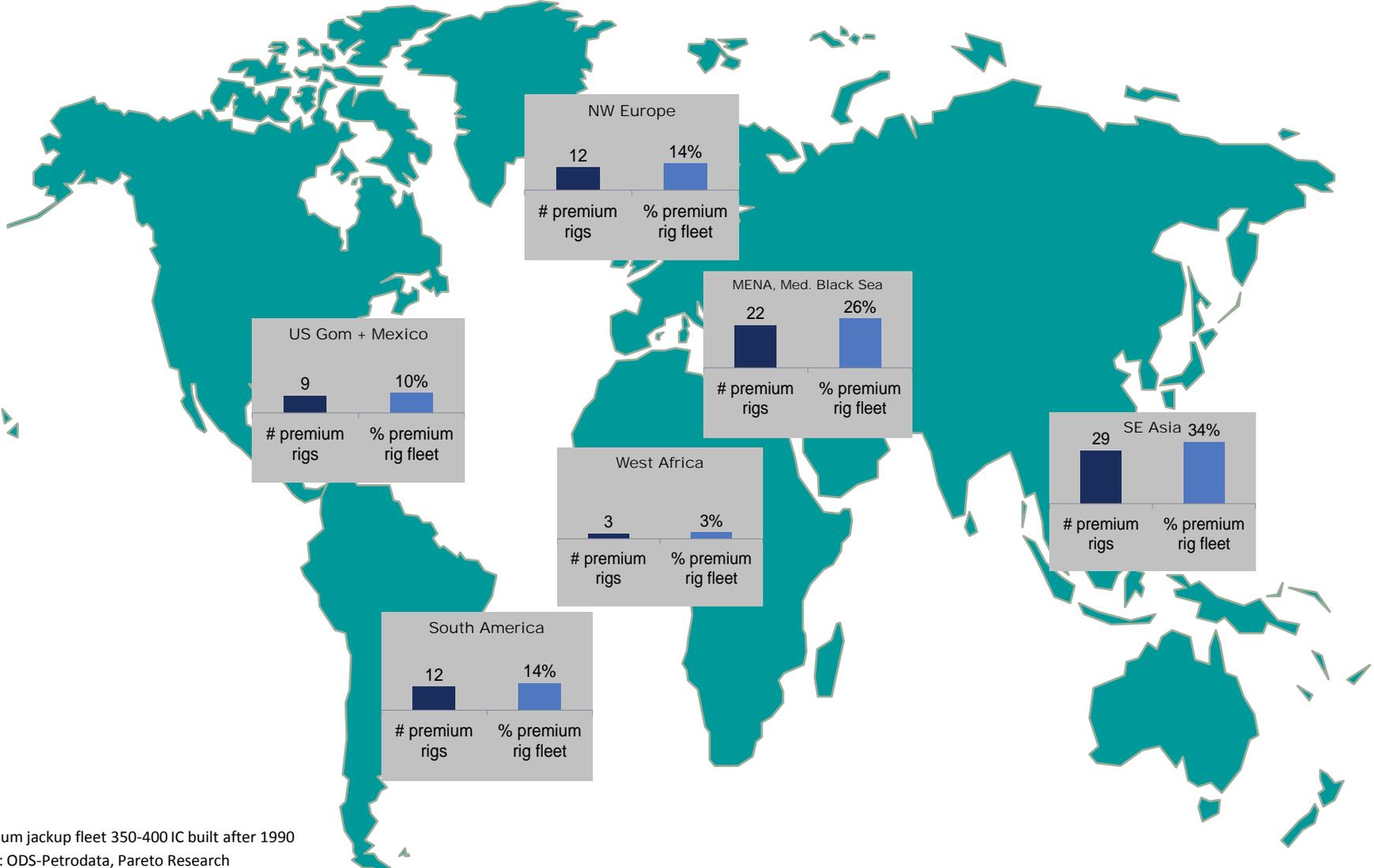
- 19 warm stacked
  - 14 will enter the market in the next 6 months
- 59 cold stacked
  - Stacked for an average of 2.2 years
  - 30 are IC and 22 owned by Transocean
  - 29 slot and 22 owned by Hercules
- Transocean and Hercules will scrap

## Global Jackup Fleet

	IC JUs > 300		IC Jus < 300	Other Jus MS/MC/IS	Total
	After 1990	Before 1990			
Contracted	120	120	90	29	359
Warm stacked	3	7	4	5	19
Cold stacked	1	20	8	30	59
<b>Total</b>	<b>124</b>	<b>147</b>	<b>102</b>	<b>64</b>	<b>437</b>
Utilization w/o cold stacked	98%	94%	96%	85%	95%



# Worldwide Distribution\*

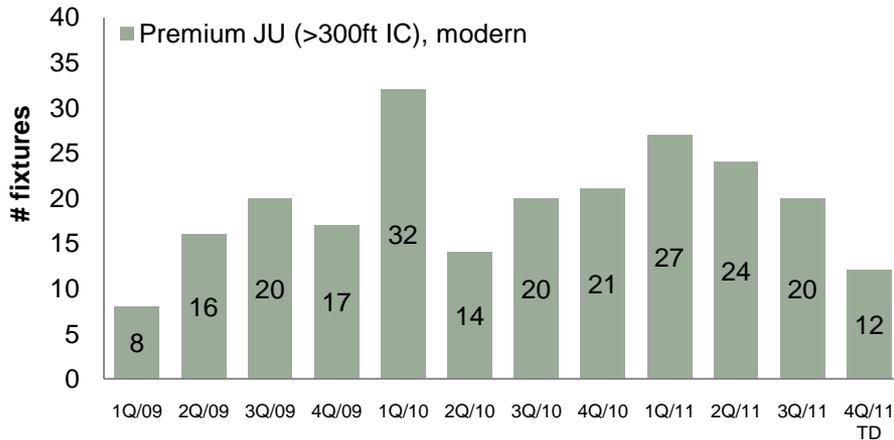


\*Premium jackup fleet 350-400 IC built after 1990  
 Source: ODS-Petrodata, Pareto Research

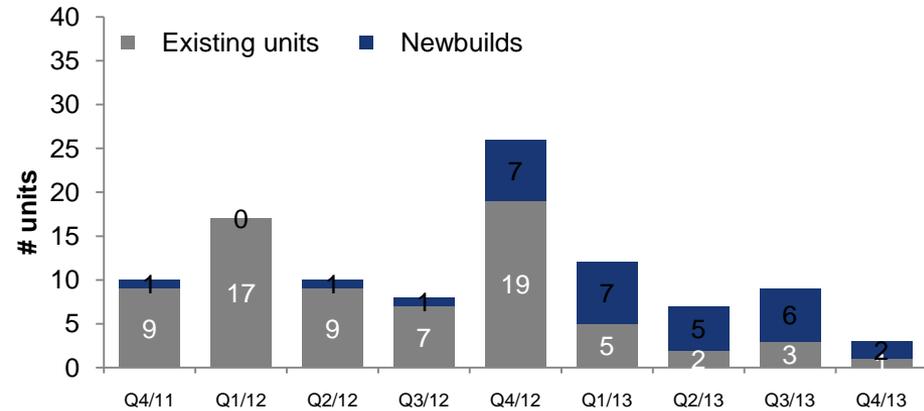
# Limited Availability of Modern Premium Jackups

- On average 22 new contracts and extensions were awarded to modern premium jackups over the past 8 quarters
- On average 12 modern premium jackups available per quarter through YE2013

### Modern Premium Jackup Contracts



### Modern Premium Jackup Availability



## Valuation – Implied Value Per Rig

USD per Share as of 11/14/2011	USD	\$1.38
Market Cap as of 11/14/2011		\$362
Plus: Outstanding Payments to Keppel		\$903
Less: Cash estimates as of YE 2011		\$120
EV		\$1,144
<b>EV/Rig</b>		<b>\$190.7</b>
<b>Current Newbuild Price*</b>		<b>\$200.0</b>
<b>Newbuild Parity**</b>		<b>\$218.1</b>
<b>Recent Transaction Estimates***</b>		<b>\$219.3</b>

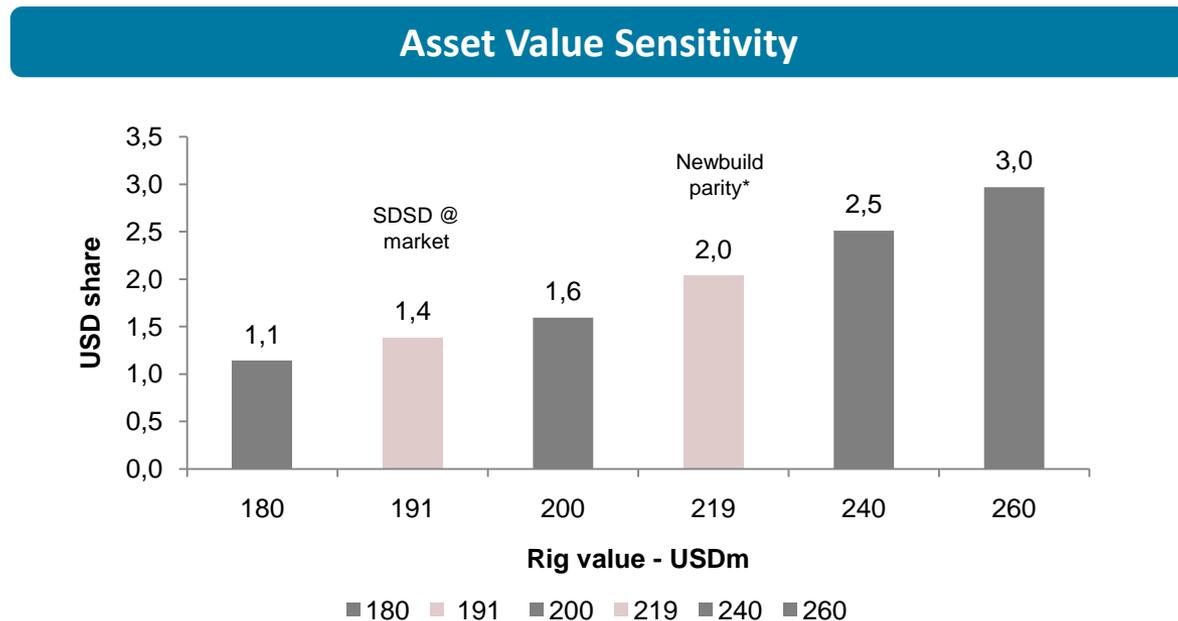
\* Broker estimates

\*\* Newbuild parity calculated based on a yard price of \$200mm, \$8.8mm for early delivery assuming on average 8.8 months earlier delivery of SDSD rigs vs 1Q14 on a new quote, and \$9.3mm value to 20/80 payment terms vs 20/20/60 assuming a 12% cost of equity

\*\*\* DnB Nor Estimates

# Significant Equity Upside Potential

- Yard prices have increased near \$200 million for similar rigs with less favorable financing terms and delivery in 2014
- Recent transactions estimates valuation of newbuild around \$220 million



\* Newbuild parity calculated based on a yard price of \$200mm, \$10.3mm for early delivery assuming on average 9.8 months earlier delivery of SDSD rigs vs 2Q14 on a new quote, and \$9.0mm value to 20/80 payment terms vs 20/20/60 assuming a 12% cost of equity

## Rig Equity Return Sensitivities – Illustrative Example

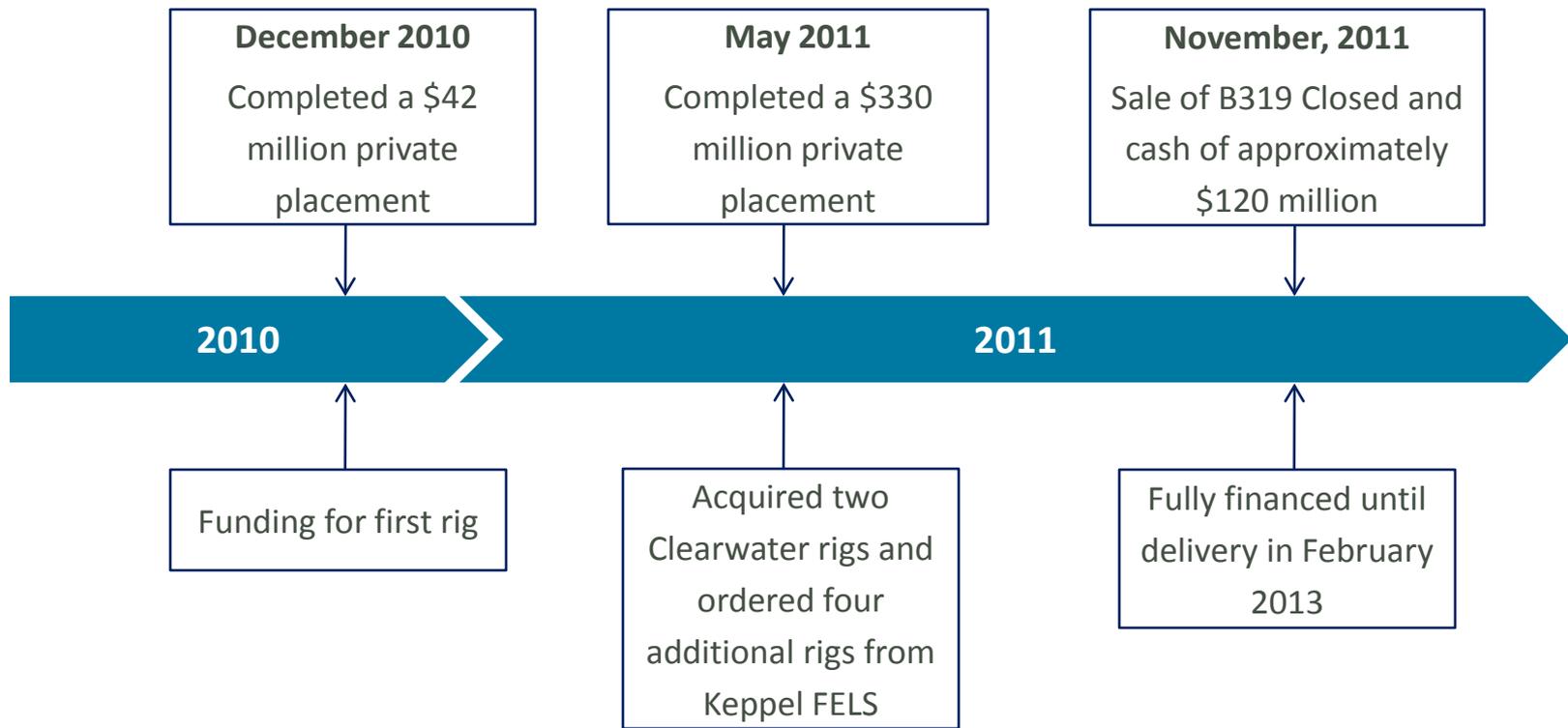
- Strong earnings potential
- Pareto 2012 estimate of \$150k/day

### Earnings Sensitivity on a per rig basis

Day Rates	130,000	150,000	170,000	190,000	210,000
<b>EBITDA</b>	<b>23.6</b>	<b>30.5</b>	<b>37.5</b>	<b>44.4</b>	<b>51.3</b>
Net income	5.7	12.7	19.6	26.5	33.5
Implied P/E	10.5x	4.8x	3.1x	2.3x	1.8x
Implied EV/EBITDA	8.1x	6.2x	5.1x	4.3x	3.7x

# Financing Overview

- Fully financed until delivery of the first rig in February 2013
- Cash of approximately \$120 million as of year end 2011



# Why Standard Drilling?

## People

- Strategically directed by an experienced board with a strong track record
- Committed resources contributed by Ferncliff and Clearwater
- Assembling a management team committed to “raising the bar”

## Assets

- Pure play owner of premium jackups
- Recognized as the most efficient and economically designed premium jackups
- Best positioned to delivery premium jackups to underserved markets

## Capital

- Projected cash balance of approximately \$120 million at year end 2011
- Highly attractive 20/80 payment terms and fully funded until February 2013
- Financial strength to be a consolidator of a fragmented market

## Partners

- Noble Denton team providing construction supervision
- Long standing relationship with Keppel FELS, the world’s leading yard for the construction of premium jackups