

DESIGNING THE FUTURE. Santa Fe International Corporation 2000 Annual Report

ABOUT THE COVER

In December 2000, we initiated a program to enhance our presence as a premier offshore drilling contractor. This initially involves adding two deepwater semisubmersible rigs and two high performance jackup rigs to our fleet over the next few years. It seems appropriate to identify this milestone in our 54-year history as a time of "designing the future" for the growth and expansion of Santa Fe International Corporation.

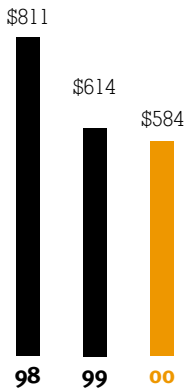


SELECTED FINANCIAL DATA

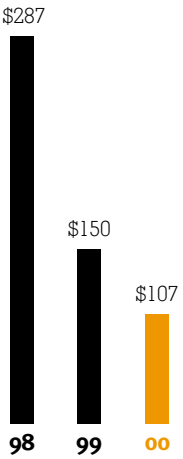
[In thousands, except percentages and per share amounts]

	2000	1999	1998
Income Statement Data			
Operating revenues	$ 584,010	$ 614,241	$ 811,346
Operating income	$ 115,400	$ 169,056	$ 325,344
Net income	$ 107,190	$ 149,824	$ 287,144
Net Income per Ordinary Share			
Basic	$ .93	$ 1.31	$ 2.51
Diluted	$ .92	$ 1.30	$ 2.50
Shares Outstanding-Used in Computation			
Basic	114,935	114,735	114,500
Diluted	116,641	115,443	114,812
Balance Sheet Data			
Total current assets	$ 522,232	$ 408,692	$ 352,436
Property and equipment, net	$ 1,103,315	$ 1,102,564	$ 1,049,201
Total assets	$ 1,693,640	$ 1,563,542	$ 1,453,736
Total liabilities	$ 219,413	$ 197,517	$ 226,512
Shareholders' equity	$ 1,474,227	$ 1,366,025	$ 1,227,224
Other Data			
Capital expenditures	$ 82,959	$ 124,608	$ 277,400
EBITDA	$ 198,000	$ 240,687	$ 381,151
Operating income return on average PP&E	10.5%	15.7%	35.2%
Net income return on average equity	7.6%	11.6%	26.3%

Operating Revenue
[In millions]



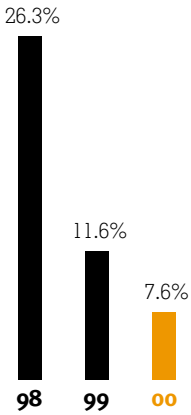
Net Income
[In millions]



Shareholders' Equity
[In millions]



Net Income Return on Average Equity





C. Stedman Garber, Jr.
President and
Chief Executive Officer

The year 2000 represented a clear turning point from the bottom of the drilling industry cycle which, for Santa Fe, occurred in the fourth quarter of 1999.

Financial results showed steady improvement throughout the year and there are strong indications for continued improvement in 2001. While exploration and production spending by the oil and gas industry generally was on the upswing in 2000, we anticipate that international spending will show a marked increase in 2001 that will accelerate the upturn in the markets where Santa Fe operates.

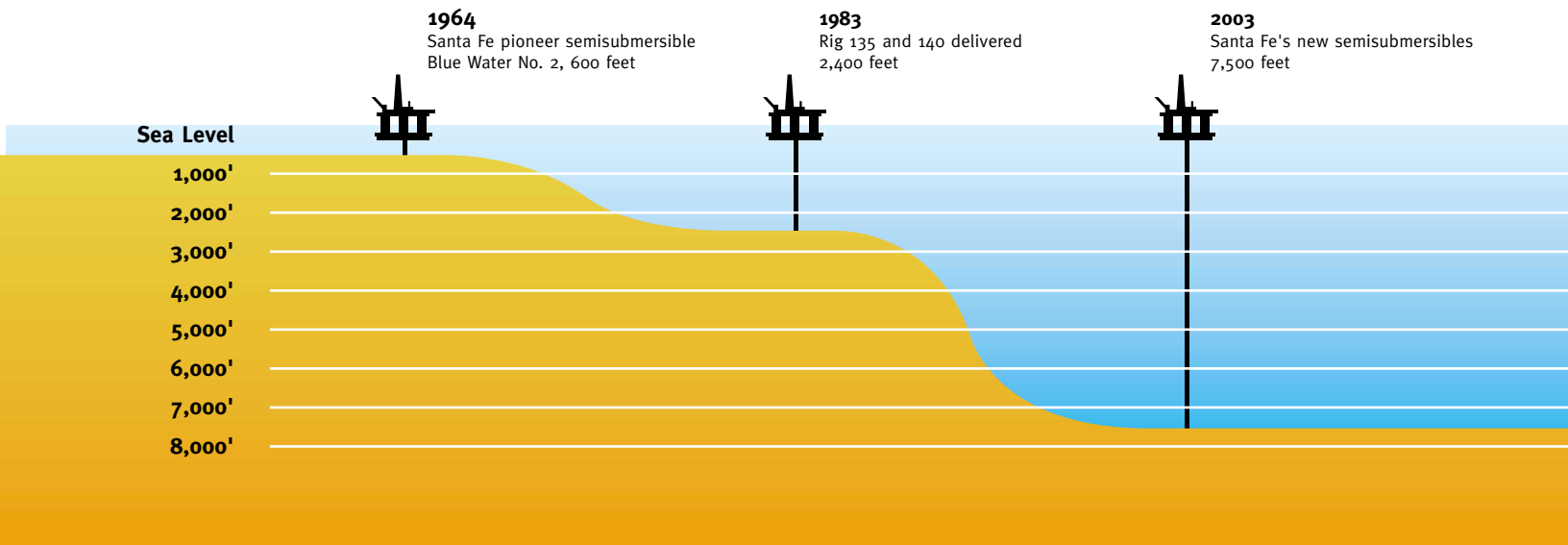
The core of Santa Fe's marine drilling fleet, its heavy duty harsh environment jackups, once again proved its value by maintaining average quarterly utilization above 90% and average quarterly dayrates above $100,000 throughout the year. Other marine rig business units saw strong utilization growth throughout the year with overall marine utilization reaching an average of 95% during the fourth quarter. Santa Fe's land rig business was down slightly for the year, but we are encouraged by the upturn developing in Venezuela.

Santa Fe's reputation for outstanding drilling performance is highlighted by several achievements during 2000. Our jackup Compact Driller, working in Thailand, drilled a total of 327,377 feet in 2000, averaging over 25,000 feet of hole per month. One exploration well was drilled to a depth of 10,000 feet in four days while average drilling time for exploration wells was five days. In one 24 hour period the Compact Driller drilled 7,160 feet of hole.

The semisubmersible Istiglal, operated through Santa Fe's Caspian Drilling Company joint venture, has set a number of records while operating in the extremely challenging geological conditions of the Caspian Sea, including drilling 10,000 feet of hole in 32 days to the reservoir top and 10,000 feet of coring operations in 57 days. Another Caspian record was set when the Istiglal drilled to a total depth of 21,943 feet. Also in the Caspian Sea, the semisubmersible Dada Gorgud completed its third upgrade project in 2000, further enhancing its capabilities and meeting the requirements of the customer to be awarded a five and a half year contract.

One of our land rigs in Venezuela, Rig 178, continuously drilled and completed multi-lateral wells. The most recent was drilled utilizing three primary multi-lateral sections having twelve, eight and six legs, respectively. In total, just over 60,000 feet of hole was drilled with over 52,000 feet being drilled in one month. In Oman, Rigs 150 and 151, conducted extensive multi-lateral drilling operations with Rig 150 achieving ten years and Rig 151 achieving seven years without a lost time accident.

Extending Our Deepwater Capability



Safety in operations is one of Santa Fe's paramount concerns, and one which receives much effort and attention at all levels within our Company. In spite of our significant focus on safety, we suffered several fatalities in our operations in 2000 and early 2001. These accidents are totally unacceptable, and we are making every effort to review our safety systems and procedures to prevent any recurrence. At Santa Fe, we have an objective of working accident free and injuries in our operations are unacceptable. Our record of 1.48 lost time accidents per million man hours worked in 2000 represents a step change over 1999's result of 2.25, which also was a record. Our performance compares favorably with the 2000 industry average of 2.66 in Santa Fe's areas of operation. This result is a tribute to the hard work, training and day-to-day care on the part of our managers and drilling crews around the world.

With an eye towards pursuit of its vision of being the industry leader in providing safe, efficient, cost effective solutions to its customers' most difficult well construction challenges, Santa Fe is embarking on a new build program which focuses on development drilling in deep water and on high performance jackup drilling in the world market.

Our objective is to provide our customers with drilling rigs that deliver the greatest drilling efficiency at the lowest possible cost. We plan to start construction soon on a series of two deepwater semisubmersibles. These semis are expected to be constructed at a very competitive cost and have capabilities equal to or surpassing competitor's rigs. We also are starting construction of two high performance jackups with drilling capabilities of our Universe class Galaxy rigs that are intended to work on challenging drilling programs worldwide rather than focusing solely on the North Sea. These new jackups are expected to cost significantly less than the Galaxy II and III.

Santa Fe has a record of investing in its fleet over all phases of the cycle, and we would agree with the conventional wisdom of requiring a contract to start construction during the robust segment of the industry cycle when construction costs are high. However, it is our conviction that significant cost advantages can be obtained by placing orders for multiple rigs early in the cycle. These savings over peak costs can create a strong competitive advantage as we have proven with our heavy duty harsh environment jackups, Monarch, Monitor, Magellan and Galaxy I, all of which were built without contracts during the late 80's and early 90's. We anticipate that our new rigs will be under contract upon delivery.

We have great confidence in continued growth in demand for our services. While it is most likely that the drilling industry will continue to experience cycles, Santa Fe is planning a future of long-term growth based on our ability to provide premium services to our customers with quality rigs and people. As one of the strongest companies in the industry, from both an operational and financial standpoint, we believe the steps we are taking will result in continued improvement in shareholder value.

Sincerely,



C. Stedman Garber, Jr.
President and Chief Executive Officer
March 12, 2001



A VERSATILE NEW RIG FOR MULTI-WELL DEEPWATER DEVELOPMENT PROGRAMS.

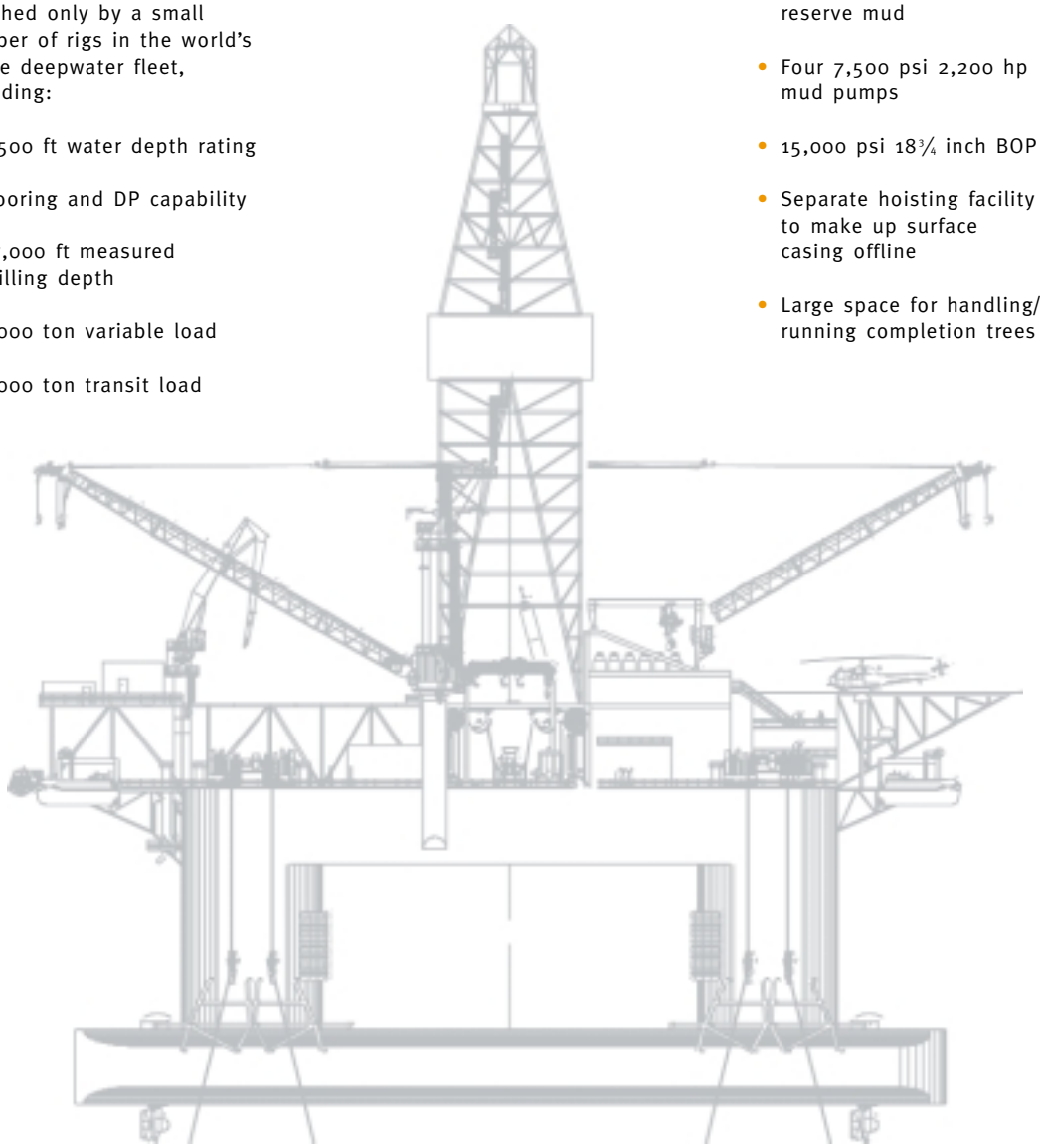
Santa Fe's new semisubmersibles are designed primarily to offer our customers cost efficient multiple well development drilling in water depths up to 7,500 feet in moderate environments. Separate hoisting facilities enable, amongst other operational efficiencies, making up surface casing offline while top hole is being drilled. The derrick has adequate capacity to accommodate all of the tubulars for a 37,000 foot well, a dedicated landing string and a string of either 13 ⅜" or 9 ⅝" casing.



Aleutian Key is currently drilling off Equatorial Guinea

The design offers capabilities matched only by a small number of rigs in the world's entire deepwater fleet, including:

- 7,500 ft water depth rating
- Mooring and DP capability
- 37,000 ft measured drilling depth
- 7,000 ton variable load
- 6,000 ton transit load
- 18,000 bbls active and reserve mud
- Four 7,500 psi 2,200 hp mud pumps
- 15,000 psi 18¾ inch BOP
- Separate hoisting facility to make up surface casing offline
- Large space for handling/ running completion trees



Note: At the time this Annual Report was prepared, exact capabilities and a commitment to construct the new build semisubmersibles had not been finalized. The capabilities shown in this Annual Report are expectations of the anticipated rigs.

DESIGNING THE FUTURE. Santa Fe initiates a major expansion program: adding deepwater semisubmersible rigs and high performance jackups to our fleet.

There are three reasons a drilling company commits substantial capital, time and human resources to a dramatic expansion of its assets: to better serve its customers' needs, to provide opportunities that attract and retain the best and brightest employees, and to improve its potential for greater revenues and earnings while enhancing shareholder value. Additionally, there are three solid strategies for orderly expansion: acquire existing equipment, consummate a merger or acquisition, or build new rigs. In our 54 year history, depending on market conditions, Santa Fe has taken each of these routes to better serve our clients and shareholders while growing our company and now is embarking on a major new build program to propel our growth into the new century.

SANTA FE'S VISION FOR PROFITABLE GROWTH

In December 2000, Santa Fe adopted an ambitious plan to strengthen our presence as a premier offshore drilling contractor by initially building two technically advanced deepwater semisubmersible rigs and two high performance jackup rigs with options to build subsequent rigs as dictated by future market conditions over the next few years. As global exploration and production of oil and gas becomes increasingly difficult with new deepwater frontiers and challenging well conditions, we firmly believe the timing is right to build units capable of meeting the industry's future requirements.

To appreciate this course of action, it is necessary to consider the new build program in the context of what it means for Santa Fe's future.

Drilling for oil and gas is one of the most demanding of professions. Success is measured by performance in safely achieving more in less time for the lowest possible cost. This is the first principle of the drilling business and is made possible by two elements: high performance drilling rigs and resourceful crews to operate those rigs. From the beginning, the performance driven culture of Santa Fe has made the difference. This has resulted in more than half a century of success in one of the world's most cyclical and competitive industries.

A WORLDWIDE PRESENCE FOR OVER A HALF CENTURY

Santa Fe was founded in 1946 when Union Oil of California divested itself of its land drilling operations by selling its drilling equipment to a group of employees. The new enterprise quickly built a reputation for performance and never looked back.

From the start, Santa Fe took on challenging jobs. Within a short time, the Company became international – equally at home in the jungles of Venezuela or the deserts of the Middle East and North Africa. We drilled our first offshore platform wells in 1956. In the early 1960's, we saw an opportunity to enter the new realm of semisubmersible drilling. The Company seized that opportunity in 1965 with the acquisition of two of the industry's first semisubmersible rigs. Through the 70's and into the 80cs, Santa Fe continued its growth through new construction and acquisition of both land and marine rigs. In 1988, we purchased our first heavy duty harsh environment jackup and since have periodically added to that fleet through new construction.

Santa Fe has grown to become one of the industry's premier marine and land drilling contractors. Our rigs and crews are deployed on land and at sea throughout the world on five continents drilling for a wide variety of clients. Santa Fe employs over 5,000 people, comprising a skilled, well-trained workforce of 49 nationalities. A basic principle that has served Santa Fe and our clients well is our ability to recruit, train and promote employees from our regions of operation. Moreover, being dispersed over the world's oil and gas producing regions helps reduce the effects of regional economic cycles and political considerations.

"Because of Santa Fe's commitment to training and advancing personnel from within the company, I have been encouraged to upgrade my skills and transfer from land to offshore rigs."

J. Blaine Wilke – Canadian
[Drilling Foreman – Vietnam]



"I count myself lucky to be a member of the highly motivated Santa Fe team now poised to ensure the Company's vision of being the premier drilling company."

Jacob Sule – Nigerian
[Manager Trainee – Egypt]



"The standards of professionalism are so high it's no wonder our company has been able to build the reputation associated with Santa Fe. We're excited about the deepwater projects and look forward to new challenges."

Lewie R. (Ricky) Chambers – American
[Rig Manager – Caspian Sea]



"A company to be proud of, an excellent safety environment, a productive team, but most of all, a home and opportunity for my family and me."

Robbi N. Coyle – Australian
[Drilling Foreman – Caspian Sea]



"This Company prepares its people to follow its policies for effectiveness and safety in its operations. I have felt a part of the Santa Fe family from the beginning."

Regulo Salas – Venezuelan
[Manager Trainee – Kuwait]



Santa Fe owns and operates a fleet of 27 marine rigs and 33 land rigs. We also provide drilling services for joint ventures and client owned rigs as well as incentive drilling, drilling engineering and a variety of drilling related project management services. We are the industry leader in heavy duty harsh environment jackup rigs designed primarily for the North Sea and the eastern shore of Canada where drilling high temperature, high pressure wells in hostile weather and seas are the norm. We have established a reputation for extremely efficient drilling of multiple well development programs with our heavy duty harsh environment jackups, and we now intend to establish a similar reputation with deepwater semisubmersibles.

A VERSATILE SEMISUBMERSIBLE FOR DEEPWATER DRILLING

To develop the most cost effective deepwater solution, we conducted extensive reviews of the capabilities and requirements for semisubmersible rigs demanded by our clients for multiple well deepwater development programs. The result is a semisubmersible designed primarily for development drilling in water depths up to 7,500 feet in moderate environments. This design offers capabilities matched only by a small number of rigs in the world's deepwater fleet.

Our new semisubmersibles will provide both dynamic positioning and conventional mooring capabilities. The ability to reach 37,000 feet in drilling depth will give the rig substantial competitive advantage. The design emphasis is on high capacity and high performance. The rigs will be outfitted with four 7,500 psi 2,200 hp mud pumps. A separate hoisting facility allows 30" and 20" casing to be made up while the top hole is being drilled. The derrick capacity accommodates all of the drilling tubulars for a 37,000 foot well, a dedicated landing string and a string of either 13 ⅜" or 9 ⅝" casing racked in triple lengths.

HIGH PERFORMANCE JACKUPS TO MEET CUSTOMER DEMAND

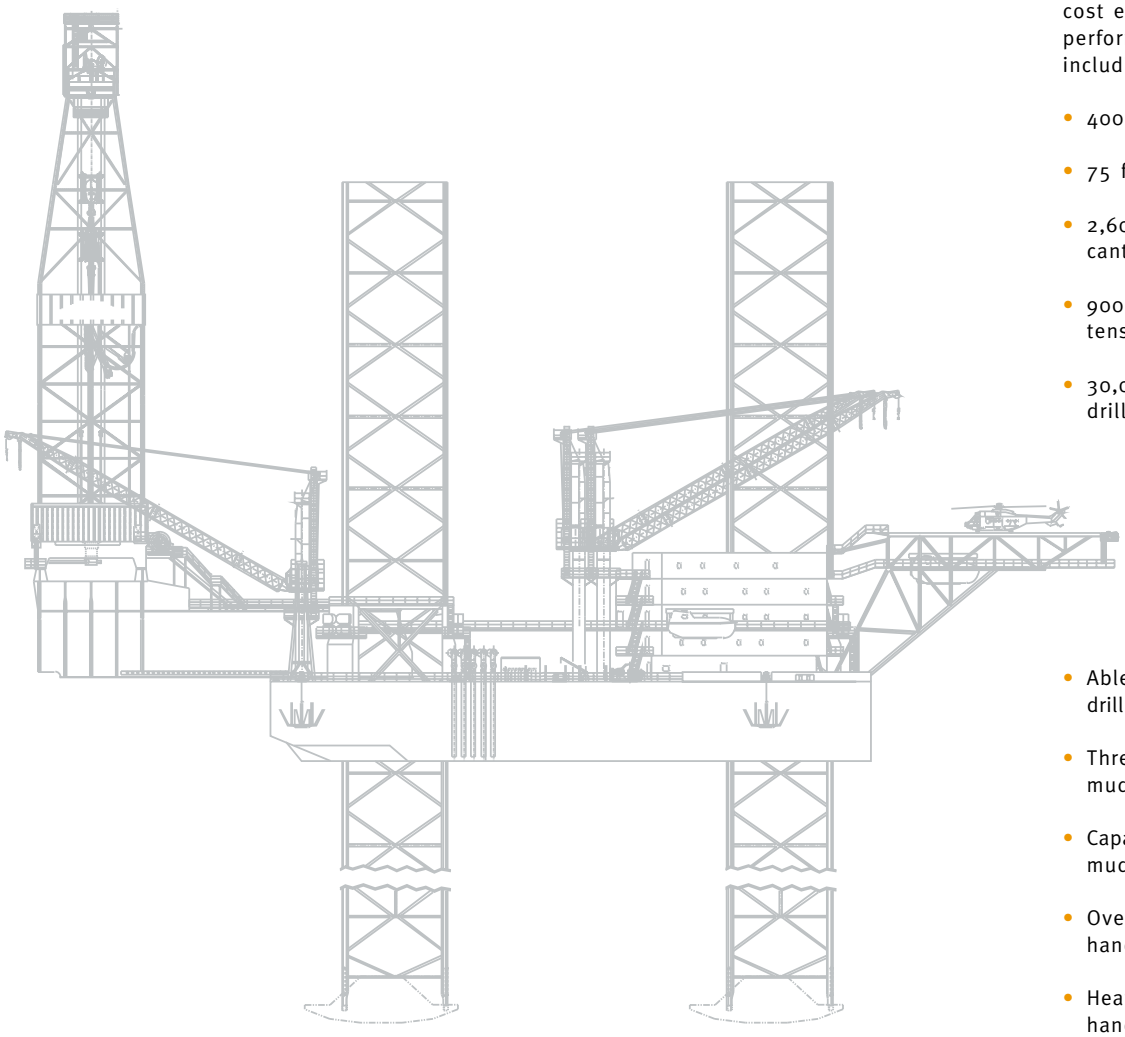
Our market research demonstrated that our clients are looking for new solutions as rig designs and drilling technology continually evolve. Thus, we see an increasing requirement for jackup rigs with enhanced capabilities. Our new JU 2000 high performance jackup design embodies those cost effective solutions and the performance characteristics demanded by our clients.

Santa Fe's new jackups will be capable of drilling in up to 400 foot water depths in moderate environments while offering the equivalent drilling capacity of our Universe class Galaxy rigs. Our clients will have more platform well slot options due to the rigs' 75 foot extended reach cantilever. The high capacity mud system will deliver superior drilling performance in up to 30,000 foot measured depth wells. The design offers a more efficient BOP handling and storage system and a conductor tensioning system that can be deployed anywhere within the cantilever drilling envelope offering the greatest flexibilty to drill over subsea templates. Finally, uniformity of design in the multiple rig build program offers savings in construction, component and equipment costs.

DESIGNING THE FUTURE

The multiple benefits of operating globally in a variety of environments, the type of drilling programs for which we compete, the projected financial return of each rig, and the vision to build during the oil and gas industry's economic low cycle all contributed to our decisions on the type and number of rigs we will add to our fleet.

With the addition of these advanced rigs to our fleet over the next few years, Santa Fe continues our tradition of providing clients cost-effective high performance. With the implementation of our new build program, we embark on a mission of profitable expansion and continued enhancement of shareholder value.



The new high performance jackup design embodies cost effective solutions and performance characteristics, including:

- 400 ft water depth rating
- 75 ft cantilever reach
- 2,600,000 lbs cantilever rating
- 900,000 lbs conductor tensioning system
- 30,000 ft measured drilling depth
- Able to move cantilever/ drill floor with pipe in derrick
- Three 7,500 psi 2,200 hp mud pumps
- Capacity for two independent mud systems
- Overhead bridge crane for handling BOP
- Heavy duty cranes to handle coil tubing unit

INNOVATIVE DESIGN AND EFFECTIVE BALANCE OF COST, CAPABILITY AND EFFICIENCY.

Santa Fe's new high performance jackups will be capable of working in up to 400 foot water depths in most oil and gas producing environments worldwide. While designed primarily for moderate environments, these rigs offer the equivalent drilling capacity of our heavy duty harsh environment Universe class Galaxy rigs and are capable of working in up to 300 to 350 foot water depths in harsh environments. This design represents the most effective balance of cost, capability and efficiency.



Galaxy II is currently drilling off Eastern Canada

2000 DIRECTORS AND OFFICERS

Board of Directors

Gordon M. Anderson
Chairman of the Board
Dallas, Texas, USA

Ferdinand A. Berger
London, England

C. Stedman Garber, Jr.
Santa Fe International Corporation
Dallas, Texas, USA

Richard N. Haass
Brookings Institution
Washington D.C., USA

Khaled R. Al-Haroon
Kuwait Petroleum Corporation
Kuwait City, Kuwait

Maha A. R. Razzuqi
Kuwait National Petroleum Company
Kuwait City, Kuwait

Stephen J. Solarz
Solarz Associates
Washington D.C., USA

Nader H. Sultan
Kuwait Petroleum Corporation
Kuwait City, Kuwait

Robert Wycoff
Los Angeles, California, USA

Officers

C. Stedman Garber, Jr.
President and
Chief Executive Officer

Roger B. Hunt
Senior Vice President,
Commercial Manager

Seals M. McCarty
Senior Vice President,
Chief Financial Officer

Tom L. Seeliger
Senior Vice President,
Operations Manager

Ali Awad
Vice President, Regional Manager

John G. Bergeland
Vice President, Contracts and Business Development

James A. Blue
Vice President, Regional Manager

Joe E. Boyd
Vice President, Human Resources and Corporate Affairs

Roger DeFreitas
Vice President, Regional Manager

Steven J. Gangelhoff
Vice President, Regional Manager

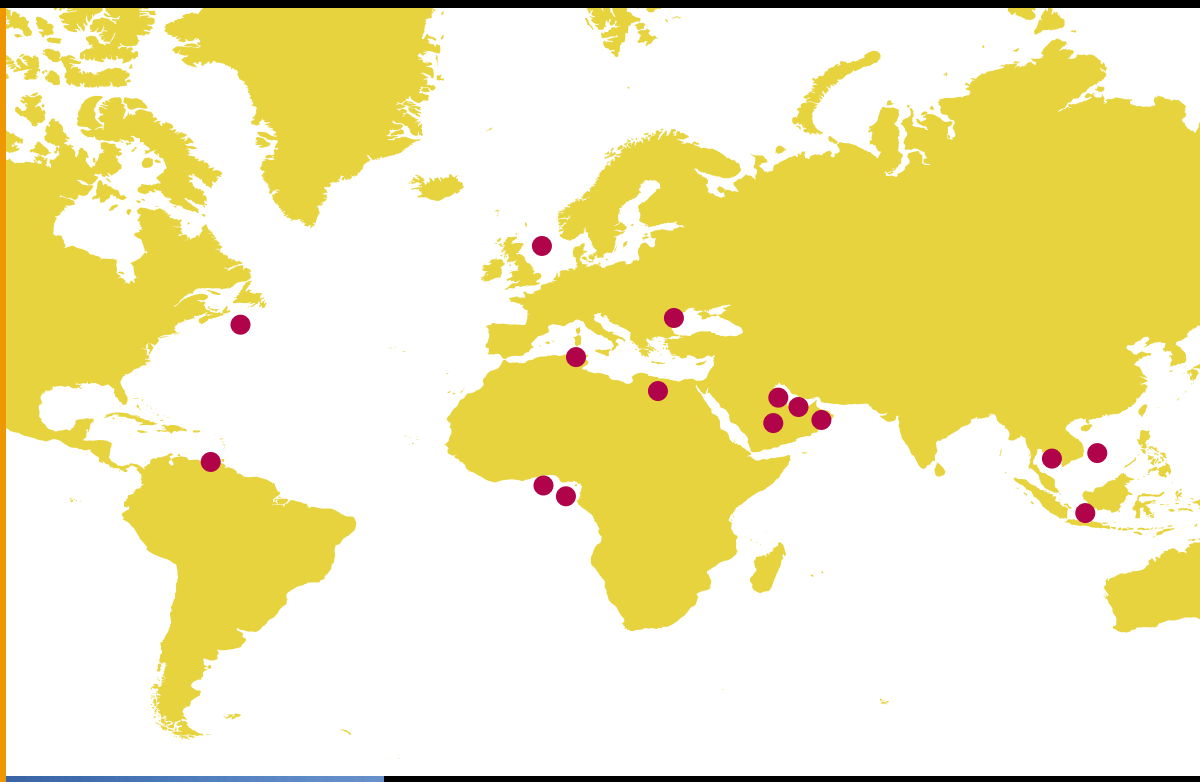
Richard J. Hoffman
Vice President, Investor Relations

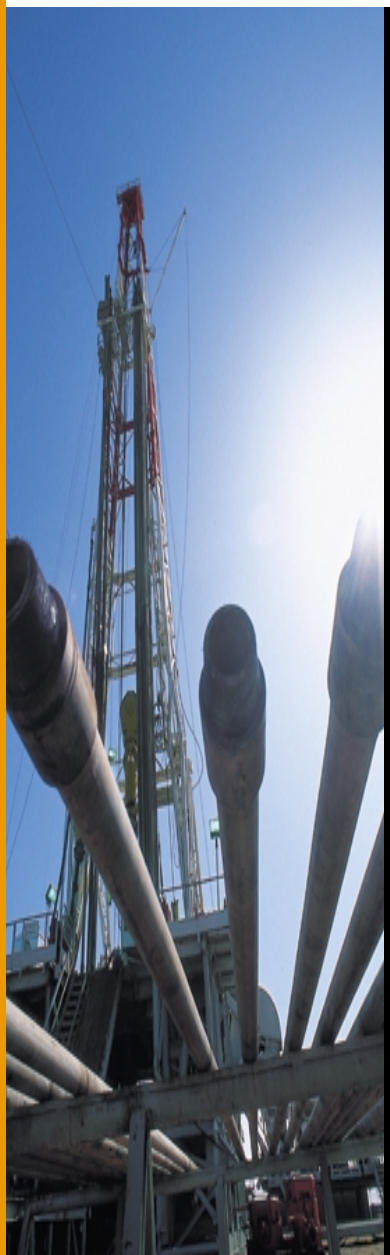
Cary A. Moomjian, Jr.
Vice President, General Counsel and Secretary

James E. Oliver
Vice President, Controller and Treasurer

Charles N. Springett
Vice President, Chief Engineer

Dean A. Kewish
Assistant Secretary





Santa Fe's fleet of 27 marine and 33 land rigs is strategically positioned throughout the world.

NORTH SEA: UK Sector – 6 Jackups, 2 Semisubmersibles, 1 Platform Rig

SOUTH AMERICA: Venezuela – 1 Jackup, 10 Land Rigs

NORTH AMERICA: Canada – 1 Jackup

WEST AFRICA: Equatorial Guinea, Nigeria – 1 Semisubmersible, 1 Jackup

NORTH AFRICA: Egypt, Tunisia – 6 Jackups, 4 Land Rigs

MIDDLE EAST: Kuwait, Oman, Qatar, Saudi Arabia – 3 Jackups, 19 Land Rigs

SOUTHEAST ASIA: Indonesia, Thailand, Vietnam – 5 Jackups

Additionally, Santa Fe operates 12 third party platform rigs in the North Sea, one leased semisubmersible in the Caspian Sea and, through its joint venture, Caspian Drilling Company, a second semisubmersible.



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Santa Fe International Corporation
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Vice President, Investor Relations
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irelations@sfdrill.com

Stock Listing
New York Stock Exchange
Symbol: SDC

Stock Transfer Agent and Registrar
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www.mellon-investor.com
Telephone: 800 635 9270
TDD for Hearing Impaired: 800 231 5469
Foreign Shareholders: 201 329 8660
TDD Foreign Shareholders: 201 329 8354

INVESTOR INFORMATION

General

Santa Fe International Corporation (as the context may require herein referred to individually and collectively with its subsidiaries and predecessors as "Santa Fe" or the "Company") is a leading international offshore and land contract driller incorporated in its current form under the laws of the Cayman Islands in 1990. The Company owns and operates a high quality, technologically advanced fleet of 27 marine drilling rigs and 33 land drilling rigs and is a provider of drilling related services to the petroleum industry.

Additional Information

Santa Fe International Corporation is duly organized and existing under the laws of the Cayman Islands with a statutory address at P.O. Box 309, George Town, Grand Cayman, Cayman Islands, BWI. The Company shall hold its Annual General Meeting of Shareholders on Tuesday, May 15, 2001, at 2:00 p.m. CDT. Shareholders of record at the close of business on March 16, 2001, are entitled to participate in and vote at the Meeting in person or by proxy. The Meeting will be held at the Four Seasons Resort and Club, 4150 North MacArthur Blvd., Irving, Texas 75038 USA

Form 10-K

Additional copies of the Company's Form 10-K for the year ended December 31, 2000, are available upon request, through the Company's website at www.sfdrill.com or in the SEC's EDGAR filings.

Financial Information and News Releases

Information concerning the Company, including quarterly financial results and current news releases, is available to shareholders and other interested parties on the Company's website at www.sfdrill.com or upon request from the Company's Investor Relations department.

Nature of Trading Market

Our ordinary shares are listed on the New York Stock Exchange under the symbol "SDC". The following table sets forth the high and low prices of the ordinary shares as reported in the consolidated transaction reporting system of the New York Stock Exchange for the periods indicated.

	High	Low
1999		
First Quarter	$20.38	$13.00
Second Quarter	$23.31	$16.19
Third Quarter	$27.00	$19.13
Fourth Quarter	$26.00	$19.00
2000		
First Quarter	$38.38	$24.38
Second Quarter	$39.13	$28.50
Third Quarter	$45.25	$32.13
Fourth Quarter	$45.94	$23.00

On January 31, 2001, the closing price of the ordinary shares, as reported by the NYSE, was $33.90 per share. As of January 31, 2001, there were approximately 460 shareholders of record of ordinary shares. This number does not include shareholders for whom shares are held in a nominee or street name.

Forward Looking Statements

The disclaimer regarding Forward Looking Statements contained in the attached Form 10-K is incorporated herein by this reference.

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Santa Fe International Corporation