UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ______ TO ______.

COMMISSION FILE NUMBER 333-75899

TRANSOCEAN INC.
(Exact name of registrant as specified in its charter)

CAYMAN ISLANDS	66-0582307
(State or other jurisdication of incorporation or organization)	(I.R.S. Employer Identification No.)

4 GREENWAY PLAZA HOUSTON, TEXAS	77046
(Address of principal executive offices)	(Zip Code)

Registrants' telephone number, including area code: (713) 232-7500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

As of July 31, 2002, 319,219,986 ordinary shares, par value $0.01 per share, were outstanding.

TRANSOCEAN INC.
INDEX TO FORM 10-Q

QUARTER ENDED JUNE 30, 2002

	Page
PART I - FINANCIAL INFORMATION	
ITEM 1. Financial Statements (Unaudited)	
Condensed Consolidated Statements of Operations Three and Six Months Ended June 30, 2002 and 2001	2
Condensed Consolidated Balance Sheets June 30, 2002 and December 31, 2001	3
Condensed Consolidated Statements of Cash Flows Six Months Ended June 30, 2002 and 2001	4

Notes to Condensed Consolidated Financial Statements 5

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. 19

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk. 39

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings 40
ITEM 4. Submission of Matters to a Vote of Security Holders 40
ITEM 5. Other Information 41
ITEM 6. Exhibits and Reports on Form 8-K. 42

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements of Transocean Inc. (formerly known as "Transocean Sedco Forex Inc.") and its consolidated subsidiaries (the "Company") included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and notes normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

TRANSOCEAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Operating Revenues	$646.2	$752.2	$ 1,314.1	$1,302.3
Costs and Expenses				
Operating and maintenance	365.6	394.3	746.6	745.2
Depreciation	124.3	123.7	249.9	223.1
Goodwill amortization	-	41.4	-	71.6
General and administrative	16.0	14.6	35.8	29.4
	505.9	574.0	1,032.3	1,069.3
Impairment Loss on Long-Lived Assets	-	-	(1.1)	-
Gain (Loss) from Sale of Assets, net	(1.3)	-	0.6	19.6
Operating Income	139.0	178.2	281.3	252.6
Other Income (Expense), net				
Equity in earnings of joint ventures	2.5	4.0	4.4	5.7
Interest income	5.7	4.7	9.9	8.3
Interest expense, net of amounts capitalized	(52.5)	(66.8)	(108.4)	(104.0)
Other, net	(0.4)	(1.0)	(1.1)	(1.5)
	(44.7)	(59.1)	(95.2)	(91.5)
Income Before Income Taxes, Minority Interest, Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	94.3	119.1	186.1	161.1
Income Tax Expense	13.9	32.2	27.7	42.3
Minority Interest	0.4	1.1	1.1	2.5
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	80.0	85.8	157.3	116.3
Loss on Extraordinary Item, net of tax	-	(17.3)	-	(17.3)
Cumulative Effect of a Change in Accounting Principle	-	-	(1,363.7)	-
Net Income (Loss)	$ 80.0	$ 68.5	$(1,206.4)	$ 99.0
Basic Earnings (Loss) Per Share				
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 0.25	$ 0.27	$ 0.49	$ 0.39
Loss on Extraordinary Item, net of tax	-	(0.05)	-	(0.06)
Cumulative Effect of a Change in Accounting Principle	-	-	(4.27)	-
Net Income (Loss)	$ 0.25	$ 0.22	$ (3.78)	$ 0.33
Diluted Earnings (Loss) Per Share				
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 0.25	$ 0.26	$ 0.49	$ 0.38
Loss on Extraordinary Item, net of tax	-	(0.05)	-	(0.06)
Cumulative Effect of a Change in Accounting Principle	-	-	(4.22)	-
Net Income (Loss)	$ 0.25	$ 0.21	$ (3.73)	$ 0.32
Weighted Average Shares Outstanding				
Basic	319.1	318.2	319.1	299.5
Diluted	323.9	325.0	323.6	305.3
Dividends Paid Per Share	$ 0.03	$ 0.03	$ 0.06	$ 0.06

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	June 30, 2002	December 31, 2001
	(Unaudited)	
ASSETS		
Cash and Cash Equivalents	$ 755.9	$ 853.4
Accounts Receivable, net of allowance for doubtful accounts of $28.5 and $24.2 at June 30, 2002 and December 31, 2001, respectively	591.5	675.7
Materials and Supplies, net of allowance for obsolescence of $19.6 and $24.1 at June 30, 2002 and December 31, 2001, respectively	169.3	158.8
Deferred Income Taxes	21.3	21.0
Other Current Assets	40.4	27.9
Total Current Assets	1,578.4	1,736.8
Property and Equipment	10,045.4	10,081.4
Less Accumulated Depreciation	1,930.6	1,713.3
Property and Equipment, net	8,114.8	8,368.1
Goodwill, net	5,103.0	6,466.7
Investments in and Advances to Joint Ventures	114.3	107.1
Other Assets	393.6	341.1
Total Assets	$ 15,304.1	$ 17,019.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	$ 133.3	$ 188.4
Accrued Income Taxes	210.5	188.2
Debt Due Within One Year	924.7	484.4
Other Current Liabilities	236.4	283.4
Total Current Liabilities	1,504.9	1,144.4
Long-Term Debt	3,702.6	4,539.4
Deferred Income Taxes	279.1	317.1
Other Long-Term Liabilities	120.0	108.6
Total Long-Term Liabilities	4,101.7	4,965.1
Commitments and Contingencies		
Preference Shares, $0.10 par value; 50,000,000 shares authorized, none issued and outstanding	-	-
Ordinary Shares, $0.01 par value; 800,000,000 shares authorized, 319,207,590 and 318,816,035 shares issued and outstanding at June 30, 2002 and December 31, 2001, respectively	3.2	3.2
Additional Paid-in Capital	10,622.4	10,611.7
Accumulated Other Comprehensive Income	(0.2)	(2.3)
Retained Earnings (Deficit)	(927.9)	297.7
Total Shareholders' Equity	9,697.5	10,910.3
Total Liabilities and Shareholders' Equity	$ 15,304.1	$ 17,019.8

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$(1,206.4)	$ 99.0
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	249.9	223.1
Goodwill amortization	-	71.6
Cumulative effect of a change in accounting principle - goodwill impairment	1,363.7	-
Deferred income taxes	(38.3)	(33.8)
Equity in earnings of joint ventures	(4.4)	(5.7)
Net (gain)/loss from disposal of assets	2.3	(18.4)
Impairment loss on long-lived assets	1.1	-
Loss on sale of securities	-	1.8
Amortization of debt-related discounts/premiums, fair value adjustments and issue costs, net	2.9	(11.3)
Deferred income, net	(6.0)	(30.0)
Deferred expenses, net	7.0	(27.6)
Extraordinary loss on debt extinguishment, net of tax	-	17.3
Other, net	9.7	6.9
Changes in operating assets and liabilities, net of effects from the R&B Falcon merger		
Accounts receivable	84.1	(162.6)
Accounts payable and other current liabilities	(84.7)	(95.6)
Income taxes receivable/payable, net	22.3	30.3
Other current assets	(22.7)	(13.8)
Net Cash Provided by Operating Activities	380.5	51.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(81.2)	(371.8)
Proceeds from disposal of assets, net	65.0	29.2
Proceeds from sale of securities	-	16.8
Merger costs paid	-	(24.5)
Cash acquired in merger, net of cash paid	-	264.7
Joint ventures and other investments, net	-	2.7
Net Cash Used in Investing Activities	(16.2)	(82.9)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on revolving credit agreements	-	(180.1)
Net borrowings (repayments) under commercial paper program	(326.4)	60.3
Repayments on other debt instruments	(119.6)	(1,478.2)
Net proceeds from issuance of debt	-	1,693.5
Net proceeds from issuance of ordinary shares under stock-based compensation plans	10.3	28.8
Proceeds from issuance of ordinary shares upon exercise of warrants	-	10.6
Dividends paid	(19.1)	(19.1)
Financing costs	(8.1)	(15.5)
Other, net	1.1	5.6
Net Cash Provided by (Used in) Financing Activities	(461.8)	105.9
Net Increase (Decrease) in Cash and Cash Equivalents	(97.5)	74.2
Cash and Cash Equivalents at Beginning of Period	853.4	34.5
Cash and Cash Equivalents at End of Period	$ 755.9	$ 108.7

See accompanying notes.

NOTE 1 - PRINCIPLES OF CONSOLIDATION

Transocean Inc. (formerly known as "Transocean Sedco Forex Inc.", together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. As of June 30, 2002, the Company owned, had partial ownership interests in or managed more than 150 mobile offshore and barge drilling units. The Company contracts its drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells.

On January 31, 2001, the Company completed a merger transaction (the "R&B Falcon merger") with R&B Falcon Corporation ("R&B Falcon"). As a result of the merger, R&B Falcon became an indirect wholly owned subsidiary of the Company. The merger was accounted for as a purchase with the Company as the accounting acquiror. The condensed consolidated statements of operations and cash flows for the six months ended June 30, 2001 include five months of operating results and cash flows for R&B Falcon.

Intercompany transactions and accounts have been eliminated. The equity method of accounting is used for investments in joint ventures owned 50 percent or less and for investments in joint ventures owned more than 50 percent where the Company does not have significant control over the day-to-day operations of the joint venture.

NOTE 2 - GENERAL

BASIS OF CONSOLIDATION - The accompanying condensed consolidated financial statements of the Company have been prepared without audit in accordance with accounting principles generally accepted in the United States ("U.S.") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the U.S. for complete financial statements. Operating results for the three and six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002 or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

ACCOUNTING ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to bad debts, materials and supplies obsolescence, investments, intangible assets and goodwill, income taxes, financing operations, workers' insurance, pensions and other post-retirement and employment benefits and contingent liabilities. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

SUPPLEMENTARY CASH FLOW INFORMATION - Cash payments for interest and income taxes, net, were $109.8 million and $44.2 million, respectively, for the six months ended June 30, 2002 and $158.7 million and $46.5 million, respectively, for the six months ended June 30, 2001.

GOODWILL - Prior to the implementation of the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") 142, Goodwill and Other Intangible Assets (see "-New Accounting Pronouncements"), the excess of the purchase price over the estimated fair value of net assets acquired was accounted for as goodwill and was amortized on a straight-line basis based on a 40-year life. The amortization period was based on the nature of the offshore drilling industry, long-lived drilling equipment and the long-standing relationships with core customers.

During the first quarter of 2002, the Company performed the initial test of impairment of goodwill on its two reporting units, "International and U.S. Floater Contract Drilling Services" and "Gulf of Mexico Shallow and Inland Water." The test was applied utilizing the fair value of the reporting units as of January 1, 2002 and was determined based on a combination of each reporting unit's discounted cash flows and publicly traded company multiples and acquisition multiples of comparable businesses. There was no goodwill impairment for the International and U.S. Floater Contract Drilling Services reporting unit. However, because of continued deterioration in the Gulf of Mexico Shallow and Inland Water business segment since the completion of the R&B Falcon merger, a $1,363.7 million impairment of goodwill was recognized as a cumulative effect of a change in accounting principle in the six months ended June 30, 2002. The Company's goodwill balance, after giving effect to the goodwill write down, is $5.1 billion as of June 30, 2002.

The changes in the carrying amount of goodwill are as follows (in millions):

	Balance at January 1, 2002	Loss on Impairment	Balance at June 30, 2002
International and U.S. Floater Contract Drilling Services	$ 4,721.1	$ -	$ 4,721.1
Gulf of Mexico Shallow and Inland Water	1,745.6	(1,363.7)	381.9
	$ 6,466.7	$ (1,363.7)	$ 5,103.0

Net income and earnings per share for the three and six months ended June 30, 2002 and 2001 adjusted for goodwill amortization are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Reported net income before extraordinary item and cumulative effect of a change in accounting principle	$ 80.0	$ 85.8	$ 157.3	$ 116.3
Add back: Goodwill amortization	-	41.4	-	71.6
Adjusted reported net income before extraordinary item and cumulative effect of a change in accounting principle	$ 80.0	$ 127.2	$ 157.3	$ 187.9
Loss on extraordinary item, net of tax	-	(17.3)	-	(17.3)
Cumulative effect of a change in accounting principle	-	-	(1,363.7)	-
Adjusted net income (loss)	$ 80.0	$ 109.9	$(1,206.4)	$ 170.6
Basic earnings per share:				
Reported net income before extraordinary item and cumulative effect of a change in accounting principle	$ 0.25	$ 0.27	$ 0.49	$ 0.39
Goodwill amortization	-	0.13	-	0.24
Adjusted reported net income before extraordinary item and cumulative effect of a change in accounting principle	0.25	0.40	0.49	0.63
Loss on extraordinary item, net of tax	-	(0.05)	-	(0.06)
Cumulative effect of a change in accounting principle	-	-	(4.27)	-
Adjusted net income (loss)	$ 0.25	$ 0.35	$ (3.78)	$ 0.57
Diluted earnings per share:				
Reported net income before extraordinary item and cumulative effect of a change in accounting principle	$ 0.25	$ 0.26	$ 0.49	$ 0.38
Goodwill amortization	-	0.13	-	0.24
Adjusted reported net income before extraordinary item and cumulative effect of a change in accounting principle	0.25	0.39	0.49	0.62
Loss on extraordinary item, net of tax	-	(0.05)	-	(0.06)
Cumulative effect of a change in accounting principle	-	-	(4.22)	-
Adjusted net income (loss)	$ 0.25	$ 0.34	$ (3.73)	$ 0.56

IMPAIRMENT OF LONG-LIVED ASSETS - The carrying value of long-lived assets, principally property and equipment, is reviewed for potential impairment when events or changes in circumstances indicate that the carrying amount of such assets or group of assets may not be recoverable. For property and equipment held for use, the determination of recoverability is made based upon the estimated undiscounted future net cash flows of the related asset. Property and equipment held for sale are recorded at the lower of net book value or net realizable value. See "-New Accounting Pronouncements."

CAPITALIZED INTEREST - Interest costs for the construction and upgrade of qualifying assets are capitalized. The Company recorded $9.4 million and $30.5 million in capitalized interest costs on construction work in progress for the three and six months ended June 30, 2001, respectively. No interest cost was capitalized during the three and six months ended June 30, 2002.

CHANGE IN ESTIMATE - As a result of the R&B Falcon merger, the Company conformed its policies relating to estimated rig lives and salvage values. Estimated useful lives of drilling units now range from 18 to 35 years, reflecting maintenance history and market demand for these drilling units, buildings and improvements from 10 to 30 years and machinery and equipment from four to 12 years. Depreciation expense for the three and six months ended June 30, 2001 was reduced by approximately $6.4 million (net $0.02 per diluted share) and $10.6 million (net $0.03 per diluted share), respectively, as a result of conforming these policies.

INCOME TAXES - Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pre-tax income for financial accounting purposes. There is no expected relationship between the provision for income taxes and income before income taxes because the countries have different taxation regimes, which vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from period to period.

COMPREHENSIVE INCOME - The components of total comprehensive income for the three and six months ended June 30, 2002 and 2001, respectively, are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net income (loss)	$ 80.0	$ 68.5	$(1,206.4)	$ 99.0
Gain on terminated interest rate swaps	-	-	-	4.1
Amortization of gain on terminated interest rate swaps	-	(0.1)	(0.1)	(0.1)
Change in unrealized loss on cash flow hedges	-	0.9	-	(0.5)
Change in unrealized loss on securities available for sale	-	0.7	0.1	(0.4)
Change in share of unrealized loss in unconsolidated joint venture's interest rate swaps	(1.0)	-	2.1	-
Total comprehensive income (loss)	$ 79.0	$ 70.0	$(1,204.3)	$ 102.1

The components of accumulated other comprehensive income as of June 30, 2002 and December 31, 2001 are as follows (in millions):

	June 30, 2002	December 31, 2001
Gain on terminated interest rate swaps	$ 3.8	$ 3.9
Unrealized loss on securities available for sale	(0.5)	(0.6)
Share of unrealized loss in unconsolidated joint venture's interest rate swaps	(3.5)	(5.6)
Accumulated other comprehensive income	$ (0.2)	$ (2.3)

SEGMENTS - The Company's operations are aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's operating assets and the allocation of resources to build or upgrade drilling units is determined by the activities and needs of customers. See Note 7.

INTERIM FINANCIAL INFORMATION - The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of results of operations for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

NEW ACCOUNTING PRONOUNCEMENTS - In July 2001, the FASB issued SFAS 142, Goodwill and Other Intangible Assets, which is effective for fiscal years beginning after December 15, 2001. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company adopted SFAS 142 effective January 1, 2002. In conjunction with the adoption of this statement, the Company has discontinued the amortization of goodwill. Application of the non-amortization provisions of SFAS 142 for goodwill is expected to result in an increase in operating income of approximately $155 million in 2002. See "-Goodwill."

In August 2001, the FASB issued SFAS 144, Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 supersedes SFAS 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the accounting and reporting provisions of Accounting Principles Board Opinion ("APB") 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 144 retains the fundamental provisions of SFAS 121 for recognition and measurement of long-lived asset impairment and for the measurement of long-lived assets to be disposed of by sale and the basic requirements of APB 30. In addition to these fundamental provisions, SFAS 144 provides guidance for determining whether long-lived assets should be tested for impairment and specific criteria for classifying assets to be disposed of as held for sale. The statement is effective for fiscal years beginning after December 15, 2001. The Company adopted the statement as of January 1, 2002. The adoption of this statement had no material effect on the Company's consolidated financial position or results of operations.

In April 2002, the FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement eliminates the requirement under SFAS 4 to aggregate and classify all gains and losses from extinguishment of debt as an extraordinary item, net of related income tax effect. This statement also amends SFAS 13 to require certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 requires reclassification of gains and losses in all prior periods presented in comparative financial statements related to debt extinguishment that do not meet the criteria for extraordinary item in APB 30. The statement is effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. The Company will adopt SFAS 145 effective January 1, 2003. Management does not expect adoption of this statement to have a material effect on the Company's consolidated financial position or results of operations.

In July 2002, the FASB issued SFAS 146, Obligations Associated with Disposal Activities, which is effective for disposal activities initiated after December 15, 2002, with early application encouraged. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under this statement, a liability for a cost associated with an exit or disposal activity would be recognized and measured at its fair value when it is incurred rather than at the date of commitment to an exit plan. Under SFAS 146, severance pay would be recognized over time rather than up front provided the benefit arrangement requires employees to render future service beyond a "minimum retention period", which would be based on the legal notification period, or if there is no such requirement, 60 days, thereby allowing a liability to be recorded over the

employees' future service period. The Company will adopt SFAS 146 effective with disposal activities initiated after December 15, 2002. Management does not expect adoption of this statement to have a material effect on the Company's consolidated financial position or results of operations.

RECLASSIFICATIONS - Certain reclassifications have been made to prior period amounts to conform with the current period's presentation.

NOTE 3 - BUSINESS COMBINATION

On January 31, 2001, the Company completed a merger transaction with R&B Falcon, in which an indirect wholly owned subsidiary of the Company merged with and into R&B Falcon. As a result of the merger, R&B Falcon common shareholders received 0.5 newly issued ordinary shares of the Company for each R&B Falcon share. The Company issued approximately 106 million ordinary shares in exchange for the issued and outstanding shares of R&B Falcon and assumed warrants and options exercisable for approximately 13 million ordinary shares. The ordinary shares issued in exchange for the issued and outstanding shares of R&B Falcon constituted approximately 33 percent of the Company's outstanding ordinary shares after the merger.

The Company accounted for the merger using the purchase method of accounting with the Company treated as the accounting acquiror. The purchase price of $6.7 billion is comprised of the calculated market capitalization of the Company's ordinary shares issued at the time of merger with R&B Falcon of $6.1 billion and the estimated fair value of R&B Falcon stock options and warrants at the time of the merger of $0.6 billion. The market capitalization of the Company's ordinary shares issued was calculated using the average closing price of the Company's ordinary shares for a period immediately before and after August 21, 2000, the date the merger was announced.

The purchase price included, at estimated fair value at January 31, 2001, current assets of $672 million, drilling and other property and equipment of $4,010 million, other assets of $160 million and the assumption of current liabilities of $338 million, other net long-term liabilities of $242 million and long-term debt of $3,206 million. The excess of the purchase price over the estimated fair value of net assets acquired was $5,630 million, which was accounted for as goodwill and is reviewed for impairment annually in accordance with SFAS 142. See Note 2.

In conjunction with the R&B Falcon merger, the Company established a liability of $16.5 million for the estimated severance-related costs associated with the involuntary termination of 569 R&B Falcon employees pursuant to management's plan to consolidate operations and administrative functions post-merger. Included in the 569 planned involuntary terminations were 387 employees engaged in the Company's land drilling business in Venezuela. The Company has suspended active marketing efforts to divest this business and, as a result, the estimated liability was reduced by $4.3 million in the third quarter of 2001 with an offset to goodwill. Through June 30, 2002 all required severance-related costs were paid to 182 employees whose positions were eliminated as a result of this plan.

Unaudited pro forma combined operating results of the Company and R&B Falcon assuming the merger was completed as of January 1, 2001 are summarized as follows (in millions, except per share data):

	Six Months Ended June 30, 2001
Operating revenues	$ 1,428.1
Operating income	252.1
Net income from continuing operations	102.0
Basic earnings per share	$ 0.32
Diluted earnings per share	0.31

The pro forma information includes adjustments for additional depreciation based on the fair market value of the drilling and other property and equipment acquired, amortization of goodwill arising from the transaction, increased interest expense for debt assumed in the merger and related adjustments for income taxes. The pro forma information is not necessarily indicative of the results of operations had the transaction been effected on the assumed date or the results of operations for any future periods.

NOTE 4 - DEBT

Debt, net of unamortized discounts, premiums and fair value adjustments, is comprised of the following (in millions):

	June 30, 2002	December 31, 2001
Commercial Paper.	$ -	$ 326.4
6.5% Senior Notes, due April 2003	240.1	240.5
9.125% Senior Notes, due December 2003	90.7	92.0
Term Loan Agreement - final maturity December 2004	350.0	400.0
6.75% Senior Notes, due April 2005	359.5	354.6
7.31% Nautilus Class A1 Amortizing Notes - final maturity May 2005	124.2	142.9
9.41% Nautilus Class A2 Notes, due May 2005	52.1	52.4
Secured Rig Financing	-	50.6
6.95% Senior Notes, due April 2008	259.1	252.3
9.5% Senior Notes, due December 2008	352.2	348.1
6.625% Notes, due April 2011	739.5	711.7
7.375% Senior Notes, due April 2018	250.5	250.5
Zero Coupon Convertible Debentures, due May 2020 (put options exercisable May 2003, May 2008 and May 2013)	519.6	512.2
1.5% Convertible Debentures, due May 2021 (put options exercisable May 2006, May 2011 and May 2016)	400.0	400.0
8% Debentures, due April 2027	198.0	197.9
7.45% Notes, due April 2027 (put options exercisable April 2007)	94.5	94.4
7.5% Notes, due April 2031	597.3	597.3
Total Debt	$ 4,627.3	$ 5,023.8
Less Debt Due Within One Year (a)	924.7	484.4
Total Long-Term Debt	$ 3,702.6	$ 4,539.4

(a) The Zero Coupon Convertible Debentures are classified as debt due within one year since the put option can be exercised in May 2003.

The scheduled maturity of the face value of the Company's debt assumes the put options on the Zero Coupon Convertible Debentures, 1.5% Convertible Debentures and 7.45% Notes will be exercised in May 2003, May 2006 and April 2007, respectively, and is as follows (in millions):

	Twelve Months Ending June 30,
2003	$ 948.2
2004	280.2
2005	517.3
2006	400.0
2007	100.0
Thereafter	2,300.0
Total	$ 4,545.7

Commercial Paper Program - The Company's Revolving Credit Agreements, a $550.0 million five-year revolving credit agreement dated December 29, 2000 and a $250.0 million 364-day revolving credit agreement dated December 27, 2001, provide liquidity for commercial paper borrowings. At June 30, 2002, no amounts were outstanding under the Commercial Paper Program or under the Revolving Credit Agreements.

Term Loan Agreement - The Company is party to an amortizing unsecured five-year term loan agreement dated as of December 16, 1999. Amounts outstanding under the Term Loan Agreement bear interest at the Company's option, at a base rate or London Interbank Offered Rate ("LIBOR") plus a margin (0.70 percent per annum at June 30, 2002) that varies depending on the Company's senior unsecured public debt rating. The debt began to amortize in March 2002, at a rate of $25.0 million per quarter in 2002. In 2003 and 2004, the debt amortizes at a rate of $37.5 million per quarter. As of June 30, 2002, $350.0 million was outstanding under this agreement.

Exchange Offer - In March 2002, the Company completed exchange offers and consent solicitations for the 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% notes of R&B Falcon. As a result of these exchange offers and consent solicitations, approximately $234.5 million, $342.3 million, $247.8 million $246.5 million, $76.9 million, and $289.8 million principal amount of the outstanding 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% notes, respectively, of R&B Falcon were exchanged for newly issued 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% notes of the Company having the same principal amount, interest rate, redemption terms and payment and maturity dates (and accruing interest from the last date for which interest had been paid on the R&B Falcon notes). Because the holders of a majority in principal amount of each of these series of notes consented to the proposed amendments to the applicable indenture pursuant to which the notes were issued, some covenants, restrictions and events of default were eliminated from the indentures with respect to these series of notes. After the exchange approximately $5.0 million, $7.7 million, $2.2 million, $3.5 million, $10.2 million and $10.2 million principal amount of the outstanding 6.5%, 6.75%, 6.95%, 7.375%, 9.125% and 9.5% notes, respectively, not exchanged remain the obligation of R&B Falcon. These notes are combined with the notes of the corresponding series issued by the Company in the above table. In connection with the exchange offers, an aggregate of $8.3 million in consent payments was made by R&B Falcon to holders of R&B Falcon notes whose notes were tendered (and not validly withdrawn) within the required time period and accepted for exchange. The consent payments will be amortized as an increase to interest expense over the remaining term of the respective notes using the interest method. As a result of this amortization, interest expense for 2002 is expected to increase approximately $1.3 million.

Secured Rig Financing - In January 2002, the Company exercised its call option under the financing arrangement to repay the financing on the Trident 16 prior to the expiration of the scheduled term. The aggregate principal amount outstanding was $32.2 million. The premium paid as a result of the call option of approximately $2 million was recorded as an increase in the net book value of the Trident 16.

In March 2002, the Company also exercised its call option to repay the financing on the Trident IX prior to the expiration of the scheduled term. The aggregate principal amount outstanding was $14.9 million. The premium paid as a result of the call option of approximately $0.5 million was recorded as an increase in the net book value of the Trident IX.

Redeemed and Repurchased Debt - On April 10, 2001, R&B Falcon acquired pursuant to a tender offer all of the approximately $400.0 million principal amount outstanding 11.375% Senior Secured Notes due 2009 of its affiliate, RBF Finance Co., at 122.51 percent, or $1,225.10 per $1,000 principal amount, plus accrued and unpaid interest. On April 6, 2001, RBF Finance Co. also redeemed all of the approximately $400.0 million principal amount outstanding 11% Senior Secured Notes due 2006 at 125.282 percent, or $1,252.82 per $1,000 principal amount, plus accrued and unpaid interest, and R&B Falcon redeemed all of the approximately $200.0 million principal amount outstanding 12.25% Senior Notes due 2006 at 130.675 percent or $1,306.75 per $1,000 principal amount, plus accrued and unpaid interest. The Company funded the redemption from the issuance of the 6.625% Notes and 7.5% Notes in April 2001. In the second quarter of 2001, the Company recognized an extraordinary loss, net of tax, of $18.9 million ($0.06 per diluted share) on the early extinguishment of this debt.

On March 30, 2001, pursuant to an offer made in connection with the Company's acquisition of R&B Falcon, Cliffs Drilling Company ("Cliffs Drilling"), a wholly owned subsidiary of R&B Falcon, acquired approximately $0.1 million of the 10.25% Senior Notes due 2003 at an amount equal to 101 percent of the principal amount. On May 18, 2001, Cliffs Drilling redeemed all of the approximately $200.0 million principal amount outstanding 10.25% Senior Notes due 2003, at 102.5 percent, or $1,025.00 per $1,000 principal amount, plus interest accrued to the redemption date. As a result, the Company recognized an extraordinary gain, net of tax, of $1.6 million ($0.01 per diluted share) in the second quarter of 2001 relating to the early extinguishment of this debt.

NOTE 5 - OTHER CURRENT LIABILITIES

Other current liabilities are comprised of the following (in millions):

	June 30, 2002	December 31, 2001
Accrued Payroll and Employee Benefits	$ 119.8	$ 134.2
Accrued Interest	34.5	38.8
Contract Disputes and Legal Claims	27.6	47.5
Accrued Taxes, Other than Income	22.6	26.6
Deferred Revenue	16.8	18.2
Other	15.1	18.1
	$ 236.4	$ 283.4

NOTE 6 - INTEREST RATE SWAPS

In February 2002, the Company entered into interest rate swap agreements with a group of banks in the aggregate notional amount of $900.0 million relating to the Company's $350.0 million aggregate principal amount of 6.75% Senior Notes due April 2005, $250.0 million aggregate principal amount of 6.95% Senior Notes due April 2008 and $300.0 million aggregate principal amount of 9.5% Senior Notes due December 2008. The objective of each transaction is to protect the debt against changes in fair value due to changes in the benchmark interest rate. Under each interest rate swap, the Company receives the fixed rate equal to the coupon of the hedged item and pays the floating rate (LIBOR) plus a margin of 246 basis points, 171 basis points and 413 basis points, respectively, which are designated as the respective benchmark interest rates, on each of the interest payment dates until maturity of the respective notes. The hedges are considered perfectly effective against changes in the fair value of the debt due to changes in the benchmark interest rates over their term. As a result, the shortcut method applies and there is no need to periodically reassess the effectiveness of the hedges during the term of the swaps.

At June 30, 2002, the market value of the Company's outstanding interest rate swaps was a net asset of $63.0 million and was included in other assets, with corresponding increases to long-term debt and debt due within one year, as appropriate.

Deepwater Drilling L.L.C., an unconsolidated subsidiary in which the Company has a 50 percent ownership interest, has entered into interest rate swaps with aggregate market values netting to a liability of $7.9 million at June 30, 2002. The Company's interest in these swaps has been included in accumulated other comprehensive income with a corresponding reduction to investments in and advances to joint ventures.

NOTE 7 - SEGMENTS

The Company's operations are aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The International and U.S. Floater Contract Drilling Services segment consists of high-specification floaters, other floaters, non-U.S. jackups, other mobile offshore drilling units and other assets used in support of offshore drilling activities and offshore support services. The Gulf of Mexico Shallow and Inland Water segment consists of jackup and submersible drilling rigs and inland drilling barges located in the U. S. Gulf of Mexico and Trinidad, as well as land drilling units located in Venezuela. The Company provides services with different types of drilling equipment in several geographic regions. The location of the Company's rigs and the allocation of resources to build or upgrade rigs is determined by the activities and needs of customers.

Effective January 1, 2002, the Company changed the composition of its reportable segments with the move of the responsibility for its Venezuela land drilling operations to the Gulf of Mexico Shallow and Inland Water segment. Prior periods have been restated to reflect the change.

Operating revenues and income before income taxes, minority interest, extraordinary item and cumulative effect of a change in accounting principle by segment are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Operating Revenues				
International and U.S. Floater Contract Drilling Services	$609.1	$598.6	$1,232.3	$1,065.2
Gulf of Mexico Shallow and Inland Water	37.1	153.9	81.8	243.3
Elimination of intersegment revenues	-	(0.3)	-	(6.2)
Total Operating Revenues	$646.2	$752.2	$1,314.1	$1,302.3
Income before Income Taxes, Minority Interest, Extraordinary Item and Cumulative Effect of a Change in Accounting Principle				
International and U.S. Floater Contract Drilling Services	$185.9	$156.3	$ 380.8	$ 233.5
Gulf of Mexico Shallow and Inland Water	(30.9)	36.5	(63.7)	48.5
	155.0	192.8	317.1	282.0
Unallocated general and administrative expense	(16.0)	(14.6)	(35.8)	(29.4)
Unallocated other income (expense)	(44.7)	(59.1)	(95.2)	(91.5)
Total Income before Income Taxes, Minority Interest, Extraordinary Item and Cumulative Effect of a Change in accounting Principle	$ 94.3	$119.1	$ 186.1	$ 161.1

Total assets by segment are as follows (in millions):

	June 30, 2002	December 31, 2001
International and U.S. Floater Contract Drilling Services	$13,960.1	$ 14,219.3
Gulf of Mexico Shallow and Inland Water	1,344.0	2,800.5
Total Assets	$15,304.1	$ 17,019.8

NOTE 8 - ASSET DISPOSITIONS AND IMPAIRMENT LOSS

In June 2002, the Company sold a jackup rig, the RBF 209, and recognized a net after-tax loss of $1.5 million.

In March 2002, the Company sold two semisubmersible rigs, the Transocean 96 and Transocean 97, for net proceeds of $30.7 million, resulting in a net after-tax gain of $1.3 million.

During the six months ended June 30, 2002, the Company sold certain other non-strategic assets acquired in the R&B Falcon merger and certain other assets held for sale for net proceeds of approximately $14.7 million, resulting in a net after-tax gain of $0.7 million.

In March 2002, the Company recorded a non-cash impairment charge in the Gulf of Mexico Shallow and Inland Water segment of $1.1 million. The impairment, relating to an asset held for sale, resulted from deterioration in current market conditions. The impairment was determined and measured based on an offer from a potential buyer.

In February 2001, Sea Wolf Drilling Limited ("Sea Wolf"), a joint venture in which the Company holds a 25 percent interest, sold two semisubmersible rigs, the Drill Star and Sedco Explorer, to Pride International, Inc. In the first quarter of 2001, the Company recognized accelerated amortization of the deferred gain related to the Sedco Explorer of $18.5 million ($0.06 per diluted share), which is included in gain from sale of assets. The Company continued to operate the Drill Star, which has been renamed the Pride North Atlantic, under a

bareboat charter agreement until October 2001, at which time the rig was returned to its owner. The amortization of the Drill Star's deferred gain was

accelerated and produced incremental gains in the three and six months ended June 30, 2001 of $13.7 million ($0.04 per diluted share) and $22.7 million ($0.07 per diluted share), respectively, which is included as a reduction of operating and maintenance expense.

NOTE 9 - EARNINGS PER SHARE

The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per share is as follows (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 80.0	$ 85.8	$ 157.3	$ 116.3
Loss on Extraordinary Item, net of tax	-	(17.3)	-	(17.3)
Cumulative Effect of a Change in Accounting Principle	-	-	(1,363.7)	-
Net Income (Loss)	$ 80.0	$ 68.5	$(1,206.4)	$ 99.0
Weighted-Average Shares Outstanding				
Shares for basic earnings per share	319.1	318.2	319.1	299.5
Effect of dilutive securities:				
Employee stock options and unvested stock grants	2.7	3.9	2.6	3.4
Warrants to purchase ordinary shares	2.1	2.9	1.9	2.4
Adjusted weighted-average shares and assumed conversions for diluted earnings per share	323.9	325.0	323.6	305.3
Basic Earnings (Loss) Per Share				
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 0.25	$ 0.27	$ 0.49	$ 0.39
Loss on Extraordinary Item, net of tax	-	(0.05)	-	(0.06)
Cumulative Effect of a Change in Accounting Principle	-	-	(4.27)	-
Net Income (Loss)	$ 0.25	$ 0.22	$ (3.78)	$ 0.33
Diluted Earnings (Loss) Per Share				
Income Before Extraordinary Item and Cumulative Effect of a Change in Accounting Principle	$ 0.25	$ 0.26	$ 0.49	$ 0.38
Loss on Extraordinary Item, net of tax	-	(0.05)	-	(0.06)
Cumulative Effect of a Change in Accounting Principle	-	-	(4.22)	-
Net Income (Loss)	$ 0.25	$ 0.21	$ (3.73)	$ 0.32

Ordinary shares subject to issuance pursuant to the conversion features of the Company's convertible debentures are not included in the calculation of adjusted weighted-average shares and assumed conversions for diluted earnings per share because the effect of including those shares is anti-dilutive.

NOTE 10 - CONTINGENCIES

Legal Proceedings - The Company was a defendant in Bryant, et al. v. R&B Falcon Drilling USA, Inc., et al. in the U.S. District Court for the Southern District of Texas, Houston Division. R&B Falcon Drilling USA is a wholly owned indirect subsidiary of R&B Falcon. In this suit, the plaintiffs alleged that R&B Falcon Drilling USA, the Company and a number of other offshore drilling contractors with operations in the U.S. Gulf of Mexico engaged in a conspiracy to depress wages and benefits paid to certain of their offshore employees. The plaintiffs contended that this alleged conduct violated federal antitrust law and constituted unfair trade practices and wrongful employment acts under state law. The plaintiffs sought treble damages, attorneys' fees and costs on behalf of themselves and an alleged class of offshore workers, along with an injunction against exchanging certain wage and benefit information with other offshore drilling contractors named as defendants. In May 2001, the Company reached an agreement in principle with the plaintiffs' counsel to settle all claims,

pending Court approval of the settlement. In July 2001, before the Court had considered the proposed settlement, the case, along with a number of unrelated cases also pending in the federal court in Galveston, was transferred to a federal judge sitting in Houston as a docket equalization measure. The judge approved the settlement, and the funds were deposited with the court in June 2002. The terms of the settlement have been reflected in the Company's results of operations for the first quarter of 2001. The settlement did not have a material adverse effect on its business or consolidated financial position.

In December 1998, Mobil North Sea Limited ("Mobil") purportedly terminated its contract for use of the Jack Bates based on failure of two mooring lines while anchor recovery operations at a Mobil well location had been suspended during heavy weather. The Company did not believe that Mobil had the right to terminate this contract. The Company later recontracted the Jack Bates to Mobil at a lower dayrate. The Company filed a request for arbitration with the London Court of International Arbitration seeking damages for the termination, and Mobil in turn counterclaimed against the Company seeking damages for the Company's alleged breaches of the original contract. The case was settled in July 2002 and the proceedings dismissed. The ultimate outcome of this case did not have a material adverse effect on the Company's business or consolidated financial position.

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against Cliffs Drilling, its underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of $50 million in connection with the drilling of a turnkey well in 1995 and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately $30 million in favor of the plaintiffs for excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. The Company has appealed such judgment. The Company believes that all but potentially the portion of the verdict representing excess drilling costs of approximately $4.7 million is covered by relevant primary and excess liability insurance policies of Cliffs Drilling; however, the insurers and underwriters have denied coverage. Cliffs Drilling has instituted litigation against those insurers and underwriters to enforce its rights under the relevant policies. The Company does not expect that the ultimate outcome of this case will have a material adverse effect on its business or consolidated financial position.

The Company has certain other actions or claims pending that have been previously discussed and reported in the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2002, its Annual Report on Form 10-K for the year ended December 31, 2001 and the Company's other reports filed with the Securities and Exchange Commission. There have been no material developments in these previously reported matters. The Company and its subsidiaries are involved in a number of other lawsuits, all of which have arisen in the ordinary course of the Company's business. The Company does not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on its business or consolidated financial position.

Letters of Credit and Surety Bonds - The Company had letters of credit outstanding at June 30, 2002 totaling $63.9 million. These letters of credit outstanding guarantee various contract bidding and insurance activities. In January 2002, the Company terminated its $70.0 million letter of credit facility secured by mortgages on five drilling units, the J.W. McLean, J.T. Angel, Randolph Yost, D.R. Stewart and George H. Galloway.

As is customary in the contract drilling business, the Company also has various surety bonds totaling $221.9 million in place that secure customs obligations relating to the importation of rigs as well as certain performance and other obligations.

NOTE 11 - SUBSEQUENT EVENTS

In July 2002, the Company announced that it plans to pursue a divestiture of its Gulf of Mexico Shallow and Inland Water business. Under this plan, the Gulf of Mexico Shallow and Inland Water business would be separated from the Company and established as a publicly traded company. The Company currently anticipates that it will establish R&B Falcon as the entity that owns this business. The Company plans to transfer assets not used in this business from R&B Falcon, which will be renamed in connection with the transaction, to the Company's other subsidiaries, and these internal transfers will not affect the consolidated financial statements of Transocean. The initial public offering of that company is currently being prepared. The Company anticipates completing the initial public offering when market conditions warrant, subject to various factors. Given the current general uncertainty in the equity markets, the Company is unsure when the transaction could be completed on terms acceptable to it. The Company expects to sell a portion of its interest in R&B Falcon in the initial public offering.

In July 2002, the Company received a $4.2 million settlement of a loss of hire insurance claim for an incident that occurred in 1998 in which the Sedco 710 was damaged from a collision with a supply boat. The settlement will be recorded in operating revenues in the third quarter of 2002.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

OVERVIEW

Transocean Inc. (formerly known as "Transocean Sedco Forex Inc.", together with its subsidiaries and predecessors, unless the context requires otherwise, the "Company," "Transocean," "we," "us" or "our") is a leading international provider of offshore and inland marine contract drilling services for oil and gas wells. As of July 31, 2002, we owned, had partial ownership interests in or managed more than 150 mobile offshore and barge drilling units. As of this date, our active fleet of core assets consisted of 31 high-specification drillships and semisubmersibles ("floaters"), 29 other floaters, 52 jackup rigs, 35 drilling barges, four tenders and three submersible drilling rigs. In addition, the fleet included non-core assets consisting of a platform drilling rig, a mobile offshore production unit and nine land drilling rigs in Venezuela. We contract our drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We also provide additional services, including management of third-party well service activities.

On January 31, 2001, we completed a merger transaction with R&B Falcon Corporation ("R&B Falcon"). At the time of the merger, R&B Falcon owned, had partial ownership interests in, operated or had under construction more than 100 mobile offshore drilling units and other units utilized in the support of offshore drilling activities. As a result of the merger, R&B Falcon became our indirect wholly owned subsidiary. The merger was accounted for as a purchase and we were the accounting acquiror. The condensed consolidated statements of operations and cash flows for the three and six months ended June 30, 2001 include two and five months, respectively, of operating results and cash flows for R&B Falcon.

On May 9, 2002, we changed our name from Transocean Sedco Forex Inc. to Transocean Inc.

On May 9, 2002, our Board of Directors voted to discontinue the payment of a cash dividend after the cash dividend payable on June 13, 2002 to shareholders of record on May 30, 2002.

Our operations are aggregated into two reportable segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. The International and U.S. Floater Contract Drilling Services segment consists of high-specification floaters, other floaters, non-U.S. jackups, other mobile offshore drilling units and other assets used in support of offshore drilling activities and offshore support services. The Gulf of Mexico Shallow and Inland Water segment consists of jackup and submersible drilling rigs and inland drilling barges located in the U. S. Gulf of Mexico and Trinidad, as well as land drilling units located in Venezuela. We provide services with different types of drilling equipment in several geographic regions. The location of our rigs and the allocation of resources to build or upgrade rigs is determined by the activities and needs of our customers.

Effective January 1, 2002, we changed the composition of our reportable segments with the move of the responsibility for our Venezuela land drilling operations to the Gulf of Mexico Shallow and Inland Water segment. Prior periods have been restated to reflect the change.

In July 2002, we announced plans to pursue a divestiture of our Gulf of Mexico Shallow and Inland Water business. Under this plan, our Gulf of Mexico Shallow and Inland Water business would be separated from Transocean and established as a publicly traded company. We currently anticipate that we will establish R&B Falcon as the entity that owns this business. We plan to transfer assets not used in this business from R&B Falcon, which will be renamed in connection with the transaction, to our other subsidiaries, and these internal transfers will not affect the consolidated financial statements of Transocean. The initial public offering is currently being prepared. We anticipate completing the initial public offering when market conditions warrant, subject to various factors. Given the current general uncertainty in the equity markets, we are unsure when the transaction could be completed on terms acceptable to us. We expect to sell a portion of our interest in R&B Falcon in the initial public offering.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, materials and supplies obsolescence, investments, intangible assets and goodwill, income taxes, financing operations, workers' insurance, pensions and other post-retirement and employment benefits and contingent liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following are our most critical accounting policies. These policies require significant judgments and estimates used in the preparation of our consolidated financial statements.

Allowance for doubtful accounts - We establish reserves for doubtful accounts on a case-by-case basis when we believe the required payment of specific amounts owed to us is unlikely to occur. We derive a majority of our revenue from services to international oil companies and government-owned or government-controlled oil companies. Our receivables are concentrated in various countries. We generally do not require collateral or other security to support customer receivables. If the financial condition of our customers was to deteriorate or their access to freely convertible currency was restricted, and these developments resulted in impairment of their ability to make the required payments, we may be required to make additional allowances.

Valuation allowance for deferred tax assets - We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, should we determine that we would be able to realize our deferred tax assets in the future in excess of our net recorded amount, an adjustment to the valuation allowance would increase income in the period such determination was made. Likewise, should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, we would be required to make an adjustment to the valuation allowance. This would reduce income in the period such determination was made.

Goodwill impairment - Effective January 1, 2002, we adopted the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") 142, Goodwill and Other Intangibles. As a result of this statement, we no longer amortize goodwill but will perform an annual test of impairment. Because our business is cyclical in nature, goodwill could be significantly impaired depending on when in the business cycle the assessment is performed.

During the first quarter of 2002, we performed the initial test of impairment of goodwill on our two reporting units, "International and U.S. Floater Contract Drilling Services" and "Gulf of Mexico Shallow and Inland Water." The test was applied utilizing the fair value of the reporting units as of January 1, 2002 and was determined based on a combination of each reporting unit's discounted cash flows and publicly traded company multiples and acquisition multiples of comparable businesses. There was no goodwill impairment for the International and U.S. Floater Contract Drilling Services reporting unit. However, because of continued deterioration in the Gulf of Mexico Shallow and Inland Water business segment since the completion of the R&B Falcon merger, we recognized a $1,363.7 million impairment of goodwill as a cumulative effect of a change in accounting principle in the quarter ended March 31, 2002. Our goodwill balance, after giving effect to the goodwill write down, is $5.1 billion as of June 30, 2002. See Note 2 to our consolidated financial statements in our Annual Report on Form 10-K.

Contingent liabilities - We establish reserves for estimated loss contingencies when we believe a loss is probable and we can reasonably estimate the amount of the loss. Revisions to contingent liabilities are reflected in income in the period in which different facts or information become known or circumstances change that affect our previous assumptions with respect to the likelihood or amount of loss. Reserves for contingent liabilities are based upon our assumptions and estimates regarding the probable outcome of the matter. Should the outcome differ from our assumptions and estimates, we would be required to make revisions to the estimated reserves for contingent liabilities.

Contract preparation and mobilization revenues and expenses - Costs we incur to prepare and mobilize drilling units for new drilling contracts are deferred from the date we have a firm commitment from the customer and recognized as operating and maintenance expense over the estimated primary term of the drilling contract. Revenues we earned during or as a result of the contract preparation and mobilization periods are also deferred and recognized over the estimated primary term of the drilling contract. If a customer prematurely terminates the contract, we would recognize any unamortized deferred costs and revenues in the period the contract was terminated.

OPERATING RESULTS

QUARTER ENDED JUNE 30, 2002 COMPARED TO QUARTER ENDED JUNE 30, 2001

Our results of operations are aggregated into two segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. Operating income (loss) before general and administrative expenses for the three months ended June 30, 2002 and 2001 was $185.9 million and $156.3 million, respectively, in our International and U.S. Floater Contract Drilling Services segment and $(30.9) million and $36.5 million, respectively, in our Gulf of Mexico Shallow and Inland Water segment.

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001	Change	% Change
	(In millions, except % change)			
OPERATING REVENUES				
International and U.S. Floater Contract Drilling Services	$ 609.1	$ 598.6	$ 10.5	1.8%
Gulf of Mexico Shallow and Inland Water	37.1	153.6	(116.5)	(75.8)%
	$ 646.2	$ 752.2	$(106.0)	(14.1)%

The increase in International and U.S. Floater Contract Drilling Services operating revenues resulted primarily from $26 million in revenues from two newbuilds placed into service subsequent to the second quarter of 2001 and $5 million in revenues from two jackup rigs transferred into this segment from the Gulf of Mexico Shallow and Inland Water segment. These increases were partly offset by a $12 million decrease in revenues from three rigs transferred to assets held for sale subsequent to the second quarter of 2001, a $7 million decrease in revenues from two rigs sold subsequent to the second quarter of 2001, a $13 million decrease in revenues from three leased rigs returned to their owners and an $11 million decrease in revenues related to the Deepwater Frontier (See " - Related Party Transactions") following the expiration of our lease with a related party late in 2001. Revenues for the remaining core assets in this segment increased $37.3 million. Average dayrates for these core assets increased from $84,600 for the quarter ended June 30, 2001 to $93,700 for the quarter ended June 30, 2002 while utilization for these core assets decreased from 81 percent for the quarter ended June 30, 2001 to 79 percent for the quarter ended June 30, 2002. Operating revenues for non-core assets in this segment decreased $14 million and resulted primarily from the sale in the fourth quarter of 2001 of RBF FPSO L.P., which owned the Seillean, and the winding up of our turnkey drilling business early in 2001.

The decrease in the Gulf of Mexico Shallow and Inland Water operating revenues resulted primarily from the continued weakness of the Gulf of Mexico shallow and inland water market segment, a decline that began in mid-2001, and the transfer of two jackup rigs from this segment into the International and U.S. Floater Contract Drilling Services segment, which represented a decrease of $7 million in revenues. Excluding the two jackup rigs transferred into the International and U.S. Floater Contract Drilling Services, average dayrates and

utilization for core assets in this segment decreased from $31,300 and 71 percent, respectively, for the quarter ended June 30, 2001 to $20,700 and 27 percent, respectively, for the quarter ended June 30, 2002.

	Three Months Ended June 30,			
	2002	2001	Change	% Change
	(In millions, except % change)			
OPERATING AND MAINTENANCE				
International and U.S. Floater Contract Drilling Services	$ 320.1	$ 316.1	$ 4.0	1.3%
Gulf of Mexico Shallow and Inland Water	45.5	78.2	(32.7)	(41.8)%
	$ 365.6	$ 394.3	$ (28.7)	(7.3)%

The increase in International and U.S. Floater Contract Drilling Services operating expenses resulted primarily from two newbuilds placed into service and two jackup rigs transferred into this segment from the Gulf of Mexico Shallow and Inland Water segment subsequent to the second quarter of 2001 and the accelerated amortization of the Drill Star's deferred gain, which produced incremental gains in the quarter ended June 30, 2001 of $13.7 million ($.04 per diluted share), with no equivalent expense reduction in the second quarter of 2002. These increases were partly offset by a decrease in expenses from three rigs transferred to assets held for sale subsequent to the second quarter in 2001, a decrease in expenses from nine rigs sold subsequent to the second quarter in 2001, a decrease in expenses from three leased rigs returned to their owners and a decrease in expenses related to the Deepwater Frontier (See " - Related Party Transactions) following the expiration of our lease with a related party late in 2001.

The decrease in Gulf of Mexico Shallow and Inland Water operating expenses was primarily a result of lower costs in 2002 resulting from stacking idle rigs, reducing employee count and postponing maintenance projects, coupled with the transfer of two jackup rigs out of this segment into the International and U.S. Floater Contract Drilling Services segment subsequent to the second quarter of 2001.

	Three Months Ended June 30,			
	2002	2001	Change	% Change
	(In millions, except % change)			
DEPRECIATION				
International and U.S. Floater Contract Drilling Services	$ 101.4	$ 95.2	$ 6.2	6.5%
Gulf of Mexico Shallow and Inland Water	22.9	28.5	(5.6)	(19.6)%
	$ 124.3	$ 123.7	$ 0.6	0.5 %

The increase in International and U.S. Floater Contract Drilling Services depreciation expense resulted primarily from four newbuild drilling units placed into service during and subsequent to the second quarter of 2001 and the transfer of two jackup rigs into this segment from the Gulf of Mexico Shallow and Inland Water segment subsequent to the second quarter of 2001. This increase was partially offset by lower expense resulting from the suspension of depreciation on certain rigs transferred to assets held for sale and the sale of various rigs from our active fleet subsequent to the second quarter of 2001.

The decrease in Gulf of Mexico Shallow and Inland Water depreciation expense resulted primarily from the movement of two jackup rigs out of this segment into the International and U.S. Floater Contract Drilling Services segment subsequent to the second quarter of 2001, the suspension of depreciation on certain rigs transferred to assets held for sale and the sale of various rigs from our active fleet subsequent to the second quarter of 2001.

	Three Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
GOODWILL AMORTIZATION				
International and U.S. Floater Contract Drilling Services	$ -	$ 30.2	$ (30.2)	(100.0)%
Gulf of Mexico Shallow and Inland Water	-	11.2	(11.2)	(100.0)%
	$ -	$ 41.4	$ (41.4)	(100.0)%

We adopted SFAS 142, Goodwill and Other Intangible Assets, as of January 1, 2002. As a result, goodwill is no longer amortized but is reviewed at least annually for impairment. See Note 2 to our condensed consolidated financial statements.

	Three Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
GENERAL AND ADMINISTRATIVE	$ 16.0	$ 14.6	$ 1.4	9.6%

General and administrative expense for the three months ended June 30, 2001 included a credit of $1.3 million attributable to the favorable settlement of an unemployment tax assessment.

	Three Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
GAIN (LOSS) FROM SALE OF ASSETS, NET				
International and U.S. Floater Contract Drilling Services	$ (1.7)	$ (0.8)	$ (0.9)	(112.5)%
Gulf of Mexico Shallow and Inland Water	0.4	0.8	(0.4)	(50.0)%
	$ (1.3)	$ -	$ (1.3)	(100.0)%

During the three months ended June 30, 2002, the International and U.S. Floater Contract Drilling Services segment recognized a pre-tax loss of $2.4 million from the sale of the RBF 209 partially offset by a net pre-tax gain of $0.7 million related to the sale of certain non-strategic assets. During the three months ended June 30, 2001, net pre-tax losses of $0.8 million related to the sale of certain non-strategic assets.

During the three months ended June 30, 2002 and June 30, 2001, the Gulf of Mexico Shallow and Inland Water segment recognized net pre-tax gains of $0.4 million and $0.8 million, respectively, related to the sale of certain non-strategic assets.

	Three Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
OTHER INCOME (EXPENSE), NET				
Equity in earnings of joint ventures	$ 2.5	$ 4.0	$ (1.5)	(37.5)%
Interest income	5.7	4.7	1.0	21.3%
Interest expense, net of amounts capitalized	(52.5)	(66.8)	14.3	21.4%
Other, net	(0.4)	(1.0)	0.6	60.0%
	$ (44.7)	$ (59.1)	$ 14.4	24.4%

The decrease in equity in earnings of joint ventures was primarily related to our 60 percent share of earnings from Deepwater Drilling II L.L.C. ("DDII LLC"), which owns the Deepwater Frontier. The rig experienced decreased utilization in the second quarter of 2002 compared to the same period in 2001. The increase in interest income was primarily due to interest earned on higher average cash balances for the three months ended June 30, 2002 compared to the same period in 2001. The decrease in interest expense was attributable to reductions in interest expense of $8.0 million associated with debt refinancing and retirements during and subsequent to the second quarter of 2001, a decrease in the London Interbank Offered Rate ("LIBOR") of approximately 260 basis points that resulted in a $2.8 million reduction in interest expense on floating rate debt and a decrease of $0.7 million resulting from amortization of debt-related items. Additionally, we entered into interest rate swaps subsequent to the second quarter of 2001 that reduced interest expense by $13.5 million. These decreases were partially offset by an increase of $0.6 million in interest expense attributable to a full quarter of interest expense on debt incurred during the second quarter of 2001 and the absence of capitalized interest in the second quarter of 2002 compared to $9.4 million of capitalized interest for the same period in 2001 due to the completion of our newbuild projects in 2001.

	Three Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
INCOME TAX EXPENSE	$ 13.9	$ 32.2	$ (18.3)	(56.8)%

We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. There is no expected relationship between the provision for income taxes and income before income taxes.

	Three Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
LOSS ON EXTRAORDINARY ITEMS, NET OF TAX	$ -	$ (17.3)	$ 17.3	100.0%

During the three months ended June 30, 2001, we recognized a $17.3 million extraordinary loss, net of tax, related to the early extinguishment of debt as described in Note 4 to our condensed consolidated financial statements.

SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001

Our results of operations are aggregated into two segments: (i) International and U.S. Floater Contract Drilling Services and (ii) Gulf of Mexico Shallow and Inland Water. Operating income (loss) before general and administrative expenses for the six months ended June 30, 2002 and 2001 was $380.8 million and $233.5 million, respectively, in our International and U.S. Floater Contract Drilling Services segment and $(63.7) million and $48.5 million, respectively, in our Gulf of Mexico Shallow and Inland Water segment.

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	Change	% Change
	(In millions, except % change)			
OPERATING REVENUES				
International and U.S. Floater Contract Drilling Services	$1,232.3	$ 1,065.2	$ 167.1	15.7%
Gulf of Mexico Shallow and Inland Water	81.8	237.1	(155.3)	(65.5)%
	$1,314.1	$ 1,302.3	$ 11.8	0.9%

The increase in International and U.S. Floater Contract Drilling Services operating revenues resulted from a $94 million increase in revenues from R&B Falcon core assets in this segment representing a full six months of revenues in 2002 compared to five months of operations in 2001 and $77 million in revenues from four newbuild drilling units placed into service during and subsequent to the second quarter of 2001. In addition, operating revenues relating to historical Transocean core assets totaled $739 million for the six months ended June 30, 2002, representing a $90 million, or 14 percent, increase over the comparable 2001 period. Average dayrates and utilization for core assets included in this segment increased from $81,200 and 81 percent, respectively, for the six months ended June 30, 2001 to $89,300 and 83 percent, respectively, for the six months ended June 30, 2002. These increases were partly offset by a $19 million decrease in revenues related to the Deepwater Frontier (See " - Related Party Transactions") following the expiration of our lease with a related party late in 2001, a $20 million decrease from three leased rigs returned to their owners, a $10 million decrease related to a rig transferred to held for sale and a $6 million decrease in revenues related to rigs sold during 2002. Revenues from non-core assets decreased $55 million for the six months ended June 30, 2002 compared to the same period in 2001 primarily due to the sale of the RBF FPSO L.P., which owned the Seillean, and a decrease in turnkey drilling revenues of $38 million due to the winding up of our turnkey drilling business early in 2001.

Although the Gulf of Mexico Shallow and Inland Water operating revenues represent a full six months of operations in 2002 compared to five months of operations in 2001, revenues decreased mainly due to the further weakening of the Gulf of Mexico Shallow and Inland Water market segment, a decline that began in mid-2001. In addition, the transfer of two jackup rigs from this segment into the International and U.S. Floater Contract Drilling Services segment resulted in a $12 million decrease in operating revenues. Excluding the two jackup rigs transferred into the International and U.S. Floater Contract Drilling Services, average dayrates and utilization for core assets in this segment decreased from $29,800 and 71 percent, respectively, for the six months ended June 30, 2001 to $20,500 and 29 percent, respectively, for the six months ended June 30, 2002.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
OPERATING AND MAINTENANCE				
International and U.S. Floater Contract Drilling Services	$ 648.8	$ 623.1	$ 25.7	4.1%
Gulf of Mexico Shallow and Inland Water	97.8	122.1	(24.3)	(19.9)%
	$ 746.6	$ 745.2	$ 1.4	0.2%

The increase in International and U.S. Floater Contract Drilling Services operating expenses was primarily a result of five months of R&B Falcon operations for the six months ended June 30, 2001 compared to a full six months of activity for the same period in 2002, the activation of four newbuild drilling units and two jackup rigs transferred into this segment from the Gulf of Mexico Shallow and Inland Water segment during and subsequent to the second quarter of 2001 and accelerated amortization of the Drill Star's deferred gain, which produced incremental gains in the six months ended June 30, 2001 of $22.7 million ($.07 per diluted share) with no equivalent expense reduction in the second quarter of 2002. These increases were partly offset by a decrease in expenses resulting from a rig transferred to assets held for sale subsequent to the second quarter in 2001, a decrease in expenses relating to nine rigs sold subsequent to the second quarter in 2001, a decrease in expenses related to three leased rigs returned to their owners, a decrease in expenses related to the Deepwater Frontier (See " - Related Party Transactions") following the expiration of our lease with a related party late in 2001 and the winding up of our turnkey drilling business in 2001.

The decrease in Gulf of Mexico Shallow and Inland Water operating expenses in the six months ended June 30, 2002 resulted primarily from stacking idle rigs, reducing employee count and postponing maintenance projects coupled with the transfer of two jackup rigs out of this segment into the International and U.S. Floater Contract Drilling Services segment subsequent to the second quarter of 2001. This decrease was partially offset by a full six months of R&B Falcon operations in 2002 compared to five months of operations in 2001.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
DEPRECIATION				
International and U.S. Floater Contract Drilling Services	$ 203.7	$ 174.7	$ 29.0	16.6%
Gulf of Mexico Shallow and Inland Water	46.2	48.4	(2.2)	(4.5)%
	$ 249.9	$ 223.1	$ 26.8	12.0%

The increase in International and U.S. Floater Contract Drilling Services depreciation expense resulted primarily from a full six months of depreciation in 2002 on rigs acquired in the R&B Falcon merger compared to five months for the same period in 2001, depreciation expense for four newbuild drilling units placed into service during and subsequent to the first six months of 2001 and the transfer of two jackup rigs into this segment from the Gulf of Mexico Shallow and Inland Water segment. This increase was partially offset by lower expense due to the suspension of depreciation on certain rigs transferred to assets held for sale and the sale of various rigs, classified as assets held and used subsequent to the second quarter of 2001.

The decrease in Gulf of Mexico Shallow and Inland Water depreciation expense resulted primarily from the transfer of two jackup rigs out of this segment into the International and U.S. Floater Contract Drilling Services segment and the suspension of depreciation on certain rigs transferred to assets held for sale and the sale of various rigs classified as assets held and used subsequent to the second quarter of 2001. These decreases were partially offset by a full six months of depreciation in 2002 on rigs acquired in the R&B Falcon merger compared to five months for the same period in 2001.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
GOODWILL AMORTIZATION				
International and U.S. Floater Contract Drilling Services	$ -	$ 53.0	$ (53.0)	(100.0)%
Gulf of Mexico Shallow and Inland Water	-	18.6	(18.6)	(100.0)%
	$ -	$ 71.6	$ (71.6)	(100.0)%

We adopted SFAS 142, Goodwill and Other Intangible Assets, as of January 1, 2002. As a result, goodwill is no longer amortized but is reviewed at least annually for impairment. See Note 2 to our condensed consolidated financial statements.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
GENERAL AND ADMINISTRATIVE	$ 35.8	$ 29.4	$ 6.4	21.8%

The increase in general and administrative expense was primarily attributable to $3.9 million of costs related to the exchange of our debt for R&B Falcon debt in March 2002. The six months ended June 30, 2001 included a $1.3 million reduction in expense related to the favorable settlement of an unemployment tax assessment. In addition, expense increased due to the R&B Falcon merger and reflects additional costs to manage a larger, more complex organization for a full six months in 2002 compared to five months in 2001.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
IMPAIRMENT LOSS ON LONG-LIVED ASSETS	$ (1.1)	$ -	$ (1.1)	(100.0)%

During the six months ended June 30, 2002, we recorded a non-cash impairment charge in the Gulf of Mexico Shallow and Inland Water segment of $1.1 million. The impairment, relating to an asset held for sale, resulted from deterioration in current market conditions. The impairment was determined and measured based on an offer from a potential buyer.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
GAIN FROM SALE OF ASSETS, NET				
International and U.S. Floater Contract Drilling Services	$ 1.0	$ 19.1	$ (18.1)	(94.8)%
Gulf of Mexico Shallow and Inland Water	(0.4)	0.5	(0.9)	(180.0)%
	$ 0.6	$ 19.6	$ (19.0)	(96.9)%

During the six months ended June 30, 2002, the International and U.S. Floater Contract Drilling Services segment recognized net pre-tax gains of $3.4 million related to the sale of the Transocean 96, Transocean 97, a mobile offshore production unit and the sale of certain non-strategic assets. These net gains were partially offset by a net pre-tax loss of $2.4 million from the sale of the RBF 209. During the six months ended June 30, 2001, we recognized net pre-tax gains of $18.5 million related to the accelerated amortization of the deferred gain on the sale of the Sedco Explorer and $0.6 million from the sale of certain non-strategic assets.

During the six months ended June 30, 2002, the Gulf of Mexico Shallow and Inland Water segment recognized net pre-tax losses of $1.4 million related to the sale of two mobile offshore production units and a land rig, partially offset by net pre-tax gains of $1.0 million on the sale of certain non-strategic assets. During the six months ended June 30, 2001, we recognized net pre-tax gains of $0.5 million from the sale of certain non-strategic assets.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
OTHER INCOME (EXPENSE), NET				
Equity in earnings of joint ventures	$ 4.4	$ 5.7	$ (1.3)	(22.8)%
Interest income	9.9	8.3	1.6	19.3%
Interest expense, net of amounts capitalized	(108.4)	(104.0)	(4.4)	(4.2)%
Other, net	(1.1)	(1.5)	0.4	26.7%
	$ (95.2)	$ (91.5)	$ (3.7)	(4.0)%

The decrease in equity in earnings of joint ventures was primarily related to our 60 percent share of the earnings of DDII LLC, which owns the Deepwater Frontier. The rig experienced shipyard downtime and decreased utilization during the first six months of 2002. This decrease was partially offset by losses recorded in February 2001 on the sale of the Drill Star and Sedco Explorer by a joint venture in which we own a 25% interest. The increase in interest income was primarily due to interest earned on higher average cash balances for the six months ended June 30, 2002 compared to the same period in 2001. The increase in interest expense was attributable to the absence of capitalized interest in the first six months of 2002 due to the completion of our newbuild projects in 2001 compared to $30.5 million of capitalized interest for the same period in 2001. Also contributing to the increase were $25.2 million of additional interest expense on debt issued during the second quarter of 2001 and $8.7 million of interest expense on debt acquired in the R&B Falcon merger, which represents additional interest in the full six months ended June 30, 2002 compared to five months for the comparable period in 2001. Offsetting these increases were reductions in interest expense of $26.3 million associated with debt refinancing and retirements during and subsequent to the second quarter of 2001, a decrease in LIBOR of approximately 335 basis points that resulted in a $7.0 million reduction in interest expense on floating rate debt and interest rate swaps entered into during and subsequent to June 2001 that further reduced interest expense $25.0 million.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
INCOME TAX EXPENSE	$ 27.7	$ 42.3	$ (14.6)	(34.5)%

We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. There is no expected relationship between the provision for income taxes and income before income taxes.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
LOSS ON EXTRAORDINARY ITEMS, NET OF TAX	$ -	$ (17.3)	$ 17.3	100.0%

During the six months ended June 30, 2001, we recognized a $17.3 million extraordinary loss, net of tax, related to the early extinguishment of debt as described in Note 4 to our condensed consolidated financial statements.

	Six Months Ended June 30, 2002	2001	Change	% Change
	(In millions, except % change)			
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	$(1,363.7)	$ -	$(1,363.7)	(100.0)%

During the six months ended June 30, 2002, we recognized a $1,363.7 million cumulative effect of a change in accounting principle related to the implementation of SFAS 142 as more fully described in Note 2 to our condensed consolidated financial statements.

FINANCIAL CONDITION

	June 30, 2002	December 31, 2001	Change	% Change
TOTAL ASSETS				
International and U.S. Floater Contract Drilling Services	$13,960.1	$ 14,219.3	$ (259.2)	(1.8)%
Gulf of Mexico Shallow and Inland Water	1,344.0	2,800.5	(1,456.5)	(52.0)%
	$15,304.1	$ 17,019.8	$(1,715.7)	(10.1)%

The decrease in International and U.S. Floater Contract Drilling Services assets was primarily due to a decrease in temporary investments resulting from the repayment of commercial paper borrowings of $326 million. The decrease in Gulf of Mexico Shallow and Inland Water assets was primarily due to the impairment of goodwill of $1.4 billion as a result of our adoption of SFAS 142 in January 2002.

RESTRUCTURING CHARGES

In conjunction with the R&B Falcon merger, we established a liability of

$16.5 million for the estimated severance-related costs associated with the involuntary termination of 569 R&B Falcon employees pursuant to management's plan to consolidate operations and administrative functions post-merger. Included in the 569 planned involuntary terminations were 387 employees engaged

in our land drilling business in Venezuela. We have suspended active marketing efforts to divest this business and, as a result, the estimated liability was reduced by $4.3 million in the third quarter of 2001 with an offset to goodwill. Through June 30, 2002 all required severance-related costs have been paid to 182 employees whose positions were eliminated as a result of this plan.

2001 R&B FALCON PRO FORMA OPERATING RESULTS

Our unaudited pro forma consolidated results for the six months ended June 30, 2001, giving effect to the R&B Falcon merger, reflected net income of $102.0 million, or $0.31 per diluted share, on pro forma operating revenues of $1,428.1 million. The pro forma operating results assume the merger was completed as of January 1, 2001 (see Note 3 to our condensed consolidated financial statements). These pro forma results do not reflect the effects of reduced depreciation expense related to conforming the estimated lives of our drilling rigs. The pro forma financial data should not be relied on as an indication of operating results that we would have achieved had the merger taken place earlier or of the future results that we may achieve.

OUTLOOK

Average dayrates increased moderately within our International and U.S. Floater Contract Drilling Services business segment, due largely to improved utilization of our high-specification floaters, while our fleet utilization within the segment declined during the second quarter of 2002 compared to the first quarter of this year. The segment's operating results trended slightly downward in the second quarter of 2002 due principally to a decline in demand for semisubmersibles and drillships with water depth drilling capabilities of 300 feet up to 3,500 feet. Within our Gulf of Mexico Shallow and Inland Water business segment, average dayrates increased slightly while fleet utilization decreased in the second quarter of 2002 compared to the immediately preceding quarter.

Comparative average dayrates and utilization figures for the quarters ending June 30, 2002 and 2001 and the quarter ending March 31, 2002 are set forth in the table below.

	Three Months Ended		
	June 30, 2002	March 31, 2002	June 30, 2001
AVERAGE DAYRATES			
INTERNATIONAL AND U.S. FLOATER CONTRACT DRILLING SERVICES SEGMENT:			
High-Specification Floaters	$ 150,200	$ 145,500	$ 141,600
Other Floaters	76,800	77,300	62,600
Jackups - Non-U.S.	57,700	58,800	44,100
Other (a)	43,700	43,900	37,000
Segment Total (a)	94,600	91,000	82,000
GULF OF MEXICO SHALLOW AND INLAND WATER SEGMENT:			
Jackups and Submersibles	21,100	22,200	39,800
Inland Barges	20,200	19,200	23,100
Segment Total (a)	20,700	20,300	31,800
Total Mobile Offshore Drilling Fleet (a)	$ 80,700	$ 76,600	$ 62,900
UTILIZATION			
INTERNATIONAL AND U.S. FLOATER CONTRACT DRILLING SERVICES SEGMENT:			
High-Specification Floaters	85%	82%	86%
Other Floaters	73%	82%	84%
Jackups - Non-U.S.	82%	90%	85%
Other (a)	60%	57%	53%
Segment Total (a)	78%	82%	82%
GULF OF MEXICO SHALLOW AND INLAND WATER SEGMENT:			
Jackups and Submersibles	29%	22%	72%
Inland Barges	24%	41%	71%
Segment Total (a)	27%	31%	71%
Total Mobile Offshore Drilling Fleet (a)	57%	61%	78%

(a) Average dayrates and utilization figures do not include non-core assets, which consist of our platform rigs, mobile offshore production units and Venezuelan land rigs, as well as for prior periods our service vessels, which were sold prior to June 30, 2002.

Demand for our drilling rigs is driven largely by our clients' perception of future commodity prices. World oil prices have been stable so far this year and U.S. natural gas prices have rebounded compared to the latter part of 2001, although there has been some recent weakness. We believe that drilling rig supply and demand are still close to balanced in market sectors around the world, other than the existing general oversupply of rigs in the Norway and U.K. sectors of the North Sea and the U.S. Gulf of Mexico. Generally, we do not expect significant changes in the overall global drilling rig supply and demand during the remainder of the year.

We do not foresee a significant increase in overall demand within our International and U.S. Floater Contract Drilling Services segment in the near term. We expect continued general weakness in Norway and the U.K. through the rest of the year for all classes of rigs. Similarly, we still do not foresee any significant improvement in the U.S. Gulf of Mexico high-specification sector until mobilizations to other regions occur or further meaningful development programs come online. We expect to see some additional U.S. deepwater development programs during 2003, although market and other factors could affect timing and the extent of development. We are still monitoring potential opportunities in India, although the timing of the projects is still uncertain. We believe the international jackup market sector should be stable to slightly improved during the rest of this year, buoyed by strong market segments in India and Asia. We expect the conventional semisubmersible market sector to remain weak for the foreseeable future.

We continue to see some encouraging signs for gas drilling opportunities in the U.S. Gulf of Mexico although recent declines in U.S. natural gas prices have added additional uncertainty to the outlook. While we experienced lower utilization rates within our Gulf of Mexico Shallow and Inland Water business segment for the full second quarter of 2002 compared to the first quarter of this year, we experienced an upward trend in activity during the month of June and believe this trend is currently continuing, although further deterioration in natural gas prices could have a negative effect.

The contract drilling market historically has been highly competitive and cyclical, and we are unable to predict the extent to which current market conditions will continue. A decline in oil or natural gas prices could reduce demand for our contract drilling services and adversely affect both utilization and dayrates.

We conduct our worldwide operations through various subsidiaries and branch offices. Consequently, we are subject to changes in tax laws and the interpretations of those tax laws in the jurisdictions in which we operate. This includes tax laws directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws of any country in which we have operations, including the United States ("U.S."), could result in a higher effective tax rate on our worldwide earnings.

As a result of our reorganization in May of 1999, we became a Cayman Islands company in a transaction commonly referred to as an "inversion". Currently the U.S. House and Senate are considering legislation that would change the tax law applicable to companies that have completed inversion transactions. Certain aspects of the leading proposals, S. 2119 Reversing the Expatriation of Profits Offshore Act passed by the Senate Finance Committee in July and the American Competitiveness and Corporate Accountability Act currently under consideration in the House Ways and Means Committee, may make it more difficult to integrate acquired U.S. businesses with existing operations or to undertake internal restructuring within the group. We can not provide any assurance as to what form final legislation will take or the impact that such legislation will ultimately have.

Following the terrorist attacks on September 11, 2001, insurance underwriters increased insurance premiums charged for many of the coverages historically maintained and issued general notices of cancellations to their customers for war risk, terrorism and political risk insurance with respect to a wide variety of insurance coverages, including but not limited to, liability and aviation coverages. Our insurance underwriters renegotiated substantially higher premium rates for war risk coverage, which can be canceled by the underwriters on short notice. Our Directors and Officers liability coverage was renewed in the second quarter of 2002 with a substantial increase in premium. Our current property insurance program runs through the end of 2002 and the various insurance programs providing our occupational injury and illness coverages run through November 2002. We expect a significant increase in premiums during 2003, but we are investigating alternatives that could mitigate the cost increase.

On July 4, 2002, a strike was called by the Norwegian Oil and Petrochemical Workers Union (NOPEF) directed at most offshore oilfield service contractors. Although drilling contractor employees did not strike, their operations were affected. The goal of NOPEF was to bring the wages and work conditions of the oilfield services workers up to the same level as other Norwegian offshore employees. The strike was concluded on August 11, 2002. While two of our rigs, the Polar Pioneer and Transocean Prospect, were affected by the strike, we do not currently have an estimate of the impact on our results of operations.

In July 2002, we announced plans to pursue a divestiture of our Gulf of Mexico Shallow and Inland Water business. Under this plan, our Gulf of Mexico Shallow and Inland Water business would be separated from Transocean and established as a publicly traded company. We currently anticipate that we will establish R&B Falcon as the entity that owns this business. We plan to transfer assets not used in this business from R&B Falcon, which will be renamed in connection with the transaction, to our other subsidiaries, and these internal transfers will not affect the consolidated financial statements of Transocean. The initial public offering is currently being prepared. We anticipate completing the initial public offering when market conditions warrant, subject to various factors. Given the current general uncertainty in the equity markets, we are unsure when the transaction could be completed on terms acceptable to us. We expect to sell a portion of our interest in R&B Falcon in the initial public offering.

The consolidated financial statements of R&B Falcon as a separate reporting entity will be included in the initial public offering prospectus and will include various items specific to R&B Falcon that are eliminated in Transocean's consolidated financial statements. The R&B Falcon financial statements will reflect its separate adoption of SFAS 142, including the implementation of the initial test for goodwill impairment utilizing the fair value of each reporting unit as of January 1, 2002 calculated in a manner consistent with the methodology used for Transocean's initial impairment test. With respect to the Gulf of Mexico Shallow and Inland Water business segment, R&B Falcon will have an impairment of goodwill consistent with that reflected in Transocean's consolidated financial statements for the first quarter of 2002, since the entire segment is housed within R&B Falcon. Transocean's International and U.S. Floater Contract Drilling Services segment (the "Floater segment") operates through a number of its subsidiaries, including R&B Falcon, which results in R&B Falcon having its own separate Floater segment. Due to significant differences in the composition of R&B Falcon's Floater segment compared to Transocean's Floater segment and other factors specific to R&B Falcon, we expect a substantial goodwill impairment for R&B Falcon's Floater segment even though the same test did not result in an impairment of goodwill in Transocean's Floater segment. A preliminary calculation indicates the impairment of R&B Falcon's Floater segment will be approximately $3 billion. This impairment will have no effect on Transocean's consolidated financial statements. The impairment relating to both segments in R&B Falcon will be recorded in its financial statements as a cumulative effect adjustment.

In July 2002, we received a $4.2 million settlement of a loss of hire insurance claim for an incident that occurred in 1998 in which the Sedco 710 was damaged from a collision with a supply boat. The settlement will be recorded in operating revenues in the third quarter of 2002.

We continue with our previously announced plans to sell a number of assets (see "-Liquidity and Capital Resources-Acquisitions and Dispositions"). We received proceeds of $202 million in 2001 and $61 million during the first six months of 2002 from the sale of such assets.

As of July 30, 2002, approximately 70 percent and 34 percent of our International and U.S. Floater Contract Drilling Services segment fleet days were committed for the remainder of 2002 and for the year 2003, respectively. For our Gulf of Mexico Shallow and Inland Water segment, which has traditionally operated under short-term contracts, committed fleet days were approximately 11 percent for the remainder of 2002 and none are currently committed for the year 2003.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES OF CASH

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001	Change
	(In millions)		
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income (loss)	$(1,206.4)	$ 99.0	$(1,305.4)
Depreciation and amortization	249.9	294.7	(44.8)
Non-cash items	1,338.0	(100.8)	1,438.8
Working capital	(1.0)	(241.7)	240.7
	$ 380.5	$ 51.2	$ 329.3

Cash generated from net income items adjusted for non-cash activity

increased $88.6 million. Cash used for working capital items decreased $240.7 million for the six months ended June 30, 2002 compared to the same period in 2001 primarily due to a reduction in accounts receivable resulting from increased collections.

	Six Months Ended June 30,		
	2002	2001	Change
	(In millions)		
NET CASH USED IN INVESTING ACTIVITIES			
Capital expenditures	$ (81.2)	$ (371.8)	$ 290.6
Proceeds from disposal of assets	65.0	29.2	35.8
Merger costs paid	-	(24.5)	24.5
Proceeds from sale of securities	-	16.8	(16.8)
R&B Falcon cash at acquisition	-	264.7	(264.7)
Other, net	-	2.7	(2.7)
	$ (16.2)	$ (82.9)	$ 66.7

Net cash used in investing activities decreased for the six months ended June 30, 2002 as compared to the same period in the previous year as a result of lower capital expenditures due to the completion of our newbuild program in 2001 and higher proceeds from asset sales for the six months ended June 30, 2002, partially offset by cash received in connection with the R&B Falcon merger during the six months ended June 30, 2001.

	Six Months Ended June 30, 2002	2001	Change
	(In millions)		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES			
Net borrowings (repayments) on revolving credit agreements	$ -	$ (180.1)	$ 180.1
Net borrowings (repayments) under commercial paper program	(326.4)	60.3	(386.7)
Repayments on other debt instruments	(119.6)	(1,478.2)	1,358.6
Net proceeds from issuance of debt	-	1,693.5	(1,693.5)
Other, net	(15.8)	10.4	(26.2)
	$ (461.8)	$ 105.9	$ (567.7)

During the six months ended June 30, 2002, we had no borrowings under our revolving credit agreements and we repaid $326.4 million under our commercial paper program. The decrease in repayments of debt instruments of $1,358.6 million was primarily due to repayments of R&B Falcon debt instruments totaling $1,457.9 million in the second quarter of 2001 as more fully described in Note 4 to our condensed consolidated financial statements. In the six months ended June 30, 2002, we made early repayments of secured rig financing on the Trident IX and Trident 16 of $50.6 million and scheduled debt payments amounting to $68.9 million. The increase in cash used in other, net mainly reflects $8.3 million in consent payments related to the exchange of our notes for R&B Falcon notes and no exercise of warrants in 2002. In the second quarter of 2001, we received net proceeds of $1,693.5 million primarily due to the issuance of the 6.625% Notes, 7.5% Notes and 1.5% Convertible Debentures.

CAPITAL EXPENDITURES

Capital expenditures totaled $81.2 million during the six months ended June 30, 2002. During 2002, we expect to spend between $160 million and $200 million on our existing fleet, corporate infrastructure and major upgrades to the Deepwater Expedition. A substantial majority of our capital expenditures relates to the International and U.S. Floater Contract Drilling Services segment.

We intend to fund the cash requirements relating to our capital expenditures through available cash balances, cash generated from operations and asset sales. We also have available borrowings under our revolving credit agreements and commercial paper program (see "-Sources of Liquidity") and may engage in other commercial bank or capital market financings.

ACQUISITIONS AND DISPOSITIONS

From time to time, we review possible acquisitions of businesses and drilling units and may in the future make significant capital commitments for such purposes. Any such acquisition could involve the payment by us of a substantial amount of cash or the issuance of a substantial number of additional ordinary shares or other securities. We would likely fund the cash portion of any such acquisition through cash balances on hand, the incurrence of additional debt, sales of assets, ordinary shares or other securities or a combination thereof. In addition, from time to time, we review possible dispositions. See "Outlook."

In June 2002, we sold a jackup rig, the RBF 209, and recognized a net after-tax loss of $1.5 million.

In March 2002, we sold two semisubmersible rigs, the Transocean 96 and Transocean 97, for net proceeds of $30.7 million, resulting in net after-tax gains of $1.3 million.

During the six months ended June 30, 2002, we sold certain other non-strategic assets acquired in the R&B Falcon merger and certain other assets held for sale for net proceeds of approximately $14.7 million, resulting in net after-tax gains of $0.7 million.

SOURCES OF LIQUIDITY

Our primary sources of liquidity in the second quarter of 2002 were our cash flows from operations and asset sales. Primary uses of cash were capital expenditures and debt repayments. At June 30, 2002, we had $756 million in cash and cash equivalents.

We anticipate that we will rely primarily upon existing cash balances and internally generated cash flows to maintain liquidity in 2002, as cash flows from operations are expected to be positive and adequate to fulfill anticipated obligations. From time to time, we may also use bank lines of credit and commercial paper to maintain liquidity for short-term cash needs.

We intend to use cash from operations primarily to pay debt as it comes due and to fund capital expenditures. If we seek to reduce our debt through other than scheduled maturities, we could do so through repurchases or redemptions of, or tender offers for, debt securities. We expect to significantly reduce capital expenditures compared to prior years due to the completion of our newbuild program in 2001. During the first six months of 2002, we have reduced net debt, defined as total debt less cash and cash equivalents, by $300 million.

Our internally generated cash flow is directly related to our business and the market segments in which we operate. Should the drilling market deteriorate further, or should we experience poor results in our operations, cash flow from operations may be reduced. However, we have continued to generate positive cash flow from operations.

We have access to $800 million in bank lines of credit under two revolving credit agreements. One revolving credit agreement provides for $250 million in borrowings and will expire in December 2002 and the other revolving credit agreement provides for $550 million in borrowings and will expire in December 2005. These credit lines are used primarily to back our $800 million commercial paper program and may also be drawn on directly. As of June 30, 2002, none of the credit line capacity was utilized, leaving $800 million of availability under the bank lines of credit for commercial paper issuance or drawdowns.

The bank credit lines require compliance with various covenants and provisions customary for agreements of this nature, including an interest coverage ratio of not less than 3 to 1, a leverage ratio of not greater than 40 percent and limitations on mergers and sale of substantially all assets, creating liens, incurring debt, transactions with affiliates and sale/leaseback transactions. Should we fail to comply with these covenants, we would be in default and may lose access to these facilities. A loss of the bank facilities would also cause us to lose access to the commercial paper markets. We are also subject to various covenants under the indentures pursuant to which our public debt was issued, including restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. A default under our public debt could trigger a default under our credit lines and cause us to lose access to these facilities. See Note 8 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2001 for a description of our credit agreements and debt securities.

We intend to use the proceeds from the initial public offering of our Gulf of Mexico Shallow and Inland Water business as well as any proceeds from our previously announced plans to sell a number of assets (See "-Outlook") to further reduce our debt balances.

In April 2001, the Securities and Exchange Commission ("SEC") declared effective our shelf registration statement on Form S-3 for the proposed offering from time to time of up to $2.0 billion in gross proceeds of senior or subordinated debt securities, preference shares, ordinary shares and warrants to purchase debt securities, preference shares, ordinary shares or other securities. In May 2001, we issued $400.0 million aggregate principal amount of 1.5% Convertible Debentures due May 15, 2021 under the shelf registration statement. At July 31, 2002, $1.6 billion in gross proceeds of securities remained unissued under the shelf registration statement.

Our access to commercial paper, debt and equity markets may be reduced or closed to us due to a variety of events, including, among others, downgrades of ratings of our debt and commercial paper, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry.

Our contractual obligations in the table below include our debt obligations at face value.

	As of June 30, 2002				
	Total	Less Than 1 Year	1 to 3 Years	4 - 5 Years	After 5 Years
	(In millions)				
CONTRACTUAL OBLIGATIONS					
Debt	$4,545.7	$ 948.2	$1,197.5	$100.0	$2,300.0

We are required to repurchase the Zero Coupon Convertible Debentures due 2020, the 1.5% Convertible Debentures due 2021 and the 7.45% Notes due 2027 at the option of the holder in May 2003, May 2006 and April 2007, respectively. With regard to both series of the Convertible Debentures, we have the option to pay the repurchase price in cash, ordinary shares or any combination of cash and ordinary shares. The chart above assumes that the holders of these debentures and notes exercise the options at the first available date. We are also required to repurchase the convertible debentures at the option of the holder at other later dates as more fully described in Note 8 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2001.

We have certain operating leases that have been previously discussed and reported in our Annual Report on Form 10-K for the year ended December 31, 2001. There have been no material changes in these previously reported leases.

At June 30, 2002, we had other commitments that we are contractually obligated to fulfill with cash should the obligations be called. These obligations included standby letters of credit and surety bonds, which guarantee our performance as it relates to our drilling contracts, insurance, tax and other obligations in various jurisdictions. Letters of credit are issued under a number of facilities provided by several banks. The obligations that are the subject of these surety bonds are geographically concentrated in Brazil and Nigeria. These letters of credit and surety bond obligations are not normally called as we typically comply with the underlying performance requirements. The table below includes a summary of these obligations in U.S. dollar equivalents and their time to expiration. It should be noted that these obligations could be called at any time prior to the expiration dates.

	As of June 30, 2002				
	Total	Less Than 1 Year	1 to 3 Years	4 - 5 Years	After 5 Years
	(In millions)				
OTHER COMMERCIAL COMMITMENTS					
Standby Letters of Credit	$ 63.9	$ 56.2	$ 7.5	$ -	$ 0.2
Surety Bonds	221.9	119.5	102.4	-	-
Purchase Option Guarantees					
Joint Ventures (a)	191.3	-	191.3	-	-
Total	$477.1	$ 175.7	$ 301.2	$ -	$ 0.2

(a) See "-Special Purpose Entities".

In March 2002, we completed an exchange offer pursuant to which the 6.5% Notes due April 15, 2003, 6.75% Notes due April 15, 2005, 6.95% Notes due April 15, 2008, 7.375% Notes due April 15, 2018, 9.125% Notes due December 15, 2003 and 9.5% Notes due December 15, 2008 of R&B Falcon whose holders accepted the offer were exchanged for newly issued Transocean notes. The new notes were issued in six series corresponding to the six series of R&B Falcon notes and have the same principal amount, interest rate, redemption terms and payment and maturity dates as the corresponding series of R&B Falcon notes. The aggregate principal amount of the new notes issued was approximately $1.4 billion. Because the holders of a majority in principal amount of each of these series of notes consented to the proposed amendments to the applicable indenture pursuant to which the notes were issued, some covenants, restrictions and events of default were eliminated from the indentures with respect to these series of notes. The notes not exchanged remain an obligation of R&B Falcon. In connection with the

exchange offers, an aggregate of $8.3 million in consent payments was made by R&B Falcon to holders of R&B Falcon notes whose notes were tendered (and not validly withdrawn) within the required time periods and accepted for exchange.

DERIVATIVE INSTRUMENTS

We have established policies and procedures for derivative instruments that have been approved by our Board of Directors. These policies and procedures provide for the prior approval of derivative instruments by our Chief Financial Officer. From time to time, we may enter into a variety of derivative financial instruments in connection with the management of our exposure to fluctuations in foreign exchange rates and interest rates. We do not enter into derivative transactions for speculative purposes; however, for accounting purposes, certain transactions may not meet the criteria for hedge accounting.

As more fully described in Note 6 to our condensed consolidated financial statements, we are a party to interest rate swap agreements with an aggregate notional amount of $1.6 billion. At June 30, 2002, the value of our outstanding derivatives was a net asset of $63.0 million.

Deepwater Drilling L.L.C., an unconsolidated subsidiary in which we have a 50 percent ownership interest, has entered into interest rate swaps with aggregate market values netting to a liability of $7.9 million at June 30, 2002. Our interest in these swaps was included in accumulated other comprehensive income with a corresponding reduction to investments in and advances to joint ventures.

SPECIAL PURPOSE ENTITIES, SALE/LEASEBACK TRANSACTION AND RELATED PARTY TRANSACTIONS

We have transactions with certain special purpose entities and related parties and we are party to a sale/leaseback transaction. These transactions have all been previously discussed and reported in our Annual Report on Form 10-K for the year ended December 31, 2001. There have been no material developments in these previously reported transactions.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the FASB issued SFAS 142, Goodwill and Other Intangible Assets, which is effective for fiscal years beginning after December 15, 2001. Under SFAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed at least annually for impairment. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, we adopted SFAS 142 effective January 1, 2002. In conjunction with the adoption of this statement, we discontinued the amortization of goodwill. Application of the non-amortization provisions of SFAS 142 for goodwill is expected to result in an increase in operating income of approximately $155 million in 2002. See Note 2 to our condensed consolidated financial statements.

In August 2001, the FASB issued SFAS 144, Accounting for Impairment or Disposal of Long-Lived Assets. SFAS 144 supersedes SFAS 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, and the accounting and reporting provisions of Accounting Principles Board Opinion ("APB") 30, Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS 144 retains the fundamental provisions of SFAS 121 for recognition and measurement of long-lived asset impairment and for the measurement of long-lived assets to be disposed of by sale and the basic requirements of APB 30. In addition to these fundamental provisions, SFAS 144 provides guidance for determining whether long-lived assets should be tested for impairment and specific criteria for classifying assets to be disposed of as held for sale. The statement is effective for fiscal years beginning after December 15, 2001. We adopted the statement as of January 1, 2002. The adoption of this statement had no material effect on our consolidated financial position or results of operations.

In April 2002, the FASB issued SFAS 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement eliminates the requirement under SFAS Statement 4 to aggregate and classify all gains and losses from extinguishment of debt as an extraordinary item, net of related income tax effect. This statement also amends

SFAS 13 to require certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. In addition, SFAS 145 requires reclassification of gains and losses in all prior periods presented in comparative financial statements related to debt extinguishment that do not meet the criteria for extraordinary item in APB 30. The statement is effective for fiscal years beginning after May 15, 2002 with early adoption encouraged. We will adopt SFAS 145 effective January 1, 2003. We do not expect adoption of this statement to have a material effect on our consolidated financial position or results of operations.

In July 2002, the FASB issued SFAS 146, Obligations Associated with Disposal Activities, which is effective for disposal activities initiated after December 15, 2002, with early application encouraged. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Under this statement, a liability for a cost associated with an exit or disposal activity would be recognized and measured at its fair value when it is incurred rather than at the date of commitment to an exit plan. Under SFAS 146, severance pay would be recognized over time rather than up front provided the benefit arrangement requires employees to render future service beyond a "minimum retention period", which would be based on the legal notification period, or if there is no such requirement, 60 days, thereby allowing a liability to be recorded over the employees' future service period. We will adopt SFAS 146 effective with disposal activities initiated after December 15, 2002. We do not expect adoption of this statement to have a material effect on our consolidated financial position or results of operations.

FORWARD-LOOKING INFORMATION

The statements included in this quarterly report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements to the effect that the Company or management "anticipates," "believes," "budgets," "estimates," "expects," "forecasts," "intends," "plans," "predicts," or "projects" a particular result or course of events, or that such result or course of events "could," "might," "may," "scheduled" or "should" occur, and similar expressions, are also intended to identify forward-looking statements. Forward-looking statements in this quarterly report include, but are not limited to, statements involving potential revenues, increased expenses, customer drilling programs, supply and demand, utilization rates, dayrates, the conventional semisubmersible sector, the Norway sector, the U.K. sector, the U.S. Gulf of Mexico high-specification sector, the India and Asia sectors, the disposition of the Company's Gulf of Mexico Shallow and Inland Water business (including the timing of the offering and portion sold), impairment of goodwill and related accounting matters of R & B Falcon, expectations of offshore and inland water drilling market conditions, planned asset sales, the Company's other expectations with regard to market outlook, expected capital expenditures, results and effects of legal proceedings, liabilities for tax issues, increases in insurance premiums, liquidity, positive cash flow from operations, the exercise of the option of holders of Zero Coupon Convertible Debentures, the 1.5% Convertible Debentures and the 7.45% Notes to require the Company to repurchase the instruments, adequacy of cash flow for 2002 obligations, effects of accounting changes, the effect of proposed legislation and the timing and cost of completion of capital projects. Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to, worldwide demand for oil and gas, uncertainties relating to the level of activity in offshore oil and gas exploration and development, exploration success by producers, oil and gas prices (including U.S. natural gas prices), demand for offshore and inland water rigs, competition and market conditions in the contract drilling industry, our ability to successfully integrate the operations of acquired businesses, delays or terminations of drilling contracts due to a number of events, delays or cost overruns on construction and shipyard projects and possible cancellation of drilling contracts as a result of delays or performance, our ability to enter into and the terms of future contracts, the availability of qualified personnel, labor relations and the outcome of negotiations with unions representing workers, operating hazards, political and other uncertainties inherent in non-U.S. operations (including exchange and currency fluctuations), risks of war, terrorism and cancellation or unavailability of certain insurance coverage, securities market conditions, application of accounting rules, the impact of governmental laws and regulations, the final provisions of any inversion and other legislation (if any), the adequacy of sources of liquidity, the effect of litigation and contingencies and other factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2001 and in the Company's other filings with the SEC, which are available free of charge on the SEC's website at www.sec.gov. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results

may vary materially from those indicated. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Our exposure to market risk for changes in interest rates relates primarily to our long-term and short-term debt obligations. The table below presents scheduled debt maturities and related weighted-average interest rates for each of the twelve month periods ending June 30, relating to debt obligations as of June 30, 2002. Weighted-average variable rates are based on estimated LIBOR rates as of June 30, 2002, plus applicable margins.

As of June 30, 2002 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a) (b)							Fair Value
	2003	2004	2005	2006	2007	Thereafter	Total	6/30/02
Total debt								
Fixed Rate	$823.2	$130.2	$ 92.3	$400.0	$100.0	$ 1,050.0	$2,595.7	$2,444.7
Average interest rate	4.1%	8.5%	8.4%	1.5%	7.5%	7.6%	5.6%	
Variable Rate	$125.0	$150.0	$ 75.0	-	-	-	$ 350.0	$ 350.0
Average interest rate	2.6%	2.6%	2.6%	-	-	-	2.6%	
Receive Fixed/Pay Variable Swaps (c)	-	-	$350.0	-	-	$ 1,250.0	$1,600.0	$1,726.9
Average interest rate	-	-	4.7%	-	-	3.6%	3.8%	

- --------------------------------

(a) Maturity dates of the face value of the Company's debt assume the put options on the Zero Coupon Convertible Debentures, 1.5% Convertible Debentures and 7.45% Notes will be exercised in May 2003, May 2006 and April 2007, respectively.

(b) Expected maturity amounts are based on the face value of debt and do not reflect fair market value of debt.

(c) The 6.625%, 6.75%, 6.95% and 9.5% Notes are considered variable as a result of the interest rate swaps. See Note 6 to our condensed consolidated financial statements.

At June 30, 2002, we had approximately $2.0 billion of variable rate debt at face value (43 percent of total debt at face value). Of that variable rate debt, $1.6 billion resulted from interest rate swaps with the remainder representing term bank debt. Given outstanding amounts as of that date, a one percent rise in interest rates would result in an additional $16 million in interest expense per year. Offsetting this, a large part of our investments would earn commensurate higher rates of return. Using June 30, 2002 investment levels, a one percent increase in interest rates would result in approximately $7 million of additional interest income per year. Based on June 30, 2002 balances, our net variable debt balance at face value, defined as variable rate debt less cash and cash equivalents, totaled $1.2 billion (32 percent of net total debt at face value).

FOREIGN EXCHANGE RISK

The Company's exposure to foreign exchange risk has not materially changed since December 31, 2001.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We were a defendant in Bryant, et al. v. R&B Falcon Drilling USA, Inc., et al. in the United States District Court for the Southern District of Texas, Houston Division. R&B Falcon Drilling USA is a wholly owned indirect subsidiary of R&B Falcon. In this suit, the plaintiffs alleged that R&B Falcon Drilling USA, us and a number of other offshore drilling contractors with operations in the U.S. Gulf of Mexico engaged in a conspiracy to depress wages and benefits paid to certain of their offshore employees. The plaintiffs contended that this alleged conduct violated federal antitrust law and constituted unfair trade practices and wrongful employment acts under state law. The plaintiffs sought treble damages, attorneys' fees and costs on behalf of themselves and an alleged class of offshore workers, along with an injunction against exchanging certain wage and benefit information with other offshore drilling contractors named as defendants. In May 2001, we reached an agreement in principle with the plaintiffs' counsel to settle all claims, pending Court approval of the settlement. In July 2001, before the Court had considered the proposed settlement, the case, along with a number of unrelated cases also pending in the federal court in Galveston, was transferred to a federal judge sitting in Houston as a docket equalization measure. The judge approved the settlement, and the funds were deposited with the court in June 2002. The terms of the settlement have been reflected in our results of operations for the first quarter of 2001. The settlement did not have a material adverse effect on our business or consolidated financial position.

In December 1998, Mobil North Sea Limited ("Mobil") purportedly terminated its contract for use of the Jack Bates based on failure of two mooring lines while anchor recovery operations at a Mobil well location had been suspended during heavy weather. We did not believe that Mobil had the right to terminate this contract. We later recontracted the Jack Bates to Mobil at a lower dayrate. We filed a request for arbitration with the London Court of International Arbitration seeking damages for the termination, and Mobil in turn counterclaimed against us seeking damages for our alleged breaches of the original contract. The case was settled in July 2002 and the proceedings dismissed. The ultimate outcome of this case did not have a material adverse effect on the Company's business or consolidated financial position.

In March 1997, an action was filed by Mobil Exploration and Producing U.S. Inc. and affiliates, St. Mary Land & Exploration Company and affiliates and Samuel Geary and Associates, Inc. against Cliffs Drilling, its underwriters and insurance broker in the 16th Judicial District Court of St. Mary Parish, Louisiana. The plaintiffs alleged damages amounting to in excess of $50 million in connection with the drilling of a turnkey well in 1995 and 1996. The case was tried before a jury in January and February 2000, and the jury returned a verdict of approximately $30 million in favor of the plaintiffs for excess drilling costs, loss of insurance proceeds, loss of hydrocarbons and interest. We have appealed such judgment. We believe that all but potentially the portion of the verdict representing excess drilling costs of approximately $4.7 million is covered by relevant primary and excess liability insurance policies of Cliffs Drilling; however, the insurers and underwriters have denied coverage. Cliffs Drilling has instituted litigation against those insurers and underwriters to enforce its rights under the relevant policies. We do not expect that the ultimate outcome of this case will have a material adverse effect on our business or consolidated financial position.

We have certain other actions or claims pending that have been previously discussed and reported in our Quarterly Report on Form 10-Q for the three months ended March 31, 2002, our Annual Report on Form 10-K for the year ended December 31, 2001 and our other reports filed with the Securities and Exchange Commission. There have been no material developments in these previously reported matters. We are involved in a number of other lawsuits, all of which have arisen in the ordinary course of our business. We do not believe that ultimate liability, if any, resulting from any such other pending litigation will have a material adverse effect on our business or consolidated financial position.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual General Meeting of Transocean Inc. held on May 9, 2002, 271,130,702 shares were represented in person or by proxy out of 319,136,365 shares entitled to vote as of the record date, constituting a quorum.

The matters submitted to a vote of shareholders were (i) the election of Class III Directors as set forth in the Company's Proxy Statement relating to the meeting; (ii) the approval of appointment of Ernst & Young LLP as independent auditors for 2002 and (iii) the change of name of Transocean Sedco Forex Inc. by special resolution to Transocean Inc. With respect to the election of directors, the following number of votes were cast as to the Class III Director nominees: Ronald L. Kuehn, Jr., 268,457,162 votes for and 2,673,540 votes withheld; Paul B. Loyd, Jr., 264,984,050 votes for and 6,146,652 votes withheld; Roberto Monti, 268,463,195 votes for and 2,667,507 votes withheld; and Ian C. Strachan, 266,818,204 votes for and 4,312,498 votes withheld. With respect to the Company's appointment of independent auditors, there were 259,303,765 votes for and 10,805,455 votes withheld. There were 1,020,884 abstentions and no broker non-votes in the appointment of independent auditors. With respect to the Company's change of name, 269,899,612 votes were cast for the proposal and 228,216 votes were cast against the proposal. There were 1,002,873 abstentions and no broker non-votes in the vote on the proposal.

ITEM 5. OTHER INFORMATION

Jon C. Cole resigned from his position as Executive Vice President, Shallow Water and Inland Water Operations effective July 31, 2002.

The Company hired Jan Rask effective as of July 16, 2002 to be President and Chief Executive Officer of the separate company to be established as a publicly traded company consisting of our Gulf of Mexico Shallow and Inland Water business. (See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Outlook")

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed in connection with this Report:

NUMBER	DESCRIPTION
*2.1	Agreement and Plan of Merger dated as of August 19, 2000 by and among Transocean Inc., Transocean Holdings Inc., TSF Delaware Inc. and R&B Falcon Corporation (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
*3.1	Memorandum of Association of Transocean Inc., as amended (incorporated by reference to Annex E to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
*3.2	Articles of Association of Transocean Inc., as amended (incorporated by reference to Annex F to the Joint Proxy Statement/Prospectus dated October 30, 2000 included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
+3.3	Certificate of Incorporation on Change of Name to Transocean Inc.
+10.1	Employment Agreement dated July 15, 2002 by and among R&B Falcon Corporation, R&B Falcon Management Services, Inc., and Jan Rask
+10.2	Separation Agreement dated as of July 23, 2002 by and between Transocean Offshore Deepwater Drilling Inc. and Jon C. Cole

- --------------------

* Incorporated by reference as indicated.

\+ Filed herewith.

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on April 8, 2002 (information furnished not filed) announcing financial information pertaining to revenues by asset type and geographic location for the twelve months ended December 31, 2001, the Company's view of supply/demand, committed fleet days as of March 28, 2002 and proceeds from asset sales, a Current Report on Form 8-K on April 30, 2002 (information furnished not filed) announcing that the updated "Monthly Fleet Report" was available on the Company's website, a Current Report on Form 8-K on May 13, 2002 announcing that shareholders approved the proposal to change the name of the Company to Transocean Inc., a Current Report on Form 8-K on May 15, 2002 (information furnished not filed) announcing the Company's view of supply/demand and the effect of a change in dayrate assumption on earnings per share, a Current Report on Form 8-K on May 31, 2002 (information furnished not filed) announcing that the updated "Monthly Fleet Report" was available on the Company's website and a Current Report on Form 8-K on June 28, 2002 (information furnished not filed) announcing that the updated "Monthly Fleet Report" was available on the Company's website.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, on August 13, 2002.

TRANSOCEAN INC.

By: /s/ Gregory L. Cauthen

Gregory L. Cauthen
Senior Vice President, Chief Financial Officer
and Treasurer
(Principal Financial Officer)

By: /s/ Ricardo H. Rosa

Ricardo H. Rosa
Vice President and Controller
(Principal Accounting Officer)

CR-89645

REGISTRAR OF COMPANIES
EXEMPTED
CAYMEN ISLANDS

Certificate of Incorporation On Change Of Name

I DO HEREBY CERTIFY that

TRANSOCEAN SEDCO FOREX INC.

having by Special Resolution dated 9th of May 2002 changed its name, is now incorporated under the name of

Transocean Inc.

Given under my hand and Seal at George Town in the Island of Grand Cayman this Tenth day of May Two Thousand Two

(SGD. D.H. DIXON)

CERTIFIED TO BE A TRUE AND CORRECT COPY

SIG /s/ Donnell H. Dixon

DONNELL H. DIXON
Asst. Registrar of Companies

An Authorized Officer,
Registry of Companies,
Cayman Islands, B.W.I.

DATE 10th May, 2002

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") by and among R&B Falcon Corporation, a Delaware corporation ("RBF"), R&B Falcon Management Services, Inc., a wholly owned subsidiary of RBF (the "Company"), and Jan Rask (the "Executive"), dated this 15th day of July, 2002, but effective as of July 16, 2002 (the "Effective Date").

WHEREAS, RBF and the Company desire to induce the Executive to enter into an employment arrangement with RBF and the Company in order to have the benefit of the Executive's services from and after the Effective Date and the Company has agreed to provide compensation and benefits to the Executive in consideration of the Executive's agreement to become employed by the Company; and

WHEREAS, the Executive desires to enter into an employment arrangement with RBF and the Company and to perform services for the Company and serve as Chief Executive Officer and President of RBF for the compensation and benefits described herein; and

WHEREAS, it is anticipated that RBF will transfer its deep-water business to one or more subsidiaries of Transocean Inc. and seek to effect a registered public offering of common stock of RBF, in which it is currently expected that Transocean Inc. and its subsidiaries will be the sole seller of shares; and

NOW, THEREFORE, in consideration of the promises, terms and provisions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Employment Period

The Company hereby agrees to employ the Executive and the Executive hereby accepts such employment, subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on the third anniversary of the Effective Date (the "Initial Term"). The Initial Term (and each subsequent Renewal Term (defined herein)) shall be extended automatically for an additional one (1)-year period (a "Renewal Term") unless written notice that this Agreement will not be renewed is given by either party to the other at least six (6) months prior to the expiration of the Initial Term or any Renewal Term (collectively, the Initial Term and any Renewal Term shall be referred to as the "Employment Period").

2. Terms of Employment

(a) Duties. During the Employment Period, the Executive shall serve in the capacity of Chief Executive Officer and President of RBF. During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and RBF and, to the extent necessary to discharge the responsibilities assigned to the Executive under this Agreement and reasonable duties, consistent with and normal

for the position, given to the Executive by the Board of Directors of RBF (the "Board") from time to time, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period, it shall not be a violation of this Agreement for the Executive to (i) serve on corporate, civic or charitable boards or committees, provided that such service has been approved by the Board, (ii) deliver lectures or fulfill speaking engagements and (iii) manage personal investments, so long as all such activities described in clauses (i), (ii) and (iii) do not significantly interfere with the performance of the Executive's responsibilities as the Chief Executive Officer and President in accordance with this Agreement.

(b) Compensation. The Executive shall be entitled to receive the compensation set forth below in consideration for his services during the Employment Period.

(i) Base Salary. The Executive shall receive an annual base salary ("Annual Base Salary"), of five hundred thirty thousand dollars ($530,000), which shall be paid to the Executive in equal semi-monthly installments throughout the year, consistent with normal payroll practices of the Company. During the Employment Period, the Annual Base Salary shall be reviewed at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase, and the term Annual Base Salary as utilized in this

Agreement shall refer to Annual Base Salary as so increased.

(ii) Bonus. The Executive may receive an annual discretionary bonus (the "Bonus") that is (A) based on the terms and conditions of a bonus plan adopted for similarly situated executives and (B) subject to the attainment of certain performance objectives, such performance objectives and their achievement to be determined annually by the Board, in its sole discretion. The Bonus shall be payable upon determination by the Board of Executive's percentage achievement of the performance targets established by the Board. The Bonus shall be calculated by multiplying the Executive's percentage of attained objectives times an amount equal to a percentage of the Executive's Annual Base Salary for the respective year as established by the Board (the "Annual Target Bonus"); provided that, for each year of the Initial Term, the Annual Target Bonus shall be no less than seventy percent (70%) of the Executive's Annual Base Salary. Notwithstanding the foregoing, if the Executive is eligible for a Bonus for a partial calendar year of employment, the amount of the Bonus shall be prorated and calculated based on the Annual Base Salary actually received by the Executive for such partial calendar year of employment.

(iii) IPO Option. Effective as of the closing date of the first registered underwritten public offering completed after the Effective Date to purchase common stock of RBF ("Common Stock") (the "IPO"), the

Executive shall, if he is then employed hereunder, receive a non-qualified option to purchase two percent (2%) of the aggregate number of the then outstanding shares of Common Stock of all classes; provided that the option shall be solely to purchase the same class of shares purchased by the public in the IPO which currently is expected to be Class A Common Stock (the "Public Common Stock") (it being understood that Transocean Inc. and its subsidiaries are currently expected to hold Class B Common Stock which will, among other things, be entitled to voting rights at least five (5) times as great as the voting rights of the Public Common Stock) (the "IPO Option"). The exercise price of the IPO Option shall be equal to the price to the public of the Public Common Stock sold (or other class sold) in the IPO on the closing date of the IPO (the "IPO Date"). The IPO Option shall be subject to (A) expiration on the tenth anniversary of the IPO Date or, if earlier, 90 days after the Executive's Date of Termination (as defined in Section 3(g) or Section 4(b)) and (B) incremental exercisability of the IPO Option at the rate of thirty-three and one-third percent (33 1/3%) of the shares subject to the IPO Option per year on the first (1st), second (2nd) and third (3rd) anniversaries of the IPO Date so that cumulatively after the end of the third (3rd) anniversary of the IPO Date, one hundred percent (100%) of the IPO Option shall be exercisable. The Executive must be in continuous employment with RBF and the Company from the IPO Date through the date of exercisability of each installment in order for the IPO Option to become exercisable with respect to additional shares on each such date, except as otherwise provided in this Agreement. The IPO Option shall be subject to (A) an employee stock option plan to be adopted by RBF ("Stock Incentive Plan"), (B) a stock option award document containing terms consistent with the foregoing and (C) such other terms, consistent with the foregoing, to be established by the administrative committee of such Stock Incentive Plan, including, but not limited to, any restrictions on the Executive's ability to sell, transfer or dispose of shares of Public Common Stock acquired upon exercise of the IPO Option following the IPO Date or the date of any underwritten registration of the offering of the Public Common Stock.

Further, without limiting the generality of any other provision hereof, nothing in this Agreement shall limit or restrict RBF from (A) taking any action in connection with the separation of its shallow-water from its deep-water business on the terms determined by Transocean Inc. (including, without limitation, the dividend or other transfer of deep-water related assets from RBF), (B) entering into any arrangement (including separation arrangements, corporate governance arrangements, tax sharing arrangements, registration rights agreements, transition services agreements, all of which may be on the terms specified by Transocean Inc.), (C) amending the Charter, Bylaws and other governing documents to provide for, among other things, protections for Transocean Inc. and granting it consent and other rights not available to other shareholders,

(D) effecting the sale of securities to Transocean Inc. on terms that Transocean Inc. determines, (E) varying the terms of the IPO from those described herein, or (F) restricting the ability of RBF to compete with Transocean Inc., it being specifically understood by the parties hereto that any of such actions or other actions taken by RBF in connection with any IPO (including the decision not to effect the IPO), restructuring, any disposition transactions or otherwise shall not constitute Good Reason, as defined in Section 4(b), or otherwise a breach of this Agreement.

(iv) IPO Restricted Stock. If the Executive is employed on the IPO Date he shall receive as of that date a number of restricted shares of Public Common Stock (the "IPO Restricted Stock") equal to the quotient obtained by dividing the Incentive Amount by the IPO Price Per Share.

The IPO Restricted Stock shall contain forfeiture restrictions that shall lapse on the third anniversary of the IPO Date, subject to the Executive's continuous employment with RBF and the Company through that date. The Restricted Stock shall be awarded subject to (A) the Stock Incentive Plan, (B) a restricted stock award document containing terms consistent with the foregoing, and (C) such other terms, consistent with the foregoing, to be established by the administrative committee of such Stock Incentive Plan.

For purposes of this Agreement, the following terms shall have the meanings indicated:

"Estimate Date" shall mean the first to occur of (A) the IPO Date, (B) the closing date of a Whole Company Sale (C) the date the Executive gives notice of an Approved Termination pursuant to Section 3(a)(i), or (D) 90 days after the Date of Termination without Cause pursuant to Section 3(e).

"Incentive Amount" shall mean the excess, if any, of (A) $9,387,000 multiplied by the Adjustment Ratio, over (B) $1,043,000.

"IPO Price Per Share" shall mean the price to the public of the Public Common Stock sold in the IPO on the IPO Date.

"Adjustment Ratio" shall mean the quotient (calculated to the nearest five decimal places) obtained by dividing (A) the excess, if any of (I) the Index Value as of the Estimate Date over (II) the Index Value as of Effective Date by (B) the Index Value as of the Effective Date.

"Applicable Stock" shall mean the common stock (or equivalent in the event of a noncorporate entity) of each of the following: Pride International, Inc., Ensco International Incorporated, Patterson-UTI

Energy, Inc., Rowan Companies, Inc. and Grey Wolf, Inc. (each of such companies being referred to as an "Issuer").

"Market Capitalization" on any day shall mean, with respect to any Applicable Stock, the product obtained by multiplying (a) the Market Value of such Applicable Stock on such day by (b) the number of outstanding shares of all Applicable Stock as last reported in a filing with the Securities and Exchange Commission.

"Index Value" on any day shall mean the sum of the Market Capitalization of the Applicable Stocks on such day (i.e., the sum of the Market Capitalization of the common stock of Pride International, Inc., plus the Market Capitalization of the common stock of Ensco International Incorporated, plus the Market Capitalization of the common stock of Patterson-UTI Energy, Inc., plus the Market Capitalization of the common stock of Rowan Companies, Inc., plus the Market Capitalization of the common stock of Grey Wolf, Inc.) divided by the sum of the number of outstanding shares of all Applicable Stock as last reported in a filing with the Securities and Exchange Commission.

"Market Value" of any Applicable Stock on any day shall mean the average of the high and low reported sales prices regular way of a share of such Applicable Stock on such day (if such day is a Trading Day, and if such day is not a Trading Day, on the Trading Day immediately preceding such day) or, in case no such reported sale takes place on such Trading Day, the average of the reported closing bid and asked prices regular way of a share of such Applicable Stock on such Trading Day, in either case on the New York Stock Exchange or, if the shares of such Applicable Stock are not quoted on the New York Stock Exchange on such Trading Day, on the Nasdaq National Market, or if the shares of such Applicable Stock are not quoted on the Nasdaq National Market on such Trading Day, the average of the closing bid and asked prices of a share of such Applicable Stock in the over-the-counter market on such Trading Day as furnished by any New York Stock Exchange member firm selected by RBF, or if such closing bid and asked prices are not made available by any such New York Stock Exchange member firm on such Trading Day (including without limitation because such Applicable Stock is not publicly held (whether because an Issuer of such Applicable Stock has been acquired by a third party in an acquisition (an "Issuer Acquisition") or otherwise) or because such Applicable Stock has been reclassified, converted or exchanged into cash, securities or other property), the market value of a share of such Applicable Stock as determined by the Board of Directors of the Company; provided that (a) the "Market Value" of any share of Applicable Stock on any day prior to the "ex" date or any similar date for any dividend or distribution paid or to be paid with respect to the Applicable Stock shall be reduced by the fair market value of the per share

amount of such dividend or distribution as determined by the Board of Directors of the Company and (b) the "Market Value" of any share of Applicable Stock on any day prior to (i) the effective date of any subdivision (by stock split or otherwise) or combination (by reverse stock split or otherwise) of outstanding shares of Applicable Stock or (ii) the "ex" date or any similar date for any dividend or distribution with respect to the Applicable Stock in shares of the Applicable Stock shall be appropriately adjusted as determined by the Board of Directors of the Company to reflect such subdivision, combination, dividend or distribution. In the case of an Issuer Acquisition such Issuer's Applicable Stock shall be removed from the determination of Market Value for both the Effective Date and the Estimate Date; provided, however, that if there occurs an aggregate of two or more of any combination of Issuer Acquisitions (excluding an Issuer Acquisition in which an Issuer is acquired by another Issuer) or Issuer Bankruptcies (as defined herein), then the parties shall retain the remaining Applicable Stock in the determination of Market Value for both the Effective Date and the Estimate Date but shall add any additional companies as Issuers as shall be determined by Simmons & Company International (or if Simmons & Company International does not accept such assignment, as determined by a mutually agreeable investment banking firm with experience in the oilfield service industry). In making such determination, Simmons & Company International shall seek to choose companies to be included as Issuers in order to have the calculation of Market Value as most appropriately as possible reflect the U.S. Gulf of Mexico shallow-water and inland barge drilling business. Any number of additional Issuers (including zero) may be included by Simmons & Company International, but the total number of Issuers, including Issuers already determined hereunder, may not exceed five. The costs of Simmons & Company International shall be paid by the Company. An Issuer shall be deleted from the determination of Market Value for all periods if such Issuer declares bankruptcy under applicable federal bankruptcy laws (an "Issuer Bankruptcy"). In addition, the Board may make other changes to the determination of Market Value not inconsistent with the foregoing that it deems fair and equitable under the circumstances.

"Trading Day" shall mean each weekday other than any day on which securities are not traded on the New York Stock Exchange or the Nasdaq National Market or in the over-the-counter market.

(v) Whole Company Sale. If during the Initial Term, but prior to the occurrence of an IPO or notice of an Approved Termination, either 90% of the stock of RBF is sold to an unrelated third party (or merger or other business combination that results in less than 90% of the stock of RBF not being beneficially owned by Transocean) or at least 90% (by number of rigs) of the RBF jackups and barges that are currently in the U.S. Gulf of

Mexico and which currently are included in Transocean's Gulf of Mexico Shallow and Inland Water Segment are sold to an unrelated third party (a "Whole Company Sale") while the Executive is employed hereunder, the Executive shall be entitled to a cash payment equal to the greater of (A) 0.25% of the proceeds (net of all expenses directly associated with the sale) of the sale of those assets and liabilities expected by Transocean on the date hereof to be included in RBF at the IPO Date (the "Hypothetical IPO Company"), or (B) the Incentive Amount. The assets and liabilities of the Hypothetical IPO Company shall include the assets and liabilities of Transocean's Gulf of Mexico Shallow and Inland Water Segment as constituted on the date hereof together with any corporate level assets or liabilities expected by Transocean to be allocated to the Hypothetical IPO Company as adjusted to take into account the results of operations of the Hypothetical IPO Company through the date of such sale, including acquisitions of assets and the incurrence of liabilities. In the event the consideration for a Whole Company Sale is not cash, then the value of such consideration shall be determined in good faith by the Board. The amount due under this Section 2(b)(v) shall be paid within forty-five (45) days after the closing of the Whole Company Sale. In the event of a Whole Company Sale, the provisions of Sections 2(b)(iii) and 2(b)(iv) shall no longer apply, other than for purposes of using the necessary definitions to determine the Incentive Payment.

(vi) Stock Options. The Executive shall be eligible to receive stock option awards, in the discretion of the Board, pursuant to the terms of the Stock Incentive Plan. The Board shall review the Executive's eligibility to receive awards at least annually.

(vii) Incentive, Savings and Retirement Plans. The Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other senior executives of the Company; provided, however, that the Executive shall not be eligible to participate in plans covering senior executives of Transocean and its affiliates other than RBF and the Company.

(viii) Welfare Benefit Plans. The Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, supplemental disability and supplemental life insurance plans and programs) to the extent applicable generally to other senior executives of the Company.

(ix) Club Membership. The Company shall pay for, or reimburse the Executive for the payment of, monthly dues for a club membership as selected by the Executive.

(x) Office and Support Staff. The Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to other senior executives of the Company.

(xi) Vacation. The Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company as in effect for other senior executives of the Company, provided that the Executive shall be entitled to at least six (6) weeks of paid vacation each twelve (12)-month period.

(xii) Tax Preparation. Company shall pay for, or reimburse the Executive for, the cost of preparation of his annual Federal income tax return.

(xiii) Right to Change Plans. The Company shall not be obligated to institute, maintain or refrain from changing, amending or discontinuing any benefit plan, program or fringe benefit, so long as such changes are similarly applicable to senior executives of the Company generally.

3. TERMINATION OF EMPLOYMENT

(a) Nonoccurrence of the IPO.

(i) If during the eighteen (18) month period after the Effective Date (the "Waiting Period") neither an IPO nor a Whole Company Sale occurs (the "IPO Nonoccurrence"), then the Executive may voluntarily terminate his employment for any reason during the ninety (90)-day period immediately following the expiration of the Waiting Period ("Approved Termination").

(ii) In the event of an Approved Termination, the Executive shall receive (A) the Incentive Amount payable in cash within forty-five (45) days of the Date of Termination as defined in Section 3(g), (B) if Section 4 is not applicable, continued payment of the Annual Base Salary, at the rate then in effect, through the expiration of the Initial Term, and (C) all other benefits to which the Executive has a vested right at the time, according to the provisions of the governing plan or program. The Company agrees that, if Section 4 is not applicable, the Incentive Amount payable under this Section 3(a)(ii) shall not be less than the amount necessary to cause the Incentive Amount plus the aggregate Annual Base Salary under clause (B) of the preceding sentence to total one million dollars ($1,000,000).

(b) Death or Disability.

(i) The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Board

determines, in good faith, that a Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with RBF and the Company shall terminate effective on the thirtieth (30th) day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the thirty (30) days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with RBF on a full-time basis for one hundred eighty (180) consecutive business days as a result of incapacity due to mental or physical illness, which is determined to be total and permanent by a physician selected by RBF or the Company or their insurers and acceptable to the Executive or the Executive's legal representative.

(ii) In the event of a termination due to death or Disability, the Executive shall receive (A) upon the Date of Termination, the unpaid Annual Base Salary, at the rate then in effect, accrued through the Date of Termination, (B) any Bonus to which the Executive is entitled, payable after the Board determines whether the performance objectives have been met for the relevant calendar year, and (C) all other benefits to which the Executive has a vested right at the time, according to the provision of the governing plan or program. In addition, any IPO Option shall become fully exercisable as of the Date of Termination and remain exercisable for its term and any IPO Restricted Stock shall become fully vested as of the Date of Termination. The Executive's beneficiaries shall be entitled to participate in all applicable benefit plans and programs in accordance with the eligibility provisions thereof.

(c) Voluntary Termination by Executive.

(i) The Executive may voluntarily terminate his employment during the Employment Period at any time by giving the Board ninety (90) days' advance Notice of Termination, as defined in Section 3(f) of this Agreement.

(ii) In the event of a voluntary termination by the Executive (other than a Qualifying Termination within eighteen (18) months of a Change in Control (as provided in Section 4) or a termination pursuant to Section 3(a)), the Executive shall receive (A) upon the Date of Termination, the unpaid Annual Base Salary, at the rate then in effect, accrued through the Date of Termination, (B) any Bonus to which the Executive is entitled, payable after the Board determines whether the performance objectives have been met for the relevant calendar year, and (C) all other benefits to

which the Executive has a vested right at the time, according to the provision of the governing plan or program. The Executive must provide a Notice of Termination at least ninety (90) days prior to the Date of Termination in order to receive the Bonus under this Section 3(c)(ii).

(d) Termination for Cause.

(i) The Board may terminate the Executive's employment at any time during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

A. The willful and continued failure of the Executive to perform substantially the Executive's duties, typical for the position, with RBF and the Company (other than any such failure resulting from incapacity due to physical or mental illness) or any reasonable duties assigned or reasonable orders given to the Executive by the Board from time to time, after a written demand for performance is delivered to the Executive by the Board, which specifically identifies the manner in which the Board of Directors believes that the Executive has not substantially performed the Executive's duties;

B. The willful engagement by the Executive in illegal conduct, gross misconduct, dishonesty or self-dealing with the Company, RBF or any of RBF's affiliates, which results from a willful act or omission or from gross negligence and that is materially and demonstrably injurious or reasonably likely to become materially injurious to the Company, RBF or any of RBF's affiliates;

C. The conviction of the Executive by a court of competent jurisdiction of any felony or a crime involving moral turpitude; or

D. The Executive's breach of the confidentiality or noncompetition provisions of this Agreement or any other material breach of the Executive's obligations hereunder.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer of Transocean or based upon the advice of counsel for the Company or Parent shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company, RBF and RBF's affiliates. The cessation of

employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, the Executive is guilty of the conduct described above, and specifying the particulars thereof in detail. As used in this Section, "Parent Board" means the board of directors of Transocean, except that in the event that an IPO occurs or Transocean no longer owns 50% or more of the Outstanding RBF Voting Securities (as defined in Section 4(c)(i)), then Parent Board shall mean the Board of Directors of RBF.

(ii) For purposes of this Agreement, RBF's affiliates shall include any company controlled by, controlling or under common control with RBF.

(iii) In the event of termination for Cause, the Executive shall receive the unpaid Annual Base Salary, at the rate then in effect, accrued through the Date of Termination, and the Executive shall immediately thereafter forfeit all rights and benefits (other than vested benefits) he would otherwise have been entitled to receive under this Agreement. The Executive will lose any right to supplemental benefits provided by RBF and the Company, including, but not limited to, retirement benefits. RBF and the Company thereafter shall have no further obligations under this Agreement.

(e) Involuntary Termination other than for Cause.

(i) The Company may terminate the Executive's employment other than for Cause at any time during the Employment Period.

(ii) In the event of involuntary termination other than for Cause, upon the Date of Termination, the Executive shall receive (A) the unpaid Annual Base Salary otherwise payable to the Executive for the remaining Employment Period, (B) any Bonus to which the Executive is entitled, payable after the Board determines whether the performance objectives have been met for the relevant calendar year, (C) if the date of termination precedes both the IPO Date and the closing date of a Whole Company Sale, a cash payment equal to the Incentive Amount; provided, however, that if a binding agreement to effect a Whole Company Sale is in effect on the Date of Termination or at any time within ninety (90) days thereafter, and if the Whole Company Sale occurs pursuant to such binding agreement, the Executive shall receive the amount calculated under Section 2(v), and the amount payable under this clause (C) shall be paid

within forty-five (45) days after the closing of a Whole Company Sale or cancellation or revocation of a binding agreement or, if no binding agreement for a Whole Company Sale applies, then the amount shall be paid within ninety-five (95) days after the Date of Termination pursuant to Section 3(g), (D) immediate vesting of any IPO Option and continued exercisability of such IPO Option through the full term of the option, (E) immediate vesting of any IPO Restricted Stock, and (F) all other benefits to which the Executive has a vested right at the time, according to the provisions of the governing plan or program.

(f) Notice of Termination. Any voluntary termination by the Executive or termination by RBF for Cause shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined in Section 3(g)) is other than the date of receipt of such notice, specifies the termination date. The failure by RBF to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Cause shall not waive any right of RBF hereunder or preclude RBF from asserting such fact or circumstance in enforcing its rights hereunder.

(g) Date of Termination. "Date of Termination" means (i) if the Executive voluntarily terminates his employment, the date specified in the notice; (ii) if the Executive's employment is terminated by RBF for Cause, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be; (iii) if the Executive's employment is terminated by RBF other than for Cause or by the Executive for the nonoccurrence of the IPO within the waiting period, the Executive's last day as an active employee of RBF and the Company; or (iv) if the Executive's employment is terminated by reason of death or Disability, the date of death of the Executive or the Disability Effective Date, as the case may be.

4. CHANGE IN CONTROL

(a) Employment Termination in Connection with a Change in Control. In the event of a Qualifying Termination (as defined below) within the eighteen (18)-month period immediately following a Change in Control (as defined in Section 4(c)), in lieu of all other benefits provided to the Executive under the provisions of this Agreement, the Executive shall receive the following severance benefits (hereinafter referred to as the "Severance Benefits"):

(i) An amount equal to three (3) times the Executive's "annual compensation" for the year of termination. For purposes of this Section 4(a)(i), "annual compensation" means the sum of (A) the Executive's

Annual Base Salary in effect as of the Date of Termination and (B) the Executive's Annual Target Bonus for the year of termination, or, if greater, the highest Bonus paid to the Executive under this Agreement during the most recent thirty-six (36) month period;

(ii) Any Bonus to which the Executive is entitled, payable after the Board determines whether the performance objectives have been met for the relevant calendar year;

(iii) A continuation of the welfare benefits of medical insurance, dental insurance, disability insurance and life insurance for three (3) full years after the Date of Termination. These benefits shall be provided to the Executive at the same premium cost and at the same coverage level, as in effect as of the Date of Termination. However, in the event the premium cost and/or level of coverage shall change for all employees of RBF and the Company, the cost and/or coverage level, likewise, shall change for the Executive in a corresponding manner.

The continuation of these welfare benefits shall be discontinued prior to the end of the three (3) year period in the event the Executive has available substantially similar benefits from a subsequent employer, as determined by the Board or its designee.

Upon the termination of these welfare benefits, the Executive shall be provided a COBRA continuation election under RBF's or the Company's group health plans;

(iv) Immediate vesting of any IPO Option and continued exercisability of such IPO Option through the full term of the option; and

(v) Immediate vesting of any IPO Restricted Stock.

For purposes of this Agreement, a Qualifying Termination shall mean a termination of the Executive's employment by RBF other than for Cause (as provided in Section 3(e) herein) or by the Executive for Good Reason (as defined in Section 4(b)).

(b) Definition of "Good Reason." For purposes of this Agreement, "Good Reason" shall mean:

(i) The removal of the Executive from the position of Chief Executive Officer and President or the assignment to the Executive of any duties materially inconsistent with the Executive's position with RBF and the Company;

(ii) The relocation of the Executive's principal place of employment to a location more than fifty (50) miles from the Executive's principal place of employment as of the date immediately preceding the relocation; or

(iii) A reduction by RBF and the Company in the Executive's Annual Base Salary, as in effect on the Effective Date or as the same may be increased from time to time, in the amount of twenty-five percent (25%) or more.

The foregoing notwithstanding, the parties hereto agree that the failure of the IPO to occur shall not constitute Good Reason (as defined in this Section 4(b)). With respect to a termination by the Executive for Good Reason, the "Date of Termination" means the Executive's last day as an active employee of RBF and the Company.

(c) Definition of "Change in Control." A Change in Control of RBF shall be deemed to have occurred as of the first (1st) day any one or more of the following conditions shall have been satisfied:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of shares representing 20% or more of the combined voting power of the then outstanding voting securities of RBF entitled to vote generally in the election of directors (the "Outstanding RBF Voting Securities"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition directly from RBF, (B) any acquisition by RBF (it being understood that an acquisition by an acquiror of greater than 20% of the Outstanding RBF Voting Securities directly from RBF shall not prevent such acquiror from causing a subsequent Change in Control if it thereafter acquires an additional 20% of the Outstanding RBF Voting Securities in a transaction that would otherwise constitute a Change of Control), (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by RBF or any corporation or other entity controlled by RBF, (D) any acquisition by any corporation or other entity pursuant to a transaction which complies with clauses (A), (B) and (C) of Section 4(c)(iii), (E) an acquisition of securities effected in connection with a distribution of any class of Common Stock of RBF to shareholders of Transocean Inc. in a transaction (including any distribution in exchange for shares of capital stock or other securities of Transocean Inc.) intended to qualify as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision (a "Tax-Free Spin-Off"), (F) any acquisition by Transocean Inc. or any of its affiliates excluding RBF and its subsidiaries (collectively, "Transocean"), (G) any acquisition from Transocean pursuant to a public offering of securities registered under a registration statement filed with the Securities and Exchange Commission, or (H) any acquisition immediately following which Transocean has beneficial ownership of at least 50% or more of the Outstanding RBF Voting Securities; provided that any such acquisition

that, but for this clause (H), would otherwise constitute a Change of Control under this Section 4(c)(i) shall be deemed to be a Change in Control at the time that Transocean no longer has beneficial ownership of at least 50% or more of the Outstanding RBF Voting Securities, if such individual, entity or group that made such acquisition continues to own 20% or more of the Outstanding RBF Voting Securities following such time that Transocean no longer has such beneficial ownership;

(ii) Individuals who, as of the date hereof, are members of the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this Section 4, any individual becoming a director subsequent to the date hereof whose election, or nomination for election by RBF's shareholders, was approved by either (A) a vote of at least a majority of the directors then comprising the Incumbent Board or (B) Transocean, shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than either Transocean or the Board;

(iii) Consummation of a reorganization, merger, conversion or consolidation or sale or other disposition of all or substantially all of the assets of RBF (a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding RBF Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than fifty percent (50%) of the then outstanding combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from such Business Combination (including, without limitation, a corporation or other entity which as a result of such transaction owns RBF or all or substantially all of RBF's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding RBF Voting Securities, (B) no Person (excluding Transocean and any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of RBF or such corporation or other entity resulting from such Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such Business Combination except to the extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation or other entity

resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination;

(iv) Approval by the shareholders of RBF of a complete liquidation or dissolution of RBF other than in connection with the transfer of all or substantially all of the assets of RBF to Transocean or to an affiliate or a subsidiary of RBF and in connection with such transfer the Executive is offered the opportunity to continue his employment on substantially the same terms as provided in this Agreement including, without limitation, the Change in Control provisions of this Section 4; or

(v) A "Change of Control" of Transocean, as defined in Section 6.10 of the Long-Term Incentive Plan of Transocean, as amended and restated as of January 1, 2000, which occurs while Transocean owns 50% or more of the Outstanding RBF Voting Securities.

Notwithstanding the foregoing, no Business Combination between Transocean and RBF and its subsidiaries or between RBF and its own subsidiaries shall constitute a Change in Control under Section 4(c) of this Agreement.

5. CERTAIN ADDITIONAL PAYMENTS

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company, RBF or any of its affiliates, to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 5) (a "Payment") would be subject to the excise tax imposed by Code Section 4999 or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 5(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed one hundred and ten percent (110%) of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 5(c), all determinations required to be made under this Section 5, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young, L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations to RBF, the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by RBF or the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 5, shall be paid by the Company to the Executive within five (5) days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon RBF, the Company and the Executive. As a result of the uncertainty in the application of Code Section 4999 at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") consistent with the calculations required to be made hereunder. In the event that RBF or the Company exhausts its remedies pursuant to Section 5(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify RBF and the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after the Executive is informed in writing of such claim and shall apprise RBF and the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the thirty (30)-day period following the date on which it gives such notice to RBF and the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If RBF or the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) Give RBF and the Company any information reasonably requested by RBF and the Company relating to such claim;

(ii) Take such action in connection with contesting such claim as RBF or the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by RBF or the Company;

(iii) Cooperate with RBF and the Company in good faith in order effectively to contest such claim; and

(iv) Permit RBF and the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 5(c), RBF and the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as RBF or the Company shall determine; provided, however, that if RBF or the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, RBF's and the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to RBF's or the Company's complying with the requirements of Section 5(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and RBF or the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be

required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

6. NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by RBF or the Company and for which the Executive may qualify, nor, subject to Section 12(h), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company, RBF or any of RBF's affiliates. Amounts that are vested benefits or that the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement with the Company, RBF or any of RBF's affiliates at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program, or contract or agreement except as explicitly modified by this Agreement.

7. NONCOMPETITION.

(a) The Executive shall not for a period (the "Restricted Period") of (i) one (1) year after the Date of Termination for a termination of employment described in Section 3 of this Agreement or (ii) eighteen (18) months after the Date of Termination for a Qualifying Termination that occurs within the eighteen (18)-month period immediately following a Change in Control, engage in Competition with the Company, RBF, or any of RBF's affiliates. For purposes of this Section 7, "Competition" shall mean the Executive's engaging in or otherwise being a director, officer, employee, principal, agent, shareholder, member, investor, consultant, associate, owner or partner of, or permitting his name to be used in connection with the activities of any business or organization that is primarily engaged in the offshore or inland marine contract drilling industry in direct competition with the Company, RBF or any of RBF's affiliates, but shall not preclude the Executive's becoming the registered or beneficial owner of up to two percent (2%) of any class of capital stock of any such corporation which is registered under the Securities Exchange Act of 1934, as amended, provided the Executive does not actively participate in the business of such corporation until the end of the Restricted Period.

(b) The Executive acknowledges that he will derive significant value from RBF's and the Company's agreement in Section 9 to provide the Executive with that confidential information to enable the Executive to optimize the performance of the Executive's duties to RBF. The Executive further acknowledges that his fulfillment of the obligations contained in this Agreement, including, but not limited to, the Executive's obligation neither to disclose nor to use RBF's and the Company's confidential information other than for RBF's and the Company's exclusive benefit and the Executive's obligation not to compete contained in clause (a) above, is necessary to protect RBF's and the Company's confidential information and, consequently, to preserve the value and goodwill of RBF and the Company. The Executive further understands that the foregoing restrictions may limit his ability to engage in certain businesses anywhere in the world during the

period provided for in clause (a), but acknowledges that the Executive will receive sufficiently high remuneration and other benefits under this Agreement to justify such restrictions. The Executive acknowledges the time, geographic and scope limitations of the Executive's obligations under clause (a) above are reasonable, especially in light of RBF's and the Company's desire to protect its confidential information, and that the Executive will not be precluded from gainful employment if the Executive is obligated not to compete with RBF, any of RBF's affiliates and the Company during the period as described above.

It is expressly understood and agreed that RBF, the Company and the Executive consider the restrictions contained in this Section 7 to be reasonable and necessary to protect the proprietary information of RBF and the Company. Nevertheless, if any of the aforesaid restrictions are found by a court having jurisdiction to be unreasonable, or overly broad as to geographic area or time, or otherwise unenforceable, the parties intend for the restrictions therein set forth to be modified by such court so as to be reasonable and enforceable and, as so modified by the court, to be fully enforced.

8. NONSOLICITATION. The Executive shall not for a period of (i) one (1) year after the Date of Termination for a termination of employment described in Section 3 of this Agreement or (ii) eighteen (18) months after the Date of Termination for a Qualifying Termination that occurs within the eighteen (18)-month period immediately following a Change in Control solicit for employment or employ any employee of the Company, RBF or any of RBF's affiliates.

9. CONFIDENTIAL INFORMATION. The Executive shall hold in a fiduciary capacity for the benefit of the Company, RBF and RBF's affiliates, all secret or confidential information, knowledge or data relating to the Company, RBF or any of RBF's affiliates, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company, RBF or any of RBF's affiliates and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with RBF and the Company, the Executive shall not, without the prior written consent of RBF and the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than RBF, the Company and those designated by them. The parties hereto agree and acknowledge that, as of the Effective Date, RBF and the Company have provided the Executive with secret or confidential information, knowledge or data described in this Section 9, and that RBF and the Company will continue to provide such information, knowledge or data during the Employment Period.

10. ENFORCEMENT AND REMEDIES.

(a) The Executive acknowledges that money damages would not be sufficient remedy for any breach of Sections 7, 8 and 9 by the Executive, and that RBF and the Company shall be entitled to enforce the provisions of such Sections 7, 8, and 9 by terminating any payments then owing to the Executive under this Agreement and/or to specific performance and injunctive relief as remedies for such breach or

any threatened breach. Such remedies shall not be deemed the exclusive remedies for a breach of Sections 7, 8 and 9, but shall be in addition to all remedies available at law or in equity to RBF and the Company, including without limitation, the recovery of damages from the Executive and the Executive's agents involved in such breach and remedies available to RBF and the Company pursuant to this and other agreements with the Executive.

(b) Any controversy or claim arising out of or relating to this Agreement or breach of this Agreement, other than claims entitling the claimant to injunctive relief or claims or disputes arising from a violation or alleged violation by the Executive of the provisions of Sections 7, 8, or 9 shall be settled exclusively by final and binding arbitration in Houston, Texas, in accordance with the Employment Arbitration Rules of the American Arbitration Association (the "AAA"), and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction. The arbitrator shall be selected by mutual agreement of the parties, if possible. If the parties fail to reach agreement upon appointment of an arbitrator within thirty (30) days following receipt by one party of the other party's notice of desire to arbitrate, the arbitrator shall be selected from a panel or panels of persons submitted by the AAA. The selection process shall be that which is set forth in the AAA Employment Arbitration Rules then prevailing, except that, if the parties fail to select an arbitrator from one or more panels, the AAA shall not have the power to make an appointment but shall continue to submit additional panels until an arbitrator has been selected. The costs of the arbitrator shall be borne by both parties equally. Notwithstanding the foregoing, the arbitrator may require attorney expenses to be paid by the nonprevailing party. Either party may appeal the arbitration award and judgment thereon and, in actions seeking to vacate an award, the standard of review to be applied to the arbitrator's findings of fact and conclusions of law will be the same as that applied by an appellate court reviewing a decision of a trial court sitting without a jury. This agreement to arbitrate shall not preclude the parties from engaging in voluntary, non-binding settlement efforts including mediation.

(c) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or its affiliated companies may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. With respect to claims which arise from and after the date of a Change in Control, the Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under this Agreement (including, but not limited to, as a result of any contest by the Executive about the amount of any payment

pursuant to Section 4 or 5 of this Agreement), plus in each case interest on any delayed payment at the applicable Federal short-term rate provided for in Section 7872(f)(2)(A) of the Code.

11. SUCCESSORS.

(a) This Agreement is assignable by RBF and the Company, without the consent of the Executive, to any affiliate of Transocean Inc. in the event that RBF determines to conduct its shallow-water or inland barge business in or through an entity other than RBF.

(b) This Agreement is personal to the Executive and without the prior written consent of RBF or the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(c) This Agreement shall inure to the benefit of and be binding upon RBF and the Company and its respective successors and assigns.

(d) As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any respective successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. MISCELLANEOUS.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to RBF:

R&B Falcon Corporation
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

If to the Company:

R&B Falcon Management Services, Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: General Counsel

If to the Executive:

Jan Rask
5 Wexford Court
Houston, Texas 77024

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The Executive hereby represents and warrants that the execution and performance of this Agreement is not in violation of any existing agreement to which he is a party.

(d) RBF hereby absolutely, irrevocably and unconditionally guarantees the full payment and performance of all obligations of the Company under this Agreement as the same may be hereafter amended from time to time by RBF, the Company, and the Executive. RBF's guarantee and undertakings hereunder shall continue in force until all of the Company's obligations under this Agreement and all of RBF's obligations have been duly performed.

(e) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) RBF and the Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) The Executive's, RBF's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive, RBF or the Company may have hereunder, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(h) The Executive, RBF and the Company acknowledge that this Agreement supersedes any prior agreements or understandings, oral or written, between the Executive, RBF and the Company, with respect to the subject matter hereof and constitutes the entire agreement of the parties with respect thereto.

(i) This Agreement shall not be varied, altered, modified, canceled, changed or in any way amended except by mutual agreement of the parties in a written instrument executed by the parties hereto or their legal representatives.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and RBF and the Company have caused these presents to be executed in its name on its behalf, all as of this 15th day of July, 2002, but effective as of the Effective Date.

/s/ Jan Rask

Jan Rask

R&B FALCON CORPORATION

By: /s/ Eric Brown

Eric Brown
Vice President

R&B FALCON MANAGEMENT SERVICES, INC.

By: /s/ Greg Cauthen

Greg Cauthen
Vice President

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT (the "Agreement") made and entered into effective as of July 23, 2002 (the "Effective Date"), by and between Transocean Offshore Deepwater Drilling Inc. (the "Company") and Jon C. Cole (the "Executive");

W I T N E S S E T H:

WHEREAS, the Executive is an officer of the Company; and

WHEREAS, the parties mutually desire to arrange for a separation from the Company and its affiliates and subsidiaries under certain terms; and

WHEREAS, in consideration of the mutual promises contained herein, the parties hereto are willing to enter into this Agreement upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the premises, the terms and provisions set forth herein, the mutual benefits to be gained by the performance thereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Resignation of Employment. Effective as of July 31, 2002 (the "Termination Date"), the Executive resigns his position as Executive Vice President of the Company; and from any other position, directorship or office relating to the affairs of the Company and its subsidiaries or affiliates, including but not limited to Executive Vice President of Transocean Inc. ("Transocean").

2. Consideration for Services and Prior Agreement. The Company agrees to pay or provide, and the Executive agrees to accept, the benefits set forth in this Section 2 in consideration for the Executive's service through the Termination Date, and in full satisfaction of the existing obligations to the Executive as described below.

A. Base Salary. The Executive shall continue to receive Base Salary through the Termination Date at the rate in effect on the Effective Date.

B. Satisfaction of Agreement. The Company agrees to pay a lump sum cash payment of $2,241,653.17, on August 21, 2002 in full satisfaction of the obligation of the Company under Section 4(a)(i) of the Agreement entered into between the Company and the Executive as of October 3, 2000 (the "2000 Agreement"). In addition, the Company shall satisfy its obligations, as applicable, with respect to relocation, welfare benefits, outplacement services and other employee benefits pursuant to Sections 4(a)(ii), (iii), (iv) and (v) and additional payments pursuant to Section 7 of the 2000 Agreement.

C. Vesting of 1993 Restricted Stock. Pursuant to the terms of the Waiver Agreement between the Company, Transocean and the Executive dated

October 25, 1999, the restricted stock grant to the Executive dated June 4, 1993 shall be fully vested as of the Termination Date.

D. Supplemental Retirement Plan Benefit. The Company agrees to pay a lump sum payment on August 21, 2002, in accordance with the Company's obligation under the Transocean Offshore Inc. Supplemental Benefit Plan ("Supplemental Plan"). Prior to making such payment, the Company will provide Executive with documentation regarding the calculation of this benefit. The Executive specifically agrees and acknowledges that the payments set forth in Sections 2.B and 2.C, and Section 3, of this Agreement are not includable in determining the amount payable under the Supplemental Plan.

3. Consideration for Execution of Agreement and Waiver and Release. In consideration for the Executive's execution of and compliance with this Agreement and the execution of the Waiver and Release attached hereto as Attachment A, the Company shall provide the consideration set forth below in

this Section 3. This consideration is provided subject to the binding execution, without revocation, by the Executive of the attached Waiver and Release agreement, which must be executed during the period beginning on the Termination Date and ending on the 21st day after the Termination Date (the "Waiver"). The Company's obligation to make any further payments otherwise due under Section 3 shall cease in the event the Executive fails to comply with the terms of this Agreement or his Waiver and Release, and no payment shall be made until expiration of the revocation period following execution of the Waiver (the "Effective Waiver Date").

A. Consideration. The Company agrees to pay a lump sum cash payment of $475,500.00 to the Executive payable on the second business day following the Effective Waiver Date.

B. Options. The Company represents that Transocean has approved, subject to conditions that will be satisfied by the execution and performance of this Agreement including, but not limited to, the expiration of the revocation period following execution of the Waiver, the acceleration as of the Termination Date of exercisability of the Executive's outstanding stock options and the extension of exercisability of such options for their then remaining term.

4. Restrictive Covenants. As a material inducement to Company to enter into this Agreement, the Executive agrees to the provisions of this Section 4.

A. Confidentiality. The Executive recognizes and acknowledges that in the course of his employment with the Company and as a result of the position of trust he has held with the Company he has obtained private or confidential information and proprietary data relating to the Company including, without limitation, financial information, customer lists, patent information and other data which are valuable assets and property rights of the Company. All of such private or confidential information and proprietary data is referred to herein as "Confidential Information"; provided, however, that Confidential Information will not include any information known generally to the public (other than as a

result of unauthorized disclosure by the Executive). The Executive agrees that he will not at any time, directly or indirectly, disclose or use Confidential Information acquired during his employment with the Company except with the prior written consent of the Chief Executive Officer of the Company.

B. Non-Solicitation. Except with the written consent of the Chief Executive Officer of the Company, the Executive agrees that he will not for two years after the Termination Date, in the Executive's individual capacity or on behalf of another, hire, assist in hiring or offer to hire any of the officers, employees, directors or agents of the Company, or persuade or attempt to persuade in any manner any officer, employees, directors or agent of the Company to discontinue any relationship with the Company.

C. Nondisparagement. The Executive agrees that he will not for a period of five (5) years after the Termination Date (i) publicly criticize or disparage the Company or any affiliate, or privately criticize or disparage the Company or any affiliate in a manner intended or reasonably calculated to result in public embarrassment to, or injury to the reputation of, the Company or any affiliate in any community in which the Company or any affiliate is engaged in business; (ii) directly or indirectly, acting alone or acting in concert with others, institute or prosecute, or assist any person in any manner in instituting or prosecuting, any legal proceedings of any nature against the Company or any affiliate; (iii) commit damage to the property of the Company or any affiliate or otherwise engage in any misconduct which is injurious to the business or reputation of the Company or any affiliate; or (iv) take any other action, or assist any person in taking any other action, that is adverse to the interests of the Company or any affiliate or inconsistent with fostering the goodwill of the Company or any affiliate; provided, however, that the Executive will not be in breach of the covenant contained in (ii) above solely by reason of his testimony which is compelled by process of law. As used in Section 4.C. of this Agreement, the term "affiliate" means the Company, any subsidiary, any officer, director or executive of the Company or any subsidiary, and any former officer, director or executive of the Company or any subsidiary.

D. Enforcement. The Executive hereby agrees that a violation of the provisions of Section 4 would cause substantial injury to the Company and its affiliates, which would be difficult to quantify. Accordingly, the Executive agrees that in the event of violation of this Section 4 the Company would be entitled to obtain a refund of all amounts previously paid to the Executive under Section 3.A. The Company further specifically retains the right to seek injunctive relief from a court having jurisdiction for any actual or threatened breach of this Section 4. Any such injunctive relief shall be in addition to any other remedies to which the Company may be entitled at law or in equity or otherwise.

E. Interpretation. If any provision of Section 4 is found by a court of competent jurisdiction to be unreasonably broad, oppressive or unenforceable, such court (i) shall narrow the scope of the Agreement in order to ensure that the

application thereof is not unreasonably broad, oppressive or unenforceable and (ii) to the fullest extent permitted by law, shall enforce such Agreement as though reformed.

F. Company. As used in this Section 4, the term "Company" includes the Company, Transocean and any direct or indirect subsidiary of Transocean.

5. Assistance with Litigation. The Executive agrees that for a period of five years after the Termination Date, the Executive will furnish such information and proper assistance as may be reasonably necessary in connection with any litigation in which the Company or any affiliate or subsidiary is then or may become involved.

6. Nonassignability. Neither this Agreement nor any right or interest hereunder shall be subject, in any manner, to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, by operation of law or otherwise, any attempt at such shall be void; and further provided, that any such benefit shall not in any way be subject to the debts, contract, liabilities, engagements or torts of the Executive, nor shall it be subject to attachment or legal process for or against the Executive.

7. Amendment of Agreement. This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

8. Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be an estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel.

9. Notices. All notices or communications hereunder shall be in writing, addressed as follows:

To the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046
Attention: Eric Brown
Senior Vice President, General Counsel

To the Executive:

Jon C. Cole
3427 Del Monte Drive
Houston, Texas 77019

All such notices shall be conclusively deemed to be received and shall be effective; (i) if sent by hand delivery, upon receipt, (ii) if sent by telecopy or facsimile transmission, upon confirmation of receipt by the sender of such transmission or (iii) if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

10. *Federal Income Tax Withholding*. The Company may withhold from any benefits payable under this Agreement all federal, state, city or other taxes that will be required pursuant to any law or governmental regulation or ruling.

11. *Severability*. If any provision of this Agreement is held to be invalid, illegal or unenforceable, in whole or part, such invalidity will not affect any otherwise valid provision, and all other valid provisions will remain in full force and effect.

12. *Counterparts*. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which together will constitute one document.

13. *Titles*. The titles and headings preceding the text of the paragraphs and subparagraphs of this Agreement have been inserted solely for convenience of reference and do not constitute a part of this Agreement or affect its meaning, interpretation or effect.

14. *Governing Law*. This Agreement will be construed and enforced in accordance with the laws of the State of Texas.

15. *Venue*. Any suit, action or other legal proceeding arising out of this Agreement shall be brought in the United States District Court for the Southern District of Texas, Houston Division, or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Harris County, Texas. Each of the Executive and the Company consents to the jurisdiction of any such court in any such suit, action, or proceeding and waives any objection that it may have to the laying of venue of any such suit, action, or proceeding in any such court.

IN WITNESS WHEREOF, the parties have executed this Agreement in multiple counterparts, all of which shall constitute one agreement, on July 23, 2002, but effective as of the date and year first above written.

TRANSOCEAN OFFSHORE DEEPWATER DRILLING INC.

By: ---------------------------------------

Eric B. Brown
Vice President

Jon C. Cole

Attachment A

WAIVER AND RELEASE

In exchange for the consideration offered under the Separation Agreement between me and Transocean Offshore Deepwater Drilling Inc. (the "Company"), dated effective _______________, 2002 (the "Agreement"), I hereby waive all of my claims and release the Company, Transocean Inc., their affiliates, their subsidiaries and each of their directors and officers, executives and agents, and executive benefit plans and the fiduciaries and agents of said plans (collectively referred to as the "Corporate Group") from any and all claims, demands, actions, liabilities and damages.

I UNDERSTAND THAT SIGNING THIS WAIVER AND RELEASE IS AN IMPORTANT LEGAL ACT. I ACKNOWLEDGE THAT THE COMPANY HAS ADVISED ME IN WRITING TO CONSULT AN ATTORNEY BEFORE SIGNING THIS WAIVER AND RELEASE. I UNDERSTAND THAT I HAVE UNTIL 21 CALENDAR DAYS AFTER THE DATE SHOWN ABOVE TO CONSIDER WHETHER TO SIGN AND RETURN THIS WAIVER AND RELEASE TO THE COMPANY BY FIRST-CLASS MAIL OR BY HAND DELIVERY IN ORDER FOR IT TO BE EFFECTIVE.

In exchange for the consideration offered to me by the Agreement, which I acknowledge provides consideration to which I would not otherwise be entitled, I agree not to sue or file any charges of discrimination, or any other action or proceeding with any local, state and/or federal agency or court regarding or relating in any way to the Company, and I knowingly and voluntarily waive all claims and release the Corporate Group from any and all claims, demands, actions, liabilities, and damages, whether known or unknown, arising out of or relating in any way to the Corporate Group, except with respect to rights under the Agreement, rights under employee benefit plans or programs other than those specifically addressed in the Agreement, and such rights or claims as may arise after the date this Waiver and Release is executed. This Waiver and Release includes, but is not limited to, claims and causes of action under: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Civil Rights Act of 1866, as amended; the Civil Rights Act of 1991; the Americans with Disabilities Act of 1990; the Older Workers Benefit Protection Act of 1990; the Executive Retirement Income Security Act of 1974, as amended; the Family and Medical Leave Act of 1993; and/or contract, tort, defamation, slander, wrongful termination or other claims or any other state or federal statutory or common law.

Should any of the provisions set forth in this Waiver and Release be determined to be invalid by a court, agency or other tribunal of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of other provisions of this Waiver and Release.

I acknowledge that this Waiver and Release and the Agreement set forth the entire understanding and agreement between me and the Company or any other member of the Corporate Group concerning the subject matter of this Waiver and Release and supersede any prior or contemporaneous oral and/or written agreements or representations, if any, between me and the Company or any other member of the Corporate Group.

I understand that for a period of seven (7) calendar days following my signing this Waiver and Release (the "Waiver Revocation Period"), I may revoke my acceptance of the offer by delivering a written statement to the Company by hand or by registered mail, addressed to the address for the Company specified in the Agreement, in which case the Waiver and Release will not become effective. In the event I revoke my acceptance of this offer, the Company shall have no obligation to provide me the consideration offered under the Agreement to which I would not otherwise have been entitled. I understand that failure to revoke my acceptance of the offer within the Waiver Revocation Period will result in this Waiver and Release being permanent and irrevocable.

I acknowledge that I have read this Waiver and Release, have had an opportunity to ask questions and have it explained to me and that I understand that this Waiver and Release will have the effect of knowingly and voluntarily waiving any action I might pursue, including breach of contract, personal injury, retaliation, discrimination on the basis of race, age, sex, national origin or disability and any other claims arising prior to the date of this Waiver and Release.

By execution of this document, I do not waive or release or otherwise relinquish any legal rights I may have which are attributable to or arise out of acts, omissions or events of the Company or any other member of the Corporate Group which occur after the date of execution of this Waiver and Release.

AGREED TO AND ACCEPTED this
___ day of _________, ____.

____
JON C. COLE