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

FORM 10-K

(Mark one)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007
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 jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4 Greenway Plaza, Houston, Texas	**77046**
(Address of principal executive offices)	(Zip code)
70 Harbour Drive, Grand Cayman, Cayman Islands	**KYI-1003**
(Address of principal executive offices)	(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of class	**Exchange on which registered**
Ordinary Shares, par value $0.01 per share	**New York Stock Exchange, Inc.**

Securities registered pursuant to Section 12(g) of the Act: None

---

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

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 preceding 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 ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2007, 289,280,582 ordinary shares were outstanding and the aggregate market value of such shares held by non-affiliates was approximately $30.6 billion (based on the reported closing market price of the ordinary shares on such date of $105.98 and assuming that all directors and executive officers of the Company are "affiliates," although the Company does not acknowledge that any such person is actually an "affiliate" within the meaning of the federal securities laws). As of February 22, 2008, 317,748,270 ordinary shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of December 31, 2007, for its 2008 annual general meeting of shareholders, are incorporated by reference into Part III of this Form 10-K.

TRANSOCEAN INC. AND SUBSIDIARIES
INDEX TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2007

Forward-Looking Information

The statements included in this annual 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. Forward-looking statements in this annual report include, but are not limited to, statements about the following subjects:

- contract commencements,
- contract option exercises,
- revenues,
- expenses,
- results of operations,
- commodity prices,
- customer drilling programs,
- supply and demand,
- utilization rates,
- dayrates,
- contract backlog,
- effects and results of the GlobalSantaFe merger and related transactions,
- planned shipyard projects and rig mobilizations and their effects,
- newbuild projects and opportunities,
- the upgrade projects for the *Sedco 700*-series semisubmersible rigs,
- other major upgrades,
- contract awards,
- newbuild completion delivery and commencement of operations dates,
- expected downtime and lost revenue,
- insurance proceeds,
- cash investments of our wholly-owned captive insurance company,
- future activity in the deepwater, mid-water and the jackup market sectors,
- market outlook for our various geographical operating sectors and classes of rigs,
- capacity constraints for ultra-deepwater rigs and other rig classes,
- effects of new rigs on the market,
- income related to and any payments to be received under the TODCO tax sharing agreement,
- refinancing of the Bridge Loan Facility, including timing and components of the refinancing,
- uses of excess cash,
- share repurchases under our share repurchase program,
- issuance of new debt,
- debt reduction,
- debt credit ratings,
- planned asset sales,
- timing of asset sales,
- proceeds from asset sales,
- our effective tax rate,
- changes in tax laws, treaties and regulations,
- tax assessments,
- operations in international markets,
- investments in joint ventures,
- investments in recruitment, retention and personnel development initiative,
- the level of expected capital expenditures,
- results and effects of legal proceedings and governmental audits and assessments,
- adequacy of insurance,
- liabilities for tax issues, including those associated with our activities in Brazil, Norway and the United States,
- liabilities for customs and environmental matters,
- liquidity,
- cash flow from operations,
- adequacy of cash flow for our obligations,
- effects of accounting changes,
- adoption of accounting policies,
- pension plan and other postretirement benefit plan contributions,
- benefit payments, and
- the timing and cost of completion of capital projects.

Forward-looking statements in this annual report are identifiable by use of the following words and other similar expressions among others:

- § “anticipates”
- § “believes”
- § “budgets”
- § “could”
- § “estimates”
- § “expects”
- § “forecasts”
- § “intends”
- § “may”
- § “might”
- § “plans”
- § “predicts”
- § “projects”
- § “scheduled”
- § “should”

Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to:

- § those described under “Item 1A. Risk Factors,”
- § the adequacy of sources of liquidity,
- § our inability to obtain contracts for our rigs that do not have contracts,
- § the effect and results of litigation, tax audits and contingencies, and
- § other factors discussed in this annual report 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.

All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. 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.

PART I

ITEM 1. *Business*

Transocean Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of February 20, 2008, we owned, had partial ownership interests in or operated 139 mobile offshore drilling units. As of this date, our fleet included 39 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 29 Midwater Floaters, 10 High-Specification Jackups, 57 Standard Jackups and four Other Rigs. We also have eight Ultra-Deepwater Floaters contracted for or under construction.

We believe our mobile offshore drilling fleet is one of the most modern and versatile fleets in the world. Our primary business is to contract these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We also provide oil and gas drilling management services on either a dayrate basis or a completed-project, fixed-price (or "turnkey") basis, as well as drilling engineering and drilling project management services, and we participate in oil and gas exploration and production activities. Our ordinary shares are listed on the New York Stock Exchange under the symbol "RIG."

Transocean Inc. is a Cayman Islands exempted company with principal executive offices in the U.S. located at 4 Greenway Plaza, Houston, Texas 77046. Our telephone number at that address is (713) 232-7500. Our principal executive offices outside of the U.S. are located at 70 Harbour Drive, Grand Cayman, Cayman Islands KY1-1003. Our telephone number at that address is (345) 745-4500.

Background of Transocean

In January 2001, we completed our merger transaction with R&B Falcon Corporation ("R&B Falcon"). At the time of the R&B Falcon merger, R&B Falcon operated a diverse global drilling rig fleet, consisting of drillships, semisubmersibles, jackups and other units in addition to the Gulf of Mexico Shallow and Inland Water segment fleet. R&B Falcon and the Gulf of Mexico Shallow and Inland Water segment later became known as TODCO (together with its subsidiaries and predecessors, unless the context requires otherwise, "TODCO"). In preparation for the initial public offering of TODCO, we transferred all assets and subsidiaries out of TODCO that were unrelated to the Gulf of Mexico Shallow and Inland Water business.

In February 2004, we completed an initial public offering (the "TODCO IPO") of approximately 23 percent of the outstanding shares of TODCO's common stock. In September 2004, December 2004 and May 2005, respectively, we completed additional public offerings of TODCO common stock. In June 2005, we completed the sale of our remaining TODCO common stock pursuant to Rule 144 under the Securities Act of 1933, as amended.

In November 2007, we completed our merger transaction (the "Merger") with GlobalSantaFe Corporation ("GlobalSantaFe"). Immediately prior to the effective time of the Merger, each of our outstanding ordinary shares was reclassified by way of a scheme of arrangement under Cayman Islands law into (1) 0.6996 of our ordinary shares and (2) $33.03 in cash (the "Reclassification" and together with the Merger, the "Transactions"). At the effective time of the Merger, each outstanding ordinary share of GlobalSantaFe (the "GlobalSantaFe Ordinary Shares") was exchanged for (1) 0.4757 of our ordinary shares (after giving effect to the Reclassification) and (2) $22.46 in cash. We issued approximately 107,752,000 of our ordinary shares in connection with the Merger and paid out $14.9 billion in cash in connection with the Transactions. We funded the payment of the cash consideration in the Transactions with $15.0 billion of borrowings under a $15.0 billion, one-year senior unsecured bridge loan facility (the "Bridge Loan Facility") and have since refinanced a portion of those borrowings under the Bridge Loan Facility. We have included the financial results of GlobalSantaFe in our consolidated financial statements beginning November 27, 2007, the date the GlobalSantaFe Ordinary Shares were exchanged for our ordinary shares.

For information about the revenues, operating income, assets and other information relating to our business, our segments and the geographic areas in which we operate, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes to Consolidated Financial Statements—Note 19—Segments, Geographical Analysis and Major Customers.

Drilling Fleet

We principally operate three types of drilling rigs:

- drillships;
- semisubmersibles; and
- jackups.

Also included in our fleet are barge drilling rigs, a mobile offshore production unit and a coring drillship.

Most of our drilling equipment is suitable for both exploration and development drilling, and we normally engage in both types of drilling activity. Likewise, most of our drilling rigs are mobile and can be moved to new locations in response to client demand. All of our mobile offshore drilling units are designed for operations away from port for extended periods of time and most have living quarters for the crews, a helicopter landing deck and storage space for pipe and drilling supplies.

We categorize our fleet as follows: (i) "High-Specification Floaters," consisting of our "Ultra-Deepwater Floaters," "Deepwater Floaters" and "Harsh Environment Floaters," (ii) "Midwater Floaters," (iii) "High-Specification Jackups," (iv) "Standard Jackups" and (v) "Other Rigs." As of February 20, 2008, our fleet of 139 rigs, which excludes assets held for sale that are not currently operating under a contract and rigs contracted for or under construction, included:

- 39 High-Specification Floaters, which are comprised of:
  - 18 Ultra-Deepwater Floaters;
  - 16 Deepwater Floaters; and
  - five Harsh Environment Floaters;
- 29 Midwater Floaters;
- 10 High-Specification Jackups;
- 57 Standard Jackups; and
- four Other Rigs, which are comprised of:
  - two barge drilling rigs;
  - one mobile offshore production unit; and
  - one coring drillship.

As of February 20, 2008, our fleet was located in the Far East (21 units), U.K. North Sea (19 units), Middle East (18 units), U.S. Gulf of Mexico (16 units), Nigeria (13 units), India (12 units), Angola (11 units), Brazil (eight units), Norway (five units), other West African countries (five units), the Caspian Sea (three units), Trinidad (three units), Australia (two units), the Mediterranean (two units) and Canada (one unit).

High-Specification Floaters are specialized offshore drilling units that we categorize into three sub-classifications based on their capabilities. Ultra-Deepwater Floaters have high-pressure mud pumps and a water depth capability of 7,500 feet or greater. Deepwater Floaters are generally those other semisubmersible rigs and drillships that have a water depth capacity between 7,500 and 4,500 feet. Harsh Environment Floaters have a water depth capacity between 4,500 and 1,500 feet, are capable of drilling in harsh environments and have greater displacement, resulting in larger variable load capacity, more useable deck space and better motion characteristics. Midwater Floaters are generally comprised of those non-high-specification semisubmersibles with a water depth capacity of less than 4,500 feet. High-Specification Jackups consist of our harsh environment and high-performance jackups, and Standard Jackups consist of our remaining jackup fleet. Other Rigs consists of rigs that are of a different type or use than those mentioned above.

Drillships are generally self-propelled, shaped like conventional ships and are the most mobile of the major rig types. All of our High-Specification drillships are dynamically positioned, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems. Drillships typically have greater load capacity than early generation semisubmersible rigs. This enables them to carry more supplies on board, which often makes them better suited for drilling in remote locations where resupply is more difficult. However, drillships are typically limited to calmer water conditions than those in which semisubmersibles can operate. Our three existing Enterprise-class drillships are and five of our seven additional newbuild drillships contracted for or under construction will be equipped with our patented dual-activity technology. Dual-activity technology includes structures, equipment and techniques for using two drilling stations within a single derrick to perform drilling tasks. Dual-activity technology allows our rigs to perform simultaneous drilling tasks in a parallel rather than sequential manner. Dual-activity technology reduces critical path activity and improves efficiency in both exploration and development drilling.

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that the lower hulls are below the water surface during drilling operations. These rigs are capable of maintaining their position over the well through the use of an anchoring system or a computer controlled dynamic positioning thruster system. Some semisubmersible rigs are self-propelled and move between locations under their own power when afloat on pontoons although most are relocated with the assistance of tugs. Typically, semisubmersibles are better suited than drillships for operations in rougher water conditions. Our three Express-class semisubmersibles are designed for mild environments and are equipped with the unique tri-act derrick, which was designed to reduce overall well construction costs. The tri-act derrick allows offline tubular and riser handling operations to occur at two sides of the derrick while the center portion of the derrick is being used for normal drilling operations through the rotary table. Our two operating Development Driller-class semisubmersibles are, and one that is under construction will be, equipped with our patented dual-activity technology.

Jackup rigs are mobile self-elevating drilling platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the drilling platform. Once a foundation is established, the drilling platform is then jacked further up the legs so that the platform is above the highest expected waves. These rigs are generally suited for water depths of 400 feet or less.

We classify certain of our jackup rigs as High-Specification Jackups. These rigs have greater operational capabilities than Standard Jackups and are able to operate in harsh environments, have higher capacity derricks, drawworks, mud systems and storage, and are typically capable of drilling to deeper depths. Typically, these jackups also have deeper water depth capacity than a Standard Jackup.

Depending on market conditions, we may “warm stack” or “cold stack” non-contracted rigs. “Warm stacked” rigs are not under contract and may require the hiring of additional crew, but are generally ready for service with little or no capital expenditures and are being actively marketed. “Cold stacked” rigs are not actively marketed on short or near term contracts, generally cannot be reactivated upon short notice and normally require the hiring of most of the crew, a maintenance review and possibly significant refurbishment before they can be reactivated. Cold stacked rigs and some warm stacked rigs would require additional costs to return to service. The actual cost, which could fluctuate over time, is dependent upon various factors, including the availability and cost of shipyard facilities, cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. In certain circumstances, the cost could be significant. We would take these factors into consideration together with market conditions, length of contract and dayrate and other contract terms in deciding whether to return a particular idle rig to service. We may consider marketing cold stacked rigs for alternative uses, including as accommodation units, from time to time until drilling activity increases and we obtain drilling contracts for these units. As of February 20, 2008, *GSF High Island I*, which is classified as held for sale, is warm stacked and is not included in the tables below (see "–Warm Stacked and Held for Sale").

We own all of the drilling rigs in our fleet noted in the tables below except for the following: (1) those specifically described as being owned wholly or in part by unaffiliated parties, (2) *GSF Explorer*, which is subject to a capital lease with a remaining term of 19 years, and (3) *GSF Jack Ryan*, which is subject to a fully defeased capital lease with a remaining term of 13 years. None of our offshore drilling rigs are currently subject to any liens or mortgages.

In the tables presented below, the location of each rig indicates the current drilling location for operating rigs or the next operating location for rigs in shipyards with a follow-on contract, unless otherwise noted.

Rigs Under Construction (8)

The following table provides certain information regarding our High-Specification Floaters contracted for or under construction as of February 20, 2008:

Name	Type	Expected completion	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location
Ultra-Deepwater Floaters (a) **(8)**					
Discoverer Americas (b)	HSD	Mid 2009	12,000	40,000	U.S. Gulf
Discoverer Clear Leader (b)	HSD	2Q 2009	12,000	40,000	U.S. Gulf
Discoverer Inspiration (b)	HSD	1Q 2010	12,000	40,000	U.S. Gulf
GSF Newbuild (b)	HSD	3Q 2010	12,000	40,000	(c)
Deepwater Pacific 1 (d)	HSD	2Q 2009	12,000	35,000	India
Deepwater Pacific 2 (d)	HSD	1Q 2010	10,000	35,000	(c)
Discoverer Luanda (b)	HSD	3Q 2010	7,500	40,000	Angola
GSF Development Driller III (b)	HSS	Mid-2009	7,500	30,000	Angola

“HSD” means high-specification drillship.
“HSS” means high-specification semisubmersible.

(a) Dynamically positioned.
(b) Dual-activity.
(c) Currently without contract.
(d) Owned through our 50 percent interest in a joint venture company with Pacific Drilling Limited.

High-Specification Floaters (39)

The following table provides certain information regarding our High-Specification Floaters as of February 20, 2008:

Name	Type	Year entered service/upgraded(a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Ultra-Deepwater Floaters (b) (18)					
Deepwater Discovery	HSD	2000	10,000	30,000	Nigeria
Deepwater Expedition	HSD	1999	10,000	30,000	Morocco
Deepwater Frontier	HSD	1999	10,000	30,000	India
Deepwater Horizon	HSS	2001	10,000	30,000	U.S. Gulf
Deepwater Millennium	HSD	1999	10,000	30,000	U.S. Gulf
Deepwater Pathfinder	HSD	1998	10,000	30,000	Nigeria
Discoverer Deep Seas (c) (d)	HSD	2001	10,000	35,000	U.S. Gulf
Discoverer Enterprise (c) (d)	HSD	1999	10,000	35,000	U.S. Gulf
Discoverer Spirit (c) (d)	HSD	2000	10,000	35,000	U.S. Gulf
GSF C.R. Luigs	HSD	2000	10,000	35,000	U.S. Gulf
GSF Jack Ryan	HSD	2000	10,000	35,000	Nigeria
Cajun Express (e)	HSS	2001	8,500	35,000	U.S. Gulf
Deepwater Nautilus (e)	HSS	2000	8,000	30,000	U.S. Gulf
GSF Explorer	HSD	1972/1998	7,800	30,000	Angola
GSF Development Driller I (d)	HSS	2004	7,500	37,500	U.S. Gulf
GSF Development Driller II (d)	HSS	2004	7,500	37,500	U.S. Gulf
Sedco Energy (e)	HSS	2001	7,500	30,000	Nigeria
Sedco Express (e)	HSS	2001	7,500	30,000	Angola
Deepwater Floaters (16)					
Deepwater Navigator (b)	HSD	2000	7,200	25,000	Brazil
Discoverer 534 (b)	HSD	1975/1991	7,000	25,000	India
Discoverer Seven Seas (b)	HSD	1976/1997	7,000	25,000	India
Transocean Marianas	HSS	1979/1998	7,000	25,000	U.S. Gulf
Sedco 702 (b) (f)	HSS	1973/(f)	6,500	25,000	Nigeria
Sedco 706 (b) (f)	HSS	1976/(f)	6,500	25,000	Brazil
Sedco 707 (b)	HSS	1976/1997	6,500	25,000	Brazil
GSF Celtic Sea	HSS	1982/1998	5,750	25,000	U.S. Gulf
Jack Bates	HSS	1986/1997	5,400	30,000	Australia
M.G. Hulme, Jr.	HSS	1983/1996	5,000	25,000	Nigeria
Sedco 709 (b)	HSS	1977/1999	5,000	25,000	Nigeria
Transocean Richardson	HSS	1988	5,000	25,000	Angola
Jim Cunningham	HSS	1982/1995	4,600	25,000	Angola
Sedco 710 (b)	HSS	1983/2001	4,500	25,000	Brazil
Sovereign Explorer	HSS	1984	4,500	25,000	Trinidad
Transocean Rather	HSS	1988	4,500	25,000	U.K. North Sea
Harsh Environment Floaters (5)					
Transocean Leader	HSS	1987/1997	4,500	25,000	Norwegian N. Sea
Henry Goodrich	HSS	1985	2,000	30,000	U.S. Gulf
Paul B. Loyd, Jr	HSS	1990	2,000	25,000	U.K. North Sea
Transocean Arctic	HSS	1986	1,650	25,000	Norwegian N. Sea
Polar Pioneer	HSS	1985	1,500	25,000	Norwegian N. Sea

"HSD" means high-specification drillship.
"HSS" means high-specification semisubmersible.

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Dynamically positioned.
(c) Enterprise-class rig.
(d) Dual-activity.
(e) Express-class rig.
(f) The *Sedco 702* and *Sedco 706* are currently being upgraded from Midwater Floaters to Deepwater Floaters. The water depth and drilling depth capacity information assumes the completion of the upgrades. The *Sedco 702* and *Sedco 706* are currently expected to complete their upgrades and commence their contracts in the first quarter and the fourth quarter of 2008, respectively.

Midwater Floaters (29)

The following table provides certain information regarding our Midwater Floaters as of February 20, 2008:

Name	Type	Year entered service/upgraded(a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Sedco 700	OS	1973/1997	3,600	25,000	E. Guinea
Transocean Amirante	OS	1978/1997	3,500	25,000	U.S. Gulf
Transocean Legend	OS	1983	3,500	25,000	China
GSF Arctic I	OS	1983/1996	3,400	25,000	Brazil
C. Kirk Rhein, Jr.	OS	1976/1997	3,300	25,000	India
Transocean Driller	OS	1991	3,000	25,000	Brazil
GSF Rig 135	OS	1983	2,800	25,000	Congo
Falcon 100	OS	1974/1999	2,400	25,000	Brazil
GSF Rig 140	OS	1983	2,400	25,000	Angola
GSF Aleutian Key	OS	1976/2001	2,300	25,000	Angola
Istiglal (b)	OS	1995/1998	2,300	20,000	Caspian Sea
Sedco 703	OS	1973/1995	2,000	25,000	Australia
GSF Arctic III	OS	1984	1,800	25,000	U.K. North Sea
Sedco 711	OS	1982	1,800	25,000	U.K. North Sea
Transocean John Shaw	OS	1982	1,800	25,000	U.K. North Sea
Sedco 712	OS	1983	1,600	25,000	U.K. North Sea
Sedco 714	OS	1983/1997	1,600	25,000	U.K. North Sea
Actinia	OS	1982	1,500	25,000	India
Dada Gorgud (b)	OS	1978/1998	1,500	25,000	Caspian Sea
GSF Arctic IV (c)	OS	1983/1999	1,500	25,000	U.K. North Sea
GSF Grand Banks	OS	1984	1,500	25,000	East Canada
Sedco 601	OS	1983	1,500	25,000	Malaysia
Sedneth 701	OS	1972/1993	1,500	25,000	Angola
Transocean Prospect	OS	1983/1992	1,500	25,000	U.K. North Sea
Transocean Searcher	OS	1983/1988	1,500	25,000	Norwegian N. Sea
Transocean Winner	OS	1983	1,500	25,000	Norwegian N. Sea
J. W. McLean	OS	1974/1996	1,250	25,000	U.K. North Sea
GSF Arctic II (c)	OS	1982	1,200	25,000	U.K. North Sea
Sedco 704	OS	1974/1993	1,000	25,000	U.K. North Sea

"OS" means other semisubmersible.

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.

(b) Owned by the State Oil Company of the Azerbaijan Republic.

(c) On February 15, 2008, we announced our intent to proceed with divestitures of the *GSF Arctic II* and the *GSF Arctic IV* semisubmersible rigs and the hiring of a third-party advisor. The divestitures are in furtherance of our previously announced proposed undertakings to the Office of Fair Trading in the U.K. made in connection with the Merger. As a result, we classified these rigs as held for sale.

High-Specification Jackups (10)

The following table provides certain information regarding our High-Specification Jackups as of February 20, 2008:

Name	Year entered service/upgraded(a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
GSF Constellation I	2003	400	30,000	Trinidad
GSF Constellation II	2004	400	30,000	Egypt
GSF Galaxy I	1991/2001	400	30,000	U.K. North Sea
GSF Galaxy II	1998	400	30,000	U.K. North Sea
GSF Galaxy III	1999	400	30,000	U.K. North Sea
GSF Baltic	1983	375	25,000	Nigeria
GSF Magellan	1992	350	30,000	U.K. North Sea
GSF Monarch	1986	350	30,000	U.K. North Sea
GSF Monitor	1989	350	30,000	Trinidad
Trident 20	2000	350	25,000	Caspian Sea

(a) Dates shown are the original service date and the date of the most recent upgrades, if any.

Standard Jackups (57)

The following table provides certain information regarding our Standard Jackups as of February 20, 2008:

Name	Year entered service/upgraded(a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Trident IX	1982	400	21,000	Vietnam
Trident 17	1983	355	25,000	Malaysia
GSF Adriatic II	1981	350	25,000	Angola
GSF Adriatic III (b)	1982	350	25,000	U.S. Gulf
GSF Adriatic IX	1981	350	20,000	Gabon
GSF Adriatic X	1982	350	25,000	Egypt
GSF Key Manhattan	1980	350	25,000	Egypt
GSF Key Singapore	1982	350	25,000	Egypt
GSF Adriatic VI	1981	328	20,000	Nigeria
GSF Adriatic VIII	1983	328	25,000	Nigeria
C. E. Thornton	1974	300	25,000	India
D. R. Stewart	1980	300	25,000	Italy
F. G. McClintock	1975	300	25,000	India
George H. Galloway	1984	300	25,000	Italy
GSF Adriatic I	1981	300	25,000	Angola
GSF Adriatic V	1979	300	20,000	Angola
GSF Adriatic XI	1983	300	25,000	Vietnam
GSF Compact Driller	1992	300	25,000	Thailand
GSF Galveston Key	1978	300	25,000	Vietnam
GSF Key Gibraltar	1976/1996	300	25,000	Thailand
GSF Key Hawaii	1982	300	25,000	Qatar
GSF Labrador	1983	300	25,000	U.K. North Sea
GSF Main Pass I	1982	300	25,000	Arabian Gulf
GSF Main Pass IV	1982	300	25,000	Arabian Gulf
GSF Parameswara	1983	300	25,000	Indonesia
GSF Rig 134	1982	300	20,000	Malaysia
GSF Rig 136	1982	300	25,000	Indonesia
Harvey H. Ward	1981	300	25,000	Malaysia
J. T. Angel	1982	300	25,000	India
Randolph Yost	1979	300	25,000	India
Roger W. Mowell	1982	300	25,000	Malaysia
Ron Tappmeyer	1978	300	25,000	India
Shelf Explorer	1982	300	25,000	Vietnam
Interocean III	1978/1993	300	20,000	Egypt
Transocean Nordic	1984	300	25,000	Sakhalin Island
Trident II	1977/1985	300	25,000	India
Trident IV	1980/1999	300	25,000	Nigeria
Trident VIII	1981	300	21,000	Nigeria
Trident XII	1982/1992	300	25,000	India
Trident XIV	1982/1994	300	20,000	Angola
Trident 15	1982	300	25,000	Thailand
Trident 16	1982	300	25,000	Thailand
GSF High Island II	1979	270	20,000	Arabian Gulf
GSF High Island IV	1980/2001	270	20,000	Arabian Gulf
GSF High Island V	1981	270	20,000	Gabon
GSF High Island VII	1982	250	20,000	Cameroon
GSF High Island VIII (b)	1981	250	20,000	U.S. Gulf
GSF High Island IX	1983	250	20,000	Nigeria
GSF Rig 103	1974	250	20,000	U.A.E.

GSF Rig 105	1975	250	20,000	Egypt
GSF Rig 124	1980	250	20,000	Egypt
GSF Rig 127	1981	250	20,000	Qatar
GSF Rig 141	1982	250	20,000	Egypt
Transocean Comet	1980	250	20,000	Egypt
Transocean Mercury	1969/1998	250	20,000	Egypt
GSF Britannia	1968	230	20,000	U.K. North Sea
Trident VI	1981	220	21,000	Vietnam

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) On February 15, 2008, we entered into a definitive agreement with Hercules Offshore, Inc. to sell *GSF Adriatic III*, *GSF High Island I* (see "—Warm Stacked and Held for Sale") and *GSF High Island VIII.* As a result, we classified these rigs as held for sale.

Other Rigs

In addition to our floaters and jackups, we also own or operate several other types of rigs as follows: two drilling barges, a mobile offshore production unit and a coring drillship.

Warm Stacked and Held for Sale

As of February 20, 2008, *GSF High Island I* was warm stacked. We classified this rig as held for sale in connection with a definitive agreement executed on February 15, 2008 with Hercules Offshore, Inc. to sell this rig, together with *GSF Adriatic III* and *GSF High Island VIII*, which continue to operate under contract.

Markets

Our operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Rigs can be moved from one region to another, but the cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary between regions. However, significant variations between regions do not tend to exist long-term because of rig mobility. Consequently, we operate in a single, global offshore drilling market. Because our drilling rigs are mobile assets and are able to be moved according to prevailing market conditions, we cannot predict the percentage of our revenues that will be derived from particular geographic or political areas in future periods.

In recent years, there has been increased emphasis by oil companies on exploring for hydrocarbons in deeper waters. This deepwater focus is due, in part, to technological developments that have made such exploration more feasible and cost-effective. Therefore, water-depth capability is a key component in determining rig suitability for a particular drilling project. Another distinguishing feature in some drilling market sectors is a rig's ability to operate in harsh environments, including extreme marine and climatic conditions and temperatures.

The deepwater and mid-water market sectors are serviced by our semisubmersibles and drillships. While the use of the term "deepwater" as used in the drilling industry to denote a particular sector of the market can vary and continues to evolve with technological improvements, we generally view the deepwater market sector as that which begins in water depths of approximately 4,500 feet and extends to the maximum water depths in which rigs are capable of drilling, which is currently approximately 12,000 feet. We view the mid-water market sector as that which covers water depths of about 300 feet to approximately 4,500 feet.

The global jackup market sector begins at the outer limit of the transition zone and extends to water depths of about 400 feet. This sector has been developed to a significantly greater degree than the deepwater market sector because the shallower water depths have made it much more accessible than the deeper water market sectors.

The "transition zone" market sector is characterized by marshes, rivers, lakes, and shallow bay and coastal water areas. We operate in this sector using our two drilling barges located in Southeast Asia.

Contract Backlog

We have been successful in building contract backlog in 2007 within all of our asset classes. Prior to the Merger, our contract backlog at October 30, 2007 was approximately $23 billion, a 15 percent and 109 percent increase compared to our contract backlog at December 31, 2006 and 2005, respectively. Our contract backlog at December 31, 2007 was approximately $32 billion including the effect of the Merger. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook−Drilling Market" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Performance and Other Key Indicators."

Operating Revenues and Long-Lived Assets by Country

Operating revenues and long-lived assets by country are as follows (in millions):

	Years ended December 31,		
	2007	2006	2005
Operating revenues			
United States	$ 1,259	$ 806	$ 648
United Kingdom	848	439	335
India	761	291	296
Nigeria	587	447	218
Other countries (a)	2,922	1,899	1,395
Total operating revenues	$ 6,377	$ 3,882	$ 2,892

	As of December 31,	
	2007	2006
Long-lived assets		
United States	$ 5,856	$ 2,504
United Kingdom	2,301	457
Nigeria	1,902	856
Other countries (a)	10,871	3,509
Total long-lived assets	$ 20,930	$ 7,326

(a) Other countries represents countries in which we operate that individually had operating revenues or long-lived assets representing less than 10 percent of total operating revenues earned or total long-lived assets for any of the periods presented.

Contract Drilling Services

Our contracts to provide offshore drilling services are individually negotiated and vary in their terms and provisions. We obtain most of our contracts through competitive bidding against other contractors. Drilling contracts generally provide for payment on a dayrate basis, with higher rates while the drilling unit is operating and lower rates for periods of mobilization or when drilling operations are interrupted or restricted by equipment breakdowns, adverse environmental conditions or other conditions beyond our control.

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well or group of wells or covering a stated term. These contracts typically can be terminated or suspended by the client without paying a termination fee under various circumstances such as the loss or destruction of the drilling unit or the suspension of drilling operations for a specified period of time as a result of a breakdown of major equipment. Many of these events are beyond our control. The contract term in some instances may be extended by the client exercising options for the drilling of additional wells or for an additional term. Our contracts also typically include a provision that allows the client to extend the contract to finish drilling a well-in-progress. During periods of depressed market conditions, our clients may seek to renegotiate firm drilling contracts to reduce their obligations or may seek to suspend or terminate their contracts. Some drilling contracts permit the customer to terminate the contract at the customer's option without paying a termination fee. Suspension of drilling contracts will result in the reduction in or loss of dayrate for the period of the suspension. If our customers cancel some of our significant contracts and we are unable to secure new contracts on substantially similar terms, or if contracts are suspended for an extended period of time, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

Drilling Management Services

As a result of the Merger, we provide drilling management services primarily on a turnkey basis through our wholly owned subsidiary, Applied Drilling Technology Inc. ("ADTI"), and through ADT International, a division of one of our U.K. subsidiaries. ADTI operates primarily in the U.S. Gulf of Mexico, and ADT International operates primarily in the North Sea. Under a typical turnkey arrangement, we will assume responsibility for the design and execution of a well and deliver a logged or cased hole to an agreed depth for a guaranteed price, with payment contingent upon successful completion of the well program. As part of our turnkey drilling services, we provide planning, engineering and management services beyond the scope of our traditional contract drilling business and thereby assume greater risk. In addition to turnkey arrangements, we also participate in project management operations. In our project management operations, we provide certain planning, management and engineering services, purchase equipment and provide personnel and other logistical services to customers. Our project management services differ from turnkey drilling services in that the customer retains control of the drilling operations and thus retains the risk associated with the project. These drilling management services did not represent a material portion of our revenues for the year ended December 31, 2007.

Integrated Services

From time to time, we provide well and logistics services in addition to our normal drilling services through third party contractors and our employees. We refer to these other services as integrated services. The work generally consists of individual contractual agreements to meet specific client needs and may be provided on either a dayrate, cost plus or fixed price basis depending on the daily activity. As of February 27, 2008, we were performing such services in India. These integrated service revenues did not represent a material portion of our revenues for any period presented.

Oil and Gas Properties

As a result of the Merger, we conduct oil and gas exploration, development and production activities through our oil and gas subsidiaries. We acquire interests in oil and gas properties principally in order to facilitate the awarding of turnkey contracts for our drilling management services operations. Our oil and gas activities are conducted primarily in the United States offshore Louisiana and Texas and in the U.K. sector of the North Sea. These oil and gas properties did not represent a material portion of our revenues for the year ended December 31, 2007.

Joint Venture, Agency and Sponsorship Relationships and Other Investments

In some areas of the world, local customs and practice or governmental requirements necessitate the formation of joint ventures with local participation, which we may or may not control. We are an active participant in several joint venture drilling companies, principally in Azerbaijan, Indonesia, Malaysia, Angola, Libya and Nigeria.

We hold a 50 percent interest in Overseas Drilling Limited ("ODL"), which owns the drillship *Joides Resolution*. The drillship is contracted to perform drilling and coring operations in deep waters worldwide for the purpose of scientific research. We manage and operate the vessel on behalf of ODL.

In early October 2007, we exercised our option to purchase a 50 percent equity interest in Transocean Pacific Drilling Inc. ("TPDI"), a joint venture company formed by us and Pacific Drilling Limited ("Pacific Drilling"), a Liberian company, whereby we acquired exclusive marketing rights for two ultra-deepwater drillships to be named *Deepwater Pacific 1* and *Deepwater Pacific 2*, which are currently under construction. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook−Drilling Market."

In Azerbaijan, the semisubmersibles *Istiglal* and *Dada Gorgud* operate under long-term bareboat charters between (a) Caspian Drilling Company Limited ("CDC"), a joint venture in which we hold a 45 percent ownership interest, and (b) the owner of both rigs, the State Oil Company of the Azerbaijan Republic ("SOCAR"), our sole equity partner in CDC. SOCAR has granted exclusive bareboat charter rights to CDC for the life of the joint venture. During 2005, these bareboat charter rights were extended through October 2011, pursuant to an amendment to the agreement establishing CDC.

A joint venture in which we hold a passive minority interest operates primarily in Libya, and to a limited extent in Syria. Syria is identified by the U.S. State Department as a state sponsor of terrorism. In addition, Syria is subject to a number of economic regulations, including sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), and comprehensive restrictions on the export and re-export of U.S.-origin items to Syria. On June 30, 2006, Libya was removed from the U.S. government's list of state sponsors of terrorism and is no longer subject to sanctions or embargoes. We believe our passive minority investment has been maintained in accordance with all applicable laws and regulations. Potential investors could view our passive minority interest in our Libyan joint venture negatively, which could adversely affect our reputation and the market for our ordinary shares. In addition, certain U.S. states have recently enacted legislation regarding investments by their retirement systems in companies that have business activities or contacts with countries that have been identified as terrorist-sponsoring states, and similar legislation may be pending or introduced in other states. As a result, certain investors may be subject to reporting requirements with respect to investments in companies such as ours or may be subject to limits or prohibitions with respect to those investments.

Local laws or customs in some areas of the world also effectively mandate establishment of a relationship with a local agent or sponsor. When appropriate in these areas, we enter into agency or sponsorship agreements.

Significant Clients

We engage in offshore drilling for most of the leading international oil companies (or their affiliates), as well as for many government-controlled and independent oil companies. Our most significant clients in 2007 were Chevron, Shell and BP accounting for 12 percent, 11 percent and 10 percent, respectively, of our 2007 operating revenues. No other client accounted for 10 percent or more of our 2007 operating revenues. The loss of any of these significant clients could, at least in the short term, have a material adverse effect on our results of operations.

Environmental Regulation

For a discussion of the effects of environmental regulation, see "Item 1A. Risk Factors—Compliance with or breach of environmental laws can be costly and could limit our operations." We have made and will continue to make expenditures to comply with environmental requirements. To date we have not expended material amounts in order to comply and we do not believe that our compliance with such requirements will have a material adverse effect upon our results of operations or competitive position or materially increase our capital expenditures.

Employees

We require highly skilled personnel to operate our drilling units. As a result, we conduct extensive personnel recruiting, training and safety programs. At December 31, 2007, we had approximately 21,100 employees, and we also utilized approximately 3,400 persons through contract labor providers. Some of our employees, most of whom work in the U.K., Nigeria and Norway, are represented by collective bargaining agreements. In addition, some of our contracted labor work under collective bargaining agreements. Many of these represented individuals are working under agreements that are subject to salary negotiation in 2008. These negotiations could result in higher personnel expenses, other increased costs or increased operation restrictions. Additionally, the unions in the U.K. have sought an interpretation of the application of the Working Time Regulations to the offshore sector. The Tribunal has recently issued its decision and we are currently reviewing the decision to determine its potential impact on our operations and expenses as well as to determine whether the decision should be appealed. The application of the Working Time Regulations to the offshore sector could result in higher labor costs and could undermine our ability to obtain a sufficient number of skilled workers in the U.K.

Available Information

Our website address is *www.deepwater.com*. We make our website content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference in this Form 10-K. We make available on this website under "Investor Relations-SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the Securities and Exchange Commission ("SEC"). The SEC also maintains a website at *www.sec.gov* that contains reports, proxy statements and other information regarding SEC registrants, including us.

You may also find information related to our corporate governance, board committees and company code of business conduct and ethics at our website. Among the information you can find there is the following:

- Audit Committee Charter;
- Corporate Governance Committee Charter;
- Executive Compensation Committee Charter;
- Finance and Benefits Committee Charter;
- Mission Statement;
- Code of Business Conduct and Ethics, including our anti-corruption policy; and
- Corporate Governance Guidelines.

We intend to satisfy the requirement under Item 5.05 of Form 8-K to disclose any amendments to our Code of Business Conduct and Ethics and any waiver from a provision of our Code of Business Conduct and Ethics by posting such information in the Corporate Governance section of our website at *www.deepwater.com*.

ITEM 1A. ***Risk Factors***

Our business depends on the level of activity in the offshore oil and gas industry, which is significantly affected by volatile oil and gas prices and other factors.

Our business depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. However, higher commodity prices do not necessarily translate into increased drilling activity since customers' expectations of future commodity prices typically drive demand for our rigs. Also, increased competition for customers' drilling budgets could come from, among other areas, land-based energy markets in Africa, Russia, Western Asian countries, the Middle East, the U.S. and elsewhere. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments also affect customers' drilling campaigns. Worldwide military, political and economic events have contributed to oil and gas price volatility and are likely to do so in the future.

Oil and gas prices are extremely volatile and are affected by numerous factors, including the following:

- § worldwide demand for oil and gas including economic activity in the U.S. and other energy-consuming markets;
- § the ability of OPEC to set and maintain production levels and pricing;
- § the level of production in non-OPEC countries;
- § the policies of various governments regarding exploration and development of their oil and gas reserves;
- § advances in exploration and development technology; and
- § the worldwide military and political environment, including uncertainty or instability resulting from an escalation or additional outbreak of armed hostilities or other crises in the Middle East or other geographic areas or further acts of terrorism in the United States, or elsewhere.

Our industry is highly competitive and cyclical, with intense price competition.

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified contractor is awarded a job, although rig availability and the quality and technical capability of service and equipment may also be considered.

Our industry has historically been cyclical and is impacted by oil and gas price levels and volatility. There have been periods of high demand, short rig supply and high dayrates, followed by periods of low demand, excess rig supply and low dayrates. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply intensify the competition in the industry and often result in rigs being idle for long periods of time. We may be required to idle rigs or enter into lower rate contracts in response to market conditions in the future.

During prior periods of high utilization and dayrates, industry participants have increased the supply of rigs by ordering the construction of new units. This has typically resulted in an oversupply of drilling units and has caused a subsequent decline in utilization and dayrates, sometimes for extended periods of time. There are numerous high-specification rigs and jackups under contract for construction and several mid-water semisubmersibles are being upgraded to enhance their operating capability. The entry into service of these new and upgraded units will increase supply and could curtail a further strengthening, or trigger a reduction, in dayrates as rigs are absorbed into the active fleet. Any further increase in construction of new drilling units would likely exacerbate the negative impact on utilization and dayrates. Lower utilization and dayrates could adversely affect our revenues and profitability. Prolonged periods of low utilization and dayrates could also result in the recognition of impairment charges on certain classes of our drilling rigs or our goodwill balance if future cash flow estimates, based upon information available to management at the time, indicate that the carrying value of these rigs, or the goodwill balance, may not be recoverable.

Our business involves numerous operating hazards.

Our operations are subject to the usual hazards inherent in the drilling of oil and gas wells, such as blowouts, reservoir damage, loss of production, loss of well control, punch-throughs, craterings, fires and natural disasters such as hurricanes and tropical storms. In particular, the Gulf of Mexico area is subject to hurricanes and other extreme weather conditions on a relatively frequent basis, and our drilling rigs in the region may be exposed to damage or total loss by these storms (some of which may not be covered by insurance). The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury to or death of rig personnel. We are also subject to personal injury and other claims by rig personnel as a result of our drilling operations. Operations also may be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services, or personnel shortages. In addition, offshore drilling operations are subject to perils peculiar to marine operations, including capsizing, grounding, collision and loss or damage from severe weather. Damage to the environment could also result from our operations, particularly through oil spillage or extensive uncontrolled fires. We may also be subject to property, environmental and other damage claims by oil and gas companies. Our insurance policies and contractual rights to indemnity may not adequately cover losses, and we do not have insurance coverage or rights to indemnity for all risks.

Consistent with standard industry practice, our clients generally assume, and indemnify us against, well control and subsurface risks under dayrate contracts. These are risks associated with the loss of control of a well, such as blowout or cratering, the cost to regain control of or redrill the well and associated pollution. However, there can be no assurance that these clients will be financially able to indemnify us against all these risks.

We maintain broad insurance coverage, including coverage for property damage, occupational injury and illness, and general and marine third-party liabilities. Property damage insurance covers against marine and other perils, including losses due to capsizing, grounding, collision, fire, lightning, hurricanes and windstorms (excluding named storms in the U.S. Gulf of Mexico and war perils worldwide, for which we generally have no coverage), action of waves, punch-throughs, cratering, blowouts and explosion. However, we maintain large self-insured deductibles for damage to our offshore drilling equipment and third-party liabilities.

With respect to hull and machinery we generally maintain a $125 million deductible per occurrence, subject to a $250 million annual aggregate deductible. In the event that the $250 million annual aggregate deductible has been exceeded, the hull and machinery deductible becomes $10 million per occurrence. However, in the event of a total loss or a constructive total loss of a drilling unit, then such loss is fully covered by our insurance with no deductible. For general and marine third-party liabilities we generally maintain a $10 million per occurrence deductible on personal injury liability for crew claims ($5 million for non-crew claims) and a $5 million per occurrence deductible on third-party property damage. We also self insure the primary $50 million of liability limits in excess of the $5 million and $10 million per occurrence deductibles described in the prior sentence.

Pollution and environmental risks generally are not totally insurable. If a significant accident or other event occurs and is not fully covered by insurance or an enforceable or recoverable indemnity from a client, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

The amount of our insurance may be less than the related impact on enterprise value after a loss. We do not generally have hull and machinery coverage for losses due to hurricanes in the U.S Gulf of Mexico and war perils worldwide. Our insurance coverage will not in all situations provide sufficient funds to protect us from all liabilities that could result from our drilling operations. Our coverage includes annual aggregate policy limits. As a result, we retain the risk through self-insurance for any losses in excess of these limits. We do not carry insurance for loss of revenue and certain other claims may also not be reimbursed by insurance carriers. Any such lack of reimbursement may cause us to incur substantial costs. In addition, we could decide to retain substantially more risk through self-insurance in the future. Moreover, no assurance can be made that we will be able to maintain adequate insurance in the future at rates we consider reasonable or be able to obtain insurance against certain risks. As of February 27, 2008, all of the rigs that we owned or operated were covered by existing insurance policies.

Failure to retain key personnel could hurt our operations.

We require highly skilled personnel to operate and provide technical services and support for our business worldwide. Competition for the labor required for drilling operations, including for turnkey drilling and drilling management services businesses and construction projects, has intensified as the number of rigs activated, added to worldwide fleets or under construction has increased, leading to shortages of qualified personnel in the industry and creating upward pressure on wages and higher turnover. If turnover increases, we could see a reduction in the experience level of our personnel, which could lead to higher downtime and more operating incidents, which in turn could decrease revenues and increase costs. In response to these labor market conditions, we are increasing efforts in our recruitment, training, development and retention programs as required to meet our anticipated personnel needs. If these labor trends continue, we may experience further increases in costs or limits on operations.

Our labor costs and the operating restrictions under which we operate could increase as a result of collective bargaining negotiations and changes in labor laws and regulations.

Some of our employees, most of whom work in the U.K., Nigeria and Norway, are represented by collective bargaining agreements. In addition, some of our contracted labor work under collective bargaining agreements. Many of these represented individuals are working under agreements that are subject to ongoing salary negotiation in 2008. These negotiations could result in higher personnel expenses, other increased costs or increased operating restrictions. Additionally, the unions in the U.K. have sought an interpretation of the application of the Working Time Regulations to the offshore sector. The Tribunal has recently issued its decision and we are currently reviewing the decision to determine its potential impact on our operations and expenses as well as to determine whether the decision should be appealed. The application of the Working Time Regulations to the offshore sector could result in higher labor costs and could undermine our ability to obtain a sufficient number of skilled workers in the U.K.

Our shipyard projects are subject to delays and cost overruns.

We have committed to a total of eight deepwater newbuild rig projects and two *Sedco 700*-series rig upgrades. We are also discussing other potential newbuild opportunities with several of our oil and gas company and government-controlled clients. We also have a variety of other more limited shipyard projects at any given time. These shipyard projects are subject to the risks of delay or cost overruns inherent in any such construction project resulting from numerous factors, including the following:

- § shipyard unavailability;
- § shortages of equipment, materials or skilled labor;
- § unscheduled delays in the delivery of ordered materials and equipment;
- § engineering problems, including those relating to the commissioning of newly designed equipment;
- § work stoppages;
- § client acceptance delays;
- § weather interference or storm damage;
- § unanticipated cost increases; and
- § difficulty in obtaining necessary permits or approvals.

These factors may contribute to cost variations and delays in the delivery of our upgraded and newbuild units and other rigs undergoing shipyard projects. Delays in the delivery of these units would result in delay in contract commencement, resulting in a loss of revenue to us, and may also cause customers to terminate or shorten the term of the drilling contract for the rig pursuant to applicable late delivery clauses. In the event of termination of one of these contracts, we may not be able to secure a replacement contract on as favorable terms.

Our operations also rely on a significant supply of capital and consumable spare parts and equipment to maintain and repair our fleet. We also rely on the supply of ancillary services, including supply boats and helicopters. Recently, we have experienced increased delivery times from vendors due to increased drilling activity worldwide and the increase in construction and upgrade projects and have also experienced a tightening in the availability of ancillary services. We have recently replaced our primary global logistics provider, which may result in delays and disruptions, and potentially increased costs, in some operations. Shortages in materials, delays in the delivery of necessary spare parts, equipment or other materials, or the unavailability of ancillary services could negatively impact our future operations and result in increases in rig downtime, and delays in the repair and maintenance of our fleet.

Failure to secure a drilling contract prior to deployment of two of our newbuild drillships could adversely affect our results of operations.

In September 2007, GlobalSantaFe entered into a contract with Hyundai Heavy Industries, Ltd. for the construction of a new drillship the delivery of which is scheduled for the third quarter of 2010. In addition, the drillship *Deepwater Pacific 2* that is being constructed by our joint venture with Pacific Drilling is scheduled for delivery in the first quarter of 2010. We have not yet secured a drilling contract for either drillship. Historically, the industry has experienced prolonged periods of overcapacity, during which many rigs were idle for long periods of time. Our failure to secure a drilling contract for either rig prior to its deployment could adversely affect our results of operations.

The anticipated benefits of the Merger may not be realized, and there may be difficulties in integrating our operations.

We merged with GlobalSantaFe on November 27, 2007, with the expectation that the Merger would result in various benefits, including, among other things, synergies, cost savings and operating efficiencies. We may not achieve these benefits at the levels expected or at all.

We may not be able to integrate our operations with those of GlobalSantaFe without a loss of employees, customers or suppliers, a loss of revenues, an increase in operating or other costs or other difficulties. In addition, we may not be able to realize the operating efficiencies, synergies, cost savings or other benefits expected from the Merger. Any unexpected delays incurred in connection with the integration could have an adverse effect on our business, results of operations or financial condition.

Our business has changed as a result of our recent combination with GlobalSantaFe.

Our business has changed as a result of our recent combination with GlobalSantaFe. Following the Merger, our relative exposure to the jackup market has increased. Portions of the jackup market, including the U.S. Gulf of Mexico, have in recent periods experienced lower dayrates than in previous periods. Additionally, as a result of the Merger, we are now engaged in drilling management services including turnkey drilling operations and own interests in oil and gas properties, which, as described below, will expose us to additional risks.

Our overall debt level increased as a result of the Transactions, and we may lose the ability to obtain future financing and suffer competitive disadvantages.

We have a substantial amount of debt. As a result of the Transactions, our overall debt level increased from approximately $3 billion at December 31, 2006, to approximately $17 billion at December 31, 2007. Our level of debt and other obligations could have significant adverse consequences on our business and future prospects, including the following:

- § we may not be able to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- § we may not be able to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service the debt;
- § we could become more vulnerable to general adverse economic and industry conditions, including increases in interest rates, particularly given our substantial indebtedness, some of which bears interest at variable rates;
- § less levered competitors could have a competitive advantage because they have lower debt service requirements; and
- § we may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than our competitors.

We may not be successful in refinancing the remaining borrowings under our bridge loan facility, and the terms of any refinancing may not be favorable to us.

Our bridge loan facility has a maturity of one year. Although we expect to refinance the remaining portion of this debt on more favorable terms, such refinancing is subject to conditions in the credit markets, which are currently volatile, and there can be no assurance that we will be successful in refinancing the remaining portion of debt or that the terms of the refinancing will be favorable to us, which could adversely affect our results of operations or financial condition.

Our overall debt level and/or our inability to refinance the remaining borrowings under our bridge loan facility on favorable terms could lead the credit rating agencies to lower our corporate credit ratings below currently expected levels and possibly below investment grade.

Market conditions could prohibit us from refinancing the bridge loan facility at favorable rates and on favorable terms, which could limit our ability to efficiently repay debt and could cause us to maintain a high level of leverage or issue debt with unfavorable terms and conditions. This leverage level could lead the credit rating agencies to downgrade our credit ratings below currently expected levels and possibly to non-investment grade levels. Such ratings levels could negatively impact current and prospective customers' willingness to transact business with us. Suppliers may lower or eliminate the level of credit provided through payment terms when dealing with us thereby increasing the need for higher levels of cash on hand, which would decrease our ability to repay debt balances.

A loss of a major tax dispute or a successful tax challenge to our structure could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

We are a Cayman Islands company and operate through our various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties and regulations in and between the countries in which we operate. Our income taxes are based upon the applicable tax laws and tax rates in effect in the countries in which we operate and earn income as well as upon our operating structures in these countries.

Our income tax returns are subject to review and examination. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, particularly in the U.S., Norway or Brazil, our effective tax rate on our worldwide earnings could increase substantially and our earnings and cash flows from operations could be materially adversely affected. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Outlook–Tax Matters” and “—Critical Accounting Estimates–Income Taxes.”

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.

A change in applicable tax laws, treaties or regulations could result in a higher effective tax rate on our worldwide earnings and such change could be significant to our financial results. One of the income tax treaties that we rely upon is currently in the process of being renegotiated. This renegotiation will likely result in a change in the terms of the treaty that is adverse to our tax structure, which in turn would increase our effective tax rate, and such increase could be material. We are monitoring the progress of the treaty renegotiation with a view to determining what, if any, steps are appropriate to mitigate any potential negative impact. One of these steps could include transactions that would result in certain subsidiaries or the parent entity of our group of companies having a different tax residency or different jurisdiction of incorporation. We may not be able to fully, or partially, mitigate any negative impact of this treaty renegotiation or any other future changes in treaties that we rely upon.

Various proposals have been made in recent years that, if enacted into law, could have an adverse impact on us. Examples include, but are not limited to, proposals that would broaden the circumstances in which a non-U.S. company would be considered a U.S. resident and a proposal that could limit treaty benefits on certain payments by U.S. subsidiaries to non-U.S. affiliates. Such legislation, if enacted, could cause a material increase in our tax liability and effective tax rate, which could result in a significant negative impact on our earnings and cash flows from operations. In addition, our income tax returns are subject to review and examination in various jurisdictions in which we operate. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook–Tax Matters" and "—Critical Accounting Estimates–Income Taxes."

We may be limited in our use of net operating losses.

Our ability to benefit from our deferred tax assets depends on us having sufficient future earnings to utilize our net operating loss ("NOL") carryforwards before they expire. We have established a valuation allowance against the future tax benefit for a number of our foreign NOL carryforwards, and we could be required to record an additional valuation allowance against our foreign or U.S. deferred tax assets if market conditions change materially and, as a result, our future earnings are, or are projected to be, significantly less than we currently estimate. Our NOL carryforwards are subject to review and potential disallowance upon audit by the tax authorities of the jurisdictions where the NOLs are incurred.

In 2007, we utilized NOL carryforwards to reduce our 2007 U.S. taxable income. The NOL carryforwards utilized in 2007 included NOL carryforwards of one of our subsidiaries from periods prior to a previous merger of two of our subsidiaries. The U.S. Internal Revenue Service ("IRS") may take the position that the 2001 merger subjected the NOL carryforwards to various limitations under U.S. tax laws. If a limitation were imposed, it could result in a portion of our NOL carryforwards expiring unused or in our inability to fully offset taxable income with NOLs in a particular year, even though our NOL carryforwards exceed our taxable income for the year.

We may be required to accrue additional tax liability on certain earnings.

We have not provided for deferred taxes on the unremitted earnings of certain subsidiaries that are permanently reinvested. Should a distribution be made of the unremitted earnings of these subsidiaries, we could be required to record additional current and deferred taxes that, if material, could have an adverse effect on our statement of financial position, results of operations and cash flows.

Our non-U.S. operations involve additional risks not associated with our U.S. operations.

We operate in various regions throughout the world, which may expose us to political and other uncertainties, including risks of:

- terrorist acts, war and civil disturbances;
- expropriation or nationalization of equipment; and
- the inability to repatriate income or capital.

We are protected to some extent against loss of capital assets, but generally not loss of revenue, from most of these risks through indemnity provisions in our drilling contracts. Effective May 1, 2007, our assets are generally not insured against risk of loss due to perils such as terrorist acts, civil unrest, expropriation, nationalization and acts of war.

Many governments favor or effectively require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These practices may adversely affect our ability to compete.

Our non-U.S. contract drilling operations are subject to various laws and regulations in countries in which we operate, including laws and regulations relating to the equipment and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development and taxation of offshore earnings and earnings of expatriate personnel. We are also subject to OFAC and other U.S. laws and regulations governing our international operations. Potential investors could view any potential violation of OFAC regulations negatively, which could adversely affect our reputation and the market for our ordinary shares. In addition, certain U.S. states have recently enacted legislation regarding investments by their retirement systems in companies that have business activities or contacts with countries that have been identified as terrorist-sponsoring states, and similar legislation may be pending or introduced in other states. As a result, certain investors may be subject to reporting requirements with respect to investments in companies such as ours or may be subject to limits or prohibitions with respect to those investments. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject us to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of assets. Our internal compliance program has discovered a potential OFAC compliance issue. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook–Regulatory Matters."

Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and gas and other aspects of the oil and gas industries in their countries. In addition, government action, including initiatives by OPEC, may continue to cause oil or gas price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil companies and may continue to do so.

Another risk inherent in our operations is the possibility of currency exchange losses where revenues are received and expenses are paid in nonconvertible currencies. We may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available in the country of operation.

Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties, drilling contract terminations and an adverse effect on our business.

In June 2007, GlobalSantaFe's management retained outside counsel to conduct an internal investigation of its Nigerian and West African operations, focusing on brokers who handled customs matters with respect to its affiliates operating in those jurisdictions and whether those brokers have fully complied with the U.S. Foreign Corrupt Practices Act ("FCPA") and local laws. GlobalSantaFe commenced its investigation following announcements by other oilfield service companies that they were independently investigating the FCPA implications of certain actions taken by third parties in respect of customs matters in connection with their operations in Nigeria, as well as another company's announced settlement implicating a third party handling customs matters in Nigeria. In each case, the customs broker was reported to be Panalpina Inc., which GlobalSantaFe used to obtain temporary import permits for its rigs operating offshore Nigeria. GlobalSantaFe voluntarily disclosed its internal investigation to the U.S. Department of Justice (the "DOJ") and the SEC and, at their request, expanded its investigation to include the activities of its customs brokers in other West African countries and the activities of Panalpina Inc. worldwide. The investigation is focusing on whether the brokers have fully complied with the requirements of their contracts, local laws and the FCPA. In late November 2007, GlobalSantaFe received a subpoena from the SEC for documents related to its investigation. In this connection, the SEC advised GlobalSantaFe that it had issued a formal order of investigation. After the completion of the Merger, outside counsel began formally reporting directly to the audit committee of our board of directors. Our legal representatives are keeping the DOJ and SEC apprised of the scope and details of their investigation and producing relevant information in response to their requests.

On July 25, 2007, our legal representatives met with the DOJ in response to a notice we received requesting such a meeting regarding our engagement of Panalpina Inc. for freight forwarding and other services in the United States and abroad. The DOJ has informed us that it is conducting an investigation of alleged FCPA violations by oil service companies who used Panalpina Inc. and other brokers in Nigeria and other parts of the world. We began developing an investigative plan which would allow us to promptly review and produce relevant and responsive information requested by the DOJ and SEC. Subsequently, we expanded this investigation to include one of our agents for Nigeria. This investigation and the legacy GlobalSantaFe investigation are being conducted by outside counsel who reports directly to the audit committee of our board of directors. The investigation has focused on whether the agent and the customs brokers have fully complied with the terms of their respective agreements, the FCPA and local laws. We prepared and presented an investigative plan to the DOJ and have informed the SEC of the ongoing investigation. We have begun implementing the investigative plan and are keeping the DOJ and SEC apprised of the scope and details of our investigation and are producing relevant information in response to their requests.

We cannot predict the ultimate outcome of these investigations, the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws or to what extent, if at all, we could be subject to fines, sanctions or other penalties. Our investigation includes a review of amounts paid to and by customs brokers in connection with the obtaining of permits for the temporary importation of vessels and the clearance of goods and materials. These permits and clearances are necessary in order for us to operate our vessels in certain jurisdictions. There is a risk that we may not be able to obtain import permits or renew temporary importation permits in West African countries, including Nigeria, in a manner that complies with the FCPA. As a result, we may not have the means to renew temporary importation permits for rigs located in the relevant jurisdictions as they expire or to send goods and equipment into those jurisdictions, in which event we may be forced to terminate the pending drilling contracts and relocate the rigs or leave the rigs in these countries and risk permanent importation issues, either of which could have an adverse effect on our financial results. In addition, termination of drilling contracts could result in damage claims by customers.

Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues.

Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in operating revenues. Operating revenues may fluctuate as a function of changes in dayrate. However, costs for operating a rig are generally fixed or only semi-variable regardless of the dayrate being earned. In addition, should our rigs incur idle time between contracts, we typically will not de-man those rigs because we will use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as portions of the crew may be required to prepare rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. In addition, as our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

Our drilling contracts may be terminated due to a number of events.

Our customers may terminate or suspend many of our term drilling contracts without paying a termination fee under various circumstances such as the loss or destruction of the drilling unit, downtime or impaired performance caused by equipment or operational issues, some of which will be beyond our control, or sustained periods of downtime due to force majeure events. Suspension of drilling contracts results in loss of the dayrate for the period of the suspension. If our customers cancel some of our significant contracts and we are unable to secure new contracts on substantially similar terms, it could adversely affect our results of operations. In reaction to depressed market conditions, our customers may also seek renegotiation of firm drilling contracts to reduce their obligations.

We are subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We are subject to a variety of litigation and may be sued in additional cases. Certain of our subsidiaries are named as defendants in numerous lawsuits alleging personal injury as a result of exposure to asbestos or toxic fumes or resulting from other occupational diseases, such as silicosis, and various other medical issues that can remain undiscovered for a considerable amount of time. Some of these subsidiaries that have been put on notice of potential liabilities have no assets. Other subsidiaries are subject to litigation relating to environmental damage. We cannot predict the outcome of these cases involving those subsidiaries or the potential costs to resolve them. Insurance may not be applicable or sufficient in all cases, insurers may not remain solvent, and policies may not be located. Suits against non-asset-owning subsidiaries have and may in the future give rise to alter ego or successor-in-interest claims against us and our asset-owning subsidiaries to the extent a subsidiary is unable to pay a claim or insurance is not available or sufficient to cover the claims. To the extent that one or more pending or future litigation matters are not resolved in our favor and are not covered by insurance, a material adverse effect on our financial results and condition could result.

Turnkey drilling operations expose us to additional risks, which can adversely affect our profitability, because we assume the risk for operational problems and the contracts are on a fixed-price basis.

We conduct most of our drilling services under dayrate drilling contracts where the customer pays for the period of time required to drill or work over a well. However, we also enter into a significant number of turnkey contracts each year. Our compensation under turnkey contracts depends on whether we successfully drill to a specified depth or, under some of the contracts, complete the well. Unlike dayrate contracts, where ultimate control is exercised by the customer, we are exposed to additional risks when serving as a turnkey drilling contractor because we make all critical decisions. Under a turnkey contract, the amount of our compensation is fixed at the amount we bid to drill the well. Thus, we will not be paid if operational problems prevent performance unless we choose to drill a new well at our expense. Further, we must absorb the loss if problems arise that cause the cost of performance to exceed the turnkey price. Given the complexities of drilling a well, it is not unusual for unforeseen problems to arise. We do not generally insure against risks of unbudgeted costs associated with turnkey drilling operations. By contrast, in a dayrate contract, the customer retains most of these risks. As a result of the additional risks we assume in performing turnkey contracts, costs incurred from time to time exceed revenues earned. Accordingly, in prior quarters, GlobalSantaFe incurred losses on certain of its turnkey contracts, and we can expect that will continue to be the case in the future. Depending on the size of these losses, they may have a material adverse affect on the profitability of our drilling management services business in a given period.

Turnkey drilling operations are contingent on our ability to win bids and on rig availability, and the failure to win bids or obtain rigs for any reason may have a material adverse effect on the results of operations of our drilling management services business.

Our results of operations from our drilling management services business may be limited by certain factors, including our ability to find and retain qualified personnel, to hire suitable rigs at acceptable rates, and to obtain and successfully perform turnkey drilling contracts based on competitive bids. Our ability to obtain turnkey drilling contracts is largely dependent on the number of these contracts available for bid, which in turn is influenced by market prices for oil and natural gas, among other factors. Furthermore, our ability to enter into turnkey drilling contracts may be constrained from time to time by the availability of our or third-party drilling rigs. Constraints on the availability of rigs may cause delays in our drilling management projects and a reduction in the number of projects that we can complete overall, which could have an adverse effect on the results of operations of our drilling management services business.

Public health threats could have a material adverse effect on our operations and our financial results.

Public health threats, such as the bird flu, Severe Acute Respiratory Syndrome, and other highly communicable diseases, outbreaks of which have already occurred in various parts of the world in which we operate, could adversely impact our operations, the operations of our clients and the global economy, including the worldwide demand for oil and natural gas and the level of demand for our services. Any quarantine of personnel or inability to access our offices or rigs could adversely affect our operations. Travel restrictions or operational problems in any part of the world in which we operate, or any reduction in the demand for drilling services caused by public health threats in the future, may materially impact operations and adversely affect our financial results.

Compliance with or breach of environmental laws can be costly and could limit our operations.

Our operations are subject to regulations controlling the discharge of materials into the environment, requiring removal and cleanup of materials that may harm the environment or otherwise relating to the protection of the environment. For example, as an operator of mobile offshore drilling units in navigable U.S. waters and some offshore areas, we may be liable for damages and costs incurred in connection with oil spills related to those operations. Laws and regulations protecting the environment have become more stringent in recent years, and may in some cases impose strict liability, rendering a person liable for environmental damage without regard to negligence. These laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new requirements could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

We have generally been able to obtain some degree of contractual indemnification pursuant to which our clients agree to protect and indemnify us against liability for pollution, well and environmental damages; however, there is no assurance that we can obtain such indemnities in all of our contracts or that, in the event of extensive pollution and environmental damages, our clients will have the financial capability to fulfill their contractual obligations to us. Also, these indemnities may not be enforceable in all instances.

Our ability to operate our rigs in the U.S. Gulf of Mexico could be restricted by governmental regulation.

Hurricanes Ivan, Katrina and Rita caused damage to a number of rigs in the U.S. Gulf of Mexico fleet, and rigs that were moved off location by the storms may have damaged platforms, pipelines, wellheads and other drilling rigs during their movements. The Minerals Management Service of the U.S. Department of the Interior (“MMS”) has conducted hearings and is undertaking studies to determine methods to prevent or reduce the number of such incidents in the future. In 2006, the MMS issued interim guidelines requiring that semisubmersibles operating in the U.S. Gulf of Mexico assess their mooring systems against stricter criteria. In 2007 additional guidelines were issued which impose stricter criteria, requiring rigs to meet 25-year storm conditions. Although all of our semisubmersibles currently operating in the U.S. Gulf of Mexico meet the 2007 requirements, these guidelines may negatively impact our ability to operate other semisubmersibles in the U.S. Gulf of Mexico in the future. Moreover, the MMS may issue additional regulations that could increase the cost of operations or reduce the area of operations for our rigs in the future, thus reducing their marketability. Implementation of additional MMS regulations may subject us to increased costs or limit the operational capabilities of our rigs and could materially and adversely affect our operations in the U.S. Gulf of Mexico.

Acts of terrorism and social unrest could affect the markets for drilling services.

Acts of terrorism and social unrest, brought about by world political events or otherwise, have caused instability in the world’s financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. In addition, acts of terrorism and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services. Insurance premiums could increase and coverages may be unavailable in the future. U.S. government regulations may effectively preclude us from actively engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future.

We are subject to anti-takeover provisions.

Our articles of association contain provisions that could prevent or delay an acquisition of the company by means of a tender offer, a proxy contest or otherwise. These provisions may also adversely affect prevailing market prices for our ordinary shares. These provisions, among other things:

- § classify our board into three classes of directors, each of which serve for staggered three-year periods;
- § provide that our board may designate the terms of any new series of preference shares;
- § provide that any shareholder who wishes to propose any business or to nominate a person or persons for election as director at any annual meeting may only do so if advance notice is given to the Secretary of Transocean;
- § provide that the exact number of directors on our board can be set from time to time by a majority of the whole board of directors and not by our shareholders, subject to a minimum of two and a maximum of 14;
- § provide that directors can be removed from office only for cause, as defined in our articles of association, by the affirmative vote of the holders of the issued shares generally entitled to vote;
- § provide that any vacancy on the board of directors will be filled by the affirmative vote of the remaining directors and not by the shareholders; provided, however, that during the period until November 27, 2009, if the vacancy relates to a director who was a Transocean director prior to the Merger, then the vacancy will be filled by the other Transocean directors, and if the vacancy relates to a director who was a GlobalSantaFe director prior to the Merger, then the vacancy will be filled by the other GlobalSantaFe directors;
- § provide that any action required or permitted to be taken by the holders of ordinary shares must be taken at a duly called annual or extraordinary general meeting of shareholders unless taken by written consent of all holders of ordinary shares;
- § provide that only a majority of the directors may call extraordinary general meetings of the shareholders;
- § limit the ability of our shareholders to amend or repeal some provisions of our articles of association; and
- § limit transactions between us and an "interested shareholder," which is generally defined as a shareholder that, together with its affiliates and associates, beneficially, directly or indirectly, owns 15 percent or more of our issued voting shares.

Our board of directors is comprised of seven persons who were designated by Transocean and seven persons who were designated by GlobalSantaFe prior to completing the Merger. Under our articles of association, at each annual general meeting held during the two years following the completion of the Merger, each such director whose term expires during such period will be nominated for re-election (or another person selected by the applicable group of directors will be nominated for election) to our board of directors.

ITEM 1B. ***Unresolved Staff Comments***

None

ITEM 2. ***Properties***

The description of our property included under “Item 1. Business” is incorporated by reference herein.

We maintain offices, land bases and other facilities worldwide, including our principal executive offices in Houston, Texas and regional operational offices in the U.S., France and Singapore. Our remaining offices and bases are located in various countries in North America, South America, the Caribbean, Europe, Africa, Russia, the Middle East, India, the Far East and Australia. We lease most of these facilities.

Through the Merger, we acquired Challenger Minerals Inc. and Challenger Minerals (North Sea) Limited (collectively, “CMI”), formerly wholly-owned subsidiaries of GlobalSantaFe. CMI conducts oil and gas activities and holds property interests primarily in the U.S. offshore Louisiana and Texas and in the U.K. sector of the North Sea.

ITEM 3. ***Legal Proceedings***

Several of our subsidiaries have been named, along with numerous unaffiliated defendants, in several complaints that have been filed in the Circuit Courts of the State of Mississippi involving approximately 750 plaintiffs that allege personal injury arising out of asbestos exposure in the course of their employment by some of these defendants between 1965 and 1986. The complaints also name as defendants certain of TODCO’s subsidiaries to which we may owe indemnity. Further, the complaints name other unaffiliated defendant companies, including companies that allegedly manufactured drilling related products containing asbestos. The complaints allege that the defendant drilling contractors used those asbestos-containing products in offshore drilling operations, land based drilling operations and in drilling structures, drilling rigs, vessels and other equipment and assert claims based on, among other things, negligence and strict liability, and claims authorized under the Jones Act. The plaintiffs generally seek awards of unspecified compensatory and punitive damages. We have not been provided with sufficient information to determine the number of plaintiffs who claim to have been exposed to asbestos aboard our rigs, whether they were employees, their period of employment, the period of their alleged exposure to asbestos, or their medical condition, and we have not entered into any settlements with any plaintiffs. Accordingly, we are unable to estimate our potential exposure in these lawsuits. We historically have maintained insurance which we believe will be available to address any liability arising from these claims. We intend to defend these lawsuits vigorously, but there can be no assurance as to their ultimate outcome.

One of our subsidiaries is involved in an action with respect to a customs matter relating to the *Sedco 710* semisubmersible drilling rig. Prior to our merger with Sedco Forex, this drilling rig, which was working for Petrobras in Brazil at the time, had been admitted into the country on a temporary basis under authority granted to a Schlumberger entity. Prior to the Sedco Forex merger, the drilling contract with Petrobras was transferred from the Schlumberger entity to an entity that would become one of our subsidiaries, but Schlumberger did not transfer the temporary import permit to any of our subsidiaries. In early 2000, the drilling contract was extended for another year. On January 10, 2000, the temporary import permit granted to the Schlumberger entity expired, and renewal filings were not made until later that January. In April 2000, the Brazilian customs authorities cancelled the temporary import permit. The Schlumberger entity filed an action in the Brazilian federal court of Campos for the purpose of extending the temporary admission. Other proceedings were also initiated in order to secure the transfer of the temporary admission to our subsidiary. Ultimately, the court permitted the transfer of the temporary admission from Schlumberger to our subsidiary but did not rule on whether the temporary admission could be extended without the payment of a financial penalty. During the first quarter of 2004, the Brazilian customs authorities issued an assessment totaling approximately $133 million against our subsidiary.

The first level Brazilian court ruled in April 2007 that the temporary admission granted to our subsidiary had expired which allowed the Brazilian customs authorities to execute on their assessment. Following this ruling, the Brazilian customs authorities issued a revised assessment against our subsidiary. As of February 15, 2008, the U.S. dollar equivalent of this assessment was approximately $222 million in aggregate. We are not certain as to the basis for the increase in the amount of the assessment, and in September 2007, we received a temporary ruling in our favor from a Brazilian federal court that the valuation method used by the Brazilian customs authorities was incorrect. This temporary ruling was confirmed in January 2008 by a local court, but it is still subject to review at the appellate levels in Brazil. We intend to continue to aggressively contest this matter and we have appealed the first level Brazilian court's ruling to a higher level court in Brazil. There may be further judicial or administrative proceedings that result from this matter. While the court has granted us the right to continue our appeal without the posting of a bond, it is possible that we may be required to post a bond for up to the full amount of the assessment in connection with these proceedings. We have also put Schlumberger on notice that we consider any assessment to be solely the responsibility of Schlumberger, not our subsidiary. Nevertheless, we expect that the Brazilian customs authorities will continue to seek to recover the assessment solely from our subsidiary, not Schlumberger. Schlumberger has denied any responsibility for this matter, but remains a party to the proceedings. We do not expect the liability, if any, resulting from this matter to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In the third quarter of 2006, we received tax assessments of approximately $130 million from the state tax authorities of Rio de Janeiro in Brazil against one of our Brazilian subsidiaries for customs taxes on equipment imported into the state in connection with our operations. The assessments resulted from a preliminary finding by these authorities that our subsidiary's record keeping practices were deficient. We currently believe that the substantial majority of these assessments are without merit. We filed an initial response with the Rio de Janeiro tax authorities on September 9, 2006 refuting these additional tax assessments. In September 2007, we received confirmation from the state tax authorities that they believe the additional tax assessments are valid, and as a result, we filed an appeal on September 27, 2007 to the state Taxpayer's Council contesting these assessments. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries is involved in lawsuits arising out of the subsidiary's involvement in the design, construction and refurbishment of major industrial complexes. The operating assets of the subsidiary were sold and its operations discontinued in 1989, and the subsidiary has no remaining assets other than the insurance policies involved in its litigation, fundings from settlements with the primary insurers and funds received from the cancellation of certain insurance policies. The subsidiary has been named as a defendant, along with numerous other companies, in lawsuits alleging personal injury as a result of exposure to asbestos. As of December 31, 2007, the subsidiary was a defendant in approximately 1,041 lawsuits with 102 filed during 2007. Some of these lawsuits include multiple plaintiffs and we estimate that there are approximately 3,380 plaintiffs in these lawsuits. For many of these lawsuits against the subsidiary, we have not been provided with sufficient information from the plaintiffs to determine whether all or some of the plaintiffs have claims against the subsidiary, the basis of any such claims, or the nature of their alleged injuries. The first of the asbestos-related lawsuits was filed against this subsidiary in 1990. Through December 31, 2007**,** the amounts expended to resolve claims (including both attorneys' fees and expenses, and settlement costs), have not been material, and all deductibles with respect to the primary insurance have been satisfied. The subsidiary continues to be named as a defendant in additional lawsuits and we cannot predict the number of additional cases in which it may be named a defendant nor can we predict the potential costs to resolve such additional cases or to resolve the pending cases. However, the subsidiary has in excess of $1 billion in insurance limits. Although not all of the policies may be fully available due to the insolvency of certain insurers, we believe that the subsidiary will have sufficient insurance and funds from the settlements of litigation with insurance carriers available to respond to these claims. While we cannot predict or provide assurance as to the final outcome of these matters, we do not believe the current value of the claims where we have been identified will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

We are involved in various tax matters as described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook–Tax Matters" and various regulatory matters as described in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook–Regulatory Matters." We are involved in lawsuits relating to damage claims arising out of hurricanes Katrina and Rita, all of which are insured and which are not material to us. We are also involved in a number of other lawsuits, including a dispute for municipal tax payments in Brazil and a dispute involving customs procedures in India, neither of which is material to us, and all of which have arisen in the ordinary course of our business. We do not expect the liability, if any, resulting from these other matters to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending or threatened litigation. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

Environmental Matters

We have certain potential liabilities under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state acts regulating cleanup of various hazardous waste disposal sites, including those described below. CERCLA is intended to expedite the remediation of hazardous substances without regard to fault. Potentially responsible parties ("PRPs") for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several.

We have been named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. We and other PRPs have agreed with the U.S. Environmental Protection Agency ("EPA") and the DOJ to settle our potential liabilities for this site by agreeing to perform the remaining remediation required by the EPA. The form of the agreement is a consent decree, which has now been entered by the court. The parties to the settlement have entered into a participation agreement, which makes us liable for approximately eight percent of the remediation and related costs. The remediation is complete, and we believe our share of the future operation and maintenance costs of the site is not material. There are additional potential liabilities related to the site, but these cannot be quantified, and we have no reason at this time to believe that they will be material.

We have also been named as a PRP in connection with a site in California known as the Casmalia Resources Site. We and other PRPs have entered into an agreement with the EPA and the DOJ to resolve potential liabilities. Under the settlement, we are not likely to owe any substantial additional amounts for this site beyond what we have already paid. There are additional potential liabilities related to this site, but these cannot be quantified at this time, and we have no reason at this time to believe that they will be material.

We have been named as one of many PRPs in connection with a site located in Carson, California, formerly maintained by Cal Compact Landfill. On February 15, 2002, we were served with a required 90-day notification that eight California cities, on behalf of themselves and other PRPs, intend to commence an action against us under the Resource Conservation and Recovery Act ("RCRA"). On April 1, 2002, a complaint was filed by the cities against us and others alleging that we have liabilities in connection with the site. However, the complaint has not been served. The site was closed in or around 1965, and we do not have sufficient information to enable us to assess our potential liability, if any, for this site.

One of our subsidiaries has recently been ordered by the California Regional Water Quality Control Board to develop a testing plan for a site known as Campus 1000 Fremont in Alhambra, California. This site was formerly owned and operated by certain of our subsidiaries. It is presently owned by an unrelated party, which has received an order to test the property, the cost of which is expected to be in the range of $200,000. We have also been advised that one or more of our subsidiaries is likely to be named by the EPA as a PRP for the San Gabriel Valley, Area 3, Superfund site, which includes this property. We have no knowledge at this time of the potential cost of any remediation, who else will be named as PRPs, and whether in fact any of our subsidiaries is a responsible party. The subsidiaries in question do not own any operating assets and have limited ability to respond to any liabilities.

One of our subsidiaries has been requested to contribute approximately $140,000 toward remediation costs of the Environmental Protection Corporation ("EPC") Eastside Disposal Facility near Bakersfield, California, by a company that has taken responsibility for site remediation from the California Department of Toxic Substances Control. Our subsidiary is alleged to have been a small contributor of the wastes that were improperly disposed by EPC at the site. We have undertaken an investigation as to whether our subsidiary is a liable party, what the total remediation costs may be and the amount of waste that may have been contributed by other parties. Until that investigation is complete we are unable to assess our potential liability, if any, for this site.

Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. These investigations involve determinations of:

- the actual responsibility attributed to us and the other PRPs at the site;
- appropriate investigatory and/or remedial actions; and
- allocation of the costs of such activities among the PRPs and other site users.

Our ultimate financial responsibility in connection with those sites may depend on many factors, including:

- the volume and nature of material, if any, contributed to the site for which we are responsible;
- the numbers of other PRPs and their financial viability; and
- the remediation methods and technology to be used.

It is difficult to quantify with certainty the potential cost of these environmental matters, particularly in respect of remediation obligations. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from all environmental matters, including the liability for all other related pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is adequately accrued and should not have a material effect on our financial position or ongoing results of operations. Estimated costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Contamination Litigation—On July 11, 2005, one of our subsidiaries was served with a lawsuit filed on behalf of three landowners in Louisiana in the 12th Judicial District Court for the Parish of Avoyelles, State of Louisiana. The lawsuit named nineteen other defendants, all of which were alleged to have contaminated the plaintiffs' property with naturally occurring radioactive material, produced water, drilling fluids, chlorides, hydrocarbons, heavy metals and other contaminants as a result of oil and gas exploration activities. Experts retained by the plaintiffs issued a report suggesting significant contamination in the area operated by the subsidiary and another codefendant, and claimed that over $300 million would be required to properly remediate the contamination. The experts retained by the defendants conducted their own investigation and concluded that the remediation costs would amount to no more than $2.5 million.

The plaintiffs and the codefendant threatened to add GlobalSantaFe Corporation as a defendant in the lawsuit under the "single business enterprise" doctrine contained in Louisiana law. The single business enterprise doctrine is similar to corporate veil piercing doctrines. On August 16, 2006, our subsidiary and its immediate parent company, which is also an entity that no longer conducts operations or holds assets, filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. Later that day, the plaintiffs dismissed our subsidiary from the lawsuit. Subsequently, the codefendant filed various motions in the lawsuit and in the Delaware bankruptcies attempting to assert alter ego and single business enterprise claims against GlobalSantaFe Corporation and two other subsidiaries in the lawsuit. We believe that these legal theories should not be applied against GlobalSantaFe Corporation or these other two subsidiaries, and that in any event the manner in which the parent and its subsidiaries conducted their businesses does not meet the requirements of these theories for imposition of liability. The codefendant also seeks to dismiss the bankruptcies. The efforts to assert alter ego and single business enterprise theory claims against GlobalSantaFe Corporation were rejected by the Court in Avoyelles Parish and the lawsuit against the other defendant went to trial on February 19, 2007. The action was resolved at trial with a settlement by the codefendant that included a $20 million payment and certain cleanup activities to be conducted by the codefendant. The settlement also purported to assign the plaintiffs' claims in the lawsuit against our subsidiary and other parties, including GlobalSantaFe Corporation and the other two subsidiaries, to the codefendant.

In the bankruptcy case, our subsidiary has filed suit to obtain declaratory and injunctive relief against the codefendant concerning the matters described above and GlobalSantaFe Corporation has intervened in the matter. The codefendant is seeking to dismiss the bankruptcy case and a modification of the automatic stay afforded under the Bankruptcy Code to our subsidiary and its parent so that the codefendant may pursue the entities and GlobalSantaFe Corporation for contribution and indemnity and the purported assigned rights from the plaintiffs in the lawsuit including the alter ego and single business enterprise claims and potential insurance rights. On February 15, 2008, the Bankruptcy Court denied the codefendant's request to dismiss the bankruptcy case but modified the automatic stay to allow the codefendant to proceed on its claims against the debtors, our subsidiary and its parent, and their insurance companies. The Bankruptcy Court will hold a hearing to determine the forum where these actions may proceed. The Bankruptcy Court did not address the codefendant's pending claims against GlobalSantaFe Corporation and the other two subsidiaries, which will also be the subject of a future hearing. The Bankruptcy Court also denied the debtors' requests for preliminary declaratory and injunctive relief.

In addition, the codefendant has filed proofs of claim against both our subsidiary and its parent with regard to its claims arising out of the settlement agreement, including recovery of the settlement funds and remediation costs and damages for the purported assigned claims. A Motion for Partial Summary Judgment seeking annulment and dismissal of the codefendant's proofs of claim has also been filed by the debtors and remains pending. Our subsidiary, its parent and GlobalSantaFe Corporation intend to continue to vigorously defend against any action taken in an attempt to impose liability against them under the theories discussed above or otherwise and believe they have good and valid defenses thereto. We are unable to determine the value of these claims as of the date of the Merger. We do not believe that these claims will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

At a meeting of shareholders of Transocean Inc. held on November 9, 2007, 216,923,167 shares were presented in person or by proxy out of 290,802,547 shares outstanding and entitled to vote as of the record date, constituting a quorum. The matters submitted to a vote of shareholders, as set forth in our proxy statement relating to the meeting, and the corresponding voting results were as follows:

(i) With respect to the approval of a scheme of arrangement providing for the Reclassification, the following number of votes were cast:

For	Against / authority withheld	Abstain
213,967,649	938,988	2,016,530

(ii) With respect to the approval of the issuance of our ordinary shares to GlobalSantaFe shareholders in the Merger, the following number of votes were cast:

For	Against / authority withheld	Abstain
213,970,926	1,038,212	1,914,029

(iii) With respect to the approval of the amendment and restatement of our memorandum of association and articles of association, the following number of votes were cast:

For	Against / authority withheld	Abstain
213,957,432	1,017,437	1,948,298

Executive Officers of the Registrant

Officer	Office	Age as of February 27, 2008
Robert L. Long	Chief Executive Officer	62
Jon A. Marshall	President and Chief Operating Officer	56
Jean P. Cahuzac	Executive Vice President, Assets	54
Steven L. Newman	Executive Vice President, Performance	43
Eric B. Brown	Senior Vice President and General Counsel	56
Gregory L. Cauthen	Senior Vice President and Chief Financial Officer	50
David J. Mullen	Senior Vice President, Marketing and Planning	50
Cheryl D. Richard	SeSenior Vice President, Human Resources and Information Technology	51
John H. Briscoe	Vice President and Controller	50

The officers of the Company are elected annually by the board of directors. There is no family relationship between any of the above-named executive officers.

Robert L. Long is Chief Executive Officer and a member of the board of directors of the Company. Mr. Long served as President and Chief Executive Officer of the Company and a member of the board of directors from October 2002 to October 2006, at which time he relinquished the position of President. Mr. Long served as President of the Company from December 2001 to October 2002. Mr. Long served as Chief Financial Officer of the Company from August 1996 until December 2001. Mr. Long served as Senior Vice President of the Company from May 1990 until the time of the Sedco Forex merger, at which time he assumed the position of Executive Vice President. Mr. Long also served as Treasurer of the Company from September 1997 until March 2001. Mr. Long has been employed by the Company since 1976 and was elected Vice President in 1987.

Jon A. Marshall is President and Chief Operating Officer and a member of the board of directors of the Company. Mr. Marshall served as a director and Chief Executive Officer of GlobalSantaFe from May 2003 until November 2007, when GlobalSantaFe merged with a subsidiary of the Company. Mr. Marshall served as the Executive Vice President and Chief Operating Officer of GlobalSantaFe from November 2001 until May 2003. From 1998 to November 2001, Mr. Marshall was employed with Global Marine Inc. (which merged into a subsidiary of Santa Fe International Corporation, which was renamed GlobalSantaFe Corporation in the merger), where he held the same position. Prior to that, Mr. Marshall served as President of several Global Marine operating subsidiaries. Mr. Marshall joined Global Marine in 1979 and held numerous operational and managerial positions before his promotion to President.

Jean P. Cahuzac is Executive Vice President, Assets of the Company. Mr. Cahuzac served as President of the Company from October 2006 to November 2007, at which time he assumed his current position. Mr. Cahuzac served as Executive Vice President and Chief Operating Officer of the Company from October 2002 to October 2006 and Executive Vice President, Operations of the Company from February 2001 until October 2002. Mr. Cahuzac served as President of Sedco Forex from January 1999 until the time of the Sedco Forex merger, at which time he assumed the positions of Executive Vice President and President, Europe, Middle East and Africa with the Company. Mr. Cahuzac served as Vice President-Operations Manager of Sedco Forex from May 1998 to January 1999, Region Manager-Europe, Africa and CIS of Sedco Forex from September 1994 to May 1998 and Vice President/General Manager-North Sea Region of Sedco Forex from February 1994 to September 1994. He had been employed by Schlumberger Limited since 1979.

Steven L. Newman is Executive Vice President, Performance of the Company. Mr. Newman served as Executive Vice President and Chief Operating Officer from October 2006 to November 2007 and Senior Vice President of Human Resources and Information Process Solutions from May 2006 to October 2006. He served as Senior Vice President of Human Resources, Information Process Solutions and Treasury from March 2005 to May 2006. Mr. Newman served as Vice President of Performance and Technology of the Company from August 2003 until March 2005. Mr. Newman served as Region Manager, Asia Australia from May 2001 until August 2003. From December 2000 to May 2001, Mr. Newman served as Region Operations Manager of the Africa-Mediterranean Region of the Company. From April 1999 to December 2000, Mr. Newman served in various operational and marketing roles in the Africa-Mediterranean and U.K. region offices. Mr. Newman has been employed by the Company since 1994.

Eric B. Brown is Senior Vice President and General Counsel of the Company. Mr. Brown served as Vice President and General Counsel of the Company since February 1995 and Corporate Secretary of the Company from September 1995 until October 2007. He assumed the position of Senior Vice President in February 2001. Prior to assuming his duties with the Company, Mr. Brown served as General Counsel of Coastal Gas Marketing Company.

Gregory L. Cauthen is Senior Vice President and Chief Financial Officer of the Company. He was also Treasurer of the Company until July 2003. Mr. Cauthen served as Vice President, Chief Financial Officer and Treasurer from December 2001 until he was elected in July 2002 as Senior Vice President. Mr. Cauthen served as Vice President, Finance from March 2001 to December 2001. Prior to joining the Company, he served as President and Chief Executive Officer of WebCaskets.com, Inc., a provider of death care services, from June 2000 until February 2001. Prior to June 2000, he was employed at Service Corporation International, a provider of death care services, where he served as Senior Vice President, Financial Services from July 1998 to August 1999, Vice President, Treasurer from July 1995 to July 1998, was assigned to various special projects from August 1999 to May 2000 and had been employed in various other positions since February 1991.

David J. Mullen is Senior Vice President, Marketing and Planning of the Company. Mr. Mullen served as Vice President of the Company's North and South America Unit from January 2005 to October 2006, when he assumed his present position. From May 2001 to January 2005, Mr. Mullen was President of Schlumberger Oilfield Services for North and South America, and Mr. Mullen served as the Company's Vice President of Human Resources from January 2000 to May 2001. Prior to joining the Company at the time of our merger with Sedco Forex, Mr. Mullen served in a variety of roles with Schlumberger Limited, where he had been employed since 1983.

Cheryl D. Richard is Senior Vice President, Human Resources and Information Technology of the Company. Ms. Richard served as Senior Vice President, Human Resources of GlobalSantaFe from June 2003 until the date of the Merger. Ms. Richard was Vice President, Human Resources, with Chevron Phillips Chemical Company from 2000 to June 2003, prior to which she served in a variety of positions with Phillips Petroleum Company (now ConocoPhillips), including operational, commercial and international positions.

John H. Briscoe is Vice President and Controller of the Company. Mr. Briscoe served as Vice President, Audit and Advisory Services from June 2007 to October 2007 and Director of Investor Relations and Communications from January 2007 to June 2007. From June 2005 to January 2007, Mr. Briscoe served as Finance Director for the Company's North and South America Unit. Prior to joining the Company in June 2005, Mr. Briscoe served as Vice President of Accounting for Ferrellgas Inc. from July 2003 to June 2005, Vice President of Administration from June 2002 to July 2003 and Division Controller from June 1997 to June 2002. Prior to working for Ferrellgas, Mr. Briscoe served as Controller for Latin America for Dresser Industries Inc., which has subsequently been acquired by Halliburton, Inc. Mr. Briscoe started his career with seven years in public accounting beginning with the firm of KPMG and ending with Ernst & Young as an Audit Manager.

PART II

ITEM 5. ***Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities***

Our ordinary shares are listed on the New York Stock Exchange (the "NYSE") under the symbol "RIG." The following table sets forth the high and low sales prices of our ordinary shares for the periods indicated as reported on the NYSE Composite Tape.

	Price	
	High	**Low**
2006		
First quarter (a)	$ 84.29	$ 70.05
Second quarter (a)	90.16	70.75
Third quarter (a)	81.63	64.52
Fourth quarter (a)	84.23	65.57
2007		
First quarter (a)	$ 83.20	$ 72.47
Second quarter (a)	109.20	80.50
Third quarter (a)	120.88	92.61
Fourth quarter	149.62	107.37

(a) The stock prices presented reflect the historical market prices and have not been restated to reflect the effects of the Reclassification or the Merger.

On February 22, 2008, the last reported sales price of our ordinary shares on the NYSE Composite Tape was $137.96 per share. On such date, there were 5,250 holders of record of our ordinary shares and 317,748,270 ordinary shares outstanding.

On November 27, 2007, each of our ordinary shares outstanding at the time of the Reclassification was reclassified by way of a scheme of arrangement under Cayman Islands law into 0.6996 of our ordinary shares and $33.03 in cash. The closing price of our ordinary shares on November 26, 2007, the last trading day before the completion of the Transactions, was $129.39. The opening price of our ordinary shares on November 27, 2007, after the completion of the Transactions, was $133.38.

Although our shareholders received cash in the Reclassification, we did not declare or pay a cash dividend in either of the two most recent fiscal years. Any future declaration and payment of any cash dividends will (1) depend on our results of operations, financial condition, cash requirements and other relevant factors, (2) be subject to the discretion of the board of directors, (3) be subject to restrictions contained in our credit facilities and other debt covenants and (4) be payable only out of our profits or share premium account in accordance with Cayman Islands law.

There is currently no reciprocal tax treaty between the Cayman Islands and the United States. Under current Cayman Islands law, there is no withholding tax on dividends.

We are a Cayman Islands exempted company. Our authorized share capital is $13,000,000, divided into 800,000,000 ordinary shares, par value $0.01, and 50,000,000 preference shares, par value $0.10, of which shares may be designated and created as shares of any other classes or series of shares with the respective rights and restrictions determined by action of our board of directors. On February 27, 2008, no preference shares were outstanding.

The holders of ordinary shares are entitled to one vote per share other than on the election of directors.

With respect to the election of directors, each holder of ordinary shares entitled to vote at the election has the right to vote, in person or by proxy, the number of shares held by him for as many persons as there are directors to be elected and for whose election that holder has a right to vote. The directors are divided into three classes, with only one class being up for election each year. Although our articles of association contemplate that directors are elected by a plurality of the votes cast in the election, we have adopted a majority vote policy in the election of directors as part of our Corporate Governance Guidelines. This policy provides that the board may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) such nominee fails to receive a sufficient number of votes from shareholders in an uncontested election and (2) the board accepts the resignation. If a nominee who has submitted such a letter of resignation does not receive more votes cast for than against the nominee's election, the Corporate Governance Committee must promptly review the letter of resignation and recommend to the board whether to accept the tendered resignation or reject it. The board must then act on the Corporate Governance Committee's recommendation within 90 days following the certification of the shareholder vote. The board must promptly disclose its decision regarding whether or not to accept the nominee's resignation letter in a Form 8-K furnished to the SEC or other broadly disseminated means of communication. Cumulative voting for the election of directors is prohibited by our articles of association.

There are no limitations imposed by Cayman Islands law or our articles of association on the right of nonresident shareholders to hold or vote their ordinary shares.

The rights attached to any separate class or series of shares, unless otherwise provided by the terms of the shares of that class or series, may be varied only with the consent in writing of the holders of all of the issued shares of that class or series or by a special resolution passed at a separate general meeting of holders of the shares of that class or series. The necessary quorum for that meeting is the presence of holders of at least a majority of the shares of that class or series. Each holder of shares of the class or series present, in person or by proxy, will have one vote for each share of the class or series of which he is the holder. Outstanding shares will not be deemed to be varied by the creation or issuance of additional shares that rank in any respect prior to or equivalent with those shares.

Under Cayman Islands law, some matters, like altering the memorandum or articles of association, changing the name of a company, voluntarily winding up a company or resolving to be registered by way of continuation in a jurisdiction outside the Cayman Islands, require approval of shareholders by a special resolution. A special resolution is a resolution (i) passed by the holders of two-thirds of the shares voted at a general meeting or (ii) approved in writing by all shareholders entitled to vote at a general meeting of the company.

The presence of shareholders, in person or by proxy, holding at least a majority of the issued shares generally entitled to vote at a meeting, is a quorum for the transaction of most business. However, different quorums are required in some cases to approve a change in our articles of association.

Our board of directors is authorized, without obtaining any vote or consent of the holders of any class or series of shares unless expressly provided by the terms of issue of that class or series, to provide from time to time for the issuance of classes or series of preference shares and to establish the characteristics of each class or series, including the number of shares, designations, relative voting rights, dividend rights, liquidation and other rights, redemption, repurchase or exchange rights and any other preferences and relative, participating, optional or other rights and limitations not inconsistent with applicable law.

Our articles of association contain provisions that could prevent or delay an acquisition of our Company by means of a tender offer, proxy contest or otherwise. See “Item 1A. Risk Factors—We are subject to anti-takeover provisions.”

The foregoing description is a summary. This summary is not complete and is subject to the complete text of our memorandum and articles of association. For more information regarding our ordinary shares and our preference shares, see our Current Report on Form 8-K dated May 14, 1999, as amended by our Current Report on Form 8-K/A filed on November 27, 2007, and our memorandum and articles of association. Our memorandum and articles of association are filed as exhibits to this annual report.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) (in millions)
October 2007	—	$ —	—	600
November 2007	203,333	133.82	—	600
December 2007	1,636	136.61	—	600
Total	204,969	$ 133.84	—	600

(1) Total number of shares purchased in the fourth quarter of 2007 consists of shares withheld by us in satisfaction of withholding taxes due upon the vesting of restricted shares granted to our employees under our Long-Term Incentive Plan to pay withholding taxes due upon vesting of a restricted share award.

(2) In May 2006, our board of directors authorized an increase in the amount of ordinary shares which may be repurchased pursuant to our share repurchase program to $4.0 billion from $2.0 billion, which was previously authorized and announced in October 2005. The shares may be repurchased from time to time in open market or private transactions. The repurchase program does not have an established expiration date and may be suspended or discontinued at any time. Under the program, repurchased shares are retired and returned to unissued status. From inception through December 31, 2007, we have repurchased a total of 46.9 million of our ordinary shares at a total cost of $3.4 billion. We do not currently expect to make any additional share repurchases under the program in the near future.

ITEM 6. ***Selected Financial Data***

The selected financial data as of December 31, 2007 and 2006 and for each of the three years in the period ended December 31, 2007 has been derived from the audited consolidated financial statements included in “Item 8. Financial Statements and Supplementary Data.” The selected financial data as of December 31, 2005, 2004 and 2003, and for the years ended December 31, 2004 and 2003 has been derived from audited consolidated financial statements not included herein. The following data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements and the notes thereto included under “Item 8. Financial Statements and Supplementary Data.”

We consolidated TODCO in our financial statements as a business segment through December 16, 2004 and that portion of TODCO that we did not own was reported as minority interest in our consolidated statements of operations and balance sheet. Our ownership and voting interest in TODCO declined to approximately 22 percent on that date and we no longer consolidated TODCO in our financial statements but accounted for our remaining investment using the equity method of accounting.

In May 2005 and June 2005, respectively, we completed a public offering and a sale of TODCO common stock pursuant to Rule 144 under the Securities Act of 1933, as amended (respectively referred to as the “May Offering” and the “June Sale”). After the May Offering, we accounted for our remaining investment using the cost method of accounting. As a result of the June Sale, we no longer own any shares of TODCO’s common stock.

In November 2007, we completed our merger with GlobalSantaFe and identified the Company as the acquirer in a purchase business combination for accounting purposes. The balance sheet data as of December 31, 2007 represents the consolidated statement of financial position of the combined company. The statement of operations and other financial data for the year ended December 31, 2007 include approximately one month of operating results and cash flows for the combined company. Per share amounts for all periods have been adjusted for the Reclassification. The Reclassification was accounted for as a reverse stock split and a dividend, which requires restatement of historical weighted average shares outstanding and historical earnings per share for prior periods.

	Years ended December 31,				
	2007	2006	2005	2004	2003
	(In millions, except per share data)				
Statement of operations data					
Operating revenues	$ 6,377	$ 3,882	$ 2,892	$ 2,614	$ 2,434
Operating income	3,239	1,641	720	328	240
Net income (a)	3,131	1,385	716	152	19
Earnings per share					
Basic	$ 14.65	$ 6.32	$ 3.13	$ 0.68	$ 0.08
Diluted	$ 14.14	$ 6.10	$ 3.03	$ 0.67	$ 0.08
Balance sheet data (at end of period)					
Total assets	$ 34,364	$ 11,476	$ 10,457	$ 10,758	$ 11,663
Debt due within one year	6,172	95	400	19	46
Long-term debt	11,085	3,203	1,197	2,462	3,612
Total shareholders' equity	12,566	6,836	7,982	7,393	7,193
Other financial data					
Cash provided by operating activities	$ 3,073	$ 1,237	$ 864	$ 600	$ 525
Cash provided by (used in) investing activities	(5,677)	(415)	169	551	(445)
Cash provided by (used in) financing activities	3,378	(800)	(1,039)	(1,174)	(820)
Capital expenditures	1,380	876	182	127	494
Operating margin	51%	42%	25%	13%	10%

(a) In the year ended December 31, 2003, we recorded a cumulative effect of an accounting change in the amount of $1 million, with no effect on basic or diluted earnings per share.

ITEM 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following information should be read in conjunction with the information contained in "Item 1. Business," "Item 1A. Risk Factors" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data" elsewhere in this annual report.

Overview

Transocean Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of February 20, 2008, we owned, had partial ownership interests in or operated 139 mobile offshore drilling units. As of this date, our fleet included 39 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 29 Midwater Floaters, 10 High-Specification Jackups, 57 Standard Jackups and four Other Rigs. We also have eight Ultra-Deepwater Floaters contracted for or under construction.

We believe our mobile offshore drilling fleet is one of the most modern and versatile fleets in the world. Our primary business is to contract these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding segments of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We also provide oil and gas drilling management services on either a dayrate basis or a completed-project, fixed-price (or "turnkey") basis, as well as drilling engineering and drilling project management services, and we participate in oil and gas exploration and production activities.

In November 2007, we completed our merger transaction (the "Merger") with GlobalSantaFe Corporation ("GlobalSantaFe"). The Merger was accounted for as a purchase, with the Company as the acquirer for accounting purposes. See "—Significant Events." At the time of the Merger, GlobalSantaFe owned, had partial ownership interests in, operated, had under construction or contracted for construction, 61 mobile offshore drilling units and other units utilized in the support of offshore drilling activities. The balance sheet data as of December 31, 2007 represents the consolidated statement of financial position of the combined company. The statement of operations and other financial data for the year ended December 31, 2007 include approximately one month of operating results and cash flows for the combined company.

Key measures of our total company results of operations and financial condition are as follows:

	Years ended December 31,		
	2007	2006	Change
	(In millions, except average daily revenue and percentages)		
Average daily revenue (a)(b)	$ 211,900	$ 142,100	$ 69,800
Utilization (b)(c)	90%	84%	n/a
Statement of operations data			
Operating revenues	$ 6,377	$ 3,882	$ 2,495
Operating and maintenance expenses	2,781	2,155	626
Operating income	3,239	1,641	1,598
Net income	3,131	1,385	1,746
Balance sheet data (at end of period)			
Cash and cash equivalents	1,241	467	774
Total assets	34,364	11,476	22,888
Total debt	17,257	3,298	13,959

"n/a" means not applicable.

(a) Average daily revenue is defined as contract drilling revenue earned per revenue earning day. A revenue earning day is defined as a day for which a rig earns dayrate after commencement of operations.

(b) Excludes a drillship engaged in scientific geological coring activities, the *Joides Resolution*, that is owned by a joint venture in which we have a 50 percent interest and is accounted for under the equity method of accounting.

(c) Utilization is the total actual number of revenue earning days as a percentage of the total number of calendar days in the period.

We continue to experience strong demand, which has resulted in high utilization and historically high dayrates. We are seeing leading dayrates at or near record levels for most rig classes and customer interest for multi-year contracts. Interest in High-Specification Floaters remains particularly strong.

A shortage of qualified personnel in our industry is driving up compensation costs and suppliers are increasing prices as their backlogs grow. These labor and vendor cost increases, while meaningful, are not expected to be significant in comparison with our expected increase in revenue in 2008 and beyond.

Our revenues for the year ended December 31, 2007 increased from the prior year period primarily as a result of increased activity, higher dayrates and the addition of GlobalSantaFe's operations for one month. Our operating and maintenance expenses for the year increased primarily as a result of higher labor and rig maintenance costs in connection with such increased activity as well as inflationary cost increases and the addition of GlobalSantaFe's operations (see "—Outlook"). In addition, our financial results for the year ended December 31, 2007 included the recognition of gains from the sales of three rigs and other income recognized under the TODCO tax sharing agreement. Total debt increased as a result of cash payments made in the Reclassification and Merger, which were financed with borrowings under the Bridge Loan Facility and refinanced with the issuance of the convertible senior notes and the senior notes and borrowings under the 364-Day Revolving Credit Facility. See "—Liquidity and Capital Resources–Sources and Uses of Liquidity."

Prior to the Merger, we operated in one business segment. As a result of the Merger, we have established two reportable segments: (1) Contract Drilling and (2) Other. The Contract Drilling segment consists of floaters, jackups and other rigs used in support of offshore drilling activities and offshore support services on a worldwide basis. Our fleet operates in a single, global market for the provision of contract drilling services. The location of our rigs and the allocation of resources to build or upgrade rigs are determined by the activities and needs of our customers. The Other segment includes drilling management services and oil and gas properties. Drilling management services are provided through Applied Drilling Technology Inc. ("ADTI"), our wholly owned subsidiary, and through ADT International, a division of one of our U.K. subsidiaries. Drilling management services are provided primarily on a turnkey basis at a fixed bid amount. Oil and gas properties consist of exploration, development and production activities carried out through Challenger Minerals Inc. and Challenger Minerals (North Sea) Limited (collectively, "CMI"), our oil and gas subsidiaries.

Significant Events

Merger with GlobalSantaFe—In November 2007, we completed the Merger with GlobalSantaFe. See Notes to Consolidated Financial Statements—Note 4—Merger with GlobalSantaFe Corporation.

Contract Backlog—We have been successful in building contract backlog in 2007 within all of our asset classes. Prior to the Merger, our contract backlog at October 30, 2007 was approximately $23 billion, a 15 percent and 109 percent increase compared to our contract backlog at December 31, 2006 and 2005, respectively. Our contract backlog at December 31, 2007 was approximately $32 billion, which includes the effect of the Merger. See "—Outlook–Drilling Market" and "—Performance and Other Key Indicators."

TODCO Tax Sharing Agreement ("TSA")—In July 2007, Hercules Offshore, Inc. ("Hercules") completed the acquisition of TODCO. The TSA requires Hercules to make an accelerated change of control payment to our wholly-owned subsidiary, Transocean Holdings Inc. within 30 days of the date of the acquisition as a result of the deemed utilization of TODCO's pre-IPO tax benefits. We received a $118 million change of control payment from Hercules in August 2007. We recognized $276 million as other income in the third quarter of 2007 for this accelerated payment and payments received in prior periods related to TODCO's 2006 and 2007 tax years. See Notes to Consolidated Financial Statements—Note 15—Income Taxes.

Construction and Upgrade Programs—During 2007, we were awarded a drilling contract requiring the construction of a fourth enhanced Enterprise-class drillship. We expect the rig to be contributed to a joint venture in which we expect to retain a 65 percent ownership interest. The newbuild is expected to commence operations during the third quarter of 2010. During 2006, we were awarded drilling contracts requiring the construction of three enhanced Enterprise-class drillships. The newbuilds are expected to commence operations during the second quarter of 2009, mid-2009 and the first quarter of 2010, respectively. See "—Outlook–Drilling Market."

In connection with the Merger, we acquired one Ultra-Deepwater Floater under construction and one contracted for construction. The newbuilds are expected to commence operations in mid-2009 and the third quarter of 2010. See "—Outlook−Drilling Market."

During 2005, we entered into agreements with clients to upgrade two of our *Sedco 700*-series semisubmersible rigs in our Midwater Floaters fleet, the *Sedco 702* and the *Sedco 706*, at a cost expected to be approximately $300 million for each rig. The upgraded rigs will be dynamically positioned and will have a water depth drilling capacity of up to 6,500 feet. The *Sedco 702* and *Sedco 706* entered a shipyard for the upgrade in early 2006 and the fourth quarter of 2007, respectively. We have completed the upgrade of the *Sedco 702* and expect the rig to commence operations in the first quarter of 2008. We expect the *Sedco 706* upgrade to be completed in the fourth quarter of 2008.

Pacific Drilling Limited ("Pacific Drilling")—In October 2007, we exercised our option to purchase a 50 percent interest in a joint venture company through which we and Pacific Drilling own two newbuild Ultra-Deepwater Floaters to be named *Deepwater Pacific 1* and *Deepwater Pacific 2*. The newbuilds are expected to commence operations during the second quarter of 2009 and first quarter of 2010. See "—Liquidity and Capital Resources–Acquisitions, Dispositions and Capital Expenditures."

Asset Dispositions—During 2007, we completed the sales of a Deepwater Floater (*Peregrine I*), a tender rig (*Charley Graves*) and a swamp barge (*Searex VI*) for net proceeds of $344 million and recognized gains on the sales of $264 million. See "—Liquidity and Capital Resources–Acquisitions, Dispositions and Capital Expenditures."

Bank Credit Agreements—In September 2007, we entered into a $15.0 billion, one-year senior unsecured bridge loan facility ("Bridge Loan Facility"). See "—Liquidity and Capital Resources–Sources and Uses of Cash."

In November 2007, we entered into a $2.0 billion, five-year revolving credit facility under the Five-Year Revolving Credit Facility Agreement dated November 27, 2007 ("Five-Year Revolving Credit Facility"). See "—Liquidity and Capital Resources–Sources and Uses of Cash."

In December 2007, we entered into a $1.5 billion, 364-Day revolving credit facility under the 364-Day Revolving Credit Facility Agreement dated December 3, 2007 ("364-Day Revolving Credit Facility"). See "—Liquidity and Capital Resources–Sources and Uses of Cash."

Debt Issuance—In December 2007, we issued $6.6 billion aggregate principal amount of 1.625% Series A Convertible Senior Notes due 2037, 1.50% Series B Convertible Senior Notes due 2037 and 1.50% Series C Convertible Senior Notes due 2037. See "—Liquidity and Capital Resources–Sources and Uses of Liquidity."

In December 2007, we issued $2.5 billion aggregate principal amount of 5.25% Senior Notes due 2013, 6.00% Senior Notes due 2018 and 6.80% Senior Notes due 2038. See "—Liquidity and Capital Resources–Sources and Uses of Liquidity."

Debt Repayments—In August 2007, we terminated our existing $1.0 billion two-year term credit facility due August 2008 ("Term Credit Facility"). See "—Liquidity and Capital Resources–Sources and Uses of Liquidity."

In connection with the Merger, we terminated our existing $1.0 billion five-year revolving credit facility expiring July 2011 ("Former Revolving Credit Facility"). See "—Liquidity and Capital Resources–Sources and Uses of Liquidity."

Debt Redemptions—During 2007, we called our Zero Coupon Convertible Debentures due May 2020 and our 1.5% Convertible Debentures due May 2021 for redemption. See "—Liquidity and Capital Resources–Sources and Uses of Liquidity."

Repurchase of Ordinary Shares—During 2007, we repurchased and retired 5.2 million of our ordinary shares at a total cost of $400 million. See "—Liquidity and Capital Resources–Sources and Uses of Liquidity." We do not currently expect to make any additional share repurchases under the program in the near future.

Outlook

Drilling Market—Demand for offshore drilling units continues to be strong, particularly for rigs capable of drilling in deepwater. Our High-Specification Floater fleet is fully committed in 2008 and only eight of our High-Specification Floater fleet have any available uncommitted time in 2009. We have only five rigs remaining in our Midwater Floater fleet that have any available uncommitted time left in 2008 and only 16 rigs remaining in this fleet that have any available uncommitted time left in 2009. We have two High-Specification Jackups and 20 Standard Jackups that have uncommitted time left in 2008, and eight High-Specification Jackups and 36 Standard Jackups have uncommitted time left in 2009. Dayrates for new contracts for both floaters and jackups continue to be strong. Our contract backlog at February 20, 2008 was approximately $32 billion, up from approximately $23 billion at October 30, 2007, with approximately $9 billion of the increase due to the Merger.

In April 2007, we entered into a marketing and purchase option agreement with Pacific Drilling that provided us with the exclusive marketing right for two newbuild Ultra-Deepwater Floaters to be named *Deepwater Pacific 1* and *Deepwater Pacific 2*, as well as an option to purchase a 50 percent interest in a joint venture company through which we and Pacific Drilling would own the drillships. In October 2007, we obtained a firm commitment for the *Deepwater Pacific 1*, and we exercised our option and acquired a 50 percent interest in the joint venture, TPDI. The *Deepwater Pacific 1* was awarded a firm commitment for a four-year contract which may be converted by the customer to a five-year drilling contract on or prior to October 31, 2008. The drilling contract is expected to commence in the second quarter of 2009 following shipyard construction, sea trials, mobilization to location and customer acceptance. The *Deepwater Pacific 2* is expected to be completed in the first quarter of 2010. We are in advanced discussions with a customer regarding the award of a long-term contract for the rig. We estimate total capital expenditures for the construction of these rigs to be approximately $685 million and $665 million, excluding capitalized interest, respectively. See "—Liquidity and Capital Resources–Acquisitions, Dispositions and Capital Expenditures."

As of December 31, 2007, we and Pacific Drilling had each paid $238 million in documented costs for the two rigs since the formation of the joint venture in October 2007.

We are providing construction management services for the Pacific Drilling newbuilds and have agreed to provide operating management services once the drillships begin operations. Beginning on October 18, 2010, Pacific Drilling will have the right to exchange its interest in the joint venture for our ordinary shares or cash at a purchase price based on an appraisal of the fair value of the drillships, subject to various adjustments.

In June 2007, we were awarded a five-year drilling contract for a fourth enhanced Enterprise-class drillship. The enhanced Enterprise-class drillship, to be named *Discoverer Luanda*, is expected to be owned and operated by a joint venture which is expected to be 65 percent owned by us and 35 percent owned by an Angolan partner. We estimate total capital expenditures for the construction of the *Discoverer Luanda* to be approximately $640 million, excluding capitalized interest. We currently expect the *Discoverer Luanda* to begin operations in Angola during the third quarter of 2010, after construction in South Korea followed by sea trials, mobilization to Angola and customer acceptance.

Prior to the Merger, GlobalSantaFe had one Ultra-Deepwater Floater under construction, the *GSF Development Driller III*, and one contracted for construction. The *GSF Development Driller III* was awarded a seven-year drilling contract and is expected to be completed in mid-2009. Construction on the other newbuild is expected to be completed in the third quarter of 2010. We estimate total capital expenditures for the construction of the *GSF Development Driller III* to be approximately $590 million. We estimate total capital expenditures for the construction of the other newbuild to be approximately $740 million, excluding capitalized interest. We currently expect the *GSF Development Driller III* to begin operations in Angola in mid-2009, after construction in Singapore followed by sea trials, mobilization to Angola and customer acceptance.

We have been successful in building contract backlog within our High-Specification Floaters fleet with 23 of our 47 current and future High-Specification Floaters, including six of the eight newbuilds and the two *Sedco 700*-series rig upgrades, contracted into or beyond 2011 as of February 20, 2008. These 23 units also include 16 of our 26 current Ultra-Deepwater Floaters. Our total contract backlog of approximately $32 billion as of February 20, 2008 includes an estimated $21 billion of backlog represented by our High-Specification Floaters. We continue to believe that the long-term outlook for deepwater capable rigs is favorable. In 2007 we saw successful drilling efforts in the lower tertiary trend of the U.S. Gulf of Mexico; the discovery of light oil and non-associated gas in the deepwaters of Brazil; continued exploration success in the deepwaters offshore India; a discovery in the deepwaters of the South China Sea; and exploration activity in the Orphan Basin in Canada. Additionally, the continued exploration success in the deepwaters of West Africa and the opening of additional deepwater acreage in the U.S. Gulf of Mexico supports our optimistic outlook for the deepwater drilling market sector. In November 2007, we sold the *Peregrine I* as part of our overall strategy to dispose of older rigs that are no longer technologically advanced or otherwise not competitive in the international marketplace. As of February 20, 2008, none of our High-Specification Floater fleet contract days are uncommitted for the remainder of 2008, while approximately 9 percent, 29 percent and 59 percent are uncommitted in 2009, 2010 and 2011, respectively.

Our Midwater Floaters fleet, comprising 29 semisubmersible rigs, is largely committed to contracts that extend into 2009. We continue to see customer demand for multi-year contracts for these units. We completed the reactivation of the *C. Kirk Rhein, Jr.*, which has been awarded a two-year contract in India at a $340,000 dayrate and commenced operations in February 2007. We are actively pursuing the sale of two Midwater Floaters (*GSF Arctic II* and *GSF Arctic IV*) in the North Sea in connection with our previously announced proposed undertakings to the Office of Fair Trading in the U.K. As of February 20, 2008, seven percent of our Midwater Floater fleet contract days are uncommitted for the remainder of 2008, while approximately 41 percent, 70 percent and 92 percent are uncommitted in 2009, 2010 and 2011, respectively.

We continue to see steady growth in demand for Jackups, and we believe that the increase in newbuild supply capacity can be absorbed over the short term. We do not have the visibility to see beyond the second quarter of 2008, and supply growth is a concern for the second half of 2008. As of February 20, 2008, 14 percent of our High-Specification Jackup fleet contract days are uncommitted for the remainder of 2008, while approximately 51 percent, 96 percent and 100 percent are uncommitted in 2009, 2010 and 2011, respectively. In addition, 16 percent of our Standard Jackup fleet contract days are uncommitted for the remainder of 2008, while approximately 56 percent, 77 percent and 90 percent are uncommitted in 2009, 2010 and 2011, respectively.

On February 15, 2008, we entered into a definitive agreement with Hercules Offshore, Inc. to sell three of our Standard Jackups (*GSF Adriatic III*, *GSF High Island I* and *GSF High Island VIII*) for approximately $320 million. At February 27, 2008, these assets were classified as held for sale.

We expect our revenues to continue to increase in 2008 due to the inclusion of GlobalSantaFe's operations as well as the commencement of new contracts with higher dayrates. The scheduled commencement of the *Sedco 702* and *Sedco 706* contracts at the end of the rigs' deepwater upgrade shipyard projects in the first and fourth quarters of 2008, respectively, are also expected to increase our revenues in 2008. We expect these increases will be partially offset by a decrease in revenue from the sale of the *Peregrine I* in November 2007.

The aggregate amount of out-of-service time we incur in 2008 is expected to increase substantially due to the inclusion of GlobalSantaFe's operations, partially offset by a decrease in out-of-service time largely due to a decrease in shipyard time for the legacy Transocean rigs. However, the shipyard projects we intend to undertake in 2008 will involve rigs with higher dayrates than those that underwent shipyard projects in 2007 and, consequently, we expect lost revenue from shipyard projects in 2008 from legacy Transocean rigs to be generally in line with lost revenue in 2007.

We expect the inclusion of GlobalSantaFe's operations, as well as industry inflation in 2008, to continue to increase our operating and maintenance costs including our shipyard and major maintenance program expenditures. In addition, the types of shipyard projects we forecast for 2008 are generally more costly, so we expect shipyard project costs to increase from 2007 to 2008 with respect to the legacy Transocean rigs despite the expected decrease in out-of-service time. We expect our operating and maintenance costs in 2008 to further increase as a result of the completion of the *Sedco 702* and *Sedco 706* deepwater upgrades. We expect these increases to be partially offset by lower operating costs due to the sale of the *Peregrine I* in November 2007. Finally, we expect to continue to invest in a number of recruitment, retention and personnel development initiatives in connection with the manning of the crews of the deepwater upgrades and newbuild rigs and our efforts to mitigate expected personnel attrition.

We expect that a number of fixed-price contract options will be exercised by our customers in 2008, which will preclude us from taking full advantage of any increased market rates for rigs subject to these contract options. We have six existing contracts with fixed-priced or capped options for dayrates that we believe are less than current market dayrates. Well-in-progress or similar provisions in our existing contracts may delay the start of higher dayrates in subsequent contracts, and some of the delays have been and could be significant.

Our operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Rigs can be moved from one region to another, but the cost of moving a rig and the availability of rig-moving vessels may cause the supply and demand balance to vary somewhat between regions. However, significant variations between regions do not tend to persist long-term because of rig mobility. Consequently, we operate in a single, global offshore drilling market.

Insurance Matters—We periodically evaluate our hull and machinery and third-party liability insurance limits and self-insured retentions. Effective May 1, 2007, we renewed our hull and machinery and third-party liability insurance coverages. Subject to large self-insured retentions, we carry hull and machinery insurance covering physical damage to the rigs for operational risks worldwide, and we carry liability insurance covering damage to third parties. However, we do not generally have commercial market insurance coverage for physical damage losses to our rigs due to hurricanes in the U.S. Gulf of Mexico and war perils worldwide. Additionally, we do not carry insurance for loss of revenue. In the opinion of management, adequate accruals have been made based on known and estimated losses related to such exposures.

Tax Matters—We are a Cayman Islands company and we operate through our various subsidiaries in a number of countries throughout the world. Consequently, our tax provision is based upon the tax laws, regulations and treaties in effect in and between the countries in which our operations are conducted and income is earned. Our effective tax rate for financial reporting purposes will fluctuate from year to year as our operations are conducted in different taxing jurisdictions. We are subject to changes in tax laws, treaties and regulations in and between the countries in which we operate and earn income. A change in the tax laws, treaties or regulations in any of the countries in which we operate could result in a higher or lower effective tax rate on our worldwide earnings and, as a result, could have a material effect on our financial results.

Our income tax return filings in the major jurisdictions in which we operate worldwide are generally subject to examination for periods ranging from three to eight years. We have agreed to extensions beyond the statute of limitations in three jurisdictions for up to 12 years. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In February 2007, we entered into a settlement agreement with the U.S. Internal Revenue Service (“IRS”) regarding our U.S. federal income tax returns for 2001 through 2003. The IRS agreed to settle all issues for this period. This settlement resulted in no cash tax payment.

Our 2004 and 2005 U.S. federal income tax returns are currently under examination by the IRS. In October 2007, we received from the IRS examination reports setting forth proposed changes to the U.S. federal taxable income reported for the years 2004 and 2005. The proposed changes would result in a cash tax payment of approximately $413 million, exclusive of interest. We filed a letter with the IRS protesting the proposed changes on November 19, 2007. The protest letter puts forth our position that we believe our returns are materially correct as filed. We will continue to vigorously defend against these proposed changes. The IRS audits of GlobalSantaFe’s 2004 and 2005 U.S. federal income tax returns are still in the examination phase. We do not expect the conclusion of these audits to give rise to a material tax liability.

Certain of our Brazilian income tax returns for the years 2000 through 2004 are currently under examination. The Brazil tax authorities have issued tax assessments totaling $112 million, plus a 75 percent penalty and $70 million of interest through December 31, 2007. We believe our returns are materially correct as filed, and we intend to vigorously contest these assessments. We filed a protest letter with the Brazilian tax authorities on January 25, 2008.

Norwegian civil tax and criminal authorities are investigating various transactions undertaken in 2001 and 2002. The authorities initiated inquiries into these transactions in September 2004 and in March 2005 obtained additional information on the transactions pursuant to a Norwegian court order. In 2006 we filed a formal protest with respect to a notification by the Norwegian tax authorities of their intent to propose assessments that would result in increased tax of approximately $287 million, plus interest, related to certain restructuring transactions. The authorities indicated penalties imposed on the assessment could range from 15 to 60 percent of the assessment. In addition, the authorities issued a preliminary notification in February 2008 of their intent to issue a separate tax assessment of approximately $77 million related to a 2001 dividend payment, plus interest and penalties, which could range from 15 to 60 percent of the assessment. In the course of its investigations, the Norwegian authorities secured certain records located in the United Kingdom related to a Norwegian subsidiary that was previously subject to tax in Norway. The authorities are assessing the need to impose additional taxes on this Norwegian subsidiary. We have and will continue to respond to all information requests from the Norwegian authorities. We plan to vigorously contest any assertions by the Norwegian authorities in connection with the various transactions being investigated.

On January 1, 2007, as part of our implementation of FIN 48, we recorded a long-term liability of $142 million related to the Norwegian tax issues described above. Since January 1, 2007, the long-term liability has increased to $168 million due to the accrual of interest and exchange rate fluctuations. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate resolution of these matters to have a material adverse effect on our consolidated statement of financial position or results of operations although it may have a material adverse effect on our consolidated cash flows. See Notes to Consolidated Financial Statements—Note 15—Income Taxes.

Regulatory Matters—In June 2007, GlobalSantaFe's management retained outside counsel to conduct an internal investigation of its Nigerian and West African operations, focusing on brokers who handled customs matters with respect to its affiliates operating in those jurisdictions and whether those brokers have fully complied with the U.S. Foreign Corrupt Practices Act (“FCPA”) and local laws. GlobalSantaFe commenced its investigation following announcements by other oilfield service companies that they were independently investigating the FCPA implications of certain actions taken by third parties in respect of customs matters in connection with their operations in Nigeria, as well as another company's announced settlement implicating a third party handling customs matters in Nigeria. In each case, the customs broker was reported to be Panalpina Inc., which GlobalSantaFe used to obtain temporary import permits for its rigs operating offshore Nigeria. GlobalSantaFe voluntarily disclosed its internal investigation to the U.S. Department of Justice (the “DOJ”) and the SEC and, at their request, expanded its investigation to include the activities of its customs brokers in other West African countries and the activities of Panalpina Inc. worldwide. The investigation is focusing on whether the brokers have fully complied with the requirements of their contracts, local laws and the FCPA. In late November 2007, GlobalSantaFe received a subpoena from the SEC for documents related to its investigation. In this connection, the SEC advised GlobalSantaFe that it had issued a formal order of investigation. After the completion of the Merger, outside counsel began formally reporting directly to the audit committee of our board of directors. Our legal representatives are keeping the DOJ and SEC apprised of the scope and details of their investigation and producing relevant information in response to their requests.

On July 25, 2007, our legal representatives met with the DOJ in response to a notice we received requesting such a meeting regarding our engagement of Panalpina Inc. for freight forwarding and other services in the United States and abroad. The DOJ has informed us that it is conducting an investigation of alleged FCPA violations by oil service companies who used Panalpina Inc. and other brokers in Nigeria and other parts of the world. We began developing an investigative plan which would allow us to promptly review and produce relevant and responsive information requested by the DOJ and SEC. Subsequently, we expanded the investigation to include one of our agents for Nigeria. This investigation and the legacy GlobalSantaFe investigation are being conducted by outside counsel who reports directly to the audit committee of our board of directors. The investigations have focused on whether the agent and the customs brokers have fully complied with the terms of their respective agreements, the FCPA and local laws. We prepared and presented an investigative plan to the DOJ and have informed the SEC of the ongoing investigation. We have begun implementing the investigative plan and are keeping the DOJ and SEC apprised of the scope and details of our investigation and are producing relevant information in response to their requests. We cannot predict the ultimate outcome of the investigations, the effect of implementing any further measures that may be necessary to ensure full compliance with applicable laws or to what extent, if at all, we could be subject to fines, sanctions or other penalties.

Our internal compliance program has detected a potential violation of U.S. sanctions regulations in connection with the shipment of goods to our operations in Turkmenistan. Goods bound for our rig in Turkmenistan were shipped through Iran by a freight forwarder. Iran is subject to a number of economic regulations, including sanctions administered by OFAC, and comprehensive restrictions on the export and re-export of U.S.-origin items to Iran. Failure to comply with applicable laws and regulations relating to sanctions and export restrictions may subject us to criminal sanctions and civil remedies, including fines, denial of export privileges, injunctions or seizures of our assets. See “Item 1A. Risk Factors–Our non-U.S. operations involve additional risks not associated with our U.S. operations.” We have self-reported the potential violation to OFAC and have retained outside counsel to conduct a thorough investigation of the matter.

Performance and Other Key Indicators

Contract Backlog—The following table presents our contract backlog, including firm commitments only, for our Contract Drilling segment at the periods ended December 31, 2007 and 2006. Firm commitments are typically represented by signed drilling contracts. Our contract backlog is calculated by multiplying the full contractual operating dayrate by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization and contract preparation, which are not expected to be significant to our contract drilling revenues.

	December 31, 2007	December 31, 2006
	(In millions)	
Contract backlog		
High-Specification Floaters	$ 20,708	$ 14,354
Midwater Floaters	5,728	3,770
High-Specification Jackups	768	140
Standard Jackups	4,445	1,897
Other Rigs	158	65
Total	$ 31,807	$ 20,226

The firm commitments that comprise the contract backlog for our Contract Drilling segment as of December 31, 2007 are presented in the following table along with the associated average contractual dayrates. The amount of actual revenue earned and the actual periods during which revenues are earned will be different than the amounts and periods shown in the tables below due to various factors, including shipyard and maintenance projects, unplanned downtime and other factors that result in lower applicable dayrates than the full contractual operating dayrate, as well as the ability of our customers to terminate contracts under certain circumstances. The contract backlog average dayrate is defined as the contracted operating dayrate to be earned per revenue earning day in the period. A revenue earning day is defined as a day for which a rig earns dayrate during the firm contract period after commencement of operations.

	For the years ending December 31,					
	Total	2008	2009	2010	2011	Thereafter
	(In millions, except average dayrates)					
Contract backlog						
High-Specification Floaters	$ 20,708	$ 4,599	$ 4,814	$ 4,017	$ 2,643	$ 4,635
Midwater Floaters	5,728	2,650	1,806	869	263	140
High-Specification Jackups	768	478	273	17	—	—
Standard Jackups	4,445	2,322	1,229	592	297	5
Other Rigs	158	52	36	26	26	18
Total	$ 31,807	$ 10,101	$ 8,158	$ 5,521	$ 3,229	$ 4,798

Average Dayrates	Total	2008	2009	2010	2011	Thereafter
High-Specification Floaters	$ 404,000	$ 353,000	$ 393,000	$ 416,000	$ 443,000	$ 439,000
Midwater Floaters	301,000	294,000	315,000	298,000	323,000	249,000
High-Specification Jackups	154,000	150,000	158,000	188,000	—	—
Standard Jackups	154,000	153,000	156,000	155,000	148,000	102,000
Other Rigs	60,000	50,000	56,000	68,000	68,000	65,000
Total	$ 270,000	$ 234,000	$ 270,000	$ 293,000	$ 304,000	$ 397,000

Fleet Average Daily Revenue and Utilization—The following table shows our average daily revenue and utilization for each of the three months ended December 31, 2007, September 30, 2007 and December 31, 2006 for our Contract Drilling segment. Average daily revenue is defined as contract drilling revenue earned per revenue earning day in the period. Utilization in the table below is defined as the total actual number of revenue earning days in the period as a percentage of the total number of calendar days in the period for all drilling rigs in our fleet.

	Three months ended		
	December 31, 2007	September 30, 2007	December 31, 2006
Average daily revenue			
High-Specification Floaters			
Ultra-Deepwater Floaters	$ 346,100	$ 323,200	$ 275,300
Deepwater Floaters	$ 265,300	$ 251,600	$ 216,500
Harsh Environment Floaters	$ 326,300	$ 312,300	$ 199,400
Total High-Specification Floaters	$ 311,600	$ 291,900	$ 237,800
Midwater Floaters	$ 274,600	$ 254,000	$ 184,600
High-Specification Jackups	$ 173,400	$ 131,600	$ 133,300
Standard Jackups	$ 130,800	$ 120,000	$ 95,300
Other Rigs	$ 48,600	$ 54,900	$ 48,200
Total fleet average daily revenue	$ 224,000	$ 219,700	$ 171,700
Utilization			
High-Specification Floaters			
Ultra-Deepwater Floaters	97%	99%	92%
Deepwater Floaters	75%	76%	78%
Harsh Environment Floaters	80%	85%	97%
Total High-Specification Floaters	85%	86%	86%
Midwater Floaters	95%	92%	90%
High-Specification Jackups	100%	100%	100%
Standard Jackups	91%	89%	89%
Other Rigs	97%	98%	99%
Total fleet average utilization	90%	89%	89%

Liquidity and Capital Resources

Sources and Uses of Cash

Our primary sources of cash in 2007 were our cash flows from operations, proceeds from asset sales, proceeds from the issuance of the convertible notes and senior notes in December 2007, borrowings under the Bridge Loan Facility and our other credit facilities, cash received under our tax sharing agreement with TODCO and proceeds from issuance of ordinary shares upon the exercise of stock options. Our primary uses of cash were payment of the cash consideration in connection with the Transactions, repurchases of our ordinary shares, capital expenditures (including for newbuild construction) and repayments of borrowings under our credit facilities. At December 31, 2007, we had $1,241 million in cash and cash equivalents.

	Years ended December 31,		
	2007	2006	Change
		(In millions)	
Net cash from operating activities			
Net income	$ 3,131	$ 1,385	$ 1,746
Depreciation, depletion and amortization	411	401	10
Other non-cash items	(231)	(480)	249
Working capital changes	(238)	(69)	(169)
	$ 3,073	$ 1,237	$ 1,836

Net cash provided by operating activities increased due to more cash generated from net income, partially offset by higher use of cash for working capital items.

	Years ended December 31,		
	2007	2006	Change
		(In millions)	
Net cash from investing activities			
Capital expenditures	$ (1,380)	$ (876)	$ (504)
Consideration paid to GlobalSantaFe shareholders	(5,129)	—	(5,129)
Cash balances acquired in connection with the Merger	695	—	695
Proceeds from disposal of assets, net	379	461	(82)
Joint ventures and other investments, net	(242)	—	(242)
	$ (5,677)	$ (415)	$ (5,262)

Net cash used in investing activities increased primarily due to cash paid out in connection with the Merger. Capital expenditures increased by $504 million over the corresponding prior year period primarily due to the construction of eight Ultra-Deepwater Floaters, the two *Sedco 700*-series deepwater upgrades and other equipment replaced and upgraded on our existing rigs. In addition, proceeds from asset sales were lower in 2007 during which three units were sold as compared to 2006 during which eight drilling units were sold.

	Years ended December 31,		
	2007	2006	Change
		(In millions)	
Net cash from financing activities			
Borrowings under 364-Day Revolving Credit Facility	$ 1,500	$ —	$ 1,500
Borrowings under other credit facilities	15,000	1,000	14,000
Repayments under other credit facilities	(12,030)	(300)	(11,730)
Proceeds from issuance of debt	9,095	1,000	8,095
Repayments of debt	(3)	—	(3)
Financing costs	(106)	(5)	(101)
Payment to shareholders for Reclassification of ordinary shares	(9,859)	—	(9,859)
Proceeds from issuance of ordinary shares upon exercise of warrants	40	—	40
Proceeds from issuance of ordinary shares under share-based compensation plans, net	72	69	3
Repurchase of ordinary shares	(400)	(2,601)	2,201
Tax benefit from issuance of ordinary shares under share-based compensation plans	70	7	63
Other, net	(1)	30	(31)
	$ 3,378	$ (800)	$ 4,178

Net cash provided by financing activities increased primarily due to net proceeds of $14 billion from the issuance of the convertible notes and senior notes in December 2007 and borrowings under the Bridge Loan Facility, the Five-Year Revolving Credit Facility and the 364-Day Revolving Credit Facility, compared to $2.0 billion from the issuance of the Floating Rate Notes and borrowings under the Term Credit Facility in 2006. Partially offsetting these increases was the payment to shareholders for the Reclassification of ordinary shares in connection with the Transactions. In addition, we used less cash to repurchase our ordinary shares under our share repurchase program in 2007 than in 2006, and we received more cash from the issuance of our ordinary shares under our share-based compensation program and associated tax benefit.

Acquisitions, Dispositions and Capital Expenditures

Acquisitions—Following the completion of the Transactions, we intend to focus on the repayment of debt in 2008 and 2009. Nevertheless, we could, from time to time, review possible acquisitions of businesses and drilling rigs and may in the future make significant capital commitments for such purposes. We may also consider investments related to major rig upgrades or new rig construction. Any such acquisition, upgrade or new rig construction 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. In addition, from time to time, we review possible dispositions of drilling units.

In April 2007, we entered into a marketing and purchase option agreement with Pacific Drilling that provided us with the exclusive marketing right for two newbuild Ultra-Deepwater Floaters to be named *Deepwater Pacific 1* and *Deepwater Pacific 2*, as well as an option to purchase a 50 percent interest in a joint venture company through which we and Pacific Drilling would own the drillships. In October 2007, we obtained a firm commitment for the *Deepwater Pacific 1*, and we exercised our option and acquired a 50 percent interest in the joint venture, TPDI. See "—Outlook–Drilling Market." The *Deepwater Pacific 1* was awarded a firm commitment for a four-year contract which may be converted to a five-year drilling contract by the customer on or prior to October 31, 2008. The drilling contract is expected to commence in the second quarter of 2009 following shipyard construction, sea trials, mobilization to location and customer acceptance. The *Deepwater Pacific 2* is expected to be completed in the first quarter of 2010 and we are currently in active discussions with several customers regarding the award of a long-term contract for the rig. We estimate total capital expenditures for the construction of these rigs to be approximately $685 million and $665 million, excluding capitalized interest, respectively. As of December 31, 2007, we and Pacific Drilling had each paid $238 million in documented costs for the two rigs.

We are providing construction management services for the Deepwater Pacific newbuilds and have agreed to provide operating management services once these drillships begin operations. Beginning on October 18, 2010, Pacific Drilling will have the right to exchange its interest in the joint venture for our ordinary shares or cash based on an appraisal of the fair value of the drillships, subject to various adjustments.

Dispositions—During 2007, we sold a Deepwater Floater (*Peregrine I*), a tender rig (*Charley Graves*) and a swamp barge (*Searex VI*). We received net proceeds from these sales of $344 million and recognized gains on the sales of $264 million. On February 15, 2008, we entered into a definitive agreement with Hercules to sell three of our Standard Jackups (*GSF Adriatic III*, *GSF High Island I* and *GSF High Island VIII*) for approximately $320 million. In addition, on February 15, 2008, we announced our intent to proceed with divestitures of the *GSF Arctic II* and the *GSF Arctic IV* semisubmersible rigs and the hiring of a third-party advisor. The divestitures are in furtherance of our previously announced proposed undertakings to the Office of Fair Trading in the U.K. made in connection with the Merger. See "—Outlook–Drilling Market."

Capital Expenditures—Capital expenditures, including capitalized interest of $76 million, totaled $1.4 billion during the year ended December 31, 2007, substantially all of which related to the Contract Drilling segment. The following table summarizes actual capital expenditures including capitalized interest, for our major construction and conversion projects incurred in 2007 and expected in future years (in millions):

	Total costs through December 31, 2007	Expected costs for the year ending December 31, 2008	Estimated costs thereafter	Total estimated cost at completion
Discoverer Clear Leader	$ 409	$ 210	$ 30	$ 649
Sedco 700-series upgrades	396	200	—	596
GSF Development Driller III (a)	369	170	50	589
Discoverer Americas	301	190	130	621
Deepwater Pacific 1 (b)	279	130	270	679
Discoverer Inspiration	248	190	230	668
Deepwater Pacific 2 (b)	179	190	290	659
GSF Newbuild (a)	109	120	510	739
Discoverer Luanda	107	230	300	637
Capitalized Interest	92	130	150	372
Total	$ 2,489	$ 1,760	$ 1,960	$ 6,209

(a) These costs include our initial investments in the *GSF Development Driller III* and GSF Newbuild of $356 million and $109 million, respectively, representing the estimated fair values of the rigs at the time of the Merger.

(b) The costs for *Deepwater Pacific 1* and *Deepwater Pacific 2* represent 100 percent of expenditures incurred prior to our investment in the joint venture ($277 million and $178 million, respectively), 100 percent of expenditures incurred since our investment in the joint venture and 100 percent of expenditures to be incurred. However, Pacific Drilling shares 50 percent of these costs.

During 2008, we expect capital expenditures to be approximately $2.5 billion, including approximately $1.8 billion for our major construction and conversion projects, as detailed in the above table. The level of our capital expenditures is partly dependent upon the actual level of operational and contracting activity and the level of capital expenditures for which our customers agree to reimburse us. Our expected capital expenditures during 2008 do not include amounts that would be incurred as a result of other possible newbuild opportunities.

As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange rates, shipyard labor conditions and the market demand for components and resources required for drilling unit construction. See “Item 1A. Risk Factors—Our shipyard projects are subject to delays and cost overruns.”

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 credit under the Five-Year Revolving Credit Facility and the 364-Day Revolving Credit Facility (see “—Sources and Uses of Liquidity”) and may utilize other commercial bank or capital market financings.

Sources and Uses of Liquidity

We expect to use existing cash balances, internally generated by cash flows, proceeds from the issuance of new debt and proceeds from asset sales to fulfill anticipated obligations such as scheduled debt maturities, capital expenditures and working capital needs. From time to time, we may also use bank lines of credit to maintain liquidity for short-term cash needs.

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

Our internally generated cash flow is directly related to our business and the market sectors in which we operate. Should the drilling market deteriorate, or should we experience poor results in our operations, cash flow from operations may be reduced. We have, however, continued to generate positive cash flow from operating activities over recent years and expect that cash flow will continue to be positive over the next year.

Bank Credit Agreements—In September 2007, we entered into the Bridge Loan Facility. In connection with the Transactions, we borrowed $15 billion under the Bridge Loan Facility at the reserve-adjusted LIBOR plus the applicable margin, which is based upon our Debt Rating. As of February 27, 2008, the applicable margin was 0.4 percent. We may prepay the Bridge Loan Facility in whole or in part without premium or penalty. In addition, this facility requires mandatory prepayments of outstanding borrowings in an amount equal to 100 percent of the net cash proceeds resulting from any of the following (in each case subject to certain agreed exceptions): (1) the sale or other disposition of any of our property or assets above a predetermined threshold; (2) the receipt of certain net insurance or condemnation proceeds; (3) certain issuances of our equity securities; and (4) the incurrence of indebtedness for borrowed money by us. The Bridge Loan Facility contains a maximum leverage ratio of no greater than 350 percent as of June 30, 2008, and 300 percent thereafter. Borrowings under the Bridge Loan Facility are subject to acceleration upon the occurrence of events of default. At February 27, 2008, we had $3.1 billion outstanding under this facility at a weighted-average interest rate of 3.61 percent.

In November 2007, we entered into the Five-Year Revolving Credit Facility. Under the terms of the Five-Year Revolving Credit Facility, we may make borrowings at either (1) a base rate, determined as the greater of (a) the prime loan rate or (b) the federal funds effective rate plus 0.5 percent, or (2) the reserve-adjusted LIBOR plus the applicable margin, which is based upon our Debt Rating. A facility fee, varying from 0.07 percent to 0.17 percent depending on our Debt Rating, is incurred on the daily amount of the underlying commitment, whether used or unused, throughout the term of the facility. A utilization fee, varying from 0.05 percent to 0.10 percent depending on our Debt Rating, is payable if amounts outstanding under the Five-Year Revolving Credit Facility are greater than or equal to 50 percent of the total underlying commitment. At February 27, 2008, the applicable margin, facility fee and utilization fee were 0.26 percent, 0.09 percent and 0.10 percent, respectively. The Five-Year Revolving Credit Facility may be prepaid in whole or in part without premium or penalty. At February 27, 2008, no borrowings were outstanding under the Five-Year Revolving Credit Facility.

In December 2007, we entered into the 364-Day Revolving Credit Facility. The 364-Day Revolving Credit Facility bears interest, at our option, at either (1) a base rate, determined as the greater of (a) the prime loan rate or (b) the federal funds effective rate plus 0.50 percent, or (2) the reserve-adjusted LIBOR plus the applicable margin, which is based upon our Debt Rating. A facility fee, varying from 0.05 percent to 0.15 percent depending on our Debt Rating, is incurred on the daily amount of the underlying commitment, whether used or unused, throughout the term of the facility. A utilization fee, varying from 0.05 percent to 0.10 percent depending on our Debt Rating, is payable if amounts outstanding under the 364-Day Revolving Credit Facility are greater than or equal to 50 percent of the total underlying commitment. At February 27, 2008, the applicable margin, facility fee and utilization fee were 0.28 percent, 0.07 percent and 0.10 percent, respectively. The 364-Day Revolving Credit Facility may be prepaid in whole or in part without premium or penalty. At February 27, 2008, we had $688 million outstanding under this facility at a weighted-average interest rate of 3.43 percent.

The Five-Year Revolving Credit Facility and 364-Day Revolving Credit Facility require compliance with various covenants and provisions customary for agreements of this nature, including a debt to total tangible capitalization ratio, as defined by the credit agreements, not greater than 60 percent at December 31, 2009, and the end of each quarter thereafter and a maximum leverage ratio of no greater than 350 percent as of June 30, 2008, and 300 percent as of the end of each quarter thereafter through September 30, 2009.

Other provisions of the Bridge Loan Facility, the Five-Year Revolving Credit Facility and the 364-Day Revolving Credit Facility include limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions and mergers and sale of substantially all assets. Should we fail to comply with these covenants, we would be in default and may lose access to these facilities. 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 certain merger, consolidation or reorganization transactions. A default under our public debt could trigger a default under our credit agreements and, if not waived by the lenders, could cause us to lose access to these facilities.

In December 2007, we entered into a commercial paper program (the “Program”), the proceeds of which we are required to use to repay outstanding borrowings under the 364-Day Revolving Credit Facility or the Bridge Loan Facility. The 364-Day Revolving Credit Facility and the Five-Year Revolving Credit Facility provide liquidity for the Program. At February 27, 2008, $813 million was outstanding under the Program.

Debt Issuance—In December 2007, we issued $0.5 billion aggregate principal amount of 5.25% Senior Notes due March 2013 (the “5.25% Senior Notes”), $1.0 billion aggregate principal amount of 6.00% Senior Notes due March 2018 (the “6.00% Senior Notes”) and $1.0 billion aggregate principal amount of 6.80% Senior Notes due March 2038 (the “6.80% Senior Notes,” and together with the 5.25% Senior Notes and the 6.00% Senior Notes, the “Senior Notes”). We are required to pay interest on the Senior Notes on March 15 and September 15 of each year, beginning March 15, 2008. We may redeem some or all of the notes at any time at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make whole premium. At February 27, 2008, $500 million, $1.0 billion and $1.0 billion principal amount of the 5.25%, 6.00% and 6.80% Senior Notes, respectively, were outstanding.

In December 2007, we issued $2.2 billion aggregate principal amount of 1.625% Series A Convertible Senior Notes due December 2037 (the "Series A Notes"), $2.2 billion aggregate principal amount of 1.50% Series B Convertible Senior Notes due December 2037 (the "Series B Notes") and $2.2 billion aggregate principal amount of 1.50% Series C Convertible Senior Notes due December 2037 (the "Series C Notes," and together with the Series A Notes and the Series B Notes, the "Convertible Notes"). We are required to pay interest on the Convertible Notes on June 15 and December 15 of each year, beginning June 15, 2008. The Convertible Notes may be converted at an initial rate of 5.9310 ordinary shares per $1,000 note. The initial conversion rate is subject to adjustment upon the occurrence of certain corporate events but not for accrued interest. Upon conversion, we will deliver, in lieu of ordinary shares, cash up to the aggregate principal amount of notes to be converted and ordinary shares in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted. In addition, if certain fundamental changes occur on or before December 20, 2010, with respect to Series A Notes, December 20, 2011, with respect to Series B Notes or December 20, 2012, with respect to Series C Notes, we will in some cases increase the conversion rate for a holder electing to convert notes in connection with such fundamental change. We may redeem some or all of the notes at any time after December 20, 2010, in the case of the Series A Notes, December 20, 2011, in the case of Series B Notes and December 20, 2012 in the case of the Series C Notes, in each case at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any. Holders of Series A Notes and Series B Notes will have the right to require us to repurchase their notes on December 15, 2010 and December 15, 2011, respectively. In addition, holders of any series of notes will have the right to require us to repurchase their notes on December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032, and upon the occurrence of a fundamental change, at a repurchase price in cash equal to 100 percent of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any. At February 27, 2008, $2.2 billion principal amount of each of the Series A Notes, Series B Notes and Series C Notes were outstanding, respectively.

Holders may convert their notes only under the following circumstances: (1) during any calendar quarter after March 31, 2008 if the last reported sale price of our ordinary shares for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130 percent of the conversion price, (2) during the five business days after the average trading price per $1,000 principal amount of the notes is equal to or less than 98 percent of the average conversion value of such notes during the preceding five trading-day period as described herein, (3) during specified periods if specified distributions to holders of our ordinary shares are made or specified corporate transactions occur, (4) prior to the close of business on the business day preceding the redemption date if the notes are called for redemption or (5) on or after September 15, 2037 and prior to the close of business on the business day prior to the stated maturity of the notes. Upon conversion, we will deliver, in lieu of ordinary shares, cash up to the aggregate principal amount of notes to be converted and ordinary shares in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted.

In November 2007, Transocean Worldwide Inc. executed a supplemental indenture to assume the obligations related to the 5% Notes due 2013 (the "5% Notes") issued by GlobalSantaFe under an indenture dated as of February 1, 2003. Additionally, as a result of the Merger, we acquired Global Marine Inc., formerly a subsidiary of GlobalSantaFe and now our subsidiary, which is the obligor on the 7% Notes due 2028 (the "7% Notes"), which were issued under an indenture dated as of September 1, 1997. The 5% Notes are the obligation of Transocean Worldwide Inc. and the 7% Notes are the obligation of Global Marine Inc., and we have not guaranteed either obligation. The respective obligor may redeem the 5% Notes and the 7% Notes in whole or in part at a price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. The indentures related to the 5% Notes and the 7% Notes contain limitations on the obligor's ability to incur indebtedness for borrowed money secured by certain liens and on its ability to engage in certain sale/leaseback transactions. At February 27, 2008, $250 million and $300 million aggregate principal amount of the 5% Notes and the 7% Notes, respectively, remained outstanding.

Debt Repayments and Refinancing—In December 2007, we refinanced a total of $10.5 billion of borrowings under the Bridge Loan Facility using proceeds from borrowings under the 364-Day Revolving Credit Facility and the issuance of the Senior Notes and the Convertible Notes. We recognized a loss on the retirement of the Bridge Loan Facility borrowings of $6 million. We also repaid $820 million of borrowings under the Bridge Loan Facility using internally generated cash flow. We will likely seek to refinance a portion of the remaining borrowings under the Bridge Loan Facility prior to the expiration of its one-year term. Such refinancing may be effected through additional borrowings under bank credit facilities, issuance of debt securities, including floating rate notes, or through other financing transactions. We expect to repay the remaining borrowings under the Bridge Loan Facility not refinanced using cash on hand or cash generated during 2008.

In August 2007, we repaid the then outstanding balance of $470 million under our Term Credit Facility and terminated the facility. We recognized a loss on the termination of this debt of $1 million.

Concurrent with our entry into the Five-Year Revolving Credit Facility in November 2007, we terminated the Former Revolving Credit Facility. We recognized a loss on the termination of this debt of $1 million.

Debt Redemptions—In October 2007, we called our Zero Coupon Convertible Debentures due May 15, 2020. Between the notice of redemption and the trading day prior to the redemption date, holders retained the right to convert the debentures into our ordinary shares at a rate of 8.1566 ordinary shares per $1,000 debenture. During this period, we issued 148,244 ordinary shares upon conversion of $18 million aggregate principal amount of debentures. In November 2007, we redeemed the remaining debentures at an approximate cost of $18,000, plus accrued and unpaid interest.

In October 2007, we also called our 1.5% Convertible Debentures due May 15, 2021. Between the notice of redemption and the fourth trading day prior to the redemption date, holders retained the right to convert the debentures into our ordinary shares at a rate of 13.8627 ordinary shares per $1,000 debenture. During this period, we issued 5,499,613 ordinary shares upon conversion of $397 million aggregate principal amount of debentures. In November 2007, we redeemed the remaining debentures at an approximate cost of $3 million, plus accrued and unpaid interest.

Repurchase of Ordinary Shares—In May 2006, our board of directors authorized an increase in the amount of ordinary shares which may be repurchased pursuant to our share repurchase program to $4.0 billion from $2.0 billion, which was previously authorized and announced in October 2005. The ordinary shares may be repurchased from time to time in open market or private transactions. Decisions to repurchase shares are based upon our ongoing capital requirements, the price of our shares, regulatory considerations, cash flow generation, general market conditions and other factors. We plan to fund any future share repurchases under the program from current and future cash balances and we could also use debt to fund those share repurchases. The repurchase program does not have an established expiration date and may be suspended or discontinued at any time. There can be no assurance regarding the number of shares that will be repurchased under the program. Under the program, repurchased shares are retired and returned to unissued status.

During 2006, we repurchased and retired $2.6 billion of our ordinary shares, which amounted to approximately 35.7 million ordinary shares at an average purchase price of $72.78 per share. Total consideration paid to repurchase the shares was recorded in shareholders equity as a reduction in ordinary shares and additional paid-in capital. Such consideration was funded with existing cash balances, borrowings under our Former Revolving Credit Facility and our Term Credit Facility and proceeds from the issuance of our Floating Rate Notes. During 2007, we repurchased approximately $400 million of our ordinary shares, which amounted to approximately 5.2 million ordinary shares. At February 27, 2008, after prior repurchases, we had authority to repurchase an additional $600 million of our ordinary shares under the program. We do not currently expect to make any additional share repurchases under the program in the near future.

Contractual Obligations—Our contractual obligations included in the table below are at face value.

	For the years ending December 31,				
	Total	**2008**	**2009-2010**	**2011-2012**	**Thereafter**
			(In millions)		
Contractual obligations					
Debt	$ 17,230	$ 6,170	$ 2,200	$ 4,566	$ 4,294
Interest on debt	5,651	686	782	659	3,524
Operating leases	110	30	40	19	21
Capital lease	32	2	4	4	22
Stock warrant consideration payable	48	—	48	—	—
Purchase obligations	2,589	1,164	1,425	—	—
Defined benefit pension plans	13	8	5	—	—
Total	$ 25,673	$ 8,060	$ 4,504	$ 5,248	$ 7,861

Bondholders may, at their option, require us to repurchase the Series A Notes and the Series B Notes in December 2010 and 2011, respectively. In addition, holders of any series of the Convertible Notes may, at their option, require us to repurchase their notes in December 2012, 2017, 2022, 2027 and 2032. The chart above assumes that the holders of the notes exercise the options at the first available date.

As of December 31, 2007, the total unrecognized tax benefit related to uncertain tax positions, net of prepayments was $424 million. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities recognized in this balance, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities.

We have an obligation to make contributions in 2008 to our funded U.S. and Norway defined benefit pension plans. See "—Retirement Plans and Other Postemployment Benefits" for a discussion of expected contributions for pension funding requirements and expected benefit payments for our unfunded defined benefit pension plans.

At December 31, 2007, we had other commitments that we are contractually obligated to fulfill with cash should the obligations be called. These obligations include standby letters of credit and surety bonds that guarantee our performance as it relates to our drilling contracts, insurance, customs, 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 and letters of credit are geographically concentrated in Nigeria and India. These letters of credit and surety bond obligations are not normally called as we typically comply with the underlying performance requirement.

The table below provides a list of these obligations in U.S. dollar equivalents and their time to expiration.

	For the years ending December 31,				
	Total	2008	2009-2010	2011-2012	Thereafter
	(In millions)				
Other commercial commitments					
Standby letters of credit	$ 532	$ 389	$ 102	$ 31	$ 10
Surety bonds	24	23	1	—	—
Total	$ 556	$ 412	$ 103	$ 31	$ 10

We have established a wholly-owned captive insurance company which insures various risks of our operating subsidiaries. Access to the cash investments of the captive insurance company may be limited due to local regulatory restrictions. These cash investments totaled $34 million at December 31, 2007 and are expected to rise to approximately $110 million by the end of 2008 as the level of premiums paid to the captive insurance company continues to increase.

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. At December 31, 2007, we had no outstanding foreign exchange or interest rate derivative instruments.

Results of Operations

Historical 2007 compared to 2006

Following is an analysis of our operating results. See "—Overview" for a definition of revenue earning days, utilization and average daily revenue.

	Years ended December 31,			
	2007	2006	Change	% Change
	(In millions, except day amounts and percentages)			
Revenue earning days	28,074	26,361	1,713	6%
Utilization	90%	84%	n/a	6%
Average daily revenue	$ 211,900	$ 142,100	$ 69,800	49%
Contract drilling revenues	$ 5,948	$ 3,745	$ 2,203	59%
Contract intangible revenues	88	—	88	100%
Other revenues	341	137	204	n/m
	6,377	3,882	2,495	64%
Operating and maintenance expense	(2,781)	(2,155)	(626)	29%
Depreciation, depletion and amortization	(499)	(401)	(98)	24%
General and administrative expense	(142)	(90)	(52)	58%
Gain from disposal of assets, net	284	405	(121)	30%
Operating income	3,239	1,641	1,598	97%
Other income (expense), net				
Interest income	30	21	9	43%
Interest expense, net of amounts capitalized	(172)	(115)	(57)	50%
Loss on retirement of debt	(8)	—	(8)	(100)%
Other, net	295	60	235	n/m
Income tax expense	(253)	(222)	(31)	14%
Net income	$ 3,131	$ 1,385	$ 1,746	n/m

"n/a" means not applicable
"n/m" means not meaningful

Contract drilling revenues increased primarily due to higher average daily revenue across the fleet and as a result of the inclusion of approximately one month of GlobalSantaFe's operations. Revenues from 14 rigs that were out of service for a portion of 2006 contributed $648 million, higher revenues attributable to the Merger contributed $344 million and reactivation of three rigs during 2006 contributed to higher utilization and increased revenue by $245 million. Partially offsetting these increases were lower revenues of $113 million on eight rigs that were out of service for a portion of 2007 for shipyard, mobilization or maintenance projects and lower revenues of $19 million from three rigs sold in 2007.

Contract intangible revenues of $88 million were recognized as a result of the fair market valuation of GlobalSantaFe drilling contracts in effect at the time of the Merger with no corresponding revenue in the prior year.

Other revenues for the year ended December 31, 2007 increased $204 million primarily due to an increase of $143 million in integrated services revenue, a $49 million increase in non-drilling revenue primarily as a result of the inclusion of approximately one month of GlobalSantaFe's operations and a $11 million increase in client reimbursable revenue.

Operating and maintenance expenses increased by $626 million primarily from expenses related to higher labor costs, vendor price increases, increased integrated service costs of $127 million, higher reimbursable expenses in line with the higher level of reimbursable revenues, $151 million as a result of the inclusion of approximately one month of GlobalSantaFe's operations and $59 million of accelerated share-based compensation and incremental bonus expense incurred as a result of the Merger. These increases were partially offset by the costs incurred in 2006 of $81 million for the reactivation of three of our rigs with no corresponding expense in 2007 and $19 million of costs incurred to repair damage sustained during hurricanes Katrina and Rita in 2006 with no corresponding expense in 2007.

Depreciation, depletion and amortization increased primarily due to $81 million of depreciation of property and equipment acquired in the Merger and with the inclusion of approximately one month of GlobalSantaFe's operations, including $7 million of amortization of intangible assets from our drilling management services and $4 million of depletion of intangible costs from our oil and gas properties.

The increase in general and administrative expenses was due primarily to $45 million higher personnel related expenses, which included $14 million of accelerated share-based compensation expense and $6 million of incremental bonus expense incurred as a result of the Merger, and $4 million from the inclusion of approximately one month of GlobalSantaFe's operations. In addition, there was a $6 million increase in general operating costs, which included rent, utilities, advertising and public relations expenses.

During 2007, we recognized net gains of $284 million related to rig sales and disposal of other assets. During 2006, we recognized net gains of $405 million related to rig sales and disposal of other assets.

The increase in interest income was primarily due to higher average cash balances in 2007 compared to 2006.

The increase in interest expense was primarily attributable to $63 million resulting from the issuance of new debt, of which $43 million was from borrowings under the Bridge Loan Facility executed in conjunction with the Merger. In addition, $3 million was debt assumed in connection with the Merger and $47 million was from higher borrowings under our other credit facilities in 2007, compared to 2006. Partially offsetting this increase was $59 million related to increased capitalized interest in 2007 compared to 2006.

During 2007, we recognized an $8 million loss related to the early termination of $12.8 billion aggregate principal amount of our debt, with no comparable activity in 2006.

The increase in other, net was primarily due to $277 million in income recognized in 2007 in connection with the TODCO Tax Sharing Agreement compared to $51 million recognized in 2006.

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. The annual effective tax rate for 2007 and 2006 was 12.5 percent and 18.5 percent, respectively, based on 2007 and 2006 income before income taxes and minority interest after adjusting for certain items such as a portion of net gains on sales of assets, losses on retirement of debt and merger-related costs. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. The tax impact of the various discrete items was a net benefit of $113 million in 2007, resulting in an effective tax rate of 7.5 percent on earnings before income taxes and minority interest. The discrete items in 2007 included a benefit of $43 million resulting from changes in prior year estimates, $58 million for the reduction of a valuation allowance related to U.S. foreign tax credits and $15 million from merger-related costs. For the year ended December 31, 2006, the tax impact of the various discrete period tax items, which related to the net gains on rig sales and changes in prior year tax estimates, was a net expense of $10 million, resulting in an effective tax rate of 13.8 percent on earnings before income taxes and minority interest.

2007 Pro Forma Operating Results

Our historical financial operating results include approximately one month of operating results for the combined company. Although the Merger did not materially impact 2007 results, it is expected to have a significant impact on our future results of operations and financial condition.

The purchase price is comprised of the following (in millions):

Value of Transocean shares issued to GlobalSantaFe shareholders	$	12,229
Cash consideration to GlobalSantaFe shareholders		5,094
Fair value of converted GlobalSantaFe stock options and stock appreciation rights		157
Transocean transaction costs		35
Total purchase price	$	17,515

Our unaudited pro forma consolidated results for the year ended December 31, 2007, reflected income from continuing operations of $3.8 billion or $16.95 per diluted share on pro forma operating revenues of $10.0 billion. The pro forma operating results assume the Transactions were completed as of January 1, 2007 (see Notes to Consolidated Financial Statements—Note 4—Merger with GlobalSantaFe Corporation). These pro forma results do not reflect the effects of reduced depreciation expense related to conforming the estimated lives of GlobalSantaFe rigs and the elimination of certain allocated costs from GlobalSantaFe. The pro forma financial data should not be relied on as an indication of operating results that we would have achieved had the Transactions taken place earlier or of the future results that we may achieve.

The purchase price allocation for the Merger included the following (in millions):

Historical net book value of GlobalSantaFe	$	5,776
Fair value adjustment of property and equipment—contract drilling services, net		7,385
Fair value adjustment of property and equipment—oil and gas properties, net		55
Fair value adjustment of materials and supplies, net		138
Fair value adjustment of defined benefit plans, net		31
Elimination of historical deferred revenues associated with contract drilling services		107
Elimination of historical deferred expenses associated with contract drilling services		(34)
Adjustment to deferred income taxes resulting from various pro forma adjustments, net		(530)
Severance costs for legacy GlobalSantaFe affected employees.		(25)
Adjustment to goodwill—contract drilling services		5,400
Adjustment to goodwill—drilling management services		260
Adjustment to goodwill— oil and gas properties		23
Drilling contract intangibles, net		(1,303)
Other intangible items, net		239
Other, net		(7)
Total purchase price	$	17,515

We recorded additional goodwill of approximately $6.0 billion, representing the excess of the purchase price over estimated fair value of net assets acquired after eliminating $333 million of historical goodwill existing in the historical net book value of GlobalSantaFe at the time of the Merger. At December 31, 2007, this goodwill represented approximately 16 percent of total assets and 45 percent of total shareholders' equity. The goodwill will be tested for impairment at least annually at the reporting unit level (see Notes to Consolidated Financial Statements—Note 2—Summary of Significant Accounting Policies).

In connection with the Merger, we acquired drilling contracts for future contract drilling services of GlobalSantaFe. These contracts include fixed dayrates and dayrates that may be above or below dayrates as of the date of the Merger for similar contracts. We adjusted these drilling contracts to fair value as of the date of the Merger, and after amortizing $88 million in contract intangible revenues in December 2007, the remaining carrying values were $179 million recorded in other assets and $1,394 million recorded in other long-term liabilities on our consolidated balance sheet at December 31, 2007. We recognize the contract intangible revenues over the respective contract period, amortizing the balances using the straight-line method. The following table provides our forecast of amortization of non-cash contract intangible revenues.

Years ending December 31,		
2008	$	689
2009		281
2010		98
2011		45
2012		42
Thereafter		60
Total	$	1,215

Additionally, we identified other intangible assets associated with drilling management services, including the trade name, customer relationships and contract backlog. We consider the ADTI trade name to be an indefinite life intangible asset, which will not be amortized and will be subject to an annual impairment test. The customer relationships and contract backlog have definite lifespans and will each be amortized over their useful lives of 15 years and three months, respectively.

Historical 2006 compared to 2005

Following is an analysis of our operating results. See "—Overview" for a definition of revenue earning days, utilization and average daily revenue.

	Years ended December 31,			
	2006	2005	Change	% Change
	(In millions, except day amounts and percentages)			
Revenue earning days	26,361	26,224	137	1%
Utilization	84%	79%	n/a	5%
Average daily revenue	$ 142,100	$ 105,100	$ 37,000	35%
Contract drilling revenues	$ 3,745	$ 2,757	$ 988	36%
Other revenues	137	135	2	1%
	3,882	2,892	990	34%
Operating and maintenance expense	(2,155)	(1,720)	(435)	25%
Depreciation	(401)	(406)	5	(1)%
General and administrative expense	(90)	(75)	(15)	20%
Gain from disposal of assets, net	405	29	376	n/m
Operating income	1,641	720	921	n/m
Other income (expense), net				
Interest income	21	19	2	11%
Interest expense, net of capitalized interest	(115)	(111)	(4)	4%
Gain from TODCO stock sales	—	165	(165)	(100)%
Loss on retirement of debt	—	(7)	7	(100)%
Other, net	60	17	43	n/m
Income tax expense	(222)	(87)	(135)	n/m
Net income	$ 1,385	$ 716	$ 669	93%

"n/a" means not applicable
"n/m" means not meaningful

The increase in contract drilling revenues was primarily due to higher average daily revenue in all asset classes and to the reactivation of four Midwater Floaters and one High-Specification Floater in 2005 and 2006. Partially offsetting this increase were lower revenues on four rigs that were out of service in 2006 for shipyard or maintenance projects and lower revenues from one rig which was sold in 2006.

Other revenues for the year ended December 31, 2006 increased $2 million due to a $23 million increase in client reimbursable revenue partially offset by decreased integrated services revenue of $21 million.

Operating and maintenance expenses increased by $435 million primarily from shipyard projects, rig reactivations, higher labor costs and vendor price increases resulting in higher labor and rig maintenance costs. This increase included $76 million for reactivation costs associated with the *Transocean Prospect*, *Transocean Winner* and *C. Kirk Rhein, Jr.* and $19 million of costs incurred to repair damages sustained during hurricanes Katrina and Rita on the *Transocean Marianas* and the *Deepwater Nautilus*.

The increase in general and administrative expenses of $15 million was due primarily to $12 million higher personnel related expenses and $4 million higher legal fees, including costs related to the TODCO dispute and patent litigation with GlobalSantaFe.

During 2006, we recognized net gains of $405 million related to rig sales and disposal of other assets. During 2005, we recognized net gains of $29 million related to rig sales and disposal of other assets.

The increase in interest expense was primarily attributable to $39 million resulting from higher debt levels arising from the issuance of debt and borrowings under credit facilities in 2006, with no comparable activity in 2005. Partially offsetting this increase were reductions of $19 million associated with debt that was redeemed, retired or repurchased in 2005 and $16 million related to capitalized interest in 2006.

During 2005, we recognized gains of $165 million from the disposition of our then remaining investment in TODCO with no comparable activity in 2006.

During 2005, we recognized a $7 million loss related to the early redemption and repurchase of $782 million aggregate principal amount of our debt, with no comparable activity in 2006.

The increase in other, net was primarily due to $40 million more income recognized in 2006 as compared to 2005 related to the tax sharing agreement with TODCO and $6 million related to extension fees on the sale of the *Transocean Wildcat* in 2006.

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. The annual effective tax rate for 2006 and 2005 was 18.5 percent and 16.8 percent, respectively, based on 2006 and 2005 income before income taxes and minority interest after adjusting for certain items such as a portion of net gains on sales of assets, items related to the disposition of TODCO and losses on retirements of debt. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. The tax impact of the various discrete period tax items, which related to the net gains on rig sales and changes in prior year tax estimates, was a net tax expense of $10 million in 2006, resulting in an effective tax rate of 13.8 percent on earnings before income taxes and minority interest. The tax impact of the various discrete items was a net tax benefit of $14 million in 2005, resulting in an effective tax rate of 10.8 percent on earnings before income taxes and minority interest. The discrete items in 2005 included a benefit of $17 million for the reduction in a valuation allowance related to U.K. net operating losses and a benefit related to the resolution of various tax audits, partially offset by expenses related to asset dispositions, a deferred tax charge attributable to the restructuring of certain non-U.S. operations and items related to the disposition of TODCO.

Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. This discussion should be read in conjunction with disclosures included in the notes to our consolidated financial statements related to estimates, contingencies and new accounting pronouncements. Significant accounting policies are discussed in Note 2 to our consolidated financial statements. The preparation of our 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 ongoing basis, we evaluate our estimates, including those related to bad debts, materials and supplies obsolescence, investments, property and equipment, intangible assets and goodwill, income taxes, workers insurance, share-based compensation, pensions and other post-retirement and employment benefits and contingent liabilities. We base our estimates on historical experience and on various other assumptions that we believe are 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. Management has discussed each of these critical accounting policies and estimates with the audit committee of the board of directors.

Income taxes—We are a Cayman Islands company. As such, our earnings are not subject to income tax in the Cayman Islands because the country does not levy a corporate tax on income. We operate through our various subsidiaries in a number of countries throughout the world. Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income or loss before taxes because the countries have taxation regimes that vary not only with respect to the nominal tax rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise when income earned and taxed in a particular country or countries fluctuates from year to year.

Our annual tax provision is based on expected taxable income, statutory rates and tax planning opportunities available to us in the various jurisdictions in which we operate. The determination and evaluation of our annual tax provision and tax positions involves the interpretation of the tax laws in the various jurisdictions in which we operate and requires significant judgment and the use of estimates and assumptions regarding significant future events such as the amount, timing and character of income, deductions and tax credits. Changes in tax laws, regulations, agreements, and treaties, foreign currency exchange restrictions or our level of operations or profitability in each jurisdiction would impact our tax liability in any given year. We also operate in many jurisdictions where the tax laws relating to the offshore drilling industry are not well developed. While our annual tax provision is based on the best information available at the time, a number of years may elapse before the ultimate tax liabilities in the various jurisdictions are determined.

We maintain liabilities for estimated tax exposures in jurisdictions of operation. Our annual tax provision includes the impact of income tax provisions and benefits for changes to liabilities that we consider appropriate, as well as related interest. Tax exposure items primarily include potential challenges to permanent establishment positions, intercompany pricing, disposition transactions and the applicability or rate of various withholding taxes. These exposures are resolved primarily through the settlement of audits within these tax jurisdictions or by judicial means, but can also be affected by changes in applicable tax law or other factors, which could cause us to conclude a revision of past estimates is appropriate. We are currently undergoing examinations in a number of taxing jurisdictions for various fiscal years. We believe that an appropriate liability has been established for estimated exposures. However, actual results may differ materially from these estimates. We review these liabilities quarterly and to the extent the audits or other events result in an adjustment to the liability accrued for a prior year, the effect will be recognized in the period of the event.

We do not believe it is possible to reasonably estimate the potential impact of changes to the assumptions and estimates identified because the resulting change to our tax liability, if any, is dependent on numerous factors which cannot be reasonably estimated. These include, among others, the amount and nature of additional taxes potentially asserted by local tax authorities; the willingness of local tax authorities to negotiate a fair settlement through an administrative process; the impartiality of the local courts; and the potential for changes in the tax paid to one country to either produce, or fail to produce, an offsetting tax change in other countries.

Judgment, assumptions and estimates are required in determining whether deferred tax assets will be realized in full or in part. When it is estimated to be more likely than not that all or some portion of specific deferred tax assets, such as foreign tax credit carryovers or net operating loss carryforwards, will not be realized, a valuation allowance must be established for the amount of the deferred tax assets that are considered at the time to be unrealizable. As of December 31, 2005, the valuation allowance against certain deferred tax assets, primarily U.S. foreign tax credit carryforwards and certain net operating losses, was in the amount of $48 million, and we increased the valuation allowance to $59 million at the end of 2006. Due to a change of circumstances in 2007, we now believe that we will realize the benefits of our foreign tax credits in the U.S. As such, we released the entire associated valuation allowance against U.S. foreign tax credits of approximately $58 million. See “Results of Operations—Historical 2007 compared to 2006” and “Results of Operations—Historical 2006 compared to 2005.” We continually evaluate strategies that could allow for the future utilization of our deferred tax assets.

We have not provided for deferred taxes on the unremitted earnings of certain subsidiaries that are permanently reinvested. Should we make a distribution from the unremitted earnings of these subsidiaries, we may be required to record additional taxes. Because we cannot predict when, if at all, we will make a distribution of these unremitted earnings, we are unable to make a determination of the amount of unrecognized deferred tax liability.

We have not provided for deferred taxes in circumstances where we expect that, due to the structure of operations and applicable law, the operations in that jurisdiction will not give rise to future tax consequences. Should our expectations change regarding the expected future tax consequences, we may be required to record additional deferred taxes that could have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Goodwill impairment—We perform a test for impairment of our goodwill annually as of October 1 as prescribed by SFAS 142, *Goodwill and Other Intangible Assets*. Because our business is cyclical in nature, goodwill could be significantly impaired depending on when the assessment is performed in the business cycle. The fair value of our reporting units is based on a blend of estimated discounted cash flows, publicly traded company multiples and acquisition multiples. Estimated discounted cash flows are based on projected utilization and dayrates. Publicly traded company multiples and acquisition multiples are derived from information on traded shares and analysis of recent acquisitions in the marketplace, respectively, for companies with operations similar to ours. Changes in the assumptions used in the fair value calculation could result in an estimated reporting unit fair value that is below the carrying value, which may give rise to an impairment of goodwill. In addition to the annual review, we also test for impairment should an event occur or circumstances change that may indicate a reduction in the fair value of a reporting unit below its carrying value.

Property and equipment—Our property and equipment represents approximately 61 percent of our total assets. We determine the carrying value of these assets based on our property and equipment accounting policies, which incorporate our estimates, assumptions, and judgments relative to capitalized costs, useful lives and salvage values of our rigs.

Our property and equipment accounting policies are designed to depreciate our assets over their estimated useful lives. The assumptions and judgments we use in determining the estimated useful lives of our rigs reflect both historical experience and expectations regarding future operations, utilization and performance of our assets. The use of different estimates, assumptions and judgments in the establishment of property and equipment accounting policies, especially those involving the useful lives of our rigs, would likely result in materially different net book values of our assets and results of operations.

In addition, our policies are designed to appropriately and consistently capitalize costs incurred to enhance, improve and extend the useful lives of our assets and expense those costs incurred to repair and maintain the existing condition of our rigs. Capitalized costs increase the carrying values and depreciation expense of the related assets, which would also impact our results of operations.

Useful lives of rigs are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and gas exploration and development, changes in market or economic conditions, and changes in laws or regulations affecting the drilling industry. We evaluate the remaining useful lives of our rigs when certain events occur that directly impact our assessment of the remaining useful lives of the rig and include changes in operating condition, functional capability and market and economic factors. We also consider major capital upgrades required to perform certain contracts and the long-term impact of those upgrades on the future marketability when assessing the useful lives of individual rigs. A one-year increase in the useful lives of all of our rigs would cause a decrease in our annual depreciation expense of approximately $154 million while a one-year decrease would cause an increase in our annual depreciation expense of approximately $211 million.

We review our property and equipment for impairment when events or changes in circumstances indicate that the carrying value of such assets or asset groups may be impaired or when reclassifications are made between property and equipment and assets held for sale as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. Asset impairment evaluations are based on estimated undiscounted cash flows for the assets being evaluated. Supply and demand are the key drivers of rig idle time and our ability to contract our rigs at economical rates. During periods of an oversupply, it is not uncommon for us to have rigs idled for extended periods of time, which could be an indication that an asset group may be impaired. Our rigs are equipped to operate in geographic regions throughout the world. Because our rigs are mobile, we may move rigs from an oversupplied market sector to one that is more lucrative and undersupplied when it is economical to do so. As such, our rigs are considered to be interchangeable within classes or asset groups and accordingly, our impairment evaluation is made by asset group. We consider our asset groups to be High-Specification Floaters, Midwater Floaters, High-Specification Jackups, Standard Jackups and Other Rigs.

An impairment loss is recorded in the period in which it is determined that the aggregate carrying amount of assets within an asset group is not recoverable. This requires us to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. In turn, these forecasts are uncertain in that they require assumptions about demand for our services, future market conditions and technological developments. Significant and unanticipated changes to these assumptions could require a provision for impairment in a future period. Given the nature of these evaluations and their application to specific asset groups and specific times, it is not possible to reasonably quantify the impact of changes in these assumptions.

Fair Value of Assets Acquired—The Merger has been accounted for using the purchase method of accounting as defined under SFAS No. 141, *Business Combinations*. Accounting for this acquisition has resulted in the capitalization of the cost in excess of fair value of the net assets acquired as goodwill. We estimated the fair values of the assets acquired in the Merger as of the date of acquisition, and these estimates are subject to adjustment based on our final assessments of the fair value of property and equipment, intangible assets, liabilities, evaluation of tax positions and contingencies. We expect to complete these assessments within one year of the date of the Merger. See Notes to Consolidated Financial Statements—Note 4—Merger with GlobalSantaFe Corporation.

Our estimates of fair value of property and equipment are subjective based on the age and condition of rigs acquired and the determination of the remaining useful lives of the rigs. We estimated the fair values of rigs acquired based on input from a third-party broker, and values were appraised based on perceptions of potential buyers and sellers in the market, which generally renders a low trading volume of rigs in the secondary market. The valuation of a rig can also vary based on the rig design, condition and particular equipment configuration, and it can be difficult to determine the fair value based on the cyclicality of our business, demand for offshore drilling rigs in different markets and changes in economic conditions. We have currently classified several rigs as held for sale, and the ultimate value received may differ from our estimate of the fair values. Changes in the values of rigs or the useful lives would affect our calculations of depreciation and our recorded goodwill.

In connection with the Merger, we acquired drilling contracts for future contract drilling services at fixed dayrates that may be above or below market dayrates for similar contracts as of the date of the Merger. We adjusted these drilling contracts to fair value based on the discounted cash flow associated with each contract and the estimated market expectations for dayrates that could be charged over the same contractual terms. The market for drilling contracts is limited, identifying comparable contract rates in the market and determining the fair value is subjective and assumptions used to estimate market value and the discounted cash flow associated with the contract can affect the assigned value. These assumptions include differences in capabilities of rigs, cost differentials between locations for similar rigs, cost escalations or tax reimbursements that may or may not be included in the dayrate and assumptions of rig efficiency. Differences in estimated market values of the contracts could have a material impact on the amortization of the contract intangible recognized in contract intangible revenues on our consolidated statement of operations.

Pension and other postretirement benefits—Our defined benefit pension and other postretirement benefit (retiree life insurance and medical benefits) obligations and the related benefit costs are accounted for in accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* ("SFAS 158"), SFAS No. 87, *Employers' Accounting for Pensions* ("SFAS 87") and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions*. Pension and postretirement costs and obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases, employee turnover rates and health care cost trend rates. We evaluate our assumptions periodically and make adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate. We periodically evaluate our assumptions regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by our third-party investment advisor utilizing the asset allocation classes held by the plans' portfolios. As of January 1, 2008, based on market conditions and investment strategies, we reduced our expected long-term rate of return for our U.S. plans from 9.00 percent to 8.50 percent, which will result in an increase of approximately $3 million in our expected pension expense for 2008. For determining the discount rate for our U.S. plans, we utilize a yield curve approach based on Aa corporate bonds and the expected timing of future benefit payments. Changes in these and other assumptions used in the actuarial computations could impact our projected benefit obligations, pension liabilities, pension expense and other comprehensive income. We base our determination of pension expense on a market-related valuation of assets that reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets.

For each percentage point the expected long-term rate of return assumption is lowered, pension expense would increase by approximately $9 million. For each one-half percentage point the discount rate is lowered, pension expense would increase by approximately $7 million. See "—Retirement Plans and Other Postemployment Benefits."

Contingent liabilities—We establish reserves for estimated loss contingencies when we believe a loss is probable and the amount of the loss can be reasonably estimated. Our contingent liability reserves relate primarily to litigation, personal injury claims and potential tax assessments (see "—Income Taxes"). Revisions to contingent liability reserves are reflected in income in the period in which different facts or information become known or circumstances that affect our previous assumptions with respect to the likelihood or amount of loss change. 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 or other events result in a material adjustment to the accrued estimated reserves, revisions to the estimated reserves for contingent liabilities would be required and would be recognized in the period the new information becomes known.

The estimation of the liability for personal injury claims includes the application of a loss development factor to reserves for known claims in order to estimate our ultimate liability for claims incurred during the period. The loss development method is based on the assumption that historical patterns of loss development will continue in the future. Actual losses may vary from the estimates computed with these reserve development factors as they are dependent upon future contingent events such as court decisions and settlements.

Share-Based Compensation

On January 1, 2006, we adopted the Financial Accounting Standards Board ("FASB") SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"), which is a revision of SFAS No.123, *Accounting for Stock-Based Compensation* ("SFAS 123"). We previously accounted for share-based compensation in accordance with SFAS 123. Adoption of the new standards did not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Retirement Plans and Other Postemployment Benefits

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS 158, which require the recognition of the funded status of the Defined Benefit and Postretirement Benefits Other Than Pensions ("OPEB") plans on the December 31, 2006 balance sheet with a corresponding adjustment to accumulated other comprehensive income. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial application of SFAS 87, all of which were previously netted against the plans' funded status in the balance sheet. These amounts will be subsequently recognized as net periodic pension cost pursuant to our historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income.

The incremental effects of adopting SFAS 158 on the consolidated balance sheet at December 31, 2006 are presented in the following table. The adoption of SFAS 158 did not affect the consolidated statement of operations for the year ended December 31, 2006, or any prior period presented, and it will not affect our operating results in future periods. The incremental effects of adopting the provisions of SFAS 158 on the consolidated balance sheet are presented as follows:

	At December 31, 2006		
	Prior to adopting SFAS 158	Effect of adopting SFAS 158	As reported
Other assets	$ 322	$ (23)	$ 299
Other current liabilities	366	3	369
Deferred income taxes, net	60	(6)	54
Other long-term liabilities	337	6	343
Accumulated other comprehensive loss	(4)	(26)	(30)

Defined Benefit Pension Plans—We maintain a qualified defined benefit pension plan (the "Retirement Plan") covering substantially all U.S. employees, and an unfunded plan (the "Supplemental Benefit Plan") to provide certain eligible employees with benefits in excess of those allowed under the Retirement Plan. In conjunction with the R&B Falcon merger, we acquired three defined benefit pension plans two funded and one unfunded (the "Frozen Plans"), that were frozen prior to the merger for which benefits no longer accrue but the pension obligations have not been fully paid out. We refer to the Retirement Plan, the Supplemental Benefit Plan and the Frozen Plans collectively as the "U.S. Plans."

In connection with the Merger, we assumed four defined benefit plans covering substantially all legacy GlobalSantaFe U.S. employees and a frozen defined benefit plan that provides retirement benefits to four former members of the board of directors of Global Marine Inc. (the "Assumed U.S. Pension Plans"). The frozen defined benefit plan is closed to additional participants and no additional benefits are being accrued under this plan. In addition, we assumed a defined benefit plan in the U.K. (the "Assumed U.K. Pension Plan," and together with the Assumed U.S. Pension Plans, the "Assumed Pension Plans"), covering substantially all non-U.S. legacy GlobalSantaFe employees.

In connection with the Merger, the Supplemental Benefit Plan was amended to provide employees terminated under a severance plan with age, earnings and service benefits described in the Severance Plan, as defined below, and similar severance arrangements ("Severance Credits"). The Supplemental Benefit Plan provides credit for age, service and earnings during the period of time after termination during which severance is paid (the "Salary Continuation Period"), or if an eligible employee receives severance in a lump sum, the lump sum is considered to be paid out over the Salary Continuation Period in order to provide the value of the Severance Credits. The Supplemental Benefit Plan was also amended to provide for a lump-sum form of payment within 90 days after a participant's termination of employment and a six-month delay on benefits payable to "specified employees" under Section 409A of the Internal Revenue Code.

Effective November 27, 2007, one of the Assumed Pension Plans, the GlobalSantaFe Pension Equalization Plan (the "PEP"), was also amended to provide certain terminated employees under the Severance Plan with Severance Credits. The PEP provides credit for age, service and earnings during the Salary Continuation Period, or if an eligible employee receives severance in a lump sum, the lump sum is considered to be paid out over the Salary Continuation Period in order to provide the value of the Severance Credits. The PEP was also amended to provide for a lump-sum form of payment within 90 days after a participant's termination of employment and a six-month delay on benefits payable to "specified employees" under Section 409A of the Internal Revenue Code. In addition, the amendment specifies that terminated employees who are ineligible to receive Severance Credits under the legacy GlobalSantaFe qualified defined benefit plan will receive Severance Credits under the PEP.

In addition, we provide several defined benefit plans, primarily group pension schemes with life insurance companies covering our Norway operations and two unfunded plans covering certain of our employees and former employees (the "Norway Plans"). Our contributions to the Norway Plans are determined primarily by the respective life insurance companies based on the terms of the plan. For the insurance-based plans, annual premium payments are considered to represent a reasonable approximation of the service costs of benefits earned during the period. We also have unfunded defined benefit plans (the "Other Non-U.S. Plans") that provide retirement and severance benefits for certain of our Indonesian, Nigerian and Egyptian employees. The benefits we provide under defined benefit pension plans are comprised of the U.S. Plans, the Norway Plans, the Other Non-U.S. Plans and the Assumed Pension Plans (collectively, the "Transocean Plans").

	U.S. Plans	Norway Plans	Other Non-U.S. Plans	Assumed U.S. Pension Plans	Assumed U.K. Pension Plans	Total Transocean Plans	
Accumulated Benefit Obligation							
At December 31, 2007	$ 265	$ 58	$ 5	$ 404	$ 207	$ 939	
At December 31, 2006	243	43	4	—	—	290	
Projected Benefit Obligation							
At December 31, 2007	$ 313	$ 71	$ 9	$ 444	$ 228	$ 1,065	
At December 31, 2006	276	69	6	—	—	351	
Fair Value of Plan Assets							
At December 31, 2007	$ 235	$ 60	$ —	$ 397	$ 247	$ 939	
At December 31, 2006	223	50	—	—	—	273	
Funded Status							
At December 31, 2007	$ (78)	$ (11)	$ (9)	$ (47)	$ 19	$ (126)	
At December 31, 2006	(53)	(19)	(6)	—	—	(78)	
Net Periodic Benefit Cost							
Year ended December 31, 2007	$ 16	$ 8	$ 2	$ —	$ 1	$ 27	(a)
Year ended December 31, 2006	18	6	2	—	—	26	(a)
Change in Accumulated Other Comprehensive Income							
Year ended December 31, 2007	$ 23	$ (9)	$ —	$ (2)	$ —	$ 12	
Year ended December 31, 2006	(4)	11	(1)	—	—	6	
Employer Contributions							
Year ended December 31, 2007	$ 14	$ 6	$ 1	$ —	$ 1	$ 22	
Year ended December 31, 2006	5	9	1	—	—	15	
Weighted-Average Assumptions – Benefit Obligations							
Discount rate							
At December 31, 2007	6.02%	5.30%	12.90%	6.19%	5.90%	6.07%	(b)
At December 31, 2006	5.79%	4.80%	12.21%	—	—	5.72%	(b)
Rate of compensation increase							
At December 31, 2007	4.18%	4.50%	11.17%	4.74%	4.40%	4.57%	(b)
At December 31, 2006	4.19%	4.00%	10.29%	—	—	4.27%	(b)

	U.S. Plans	Norway Plans	Other Non- U.S. Plans	Assumed U.S. Pension Plans	Assumed U.K. Pension Plans	Total Transocean Plans
Weighted-Average Assumptions – Net Periodic Benefit Cost						
Discount rate						
Year ended December 31, 2007	5.79%	4.80%	13.27%	6.06%	5.90%	5.90%(b)
Year ended December 31, 2006	5.58%	5.50%	13.00%	—	—	5.69%(b)
Expected long-term rate of return on plan assets						
Year ended December 31, 2007	9.00%	5.40%	—	9.00%	7.50%	8.40%(c)
Year ended December 31, 2006	9.00%	6.00%	—	—	—	8.49%(c)
Rate of compensation increase						
Year ended December 31, 2007	4.18%	4.00%	11.17%	4.75%	4.40%	4.59%(b)
Year ended December 31, 2006	4.71%	3.50%	10.29%	—	—	4.54%(b)

(a) Pension costs were reduced by expected returns on plan assets of $26 million and $20 million for the years ended December 31, 2007 and 2006, respectively.
(b) Weighted-average based on relative average projected benefit obligation for the year.
(c) Weighted-average based on relative average fair value of plan assets for the year.

For the funded U.S. Plans, our funding policy consists of reviewing the funded status of these plans annually and contributing an amount at least equal to the minimum contribution required under the Employee Retirement Income Security Act of 1974 (“ERISA”). Employer contributions to the funded U.S. Plans are based on actuarial computations that establish the minimum contribution required under ERISA and the maximum deductible contribution for income tax purposes. We contributed $14 million and $5 million to the funded U.S. Plans during 2007 and 2006, respectively. We contributed less than $1 million to the unfunded U.S. Plans during each of 2007 and 2006 to fund benefit payments.

Our contributions to the Transocean Plans in 2007 and 2006, respectively, were funded from our cash flows from operations.

Net periodic benefit cost for the Transocean Plans included the following components (in millions):

	Years ended December 31,	
	2007	2006
Components of Net Periodic Benefit Cost (a)		
Service cost	$ 22	$ 20
Interest cost	24	19
Expected return on plan assets	(26)	(20)
Recognized net actuarial losses	5	5
Amortization of prior service cost	1	1
Amortization of net transition obligation	1	1
SFAS 88 settlements/curtailments	–	–
Benefit cost	$ 27	$ 26

(a) Amounts are before income tax effect.

Plan assets of the funded Transocean Plans have been favorably impacted by a rise in world equity markets during 2007 and an allocation of approximately 60 percent of plan assets to equity securities. Debt securities and other investments also experienced increased values, but to a lesser extent. During 2007, the market value of the investments in the Transocean Plans increased by $12 million, or 1.2 percent. The increase is due to net investment gains of $10 million, primarily in the funded U.S. Plans, resulting from the favorable performance of equity markets in 2007 and $22 million of employer contributions. These increases were offset by benefit plan payments of $17 million from these plans and $3 million of unfavorable foreign currency exchange rate changes. We expect to contribute $26 million to the Transocean Plans in 2008. These contributions are comprised of an estimated $10 million to meet minimum funding requirements for the funded U.S. Plans, $2 million to fund expected benefit payments for the unfunded U.S. Plans and Other Non-U.S. Plans and an estimated $7 million each for the funded Norway Plans and the Assumed U.K. Plans. We expect the required contributions will be funded from cash flow from operations.

The following pension benefits payments are expected to be paid by the Transocean Plans (in millions):

Years ending December 31,	
2008	$ 64
2009	38
2010	39
2011	42
2012	44
2013-2017	285

We account for the Transocean Plans in accordance with SFAS 87 as amended by SFAS 158. These statements require us to calculate our pension expense and liabilities using assumptions based on a market-related valuation of assets, which reduces year-to-year volatility using actuarial assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

In accordance with SFAS 87, changes in pension obligations and assets may not be immediately recognized as pension costs in the statement of operations but generally are recognized in future years over the remaining average service period of plan participants. As such, significant portions of pension costs recorded in any period may not reflect the actual level of benefit payments provided to plan participants.

Two of the most critical assumptions used in calculating our pension expense and liabilities are the expected long-term rate of return on plan assets and the assumed discount rate. In 2006, the increase in fair value of plan assets resulted in a decrease in the minimum pension liability of $25 million. At December 31, 2006, there was no minimum pension liability included in accumulated other comprehensive income due to our adoption of SFAS 158. The minimum pension liability adjustment did not impact our results of operations during the years ended December 31, 2005, or 2006, nor did these adjustments affect our ability to meet any financial covenants related to our debt.

Our expected long-term rate of return on plan assets for funded U.S. Plans was 9.0 percent as of December 31, 2007 and 2006, respectively. The expected long-term rate of return on plan assets was developed by reviewing each plan's target asset allocation and asset class long-term rate of return expectations. We regularly review our actual asset allocation and periodically rebalance plan assets as appropriate. For the U.S. Plans, we discounted our future pension obligations using a rate of 6.02 percent at December 31, 2007, 5.8 percent at December 31, 2006 and 5.5 percent at December 31, 2005.

We expect pension expense related to the Transocean Plans for 2008 to increase by approximately $13 million primarily due to the assumption of seven defined benefit plans in conjunction with the Merger, offset by a change in the demographic assumptions for future periods and plan asset growth realized in 2007.

Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future.

Postretirement Benefits Other Than Pensions—We have several unfunded contributory and noncontributory OPEB plans covering substantially all of our U.S. employees. Funding of benefit payments for plan participants will be made as costs are incurred. In connection with the Merger, we assumed a contributory OPEB plan covering substantially all legacy GlobalSantaFe U.S. employees (the "Assumed OPEB Plan").

Net periodic benefit cost for these other postretirement plans and their components, including service cost, interest cost, amortization of prior service cost and recognized net actuarial losses were less than $2 million for each of the years ended December 31, 2007 and 2006.

The following postretirement benefits payments are expected to be paid by our postretirement benefits plans (in millions):

Years ending December 31,	
2008	$ 2
2009	2
2010	2
2011	2
2012	2
2013-2017	11

Deferred Compensation Plan—In connection with the Merger, we assumed a deferred compensation plan of GlobalSantaFe (the "Assumed Deferred Plan"). Eligible employees who enrolled in this plan could defer any or all of the amount of their annual salary in excess the annual IRS maximum recognizable compensation limit and up to 100 percent of their awards under GlobalSantaFe's annual incentive plan. Effective January 1, 2008, this plan was frozen.

Severance Plan—In connection with the Merger, we established a special transition severance plan for certain employees on the U.S. payroll involuntarily terminated during the period from November 27, 2007 through November 27, 2009 (the "Severance Plan").

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of December 31, 2007.

Related Party Transactions

TPDI—In April 2007, we entered into an agreement with Pacific Drilling, whereby we acquired exclusive marketing rights for two Ultra-Deepwater drillships to be named *Deepwater Pacific 1* and *Deepwater Pacific 2*, which are currently under construction, as well as an option to purchase a 50 percent interest in a newly formed joint venture company through which we and Pacific Drilling would own the drillships.

In early October 2007, we obtained a firm commitment to enter into a drilling contract for the first drillship and exercised our option to purchase a 50 percent equity interest in TPDI, a joint venture company, formed by us and Pacific Drilling, and received a promissory note issued by TPDI for approximately $238 million, representing 50 percent of the documented costs of the drillships at the time of exercise. Concurrently, TPDI issued a note to Pacific Drilling for approximately $238 million, which is reflected in long-term debt in our consolidated balance sheet. TPDI in turn owns two subsidiary companies: Deepwater Pacific 1 Inc. and Deepwater Pacific 2 Inc. The *Deepwater Pacific 1* and *Deepwater Pacific 2* are scheduled to be delivered in the second quarter of 2009 and the first quarter of 2010, respectively. We have consolidated TPDI in our financial statements for 2007. See "—Outlook−Drilling Market."

ODL—We own a 50 percent interest in an unconsolidated joint venture company, Overseas Drilling Limited ("ODL"). ODL owns the *Joides Resolution*, for which we provide certain operational and management services. In 2007, we earned $1 million for those services. Siem Offshore Inc. owns the other 50 percent interest in ODL. Our director, Kristian Siem, is the chairman of Siem Offshore Inc. and is also a director and officer of ODL. Mr. Siem is also chairman and chief executive officer of Siem Industries, Inc., which owns an approximate 34 percent interest in Siem Offshore Inc.

In November 2005, we entered into a loan agreement with ODL pursuant to which we may borrow up to $8 million. ODL may demand repayment at any time upon five business days prior written notice given to us and any amount due to us from ODL may be offset against the loan amount at the time of repayment. As of December 31, 2007, $3 million was outstanding under this loan agreement and was reflected as long-term debt in our consolidated balance sheet. See "—Outlook–Drilling Market."

New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but rather provides guidance for the application of fair value measurements required in other accounting pronouncements and seeks to eliminate inconsistencies in the application of such guidance among those other standards. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We will be required to adopt SFAS 157 in the first quarter of fiscal year 2008. We do not expect SFAS 157 to have a material effect on our consolidated statement of financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. We will be required to adopt SFAS 159 in the first quarter of fiscal year 2008. We do not expect SFAS 159 to have a material effect on our consolidated statement of financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for noncontrolling interests, also known as minority interests, in a subsidiary and for the deconsolidation of a subsidiary. It requires that a noncontrolling interest in a subsidiary be reported as equity in the consolidated financial statements and requires that consolidated net income attributable to the parent and to the noncontrolling interests be shown separately on the face of the income statement. SFAS 160 also requires, among other things, that noncontrolling interests in formerly consolidated subsidiaries be measured at fair value. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We will be required to adopt SFAS 160 in the first quarter of 2009. Management is currently evaluating the requirements of SFAS 160 and has not yet determined the impact on our consolidated statement of financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R replaces SFAS No. 141, *Business Combinations*, and among other things, (1) provides more specific guidance with respect to identifying the acquirer in a business combination, (2) broadens the scope of business combinations to include all transactions in which one entity gains control over one or more other businesses, and (3) requires costs incurred to effect the acquisition (acquisition-related costs) and anticipated restructuring costs of the acquired company to be recognized separately from the acquisition. SFAS 141R applies prospectively to business combinations for which the acquisition date occurs in fiscal years beginning after December 15, 2008. We would be required to apply the principles of SFAS 141R to business combinations with acquisition dates in calendar year 2009. Due to the prospective application requirements, it is not possible to determine what effect, if any, SFAS 141R would have on our consolidated statement of financial position, results of operations or cash flows.

ITEM 7A. ***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. The table below presents scheduled debt maturities in U.S. dollars and related weighted-average interest rates for each of the years ended December 31 relating to debt obligations as of December 31, 2007 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a) (b)							Fair Value
	2008	2009	2010	2011	2012	Thereafter	Total	12/31/07
Total debt								
Fixed rate	$ 2	$ —	$ 2,200	$ 2,366	$ 2,201	$ 4,067	$ 10,836	$ 11,524
Average interest rate	9.8%	9.8%	1.6%	1.9%	1.5%	6.5%	3.5%	
Variable rate	$ 6,170	$ —	$ —	$ —	$ —	$ 238	$ 6,408	$ 6,408
Average interest rate	5.4%	—%	—%	—%	—%	6.6%	5.4%	

(a) Maturity dates of the face value of our debt assume the put options on the Series A Notes, the Series B Notes and the Series C Notes will be exercised in December 2010, December 2011 and December 2012, respectively.

(b) Expected maturity amounts are based on the face value of debt.

At December 31, 2007, we had approximately $6 billion of variable rate debt at face value (37.2 percent of total debt at face value). This variable rate debt primarily represented the Floating Rate Notes and borrowings under the Bridge Loan Facility and the 364-Day Revolving Credit Facility. At December 31, 2006, the variable-rate debt represented the Floating Rate Notes and borrowings under the Term Credit Facility. Based upon the December 31, 2007 and 2006 variable rate debt outstanding amounts, a one percentage point change in interest rates would result in a corresponding change in interest expense of approximately $64 million and $17 million, respectively. In addition, a large part of our cash investments would earn commensurately higher rates of return if interest rates increase. Using December 31, 2007 and 2006 cash investment levels, a one percentage point change in interest rates would result in a corresponding change in interest income of approximately $8 million and $3 million per year, respectively.

The fair market value of our debt at December 31, 2007 was $17.9 billion compared to $3.5 billion at December 31, 2006. The increase in fair value of $14.4 billion was primarily due to the issuance and retirement of debt during the year and the redemption of convertible debentures, as well as changes in the corporate bond market.

In connection with the Merger, we acquired the *GSF Jack Ryan*, which is subject to a fully defeased financing lease arrangement with a remaining term of 13 years. As a result, we have assumed the rights and obligations under the terms of the defeasance arrangement executed by GlobalSantaFe with three financial institutions, whereby we are required to make additional payments if the defeasance deposit does not earn a rate of return of at least 8.00 percent per year, the interest rate expected at the inception of the agreement. The defeasance deposit earns interest based on the British pound three-month LIBOR, which was 6.02 percent as of December 31, 2007. If the interest rate were to remain fixed at this rate for the next five years, we would be required to make an additional payment of approximately $11 million during that period. We do not expect that, if required, any additional payments made under this defeasance arrangement would be material to our statement of financial position, results of operations or cash flows.

Foreign Exchange Risk

Our international operations expose us to foreign exchange risk. We use a variety of techniques to minimize the exposure to foreign exchange risk, including customer contract payment terms and the possible use of foreign exchange derivative instruments. Our primary foreign exchange risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars, which is our functional currency, and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign exchange needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have not had a material impact on overall results. In situations where payments of local currency do not equal local currency requirements, foreign exchange derivative instruments, specifically foreign exchange forward contracts, or spot purchases, may be used to mitigate foreign currency risk. A foreign exchange forward contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange. We do not enter into derivative transactions for speculative purposes. At December 31, 2007, we had no open foreign exchange derivative contracts.

ITEM 8. ***Financial Statements and Supplementary Data***

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Transocean Inc. (the "Company" or "our") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices), and actions taken to correct deficiencies as identified.

There are inherent limitations to the effectiveness of internal control over financial reporting, however well designed, including the possibility of human error and the possible circumvention or overriding of controls. The design of an internal control system is also based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that an internal control will be effective under all potential future conditions. As a result, even an effective system of internal controls can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria for internal control over financial reporting described in *Internal Control–Integrated Framework* by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operating effectiveness of its internal control over financial reporting.

On November 27, 2007, we completed our merger transaction with GlobalSantaFe. Due to the close proximity of the merger date to December 31, 2007, the date of the most recent financial statements, management has excluded GlobalSantaFe from its assessment of the effectiveness of the Company's internal control over financial reporting. GlobalSantaFe accounted for 60 percent and 14 percent of the Company's total assets and liabilities, respectively, as of December 31, 2007, and eight percent and seven percent of the Company's revenues and net income, respectively, for the year then ended.

Management reviewed the results of its assessment with the Audit Committee of the Company's Board of Directors. Based on this assessment, management has concluded that, as of December 31, 2007, the Company's internal control over financial reporting was effective.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Shareholders of Transocean Inc.

We have audited Transocean Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control —Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Transocean Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of GlobalSantaFe Corporation, which is included in the 2007 consolidated financial statements of Transocean Inc. and constituted 60 percent and 14 percent of total assets and total liabilities, respectively, as of December 31, 2007 and eight percent and seven percent of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Transocean Inc. also did not include an evaluation of the internal control over financial reporting of GlobalSantaFe Corporation.

In our opinion, Transocean Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Transocean Inc. as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2007 and our report dated February 27, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
February 27, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Transocean Inc.

We have audited the accompanying consolidated balance sheets of Transocean Inc. and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transocean Inc. and Subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 15 to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes.* Also discussed in Note 2, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* and, as discussed in Note 18, effective December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R).*

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Transocean Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
February 27, 2008

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

	Years ended December 31,		
	2007	**2006**	**2005**
Operating revenues			
Contract drilling revenues	$ 5,948	$ 3,745	$ 2,757
Contract intangible revenues	88	–	–
Other revenues	341	137	135
	6,377	3,882	2,892
Costs and expenses			
Operating and maintenance	2,781	2,155	1,720
Depreciation, depletion and amortization	499	401	406
General and administrative	142	90	75
	3,422	2,646	2,201
Gain from disposal of assets, net	284	405	29
Operating income	3,239	1,641	720
Other income (expense), net			
Interest income	30	21	19
Interest expense, net of amounts capitalized	(172)	(115)	(111)
Gain from TODCO stock sales	–	–	165
Loss on retirement of debt	(8)	–	(7)
Other, net	295	60	17
	145	(34)	83
Income before income tax expense	3,384	1,607	803
Income tax expense	253	222	87
Net income	$ 3,131	$ 1,385	$ 716
Earnings per share			
Basic	$ 14.65	$ 6.32	$ 3.13
Diluted	$ 14.14	$ 6.10	$ 3.03
Weighted average shares outstanding			
Basic	214	219	229
Diluted	222	228	238

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years ended December 31,		
	2007	**2006**	**2005**
Net income	$ 3,131	$ 1,385	$ 716
Other comprehensive income (loss), net of tax			
Minimum pension liability adjustments (net of tax expense (benefit) of $9 and $2 for the years ended December 31, 2006 and 2005, respectively)	—	16	4
Amortization of periodic pension benefit cost	4	—	—
Other comprehensive income (loss)	4	16	4
Total comprehensive income	$ 3,135	$ 1,401	$ 720

See accompanying notes.

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

	December 31, 2007	December 31, 2006
ASSETS		
Cash and cash equivalents	$ 1,241	$ 467
Accounts receivable, net		
Trade	2,209	929
Other	161	17
Materials and supplies, net	333	160
Deferred income taxes, net	119	16
Other current assets	233	67
Total current assets	4,296	1,656
Property and equipment	24,545	10,539
Less accumulated depreciation	3,615	3,213
Property and equipment, net	20,930	7,326
Goodwill	8,219	2,195
Other assets	919	299
Total assets	$ 34,364	$ 11,476
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	$ 805	$ 477
Accrued income taxes	99	98
Debt due within one year	6,172	95
Other current liabilities	826	369
Total current liabilities	7,902	1,039
Long-term debt	11,085	3,203
Deferred income taxes, net	681	54
Other long-term liabilities	2,125	340
Total long-term liabilities	13,891	3,597
Commitments and contingencies		
Minority interest	5	4
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, 317,222,909 and 204,609,973 shares issued and outstanding at December 31, 2007 and 2006, respectively	3	2
Additional paid-in capital	10,799	8,045
Accumulated other comprehensive loss	(42)	(30)
Retained earnings (accumulated deficit)	1,806	(1,181)
Total shareholders' equity	12,566	6,836
Total liabilities and shareholders' equity	$ 34,364	$ 11,476

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In millions)

	Ordinary shares		Additional paid-in capital	Accumulated other comprehensive income (loss)	Retained earnings (accumulated deficit)	Total equity
	Shares	Amount				
Balance at December 31, 2004	225	$ 2	$ 10,697	$ (24)	$ (3,282)	$ 7,393
Net income	–	-	-	-	716	716
Repurchase of ordinary shares	(4)	-	(400)	-	-	(400)
Issuance of ordinary shares under share-based compensation plans	6	-	260	-	-	260
Minimum pension liability	-	-	-	4	-	4
Other	-	-	9	-	-	9
Balance at December 31, 2005	227	2	10,566	(20)	(2,566)	7,982
Net income	–	-	-	-	1,385	1,385
Repurchase of ordinary shares	(25)	-	(2,600)	-	-	(2,600)
Issuance of ordinary shares under share-based compensation plans	2	-	67	-	-	67
Minimum pension liability	–	-	-	16	-	16
Adjustment to initially apply SFAS 158, net of tax	-	-	-	(26)	-	(26)
Other	-	-	12	-	-	12
Balance at December 31, 2006	204	2	8,045	(30)	(1,181)	6,836
Net income	-	-	-	-	3,131	3,131
Repurchase of ordinary shares	(4)	-	(400)	-	-	(400)
Issuance of ordinary shares under share-based compensation plans	4	-	191	-	-	191
Accelerated share-based compensation due to the Merger	1	-	22	-	-	22
Amortization of periodic pension benefit cost	-	-	-	4	-	4
Change in funded status of defined benefit plans	-	-	-	(16)	-	(16)
Issuance of ordinary shares upon conversion of convertible debentures and notes	4	-	414	-	-	414
Consideration paid to GlobalSantaFe shareholders	108	1	12,385	-	-	12,386
Payment to shareholders for Reclassification of ordinary shares	-	-	(9,859)	-	-	(9,859)
Adjustment to initially apply FIN 48, net of tax	-	-	-	-	(144)	(144)
Other	-	-	1	-	-	1
Balance at December 31, 2007	317	$ 3	$ 10,799	$ (42)	$ 1,806	$ 12,566

See accompanying notes.

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

	Years ended December 31,		
	2007	**2006**	**2005**
Cash flows from operating activities			
Net income	$ 3,131	$ 1,385	$ 716
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of drilling contract intangibles	(88)	—	—
Depreciation, depletion and amortization	499	401	406
Share-based compensation expense	78	20	16
Gain from disposal of assets, net	(284)	(405)	(29)
Gain from TODCO stock sales	—	—	(165)
Tax benefit from exercise of stock options to purchase and vesting of ordinary shares under share-based compensation plans	—	(10)	22
Deferred income taxes	(40)	(23)	27
Deferred revenue, net	52	52	(7)
Deferred expenses, net	(55)	(109)	18
Other, net	18	(5)	(27)
Changes in operating assets and liabilities	(238)	(69)	(113)
Net cash provided by operating activities	3,073	1,237	864
Cash flows from investing activities			
Capital expenditures	(1,380)	(876)	(182)
Consideration paid to GlobalSantaFe shareholders	(5,129)	—	—
Cash balances acquired in connection with the Merger	695	—	—
Proceeds from disposal of assets, net	379	461	74
Proceeds from TODCO stock sales, net	—	—	272
Joint ventures and other investments, net	(242)	—	5
Net cash provided by (used in) investing activities	(5,677)	(415)	169
Cash flows from financing activities			
Borrowings under 364-Day Revolving Credit Facility	1,500	—	—
Borrowings under other credit facilities	15,000	1,000	—
Repayments under other credit facilities	(12,030)	(300)	—
Proceeds from issuance of debt	9,095	1,000	—
Repayments of debt	(3)	—	(880)
Financing costs	(106)	(5)	(1)
Repurchase of ordinary shares	(400)	(2,601)	(400)
Proceeds from issuance of ordinary shares under share-based compensation plans, net	72	69	219
Proceeds from issuance of ordinary shares upon exercise of warrants	40	—	11
Payment to shareholders for Reclassification of ordinary shares	(9,859)	—	—
Tax benefit from issuance of ordinary shares under share-based compensation plans	70	7	—
Other, net	(1)	30	12
Net cash provided by (used in) financing activities	3,378	(800)	(1,039)
Net increase (decrease) in cash and cash equivalents	774	22	(6)
Cash and cash equivalents at beginning of period	467	445	451
Cash and cash equivalents at end of period	$ 1,241	$ 467	$ 445

See accompanying notes.

TRANSOCEAN INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Nature of Business and Principles of Consolidation

Transocean Inc. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. Our mobile offshore drilling fleet is considered one of the most modern and versatile fleets in the world. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We contract our drilling rigs, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We also provide oil and gas drilling management services on either a dayrate basis or a completed-project, fixed-price (or "turnkey") basis, as well as drilling engineering and drilling project management services, and we participate in oil and gas exploration and production activities. At December 31, 2007, we owned, had partial ownership interests in or operated 140 mobile offshore drilling units. As of this date, our fleet consisted of 39 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 29 Midwater Floaters, 10 High-Specification Jackups, 58 Standard Jackups and four Other Rigs. We also have eight Ultra-Deepwater Floaters contracted for or under construction (see Note 5—Drilling Fleet Expansion, Upgrades and Acquisitions).

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 operated a diverse global drilling rig fleet consisting of drillships, semisubmersibles, jackup rigs and other units including the Gulf of Mexico Shallow and Inland Water segment fleet. R&B Falcon and the Gulf of Mexico Shallow and Inland Water segment later became known as TODCO (together with its subsidiaries and predecessors, unless the context requires otherwise, "TODCO") and the TODCO segment, respectively. In preparation for the initial public offering discussed below, we transferred all assets and subsidiaries out of R&B Falcon that were unrelated to the TODCO segment. In February 2004, we completed an initial public offering (the "TODCO IPO") of approximately 23 percent of TODCO's outstanding shares of its common stock. In September 2004, December 2004 and May 2005, respectively, we completed additional public offerings of TODCO common stock. In June 2005, we completed a sale of our remaining TODCO common stock pursuant to Rule 144 under the Securities Act of 1933, as amended.

In November 2007, we completed our merger transaction (the "Merger") with GlobalSantaFe Corporation ("GlobalSantaFe"). Immediately prior to the effective time of the Merger, each of our outstanding ordinary shares was reclassified by way of a scheme of arrangement under Cayman Islands law into (1) 0.6996 of our ordinary shares and (2) $33.03 in cash (the "Reclassification" and, together with the Merger, the "Transactions"). At the effective time of the Merger, each outstanding ordinary share of GlobalSantaFe (the "GlobalSantaFe Ordinary Shares") was exchanged for (1) 0.4757 of our ordinary shares (after giving effect to the Reclassification) and (2) $22.46 in cash. We have included the financial results of GlobalSantaFe in our consolidated financial statements beginning November 27, 2007, the date GlobalSantaFe Ordinary Shares were exchanged for our ordinary shares.

For investments in joint ventures and other entities that do not meet the criteria of a variable interest entity or where we are not deemed to be the primary beneficiary for accounting purposes of those entities that meet the variable interest entity criteria, we use the equity method of accounting where our ownership is between 20 percent and 50 percent or where our ownership is more than 50 percent and we do not have significant control over the unconsolidated affiliate. We use the cost method of accounting for investments in unconsolidated affiliates where our ownership is less than 20 percent and where we do not have significant influence over the unconsolidated affiliate. We consolidate those investments that meet the criteria of a variable interest entity where we are deemed to be the primary beneficiary for accounting purposes and for entities in which we have a majority voting interest. Intercompany transactions and accounts are eliminated.

In October 2007, we exercised our option to purchase a 50 percent interest in Transocean Pacific Drilling Inc. ("TPDI"), a joint venture company formed by us and Pacific Drilling Limited ("Pacific Drilling"), a Liberian company, whereby we acquired exclusive marketing rights for two ultra-deepwater drillships to be named *Deepwater Pacific 1* and *Deepwater Pacific 2*, which are currently under construction. We are providing construction management services for the newbuilds and have agreed to provide operating management services once the drillships begin operations. Beginning on October 18, 2010, Pacific Drilling will have the right to exchange its interest in the joint venture for our ordinary shares or cash at a purchase price based on an appraisal of the fair value of the drillships, subject to various adjustments.

We have evaluated our interest in TPDI under the standards of Financial Accounting Standards Board ("FASB") Interpretation No. 46, *Consolidation of Variable Interest Entities* ("FIN 46"). FIN 46 requires the consolidation of variable interest entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. TPDI is considered a variable interest entity as its equity is not sufficient to absorb its possible losses, and we are the primary beneficiary for accounting purposes of TPDI. As a result, we consolidate TPDI in our financial statements, the note to us is eliminated and the interest that is not owned by us is reflected as minority interest on our consolidated balance sheet and consolidated statement of operations.

We recognized investments in and advances to unconsolidated affiliates of $15 million and $9 million for the years ended December 31, 2007 and 2006, respectively, and reported these amounts in other assets in our consolidated balance sheet.

We recognized equity in earnings (losses) of unconsolidated affiliates of $(2) million, $5 million and $10 million for the years ended December 31, 2007, 2006 and 2005, respectively, and reported these amounts in other, net in our consolidated statement of operations.

Note 2—Summary of Significant Accounting Policies

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, we evaluate our estimates, including those related to bad debts, materials and supplies obsolescence, investments, intangible assets and goodwill, property and equipment and other long-lived assets, income taxes, workers' insurance, share-based compensation, pensions and other postretirement benefits, other employment benefits and contingent liabilities. We base our estimates on historical experience and on various other assumptions we believe are 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.

Cash and Cash Equivalents—Cash equivalents are stated at cost plus accrued interest, which approximates fair value. Cash equivalents are highly liquid debt instruments with an original maturity of three months or less and may consist of time deposits with a number of commercial banks with high credit ratings, Eurodollar time deposits, certificates of deposit and commercial paper. We may also invest excess funds in no-load, open-end, management investment trusts ("management trusts"). The management trusts invest exclusively in high quality money market instruments. We record restricted cash in other assets in our consolidated balance sheet. At December 31, 2007, we had $7 million classified as restricted cash related to collateral for surety bonds to satisfy certain Venezuelan tax requirements.

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 is unlikely to occur. In establishing these reserves, we consider changes in the financial position of a major customer and restrictions placed on the conversion of local currency to U.S. dollars as well as disputes with our customers regarding the application of contract provisions to our drilling operations. This allowance was $50 million and $26 million at December 31, 2007 and 2006, respectively. Uncollectible accounts receivable are written off when a settlement is reached for an amount that is less than the outstanding historical balance or the balance is determined to be uncollectible. We derive a majority of our revenue from services to international oil companies and government-owned and government-controlled oil companies, and we do not generally require collateral or other security to support client receivables.

Materials and Supplies—Materials and supplies are carried at average cost less an allowance for obsolescence. Such allowance was $22 million and $19 million at December 31, 2007 and 2006, respectively.

Property and Equipment—Property and equipment, consisting primarily of offshore drilling rigs and related equipment, represented approximately 61 percent of our total assets at December 31, 2007. The carrying values of these assets are based on estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of our rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. We compute depreciation using the straight-line method after allowing for salvage values. Expenditures for renewals, replacements and improvements are capitalized. Maintenance and repairs are charged to operating expense as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to gain from disposal of assets, net.

Estimated original useful lives of our drilling units 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. From time to time, we may review the estimated remaining useful lives of our drilling units and may extend the useful life when events and circumstances indicate the drilling unit can operate beyond its original or current useful life. During the first quarter of 2006, we extended the useful life to 35 years for one rig, which had an estimated useful life of 30 years. During 2007, we extended the useful lives to between 35 and 45 years for six rigs, which had estimated useful lives of between 30 to 35 years. We determined the years were appropriate for each of these rigs based on the then current contracts these rigs were operating under as well as the additional life-extending work, upgrades and inspections we performed on these rigs. In 2007, 2006 and 2005, the impact of the change in estimated useful life of these rigs was a reduction in depreciation expense of $25 million ($0.11 per diluted share), $2 million ($0.01 per diluted share) and $16 million ($0.05 per diluted share), respectively, which had no tax effect.

Assets Held for Sale—Assets are classified as held for sale when we have a plan for disposal and those assets meet the held for sale criteria of Statement of Financial Accounting Standards ("SFAS") No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. At December 31, 2006, we had assets held for sale in the amount $11 million that were included in other current assets. At December 31, 2007, there were no assets held for sale (see Note 6—Asset Dispositions and Note 24—Subsequent Events).

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 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 or group of assets being evaluated. Property and equipment held for sale are recorded at the lower of net book value or fair value.

Goodwill—We test goodwill for impairment at least annually, on October 1, at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. Prior to the Merger, we operated in one operating segment, contract drilling services, which we considered to be our sole reporting unit. Since it met all the necessary criteria, we carried forward the results of the goodwill impairment test performed at October 1, 2004 to evaluate goodwill at October 1, 2005, 2006 and 2007. As a result of these tests for impairment, we concluded that goodwill was not impaired in any of the years ended December 31, 2007, 2006 and 2005.

As a result of the Merger, we established two additional reporting units: (1) drilling management services and (2) oil and gas properties (see Note 1—Nature of Business and Principles of Consolidation). For purposes of our annual goodwill impairment testing, we will calculate the estimated fair value of these reporting units based upon the present value of their estimated future net cash flows, utilizing a discount rate based upon our cost of capital.

Our goodwill balance and changes in the carrying amount of goodwill are as follows (in millions):

	Balance at January 1, 2007	Other (a)	Balance at December 31, 2007
Contract drilling services	$ 2,195	$ 5,741	$ 7,936
Drilling management services	—	260	260
Oil and gas properties	—	23	23
Total	$ 2,195	$ 6,024	$ 8,219

(a) Primarily represents the excess of the purchase price over the estimated fair value of net assets acquired as a result of the Merger, our investment in TPDI of $22 million and net adjustments of $14 million recorded during 2007 related to income tax-related pre-acquisition contingencies.

Operating Revenues and Expenses—Operating revenues are recognized as earned, based on contractual daily rates or on a fixed price basis. In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. In connection with new drilling contracts, revenues earned and incremental costs incurred directly related to contract preparation and mobilization are deferred and recognized over the primary contract term of the drilling project using the straight-line method. Our policy to amortize the fees related to contract preparation, mobilization and capital upgrades on a straight-line basis over the estimated firm period of drilling is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract. For contractual daily rate contracts, we account for loss contracts as the losses are incurred. Costs of relocating drilling units without contracts to more promising market areas are expensed as incurred. Upon completion of drilling contracts, any demobilization fees received are reported in income, as are any related expenses. Capital upgrade revenues received are deferred and recognized over the primary contract term of the drilling project. The actual cost incurred for the capital upgrade is depreciated over the estimated useful life of the asset. We incur periodic survey and drydock costs in connection with obtaining regulatory certification to operate our rigs on an ongoing basis. Costs associated with these certifications are deferred and amortized over the period until the next survey on a straight-line basis.

Contract Intangible Revenues—In connection with the Merger, we acquired drilling contracts for future contract drilling services of GlobalSantaFe. These contracts include fixed dayrates and are at dayrates that may be above or below dayrates as of the date of the Merger for similar contracts. We adjusted these drilling contracts to fair value as of the date of the Merger, and as a result, we have recorded $179 million in other assets and $1.4 billion in other long-term liabilities on our consolidated balance sheet for the year ended December 31, 2007. We recognize the intangible revenues over the respective contract period, amortizing the balances using the straight-line method.

Other Revenues—Our other revenues represent drilling management services revenues, oil and gas properties revenues, client reimbursable revenues, integrated services revenues and other miscellaneous revenues. For fixed priced contracts, revenues and expenses are recognized on completion of the well and acceptance by the customer. Events occurring after the date of the financial statements and before the financial statements are issued that are within the normal exposure and risk aspects of the turnkey contracts are considered refinements of the estimation process of the prior year and are recorded as adjustments at the date of the financial statements. Provisions for losses are made on contracts in progress when losses are anticipated. We consider client reimbursable revenues to be billings to our client for reimbursement of certain equipment, materials and supplies, third party services, employee bonuses and out-of-pocket expenses that we incur and recognize in operating and maintenance expense, which results in little or no effect on operating income. We refer to integrated services as those services we provide through third-party contractors and our employees under certain contracts that include well and logistics services in addition to our normal drilling services.

Capitalized Interest—We capitalize interest costs for qualifying construction and upgrade projects. We capitalized interest costs on construction work in progress of $76 million and $16 million for the years ended December 31, 2007 and 2006, respectively. There was no capitalized interest for the year ended December 31, 2005.

Derivative Instruments and Hedging Activities—We account for our derivative instruments and hedging activities in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. See Note 8—Financial Instruments and Risk Concentration and Note 9—Interest Rate Swaps.

Foreign Currency—The majority of our revenues and expenditures are denominated in U.S. dollars to limit our exposure to foreign currency fluctuations, resulting in the use of the U.S. dollar as the functional currency for all of our operations. Foreign currency exchange gains and losses are primarily included in other income (expense) as incurred. Net foreign currency gains losses included in other income (expense) were $10 million, $3 million and $4 million, for the years ended December 31, 2007, 2006 and 2005, respectively.

Income Taxes—Income taxes have been provided based upon the tax laws and rates in effect in the countries in which operations are conducted and income is earned. There is no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries in which we operate have taxation regimes that 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 year to year. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the applicable tax rates in effect at year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. See Note 15—Income Taxes.

Share-Based Compensation—On January 1, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123R”), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation* (“SFAS 123”). SFAS 123R supersedes Accounting Principles Board (“APB”) Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB 25”), and amends SFAS No. 95, *Statement of Cash Flows* (“SFAS 95”). Although the approaches in SFAS 123R and SFAS 123 are similar, SFAS 123R requires income statement recognition of all share-based payments to employees, including grants of employee stock options, based on their fair values and does not permit pro forma disclosure as an alternative. In March 2005, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin (“SAB”) No. 107, *Share-Based Payment* (“SAB 107”), relating to SFAS 123R. We have applied the provisions of SAB 107 in our adoption of SFAS 123R.

We adopted SFAS 123R using the modified prospective method (“Prospective Method”), which requires the application of SFAS 123R as of January 1, 2006. Our consolidated financial statements as of and for the years ended December 31, 2007 and 2006 reflect the application of SFAS 123R. In accordance with the Prospective Method, our consolidated financial statements for prior periods have not been restated to reflect, and do not include, the application of SFAS 123R. Share-based compensation expense for the years ended December 31 is as follows (in millions):

	Years ended December 31,		
	2007	2006	2005
Share-based compensation expense	$ 78	$ 20	$ 16
Income tax benefit on share-based compensation expense	(9)	(2)	(3)

SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Additionally, SFAS 123R requires the estimated forfeiture rate be applied and the cumulative effect determined for all prior periods in which share-based compensation costs have been recorded. The cumulative effect of applying the expected forfeiture rate has been included in operating and maintenance expense and general and administrative expense, the impact of which had no material effect on our consolidated statement of financial position, results of operations or cash flows.

We adopted SFAS 123 effective January 1, 2003 and accounted for share-based compensation prospectively for all share-based awards granted or modified on or subsequent to that date. As such, adoption of SFAS 123R using the Prospective Method had no material impact on our consolidated statement of financial position, results of operations or cash flows. In addition to the compensation cost recognition requirements, SFAS 123R also requires the tax deduction benefits for an award in excess of recognized compensation cost to be reported as a financing cash flow rather than as an operating cash flow.

Under SFAS 123, we recognized compensation cost on a straight-line basis over the vesting period up to the date of actual retirement. As a result of the adoption of SFAS 123R, we now recognize compensation cost on a straight-line basis for time-based awards granted or modified after January 1, 2006 through the date the employee is no longer required to provide service to earn the award ("service period"). For performance-based awards with graded vesting conditions that are granted or modified after January 1, 2006, compensation expense is recognized on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. If we had amortized compensation cost over the service period prior to adoption of SFAS 123R, share-based compensation expense would not have been materially different for any of the periods presented.

Prior to January 1, 2003, we accounted for share-based awards to employees under the provisions of SFAS 123 using the intrinsic value method prescribed by APB 25 and related interpretations. If compensation expense for grants to employees under our long-term incentive plan prior to January 1, 2003 had been recognized using the fair value method of accounting under SFAS 123, net income and earnings per share for the year ended December 31, 2005 would have been reduced by the pro forma amount of approximately $2 million, which was not material.

The fair value of each option grant under our long-term incentive plan was estimated on the date of grant using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions:

	Years ended December 31,		
	2007	2006	2005
Dividend yield	—	—	—
Expected price volatility	31%	33%-37%	26%-38%
Risk-free interest rate	4.88%-5.09%	4.52%-5.00%	2.86%-4.57%
Expected life of options	3.2 years	4.7 years	4.4 years
Weighted-average fair value of options granted	$40.69	$31.30	$21.92

The fair value of each option grant under the ESPP was estimated using the following weighted-average assumptions:

	Years ended December 31,		
	2007	2006	2005
Dividend yield	–	–	–
Expected price volatility	33%	33%	28%
Risk-free interest rate	4.91%	4.42%	2.81%
Expected life of options	1.0 year	1.0 year	1.0 year
Weighted-average fair value of options granted	$23.01	$21.48	$7.10

New Accounting Pronouncements—In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but rather provides guidance for the application of fair value measurements required in other accounting pronouncements and seeks to eliminate inconsistencies in the application of such guidance among those other standards. SFAS 157 is effective for fiscal years beginning after November 15, 2007. We will be required to adopt SFAS 157 in the first quarter of fiscal year 2008. We do not expect SFAS 157 to have a material effect on our consolidated statement of financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of the first fiscal year beginning after November 15, 2007. We will be required to adopt SFAS 159 in the first quarter of fiscal year 2008. We do not expect SFAS 159 to have a material effect on our consolidated statement of financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for noncontrolling interests, also known as minority interests, in a subsidiary and for the deconsolidation of a subsidiary. It requires that a noncontrolling interest in a subsidiary be reported as equity in the consolidated financial statements and requires that consolidated net income attributable to the parent and to the noncontrolling interests be shown separately on the face of the income statement. SFAS 160 also requires, among other things, that noncontrolling interests in formerly consolidated subsidiaries be measured at fair value. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We will be required to adopt SFAS 160 in the first quarter of 2009. Management is currently evaluating the requirements of SFAS 160 and has not yet determined the impact on our consolidated statement of financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141R, *Business Combinations* ("SFAS 141R"). SFAS 141R replaces SFAS No. 141, *Business Combinations*. SFAS 141R, among other things, (1) provides more specific guidance with respect to identifying the acquirer in a business combination, (2) broadens the scope of business combinations to include all transactions in which one entity gains control over one or more other businesses, and (3) requires costs incurred to effect the acquisition (acquisition-related costs) and anticipated restructuring costs of the acquired company to be recognized separately from the acquisition. SFAS 141R applies prospectively to business combinations for which the acquisition date occurs in fiscal years beginning after December 15, 2008. We would be required to apply the principles of SFAS 141R to business combinations with acquisition dates in calendar year 2009. Due to the prospective application requirements, it is not possible to determine what effect, if any, SFAS 141R would have on our consolidated statement of financial position, results of operations or cash flows.

Reclassifications—Certain reclassifications have been made to prior period amounts to conform with the current year presentation. These reclassifications did not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Note 3—Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss at December 31, 2007, 2006 and 2005, net of tax, are as follows (in millions):

	Gain on terminated interest rate swaps	Minimum pension liability	SFAS 158 pension adjustment	Total other comprehensive income (loss)
Balance at December 31, 2004	$ 3	$ (27)	$ —	$ (24)
Other comprehensive income (loss)	—	4	—	4
Balance at December 31, 2005	3	(23)	—	(20)
Other comprehensive income (loss)	—	16	—	16
Adjustment to initially apply SFAS 158, net of tax	—	7(a)	(33) (a)	(26)
Balance at December 31, 2006	3	—	(33)	(30)
Other comprehensive income	—	—	4	4
Change in funded status of deferred benefit plans	—	—	(16)	(16)
Balance at December 31, 2007	$ 3	$ —	$ (45)	$ (42)

(a) Adjustment to initially apply SFAS 158 resulting in a net adjustment of $26 million.

Note 4—Merger with GlobalSantaFe Corporation

In November 2007, we completed the Merger. We believe the Merger adds to and expands upon relationships with significant customers, expands our existing floater and jackup fleet and expands our presence in the major offshore drilling provinces. In connection with the Merger, we established a severance plan. See Note 18—Retirement Plans, Other Postemployment Benefits and Other Benefit Plans.

We issued approximately 107,752,000 of our ordinary shares and paid out $5 billion in cash in connection with the Merger. We accounted for the Merger using the purchase method of accounting with the Company treated as the accounting acquirer. As a result, the assets and liabilities of Transocean remain at historical amounts. The assets and liabilities of GlobalSantaFe are recorded at their estimated fair values at November 27, 2007, the date of completion of the Transactions, with the excess of the purchase price over the sum of these fair values recorded as goodwill, and we have included the results of operations and cash flows for approximately one month of 2007 in our consolidated financial statements.

The purchase price is comprised of the following (in millions):

Value of Transocean shares issued to GlobalSantaFe shareholders	$ 12,229
Cash consideration to GlobalSantaFe shareholders	5,094
Fair value of converted GlobalSantaFe stock options and stock appreciation rights	157
Transocean transaction costs	35
Total purchase price	$ 17,515

The purchase price allocation for the Merger included the following (in millions):

Historical net book value of GlobalSantaFe (a)	$ 5,776
Fair value adjustment of property and equipment—contract drilling services, net	7,385
Fair value adjustment of property and equipment—oil and gas properties, net	55
Fair value adjustment of materials and supplies, net	138
Fair value adjustment of defined benefit plans, net	31
Elimination of historical deferred revenues associated with contract drilling services	107
Elimination of historical deferred expenses associated with contract drilling services	(34)
Adjustment to deferred income taxes resulting from various pro forma adjustments, net	(530)
Adjustment to goodwill – contract drilling services	5,400
Adjustment to goodwill – drilling management services	260
Adjustment to goodwill – oil and gas properties	23
Adjustment to drilling contract intangibles, net	(1,303)
Adjustment to other intangible items, net	239
Severance costs for legacy GlobalSantaFe affected employees	(25)
Other, net	(7)
Total purchase price	$ 17,515

(a) Historical net book value of GlobalSantaFe includes goodwill of $333 million associated with prior business combinations, which was eliminated in the purchase price allocation.

The purchase price included, at estimated fair value, current assets of $2.1 billion, drilling and other property and equipment of $12.3 billion, intangible assets of $430 million, other assets of $112 million and the assumption of current liabilities of $439 million, other net long-term liabilities of $2.1 billion and long-term debt of $575 million. The excess of the purchase price over the estimated fair value of net assets acquired was $5.7 billion, which has been accounted for as goodwill.

Certain purchase price allocations have not been finalized and the purchase price allocation is preliminary. Due to the number of assets acquired and the closing of the Merger close to our year-end, we are continuing our review of the valuation of property and equipment, intangible assets, liabilities, evaluation of tax positions and contingencies.

In connection with the Merger, we acquired drilling contracts for future contract drilling services of GlobalSantaFe. These contracts include fixed dayrates and dayrates that may be above or below dayrates as of the date of the Merger for similar contracts. We adjusted these drilling contracts to fair value as of the date of the Merger, and after amortizing $88 million in contract intangible revenues in December 2007, the remaining balances were $179 million recorded in other assets and $1,394 million recorded in other long-term liabilities on our consolidated balance sheet at December 31, 2007. We will recognize contract intangible revenues over nine years, amortizing the balances using the straight-line method over the respective contract periods.

Additionally, we identified other intangible assets associated with drilling management services, including the trade name, customer relationships and contract backlog. We consider the ADTI trade name to be an indefinite life intangible asset, which will not be amortized and will be subject to an annual impairment test. The customer relationships and contract backlog have definite lifespans and will each be amortized over their useful lives of 15 years and three months, respectively. At year end, the carrying values of these intangibles were $76 million, $145 million, and $11 million for the trade name, customer relationships and contract backlog, respectively.

The unaudited pro forma condensed combined statements of operations have not been adjusted for additional charges and expenses or for other potential cost savings and operational efficiencies that may be realized as a result of the Transactions. Unaudited pro forma combined operating results of the Company and GlobalSantaFe assuming the Transactions were completed as of January 1, 2007 and 2006, respectively, are as follows (in millions, except per share data):

	2007	2006
Operating revenues	$ 11,022	$ 7,934
Operating income	4,967	2,845
Income from continuing operations	3,756	1,614
Earnings per share		
Basic	$ 17.55	$ 4.85
Diluted	$ 16.95	$ 4.69

The pro forma financial information includes adjustments for additional depreciation based on the fair market value of the drilling and other property and equipment acquired, amortization of intangibles arising from the Merger, 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 result of operations had the Transactions been completed on the assumed dates or the results of operations for any future periods.

Note 5—Drilling Fleet Expansion, Upgrades and Acquisitions

Construction work in progress, recorded in property and equipment, was $3.1 billion, $1.0 billion and $111 million at December 31, 2007, 2006 and 2005, respectively. The following table summarizes actual capital expenditures, including capitalized interest, for our major construction and conversion projects (in millions):

	Year ended December 31, 2007	Year ended December 31, 2006	Total Costs
GSF Development Driller III (a)	$ 369	$ —	$ 369
Deepwater Pacific 1 (b)	279	—	279
Sedco 700-series upgrades	250	146	396
Discoverer Clear Leader	195	214	409
Discoverer Americas	195	106	301
Deepwater Pacific 2 (b)	179	—	179
Discoverer Inspiration	120	128	248
GSF Newbuild (a)	109	—	109
Discoverer Luanda	107	—	107
Capitalized Interest	76	16	92
Total	$ 1,879	$ 610	$ 2,489

(a) These costs include our initial investments in the *GSF Development Driller III* and GSF Newbuild of $356 million and $109 million, respectively, representing the estimated fair values of the rigs at the time of the Merger.

(b) The costs for *Deepwater Pacific 1* and *Deepwater Pacific 2* represent 100 percent of expenditures incurred prior to our investment in the joint venture ($277 million and $178 million, respectively) and 100 percent of expenditures incurred since our investment in the joint venture. However, Pacific Drilling shares 50 percent of these costs.

No major construction or conversion projects occurred during the year ended December 31, 2005.

In April 2007, we entered into a marketing and purchase option agreement with Pacific Drilling that provided us with the exclusive marketing right for two newbuild Ultra-Deepwater Floaters to be named *Deepwater Pacific 1* and *Deepwater Pacific 2*, as well as an option to purchase a 50 percent interest in a joint venture company through which we and Pacific Drilling would own the drillships. In October 2007, we obtained a firm commitment for the *Deepwater Pacific 1*, and we exercised our option and acquired a 50 percent interest in the joint venture, TPDI.

In June 2007, we were awarded a drilling contract for a fourth enhanced Enterprise-class drillship to be named the *Discoverer Luanda*. As a result of the Merger, we acquired one Ultra-Deepwater Floater under construction, the *GSF Development Driller III*, and one contracted for construction.

Note 6—Asset Dispositions

During 2007, we sold a Deepwater Floater (*Peregrine I*), a tender rig (*Charley Graves*) and a swamp barge (*Searex VI*). We received net proceeds from these sales of $344 million and recognized gains on the sales of $264 million ($261 million, or $1.16 per diluted share, net of tax).

During 2006, we sold three of our Midwater Floaters (*Peregrine III*, *Transocean Explorer* and *Transocean Wildcat)*, three of our tender rigs (*W.D. Kent*, *Searex IX* and *Searex X*), a swamp barge (*Searex XII*) and a platform rig. We received net proceeds from these sales of $464 million and recognized gains on the sales of $411 million ($386 million, or $1.19 per diluted share, net of tax).

During 2005, we sold a Midwater Floater (*Sedco 600*), a Jackup rig (*Transocean Jupiter*) and a land rig. We received net proceeds from these sales of $49 million and recognized gains on the sales of $33 million ($28 million, or $0.08 per diluted share, net of tax).

Note 7—Debt

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

	December 31, 2007	December 31, 2006
Term Credit Facility due August 2008	$ –	$ 700
Floating Rate Notes due September 2008 (a)	1,000	1,000
Bridge Loan Facility due November 2008 (a)	3,670	–
364-Day Revolving Credit Facility due December 2008 (a)	1,500	–
6.625% Notes due April 2011	177	180
5% Notes due February 2013	246	–
5.25% Senior Notes due March 2013	499	–
6.00% Senior Notes due March 2018	997	–
7.375% Senior Notes due April 2018	247	247
Zero Coupon Convertible Debentures due May 2020	–	18
1.5% Convertible Debentures due May 2021	–	400
Capital lease obligation due July 2026 (b)	17	–
8% Debentures due April 2027	57	57
7.45% Notes due April 2027 (c)	95	95
7% Senior Notes due June 2028	314	–
7.5% Notes due April 2031	598	598
1.625% Series A Convertible Senior Notes due December 2037	2,200	–
1.50% Series B Convertible Senior Notes due December 2037	2,200	–
1.50% Series C Convertible Senior Notes due December 2037	2,200	–
6.80% Senior Notes due March 2038	999	–
Debt to affiliates	241	3
Total debt	17,257	3,298
Less debt due within one year (a)(b)(c)	6,172	95
Total long-term debt	$ 11,085	$ 3,203

(a) The Floating Rate Notes, Bridge Loan Facility and 364-Day Revolving Credit Facility were classified as debt due within one year at December 31, 2007.

(b) The capital lease obligation had $2 million classified as debt due within one year at December 31, 2007.

(c) The 7.45% Notes were classified as debt due within one year at December 31, 2006 since the holders had the option to require us to repurchase the notes in April 2007. At March 31, 2007, we reclassified these notes as long-term debt, as no holders had notified us of their intent to exercise their option by the required notification date of March 15, 2007.

The scheduled maturity of our debt assumes the bondholders exercise their options to require us to repurchase the 1.625% Series A, 1.50% Series B and 1.50% Series C Convertible Senior Notes in December 2010, 2011 and 2012, respectively. All amounts are at face value. The scheduled maturities are as follows (in millions):

Years ending December 31,	
2008	$ 6,172
2009	–
2010	2,200
2011	2,366
2012	2,201
Thereafter	4,308
Total	$ 17,247

Commercial Paper Program—In December 2007, we entered into a commercial paper program (the "Program"). The 364-Day Revolving Credit Facility and the Five-Year Revolving Credit Facility provide liquidity for the Program. At December 31, 2007, no amounts were outstanding under the Program. See Note 24—Subsequent Events.

Former Revolving Credit Facility—In July 2005, we entered into a $500 million, five-year revolving credit agreement ("Former Revolving Credit Facility"). In May 2006, we increased the credit limit on the facility from $500 million to $1.0 billion and extended the maturity date by one year from July 2010 to July 2011, and in June 2007, we extended the maturity on the facility by another year to July 2012. At our election, the Former Revolving Credit Facility bore interest at either a base rate or at LIBOR plus a margin that could vary from 0.19 percent to 0.58 percent depending on our non-credit enhanced senior unsecured long-term debt rating ("Debt Rating"). In September 2007, we repaid the then outstanding balance and terminated this facility. See "—Debt Redemptions, Refinancings and Repayments."

Term Credit Facility—In August 2006, we entered into a two-year term credit facility under the Term Credit Agreement dated August 30, 2006 ("Term Credit Facility"). Under the terms of the Term Credit Facility, we were able to request borrowings up to $1.0 billion over the first six months of the term. After six months, any unused capacity was cancelled. Once repaid, the funds could not be reborrowed. At our election, borrowings could be made under the Term Credit Facility at either (1) the base rate, determined as the greater of (a) the prime loan rate or (b) the sum of the weighted average overnight federal funds rate plus 0.50 percent, or (2) LIBOR plus 0.30 percent, based on current credit ratings. We terminated the facility in August 2007. See "—Debt Redemptions, Refinancings and Repayments."

Floating Rate Notes—In September 2006, we issued $1.0 billion aggregate principal amount of floating rate notes, due September 2008 ("Floating Rate Notes"). We are required to pay interest on the Floating Rate Notes on March 5, June 5, September 5 and December 5 of each year, beginning on December 5, 2006. The per annum interest rate on the Floating Rate Notes is equal to the three month LIBOR, reset on each payment date, plus 0.20 percent. We may redeem some or all of the notes at any time after September 2007 at a price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any. At December 31, 2007, $1.0 billion principal amount of these notes was outstanding at an interest rate of 5.14 percent.

Bridge Loan Facility—In September 2007, we entered into the Bridge Loan Facility. In connection with the Transactions, we borrowed $15 billion under the Bridge Loan Facility at the reserve-adjusted LIBOR plus the applicable margin, which is based upon our Debt Rating. As of December 31, 2007, the applicable margin was 0.4 percent. We may prepay the Bridge Loan Facility in whole or in part without premium or penalty. In addition, this facility requires mandatory prepayments of outstanding borrowings in an amount equal to 100 percent of the net cash proceeds resulting from any of the following (in each case subject to certain agreed exceptions): (1) the sale or other disposition of any of our property or assets above a predetermined threshold; (2) the receipt of certain net insurance or condemnation proceeds; (3) certain issuances of our equity securities; and (4) the incurrence of indebtedness for borrowed money by us. The Bridge Loan Facility also contains certain covenants that are applicable during the period in which any borrowings are outstanding, including a maximum leverage ratio. Borrowings under the Bridge Loan Facility are subject to acceleration upon the occurrence of events of default. At December 31, 2007, we had $3.7 billion outstanding under this facility at a weighted-average interest rate of 5.41 percent. See Note 24—Subsequent Events.

364-Day Revolving Credit Facility—In December 2007, we entered into a credit agreement for a 364-Day, $1.5 billion revolving credit facility ("364-Day Revolving Credit Facility"). The 364-Day Revolving Credit Facility bears interest, at our option, at either (1) a base rate, determined as the greater of (a) the prime loan rate or (b) the federal funds effective rate plus 0.50 percent, or (2) the reserve-adjusted LIBOR plus the applicable margin, which is based upon our Debt Rating. A facility fee, varying from 0.05 percent to 0.15 percent depending on our Debt Rating, is incurred on the daily amount of the underlying commitment, whether used or unused, throughout the term of the facility. A utilization fee, varying from 0.05 percent to 0.10 percent depending on our Debt Rating, is payable if amounts outstanding under the 364-Day Revolving Credit Facility are greater than or equal to 50 percent of the total underlying commitment. At December 31, 2007, the applicable margin, facility fee and utilization fee were 0.28 percent, 0.07 percent and 0.10 percent, respectively. The 364-Day Revolving Credit Facility may be prepaid in whole or in part without premium or penalty. The 364-Day Revolving Credit Facility requires compliance with various covenants and provisions customary for agreements of this nature, including a debt to total tangible capitalization ratio, as defined by the 364-Day Revolving Credit Facility, of not greater than 60 percent at December 31, 2009 and at the end of each quarter thereafter and a maximum leverage ratio of no greater than 350 percent as of June 30, 2008 and 300 percent at the end of each quarter thereafter through September 30, 2009. At December 31, 2007, we had $1.5 billion outstanding under this facility at a weighted-average interest rate of 5.52 percent. See Note 24—Subsequent Events.

Five-Year Facility—In November 2007, we entered into a $2.0 billion, five-year revolving credit facility under the Five-Year Revolving Credit Facility Agreement dated November 27, 2007 ("Five-Year Revolving Credit Facility"). Under the terms of the Five-Year Revolving Credit Facility, we may make borrowings at either (1) a base rate, determined as the greater of (a) the prime loan rate or (b) the federal funds effective rate plus 0.5 percent, or (2) the reserve-adjusted LIBOR plus the applicable margin, which is based upon our Debt Rating. A facility fee, varying from 0.07 percent to 0.17 percent depending on our Debt Rating, is incurred on the daily amount of the underlying commitment, whether used or unused, throughout the term of the facility. A utilization fee, varying from 0.05 percent to 0.10 percent depending on our Debt Rating, is payable if amounts outstanding under the Five-Year Revolving Credit Facility are greater than or equal to 50 percent of the total underlying commitment. At December 31, 2007, the applicable margin, facility fee and utilization fee were 0.26 percent, 0.09 percent and 0.10 percent, respectively. The Five-Year Revolving Credit Facility may be prepaid in whole or in part without premium or penalty. The Five-Year Revolving Credit Facility requires compliance with various covenants and provisions customary for agreements of this nature, including a debt to total tangible capitalization ratio, as defined by the Five-Year Revolving Credit Facility, of not greater than 60 percent at December 31, 2009 and at the end of each quarter thereafter and a maximum leverage ratio of no greater than 350 percent as of June 30, 2008 and 300 percent at the end of each quarter thereafter through September 30, 2009. At December 31, 2007, no borrowings were outstanding under the Five-Year Revolving Credit Facility.

6.625% Notes and 7.5% Notes—In April 2001, we issued $700 million aggregate principal amount of 6.625% Notes due April 2011 and $600 million aggregate principal amount of 7.5% Notes due April 2031. At December 31, 2007, $166 million and $600 million principal amount of the 6.625% Notes and 7.5% Notes, respectively, were outstanding.

5% Notes and 7% Notes—In November 2007, Transocean Worldwide Inc. executed a supplemental indenture to assume the obligations related to the 5% Notes due 2013 (the "5% Notes") issued by GlobalSantaFe under the indenture dated as of February 1, 2003. Additionally, as a result of the Merger, we acquired Global Marine Inc, formerly a subsidiary of GlobalSantaFe and now our subsidiary, which is the obligor on the 7% Notes due 2028 (the "7% Notes"), which were issued under the indenture dated as of September 1, 1997. The 5% Notes are the obligation of Transocean Worldwide Inc. and the 7% Notes are the obligation of Global Marine Inc., and we have not guaranteed either obligation. The respective obligor may redeem the 5% Notes and the 7% Notes in whole or in part at a price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. The indentures related to the 5% Notes and the 7% Notes contain limitations on the obligor's ability to incur indebtedness for borrowed money secured by certain liens and on its ability to engage in certain sale/leaseback transactions. At December 31, 2007, $250 million and $300 million aggregate principal amount of the 5% Notes and the 7% Notes, respectively, remained outstanding

5.25%, 6.00% and 6.80% Senior Notes—In December 2007, we issued $0.5 billion aggregate principal amount of 5.25% Senior Notes due March 2013 (the "5.25% Senior Notes"), $1.0 billion aggregate principal amount of 6.00% Senior Notes due March 2018 (the "6.00% Senior Notes") and $1.0 billion aggregate principal amount of 6.80% Senior Notes due March 2038 (the "6.80% Senior Notes," and together with the 5.25% Senior Notes and the 6.00% Senior Notes, the "Senior Notes"). We are required to pay interest on the Senior Notes on March 15 and September 15 of each year, beginning March 15, 2008. We may redeem some or all of the notes at any time, at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. At December 31, 2007, $500 million, $1.0 billion and $1.0 billion principal amount of the 5.25%, 6.00% and 6.80% Senior Notes, respectively, were outstanding.

Zero Coupon Convertible Debentures—In May 2000, we issued Zero Coupon Convertible Debentures due May 2020 with a face value at maturity of $865 million. The debentures were issued to the public at a price of $579.12 per debenture and accrued original issue discount at a rate of 2.75 percent per annum compounded semiannually to reach a face value at maturity of $1,000 per debenture. We paid no interest on the debentures prior to maturity and, since May 2003, we had the right to redeem the debentures for a price equal to the issuance price plus accrued original issue discount to the date of redemption. Each holder had the right to require us to repurchase the debentures on the third, eighth and thirteenth anniversary of issuance at the issuance price plus accrued original issue discount to the date of repurchase. We could pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures were convertible into our ordinary shares at the option of the holder at any time at a ratio of 8.1566 shares per debenture, which was equivalent to an initial conversion price of $71.00 per share, subject to adjustments if certain events took place. See "—Debt Redemptions, Refinancings and Repayments."

1.5% Convertible Debentures—In May 2001, we issued $400 million aggregate principal amount of 1.5% Convertible Debentures due May 2021. We had the right to redeem the debentures for a price equal to 100 percent of the principal. Each holder had the right to require us to repurchase the debentures after five, 10 and 15 years at 100 percent of the principal amount. We could pay this repurchase price with either cash or ordinary shares or a combination of cash and ordinary shares. The debentures were convertible into our ordinary shares at the option of the holder at any time at a ratio of 13.8627 shares per $1,000 principal amount debenture, which was equivalent to an initial conversion price of $72.136 per share. This ratio was subject to adjustments if certain events took place, and conversion could only occur if the closing sale price per ordinary share exceeded 110 percent of the conversion price for at least 20 trading days in a period of 30 consecutive trading days ending on the trading day immediately prior to the conversion date or if other specified conditions were met. See "—Debt Redemptions, Refinancings and Repayments."

Capital Lease Obligations—The *GSF Explorer* is held under a capital lease through 2026. The capital lease for the *GSF Explorer* has a remaining term of 19 years. See Note 16—Commitments and Contingencies.

7.45% Notes and 8% Debentures—In April 1997, we issued $100 million aggregate principal amount of 7.45% Notes due April 2027 (the "7.45% Notes") and $200 million aggregate principal amount of 8% Debentures due April 2027 (the "8% Debentures"). The 7.45% Notes and the 8% Debentures are redeemable at any time at our option subject to a make-whole premium. At December 31, 2007, $100 million and $57 million principal amount of the 7.45% Notes and the 8% Debentures, respectively, were outstanding.

1.625% Series A, 1.50% Series B and 1.50% Series C Convertible Senior Notes—In December 2007, we issued $2.2 billion aggregate principal amount of 1.625% Series A Convertible Senior Notes due December 2037 (the "Series A Notes"), $2.2 billion aggregate principal amount of 1.50% Series B Convertible Senior Notes due December 2037 (the "Series B Notes") and $2.2 billion aggregate principal amount of 1.50% Series C Convertible Senior Notes due December 2037 (the "Series C Notes," and together with the Series A and Series B Notes, the "Convertible Notes"). We are required to pay interest on the Convertible Notes on June 15 and December 15 of each year, beginning June 15, 2008. The Convertible Notes may be converted under the circumstances specified below at an initial rate of 5.9310 ordinary shares per $1,000 note. The initial conversion rate is subject to adjustments upon the occurrence of certain corporate events but not for accrued interest. Upon conversion, we will deliver, in lieu of ordinary shares, cash up to the aggregate principal amount of notes to be converted and ordinary shares in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted. In addition, if certain fundamental changes occur on or before December 20, 2010, with respect to Series A Notes, December 20, 2011, with respect to Series B Notes or December 20, 2012, with respect to Series C Notes, we will in some cases increase the conversion rate for a holder electing to convert notes in connection with such fundamental change. We may redeem some or all of the notes at any time after December 20, 2010, in the case of the Series A Notes, December 20, 2011, in the case of the Series B Notes and December 20, 2012, in the case of the Series C Notes, in each case at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any. Holders of the Series A Notes and Series B Notes have the right to require us to repurchase their notes on December 15, 2010 and December 15, 2011, respectively. In addition, holders of any series of notes will have the right to require us to repurchase their notes on December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032, and upon the occurrence of a fundamental change, at a repurchase price in cash equal to 100 percent of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any. At December 31, 2007, $2.2 billion principal amount of each of the Series A Notes, Series B Notes and Series C Notes were outstanding.

Holders may convert their notes only under the following circumstances: (1) during any calendar quarter after March 31, 2008 if the last reported sale price of our ordinary shares for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130 percent of the conversion price, (2) during the five business days after the average trading price per $1,000 principal amount of the notes is equal to or less than 98 percent of the average conversion value of such notes during the preceding five trading-day period as described herein, (3) during specified periods if specified distributions to holders of our ordinary shares are made or specified corporate transactions occur, (4) prior to the close of business on the business day preceding the redemption date if the notes are called for redemption or (5) on or after September 15, 2037 and prior to the close of business on the business day prior to the stated maturity of the notes. Upon conversion, we will deliver, in lieu of ordinary shares, cash up to the aggregate principal amount of notes to be converted and ordinary shares in respect of the remainder, if any, of our conversion obligation in excess of the aggregate principal amount of the notes being converted.

Debt to Affiliates—In November 2005, we entered into a loan agreement with Overseas Drilling Limited ("ODL"), a company in which we own a 50 percent interest, pursuant to which we may borrow up to $8 million. ODL may demand repayment at any time upon five business days prior written notice given to us and any amount due to us from ODL may be offset against the loan amount at the time of repayment. As of December 31, 2007, $3 million was outstanding under this loan agreement.

In October 2007, TPDI, a joint venture in which we own 50 percent, issued a promissory note to us for approximately $238 million. Concurrently, TPDI issued a note to Pacific Drilling for approximately $238 million, which is reflected in long-term debt in our consolidated balance sheet.

Debt Redemptions, Refinancings and Repayments—In August 2007, we terminated our existing two-year Term Credit Facility. Prior to the termination, we repaid the then outstanding balance of $470 million. We recognized a loss on the termination of this debt of $1 million, which had no tax effect.

In November 2007, we terminated our $1.0 billion Former Revolving Credit Facility. We recognized a loss on the termination of this debt of $1 million, which had no tax effect.

In December 2007, we refinanced a total of $10.5 billion of borrowings under the Bridge Loan Facility using proceeds from borrowings under the 364-Day Revolving Credit Facility, the Senior Notes and the Convertible Notes. We recognized a loss on the retirement of this debt of $6 million ($0.03 per diluted share), which had no tax effect. In addition, we repaid $820 million of borrowings under the Bridge Loan Facility using internally generated cash flow. See Note 24—Subsequent Events.

In October 2007, we called our Zero Coupon Convertible Debentures due May 15, 2020. Between the notification and the trading day prior to the redemption date, holders retained the right to convert the debentures into our ordinary shares at a rate of 8.1566 ordinary shares per $1,000 debenture. During this period, we issued 148,244 ordinary shares upon conversion of $18 million aggregate principal amount of debentures. In November 2007, we redeemed the remaining debentures at an approximate cost of $18,000, plus accrued and unpaid interest.

In October 2007, we also called our 1.5% Convertible Debentures due May 15, 2021. Between the notification date and the fourth trading day prior to the redemption date, holders retained the right to convert the debentures into our ordinary shares at a rate of 13.8627 ordinary shares per $1,000 debenture. During this period, we issued 5,499,613 ordinary shares upon conversion of $397 million aggregate principal amount of debentures. In November 2007, we redeemed the remaining debentures at an approximate cost of $3 million, plus accrued and unpaid interest.

Holders of our 1.5% Convertible Debentures due May 15, 2021 had the option to require us to repurchase their debentures in May 2006; however, no holders exercised such right. In May 2006, holders of $101,000 aggregate principal amount converted their debentures into ordinary shares at a conversion rate of 13.8627 ordinary shares per $1,000 debenture, resulting in the issuance of 1,399 ordinary shares.

In July 2005, we acquired, pursuant to a tender offer, a total of $534 million, or approximately 76.3 percent, of the aggregate principal amount of our 6.625% Notes due April 2011 at 110.578 percent of face value, or $591 million, plus accrued and unpaid interest.

In March 2005, we redeemed our outstanding 6.95% Senior Notes due April 2008 at the make-whole premium price provided in the indenture. We recognized a loss on the redemption of debt of $7 million ($0.02 per diluted share), which had no tax effect.

Note 8—Financial Instruments and Risk Concentration

Foreign Exchange Risk—Our international operations expose us to foreign exchange risk. This risk is primarily associated with compensation costs denominated in currencies other than the U.S. dollar, which is our functional currency, and with purchases from foreign suppliers. We use a variety of techniques to minimize the exposure to foreign exchange risk, including customer contract payment terms and the possible use of foreign exchange derivative instruments.

Our primary foreign exchange risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual foreign exchange needs may vary from those anticipated in the customer contracts, resulting in partial exposure to foreign exchange risk. Fluctuations in foreign currencies typically have not had a material impact on overall results. In situations where payments of local currency do not equal local currency requirements, foreign exchange derivative instruments, specifically foreign exchange forward contracts, or spot purchases, may be used to mitigate foreign currency risk. A foreign exchange forward contract obligates us to exchange predetermined amounts of specified foreign currencies at specified exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange.

We do not enter into derivative transactions for speculative purposes. Gains and losses on foreign exchange derivative instruments, which qualify as accounting hedges, are deferred as other comprehensive income and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments, which do not qualify as hedges for accounting purposes, are recognized currently based on the change in market value of the derivative instruments. At December 31, 2007 and 2006, we had no outstanding foreign exchange derivative instruments.

Interest Rate Risk—Our use of debt directly exposes us to interest rate risk. Floating rate debt, where the interest rate can be changed every year or less over the life of the instrument, exposes us to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument and the instrument's maturity is greater than one year, exposes us to changes in market interest rates should we refinance maturing debt with new debt.

In addition, we are exposed to interest rate risk in our cash investments, as the interest rates on these investments change with market interest rates.

From time to time, we may use interest rate swap agreements to manage the effect of interest rate changes on future income. These derivatives are used as hedges and are not used for speculative or trading purposes. Interest rate swaps are designated as a hedge of underlying future interest payments. These agreements involve the exchange of amounts based on variable interest rates and amounts based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based. The interest rate differential to be received or paid on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. Gains and losses on terminations of interest rate swap agreements are deferred and recognized as an adjustment to interest expense over the remaining life of the underlying debt. In the event of the early retirement of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income.

We had no interest rate swap transactions outstanding as of December 31, 2007 and 2006. See Note 9—Interest Rate Swaps.

Credit Risk—Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents and trade receivables. It is our practice to place our cash and cash equivalents in time deposits at commercial banks with high credit ratings or mutual funds, which invest exclusively in high quality money market instruments. In foreign locations, local financial institutions are generally utilized for local currency needs. We limit the amount of exposure to any one institution and do not believe we are exposed to any significant credit risk.

We derive the majority of our revenue from services to international oil companies, government-owned and government-controlled oil companies. Receivables are dispersed in various countries. See Note 19—Segments, Geographical Analysis and Major Customers. We maintain an allowance for doubtful accounts receivable based upon expected collectibility and 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 are not aware of any significant credit risks relating to our customer base and do not generally require collateral or other security to support customer receivables.

Labor Agreements—We require highly skilled personnel to operate our drilling units. As a result, we conduct extensive personnel recruiting, training and safety programs. At December 31, 2007, we had approximately 21,100 employees and we also utilized approximately 3,400 persons through contract labor providers. Some of our employees, most of whom work in the U.K., Nigeria and Norway, are represented by collective bargaining agreements. In addition, some of our contracted labor work under collective bargaining agreements. Many of these represented individuals are working under agreements that are subject to ongoing salary negotiation in 2008. These negotiations could result in higher personnel expenses, other increased costs or increased operation restrictions. Additionally, the unions in the U.K. have sought an interpretation of the application of the Working Time Regulations to the offshore sector. The Tribunal has recently issued its decision and we are currently reviewing the decision to determine its potential impact on our operations and expenses as well as to determine whether the decision should be appealed. The application of the Working Time Regulations to the offshore sector could result in higher labor costs and could undermine our ability to obtain a sufficient number of skilled workers in the U.K.

Note 9—Interest Rate Swaps

In June 2001 and February 2002, we entered into interest rate swaps with various banks related to certain notes in the aggregate notional amount of $1.6 billion. In January 2003, we terminated all our outstanding interest rate swaps, which were designated as fair value hedges, and recorded $174 million as a fair value adjustment to the underlying long-term debt in our consolidated balance sheet. We amortize this amount as a reduction to interest expense over the remaining life of the underlying debt. During the years ended December 31, 2007 and 2006, such reduction amounted to $3 million ($0.01 per diluted share) for each year and $9 million ($0.04 per diluted share) for the year ended December 31, 2005. As a result of the redemption of our 6.95% Senior Notes in March 2005, we recognized $13 million ($0.06 per diluted share) of the unamortized fair value adjustment as a reduction to our loss on redemption of debt during the year ended December 31, 2005 (see Note 7—Debt). As a result of the repurchase of our 6.625% Notes in July 2005, we recognized $62 million of the unamortized fair value adjustment as a reduction to our loss on repurchase of debt, which resulted in a gain on the repurchase (see Note 7—Debt). There were no tax effects related to these reductions. At December 31, 2007 and 2006, the remaining balance to be amortized was $12 million and $15 million, respectively, which was entirely related to the 6.625% Notes due April 2011.

At December 31, 2007 and 2006, we had no outstanding interest rate swaps.

Note 10—Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents and Accounts Receivable-Trade—The carrying amounts approximate fair value because of the short maturity of those instruments.

Debt—The fair value of our fixed rate debt is calculated based on market prices. The carrying value of variable rate debt approximates fair value.

	December 31, 2007		December 31, 2006	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in millions)		(in millions)	
Debt	$ 17,257	$ 17,935	$ 3,298	$ 3,476

Debt to Affiliates—The fair value of long-term debt to affiliates with a carrying amount of $241 million and $3 million at December 31, 2007 and 2006, respectively, could not be determined because there is no available market price for such debts.

Note 11—Other Current Liabilities

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

	December 31,	
	2007	2006
Accrued payroll and employee benefits	$ 447	$ 150
Deferred revenue	116	77
Accrued taxes, other than income	100	30
Accrued interest	62	24
Stock warrant consideration payable	48	—
Unearned income	12	67
Other	41	21
Total other current liabilities	$ 826	$ 369

Note 12—Other Long-Term Liabilities

Other long-term liabilities are comprised of the following (in millions):

	December 31,	
	2007	2006
Drilling contract intangibles	$ 1,394	$ —
Long-term income taxes payable	410	141
Accrued pension liabilities	133	84
Accrued retiree life insurance and medical benefits	52	35
Deferred revenue	39	28
Other	97	52
Total other long-term liabilities	$ 2,125	$ 340

Note 13—Repurchase of Ordinary Shares

In May 2006, our board of directors authorized an increase in the overall amount of ordinary shares that may be repurchased under our share repurchase program to $4.0 billion from $2.0 billion, which was previously authorized and announced in October 2005. The repurchase program does not have an established expiration date and may be suspended or discontinued at any time. Under the program, repurchased shares are constructively retired and returned to unissued status.

A summary of the aggregate ordinary shares repurchased and retired for the years ended December 31, 2007 and 2006 is as follows (in millions, except per share data):

	December 31,	
	2007	2006
Value of shares	$ 400	$ 2,600
Number of shares	5.2	35.7
Average purchase price per share	$ 77.39	$ 72.78

Total consideration paid to repurchase the shares was recorded in shareholders' equity as a reduction in ordinary shares and additional paid-in capital. Such consideration was funded with existing cash balances and borrowings under the Former Revolving Credit Facility. At December 31, 2007, we had authority to repurchase $600 million of our ordinary shares under our share repurchase program.

Note 14—Supplementary Cash Flow Information

Net cash provided by (used in) operating activities attributable to the net change in operating assets and liabilities is composed of the following (in millions):

	Years ended December 31,		
	2007	2006	2005
(Increase) in accounts receivable	$ (274)	$ (347)	$ (150)
(Increase) in other current assets	(43)	(32)	(22)
Increase in accounts payable and other current liabilities	73	168	87
Increase in other long-term liabilities	8	18	23
Change in income taxes receivable / payable, net	(2)	124	(51)
	$ (238)	$ (69)	$ (113)

Supplementary cash flow information is as follows (in millions):

	Years ended December 31,		
	2007	2006	2005
Non-cash activities			
Capital expenditures, accrued at end of period (a)	$ 233	$ 186	$ 31
Merger with GlobalSantaFe (b)	12,386	—	—
Joint ventures and other investments (c)	238	—	—
Cash payments for interest	208	125	129
Cash payments for income taxes	225	125	107

(a) These amounts represent additions to property and equipment for which we had accrued a corresponding liability in accounts payable.
(b) In connection with the Merger, we issued $12.4 billion of our ordinary shares to GlobalSantaFe shareholders, acquired $20.6 billion in assets and assumed $575 million of debt and $2.5 billion of other liabilities. See Note 4—Merger with GlobalSantaFe Corporation.
(c) In connection with our investment in and consolidation of TPDI, we recorded additions to property and equipment of $457 million, of which $238 million was in exchange for a note payable to Pacific Drilling. See Note 1—Nature of Business and Principles of Consolidation and Note 7—Debt.

Note 15—Income Taxes

We are a Cayman Islands company. Our earnings are not subject to income tax in the Cayman Islands because the country does not levy tax on corporate income. We operate through our various subsidiaries in a number of countries throughout the world. Income taxes have been provided based upon the tax laws and rates in the countries in which operations are conducted and income is earned. Due to the fact that the countries in which we operate have taxation regimes with varying nominal rates, deductions, credits and other tax attributes, there is no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes.

The components of the provision (benefit) for income taxes are as follows (in millions):

	Years ended December 31,		
	2007	2006	2005
Current provision	$ 293	$ 245	$ 60
Deferred provision (benefit)	(40)	(23)	27
Income tax provision	$ 253	$ 222	$ 87
Effective tax rate	7.5%	13.8%	10.8%

Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities at the applicable tax rates in effect.

Significant components of deferred tax assets and liabilities are as follows (in millions):

	December 31,	
	2007	2006
Deferred tax assets		
Drilling contract intangibles	$ 303	$ —
Net operating loss carryforwards	102	56
Tax credit carryforwards	100	118
Accrued payroll expenses not currently deductible	85	38
Deferred income	50	(1)
Other	83	37
Valuation allowance	(29)	(59)
Total deferred tax assets	694	189
Deferred tax liabilities		
Depreciation and amortization	(1,155)	(218)
Drilling management services intangibles	(83)	—
Other	(18)	(9)
Total deferred tax liabilities	(1,256)	(227)
Net deferred tax liabilities	$ (562)	$ (38)

We have not provided for deferred taxes in circumstances where we do not expect the operations in a jurisdiction to give rise to future tax consequences, due to the structure of operations and applicable law. Should our expectations change regarding the expected future tax consequences, we may be required to record additional deferred taxes that could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

The $524 million increase in our net deferred tax liability is composed of $599 million of net deferred tax liabilities assumed in connections with the Merger partly offset by the deferred tax benefit of $40 million and $35 million of net tax benefits charged to equity accounts as a result of the tax effects of minimum pension liability adjustments and deductions taken for employee option exercises.

We have not provided for deferred taxes on the unremitted earnings of certain subsidiaries that we consider to be permanently reinvested. Should we make a distribution of the unremitted earnings of these subsidiaries, we may be required to record additional taxes. Because we cannot predict when, if at all, we will make a distribution of these unremitted earnings, we are unable to make a determination of the amount of unrecognized deferred tax liability.

A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. We provide a valuation allowance to offset deferred tax assets for net operating losses incurred during the year in certain jurisdictions and for other deferred tax assets where, in the opinion of management, it is more likely than not that the financial statement benefit of these losses will not be realized. We provide a valuation allowance for foreign tax credit carryforwards to reflect the possible expiration of these benefits prior to their utilization. As of December 31, 2007, the valuation allowance for non-current deferred tax assets decreased $30 million to $29 million. The decrease resulted primarily from a $58 million release of valuation allowance against our U.S. foreign tax credits partly offset by a $28 million valuation allowance against deferred tax assets acquired in connection with the Merger. As of December 31, 2006, our valuation allowance was $59 million which included an $11 million increase over the 2005 balance, primarily resulting from an increase in foreign tax credits.

Our U.K. net operating loss carryforwards do not expire. The tax effect of the U.K. net operating loss carryforwards was $49 million at December 31, 2007 and $56 million at December 31, 2006. We have generated additional net operating loss carryforwards in various worldwide tax jurisdictions. Our U.S. foreign tax credit carryforwards of $80 million, net of valuation allowances of $1 million, which will expire between 2009 and 2016. Our U.S. alternative minimum tax credits of $20 million do not expire.

In addition to our recognized tax attributes, we have an unrecognized U.S. capital loss carryforward. We have not recognized a deferred tax asset for the capital loss carryforward as it is not probable that we will realize the benefit of this tax attribute. Our operations do not normally generate capital gain income, which is the only type of income that may be offset by capital losses. During the year ended December 31, 2005, we recognized a benefit of $67 million to record the utilization of the capital loss carryforward to offset capital gain income resulting from certain restructuring transactions. Certain payments from TODCO under the tax sharing agreement also serve to increase or decrease the capital loss carryforward. Should an opportunity to utilize the remaining capital loss arise, the total potential tax benefit at December 31, 2007 was $776 million. As of December 31, 2006, we had not recognized a deferred tax asset for certain of our U.S. net operating loss carryforwards as it was not probable that the benefit of the underlying tax deduction would be realized. During 2007, we determined that it was probable that the U.S. entity generating the previously unrecognized net operating losses will generate sufficient taxable income to utilize all net operating losses. As a result, we recognized the remaining amount of these previously unrecognized net operating losses.

We are subject to changes in tax laws, treaties and regulations in and between the countries in which we operate. A material change in these tax laws, treaties or regulations could result in a higher or lower effective tax rate on our worldwide earnings.

Transocean Inc., a Cayman Islands company, is not subject to income taxes in the Cayman Islands because the Cayman Islands does not levy a tax on corporate income. We have obtained assurance from the Cayman Islands government under the Tax Concessions Law (as amended) that in the event that any legislation is enacted in the Cayman Islands imposing tax computed on profits, income, distributions or any capital assets, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, such tax shall not, until June 1, 2019, be applicable to us or to any of our operations or to our shares, debentures or other obligations.

Our income tax returns are subject to review and examination in the various jurisdictions in which we operate. We are currently contesting various tax assessments. We accrue for income tax contingencies that we believe are more likely than not exposures in accordance with the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* ("FIN 48"), as adopted on January 1, 2007.

The total unrecognized tax benefits related to uncertain tax positions as of January 1, 2007 was $303 million. During 2007, our unrecognized tax benefits related to uncertain tax positions increased to $424 million. If recognized, $349 million of this amount would favorably impact the effective tax rate.

A reconciliation of the unrecognized tax benefits, excluding interest and penalties, for the year ended December 31, 2007 follows:

	Unrecognized tax benefits
Balance at January 1, 2007	$ 219
Unrecognized tax benefits assumed in connection with the Merger	42
Additions for current year tax positions	48
Additions for prior year tax positions	22
Reductions for prior year tax positions	(6)
Settlements	(26)
Reductions related to statute of limitation expirations	—
Balance at December 31, 2007	$ 299

It is reasonably possible that our existing liabilities for unrecognized tax benefits may increase or decrease in the next twelve months primarily due to the progression of open audits or the expiration of statutes of limitation. However, we cannot reasonably estimate a range of potential changes in our existing liabilities for unrecognized tax benefits due to various uncertainties, such as the unresolved nature of various audits.

We accrue interest and penalties related to our liabilities for unrecognized tax benefits as a component of income tax expense. In connection with the adoption of FIN 48 we recognized approximately $84 million for the payment of interest and penalties, which is included as a component of the January 1, 2007 $303 million liability for unrecognized tax benefits. During the year ended December 31, 2007, we increased the liability related to interest and penalties on our unrecognized tax benefits by $41 million, which brought the interest and penalty component included in the December 31, 2007 liability for unrecognized tax benefits balance to $125 million. Included in the $41 million increase in interest and penalties was a $10 million assumption of interest and penalty liabilities in connection with the Merger, which did not impact the statement of operations.

We, or one of our subsidiaries, file federal and local tax returns in several jurisdictions throughout the world. With few exceptions, we are no longer subject to examinations of our U.S. and non-U.S. tax matters for years prior to 1999. During 2006, we settled disputes with tax authorities in several jurisdictions and the statute of limitations for income tax contingencies for certain issues expired. As a result of the resolution of these matters, we recognized a current tax benefit of $30 million for the year ended December 31, 2006. The amount of current tax benefit recognized in 2007 from the settlement of disputes with tax authorities and the expiration of statute of limitations was insignificant.

Our 2004 and 2005 U.S. federal income tax returns are currently under examination by the IRS. In October 2007, we received from the IRS examination reports setting forth proposed changes to the U.S. federal taxable income reported for the years 2004 and 2005. The proposed changes would result in a cash tax payment of approximately $413 million, exclusive of interest. We filed a letter with the IRS protesting the proposed changes on November 19, 2007. The protest letter puts forth our position that we believe our returns are materially correct as filed. We will continue to vigorously defend against these proposed changes. The IRS audits of GlobalSantaFe's 2004 and 2005 U.S. federal income tax returns are still in the examination phase. We do not expect the conclusion of these audits to give rise to a material tax liability.

In February 2007, we entered into a settlement agreement with the IRS regarding the 2001 to 2003 audit. The IRS agreed to settle all issues for this period. This settlement resulted in no cash tax payment.

During the fourth quarter of 2005, we entered into a settlement agreement with the IRS with respect to our 1999 and 2000 U.S. federal income tax returns, which resulted in a payment of $36 million including interest. The IRS agreed to settle all issues for this period. This settlement did not result in a material effect on our consolidated statement of financial position, results of operations or cash flows.

Norwegian civil tax and criminal authorities are investigating various transactions undertaken in 2001 and 2002. The authorities initiated inquiries into these transactions in September 2004 and in March 2005 obtained additional information on the transactions pursuant to a Norwegian court order. In 2006 we filed a formal protest with respect to a notification by the Norwegian tax authorities of their intent to propose assessments that would result in increased tax of approximately $287 million, plus interest, related to certain restructuring transactions. The authorities indicated penalties imposed on the assessment could range from 15 to 60 percent of the assessment. In addition, the authorities issued a preliminary notification in February 2008 of their intent to issue a separate tax assessment of approximately $77 million related to a 2001 dividend payment, plus interest and penalties, which could range from 15 to 60 percent of the assessment. In the course of its investigations, the Norwegian authorities secured certain records located in the United Kingdom related to a Norwegian subsidiary that was previously subject to tax in Norway. The authorities are assessing the need to impose additional taxes on this Norwegian subsidiary. We have and will continue to respond to all information requests from the Norwegian authorities. We plan to vigorously contest any assertions by the Norwegian authorities in connection with the various transactions being investigated.

On January 1, 2007, as part of our implementation of FIN 48, we recorded a long-term liability of $142 million related to Norwegian tax issues described above. Since January 1, 2007, the long-term liability has increased to $168 million due to the accrual of interest and exchange rate fluctuations. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate resolution of these matters to have a material adverse effect on our consolidated statement of financial position or results of operations although it may have a material adverse effect on our consolidated cash flows.

Certain of our Brazilian income tax returns for the years 2000 through 2004 are currently under examination. The Brazil tax authorities have issued tax assessments totaling $112 million, plus a 75 percent penalty and $70 million of interest through December 31, 2007. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. We filed a protest letter with the Brazilian tax authorities on January 25, 2008.

In December 2005, we restructured certain of our non-U.S. operations. As a result of the restructuring, we incurred a deferred tax charge in the amount of $33 million.

As a result of changes in our estimates of certain pre-acquisition tax contingencies and liabilities arising prior to our merger with Sedco Forex Holdings Limited (“Sedco Forex”) effective December 31, 1999, we recorded a decrease of $4 million and $5 million in goodwill and an income tax receivable of $4 million and $5 million in December 2007 and 2006, respectively.

In 2004, we entered into a tax sharing agreement (the “TSA”) with TODCO in connection with the TODCO IPO. The TSA governs the parties’ respective rights, responsibilities and obligations with respect to taxes and tax benefits, the filing of tax returns, the control of audits and other tax matters. Under the TSA, most U.S. federal, state, local and foreign income taxes and income tax benefits (including income taxes and income tax benefits attributable to the TODCO business) that accrued on or before the closing of the TODCO IPO will be for our account. Accordingly, we are generally liable for any income taxes that accrued on or before the closing of the TODCO IPO, but TODCO generally must pay us for the amount of any income tax benefits created on or before the closing of the TODCO IPO (“pre-closing tax benefits”) that it uses or absorbs on a return with respect to a period after the closing of the TODCO IPO. Under this agreement, we are entitled to receive from TODCO payment for most of the tax benefits TODCO generated prior to the TODCO IPO that they utilize subsequent to the TODCO IPO.

In July 2007, Hercules Offshore, Inc. (“Hercules”) completed the acquisition of TODCO (the “TODCO Acquisition”). The TSA required Hercules to make an accelerated change of control payment due to a deemed utilization of TODCO’s pre-IPO tax benefits to us. The amount of the accelerated payment owed to Transocean Holdings was calculated by multiplying 80 percent by the remaining pre-IPO tax benefits as of July 11, 2007. In August 2007, we received a $118 million change of control payment from Hercules. We believe that Hercules owes an additional $11 million related to the change of control of TODCO.

The TSA also requires Hercules to make additional payments to us based on a portion of the tax benefit from the exercise of certain options to acquire our ordinary shares by TODCO’s current and former employees and directors, when and if those options are exercised. We estimate that the total amount of payments related to options that remain outstanding at December 31, 2007 would be approximately $25 million, assuming a price of $143.15 per ordinary share at the time of exercise of the options (the actual price of our ordinary shares at the close of trading on December 31, 2007). However, there can be no assurance as to the amount and timing of any payment which Transocean Holdings may receive. In addition, any future reduction of the pre-IPO tax benefits by the U.S. taxing authorities upon examination of the TODCO tax returns may require us to reimburse TODCO for some of the amounts previously paid.

In 2007, 2006 and 2005, respectively, we recognized $277 million ($1.24 per diluted share), $51 million ($0.22 per diluted share) and $11 million ($0.05 per diluted share) of other income in our consolidated statement of operations related to TODCO's utilization of tax benefits and stock option deductions. Through December 31, 2007, we received $12 million in estimated payments pertaining to TODCO's 2007 federal and state income tax returns that is deferred in other current liabilities in our consolidated balance sheet. We will recognize these estimated payments as other income when TODCO finalizes and files its 2007 federal and state income tax returns.

Note 16—Commitments and Contingencies

*Lease Obligations*¾We have operating lease commitments expiring at various dates, principally for real estate, office space and office equipment. In addition to rental payments, some leases provide that we pay a pro rata share of operating costs applicable to the leased property. At December 31, 2007, the *GSF Explorer* drillship, recorded in property and equipment, net in the amount of $223 million, is held under a capital lease through 2026. As of December 31, 2007, future minimum rental payments related to noncancellable operating leases and the capital lease are as follows (in millions):

Years ending December 31,	Capital Lease	Operating Leases
2008	$ 2	$ 30
2009	2	25
2010	2	15
2011	2	10
2012	2	9
Thereafter	24	21
Total future minimum rental payments	$ 34	$ 110
Less amount representing imputed interest	(17)	
Present value of future minimum rental payments under capital leases	17	
Less current portion included in accrued liabilities	(2)	
Long-term capital lease obligation	$ 15	

Rental expense for all leases, including leases with terms of less than one year, was approximately $51 million, $32 million and $30 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Purchase Obligations—At December 31, 2007, our purchase obligations as defined by SFAS No. 47, *Disclosure of Long-Term Obligations (as amended)*, related to our *Sedco 700*-series upgrade shipyard projects and eight newbuilds are as follows (in millions):

Years ending December 31,	
2008	$ 1,164
2009	1,196
2010	229
2011	—
2012	—
Thereafter	—
Total	$ 2,589

Legal Proceedings—Several of our subsidiaries have been named, along with numerous unaffiliated defendants, in several complaints that have been filed in the Circuit Courts of the State of Mississippi involving approximately 750 plaintiffs that allege personal injury arising out of asbestos exposure in the course of their employment by some of these defendants between 1965 and 1986. The complaints also name as defendants certain of TODCO's subsidiaries to whom we may owe indemnity. Further, the complaints name other unaffiliated defendant companies, including companies that allegedly manufactured drilling related products containing asbestos. The complaints allege that the defendant drilling contractors used those asbestos-containing products in offshore drilling operations, land based drilling operations and in drilling structures, drilling rigs, vessels and other equipment and assert claims based on, among other things, negligence and strict liability, and claims authorized under the Jones Act. The plaintiffs generally seek awards of unspecified compensatory and punitive damages. We have not been provided with sufficient information to determine the number of plaintiffs who claim to have been exposed to asbestos aboard our rigs, whether they were employees, their period of employment, the period of their alleged exposure to asbestos, or their medical condition, and we have not entered into any settlements with any plaintiffs. Accordingly, we are unable to estimate our potential exposure in these lawsuits. We historically have maintained insurance which we believe will be available to address any liability arising from these claims. We intend to defend these lawsuits vigorously, but there can be no assurance as to their ultimate outcome.

One of our subsidiaries is involved in an action with respect to a customs matter relating to the *Sedco 710* semisubmersible drilling rig. Prior to our merger with Sedco Forex, this drilling rig, which was working for Petrobras in Brazil at the time, had been admitted into the country on a temporary basis under authority granted to a Schlumberger entity. Prior to the Sedco Forex merger, the drilling contract with Petrobras was transferred from the Schlumberger entity to an entity that would become one of our subsidiaries, but Schlumberger did not transfer the temporary import permit to any of our subsidiaries. In early 2000, the drilling contract was extended for another year. On January 10, 2000, the temporary import permit granted to the Schlumberger entity expired, and renewal filings were not made until later that January. In April 2000, the Brazilian customs authorities cancelled the temporary import permit. The Schlumberger entity filed an action in the Brazilian federal court of Campos for the purpose of extending the temporary admission. Other proceedings were also initiated in order to secure the transfer of the temporary admission to our subsidiary. Ultimately, the court permitted the transfer of the temporary admission from Schlumberger to our subsidiary but did not rule on whether the temporary admission could be extended without the payment of a financial penalty. During the first quarter of 2004, the Brazilian customs authorities issued an assessment totaling approximately $133 million against our subsidiary.

The first level Brazilian court ruled in April 2007 that the temporary admission granted to our subsidiary had expired which allowed the Brazilian customs authorities to execute on their assessment. Following this ruling, the Brazilian customs authorities issued a revised assessment against our subsidiary. As of February 15, 2008, the U.S. dollar equivalent of this assessment was approximately $222 million in aggregate. We are not certain as to the basis for the increase in the amount of the assessment, and in September 2007, we received a temporary ruling in our favor from a Brazilian federal court that the valuation method used by the Brazilian customs authorities was incorrect. This temporary ruling was confirmed in January 2008 by a local court, but it is still subject to review at the appellate levels in Brazil. We intend to continue to aggressively contest this matter and we have appealed the first level Brazilian court's ruling to a higher level court in Brazil. There may be further judicial or administrative proceedings that result from this matter. While the court has granted us the right to continue our appeal without the posting of a bond, it is possible that we may be required to post a bond for up to the full amount of the assessment in connection with these proceedings. We have also put Schlumberger on notice that we consider any assessment to be solely the responsibility of Schlumberger, not our subsidiary. Nevertheless, we expect that the Brazilian customs authorities will continue to seek to recover the assessment solely from our subsidiary, not Schlumberger. Schlumberger has denied any responsibility for this matter, but remains a party to the proceedings. We do not expect the liability, if any, resulting from this matter to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In the third quarter of 2006, we received tax assessments of approximately $130 million from the state tax authorities of Rio de Janeiro in Brazil against one of our Brazilian subsidiaries for customs taxes on equipment imported into the state in connection with our operations. The assessments resulted from a preliminary finding by these authorities that our subsidiary's record keeping practices were deficient. We currently believe that the substantial majority of these assessments are without merit. We filed an initial response with the Rio de Janeiro tax authorities on September 9, 2006 refuting these additional tax assessments. In September 2007, we received confirmation from the state tax authorities that they believe the additional tax assessments are valid, and as a result, we filed an appeal on September 27, 2007 to the state Taxpayer's Council contesting these assessments. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries is involved in lawsuits arising out of the subsidiary's involvement in the design, construction and refurbishment of major industrial complexes. The operating assets of the subsidiary were sold and its operations discontinued in 1989, and the subsidiary has no remaining assets other than the insurance policies involved in its litigation, fundings from settlements with the primary insurers and funds received from the cancellation of certain insurance policies. The subsidiary has been named as a defendant, along with numerous other companies, in lawsuits alleging personal injury as a result of exposure to asbestos. As of December 31, 2007, the subsidiary was a defendant in approximately 1,041 lawsuits, of which 102 were filed during 2007. Some of these lawsuits include multiple plaintiffs and we estimate that there are approximately 3,380 plaintiffs in these lawsuits. For many of these lawsuits, we have not been provided with sufficient information from the plaintiffs to determine whether all or some of the plaintiffs have claims against the subsidiary, the basis of any such claims, or the nature of their alleged injuries. The first of the asbestos-related lawsuits was filed against this subsidiary in 1990. Through December 31, 2007**,** the amounts expended to resolve claims (including both attorneys' fees and expenses, and settlement costs), have not been material, and all deductibles with respect to the primary insurance have been satisfied. The subsidiary continues to be named as a defendant in additional lawsuits and we cannot predict the number of additional cases in which it may be named a defendant nor can we predict the potential costs to resolve such additional cases or to resolve the pending cases. However, the subsidiary has in excess of $1 billion in insurance limits. Although not all of the policies may be fully available due to the insolvency of certain insurers, we believe that the subsidiary will have sufficient insurance and funds from the settlements of litigation with insurance carriers available to respond to these claims. While we cannot predict or provide assurance as to the final outcome of these matters, we do not believe that the current value of the claims where we have been identified will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

We are involved in various tax matters (see Note 15—Income Taxes). We are also involved in lawsuits relating to damage claims arising out of hurricanes Katrina and Rita, all of which are insured and which are not material to us. We are also involved in a number of other lawsuits, including a dispute for municipal tax payments in Brazil and a dispute involving customs procedures in India, neither of which is material to us, and all of which have arisen in the ordinary course of our business. We do not expect the liability, if any, resulting from these other matters to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending or threatened litigation. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

Environmental Matters—We have certain potential liabilities under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state acts regulating cleanup of various hazardous waste disposal sites, including those described below. CERCLA is intended to expedite the remediation of hazardous substances without regard to fault. Potentially responsible parties ("PRPs") for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several.

We have been named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. We and other PRPs have agreed with the U.S. Environmental Protection Agency ("EPA") and the U.S. Department of Justice ("DOJ") to settle our potential liabilities for this site by agreeing to perform the remaining remediation required by the EPA. The form of the agreement is a consent decree, which has now been entered by the court. The parties to the settlement have entered into a participation agreement, which makes us liable for approximately eight percent of the remediation and related costs. The remediation is complete, and we believe our share of the future operation and maintenance costs of the site is not material. There are additional potential liabilities related to the site, but these cannot be quantified, and we have no reason at this time to believe that they will be material.

We have also been named as a PRP in connection with a site in California known as the Casmalia Resources Site. We and other PRPs have entered into an agreement with the EPA and the DOJ to resolve potential liabilities. Under the settlement, we are not likely to owe any substantial additional amounts for this site beyond what we have already paid. There are additional potential liabilities related to this site, but these cannot be quantified at this time, and we have no reason at this time to believe that they will be material.

We have been named as one of many PRPs in connection with a site located in Carson, California, formerly maintained by Cal Compact Landfill. On February 15, 2002, we were served with a required 90-day notification that eight California cities, on behalf of themselves and other PRPs, intend to commence an action against us under the Resource Conservation and Recovery Act ("RCRA"). On April 1, 2002, a complaint was filed by the cities against us and others alleging that we have liabilities in connection with the site. However, the complaint has not been served. The site was closed in or around 1965, and we do not have sufficient information to enable us to assess our potential liability, if any, for this site.

One of our subsidiaries has recently been ordered by the California Regional Water Quality Control Board to develop a testing plan for a site known as Campus 1000 Fremont in Alhambra, California. This site was formerly owned and operated by certain of our subsidiaries. It is presently owned by an unrelated party, which has received an order to test the property, the cost of which is expected to be in the range of $200,000. We have also been advised that one or more of our subsidiaries is likely to be named by the EPA as a PRP for the San Gabriel Valley, Area 3, Superfund site, which includes this property. We have no knowledge at this time of the potential cost of any remediation, who else will be named as PRPs, and whether in fact any of our subsidiaries is a responsible party. The subsidiaries in question do not own any operating assets and have limited ability to respond to any liabilities.

One of our subsidiaries has been requested to contribute approximately $140,000 toward remediation costs of the Environmental Protection Corporation ("EPC") Eastside Disposal Facility near Bakersfield, California, by a company that has taken responsibility for site remediation from the California Department of Toxic Substances Control. Our subsidiary is alleged to have been a small contributor of the wastes that were improperly disposed by EPC at the site. We have undertaken an investigation as to whether our subsidiary is a liable party, what the total remediation costs may be and the amount of waste that may have been contributed by other parties. Until that investigation is complete we are unable to assess our potential liability, if any, for this site.

Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. These investigations involve determinations of:

- the actual responsibility attributed to us and the other PRPs at the site;
- appropriate investigatory and/or remedial actions; and
- allocation of the costs of such activities among the PRPs and other site users.

Our ultimate financial responsibility in connection with those sites may depend on many factors, including:

- the volume and nature of material, if any, contributed to the site for which we are responsible;
- the numbers of other PRPs and their financial viability; and
- the remediation methods and technology to be used.

It is difficult to quantify with certainty the potential cost of these environmental matters, particularly in respect of remediation obligations. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from all environmental matters, including the liability for all other related pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is adequately accrued and should not have a material effect on our financial position or ongoing results of operations. Estimated costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Contamination Litigation—On July 11, 2005, one of our subsidiaries was served with a lawsuit filed on behalf of three landowners in Louisiana in the 12th Judicial District Court for the Parish of Avoyelles, State of Louisiana. The lawsuit named nineteen other defendants, all of which were alleged to have contaminated the plaintiffs' property with naturally occurring radioactive material, produced water, drilling fluids, chlorides, hydrocarbons, heavy metals and other contaminants as a result of oil and gas exploration activities. Experts retained by the plaintiffs issued a report suggesting significant contamination in the area operated by the subsidiary and another codefendant, and claimed that over $300 million would be required to properly remediate the contamination. The experts retained by the defendants conducted their own investigation and concluded that the remediation costs would amount to no more than $2.5 million.

The plaintiffs and the codefendant threatened to add GlobalSantaFe Corporation as a defendant in the lawsuit under the "single business enterprise" doctrine contained in Louisiana law. The single business enterprise doctrine is similar to corporate veil piercing doctrines. On August 16, 2006, our subsidiary and its immediate parent company, which is also an entity that no longer conducts operations or holds assets, filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware. Later that day, the plaintiffs dismissed our subsidiary from the lawsuit. Subsequently, the codefendant filed various motions in the lawsuit and in the Delaware bankruptcies attempting to assert alter ego and single business enterprise claims against GlobalSantaFe Corporation and two other subsidiaries in the lawsuit. We believe that these legal theories should not be applied against GlobalSantaFe Corporation or these other two subsidiaries, and that in any event the manner in which the parent and its subsidiaries conducted their businesses does not meet the requirements of these theories for imposition of liability. The codefendant also seeks to dismiss the bankruptcies. The efforts to assert alter ego and single business enterprise theory claims against GlobalSantaFe Corporation were rejected by the Court in Avoyelles Parish and the lawsuit against the other defendant went to trial on February 19, 2007. The action was resolved at trial with a settlement by the codefendant that included a $20 million payment and certain cleanup activities to be conducted by the codefendant. The settlement also purported to assign the plaintiffs' claims in the lawsuit against our subsidiary and other parties, including GlobalSantaFe Corporation and the other two subsidiaries, to the codefendant.

In the bankruptcy case, our subsidiary has filed suit to obtain declaratory and injunctive relief against the codefendant concerning the matters described above and GlobalSantaFe Corporation has intervened in the matter. The codefendant is seeking to dismiss the bankruptcy case and a modification of the automatic stay afforded under the Bankruptcy Code to our subsidiary and its parent so that the codefendant may pursue the entities and GlobalSantaFe Corporation for contribution and indemnity and the purported assigned rights from the plaintiffs in the lawsuit including the alter ego and single business enterprise claims and potential insurance rights. On February 15, 2008, the Bankruptcy Court denied the codefendant's request to dismiss the bankruptcy case but modified the automatic stay to allow the codefendant to proceed on its claims against the debtors, our subsidiary and its parent, and their insurance companies. The Bankruptcy Court will hold a hearing to determine the forum where these actions may proceed. The Bankruptcy Court did not address the codefendant's pending claims against GlobalSantaFe Corporation and the other two subsidiaries, which will also be the subject of a future hearing. The Bankruptcy Court also denied the debtors' requests for preliminary declaratory and injunctive relief.

In addition, the codefendant has filed proofs of claim against both our subsidiary and its parent with regard to its claims arising out of the settlement agreement, including recovery of the settlement funds and remediation costs and damages for the purported assigned claims. A Motion for Partial Summary Judgment seeking annulment and dismissal of the codefendant's proofs of claim has also been filed by the debtors and remains pending. Our subsidiary, its parent and GlobalSantaFe Corporation intend to continue to vigorously defend against any action taken in an attempt to impose liability against them under the theories discussed above or otherwise and believe they have good and valid defenses thereto. We are unable to determine the value of these claims as of the date of the Merger. We do not believe that these claims will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

Retained Risk—Our insurance program is a 12-month policy period beginning May 1, 2007. Under the program, we generally maintain a $125 million per occurrence deductible on our hull and machinery, which is subject to an aggregate deductible of $250 million. However, in the event of a total loss or a constructive total loss of a drilling unit, such loss is fully covered by our insurance with no deductible. Additionally, we maintain a $10 million per occurrence deductible on crew personal injury liability and $5 million per occurrence deductible on third-party property claims, which together are subject to an aggregate deductible of $50 million that is applied to any occurrence in excess of the per occurrence deductible until the aggregate deductible is exhausted. We also carry $950 million of third-party liability coverage exclusive of the personal injury liability deductibles, third-party property liability deductibles and retention amounts described above. We retain the risk through self-insurance for any losses in excess of the $950 million limit.

At present, the insured value of our drilling rig fleet is approximately $34 billion in aggregate. We do not generally have commercial market insurance coverage for physical damage losses to the Transocean fleet due to hurricanes in the U.S. Gulf of Mexico and war perils worldwide. We do not carry insurance for loss of revenue. In the opinion of management, adequate accruals have been made based on known and estimated losses related to such exposures.

Letters of Credit and Surety Bonds—We had letters of credit outstanding totaling $532 million and $405 million at December 31, 2007 and 2006, respectively. These letters of credit guarantee various contract bidding and performance activities under various uncommitted lines provided by several banks.

As is customary in the contract drilling business, we also have various surety bonds in place that secure customs obligations relating to the importation of our rigs and certain performance and other obligations. Surety bonds outstanding totaled $24 million and $6 million at December 31, 2007 and 2006, respectively.

Note 17—Share-Based Compensation Plans

We have (i) a long-term incentive plan (the “Long-Term Incentive Plan”) for executives, key employees and outside directors under which awards can be granted in the form of stock options, restricted shares, deferred units, stock appreciation rights (“SARs”) and cash performance awards and (ii) other incentive plans under which awards are currently outstanding. Awards that may be granted under the Long-Term Incentive Plan include traditional time-vesting awards (“time-based vesting awards”) and awards that are earned based on the achievement of certain performance criteria (“performance-based awards”). Our executive compensation committee of our board of directors determines the terms and conditions of the awards under the Long-Term Incentive Plan. Options and SARs issued to date under the incentive plans have a 10-year term. Time-based vesting awards typically vest in three equal annual installments beginning on the first anniversary date of the grant. Performance-based awards issued to date under the incentive plans have a two-year performance measurement period with the number of options, shares or deferred units earned being determined following the completion of the measurement period (the “determination date”) at which time one-third of the options, shares or deferred units that have satisfied the performance criteria vest. Additional vesting occurs on January 1 of the two subsequent years following the determination date. As of December 31, 2007, we had 22.9 million ordinary shares authorized for future employee grants, including up to 6.0 million for restricted share awards, and 0.6 million ordinary shares authorized with respect to outside directors. We issue new shares when stock options are exercised and when restricted shares and deferred units vest.

We use the Black-Scholes-Merton option-pricing model to value stock options granted or modified under SFAS 123. We determine the fair value of options and SARs granted or modified based on the expected life, risk-free interest rate, dividend yield and expected volatility. The expected life is based on historical information of past employee behavior regarding exercises and forfeiture of options. The risk-free interest rate assumption is based upon the published U.S. Treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield assumption is based on our history and expectation of dividend payouts. See Note 2—Summary of Significant Accounting Policies.

We use a blended volatility that is comprised of two components. The first component is derived from volatility computed from historical data for an amount of time approximately equal to the expected life of the stock option. The second component is the implied volatility derived from our “at-the-money” long dated call options with a term of six months or longer. The two components are equally weighted to create a blended volatility.

The fair value for restricted ordinary shares and deferred units is initially based on the market price of our ordinary shares on the date of grant.

As a result of the Merger, we assumed all of the outstanding employee stock options and stock appreciation rights of GlobalSantaFe. Each option and stock appreciation right of GlobalSantaFe outstanding as of the Merger effective date, to the extent not already fully vested and exercisable, became fully vested and exercisable into an option or SAR with respect to 0.6368 shares of Transocean at that time. The aggregate fair market value of options and SARs assumed in the Merger, computed as of the Merger date, was $157 million or $83.56 per option or SAR.

At the effective time of the Reclassification, all outstanding options to acquire our ordinary shares remained outstanding and became fully vested and exercisable. The number and exercise prices of the options to purchase our ordinary shares were adjusted based on the market price of our ordinary shares immediately preceding the effective date of the Reclassification and Merger in order to keep the aggregate intrinsic value of the options and stock appreciation rights equal to the values immediately prior to such date. Each option to acquire our ordinary shares that was outstanding immediately prior to the Reclassification and Merger was converted into options to purchase 0.9392 ordinary shares (rounded down to the nearest whole share) with a per share exercise price equal to the exercise price of the option immediately prior to the Reclassification and Merger divided by 0.9392 (rounded up to the nearest whole cent). Share amounts and related share prices with respect to stock options have been retroactively restated for all periods presented to give effect to the Reclassification.

All Transocean deferred units and restricted shares were exchanged for the same consideration for which each outstanding Transocean ordinary share was exchanged in the Reclassification. As a result, holders of deferred units and restricted shares received $33.03 in cash and 0.6996 ordinary shares for each deferred unit or restricted share they held immediately prior to the Reclassification. With respect to time-based deferred unit and restricted share awards made prior to July 21, 2007, all such consideration was fully vested as of the Merger date. However, with respect to those awards made on or after July 21, 2007, only the cash component of the consideration vested as of the Merger date, and the share consideration remained subject to the vesting restrictions set forth in the applicable award agreement. All performance-based awards for which the performance determination occurred prior to the Merger date became fully vested at that time. All unvested performance-based shares for which the performance determination had not yet occurred as of the Merger date became vested at 50 percent on the Merger date. The remaining shares not vested were forfeited in 2007. As a result, there were no performance-based shares outstanding at December 31, 2007. The numbers of restricted shares and deferred units in the tables and discussions below have been retroactively restated for all periods presented to give effect to reduction in shares that occurred in connection with the Reclassification. Weighted-average grant-date fair values per share for deferred units and restricted shares have not been restated.

As a result of the accelerated vesting of options, deferred units and restricted shares in connection with the Merger, we accelerated the recognition of $38 million of previously unrecognized compensation expense in the fourth quarter of 2007. Share-based compensation expense is recorded on the same financial statement line item as cash compensation paid to the same employees.

There were no significant modifications during the years ended December 31, 2007, 2006 or 2005.

As of December 31, 2007, total unrecognized compensation costs related to all unvested share-based awards totaled $33 million, which is expected to be recognized over a weighted average period of 2.6 years.

Time-Based Vesting Awards

Stock Options—The following table summarizes vested and unvested time-based vesting stock option (“time-based options”) activity under the Incentive Plans during the year ended December 31, 2007:

	Number of shares under option	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2007	4,025,915	$ 30.22		
Granted	3,073	110.80		
Assumed in Merger	1,264,910	47.58		
Exercised	(2,112,853)	37.46		
Forfeited	(11,642)	44.11		
Outstanding at December 31, 2007	3,169,403	$ 34.76	3.27	$ 344
Vested and exercisable at December 31, 2007	3,169,403	$ 34.76	3.27	$ 344

The weighted-average grant-date fair value of time-based options granted during the year ended December 31, 2007 was $40.69 per share. There were 2,132 and 50,200 time-based options granted during the years ended December 31, 2006 and 2005, respectively, with weighted-average grant-date fair values of $34.08 and $18.98 per share, respectively.

The total pretax intrinsic value of time-based options exercised during the year ended December 31, 2007 was $156 million. There were 1,904,346 and 7,227,931 time-based options exercised during the years ended December 31, 2006 and 2005, respectively. The total pretax intrinsic value of time-based options exercised was $99 million and $190 million during the years ended December 31, 2006 and 2005, respectively.

Restricted Ordinary Shares—The following table summarizes unvested share activity for time-based vesting restricted ordinary shares ("time-based shares") granted under the Incentive Plans during the year ended December 31, 2007:

	Number of shares	Weighted-average grant-date fair value per share
Unvested at January 1, 2007	270,743	$ 76.40
Granted	380,653	109.92
Vested	(261,330)	77.12
Forfeited	(20,140)	83.73
Unvested at December 31, 2007	369,926	$ 109.98

The total grant-date fair value of time-based shares that vested during the year ended December 31, 2007 was $20 million. There were 258,313 and 24,647 time-based shares granted during the years ended December 31, 2006 and 2005, respectively. The weighted-average grant-date fair value of time-based shares granted was $78.40 and $49.01 per share for the years ended December 31, 2006 and 2005, respectively. There were 15,812 and 10,046 time-based shares that vested during the years ended December 31, 2006 and 2005, respectively. The total grant-date fair value of time-based shares that vested was less than $1 million for both years ended December 31, 2006 and 2005.

Deferred Units—A deferred unit is a unit that is equal to one ordinary share but has no voting rights until the underlying ordinary shares are issued. The following table summarizes unvested activity for time-based vesting deferred units ("time-based units") granted under the Incentive Plans during the year ended December 31, 2007:

	Number of units	Weighted-average grant-date fair value per share
Unvested at January 1, 2007	40,964	$ 69.55
Granted	64,676	105.99
Vested	(53,086)	74.48
Forfeited	(2,432)	98.20
Unvested at December 31, 2007	50,122	$ 109.97

The total grant-date fair value of the time-based units vested during the year ended December 31, 2007 was $4 million. There were 29,641 and 13,013 time-based units granted during the years ended December 31, 2006 and 2005, respectively. The weighted-average grant-date fair value of time-based units granted was $81.55 and $45.02 per share for the years ended December 31, 2006 and 2005, respectively. There were 9,997 and 4,254 time-based units that vested during the years ended December 31, 2006 and 2005, respectively. The total grant-date fair value of deferred units that vested was less than $1 million for both years ended December 31, 2006 and 2005.

Share-Settled SARs—Under an incentive plan assumed in connection with the Merger, we assumed share-settled SARs granted to key employees and to non-employee directors of GlobalSantaFe at no cost to the grantee. The grantee receives a number of ordinary shares upon exercise equal in value to the difference between the market value of our ordinary shares at the exercise date and the Merger-adjusted exercise price. The following table summarizes share-settled SARs activity under the Incentive Plans during the year ended December 31, 2007:

	Number of Awards	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Assumed in the Merger at November 27, 2007	615,126	$ 88.37		
Exercised	(110,355)	84.65		
Outstanding at December 31, 2007	504,771	$ 89.18	8.59	$ 27
Vested and exercisable at December 31, 2007	504,771	$ 89.18	8.59	$ 27

The total pretax intrinsic value of share-settled SARs exercised during the period ended December 31, 2007 was $6 million.

Cash-Settled SARs—Under our incentive plans, we have outstanding SARs previously granted to employees that can be settled in cash for the difference between the market value of our ordinary shares on the date of exercise and the exercise price. The cash-settled SARs are recorded in other current liabilities in our consolidated balance sheet until they are exercised. We have not granted any cash-settled SARs in the years ended December 31, 2007, 2006, and 2005, and all outstanding cash-settled SARs are fully vested. We had 21,669 SARs outstanding with a weighted average remaining contractual term of 1.29 years and an aggregate intrinsic value of $2 million as of December 31, 2007. We had 30,598 SARs outstanding with a weighted average remaining contractual term of 2.13 years and an aggregate intrinsic value of $1 million as of December 31, 2006.

Performance-Based Awards

Stock Options—We grant performance-based stock options ("performance-based options") that can be earned depending on the achievement of certain performance targets. The number of options earned is quantified upon completion of the performance period at the determination date. The following table summarizes vested and unvested performance-based option activity under the Incentive Plans during the year ended December 31, 2007:

	Number of shares under option	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2007	1,206,366	$ 50.51		
Granted	—	—		
Exercised	(661,988)	43.77		
Forfeited	(152,276)	59.78		
Outstanding at December 31, 2007	392,102	$ 58.29	8.15	$ 33
Vested and exercisable at December 31, 2007	392,102	$ 58.29	8.15	$ 33

There were 329,650 and 304,971 performance-based options granted during the years ended December 31, 2006 and 2005, respectively. The weighted-average grant-date fair value of performance-based options granted was $32.17 and $22.14 per share during the years ended December 31, 2006 and 2005, respectively.

The total pretax intrinsic value of performance-based options exercised during the year ended December 31, 2007 was $52 million. There were 158,054 and 85,864 performance-based options exercised, with a total pretax intrinsic value of $10 million and $3 million, during the years ended December 31, 2006 and 2005, respectively.

Restricted Ordinary Shares—We grant performance-based restricted ordinary shares ("performance-based shares") that can be earned depending on the achievement of certain performance targets. The number of shares earned is quantified upon completion of the performance period at the determination date. The following table summarizes unvested share activity for performance-based shares granted under the Incentive Plans during the year ended December 31, 2007:

	Number of shares	Weighted-average grant-date fair value per share
Unvested at January 1, 2007	478,154	$ 44.53
Granted	—	—
Vested	(357,544)	38.57
Forfeited	(120,610)	62.21
Unvested at December 31, 2007	—	$ —

Shares forfeited include the adjustment of shares at the determination date due to the application of the performance criteria.

The total grant-date fair value of performance-based shares that vested during the year ended December 31, 2007 was $14 million. There were 59,769 and 264,289 performance-based shares granted during the years ended December 31, 2006 and 2005, respectively. The weighted-average grant-date fair value was $77.56 and $57.90 per share during the years ended December 31, 2006 and 2005, respectively. There were 175,695 and 190,930 performance-based shares that vested with a total grant-date fair value of $6 million during each of the years ended December 31, 2006 and 2005, respectively.

Deferred Units—We grant performance-based deferred units ("performance-based units") that can be earned depending on the achievement of certain performance targets. The number of units earned is quantified upon completion of the performance period at the determination date. The following table summarizes unvested unit activity for performance-based units granted under the Incentive Plans during the year ended December 31, 2007:

	Number of units	Weighted-average grant-date fair value per share
Unvested at January 1, 2007	218,640	$ 55.00
Granted	—	—
Vested	(150,762)	48.94
Forfeited	(67,878)	68.44
Unvested at December 31, 2007	—	$ —

Units forfeited include the adjustment of units at the determination date due to the application of the performance criteria.

The total grant-date fair value of performance-based units that vested during the year ended December 31, 2007 was $7 million. There were 75,707 and 7,128 performance-based units granted during the years ended December 31, 2006 and 2005, respectively. The weighted-average grant-date fair value of performance-based units granted was $78.61 and $57.90 per share during the years ended December 31, 2006 and 2005, respectively. There were 41,236 and 10,647 performance-based units that vested with a total grant-date fair value of $2 million and less than $1 million during the years ended December 31, 2006 and 2005, respectively.

ESPP—We provide the ESPP for certain full-time employees. Under the terms of the ESPP, employees can choose each year to have between two and twenty percent of their annual base earnings withheld to purchase up to $21,250 of our ordinary shares. The purchase price of the stock is 85 percent of the lower of the beginning-of-year or end-of-year market price of our ordinary shares. At December 31, 2007, 183,363 ordinary shares were available for issuance pursuant to the ESPP after taking into account the shares to be issued for the 2007 plan year.

Note 18—Retirement Plans, Other Postemployment Benefits and Other Benefit Plans

On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS No.158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("SFAS 158"), which requires the recognition of the funded status of the Defined Benefit and Postretirement Benefits Other Than Pensions ("OPEB") plans on the December 31, 2006 balance sheet with a corresponding adjustment to accumulated other comprehensive income. The adjustment to accumulated other comprehensive income at adoption represents the net unrecognized actuarial losses, unrecognized prior service costs, and unrecognized transition obligation remaining from the initial application of SFAS No. 87, *Employer's Accounting for Pension* ("SFAS 87"), all of which were previously netted against the plans' funded status on the balance sheet. These amounts will be subsequently recognized as net periodic pension cost pursuant to our historical accounting policy for amortizing such amounts. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of other comprehensive income. Those amounts will be subsequently recognized as a component of net periodic pension cost on the same basis as the amounts recognized in accumulated other comprehensive income.

The adoption of SFAS 158 did not affect the consolidated statement of operations for the year ended December 31, 2006, or any prior period presented, and it will not have a material affect on our operating results in future periods. The incremental effects of adopting the provisions of SFAS 158 on the consolidated balance sheet at December 31, 2006 are as follows:

	At December 31, 2006		
	Prior to adopting SFAS 158	Effect of adopting SFAS 158	As reported
Other assets	$ 322	$ (23)	$ 299
Total assets	11,499	(23)	11,476
Other current liabilities	366	3	369
Total current liabilities	1,036	3	1,039
Deferred income taxes, net	60	(6)	54
Other long-term liabilities	337	6	343
Total long-term liabilities	3,597	—	3,597
Accumulated other comprehensive loss	(4)	(26)	(30)
Total shareholders' equity	6,862	(26)	6,836
Total liabilities and shareholders' equity	$ 11,499	$ (23)	$ 11,476

Defined Benefit Pension Plans—We maintain a qualified defined benefit pension plan (the "Retirement Plan") covering substantially all U.S. employees and an unfunded plan (the "Supplemental Benefit Plan") to provide certain eligible employees with benefits in excess of those allowed under the Retirement Plan. In conjunction with the R&B Falcon merger, we acquired three defined benefit pension plans, two funded and one unfunded (the "Frozen Plans"), that were frozen prior to the merger for which benefits no longer accrue but the pension obligations have not been fully paid out. We refer to the Retirement Plan, the Supplemental Benefit Plan and the Frozen Plans collectively as the "U.S. Plans."

In connection with the Merger, we assumed four defined benefit plans covering substantially all legacy GlobalSantaFe U.S. employees and a frozen defined benefit plan that provides retirement benefits to four former members of the board of directors of Global Marine Inc. (the "Assumed U.S. Pension Plans"). The frozen defined benefit plan is closed to additional participants and no additional benefits are being accrued under this plan. In addition, we assumed a defined benefit plan in the U.K. (the "Assumed U.K. Pension Plan," and together with the Assumed U.S. Pension Plans, the "Assumed Pension Plans"), covering substantially all non-U.S. legacy GlobalSantaFe employees.

In addition, we provide several other defined benefit plans, primarily group pension schemes with life insurance companies covering our Norway operations and two unfunded plans covering certain of our employees and former employees (the "Norway Plans"). Our contributions to the Norway Plans are determined primarily by the respective life insurance companies based on the terms of the plan. For the insurance-based plans, annual premium payments are considered to represent a reasonable approximation of the service costs of benefits earned during the period. We also have unfunded defined benefit plans (the "Other Non-U.S. Plans") that provide retirement and severance benefits for certain of our Indonesian, Nigerian and Egyptian employees. The defined benefit pension benefits we provide are comprised of the U.S. Plans, the Norway Plans, Other Non-U.S. Plans and the Assumed Pension Plans (collectively, the "Transocean Plans"). For all plans, we have historically and continue to use a January 1 measurement date for net periodic benefit cost and a December 31 measurement date for benefit obligations.

In connection with the Merger, we amended the Supplemental Benefit Plan to provide employees terminated under the severance plan with age, earnings and service benefits described in the Severance Plan and similar severance arrangements ("Severance Credits"). The Supplemental Benefit Plan provides credit for age, service and earnings during the period of time after termination during which severance is paid (the "Salary Continuation Period"), or if an eligible employee receives severance in a lump sum, the lump sum is considered to be paid out over the Salary Continuation Period in order to provide the value of the Severance Credits. The Supplemental Benefit Plan was also amended to provide for a lump-sum form of payment within 90 days after a participant's termination of employment and a six-month delay on benefits payable to "specified employees" under Section 409A, of the Internal Code.

Effective November 27, 2007, one of the Assumed Pension Plans, the GlobalSantaFe Pension Equalization Plan (the "PEP"), was also amended to provide certain terminated employees under the Severance Plan with Severance Credits. The PEP provides credit for age, service and earnings during the Salary Continuation Period, or if an eligible employee receives severance in a lump sum, the lump sum is considered to be paid out over the Salary Continuation Period in order to provide the value of the Severance Credits. The PEP was also amended to provide for a lump-sum form of payment within 90 days after a participant's termination of employment and a six-month delay on benefits payable to "specified employees" under Section 409A of the Internal Revenue Code. In addition, the amendment specifies that terminated employees who are ineligible to receive Severance Credits under the legacy GlobalSantaFe qualified defined benefit plan will receive Severance Credits under the PEP.

The change in projected benefit obligation, change in plan assets, funded status and the amounts recognized in the consolidated balance sheets are shown in the table below (in millions):

	December 31,	
	2007	2006
Change in projected benefit obligation		
Projected benefit obligation at beginning of year	$ 351	$ 338
Assumed Pension Plans' projected benefit obligations at Merger date	686	—
Service cost	22	20
Interest cost	24	19
Foreign currency exchange rate changes	—	5
Benefits paid	(17)	(15)
Actuarial gains	(1)	(16)
Projected benefit obligation at end of year	$ 1,065	$ 351
Change in plan assets		
Fair value of plan assets at beginning of year	$ 273	$ 242
Assumed Pension Plans' fair value of plan assets at Merger date	655	—
Actual return on plan assets	9	28
Employer contributions	22	15
Foreign currency exchange rate changes	(3)	3
Benefits paid	(17)	(15)
Fair value of plan assets at end of year	$ 939	$ 273
Funded status	$ (126)	$ (78)
Amounts recognized in the consolidated balance sheets consist of:		
Pension asset, non-current	$ 32	$ 5
Accrued pension liability, current	31	1
Accrued pension liability, non-current	127	82
Accumulated other comprehensive income (a)	(55)	(42)

(a) Amounts are before income tax effect of $12 million and $9 million for December 31, 2007 and 2006, respectively.

The accumulated benefit obligation for all defined benefit pension plans was $939 million and $290 million at December 31, 2007 and 2006, respectively.

The aggregate projected benefit obligation and fair value of plan assets for plans with a projected benefit obligation in excess of plan assets are as follows (in millions):

	December 31,	
	2007	2006
Projected benefit obligation	$ 419	$ 273
Fair value of plan assets	261	190

The aggregate accumulated benefit obligation and fair value of plan assets for plans with an accumulated benefit obligation in excess of plan assets are as follows (in millions):

	December 31,	
	2007	2006
Accumulated benefit obligation	$ 256	$ 189
Fair value of plan assets	165	154

Net periodic benefit cost included the following components (in millions):

	Years ended December 31,		
	2007	2006	2005
Components of net periodic benefit cost (a)			
Service cost	$ 22	$ 20	$ 18
Interest cost	24	19	18
Expected return on plan assets	(26)	(20)	(21)
Recognized net actuarial losses	5	5	4
Amortization of prior service cost	1	1	1
Amortization of net transition obligation	1	1	—
SFAS 88 settlements/curtailments	—	—	2
Net periodic benefit cost	$ 27	$ 26	$ 22
Increase (decrease) in minimum pension liability included in other comprehensive income	$ (b)	$ (25)	$ (6)

(a) Amounts are before income tax effect.
(b) Disclosure is not applicable for December 31, 2007 due to adoption of SFAS 158.

No plan assets are expected to be returned to us during the year ending December 31, 2008.

There were no amounts recognized in other comprehensive income as components of net periodic benefit cost in the years ended December 31, 2006 and 2005.

For the year ended December 31, 2007, our components of net periodic benefit cost totaled $4 million, which was recognized in other comprehensive income.

The following table shows the amounts in accumulated other comprehensive income that have not been recognized as components of net periodic benefit costs (in millions):

	December 31, 2007 (a), (b)	December 31, 2006 (a), (b)
Net loss	$ 57	$ 42
Net prior service credit	(3)	(1)
Net transition obligation	1	1
Total unrecognized accumulated other comprehensive income	$ 55	$ 42

(a) Disclosure is not applicable for December 31, 2005.
(b) Amounts are before income tax effect.

The following table shows the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost during the next fiscal year (in millions):

	Year ending December 31, 2008
Net loss	$ 2
Net prior service cost	1
Net transition obligation	1
Total amount in accumulated other comprehensive income expected to be recognized next year	$ 4

Pension obligations are actuarially determined and are affected by assumptions including expected return on plan assets, discount rates, compensation increases and employee turnover rates. We evaluate our assumptions periodically and make adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions used in calculating our pension expense and liabilities are the expected long-term rate of return on plan assets and the assumed discount rate. We evaluate assumptions regarding the estimated long-term rate of return on plan assets based on historical experience and future expectations on investment returns, which are calculated by an unaffiliated investment advisor utilizing the asset allocation classes held by the plan's portfolios. Beginning on December 31, 2005, we utilized a yield curve approach based on Aa corporate bonds and the expected timing of future benefit payments as a basis for determining the discount rate for our U.S. Plans. Changes in these and other assumptions used in the actuarial computations could impact our projected benefit obligations, pension liabilities, pension expense and other comprehensive income. We base our determination of pension expense on a market-related valuation of assets that reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets.

The following are the weighted-average assumptions used to determine benefit obligations:

	December 31,	
	2007	2006
Discount rate	6.07%	5.72%
Rate of compensation increase	4.57%	4.27%

The following are the weighted-average assumptions used to determine net periodic benefit cost:

	December 31,		
	2007	2006	2005
Discount rate	5.90%	5.69%	5.63%
Expected long-term rate of return on plan assets	8.40%	8.49%	8.70%
Rate of compensation increase	4.59%	4.54%	4.52%

We have determined the asset allocation of the plans that is best able to produce maximum long-term gains without taking on undue risk. After modeling many different asset allocation scenarios, we have determined that an asset allocation mix of approximately 60 percent equity securities, 30 percent debt securities and 10 percent other investments is most appropriate. Other investments are generally a diversified mix of funds that specialize in various equity and debt strategies that are expected to provide positive returns each year relative to U.S. Treasury Bills. These strategies may include, among others, arbitrage, short-selling, and merger and acquisition investment opportunities. We review asset allocations and results quarterly to ensure that managers are meeting specified objectives and policies as written and agreed to by us and each manager. These objectives and policies are reviewed each year.

The plan's investment managers have discretion in the securities in which they may invest within their asset category. Given this discretion, the managers may, from time-to-time, invest in our stock or debt. This could include taking either long or short positions in such securities. As these managers are required to maintain well diversified portfolios, the actual investment in our ordinary shares or debt would be immaterial relative to asset categories and the overall plan.

Our pension plan weighted-average asset allocations for funded Transocean Plans by asset category are as follows:

	December 31,	
	2007	2006
Equity securities	64.9%	60.3%
Debt securities	28.4%	29.2%
Other	6.7%	10.5%
Total	100.0%	100.0%

We contributed $22 million to our defined benefit pension plans in 2007, which were funded from our cash flows from operations. During 2007, contributions of $14 million were made to the funded U.S. Plans, $6 million to the funded Norway Plans and $1 million each to the Other Non-U.S. Plans and the Assumed U.K. Pension Plans.

We expect to contribute a total of $26 million to the Transocean Plans in 2008. These contributions are comprised of an estimated $10 million to meet the minimum funding requirements for the funded U.S. Plans, $2 million to fund expected benefit payments for the unfunded U.S. Plans and the Other Non-U.S. Plans and an estimated $7 million each for the funded Norway Plans and the Assumed U.K. Pension Plan.

The following pension benefits payments are expected to be paid by the Transocean Plans (in millions):

Years ending December 31,	
2008	$ 64
2009	38
2010	39
2011	42
2012	44
2013-2017	285

Postretirement Benefits Other Than Pensions—We have several unfunded contributory and noncontributory OPEB plans covering substantially all of our U.S. employees. Funding of benefit payments for plan participants will be made as costs are incurred. The postretirement health care plans include a limit on our share of costs for recent and future retirees. For all plans, we have historically and continue to use a January 1 measurement date for net periodic benefit cost and a December 31 measurement date for benefit obligations.

In connection with the Merger, we assumed a contributory OPEB plan covering substantially all legacy GlobalSantaFe U.S. employees (the "Assumed OPEB Plan").

Net periodic benefit cost for these post retirement plans and their components, including service cost, interest cost, amortization of prior service cost and recognized net actuarial losses were less than $2 million for each of the years ended December 31, 2007 and 2006, and less than $3 million for the year ended December 31, 2005.

The change in benefit obligation, change in plan assets, funded status and amounts recognized in the consolidated balance sheets are shown in the table below (in millions):

	December 31,	
	2007	2006
Change in benefit obligation		
Benefit obligation at beginning of year	$ 36	$ 41
Assumed OPEB Plan's projected benefit obligations at Merger date	21	—
Service cost	1	1
Interest cost	2	2
Actuarial gains	(3)	(6)
Participants' contributions	1	1
Benefits paid	(3)	(3)
Benefit obligation at end of year	$ 55	$ 36
Change in plan assets		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contributions	2	2
Participants' contributions	1	1
Benefits paid	(3)	(3)
Fair value of plan assets at end of year	$ —	$ —
Funded status	$ (55)	$ (36)
Amounts recognized in the consolidated balance sheets consist of:		
Accrued postretirement benefit liability, current	$ 3	$ 1
Accrued postretirement benefit liability, non-current	52	35
Accumulated other comprehensive income	(2)	—

There were no amounts recognized in other comprehensive income as components of net periodic benefit cost in the years ended December 31, 2007, 2006 and 2005.

The following table shows the amounts in accumulated other comprehensive income that have not been recognized as components of net periodic benefit costs (in millions):

	December 31, 2007(a)	December 31, 2006(a)
Net prior service credit	$ (15)	$ (17)
Net loss	13	17
Net transition obligation	—	—
Total unrecognized accumulated other comprehensive income	$ (2)	$ —

(a) Amounts are before income tax effect.

The amounts in accumulated other comprehensive income to be recognized as components of net periodic benefit cost, including net loss and net prior service credit, are expected to be less than $2 million during the year ending December 31, 2008.

Our OPEB obligations and the related benefit costs are accounted for in accordance with SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other than Pensions*. Postretirement costs and obligations are actuarially determined and are affected by assumptions including expected discount rates, employee turnover rates and health care cost trend rates. We evaluate our assumptions periodically and make adjustments to these assumptions and the recorded liabilities as necessary.

Two of the most critical assumptions for postretirement benefit plans are the assumed discount rate and the expected health care cost trend rates. We utilize a yield curve approach based on Aa corporate bonds and the expected timing of future benefit payments as a basis for determining the discount rate. The accumulated postretirement benefit obligation and service cost were developed using a health care trend rate of 9.73 percent for 2007 reducing on an average of approximately 0.68 percent per year to an ultimate trend rate of 5 percent per year for 2014 and later. The initial trend rate was selected with reference to recent Transocean experience and broader national statistics. The ultimate trend rate is a long-term assumption and was selected to reflect the anticipation that the portion of gross domestic product devoted to health care becomes constant. Changes in these and other assumptions used in the actuarial computations could impact our projected benefit obligations, pension liabilities and pension expense.

Weighted-average discount rates used to determine benefit obligations were 5.96 percent and 5.64 percent for the years ended December 31, 2007 and 2006, respectively.

Weighted-average assumptions used to determine net periodic benefit cost were 5.80 percent, 5.37 percent and 5.50 percent for the years ended December 31, 2007, 2006 and 2005, respectively.

Assumed health care cost trend rates were as follows:

	December 31,	
	2007	2006
Health care cost trend rate assumed for next year	9.73%	10.25%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2014	2014

The assumed health care cost trend rate could have a significant impact on the amounts reported for postretirement benefits other than pensions. A one-percentage point change in the assumed health care trend rate would result in a change of $3 million in postretirement benefit obligations as of December 31, 2007 and less than $1 million in total service and interest cost components in 2007.

The following postretirement benefits payments are expected to be paid (in millions):

Years ending December 31,	
2008	$ 2
2009	2
2010	2
2011	2
2012	2
2013-2017	11

TRANSOCEAN INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — Continued

Defined Contribution Plans—We provide a defined contribution pension and savings plan covering senior non-U.S. field employees working outside the United States. Contributions and costs are determined to be 4.5 percent to 6.5 percent of each covered employee's salary, based on years of service. In addition, we sponsor a U.S. defined contribution savings plan that covers certain employees and limits our contributions to no more than 4.5 percent of each covered employee's salary, based on the employee's contribution. We also sponsor various other defined contribution plans worldwide. We recorded approximately $33 million, $26 million and $21 million of expense related to our defined contribution plans for the years ended December 31, 2007, 2006 and 2005, respectively.

In connection with the Merger, we assumed two defined contribution plans for employees in the U.S. (the "Assumed U.S. Defined Contribution Plans") and two defined contributions plans in the United Kingdom (the "Assumed U.K. Defined Contribution Plans," and together with the Assumed U.S. Defined Contribution Plans, the "Assumed Defined Contribution Plans"), covering substantially all U.S. and non-U.S. legacy GlobalSantaFe employees.

Deferred Compensation Plan—We provided a deferred compensation plan (the "Deferred Plan"), which was amended and effectively frozen as of December 31, 2004. The Deferred Plan's primary purpose was to provide tax-advantageous asset accumulation for a select group of management, highly compensated employees and non-employee members of the board of directors.

Eligible employees who enrolled in the Deferred Plan could elect to defer up to a maximum of 90 percent of base salary, 100 percent of any future performance awards, 100 percent of any special payments and 100 percent of directors meeting fees and annual retainers; however, the administrative committee (seven individuals appointed by the finance and benefits committee of the board of directors) could, at its discretion, establish minimum amounts that must be deferred by anyone electing to participate in the Deferred Plan. In addition, the executive compensation committee of the board of directors could authorize employer contributions to participants and our chief executive officer, with executive compensation committee approval, was authorized to cause us to enter into "deferred compensation award agreements" with such participants. There were no employer contributions to the Deferred Plan during the years ended December 31, 2007, 2006 or 2005. In addition, we had a liability of $8 million, $6 million and $5 million for the years ended December 31, 2007, 2006 and 2005, respectively.

In connection with the Merger, we assumed a deferred compensation plan for employees of GlobalSantaFe (the "Assumed Deferred Plan"). Eligible employees who enrolled in this plan could defer any or all of the amount of their annual salary in excess of the annual IRS maximum recognizable compensation limit and up to 100% of their awards under the GlobalSantaFe annual incentive plan. Effective January 1, 2008, the Assumed Deferred Plan was amended to freeze the Assumed Deferred Plan as of that date. We had a liability of $9 million as of December 31, 2007 in relation to this plan.

Severance Plans—On November 27, 2007, we established a special transition severance plan for certain employees on the U.S. payroll involuntarily terminated during the period from November 27, 2007 through November 27, 2009 (the "Severance Plan"). The Severance Plan covers persons who (1) were shore-based employees of Transocean and GlobalSantaFe immediately prior to the date of the completion of the Transactions, (2) remain continuously employed by Transocean until the date of their termination, (3) do not have an individual employment or severance agreement with Transocean or GlobalSantaFe, (4) are not eligible to participate in the Transocean Executive Change of Control Severance Benefit policy, (5) are terminated involuntarily and not for cause during the two-year period ending November 27, 2009, and (6) timely execute a required form of waiver and release.

The amount of the severance benefit equals (1) one month of base pay for every $20,000 of the employee's annual base salary, plus (2) for employees with 10 or fewer years of service, one week of base pay for every year of service; for employees with 10 or more years through 20 years of service, 10 weeks of base pay plus two weeks of base pay for every year of service in excess of 10 years; and for employees with more than 20 years of service, 30 weeks of base pay plus three weeks of base pay for every year of service in excess of 20 years, plus (3) two weeks of base pay. For this purpose, base salary in excess of a $20,000 increment and partial years of service will be pro rated. Notwithstanding the foregoing, in no event will the severance benefit be less than 26 weeks or more than 104 weeks of the employee's weekly base pay. Additionally, any affected employee who is either a U.S. citizen or working in the U.S. and over the age of 39 years on his Termination Date is eligible for an additional $2,000 lump sum, when applicable. This payment shall not be included in determination of the minimum and maximum weeks of the severance benefits.

In addition to the severance benefit, affected employees are eligible to elect coverage under specified medical, retiree medical, dental and employee assistance plans until the earlier of the date the employee becomes eligible for other employer coverage and the expiration of the number of weeks that corresponds to the number of weeks used to calculate the severance benefit. Certain affected employees are also granted age, earnings and service credit for retirement purposes. Also, any employee who qualifies for the benefit will be treated as having been terminated for convenience of Transocean pursuant to the terms of any benefit plan, award or agreement in effect on November 27, 2007, to the extent applicable.

In connection with the Merger, we established a liability of $29 million for the estimated severance-related costs associated with the involuntary termination of 218 employees pursuant to management's plan to consolidate operations and administrative functions post-Merger. Through December 31, 2007, approximately $2 million in severance-related costs have been paid to 11 employees whose positions were eliminated as a result of the consolidation of operations and administrative functions post-merger. We anticipate that substantially all of the remaining amounts will be paid by the end of the first quarter of 2009.

Note 19—Segments, Geographical Analysis and Major Customers

Prior to the Merger, we operated in one business segment. As a result of the Merger, we have established two reportable segments: (1) Contract Drilling and (2) Other. We have combined drilling management services and oil and gas properties into the Other segment. The drilling management services and oil and gas properties do not meet the quantitative thresholds for determining reportable segments and are combined for reporting purposes in the Other segment. Accounting policies of the segments are the same as those described in the Summary of Significant Accounting Policies (see Note 2—Summary of Significant Accounting Policies).

Our Contract Drilling segment fleet operates in a single, global market for the provision of contract drilling services. The location of our rigs and the allocation of resources to build or upgrade rigs are determined by the activities and needs of our customers.

Operating revenues and long-lived assets by country were as follows (in millions):

	Years ended December 31,		
	2007	2006	2005
Operating revenues			
United States	$ 1,259	$ 806	$ 648
United Kingdom	848	439	335
India	761	291	296
Nigeria	587	447	218
Other countries (a)	2,922	1,899	1,395
Total operating revenues	$ 6,377	$ 3,882	$ 2,892

	As of December 31,	
	2007	2006
Long-lived assets		
United States	$ 5,856	$ 2,504
United Kingdom	2,301	457
Nigeria	1,902	856
Other countries (a)	10,871	3,509
Total long-lived assets	$ 20,930	$ 7,326

(a) Other countries represents countries in which we operate that individually had operating revenues or long-lived assets representing less than 10 percent of total operating revenues earned or total long-lived assets.

A substantial portion of our assets are mobile. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the periods. Although we are organized under the laws of the Cayman Islands, none of our rigs operate in the Cayman Islands. As a result, we have no operating revenues or long-lived assets in the Cayman Islands.

Our international operations are subject to certain political and other uncertainties, including risks of war and civil disturbances (or other events that disrupt markets), expropriation of equipment, repatriation of income or capital, taxation policies, and the general hazards associated with certain areas in which operations are conducted.

For the year ended December 31, 2007, Chevron, Shell and BP accounted for approximately 12 percent, 11 percent and 10 percent, respectively, of our operating revenues. For the year ended December 31, 2006, Chevron, BP and Shell accounted for approximately 14 percent, 11 percent and 11 percent, respectively, of our operating revenues. For the year ended December 31, 2005, Chevron and BP each accounted for approximately 12 percent of our operating revenues. The loss of these or other significant customers could have a material adverse effect on our results of operations.

Note 20—Related Party Transactions

ODL—In connection with the management and operation of the *Joides Resolution* on behalf of ODL, we earned $1 million, $2 million and $1 million for the years ended December 31, 2007, 2006 and 2005, respectively. Such amounts are included in other revenues in our consolidated statements of operations. At December 31, 2007 and 2006, we had receivables due from ODL of $5 million and $1 million, respectively, which were recorded as accounts receivable – other in our consolidated balance sheets. Siem Offshore Inc. owns the other 50 percent interest in ODL. Our director, Kristian Siem, is the chairman of Siem Offshore Inc. and is also a director and officer of ODL. Mr. Siem is also chairman and chief executive officer of Siem Industries, Inc., which owns an approximate 45 percent interest in Siem Offshore Inc.

In November 2005, we entered into a loan agreement with ODL pursuant to which we may borrow up to $8 million. ODL may demand repayment at any time upon five business days prior written notice given to us and any amount due to us from ODL may be offset against the loan amount at the time of repayment. As of December 31, 2007 and 2006, $3 million was outstanding under this loan agreement for each year and was reflected as long-term debt in our consolidated balance sheet (see Note 7—Debt). No dividend was declared in 2007. ODL declared a dividend in the amount of $4 million in 2006. In addition, ODL paid us cash dividends of $3 million in 2005.

TODCO—We entered into a transition services agreement under which we provided specified administrative support to TODCO during the transitional period following the closing of the TODCO IPO. TODCO provides specified administrative support on our behalf for rig operations in Trinidad and Venezuela. Amounts earned under the transition services agreement were reflected in other revenues and amounts incurred for administrative support were reflected in operating and maintenance expense in our consolidated statement of operations. While any amounts recorded between us and TODCO subsequent to the deconsolidation of TODCO in mid-December 2004 were not material, we incurred $1 million of costs related to service fees that TODCO billed to us in 2005. At December 31, 2007 and 2006, we had payables related to the agreements for the separation of TODCO of $1 million for each year, which was included in accounts payable in our consolidated balance sheet. At December 31, 2007 and 2006, we had a long-term payable related to our indemnification of certain TODCO non-U.S. income tax liabilities of $11 million for each year, which was included in other long-term liabilities in our consolidated balance sheet.

Note 21—Earnings Per Share

In connection with the Merger, we assumed all of GlobalSantaFe's outstanding employee stock options and stock appreciation rights. We accounted for the Reclassification as a reverse stock split and a dividend, which require restatement of historical weighted average shares outstanding, historical earnings per share and other share-based calculations for prior periods.

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):

	Years ended December 31,		
	2007	2006	2005
Numerator for earnings per share:			
Net income for basic earnings per share	$ 3,131	$ 1,385	$ 716
Add back interest expense on the 1.5% Convertible Debentures	6	6	6
Net income for diluted earnings per share	$ 3,137	$ 1,391	$ 722
Denominator for earnings per share:			
Weighted-average shares outstanding for basic earnings per share	214	219	229
Effect of dilutive securities:			
Employee stock options and unvested stock grants	3	4	4
Warrants to purchase ordinary shares	2	2	2
1.5% Convertible Debentures	3	3	3
Adjusted weighted-average shares and assumed conversions for diluted earnings per share	222	228	238
Earnings per share			
Basic	$ 14.65	$ 6.32	$ 3.13
Diluted	$ 14.14	$ 6.10	$ 3.03

Ordinary shares subject to issuance pursuant to the conversion features of the Zero Coupon Convertible Debentures and the Convertible Notes (see Note 7—Debt) are included in the calculation of adjusted weighted-average shares for the year ended December 31, 2007 and the Zero Coupon Convertible Debentures are included in the calculation of adjusted weighted-average shares for the year ended December 31, 2006; however, they did not have a material effect on the calculation for each year. The Zero Coupon Convertible Debentures are not included in the calculation of adjusted weighted-average shares and assumed conversions for diluted earnings per share for the year ended December 31, 2005 because the effect of including those shares is anti-dilutive.

Note 22—Stock Warrants

In connection with the R&B Falcon merger, we assumed the then outstanding R&B Falcon stock warrants. Each warrant enabled the holder to purchase 17.5 ordinary shares at an exercise price of $19.00 per share. The warrants expire on May 1, 2009. On July 25, 2007, we issued 861,700 ordinary shares and we received $16 million in cash related to the exercise of 49,240 warrants. In November 2007, we issued 1,255,625 ordinary shares and we received $24 million in cash related to the exercise of 71,750 warrants. At December 31, 2007, there were 82,910 warrants outstanding to purchase 1,015,067 ordinary shares.

The warrant agreement provided that, as a result of the Reclassification, each warrant became exercisable for 12.243 ordinary shares at an adjusted exercise price equal to $21.74 per share pursuant to formulas specified in the warrant agreement. We believe that the adjustment of the number of ordinary shares for which the warrants were exercisable and the exercise price pursuant to the warrant agreement would not allow holders to receive the full economic benefit of the Reclassification. In order to place the warrantholders in a position more comparable to that of ordinary shareholders, we modified the warrant agreement to allow warrantholders to receive, upon exercise following the Reclassification, 0.6996 of our ordinary shares and $33.03 for each ordinary share for which the warrants were previously exercisable, at an exercise price of $19.00 per ordinary share for which the warrants were exercisable prior to the Reclassification. As a result, a holder of a warrant may elect to receive 12.243 ordinary shares and $578.025 in cash at an exercise price of $332.50 upon exercise. This modification represents the same consideration that a warrantholder would have owned immediately after the Reclassification if the warrantholder had exercised its warrant immediately before the Reclassification.

The cash payment feature provided for in the modification resulted in a reclassification from permanent equity. As of December 31, 2007, $48 million was recorded in other current liabilities in our consolidated balance sheet.

Note 23—Quarterly Results (Unaudited)

Shown below are selected unaudited quarterly data. Amounts are rounded for consistency in presentation with no effect to the results of operations previously reported on Form 10-Q or Form 10-K.

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(in millions, except per share data)			
2007				
Operating revenues	$ 1,328	$ 1,434	$ 1,538	$ 2,077
Operating income (a)	657	676	753	1,153
Net income (a)(b)	553	549	973	1,056
Earnings per share (c)				
Basic	$ 2.72	$ 2.73	$ 4.80	$ 4.27
Diluted	$ 2.62	$ 2.63	$ 4.63	$ 4.17
Weighted average shares outstanding (c)				
Basic	203	202	203	247
Diluted	212	210	210	254
2006				
Operating revenues	$ 817	$ 854	$ 1,025	$ 1,186
Operating income (d)	284	289	390	678
Net income (d)	206	249	309	621
Earnings per share (c)				
Basic	$ 0.90	$ 1.10	$ 1.42	$ 3.04
Diluted	$ 0.87	$ 1.07	$ 1.37	$ 2.92
Weighted average shares outstanding (c)				
Basic	228	226	218	204
Diluted	238	235	227	213

(a) First quarter included gain from disposal of assets of $23 million. Third quarter included gain from disposal of assets of $8 million. Fourth quarter included gain from disposal of assets of $233 million. See Note 6—Asset Dispositions.

(b) Third quarter included other income of $276 million recognized in connection with the TODCO tax sharing agreement and a tax benefit of $52 million from various discrete tax items. Fourth quarter included loss on retirement of debt of $8 million.

(c) All earnings per share amounts and weighted average shares outstanding have been restated for the effect of the Reclassification. The restatement adjusts shares outstanding in a manner similar to a reverse stock split in the ratio of 0.6996 for each share outstanding.

(d) First quarter included gain from disposal of assets of $65 million. Second quarter included gain from disposal of assets of $111 million. Third quarter included gain from disposal of assets of $45 million. Fourth quarter included gain from disposal of assets of $191 million. See Note 6—Asset Dispositions.

Note 24—Subsequent Events (Unaudited)

Commercial Paper Program—As of February 27, 2008, we have issued $813 million in commercial paper in 2008. The proceeds from the issuance of commercial paper were used to repay borrowings outstanding under the 364-Day Revolving Credit Facility.

Debt Repayments—As of February 27, 2008, we have repaid $580 million of borrowings under the Bridge Loan Facility in 2008 using internally generated cash flows.

Assets Held for Sale—On February 15, 2008, we entered into a definitive agreement with Hercules Offshore, Inc. to sell three of our Standard Jackups (*GSF Adriatic III*, *GSF High Island I* and *GSF High Island VIII*) for approximately $320 million. At February 27, 2008, *GSF Adriatic III*, *GSF High Island I* and *GSF High Island VIII* were classified as assets held for sale in the amounts of $146 million, $92 million and $92 million, respectively.

In addition, we are actively pursuing the sale of two Midwater Floaters, *GSF Arctic II* and *GSF Arctic IV*, which continue to operate under contract, in connection with our previously announced proposed undertakings to the Office of Fair Trading in the U.K. At February 27, 2008, *GSF Arctic II* and *GSF Arctic IV* were classified as held for sale in the amounts at $280 million and $285 million, respectively.

ITEM 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

We have not had a change in or disagreement with our accountants within 24 months prior to the date of our most recent financial statements or in any period subsequent to such date.

ITEM 9A. ***Controls and Procedures***

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2007 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act (i) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (ii) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in these internal controls during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

See "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting" included in Item 8 of this Annual Report.

ITEM 9B. ***Other Information***

None

PART III

ITEM 10. ***Directors, Executive Officers and Corporate Governance***

ITEM 11. ***Executive Compensation***

ITEM 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

ITEM 13. ***Certain Relationships, Related Transactions, and Director Independence***

ITEM 14. ***Principal Accountant Fees and Services***

The information required by Items 10, 11, 12, 13 and 14 is incorporated herein by reference to our definitive proxy statement for our 2008 annual general meeting of shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days of December 31, 2007. Certain information with respect to our executive officers is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

PART IV

ITEM 15. ***Exhibits and Financial Statement Schedules***

(a) Index to Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Financial statements of unconsolidated subsidiaries are not presented herein because such subsidiaries do not meet the significance test.

(2) Financial Statement Schedules

Transocean Inc. and Subsidiaries

Schedule II - Valuation and Qualifying Accounts

(In millions)

	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts Describe	Deductions Describe	Balance at End of Period
Year ended December 31, 2005					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ 17	$ 15	$ -	$ 17 (a)(b)	$ 15
Allowance for obsolete materials and supplies	20	1	-	2 (b)(c)	19
Valuation allowance on deferred tax assets	115	-	-	67 (d)	48
Year ended December 31, 2006					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	15	32	-	21 (a)	26
Allowance for obsolete materials and supplies	19	3	-	3 (e)	19
Valuation allowance on deferred tax assets	48	11	-	-	59
Year ended December 31, 2007					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	26	57	-	33 (a)	50
Allowance for obsolete materials and supplies	19	4	-	1 (f)	22
Valuation allowance on deferred tax assets	$ 59	$ -	$ 28 (g)	$ 58 (h)	$ 29

(a) Uncollectible accounts receivable written off, net of recoveries.
(b) Amount includes $1 related to adjustments to the provision.
(c) Obsolete materials and supplies written off, net of scrap.
(d) Amount represents the utilization of the underlying deferred tax assets to offset current year income.
(e) Amount represents $3 related to sale of rigs/inventory.
(f) Amount represents $1 related to sale of rigs/inventory.
(g) Amount represents the valuation allowances established in connection with the tax assets acquired and the liabilities assumed during the Merger.
(h) Amount represents a change in estimate related to the expected utilization of our U.S. foreign tax credits.

Other schedules are omitted either because they are not required or are not applicable or because the required information is included in the financial statements or notes thereto.

(3) 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)
2.2	Agreement and Plan of Merger dated as of July 12, 1999 among Schlumberger Limited, Sedco Forex Holdings Limited, Transocean Offshore Inc. and Transocean SF Limited (incorporated by reference to Annex A to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.3	Distribution Agreement dated as of July 12, 1999 between Schlumberger Limited and Sedco Forex Holdings Limited (incorporated by reference to Annex B to the Joint Proxy Statement/Prospectus dated October 27, included in a 424(b)(3) prospectus filed by the Company on November 1, 2000)
2.4	Agreement and Plan of Merger and Conversion dated as of March 12, 1999 between Transocean Offshore Inc. and Transocean Offshore (Texas) Inc. (incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-4 of Transocean Offshore (Texas) Inc. filed on April 8, 1999 (Registration No. 333-75899))
2.5	Agreement and Plan of Merger, dated as of July 21, 2007, among Transocean Inc., GlobalSantaFe Corporation and Transocean Worldwide Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 23, 2007)
3.1	Certificate of Incorporation on Change of Name to Transocean Inc. (incorporated by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002)
3.2	Transocean Amended and Restated Memorandum of Association (incorporated by reference to Annex E to the Joint Proxy Statement of Transocean and GlobalSantaFe filed on October 3, 2007)
3.3	Transocean Amended and Restated Articles of Association (incorporated by reference to Annex F to the Joint Proxy Statement of Transocean and GlobalSantaFe filed on October 3, 2007)
4.1	Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated April 29, 1997)
4.2	First Supplemental Indenture dated as of April 15, 1997 between the Company and Texas Commerce Bank National Association, as trustee, supplementing the Indenture dated as of April 15, 1997 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated April 29, 1997)
4.3	Second Supplemental Indenture dated as of May 14, 1999 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-59001-99))
4.4	Third Supplemental Indenture dated as of May 24, 2000 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 24, 2000)
4.5	Fourth Supplemental Indenture dated as of May 11, 2001 between the Company and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001)
4.6	Form of 7.45% Notes due April 15, 2027 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated April 29, 1997)

4.7	Form of 8.00% Debentures due April 15, 2027 (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K dated April 19, 1997)
4.8	Form of Zero Coupon Convertible Debenture due May 24, 2020 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 24, 2000)
4.9	Form of 1.5% Convertible Debenture due May 15, 2021 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 8, 2001)
4.10	Form of 6.625% Note due April 15, 2011 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated March 30, 2001)
4.11	Form of 7.5% Note due April 15, 2031 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K dated March 30, 2001)
4.12	Officers' Certificate establishing the terms of the 6.50% Notes due 2003, 6.75% Notes due 2005, 6.95% Notes due 2008, 7.375% Notes due 2018, 9.125% Notes due 2003 and 9.50% Notes due 2008 (incorporated by reference to Exhibit 4.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)
4.13	Officers' Certificate establishing the terms of the 7.375% Notes due 2018 (incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001)
4.14	Warrant Agreement, including form of Warrant, dated April 22, 1999 between R&B Falcon and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.1 to R&B Falcon's Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)
4.15	Supplement to Warrant Agreement dated January 31, 2001 among Transocean Sedco Forex Inc., R&B Falcon Corporation and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.28 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)
4.16	Supplement to Warrant Agreement dated September 14, 2005 between Transocean Inc. and The Bank of New York (incorporated by reference to Exhibit 4.3 to the Company's Post-Effective Amendment No. 3 on Form S-3 to Form S-4 filed on November 18, 2005)
4.17	Amendment to Warrant Agreement dated November 27, 2007 between Transocean Inc. and The Bank of New York (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 3, 2007)
4.18	Registration Rights Agreement dated April 22, 1999 between R&B Falcon and American Stock Transfer & Trust Company (incorporated by reference to Exhibit 4.2 to R&B Falcons Registration Statement No. 333-81181 on Form S-3 dated June 21, 1999)
4.19	Supplement to Registration Rights Agreement dated January 31, 2001 between Transocean Sedco Forex Inc. and R&B Falcon Corporation (incorporated by reference to Exhibit 4.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2000)
4.20	Revolving Credit Agreement, dated as of July 8, 2005, among Transocean Inc., the lenders from time to time party thereto, Citibank, N.A., Bank of America, N.A., JPMorgan Chase Bank, N.A., The Royal Bank of Scotland plc and SunTrust Bank (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 13, 2005)
4.21	Amendment No.1 to Revolving Credit Agreement, dated as of May 12, 2006, among Transocean Inc., the lenders from time to time parties thereto, Citibank., N.A., Bank of America, N.A., JP Morgan Chase Bank, N.A., the Royal Bank of Scotland plc and SunTrust Bank (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 12, 2006)
4.22	Amendment No. 2 to Revolving Credit Agreement, dated as of June 1, 2007, among Transocean Inc., the lenders from time to time parties thereto, Citibank, N.A., Bank of America, N.A., JPMorgan Chase Bank, N.A., The Royal Bank of Scotland plc and SunTrust Bank (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 4, 2007)

4.23	Term Credit Agreement dated August 30, 2006 among Transocean Inc., the lenders party thereto and JPMorgan Chase Bank, N.A. as Administrative Agent, Citibank, N.A. as Syndication Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Calyon New York Branch and The Royal Bank of Scotland plc (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 31, 2006)
4.24	Form of Officers' Certificate of Transocean Inc. establishing the form and terms of the Floating Rate Notes due 2008 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on September 1, 2006)
4.25	Credit Agreement dated as of September 28, 2007 among Transocean Inc., the lenders party thereto and Goldman Sachs Credit Partners, L.P. as Administrative Agent, Lehman Commercial Paper Inc. as Syndication Agent, Citibank, N.A., Calyon Corporate and Investment Bank and JPMorgan Chase Bank, N.A., as Co-Documentation Agents, and Goldman Sachs Credit Partners, L.P. and Lehman Brothers Inc. as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 1, 2007)
4.26	Amendment No. 1, dated November 21, 2007, to Credit Agreement dated as of September 28, 2007 among Transocean Inc., the lenders party thereto and Goldman Sachs Credit Partners, L.P. as Administrative Agent, Lehman Commercial Paper Inc. as Syndication Agent, Citibank, N.A., Calyon Corporate and Investment Bank and JPMorgan Chase Bank, N.A., as Co-Documentation Agents, and Goldman Sachs Credit Partners, L.P. and Lehman Brothers Inc. as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 4.11 to the Company's Current Report on Form 8-K filed on December 3, 2007)
4.27	Five-Year Revolving Credit Agreement dated November 27, 2007 among Transocean Inc., as borrower, the lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent for the lenders and as issuing bank of letters of credit, Citibank, N.A., as syndication agent for the lenders and as an issuing bank of letters of credit, Calyon Corporate and Investment Bank, as co-syndication agent, and Credit Suisse, Cayman Islands Branch and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as co-documentation agents for the lenders (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 3, 2007)
4.28	Indenture dated as of February 1, 2003, between GlobalSantaFe Corporation and Wilmington Trust Company, as trustee, relating to debt securities of GlobalSantaFe Corporation (incorporated by reference to Exhibit 4.9 to GlobalSantaFe Corporation's Annual Report on Form 10-K for the year ended December 31, 2002)
4.29	Supplemental Indenture dated November 27, 2007 among Transocean Worldwide Inc., GlobalSantaFe Corporation and Wilmington Trust Company, as trustee, to the Indenture dated as of February 1, 2003 between GlobalSantaFe Corporation and Wilmington Trust Company (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on December 3, 2007)
4.30	Form of 7% Note Due 2028 (incorporated by reference to Exhibit 4.2 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) dated May 20, 1998)
4.31	Terms of 7% Note Due 2028 (incorporated by reference to Exhibit 4.1 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) dated May 20, 1998)
4.32	Indenture dated as of September 1, 1997, between Global Marine Inc. and Wilmington Trust Company, as Trustee, relating to Debt Securities of Global Marine Inc. (incorporated by reference to Exhibit 4.1 of Global Marine Inc.'s Registration Statement on Form S-4 (No. 333-39033) filed with the Commission on October 30, 1997); First Supplemental Indenture dated as of June 23, 2000 (incorporated by reference to Exhibit 4.2 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 2000); Second Supplemental Indenture dated as of November 20, 2001 (incorporated by reference to Exhibit 4.2 to GlobalSantaFe Corporation's Annual Report on Form 10-K for the year ended December 31, 2004)
4.33	Form of 5% Note due 2013 (incorporated by reference to Exhibit 4.10 to GlobalSantaFe Corporation's Annual Report on Form 10-K for the year ended December 31, 2002)
4.34	Terms of 5% Note due 2013 (incorporated by reference to Exhibit 4.11 to GlobalSantaFe Corporation's Annual Report on Form 10-K for the year ended December 31, 2002)

4.35	364-Day Revolving Credit Agreement dated December 3, 2007 among Transocean Inc. and the lenders from time to time parties thereto, JPMorgan Chase Bank, N.A., as administrative agent for the lenders, Citibank, N.A., as syndication agent for the lenders, Calyon New York Branch, as co-syndication agent, and Credit Suisse, Cayman Islands Branch and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as co-documentation agents for the lenders (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 5, 2007)
†4.36	Senior Indenture, dated as of December 11, 2007, between the Company and Wells Fargo Bank, National Association
†4.37	First Supplemental Indenture, dated as of December 11, 2007, between the Company and Wells Fargo Bank, National Association
†4.38	Second Supplemental Indenture, dated as of December 11, 2007, between the Company and Wells Fargo Bank, National Association
10.1	Tax Sharing Agreement between Sonat Inc. and Sonat Offshore Drilling Inc. dated June 3, 1993 (incorporated by reference to Exhibit 10-(3) to the Company's Form 10-Q for the quarter ended June 30, 1993)
*10.2	Performance Award and Cash Bonus Plan of Sonat Offshore Drilling Inc. (incorporated by reference to Exhibit 10-(5) to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993)
*10.3	Form of Sonat Offshore Drilling Inc. Executive Life Insurance Program Split Dollar Agreement and Collateral Assignment Agreement (incorporated by reference to Exhibit 10-(9) to the Company's Annual Report on Form 10-K for the year ended December 31, 1993)
*10.4	Amended and Restated Employee Stock Purchase Plan of Transocean Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated May 16, 2005)
*10.5	Amended and Restated Long-Term Incentive Plan of Transocean Inc. (incorporated by reference to Appendix B to the Company's Proxy Statement dated March 19, 2004)
*10.6	Amendment to Amended and Restated Long-Term Incentive Plan of Transocean Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 23, 2007)
*10.7	Deferred Compensation Plan of Transocean Offshore Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1999)
*10.8	Amendment to Transocean Inc. Deferred Compensation Plan (incorporate by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 29, 2005)
*10.9	Sedco Forex Employees Option Plan of Transocean Sedco Forex Inc. effective December 31, 1999 (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 333-94569) filed January 12, 2000)
*10.10	1992 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit B to Reading & Bates' Proxy Statement dated April 27, 1992)
*10.11	1995 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement dated March 29, 1995)
*10.12	1995 Director Stock Option Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.B to Reading & Bates' Proxy Statement dated March 29, 1995)
*10.13	1997 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement dated March 18, 1997)
*10.14	1998 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 23, 1998)

*10.15	1998 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 23, 1998)
*10.16	1999 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon's Proxy Statement dated April 13, 1999)
*10.17	1999 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon's Proxy Statement dated April 13, 1999)
10.18	Master Separation Agreement dated February 4, 2004 by and among Transocean Inc., Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.2 to the Company's Current Report on Form 8-K dated March 2, 2004)
10.19	Tax Sharing Agreement dated February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.3 to the Company's Current Report on Form 8-K dated March 2, 2004)
10.20	Amended and Restated Tax Sharing Agreement effective as of February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on November 30, 2006)
*10.21	Executive Severance Benefit of Transocean Inc. effective February 9, 2005 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 15, 2005)
*10.22	Form of 2004 Performance-Based Nonqualified Share Option Award Letter (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 15, 2005)
*10.23	Form of 2004 Employee Contingent Restricted Ordinary Share Award (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 15, 2005)
*10.24	Form of 2004 Director Deferred Unit Award (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on February 15, 2005)
*10.25	Performance Award and Cash Bonus Plan of Transocean Inc. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on February 15, 2005)
†*10.26	Description of Base Salaries of Named Executive Officers
*10.27	Executive Change of Control Severance Benefit (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 19, 2005)
10.28	Commitment Letter, dated July 21, 2007, among Transocean Inc., GlobalSantaFe Corporation, Goldman Sachs Credit Partners L.P., Lehman Brothers Commercial Bank, Lehman Commercial Paper Inc. and Lehman Brothers Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 23, 2007)
*10.29	Terms of July 2007 Employee Restricted Stock Awards (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 2007)
*10.30	Terms of July 2007 Employee Deferred Unit Awards (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q for the quarter ended June 30, 2007
10.31	Put Option and Registration Rights Agreement, dated as of October 18, 2007, among Pacific Drilling Limited, Transocean Pacific Drilling Inc., Transocean Inc. and Transocean Offshore International Ventures Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 24, 2007)
10.32	Form of Novation Agreement dated as of November 27, 2007 by and among GlobalSantaFe Corporation, Transocean Offshore Deepwater Drilling Inc. and certain executives (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 3, 2007)

*10.33	Form of Severance Agreement with GlobalSantaFe Corporation Executive Officers (incorporated by reference to Exhibit 10.1 to GlobalSantaFe Corporation's Current Report on Form 8 K/A filed on July 26, 2005)
*10.34	Transocean Special Transition Severance Plan for Shore-Based Employees (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 3, 2007)
*10.35	Global Marine Inc. 1989 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.6 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1988); First Amendment (incorporated by reference to Exhibit 10.6 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1990); Second Amendment (incorporated by reference to Exhibit 10.7 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1991); Third Amendment (incorporated by reference to Exhibit 10.19 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1993); Fourth Amendment (incorporated by reference to Exhibit 10.16 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1994); Fifth Amendment (incorporated by reference to Exhibit 10.1 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 1996); Sixth Amendment (incorporated by reference to Exhibit 10.18 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1996)
*10.36	Global Marine Inc. 1990 Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 10.18 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1991); First Amendment (incorporated by reference to Exhibit 10.1 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 1995); Second Amendment (incorporated by reference to Exhibit 10.37 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1996)
*10.37	1997 Long-Term Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-7070) filed June 13, 1997); Amendment to 1997 Long Term Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Annual Report on Form 20-F for the calendar year ended December 31, 1998); Amendment to 1997 Long Term Incentive Plan dated December 1, 1999 (incorporated by reference to GlobalSantaFe Corporation's Annual Report on Form 20-F for the calendar year ended December 31, 1999)
*10.38	GlobalSantaFe Corporation 1998 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.1 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended March 31, 1998); First Amendment (incorporated by reference to Exhibit 10.2 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 2000)
*10.39	GlobalSantaFe Corporation 2001 Non-Employee Director Stock Option and Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-73878) filed November 21, 2001)
*10.40	GlobalSantaFe Corporation 2001 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to GlobalSantaFe Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001)
*10.41	GlobalSantaFe 2003 Long-Term Incentive Plan (as Amended and Restated Effective June 7, 2005) (incorporated by reference to Exhibit 10.4 to GlobalSantaFe Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005)
*10.42	GlobalSantaFe Pension Equalization Plan, as amended and restated, effective November 27, 2007 (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed on December 3, 2007)
*10.43	Transocean U.S. Supplemental Retirement Benefit Plan, as amended and restated, effective as of November 27, 2007 (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed on December 3, 2007)
10.44	Commercial Paper Dealer Agreement between Transocean Inc. and Lehman Brothers Inc., dated as of December 20, 2007 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 21, 2007)

10.45	Commercial Paper Dealer Agreement between Transocean Inc. and Morgan Stanley & Co. Incorporated, dated as of December 20, 2007 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 21, 2007)
10.46	Commercial Paper Dealer Agreement between Transocean Inc. and J.P. Morgan Securities Inc., dated as of December 20, 2007 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 21, 2007)
†21	Subsidiaries of the Company
†23.1	Consent of Ernst & Young LLP
†24	Powers of Attorney
†31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
†31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
†32.1	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
†32.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

*Compensatory plan or arrangement.
†Filed herewith.

Exhibits listed above as previously having been filed with the SEC are incorporated herein by reference pursuant to Rule 12b-32 under the Securities Exchange Act of 1934 and made a part hereof with the same effect as if filed herewith.

Certain instruments relating to our long-term debt and our subsidiaries have not been filed as exhibits since the total amount of securities authorized under any such instrument does not exceed 10 percent of our total assets and our subsidiaries on a consolidated basis. We agree to furnish a copy of each such instrument to the SEC upon request.

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; thereunto duly authorized, on February 27, 2008.

TRANSOCEAN INC.
By /s/ Gregory L. Cauthen
Gregory L. Cauthen
Senior Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on February 27, 2008.

Signature	Title
* **Robert E. Rose**	Chairman of the Board of Directors
/s/ Robert L. Long **Robert L. Long**	Chief Executive Officer (Principal Executive Officer)
/s/ Gregory L. Cauthen **Gregory L. Cauthen**	Senior Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ John H. Briscoe **John H. Briscoe**	Vice President and Controller (Principal Accounting Officer)
* **Jon A. Marshall**	President, Chief Operating Officer and Director
* **W. Richard Anderson**	Director
* **Thomas W. Cason**	Director
* **Richard L. George**	Director
* **Victor E. Grijalva**	Director
* **Martin B. McNamara**	Director
* **Edward R. Muller**	Director

Signature	Title
* **Kristian Siem**	Director
* **Robert M. Sprague**	Director
* **Ian C. Strachan**	Director
* **J. Michael Talbert**	Director
* **John L. Whitmire**	Director

By /s/ Chipman Earle
Chipman Earle
(Attorney-in-Fact)

TRANSOCEAN INC.

as Issuer

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

as Trustee

Indenture

Dated as of December 11, 2007

Debt Securities

TRANSOCEAN INC.

Reconciliation and tie between Trust Indenture Act of 1939 and Indenture, dated as of December 11, 2007

Section of Trust Indenture Act of 1939		Section(s) of Indenture
§ 310	(a)(1)	7.10
	(a)(2)	7.10
	(a)(3)	Not Applicable
	(a)(4)	Not Applicable
	(a)(5)	7.10
	(b)	7.08, 7.10
§ 311	(a)	7.11
	(b)	7.11
	(c)	Not Applicable
§ 312	(a)	2.07
	(b)	10.03
	(c)	10.03
§ 313	(a)	7.06
	(b)	7.06
	(c)	7.06
	(d)	7.06
§ 314	(a)	4.03, 4.04
	(b)	Not Applicable
	(c)(1)	10.04
	(c)(2)	10.04
	(c)(3)	Not Applicable
	(d)	Not Applicable
	(e)	10.05
§ 315	(a)	7.01(b)
	(b)	7.05
	(c)	7.01(a)
	(d)	7.01(c)
	(d)(1)	7.01(c)(1)
	(d)(2)	7.01(c)(2)
	(d)(3)	7.01(c)(3)
	(e)	6.11
§ 316	(a)(1)(A)	6.05
	(a)(1)(B)	6.04
	(a)(2)	Not Applicable
	(a)(last sentence)	2.11
	(b)	6.07
§ 317	(a)(1)	6.08
	(a)(2)	6.09
	(b)	2.06
§ 318	(a)	10.01

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

TABLE OF CONTENTS

INDENTURE dated as of December 11, 2007 between Transocean Inc., a company organized under the laws of the Cayman Islands (the "Company"), and Wells Fargo Bank, National Association, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's unsecured debentures, notes or other evidences of indebtedness (the "Securities") to be issued from time to time in one or more series as provided in this Indenture:

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 *Definitions.*

"Additional Amounts" means any additional amounts required by the express terms of a Security or by or pursuant to a Board Resolution, under circumstances specified therein or pursuant thereto, to be paid by the Company with respect to certain taxes, assessments or other governmental charges imposed on certain Holders and that are owing to such Holders.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" of a Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

"Agent" means any Registrar or Paying Agent.

"Bankruptcy Law" means Title 11 of the United States Code or any similar federal, state or foreign law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company or any committee thereof duly authorized, with respect to any particular matter, to act by or on behalf of the Board of Directors of the Company.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day that is not a Legal Holiday.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person; *provided, however,* that for purposes of any provision contained herein which is required by the TIA, "Company" shall also mean each other obligor (if any) on the Securities of a series.

"Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by two Officers of the Company, and delivered to the Trustee.

"Corporate Trust Office of the Trustee" means the office of the Trustee located at 1445 Ross Avenue, 2nd Floor, MAC T5303-02J, Dallas, TX 75202, Attention: Corporate Trust Services, and as may be located at such other address as the Trustee may give notice to the Company.

"Default" means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

"Depositary" means, with respect to the Securities of any series issuable or issued in whole or in part in global form, the Person specified pursuant to Section 2.01 hereof as the initial Depositary with respect to the Securities of such series, until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and thereafter "Depositary" shall mean or include such successor.

"Dollar" or "$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debt.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor statute.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect from time to time.

"Global Security" means a Security that is issued in global form in the name of the Depositary with respect thereto or its nominee.

"Government Obligations" means, with respect to a series of Securities, direct obligations of the government that issues the currency in which the Securities of the series are payable for the payment of which the full faith and credit of such government is pledged, or obligations of a Person controlled or supervised by and acting as an agency or instrumentality of such government, the payment of which is unconditionally guaranteed as a full faith and credit obligation by such government.

"Holder" means a Person in whose name a Security is registered.

"Indenture" means this Indenture as amended or supplemented from time to time pursuant to the provisions hereof, and includes the terms of a particular series of Securities established as contemplated by Section 2.01.

"interest" means, with respect to an Original Issue Discount Security that by its terms bears interest only after Maturity, interest payable after Maturity.

"Interest Payment Date," when used with respect to any Security, shall have the meaning assigned to such term in the Security as contemplated by Section 2.01.

"Issue Date" means, with respect to Securities of a series, the date on which the Securities of such series are originally issued under this Indenture.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in any of The City of New York, New York; Houston, Texas or a Place of Payment are authorized or obligated by law, regulation or executive order to remain closed.

"Maturity" means, with respect to any Security, the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof, or by declaration of acceleration, call for redemption or otherwise.

"Officer" means the Chairman of the Board, any Vice Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, any Assistant Controller, the Secretary or any Assistant Secretary of a Person.

"Officers' Certificate" means a certificate signed by two Officers of a Person.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. Such counsel may be an employee of or counsel to the Company or the Trustee.

"Original Issue Discount Security" means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.02.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, unincorporated organization or government or other agency, instrumentality or political subdivision thereof or other entity of any kind.

"Place of Payment" means, with respect to the Securities of any series, the place or places where the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of that series are payable as specified in accordance with Section 2.01 subject to the provisions of Section 4.02.

"principal" of a Security means the principal of the Security plus, when appropriate, the premium, if any, on the Security.

"Redemption Date" means, with respect to any Security to be redeemed, the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price" means, with respect to any Security to be redeemed, the price at which it is to be redeemed pursuant to this Indenture.

"Responsible Officer" means any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"Rule 144A Securities" means Securities of a series designated pursuant to Section 2.01 as entitled to the benefits of Section 4.03(b).

"SEC" means the Securities and Exchange Commission.

"Securities" has the meaning stated in the preamble of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

"Security Custodian" means, with respect to Securities of a series issued in global form, the Trustee for Securities of such series, as custodian with respect to the Securities of such series, or any successor entity thereto.

"Stated Maturity" means, when used with respect to any Security or any installment of principal thereof or interest thereon, the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" means a Person at least a majority of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock having voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"TIA" means the Trust Indenture Act of 1939, as amended, as in effect on the date hereof.

"Trustee" means the Person named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture, and thereafter "Trustee" means each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series means the Trustee with respect to Securities of that series.

"United States" means the United States of America (including the States and the District of Columbia) and its territories and possessions, which include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

"U.S. Government Obligations" means Government Obligations with respect to Securities payable in Dollars.

SECTION 1.02 *Other Definitions*

Term	Defined in Section
"Agent Members"	2.17
"Bankruptcy Custodian"	6.01
"Conversion Event"	6.01
"covenant defeasance"	8.01
"Event of Default"	6.01
"Exchange Rate"	2.11
"Judgment Currency"	6.10
"legal defeasance"	8.01
"mandatory sinking fund payment"	3.09
"optional sinking fund payment"	3.09
"Paying Agent"	2.05
"Registrar"	2.05
"Required Currency"	6.10
"Successor"	5.01

SECTION 1.03 *Incorporation by Reference of Trust Indenture Act.*

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture (and if the Indenture is not qualified under the TIA at that time, as if it were so qualified unless otherwise provided). The following TIA terms used in this Indenture have the following meanings:

"Commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company or any other obligor on the Securities.

All terms used in this Indenture that are defined by the TIA, defined by a TIA reference to another statute or defined by an SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.04 Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions; and

(6) all references in this instrument to Articles and Sections are references to the corresponding Articles and Sections in and of this instrument.

ARTICLE II

THE SECURITIES

SECTION 2.01 *Amount Unlimited; Issuable in Series.*

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution, and set forth, or determined in the manner provided, in an Officers' Certificate of the Company or in a Company Order, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series:

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from the Securities of all other series);

(2) if there is to be a limit, the limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 2.08, 2.09, 2.12, 2.17, 3.07 or 9.05 and except for any Securities which, pursuant to Section 2.04 or 2.17, are deemed never to have been authenticated and delivered hereunder); *provided, however,* that unless otherwise provided in the terms of the series, the authorized aggregate principal amount of such series may be increased before or after the issuance of any Securities of the series by a Board Resolution (or action pursuant to a Board Resolution) to such effect;

(3) whether any Securities of the series are to be issuable initially in temporary global form and whether any Securities of the series are to be issuable in permanent global form, as Global Securities or otherwise, and, if so, whether beneficial owners of interests in any such Global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 2.17, and the initial Depositary and Security Custodian, if any, for any Global Security or Securities of such series;

(4) the manner in which any interest payable on a temporary Global Security on any Interest Payment Date will be paid if other than in the manner provided in Section 2.14;

(5) the date or dates on which the principal of and premium (if any) on the Securities of the series is payable or the method of determination thereof;

(6) the rate or rates, or the method of determination thereof, at which the Securities of the series shall bear interest, if any, whether and under what circumstances Additional Amounts with respect to such Securities shall be payable, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the record date for the interest payable on any Securities on any Interest Payment Date, or if other than provided herein, the Person to whom any interest on Securities of the series shall be payable;

(7) the place or places where, subject to the provisions of Section 4.02, the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series shall be payable;

(8) the period or periods within which, the price or prices (whether denominated in cash, securities or otherwise) at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option, and the manner in which the Company must exercise any such option, if different from those set forth herein;

(9) the obligation, if any, of the Company to redeem, purchase or repay Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices (whether denominated in cash, securities or otherwise) at which and the terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid in whole or in part pursuant to such obligation;

(10) if other than denominations of $1,000 and any integral multiple thereof, the denomination in which any Securities of that series shall be issuable;

(11) if other than Dollars, the currency or currencies (including composite currencies) or the form, including equity securities, other debt securities (including Securities), warrants or any other securities or property of the Company or any other Person, in which payment of the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series shall be payable;

(12) if the principal of, premium (if any) or interest on or any Additional Amounts with respect to the Securities of the series are to be payable, at the election of the Company or a Holder thereof, in a currency or currencies (including composite currencies) other than that in which the Securities are stated to be payable, the currency or currencies (including composite currencies) in which payment of the principal of, premium (if any) and interest on and any Additional Amounts with respect to Securities of such series as to which such election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made;

(13) if the amount of payments of principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series may be determined with reference to any commodities, currencies or indices, values, rates or prices or any other index or formula, the manner in which such amounts shall be determined;

(14) if other than the entire principal amount thereof, the portion of the principal amount of Securities of the series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 6.02;

(15) any additional means of satisfaction and discharge of this Indenture and any additional conditions or limitations to discharge with respect to Securities of the series pursuant to Article VIII or any modifications of or deletions from such conditions or limitations;

(16) any deletions or modifications of or additions to the Events of Default set forth in Section 6.01 or covenants of the Company set forth in Article IV pertaining to the Securities of the series;

(17) any restrictions or other provisions with respect to the transfer or exchange of Securities of the series, which may amend, supplement, modify or supersede those contained in this Article II;

(18) if the Securities of the series are to be convertible into or exchangeable for capital stock, other debt securities (including Securities), warrants, other equity securities or any other securities or property of the Company or any other Person, at the option of the Company or the Holder or upon the occurrence of any condition or event, the terms and conditions for such conversion or exchange;

(19) if the Securities of the series are to be entitled to the benefit of Section 4.03(b) (and accordingly constitute Rule 144A Securities), that fact; and

(20) any other terms of the series (which terms shall not be prohibited by the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 2.03) set forth, or determined in the manner provided, in the Officers' Certificate or Company Order referred to above or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action, together with such Board Resolution, shall be set forth in an Officers' Certificate or certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate or Company Order setting forth the terms of the series.

SECTION 2.02 *Denominations.*

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 2.01. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series denominated in Dollars shall be issuable in denominations of $1,000 and any integral multiples thereof.

SECTION 2.03 *Forms Generally.*

The Securities of each series shall be in fully registered form and in substantially such form or forms (including temporary or permanent global form) established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto. The Securities may have notations, legends or endorsements required by law, securities exchange rule, the Company's certificate of incorporation, bylaws or other similar governing documents, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). A copy of the Board Resolution establishing the form or forms of Securities of any series shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 2.04 for the authentication and delivery of such Securities.

The definitive Securities of each series shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the Officers executing such Securities, as evidenced by their execution thereof.

The Trustee's certificate of authentication shall be in substantially the following form:

"This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

_____, *as Trustee*

By: _____

Authorized Signatory".

SECTION 2.04 Execution, Authentication, Delivery and Dating.

Two Officers of the Company shall sign the Securities on behalf of the Company by manual or facsimile signature. If an Officer of the Company whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall be valid nevertheless.

A Security shall not be entitled to any benefit under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of an authorized signatory of the Trustee, which signature shall be conclusive evidence that the Security has been authenticated under this Indenture. Notwithstanding the foregoing, if any Security has been authenticated and delivered hereunder but never issued and sold by the Company, and the Company delivers such Security to the Trustee for cancellation as provided in Section 2.13, together with a written statement (which need not comply with Section 10.05 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, and the Trustee shall authenticate and deliver such Securities for original issue upon a Company Order for the authentication and delivery of such Securities or pursuant to such procedures acceptable to the Trustee as may be specified from time to time by Company Order. Such order shall specify the amount of the Securities to be authenticated, the date on which the original issue of Securities is to be authenticated, the name or names of the initial Holder or Holders and any other terms of the Securities of such series not otherwise determined. If provided for in such procedures, such Company Order may authorize (1) authentication and delivery of Securities of such series for original issue from time to time, with certain terms (including, without limitation, the Maturity dates or dates, original issue date or dates and interest rate or rates) that differ from Security to Security and (2) may authorize authentication and delivery pursuant to oral or electronic instructions from the Company or its duly authorized agent, which instructions shall be promptly confirmed in writing.

If the form or terms of the Securities of the series have been established in or pursuant to one or more Board Resolutions as permitted by Section 2.01, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive (in addition to the Company Order referred to above and the other documents required by Section 10.04), and (subject to Section 7.01) shall be fully protected in relying upon:

(a) an Officers' Certificate setting forth the Board Resolution and, if applicable, an appropriate record of any action taken pursuant thereto, as contemplated by the last paragraph of Section 2.01; and

(b) an Opinion of Counsel to the effect that:

(i) the form of such Securities has been established in conformity with the provisions of this Indenture;

(ii) the terms of such Securities have been established in conformity with the provisions of this Indenture; and

(iii) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws in effect from time to time affecting the rights of creditors generally, and the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver an Officers' Certificate and Opinion of Counsel at the time of issuance of each such Security, but such Officers' Certificate and Opinion of Counsel shall be delivered at or before the time of issuance of the first Security of the series to be issued.

The Trustee shall not be required to authenticate such Securities if the issuance of such Securities pursuant to this Indenture would affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner not reasonably acceptable to the Trustee.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

Each Security shall be dated the date of its authentication.

SECTION 2.05 *Registrar and Paying Agent.*

The Company shall maintain an office or agency for each series of Securities where Securities of such series may be presented for registration of transfer or exchange ("Registrar") and an office or agency where Securities of such series may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Securities of such series and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. The Company may change any Paying Agent or Registrar without notice to any Holder. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any Subsidiary may act as Paying Agent or Registrar.

The Company initially appoints the Trustee as Registrar and Paying Agent.

SECTION 2.06 *Paying Agent to Hold Money in Trust.*

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, or interest on or any Additional Amounts with respect to Securities and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon payment over to the Trustee and upon accounting for any funds disbursed, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Each Paying Agent shall otherwise comply with TIA § 317(b).

SECTION 2.07 *Holder Lists.*

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA § 312(a). If the Trustee is not the Registrar with respect to a series of Securities, the Company shall furnish to the Trustee at least five Business Days before each Interest Payment Date with respect to such series of Securities, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders of such series, and the Company shall otherwise comply with TIA § 312(a).

SECTION 2.08 *Transfer and Exchange.*

Except as set forth in Section 2.17 or as may be provided pursuant to Section 2.01:

When Securities of any series are presented to the Registrar with the request to register the transfer of such Securities or to exchange such Securities for an equal principal amount of Securities of the same series of like tenor and of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements and the requirements of this Indenture for such transactions are met; *provided, however*, that the Securities presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instruction of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or by his attorney, duly authorized in writing, on which instruction the Registrar can rely.

To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's written request and submission of the Securities or Global Securities. No service charge shall be made to a Holder for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than such transfer tax or similar governmental charge payable upon exchanges pursuant to Section 2.12, 3.07 or 9.05). The Trustee shall authenticate Securities in accordance with the provisions of Section 2.04. Notwithstanding any other provisions of this Indenture to the contrary, the Company shall not be required to register the transfer or exchange of (a) any Security selected for redemption in whole or in part pursuant to Article III, except the unredeemed portion of any Security being redeemed in part, or (b) any Security during the period beginning 15 Business Days prior to the mailing of notice of any offer to repurchase Securities of the series required pursuant to the terms thereof or of redemption of Securities of a series to be redeemed and ending at the close of business on the day of mailing.

SECTION 2.09 *Replacement Securities.*

If any mutilated Security is surrendered to the Trustee, or if the Holder of a Security claims that the Security has been destroyed, lost or stolen and the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of such Security, the Company shall issue and the Trustee shall authenticate a replacement Security of the same series if the Trustee's requirements are met. If any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security. If required by the Trustee or the Company, such Holder must furnish an indemnity bond that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent or any authenticating agent from any loss that any of them may suffer if a Security is replaced. The Company and the Trustee may charge a Holder for their expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company.

SECTION 2.10 *Outstanding Securities.*

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Security effected by the Trustee hereunder and those described in this Section 2.10 as not outstanding.

If a Security is replaced pursuant to Section 2.09, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the principal amount of any Security is considered paid under Section 4.01, it ceases to be outstanding and interest on it ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

SECTION 2.11 *Original Issue Discount, Foreign-Currency Denominated and Treasury Securities.*

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, amendment, supplement, waiver or consent, (a) the principal amount of an Original Issue Discount Security shall be the principal amount thereof that would be due and payable as of the date of such determination upon acceleration of the Maturity thereof pursuant to Section 6.02, (b) the principal amount of a Security denominated in a foreign currency shall be the Dollar equivalent, as determined by the Company by reference to the noon buying rate in The City of New York for cable transfers for such currency, as such rate is certified for customs purposes by the Federal Reserve Bank of New York (the "Exchange Rate") on the date of original issuance of such Security, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent, as determined by the Company by reference to the Exchange Rate on the date of original issuance of such Security, of the amount determined as provided in (a) above), of such Security and (c) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded, except that, for the purpose of determining whether the Trustee shall be protected in relying upon any such direction, amendment, supplement, waiver or consent, only Securities that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

SECTION 2.12 *Temporary Securities.*

Until definitive Securities of any series are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities, but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.13 *Cancellation.*

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange, payment or redemption or for credit against any sinking fund payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment, redemption, replacement or cancellation or for credit against any sinking fund. Unless the Company shall direct in writing that canceled Securities be returned to it, after written notice to the Company all canceled Securities held by the Trustee shall be disposed of in accordance with the usual disposal procedures of the Trustee, and the Trustee shall maintain a record of their disposal. The Company may not issue new Securities to replace Securities that have been paid or that have been delivered to the Trustee for cancellation.

SECTION 2.14 *Payments; Defaulted Interest.*

Unless otherwise provided as contemplated by Section 2.01, interest (except defaulted interest) on any Security that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Persons who are registered Holders of that Security at the close of business on the record date next preceding such Interest Payment Date, even if such Securities are canceled after such record date and on or before such Interest Payment Date. The Holder must surrender a Security to a Paying Agent to collect principal payments. Unless otherwise provided with respect to the Securities of any series, the Company will pay the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities in Dollars. Such amounts shall be payable at the offices of the Trustee or any Paying Agent, *provided* that at the option of the Company, the Company may pay such amounts (1) by wire transfer with respect to Global Securities or (2) by check payable in such money mailed to a Holder's registered address with respect to any Securities.

If the Company defaults in a payment of interest on the Securities of any series, the Company shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest on the defaulted interest, in each case at the rate provided in the Securities of such series and in Section 4.01. The Company may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. At least 15 days before any special record date selected by the Company, the Company (or the Trustee, in the name of and at the expense of the Company upon 20 days' prior written notice from the Company setting forth such special record date and the interest amount to be paid) shall mail to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

SECTION 2.15 *Persons Deemed Owners.*

The Company, the Trustee, any Agent and any authenticating agent may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payments of principal of, premium (if any) or interest on or any Additional Amounts with respect to such Security and for all other purposes. None of the Company, the Trustee, any Agent or any authenticating agent shall be affected by any notice to the contrary.

SECTION 2.16 *Computation of Interest.*

Except as otherwise specified as contemplated by Section 2.01 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a year comprising twelve 30-day months.

SECTION 2.17 *Global Securities; Book-Entry Provisions.*

If Securities of a series are issuable in global form as a Global Security, as contemplated by Section 2.01, then, notwithstanding clause (10) of Section 2.01 and the provisions of Section 2.02, any such Global Security shall represent such of the outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, transfers or redemptions. Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, of outstanding Securities represented thereby shall be made by the Trustee (i) in such manner and upon instructions given by such Person or Persons as shall be specified in such Security or in a Company Order to be delivered to the Trustee pursuant to Section 2.04 or (ii) otherwise in accordance with written instructions or such other written form of instructions as is customary for the Depositary for such Security, from such Depositary or its nominee on behalf of any Person having a beneficial interest in such Global Security. Subject to the provisions of Section 2.04 and, if applicable, Section 2.12, the Trustee shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified in such Security or in the applicable Company Order. With respect to the Securities of any series that are represented by a Global Security, the Company authorizes the execution and delivery by the Trustee of a letter of representations or other similar agreement or instrument in the form customarily provided for by the Depositary appointed with respect to such Global Security. Any Global Security may be deposited with the Depositary or its nominee, or may remain in the custody of the Trustee or the Security Custodian therefor pursuant to a FAST Balance Certificate Agreement or similar agreement between the Trustee and the Depositary. If a Company Order has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 10.05 and need not be accompanied by an Opinion of Counsel.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee or the Security Custodian as its custodian, or under such Global Security, and the Depositary may be treated by the Company, the Trustee or the Security Custodian and any agent of the Company, the Trustee or the Security Custodian as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, (i) the registered holder of a Global Security of a series may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action that a Holder of Securities of such series is entitled to take under this Indenture or the Securities of such series and (ii) nothing herein shall prevent the Company, the Trustee or the Security Custodian, or any agent of the Company, the Trustee or the Security Custodian, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or shall impair, as between the Depositary and its Agent Members, the operation of customary practices governing the exercise of the rights of a beneficial owner of any Security.

Notwithstanding Section 2.08, and except as otherwise provided pursuant to Section 2.01: Transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to the Depositary, its successors or their respective nominees. Interests of beneficial owners in a Global Security may be transferred in accordance with the rules and procedures of the Depositary. Securities shall be transferred to all beneficial owners in exchange for their beneficial interests in a Global Security if, and only if, either (1) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the Global Security and a successor Depositary is not appointed by the Company within 90 days of such notice, (2) an Event of Default has occurred with respect to such series and is continuing and the Registrar has received a request from the Depositary to issue Securities in lieu of all or a portion of the Global Security (in which case the Company shall deliver Securities within 30 days of such request) or (3) the Company determines not to have the Securities represented by a Global Security.

In connection with any transfer of a portion of the beneficial interests in a Global Security to beneficial owners pursuant to this Section 2.17, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of the Global Security in an amount equal to the principal amount of the beneficial interests in the Global Security to be transferred, and the Company shall execute, and the Trustee upon receipt of a Company Order for the authentication and delivery of Securities shall authenticate and deliver, one or more Securities of the same series of like tenor and amount.

In connection with the transfer of all the beneficial interests in a Global Security to beneficial owners pursuant to this Section 2.17, the Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interests in the Global Security, an equal aggregate principal amount of Securities of authorized denominations.

Neither the Company nor the Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Securities by the Depositary, or for maintaining, supervising or reviewing any records of the Depositary relating to such Securities. Neither the Company nor the Trustee shall be liable for any delay by the related Global Security Holder or the Depositary in identifying the beneficial owners, and each such Person may conclusively rely on, and shall be protected in relying on, instructions from such Global Security Holder or the Depositary for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Securities to be issued).

The provisions of the last sentence of the third paragraph of Section 2.04 shall apply to any Global Security if such Global Security was never issued and sold by the Company and the Company delivers to the Trustee the Global Security together with written instructions (which need not comply with Section 10.05 and need not be accompanied by an Opinion of Counsel) with regard to the cancellation or reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of the third paragraph of Section 2.04.

Notwithstanding the provisions of Sections 2.03 and 2.14, unless otherwise specified as contemplated by Section 2.01, payment of principal of, premium (if any) and interest on and any Additional Amounts with respect to any Global Security shall be made to the Person or Persons specified therein.

ARTICLE III

REDEMPTION

SECTION 3.01 *Applicability of Article.*

Securities of any series that are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 2.01 for Securities of any series) in accordance with this Article III.

SECTION 3.02 *Notice to the Trustee.*

If the Company elects to redeem Securities of any series pursuant to this Indenture, it shall notify the Trustee of the Redemption Date and the principal amount of Securities of such series to be redeemed. The Company shall so notify the Trustee at least 45 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee) by delivering to the Trustee an Officers' Certificate stating that such redemption will comply with the provisions of this Indenture and of the Securities of such series. Any such notice may be canceled at any time prior to the mailing of such notice of such redemption to any Holder and shall thereupon be void and of no effect. A redemption or notice thereof may be subject to one or more conditions.

SECTION 3.03 *Selection of Securities To Be Redeemed.*

If less than all the Securities of any series are to be redeemed (unless all of the Securities of such series of a specified tenor are to be redeemed), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee from the outstanding Securities of such series (and tenor) not previously called for redemption, either at random, by lot or by such other method as the Trustee shall deem fair and appropriate and that may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series or of the principal amount of Global Securities of such series.

The Trustee shall promptly notify the Company and the Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Securities shall relate, in the case of any of the Securities redeemed or to be redeemed only in part, to the portion of the principal amount thereof which has been or is to be redeemed.

SECTION 3.04 *Notice of Redemption.*

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at the address of such Holder appearing in the register of Securities maintained by the Registrar.

All notices of redemption shall identify the Securities to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) that, unless the Company defaults in making the redemption payment, interest on Securities called for redemption ceases to accrue on and after the Redemption Date, and the only remaining right of the Holders of such Securities is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Securities redeemed;

(4) if any Security is to be redeemed in part, the portion of the principal amount thereof to be redeemed and that on and after the Redemption Date, upon surrender for cancellation of such Security to the Paying Agent, a new Security or Securities in the aggregate principal amount equal to the unredeemed portion thereof will be issued without charge to the Holder;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price and the name and address of the Paying Agent;

(6) that the redemption is for a sinking or analogous fund, if such is the case;

(7) the CUSIP number, if any, relating to such Securities; and

(8) if the redemption or notice thereof is subject to one or more conditions, a statement to such effect and the condition or conditions precedent.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's written request, by the Trustee in the name and at the expense of the Company.

SECTION 3.05 *Effect of Notice of Redemption.*

Once notice of redemption is mailed, unless the redemption or notice thereof is subject to one or more conditions as specified in the notice, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price. Upon surrender to the Paying Agent, such Securities called for redemption shall be paid at the Redemption Price, but interest installments whose maturity is on or prior to such Redemption Date will be payable on the relevant Interest Payment Dates to the Holders of record at the close of business on the relevant record dates specified pursuant to Section 2.01.

SECTION 3.06 *Deposit of Redemption Price.*

On or prior to 11:00 a.m., New York City time, on any Redemption Date, the Company shall deposit with the Trustee or the Paying Agent (or, if the Company is acting as the Paying Agent, segregate and hold in trust as provided in Section 2.06) an amount of money in same day funds sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on and any Additional Amounts with respect to, the Securities or portions thereof which are to be redeemed on that date, other than Securities or portions thereof called for redemption on that date which have been delivered by the Company to the Trustee for cancellation.

If the Company complies with the preceding paragraph, then, unless the Company defaults in the payment of such Redemption Price, interest on the Securities to be redeemed will cease to accrue on and after the applicable Redemption Date, whether or not such Securities are presented for payment, and the Holders of such Securities shall have no further rights with respect to such Securities except for the right to receive the Redemption Price upon surrender of such Securities. If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal, premium, if any, any Additional Amounts, and, to the extent lawful, accrued interest thereon shall, until paid, bear interest from the Redemption Date at the rate specified pursuant to Section 2.01 or provided in the Securities or, in the case of Original Issue Discount Securities, such Securities' yield to maturity.

SECTION 3.07 *Securities Redeemed or Purchased in Part.*

Upon surrender to the Paying Agent of a Security to be redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge a new Security or Securities, of the same series and of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the unredeemed portion of the principal of the Security so surrendered that is not redeemed.

SECTION 3.08 *Purchase of Securities.*

Unless otherwise specified as contemplated by Section 2.01, the Company and any Affiliate of the Company may, subject to applicable law, at any time purchase or otherwise acquire Securities in the open market or by private agreement. Any such acquisition shall not operate as or be deemed for any purpose to be a redemption of the indebtedness represented by such Securities. Any Securities purchased or acquired by the Company may be delivered to the Trustee and, upon such delivery, the indebtedness represented thereby shall be deemed to be satisfied. Section 2.13 shall apply to all Securities so delivered.

SECTION 3.09 *Mandatory and Optional Sinking Funds.*

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." Unless otherwise provided by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 3.10. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series and by this Article III.

SECTION 3.10 *Satisfaction of Sinking Fund Payments with Securities.*

The Company may deliver outstanding Securities of a series (other than any previously called for redemption) and may apply as a credit Securities of a series that have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such series of Securities; *provided* that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 3.11 *Redemption of Securities for Sinking Fund.*

Not less than 45 days prior (unless a shorter period shall be satisfactory to the Trustee) to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate of the Company specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivery of or by crediting Securities of that series pursuant to Section 3.10 and will also deliver or cause to be delivered to the Trustee any Securities to be so delivered. Failure of the Company to timely deliver or cause to be delivered such Officers' Certificate and Securities specified in this paragraph, if any, shall not constitute a default but shall constitute the election of the Company (i) that the mandatory sinking fund payment for such series due on the next succeeding sinking fund payment date shall be paid entirely in cash without the option to deliver or credit Securities of such series in respect thereof and (ii) that the Company will make no optional sinking fund payment with respect to such series as provided in this Section.

If the sinking fund payment or payments (mandatory or optional or both) to be made in cash on the next succeeding sinking fund payment date plus any unused balance of any preceding sinking fund payments made in cash shall exceed $100,000 (or the Dollar equivalent thereof based on the applicable Exchange Rate on the date of original issue of the applicable Securities) or a lesser sum if the Company shall so request with respect to the Securities of any particular series, such cash shall be applied on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price together with accrued interest to the date fixed for redemption. If such amount shall be $100,000 (or the Dollar equivalent thereof as aforesaid) or less and the Company makes no such request then it shall be carried over until a sum in excess of $100,000 (or the Dollar equivalent thereof as aforesaid) is available. Not less than 30 days before each such sinking fund payment date, the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 3.03 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 3.04. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 3.05, 3.06 and 3.07.

ARTICLE IV

COVENANTS

SECTION 4.01 *Payment of Securities.*

The Company shall pay the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of each series on the dates and in the manner provided in the Securities of such series and in this Indenture. Principal, premium, interest and any Additional Amounts shall be considered paid on the date due if the Paying Agent (other than the Company or a Subsidiary) holds on that date money deposited by the Company designated for and sufficient to pay all principal, premium, interest and any Additional Amounts then due.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium (if any), at a rate equal to the then applicable interest rate on the Securities to the extent lawful; and it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and any Additional Amount (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.02 *Maintenance of Office or Agency.*

The Company will maintain in each Place of Payment for any series of Securities an office or agency (which may be an office of the Trustee, the Registrar or the Paying Agent) where Securities of that series may be presented for registration of transfer or exchange, where Securities of that series may be presented for payment and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. Unless otherwise designated by the Company by written notice to the Trustee, such office or agency shall be the office of the Trustee at 1445 Ross Avenue, 2nd Floor, MAC T5303-02J, Dallas, TX 75202. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 4.03 *SEC Reports; Financial Statements.*

(a) If the Company is subject to the requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the Trustee, within 15 days after it files the same with the SEC, copies of the annual reports and the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. If this Indenture is qualified under the TIA, but not otherwise, the Company shall also comply with the provisions of TIA § 314(a). Delivery of such reports, information and documents to the Trustee shall be for informational purposes only, and the Trustee's receipt thereof shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates or certificates delivered pursuant to Section 4.04).

(b) If the Company is not subject to the requirements of Section 13 or 15(d) of the Exchange Act, the Company shall furnish to all Holders of Rule 144A Securities and prospective purchasers of Rule 144A Securities designated by the Holders of Rule 144A Securities, promptly upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) promulgated under the Securities Act of 1933, as amended.

SECTION 4.04 *Compliance Certificate.*

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a statement signed by an Officer of the Company, which need not constitute an Officers' Certificate, complying with TIA § 314(a)(4) and stating that in the course of performance by the signing Officer of his duties as such Officer of the Company he would normally obtain knowledge of the keeping, observing, performing and fulfilling by the Company of its obligations under this Indenture, and further stating that to the best of his knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which such Officer may have knowledge and what action the Company is taking or proposes to take with respect thereto).

(b) The Company shall, so long as Securities of any series are outstanding, deliver to the Trustee, forthwith upon any Officer of the Company becoming aware of any Default or Event of Default under this Indenture, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.05 *Corporate Existence.*

Subject to Article V, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

SECTION 4.06 *Waiver of Stay, Extension or Usury Laws.*

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive it from paying all or any portion of the principal of or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.07 *Additional Amounts.*

If the Securities of a series expressly provide for the payment of Additional Amounts, the Company will pay to the Holder of any Security of such series Additional Amounts as expressly provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or the net proceeds received from the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section 4.07 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section 4.07 and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

ARTICLE V

SUCCESSORS

SECTION 5.01 *Limitations on Mergers and Consolidations.*

The Company shall not, in any transaction or series of transactions, consolidate with or merge into or engage in a scheme of arrangement qualifying as an amalgamation with any Person, or sell, lease, convey, transfer or otherwise dispose of all or substantially all of its assets to any Person, unless:

(1) either (a) the Company shall be the continuing Person or (b) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or amalgamated, or to which such sale, lease, conveyance, transfer or other disposition is made (the "Successor") expressly assumes by supplemental indenture the due and punctual payment of the principal of, premium (if any) and interest on and any Additional Amounts with respect to all the Securities and the performance of the Company's covenants and obligations under this Indenture and the Securities;

(2) immediately after giving effect to such transaction or series of transactions, no Default or Event of Default shall have occurred and be continuing or would result therefrom; and

(3) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the transaction and such supplemental indenture comply with this Indenture.

For the avoidance of doubt, unless otherwise provided in a supplemental indenture or Board Resolution, the term "merger" includes an amalgamation under Cayman Islands law, and the term "all or substantially all of its assets", with respect to the Company, shall be computed on a consolidated basis.

SECTION 5.02 *Successor Person Substituted.*

Upon any consolidation or merger of the Company or any sale, lease, conveyance, transfer or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01, the Successor formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance, transfer or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of the Company under this Indenture and the Securities with the same effect as if such Successor had been named as the Company herein and the predecessor Company, in the case of a sale, conveyance, transfer or other disposition, shall be released from all obligations under this Indenture and the Securities.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01 *Events of Default.*

Unless either inapplicable to a particular series or specifically deleted or modified in or pursuant to the supplemental indenture or Board Resolution establishing such series of Securities or in the form of Security for such series, an "Event of Default," wherever used herein with respect to Securities of any series, occurs if:

(1) the Company defaults in the payment of interest on or any Additional Amounts with respect to any Security of that series when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of (A) the principal of any Security of that series at its Maturity or (B) premium (if any) on any Security of that series when the same becomes due and payable;

(3) the Company defaults in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series, and such default continues for a period of 30 days;

(4) the Company fails to comply with any of its other covenants or agreements in, or provisions of, the Securities of such series or this Indenture (other than an agreement, covenant or provision that has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than that series) which shall not have been remedied within the specified period after written notice, as specified in the last paragraph of this Section 6.01;

(5) the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Bankruptcy Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that remains unstayed and in effect for 90 days and that:

(A) is for relief against the Company as debtor in an involuntary case,

(B) appoints a Bankruptcy Custodian of the Company or a Bankruptcy Custodian for all or substantially all of the property of the Company, or

(C) orders the liquidation of the Company; or

(7) any other Event of Default provided with respect to Securities of that series occurs.

The term “Bankruptcy Custodian” means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

The Trustee shall not be deemed to know or have notice of any Default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a Default or Event of Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture.

When a Default is cured, it ceases.

Notwithstanding the foregoing provisions of this Section 6.01, if the principal of, premium (if any) or interest on or Additional Amounts with respect to any Security is payable in a currency or currencies (including a composite currency) other than Dollars and such currency or currencies are not available to the Company for making payment thereof due to the imposition of exchange controls or other circumstances beyond the control of the Company (a “Conversion Event”), the Company will be entitled to satisfy its obligations to Holders of the Securities by making such payment in Dollars in an amount equal to the Dollar equivalent of the amount payable in such other currency, as determined by the Company by reference to the Exchange Rate on the date of such payment, or, if such rate is not then available, on the basis of the most recently available Exchange Rate. Notwithstanding the foregoing provisions of this Section 6.01, any payment made under such circumstances in Dollars where the required payment is in a currency other than Dollars will not constitute an Event of Default under this Indenture.

Promptly after the occurrence of a Conversion Event, the Company shall give written notice thereof to the Trustee; and the Trustee, promptly after receipt of such notice, shall give notice thereof in the manner provided in Section 10.02 to the Holders. Promptly after the making of any payment in Dollars as a result of a Conversion Event, the Company shall give notice in the manner provided in Section 10.02 to the Holders, setting forth the applicable Exchange Rate and describing the calculation of such payments.

A Default under clause (4) or (7) of this Section 6.01 is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in principal amount of the then outstanding Securities of the series affected by such Default (or, in the case of a Default under clause (4) of this Section 6.01, if outstanding Securities of other series are affected by such Default, then at least 25% in principal amount of the then outstanding Securities so affected) notify the Company and the Trustee, of the Default, and the Company fails to cure the Default within 90 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

SECTION 6.02 *Acceleration.*

If an Event of Default with respect to any Securities of any series at the time outstanding (other than an Event of Default specified in clause (5) or (6) of Section 6.01) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Securities of the series affected by such Event of Default (or, in the case of an Event of Default described in clause (4) of Section 6.01, if outstanding Securities of other series are affected by such Event of Default, then at least 25% in principal amount of the then outstanding Securities so affected) by notice to the Company and the Trustee, may declare the principal of (or, if any such Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) and all accrued and unpaid interest on all then outstanding Securities of such series or of all series, as the case may be, to be due and payable. Upon any such declaration, the amounts due and payable on the Securities shall be due and payable immediately. If an Event of Default specified in clause (5) or (6) of Section 6.01 hereof occurs, such amounts shall *ipso facto* become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee or any Holder. The Holders of a majority in principal amount of the then outstanding Securities of the series affected by such Event of Default or all series, as the case may be, by written notice to the Trustee may rescind an acceleration and its consequences (other than nonpayment of principal of or premium or interest on or any Additional Amounts with respect to the Securities) if the rescission would not conflict with any judgment or decree and if all existing Events of Default with respect to Securities of that series (or of all series, as the case may be) have been cured or waived, except nonpayment of principal, premium, interest or any Additional Amounts that has become due solely because of the acceleration.

SECTION 6.03 *Other Remedies.*

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, or premium, if any, or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04 *Waiver of Defaults.*

Subject to Sections 6.07 and 9.02, the Holders of a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class) by notice to the Trustee may waive an existing or past Default or Event of Default with respect to such series or all series, as the case may be, and its consequences (including waivers obtained in connection with a tender offer or exchange offer for Securities of such series or all series or a solicitation of consents in respect of Securities of such series or all series, *provided* that in each case such offer or solicitation is made to all Holders of then outstanding Securities of such series or all series (but the terms of such offer or solicitation may vary from series to series)), except (1) a continuing Default or Event of Default in the payment of the principal of, or premium, if any, or interest on or any Additional Amounts with respect to any Security or (2) a continued Default in respect of a provision that under Section 9.02 cannot be amended or supplemented without the consent of each Holder affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05 *Control by Majority.*

With respect to Securities of any series, the Holders of a majority in principal amount of the then outstanding Securities of such series may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it relating to or arising under an Event of Default described in clause (1), (2), (3) or (7) of Section 6.01, and with respect to all Securities, the Holders of a majority in principal amount of all the then outstanding Securities affected may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it not relating to or arising under such an Event of Default. However, the Trustee may refuse to follow any direction that conflicts with applicable law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or that may involve the Trustee in personal liability; *provided, however*, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion from Holders directing the Trustee against all losses and expenses caused by taking or not taking such action.

SECTION 6.06 *Limitations on Suits.*

Subject to Section 6.07 hereof, a Holder of a Security of any series may pursue a remedy with respect to this Indenture or the Securities of such series only if:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default with respect to such series;

(2) the Holders of at least 25% in principal amount of the then outstanding Securities of such series make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the Securities of that series do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.07 *Rights of Holders to Receive Payment.*

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of and premium, if any, and interest on and any Additional Amounts with respect to the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, is absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

SECTION 6.08 *Collection Suit by Trustee.*

If an Event of Default specified in clause (1) or (2) of Section 6.01 hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the amount of principal, premium (if any), interest and any Additional Amounts remaining unpaid on the Securities of the series affected by the Event of Default, and interest on overdue principal and premium, if any, and, to the extent lawful, interest on overdue interest, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09 *Trustee May File Proofs of Claim.*

The Trustee is authorized to file such proofs of claim and other papers or documents and to take such actions, including participating as a member, voting or otherwise, of any committee of creditors, as may be necessary or advisable to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company or its creditors or properties and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any Bankruptcy Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders of the Securities may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10 *Priorities.*

If the Trustee collects any money pursuant to this Article VI, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.07;

Second: to Holders for amounts due and unpaid on the Securities in respect of which or for the benefit of which such money has been collected, for principal, premium (if any), interest and any Additional Amounts ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium (if any), interest and any Additional Amounts, respectively; and

Third: to the Company.

The Trustee, upon prior written notice to the Company, may fix record dates and payment dates for any payment to Holders pursuant to this Article VI.

To the fullest extent allowed under applicable law, if for the purpose of obtaining a judgment against the Company in any court it is necessary to convert the sum due in respect of the principal of, premium (if any) or interest on or Additional Amounts with respect to the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the Business Day in The City of New York next preceding that on which final judgment is given. Neither the Company nor the Trustee shall be liable for any shortfall nor shall it benefit from any windfall in payments to Holders of Securities under this Section 6.10 caused by a change in exchange rates between the time the amount of a judgment against it is calculated as above and the time the Trustee converts the Judgment Currency into the Required Currency to make payments under this Section 6.10 to Holders of Securities, but payment of such judgment shall discharge all amounts owed by the Company on the claim or claims underlying such judgment.

SECTION 6.11 *Undertaking for Costs.*

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by a Holder or Holders of more than 10% in principal amount of the then outstanding Securities of any series.

ARTICLE VII

TRUSTEE

SECTION 7.01 *Duties of Trustee.*

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in such exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default with respect to the Securities of any series:

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether, on their face, they appear to conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of Section 7.01(b);

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to the provisions of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law. All money received by the Trustee shall, until applied as herein provided, be held in trust for the payment of the principal of, premium (if any) and interest on and Additional Amounts with respect to the Securities.

SECTION 7.02 *Rights of Trustee.*

(a) The Trustee may conclusively rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require instruction, an Officers' Certificate or an Opinion of Counsel or both to be provided. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such instruction, Officers' Certificate or Opinion of Counsel. The Trustee may consult at the Company's expense with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

SECTION 7.03 *May Hold Securities*.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights and duties. However, the Trustee is subject to Sections 7.10 and 7.11.

SECTION 7.04 *Trustee's Disclaimer.*

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities or any money paid to the Company or upon the Company's direction under any provision hereof, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement or recital herein or any statement in the Securities other than its certificate of authentication.

SECTION 7.05 *Notice of Defaults.*

If a Default or Event of Default with respect to the Securities of any series occurs and is continuing and it is known to the Trustee, the Trustee shall mail to Holders of Securities of such series a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium (if any) and interest on and Additional Amounts or any sinking fund installment with respect to the Securities of such series, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Holders of Securities of such series.

SECTION 7.06 *Reports by Trustee to Holders.*

Within 60 days after May 15 of each year after the execution of this Indenture, the Trustee shall mail to Holders of a series and the Company a brief report dated as of such reporting date that complies with TIA § 313(a); *provided*, *however*, that if no event described in TIA § 313(a) has occurred within the twelve months preceding the reporting date with respect to a series, no report need be transmitted to Holders of such series. The Trustee also shall comply with TIA § 313(b). The Trustee shall also transmit by mail all reports if and as required by TIA §§ 313(c) and 313(d).

A copy of each report at the time of its mailing to Holders of a series of Securities shall be filed by the Company with the SEC and each securities exchange, if any, on which the Securities of such series are listed. The Company shall notify the Trustee if and when any series of Securities is listed on any securities exchange.

SECTION 7.07 *Compensation and Indemnity.*

The Company agrees to pay to the Trustee for its acceptance of this Indenture and services hereunder such compensation as the Company and the Trustee shall from time to time agree in writing. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company agrees to reimburse the Trustee upon request for all reasonable disbursements, advances and expenses incurred by it. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company hereby indemnifies the Trustee and any predecessor Trustee against any and all loss, liability, damage, claim or expense, including taxes (other than taxes based upon, measured by or determined by the income of the Trustee), incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture, except as set forth in the next following paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

The Company shall not be obligated to reimburse any expense or indemnify against any loss or liability incurred by the Trustee through the Trustee's negligence or bad faith.

To secure the payment obligations of the Company in this Section 7.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal of, premium (if any) and interest on and any Additional Amounts with respect to Securities of any series. Such lien and the Company's obligations under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(5) or (6) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08 *Replacement of Trustee.*

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign and be discharged at any time with respect to the Securities of one or more series by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Securities of any series may remove the Trustee with respect to the Securities of such series by so notifying the Trustee and the Company. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a Bankruptcy Custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to the Securities of one or more series, the Company shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series). Within one year after the successor Trustee with respect to the Securities of any series takes office, the Holders of a majority in principal amount of the Securities of such series then outstanding may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee with respect to the Securities of any series does not take office within 30 days after the retiring or removed Trustee resigns or is removed, the retiring or removed Trustee, the Company or the Holders of at least 10% in principal amount of the then outstanding Securities of such series may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

If the Trustee with respect to the Securities of a series fails to comply with Section 7.10, any Holder of Securities of such series may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee with respect to the Securities of such series.

In case of the appointment of a successor Trustee with respect to all Securities, each such successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the retiring Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

In case of the appointment of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more (but not all) series shall execute and deliver an indenture supplemental hereto in which each successor Trustee shall accept such appointment and that (1) shall confer to each successor Trustee all the rights, powers and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall confirm that all the rights, powers and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee. Nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust, and each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee. Upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee shall have all the rights, powers and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates. On request of the Company or any successor Trustee, such retiring Trustee shall transfer to such successor Trustee all property held by such retiring Trustee as Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

Notwithstanding replacement of the Trustee or Trustees pursuant to this Section 7.08, the obligations of the Company under Section 7.07 shall continue for the benefit of the retiring Trustee or Trustees.

SECTION 7.09 *Successor Trustee by Merger, etc.*

Subject to Section 7.10, if the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee; *provided, however*, that in the case of a transfer of all or substantially all of its corporate trust business to another corporation, the transferee corporation expressly assumes all of the Trustee's liabilities hereunder.

In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10 *Eligibility; Disqualification.*

There shall at all times be a Trustee hereunder which shall be a corporation or banking or trust company or association organized and doing business under the laws of the United States, any State thereof or the District of Columbia and authorized under such laws to exercise corporate trust power, shall be subject to supervision or examination by Federal or State (or the District of Columbia) authority and shall have, or be a subsidiary of a bank or bank holding company having, a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

The Indenture shall always have a Trustee who satisfies the requirements of TIA §§ 310(a)(1), 310(a)(2) and 310(a)(5). The Trustee is subject to and shall comply with the provisions of TIA § 310(b) during the period of time required by this Indenture. Nothing in this Indenture shall prevent the Trustee from filing with the SEC the application referred to in the penultimate paragraph of TIA § 310(b).

SECTION 7.11 *Preferential Collection of Claims Against the Company.*

The Trustee is subject to and shall comply with the provisions of TIA § 311(a), excluding any creditor relationship listed in TIA § 311(b). A Trustee who has resigned or been removed shall be subject to TIA § 311(a) to the extent indicated therein.

ARTICLE VIII

DISCHARGE OF INDENTURE

SECTION 8.01 *Termination of the Company's Obligations.*

(a) This Indenture shall cease to be of further effect with respect to the Securities of a series (except that the Company's obligations under Section 7.07, the Trustee's and Paying Agent's obligations under Section 8.03 and the rights, powers, protections and privileges accorded the Trustee under Article VII shall survive), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging the satisfaction and discharge of this Indenture with respect to the Securities of such series, when:

(1) either:

(A) all outstanding Securities of such series theretofore authenticated and issued (other than destroyed, lost or stolen Securities that have been replaced or paid) have been delivered to the Trustee for cancellation; or

(B) all outstanding Securities of such series not theretofore delivered to the Trustee for cancellation:

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and, in the case of clause (i), (ii) or (iii) above, the Company has irrevocably deposited or caused to be deposited with the Trustee as funds (immediately available to the Holders in the case of clause (i)) in trust for such purpose (x) cash in an amount, or (y) Government Obligations, maturing as to principal and interest at such times and in such amounts as will ensure the availability of cash in an amount or (z) a combination thereof, which will be sufficient, in the opinion (in the case of clauses (y) and (z)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the entire indebtedness on the Securities of such series for principal and interest to the date of such deposit (in the case of Securities which have become due and payable) or for principal, premium, if any, and interest to the Stated Maturity or Redemption Date, as the case may be; or

(C) the Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 2.01, to be applicable to the Securities of such series;

(2) the Company has paid or caused to be paid all other sums payable by it hereunder with respect to the Securities of such series; and

(3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with, together with an Opinion of Counsel to the same effect.

(b) Unless this Section 8.01(b) is specified as not being applicable to Securities of a series as contemplated by Section 2.01, the Company may, at its option, terminate certain of its obligations under this Indenture ("covenant defeasance") with respect to the Securities of a series if:

(1) the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for and dedicated solely to the benefit of the Holders of Securities of such series, (i) money in the currency in which payment of the Securities of such series is to be made in an amount, or (ii) Government Obligations with respect to such series, maturing as to principal and interest at such times and in such amounts as will ensure the availability of money in the currency in which payment of the Securities of such series is to be made in an amount or (iii) a combination thereof, that is sufficient, in the opinion (in the case of clauses (ii) and (iii)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay the principal of and premium (if any) and interest on all Securities of such series on each date that such principal, premium (if any) or interest is due and payable and (at the Stated Maturity thereof or upon redemption as provided in Section 8.01(e)) to pay all other sums payable by it hereunder; *provided* that the Trustee shall have been irrevocably instructed to apply such money and/or the proceeds of such Government Obligations to the payment of said principal, premium (if any) and interest with respect to the Securities of such series as the same shall become due;

(2) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with, and an Opinion of Counsel to the same effect;

(3) no Default or Event of Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit;

(4) the Company shall have delivered to the Trustee an Opinion of Counsel from a nationally recognized counsel acceptable to the Trustee or a tax ruling to the effect that the Holders will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of the Company's exercise of its option under this Section 8.01(b) and will be subject to U.S. Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised;

(5) the Company has complied with any additional conditions specified pursuant to Section 2.01 to be applicable to the discharge of Securities of such series pursuant to this Section 8.01; and

(6) such deposit and discharge shall not cause the Trustee to have a conflicting interest as defined in TIA § 310(b).

In such event, this Indenture shall cease to be of further effect (except as set forth in this paragraph), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging satisfaction and discharge under this Indenture. However, the Company's obligations in Sections 2.05, 2.06, 2.07, 2.08, 2.09, 4.01, 4.02, 7.07, 7.08 and 8.04, the Trustee's and Paying Agent's obligations in Section 8.03 and the rights, powers, protections and privileges accorded the Trustee under Article VII shall survive until all Securities of such series are no longer outstanding. Thereafter, only the Company's obligations in Section 7.07 and the Trustee's and Paying Agent's obligations in Section 8.03 shall survive with respect to Securities of such series.

After such irrevocable deposit made pursuant to this Section 8.01(b) and satisfaction of the other conditions set forth herein, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under this Indenture with respect to the Securities of such series except for those surviving obligations specified above.

In order to have money available on a payment date to pay principal of or premium (if any) or interest on the Securities, the Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money. Government Obligations shall not be callable at the issuer's option.

(c) If the Company has previously complied or is concurrently complying with Section 8.01(b) (other than any additional conditions specified pursuant to Section 2.01 that are expressly applicable only to covenant defeasance) with respect to Securities of a series, then, unless this Section 8.01(c) is specified as not being applicable to Securities of such series as contemplated by Section 2.01, the Company may elect that its obligations to make payments with respect to Securities of such series be discharged ("legal defeasance"), if:

(1) no Default or Event of Default under clauses (5) and (6) of Section 6.01 hereof shall have occurred at any time during the period ending on the 91st day after the date of deposit contemplated by Section 8.01(b) (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(2) unless otherwise specified with respect to Securities of such series as contemplated by Section 2.01, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized counsel acceptable to the Trustee to the effect referred to in Section 8.01(b)(4) with respect to such legal defeasance, which opinion is based on (i) a private ruling of the Internal Revenue Service addressed to the Company, (ii) a published ruling of the Internal Revenue Service pertaining to a comparable form of transaction or (iii) a change in the applicable federal income tax law (including regulations) after the date of this Indenture;

(3) the Company has complied with any other conditions specified pursuant to Section 2.01 to be applicable to the legal defeasance of Securities of such series pursuant to this Section 8.01(c); and

(4) the Company has delivered to the Trustee a Company Request requesting such legal defeasance of the Securities of such series and an Officers' Certificate stating that all conditions precedent with respect to such legal defeasance of the Securities of such series have been complied with, together with an Opinion of Counsel to the same effect.

In such event, the Company will be discharged from its obligations under this Indenture and the Securities of such series to pay principal of, premium (if any) and interest on and any Additional Amounts with respect to Securities of such series, the Company's obligations under Sections 4.01 and 4.02 shall terminate with respect to such Securities, and the entire indebtedness of the Company evidenced by such Securities shall be deemed paid and discharged.

(d) If and to the extent additional or alternative means of satisfaction, discharge or defeasance of Securities of a series are specified to be applicable to such series as contemplated by Section 2.01, the Company may terminate any or all of its obligations under this Indenture with respect to Securities of a series and any or all of its obligations under the Securities of such series if it fulfills such other means of satisfaction and discharge as may be so specified, as contemplated by Section 2.01, to be applicable to the Securities of such series.

(e) If Securities of any series subject to subsections (a), (b), (c) or (d) of this Section 8.01 are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any mandatory or optional sinking fund provisions, the terms of the applicable trust arrangement shall provide for such redemption, and the Company shall make such arrangements as are reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

SECTION 8.02 *Application of Trust Money.*

The Trustee or a trustee satisfactory to the Trustee and the Company shall hold in trust money or Government Obligations deposited with it pursuant to Section 8.01 hereof. It shall apply the deposited money and the money from Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series with respect to which the deposit was made.

SECTION 8.03 *Repayment to Company.*

The Trustee and the Paying Agent shall promptly pay to the Company any excess money or Government Obligations (or proceeds therefrom) held by them at any time upon the written request of the Company.

Subject to the requirements of any applicable abandoned property laws, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal, premium (if any), interest or any Additional Amounts that remain unclaimed for two years after the date upon which such payment shall have become due. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and the Paying Agent with respect to such money shall cease.

SECTION 8.04 *Reinstatement.*

If the Trustee or the Paying Agent is unable to apply any money or Government Obligations deposited with respect to Securities of any series in accordance with Section 8.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture with respect to the Securities of such series and under the Securities of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01 until such time as the Trustee or the Paying Agent is permitted to apply all such money or Government Obligations in accordance with Section 8.01; *provided, however,* that if the Company has made any payment of principal of, premium (if any) or interest on or any Additional Amounts with respect to any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or Government Obligations held by the Trustee or the Paying Agent.

ARTICLE IX

SUPPLEMENTAL INDENTURES AND AMENDMENTS

SECTION 9.01 *Without Consent of Holders.*

The Company and the Trustee may amend or supplement this Indenture or the Securities or waive any provision hereof or thereof without the consent of any Holder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Section 5.01;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities, or to provide for the issuance of bearer Securities (with or without coupons);

(4) to provide any security for, or to add any guarantees of or additional obligors on, any series of Securities;

(5) to comply with any requirement in order to effect or maintain the qualification of this Indenture under the TIA;

(6) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series), or to surrender any right or power herein conferred upon the Company;

(7) to add any additional Events of Default with respect to all or any series of the Securities (and, if any Event of Default is applicable to less than all series of Securities, specifying the series to which such Event of Default is applicable);

(8) to change or eliminate any of the provisions of this Indenture; *provided* that any such change or elimination shall become effective only when there is no outstanding Security of any series created prior to the execution of such amendment or supplemental indenture that is adversely affected in any material respect by such change in or elimination of such provision; *provided, further,* that any change made solely to conform the provisions of this Indenture to the description of any Security in a prospectus supplement will not be deemed to adversely affect any Security of any series in any material respect;

(9) to establish the form or terms of Securities of any series as permitted by Section 2.01;

(10) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Section 8.01; *provided, however*, that any such action shall not adversely affect the interest of the Holders of Securities of such series or any other series of Securities in any material respect; or

(11) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 7.08.

Upon the request of the Company, accompanied by a Board Resolution, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall, subject to Section 9.06, join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained.

SECTION 9.02 *With Consent of Holders.*

Except as provided below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture with the written consent (including consents obtained in connection with a tender offer or exchange offer for Securities of any one or more series or all series or a solicitation of consents in respect of Securities of any one or more series or all series, *provided* that in each case such offer or solicitation is made to all Holders of then outstanding Securities of each such series (but the terms of such offer or solicitation may vary from series to series)) of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected by such amendment or supplement (acting as one class).

Upon the request of the Company, accompanied by a Board Resolution, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall, subject to Section 9.06, join with the Company in the execution of such amendment or supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

The Holders of a majority in principal amount of the then outstanding Securities of one or more series or of all series may waive compliance in a particular instance by the Company with any provision of this Indenture with respect to Securities of such series (including waivers obtained in connection with a tender offer or exchange offer for Securities of such series or a solicitation of consents in respect of Securities of such series, *provided* that in each case such offer or solicitation is made to all Holders of then outstanding Securities of such series (but the terms of such offer or solicitation may vary from series to series)).

However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest, including default interest, on any Security;

(3) reduce the principal of, any premium on or any mandatory sinking fund payment with respect to, or change the Stated Maturity of, any Security or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 6.02;

(4) reduce the premium, if any, payable upon the redemption of any Security or change the time at which any Security may or shall be redeemed;

(5) change any obligation of the Company to pay Additional Amounts with respect to any Security;

(6) change the coin or currency or currencies (including composite currencies) in which any Security or any premium, interest or Additional Amounts with respect thereto are payable;

(7) impair the right to institute suit for the enforcement of any payment of principal of, premium (if any) or interest on or any Additional Amounts with respect to any Security pursuant to Sections 6.07 and 6.08, except as limited by Section 6.06;

(8) make any change in the percentage of principal amount of Securities necessary to waive compliance with certain provisions of this Indenture pursuant to Section 6.04 or 6.07 or make any change in this sentence of Section 9.02; or

(9) waive a continuing Default or Event of Default in the payment of principal of, premium (if any) or interest on or Additional Amounts with respect to the Securities.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

The right of any Holder to participate in any consent required or sought pursuant to any provision of this Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Securities with respect to which such consent is required or sought as of a date identified by the Company in a notice furnished to Holders in accordance with the terms of this Indenture.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders of each Security affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

SECTION 9.03 *Compliance with Trust Indenture Act.*

Every amendment or supplement to this Indenture or the Securities shall comply in form and substance with the TIA as then in effect.

SECTION 9.04 *Revocation and Effect of Consents.*

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his or her Security or portion of a Security if the Trustee receives written notice of revocation before a date and time therefor identified by the Company in a notice furnished to such Holder in accordance with the terms of this Indenture or, if no such date and time shall be identified, the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date (which need not comply with TIA § 316(c)) for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver or to take any other action under this Indenture. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of Securities required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it is of the type described in any of clauses (1) through (9) of Section 9.02 hereof. In such case, the amendment, supplement or waiver shall bind each Holder who has consented to it and every subsequent Holder that evidences the same debt as the consenting Holder's Security.

SECTION 9.05 *Notation on or Exchange of Securities.*

If an amendment or supplement changes the terms of an outstanding Security, the Company may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security at the request of the Company regarding the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment or supplement.

Securities of any series authenticated and delivered after the execution of any amendment or supplement may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment or supplement.

SECTION 9.06 *Trustee to Sign Amendments, etc.*

The Trustee shall sign any amendment or supplement authorized pursuant to this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplement, the Trustee shall be entitled to receive, and, shall be fully protected in relying upon in good faith, an Officers' Certificate and an Opinion of Counsel provided at the expense of the Company as conclusive evidence that such amendment or supplement is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE X

MISCELLANEOUS

SECTION 10.01 *Trust Indenture Act Controls.*

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by operation of TIA § 318(c), the imposed duties shall control.

SECTION 10.02 *Notices.*

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail (registered or certified, return receipt requested), telex, facsimile or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Transocean Inc.
4 Greenway Plaza
Houston, Texas 77046
Attn: General Counsel
Telephone: (713) 232-7500
Facsimile: (713) 232-7600

If to the Trustee:

1445 Ross Avenue, 2nd Floor
MAC T5303-02J
Dallas, TX 75202
Attn: Patrick T. Giordano
Telephone: (214) 740-1573
Facsimile: (214) 777-4086

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery.

Any notice or communication to a Holder shall be mailed by first-class mail, postage prepaid, to the Holder's address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it, except in the case of notice to the Trustee, it is duly given only when received.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications, including without limitation notices to the Trustee or the Company by Holders, shall be in writing, except as otherwise set forth herein.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice required by this Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

SECTION 10.03 *Communication by Holders with Other Holders.*

Holders may communicate pursuant to TIA § 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA § 312(c).

SECTION 10.04 *Certificate and Opinion as to Conditions Precedent.*

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee at the expense of the Company:

(1) an Officers' Certificate (which shall include the statements set forth in Section 10.05) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

SECTION 10.05 *Statements Required in Certificate or Opinion.*

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA § 314(a)(4)) shall comply with the provisions of TIA § 314(e) and shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 10.06 *Rules by Trustee and Agents.*

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or the Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 10.07 *Legal Holidays.*

If a payment date is a Legal Holiday at a Place of Payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 10.08 *No Recourse Against Others.*

A director, officer, employee, stockholder, partner or other owner of the Company or the Trustee, as such, shall not have any liability for any obligations of the Company under the Securities or for any obligations of the Company or the Trustee under this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release shall be part of the consideration for the issue of Securities.

SECTION 10.09 *Governing Law.*

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

SECTION 10.10 *No Adverse Interpretation of Other Agreements.*

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 10.11 *Successors.*

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 10.12 *Severability.*

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall, to the fullest extent permitted by applicable law, not in any way be affected or impaired thereby.

SECTION 10.13 *Counterpart Originals.*

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 10.14 *Table of Contents, Headings, etc.*

The table of contents, cross-reference table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

TRANSOCEAN INC.

By: /s/ Anil Shah
Name: Anil Shah
Title: Vice President and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Patrick T. Giordano
Name: Patrick T. Giordano
Title: Vice President

FIRST SUPPLEMENTAL INDENTURE

between

TRANSOCEAN INC.

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Trustee

December 11, 2007

TRANSOCEAN INC.
FIRST SUPPLEMENTAL INDENTURE

THIS FIRST SUPPLEMENTAL INDENTURE, dated as of December 11, 2007 (the "First Supplemental Indenture"), between Transocean Inc., a Cayman Islands exempted company limited by shares (the "Company"), and Wells Fargo Bank, National Association (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of December 11, 2007, providing for the issuance from time to time of one or more series of the Company's Securities;

WHEREAS, Sections 2.01 and 9.01(9) of the Indenture provide that the Company and the Trustee may from time to time enter into one or more indentures supplemental thereto to establish the form or terms of Securities of a new series;

WHEREAS, Section 9.01(6) of the Indenture permits the execution of supplemental indentures without the consent of any Holders to add to the covenants of the Company for the benefit of all or any series of Securities;

WHEREAS, the Company desires to issue 5.25% Senior Notes due March 15, 2013, 6.00% Senior Notes due March 15, 2018 and 6.80% Senior Notes due March 15, 2038, each a new series of Securities the issuance of which was authorized by or pursuant to resolution of the Board of Directors of the Company;

WHEREAS, the Company, pursuant to the foregoing authority, proposes in and by this First Supplemental Indenture to supplement and amend the Indenture insofar as it will apply only to the Senior Notes in certain respects; and

WHEREAS, all things necessary have been done to make the Senior Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this First Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW THEREFORE:

In consideration of the premises provided for herein, the Company and the Trustee mutually covenant and agree for the equal and proportionate benefit of all Holders of the Senior Notes as follows:

ARTICLE ONE

THE SENIOR NOTES

SECTION 101 *Designation of Senior Notes; Establishment of Form.* There shall be a series of Securities designated "5.25% Senior Notes Due March 15, 2013" of the Company (the "2013 Notes"), the form of which shall be substantially as set forth in Annex A hereto; a series of Securities designated "6.00% Senior Notes Due March 15, 2018" of the Company (the "2018 Notes"), the form of which shall be substantially as set forth in Annex B hereto; and a series of Securities designated "6.80% Senior Notes Due March 15, 2038" of the Company (the "2038 Notes", and together with the 2013 Notes and the 2018 Notes, the "Senior Notes"), the form of which shall be substantially as set forth in Annex C hereto, each of which is incorporated into and shall be deemed a part of this First Supplemental Indenture, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and which may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers of the Company executing such Senior Notes, as evidenced by their execution of the Senior Notes.

All of the Senior Notes will initially be issued in permanent global form, substantially in the respective forms set forth in Annex A, Annex B and Annex C hereto (the "Global Securities"), as Book-Entry Securities. Each Global Security shall represent such of the Outstanding Senior Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Outstanding Senior Notes from time to time endorsed thereon and that the aggregate amount of Outstanding Senior Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, of Outstanding Senior Notes represented thereby shall be made by the Trustee in accordance with written instructions or such other written form of instructions as is customary for the Depositary, from the Depositary or its nominee on behalf of any Person having a beneficial interest in the Global Security.

The Company initially appoints The Depository Trust Company to act as Depositary with respect to the Global Securities.

SECTION 102 *Amount.* Each series of the Senior Notes may be issued in unlimited aggregate principal amount. The Trustee shall authenticate and deliver Senior Notes for original issue in an initial aggregate principal amount of up to $500,000,000 of 2013 Notes, up to $1,000,000,000 of 2018 Notes and up to $1,000,000,000 of 2038 Notes upon Company Order without any further action by the Company.

SECTION 103 *Interest*. The Senior Notes of each series shall bear interest at the rate set forth under the caption "Interest" in the Senior Notes of such series, commencing on the Issue Date of the Senior Notes. Interest on the Senior Notes shall be payable to the persons in whose name the Senior Notes are registered at the close of business on the Regular Record Date for such interest payment. The date from which interest shall accrue for each Senior Note shall be December 11, 2007. The Interest Payment Dates on which interest on the Senior Notes shall be payable are March 15 and September 15, commencing on March 15, 2008. The Regular Record Dates for the interest payable on the Senior Notes on any Interest Payment Date shall be March 1 or September 1, as the case may be, immediately preceding such Interest Payment Date.

SECTION 104 *Additional Amounts.* Additional Amounts with respect to the Senior Notes of each series shall be payable in accordance with the provisions and in the amounts set forth under the caption "Tax Additional Amounts" in the Senior Notes of such series and in accordance with the provisions of the Indenture.

SECTION 105 *Denominations.* The Senior Notes shall be issued in denominations of $1,000 or any integral multiple thereof.

SECTION 106 *Optional Redemption.* The Company, at its option, may redeem the Senior Notes of each series in accordance with the provisions of and at the Redemption Prices set forth under the captions "Optional Redemption" and "Notice of Redemption" in the Senior Notes of such series and in accordance with the provisions of the Indenture.

SECTION 107 *Sinking Fund.* There shall be no sinking fund for the retirement of the Senior Notes.

SECTION 108 *Place of Payment*. The Place of Payment for the Senior Notes and the place or places where the principal of and interest on the Senior Notes shall be payable, the Senior Notes may be surrendered for registration of transfer, the Senior Notes may be surrendered for exchange or redemption and where notices may be given to the Company in respect of the Senior Notes is at the office or agency of the Trustee in Fort Worth, Texas; *provided* that payment of interest may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear in the register of the Securities or by wire transfer of immediately available funds to the accounts in the United States specified by the Holder of such Senior Notes.

SECTION 109 *Maturity*. The date on which the principal of the 2013 Notes is payable, unless accelerated pursuant to the Indenture, shall be March 15, 2013. The date on which the principal of the 2018 Notes is payable, unless accelerated pursuant to the Indenture, shall be March 15, 2018. The date on which the principal of the 2038 Notes is payable, unless accelerated pursuant to the Indenture, shall be March 15, 2038.

SECTION 110 *Paying Agent and Registrar.* The Company initially appoints the Trustee to act as Paying Agent and Registrar with respect to the Senior Notes.

SECTION 111 *No Defeasance*. The provisions of Section 8.01(b) and Section 8.01(c) of the Indenture do not apply to the Senior Notes.

SECTION 112 *Other Terms of the Senior Notes*. Without limiting the foregoing provisions of this Article One, the terms of the 2013 Notes shall be as set forth in the form of 2013 Notes set forth in Annex A hereto, the terms of the 2018 Notes shall be as set forth in the form of 2018 Notes set forth in Annex B hereto, and the terms of the 2038 Notes shall be as set forth in the form of 2038 Notes set forth in Annex C hereto, and in each case as provided in the Indenture.

ARTICLE TWO

AMENDMENTS TO THE INDENTURE

13 The amendments contained herein shall apply to the Senior Notes only and not to any other series of Security issued under the Indenture, and any covenants provided herein are expressly being included solely for the benefit of the Senior Notes. These amendments shall be effective for so long as there remain any Senior Notes Outstanding.

SECTION 201 *Definitions*. Section 1.01 of the Indenture is amended by inserting or restating, as the case may be, in their appropriate alphabetical position, the following definitions:

"Consolidated Net Tangible Assets" means the total amount of assets (less applicable reserves and other properly deductible items) after deducting (1) all current liabilities (excluding the amount of those which are by their terms extendable or renewable at the option of the obligor to a date more than 12 months after the date as of which the amount is being determined) and (2) all goodwill, tradenames, trademarks, patents, unamortized debt discount and expense and other like intangible assets, all as set forth on the most recent balance sheet of the Company and its consolidated Subsidiaries and determined in accordance with GAAP.

"Funded Debt" means indebtedness of the Company or a Subsidiary owning Restricted Property maturing by its terms more than one year after its creation and indebtedness classified as long-term debt under GAAP, and in each case ranking at least pari passu with the Securities.

"Lien" means any mortgage, pledge, lien, encumbrance, charge or security interest.

"Restricted Property" means (1) any drilling rig or drillship, or portion thereof, owned or leased by the Company or any Subsidiary and used for drilling offshore oil and gas wells, which, in the opinion of the Board of Directors, is of material importance to the business of the Company and its Subsidiaries taken as a whole, but no such drilling rig or drillship, or portion thereof, shall be deemed of material importance if its gross book value (before deducting accumulated depreciation) is less than 2% of Consolidated Net Tangible Assets, or (2) any shares of capital stock or indebtedness of any Subsidiary owning any such drilling rig or drillship.

"Sale and Leaseback Transaction" means any arrangement with any Person pursuant to which the Company or any Subsidiary leases any Restricted Property that has been or is to be sold or transferred by the Company or the Subsidiary to such Person, other than (1) temporary leases for a term, including renewals at the option of the lessee, of not more than three years, (2) leases between the Company and a Subsidiary or between Subsidiaries, (3) leases of a Restricted Property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation of, the Restricted Property, and (4) arrangements pursuant to any provision of law with an effect similar to the former Section 168(f)(8) of the Internal Revenue Code of 1954.

"Senior Notes" shall mean the 5.25% Senior Notes due March 15, 2013 of the Company, the 6.00% Senior Notes due March 15, 2018 of the Company and the 6.80% Senior Notes due March 15, 2038 of the Company.

"Tax Additional Amounts" has the meaning specified in Section 2.18.

"Value" means, with respect to a Sale and Leaseback Transaction, an amount equal to the present value of the lease payments with respect to the term of the lease remaining on the date as of which the amount is being determined, without regard to any renewal or extension options contained in the lease which are outstanding on the effective date of such Sale and Leaseback Transaction and which have the benefit of Section 4.09.

SECTION 202 *Tax Additional Amounts*

Article Two shall be amended by adding the following section:

Section 2.18 *Tax Additional Amounts*.

The Company shall pay any amounts due with respect to the payments on the Senior Notes without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder additional amounts ("Tax Additional Amounts") as will result in such Holder's receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price and interest (if any) in accordance with the terms of the Senior Notes and the Indenture; *provided*, *however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a Senior Note (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the Senior Note or the collection of principal amount, Redemption Price and Interest (if any), in accordance with the terms of the Senior Note and the Indenture or the enforcement of the Senior Note or (2) where presentation is required, the Senior Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the Senior Note, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to Section 2.18(e), in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a Senior Note is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a Senior Note who is a fiduciary or partnership or other than the sole beneficial owner of the Senior Note to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Senior Note.

SECTION 203 *Additional Covenants*. Article Four of the Indenture shall be amended by adding the following Sections 4.08 and 4.09:

Section 4.08 *Limitation on Liens*

The Company shall not create, assume or suffer to exist any Lien on any Restricted Property to secure any debt of the Company, any Subsidiary or any other Person, or permit any Subsidiary so to do, without making effective provision whereby the Securities then outstanding and having the benefit of this Section 4.08 shall be secured by a Lien equally and ratably with such debt for so long as such debt shall be so secured, except that the foregoing shall not prevent the Company or any Subsidiary from creating, assuming or suffering to exist Liens of the following character:

1. any Lien existing on the date of issuance of the Senior Notes;

2. any Lien existing on Restricted Property owned or leased by a Person at the time it becomes a Subsidiary;

3. any Lien existing on Restricted Property at the time of the acquisition thereof by the Company or a Subsidiary;

4. any Lien to secure any debt incurred prior to, at the time of, or within 12 months after the acquisition of Restricted Property for the purpose of financing all or any part of the purchase price thereof and any Lien to the extent that it secures debt which is in excess of such purchase price and for the payment of which recourse may be had only against such Restricted Property;

5. any Lien to secure any debt incurred prior to, at the time of, or within 12 months after the completion of the construction and commencement of commercial operation, alteration, repair or improvement of Restricted Property for the purpose of financing all or any part of the cost thereof and any Lien to the extent that it secures debt which is in excess of such cost and for the payment of which recourse may be had only against such Restricted Property;

6. any Lien securing debt of a Subsidiary owing to the Company or to another Subsidiary;

7. any Lien in favor of the United States of America or any State thereof or any other country, or any agency, instrumentality of political subdivision of any of the foregoing, to secure partial, progress, advance or other payments or performance pursuant to the provisions of any contract or statute, or any Liens securing industrial development, pollution control, or similar revenue bonds;

8. Liens imposed by law, such as mechanics', workmen's, repairmen's, materialmen's, carriers', warehousemen's, vendors' or other similar Liens arising in the ordinary course of business, or governmental (federal, state or municipal) Liens arising out of contracts for the sale of products or services by the Company or any Subsidiary, or deposits or pledges to obtain the release of any of the foregoing;

9. pledges or deposits under workmen's compensation laws or similar legislation and Liens of judgments thereunder which are not currently dischargeable, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of money) or leases to which the Company or any Subsidiary is a party, or deposits to secure public or statutory obligations of the Company or any Subsidiary, or deposits in connection with obtaining or maintaining self-insurance or to obtain the benefits of any law, regulation or arrangement pertaining to unemployment insurance, old age pensions, social security or similar matters, or deposits of cash or obligations of the United States of America to secure surety, appeal or customs bonds to which the Company or any Subsidiary is a party, or deposits in litigation or other proceedings such as, but not limited to, interpleader proceedings;

10. Liens created by or resulting from any litigation or other proceeding which is being contested in good faith by appropriate proceedings, including Liens arising out of judgments or awards against the Company or any Subsidiary with respect to which the Company or such Subsidiary is in good faith prosecuting an appeal or proceedings for review; or Liens incurred by the Company or any Subsidiary for the purpose of obtaining a stay or discharge in the course of any litigation or other proceeding to which the Company or such Subsidiary is a party;

11. Liens for taxes or assessments or governmental charges or levies not yet due or delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings;

12. any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any Lien referred to in clauses (1) through (11) above, so long as the principal amount of the debt secured thereby does not exceed the principal amount of debt so secured at the time of the extension, renewal or replacement (except that, where an additional principal amount of debt is incurred to provide funds for the completion of a specific project, the additional principal amount, and any related financing costs, may be secured by the Lien as well) and the Lien is limited to the same property subject to the Lien so extended, renewed or replaced (plus improvements on the property); and

13. any Lien not permitted by clauses (1) through (12) above securing debt that, together with the aggregate outstanding principal amount of all other debt of the Company and its Subsidiaries secured by Liens which would otherwise be prohibited by the foregoing restrictions and the aggregate Value of existing Sale and Leaseback Transactions which would be subject to the restrictions of Section 4.09 but for this clause (13), does not at any time exceed 10% of Consolidated Net Tangible Assets.

Section 4.09 *Limitation on Sale and Lease-Back Transactions*

The Company shall not enter into any Sale and Leaseback Transaction covering any Restricted Property, nor permit any Subsidiary so to do, unless either:

1. the Company or such Subsidiary would be entitled to incur debt, in a principal amount at least equal to the Value of such Sale and Leaseback Transaction, which is secured by Liens on the property to be leased (without equally and ratably securing the outstanding Securities) because such Liens would be of such character that no violation of the provisions of Section 4.08 would result, or

2. the Company during the six months immediately following the effective date of such Sale and Leaseback Transaction causes to be applied to (A) the acquisition of Restricted Property or (B) the voluntary retirement of Funded Debt (whether by redemption, defeasance, repurchase, or otherwise) an amount equal to the Value of such Sale and Leaseback Transaction.

ARTICLE THREE

MISCELLANEOUS PROVISIONS

SECTION 301 *Integral Part*.

This First Supplemental Indenture constitutes an integral part of the Indenture.

SECTION 302 *General Definitions*.

For all purposes of this First Supplemental Indenture:

(a) capitalized terms used herein without definition shall have the meanings specified in the Indenture; and

(b) the terms “herein”, “hereof”, “hereunder” and other words of similar import refer to this First Supplemental Indenture.

SECTION 303 *Adoption, Ratification and Confirmation*.

The Indenture, as supplemented and amended by this First Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

SECTION 304 *Counterparts*.

This First Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed an original; and all such counterparts shall together constitute but one and the same instrument.

SECTION 305 *Governing Law*.

THIS FIRST SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

31 IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the day and year first written above.

TRANSOCEAN INC.

By: /s/ Anil Shah
Name: Anil Shah
Title: Vice President and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Patrick T. Giordano
Name: Patrick T. Giordano
Title: Vice President

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

5.25% SENIOR NOTE DUE MARCH 15, 2013
TRANSOCEAN INC.

Issue Date: December 11, 2007 — Maturity: March 15, 2038
Principal Amount: $ — CUSIP: 893830 AR0
ISIN: US893830AR03
Registered: No. R-

Transocean Inc., a Cayman Islands exempted company limited by shares (herein called the “Company”, which term includes any successor corporation under the indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [ ] Dollars ($) on March 15, 2013 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the reverse of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, New York or Fort Worth, Texas in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; *provided*, *however*, that at the option of the Company, payment of interest and Tax Additional Amounts, if any, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the register of Securities or by wire transfer of immediately available funds to the accounts designated by the Holder of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

TRANSOCEAN INC.

By: _____
Name:
Title:

Attest:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

Date of Authentication:_____

[Reverse of Security]

TRANSOCEAN INC.

5.25% SENIOR NOTE DUE MARCH 15, 2013

This Security is one of a duly authorized issue of senior securities of the Company issued and to be issued in one or more series under an Indenture, dated as of December 11, 2007, as amended by the First Supplemental Indenture thereto dated as of December 11, 2007, and the Second Supplemental Indenture thereto dated as of December 11, 2007 (as so amended, herein called the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), or their respective predecessors, as applicable, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which is initially in the aggregate principal amount of $500,000,000. As used herein, the term "Securities" means securities of the series designated on the face hereof except that, where the context requires that such term be construed as including another series of securities (*e.g.*, where phrases such as "Securities of each series" or Securities of any series" or similar phrases are used), the term "Securities" means securities of any series issued or to be issued under the Indenture.

The Company may, without the consent of the existing holders of the Securities, issue additional Securities having the same ranking and the same interest rate, maturity and other terms as the Securities. Any additional Securities having such similar terms, together with the Securities, will constitute a single series of Securities under the Indenture.

Interest

The rate at which this Security shall bear interest shall be 5.25% per annum. The date from which interest shall accrue for this Security shall be December 11, 2007. The Interest Payment Dates on which interest on this Security shall be payable are March 15 and September 15 of each year, commencing on March 15, 2008. The Regular Record Date for the interest payable on this Security on any Interest Payment Date shall be the March 1 or September 1, as the case may be, immediately preceding such Interest Payment Date. Interest will cease to accrue on this Security upon its maturity, conversion, purchase by the Company at the option of a holder or redemption.

Method of Payment

Payments in respect of principal of and interest, if any, on the Securities shall be made by the Company in immediately available funds.

Optional Redemption

The Securities are redeemable, at the option of the Company, at any time prior to maturity in whole or from time to time in part, on a date fixed by the Company for such redemption (the "Redemption Date") and at a price (the "Redemption Price") equal to 100% of the principal amount thereof plus accrued and unpaid interest up to but not including the Redemption Date plus a Make-Whole Premium, if any is required to be paid. However, if the Redemption Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Redemption Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Redemption Price. The Redemption Price will never be less than 100% of the principal amount of the Securities plus accrued and unpaid interest up to but not including the Redemption Date.

The amount of the Make-Whole Premium is equal to the excess, if any, of: (i) the sum of the present values, calculated as of the Redemption Date, of :(A) the remaining scheduled payments of interest on the Securities to be redeemed that would be due after the Redemption Date but for such redemption (except that, if such Redemption Date is not an Interest Payment Date, the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued thereon to the Redemption Date); and (B) the principal amount that, but for the redemption, would have been payable at the Stated Maturity; over (ii) the aggregate principal amount of the Securities being redeemed.

The present values of interest and principal payments referred to in clause (i) above will be determined in accordance with generally accepted principles of financial analysis. Those present values will be calculated by discounting the amount of each payment of interest or principal from the date that each payment would have been payable, but for the redemption, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined below) plus 30 basis points.

''Treasury Rate'' means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second Business Day immediately preceding such Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

''Comparable Treasury Issue'' means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

''Independent Investment Banker'' means one of the Reference Treasury Dealers appointed by the Company.

''Comparable Treasury Price'' means, with respect to any Redemption Date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated ''H.15(519) Selected Interest Rates'' or (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained.

''Reference Treasury Dealer'' means Goldman, Sachs & Co. and Lehman Brothers Inc. and their successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. Government securities dealer in New York City (a ''Primary Treasury Dealer''), the Company is required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

''Reference Treasury Dealer Quotations'' means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third Business Day preceding such Redemption Date.

On and after any Redemption Date, interest will cease to accrue on the Securities called for redemption. If less than all of the Securities are to be redeemed, the Trustee will select the Securities to be redeemed by lot, pro rata or by any other method the Trustee deems fair and appropriate.

Notice of redemption will be mailed by first class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 Principal Amount may be redeemed in part, but only in whole multiples of $1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price, interest ceases to accrue on Securities or portions thereof called for redemption.

The Securities are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

Tax Additional Amounts

The Company shall pay any amounts due with respect to the payments on the Security without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder such additional amounts ("Tax Additional Amounts") as will result in such Holders receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price and interest (if any) in accordance with the terms of the Security and the Indenture; *provided*, *however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a Security (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the Security or the collection of principal amount, Redemption Price and Interest (if any), in accordance with the terms of the Security and the Indenture or the enforcement of the Security or (2) where presentation is required, the Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the Security, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to clause (e), above, in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a Security is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a Security who is a fiduciary or partnership or other than the sole beneficial owner of the Security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Security.

Transfer

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the register of the Securities, upon surrender of this Security for registration or transfer at the office or agency in a Place of Payment for Securities of this series, duly endorsed by, or accompanied by a written instrument of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of like tenor and of other authorized denominations and for the same aggregate principal amount, executed by the Company and authenticated and delivered by the Trustee, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations set forth therein and on the face of this Security, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee or any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Amendment, Supplement and Waiver; Limitation on Suits

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected (acting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class), to waive compliance by the Company with certain existing or past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

Subject to the right of the Holder of any Securities of this series to institute proceedings to enforce the Holder's right to receive payment of the principal thereof and interest thereon (or repurchase price thereof) and any Tax Additional Amounts with respect thereto and to receive shares on conversion, no Holder of the Securities of this series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the then Outstanding Securities of this series shall have made written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the then outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have the right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Successor Corporation

When a successor Person assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor Person will (except in certain circumstances specified in the Indenture) be released from those obligations.

Defaults and Remedies

If an Event of Default with respect to Securities of this series shall occur and be continuing, all unpaid Principal Amount plus accrued and unpaid interest through the acceleration date of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

No Recourse Against Others

No recourse shall be had for the payment of the principal of or the interest, if any, on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Indenture to Control; Governing Law

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Definitions

All terms defined in the Indenture and used in this Security but not specifically defined herein are used herein as so defined.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

6.00% SENIOR NOTE DUE MARCH 15, 2018

TRANSOCEAN INC.

Issue Date: December 11, 2007 Maturity: March 15, 2018

Principal Amount: $ CUSIP: 893830 AS8

ISIN: US893830AS85

Registered: No. R-

Transocean Inc., a Cayman Islands exempted company limited by shares (herein called the “Company”, which term includes any successor corporation under the indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [] Dollars ($) on March 15, 2018 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the reverse of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, New York or Fort Worth, Texas in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; *provided*, *however*, that at the option of the Company, payment of interest and Tax Additional Amounts, if any, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the register of Securities or by wire transfer of immediately available funds to the accounts designated by the Holder of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

TRANSOCEAN INC.

By: _____
Name:
Title:

Attest:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

Date of Authentication: _____

[Reverse of Security]

TRANSOCEAN INC.

6.00% SENIOR NOTES DUE MARCH 15, 2018

This Security is one of a duly authorized issue of senior securities of the Company issued and to be issued in one or more series under an Indenture, dated as of December 11, 2007, as amended by the First Supplemental Indenture thereto dated as of December 11, 2007, and the Second Supplemental Indenture thereto dated as of December 11, 2007 (as so amended, herein called the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), or their respective predecessors, as applicable, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which is initially in the aggregate principal amount of $1,000,000,000. As used herein, the term "Securities" means securities of the series designated on the face hereof except that, where the context requires that such term be construed as including another series of securities (*e.g.*, where phrases such as "Securities of each series" or Securities of any series" or similar phrases are used), the term "Securities" means securities of any series issued or to be issued under the Indenture.

The Company may, without the consent of the existing holders of the Securities, issue additional Securities having the same ranking and the same interest rate, maturity and other terms as the Securities. Any additional Securities having such similar terms, together with the Securities, will constitute a single series of Securities under the Indenture.

Interest

The rate at which this Security shall bear interest shall be 6.00% per annum. The date from which interest shall accrue for this Security shall be December 11, 2007. The Interest Payment Dates on which interest on this Security shall be payable are March 15 and September 15 of each year, commencing on March 15, 2008. The Regular Record Date for the interest payable on this Security on any Interest Payment Date shall be the March 1 or September 1, as the case may be, immediately preceding such Interest Payment Date. Interest will cease to accrue on this Security upon its maturity, conversion, purchase by the Company at the option of a holder or redemption.

Method of Payment

Payments in respect of principal of and interest, if any, on the Securities shall be made by the Company in immediately available funds.

Optional Redemption

1The Securities are redeemable, at the option of the Company, at any time prior to maturity in whole or from time to time in part, on a date fixed by the Company for such redemption (the "Redemption Date") and at a price (the "Redemption Price") equal to 100% of the principal amount thereof plus accrued and unpaid interest up to but not including the Redemption Date plus a Make-Whole Premium, if any is required to be paid. However, if the Redemption Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Redemption Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Redemption Price. The Redemption Price will never be less than 100% of the principal amount of the Securities plus accrued and unpaid interest up to but not including the Redemption Date.

The amount of the Make-Whole Premium is equal to the excess, if any, of: (i) the sum of the present values, calculated as of the Redemption Date, of :(A) the remaining scheduled payments of interest on the Securities to be redeemed that would be due after the Redemption Date but for such redemption (except that, if such Redemption Date is not an Interest Payment Date, the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued thereon to the Redemption Date); and (B) the principal amount that, but for the redemption, would have been payable at the Stated Maturity; over (ii) the aggregate principal amount of the Securities being redeemed.

The present values of interest and principal payments referred to in clause (i) above will be determined in accordance with generally accepted principles of financial analysis. Those present values will be calculated by discounting the amount of each payment of interest or principal from the date that each payment would have been payable, but for the redemption, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined below) plus 35 basis points.

''Treasury Rate'' means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second Business Day immediately preceding such Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

''Comparable Treasury Issue'' means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

''Independent Investment Banker'' means one of the Reference Treasury Dealers appointed by the Company.

‘‘Comparable Treasury Price’’ means, with respect to any Redemption Date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated ‘‘H.15(519) Selected Interest Rates’’ or (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained.

‘‘Reference Treasury Dealer’’ means Goldman, Sachs & Co. and Lehman Brothers Inc. and their successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. Government securities dealer in New York City (a ‘‘Primary Treasury Dealer’’), the Company is required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

‘‘Reference Treasury Dealer Quotations’’ means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third Business Day preceding such Redemption Date.

On and after any Redemption Date, interest will cease to accrue on the Securities called for redemption. If less than all of the Securities are to be redeemed, the Trustee will select the Securities to be redeemed by lot, pro rata or by any other method the Trustee deems fair and appropriate.

Notice of redemption will be mailed by first class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 Principal Amount may be redeemed in part, but only in whole multiples of $1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price, interest ceases to accrue on Securities or portions thereof called for redemption.

The Securities are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

Tax Additional Amounts

The Company shall pay any amounts due with respect to the payments on the Security without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder such additional amounts ("Tax Additional Amounts") as will result in such Holders receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price and interest (if any) in accordance with the terms of the Security and the Indenture; *provided*, *however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a Security (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the Security or the collection of principal amount, Redemption Price and Interest (if any), in accordance with the terms of the Security and the Indenture or the enforcement of the Security or (2) where presentation is required, the Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the Security, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to clause (e), above, in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a Security is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a Security who is a fiduciary or partnership or other than the sole beneficial owner of the Security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Security.

Transfer

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the register of the Securities, upon surrender of this Security for registration or transfer at the office or agency in a Place of Payment for Securities of this series, duly endorsed by, or accompanied by a written instrument of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of like tenor and of other authorized denominations and for the same aggregate principal amount, executed by the Company and authenticated and delivered by the Trustee, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations set forth therein and on the face of this Security, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee or any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Amendment, Supplement and Waiver; Limitation on Suits

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected (acting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class), to waive compliance by the Company with certain existing or past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

Subject to the right of the Holder of any Securities of this series to institute proceedings to enforce the Holder's right to receive payment of the principal thereof and interest thereon (or repurchase price thereof) and any Tax Additional Amounts with respect thereto and to receive shares on conversion, no Holder of the Securities of this series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the then Outstanding Securities of this series shall have made written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the then outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have the right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Successor Corporation

When a successor Person assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor Person will (except in certain circumstances specified in the Indenture) be released from those obligations.

Defaults and Remedies

If an Event of Default with respect to Securities of this series shall occur and be continuing, all unpaid Principal Amount plus accrued and unpaid interest through the acceleration date of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

No Recourse Against Others

No recourse shall be had for the payment of the principal of or the interest, if any, on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Indenture to Control; Governing Law

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Definitions

All terms defined in the Indenture and used in this Security but not specifically defined herein are used herein as so defined.

[FORM OF GLOBAL SECURITY]

144 UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

145 UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

6.80% SENIOR NOTE DUE MARCH 15, 2038

TRANSOCEAN INC.

Issue Date: December 11, 2007 Maturity: March 15, 2038

Principal Amount: $ CUSIP: 893830 AT6

ISIN: US893830AT68

Registered: No. R-

Transocean Inc., a Cayman Islands exempted company limited by shares (herein called the “Company”, which term includes any successor corporation under the indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [] Dollars ($) on March 15, 2038 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the reverse of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, New York or Fort Worth, Texas in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; *provided*, *however*, that at the option of the Company, payment of interest and Tax Additional Amounts, if any, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the register of Securities or by wire transfer of immediately available funds to the accounts designated by the Holder of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

TRANSOCEAN INC.

By: _____
Name:
Title:

Attest:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

Date of Authentication:_____

[Reverse of Security]

TRANSOCEAN INC.

6.80% SENIOR NOTES DUE MARCH 15, 2038

This Security is one of a duly authorized issue of senior securities of the Company issued and to be issued in one or more series under an Indenture, dated as of December 11, 2007, as amended by the First Supplemental Indenture thereto dated as of December 11, 2007, and the Second Supplemental Indenture thereto dated as of December 11, 2007 (as so amended, herein called the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), or their respective predecessors, as applicable, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which is initially in the aggregate principal amount of $1,000,000,000. As used herein, the term "Securities" means securities of the series designated on the face hereof except that, where the context requires that such term be construed as including another series of securities (*e.g.*, where phrases such as "Securities of each series" or Securities of any series" or similar phrases are used), the term "Securities" means securities of any series issued or to be issued under the Indenture.

The Company may, without the consent of the existing holders of the Securities, issue additional Securities having the same ranking and the same interest rate, maturity and other terms as the Securities. Any additional Securities having such similar terms, together with the Securities, will constitute a single series of Securities under the Indenture.

Interest

The rate at which this Security shall bear interest shall be 6.80% per annum. The date from which interest shall accrue for this Security shall be December 11, 2007. The Interest Payment Dates on which interest on this Security shall be payable are March 15 and September 15 of each year, commencing on March 15, 2008. The Regular Record Date for the interest payable on this Security on any Interest Payment Date shall be the March 1 or September 1, as the case may be, immediately preceding such Interest Payment Date. Interest will cease to accrue on this Security upon its maturity, conversion, purchase by the Company at the option of a holder or redemption.

Method of Payment

Payments in respect of principal of and interest, if any, on the Securities shall be made by the Company in immediately available funds.

Optional Redemption

The Securities are redeemable, at the option of the Company, at any time prior to maturity in whole or from time to time in part, on a date fixed by the Company for such redemption (the "Redemption Date") and at a price (the "Redemption Price") equal to 100% of the principal amount thereof plus accrued and unpaid interest up to but not including the Redemption Date plus a Make-Whole Premium, if any is required to be paid. However, if the Redemption Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Redemption Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Redemption Price. The Redemption Price will never be less than 100% of the principal amount of the Securities plus accrued and unpaid interest up to but not including the Redemption Date.

The amount of the Make-Whole Premium is equal to the excess, if any, of: (i) the sum of the present values, calculated as of the Redemption Date, of :(A) the remaining scheduled payments of interest on the Securities to be redeemed that would be due after the Redemption Date but for such redemption (except that, if such Redemption Date is not an Interest Payment Date, the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued thereon to the Redemption Date); and (B) the principal amount that, but for the redemption, would have been payable at the Stated Maturity; over (ii) the aggregate principal amount of the Securities being redeemed.

The present values of interest and principal payments referred to in clause (i) above will be determined in accordance with generally accepted principles of financial analysis. Those present values will be calculated by discounting the amount of each payment of interest or principal from the date that each payment would have been payable, but for the redemption, to the Redemption Date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined below) plus 40 basis points.

''Treasury Rate'' means, with respect to any Redemption Date, the rate per annum equal to the semiannual equivalent yield to maturity (computed as of the second Business Day immediately preceding such Redemption Date) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

''Comparable Treasury Issue'' means the United States Treasury security selected by an Independent Investment Banker that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities.

''Independent Investment Banker'' means one of the Reference Treasury Dealers appointed by the Company.

‘‘Comparable Treasury Price’’ means, with respect to any Redemption Date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated ‘‘H.15(519) Selected Interest Rates’’ or (2) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (a) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations obtained.

‘‘Reference Treasury Dealer’’ means Goldman, Sachs & Co. and Lehman Brothers Inc. and their successors and two other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by us, except that if any of the foregoing ceases to be a primary U.S. Government securities dealer in New York City (a ‘‘Primary Treasury Dealer’’), the Company is required to designate as a substitute another nationally recognized investment banking firm that is a Primary Treasury Dealer.

‘‘Reference Treasury Dealer Quotations’’ means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer as of 3:30 p.m., New York City time, on the third Business Day preceding such Redemption Date.

On and after any Redemption Date, interest will cease to accrue on the Securities called for redemption. If less than all of the Securities are to be redeemed, the Trustee will select the Securities to be redeemed by lot, pro rata or by any other method the Trustee deems fair and appropriate.

Notice of redemption will be mailed by first class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 Principal Amount may be redeemed in part, but only in whole multiples of $1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price, interest ceases to accrue on Securities or portions thereof called for redemption.

The Securities are not entitled to the benefit of any sinking fund or other mandatory redemption provisions.

Tax Additional Amounts

The Company shall pay any amounts due with respect to the payments on the Security without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder such additional amounts ("Tax Additional Amounts") as will result in such Holders receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price and interest (if any) in accordance with the terms of the Security and the Indenture; *provided*, *however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a Security (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the Security or the collection of principal amount, Redemption Price and Interest (if any), in accordance with the terms of the Security and the Indenture or the enforcement of the Security or (2) where presentation is required, the Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the Security, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to clause (e), above, in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a Security is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a Security who is a fiduciary or partnership or other than the sole beneficial owner of the Security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Security.

Transfer

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the register of the Securities, upon surrender of this Security for registration or transfer at the office or agency in a Place of Payment for Securities of this series, duly endorsed by, or accompanied by a written instrument of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of like tenor and of other authorized denominations and for the same aggregate principal amount, executed by the Company and authenticated and delivered by the Trustee, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations set forth therein and on the face of this Security, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee or any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Amendment, Supplement and Waiver; Limitation on Suits

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected (acting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class), to waive compliance by the Company with certain existing or past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

Subject to the right of the Holder of any Securities of this series to institute proceedings to enforce the Holder's right to receive payment of the principal thereof and interest thereon (or repurchase price thereof) and any Tax Additional Amounts with respect thereto and to receive shares on conversion, no Holder of the Securities of this series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the then Outstanding Securities of this series shall have made written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the then outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have the right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Successor Corporation

When a successor Person assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor Person will (except in certain circumstances specified in the Indenture) be released from those obligations.

Defaults and Remedies

If an Event of Default with respect to Securities of this series shall occur and be continuing, all unpaid Principal Amount plus accrued and unpaid interest through the acceleration date of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

No Recourse Against Others

No recourse shall be had for the payment of the principal of or the interest, if any, on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Indenture to Control; Governing Law

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Definitions

All terms defined in the Indenture and used in this Security but not specifically defined herein are used herein as so defined.

SECOND SUPPLEMENTAL INDENTURE

between

TRANSOCEAN INC.

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as Trustee

December 11, 2007

TABLE OF CONTENTS

TRANSOCEAN INC.

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE, dated as of December 11, 2007 (the "Second Supplemental Indenture"), between Transocean Inc., a Cayman Islands exempted company limited by shares (the "Company"), and Wells Fargo Bank, National Association (the "Trustee").

W I T N E S S E T H :

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Indenture, dated as of December 11, 2007, providing for the issuance from time to time of one or more series of the Company's Securities;

WHEREAS, Sections 2.01 and 9.01(9) of the Indenture provides that the Company and the Trustee may from time to time enter into one or more indentures supplemental thereto to establish the form or terms of Securities of a new series;

WHEREAS, Section 9.01(6) of the Indenture permit the execution of supplemental indentures without the consent of any Holders to add to the covenants of the Company for the benefit of, and to add any additional Events of Default with respect to, all or any series of Securities;

WHEREAS, Section 9.01(8) of the Indenture permits the execution of supplemental indentures without the consent of any Holders to change or eliminate any of the provisions of the Indenture; *provided* that such change or elimination does not adversely affect any outstanding Security of any series created prior to the execution of such supplemental indenture;

WHEREAS, the Company desires to issue 1.625% Series A Convertible Senior Notes due December 15, 2037 (the "Series A 2037 Notes"), 1.50% Series B Convertible Senior Notes due December 15, 2037 (the "Series B 2037 Notes") and 1.50% Series C Convertible Senior Notes due December 15, 2037 (the "Series C 2037 Notes", and, together with the Series A 2037 Notes and the Series B 2037 Notes, the "2037 Notes"), each a new series of Securities the issuance of which was authorized by or pursuant to resolution of the Board of Directors of the Company;

WHEREAS, the Company, pursuant to the foregoing authority, proposes in and by this Second Supplemental Indenture to supplement and amend the Indenture insofar as it will apply only to the 2037 Notes in certain respects; and

WHEREAS, all things necessary have been done to make the 2037 Notes, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Second Supplemental Indenture a valid agreement of the Company, in accordance with their and its terms.

NOW, THEREFORE:

In consideration of the premises provided for herein, the Company and the Trustee mutually covenant and agree for the equal and proportionate benefit of all Holders of the 2037 Notes as follows:

ARTICLE ONE

THE 2037 NOTES

SECTION 101 *Designation of 2037 Notes; Establishment of Form.*

There shall be a series of Securities designated "1.625% Series A Convertible Notes Due December 15, 2037" of the Company (the "Series A 2037 Notes"), the form of which shall be substantially as set forth in Annex A hereto; a series of Securities designated "1.50% Series B Convertible Notes Due December 15, 2037" of the Company (the "Series B 2037 Notes"), the form of which shall be substantially as set forth in Annex B hereto and a series of Securities designated "1.50% Series C Convertible Notes Due December 15, 2037" of the Company (the "Series C 2037 Notes", and together with the Series A 2037 Notes and the Series C 2037 Notes, the "2037 Notes"), the form of which shall be substantially as set forth in Annex C hereto, each of which is incorporated into and shall be deemed a part of this Second Supplemental Indenture, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers of the Company executing such 2037 Notes, as evidenced by their execution of the 2037 Notes.

All of the 2037 Notes will initially be issued in permanent global form, substantially in the respective form set forth in Annex A, Annex B and Annex C hereto (the "Global Securities") as Book-Entry Securities. Each Global Security shall represent such of the Outstanding 2037 Notes as shall be specified therein and shall provide that it shall represent the aggregate amount of Outstanding 2037 Notes from time to time endorsed thereon and that the aggregate amount of Outstanding 2037 Notes represented thereby may from time to time be reduced to reflect exchanges and redemptions. Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, of Outstanding 2037 Notes represented thereby shall be made by the Trustee in accordance with written instructions or such other written form of instructions as is customary for the Depositary, from the Depositary or its nominee on behalf of any Person having the beneficial interest in the Global Security.

The Company initially appoints The Depository Trust Company to act as Depositary with respect to the Global Securities.

The Company initially appoints the Trustee to act as Paying Agent and Conversion Agent with respect to the 2037 Notes.

SECTION 102 *Amount.*

Each series of the 2037 Notes may be issued in unlimited aggregate principal amount. The Trustee shall authenticate and deliver 2037 Notes for original issue in an aggregate Principal Amount of up to $2,200,000,000 of Series A 2037 Notes, up to $2,200,000,000 of Series B 2037 Notes and up to $2,200,000,000 of Series C 2037 Notes upon Company Order without any further action by the Company. Upon Company Request, the Trustee shall authenticate and deliver additional 2037 Notes of any series, *provided* that such additional 2037 Notes are (i) fungible with the 2037 Notes of such series then outstanding for U.S. Federal income taxation purposes, or (ii) issued under a different CUSIP number than the 2037 Notes of such series then outstanding.

SECTION 103 *Interest.*

The 2037 Notes of each series shall bear interest at the rate set forth under the caption "Interest" in the 2037 Notes of such series, commencing on the Issue Date of the 2037 Notes. Interest on the 2037 Notes shall be payable to the persons in whose name the 2037 Notes are registered at the close of business on the Regular Record Date for such interest payment. The date from which interest shall accrue for each 2037 Note shall be December 11, 2007. The Interest Payment Dates on which interest on the 2037 Notes shall be payable are June 15 and December 15, commencing on June 15, 2008. The Regular Record Dates for the interest payable on the 2037 Notes on any Interest Payment Date shall be June 1 or December 1, as the case may be, immediately preceding such Interest Payment Date.

SECTION 104 *Additional Amounts.*

Additional Amounts with respect to the 2037 Notes of each series shall be payable in accordance with the provisions and in the amounts set forth under the caption "Tax Additional Amounts" in the 2037 Notes of such series and in accordance with the provisions of the Indenture.

SECTION 105 *Denominations.*

The 2037 Notes shall be in fully registered form without coupons in denominations of $1,000 of Principal Amount or any integral multiple thereof.

SECTION 106 *Place of Payment.*

The Place of Payment for the 2037 Notes and the place or places where the principal of and interest on the 2037 Notes shall be payable, the 2037 Notes may be surrendered for registration of transfer, the 2037 Notes may be surrendered for exchange, repurchase, redemption or conversion and where notices may be given to the Company in respect of the 2037 Notes is at the office or agency of the Trustee in Fort Worth, Texas; *provided* that payment of interest may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register (as defined in the Indenture) or by wire transfer of immediately available funds to the accounts in the United States specified by the Holder of such 2037 Notes.

SECTION 107 *Redemption.*

(a) There shall be no sinking fund for the retirement of the 2037 Notes.

(b) The Company, at its option, may redeem the 2037 Notes of each series in accordance with the provisions of and at the Redemption Prices set forth under the captions "Optional Redemption" and "Notice of Redemption" in the 2037 Notes of such series and in accordance with the provisions of the Indenture, including, without limitation, Article Three.

SECTION 108 *Conversion.*

The 2037 Notes of each series shall be convertible in accordance with the provisions and at the Conversion Rate set forth under the caption "Conversion" in the 2037 Notes of such series and in accordance with the provisions of the Indenture, including, without limitation, Article Eleven.

SECTION 109 *Maturity.*

The date on which the principal of the 2037 Notes is payable, unless accelerated pursuant to the Indenture, shall be December 15, 2037.

SECTION 110 *No Defeasance.*

Sections 8.01(b) and 8.01(c) of the Indenture shall not apply to any series of the 2037 Notes.

SECTION 111 *Repurchase.*

(a) The 2037 Notes of each series shall be repurchased by the Company in accordance with the provisions and at the Repurchase Prices set forth under the caption "Repurchase by the Company at the Option of the Holder" in the 2037 Notes of such series and in accordance with the provisions of the Indenture, including, without limitation, Article Twelve.

(b) The Company, at the option of the Holders thereof, shall purchase the 2037 Notes of each series at the Fundamental Change Purchase Price set forth under the caption "Purchase of Securities at Option of Holder Upon a Fundamental Change" in the 2037 Notes of such series and in accordance with the provisions of the Indenture, including, without limitation, Sections 3.12 through 3.18. For the avoidance of doubt, such a purchase of the 2037 Notes shall not be deemed a redemption under the provisions of Sections 3.01 to 3.11 of the Indenture.

SECTION 112 *Other Terms of 2037 Notes.*

Without limiting the foregoing provisions of this Article One, the terms of the Series A 2037 Notes shall be as set forth in the form of Series A 2037 Notes set forth in Annex A hereto, the terms of the Series B 2037 Notes shall be as set forth in the form of Series B 2037 Notes set forth in Annex B hereto and the terms of the Series C 2037 Notes shall be as set forth in the form of Series C 2037 Notes set forth in Annex C hereto, and in each case as provided in the Indenture.

ARTICLE TWO

AMENDMENTS TO THE INDENTURE

The amendments contained herein shall apply to 2037 Notes only and not to any other series of Security issued under the Indenture and any covenants provided herein are expressly being included solely for the benefit of the 2037 Notes. These amendments shall be effective for so long as there remain any 2037 Notes of any series Outstanding.

SECTION 201 *Definitions.*

Section 1.01 of the Indenture is amended by inserting or restating, as the case may be, in their appropriate alphabetical position, the following definitions:

"Additional Interest" has the meaning specified in Section 6.01.

"Additional Shares" has the meaning specified in Section 11.02.

"Bid Solicitation Agent" means the Trustee or, if so appointed, a Company-appointed agent that performs calculations as set forth in the form of Series A 2037 Notes, form of Series B 2037 Notes and form of Series C 2037 Notes attached hereto as Annex A, Annex B and Annex C, respectively.

"Capital Stock" or "capital stock" of any Person means any and all shares, interests, partnership interests, participations, rights or other equivalents (however designated) of such Person's equity interest (however designated) issued by that Person.

"Company Notice" shall have the meaning specified in Section 12.02.

"Conversion Agent" shall be the agent specified in Section 101.

"Conversion Date" has the meaning specified in Section 11.03.

"Conversion Obligation" has the meaning specified in Section 11.02.

"Conversion Period" means (i) with respect to any Conversion Date occurring on or after the later of (A) the 25th scheduled Trading Day prior to a redemption date for the 2037 Note surrendered for conversion and (B) the date on which a notice of redemption has been issued pursuant to Section 3.12 with respect to a redemption date for the 2037 Note surrendered for conversion, the 20 consecutive VWAP Trading Day period beginning on the scheduled Trading Day immediately following such redemption date, (ii) with respect to any Conversion Date occurring on or after the 25th scheduled Trading Day prior to the Stated Maturity of the 2037 Note, the 20 consecutive VWAP Trading Day period beginning on, and including, the 22nd scheduled Trading Day prior to the Stated Maturity of the 2037 Note and (iii) in all other cases, the 20 consecutive VWAP Trading Day period beginning on the third VWAP Trading Day after the Conversion Date.

"Conversion Proceeds" has the meaning specified in Section 11.01.

"Conversion Rate" means 5.9310, subject to adjustment pursuant to Sections 11.02 and 11.07 hereof;

"Current Market Price" has the meaning specified in Section 11.07(f).

"Daily Cash Amount" means $50.00.

"Daily Conversion Value Amount" means, for each VWAP Trading Day of the Conversion Period, the amount equal to 1/20th of the product of (a) the VWA Price on such VWAP Trading Day, and (b) the Conversion Rate in effect on such VWAP Trading Day.

"Daily Settlement Amount" for each of the VWAP Trading Days of the relevant Conversion Period means the sum of:

(A) an amount of cash equal to the lesser of (1) the Daily Cash Amount and (2) the Daily Conversion Value Amount relating to such VWAP Trading Day, and

(B) if such Daily Conversion Value Amount exceeds the Daily Cash Amount, the Daily Share Amount for such VWAP Trading Day.

"Daily Share Amount" means, for each VWAP Trading Day of the Conversion Period, a number of Ordinary Shares (but in no event less than zero) determined by the following formula:

$$\left(\frac{\text{(VWA Price on such VWAP Trading Day} \times \text{Conversion Rate)} - \$1{,}000}{\text{VWA Price on such VWAP Trading Day} \times 20} \right)$$

"Effective Date" means the date on which a Fundamental Change occurs or becomes effective.

"Expiration Date" has the meaning specified in Section 11.07(e).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor statute.

"Ex-dividend Date" means (i) with respect to any issuance or distribution, the first date on which the Ordinary Shares trade on the applicable exchange or in the applicable market, regular way, without the right to receive such issuance or distribution, (ii) with respect to any subdivision or combination of Ordinary Shares, the first date on which the Ordinary Shares trade regular way on such exchange or in such market after the time at which such subdivision or combination thereof become effective, and (iii) with respect to any tender offer, the first date on which the Ordinary Shares trade regular way on such exchange or market after the Expiration Date of such offer.

"Fundamental Change" has the meaning specified in Section 3.12.

"Fundamental Change Purchase Date" has the meaning specified in Section 3.12.

"Fundamental Change Purchase Notice" has the meaning specified in Section 3.12.

"Fundamental Change Purchase Price" has the meaning specified in Section 3.12.

"Global Securities" has the meaning specified in Section 101.

"Issue Date" of any 2037 Note means the date on which the 2037 Note was originally issued or deemed issued as set forth on the face of the 2037 Note.

"Issue Price" of any 2037 Note means, in connection with the original issuance of such 2037 Note, the initial issue price at which the 2037 Note is sold as set forth on the face of the 2037 Note.

"Last Reported Sale Price" on any date means the closing sale price per Ordinary Share (or if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported by the New York Stock Exchange or, if the Ordinary Shares are not listed on the New York Stock Exchange, as reported in composite transactions for the principal U.S. securities exchange on which the Ordinary Shares are traded or, if the Ordinary Shares are not traded on such an exchange, the market value of an Ordinary Share as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company.

"Merger Agreement" means that certain Agreement and Plan of Merger, dated as of July 21, 2007 among the Company, Transocean Worldwide Inc. and GlobalSantaFe Corporation.

"Ordinary Shares" means any stock of any class of the Company (including, without limitation, the Company's ordinary shares of a nominal or par value of $0.01 per share) which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company.

"Outstanding", when used with respect to Securities, means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities for whose payment, repurchase or redemption money or Ordinary Shares in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; *provided* that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Securities which have been cancelled pursuant to Section 2.13 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a *bona fide* purchaser in whose hands such Securities are valid obligations of the Company; and

(iv) 2037 Notes converted for cash and Ordinary Shares, if any, pursuant to Article Eleven;

provided, *however*, that in determining whether the Holders of the requisite principal amount of the Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor.

"Principal Amount" of a 2037 Note means the Principal Amount as set forth on the face of the 2037 Note.

"Reference Property" has the meaning specified in Section 11.11.

"Reorganization Event" has the meaning specified in Section 11.11.

"Repurchase Date" has the meaning specified in Section 12.01.

"Repurchase Notice" has the meaning specified in Section 12.01.

"Repurchase Price" has the meaning specified in Section 12.01.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture, including 2037 Notes.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute.

"Series A 2037 Notes" has the meaning specified in Section 101.

"Series B 2037 Notes" has the meaning specified in Section 101.

"Series C 2037 Notes" has the meaning specified in Section 101.

"Share Price" means the average of the Last Reported Sale Prices of the Ordinary Shares over a 10 Trading Day period ending on the Trading Day immediately preceding the Effective Date; *provided*, *however*, that if holders of Ordinary Shares receive only cash consideration for their Ordinary Shares in connection with such Fundamental Change, then the Share Price will be the cash amount paid per Ordinary Share.

"Spin-off" has the meaning specified in Section 11.07(c).

“Spin-off Valuation Period” has the meaning specified in Section 11.07(c).

“Tax Additional Amounts” has the meaning specified in Section 2.18.

“Taxing Jurisdiction” has the meaning specified in Section 2.18.

“Termination of Trading” has the meaning specified in Section 3.12.

“Trading Day” means a day during which trading in securities generally occurs on the New York Stock Exchange or, if the Ordinary Shares are not listed on the New York Stock Exchange, on the principal other national or regional securities exchange on which the Ordinary Shares are then listed or, if the Ordinary Shares are not listed on a national or regional securities exchange, on the National Association of Securities Dealers Automated Quotation System or, if the Ordinary Shares are not quoted on the National Association of Securities Dealers Automated Quotation System, on the principal other market on which the Ordinary Shares are then traded.

“Trading Price” has the meaning specified in the form of Series A 2037 Notes, form of Series B 2037 Notes and form of Series C 2037 Notes attached hereto as Annex A, Annex B and Annex C, respectively.

“Trading Price Condition” has the meaning specified in the form of Series A 2037 Notes, form of Series B 2037 Notes and form of Series C 2037 Notes attached hereto as Annex A, Annex B and Annex C, respectively.

“Triggering Distribution” has the meaning specified in Section 11.07(d).

“Trigger Event” has the meaning specified in Section 11.07(c).

“Unissued Shares” has the meaning specified in Section 3.12(a).

“2037 Notes” has the meaning specified in Section 101.

“Voting Stock” means any class or classes of Capital Stock pursuant to which the holders thereof under ordinary circumstances have the power to vote in the election of the board of directors, managers or trustees of any Person (or other Persons performing similar functions), irrespective of whether or not, at the time, Capital Stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency.

“VWA Price” means, for each of the 20 consecutive VWAP Trading Days during the Conversion Period, the per share volume-weighted average price of the Ordinary Shares as displayed under the heading “Bloomberg VWAP” on Bloomberg page RIG.N <equity> AQR (or any equivalent successor page, or, if no such page is available, any other equivalent publication) in respect of the period from the scheduled open of trading on the principal securities exchange or trading market for the Ordinary Shares to the scheduled close of trading on such exchange or market on such VWAP Trading Day or, if such volume-weighted average price is unavailable, the market value of one Ordinary Share on such VWAP Trading Day using a volume-weighted method as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company.

"VWAP Market Disruption Event" means (1) a failure by the principal securities exchange or trading market on which the Ordinary Shares are listed or admitted to trading to open for trading during its regular trading session or (2) the occurrence or existence prior to 1:00 p.m. on any scheduled Trading Day for Ordinary Shares for an aggregate one half-hour period of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in the Ordinary Shares or in any options contracts or futures contracts relating to the Ordinary Shares.

"VWAP Trading Day" means a day during which (1) trading in the Ordinary Shares generally occurs on the principal securities exchange or trading market on which the Ordinary Shares are listed or admitted for trading and (2) there is no VWAP Market Disruption Event. If the Ordinary Shares are not so listed or traded, then VWAP Trading Day means a Business Day.

"Withholding Tax" has the meaning specified in Section 2.18.

SECTION 202 *Mutilated, Destroyed, Lost and Stolen Securities.*

The Indenture shall be amended by replacing the second sentence of Section 2.09 with the following sentence:

If any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be redeemed or purchased by the Company upon a Fundamental Change pursuant to Article Three or purchased by the Company on a Repurchase Date pursuant to Article Twelve, the Company in its discretion may, instead of issuing a new Security, pay such Security.

SECTION 203 *Payment of Interest; Interest Rights Preserved.*

The Indenture shall be amended by inserting the following paragraph before the final paragraph in Section 2.14:

In the case of any 2037 Note or portion thereof which is surrendered for conversion after the close of business on the Regular Record Date immediately preceding any Interest Payment Date and prior to the opening of business on such next succeeding Interest Payment Date, interest whose Stated Maturity is on such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that 2037 Note is registered at the close of business on such Regular Record Date; *provided*, *however*, that such payment of interest shall be subject to the payment to the Company by the Holder of such 2037 Note or portion thereof surrendered for conversion (such payment to accompany such surrender) of an amount equal to the amount of such interest; *provided*, *further*, that no such payment need be made (1) if the Company has specified a Fundamental Change Purchase Date following a Fundamental Change that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date, (2) only to the extent of overdue interest, if any overdue interest exists at the date of conversion with respect to a 2037 Note, (3) if the 2037 Note is surrendered for conversion after the Regular Record Date immediately preceding the Stated Maturity of the 2037 Note, or (4) if the 2037 Note is surrendered in connection with a call for redemption with a Redemption Date that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date. Except as otherwise provided in the immediately preceding sentence, in the case of any 2037 Note which is converted, interest whose Stated Maturity is after the date of conversion of such 2037 Note shall not be payable.

SECTION 204 *Unconditional Right of Holders to Receive Principal and Interest.*

Section 6.07 of the Indenture shall be amended by replacing that section with the following:

Section 6.07. Unconditional Right of Holders to Receive Principal, Interest and Tax Additional Amounts.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to such Security on the Stated Maturity or Maturities expressed in such Security (or in the case of redemption, to receive the Redemption Price on the Redemption Date, in the case of a repurchase, to receive the Repurchase Price on the Repurchase Date, or in the case of a Fundamental Change, to receive the Fundamental Change Purchase Price on the Fundamental Change Purchase Date) and to institute suit for the enforcement of any such payment on or after such respective dates, and such rights shall not be impaired without the consent of such Holder.

SECTION 205 *Consolidation, Merger and Sale; Limitation on Mergers and Consolidations.*

(a) The Indenture shall be amended by inserting "and shall have provided for conversion rights in accordance with Section 11.11" at the end of Section 5.01(1).

(b) Section 5.01 shall be amended by inserting the following paragraph immediately following paragraph (1) therein and changing paragraphs (2) and (3) therein to (3) and (4) therein, respectively:

(2) the successor (if any) is organized under the laws of the Cayman Islands, Bermuda, the British Virgin Islands or the United States or any State thereof (including the District of Columbia);

SECTION 206 *Supplemental Indentures Without Consent of Holders.*

Section 9.01 of the Indenture shall be amended by inserting the following paragraph:

(12) to make provision with respect to the conversion rights, if any, to Holders of 2037 Notes pursuant to the requirements of Article Eleven hereof, provided that no such provisions shall adversely affect the rights of any Holder of a 2037 Note in any material respect.

SECTION 207 *Supplemental Indenture with Consent of Holder.*

The Indenture shall be amended by inserting ", or adversely affect the right to convert any 2037 Note as provided in Article Eleven, or adversely affect the right to require the Company to repurchase the 2037 Notes as provided in Article Twelve." at the end of Section 9.02(3).

SECTION 208 *Maintenance of Office or Agency.*

The first paragraph of Section 4.02 of the Indenture is amended by changing the first paragraph thereof to read in its entirety as follows:

The Company will maintain in each Place of Payment for any series of Securities an office or agency (which may be an office of the Trustee, the Registrar or the Paying Agent) where Securities of that series may be presented or surrendered for payment, where Securities of that series may be surrendered for registration of transfer or exchange, where 2037 Notes may be surrendered for conversion and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. Unless otherwise designated by the Company by written notice to the Trustee, such office or agency shall be the office of the Trustee at 201 Main Street, Corporate Trust Department, 3rd Floor, Fort Worth, Texas 76102. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

SECTION 209 *Tax Additional Amounts.*

Article Two shall be amended by adding the following section:

Section 2.18 *Tax Additional Amounts*.

The Company shall pay any amounts due with respect to the payments on the 2037 Notes without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder such additional amounts ("Tax Additional Amounts") as will result in such Holders receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price, Repurchase Price and interest (if any) in accordance with the terms of the 2037 Notes and the Indenture; *provided*, *however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a 2037 Note (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the 2037 Note or the collection of principal amount, Redemption Price, Repurchase Price and Interest (if any), in accordance with the terms of the 2037 Note and the Indenture or the enforcement of the 2037 Note or (2) where presentation is required, the 2037 Note was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price, Repurchase Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the 2037 Note, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to Section 2.18(e), in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a 2037 Note is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a 2037 Note who is a fiduciary or partnership or other than the sole beneficial owner of the 2037 Note to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the 2037 Note.

SECTION 210 *Redemption.*

Article Three shall be amended by inserting the following sections 3.12 through 3.18:

Section 3.12 *Purchase of Securities at Option of the Holder Upon Fundamental Change*

(a) If at any time that 2037 Notes remain Outstanding there shall occur a Fundamental Change, 2037 Notes shall be purchased by the Company at the option of the Holders thereof as of a date selected by the Company that is not less than 20 and not more than 35 days after the occurrence of the Fundamental Change (or longer period if required by applicable law) (the "Fundamental Change Purchase Date") at a purchase price equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Fundamental Change Purchase Date (the "Fundamental Change Purchase Price"), subject to satisfaction by or on behalf of any Holder of the requirements set forth in subsection (c) of this Section 3.12; *provided* that if the Fundamental Change Purchase Date is after a Regular Record Date and on or prior to the next succeeding Interest Payment Date, the interest will be paid on the Interest Payment Date to the holder of record on such Regular Record Date and will not be included in the Fundamental Change Purchase Price.

A "Fundamental Change" shall be deemed to have occurred if any of the following occurs after the Issue Date:

(i) any "person" or "group" (as such terms are defined below) (A) becomes the "beneficial owner" (as defined below), directly or indirectly, of shares of Voting Stock of the Company representing 50% or more of the total voting power of all outstanding classes of Voting Stock of the Company or (B) has the power, directly or indirectly, to elect a majority of the members of the Board of Directors of the Company; *provided*, *however*, that the rights to designate directors pursuant to the Merger Agreement shall be disregarded for purposes of this provision;

(ii) the Company consolidates with, or merges with or into, another person or the Company sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of the consolidated assets of the Company, or any person consolidates with, or merges with or into, the Company, or the Company completes a scheme of arrangement qualifying as an amalgamation under Cayman Islands law with another Person;

(iii) the Ordinary Shares, or shares of common stock, American Depository Receipts or equivalent capital stock in respect of Ordinary Shares into which the 2037 Notes are convertible pursuant to the provisions of Article Eleven are not listed for trading on the New York Stock Exchange or the Nasdaq Global Select Market, or any successor to any such market, that may exist from time to time, for a period of 20 consecutive Trading Days (a "Termination of Trading"); or

(iv) the Company is liquidated or dissolved or holders of Ordinary Shares approve any plan or proposal for the Company's liquidation or dissolution.

Also, notwithstanding the foregoing, a consolidation, merger, scheme of arrangement or disposition of all or substantially all of the consolidated assets of the Company will not constitute a Fundamental Change (and a change in or acquisition of beneficial ownership or power to elect a majority of the Board of Directors, Termination of Trading or liquidation or dissolution, in each case arising out of such a consolidation, merger, scheme of arrangement or disposition of all or substantially all of the Company's consolidated assets, will not constitute a fundamental change) if (A) the persons that beneficially own Voting Stock in the Company immediately prior to the relevant transaction beneficially own shares with a majority of the total voting power of all outstanding Voting Stock of the surviving or transferee person or the parent entity thereof, (B) the Ordinary Shares, shares of common stock, American Depositary Receipts or equivalent capital stock in respect of Ordinary Shares (in the event the Company is a surviving entity in the transaction) or of such successor or transferee person or parent entity thereof are listed for trading on the New York Stock Exchange or the Nasdaq Global Select Market, or any successor to any such market that may exist from time to time, immediately following such transaction, and (C) as a result of such transaction, the 2037 Notes are or become convertible, upon the satisfaction of the conditions for conversion and actual conversion in accordance with the terms of the 2037 Notes, into such Ordinary Shares, shares of common stock of the Company or equivalent capital stock of the Company or such successor or transferee person or parent entity thereof.

Notwithstanding the foregoing, it will not constitute a Fundamental Change if at least 90% of the consideration for the Ordinary Shares (excluding cash payments for fractional shares) in the transaction or transactions constituting the Fundamental Change consists of common stock, ordinary shares, American Depository Receipts or equivalent capital stock traded on the New York Stock Exchange or the Nasdaq Global Select Market, or any successor to any such market, or which will be so traded when issued or exchanged in connection with the Fundamental Change, and as a result of such transaction or transactions the 2037 Notes become convertible, upon the satisfaction of the conditions for conversion and actual conversion in accordance with the terms of the 2037 Notes, into such common stock, ordinary shares, American Depository Receipts or equivalent capital stock.

For the purpose of the definition of "Fundamental Change", (i) "person" and "group" have the meanings given such terms under Section 13(d) and 14(d) of the Exchange Act or any successor provision to either of the foregoing, and the term "group" includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act (or any successor provision thereto), (ii) a "beneficial owner" shall be determined in accordance with Rule 13d-3 under the Exchange Act, as in effect on December 11, 2007, except that the number of shares of Voting Stock of the Company shall be deemed to include, in addition to all outstanding shares of Voting Stock of the Company and Unissued Shares deemed to be held by the "person" or "group" (as such terms are defined above) or other person with respect to which the Fundamental Change determination is being made, all Unissued Shares deemed to be held by all other persons, and (iii) the terms "beneficially owned" and "beneficially own" shall have meanings correlative to that of "beneficial owner". The term "Unissued Shares" means shares of Voting Stock not outstanding that are subject to options, warrants, rights to purchase or conversion privileges exercisable within 60 days of the date of determination of a Fundamental Change.

(b) Within 15 Business Days after the occurrence of a Fundamental Change described in subsection (a)(ii) or (a)(iv) of Section 3.12 and, in the case of a Fundamental Change described in subsection (a)(i) or (a)(iii) of Section 3.12, no later than the later of (x) one business day following the Effective Date or (y) two business days following the date on which officers of the Company first learned of such Fundamental Change following the Effective Date of such Fundamental Change, the Company shall mail a written notice of the Fundamental Change to the Trustee and to each Holder. The notice shall include the form of a Fundamental Change Purchase Notice to be completed by the Holder and shall state:

(1) the date of such Fundamental Change and, briefly, the events causing such Fundamental Change;

(2) the date by which the Fundamental Change Purchase Notice pursuant to this Section 3.12 must be given;

(3) the Fundamental Change Purchase Date;

(4) the Fundamental Change Purchase Price;

(5) briefly, the conversion rights of the 2037 Notes;

(6) the name and address of each Paying Agent and Conversion Agent;

(7) the Conversion Rate and any adjustments thereto (including the adjustment for any Additional Shares);

(8) that 2037 Notes as to which a Fundamental Change Purchase Notice has been given may be converted pursuant to Article Eleven only to the extent that the Fundamental Change Purchase Notice has been withdrawn in accordance with the terms of this Indenture;

(9) the procedures that the Holder must follow to exercise rights under this Section 3.12;

(10) the procedures for withdrawing a Fundamental Change Purchase Notice, including a form of notice of withdrawal; and

(11) that the Holder must satisfy the requirements set forth in the 2037 Notes in order to convert the 2037 Notes.

If any of the 2037 Notes is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depositary applicable to the repurchase of Global Securities.

(c) A Holder may exercise its rights specified in subsection (a) of this Section 3.12 upon delivery of a written notice (which shall be in substantially the form included as an attachment to the Security and which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form) of the exercise of such rights (a "Fundamental Change Purchase Notice") to any Paying Agent at any time prior to the close of business on the Business Day next preceding the Fundamental Change Purchase Date.

The delivery of such 2037 Note to any Paying Agent (together with all necessary endorsements) at the office of such Paying Agent shall be a condition to the receipt by the Holder of the Fundamental Change Purchase Price therefor.

The Company shall purchase from the Holder thereof, pursuant to this Section 3.12, a portion of a 2037 Note if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a 2037 Note pursuant to Sections 3.12 through 3.18 also apply to the purchase of such portion of such 2037 Note.

Notwithstanding anything herein to the contrary, any Holder delivering to a Paying Agent the Fundamental Change Purchase Notice contemplated by this subsection (c) shall have the right to withdraw such Fundamental Change Purchase Notice in whole or in a portion thereof that is a Principal Amount of $1,000 or in an integral multiple thereof at any time prior to the close of business on the Business Day next preceding the Fundamental Change Purchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 3.13.

A Paying Agent shall promptly notify the Company of the receipt by it of any Fundamental Change Purchase Notice or written withdrawal thereof.

Anything herein to the contrary notwithstanding, in the case of Global Securities, any Fundamental Change Purchase Notice may be delivered or withdrawn and such 2037 Notes may be surrendered or delivered for purchase in accordance with the applicable procedures of the Depositary as in effect from time to time.

Section 3.13 *Effect of Fundamental Change Purchase Notice*

Upon receipt by any Paying Agent of the Fundamental Change Purchase Notice specified in Section 3.12(c), the Holder of the 2037 Note in respect of which such Fundamental Change Purchase Notice was given shall (unless such Fundamental Change Purchase Notice is withdrawn as specified below) thereafter be entitled to receive the Fundamental Change Purchase Price with respect to such 2037 Note. Such Fundamental Change Purchase Price shall be paid to such Holder promptly following the later of (a) the Fundamental Change Purchase Date with respect to such 2037 Note (provided the conditions in Section 3.12(c) have been satisfied) and (b) the time of delivery of such 2037 Note to a Paying Agent by the Holder thereof in the manner required by Section 3.12(c). 2037 Notes in respect of which a Fundamental Change Purchase Notice has been given by the Holder thereof may not be converted into Ordinary Shares on or after the date of the delivery of such Fundamental Change Purchase Notice unless such Fundamental Change Purchase Notice has first been validly withdrawn.

A Fundamental Change Purchase Notice may be withdrawn by means of a written notice (which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Global Securities, may be delivered electronically or by other means in accordance with the Depositary's customary procedures) of withdrawal delivered by the Holder to a Paying Agent at any time prior to the close of business on the Business Day immediately preceding the Fundamental Change Purchase Date, specifying the Principal Amount of the Security or portion thereof (which must be a Principal Amount of $1,000 or an integral multiple of $1,000 in excess thereof) with respect to which such notice of withdrawal is being submitted.

Section 3.14 *Deposit of Fundamental Change Purchase Price*

On or before 11:00 a.m. New York City time on the Fundamental Change Purchase Date, the Company shall deposit with the Trustee or with a Paying Agent (other than the Company or an Affiliate of the Company) an amount of money (in immediately available funds if deposited on such Fundamental Change Purchase Date) sufficient to pay the aggregate Fundamental Change Purchase Price of all the 2037 Notes or portions thereof that are to be purchased as of such Fundamental Change Purchase Date. The manner in which the deposit required by this Section 3.14 is made by the Company shall be at the option of the Company, *provided* that such deposit shall be made in a manner such that the Trustee or a Paying Agent shall have immediately available funds on the Fundamental Change Purchase Date.

If a Paying Agent holds, in accordance with the terms hereof, money sufficient to pay the Fundamental Change Purchase Price of any 2037 Note for which a Fundamental Change Purchase Notice has been tendered and not withdrawn in accordance with this Indenture then, on the Fundamental Change Purchase Date, such 2037 Note will cease to be Outstanding and the rights of the Holder in respect thereof shall terminate (other than the right to receive the Fundamental Change Purchase Price as aforesaid). The Company shall publicly announce the Principal Amount of 2037 Notes purchased as a result of such Fundamental Change on or as soon as practicable after the Fundamental Change Purchase Date.

Section 3.15 *Securities Purchased In Part*

Any 2037 Note that is to be purchased only in part shall be surrendered at the office of a Paying Agent and promptly after the Fundamental Change Purchase Date the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such 2037 Note, without service charge, a new 2037 Note or 2037 Notes of the same series, of such authorized denomination or denominations as may be requested by such Holder, in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the 2037 Note so surrendered that is not purchased.

Section 3.16 *Compliance With Securities Laws Upon Purchase of Securities*

In connection with any offer to purchase or purchase of 2037 Notes under Section 3.12, the Company shall (a) comply with Rule 13e-4 (or any successor to either such Rule), if applicable, under the Exchange Act, (b) file the related Schedule TO (or any successor or similar schedule, form or report) if required under the Exchange Act, and (c) otherwise comply with all federal and state securities laws in connection with such offer, all so as to permit the rights of the Holders and obligations of the Company under Sections 3.12 through 3.18 to be exercised in the time and in the manner specified therein.

Section 3.17 *Repayment to the Company*

To the extent that the aggregate amount of cash deposited by the Company pursuant to Section 3.14 exceeds the aggregate Fundamental Change Purchase Price together with interest, if any, thereon of the 2037 Notes or portions thereof that the Company is obligated to purchase, then promptly after the Fundamental Change Purchase Date the Trustee or a Paying Agent, as the case may be, shall return any such excess to the Company.

Section 3.18 *No Purchase on Fundamental Change if Event of Default*

There shall be no purchase of any 2037 Notes pursuant to this Article Three if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such 2037 Notes, of the required Fundamental Change Purchase Notice) and is continuing an Event of Default (other than a default in the payment of the Fundamental Change Purchase Price with respect to such 2037 Notes). The Paying Agent will promptly return to the respective Holders thereof any 2037 Notes (x) with respect to which a Fundamental Change Purchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Fundamental Change Purchase Price with respect to such 2037 Notes) in which case, upon such return, the Fundamental Change Purchase Notice with respect thereto shall be deemed to have been withdrawn.

SECTION 211 *Conversion, Repurchase.*

The Indenture is amended by adding the following Articles Eleven and Twelve to the Indenture:

ARTICLE ELEVEN

CONVERSION

Section 11.01 *Conversion Privilege*

2037 Notes shall be convertible in accordance with their terms and in accordance with this Article.

A Holder of a 2037 Note may convert the Principal Amount of such 2037 Note (or any portion thereof equal to a Principal Amount of $1,000 or any integral multiple of a Principal Amount of $1,000 in excess thereof) into, for each $1,000 Principal Amount of 2037 Notes converted, cash and Ordinary Shares, if any, equal to the sum of the Daily Settlement Amounts (such sum, the "Conversion Proceeds") for each of the 20 VWAP Trading Days during the relevant Conversion Period, at any time during the period set forth under the caption "Conversion" in the 2037 Notes of such series upon the occurrence of any of the events set forth under the caption "Conversion" in the 2037 Notes of each series, in amounts reflecting the Conversion Rate then in effect; *provided*, *however*, that the Company will pay cash in lieu of fractional shares based upon the VWA Price on the last VWAP Trading Day in the Conversion Period as described in Section 11.04.

If an event requiring an adjustment pursuant to Section 11.07 hereof occurs during the Conversion Period, the Company will make proportional adjustments to the Daily Settlement Amount for each VWAP Trading Day during the portion of the Conversion Period preceding the effective date of the adjustment event.

In case a 2037 Note or portion thereof is called for redemption pursuant to Article Three, such conversion right shall terminate at the close of business on the Business Day immediately prior to the earlier of (a) December 15, 2037 and (b) the date on which such 2037 Note (or portion thereof) is redeemed (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such 2037 Note is redeemed). Provisions of this Indenture that apply to conversion of all of a 2037 Note also apply to conversion of a portion of a 2037 Note.

A 2037 Note in respect of which a Holder has delivered a Repurchase Notice or Fundamental Change Purchase Notice exercising the option of such Holder to require the Company to purchase such 2037 Note, may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture. A Holder of 2037 Notes entitled to receive any Ordinary Shares upon conversion of 2037 Notes is not entitled to any rights of a Holder of Ordinary Shares until such Holder has converted its 2037 Notes to Ordinary Shares, and only to the extent such 2037 Notes are deemed to have been converted into Ordinary Shares pursuant to this Article Eleven.

Section 11.02 *Conversion Rate*

(a) If the Effective Date (or anticipated Effective Date in the case of a transaction described in subsection (a)(ii) of Section 3.12) of a Fundamental Change occurs on or prior to December 20, 2010 in the case of the Series A 2037 Notes, on or prior to December 20, 2011 in the case of the Series B 2037 Notes, or on or prior to December 20, 2012 in the case of the Series C 2037 Notes, and a Holder elects to convert 2037 Notes during the period commencing on such Effective Date (or during the period commencing 15 days prior to the anticipated Effective Date in the case of a transaction described in subsection (a)(ii) of Section 3.12) and ending on the later of (A) the day before the Fundamental Change Repurchase Date and (B) 30 days following the Effective Date (but in any event prior to the close of business on the Business Day prior to the Stated Maturity), the Conversion Rate applicable to each $1,000 Principal Amount of 2037 Notes so converted shall be increased by an additional number of Ordinary Shares (the "Additional Shares") as specified in subsection (ii) below; *provided* that, in the case of a transaction described in subsection (a)(ii) of Section 3.12, if a Holder converts its 2037 Notes on or after the 15th day prior to the anticipated Effective Date, and such Fundamental Change does not occur, such Holder will not be entitled to an increased Conversion Rate as described in subsection (ii) of this Section 11.02. The Company shall give written notice (the "Fundamental Change Notice") to all Holders and the Trustee of any such Fundamental Change and the anticipated Effective Date, if applicable, and issue a press release providing the same information no later than 15 days prior to the anticipated Effective Date of a Fundamental Change described in subsection (a)(ii) or (a)(iv) of Section 3.12 and, in the case of a Fundamental Change described in subsection (a)(i) or (a)(iii) of Section 3.12, no later than the later of (x) one business day following the Effective Date or (y) two business days following the date on which officers of the Company first learned of such Fundamental Change following the Effective Date of such Fundamental Change. If a Fundamental Change does not occur as anticipated, the Company shall issue a press release and notify Holders who have elected to convert their 2037 Notes promptly after the Company determines not to increase the Conversion Rate, and each such Holder may elect to withdraw any election to convert by a written notice of withdrawal delivered to the Conversion Agent within ten Business Days after the Company announces that the Fundamental Change will not occur as anticipated.

(b) The number of Additional Shares by which the Conversion Rate will be increased shall be determined by reference to the table attached as Schedule A hereto, based on the Effective Date and the Share Price; *provided*, *however*, that if the actual Share Price is between two Share Prices in the table or the relevant Effective Date is between two Effective Dates in the table, the number of Additional Shares shall be determined by a straight-line interpolation between the number of Additional Shares set forth for the next higher and next lower Share Prices and the two Effective Dates, as applicable, based on a 365-day year; and *provided further*, *however*, that (1) if the Share Price is in excess of $500 per share, subject to adjustment as described in subsection (c) of this Section 11.02, no Additional Shares will be added to the Conversion Rate, and (2) if the Share Price is less than $127.25 per share, subject to adjustment as described in subsection (c) of this Section 11.02, no Additional Shares will be added to the Conversion Rate. Notwithstanding the foregoing, in no event will the Conversion Rate exceed 7.8585 per $1,000 Principal Amount of 2037 Notes, subject to adjustment as described in Section 11.07.

(c) The Share Prices set forth in the first row of each table in Schedule A shall be adjusted as of any date on which the Conversion Rate is adjusted. The adjusted Share Prices shall equal the Share Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the Conversion Rate in effect immediately prior to the Share Price adjustment and the denominator of which is the Conversion Rate as so adjusted. The number of Additional Shares within each table in Schedule A hereto shall be adjusted in the same manner as the Conversion Rate as set forth in Section 11.07.

Section 11.03 *Conversion Procedure*

To convert a 2037 Note, a Holder must satisfy the requirements set forth under the caption "Conversion" in the 2037 Note. The date on which the Holder satisfies all of those requirements is the "Conversion Date." The Company shall deliver the Conversion Proceeds to the Holder through a Conversion Agent on the third Trading Day following the final VWAP Trading Day of the Conversion Period. Anything herein to the contrary notwithstanding, in the case of Global Securities, conversion notices may be delivered and such 2037 Notes may be surrendered for conversion in accordance with the applicable procedures of the Depositary as in effect from time to time. The Person in whose name any Ordinary Shares are registered shall be deemed to be a shareholder of record on the Conversion Date; *provided*, *however*, that no surrender of a 2037 Note on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the Person or Persons entitled to receive Ordinary Shares upon such conversion as the record holder or holders of such Ordinary Shares on such date, but such surrender shall be effective to constitute the Person or Persons entitled to receive such Ordinary Shares as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; *provided*, *further*, that such conversion shall be at the Conversion Rate in effect on the date that such 2037 Note shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed. Upon conversion of a 2037 Note, such Person shall no longer be a Holder of such 2037 Note.

No payment or adjustment will be made for dividends on, or other distributions with respect to, any Ordinary Shares except as provided in this Article Eleven. On conversion of a 2037 Note, accrued interest with respect to the converted 2037 Note shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the Conversion Proceeds in exchange for the 2037 Note being converted pursuant to the provisions hereof.

Upon surrender of a 2037 Note that is converted in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new 2037 Note equal in Principal Amount to the Principal Amount of the unconverted portion of the 2037 Note surrendered.

2037 Notes or portions thereof surrendered for conversion after the close of business on any Regular Record Date immediately preceding any Interest Payment Date and prior to the opening of business on such Interest Payment Date shall (unless such 2037 Notes or portions thereof have been called for redemption on a Redemption Date within such period) be accompanied by payment to the Company or its order, in New York Clearing House funds or other funds acceptable to the Company, of an amount equal to the interest payable on such Interest Payment Date on the Principal Amount of 2037 Notes or portions thereof being surrendered for conversion, and such interest payable on such Interest Payment Date shall be payable to the registered Holder notwithstanding the conversion of such 2037 Note; *provided*, *however*, that no such payment need be made (1) if the Company has specified a Fundamental Change Purchase Date following a Fundamental Change that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date, (2) only to the extent of overdue interest, if any overdue interest exists at the date of conversion with respect to a 2037 Note, (3) if the 2037 Note is surrendered for conversion after the Regular Record Date immediately preceding the Stated Maturity of the 2037 Note, or (4) if the 2037 Note is surrendered in connection with a call for redemption with a Redemption Date that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date. No other payments or adjustments for interest, or any dividends with respect to any Ordinary Shares, will be made upon conversion.

Section 11.04 *Fractional Shares*

The Company will not issue fractional Ordinary Shares upon conversion of 2037 Notes. In lieu thereof, the Company will pay an amount in cash based upon the VWA Price of the Ordinary Shares on the last VWAP Trading Day in the Conversion Period.

Section 11.05 *Taxes on Conversion*

If a Holder converts a 2037 Note, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of any Ordinary Shares upon such conversion. However, the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Conversion Agent may refuse to deliver the Ordinary Shares being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulation.

Section 11.06 *Company to Provide Ordinary Shares*

The Company shall, prior to the Issue Date, and from time to time as may be necessary, reserve, out of its authorized but unissued Ordinary Shares, a sufficient number of Ordinary Shares to permit the delivery of Ordinary Shares upon conversion of all 2037 Notes. All Ordinary Shares delivered upon conversion of the 2037 Notes, if any, shall be newly issued shares, shall be duly authorized, validly issued, fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim.

The Company will endeavor to comply promptly with all federal and state securities laws regulating the registration of the offer and delivery of Ordinary Shares to a converting Holder upon conversion of 2037 Notes, if any, and will list or cause to have quoted such Ordinary Shares on each national securities exchange, over-the-counter market or such other market on which the Ordinary Shares are then listed or quoted.

Section 11.07 *Adjustment of Conversion Rate*

The Conversion Rate shall be adjusted from time to time by the Company as follows:

(a) In case the Company shall (i) pay a dividend on its Ordinary Shares in Ordinary Shares, (ii) make a distribution on its Ordinary Shares in Ordinary Shares, (iii) subdivide its outstanding Ordinary Shares into a greater number of shares, or (iv) combine its outstanding Ordinary Shares into a smaller number of shares, the Conversion Rate in effect immediately prior thereto shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where

CR_0	=	the Conversion Rate in effect at the close of business immediately prior to the Ex-dividend Date
CR_1	=	the Conversion Rate in effect on the Ex-dividend Date
OS_0	=	the number of Ordinary Shares outstanding at the close of business immediately prior to the Ex-dividend Date
OS_1	=	the number of Ordinary Shares outstanding at the close of business immediately prior to the Ex-dividend Date, assuming, for this purpose only, the completion of the event immediately prior to the Ex-dividend Date

An adjustment made pursuant to this subsection (a) shall become effective immediately prior to the opening of business on the Ex-dividend Date.

(b) In case the Company shall issue rights or warrants to all or substantially all holders of its Ordinary Shares entitling them (for a period expiring not more than 60 days after such record date) to subscribe for or purchase Ordinary Shares at a price per share less than the Current Market Price per Ordinary Share (as determined in accordance with subsection (f) of this Section 11.07 on the record date for the determination of shareholders entitled to receive such rights or warrants), the Conversion Rate in effect immediately prior thereto shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business immediately prior to the Ex-dividend Date
CR_1	=	the Conversion Rate in effect on the Ex-dividend Date
OS_0	=	the number of Ordinary Shares outstanding at the close of business immediately prior to the Ex-dividend Date
X	=	the total number of Ordinary Shares issuable pursuant to such rights
Y	=	the number of Ordinary Shares equal to the aggregate price payable to exercise such rights divided by the average of the Last Reported Sale Prices of the Ordinary Shares for the 10 consecutive Trading Days ending on the Business Day immediately preceding the announcement of the issuance of such rights

Any such adjustment made pursuant to this subsection (b) shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately prior to the opening of business on the Ex-dividend Date. If at the end of the period during which such rights or warrants are exercisable not all rights or warrants shall have been exercised, the adjusted Conversion Rate shall be immediately readjusted to what it would have been based upon the number of additional Ordinary Shares actually issued.

(c) In case the Company shall distribute to all holders of Ordinary Shares any shares of capital stock (other than dividends or distributions of Ordinary Shares on Ordinary Shares to which Section 11.07(a) applies), evidences of indebtedness or other assets (including securities of any Person other than the Company, but excluding any distribution in connection with any liquidation, dissolution or winding up and excluding all-cash distributions or any distributions of any Ordinary Shares, rights or warrants referred to in Sections 11.07(a) or 11.07(b)), then in each such case the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business immediately prior to the Ex-dividend Date
CR_1	=	the Conversion Rate in effect on the Ex-dividend Date
SP_0	=	the Current Market Price
FMV	=	the fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of the shares of capital stock, evidences of indebtedness or other assets distributed with respect to each outstanding Ordinary Share on the Ex-dividend Date for such distribution

With respect to an adjustment pursuant to this subsection (c), where there has been a payment of a dividend or other distribution on the Ordinary Shares of shares of capital stock of, or similar equity interests in, a subsidiary or other business unit of the Company (a "Spin-off"), the Conversion Rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0	=	the Conversion Rate in effect at the close of business immediately prior to the end of the Spin-off Valuation Period
CR_1	=	the Conversion Rate in effect after the end of the Spin-off Valuation Period
FMV_0	=	the average of the sale prices of the capital stock or similar equity interest distributed to holders of Ordinary Shares applicable to one Ordinary Share over the 10 Trading Days commencing on and including the effective date of the spin-off (the "Spin-off Valuation Period"); provided that, in the case of any VWAP Trading Days within a Conversion Period that fall within such ten Trading Day period, in respect of any such VWAP Trading Day, the Spin-Off Valuation Period shall be deemed to include only those Trading Days falling on or between the effective date of such spin-off and such VWAP Trading Day.
MP_0	=	the average of the Last Reported Sale Prices of Ordinary Shares over the Spin-off Valuation Period

Any such adjustment made pursuant to this subsection (c) shall be made successively whenever any such distribution is made and shall become effective immediately prior to the opening of business on the Ex-dividend Date, except that any such adjustment made with respect to a Spin-Off shall become effective immediately after the end of the Spin-Off Valuation Period.

For the avoidance of doubt, the adjustment in this Section 11.07(c) does not apply to any distributions to the extent that the right to convert 2037 Notes has been changed into the right to convert into Reference Property pursuant to Section 11.11 in respect of such distribution.

(d) In case the Company shall, by dividend or otherwise, at any time distribute (a "Triggering Distribution") to all or substantially all holders of its Ordinary Shares all-cash distributions, excluding any distributions in connection with any liquidation, dissolution or winding up, the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR_0 = the Conversion Rate in effect at the close of business immediately prior to the Ex-dividend Date

CR_1 = the Conversion Rate in effect on the Ex-dividend Date

SP_0 = the Current Market Price

C = the amount in cash per share the Company distributes to holders of Ordinary Shares (and for which no adjustment has been made)

Any such increase shall become effective immediately prior to the opening of business on the Ex-dividend Date.

For the avoidance of doubt, the adjustment in this Section 11.07(d) does not apply to any distributions to the extent that the right to convert 2037 Notes has been changed into the right to convert into Reference Property pursuant to section 11.11 in respect of such distribution.

(e) In case the Company or any of its Subsidiaries purchases all or any portion of the Ordinary Shares pursuant to a tender offer, to the extent the cash and value of any other consideration included in the payment per Ordinary Share exceeds the Last Reported Sale Price on the Trading Day next succeeding the last date on which tenders may be made pursuant to such tender offer (the "Expiration Date"), the Conversion Rate shall be adjusted based on the following formula:

$$CR_1 = CR_0 \quad x \quad \frac{FMV_0 + (SP_1 \text{ x } OS_1)}{OS_0 \text{ x } SP_1}$$

where,

CR_0 = the Conversion Rate in effect on the Expiration Date

CR_1 = the Conversion Rate in effect immediately after the Expiration Date

FMV_0 = the fair market value (as determined by the Board of Directors, whose determination shall be conclusive evidence of such fair market value and which shall be evidenced by an Officers' Certificate delivered to the Trustee) of the aggregate value of all cash and/or any other consideration paid or payable for Ordinary Shares validly tendered or exchanged and not withdrawn as of the Expiration Date

OS_0 = the number of Ordinary Shares outstanding immediately prior to the Expiration Date

OS_1 = the number of Ordinary Shares outstanding immediately after the Expiration Date, excluding any purchased shares

SP_1 = the average of the Last Reported Sale Price of the Ordinary Shares over the 10 Trading Days beginning on the Trading Day after the Expiration Date

Any such increase shall become effective immediately prior to the opening of business on the Ex-dividend Date. In the event that the Company is obligated to purchase shares pursuant to such tender offer, but the Company is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Rate shall again be adjusted to be the Conversion Rate which would have been in effect based upon the number of shares actually purchased. If the application of this Section 11.07(e) to any tender offer would result in a decrease in the Conversion Rate, no adjustment shall be made for such tender offer under this Section 11.07(e).

For purposes of this Section 11.07(e), the term "tender offer" shall mean and include both tender offers and exchange offers, all references to "purchases" of shares in tender offers (and all similar references) shall mean and include both the purchase of shares in tender offers and the acquisition of shares pursuant to exchange offers, and all references to "tendered shares" (and all similar references) shall mean and include shares tendered in both tender offers and exchange offers.

(f) For the purpose of any computation under subsections (b), (c), (d) and (e) of this Section 11.07, the "Current Market Price" of the Ordinary Shares on any day means the average of the Last Reported Sale Price of the Ordinary Shares for each of the 10 consecutive Trading Days ending on the earlier of the day in question and the day before the Ex-dividend Date with respect to the issuance or distribution requiring such computation.

(g) In any case in which this Section 11.07 shall require that an adjustment be made immediately prior to the opening of business on the Ex-dividend Date, the Company may elect to defer (but only until five Business Days following the filing by the Company with the Trustee of the certificate described in Section 11.09) issuing to the Holder of any 2037 Note converted after such Ex-dividend Date any Ordinary Shares issuable upon such conversion over and above any Ordinary Shares issuable upon such conversion only on the basis of the Conversion Rate prior to adjustment; and, in lieu of the shares the issuance of which is so deferred, the Company shall issue or cause its transfer agents to issue due bills or other appropriate evidence prepared by the Company of the right to receive such shares. If any action in respect of which an adjustment to the Conversion Rate is required to be made immediately prior to the opening of business on the Ex-dividend Date therefor is not thereafter made or paid by the Company for any reason, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect if such action had not occurred.

Section 11.08 *No Adjustment*

Notwithstanding anything herein to the contrary, no adjustment in the Conversion Rate shall be required unless the adjustment would require an increase or decrease of at least 1% in the Conversion Rate as last adjusted; *provided*, *however*, that any adjustments which by reason of this Section 11.08 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. In addition, the Company will make any carry forward adjustments not otherwise effected (A) upon conversion of the 2037 Notes, (B) upon required purchases of the 2037 Notes in connection with a Fundamental Change, (C) in connection with a call for redemption and (D) 25 scheduled Trading Days prior to the Stated Maturity of the 2037 Notes. No adjustment to the Conversion Rate will be made if it results in a Conversion Price that is less than the par value (if any) of the Ordinary Shares. No adjustment to the Conversion Rate will be made if the Holders of the 2037 Notes participate, as a result of holding the 2037 Notes, in any of the transactions described in subsection (a), (b), (c), (d) or (e) of Section 11.07 without conversion. All calculations under this Article Eleven shall be made to the nearest cent or to the nearest 1/1000th of a share, as the case may be.

In the event that the Company implements a shareholder rights plan, upon conversion of the 2037 Notes, the Holders will receive, in addition to any Ordinary Shares issuable upon such conversion, the rights issued under such rights plan unless, prior to any conversion, the rights plan expires or terminates or the rights have separated from the Ordinary Shares in accordance with the provisions of the applicable shareholder rights agreement so that the Holder of the 2037 Notes would not be entitled to receive any rights in respect of Ordinary Shares issuable upon conversion of the 2037 Notes, in which case the Conversion Rate will be adjusted at the time of separation pursuant to Section 11.07(a) as if the Company distributed, to all holders of Ordinary Shares, shares of the Company's capital stock, evidences of debt or other assets issuable upon exercise of the rights as described in subsection (a) or (c) of Section 11.07, subject to readjustment in the event of the expiration, termination or redemption of the rights. Any distribution of rights pursuant to a shareholder rights plan complying with the requirements set forth in the immediately preceding sentence of this paragraph shall not constitute a distribution of securities for the purposes of Section 11.07(b) or Section 11.07(c).

Except as otherwise provided in this Article Eleven, no adjustment need be made for the issuance or acquisition of Ordinary Shares or any securities convertible into or exchangeable for Ordinary Shares or that carry the right to purchase any of the foregoing. Without limiting the generality of any other provision hereof, the Conversion Rate shall not be adjusted for:

- the issuance of Ordinary Shares pursuant to any present or future plan providing for the reinvestment of distributions or interest payable on securities of the Company and the investment of additional optional amounts in Ordinary Shares under any such plan;

- upon the issuance of Ordinary Shares or options or rights to purchase Ordinary Shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its Subsidiaries;

- upon the issuance of Ordinary Shares pursuant to any option, warrant, right or exercisable, exchangeable or convertible security;

- for a change in the par value (or a change to no par value) of Ordinary Shares; or

- for accumulated and unpaid dividends.

To the extent that the 2037 Notes become convertible into the right to receive cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

Section 11.09 *Notice of Adjustment*

Whenever the Conversion Rate is adjusted, the Company shall promptly mail to Holders a notice of the adjustment and file with the Trustee an Officers' Certificate specifying the adjusted Conversion Rate, and briefly stating the facts requiring the adjustment and the manner of computing it.

Section 11.10 *Notice of Certain Transactions*

In the event that:

(1) the Company takes any action which would require an adjustment in the Conversion Rate,

(2) the Company takes any action that requires a supplemental indenture pursuant to Section 11.11, or

(3) there is a dissolution or liquidation of the Company,

the Company shall mail to Holders and file with the Trustee a notice stating the proposed record or effective date, as the case may be. The Company shall mail the notice at least fifteen days before such date. Failure to mail such notice or any defect therein shall not affect the validity of any transaction referred to in clause (1), (2) or (3) of this Section 11.10.

Section 11.11 *Effect of Recapitalization, Reclassification, Consolidation, Merger or Sale on Conversion Privilege*

In the event that the Company is party to any of the following: (a) any reclassification, consolidation, merger or combination, or a scheme of arrangement under Cayman Islands law; or (b) any sale or conveyance of all or substantially all of the property and assets of the Company to another Person in each case under clause (a) or (b) pursuant to which the Ordinary Shares would be converted into cash, securities or other property, (each, a "Reorganization Event"), then at the effective time of any such Reorganization Event, the right to convert a 2037 Note will be changed into the right to convert such 2037 Note into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such Reorganization Event by a holder of the number of Ordinary Shares if such holder had held a number of Ordinary Shares equal to the Conversion Rate of such 2037 Note in effect immediately prior to such Reorganization Event (the "Reference Property"), *provided* that, upon conversion, such Holder shall receive Reference Property in (A) cash up to the aggregate principal portion of such 2037 Note and (B) in lieu of the Ordinary Shares otherwise deliverable, Reference Property. The Company, or such successor, purchasing or transferee corporation, as the case may be, shall (if consideration is receivable by holders of the Ordinary Shares in such Reorganization Event), as a condition precedent to such Reorganization Event, execute and deliver to the Trustee a supplemental indenture providing that the Holder of each 2037 Note then outstanding shall have the right to receive such Reference Property. Such supplemental indenture shall provide for adjustments of the Conversion Rate which shall be as nearly equivalent as may be practicable to the adjustments of the Conversion Rate provided for in this Article Eleven. The amount of cash and any Reference Property Holders receive upon conversion will be based on the Daily Conversion Value Amounts of Reference Property and the applicable Conversion Rate as described in Section 11.01; *provided* that references in Section 11.01 to "Ordinary Shares" or "(an) Ordinary Share(s)" shall instead be deemed references to "a unit of Reference Property composed of the kind and amount of shares of stock, securities or other property or assets (including cash or any combination thereof), if any, that a holder of one Ordinary Share immediately prior to such transaction would have owned or been entitled to receive" in such Reorganization Event or "units(s) of Reference Property composed of the kind and amount of shares of stock, securities or other property or assets (including cash or any combination thereof), if any, that a holder of one Ordinary Share immediately prior to such transaction would have owned or been entitled to receive" in such Reorganization Event, as the case may be. If, in the case of any such Reorganization Event, the stock or other securities and property (including cash) receivable thereupon, if any, by a holder of Ordinary Shares include shares of stock or other securities and property of a Person other than the successor, purchasing or transferee corporation, as the case may be, in such Reorganization Event, then such supplemental indenture shall also be executed by such other Person and shall contain such additional provisions to protect the interests of the Holders of the 2037 Notes as the Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this Section 11.11 shall similarly apply to successive Reorganization Events.

In the event the Company shall execute a supplemental indenture pursuant to this Section 11.11, the Company shall promptly file with the Trustee (x) an Officers' Certificate briefly stating the reasons therefor, the kind or amount of shares of stock or other securities or property (including cash) receivable by Holders of the 2037 Notes, if any, upon the conversion of their 2037 Notes after any such Reorganization Event, any adjustment to be made with respect thereto and that all conditions precedent have been complied with and (y) an Opinion of Counsel that all conditions precedent have been complied with, and shall promptly mail notice thereof to all Holders.

For purposes of determining the constitution of Reference Property, the type and amount of consideration that a holder of Ordinary Shares would have been entitled to in the case of any Reorganization Event that causes the Ordinary Shares to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) will be deemed to be (1) if the holders of a majority of the Ordinary Shares make an affirmative election, the forms and amount of consideration actually received with respect to a plurality of the Ordinary Shares held by holders of Ordinary Shares who make an affirmative election or (2) if the holders of a majority of the Ordinary Shares do not make an affirmative election, the weighted average of the types and amount of consideration actually received by holders of Ordinary Shares. This Section 11.12 shall not affect the right of a Holder of 2037 Notes to convert its 2037 Notes in accordance with the provisions of Article Eleven hereof prior to the effective date of the applicable Reorganization Event.

Section 11.13 *Trustee's Disclaimer*

The Trustee shall have no duty to determine when an adjustment under this Article Eleven should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of that fact or the correctness of any such adjustment, and shall be protected in relying upon, an Officers' Certificate including the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 11.09. The Trustee makes no representation as to the validity or value of any securities or assets issued upon conversion of 2037 Notes, and the Trustee shall not be responsible for the Company's failure to comply with any provisions of this Article Eleven.

The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 11.11, but may accept as conclusive evidence of the correctness thereof, and shall be fully protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 11.11.

Section 11.14 *Voluntary Increase*

The Company from time to time may to the extent permitted by law and subject to the applicable rules of the New York Stock Exchange, increase the Conversion Rate by any amount for any period of time if the period is at least 20 days. In such event, the Company shall give at least 15 days' notice of such increase.

Section 11.15 *Increase to Avoid or Diminish Income Tax*

The Company may make such increases in the Conversion Rate, in addition to those otherwise required by this Article Eleven, as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Ordinary Shares, the holders of the 2037 Notes or other rights to purchase Ordinary Shares resulting from any dividend or distribution of shares (or rights to acquire shares) or from any event treated as such for income tax purposes.

ARTICLE TWELVE

REPURCHASE OF SECURITIES AT OPTION OF THE HOLDER

Section 12.01 *General*

The Company may be required to repurchase 2037 Notes in accordance with their terms and in accordance with this Article.

2037 Notes shall be purchased by the Company as provided under the paragraph "Repurchase by the Company at the Option of the Holder" of the Series A 2037 Notes on December 15, 2010, December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032 (each, a "Series A Repurchase Date"), in the case of the Series A 2037 Notes, under the paragraph "Repurchase by the Company at the Option of the Holder" of the Series B 2037 Notes on December 15, 2011, December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032 (each, a "Series B Repurchase Date"), in the case of the Series B 2037 Notes, and under the paragraph "Repurchase by the Company at the Option of the Holder" of the Series C 2037 Notes on December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032 (each, a "Series C Repurchase Date", and together with the Series A Repurchase Dates and the Series B Repurchase Dates, each a "Repurchase Date") in the case of the Series C 2037 Notes, in each case at the repurchase price specified therein (the "Repurchase Price"), at the option of the Holder thereof, upon:

(1) delivery to the Paying Agent, by the Holder of a written notice of purchase (a "Repurchase Notice") at any time from the opening of business on the date that is 20 Business Days prior to a Repurchase Date until the close of business on such Repurchase Date stating:

(A) the certificate number of the 2037 Note which the Holder will deliver to be repurchased, *provided*, *that* if any of the 2037 Notes is in the form of a Global Security, then a beneficial owner of a 2037 Note shall comply with the procedures of the Depositary applicable to the repurchase of a Global Security,

(B) the portion of the Principal Amount of the 2037 Note which the Holder will deliver to be repurchased, which portion must be $1,000 or an integral multiple thereof,

(C) that such 2037 Note shall be purchased as of the Repurchase Date pursuant to the terms and conditions specified under the caption "Repurchase by the Company at the Option of the Holder" of the 2037 Notes and in this Indenture, and

(2) book-entry transfer or delivery of such 2037 Note to the Paying Agent prior to, on or after the Repurchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Repurchase Price therefor; *provided*, *however*, that such Repurchase Price shall be so paid pursuant to this Article Twelve only if the 2037 Note so delivered to the Paying Agent shall conform in all respects to the description thereof in the related Repurchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Article Twelve, a portion of a 2037 Note if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a 2037 Note also apply to the purchase of such portion of such 2037 Note.

Any purchase by the Company contemplated pursuant to the provisions of this Article Twelve shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Repurchase Date and the time of book-entry transfer or delivery of the 2037 Note.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 12.01 shall have the right to withdraw such Repurchase Notice at any time prior to the close of business on the Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent in accordance with Section 12.04.

The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

Section 12.02 *Notice of the Company*

No later than 20 Business Days prior to each Repurchase Date, the Company shall send a notice (a "Company Notice") to holders of Series A 2037 Notes, Series B 2037 Notes or Series C 2037 Notes, as applicable, of the repurchase right, stating, among other things:

(A) the Repurchase Price and the Conversion Rate;

(B) the name and address of the Paying Agent and the Conversion Agent;

(C) that 2037 Notes as to which a Repurchase Notice has been given may be converted pursuant to Article Eleven hereof only if the applicable Repurchase Notice has been withdrawn in accordance with the terms of this Indenture;

(D) that 2037 Notes must be surrendered to the Paying Agent to collect payment;

(E) that the Repurchase Price for any 2037 Note as to which a Repurchase Notice has been given and not withdrawn will be paid promptly following the later of the Repurchase Date and the time of surrender of such 2037 Note as described in (D);

(F) the procedures the Holder must follow to exercise repurchase rights under this Article Twelve and a brief description of those rights;

(G) briefly, the conversion rights of the 2037 Notes; and

(H) the procedures for withdrawing a Repurchase Notice.

At the Company's request, the Trustee shall give such Company Notice in the Company's name and at the Company's expense; *provided, however*, that, in all cases, the text of such Company Notice shall be prepared by the Company.

Section 12.03 *Procedure upon Repurchase*

The Company shall deposit cash at the time and in the manner as provided in Section 12.05, sufficient to pay the aggregate Repurchase Price of all 2037 Notes to be purchased on the applicable Repurchase Date pursuant to this Article Twelve.

Section 12.04 *Effect of Repurchase Notice*

Upon receipt by the Paying Agent of the Repurchase Notice, the Holder of the 2037 Note in respect of which such Repurchase Notice was given shall (unless such Repurchase Notice is withdrawn as specified in the following two paragraphs) thereafter be entitled to receive solely the Repurchase Price with respect to such 2037 Note. Such Repurchase Price shall be paid to such Holder, subject to receipt of funds by the Paying Agent, promptly following the later of (x) the Repurchase Date with respect to such 2037 Note (provided the conditions in Section 12.01 have been satisfied) and (y) the time of book-entry transfer or delivery of such 2037 Note to the Paying Agent by the Holder thereof in the manner required by Section 12.01. 2037 Notes in respect of which a Repurchase Notice has been given by the Holder thereof may not be converted pursuant to Article Eleven hereof on or after the date of the delivery of such Repurchase Notice unless such Repurchase Notice has first been validly withdrawn as specified in the following paragraph.

A Repurchase Notice may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Repurchase Notice at any time prior to the close of business on the applicable Repurchase Date specifying:

(1) the certificate number of the 2037 Note in respect of which such notice of withdrawal is being submitted or if any of the 2037 Notes is in the form of a Global Security, then a beneficial owner of a 2037 Note shall comply with the procedures of the Depositary applicable to the withdrawal of a Repurchase Notice;

(2) the Principal Amount of the 2037 Note with respect to which such notice of withdrawal is being submitted; and

(3) the Principal Amount, if any, of such 2037 Note which remains subject to the original Repurchase Notice and which has been or will be delivered for purchase by the Company.

There shall be no purchase of any 2037 Notes pursuant to this Article Twelve if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such 2037 Notes, of the required Repurchase Notice) and is continuing an Event of Default (other than a default in the payment of the Repurchase Price with respect to such 2037 Notes). The Paying Agent will promptly return to the respective Holders thereof any 2037 Notes (x) with respect to which a Repurchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Repurchase Price with respect to such 2037 Notes) in which case, upon such return, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

Section 12.05 *Deposit of Repurchase Price*

Prior to 11:00 a.m. (New York City time) on the Business Day following the Repurchase Date, the Company shall deposit with the Trustee or with the Paying Agent an amount of money (in immediately available funds if deposited on such Business Day) sufficient to pay the aggregate Repurchase Price of all of the 2037 Notes or portions thereof which are to be purchased as of the Repurchase Date. If the Trustee or the Paying Agent holds, in accordance with the terms hereof at 11:00 a.m. on the Business Day following the Repurchase Date, cash sufficient to pay the Repurchase Price of any 2037 Notes for which a Repurchase Notice has been tendered and not withdrawn pursuant to Section 12.04, then, on and after such date, such 2037 Notes will cease to be outstanding and interest, if any, on such 2037 Notes will cease to accrue, whether or not such 2037 Notes are transferred by book entry or delivered to the Trustee or Paying Agent, and the rights of the Holders in respect thereof shall terminate (other than the right to receive the Repurchase Price upon delivery of such 2037 Notes, together with any necessary endorsement) and the repurchased 2037 Notes shall be cancelled.

Section 12.06 *Securities Repurchased in Part*

Any 2037 Note which is to be purchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company or the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such 2037 Note, without service charge, a new 2037 Note or 2037 Notes of the same Series, of any authorized denomination as requested by such Holder in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the 2037 Note so surrendered which is not purchased.

Section 12.07 *Compliance with Securities Laws Upon Purchase of Securities*

In connection with any offer to purchase or purchase of 2037 Notes under this Article Twelve (*provided* that if such offer or purchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or purchase), the Company shall (i) comply with Rule 13e-4 under the Exchange Act and (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act.

Section 12.08 *Repayment to the Company*

The Trustee and the Paying Agent shall return to the Company any cash that remains unclaimed for two years, subject to applicable unclaimed property law, together with interest, if any, thereon held by them for the payment of the Repurchase Price; *provided*, *however*, that to the extent the aggregate amount of cash deposited by the Company pursuant to Section 12.05 exceeds the aggregate Repurchase Price of the 2037 Notes or portions thereof which the Company is obligated to purchase as of the Repurchase Date, then promptly after the Business Day following the Repurchase Date the Trustee shall return any such excess to the Company together with interest, if any, thereon. After that, Holders entitled to money must look to the Company for payment as general creditors, unless an applicable abandoned property law designates another Person.

SECTION 212 *Amendment to Events of Default.*

(a) Section 6.01 of the Indenture is amended to delete the existing paragraph (7) thereof and to add the following paragraphs immediately following paragraph (6) thereof:

(7) the Company's failure to deliver cash, or, if applicable, Ordinary Shares, upon conversion of a 2037 Note, and that failure continues for 10 days;

(8) the Company's failure to give notice to the Trustee and each Holder of the 2037 Notes of a Fundamental Change as provided in Section 11.02.

(b) Section 6.01 of the Indenture is amended by inserting the following paragraph after the final paragraph in Section 6.01:

Notwithstanding anything herein or in the Series 2037 Notes to the contrary, to the extent elected by the Company, the sole remedy for an Event of Default relating to the failure to file any documents or reports that the Company is required to file with the Securities and Exchange Commission (the "SEC") pursuant to Section 13 or 15(d) of the Exchange Act and for any failure to comply with the requirements of Section 314(a)(1) of the Trust Indenture Act, will for the first 120 days after the occurrence of such an Event of Default consist exclusively of the right to receive additional interest on the notes equal to 0.25% of the Principal Amount of the 2037 Notes (the "Additional Interest"). If the Company so elects, such Additional Interest will be effective with respect to all outstanding 2037 Notes on or before the date on which such Event of Default first occurs. On the 120th day after such Event of Default (if the Event of Default relating to the reporting obligations is not cured or waived prior to such 120th day), the 2037 Notes will be subject to acceleration as provided in this Section 6.01 and Section 6.02. The provisions of the Indenture described in this paragraph will not affect the rights of Holders of the 2037 Notes in the event of the occurrence of any Event of Default. In the event the Company does not elect to pay the Additional Interest upon an Event of Default in accordance with this paragraph, the 2037 Notes will be subject to acceleration as provided in this Section 6.01 and Section 6.02.

ARTICLE THREE

MISCELLANEOUS PROVISIONS

SECTION 301 *Integral Part.*

This Second Supplemental Indenture constitutes an integral part of the Indenture.

SECTION 302 *General Definitions.*

For all purposes of this Second Supplemental Indenture:

(a) capitalized terms used herein without definition shall have the meanings specified in the Indenture; and

(b) the terms “herein”, “hereof”, “hereunder” and other words of similar import refer to this Second Supplemental Indenture.

SECTION 303 *Adoption, Ratification and Confirmation.*

The Indenture, as supplemented and amended by this Second Supplemental Indenture, is in all respects hereby adopted, ratified and confirmed.

SECTION 304 *Counterparts.*

This Second Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed an original; and all such counterparts shall together constitute but one and the same instrument.

SECTION 305 *Governing Law.*

THIS SECOND SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed as of the day and year first written above.

TRANSOCEAN INC.

By: /s/ Anil Shah
Name: Anil Shah
Title: Vice President and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: /s/ Patrick T. Giordano
Name: Patrick T. Giordano
Title: Vice President

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

FORM OF 1.625% SERIES A CONVERTIBLE SENIOR NOTE

DUE DECEMBER 15, 2037

TRANSOCEAN INC.

Issue Date: December 11, 2007 Maturity: December 15, 2037
Principal Amount: $ CUSIP: 893830 AU3
Registered: No. R- ISIN: US893830AU32

Transocean Inc., a Cayman Islands exempted company limited by shares (herein called the "Company", which term includes any successor corporation under the indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [__] Dollars ($) on December 15, 2037 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security. This Security is convertible as specified on the reverse of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, New York or Fort Worth, Texas in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company, payment of interest and Tax Additional Amounts, if any, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the register of Securities or by wire transfer of immediately available funds to the accounts designated by the Holder of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

TRANSOCEAN INC.

By: _____
Name:
Title:

Attest:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

Date of Authentication: _____

[Reverse of Security]

TRANSOCEAN INC.

1.625% SERIES A CONVERTIBLE SENIOR NOTE DUE DECEMBER 15, 2037

This Security is one of a duly authorized issue of senior securities of the Company issued and to be issued in one or more series under an Indenture, dated as of December 11, 2007, as amended by the First Supplemental Indenture thereto dated as of December 11, 2007, and the Second Supplemental Indenture thereto dated as of December 11, 2007 (as so amended, herein called the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), or their respective predecessors, as applicable, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which is initially in the aggregate principal amount of $2,200,000,000.00. As used herein, the term "Securities" means securities of the series designated on the face hereof except that, where the context requires that such term be construed as including another series of securities (*e.g.*, where phrases such as "Securities of each series" or "Securities of any series" or similar phrases are used), the term "Securities" means securities of any series issued or to be issued under the Indenture.

The Company may, without the consent of the existing holders of the Securities, issue additional Securities having the same ranking and the same interest rate, maturity and other terms as the Securities. Any additional Securities having such similar terms, together with the Securities, will constitute a single series of Securities under the Indenture.

Interest

The rate at which this Security shall bear interest shall be 1.625% per annum. The date from which interest shall accrue for this Security shall be December 11, 2007. The Interest Payment Dates on which interest on this Security shall be payable are June 15 and December 15 of each year, commencing on June 15, 2008. The Regular Record Date for the interest payable on this Security on any Interest Payment Date shall be the June 1 or December 1, as the case may be, immediately preceding such Interest Payment Date. Interest will cease to accrue on this Security upon its maturity, conversion, purchase by the Company at the option of a holder or redemption.

Method of Payment

Payments in respect of principal of and interest, if any, on the Securities shall be made by the Company in immediately available funds.

Optional Redemption

No sinking fund is provided for the Securities of this series. After December 20, 2010, the Securities of this series are redeemable as a whole, or from time to time in part, at any time at the option of the Company at a redemption price (the "Redemption Price") equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Redemption Date. However, if the Redemption Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Redemption Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Redemption Price.

If the Company redeems less than all of the outstanding Securities, the Trustee will select the Securities to be redeemed (i) by lot, (ii) pro rata or (iii) by any other method the Trustee considers fair and appropriate. If the Trustee selects a portion of a Holder's Securities for partial redemption and the Holder converts a portion of the same Securities, the converted portion will be deemed to be from the portion selected for redemption.

Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 Principal Amount may be redeemed in part, but only in whole multiples of $1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price, interest ceases to accrue on Securities or portions thereof called for redemption.

Purchase of Securities at Option of Holder Upon a Fundamental Change

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase all or any part specified by the Holder (so long as the Principal Amount of such part is $1,000 or an integral multiple of $1,000 in excess thereof) of the Securities held by such Holder on a date selected by the Company that is not less than 20 days and not more than 35 days after the occurrence of a Fundamental Change (or a longer period if required by law), at a Fundamental Change Purchase Price equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Fundamental Change Purchase Date. However, if the Fundamental Change Purchase Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Interest Payment Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Fundamental Change Purchase Price. The Holder shall have the right to withdraw any Fundamental Change Purchase Notice (in whole or in a portion thereof that is $1,000 Principal Amount or an integral multiple of $1,000 in excess thereof) at any time prior to the close of business on the Business Day prior to the Fundamental Change Purchase Date by delivering a written notice of withdrawal to the Paying Agent in accordance with the terms of the Indenture.

Conversion

A Holder of a Security may convert the Principal Amount of such Security (or any portion thereof equal to a Principal Amount of $1,000 or any integral multiple of a Principal Amount of $1,000 in excess thereof) into, for each $1,000 Principal Amount of Securities converted, cash and Ordinary Shares, if any, equal to the sum of the Daily Settlement Amounts (such sum, the "Conversion Proceeds") for each of the 20 VWAP Trading Days during the relevant Conversion Period, at any time during the periods described below at the Conversion Rate then in effect; *provided*, *however*, that the Company will deliver cash in lieu of fractional shares (including, without limitation, by check or wire transfer) based upon the VWA Price on the last VWAP Trading Day in the Conversion Period as described in the Indenture. The Securities may be converted during any period in which one of the following conditions is satisfied:

(a) *Conversion Based on Ordinary Share Price*. During any calendar quarter commencing at any time after March 31, 2008, and only during such calendar quarter, if the Last Reported Sale Price for at least 20 Trading Days in the period of 30 consecutive Trading Days ending on the last Trading Day of the preceding calendar quarter exceeds 130% of the Conversion Price per share on the last day of such preceding calendar quarter. The Company will determine at the beginning of each calendar quarter commencing at any time after March 31, 2008 whether the Securities are convertible as a result of the price of the Ordinary Shares and shall promptly notify the Trustee and the Conversion Agent thereof. Upon determining that the Holders are entitled to convert their Securities in accordance with this subsection (a), the Company will promptly (1) issue a press release and use its reasonable efforts to post such information on its website or otherwise publicly disclose this information or (2) provide notice to the Holders in a manner contemplated by the Indenture, including through the facilities of DTC. "Last Reported Sale Price" on any date means the closing sale price per Ordinary Share (or if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported by the New York Stock Exchange or, if the Ordinary Shares are not listed on the New York Stock Exchange, as reported in composite transactions for the principal U.S. securities exchange on which the Ordinary Shares are traded or, if the Ordinary Shares are not traded on such an exchange, the market value of an Ordinary Share as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company. As referred to in this paragraph, "Conversion Price" means $1,000 divided by the Conversion Rate.

(b) *Conversion Based on Trading Price*. Prior to the Stated Maturity of the Securities, during the five (5) consecutive Business Days immediately after any five (5) consecutive Trading Day period (such five (5) consecutive Trading Day period, the "Note Measurement Period") in which the average Trading Price (calculated using the Trading Price for each of the Trading Days in the Note Measurement Period) per $1,000 Principal Amount of the Securities was equal to or less than ninety-eight percent (98%) of the average Conversion Value during the Note Measurement Period (the "Trading Price Condition"), as determined following a request by a Holder of the Securities in accordance with the procedures described below. The Bid Solicitation Agent shall not have any obligation to determine the Trading Price unless the Company has requested such determination, and the Company shall have no obligation to make such request unless a Holder of at least five million dollars ($5,000,000) in aggregate Principal Amount of the Securities provides the Company with reasonable evidence that the Trading Price per $1,000 Principal Amount of the Securities would be equal to or less than ninety-eight percent (98%) of the Conversion Value. Upon receipt of such evidence, the Company shall instruct the Bid Solicitation Agent to determine the Trading Price per $1,000 Principal Amount of the Securities for each of the five (5) successive Trading Days immediately after the Company receives such evidence and on each Trading Day thereafter until the first Trading Day on which the Trading Price Condition is no longer satisfied. For purposes of this paragraph, the "Conversion Value" per $1,000 Principal Amount of Securities, on a given Trading Day, means the product of the Last Reported Sale Price on such Trading Day and the Conversion Rate in effect on such Trading Day. Promptly after the Securities become convertible into cash and, if applicable, Ordinary Shares in accordance with this clause (b) and promptly after the Securities become no longer so convertible in accordance with this clause (b), the Company shall give the Conversion Agent and the Trustee notice thereof. Upon determining that the Holders are entitled to convert their Securities in accordance with this subsection (b), the Company will promptly (1) issue a press release and use its reasonable efforts to post such information on its website or otherwise publicly disclose this information or (2) provide notice to the Holders in a manner contemplated by the Indenture, including through the facilities of DTC.

Except as described below, the "Trading Price," as referred to in this subsection (b), of the Securities on any day means the average secondary market bid quotations obtained by the Bid Solicitation Agent for $5,000,000 Principal Amount of Securities at approximately 4:00 p.m., New York City time, on such day from three independent nationally recognized securities dealers to be selected by the Company. However, if the Bid Solicitation Agent can reasonably obtain only two such bids, then the average of the two bids will instead be used, and if the Bid Solicitation Agent can reasonably obtain only one such bid, then that one bid will be used. Even still, if on any given day: (a) the Bid Solicitation Agent cannot reasonably obtain at least one bid for $5,000,000 Principal Amount of Securities from an independent nationally recognized securities dealer or (b) in the Company's reasonable, good faith judgment, the bid quotation or quotations that the Bid Solicitation Agent has obtained are not indicative of the secondary market value of the Securities, then the Trading Price per $1,000 Principal Amount of the Securities will be deemed to be less than 98% of the Conversion Value on that day.

(c) *Conversion Upon Occurrence of Specified Corporate Transactions.*

(i) If the Company elects to distribute to all holders of Ordinary Shares (A) rights or warrants entitling them to subscribe for or purchase, for a period expiring within 60 days after the record date for such distribution, Ordinary Shares at less than the Last Reported Sale Price for the five (5) consecutive Trading Days ending on the date immediately preceding the first public announcement of such distribution, or (B) shares of capital stock, evidence of indebtedness or other assets (excluding dividends or distributions described in Sections 11.07(a) and 11.07(b) of the Indenture), which distribution pursuant to clause (B), together with all other distributions within the preceding 12 months (but not including any distributions made prior to December 5, 2007), has a per share value exceeding 15% of the Last Reported Sale Price for the five (5) consecutive Trading Days ending on the date immediately preceding the first public announcement of the distribution, then the Company must notify the Holders at least 25 scheduled Trading Days prior to the Ex-dividend Date for such distribution. Once the Company has given such notice, Holders may surrender their Securities for conversion at any time until the earlier of the close of business on the Business Day prior to the Ex-dividend Date or the day on which any announcement by the Company that such distribution will not take place, even if the Securities are not otherwise convertible at that time. No adjustment to the ability of Holders to convert will be made if Holders are entitled to participate in the distribution without conversion.

(ii) If the Company is a party to a Fundamental Change, at any time from or after the Effective Date (or the date which is 15 days prior to the anticipated effective date of the transaction described in Section 3.12(a)(ii) of the Indenture) until the later of (a) the day before the Fundamental Change Purchase Date and (b) 30 days after the actual effective date of such Fundamental Change. After the Effective Date, settlement of the Conversion Value will be based on the kind and amount of cash, securities or other assets of the Company or another Person that a holder of Ordinary Shares received in such transaction; provided that, for the avoidance of doubt, the Conversion Value will be paid in cash and Reference Property in accordance with the terms of the Indenture. The Company shall give written notice to the Holders and the Trustee and the Conversion Agent of any such Fundamental Change and the anticipated Effective Date, if applicable, and issue a press release providing the same information no later than 15 days prior to the anticipated Effective Date, unless such Fundamental Change is a Fundamental Change described in Section 3.12 (a)(i) or (a)(iii) of the Indenture in which case the Company shall give such notice no later than the later of (x) one business day following the Effective Date or (y) two business days following the date on which officers of the Company first learned of such Fundamental Change following the Effective Date of such Fundamental Change.

(iii) If the Company is party to a combination, merger, recapitalization, reclassification, binding share exchange or similar transaction or sale or conveyance of all or substantially all of the Company's property and assets, in each case pursuant to which the Ordinary Shares would be converted into cash, securities or other property that does not also constitute a Fundamental Change. In such event, a Holder will have the right to convert the Securities at any time beginning 15 days prior to the anticipated effective date of such transaction and ending on the 30th scheduled Trading Day following the effective date of such transaction. The Company shall give written notice to the Holders and the Trustee of any such transaction as promptly as practicable following the date the Company publicly announces the transaction but in no event less than 15 days prior to the anticipated effective date of the transaction.

(d) *Conversion upon Notice of Redemption*. If the Securities have been called for redemption, at any time prior to the close of business on the Business Day immediately preceding the Redemption Date.

(e) *Conversion During Quarter Prior to Stated Maturity.* At any time on or after September 15, 2037 until the close of business on the Business Day immediately preceding the Stated Maturity.

A Security in respect of which a Holder has delivered a Repurchase Notice exercising the option of such Holder to require the Company to purchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture. The initial Conversion Rate is 5.9310 Ordinary Shares per $1,000 Principal Amount, subject to adjustment in certain events described in the Indenture.

Securities surrendered for conversion after the close of business on any Regular Record Date immediately preceding any Interest Payment Date and prior to the opening of business of such Interest Payment Date must be accompanied by payment from the Holder of an amount equal to the interest thereon that the registered Holder is to receive from the Company on such Interest Payment Date; *provided, however,* that no such payment need be made (1) if the Company has specified a Fundamental Change Purchase Date following a Fundamental Change that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date, (2) only to the extent of overdue interest, if any overdue interest exists at the date of conversion with respect to a Security, (3) if the Security is surrendered for conversion after the Regular Record Date immediately preceding the Stated Maturity of the Security, or (4) if the Security is surrendered in connection with a call for redemption with a Redemption Date that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest on converted Securities will be payable by the Company on any Interest Payment Date subsequent to the date of conversion.

A Holder may convert a portion of a Security if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. No payment or adjustment will be made for dividends on the Ordinary Shares except as provided in the Indenture.

To convert a Security, a Holder must (a) complete and manually sign the conversion notice set forth below and deliver such notice to a Conversion Agent, (b) surrender the Security to the Conversion Agent, (c) furnish appropriate endorsements and transfer documents (including any certification that may be required under applicable law) if required by the Conversion Agent, and (d) pay any transfer or similar tax, if required.

Repurchase by the Company at the Option of the Holder

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, the Securities held by such Holder on December 15, 2010, December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032 (each, a "Repurchase Date"), upon delivery of a Repurchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Repurchase Date until the close of business on such Repurchase Date and upon delivery of the Securities to the Paying Agent by the Holder as set forth in the Indenture.

The "Repurchase Price" shall be equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Repurchase Date. If the Repurchase Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Interest Payment Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Repurchase Price.

Holders have the right to withdraw any Repurchase Notice by delivering to the Paying Agent a written notice of withdrawal prior to the close of business on the Repurchase Date in accordance with the provisions of the Indenture.

If cash sufficient to pay the Repurchase Price of all Securities or portions thereof to be purchased as of the Repurchase Date is deposited with the Paying Agent on the Business Day following the Repurchase Date, interest ceases to accrue on such Securities (or portions thereof) on such Repurchase Date, and the Holder thereof shall have no other rights as such (other than the right to receive the Repurchase Price upon surrender of such Security).

Tax Additional Amounts

The Company shall pay any amounts due with respect to the payments on the Security without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder such additional amounts ("Tax Additional Amounts") as will result in such Holders receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price, Repurchase Price and interest (if any) in accordance with the terms of the Security and the Indenture; *provided*, *however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a Security (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the Security or the collection of principal amount, Redemption Price, Repurchase Price and Interest (if any), in accordance with the terms of the Security and the Indenture or the enforcement of the Security or (2) where presentation is required, the Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price, Repurchase Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the Security, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to clause (e), above, in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a Security is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a Security who is a fiduciary or partnership or other than the sole beneficial owner of the Security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Security.

Transfer

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the register of the Securities, upon surrender of this Security for registration or transfer at the office or agency in a Place of Payment for Securities of this series, duly endorsed by, or accompanied by a written instrument of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of like tenor and of other authorized denominations and for the same aggregate principal amount, executed by the Company and authenticated and delivered by the Trustee, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations set forth therein and on the face of this Security, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee or any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Amendment, Supplement and Waiver; Limitation on Suits

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected (acting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class), to waive compliance by the Company with certain existing or past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

Subject to the right of the Holder of any Securities of this series to institute proceedings to enforce the Holder's right to receive payment of the principal thereof and interest thereon (or repurchase price thereof) and any Tax Additional Amounts with respect thereto and to receive shares on conversion, no Holder of the Securities of this series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the then Outstanding Securities of this series shall have made written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the then outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have the right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Successor Corporation

When a successor Person assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor Person will (except in certain circumstances specified in the Indenture) be released from those obligations.

Defaults and Remedies

If an Event of Default with respect to Securities of this series shall occur and be continuing, all unpaid Principal Amount plus accrued and unpaid interest through the acceleration date of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

No Recourse Against Others

No recourse shall be had for the payment of the principal of or the interest, if any, on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Indenture to Control; Governing Law

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Definitions

All terms defined in the Indenture and used in this Security but not specifically defined herein are used herein as so defined.

CONVERSION NOTICE

To convert this Security into Ordinary Shares of the Company, check box: [ ]

To convert only part of this Security, state the Principal Amount to be converted

(must be $1,000 or a multiple of $1,000): $_____.

If you want the shares registered in another person's name, fill in the form below:

ASSIGNMENT FORM

To assign this Security, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Security to:

_____

(Insert assignee's soc. sec. or tax ID. no.)

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated:

Your Name:

_____

(Print your name exactly as it appears on the face of this Security)

Your Signature:

_____

(Sign exactly as your name appears on the face of this Security)

SIGNATURE GUARANTEE*:

* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guarantee program acceptable to the Trustee.

OPTION OF HOLDER TO ELECT PURCHASE ON FUNDAMENTAL CHANGE

If you want to elect to have this Security purchased, in whole or in part, by the Company pursuant to Section 3.12 of the Indenture, check the following box: ☐

If you want to have only part of this Security purchased by the Company pursuant to Section 3.12 of the Indenture, state the Principal Amount you want to be purchased (must be $1,000 or a multiple of $1,000): $_____

Your Signature:_____ Date:_____

(Sign exactly as your name appears on the other side of this Security)

*Signature guaranteed by:_____

By:_____

* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guaranty program acceptable to the Trustee.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

FORM OF 1.50% SERIES B CONVERTIBLE SENIOR NOTE

DUE DECEMBER 15, 2037

TRANSOCEAN INC.

Issue Date: December 11, 2007 Maturity: December 15, 2037
Principal Amount: $ CUSIP: 893830 AV1
Registered: No. R- ISIN: US893830AV15

Transocean Inc., a Cayman Islands exempted company limited by shares (herein called the "Company", which term includes any successor corporation under the indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [__] Dollars ($) on December 15, 2037 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security. This Security is convertible as specified on the reverse of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, New York or Fort Worth, Texas in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company, payment of interest and Tax Additional Amounts, if any, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the register of Securities or by wire transfer of immediately available funds to the accounts designated by the Holder of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated: December 11, 2007

TRANSOCEAN INC.

By:
Name:
Title:

Attest:

Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

Authorized Signatory

Date of Authentication: _____

[Reverse of Security]

TRANSOCEAN INC.

1.50% SERIES B CONVERTIBLE SENIOR NOTE DUE DECEMBER 15, 2037

This Security is one of a duly authorized issue of senior securities of the Company issued and to be issued in one or more series under an Indenture, dated as of December 11, 2007, as amended by the First Supplemental Indenture thereto dated as of December 11, 2007, and the Second Supplemental Indenture thereto dated as of December 11, 2007 (as so amended, herein called the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), or their respective predecessors, as applicable, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which is initially in the aggregate principal amount of $2,200,000,000.00. As used herein, the term "Securities" means securities of the series designated on the face hereof except that, where the context requires that such term be construed as including another series of securities (*e.g.*, where phrases such as "Securities of each series" or "Securities of any series" or similar phrases are used), the term "Securities" means securities of any series issued or to be issued under the Indenture.

The Company may, without the consent of the existing holders of the Securities, issue additional Securities having the same ranking and the same interest rate, maturity and other terms as the Securities. Any additional Securities having such similar terms, together with the Securities, will constitute a single series of Securities under the Indenture.

Interest

The rate at which this Security shall bear interest shall be 1.50% per annum. The date from which interest shall accrue for this Security shall be December 11, 2007. The Interest Payment Dates on which interest on this Security shall be payable are June 15 and December 15 of each year, commencing on June 15, 2008. The Regular Record Date for the interest payable on this Security on any Interest Payment Date shall be the June 1 or December 1, as the case may be, immediately preceding such Interest Payment Date. Interest will cease to accrue on this Security upon its maturity, conversion, purchase by the Company at the option of a holder or redemption.

Method of Payment

Payments in respect of principal of and interest, if any, on the Securities shall be made by the Company in immediately available funds.

Optional Redemption

No sinking fund is provided for the Securities of this series. After December 20, 2011, the Securities of this series are redeemable as a whole, or from time to time in part, at any time at the option of the Company at a redemption price (the "Redemption Price") equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Redemption Date. However, if the Redemption Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Redemption Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Redemption Price.

If the Company redeems less than all of the outstanding Securities, the Trustee will select the Securities to be redeemed (i) by lot, (ii) pro rata or (iii) by any other method the Trustee considers fair and appropriate. If the Trustee selects a portion of a Holder's Securities for partial redemption and the Holder converts a portion of the same Securities, the converted portion will be deemed to be from the portion selected for redemption.

Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 Principal Amount may be redeemed in part, but only in whole multiples of $1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price, interest ceases to accrue on Securities or portions thereof called for redemption.

Purchase of Securities at Option of Holder Upon a Fundamental Change

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase all or any part specified by the Holder (so long as the Principal Amount of such part is $1,000 or an integral multiple of $1,000 in excess thereof) of the Securities held by such Holder on a date selected by the Company that is not less than 20 days and not more than 35 days after the occurrence of a Fundamental Change (or a longer period if required by law), at a Fundamental Change Purchase Price equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Fundamental Change Purchase Date. However, if the Fundamental Change Purchase Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Interest Payment Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Fundamental Change Purchase Price. The Holder shall have the right to withdraw any Fundamental Change Purchase Notice (in whole or in a portion thereof that is $1,000 Principal Amount or an integral multiple of $1,000 in excess thereof) at any time prior to the close of business on the Business Day prior to the Fundamental Change Purchase Date by delivering a written notice of withdrawal to the Paying Agent in accordance with the terms of the Indenture.

Conversion

A Holder of a Security may convert the Principal Amount of such Security (or any portion thereof equal to a Principal Amount of $1,000 or any integral multiple of a Principal Amount of $1,000 in excess thereof) into, for each $1,000 Principal Amount of Securities converted, cash and Ordinary Shares, if any, equal to the sum of the Daily Settlement Amounts (such sum, the "Conversion Proceeds") for each of the 20 VWAP Trading Days during the relevant Conversion Period, at any time during the periods described below at the Conversion Rate then in effect; *provided*, *however*, that the Company will deliver cash in lieu of fractional shares (including, without limitation, by check or wire transfer) based upon the VWA Price on the last VWAP Trading Day in the Conversion Period as described in the Indenture. The Securities may be converted during any period in which one of the following conditions is satisfied:

(a) *Conversion Based on Ordinary Share Price*. During any calendar quarter commencing at any time after March 31, 2008, and only during such calendar quarter, if the Last Reported Sale Price for at least 20 Trading Days in the period of 30 consecutive Trading Days ending on the last Trading Day of the preceding calendar quarter exceeds 130% of the Conversion Price per share on the last day of such preceding calendar quarter. The Company will determine at the beginning of each calendar quarter commencing at any time after March 31, 2008 whether the Securities are convertible as a result of the price of the Ordinary Shares and shall promptly notify the Trustee and the Conversion Agent thereof. Upon determining that the Holders are entitled to convert their Securities in accordance with this subsection (a), the Company will promptly (1) issue a press release and use its reasonable efforts to post such information on its website or otherwise publicly disclose this information or (2) provide notice to the Holders in a manner contemplated by the Indenture, including through the facilities of DTC. "Last Reported Sale Price" on any date means the closing sale price per Ordinary Share (or if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported by the New York Stock Exchange or, if the Ordinary Shares are not listed on the New York Stock Exchange, as reported in composite transactions for the principal U.S. securities exchange on which the Ordinary Shares are traded or, if the Ordinary Shares are not traded on such an exchange, the market value of an Ordinary Share as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company. As referred to in this paragraph, "Conversion Price" means $1,000 divided by the Conversion Rate.

(b) *Conversion Based on Trading Price*. Prior to the Stated Maturity of the Securities, during the five (5) consecutive Business Days immediately after any five (5) consecutive Trading Day period (such five (5) consecutive Trading Day period, the "Note Measurement Period") in which the average Trading Price (calculated using the Trading Price for each of the Trading Days in the Note Measurement Period) per $1,000 Principal Amount of the Securities was equal to or less than ninety-eight percent (98%) of the average Conversion Value during the Note Measurement Period (the "Trading Price Condition"), as determined following a request by a Holder of the Securities in accordance with the procedures described below. The Bid Solicitation Agent shall not have any obligation to determine the Trading Price unless the Company has requested such determination, and the Company shall have no obligation to make such request unless a Holder of at least five million dollars ($5,000,000) in aggregate Principal Amount of the Securities provides the Company with reasonable evidence that the Trading Price per $1,000 Principal Amount of the Securities would be equal to or less than ninety-eight percent (98%) of the Conversion Value. Upon receipt of such evidence, the Company shall instruct the Bid Solicitation Agent to determine the Trading Price per $1,000 Principal Amount of the Securities for each of the five (5) successive Trading Days immediately after the Company receives such evidence and on each Trading Day thereafter until the first Trading Day on which the Trading Price Condition is no longer satisfied. For purposes of this paragraph, the "Conversion Value" per $1,000 Principal Amount of Securities, on a given Trading Day, means the product of the Last Reported Sale Price on such Trading Day and the Conversion Rate in effect on such Trading Day. Promptly after the Securities become convertible into cash and, if applicable, Ordinary Shares in accordance with this clause (b) and promptly after the Securities become no longer so convertible in accordance with this clause (b), the Company shall give the Conversion Agent and the Trustee notice thereof. Upon determining that the Holders are entitled to convert their Securities in accordance with this subsection (b), the Company will promptly (1) issue a press release and use its reasonable efforts to post such information on its website or otherwise publicly disclose this information or (2) provide notice to the Holders in a manner contemplated by the Indenture, including through the facilities of DTC.

Except as described below, the "Trading Price," as referred to in this subsection (b), of the Securities on any day means the average secondary market bid quotations obtained by the Bid Solicitation Agent for $5,000,000 Principal Amount of Securities at approximately 4:00 p.m., New York City time, on such day from three independent nationally recognized securities dealers to be selected by the Company. However, if the Bid Solicitation Agent can reasonably obtain only two such bids, then the average of the two bids will instead be used, and if the Bid Solicitation Agent can reasonably obtain only one such bid, then that one bid will be used. Even still, if on any given day: (a) the Bid Solicitation Agent cannot reasonably obtain at least one bid for $5,000,000 Principal Amount of Securities from an independent nationally recognized securities dealer or (b) in the Company's reasonable, good faith judgment, the bid quotation or quotations that the Bid Solicitation Agent has obtained are not indicative of the secondary market value of the Securities, then the Trading Price per $1,000 Principal Amount of the Securities will be deemed to be less than 98% of the Conversion Value on that day.

(c) *Conversion Upon Occurrence of Specified Corporate Transactions.*

(i) If the Company elects to distribute to all holders of Ordinary Shares (A) rights or warrants entitling them to subscribe for or purchase, for a period expiring within 60 days after the record date for such distribution, Ordinary Shares at less than the Last Reported Sale Price for the five (5) consecutive Trading Days ending on the date immediately preceding the first public announcement of such distribution, or (B) shares of capital stock, evidence of indebtedness or other assets (excluding dividends or distributions described in Sections 11.07(a) and 11.07(b) of the Indenture), which distribution pursuant to clause (B), together with all other distributions within the preceding 12 months (but not including any distributions made prior to December 5, 2007), has a per share value exceeding 15% of the Last Reported Sale Price for the five (5) consecutive Trading Days ending on the date immediately preceding the first public announcement of the distribution, then the Company must notify the Holders at least 25 scheduled Trading Days prior to the Ex-dividend Date for such distribution. Once the Company has given such notice, Holders may surrender their Securities for conversion at any time until the earlier of the close of business on the Business Day prior to the Ex-dividend Date or the day on which any announcement by the Company that such distribution will not take place, even if the Securities are not otherwise convertible at that time. No adjustment to the ability of Holders to convert will be made if Holders are entitled to participate in the distribution without conversion.

(ii) If the Company is a party to a Fundamental Change, at any time from or after the Effective Date (or the date which is 15 days prior to the anticipated effective date of the transaction described in Section 3.12(a)(ii) of the Indenture) until the later of (a) the day before the Fundamental Change Purchase Date and (b) 30 days after the actual effective date of such Fundamental Change. After the Effective Date, settlement of the Conversion Value will be based on the kind and amount of cash, securities or other assets of the Company or another Person that a holder of Ordinary Shares received in such transaction; provided that, for the avoidance of doubt, the Conversion Value will be paid in cash and Reference Property in accordance with the terms of the Indenture. The Company shall give written notice to the Holders and the Trustee and the Conversion Agent of any such Fundamental Change and the anticipated Effective Date, if applicable, and issue a press release providing the same information no later than 15 days prior to the anticipated Effective Date, unless such Fundamental Change is a Fundamental Change described in Section 3.12 (a)(i) or (a)(iii) of the Indenture in which case the Company shall give such notice no later than the later of (x) one business day following the Effective Date or (y) two business days following the date on which officers of the Company first learned of such Fundamental Change following the Effective Date of such Fundamental Change.

(iii) If the Company is party to a combination, merger, recapitalization, reclassification, binding share exchange or similar transaction or sale or conveyance of all or substantially all of the Company's property and assets, in each case pursuant to which the Ordinary Shares would be converted into cash, securities or other property that does not also constitute a Fundamental Change. In such event, a Holder will have the right to convert the Securities at any time beginning 15 days prior to the anticipated effective date of such transaction and ending on the 30th scheduled Trading Day following the effective date of such transaction. The Company shall give written notice to the Holders and the Trustee of any such transaction as promptly as practicable following the date the Company publicly announces the transaction but in no event less than 15 days prior to the anticipated effective date of the transaction.

(d) *Conversion upon Notice of Redemption*. If the Securities have been called for redemption, at any time prior to the close of business on the Business Day immediately preceding the Redemption Date.

(e) *Conversion During Quarter Prior to Stated Maturity.* At any time on or after September 15, 2037 until the close of business on the Business Day immediately preceding the Stated Maturity.

A Security in respect of which a Holder has delivered a Repurchase Notice exercising the option of such Holder to require the Company to purchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture. The initial Conversion Rate is 5.9310 Ordinary Shares per $1,000 Principal Amount, subject to adjustment in certain events described in the Indenture.

Securities surrendered for conversion after the close of business on any Regular Record Date immediately preceding any Interest Payment Date and prior to the opening of business of such Interest Payment Date must be accompanied by payment from the Holder of an amount equal to the interest thereon that the registered Holder is to receive from the Company on such Interest Payment Date; *provided*, *however*, that no such payment need be made (1) if the Company has specified a Fundamental Change Purchase Date following a Fundamental Change that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date, (2) only to the extent of overdue interest, if any overdue interest exists at the date of conversion with respect to a Security, (3) if the Security is surrendered for conversion after the Regular Record Date immediately preceding the Stated Maturity of the Security, or (4) if the Security is surrendered in connection with a call for redemption with a Redemption Date that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest on converted Securities will be payable by the Company on any Interest Payment Date subsequent to the date of conversion.

A Holder may convert a portion of a Security if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. No payment or adjustment will be made for dividends on the Ordinary Shares except as provided in the Indenture.

To convert a Security, a Holder must (a) complete and manually sign the conversion notice set forth below and deliver such notice to a Conversion Agent, (b) surrender the Security to the Conversion Agent, (c) furnish appropriate endorsements and transfer documents (including any certification that may be required under applicable law) if required by the Conversion Agent, and (d) pay any transfer or similar tax, if required.

Repurchase by the Company at the Option of the Holder

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, the Securities held by such Holder on December 15, 2011, December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032 (each, a "Repurchase Date"), upon delivery of a Repurchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Repurchase Date until the close of business on such Repurchase Date and upon delivery of the Securities to the Paying Agent by the Holder as set forth in the Indenture.

The "Repurchase Price" shall be equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Repurchase Date. If the Repurchase Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Interest Payment Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Repurchase Price.

Holders have the right to withdraw any Repurchase Notice by delivering to the Paying Agent a written notice of withdrawal prior to the close of business on the Repurchase Date in accordance with the provisions of the Indenture.

If cash sufficient to pay the Repurchase Price of all Securities or portions thereof to be purchased as of the Repurchase Date is deposited with the Paying Agent on the Business Day following the Repurchase Date, interest ceases to accrue on such Securities (or portions thereof) on such Repurchase Date, and the Holder thereof shall have no other rights as such (other than the right to receive the Repurchase Price upon surrender of such Security).

Tax Additional Amounts

The Company shall pay any amounts due with respect to the payments on the Security without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder such additional amounts ("Tax Additional Amounts") as will result in such Holders receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price, Repurchase Price and interest (if any) in accordance with the terms of the Security and the Indenture; *provided, however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a Security (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the Security or the collection of principal amount, Redemption Price, Repurchase Price and Interest (if any), in accordance with the terms of the Security and the Indenture or the enforcement of the Security or (2) where presentation is required, the Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price, Repurchase Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the Security, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to clause (e), above, in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a Security is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a Security who is a fiduciary or partnership or other than the sole beneficial owner of the Security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Security.

Transfer

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the register of the Securities, upon surrender of this Security for registration or transfer at the office or agency in a Place of Payment for Securities of this series, duly endorsed by, or accompanied by a written instrument of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of like tenor and of other authorized denominations and for the same aggregate principal amount, executed by the Company and authenticated and delivered by the Trustee, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations set forth therein and on the face of this Security, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee or any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Amendment, Supplement and Waiver; Limitation on Suits

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected (acting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class), to waive compliance by the Company with certain existing or past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

Subject to the right of the Holder of any Securities of this series to institute proceedings to enforce the Holder's right to receive payment of the principal thereof and interest thereon (or repurchase price thereof) and any Tax Additional Amounts with respect thereto and to receive shares on conversion, no Holder of the Securities of this series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the then Outstanding Securities of this series shall have made written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the then outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have the right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Successor Corporation

When a successor Person assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor Person will (except in certain circumstances specified in the Indenture) be released from those obligations.

Defaults and Remedies

If an Event of Default with respect to Securities of this series shall occur and be continuing, all unpaid Principal Amount plus accrued and unpaid interest through the acceleration date of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

No Recourse Against Others

No recourse shall be had for the payment of the principal of or the interest, if any, on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Indenture to Control; Governing Law

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Definitions

All terms defined in the Indenture and used in this Security but not specifically defined herein are used herein as so defined.

CONVERSION NOTICE

To convert this Security into Ordinary Shares of the Company, check box: [ ]

To convert only part of this Security, state the Principal Amount to be converted

(must be $1,000 or a multiple of $1,000): $_____.

If you want the shares registered in another person's name, fill in the form below:

ASSIGNMENT FORM

To assign this Security, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Security to:

_____

(Insert assignee's soc. sec. or tax ID. no.)

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated:

Your Name:

_____

(Print your name exactly as it appears on the face of this Security)

Your Signature:

_____

(Sign exactly as your name appears on the face of this Security)

SIGNATURE GUARANTEE*:

* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guarantee program acceptable to the Trustee.

OPTION OF HOLDER TO ELECT PURCHASE ON FUNDAMENTAL CHANGE

If you want to elect to have this Security purchased, in whole or in part, by the Company pursuant to Section 3.12 of the Indenture, check the following box: ☐

If you want to have only part of this Security purchased by the Company pursuant to Section 3.12 of the Indenture, state the Principal Amount you want to be purchased (must be $1,000 or a multiple of $1,000): $_____

Your Signature:_____ Date:_____

(Sign exactly as your name appears on the other side of this Security)

*Signature guaranteed by:_____

By:_____

* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guaranty program acceptable to the Trustee.

[FORM OF GLOBAL SECURITY]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL SECURITIES REPRESENTED HEREBY, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

FORM OF 1.50% SERIES C CONVERTIBLE SENIOR NOTE

DUE DECEMBER 15, 2037

TRANSOCEAN INC.

Issue Date: December 11, 2007 Maturity: December 15, 2037
Principal Amount: $ CUSIP: 893830 AW9
Registered: No. R- ISIN: US893830AW97

Transocean Inc., a Cayman Islands exempted company limited by shares (herein called the "Company", which term includes any successor corporation under the indenture hereinafter referred to), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of [__] Dollars ($) on December 15, 2037 and to pay interest thereon and Tax Additional Amounts, if any, in immediately available funds as specified on the other side of this Security. This Security is convertible as specified on the reverse of this Security.

Payment of the principal of and interest on and Tax Additional Amounts, if any, with respect to this Security will be made at the office or agency of the Company maintained for that purpose in The City of New York, New York or Fort Worth, Texas in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company, payment of interest and Tax Additional Amounts, if any, may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the register of Securities or by wire transfer of immediately available funds to the accounts designated by the Holder of this Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

Dated:

TRANSOCEAN INC.

By: _____
Name:
Title:

Attest:

_____
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

Authorized Signatory

Date of Authentication: _____

[Reverse of Security]

TRANSOCEAN INC.

1.50% SERIES C CONVERTIBLE SENIOR NOTE DUE DECEMBER 15, 2037

This Security is one of a duly authorized issue of senior securities of the Company issued and to be issued in one or more series under an Indenture, dated as of December 11, 2007, as amended by the First Supplemental Indenture thereto dated as of December 11, 2007, and the Second Supplemental Indenture thereto dated as of December 11, 2007 (as so amended, herein called the "Indenture"), between the Company and Wells Fargo Bank, National Association, as trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), or their respective predecessors, as applicable, to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, which is initially in the aggregate principal amount of $2,200,000,000.00. As used herein, the term "Securities" means securities of the series designated on the face hereof except that, where the context requires that such term be construed as including another series of securities (*e.g.*, where phrases such as "Securities of each series" or "Securities of any series" or similar phrases are used), the term "Securities" means securities of any series issued or to be issued under the Indenture.

The Company may, without the consent of the existing holders of the Securities, issue additional Securities having the same ranking and the same interest rate, maturity and other terms as the Securities. Any additional Securities having such similar terms, together with the Securities, will constitute a single series of Securities under the Indenture.

Interest

The rate at which this Security shall bear interest shall be 1.50% per annum. The date from which interest shall accrue for this Security shall be December 11, 2007. The Interest Payment Dates on which interest on this Security shall be payable are June 15 and December 15 of each year, commencing on June 15, 2008. The Regular Record Date for the interest payable on this Security on any Interest Payment Date shall be the June 1 or December 1, as the case may be, immediately preceding such Interest Payment Date. Interest will cease to accrue on this Security upon its maturity, conversion, purchase by the Company at the option of a holder or redemption.

Method of Payment

Payments in respect of principal of and interest, if any, on the Securities shall be made by the Company in immediately available funds.

Optional Redemption

No sinking fund is provided for the Securities of this series. After December 20, 2012, the Securities of this series are redeemable as a whole, or from time to time in part, at any time at the option of the Company at a redemption price (the "Redemption Price") equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Redemption Date. However, if the Redemption Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Redemption Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Redemption Price.

If the Company redeems less than all of the outstanding Securities, the Trustee will select the Securities to be redeemed (i) by lot, (ii) pro rata or (iii) by any other method the Trustee considers fair and appropriate. If the Trustee selects a portion of a Holder's Securities for partial redemption and the Holder converts a portion of the same Securities, the converted portion will be deemed to be from the portion selected for redemption.

Notice of Redemption

Notice of redemption will be mailed by first-class mail at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at its registered address. Securities in denominations larger than $1,000 Principal Amount may be redeemed in part, but only in whole multiples of $1,000. On and after the Redemption Date, subject to the deposit with the Paying Agent of funds sufficient to pay the Redemption Price, interest ceases to accrue on Securities or portions thereof called for redemption.

Purchase of Securities at Option of Holder Upon a Fundamental Change

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase all or any part specified by the Holder (so long as the Principal Amount of such part is $1,000 or an integral multiple of $1,000 in excess thereof) of the Securities held by such Holder on a date selected by the Company that is not less than 20 days and not more than 35 days after the occurrence of a Fundamental Change (or a longer period if required by law), at a Fundamental Change Purchase Price equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Fundamental Change Purchase Date. However, if the Fundamental Change Purchase Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Interest Payment Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Fundamental Change Purchase Price. The Holder shall have the right to withdraw any Fundamental Change Purchase Notice (in whole or in a portion thereof that is $1,000 Principal Amount or an integral multiple of $1,000 in excess thereof) at any time prior to the close of business on the Business Day prior to the Fundamental Change Purchase Date by delivering a written notice of withdrawal to the Paying Agent in accordance with the terms of the Indenture.

Conversion

A Holder of a Security may convert the Principal Amount of such Security (or any portion thereof equal to a Principal Amount of $1,000 or any integral multiple of a Principal Amount of $1,000 in excess thereof) into, for each $1,000 Principal Amount of Securities converted, cash and Ordinary Shares, if any, equal to the sum of the Daily Settlement Amounts (such sum, the "Conversion Proceeds") for each of the 20 VWAP Trading Days during the relevant Conversion Period, at any time during the periods described below at the Conversion Rate then in effect; *provided*, *however*, that the Company will deliver cash in lieu of fractional shares (including, without limitation, by check or wire transfer) based upon the VWA Price on the last VWAP Trading Day in the Conversion Period as described in the Indenture. The Securities may be converted during any period in which one of the following conditions is satisfied:

(a) *Conversion Based on Ordinary Share Price*. During any calendar quarter commencing at any time after March 31, 2008, and only during such calendar quarter, if the Last Reported Sale Price for at least 20 Trading Days in the period of 30 consecutive Trading Days ending on the last Trading Day of the preceding calendar quarter exceeds 130% of the Conversion Price per share on the last day of such preceding calendar quarter. The Company will determine at the beginning of each calendar quarter commencing at any time after March 31, 2008 whether the Securities are convertible as a result of the price of the Ordinary Shares and shall promptly notify the Trustee and the Conversion Agent thereof. Upon determining that the Holders are entitled to convert their Securities in accordance with this subsection (a), the Company will promptly (1) issue a press release and use its reasonable efforts to post such information on its website or otherwise publicly disclose this information or (2) provide notice to the Holders in a manner contemplated by the Indenture, including through the facilities of DTC. "Last Reported Sale Price" on any date means the closing sale price per Ordinary Share (or if no closing sale price is reported, the average of the bid and asked prices or, if more than one in either case, the average of the average bid and the average asked prices) on that date as reported by the New York Stock Exchange or, if the Ordinary Shares are not listed on the New York Stock Exchange, as reported in composite transactions for the principal U.S. securities exchange on which the Ordinary Shares are traded or, if the Ordinary Shares are not traded on such an exchange, the market value of an Ordinary Share as determined by a nationally recognized independent investment banking firm retained for this purpose by the Company. As referred to in this paragraph, "Conversion Price" means $1,000 divided by the Conversion Rate.

(b) *Conversion Based on Trading Price*. Prior to the Stated Maturity of the Securities, during the five (5) consecutive Business Days immediately after any five (5) consecutive Trading Day period (such five (5) consecutive Trading Day period, the "Note Measurement Period") in which the average Trading Price (calculated using the Trading Price for each of the Trading Days in the Note Measurement Period) per $1,000 Principal Amount of the Securities was equal to or less than ninety-eight percent (98%) of the average Conversion Value during the Note Measurement Period (the "Trading Price Condition"), as determined following a request by a Holder of the Securities in accordance with the procedures described below. The Bid Solicitation Agent shall not have any obligation to determine the Trading Price unless the Company has requested such determination, and the Company shall have no obligation to make such request unless a Holder of at least five million dollars ($5,000,000) in aggregate Principal Amount of the Securities provides the Company with reasonable evidence that the Trading Price per $1,000 Principal Amount of the Securities would be equal to or less than ninety-eight percent (98%) of the Conversion Value. Upon receipt of such evidence, the Company shall instruct the Bid Solicitation Agent to determine the Trading Price per $1,000 Principal Amount of the Securities for each of the five (5) successive Trading Days immediately after the Company receives such evidence and on each Trading Day thereafter until the first Trading Day on which the Trading Price Condition is no longer satisfied. For purposes of this paragraph, the "Conversion Value" per $1,000 Principal Amount of Securities, on a given Trading Day, means the product of the Last Reported Sale Price on such Trading Day and the Conversion Rate in effect on such Trading Day. Promptly after the Securities become convertible into cash and, if applicable, Ordinary Shares in accordance with this clause (b) and promptly after the Securities become no longer so convertible in accordance with this clause (b), the Company shall give the Conversion Agent and the Trustee notice thereof. Upon determining that the Holders are entitled to convert their Securities in accordance with this subsection (b), the Company will promptly (1) issue a press release and use its reasonable efforts to post such information on its website or otherwise publicly disclose this information or (2) provide notice to the Holders in a manner contemplated by the Indenture, including through the facilities of DTC.

Except as described below, the "Trading Price," as referred to in this subsection (b), of the Securities on any day means the average secondary market bid quotations obtained by the Bid Solicitation Agent for $5,000,000 Principal Amount of Securities at approximately 4:00 p.m., New York City time, on such day from three independent nationally recognized securities dealers to be selected by the Company. However, if the Bid Solicitation Agent can reasonably obtain only two such bids, then the average of the two bids will instead be used, and if the Bid Solicitation Agent can reasonably obtain only one such bid, then that one bid will be used. Even still, if on any given day: (a) the Bid Solicitation Agent cannot reasonably obtain at least one bid for $5,000,000 Principal Amount of Securities from an independent nationally recognized securities dealer or (b) in the Company's reasonable, good faith judgment, the bid quotation or quotations that the Bid Solicitation Agent has obtained are not indicative of the secondary market value of the Securities, then the Trading Price per $1,000 Principal Amount of the Securities will be deemed to be less than 98% of the Conversion Value on that day.

(c) *Conversion Upon Occurrence of Specified Corporate Transactions.*

(i) If the Company elects to distribute to all holders of Ordinary Shares (A) rights or warrants entitling them to subscribe for or purchase, for a period expiring within 60 days after the record date for such distribution, Ordinary Shares at less than the Last Reported Sale Price for the five (5) consecutive Trading Days ending on the date immediately preceding the first public announcement of such distribution, or (B) shares of capital stock, evidence of indebtedness or other assets (excluding dividends or distributions described in Sections 11.07(a) and 11.07(b) of the Indenture), which distribution pursuant to clause (B), together with all other distributions within the preceding 12 months (but not including any distributions made prior to December 5, 2007), has a per share value exceeding 15% of the Last Reported Sale Price for the five (5) consecutive Trading Days ending on the date immediately preceding the first public announcement of the distribution, then the Company must notify the Holders at least 25 scheduled Trading Days prior to the Ex-dividend Date for such distribution. Once the Company has given such notice, Holders may surrender their Securities for conversion at any time until the earlier of the close of business on the Business Day prior to the Ex-dividend Date or the day on which any announcement by the Company that such distribution will not take place, even if the Securities are not otherwise convertible at that time. No adjustment to the ability of Holders to convert will be made if Holders are entitled to participate in the distribution without conversion.

(ii) If the Company is a party to a Fundamental Change, at any time from or after the Effective Date (or the date which is 15 days prior to the anticipated effective date of the transaction described in Section 3.12(a)(ii) of the Indenture) until the later of (a) the day before the Fundamental Change Purchase Date and (b) 30 days after the actual effective date of such Fundamental Change. After the Effective Date, settlement of the Conversion Value will be based on the kind and amount of cash, securities or other assets of the Company or another Person that a holder of Ordinary Shares received in such transaction; provided that, for the avoidance of doubt, the Conversion Value will be paid in cash and Reference Property in accordance with the terms of the Indenture. The Company shall give written notice to the Holders and the Trustee and the Conversion Agent of any such Fundamental Change and the anticipated Effective Date, if applicable, and issue a press release providing the same information no later than 15 days prior to the anticipated Effective Date, unless such Fundamental Change is a Fundamental Change described in Section 3.12 (a)(i) or (a)(iii) of the Indenture in which case the Company shall give such notice no later than the later of (x) one business day following the Effective Date or (y) two business days following the date on which officers of the Company first learned of such Fundamental Change following the Effective Date of such Fundamental Change.

(iii) If the Company is party to a combination, merger, recapitalization, reclassification, binding share exchange or similar transaction or sale or conveyance of all or substantially all of the Company's property and assets, in each case pursuant to which the Ordinary Shares would be converted into cash, securities or other property that does not also constitute a Fundamental Change. In such event, a Holder will have the right to convert the Securities at any time beginning 15 days prior to the anticipated effective date of such transaction and ending on the 30th scheduled Trading Day following the effective date of such transaction. The Company shall give written notice to the Holders and the Trustee of any such transaction as promptly as practicable following the date the Company publicly announces the transaction but in no event less than 15 days prior to the anticipated effective date of the transaction.

(d) *Conversion upon Notice of Redemption*. If the Securities have been called for redemption, at any time prior to the close of business on the Business Day immediately preceding the Redemption Date.

(e) *Conversion During Quarter Prior to Stated Maturity.* At any time on or after September 15, 2037 until the close of business on the Business Day immediately preceding the Stated Maturity.

A Security in respect of which a Holder has delivered a Repurchase Notice exercising the option of such Holder to require the Company to purchase such Security may be converted only if such notice of exercise is withdrawn in accordance with the terms of the Indenture. The initial Conversion Rate is 5.9310 Ordinary Shares per $1,000 Principal Amount, subject to adjustment in certain events described in the Indenture.

Securities surrendered for conversion after the close of business on any Regular Record Date immediately preceding any Interest Payment Date and prior to the opening of business of such Interest Payment Date must be accompanied by payment from the Holder of an amount equal to the interest thereon that the registered Holder is to receive from the Company on such Interest Payment Date; *provided, however,* that no such payment need be made (1) if the Company has specified a Fundamental Change Purchase Date following a Fundamental Change that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date, (2) only to the extent of overdue interest, if any overdue interest exists at the date of conversion with respect to a Security, (3) if the Security is surrendered for conversion after the Regular Record Date immediately preceding the Stated Maturity of the Security, or (4) if the Security is surrendered in connection with a call for redemption with a Redemption Date that is after the Regular Record Date and on or prior to the next succeeding Interest Payment Date. Except where Securities surrendered for conversion must be accompanied by payment as described above, no interest on converted Securities will be payable by the Company on any Interest Payment Date subsequent to the date of conversion.

A Holder may convert a portion of a Security if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. No payment or adjustment will be made for dividends on the Ordinary Shares except as provided in the Indenture.

To convert a Security, a Holder must (a) complete and manually sign the conversion notice set forth below and deliver such notice to a Conversion Agent, (b) surrender the Security to the Conversion Agent, (c) furnish appropriate endorsements and transfer documents (including any certification that may be required under applicable law) if required by the Conversion Agent, and (d) pay any transfer or similar tax, if required.

Repurchase by the Company at the Option of the Holder

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, the Securities held by such Holder on December 14, 2012, December 15, 2017, December 15, 2022, December 15, 2027 and December 15, 2032 (each, a "Repurchase Date"), upon delivery of a Repurchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Repurchase Date until the close of business on such Repurchase Date and upon delivery of the Securities to the Paying Agent by the Holder as set forth in the Indenture.

The "Repurchase Price" shall be equal to the Principal Amount plus accrued and unpaid interest up to but excluding the Repurchase Date. If the Repurchase Date is after a Regular Record Date and on or prior to the corresponding Interest Payment Date, the interest will be paid on the Interest Payment Date to the person in whose name the Securities are registered at the close of business on the Regular Record Date and not included in the Repurchase Price.

Holders have the right to withdraw any Repurchase Notice by delivering to the Paying Agent a written notice of withdrawal prior to the close of business on the Repurchase Date in accordance with the provisions of the Indenture.

If cash sufficient to pay the Repurchase Price of all Securities or portions thereof to be purchased as of the Repurchase Date is deposited with the Paying Agent on the Business Day following the Repurchase Date, interest ceases to accrue on such Securities (or portions thereof) on such Repurchase Date, and the Holder thereof shall have no other rights as such (other than the right to receive the Repurchase Price upon surrender of such Security).

Tax Additional Amounts

The Company shall pay any amounts due with respect to the payments on the Security without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (each, a "Withholding Tax") imposed by or for the account of the Cayman Islands or any other jurisdiction in which the Company is resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "Taxing Jurisdiction"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, the Company will (subject to compliance by such Holder with any relevant administrative requirements) pay each Holder such additional amounts ("Tax Additional Amounts") as will result in such Holders receipt of such amounts as it would have received had no such withholding or deduction been required.

If the Taxing Jurisdiction requires the Company to deduct or withhold any Withholding Tax, the Company will (subject to compliance by a Holder with any relevant administrative requirements) pay such Tax Additional Amounts in respect of principal amount, Redemption Price, Repurchase Price and interest (if any) in accordance with the terms of the Security and the Indenture; *provided*, *however*, that the foregoing shall not apply to:

(a) any Withholding Tax which would not be payable or due but for the fact that (1) the Holder of a Security (or a fiduciary, settlor, beneficiary of, member or shareholder of, such Holder, if such Holder is an estate, trust, partnership or corporation) is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the Taxing Jurisdiction or otherwise having some present or former connection with the Taxing Jurisdiction other than the holding or ownership of the Security or the collection of principal amount, Redemption Price, Repurchase Price and Interest (if any), in accordance with the terms of the Security and the Indenture or the enforcement of the Security or (2) where presentation is required, the Security was presented more than 30 days after the date such payment became due or was provided for, whichever is later;

(b) any Withholding Tax attributable to any estate, inheritance, gift, sales, transfer, excise, personal property or similar tax, levy, impost or charge;

(c) any Withholding Tax attributable to any tax, levy, impost or charge which is payable otherwise than by withholding from payment of principal amount, Redemption Price, Repurchase Price and interest (if any);

(d) any Withholding Tax which would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the Holder or beneficial owner of the Security, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such Withholding Tax;

(e) to the extent a Holder is entitled to a refund or credit in such Taxing Jurisdiction of amounts required to be withheld by such Taxing Jurisdiction; or

(f) any combination of the instances described in (a) through (e).

With respect to clause (e), above, in the absence of evidence satisfactory to the Company, the Company may conclusively presume that a Holder of a Security is entitled to a refund or credit of all amounts required to be withheld. The Company shall not be required to pay any Tax Additional Amounts to any Holder of a Security who is a fiduciary or partnership or other than the sole beneficial owner of the Security to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof, would not have been entitled to the payment of such Tax Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder of the Security.

Transfer

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the register of the Securities, upon surrender of this Security for registration or transfer at the office or agency in a Place of Payment for Securities of this series, duly endorsed by, or accompanied by a written instrument of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series, of like tenor and of other authorized denominations and for the same aggregate principal amount, executed by the Company and authenticated and delivered by the Trustee, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations set forth therein and on the face of this Security, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee or any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Amendment, Supplement and Waiver; Limitation on Suits

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Securities of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected (acting as one class). The Indenture also contains provisions permitting the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class), to waive compliance by the Company with certain existing or past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

Subject to the right of the Holder of any Securities of this series to institute proceedings to enforce the Holder's right to receive payment of the principal thereof and interest thereon (or repurchase price thereof) and any Tax Additional Amounts with respect thereto and to receive shares on conversion, no Holder of the Securities of this series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the then Outstanding Securities of this series shall have made written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the then outstanding Securities of this series;

it being understood and intended that no one or more of such Holders shall have the right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

Successor Corporation

When a successor Person assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor Person will (except in certain circumstances specified in the Indenture) be released from those obligations.

Defaults and Remedies

If an Event of Default with respect to Securities of this series shall occur and be continuing, all unpaid Principal Amount plus accrued and unpaid interest through the acceleration date of the Securities of this series may be declared due and payable in the manner and with the effect provided in the Indenture.

No Recourse Against Others

No recourse shall be had for the payment of the principal of or the interest, if any, on this Security, for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture or any indenture supplemental thereto, against any incorporator, shareholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment of penalty or otherwise, all such liability being, by acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Indenture to Control; Governing Law

In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control.

THE INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO THE APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Definitions

All terms defined in the Indenture and used in this Security but not specifically defined herein are used herein as so defined.

CONVERSION NOTICE

To convert this Security into Ordinary Shares of the Company, check box: [ ]

To convert only part of this Security, state the Principal Amount to be converted

(must be $1,000 or a multiple of $1,000): $_____.

If you want the shares registered in another person's name, fill in the form below:

ASSIGNMENT FORM

To assign this Security, fill in the form below and have your signature guaranteed: (I) or (we) assign and transfer this Security to:

_____

(Insert assignee's soc. sec. or tax ID. no.)

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated:

Your Name:

_____

(Print your name exactly as it appears on the face of this Security)

Your Signature:

_____

(Sign exactly as your name appears on the face of this Security)

SIGNATURE GUARANTEE*:

* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guarantee program acceptable to the Trustee.

OPTION OF HOLDER TO ELECT PURCHASE ON FUNDAMENTAL CHANGE

If you want to elect to have this Security purchased, in whole or in part, by the Company pursuant to Section 3.12 of the Indenture, check the following box: ☐

If you want to have only part of this Security purchased by the Company pursuant to Section 3.12 of the Indenture, state the Principal Amount you want to be purchased (must be $1,000 or a multiple of $1,000): $_____

Your Signature:_____ Date:_____

(Sign exactly as your name appears on the other side of this Security)

*Signature guaranteed by:_____

By:_____

* The signature must be guaranteed by an institution which is a member of one of the following recognized signature guaranty programs: (i) the Securities Transfer Agent Medallion Program (STAMP); (ii) the New York Stock Exchange Medallion Program (MSP); (iii) the Stock Exchange Medallion Program (SEMP); or (iv) such other guaranty program acceptable to the Trustee.

1.625% SERIES A CONVERTIBLE SENIOR NOTE DUE DECEMBER 15, 2037

Share Price

Effective Date	$127.25	$130.00	$135.00	$145.00	$155.00	$168.61	$185.00	$200.00	$250.00	$300.00	$400.00	$500.00
December 11, 2007	1.9275	1.8237	1.6421	1.3371	1.0954	0.8440	0.6276	0.4873	0.2399	0.1435	0.0746	0.0475
June 15, 2008	1.9275	1.8192	1.6283	1.3085	1.0566	0.7971	0.5773	0.4379	0.2029	0.1188	0.0628	0.0408
December 15, 2008	1.9061	1.7854	1.5855	1.2521	0.9916	0.7268	0.5076	0.3727	0.1598	0.0920	0.0503	0.0333
June 15, 2009	1.8697	1.7422	1.5313	1.1809	0.9099	0.6395	0.4231	0.2959	0.1141	0.0657	0.0379	0.0256
December 15, 2009	1.8416	1.7043	1.4770	1.1004	0.8125	0.5331	0.3215	0.2067	0.0689	0.0418	0.0260	0.0178
June 15, 2010	1.8424	1.6900	1.4358	1.0113	0.6896	0.3916	0.1910	0.1014	0.0296	0.0211	0.0139	0.0096
December 20, 2010	1.9275	1.7613	1.4764	0.9656	0.5206	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

1.50% SERIES B CONVERTIBLE SENIOR NOTE DUE DECEMBER 15, 2037

Share Price

Effective Date	$127.25	$130.00	$135.00	$145.00	$155.00	$168.61	$185.00	$200.00	$250.00	$300.00	$400.00	$500.00
December 11, 2007	1.9275	1.8326	1.6665	1.3855	1.1601	0.9214	0.7101	0.5684	0.3005	0.1829	0.0902	0.0538
June 15, 2008	1.9275	1.8332	1.6602	1.3683	1.1353	0.8900	0.6752	0.5330	0.2711	0.1616	0.0794	0.0480
December 15, 2008	1.9141	1.8064	1.6275	1.3269	1.0882	0.8392	0.6240	0.4839	0.2348	0.1368	0.0675	0.0414
June 15, 2009	1.8816	1.7698	1.5845	1.2743	1.0298	0.7775	0.5632	0.4267	0.1948	0.1109	0.0555	0.0347
December 15, 2009	1.8508	1.7338	1.5400	1.2170	0.9646	0.7078	0.4946	0.3628	0.1528	0.0851	0.0441	0.0282
June 15, 2010	1.8271	1.7028	1.4973	1.1560	0.8920	0.6283	0.4163	0.2910	0.1095	0.0605	0.0332	0.0217
December 15, 2010	1.8136	1.6788	1.4558	1.0867	0.8045	0.5300	0.3208	0.2063	0.0660	0.0380	0.0227	0.0152
June 15, 2011	1.8257	1.6749	1.4238	1.0052	0.6883	0.3940	0.1939	0.1029	0.0276	0.0190	0.0123	0.0083
December 20, 2011	1.9275	1.7613	1.4764	0.9656	0.5206	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Share Price

Effective Date	$127.25	$130.00	$135.00	$145.00	$155.00	$168.61	$185.00	$200.00	$250.00	$300.00	$400.00	$500.00
December 11, 2007	1.9275	1.8396	1.6844	1.4205	1.2071	0.9786	0.7729	0.6322	0.3548	0.2239	0.1124	0.0664
June 15, 2008	1.9275	1.8417	1.6810	1.4086	1.1892	0.9553	0.7464	0.6047	0.3306	0.2053	0.1023	0.0608
December 15, 2008	1.9173	1.8182	1.6534	1.3748	1.1514	0.9147	0.7053	0.5650	0.2994	0.1827	0.0905	0.0541
June 15, 2009	1.8878	1.7860	1.6169	1.3320	1.1048	0.8660	0.6571	0.5189	0.2649	0.1585	0.0783	0.0473
December 15, 2009	1.8594	1.7543	1.5798	1.2870	1.0549	0.8132	0.6046	0.4691	0.2284	0.1338	0.0664	0.0407
June 15, 2010	1.8357	1.7262	1.5448	1.2413	1.0026	0.7566	0.5480	0.4154	0.1904	0.1089	0.0548	0.0342
December 15, 2010	1.8160	1.7007	1.5100	1.1925	0.9447	0.6929	0.4842	0.3554	0.1503	0.0841	0.0436	0.0279
June 15, 2011	1.8007	1.6778	1.4748	1.1380	0.8777	0.6181	0.4097	0.2865	0.1083	0.0600	0.0329	0.0215
December 15, 2011	1.7951	1.6614	1.4403	1.0745	0.7952	0.5239	0.3174	0.2043	0.0657	0.0378	0.0226	0.0150
June 15, 2012	1.8158	1.6656	1.4154	0.9987	0.6835	0.3910	0.1925	0.1023	0.0275	0.0188	0.0121	0.0081
December 20, 2012	1.9275	1.7613	1.4764	0.9656	0.5206	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Exhibit 10.25

BASE SALARIES OF NAMED EXECUTIVE OFFICERS

Named Executive Officer	Base Salary
Robert L. Long *Chief Executive Officer*	$925,000
Jean P. Cahuzac *Executive Vice President, Assets*	$550,000
Steven L. Newman *Executive Vice President, Performace*	$465,000
Gregory L. Cauthen *Senior Vice President and Chief Financial Officer*	$410,000
Eric B. Brown *Senior Vice President and General Counsel*	$390,000

SUBSIDIARIES OF TRANSOCEAN INC.

Name	***Jurisdiction***	***Percent Owned***
15375 Memorial Corporation	Delaware	100.00%
Agua Profundas Limitada	Angola	60.00%
Applied Drilling Technology Inc.	Texas	100.00%
Arcade Drilling AS	Norway	100.00%
Ashgrove Carriers Ltd.	Liberia	50.00%
Blegra Asset Holdings Limited	Cyprus	100.00%
Blegra Asset Management Limited	Cyprus	100.00%
Blegra Financing Limited	Cyprus	100.00%
Blegra Holdings Limited	Cyprus	100.00%
Campeche Drilling Services Inc.	Delaware	100.00%
Caspian Sea Ventures International Ltd.	British Virgin Islands	100.00%
Challenger Minerals (Accra) Inc.	Cayman Islands	100.00%
Challenger Minerals (Celtic Sea) Limited	British Virgin Islands	100.00%
Challenger Minerals (Nigeria) Limited	NIgeria	100.00%
Challenger Minerals (North Sea) Limited	Scotland	100.00%
Challenger Minerals Inc.	California	100.00%
Cliffs Drilling do Brasil Servicos de Petroleo S/C Ltda.	Brazil	100.00%
Covent Garden - Serviços e Marketing Sociedade Unipessoal Lda	Portugal	100.00%
Deepwater Drilling II L.L.C.	Delaware	100.00%
Deepwater Drilling L.L.C.	Delaware	100.00%
Deepwater Pacific 1 Inc.	British Virgin Islands	50.00%
Deepwater Pacific 2 Inc.	British Virgin Islands	50.00%
Eaton Industries of Houston, Inc.	Texas	100.00%
Elder Trading Co.	Liberia	50.00%
Entities Holdings, Inc.	Delaware	100.00%
Falcon Atlantic Ltd.	Cayman Islands	100.00%
Global Marine Inc.	Delaware	100.00%
Global Offshore Drilling Limited	Nigeria	70.00%
GlobalSantaFe (Africa) Inc.	Cayman Islands	100.00%
GlobalSantaFe (Labuan) Inc.	Malaysia	100.00%
GlobalSantaFe (Norge) AS	Norway	100.00%
GlobalSantaFe AG	Switzerland	97.00%
GlobalSantaFe Arctic Ltd.	Canada	100.00%
GlobalSantaFe B.V.	Netherlands	100.00%
GlobalSantaFe Beaufort Sea Inc.	Delaware	100.00%
GlobalSantaFe C.R. Luigs Limited	England	100.00%
GlobalSantaFe Campeche Holdings LLC	Delaware	100.00%
GlobalSantaFe Caribbean Inc.	California	100.00%
GlobalSantaFe Communications, Inc.	Delaware	100.00%
GlobalSantaFe Corporate Services Inc.	Delaware	100.00%
GlobalSantaFe de Venezuela Inc.	Delaware	100.00%
GlobalSantaFe Deepwater Drilling LLC	Delaware	100.00%
GlobalSantaFe Denmark Holdings ApS	Denmark	100.00%
GlobalSantaFe Development Inc.	California	100.00%
GlobalSantaFe do Brasil Ltda.	Brazil	100.00%

SUBSIDIARIES OF TRANSOCEAN INC.

GlobalSantaFe Drilling (N.A.) N.V.	Netherlands Antilles	100.00%
GlobalSantaFe Drilling (South Atlantic) Inc.	British Virgin Islands	100.00%
GlobalSantaFe Drilling Company	Delaware	100.00%
GlobalSantaFe Drilling Company (Canada) Limited	Nova Scotia	100.00%
GlobalSantaFe Drilling Company (North Sea) Limited	England	100.00%
GlobalSantaFe Drilling Company (Overseas) Limited	England	100.00%
GlobalSantaFe Drilling Mexico, S. de R.L. de C.V.	Mexico	100.00%
GlobalSantaFe Drilling Operations Inc.	Cayman Islands	100.00%
GlobalSantaFe Drilling Services (North Sea) Limited	England	100.00%
GlobalSantaFe Drilling Trinidad LLC	Delaware	100.00%
GlobalSantaFe Drilling U.K. Limited	Scotland	100.00%
GlobalSantaFe Drilling Venezuela, C.A.	Venezuela	100.00%
GlobalSantaFe Financial Services (Luxembourg) S.a.r.l.	Luxembourg	100.00%
GlobalSantaFe GOM Services Inc.	British Virgin Islands	100.00%
GlobalSantaFe Group Financing Limited Liability Company	Hungary	100.00%
GlobalSantaFe Holding Company (North Sea) Limited	England	100.00%
GlobalSantaFe Hungary Services Limited Liability Company	Hungary	100.00%
GlobalSantaFe International (Canada) Drilling Company	Nova Scotia	100.00%
GlobalSantaFe International Drilling Corporation	Bahamas	100.00%
GlobalSantaFe International Drilling Inc.	British Virgin Islands	100.00%
GlobalSantaFe International Services Inc.	Panama	100.00%
GlobalSantaFe Leasing Corporation	Bahamas	100.00%
GlobalSantaFe Leasing Limited	British Virgin Islands	100.00%
GlobalSantaFe Mexico Holdings LLC	Delaware	100.00%
GlobalSantaFe Nederland B.V.	Netherlands	100.00%
GlobalSantaFe North Sea Limited	Bahamas	100.00%
GlobalSantaFe Offshore Services Inc.	Cayman Islands	100.00%
GlobalSantaFe Onshore Services Limited	Scotland	100.00%
GlobalSantaFe Operations (Australia) Pty Ltd	Australia	100.00%
GlobalSantaFe Operations (BVI) Inc.	British Virgin Islands	100.00%
GlobalSantaFe Operations (Mexico) LLC	Delaware	100.00%
GlobalSantaFe Operations Inc.	Cayman Islands	100.00%
GlobalSantaFe Overseas Limited	Bahamas	100.00%
GlobalSantaFe Saudi Arabia Ltd.	British Virgin Islands	100.00%
GlobalSantaFe Services (BVI) Inc.	British Virgin Islands	100.00%
GlobalSantaFe Services (Egypt) LLC	Egypt	100.00%
GlobalSantaFe Services Netherlands B.V.	Netherlands	100.00%
GlobalSantaFe Servicios de Venezuela, C.A.	Venezuela	100.00%
GlobalSantaFe South America LLC	Delaware	100.00%
GlobalSantaFe Southeast Asia Drilling Pte. Ltd.	Singapore	100.00%
GlobalSantaFe Tampico, S. de R.L. de C.V.	Mexico	100.00%
GlobalSantaFe Technical Services Egypt LLC	Egypt	100.00%
GlobalSantaFe Techserv (North Sea) Limited	England	100.00%
GlobalSantaFe U.S. Drilling Inc.	Delaware	100.00%
GlobalSantaFe U.S. Holdings Inc.	Delaware	100.00%
GlobalSantaFe West Africa Drilling Limited	Bahamas	100.00%
GSF Caymans Holdings Inc.	Cayman Islands	100.00%

SUBSIDIARIES OF TRANSOCEAN INC.

Hellerup Finance International Ltd.	Ireland	100.00%
Intermarine Services (International) Limited	Bahamas	100.00%
Intermarine Services Inc.	Texas	100.00%
Intermarine Serviços Petroliferos Ltda.	Brazil	100.00%
International Chandlers, Inc.	Texas	100.00%
Key Perfuracoes Maritimas Limitada	Brazil	100.00%
MSF Offshore Services India Private Limited	India	100.00%
NRB Drilling Services Limited	Nigeria	60.00%
Oilfield Services, Inc.	Cayman Islands	100.00%
Overseas Drilling Ltd.	Cayman Islands	50.00%
P.T. Santa Fe Supraco Indonesia	Indonesia	95.00%
Platform Capital N.V.	Netherlands Antilles	100.00%
Platform Financial N.V.	Netherlands Antilles	100.00%
PT Hitek Nusantara Offshore Drilling	Indonesia	80.00%
PT Transocean Indonesia	Indonesia	100.00%
R&B Falcon (A) Pty Ltd	Australia	100.00%
R&B Falcon (Caledonia) Ltd.	England	100.00%
R&B Falcon (Ireland) Limited	Ireland	100.00%
R&B Falcon (U.K.) Ltd.	England	100.00%
R&B Falcon B.V.	Netherlands	100.00%
R&B Falcon Deepwater (UK) Limited	England	100.00%
R&B Falcon Drilling (International & Deepwater) Inc. LLC	Delaware	100.00%
R&B Falcon Drilling Co. LLC	Oklahoma	100.00%
R&B Falcon Drilling Limited, LLC	Oklahoma	100.00%
R&B Falcon Exploration Co. LLC	Oklahoma	100.00%
R&B Falcon International Energy Services B.V.	Netherlands	100.00%
R&B Falcon Offshore Limited, LLC	Oklahoma	100.00%
R&B Falcon, Inc. LLC	Oklahoma	100.00%
RB Mediterranean Ltd.	Cayman Islands	100.00%
RBF (Nigeria) Limited	Nigeria	100.00%
RBF Drilling Co. LLC	Oklahoma	100.00%
RBF Drilling Services, Inc. LLC	Oklahoma	100.00%
RBF Exploration LLC	Delaware	100.00%
RBF Finance Co.	Delaware	100.00%
RBF Rig Corporation, LLC	Oklahoma	100.00%
RBF Servicos Angola, Limitada	Angola	100.00%
Reading & Bates Coal Co., LLC	Nevada	100.00%
Reading & Bates-Demaga Perfuracoes Ltda.	Brazil	100.00%
Resource Rig Supply Inc.	Delaware	100.00%
Ranger Insurance Limited	Cayman Islands	100.00%
Santa Fe Braun Inc.	Delaware	100.00%
Santa Fe Construction Company	Delaware	100.00%
Santa Fe Drilling (Nigeria) Limited	Nigeria	60.00%
Santa Fe Drilling Company (U.K.) Limited	England	100.00%
Santa Fe Drilling Company of Venezuela, C.A.	California	100.00%
Santa Fe Servicos de Perfuracao Limitada	Brazil	100.00%
Saudi Drilling Company Limited	Saudi Arabia	100.00%

SUBSIDIARIES OF TRANSOCEAN INC.

SDS Offshore Ltd.	U.K.	100.00%
Sedco Forex Corporation	Delaware	100.00%
Sedco Forex Holdings Limited	British Virgin Islands	100.00%
Sedco Forex International Drilling, Inc.	Panama	100.00%
Sedco Forex International Services, S.A.	Panama	100.00%
Sedco Forex International, Inc.	Panama	100.00%
Sedco Forex of Nigeria Limited	Nigeria	60.00%
Sedco Forex Technology, Inc.	Panama	100.00%
Sedneth Panama S.A.	Panama	100.00%
Sefora Maritime Ltd.	British Virgin Islands	100.00%
Services Petroliers Sedco Forex	France	100.00%
Shore Services, LLC	Texas	100.00%
Sonat Brasocean Servicos de Perfuracoes Ltda.	Brazil	100.00%
Sonat Offshore do Brasil Perfuracoes Maritimos Ltda.	Brazil	100.00%
Sonat Offshore S.A.	Panama	100.00%
T.I. Internationa Mexico S. de R.L. de C.V.	Mexico	100.00%
Transocean (Mediterranean & Red Sea) Drilling Limited	Cayman Islands	100.00%
Transocean Alaskan Ventures Inc.	Delaware	100.00%
Transocean Asie Services Sdn Bhd.	Malaysia	100.00%
Transocean Benefit Services SRL	Barbados	100.00%
Transocean Brasil Ltda.	Brazil	100.00%
Transocean Canada Co.	Nova Scotia	100.00%
Transocean Construction Management Ltd.	Cayman Islands	100.00%
Transocean Cunningham LLC	Delaware	100.00%
Transocean Deepwater Frontier Limited	Cayman Islands	100.00%
Transocean Deepwater Holdings Limited	Cayman Islands	100.00%
Transocean Deepwater Inc.	Delaware	100.00%
Transocean Deepwater Nautilus Limited	Cayman Islands	100.00%
Transocean Deepwater Pathfinder Limited	Cayman Islands	100.00%
Transocean Discoverer 534 LLC	Delaware	100.00%
Transocean Drilling (Nigeria) Ltd.	Nigeria	100.00%
Transocean Drilling (U.S.A.) Inc.	Texas	100.00%
Transocean Drilling Ltd.	U.K.	100.00%
Transocean Drilling Sdn. Bhd.	Malaysia	100.00%
Transocean Drilling Services Inc.	Delaware	100.00%
Transocean Eastern Pte Ltd	Singapore	100.00%
Transocean Enterprise Inc.	Delaware	100.00%
Transocean Europe Holdings Limited	Cayman Islands	100.00%
Transocean Europe Ventures Holdings Limited	Cayman Islands	100.00%
Transocean Finance Limited	Cayman Islands	100.00%
Transocean Holdings LLC	Delaware	100.00%
Transocean I AS	Norway	100.00%
Transocean International Drilling Limited	Cayman Islands	100.00%
Transocean International Drilling, Inc.	Delaware	100.00%
Transocean International Resources Limited	British Virgin Islands	100.00%
Transocean Investimentos Ltda.	Brazil	100.00%
Transocean Investments S.a.r.l.	Luxembourg	100.00%

SUBSIDIARIES OF TRANSOCEAN INC.

Transocean Jupiter LLC	Delaware	100.00%
Transocean LR34 LLC	Delaware	100.00%
Transocean Management Inc.	Delaware	100.00%
Transocean Mediterranean LLC	Delaware	100.00%
Transocean Nautilus Limited	Cayman Islands	100.00%
Transocean Offshore (Cayman) Inc.	Cayman Islands	100.00%
Transocean Offshore (North Sea) Limited	Cayman Islands	100.00%
Transocean Offshore (U.K.) Inc.	Delaware	100.00%
Transocean Offshore Canada Services Ltd.	Alberta	100.00%
Transocean Offshore Caribbean Sea, L.L.C.	Delaware	100.00%
Transocean Offshore D.V. Inc	Delaware	100.00%
Transocean Offshore Deepwater Drilling Inc.	Delaware	100.00%
Transocean Offshore Deepwater Holdings Limited	Cayman Islands	100.00%
Transocean Offshore Drilling Limited	U.K.	100.00%
Transocean Offshore Drilling Services, LLC	Delaware	100.00%
Transocean Offshore Europe Limited	Cayman Islands	100.00%
Transocean Offshore Holdings Limited	Cayman Islands	100.00%
Transocean Offshore International Limited	Cayman Islands	100.00%
Transocean Offshore International Ventures Limited	Cayman Islands	100.00%
Transocean Offshore Limited	Cayman Islands	100.00%
Transocean Offshore Nigeria Ltd.	Nigeria	100.00%
Transocean Offshore Norway Inc.	Delaware	100.00%
Transocean Offshore Services Ltd.	Cayman Islands	100.00%
Transocean Offshore USA Inc.	Delaware	100.00%
Transocean Offshore Ventures Inc.	Delaware	100.00%
Transocean Pacific Drilling Holdings Limited	Cayman Islands	100.00%
Transocean Pacific Drilling Inc.	British Virgin Islands	50.00%
Transocean Payroll Services SRL	Barbados	100.00%
Transocean Perfuracoes Ltda.	Brazil	100.00%
Transocean Richardson LLC	Delaware	100.00%
Transocean Sedco Forex Ventures Limited	Cayman Islands	100.00%
Transocean Services AS	Norway	100.00%
Transocean Services UK Ltd.	U.K.	100.00%
Transocean Seven Seas LLC	Delaware	100.00%
Transocean Support Services Limited	Cayman Islands	100.00%
Transocean Support Services Nigeria Ltd.	Nigeria	100.00%
Transocean Support Services Pvt. Ltd.	India	100.00%
Transocean Technical Services Inc.	Panama	100.00%
Transocean Treasury Services SRL	Barbados	100.00%
Transocean UK Limited	U.K.	100.00%
Transocean Worldwide Inc.	Cayman Islands	100.00%
Triton Asset Limited	Cayman Islands	100.00%
Triton Asset Management Limited	Cayman Islands	100.00%
Triton Drilling Limited	Cayman Islands	100.00%
Triton Drilling Mexico LLC	Delaware	100.00%
Triton Financing Kft.	Hungary	100.00%
Triton Holdings Limited	British Virgin Islands	100.00%

SUBSIDIARIES OF TRANSOCEAN INC.

Triton Hungary Asset Management Kft.	Hungary	100.00%
Triton Hungary Investments 1 Kft.	Hungary	100.00%
Triton Hungary Investments 2 Kft.	Hungary	100.00%
Triton Industries, Inc.	Panama	100.00%
Triton Management Services Kft.	Hungary	100.00%
Triton Nautilus Asset Management Kft.	Hungary	100.00%
Triton Offshore Leasing Services Limited	Labuan, Malaysia	100.00%
Triton Pacific Limited	U.K.	100.00%
Turnkey Ventures de Mexico Inc.	Delaware	100.00%
Wilrig Drilling (Canada) Inc.	Canada	100.00%
Wilrig Offshore (UK) Ltd.	U.K.	100.00%

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of Transocean Inc.:

(1) Registration Statement (Form S-3 No. 333-58604),
(2) Registration Statement (Form S-4 No. 333-46374 as amended by Post- Effective Amendments on Form S-8 and Form S-3),
(3) Registration Statement (Form S-4 No. 333-54668 as amended by Post-Effective Amendments on Form S-8 and Form S-3),
(4) Registration Statement (Form S-8 No. 033-64776),
(5) Registration Statement (Form S-8 No. 033-66036),
(6) Registration Statement (Form S-8 No. 333-12475),
(7) Registration Statement (Form S-8 No. 333-58211),
(8) Registration Statement (Form S-8 No. 333-58203),
(9) Registration Statement (Form S-8 No. 333-94543),
(10) Registration Statement (Form S-8 No. 333-94569),
(11) Registration Statement (Form S-8 No. 333-94551),
(12) Registration Statement (Form S-8 No. 333-75532),
(13) Registration Statement (Form S-8 No. 333-75540),
(14) Registration Statement (Form S-8 No. 333-106026),
(15) Registration Statement (Form S-8 No. 333-115456),
(16) Registration Statement (Form S-8 No. 333-130282),
(17) Registration Statement (Form S-8 No. 333-147669),
(18) Registration Statement (Form S-8 No. 333-147670), and
(19) Registration Statement (Form S-3 No. 333-147785);

of our reports dated February 27, 2008, with respect to the consolidated financial statements and schedule of Transocean Inc. and Subsidiaries, and the effectiveness of internal control over financial reporting of Transocean Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

/s/ Ernst & Young LLP

Houston, Texas
February 27, 2008

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the12th day of February, 2008.

By: /s/ W. Richard Anderson

Name: **W. RICHARD ANDERSON**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the12th day of February, 2008.

By: /s/ J. Michael Talbert

Name: **J. MICHAEL TALBERT**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Thomas W. Cason

Name: **THOMAS W. CASON**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Richard L. George

Name: **RICHARD L. GEORGE**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Victor E. Grijalva
Name: **VICTOR E. GRIJALVA**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the12th day of February, 2008.

By: /s/ Jon A. Marshall

Name: **JON A. MARSHALL**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Martin B. McNamara
Name: **MARTIN B. MCNAMARA**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Edward R. Muller
Name: **EDWARD R. MULLER**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Robert E. Rose
Name: **ROBERT E. ROSE**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Kristian Siem
Name: **KRISTIAN SIEM**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Robert M. Sprague
Name: **ROBERT M. SPRAGUE**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ Ian C. Strachan
Name: **IAN C. STRACHAN**

TRANSOCEAN INC.

Power of Attorney

WHEREAS, TRANSOCEAN INC., a Cayman Islands company (the "Company"), intends to file with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder, an Annual Report on Form 10-K for the fiscal year ended December 31, 2007 of the Company, together with any and all exhibits, documents and other instruments and documents necessary, advisable or appropriate in connection therewith, including any amendments thereto (the "Form 10-K");

NOW, THEREFORE, the undersigned, in his capacity as a director or officer or both, as the case may be, of the Company, does hereby appoint Robert L. Long, Gregory L. Cauthen, Eric B. Brown, Chipman Earle and John H. Briscoe, and each of them severally, his true and lawful attorney or attorneys with power to act with or without the other, and with full power of substitution and resubstitution, to execute in his name, place and stead, in his capacity as director, officer or both, as the case may be, of the Company, the Form 10-K and any and all amendments thereto, including any and all exhibits and other instruments and documents said attorney or attorneys shall deem necessary, appropriate or advisable in connection therewith, and to file the same with the Commission and to appear before the Commission in connection with any matter relating thereto. Each of said attorneys shall have full power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act whatsoever necessary or desirable to be done in the premises, as fully and to all intents and purposes as the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts that said attorneys and each of them, or their or his substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this power of attorney as of the 12th day of February, 2008.

By: /s/ John L. Whitmire
Name: **JOHN L. WHITMIRE**

Exhibit 31.1

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert L. Long, certify that:

1. I have reviewed this report on Form 10-K of Transocean Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

/s/ Robert L. Long
Robert L. Long
Chief Executive Officer

Exhibit 31.2

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Gregory L. Cauthen, certify that:

1. I have reviewed this report on Form 10-K of Transocean Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2008

/s/ Gregory L. Cauthen
Gregory L. Cauthen
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Robert L. Long, Chief Executive Officer of Transocean Inc., a Cayman Islands company (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Annual Report on Form 10-K for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 27, 2008

/s/ Robert L. Long

Name: Robert L. Long
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Gregory L. Cauthen, Senior Vice President and Chief Financial Officer of Transocean Inc., a Cayman Islands company (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Annual Report on Form 10-K for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:February 27, 2008

/s/ Gregory L. Cauthen

Name: Gregory L. Cauthen
Senior Vice President and
Chief Financial Officer